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# Senate

The Senate met at 12:01 p.m. and was called to order by the President pro tempore [Mr. THURMOND].

## PRAYER

The Chaplain, Dr. Lloyd John Ogilvie, offered the following prayer:

Almighty God, we praise You for great Senators in each period of our Nation's history. And the Senate of the 106th Congress is certainly no exception. Thank you for our Senators who love You, seek Your best for our Nation, and are indefatigable in their efforts to lead with courage and vision. Over the years, You have impacted their consciences with Your Ten Commandments, Your truth, the guidance of Your Spirit, and vision for this Nation so clearly enabled by our founding fathers and mothers. Daily, refine their consciences. Purify them until they reflect the pure gold of Your character and Your priorities of righteousness, justice, and mercy. Then may their consciences guide their convictions, and may they always have the courage of these sacred convictions.

What we pray for the Senators we ask for the entire Senate family. May we all be one in asking You to develop in us a conscience saturated by Your absolutes and shaped by Your authority. To this end, Senators and all staff join in rededicating our lives to glorify You by serving our Nation. Amen.

## PLEDGE OF ALLEGIANCE

The Honorable STROM THURMOND, a Senator from the State of South Carolina, 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.

## RECOGNITION OF THE ACTING MAJORITY LEADER

The PRESIDENT pro tempore. The able Senator from Alaska is recognized.

## SCHEDULE

Mr. STEVENS. Mr. President, today by previous order the Senate will begin 1 hour of morning business to be followed by 2 hours of debate on S. 335, the Deceptive Mail Prevention and Enforcement Act regarding sweepstakes. The first rollcall vote today will occur at 5:30 p.m. on passage of the sweepstakes legislation. At 3 p.m. today, the Senate will resume consideration of the Agriculture appropriations bill. It is hoped that Senators who have amendments will work with the bill managers to schedule time to debate those amendments. Additional votes beyond the 5:30 vote could occur relative to the Agriculture appropriations bill. It is the intention of the majority leader to complete action on as many appropriations bills as possible before the August recess. Therefore, Senators should be prepared to vote into the evenings throughout this whole week.

I thank my colleagues for their attention.

I yield the floor.

## MORNING BUSINESS

The PRESIDENT pro tempore. The able Senator from North Dakota is recognized.

Mr. DORGAN. Mr. President, I ask unanimous consent to speak for 10 minutes in morning business under the time allocated to Senator DASCHLE.

The PRESIDENT pro tempore. Without objection, it is so ordered.

(Mr. STEVENS assumed the chair.)

## FAMILY FARMING IN AMERICA

Mr. DORGAN. Mr. President, this afternoon at 3 o'clock we will begin debate on a farm disaster relief plan that will be offered by Senator HARKIN, myself, Senators CONRAD, DASCHLE, and others. I think this will be, for those of us from farm country, one of the most important pieces of legislation addressed by this Congress this year. I know that unless one lives on a family farm, it is probably pretty hard to describe the farm crisis, but I thought I would read a couple letters from my constituents in North Dakota.

Before I do, I am reminded of the story the former chairman of the House Agriculture Committee used to tell. Kika de la Garza was his name. He used to talk about agriculture and food by telling a story about nuclear submarines. He said he met with all these folks from the Defense Department and they told him about the wonders of these nuclear submarines the United States had. They told him about all of their provisions and all their fuel and their capabilities and their speed and their distance. And he said, well, how long can a nuclear submarine stay under the sea? And the admiral says: Until the food runs out. It was Kika de la Garza's way of pointing out that food, after all, is the essence of most of our existence, and we are a world, a rather fragile, large globe—as seen by the astronauts who leave our Earth and go into space—of diverse interests, diverse people.

However, one thing that seems constant in this world is that we read that so many people go to bed hungry—especially children, but so many people across the world go to bed hungry. Somewhere around half a billion people go to bed with a serious ache in their belly because they do not have anything to eat. Malnutrition and lack of good nutrition among billions of others exists around the world.

Then we go to the farm belt in the United States where a family is struggling to make a living on the family farm and find that its farmer loaded some grain on the truck and took it to the elevator and the grain trade said to the farmer: Your food does not have any value. Our grain trade assesses the value of your food as relatively meaningless. The farmer wonders about that because we live in such a hungry world. How could it be that what we produce in such abundance has no value?

● This "bullet" symbol identifies statements or insertions which are not spoken by a Member of the Senate on the floor.



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That is what our farmers wonder. Let me talk just about these farmers in the context of their words. This is a letter from a woman in the central part of our State whose family farms; she farms. Here is the kind of plaintive cry that exists from a proud and hard-working people in our country, family farmers who take enormous risks, risk everything they have to try to make a living with seeds they plant in the ground. They do not know whether they will grow; they do not know whether the natural disasters will occur—insects and hail and rain too much, too little. They don't know what will happen with this money they have invested in the soil. If they finally get their crop and they escape all of those problems, they get the crop off the ground and take it to the elevator, they don't know whether there will be a price that allows them to get a return for that crop.

Those are the kinds of people who live on our family farms. They are the people who create the backbone of our society in our country. They are the people who together build a small community where they trade and do business. They build our churches in those communities. They create charities. They do the things together in a community that we forget about sometimes in our country. What is it that makes this country work at its roots? It is entrepreneurship, it is family farming, it is a sense of community, and it is a sense of sharing.

Here is a family farm. This woman says in her letter to me:

> We aren't asking for a free ride, just the possibility of surviving. We are private people and we bear our pain alone, and we don't discuss the true situation out here on the family farm with anybody. Our neighbors are all in the same shape. The spirit of North Dakota will be gone with these people and their farms. We cannot survive without a reasonable income. How much longer will it be before people understand that we are trying to feed our family, and pay for basic necessities? But with today's income we are not saving money for retirement. We are not going on trips. We are not enjoying any of the fruits from our labor. We are slowly but surely going broke.

A man who lives in southeastern North Dakota on the family farm says:

> It sometimes brings a tear to my eye that maybe in a year, maybe two years, I will not be around in family farming to matter anymore. This won't be easy to explain to my three young daughters. This is where I wanted to bring them up, in a rural setting of life that I was used to and that I understand. If it happens, I hope they read in their history books that it wasn't because their dad was a dumb man. It was because it was caused by policy and giant concentration of companies who want dominance.

Or, from a woman named Susan, whose letter I have read previously on this floor. She lost her husband, and she had to sell their family farm. Prices had collapsed.

> I had an auction last week to sell the machinery so that I could help pay off some of the debts that incurred after 26 years of farming. I have a 17-year-old son who would not help me prepare for auction and did not even get out of bed the day of the auction sale because he is so heartbroken that he cannot continue to farm this land.

This is a 17-year-old boy who is not a bad boy. It is just that he couldn't get out of bed to watch the auction sale of his farm because he couldn't bear to see the loss of his dream and his families' dream. He wanted to be a farmer as well.

She said:

> My husband was an excellent manager, fully educated. He chose to farm rather than live in a big city. He had a job once with Motorola. He wanted to raise his children in a place with clean air, no crime, and good schools. He worked very hard physically and emotionally to make this farm work. And its failure was no fault of his. Something is seriously wrong with our country when we will sacrifice the family farm for a political system and an entire way of life for hundreds of years.

Her point is that farmers at this point are not at fault for what is happening. The world is hungry. Most people need food. We raise it in great abundance, and family farmers are told that what they produce doesn't matter.

I would like to use a couple of charts that show the dilemma that family farmers are facing not only in my State but around the country.

I show this chart because some people might wonder, well, what is all this farm crisis about? I ask anyone who looks at this chart—this chart shows prices received by farmers for wheat. Most of the farmers in my part of the world are wheat farmers. Put minimum wage in this chart, if this had happened with the minimum wage; put corporate profits on this chart, if this had happened to corporate profits—what do you think the outcry would be? Put congressional salaries on this chart. If this had happened to congressional salaries, what would the outcry be?

This represents the income farmers are receiving from their products when the price of every other thing is increasing. The income received by farmers is collapsing.

For purposes of comparison, let me compare the price of corn and wheat with what farmers received for those commodities during the middle of the Great Depression. With the price adjusted over time, ask yourself: What do farmers get now relative to what they got during the Great Depression?

Take a look at it in 1998. These are the worst farm prices price adjusted for 50 years. Families cannot make a living in this country in these circumstances.

I am tempted to go into a long discussion of so-called Freedom to Farm. I didn't vote for it. It was a terrible piece of farm legislation. Some loved it. Some voted for it. Some still support it. Certainly it has a wonderful name.

It reminds me of the people early on who sold insurance. They called it ''death insurance.'' Many years ago they sold ''death insurance.'' Do you know something? Death insurance didn't have a very good name for it. It didn't sell very well. Nobody wanted to buy death insurance. So what did they do? They changed the name to ''life insurance.'' It is a better sounding name, and it sold much better.

So we had a farm bill called Freedom to Farm. What a nice sounding name with bankrupt policies that said family farming doesn't matter much in whatever the market system says with respect to agriculture.

There has never been a free market in agriculture, and never will be.

Do you think the European countries whose citizens have gone hungry will decide it doesn't matter whether they have family farmers? They will never make that decision. They will always have a farm program that insists on price supports for families on the farms in Europe.

The point is that this country has decided by itself that family farming as a concept doesn't matter to its future; that whatever the market decides is what our future shall be. If the market decides that corporate farms shall farm from California to Maine, so be it.

The problem with that is that all across this country we will have yardlights turned off and families leaving the farm. The economic arteries that they provide to the small towns will be closed and dried up, and those small towns will be boarded up. The people will be leaving small towns. We will see the collapse, the total collapse, of a rural lifestyle.

The author Critchfield, who was a wonderful, world-wide, world-renown author, who actually grew up in Fargo, ND, said that family values have always been nurtured on the family farms in this country, and the refreshing small towns rolled to the cities from many family farms. It was always a seedbed of family values of nurturing and helping and working together. We will lose all of that because some people say it doesn't matter.

We are having a debate this afternoon at 3 o'clock. It is critically important. This matters more than most people in this country will ever know. I hope that with my colleagues we can easily pass a disaster bill in the first step, and in the second that we can then pass a revision of the underlying farm bill, and say to farmers: You have a future. We want to provide you hope and help because we think you matter to our country.

Mr. President, I yield the floor.

Mrs. LINCOLN. Mr. President, I echo the words of my colleague.

I was raised on and continue to be a part of the seventh generation Arkansas family farm.

I think it is so important that we recognize this is an issue—those from other States, as well as farm States, agricultural-based States—and that we can impress upon our colleagues in Washington, D.C. the crisis that our small rural communities and our farming communities are going through.

I will certainly be joining the Senator later on this afternoon in that debate. We need to impress upon people

that this is an issue for this country. It is not just agriculture; it is a heritage of this country and a heritage of our rural communities.

## SAFE SCHOOLS ACT OF 1999

Mrs. LINCOLN. Mr. President, I rise to speak on what I think is the most critical as well as the most worthy of issues that we should be dealing with in the Senate and the Congress; that is, the emotional well-being of our children. They are truly the fabric of the success of our Nation into the next century.

All too often we have been through incidents such as Jonesboro, AK, as well as Littleton, CO. We like to talk about them and discuss these issues and the crises that are going on in our children's minds and in their souls. But all too often we talk about it, and we seem to forget it. We don't do what we really need to be doing on behalf of our children in this country.

Mr. President, the Safe Schools Act of 1999 will provide resources to public schools so they can remain safe and strong cornerstones of our communities.

As we move into the 21st century, we must adapt our approach to education to meet the changing needs of students, teachers and parents in these communities.

Although I am one of the youngest Members of the Senate, I grew up in Helena, Arkansas during what seemed to be a much simpler time—even though we were in the height of de-segregation in the South.

Our parents pulled together to make everyone's education experience a success. Students came to school prepared to learn. Teachers had control of their classroom. The threat of school violence was virtually non-existent.

Now, more than twenty years later, things are different.

Our children are subjected to unprecedented social stresses including divorce, drug and alcohol abuse, child abuse, poverty and an explosion of technology that has good and bad uses.

These stresses exhibit themselves in the behavior of teenagers, as well as in our young children. Increasingly, elementary school children exhibit symptoms of substance abuse, academic underachievement, disruptive behavior, and even suicide.

Too many students bring guns and weapons to school.

This is a very complex problem and there is no one single answer. It will take more than metal detectors and surveillance cameras to prevent the tragedies occurring in our schools today. But we must do something. We cannot wait any longer. We have to address this issue now.

I believe the Safe Schools Act reflects the needs and wishes of students, parents, teachers and school administrators. It is the first step toward addressing the emotional well-being of our young people.

During my Senate campaign last year, I spent a lot of time listening to parents and teachers. From my experience, a lot of the most effective solutions being at the local level.

This bill incorporates the lessons I have learned from the people of my state who are working on the front lines to educate and care for our children.

First, this bill would provide funds to elementary and secondary schools to hire additional mental health professionals.

Students today bring more to school than backpacks and lunchboxes. Many of them bring severe emotional troubles.

It is critical that schools be able to help these students and help teachers deal with them. We can possibly prevent a horrific act of violence, and if a disruptive student receives help, his or her teacher will have more control of the classroom in order to instruct all of the children there to learn.

Unfortunately, there are not nearly enough mental health professionals working in our nation's schools today.

The American School Health Association recommends that the student-to-counselor ratio be 250:1. In secondary schools, the current ratio is 513:1. In elementary schools, where the student-to-teacher ratio exceeds 1000:1.

This is just not acceptable for a country as advanced as ours to not be providing the needs of our children.

The second major component of my Safe Schools Act provides funding for after-school and mentoring programs.

Many of our children go home to empty houses or spend hours every day in poorly supervised settings. Studies show that youth crime peaks between 3:00 and 7:00 p.m.

Local public schools need additional resources so they can establish or expand after school and summer programs for children.

This is a wonderful chance for the community to get involved. Many non-profit organizations can bring their resources to children in the schools and to the community.

A variety of organizations can come together to build strong after school and summer programs which enhance the academic work of students and provide them with other meaningful activities.

Many communities in Arkansas are doing just that.

The city of Fort Smith has begun the SPICE Program, which has been working for nine years with adult tutors who help kids after-school with homework, and teach them arts and crafts which keep them out of trouble.

In Little Rock, the Camp Aldersgate Youth Initiative encourages teenagers to participate in supervised community service activities, such as tutoring, recreation and conflict management;

The Safe Jonesboro Mentoring Program in Jonesboro, Arkansas, brings adults from the local business community to Jonesboro High School once a week to mentor high school student.

And these programs are not just being put into place in our larger towns, they're also cropping up in rural communities.

In Monticello and six counties throughout Southeast Arkansas, the Southeast Arkansas Foster Grandparents Program has helped improve literacy and reading test scores for hundreds of children. In this program, senior citizens serve as literacy and reading tours to K–3 elementary school students twenty hours a week.

The Boys, Girls and Adults Community Development Center in Marvell, a Save the Children grantee, has been providing educational, cultural and recreational activities, as well as mentoring for children after school. 60% of the children participating in this program have improved their grade point average. It works.

Studies show that one-on-one attention raises the academic scores of children and improves their self-esteem. With just a little extra help, a child who is struggling with reading or math can catch up with the help of volunteers or mentors and excel.

We can utilize organizations like AmeriCorps and our older volunteers in the Senior Corps program. Encourage high school students to mentor elementary school students who need a little extra attention, to see an older peer being a part of their life makes a difference.

The bottom line is we don't need to reinvent the wheel. Good examples already exist in our communities, initiatives like the ones I've mentioned today. By providing added resources to the states, we can emphasize the successful programs and make them available to more students.

I'm also asking states to inform parents about the quality of public schools by issuing a Safe Schools Report Card. My own state of Arkansas will begin releasing a more comprehensive report card next year.

All states should collect this information and make it readily available to parents and the community. This information will help parents and schools officials better address the most important issues at the local level.

Above all, we must continue to share information and ideas, to talk to one another. Our country cannot possibly meet the challenges of the 21st century if each community operates in a vacuum and there is no mechanism to pass on what is working and what isn't.

During the August recess I will hold five ''Back to School'' meetings with students, parents, teachers, school administrators and concerned citizens.

These meetings will be a good chance to discuss the various components of my Safe Schools Act as well as other important education issues like school construction, class size, school discipline and parent involvement.

I welcome the chance to listen to those who care deeply about our public

schools and I hope my colleagues will spend some of their time during the recess to do the same.

I also hope my colleagues will take the opportunity to review the components of this bill. I feel strongly it should be a critical part of any federal response to school safety issues. I look forward to its passage.

This is our opportunity to begin the process that will show our children we do care about their emotional well being and the future success of our nation.

The PRESIDING OFFICER. Who seeks recognition?

The Senator from Wyoming.

## PRIVILEGE OF THE FLOOR

Mr. THOMAS. Mr. President, first of all, I ask unanimous consent that Brady Hayek from my staff be permitted the privilege of the floor during today.

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

Mr. THOMAS. Mr. President, I would like to take 12 minutes of the time allotted, and then the Senator from Montana would like 20 minutes following that time.

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

## ISSUES AND ACCOMPLISHMENTS OF 1999

Mr. THOMAS. Mr. President, this is the last week before we go on recess. We will be gone approximately a month. We will have an opportunity to be home, to talk to our constituents about the issues that are here, to talk about what we have done during this calendar year, and talk about what we have not done for this year as well. We will be back, then, the first part of September. We will have, probably, 2 months to continue and to complete our work for this year.

There are 13 appropriations bills that must be passed to keep the Government running. They must be passed by September 30, the end of the fiscal year. This is a very difficult task. We are, hopefully, running on time. We passed eight bills out of the Senate. However, none has yet been sent to the President. So we will have a couple of months to wind up the year's work. I cannot tell you how important it is that we do complete that work. Of course, the Presiding Officer is the key Senator in that regard. He has done a great job.

We do not want the President to be able to put us in a position again of closing down the Government and blaming the Congress. I hope what we do is get these bills to him. I think we will do that. I cannot help but mention as we think about this a little bit, I hope in Congress we take a look at a biennial budget, as we have in many States—for instance, my home State of Wyoming. The Congress or the legislature would form a budget for a 2-year period of time, which has advantages, particularly for the agencies, and we would have the other year for oversight, which is equally as important a task for the Congress—to oversee the expenditure of those dollars. So I hope we are able to do that.

This has been a tough year. We have had lots of difficulties, starting, of course, with the impeachment process, which was difficult. I don't know that it slowed us up particularly. On the contrary, we did a lot of committee work during the time the impeachment was going on. Nevertheless, it was tough. Then came the Colorado Columbine situation, of course, the tragedy out there at the school and, with that, the great controversy over gun control, which we are likely to see again now after the tragedy in Georgia. Then Kosovo was also an issue, of course, although Congress really was not as involved. It was pretty much the President on his own, committing troops there. Obviously, we were going to support them.

So it has been a difficult year. Despite that, it seems to me we have accomplished a great deal. I am a little disappointed that most of the accomplishments have been made without the support of the minority. Our friends on the other side have, in fact, opposed nearly everything that has been done—I think, unfortunately, often more to create an issue than to create a solution. That often is the choice we have; you can cook up something you can take home to talk about in political rhetoric, as opposed to trying to find some solutions.

But we have accomplished a great deal. Much of the controversy will continue, I suppose. There are legitimate differences of view when we are on the floor on almost every issue. Generally, the issue is the larger issue of whether or not you want more and more Federal Government, more and more Federal regulation, more and more taxes—which is basically Senators on that side of the aisle as opposed to this side of the aisle, where we are looking for limited government, where we are looking for less regulation, where we are looking for an opportunity for people to spend more of their own money.

So basically, when you get down to it in almost all these issues, if you really pare it away, that is the debate. Legitimate? Yes, indeed, it is legitimate. I happen to be on the side of being more conservative, of thinking we ought to be moving more and more of these decisions back to the States and to the counties rather than deciding everything, one-size-fits-all, at the Federal level. But these are the differences, and they are the basis for most of the things we find in conflict. We have had less cooperation from the administration than I had hoped we would have, from that side of the aisle. I think the President is seeking to change his image so the politics become more important than the movement of the congressional budget.

Let's review some of the highlights. The most recent one, of course, is the passage of tax relief, something I think is very legitimate, perfectly logical. We went through great debates about it, of course. One of the keys, naturally, is that you have to talk about reduction of taxes after having done something to save Social Security, having done something to strengthen Medicare. That is part of the program. That is not the choice.

We see these polls that are run from time to time. They say: Would you rather have Social Security protected or would you rather have tax relief? That is not the issue. That is one of the things we worked at. All of us are setting aside this surplus that comes from Social Security for the preservation of Social Security. These funds which will be used to reduce taxes and give some tax relief are beyond that.

I think one of the best illustrations is the Member who had three dollars—three dollar bills. This is basically the surplus we are looking at in the next 10 years, $3 trillion, each of these. Two of them are being set aside for Social Security. Tax relief constitutes about 75 percent of the third one, with the additional amount of the third one being set aside for spending and for Medicare. The press has not been very helpful, of course, trying to get that understanding. But in any event, I think that is a real movement forward.

The thing one also has to keep in mind is, if there is money lying around here, it is going to be spent. It is going to be spent enlarging Federal Government. So if you go back to that original thesis, you go back to the original notion that you would like to move activities back closer to people, you do it that way rather than bringing more and more money here that inevitably will be spent increasing the size of Government.

I think we have some hope there. Both Houses have passed some tax relief. We will see if we can find a way to put that together, hopefully this week. Then it will be up to the President to say whether he wants to spend more and more money, wants to spend $1 trillion on 81 new programs, or let the American people have an opportunity to spend some of their own.

Education? Our position again has been that the decisions that are basic to elementary and secondary education ought to be made closest to the people. They ought to be made by the States and by the school boards. Sure, we have an obligation to provide some financial help, but the Ed-Flex program that was passed by this Senate allows those decisions to be made more at home.

I can tell you, the delivery of education is quite different in Wyoming or different in Alaska, the State of the Presiding Officer, from what it is in New York—and properly so. But to make that work, then, the local people have to have that opportunity. We have done that with Ed-Flex, and we had some other educational programs.

I feel fairly strongly about some of the Federal involvement. My wife is a teacher. She teaches special ed and spends almost half of her time on paperwork because of the kinds of Federal programs that are involved. So we are making some movement to change that.

The military fulfills what is obviously one of the principal, if not the principal, obligations of the Federal Government, to provide for the safety and protection and defense of this country. Over the last number of years, the administration has increasingly reduced the amount of resources there. At the same time, we had more demands on the military than we had before. They are not able to conduct their mission on the amount of resources that have been available. I was very disappointed it took a congressional committee to press and push and demand from the Joint Chiefs of Staff to really get down to whether they are able to carry out their mission with the resources they have. The answer was no. So we have moved to make some additions to that, in the first step for a very long time.

The other thing is, if you are going to have a voluntary force, you have to make it fairly attractive to be in the military, and after having trained people to do technical things like flying airplanes or servicing airplanes, they have to stay in the service and do that. So we need more of that kind of support.

Social Security? For a very long time no one would talk about Social Security. It is the third rail of politics—touch it and you are dead. Now, finally, everyone does understand that you have to do something different if, indeed, your purpose is to maintain the benefits that are now going to beneficiaries and to provide an opportunity for young people, who are beginning to work and put their money into the fund, to have some anticipation of having benefits for themselves.

We have to make some changes. The sooner those changes are made the less severe they will have to be.

The President has been talking about saving Social Security for several years. He has no plan. He has done nothing except talk about it. We now have a plan. There is a bipartisan plan on this floor. There has been a lockbox amendment to preserve Social Security funds. It has been opposed on the other side of the aisle five times, but we are going to move forward on Social Security.

VA funding: The administration has for several years requested a flat budget for VA health care but at the same time has expanded the eligibility for people to utilize those facilities. We find, for instance, in my State we have two facilities, but they are underfinanced and are not providing the kinds of services to which veterans are entitled. More money needs to be provided, and we are going to do that. The Republican budget this year had an additional $1.7 billion for veterans' health. It is something that is very important.

Patients' Bill of Rights: We passed a Patients' Bill of Rights that did not involve the Federal Government, did not involve lawyers and the courts making the decisions but indeed guaranteed emergency services without having to go through some kind of clearance. It guaranteed, if you felt as if you were not getting the services, an appeal to a physician, not to a lawyer or to a court, and that was passed.

Medicare: We moved to doing something with Medicare. A bipartisan commission was set up and they have a reasonable plan for Medicare, but the President asked his folks whom he appointed to serve on that commission to vote against it, so it did not come out as a commission report and as a commission recommendation. We are going to take that, basically, and move forward and do something on Medicare.

We are moving toward the end. We have some very difficult issues to deal with, particularly in appropriations. We have to deal with them. We will deal with them. I am hopeful we will also have some kind of a relief valve so that if we get through and cannot come to an agreement with the President that it goes on as it has and will not let that political technique be used again. I hope we find a little less resistance from our friends on the other side in terms of finding solutions to these problems.

I also hope—and this is a philosophy, I admit—that as we go forward we continue to understand the greatness of this country. And it is a great country. If you have had a chance to travel about a bit, you find it is the greatest. Each time I have a chance to go somewhere, I come back thanking God this is the place in which I live. But it is a great country not because of the Federal Government. There is a legitimate role for the Federal Government, of course, described, by the way, in the Constitution, but the real strength of this country lies in its communities and in its individuals who have the freedom to make decisions for themselves. They have the freedom to get together and do things that are required to be done in their communities to make them healthy.

Admittedly, I come from a State that is unique. Maybe we are the lowest populated State now. We are one of the largest States. The delivery of services is quite different, whether it be airlines, whether it be electricity, whether it be education. We cannot have this one-size-fits-all situation.

Again, I am pleased with what we have done. I say to the Presiding Officer that he has had one of the most difficult tasks of leadership in the Appropriations Committee and has done a good job.

I hope we will continue to provide an opportunity for us to come together to resolve our problems so that we can continue to have the opportunity to serve, to let communities make some of their decisions, and we will continue to be the greatest country in the world.

Mr. President, I yield the floor.

The PRESIDING OFFICER. The Senator from Montana is recognized.

## TRADE AND THE ENVIRONMENT IN AN ERA OF GLOBALIZATION

Mr. BAUCUS. Mr. President, I would like to talk today about the relationship between trade and the environment.

When I joined the Finance Committee in 1979, debate about the Tokyo Round was just concluding. I don't remember a single mention of water pollution, air pollution, or the protection of sea turtles and other endangered species—important issues, but they were not part of the trade debate.

NAFTA changed this. We negotiated the environmental side agreement, and created the North America Commission on Environmental Cooperation. There were flaws and limitations, but it was a turning point.

Now, like it or not, environmental issues are an integral part of the trade debate. Environmental group opposition was one of the major reasons for the defeat of Fast Track legislation last year. Ambassador Barshefsky has said that the next round of trade negotiations should expressly address environmental protection. Two months ago, the WTO held a series of high level roundtable discussions on trade and the environment, in part to help define the issues for consideration in Seattle.

Why has this happened?

It is partly a function of technology. Environmental groups have plugged into the Internet—aggressively. Browse the web sites of almost any environmental group, and you will see what I mean. Any citizen can follow a high-level environmental trade dispute on the Internet. The heretofore insulated, inaccessible, and arcane international trade world meets the chaotic, grassroots, democratic, and Internet-savvy environmental world.

Let me tell my friends in the trade world something about my friends in the environmental world. I have worked with them for years. Sometimes on the same side, sometimes in disagreement. They are smart, dedicated, energetic, and aggressive. And they are very good at using the latest communications technology. So, if you are uncomfortable with the new role of the environmental community in the trade debate, my only advice is: Get used to it and figure out how to work together. The same advice goes to my environmental friends: The trade folks are here to stay. Figure out how to work with them.

There's a second important reason why environmental protection is now an important part of the trade debate.

We are in the midst of an economic boom in the United States and the revolution of globalization. Globalization is bringing every classroom in every

small western town, and on every Native American reservation, smack into the middle of the information-based global marketplace. It allows small businesses all over the world to tap into the global marketplace. It's forcing virtually every company to become more competitive.

But there's another side to the story. Call it the dark side of globalization. And it has a long history.

America's age of industrialization created great wealth and progress. But it left behind a terrible environmental legacy. Rivers so infected with toxic chemicals that they caught fire. Abandoned mine tailings that dot the landscape of the mountainous west. The loss of wetlands and other habitat necessary to sustain the animal and plant species upon which our survival depends.

In America, we have turned the tide. Our air and water are cleaner now. But we have seen what unchecked economic development did to us.

Extend that kind of growth worldwide. And pick up the pace, to reflect the hyper-speed of global competition. As globalization accelerates, along with the expanded trade that accompanies and fuels it, we are likely to see a rapid increase in environmental problems.

Tom Friedman puts it this way, in The Lexus and the Olive Tree:

> [globalization has] unleashed forest-crushing forces of development . . . which, if left unchecked, [has] the potential to destroy the environment and uproot cultures, at a pace never before seen in human history.

Let me give you two examples.

For years, Montanan and other U.S. softwood lumber producers have been fighting against subsidized Canadian imports. One continuing issue is Canada's relatively weak environmental standards for timber harvesting. Canada has no law, at the federal or provincial level, like our Endangered Species Act.

This gives Canadian producers an economic advantage over U.S. producers. It also can have a serious environmental effect. In Montana, we're struggling to protect the Bull Trout, which is listed as an endangered species. One of the biggest populations resides in Lake Kookanusa, just south of the Canadian border. In the spring, the fish swim up Wigwam Creek, across the border in British Columbia, to spawn.

Recently, British Columbia announced a program of aggressive timber harvesting in the Wigwam Basin. Maybe things will work out, and the harvesting will occur in a way that does not threaten the Bull Trout. But, if not, our efforts to protect an endangered species in this country will be undermined because of another developed country's environmental laws that are deliberately weak to support an industry interest.

Or consider the objectives of the Endangered Species Act which includes preserving biodiversity, the web of life that sustains us. We're losing species at an alarming speed—perhaps a thousand times the natural rate.

No matter how strictly we protect species here in the United States, if the South American rain forest continues to disappear at the current rate, all of our efforts will have been futile.

The message is simple. Globalization and expanded trade benefit us. But we must ensure that globalization and expanded trade are conducted in a way that enhances, and does not undermine, environmental protection.

One thing that worries my greatly is the polarization that has occurred among participants in the trade and environment debate. The middle ground seems to have fallen into a sink hole. Yet the middle is where we need people to find solutions to these very difficult problems.

Let's turn to the next round of multilateral trade negotiations that will be the subject of the WTO Ministerial in Seattle in late November. We must accommodate globalization and expanded trade while, at the same time, preserve and enhance environmental protection.

America must lead. We are the world's largest economy. We are the world's largest trader. And we are the world's leader in developing strong environmental laws. As in many different areas, if we don't exert leadership, no one else will. This is not arrogance. This is not unilateralism. This is leadership, and I offer no excuses and no apologies for it.

I believe that we must follow three broad precepts in developing the proper linkage between trade and the environment. Call these my ''Three No's''.

Trade liberalization must not harm the environment: Trade rules must not be used to stop legitimate and reasonable environmental protection; Environmental regulations must not be used as an instrument for trade protection that closes markets and distorts trade flows.

We need to balance trade and environmental goals and prevent trade and environmental abuses. So, let me turn to my agenda for trade and the environment in the next round of trade negotiations.

First, the WTO dispute resolution process must be made more open, transparent and publicly accessible. This is important in the context of environmental law and regulation, which relies heavily on citizen suits and the public's right to know. And it is important in the context of the WTO's credibility. Secrecy does not enhance respect and confidence in institutions.

The GATT was created in an era when nation-states were the only significant actors on the world scene. The WTO followed the same structure. But it does not reflect today's reality where non-governmental entities have become important international and national players. The rules and procedures must accommodate these new actors.

The dispute settlement process takes too much time and must be shortened significantly. Loopholes that allow delay in complying with decisions must be closed.

Second, the Administration must conduct an environmental assessment for the trade agreement that will emerge from the new round. I will introduce legislation soon requiring such a review.

Third, we should eliminate all tariffs on environmental goods and services. One important way to improve environmental conditions in other countries, especially in developing countries, is to reduce the cost of environmental technology—everything from the elements of a sewage treatment plant to catalytic converters to groundwater bioremediation technology. U.S. companies are leaders in this field, so reduced tariffs will have the added advantage of increasing U.S. exports.

My fourth item involves environmentally harmful subsidies. In some cases, like fishing and agriculture, excessive subsidies lead to practices that are both economically and environmentally harmful. By limiting such subsidies, we can achieve a ''win-win,'' that makes good economic and good environmental sense. I would like to see the total elimination of fishing subsidies. Export subsidies for agriculture should be eliminated worldwide. We should also start looking seriously into the reduction of domestic agricultural subsidies throughout the world.

The fifth item relates to other subsidies—the so-called ''pollution subsidy'' where intentionally keeping environmental standards weak can be an unfair and unacceptable practice that distorts trade, cuts costs of production for the polluter, and makes taxpayers pay the difference through higher health and environmental cleanup costs.

A sub-set of this problem is that of PPMs—production processes and methods. How a product is produced affects the environment. Examples include the way shrimp harvesting affects sea turtles, and the way timber harvesting affects species, water pollution, and the demand for recycled materials.

These are complex issues. Some argue that the WTO has already accepted the principle that a production process can determine how a product should be treated. They point out that countries already determine if an imported product was made with improperly obtained intellectual property or with improper government subsidies. If so, those countries can prevent the import of that good because of the process of production. They argue that if this is the rule under the WTO for intellectual property and for subsidies abuses, it should be the rule for environmental processes as well.

The WTO needs to take on this set of tough issues that sits clearly at the intersection of trade and the environment. We need serious and responsible discussion now.

Sixth, the environmental community believes that we need to find a way to integrate multilateral trade agreements and multilateral environmental agreements, MEAs, and they are right. Actions taken under an MEA should not be subject to a GATT challenge. There are two ways to go about this. One is to ''grandfather'' specific environmental agreements, as we did in NAFTA. We could start out by providing a so-called ''safe haven'' for the Montreal Protocol and CITES, the Convention on International Trade in Endangered Species of Wild Fauna and Flora. The other is to describe the characteristics of an MEA that will automatically be protected.

Let me add a few other agenda items that are unrelated to my Seattle list but need to be on our ''to do'' list in the United States.

First, we should take a hard look at the NAFTA environmental side agreement, and see how it is working. I will ask the key Congressional Committees, including the Senate Environment and Public Works Committee, to conduct appropriate oversight.

Second, we need to improve our domestic trade policy institutions. And that includes enhancing the role of Congress in trade negotiations. Last week, in a speech at the Washington International Trade Association, I proposed the establishment of a Congressional Trade Office. This office would provide the Congress with additional independent, non-partisan, neutral trade expertise.

Its functions would include: monitoring compliance with major bilateral, regional, and multilateral trade agreements; analysis of Administration trade policy, trade actions, and proposed trade legislation; participation in dispute settlement deliberations at the WTO and NAFTA, and evaluation of the results of dispute settlement cases involving the United States.

The National Wildlife Federation and the Sierra Club have proposed such an office, although the functions in my concept are quite different.

I will be offering legislation on this later this year.

One of the most difficult issues that has arisen in recent years has been the relationship between trade policy and environmental protection. The lack of consensus on this relationship has been one of the major reasons that we have not been able to proceed with fast track legislation in the Congress.

Paralysis helps no one. I hope that the thoughts I have set out today for Seattle and for our own domestic agenda will help to begin a constructive and responsible dialogue between the trade and the environmental communities. We need trade. We need environmental protection. We need a sustainable earth, and that means a clean world and a growing world—more and better jobs everywhere, increased income, cleaner air and water, the protection of our natural heritage for future generations. These goals are only incompatible when people are unwilling to talk about them together.

I yield the floor.

## CONCLUSION OF MORNING BUSINESS

The PRESIDING OFFICER (Mr. KYL). Under the previous order, morning business is closed.

## APPOINTMENT OF CONFEREES—H.R. 2480

Ms. COLLINS. Mr. President, I ask unanimous consent that with respect to H.R. 2480, the Chair be authorized to appoint conferees on the part of the Senate.

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

The Presiding Officer (Mr. KYL) appointed Mr. ROTH, Mr. LOTT, and Mr. MOYNIHAN conferees on the part of the Senate.

## DISTRICT OF COLUMBIA APPROPRIATIONS ACT, 2000

The PRESIDING OFFICER. Pursuant to the order of the Senate of July 1, after having received H.R. 2587, the Senate will proceed to the bill. All after the enacting clause is stricken, and the text of S. 1283 is inserted. H.R. 2587 is read a third time and passed. The Senate insists on its amendment and requests a conference with the House, and the Chair appoints Mrs. HUTCHISON of Texas, Mr. KYL, Mr. STEVENS, Mr. DURBIN, and Mr. INOUYE conferees on the part of the Senate.

(The text of S. 1283 was printed in the RECORD of July 12, 1999.)

## DECEPTIVE MAIL PREVENTION AND ENFORCEMENT ACT

The PRESIDING OFFICER. Under the previous order, the Senate will now proceed to consideration of S. 335, which the clerk will report by title.

The legislative assistant read as follows:

A bill (S. 335) to amend chapter 30 of title 39, United States Code, to provide for the nonmailability of certain deceptive matter relating to games of chance, administrative procedures, orders, and civil penalties relating to such matter, and for other purposes.

The Senate proceeded to consider the bill which had been reported from the Committee on Governmental Affairs, with an amendment to strike all after the enacting clause and inserting in lieu thereof the following:

***SECTION 1. SHORT TITLE.***

*This Act may be cited as the ''Deceptive Mail Prevention and Enforcement Act''.*

***SEC. 2. RESTRICTIONS ON MAILINGS USING MISLEADING REFERENCES TO THE UNITED STATES GOVERNMENT.***

*Section 3001 of title 39, United States Code, is amended—*

*(1) in subsection (h)—*

*(A) in the first sentence by striking ''contains a seal, insignia, trade or brand name, or any other term or symbol that reasonably could be interpreted or construed as implying any Federal Government connection, approval or endorsement'' and inserting the following: ''which reasonably could be interpreted or construed as implying any Federal Government connection, approval, or endorsement through the use of a seal, insignia, reference to the Postmaster General, citation to a Federal statute, name of a Federal agency, department, commission, or program, trade or brand name, or any other term or symbol; or contains any reference to the Postmaster General or a citation to a Federal statute that misrepresents either the identity of the mailer or the protection or status afforded such matter by the Federal Government''; and*

*(B) in paragraph (2)—*

*(i) in subparagraph (A) by striking ''and'' at the end;*

*(ii) in subparagraph (B) by striking ''or'' at the end and inserting ''and''; and*

*(iii) by inserting after subparagraph (B) the following:*

*''(C) does not contain a false representation implying that Federal Government benefits or services will be affected by any purchase or nonpurchase; or'';*

*(2) in subsection (i) in the first sentence—*

*(A) in the first sentence by striking ''contains a seal, insignia, trade or brand name, or any other term or symbol that reasonably could be interpreted or construed as implying any Federal Government connection, approval or endorsement'' and inserting the following: ''which reasonably could be interpreted or construed as implying any Federal Government connection, approval, or endorsement through the use of a seal, insignia, reference to the Postmaster General, citation to a Federal statute, name of a Federal agency, department, commission, or program, trade or brand name, or any other term or symbol; or contains any reference to the Postmaster General or a citation to a Federal statute that misrepresents either the identity of the mailer or the protection or status afforded such matter by the Federal Government''; and*

*(B) in paragraph (2)—*

*(i) in subparagraph (A) by striking ''and'' at the end;*

*(ii) in subparagraph (B) by striking ''or'' at the end and inserting ''and''; and*

*(iii) by inserting after subparagraph (B) the following:*

*''(C) does not contain a false representation implying that Federal Government benefits or services will be affected by any purchase or nonpurchase; or'';*

*(3) by redesignating subsections (j) and (k) as subsections (m) and (o), respectively; and*

*(4) by inserting after subsection (i) the following:*

*''(j)(1) Matter otherwise legally acceptable in the mails described under paragraph (2)—*

*''(A) is nonmailable matter;*

*''(B) shall not be carried or delivered by mail; and*

*''(C) shall be disposed of as the Postal Service directs.*

*''(2) Matter that is nonmailable matter referred to under paragraph (1) is any matter that—*

*''(A) constitutes a solicitation for the purchase of any product or service that—*

*''(i) is provided by the Federal Government; and*

*''(ii) may be obtained without cost from the Federal Government; and*

*''(B) does not contain a clear and conspicuous statement giving notice of the information under subparagraph (A) (i) and (ii).''.*

***SEC. 3. RESTRICTIONS ON SWEEPSTAKES AND DECEPTIVE MAILINGS.***

*Section 3001 of title 39, United States Code, is amended by inserting after subsection (j) (as added by section 2(4) of this Act) the following:*

*''(k)(1) In this subsection, the term—*

*''(A) 'facsimile check' means any matter designed to resemble a check or other negotiable instrument that is not negotiable;*

''(B) 'skill contest' means a puzzle, game, competition, or other contest in which—

''(i) a prize is awarded or offered;

''(ii) the outcome depends predominately on the skill of the contestant; and

''(iii) a purchase, payment, or donation is required or implied to be required to enter the contest; and

''(C) 'sweepstakes' means a game of chance for which no consideration is required to enter.

''(2) Matter otherwise legally acceptable in the mails that is nonmailable matter described under paragraph (3) shall not be carried or delivered by mail and may be disposed of as the Postal Service directs.

''(3) Matter that is nonmailable matter referred to under paragraph (2) is any matter (except matter as provided under paragraph (4)) that—

''(A)(i) includes entry materials for a sweepstakes or a promotion that purports to be a sweepstakes; and

''(ii)(I) does not contain a statement that discloses in the mailing, in the rules, and on the order or entry form, that no purchase is necessary to enter such sweepstakes;

''(II) does not contain a statement that discloses in the mailing, in the rules, and on the order or entry form, that a purchase will not improve an individual's chances of winning with an entry from such materials;

''(III) does not state all terms and conditions of the sweepstakes promotion, including the rules and entry procedures for the sweepstakes, in language that is easy to find, read, and understand;

''(IV) does not disclose the sponsor or mailer of such matter and the principal place of business or an address at which the sponsor or mailer may be contacted;

''(V) does not contain sweepstakes rules that clearly state—

''(aa) the estimated odds of winning each prize;

''(bb) the quantity, estimated retail value, and nature of each prize; and

''(cc) the schedule of any payments made over time;

''(VI) represents that individuals not purchasing products may be disqualified from receiving future sweepstakes mailings;

''(VII) requires that a sweepstakes entry be accompanied by an order or payment for a product previously ordered;

''(VIII) represents that an individual is a winner of a prize unless that individual has won a prize;

''(IX) contains a representation that contradicts, or is inconsistent with sweepstakes rules or any other disclosure required to be made under this subsection, including any statement qualifying, limiting, or explaining the rules or disclosures in a manner inconsistent with such rules or disclosures; or

''(X) represents that the purchase of a product will allow a sweepstakes entry to receive an advantage in the winner selection process, to be eligible for additional prizes in that sweepstakes, or for an entry submitted in a future sweepstakes to have a better chance of winning;

''(B)(i) includes entry materials for a skill contest or a promotion that purports to be a skill contest; and

''(ii)(I) does not state all terms and conditions of the skill contest, including the rules and entry procedures for the skill contest, in language that is easy to find, read and understand;

''(II) does not clearly and conspicuously disclose the sponsor or mailer of the skill contest and the principal place of business or an address at which the sponsor or mailer may be contacted; or

''(III) does not contain skill contest rules that clearly state, as applicable—

''(aa) the number of rounds or levels of the contest and the cost to enter each round or level;

''(bb) that subsequent rounds or levels will be more difficult to solve;

''(cc) the maximum cost to enter all rounds or levels;

''(dd) the estimated number or percentage of entrants who may correctly solve the skill contest or the approximate number or percentage of entrants correctly solving the past 3 skill contests conducted by the sponsor;

''(ee) the identity or description of the qualifications of the judges if the contest is judged by other than the sponsor;

''(ff) the method used in judging;

''(gg) the date by which the winner or winners will be determined and the date or process by which prizes will be awarded;

''(hh) the quantity, estimated retail value, and nature of each prize; and

''(ii) the schedule of any payments made over time; or

''(C) includes any facsimile check that does not contain a statement on the check itself that such check is not a negotiable instrument and has no cash value.

''(4) Matter that appears in a magazine, newspaper, or other periodical and contains materials that are a facsimile check, skill contest, or sweepstakes is exempt from paragraph (3), if the matter—

''(A) is not directed to a named individual; or

''(B) does not include an opportunity to make a payment or order a product or service.

''(5) Any statement, notice, or disclaimer required under paragraph (3) shall be clearly and conspicuously displayed.

''(6) In the enforcement of paragraph (3), the Postal Service shall consider all of the materials included in the mailing and the material and language on and visible through the envelope.

''(l)(1) Any person who uses the mails for any matter to which subsection (h), (i), (j), or (k) applies shall adopt reasonable practices and procedures to prevent the mailing of such matter to any person who, personally or through a conservator, guardian, individual with power of attorney—

''(A) submits to the mailer of such matter a written request that such matter should not be mailed to such person; or

''(B)(i) submits such a written request to the attorney general of the appropriate State (or any State government officer who transmits the request to that attorney general); and

''(ii) that attorney general transmits such request to the mailer.

''(2) Any person who mails matter to which subsection (h), (i), (j), or (k) applies shall maintain or cause to be maintained a record of all requests made under paragraph (1). The records shall be maintained in a form to permit the suppression of an applicable name at the applicable address for a 5-year period beginning on the date the written request under paragraph (1) is submitted to the mailer.''.

**SEC. 4. POSTAL SERVICE ORDERS TO PROHIBIT DECEPTIVE MAILINGS.**

Section 3005(a) of title 39, United States Code, is amended—

(1) by striking ''or'' after ''(h),'' both places it appears; and

(2) by inserting '', (j), or (k)'' after ''(i)'' in both such places.

**SEC. 5. TEMPORARY RESTRAINING ORDER FOR DECEPTIVE MAILINGS.**

Section 3007 of title 39, United States Code, is amended—

(1) by redesignating subsection (b) as subsection (c); and

(2) by striking subsection (a) and inserting the following:

''(a)(1) In preparation for or during the pendency of proceedings under sections 3005 and 3006, the Postal Service, in accordance with section 409(d), may apply to the district court in any district in which mail is sent or received as part of the alleged scheme, device, lottery, gift enterprise, sweepstakes, skill contest, or facsimile check or in any district in which the defendant is found, for a temporary restraining order and preliminary injunction under the procedural requirements of rule 65 of the Federal Rules of Civil Procedure.

''(2)(A) Upon a proper showing, the court shall enter an order which shall—

''(i) remain in effect during pendency of the statutory proceedings, any judicial review of such proceedings, or any action to enforce orders issued under the proceedings; and

''(ii) direct the detention by the postmaster, in any and all districts, of the defendant's incoming mail and outgoing mail, which is the subject of the proceedings under sections 3005 and 3006.

''(B) A proper showing under this paragraph shall require proof of a likelihood of success on the merits of the proceedings under section 3005 or 3006.

''(3) Mail detained under paragraph (2) shall—

''(A) be made available at the post office of mailing or delivery for examination by the defendant in the presence of a postal employee; and

''(B) be delivered as addressed if such mail is clearly shown not to be the subject of proceedings under sections 3005 and 3006.

''(4) No finding of the defendant's intent to make a false representation or to conduct a lottery is required to support the issuance of an order under this section.

''(b) If any order is issued under subsection (a) and the proceedings under section 3005 or 3006 are concluded with the issuance of an order under that section, any judicial review of the matter shall be in the district in which the order under subsection (a) was issued.''.

**SEC. 6. CIVIL PENALTIES AND COSTS.**

Section 3012 of title 39, United States Code, is amended—

(1) in subsection (a) by striking ''$10,000 for each day that such person engages in conduct described by paragraph (1), (2), or (3) of this subsection.'' and inserting ''$50,000 for each mailing of less than 50,000 pieces; $100,000 for each mailing of 50,000 to 100,000 pieces; with an additional $10,000 for each additional 10,000 pieces above 100,000, not to exceed $2,000,000.'';

(2) in subsection (b) (1) and (2) by inserting after ''of subsection (a)'' the following: '', (c), or (d)'';

(3) by redesignating subsections (c) and (d), as subsections (e) and (f), respectively;

(4) by inserting after subsection (b) the following:

''(c)(1) In any proceeding in which the Postal Service may issue an order under section 3005(a), the Postal Service may in lieu of that order or as part of that order assess civil penalties in an amount not to exceed $25,000 for each mailing of less than 50,000 pieces; $50,000 for each mailing of 50,000 to 100,000 pieces; with an additional $5,000 for each additional 10,000 pieces above 100,000, not to exceed $1,000,000.

''(2) In any proceeding in which the Postal Service assesses penalties under this subsection the Postal Service shall determine the civil penalty taking into account the nature, circumstances, extent, and gravity of the violation or violations of section 3005(a), and with respect to the violator, the ability to pay the penalty, the effect of the penalty on the ability of the violator to conduct lawful business, any history of prior violations of such section, the degree of culpability and other such matters as justice may require.

''(d) Any person who violates section 3001(l) shall be liable to the United States for a civil penalty not to exceed $10,000 for each mailing to an individual.''; and

(5) by amending subsection (e) (as redesignated by paragraph (3) of this section) to read as follows:

''(e)(1) From all civil penalties collected in the administrative and judicial enforcement of this chapter, an amount equal to the administrative and judicial costs incurred by the Postal Service in such enforcement, not to equal or exceed $500,000 in each year, shall be—

''(A) deposited in the Postal Service Fund established under section 2003; and

''(B) available for payment of such costs.

''(2) Except for amounts deposited in the Postal Service Fund under paragraph (1), all civil penalties collected in the administrative and judicial enforcement of this chapter shall be deposited in the General Fund of the Treasury.''.

**SEC. 7. ADDITIONAL AUTHORITY FOR THE POSTAL INSPECTION SERVICE.**

(a) IN GENERAL.—Chapter 30 of title 39, United States Code, is amended by adding at the end the following:

**''§ 3016. Administrative subpoenas**

''(a) AUTHORIZATION OF USE OF SUBPOENAS BY POSTMASTER GENERAL.—In any investigation conducted under this chapter, the Postmaster General may require by subpoena the production of any records (including books, papers, documents, and other tangible things which constitute or contain evidence) which the Postmaster General finds relevant or material to the investigation.

''(b) SERVICE.—

''(1) SERVICE WITHIN THE UNITED STATES.—A subpoena issued under this section may be served by a person designated under section 3061 of title 18 at any place within the territorial jurisdiction of any court of the United States.

''(2) FOREIGN SERVICE.—Any such subpoena may be served upon any person who is not to be found within the territorial jurisdiction of any court of the United States, in such manner as the Federal Rules of Civil Procedure prescribe for service in a foreign country. To the extent that the courts of the United States may assert jurisdiction over such person consistent with due process, the United States District Court for the District of Columbia shall have the same jurisdiction to take any action respecting compliance with this section by such person that such court would have if such person were personally within the jurisdiction of such court.

''(3) SERVICE ON BUSINESS PERSONS.—Service of any such subpoena may be made by a Postal Inspector upon a partnership, corporation, association, or other legal entity by—

''(A) delivering a duly executed copy thereof to any partner, executive officer, managing agent, or general agent thereof, or to any agent thereof authorized by appointment or by law to receive service of process on behalf of such partnership, corporation, association, or entity;

''(B) delivering a duly executed copy thereof to the principal office or place of business of the partnership, corporation, association, or entity; or

''(C) depositing such copy in the United States mails, by registered or certified mail, return receipt requested, duly addressed to such partnership, corporation, association, or entity at its principal office or place of business.

''(4) SERVICE ON NATURAL PERSONS.—Service of any subpoena may be made upon any natural person by—

''(A) delivering a duly executed copy to the person to be served; or

''(B) depositing such copy in the United States mails, by registered or certified mail, return receipt requested, duly addressed to such person at his residence or principal office or place of business.

''(5) VERIFIED RETURN.—A verified return by the individual serving any such subpoena setting forth the manner of such service shall be proof of such service. In the case of service by registered or certified mail, such return shall be accompanied by the return post office receipt of delivery of such subpoena.

''(c) ENFORCEMENT.—

''(1) IN GENERAL.—Whenever any person, partnership, corporation, association, or entity fails to comply with any subpoena duly served upon him, the Postmaster General may request that the Attorney General seek enforcement of the subpoena in the district court of the United States for any judicial district in which such person resides, is found, or transacts business, and serve upon such person a petition for an order of such court for the enforcement of this section.

''(2) JURISDICTION.—Whenever any petition is filed in any district court of the United States under this section, such court shall have jurisdiction to hear and determine the matter so presented, and to enter such order or orders as may be required to carry into effect the provisions of this section. Any final order entered shall be subject to appeal under section 1291 of title 28. Any disobedience of any final order entered under this section by any court may be punished as contempt.

''(d) DISCLOSURE.—Any documentary material provided pursuant to any subpoena issued under this section shall be exempt from disclosure under section 552 of title 5.''.

(b) REGULATIONS.—Not later than 120 days after the date of enactment of this section, the Postal Service shall promulgate regulations setting out the procedures the Postal Service will use to implement this section.

(c) TECHNICAL AND CONFORMING AMENDMENT.—The table of sections for chapter 30 of title 39, United States Code, is amended by adding at the end the following:

''3016. Administrative subpoenas.''.

**SEC. 8. REQUIREMENTS OF PROMOTERS OF SKILL CONTESTS OR SWEEPSTAKES MAILINGS.**

(a) IN GENERAL.—Chapter 30 of title 39, United States Code (as amended by section 7 of this Act) is amended by adding after section 3016 the following:

**''§ 3017. Nonmailable skill contests or sweepstakes matter; notification to prohibit mailings**

''(a) DEFINITIONS.—In this section, the term—

''(1) 'promoter' means any person who originates and causes to be mailed more than 500,000 mailings in any calendar year of any skill contest or sweepstakes, except for mailings that do not include an opportunity to make a payment or order a product or service;

''(2) 'removal request' means a written request stating that an individual elects to have the name and address of such individual excluded from any list used by a promoter for mailing skill contests or sweepstakes;

''(3) 'skill contest' means a puzzle, game, competition, or other contest in which—

''(A) a prize is awarded or offered;

''(B the outcome depends predominately on the skill of the contestant; and

''(C) a purchase, payment, or donation is required or implied to be required to enter the contest; and

''(4) 'sweepstakes' means a game of chance for which no consideration is required to enter.

''(b) NONMAILABLE MATTER.—

''(1) IN GENERAL.—Matter otherwise legally acceptable in the mails described under paragraph (2)—

''(A) is nonmailable matter;

''(B) shall not be carried or delivered by mail; and

''(C) shall be disposed of as the Postal Service directs.

''(2) NONMAILABLE MATTER DESCRIBED.—Matter that is nonmailable matter referred to under paragraph (1) is any matter that—

''(A) is a skill contest or sweepstakes; and

''(B)(i) is addressed to an individual who made an election to be excluded from lists under subsection (e); or

''(ii) does not comply with subsection (c)(1).

''(c) REQUIREMENTS OF PROMOTERS.—

''(1) NOTICE TO INDIVIDUALS.—Any promoter who mails a skill contest or sweepstakes shall provide with each mailing a clear and conspicuous statement that—

''(A) includes the address and toll-free telephone number of the notification system established under paragraph (2); and

''(B) states how the notification system may be used to prohibit the mailing of any skill contest or sweepstakes to such individual.

''(2) NOTIFICATION SYSTEM.—Any promoter that mails a skill contest or sweepstakes shall participate in the establishment and maintenance of a single notification system that provides for any individual (or other duly authorized person) to notify the system of the individual's election to have the name and address of the individual excluded from all lists of names and addresses used by all promoters to mail any skill contest or sweepstakes.

''(d) NOTIFICATION SYSTEM.—If an individual contacts the notification system through use of the toll-free telephone number provided under subsection (c)(1)(A), the system shall—

''(1) inform the individual of the information described under subsection (c)(1)(B); and

''(2) inform the individual that the election to prohibit mailings of skill contests or sweepstakes to that individual shall take effect 45 business days after receipt by the system of the signed removal request by the individual.

''(e) ELECTION TO BE EXCLUDED FROM LISTS.—

''(1) IN GENERAL.—An individual may elect to exclude the name and address of such individual from all mailing lists used by promoters of skill contests or sweepstakes by mailing a removal request to the notification system established under subsection (c).

''(2) RESPONSE AFTER MAILING REMOVAL REQUEST TO THE NOTIFICATION SYSTEM.—Not later than 45 business days after receipt of a removal request, all promoters who maintain lists containing the individual's name or address for purposes of mailing skill contests or sweepstakes shall exclude such individual's name and address from all such lists.

''(3) EFFECTIVENESS OF ELECTION.—An election under paragraph (1) shall—

''(A) be effective with respect to every promoter; and

''(B) remain in effect, unless an individual notifies the system in writing that such individual—

''(i) has changed the election; and

''(ii) elects to receive skill contest or sweepstakes mailings.

''(f) PROMOTER NONLIABILITY.—A promoter, or any other person maintaining the notification system established under this section, shall not be subject to civil liability for the exclusion of an individual's name or address from any mailing list maintained by a promoter for mailing skill contests or sweepstakes, if—

''(1) a removal request is received by the notification system; and

''(2) the promoter or person maintaining the system has a good faith belief that the request is from—

''(A) the individual whose name and address is to be excluded; or

''(B) another duly authorized person.

''(g) PROHIBITION ON COMMERCIAL USE OF LISTS.—

''(1) IN GENERAL.—

''(A) PROHIBITION.—No person may provide any information (including the sale or rental of any name or address) in a list described under subparagraph (B) to another person for commercial use.

''(B) LISTS.—A list referred to under subparagraph (A) is any list of names and addresses (or other related information) used, maintained, or created by the system established under this section.

''(2) CIVIL PENALTY.—Any person who violates paragraph (1) shall be assessed a civil penalty by the Postal Service not to exceed $2,000,000 per violation.

''(h) CIVIL PENALTIES.—

''(1) IN GENERAL.—Any promoter—

''(A) who recklessly mails nonmailable matter in violation of subsection (b) shall be liable to the United States in an amount of $10,000 per violation for each mailing of nonmailable matter; or

''(B) who fails to substantially comply with the requirements of subsection (c)(2) shall be liable to the United States.

*''(2) ENFORCEMENT.—The Postal Service shall assess civil penalties under this section.''.*

*(b) TECHNICAL AND CONFORMING AMENDMENTS.—The table of sections for chapter 30 of title 39, United States Code, is amended by adding after the item relating to section 3016 the following:*

*''3017. Nonmailable skill contests or sweepstakes matter; notification to prohibit mailings.''.*

*(c) EFFECTIVE DATE.—This section shall take effect 1 year after the date of enactment of this Act.*

***SEC. 9. STATE LAW NOT PREEMPTED.***

*(a) IN GENERAL.—Nothing in the provisions of this Act (including the amendments made by this Act) or in the regulations promulgated under such provisions shall be construed to preempt any provision of State or local law that imposes more restrictive requirements, regulations, damages, costs, or penalties. No determination by the Postal Service that any particular piece of mail or class of mail is in compliance with such provisions of this Act shall be construed to preempt any provision of State or local law.*

*(b) EFFECT ON STATE COURT PROCEEDINGS.—Nothing contained in this section shall be construed to prohibit an authorized State official from proceeding in State court on the basis of an alleged violation of any general civil or criminal statute of such State or any specific civil or criminal statute of such State.*

***SEC. 10. EFFECTIVE DATE.***

*Except as provided in section 8, this Act shall take effect 120 days after the date of enactment of this Act.*

Amend the title so as to read: ''A bill to amend chapter 30 of title 39, United States Code, to provide for the nonmailability of certain deceptive matter relating to sweepstakes, skill contests, facsimile checks, administrative procedures, orders, and civil penalties relating to such matter, and for other purposes.''.

The PRESIDING OFFICER. Under the previous order, there will now be 2 hours for debate on S. 335, to be equally divided between the Senator from Maine and the Senator from Michigan or their designees.

PRIVILEGE OF THE FLOOR

Ms. COLLINS. Mr. President, I ask unanimous consent that the following members of my staff be granted the privilege of the floor during consideration of S. 335: Lee Blaylock and Michael Bopp.

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

Mr. LEVIN. If the Senator will yield for a similar request, I ask unanimous consent that Leslie Bell of my staff be granted the privilege of the floor.

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

Ms. COLLINS. Mr. President, I ask unanimous consent that at 5:10 today Senator EDWARDS be allowed to speak for up to 10 minutes, with the time coming from the time controlled by the Senator from Michigan, that the Senator from Michigan be permitted to speak for 5 minutes following Senator EDWARDS, and that I be permitted to speak for 5 minutes immediately prior to the 5:30 vote.

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

Ms. COLLINS. I thank the Chair.

Mr. President, I am pleased that the Senate is now considering S. 335, the Deceptive Mail Prevention and Enforcement Act, legislation I authored along with my colleagues, Senator LEVIN, Senator COCHRAN, Senator EDWARDS, Senator DURBIN, and Senator SPECTER.

S. 335 is the product of an extensive investigation and 2 days of public hearings held by the Permanent Subcommittee on Investigations, which I chair. This legislation would establish for the first time tough new Federal standards for sweepstakes and other promotional mailings.

For example, these mailings would be required to clearly inform consumers that a purchase is not necessary to win the contest and that a purchase will not increase their chances of winning. In addition to these important consumer protections, the bill confers additional investigative and enforcement authority on the U.S. Postal Service and authorizes civil fines of up to $2 million for companies that violate the consumer protection standards.

This comprehensive measure has the support of the AARP, the National Consumers League, and the U.S. Postal Service.

I particularly recognize the leadership roles played by several members of the committee. Senator LEVIN, in particular, has long been a leader in the effort to curtail deceptive mailings. Senator COCHRAN held some of the first hearings on this issue. Senator EDWARDS, Senator SPECTER, and Senator DURBIN all contributed greatly to our investigation.

Let me also express my appreciation for the assistance provided by the chairman of the Governmental Affairs Committee, Senator THOMPSON, and by the committee's ranking minority member, Senator LIEBERMAN.

In addition, I salute Senator CAMPBELL, who was one of the first to call attention to the growing problems of deceptive sweepstakes mailings. Some of the provisions in our legislation are similar to those in a bill introduced by Senator CAMPBELL.

I first became aware of the growing problem of deceptive sweepstakes last year after receiving several complaints from my constituents in Maine. In order to learn more about this growing problem, the Permanent Subcommittee on Investigations began an investigation into the nature of deceptive mailings and the extent of sweepstakes and other promotional mailings. The subcommittee soon realized that the promotional mailing industry generates an enormous volume of mail that reaches the mailboxes of millions of Americans. In fact, the four major sweepstakes companies alone flood Americans with more than 1 billion solicitations every year.

The subcommittee held 2 days of public hearings. At the first subcommittee hearing in March, we examined the practices of the four major sweepstakes companies: American Family Publishers, Publishers Clearinghouse; Time, Inc.; and Reader's Digest.

I want to make clear that they all run legitimate sweepstakes, legitimate in the sense that they do award the prizes, they do deliver the merchandise orders, and they do not seek to conceal their identities. However, there is a critical distinction between running a legal contest and treating consumers fairly, without resorting to misleading or deceptive practices.

Our hearings in March examined the key issue of whether consumers are being clearly informed that no purchase is necessary to enter sweepstakes and that buying something does not increase their chance of winning. That is the biggest misconception. Far too many consumers believe that if they make a purchase in response to the sweepstakes solicitation, they somehow improve their chances of winning. Nothing could be further from the truth. The subcommittee heard testimony indicating that the existing disclaimers used by the large sweepstakes companies are of very little value. They are too often deceptively worded or they are contradicted by the glowing promises in the promotional copy. In addition, they are hard to locate on the mailing, and they are often written in very tiny print that is difficult to read.

Our hearings in March prompted over 1,000 letters from across the country to the subcommittee. Many of those letters included mailings from smaller sweepstakes companies with which the subcommittee had not been familiar. This public response prompted an expansion of the subcommittee's investigation into the deceptive practices of these smaller sweepstakes companies.

Those smaller companies were the focus of the subcommittee's second hearing in July. Many of these smaller companies tend to be fly-by-night operations that use multiple trade names to hide their identities and to confuse consumers. In fact, we found one company that sent out solicitations under 40 different trade names. That was obviously very confusing to consumers because they believed they were getting a chance to enter 40 different contests when, in fact, it was just one sweepstakes company using 40 different names.

In some cases, these smaller companies are run by promoters for a year or two and then shut down. The operator then starts up a new company under yet another name, often one that is specifically chosen to lend credibility to the contest or to deceive consumers. These companies profit not only from their extremely deceptive mailings but also by reselling the names of their customers to other operators who then inundate the unlucky consumer with still more mailings. Unfortunately, our investigation suggests that this practice, this business, is quite lucrative.

The smaller companies investigated by the subcommittee sent approximately 100 million mailings in 1998 and received over 4 million purchases, which we conservatively estimate cost consumers in the neighborhood of $40 million.

In return, most individuals received a discount coupon book that was frequently followed by additional numerous other mailings urging consumers to purchase the exact same coupon book once again.

Anonymity, as our hearings demonstrated, is crucial to the success of many of these small operators. They depend on working in the shadows and underneath the radar of State and Federal regulators. They are, in many ways, the ''stealth'' sweepstakes companies—difficult to detect, to track, and to stop. Our investigation discovered that most of these companies attempt to conceal their identities through multiple corporate names and various mailbox drops in several different States. Their mailings are often designed to deceive even the most cautious and wary consumer.

Our investigation and hearings demonstrated that sweepstakes companies, both large and small, use deceptive and aggressive marketing techniques far too often to entice consumers into making purchases that they do not need or want, in the mistaken belief that a purchase will improve their chances of winning that grand prize. Indeed, we heard testimony that deceptive sweepstakes mailings can induce trusting consumers to purchase thousands of dollars of questionable merchandise. One example that was related to us by a witness was a magazine subscription extending to the year 2018 that had been purchased by her 82-year-old father-in-law in response to repeated solicitations.

The subcommittee found that many of our senior citizens are particularly vulnerable to such deceptive mailings. They come from perhaps a more trusting generation. Many seniors tend to believe what they read, particularly if it is endorsed by a trusted spokesman, such as Ed McMahon or Dick Clark, or if it comes from a well-known company, such as Reader's Digest or Time, or if it involves a mailing that appears to be official.

At the subcommittee's hearings, family members told of loved ones who were so convinced that they had won a sweepstakes that they refused to leave their home for fear of missing the Prize Patrol. One of my constituents in Maine actually postponed needed surgery because she was absolutely convinced that that was going to be the day her winnings were delivered to her.

The subcommittee investigated many cases of seniors who, enticed by the bold promises in deceptive sweepstakes, actually spent their Social Security checks, squandered their life's savings, and even borrowed money in order to continue to make purchases through these sweepstakes mailings. I will never forget one of our witnesses who actually broke down in tears before the subcommittee as he recounted how he had been enticed to spend $15,000 on merchandise he did not want because he thought it would bring him closer to winning millions of dollars.

Time and again, family members have described sweepstakes companies literally bombarding elderly relatives with repeated mailings. Our witnesses explained that their elderly family members spent thousands of dollars in the vain hope that if they just bought one more trinket, or one more videotape, or one more magazine subscription, it would greatly improve their chances of winning. Of course, it never did.

The losses suffered by consumers could not, however, be measured in dollars alone. As one elderly gentleman put it:

> My wife has finally come to realize that she has been duped by the sweepstakes solicitations for all these years. Although the financial drain is now halted, the loss of her dignity is incalculable.

Unfortunately, these are not isolated examples. According to a recent survey commissioned by the AARP, nearly 40 percent of seniors surveyed believed there was a connection between purchasing and winning, that either making a purchase would help you to win or it would ensure that you would win a prize.

You have only to look at some of these sweepstakes mailings to understand why consumers draw these conclusions. For example, one mailing by Publishers Clearinghouse, which is famous for its Prize Patrol, tells consumers to ''open your door to $31 million on January 31.'' You can see the personalized mailing, although we blocked out the name of the person involved. This mailing clearly suggests to the consumer that his or her—her in this case—purchases are paying off. It specifically states:

> You see, your recent order and entry has proven to us that you're indeed one of our loyal friends and a savvy sweepstakes player. And now I'm pleased to tell you that you've passed our selection criteria to receive this special invitation. . . .

Mr. President, this is clearly and blatantly designed to deceive the consumers into drawing a connection between making a purchase and winning the prize.

Let me show you another example. The next example is a mailing from American Family Publishers. It states:

> It's down to a 2 person race for $11 million—you and one other person in Georgia were issued the winning number. Whoever returns it first wins it all.

Most people don't see the very fine print that declares:

> . . . if you have the winning number.

Unless the contestant reads and understands this fine print, the mailing leaves the unmistakable impression that this recipient, this lucky person, and one other person, have the winning number for the $11 million prize.

This mailing actually caused a number of contestants to fly to Florida in the hope that their entry would be received first. After all, it says, ''Whoever returns it first wins it all.'' It also prompted lawsuits by several States' attorneys general, and American Family Publishers eventually agreed to a multistate settlement.

I wish the misleading mailings from the largest sweepstakes companies represented the worst of the lot. Unfortunately, they do not. Let's take a look at a couple of examples of deceptive practices of some of the smaller sweepstakes companies. As you will recall, these were the companies that were brought to the subcommittee's attention by outraged consumers from across this country who wrote to us after our first round of hearings.

This solicitation, or promotion, from Mellon, Astor & Fairweather is a deceptive attempt to make the consumer think that a prestigious firm—presumably an accounting firm—is ready to give him or her money. Despite describing Mellon, Astor & Fairweather as the ''trustee of record,'' the sponsor of this mailing admitted under oath to the subcommittee that Mellon, Astor & Fairweather is not a trustee for any group or individual. In fact, there is no ''Mellon,'' ''Astor,'' or ''Fairweather'' associated with this company. The name was completely made up to give an air of legitimacy and credibility to this mailing—in short, to deceive people. Moreover, the sweepstakes promoter admitted that this is actually the address of a Mail Boxes, Etc., and that the company's offices are located not in Lake Forest, IL, but in Las Vegas, NV.

Another problem the subcommittee found was the use of words or symbols that give the impression that the mailing is connected with the Federal Government. Here is another example of this kind of mailing. It says at the top—it is hard to read: The Official United Sweepstakes of America.

Yes, this mailing implies a Government connection to the sweepstakes. It includes a photo of the U.S. Treasury building, and by using the address of 611 Pennsylvania Avenue, Southeast, Washington, DC, it sounds like a very prestigious Pennsylvania Avenue address of a Federal agency. In fact, once again, this is an address of a Mail Boxes, Etc. And, of course, the Federal Government does not sponsor sweepstakes, contrary to the implication of this mailing.

Yet another deceptive mailing shows how fraudulent operators link their company to the Government. This is a blowup of a postcard sent to me by a constituent from Machiasport, ME. As you can see, it is marked ''Urgent Delivery, A Special Notification of Cash Currently Being Held By the U.S. Government is Ready for Shipment to You.'' It mimics the typical postcard the Postal Service uses. It is designed to look like that.

The mailing asks the consumer to send $9.97 to learn how to receive this cash. Of course, this was not in any way a legitimate postcard from the Federal Government. It was merely a ploy used by an unscrupulous promoter to trick an unsuspecting consumer into sending money. Fortunately, my consumer did not fall for this scam. But

many others did, leading the Postal Service to bring action against the promoter of this scam.

Sadly, these are just a few of the many examples of deceptive mailings that the subcommittee uncovered during its investigation. The simple fact is that far too many consumers regularly fall victim to increasingly deceptive and sophisticated marketing techniques used in these mailings.

I want to emphasize that sweepstakes can, of course, be a legitimate marketing technique. While I have concerns about the deceptive nature of far too many sweepstakes mailings, I don't want to give the impression that all sweepstakes are deceptive, or that they should be outlawed. Our legislation is setting clear standards for them to follow to avoid the kind of deception that we found to be rampant in the industry.

Let me outline the major provisions of the legislation before the Senate today.

First, S. 335 requires sweepstakes mailings to clearly and conspicuously display several important disclaimers and consumer notices, including a clear statement that no purchase is necessary to win the contest, and, most of all, a statement that a purchase will not improve your chances of winning.

I think that is the most important disclaimer of all.

These statements have to appear in three places—on the solicitation, in the rules, and on the order form.

In addition, the mailings must state the odds of winning, the value and the nature of the prize, and the name and the address of the sponsor of the sweepstakes. Sweepstakes mailings would also be required to include all the rules and entry procedures for the contest. The bill would prohibit mailings from describing the recipient as a ''winner'' unless the recipient has really won a prize.

You can see from some of the mailings that we have discussed here today why that protection is so important.

Second, this legislation includes the provision drafted by Senator EDWARDS to require companies sending sweepstakes or skill contests to establish a system that will allow consumers to request that they be removed from sweepstakes mailing lists. Companies sending sweepstakes mailings must include either a toll-free number or the address at which the consumer may request that their name be removed altogether from future sweepstakes mailings. Companies would be required to remove such individuals from sweepstakes lists within 35 days.

Our hearings showed that far too many consumers had great difficulty in turning off the spigot of sweepstakes mailings to themselves, or, as was often the case, to an elderly family member. Senator EDWARDS' provision will assist consumers who want relief from the flood of solicitations.

Third, our legislation strengthens the current law regarding ''Government look-alike'' mailings by prohibiting mailings that imply a connection to, approval, or endorsement by the Federal Government through the misleading use of a seal, insignia, reference to the Postmaster General, citation to a Federal law, or any other term or symbol unless the mailings carry true disclaimers.

The bill imposes new Federal standards for facsimile checks that are sent in any mailing. These tests must include a statement on the check itself stating that it is non-negotiable and has no cash value.

Finally, S. 335 will strengthen the ability of the Postal Service to combat deceptive mailings. Under existing law, the Postal Inspection Service does not possess subpoena authority, is unable to obtain a judicial order to stop the deceptive mailing at multiple mailboxes in different States, and may only seek financial penalties after a company has violated a previously imposed order for sending deceptive mailings.

Our legislation grants the Postal Service subpoena authority, nationwide stop mail authority, and the ability to impose strong civil penalties for the first violation. At our hearings in July, the Postal Service testified that civil penalties would be a significant deterrent against deceptive mailings. We can't just have minor penalties that are treated as a cost of doing business. The penalties under our legislation can reach as high as $1 million, and, if a company violates an order, that penalty is doubled and can range as high as $2 million.

The current penalties—capped at $10,000 per day—are simply inadequate to deter deceptive mailings, especially since they can only be imposed after the mailer has evaded or failed to comply with a prior order.

Our bill recognizes the important role played by the States in investigating and prosecuting deceptive mailings. We do not preempt any provision of State or local law. In many instances, it is the States that have taken the strong action against deceptive sweepstakes mailings largely because of the gap in Federal law. During our investigation, we worked very closely with the National Association of Attorneys General.

I would like to close my initial statement by urging my colleagues to support S. 2335, the Deceptive Mail Prevention and Enforcement Act, so that the Senate, by passing this legislation later today, can take an important first legislative step in curtailing deceptive sweepstakes and protect the American consumer.

I reserve the remainder of my time.

The PRESIDING OFFICER. The Senator from Michigan.

Mr. LEVIN. Mr. President, I thank the Senator from Maine for her tremendous leadership on this issue and so many other consumer protection issues. She is leading the Permanent Subcommittee on Investigations with tremendous distinction, with great strength, and the consumers of this Nation are all better off because of that leadership. This bill is a further example of that leadership. I am proud to be her principal cosponsor of the bill that we have worked on for so long.

Sweepstakes for many Americans has become a cruel joke. Americans are overwhelmed with sweepstakes solicitations in the mail that deceptively appear to promise large winnings but deliver only empty appeals for purchases of unneeded products and more entries into additional sweepstakes.

The majority of Americans may have a healthy skepticism about these solicitations and don't believe the misleading representations. But many are not so disbelieving, and they can get caught up and do get caught up in a spiral of financial and emotional trauma.

The subcommittee heard story after story before of seniors particularly, some of the most vulnerable people in America, who receive these mailings and believe that they have been awarded a prize.

Several of my constituents from Michigan lost tens of thousands of dollars to sweepstakes solicitations.

One woman in Grand Rapids spent over $12,000 in one year with Reader's Digest alone.

A woman in the Upper Peninsula of Michigan spent $30,000 in less than a month on sweepstakes-related promotions.

Sweepstakes solicitations are big business. Companies using sweepstakes to promote their products, be it magazines or coupon books, or jewelry, send over a billion pieces of mail a year to American consumers.

We learned that one person could get from one company alone as much as 144 different pieces of sweepstakes mail in a year. That was from a so-called ''legitimate company.''

Purchases through these types of mailings are in the billions of dollars. Sweepstakes are used as the ''come-on'' to get the recipient to purchase a product or make a contribution. They are used, companies say, to get the recipients to open the envelopes, and, once opened, used to get the person to respond with a purchase or contribution. Promoters argue that sweepstakes entrants buy these products because they want them or need them.

Our investigation demonstrated that many people who enter these sweepstakes purchase items only because they think doing so will improve their chances of winning the sweepstakes prize. A large number buy and buy and buy, spending tens of thousands of dollars, with that expectation that the purchase of items will help improve their chances of winning.

Companies are not allowed by law to use the U.S. mails to conduct a lottery. A lottery is where payment must be given in order to have a chance to win. It is illegal for a sweepstakes promotor to require a purchase in order for a person to have a chance to win or to improve a person's chances of winning.

Buying something when entering a sweepstakes cannot, by law, do anything to improve a person's chances of winning. Many people don't know that or believe a purchase will improve their chance and many sweepstake companies try to leave the impression that buying something will give that recipient an advantage.

Sweepstake companies encourage this in many ways. For example, some use different envelopes for those who buy a product and those who don't. Here is an example from Reader's Digest. They send two envelopes. If a person orders something, the envelope says: Yes, Reward Entitlement [underlined], Granted and Guaranteed. If a person does not order something, the envelope says: No Reward Entitlement, Denied and Unwarranted.

They go to different post office boxes, clearly leaving a very different impression. It is a very strong different impression and a very deceptive different impression.

Other sweepstake companies use their own envelope and address card for those entering the sweepstake without purchasing a product. In another sweepstakes, they are given an envelope if they want to buy something; if they don't want to buy something but still enter, they have to fill out their own envelope or their own card, which is much more difficult than if they are simply buying a product.

Some companies try to confuse the message, leaving the recipient to believe he has to pay a fee to collect a prize that he has already won. This certificate from the ''Motor Vehicle Awards'' states: [You] are guaranteed to receive a brand-new automobile or a cash award.

The first envelope has the name of the person receiving it, so it is very personalized: [Mr. or Miss Someone] are guaranteed to receive a brand-new automobile or cash award.

They ask the recipient to confirm that his name is spelled correctly on the certificate and to indicate how he wants the car delivered. In the very last paragraph it says: In addition, an optional commodities package with a fully redeemable value of over $2,500 is being held pending your submission of the standard acquisition fee.

The impression is that the recipient has won a car, that all he has to do is return the certificate for the car, and pay an acquisition fee. Of course, the impression they attempt to create—and often do, according to our testimony—is that acquisition fee relates to the car.

If he does that, the impression is he will receive a car and the commodities package. That is a pretty good bargain, at $14.98 for a car and commodities package. In reality, this is a sales promotion for the commodities package connected to a sweepstake. The acquisition fee of $14.98 is buying the commodities package. The commodities package is nothing more than a booklet of coupons that require buying items in order to redeem the coupons.

One must spend thousands and thousands and thousands of dollars for items that you don't need in order to receive the savings that are promised. Yet we learned at our hearings this is a very common sweepstakes scheme. Honest businesses don't engage in these practices, or they shouldn't. Over and over we heard from victims of the deceptive sweepstakes packages that they thought they had to buy something to receive the big prize or to improve their chances of winning. The sweepstake companies are very artful at creating this impression. This is about stringing people along. Often the people being strung along are the most vulnerable.

This is a promotion from Reader's Digest to a constituent of mine whose house is filled to the brim with tapes, books, CDs, and magazines she bought believing it would help her get the prize. This is a Certificate of Recognition for her loyalty to Reader's Digest: Dear valued customer: You've been selected to receive one of our highest honors—the Reader's Digest Recognition Reward. It's your obvious love of Reader's Digest and sweepstakes that made you an ideal candidate. In fact, it was your recent subscription request that finalized our decision.

In other words, keep buying and we will keep sending opportunities to win a sweepstake. It is buying the Reader's Digest that they are saying gets the special treatment. What is the Reader's Digest Recognition Award? It is a little stick 'em label that is pulled off this letter that has my constituent's name on it so she can paste it on any article of furniture around her house. It really is a come-on, an opportunity to enter yet another sweepstake. That is the award, a little stick 'em that Mrs. Roosenberg got for spending over $12,000 in 1 year for products she didn't even open, filling up her house.

Through the artful placement of words and graphics, the sweepstakes companies make the reader believe they have won. They use such large screaming headlines: [Mr. X] is Officially Declared $833,337 Winner.

A big headline you can't miss. However, one misses the fine print that says, no, you haven't—only if you held the right number. What jumps out is the headline that you have won.

Our sweepstakes promoters try to make their envelopes look special, not like the bulk mail which they are, or try to make them look like a Government document, or even in the case of a recent Publishers Clearinghouse envelope, as if they were photographs that the recipient paid to have developed. This envelope looks exactly like envelopes received from the photo store. In fact, this is one of these sweepstake offers from Publishers Clearinghouse.

We cannot control each and every trick that a company uses to get the recipient of a sweepstakes promotion to buy something. However, there are some things we can and we should insist upon. We can insist that the companies state clearly and conspicuously that buying something will not improve a person's chances of winning. We can insist that these companies state clearly and conspicuously that you don't need to buy anything to win. We can make these companies state clearly and conspicuously what are the odds of winning. In many cases, the odds are nearly 1 in 100 million or 1 in 150 million. We can also require the sweepstake promoters not tell a person they have won if they haven't and not use devices to suggest that the mail is from a Government agency. That will hopefully alert the folks receiving the sweepstakes promotion and will help them think twice before buying items they really do not want and do not need.

In the last Congress, several of our colleagues joined in sponsoring a bill to increase enforcement of deceptive mailings by the Postal Service. This, year Senator COLLINS held hearings on sweepstakes and other forms of deceptive mail. We have introduced two bills to try to eliminate deceptive sweepstakes practices. Senator COLLINS' bill is S. 335; my bill is S. 336. We learned during the hearings that the financial costs to consumers for deceptive and fraudulent sweepstakes is a serious problem and one that particularly plagues our senior citizens. We learned that the Postal Service has inadequate law enforcement tools to effectively shut down deceptive direct marketers who use deceptive sweepstakes promotions to sell their products. We also learned that the Postal Service can't impost a fine against such a promoter until the Postal Service has issued a stop order, and the stop order has been violated. Wily promoters craft their mailing so that it technically complies with a particular stop order but is this deceptive? Thus, time and time again these promoters continue to prey on Americans, and the postal Service has been all but powerless to stop them.

The bill before us is a combination of our two bills. It establishes a special provision in law for deceptive sweepstakes mailings, requires certain disclosures to be clearly and conspicuously displayed in key parts of the sweepstakes promotion; prohibits other misleading and deceptive statements in the promotion; gives the Postal Service additional enforcement tools, and requires sweepstakes promoters to provide a mechanism for a recipient of mail to remove his or her name off a mailing list if requested.

Mr. President, what is the time situation?

The PRESIDING OFFICER. These are 34½ minutes remaining on the Senator's side.

Mr. LEVIN. I yield myself 10 additional minutes.

Three key provisions in S. 336 have been incorporated into the substitute. First, to prevent unscrupulous mailers from duping people into believing that a purchase will increase their chances

of winning, the bill requires that a statement that a purchase will not increase an individual's chances of winning be clearly and conspicuously displayed in a prominent place and manner in the mailing, in the rules, and on the order or entry form.

I believe of all of the new requirements and standards, this is perhaps the most important. The statement that a purchase will not increase an individual's chances of winning must not only be clearly and conspicuously displayed but also displayed in a prominent place and manner in the mailing, in the rules, and on the order or entry form. Such a statement will, hopefully, help readers dissociate the ordering process from the sweepstakes entry.

Second, it provides the Postal Service with the authority to issue a civil penalty for a first-time violation of the statute. This means the Postal Service does not have to first issue a stop order and then wait for that order to be violated before assessing civil penalties. This has the effect of applying the penalty to the deceptive offense, not for noncompliance with the order. It makes enforcement a one-step instead of a two-step process. Third, it gives the Postal Service the subpoena authority it often needs to help identify sweepstakes scams.

Despite the specificity of the disclosures required under the bill, I remain quite concerned that the disclosures be noticeable and understandable to the reader. That is why the bill requires all disclosures to be clearly and conspicuously displayed. With a managers' amendment, we define ''clearly and conspicuously displayed'' in the bill so that there can be no misunderstanding by the Postal Service and the direct mail industry as to what we mean. Furthermore, two critical disclsoures—''no purchase necessary'' and ''a purchase will not increase an individual's chances of winning''—are required to be not only ''clearly and conspicuously displayed'' but ''prominently'' displayed as well. This means that these two diclsoures must be highly visible to and easily noticeable by the reader. These important messages will not be allowed to be hidden or disguised through illegible print size, glitzy displays which detract from the disclosure, or barely noticeable ink color.

The Deceptive Mail Prevention and Enforcement Act of 1999 takes a tough approach to dealing with sweepstakes solicitations and other games of chance offerings that are sent through the mail. If you use sweepstakes or a game of chance to promote the sale of a legitimate product, provide adequate disclosure, and abide with Postal Service regulations, then the Postal Service will deliver that solicitation without any interruption. If deceptive practices are used in a sweepstakes or game of chance solicitation, the Postal Service will be able to stop the solicitation and impose a significant penalty.

I again thank Senator COLLINS again for her hard work and commitment to consumers in this legislation. I also thank Senator COCHRAN for his early support and Senator EDWARDS for his excellent work on the provision requiring a delisting of persons not wanting to receive sweepstakes mailings. Finally, I want to thank the staff of the Permanent Subcommittee on Investigations for the terrific job they did putting together the hearings and developing this legislation. In particular I want to thank Linda Gustitus and Leslie Bell of the minority staff, Lee Blaylock and Kirk Walder of the majority staff, and Maureen Mahon of Senator EDWARDS' staff.

I reserve the remainder of our time as Senator COLLINS has indicated, and I yield the floor.

The PRESIDING OFFICER. For the Senator's information, the Senator from Michigan has 29 minutes remaining. The Senator from Maine has 35 minutes.

Ms. COLLINS. Mr. President, first I thank my colleague from Michigan for his very generous comments. Also, once again I commend his outstanding leadership on this issue. It has been terrific working with him in a variety of areas related to consumer protection. We are where we are today because of his efforts.

I also echo the thanks to our staff who have done a tremendous job.

PRIVILEGE OF THE FLOOR

I do ask unanimous consent the privilege of the floor be granted to the following members of my staff during the pendency of this legislation: R. Emmett Mattes, Kathy D. Cutler, and Deirdre Foley.

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

Ms. COLLINS. Mr. President, it is now my great pleasure to yield to the Senator from Mississippi, who is the chairman of the Subcommittee on Governmental Affairs with jurisdiction over the Postal Service. Senator COCHRAN held the very first hearings on deceptive mailings last year. He has been a tremendous supporter of the effort to curtail deceptive mailings. I really appreciate his leadership on this issue.

The PRESIDING OFFICER. The Senator from Mississippi.

Mr. COCHRAN. Mr. President, I am pleased to be a cosponsor and to support the passage of the Deceptive Mail Prevention and Enforcement Act, S. 335. This legislation would establish new safeguards to protect consumers against deceptive and dishonest sweepstakes and other promotional mailings. The bill grants additional investigative and enforcement authority to the U.S. Postal Service to stop deceptive mailings, and it establishes standards for all sweepstakes mailings by requiring certain disclosures on each mailing.

In the last Congress, our subcommittee examined the use of mass mail to deceive and defraud consumers. At the subcommittee's hearing, we heard how sweepstakes and other promotions were causing individuals to make unwanted or excessive purchases in the hope that the purchases would increase their chances of winning money or other prizes. Since conducting that hearing, the subcommittee has been flooded with stories from consumers all over the country who have lost thousands of dollars in some cases—sometimes their life savings—to deceptive mailing practices. But it is not just sweepstakes offers that deceive consumers. Some mailers imply an association with the Government, often enticing consumers to pay unnecessary fees.

This bill will address several types of deceptive mailings, including sweepstakes and Government look-alike mailings.

First, it will require sweepstakes mailings to display a statement that no purchase is necessary to enter the contest and that a purchase will not improve the chances of winning. Other disclosures will also be required, including the sponsor of the sweepstakes and the principal place of business or an address at which the sponsor can be reached, and the estimated odds of winning each prize and the estimated value of each prize. In addition, all terms and conditions of the sweepstakes promotion, including the rules and entry procedures for the sweepstakes, will be required on each mailing.

Second, the bill will expand the authority of the U.S. Postal Service by granting the Postal Inspection Service subpoena authority, nationwide stop-mail authority, and the ability to impose civil penalties of up to $1 million for the first offense and $2 million for a violation of an existing order.

Finally, the bill will strengthen existing law regarding Government look-alike mailings by requiring disclaimers on any mailings that might be interpreted as implying a connection to the Federal Government.

This legislation was reported out of the Subcommittee on International Security, Proliferation and Federal Services on April 12 and reported unanimously by the Committee on Governmental Affairs on May 20. It has the support of the U.S. Postal Service, a number of consumer groups, and the American Association of Retired Persons.

I commend the work of the distinguished Senator from Maine, Ms. COLLINS, in crafting this legislation to curb deceptive mailings. As chair of the Permanent Subcommittee on Investigations, Senator COLLINS has thoroughly examined the issue, and I applaud her important efforts in developing this bill and her continuing efforts to protect consumers. The distinguished ranking minority member of the committee, Senator LEVIN, has also supported this initiative, and we appreciate his assistance.

This bill takes an important step toward the prevention of deception in sweepstakes and other promotional mailings. I urge Senators to support it.

The PRESIDING OFFICER (Mr. VOINOVICH). The Senator from Maine.

Ms. COLLINS. Mr. President, I thank the Senator from Mississippi for his very kind comments and for his strong support of this initiative. He has been a partner throughout this investigation into deceptive mailings, and I am very grateful for his support.

DIFFERENT PROMOTIONS FOR THE SAME SWEEPSTAKES

Mr. LEVIN. Mr. President, during the July 1999 hearing on deceptive mail held by the Permanent Subcommittee on Investigations, several promoters testified that they use different business names and different stationery to send to the same people different-looking mailings to promote the same sweepstakes. So, for example, on day one, a person can get a solicitation to enter a $10,000 sweepstakes, and the solicitation says on the top that ''Company Blue'' is making the offer. In the rules it says ''your chances of winning are 1 in 3 million.'' Let's say you enter that sweepstakes. One week later you get another solicitation for a $10,000 sweepstakes.

And we learned that the standard operating procedure for this type of sweepstakes is to send 5 or 6 mailings for the same sweepstakes after the person responds to the first mailing.

So on this second mailing, it says ''Company Red'' at the top and the materials look totally different from the ''Company Blue'' promotions. The rules of this second solicitation also say you have a 1 in 3 million chance of winning $10,000, which a reasonable person would think is a completely different sweepstakes. That's also what the promoter wants you to think. So you think you have a chance of winning $20,000 in total. But, you don't. The most you can win is $10,000.

I believe these mailings are misrepresenting the facts, and under existing law these misrepresentations are deceptive. For example, in the ''Company Blue'' and ''Company Red'' scenario I just described, the promoter wants you to think that you're receiving two separate solicitations, each involving two separate sweepstakes. In fact, the solicitations for ''Company Blue'' and ''Company Red'' are for the same sweepstakes and thus you can win only once. Section 3005 of title 39 currently allows the Postal Service to deny delivery of mail used as part of a scheme to obtain money through the mail by means of false representations. Clearly many sweepstakes promoters use different business names and different stationery to make you think their multiple solicitations are unique and have no relationship to each other.

Does the Senator from Maine agree that these multiple mailing schemes mislead people into thinking they are entering separate contests from different companies?

Ms. COLLINS. Yes, I agree with the Senator from Michigan. The practice of using different-looking promotional mailings without any information explaining that they are for the same sweepstakes serves no purpose except to lead recipients into believing that they are different sweepstakes. Once the recipient believes that they are different sweepstakes, the recipient who believes that a purchase either is required or will confer an advantage upon them will then believe that a separate purchase must be made for each unique-looking sweepstakes. Because these different-looking mailings do not clearly state that they are promoting the same sweepstakes, I agree with the Senator from Michigan that they can be deceptive.

USE OF THE WORD ''PROMINENT''

Mr. LEVIN. Mr. President, our bill requires a sweepstakes or skill contest promotion, in order to be mailable matter, to contain a number of specific disclosures. Each of the disclosures required by the bill must be ''clearly and conspicuously displayed.'' We have defined that term in the bill to mean ''readily noticeable, readable, and understandable.'' This is a definition consistent with the definition used by the Federal Trade Commission.

Two of the required disclosures—that no purchase is necessary to win and that purchasing does not improve your chances of winning—are so important to giving a consumer the information he or she needs to decide whether or not to enter a sweepstakes and if so, whether or not to purchase an advertised product—that they should appear prominently in three places in each mailing. Our addition of the term ''prominently'' to these two disclosures is intended to emphasize the heightened significance of these disclaimers. This means that these two disclosures must be highly visible and highly noticeable to the reader. In *Edgeworth* v. *Fort Howard Paper Co.*, 673 F. Supp. 922, 923 (N.D. Ill. 1987), rev. on other grounds, 683 F. Supp. 1193 (1988), the District Court defined ''prominent and accessible place'' to mean that the message conveyed can readily be observed by the people for whom it is intended. In *Allstate Insurance Co.* v. *Clemmons*, 742 F. Supp. 1073, 1075 (D.NV 1990), the District Court defined ''prominently displayed'' to mean ''the message must have greater prominence than the balance of the policy language. . . . In other words, a clause attains prominence by being different from its surrounding terms.'' ''Prominently'' requires, for purposes of our bill, making the two disclosures to which ''prominently'' applies different from other messages in appearance, manner of presentation, and location. These two disclosures must stand out from the rest of the printed material on the three locations where they are required to appear.

One can argue that there is going to be some subjectivity in deciding whether a statement is prominently placed in a promotion or not. Our intention here is to provide the Postal Service with enough guidance to ensure that when it comes to these two disclosures, there should be no close calls. These two disclosures should be obviously clearly and conspicuously displayed in a prominent manner and location.

Does the Senator from Maine agree with my description?

Ms. COLLINS. Yes, I do. Of the several disclosures we require to be included in a mailing containing a sweepstakes or skill contest promotion, these two disclosures—that no purchase is necessary and that purchasing does not improve your chances of winning—are particularly important for the reader to see in a prominent way. The statements themselves should be clear and conspicuous, as required by the bill, and they should be prominent in three places in each mailing, so it would be very difficult for a recipient not to notice them.

A number of sweepstakes and skill contest promoters currently include in their mailings the statement that no purchase is necessary. But this is often included only as a part of a lengthy set of rules or buried in other statements and notices that allow it to be easily overlooked. That is why our managers' amendment includes the requirement that these two statements be prominent, and clearly and conspicuously displayed. I thank the Senator from Michigan for his assistance on this issue.

AMENDMENT NO. 1497

(Purpose: To provide a managers' amendment)

Ms. COLLINS. Mr. President, I send to the desk the managers' amendment.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Maine [Ms. COLLINS], for herself and Mr. LEVIN, proposes an amendment numbered 1497.

Ms. COLLINS. Mr. President, I ask unanimous consent that the reading of the amendment be dispensed with.

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

The amendment is as follows:

On page 19, insert between lines 22 and 23 the following:

''(A) 'clearly and conspicuously displayed' means presented in a manner that is readily noticeable, readable, and understandable to the group to whom the applicable matter is disseminated;

On page 19, line 23, strike ''(A)'' and insert ''(B)''.

On page 20, line 1, strike ''(B)'' and insert ''(C)''.

On page 20, line 9, strike ''(C)'' and insert ''(D)''.

On page 20, line 21, insert ''prominently'' after ''that''.

On page 21, line 1, insert ''prominently'' after ''that''.

On page 21, lines 4 and 5, strike ''an entry from such materials'' and insert ''such entry''.

On page 21, lines 8 and 9, strike '', in language that is easy to find, read, and understand''.

On page 21, line 15, strike ''clearly''.

On page 22, line 5, insert ''or'' after the semicolon.

On page 22, line 11, strike ''or'' after the semicolon.

On page 22, strike lines 12 through 17.

On page 22, lines 23 and 24, strike '', in language that is easy to find, read and understand''.

On page 23, line 1, strike ''clearly and conspicuously''.

On page 23, line 6, strike ''clearly''.

On page 34, line 1, strike all through page 39, line 23, and insert the following:

**SEC. 8. REQUIREMENTS OF PROMOTERS OF SKILL CONTESTS OR SWEEPSTAKES MAILINGS.**

(a) IN GENERAL.—Chapter 30 of title 39, United States Code (as amended by section 7 of this Act) is amended by adding after section 3016 the following:

**''§ 3017. Nonmailable skill contests or sweepstakes matter; notification to prohibit mailings**

''(a) DEFINITIONS.—In this section, the term—

''(1) 'promoter' means any person who—

''(A) originates and mails any skill contest or sweepstakes, except for any matter described under section 3001(k)(4); or

''(B) originates and causes to be mailed any skill contest or sweepstakes, except for any matter described under section 3001(k)(4);

''(2) 'removal request' means a request stating that an individual elects to have the name and address of such individual excluded from any list used by a promoter for mailing skill contests or sweepstakes;

''(3) 'skill contest' means a puzzle, game, competition, or other contest in which—

''(A) a prize is awarded or offered;

''(B) the outcome depends predominately on the skill of the contestant; and

''(C) a purchase, payment, or donation is required or implied to be required to enter the contest; and

''(4) 'sweepstakes' means a game of chance for which no consideration is required to enter.

''(b) NONMAILABLE MATTER.—

''(1) IN GENERAL.—Matter otherwise legally acceptable in the mails described under paragraph (2)—

''(A) is nonmailable matter;

''(B) shall not be carried or delivered by mail; and

''(C) shall be disposed of as the Postal Service directs.

''(2) NONMAILABLE MATTER DESCRIBED.—Matter that is nonmailable matter referred to under paragraph (1) is any matter that—

''(A) is a skill contest or sweepstakes, except for any matter described under section 3001(k)(4); and

''(B)(i) is addressed to an individual who made an election to be excluded from lists under subsection (d); or

''(ii) does not comply with subsection (c)(1).

''(c) REQUIREMENTS OF PROMOTERS.—

''(1) NOTICE TO INDIVIDUALS.—Any promoter who mails a skill contest or sweepstakes shall provide with each mailing a statement that—

''(A) is clearly and conspicuously displayed;

''(B) includes the address or toll-free telephone number of the notification system established under paragraph (2); and

''(C) states that the notification system may be used to prohibit the mailing of all skill contests or sweepstakes by that promoter to such individual.

''(2) NOTIFICATION SYSTEM.—Any promoter that mails or causes to be mailed a skill contest or sweepstakes shall establish and maintain a notification system that provides for any individual (or other duly authorized person) to notify the system of the individual's election to have the name and address of the individual excluded from all lists of names and addresses used by that promoter to mail any skill contest or sweepstakes.

''(d) ELECTION TO BE EXCLUDED FROM LISTS.—

''(1) IN GENERAL.—An individual (or other duly authorized person) may elect to exclude the name and address of that individual from all lists of names and addresses used by a promoter of skill contests or sweepstakes by submitting a removal request to the notification system established under subsection (c).

''(2) RESPONSE AFTER SUBMITTING REMOVAL REQUEST TO THE NOTIFICATION SYSTEM.—Not later than 35 calendar days after a promoter receives a removal request pursuant to an election under paragraph (1), the promoter shall exclude the individual's name and address from all lists of names and addresses used by that promoter to select recipients for any skill contest or sweepstakes.

''(3) EFFECTIVENESS OF ELECTION.—An election under paragraph (1) shall remain in effect, unless an individual (or other duly authorized person) notifies the promoter in writing that such individual—

''(A) has changed the election; and

''(B) elects to receive skill contest or sweepstakes mailings from that promoter.

''(e) PROMOTER NONLIABILITY.—A promoter shall not be subject to civil liability for the exclusion of an individual's name or address from any list maintained by that promoter for mailing skill contests or sweepstakes, if—

''(1) a removal request is received by the promoter's notification system; and

''(2) the promoter has a good faith belief that the request is from—

''(A) the individual whose name and address is to be excluded; or

''(B) another duly authorized person.

''(f) PROHIBITION ON COMMERCIAL USE OF LISTS.—

''(1) IN GENERAL.—

''(A) PROHIBITION.—No person may provide any information (including the sale or rental of any name or address) derived from a list described under subparagraph (B) to another person for commercial use.

''(B) LISTS.—A list referred to under subparagraph (A) is any list of names and addresses (or other related information) compiled from individuals who exercise an election under subsection (d).

''(2) CIVIL PENALTY.—Any person who violates paragraph (1) shall be assessed a civil penalty by the Postal Service not to exceed $2,000,000 per violation.

''(g) CIVIL PENALTIES.—

''(1) IN GENERAL.—Any promoter—

''(A) who recklessly mails nonmailable matter in violation of subsection (b) shall be liable to the United States in an amount of $10,000 per violation for each mailing to an individual of nonmailable matter; or

''(B) who fails to comply with the requirements of subsection (c)(2) shall be liable to the United States.

''(2) ENFORCEMENT.—The Postal Service shall assess civil penalties under this section.''.

(b) TECHNICAL AND CONFORMING AMENDMENTS.—The table of sections for chapter 30 of title 39, United States Code, is amended by adding after the item relating to section 3016 the following:

''3017. Nonmailable skill contests or sweepstakes matter; notification to prohibit mailings.''.

(c) EFFECTIVE DATE.—This section shall take effect 1 year after the date of enactment of this Act.

Ms. COLLINS. Mr. President, I offer this managers' amendment on behalf of myself and Senator LEVIN to clarify certain provisions of S. 335.

As I described in my opening statement, this legislation imposes a number of new standards on promotional mailings. The managers' amendment further defines the ''clear and conspicuous'' standard for the disclaimers and notices required in this bill. All disclaimers and notices must be ''clearly and conspicuously displayed,'' which means ''in a manner that is readily noticeable, readable and understandable to the group to whom the applicable matter is disseminated.''

During its investigation into deceptive sweepstakes mailings, the Permanent Subcommittee on Investigations found numerous examples of mailings that misled consumers into believing that they must purchase a product to win a prize, or that a purchase will improve their chances of winning. The investigation showed that many mailings did not clearly inform consumers that no purchase was necessary to enter the sweepstakes and that buying a product did not increase their chances of winning. The disclaimers and notices in many existing sweepstakes mailings are of little value because they are too often buried in tiny print or contradicted by the promotional copy. Consumers should not need a law degree or a magnifying glass to read the rules or to decipher how to enter a sweepstakes without placing an order. In order to give some value to the disclaimers and consumer notices mandated by this bill, S. 335 requires each of these disclosures to be ''clearly and conspicuously displayed.''

The managers' amendment defines ''clearly and conspicuously displayed'' in a manner that is consistent with previous agency and court rulings. As the committee report for this legislation explains, the Federal Trade Commission has issued opinions on the meaning of ''clear and conspicuous'' and this standard is a staple of commercial law. The definition of clear and conspicuous, as used in S. 335, is meant to be consistent with the interpretation of the standard as developed in previous regulatory opinions, statements, and case law.

Thus, as the definition states, the required disclosures must be readily noticeable, readable, and understandable to the group to whom the matter is mailed. As the committee report notes, in some instances, the language may need to be highlighted, in bold letters, or placed in a visible location. We recognize that the format and layout of promotional mailings differ dramatically and, accordingly, the presentation of each required disclosure will necessarily vary. Thus, we believe it is unwise to dictate the size, font, color, or placement of each disclaimer imposed on promotional mailings. The definition in this managers' amendment, however, gives the regulators broad guidance to interpret on a case-by-case basis what is required for a disclaimer or notice to qualify as ''clearly and conspicuously displayed.''

The committee report accompanying S. 335 provides a detailed description of the clear and conspicuous standard as

enunciated by the Federal Trade Commission and in court decisions. The standard was designed to prevent deception, and we expect those enforcing this Act to make use of this standard to protect consumers receiving promotional mailings from deceptive practices. We agree with the Federal Trade Commission that deception occurs if there is a representation, omission, or practice that is likely to mislead the reasonable consumer or his or her detriment.

Furthermore, the managers' amendment adds the word ''prominently'' to the two most significant disclosures required by S. 335: first, that no purchase is necessary to enter the sweepstakes; and second, that a purchase will not increase an individual's chances of winning with that entry. S. 335 already places significance on these two disclaimers by requiring that they appear in three different places in most sweepstakes mailings: (1) the mailing, (2) the rules, and (3) the entry or order form. Because the subcommittee's investigation found strong evidence that some consumers believed a purchase would increase their chances of winning, we view these two disclosures as particularly important. As such, and because of the brevity of these disclosures, we believe that it is particularly important that they be easily identifiable by the reader.

The Federal Trade Commission has used a variety of terms to describe clear and conspicuous, including sufficiently clear and prominent. Because many of the other disclosures required by S. 335 may be lengthy and may only appear in one place in a mailing, we believe that what is ''clear and conspicuous'' for one disclaimer may differ from what is necessitated by another. A disclosure of a few words, such as ''no purchase necessary,'' would by its very nature dictate a different yardstick than would the entire contest rules, which might consist of several hundred words. We expect all disclosures to be clear and conspicuous but these two disclosures should be ''prominent'' in the three required places in each mailing.

The managers' amendment also makes several technical changes. it removes duplicative language from several different disclosures required by S. 335. These deletions, however, are not intended in any way to weaken the overall requirement that disclosures must be ''clearly and conspicuously displayed.'' The managers' amendment also deletes a somewhat duplicative requirement relating to advantages that a sweepstakes might imply are given to those entries that accompany a purchase. Given the disclaimer which states that a purchase will not improve the contestant's chance of winning, we determined that this provision was superfluous.

Finally, the managers' amendment replaces section 8 of the bill reported by the Governmental Affairs Committee with new language requiring all companies sending sweepstakes or skill contest mailings to establish a system for removing the names of individuals who do not wish to receive such mailings. Section 8, as reported out of the Committee on Governmental Affairs, established a uniform notification system for most sweepstakes and contest mailings.

Under the new provisions companies would be required—on a company-by-company basis—to include on their mailings a notice of the address or toll-free telephone number that individuals could contact to request that their names be removed from future mailings. Such names must be removed within 35 days after appropriate notice. If a mailing is recklessly sent to consumers who have requested not to receive further solicitations, the mailer shall be subject to a penalty of $10,000. This section shall take effect one year after enactment of this legislation. We commend our colleague and friend Senator EDWARDS for his strong leadership in crafting this proposal.

In closing, I thank my colleagues, particularly Senator LEVIN, for their assistance in crafting this managers' amendment, and I urge its adoption.

The PRESIDING OFFICER. Without objection, the amendment is agreed to.

The amendment (No. 1497) was agreed to.

Ms. COLLINS. Mr. President, I move to reconsider the vote.

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

The motion to lay on the table was agreed to.

Ms. COLLINS. Mr. President, we are expecting additional speakers. In the meantime, I suggest the absence of a quorum, and I ask unanimous consent that time be charged equally to both sides.

The PRESIDING OFFICER. Without objection, it is so ordered. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Ms. COLLINS. Mr. President, I ask unanimous consent that the order for the quorum call be dispensed with.

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

Mr. ROTH. Mr. President, I rise today to speak in support of the Deceptive Mail Prevention and Enforcement Act. Unrequested mailings are seen by many as a nuisance. But when junk mail makes insupportable and outrageous claims of instant wealth, phantom prices, and bogus benefits annoyance becomes fraud—the small print notwithstanding.

Among its provisions, the Deceptive Mail Prevention and Enforcement Act, S. 335, would place new requirements on sweepstakes offerings and allow fines to be levied on deceptive mailings. S. 335 would also require sweepstakes information to be presented clearly, and grants the Postal Service new authority to halt misleading mailings. I feel strongly that these reforms will benefit an untold number of American families and elderly persons from some unscrupulous elements of our society.

It pleases me to remark briefly on the genesis of this proposal. In my experience, the role of oversight and investigation has enabled the Congress to craft its most informed, well reasoned, and thorough legislative proposals. As past chairman of the Senate's Permanent Subcommittee on Investigation and current chairman of the Senate Finance Committee, I have long used and will continue to use these tools to assess and reform.

I commend my successor as chairman of the Permanent Subcommittee on Investigation, Senator SUSAN COLLINS, for taking a thorough approach to crafting this proposal. Following a process of investigation and hearings, Senator COLLINS has applied the right tools to a common problem. The people of Maine, Delaware, and the rest of our Nation will benefit from her hard work.

Mr. JEFFORDS. Mr. President, I rise today to express my strong support for S. 335, the Deceptive Mail Prevention and Enforcement Act.

As a cosponsor of this legislation, let me first thank Senator COLLINS for her hard work in crafting this legislation, and for the informative and insightful oversight hearings she has held on the sweepstakes industry this year. Those hearings have exposed some troubling practices, and clearly demonstrate the need for this important legislation.

Earlier this year a constituent of mine from Huntington, Vermont, e-mailed my office and relayed his own personal story as an example of the need for this legislation. He had been asked by his mother to help review her mail as she was certain she had won something from a variety of sweepstakes mailings. He was shocked to learn in reviewing the material that while technically correct the material she was sent was very misleading. Any information that would lead the person to believe they had won was highlighted or in bold print, while the statements containing words like ''if you have the winning number'' are subdued, and in small print. The intent of these mailings was clearly to create a false sense of ''winning'' in the recipient.

As his e-mail further points out, it used to be only the big names which sent out these sweepstakes mailings, but it ow seems to be every fund-raising group, catalog, or magazine has some version of these sweepstakes mailings. However, even if you are just receiving material from one company if can be an overwhelming amount of sweepstakes mailings.

For example, another constituent of mine from Barre, Vermont, brought into my office over fifteen pounds of sweepstakes mailings from one company that related to only one contest. You heard me right, fifteen pounds of material for only one contest from one company. Multiply that by the number

of contests and companies people receive mailings from and you are looking at an overwhelming amount of mail.

One of the most outrageous practices in these mailings is the request for a donation or a purchase of a product without making it clear that the donation or purchase has no effect on your chances of winning any of the prizes. This has caused some people to expend their precious resources thinking they are giving themselves a better chance at winning the grand prize, when in reality it has done nothing to change the odds.

Senator COLLIN's legislation, S. 335, will go a long way to solve the problems of these deceptive sweepstakes mailings. It requires a clear disclosure of the game's rules and an indication that the odds of winning are not improved by purchasing any products that are being advertised. It also will restrict the mailing from depicting an individual as a winner unless that person actually has won a prize. In addition, the bill will implement stricter penalties for sending mail that does not comply with the federal standards.

Every day people are being inundated with these mailings and many of them promote a belief that you have already won, or that a donation or purchase will increase your chances of winning. For many, especially for the most vulnerable in our society, it has been very difficult to separate the truth from the fantasy in these mailings, and as past history has shown sweepstakes mailings are a particular problem for the elderly in our society.

Mr. President, we have a chance to protect all Americans, particularly the elderly, and I urge all my colleagues to support this important piece of legislation.

Ms. COLLINS. 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.

Ms. COLLINS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

Ms. COLLINS. Mr. President, how much time is remaining on the majority side?

The PRESIDING OFFICER. Fifteen minutes 12 seconds.

Ms. COLLINS. Mr. President, I ask unanimous consent that the time remaining on the majority side be equally divided between Senator THOMPSON and Senator BURNS.

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

Ms. COLLINS. I thank the Chair.

Mr. LEVIN. Mr. President, I ask unanimous consent that the time under the quorum call, which I will ask for, be charged against our side.

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

Mr. LEVIN. 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. THOMPSON. 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. THOMPSON. Mr. President, I lend my strong support for Senate approval of S. 335, the Deceptive Mail Prevention and Enforcement Act. This bill will establish new consumer protections to shield consumers from falling victim to deceptive and fraudulent practices found in some sweepstakes and mail promotions.

Thanks to the hard work of the Permanent Subcommittee on Investigations, under the leadership of Senator SUSAN COLLINS, we have become privy to the operations of some of these sweepstakes companies. As the hearings pointed out, sweepstakes companies are now sending out more than one billion mailings per year. In the course of these mailings, some recipients have been led to believe that their chances of winning large amounts of money could be increased through the purchase of the promoter's products or merchandise. Whether through the use of unclear and ambiguous language, symbols, or documents, these mailings have been a source of confusion and have lead to some readers spending significant sums of money ordering products in the mistaken belief that this would increase their chances of winning.

S. 335, for the first time, would establish specific guidelines and parameters for mailings containing sweepstakes, games of skill and facsimile checks. The legislation requires clear and conspicuous disclaimers that ''no purchase is necessary'' on the sweepstakes claim or entry form. The legislation also improves restrictions on government look-alike mailings. Further, the bill directs sweepstakes companies to adopt procedures to prevent the mailing of these materials to anyone who submits a request stating their intent not to receive these mailings.

This bill has the strong support of the Postal Service. In providing the Postal Service with the ability to protect consumers through civil enforcement, the bill further grants the Postal Service administrative subpoena authority. It will also give U.S. district courts the ability to impose nationwide temporary training orders.

As a strong proponent of federalism, I think it is important that this bill does not preempt the authority of the state attorneys general and various consumer protection agencies which also combat deceptive mailings. The Postal Service and these agencies have a history of cooperation in the investigation and prosecution of these cases. The Postal Service reports that this collective effort has produced significant results in policing a variety of frauds while enabling state prosecution efforts to investigate questionable promotion practices beyond their state borders. S. 335 will not only improve the Postal Service's ability to investigate and stop deceptive mailings, but it will also help state attorneys general work more effectively against fraud.

This bill represents the bipartisan efforts of a number of Senators. S. 335 was unanimously reported out of the Committee on Governmental Affairs with the support of both myself and the ranking minority member, Senator LIEBERMAN. I would like to take this opportunity to acknowledge the hard work put forth by the bill's sponsor, Senator COLLINS, and other cosponsors of the legislation including Senators COCHRAN, LEVIN, and EDWARDS. In addition I want to acknowledge the role of Senator CAMPBELL in first introducing legislation last year on this issue. His efforts served as the genesis for the successful investigative and legislative efforts we have seen this year.

In conclusion, Mr. President, S. 335 presents a balanced and fair approach in protecting consumers from misleading and fraudulent sweepstakes and related mailings, while not unduly burdening those mailers who legitimately use the mail as an advertising medium. I urge all Senators to support Senate approval of S. 335.

Mr. President, I yield the floor and 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. LEVIN. 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. LEVIN. I yield 6 minutes to the Senator from Connecticut.

Mr. LIEBERMAN. Mr. President, I thank my friend and colleague from Michigan.

I am delighted to stand in support of defending S. 335, the Deceptive Mail Prevention and Enforcement Act. I commend my colleague from Michigan, along with Senators COLLINS, COCHRAN, and EDWARDS, for the way they have worked together with my former colleagues, the State attorneys general, the AARP, and the sweepstakes industry itself to put together this important consumer protection legislation. I think their combined efforts stand as a model not only of cooperation but of thoughtful legislating from which we can all learn. I am very proud to join them as a cosponsor of this bill.

No marketing effort should be based on misleading advertising. That principle is at the core of the legislation before the Senate. It reminds everyone that occasionally the Federal Government has to step in to make sure that the free market we celebrate and benefit so much from truly remains free. That freedom is so often based on the truthfulness of representations made by those who are marketing.

The purpose of this bill is to eliminate deceptive practices in the sweepstakes industry. We have all seen

them. Who wouldn't be tantalized by a letter proclaiming you may already be a winner? It is hard not to open that one up. Everybody wants to be a winner. Most of us have probably fantasized about how we would spend a sudden windfall that dropped into our bank accounts.

Unfortunately, sweepstakes mailings often involve sophisticated marketing techniques that persuade recipients to spend money in the hope of finding the pot of gold at the end of the rainbow, but it is a long way off in almost all cases. Often the mailings are targeted at the elderly or the financially vulnerable who don't realize that sweepstake companies are not in business primarily to rain riches down upon them. Sweepstakes companies are in business to sell products that make a profit, plain and simple. That is legitimate so long as they do it fairly and truthfully.

It is a big business. The fact is that sweepstakes and telemarketing firms take in more than $400 million a year from promotional campaigns in my State of Connecticut alone. Nationally, estimates are that the sweepstakes in telemarketing firms have gross revenues between $40 and $60 billion a year. This legislation makes sure that before consumers take a chance on the sweepstakes, they know it is just that, a chance—not a winning ticket, not a prize, but a chance. They will know the odds are not improved no matter how many subscriptions they buy.

This legislation requires a clear statement that no purchase is necessary to win, as well as terms and conditions of the promotion in language that is easy to find, to read, and to understand. It prohibits abuses we have seen such as symbols or statements that imply Federal Government endorsement, and it provides meaningful disclosures to let consumers know the actual odds of winning.

Further, the bill sets up a mechanism for consumers and those who care for them to stop unwanted sweepstake solicitations and a recordkeeping requirement to assure that such requests are properly implemented.

Finally, the bill gives the Postal Service the additional enforcement authority it needs to stop unlawful sweepstake schemes, particularly those that flirt with fraud and skip from State to State.

I strongly support this legislation as a tool to help consumers negotiate their way through the high pressure sales tactics sometimes employed by marketers using sweepstakes to sell their products. I am very grateful to colleagues on the Governmental Affairs Committee for the leadership they have shown.

I am delighted to join this bipartisan effort to protect our citizens—again, particularly the aged—from these deceptive marketing tactics. I urge the Senate to vote for this strong consumer protection measure. I hope the House will then join in adopting this bill and sending it to the President.

I yield the floor and 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. WELLSTONE. 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. WELLSTONE. Mr. President, I am going to speak for a brief period of time in morning business. I see the Senator from Mississippi is coming into the Chamber. I know we are ready to start with the Ag appropriations bill.

## FOOD ASSISTANCE PROGRAMS

Mr. WELLSTONE. Mr. President, I want to very briefly speak to an issue that actually might be one we will debate as we go through this Ag appropriations bill since part of what we deal with within the Department of Agriculture is food assistance programs such as the Women, Infants, and Children Program and the Food Stamp Program.

We have heard a great deal from the White House and from some Members of Congress about the success of the welfare bill. On Sunday, the White House released data on the number of women who were on welfare and are now working. There will be a gathering in Chicago tomorrow, I believe, where the President will be talking about welfare to work and talking about the success of this.

As a Senator, I want to raise a couple of questions that I think are important and to focus on some unpleasant facts that we should be willing to face up to.

First of all, I point out for my colleagues the fact that the welfare rolls are down 40 percent begs the question of whether or not we have reduced poverty. The fact of the matter is, the welfare rolls are down 40 percent, but poverty is barely down. The goal was not to reduce the welfare rolls; the goal everybody talked about was to move families from poverty to economic independence. That is really what the goal was all about. The issue has never been welfare; the issue has been poverty.

The question is, How do you reduce the poverty? I do not quite understand how the White House or any Democrat or any Republican can proclaim this a success when we have done so little to reduce poverty in our country, especially poverty of children. There are about 14 million people who are poor in the country.

My second point is, when the President and the White House talk about the number of mothers who are now working, that begs the question as to what kind of jobs and what kind of wages. What we should be talking about are family-wage or living-wage jobs. The evidence we have right now is that most of the mothers who are working are working in jobs with wages somewhere between about $5.50 and $7 an hour, which is barely above minimum wage but does not enable these families to escape poverty.

My third point is, Families USA just came out with a study that points out there are about 675,000 low-income citizens who have now been cut off medical assistance because of the welfare bill. There are about 675,000 low-income citizens who no longer are receiving any medical assistance.

My final point is, there was a Wall Street Journal piece today about the dramatic, precipitous decline of participation in the Food Stamp Program. I argue especially the decline of participation among children which cannot be explained alone by the state of the economy, especially with the dramatic increase in the use of food shelf service.

What is going on? Do we have a situation now where the AFDC structure is no longer there, and when people come in, no one tells them about the fact they and their families are eligible for food stamps—that is happening—or they are not told they are eligible for medical assistance—that is happening—all of which leads me to two final things today as we move into this debate about the Agriculture appropriations bill.

First, I lost by one vote on a welfare tracking amendment, and then the Senate adopted it on the Treasury-Postal bill. It is now in conference committee. The amendment called upon the States, when they apply for the $1 billion bonus money, to present to Health and Human Services the data on what kind of jobs women have, whether or not they and their children are participating in food stamps and do the families have medical assistance, so we can find out if families are better off or worse off. That is now in conference. If that gets taken out of conference committee—amendments are adopted in the Senate and taken out in conference committee—I am going to bring that amendment back up on this bill, and we are going to have a vote because sometimes we do not know what we do not want to know, and sometimes we only know what we want to know.

That is the way it is with the White House about this welfare bill. We ought to be engaged in an honest policy evaluation to find out what is happening in the country. We are talking about poor women and poor children, and we ought to know whether they are better off or whether they are worse off. There is some disturbing evidence that many of these families might, in fact, be worse off. It is a little early and premature for the White House to be declaring this a success or for any Senator or Representative, Democrat or Republican, to be declaring it a success.

My final point is, since we are dealing with an Ag appropriations bill—and I think I will have an amendment to this effect—we need to call on USDA, or someone, to do a study and to report

back to the Senate and to the Congress in a relatively brief period of time, as soon as possible, what is happening with the Food Stamp Program in this country. We need to know.

There was a dramatic piece in the Washington Post about 2 weeks ago. I could hardly bear to read it. It was the front page of the B section. It was a picture of an 8-year-old child, a little boy. The whole piece was devoted to hungry children in the District of Columbia.

The gist of the article was that in August—now—the summer schools are going to shut down and the breakfasts will not be there, the School Lunch Program will not be there, and there is no food at home.

In this particular family, this grandmother with four children does not have enough money to feed her children. What I want to know is, whatever happened to the Food Stamp Program? That has been our safety net program. What is going on when we have a dramatic rise in the use of food shelves and food pantries in this country? The Catholic Church network study pointed this out just last month.

What is going on when 675,000 low-income people are removed from medical assistance as a result of the welfare bill? What is going on when the vast majority of these women are working at jobs that still do not get them and their families out of poverty? What is going on when we are unwilling to do an honest policy evaluation of this legislation, because very soon in many States there will be a drop-dead date certain, and all families, all women, and all children will be cut off from any welfare assistance at all. Before that happens, we need to know what is happening with this legislation.

I have come to the floor of the Senate today to basically challenge my colleagues to make sure this stays in the conference committee and to announce I will be out here on the floor with an amendment if it gets eliminated from the conference committee, and to announce we ought to also have a study of the Food Stamp Program to find out why it is not reaching children and families who need the help, and also to directly challenge the White House and the President. It is not enough to say we have cut the rolls by 40 percent. The question is, Have we reduced the poverty by 40 percent? We have not.

It is not enough to say these mothers are now working. The question is, Are they working jobs that will enable them and their children to no longer be poor in our country? That is the goal which I do not believe has been met.

We are talking about the lives of poor women and poor children. They deserve to be on our radar screen. They deserve an honest, rigorous policy evaluation so that we, as decisionmakers, know whether or not, by our actions, we are helping these women and children or whether or not we are hurting these women and children. We ought to have the courage to step up to the plate.

I think we are about ready to start on the Ag appropriations bill. I will yield the floor. I look forward to this debate. I came down here on the floor to debate this bill. This is the crisis that is staring my State of Minnesota in the face. I am going to leave it up to Senator HARKIN or Senator DASCHLE to start out debate on our side, but I am very anxious to be in this debate and very anxious to speak for farmers and for agriculture.

I yield the floor and suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. THOMAS). The clerk will call the roll.

The legislative assistant proceeded to call the roll.

Mr. LOTT. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Ms. COLLINS). Without objection, it is so ordered.

## AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION, AND RELATED AGENCIES APPROPRIATIONS ACT, 2000—Resumed

The PRESIDING OFFICER. Under the previous order, the Senate will now resume consideration of S. 1233, which the clerk will report.

The assistant legislative clerk read as follows:

A bill (S. 1233) making appropriations for Agriculture, Rural Development, Food and Drug Administration, and Related Agencies programs for the fiscal year ending September 30, 2000, and for other purposes.

Mr. LOTT. Madam President, I believe we have a unanimous consent request now and some motions that we will need to make. It might take a few minutes to get through this.

First, I ask unanimous consent that Senator DASCHLE be recognized to offer his amendment relative to disaster assistance and, following the reporting by the clerk, the amendment be laid aside and Senator COCHRAN be recognized to offer his disaster assistance amendment. I further ask unanimous consent that debate run concurrently on both amendments, with the votes occurring in a stacked sequence at 2:15 p.m. on Tuesday, the first in relation to the COCHRAN amendment to be followed by a vote in relation to the DASCHLE amendment, as amended, if amended, with 2 minutes of debate prior to each vote. I further ask unanimous consent that no amendments be in order to either amendment prior to the votes.

I ask unanimous consent that following those votes, Senator JEFFORDS be recognized to offer his amendment relative to dairy and immediately following the reporting by the clerk, Senator LOTT be recognized to send a cloture motion to the desk and that cloture vote occur at 9:30 a.m. on Wednesday, with the mandatory quorum being waived notwithstanding rule XXII.

The PRESIDING OFFICER. Is there objection?

Mr. KOHL. I object.

The PRESIDING OFFICER. Objection is heard.

Mr. LOTT. Since objection has been heard, I have no alternative other than to offer a series of amendments. This is important because we do need to move forward with the Agriculture appropriations bill. We brought it up earlier, this past month. It became embroiled in an unrelated issue, and we had to set it aside.

The farmers in America and the consumers of America and the children of America are depending on this very important legislation going through the process. We are talking about $60.7 billion, probably more than that by the time it is completed, for agriculture in America. We need to get it completed.

I know there are some issues that cause a lot of concern: How do you deal with a disaster in America, when do you deal with it, and how would any assistance be apportioned among the farmers that have been impacted by disasters in a number of ways. And also, of course, we have this very important dairy issue. I have advised Senator COCHRAN, Senator JEFFORDS, Senator KOHL, and Senator DASCHLE to make sure everybody understands what I am doing here. I am doing it because I do think it is so important that we move forward on this bill.

AMENDMENT NO. 1499

(Purpose: To provide emergency and income loss assistance to agricultural producers)

Mr. LOTT. Madam President, I send an amendment to the desk on behalf of Senator DASCHLE and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Mississippi [Mr. LOTT], for Mr. HARKIN, for himself, Mr. DASCHLE, Mr. DORGAN, Mr. KERREY, Mr. JOHNSON, Mr. CONRAD, Mr. BAUCUS, Mr. DURBIN, Mr. WELLSTONE, Mrs. LINCOLN, and Mr. SARBANES, proposes an amendment numbered 1499.

Mr. LOTT. Madam President, I ask unanimous consent that reading of the amendment be dispensed with.

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

(The text of the amendment is printed in today's RECORD under ''Amendments Submitted.'')

Mr. LOTT. Madam President, 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. 1500 TO AMENDMENT NO. 1499

(Purpose: To make a perfecting amendment)

Mr. LOTT. Madam President, on behalf of Senator COCHRAN and others, I send a second-degree amendment to the desk and ask for its consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Mississippi [Mr. LOTT], for Mr. COCHRAN, proposes an amendment numbered 1500 to amendment No. 1499.

Mr. LOTT. Madam President, I ask unanimous consent that reading of the amendment be dispensed with.

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

(The text of the amendment is printed in today's RECORD under ''Amendments Submitted.'')

MOTION TO RECOMMIT WITH AMENDMENT NO. 1501

(Purpose: To restrict the use of certain funds appropriated to the Agricultural Marketing Service)

Mr. LOTT. Madam President, I now move to recommit the bill with instructions to report back forthwith with an amendment, and I send the motion to the desk.

The PRESIDING OFFICER. The clerk will report the motion and the amendment.

The assistant legislative clerk read as follows:

The Senator from Mississippi [Mr. LOTT] moves to recommit the pending bill to the Appropriations Committee with instructions to report back forthwith with the following amendment.

Mr. LOTT. Madam 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:

On page 21, between lines 10 and 11, insert the following:

None of the funds appropriated or otherwise made available by this Act may be used to pay the salaries and expenses of personnel of the Department of Agriculture to implement—

(1) sections 143 or 147(3) of the Agricultural Market Transition Act (7 U.S.C. 7253, 7256(3));

(2) the final decision for the consolidation and reform of Federal milk marketing orders, as published in the Federal Register on April 2, 1999 (64 Fed. Reg. 16025); or

(3) section 738 of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1999 (Public Law 105–277; 112 Stat. 2681–30).

CLOTURE MOTION

Mr. LOTT. Madam President, I send a cloture motion to the desk.

The PRESIDING OFFICER. The clerk will report the cloture motion.

The assistant legislative clerk read as follows:

CLOTURE MOTION

We the undersigned Senators, in accordance with the provisions of rule XXII of the Standing Rules of the Senate, do hereby move to bring to a close debate on the pending motion regarding the dairy compact amendment:

Trent Lott, Jim Jeffords, Susan M. Collins, John H. Chafee, Fred Thompson, Richard Shelby, Olympia J. Snowe, Christopher Bond, Jesse Helms, Paul Coverdell, John Ashcroft, Strom Thurmond, John Breaux, Jay Rockefeller, Arlen Specter, and Patrick Leahy.

Mr. LOTT. Madam President, I now withdraw the motion to recommit.

The PRESIDING OFFICER. The motion is withdrawn.

Pending is the second-degree amendment offered by the majority leader on behalf of Senator COCHRAN.

Mr. LOTT. For the information of all Senators who may have missed a step or two there, a cloture motion was just filed on the dairy amendment. The vote on the cloture motion will occur Wednesday under Rule XXII, unless agreement can be reached to set a time certain for that vote.

I encourage Senators on all sides of this issue to communicate with each other and see if there is some accommodation that could be worked out so that both sides can find it acceptable. In the meantime, it is my hope that we can continue to debate the important disaster relief amendments.

I thank my colleagues. I am delighted to yield the floor to the distinguished Senator from Mississippi, or to Senator DASCHLE if he has any comment at this time.

I yield the floor.

Mr. DASCHLE addressed the Chair.

The PRESIDING OFFICER. The Democratic leader is recognized.

Mr. DASCHLE. Madam President, I will be very brief. I thank the majority leader for moving this process along to accommodate a procedure that takes into account a number of very important matters that we hope to resolve this week. I think this procedure will do it. I also note for my colleagues that I designate the Senator from Iowa, the ranking member of the committee, to be my designee in offering the amendment.

The yield the floor.

Mr. COCHRAN addressed the Chair.

The PRESIDING OFFICER. The Senator from Mississippi is recognized.

Mr. COCHRAN. Madam President, as I understand the parliamentary situation at this time, pending before the Senate is a second-degree amendment to an amendment offered on behalf of the Democratic leader to provide disaster assistance and economic assistance to our Nation's farmers.

The amendment, which is the amendment in the second degree offered by the majority leader on my behalf, provides a wide range of benefits to individual farmers and ranchers who, under the terms of this legislation, are eligible for disaster assistance because of economic losses and disasters that have occurred by reason of vagaries in the weather and other conditions that will cause these farmers to undergo unusual hardship.

We think this amendment is better and a more sensitive approach to the real needs of those involved in production agriculture than the proposal coming from the Democratic leader. Here is why. Most of the funds that are appropriated in this amendment for economic and disaster assistance go directly to the agriculture producer who has been victimized by floods or drought or economic catastrophes affecting his ability to earn a profit this year.

On the other hand, much of the assistance that is appropriated or funded in the Democrats' package goes to continue or expand Federal programs, to enlarge programs. In other words, the money is going to the Government to expand and administer programs that either have to work, in some cases, or really do nothing to improve the farmer's ability to derive income from his labor. So that is a major distinction that I hope Senators will consider as they try to decide which of these proposals to support.

As Senators know, most of the funds that go to protect income, or support the production of agriculture commodities in our country, are in the form of assistance called AMTA payments. These payments are transition payments that were begun under the last farm bill to prepare farmers for the time when predictable subsidies under the old farm bill program are reduced and then finally eliminated. Over this 5-year period under this new farm law, the transition payments are made to help support farmers as they become accustomed to agriculture without the benefit of the old subsidy payments. Farmers are now free to make planting decisions, for example, for themselves, as indicated by the condition of the market and the likelihood of crops being productive and efficiently produced, rather than what the Government tells them they should produce under the restraints of Federal law.

Many farmers are beginning to make these decisions and shift from one program crop to another, without running the risk of losing Federal Government support. In order to show that the economic conditions and the market conditions have been so severe as to cause farmers not to be able to operate profitably under the new transition payment system, that payment is doubled under the Cochran amendment. And so instead of receiving $5,000 as a transition payment, a person who is entitled to that benefit under existing law this year will get twice that amount as an economic assistance payment from the Federal Government. A total of $5.54 billion will be paid to agriculture producers for market transition payments under the Cochran amendment. This is a 100 percent increase in a producer's 1999 payment under the existing farm bill.

Other benefits that are available to agriculture producers under this amendment would include $500 million in direct payments to soybean and oilseed producers; $350 million in assistance to livestock and dairy producers, to be administered by the Secretary of Agriculture. The amendment would also suspend the budget deficit reduction assessment on sugar producers for the remainder of the farm bill, as long as no Federal budget deficit exists.

There will be a direct payment provided in this amendment to producers of quota and non-quota peanuts, equal to 5 percent of the current loan rate. The Cotton Step Two Export Program is reinstated in this amendment. There is an increase in the current loan deficiency payment limit from $75,000 to

$150,000. There is, additionally, a provision in this bill that expresses the sense of the Congress, encouraging the President to be more aggressive in strengthening trade negotiating authority for American agriculture and expressing the Congress' objectives for future agriculture trade negotiations. The amendment also requests that the President evaluate and make recommendations on the effectiveness of our existing export and food aid programs.

If you add up all of the direct benefits that are payable, they have been scored by the Congressional Budget Office as amounting to a total of $6.67 billion for fiscal year 2000. The added cost over the next 3 years, from 2000 to 2004, would add another $309 million to the cost of the bill, for a total of $6.979 billion in total cost from fiscal year 2000 to 2004, as scored by the Congressional Budget Office.

Madam President, Senators will remember that when we first brought this bill from the committee to the floor of the Senate, there was a great deal of concern about whether or not there should be a disaster program included in a title of the bill. We had asked the administration to submit a budget request for any funds that were expected to be needed. We have had no response whatsoever from the administration to that request. We attached that as an amendment in the Committee on Appropriations. We discussed it on the floor of the Senate when this bill was before the Senate earlier, and I am very distressed that we have yet to hear any request made by the administration for this assistance. So in spite of the absence of cooperation in trying to identify and work together on a program that would be sensitive to the problems in production agriculture, we are moving to suggest to the Senate that this is a program that ought to be adopted.

I have additional comments to make. I will be glad to respond to questions that may arise from Senators on the content of this legislation to try to answer any questions that others may have. But I know we will soon have a vote that is scheduled to occur on another bill that was debated in the Senate earlier today. In an effort to accommodate friends who have asked for time to talk on their amendment, I will yield the floor at this time so other Senators may speak.

Mr. HARKIN. Madam President, I wonder if the Senator will yield. I would like to ask the Senator a question.

Mr. COCHRAN. I would be happy to respond to the Senator.

Mr. HARKIN. I didn't get a copy of the amendment. What is the bottom line? What is the total package?

Mr. COCHRAN. The Congressional Budget Office has scored the items I discussed at $6.67 billion for fiscal year 2000, and the total cost during fiscal years 2000 to 2004 is scored at $6.979 billion.

Mr. HARKIN. I thank the Senator.

The PRESIDING OFFICER. The Senator from Iowa is recognized.

Mr. HARKIN. Madam President, today all across America most people are doing pretty well. Unemployment is at its lowest rate in years. The stock market keeps going up. Our gross national product is going up at a great rate. As we now know, we have a surplus for the first time in almost 30 years in the Federal budget. We just had a lengthy debate last week on what we are going to do with that surplus. Our friends on the other side want to take most of it and give it, through a tax break, to people mostly in the upper-income brackets.

If you just looked at that, you would think we shouldn't be worried too much about what is happening in America; things look pretty good.

Out of the glare of Wall Street, far from the floor of the New York Stock Exchange, sort of silently and quietly, American farmers and ranchers are losing their businesses. They are at the end of their rope. Our small towns and communities that dot our countryside are facing a bleak winter, with the prospect that things will get even worse after the harvest is in and the snow falls.

The situation facing American agriculture today—according to bankers, farm economists, and agricultural economists from many of our universities—is the worst it has been since the Great Depression. We have to respond to that. We have to respond in a way that is meaningful. That is what our first-degree amendment does.

I listened to my friend from Mississippi describe this amendment. I guess my response basically would be, ''Nice try.'' Would it help farmers? Would the Republican amendment help farmers? Why, sure. Any little bit would help. Does it get to the underlying problem? Does it really help get our farmers through this winter and into next year? The answer is no. It is hopelessly too short.

While I appreciate the effort by my friends on the Republican side to come up with a last-minute amendment to perhaps put out a smokescreen on what is really happening in agriculture and what we need to do to respond to the crisis, it is a nice effort, but it really doesn't do it. Our hard-working, dedicated, progressive farmers and ranchers across this country don't just need a little bit of a handout that the Republican amendment will give them. What they need is a package of help that will not only get them through this summer and this fall but through next winter so they can get back on their feet again next year.

You will hear a lot of talk about how one of the problems is our lack of exports. I just want to point out that even though the United States has a trade deficit, one sector that earns us money and that has a positive trade balance is agriculture. But there are those who would have you believe it is because of the lack of exports that our farmers are in such bad shape. Here is the chart that puts the lie to that.

For wheat, rice, corn, and soybeans—the major commodities we export—the exports are fully up this year over what they were in the previous couple of years. We are exporting more. If we are exporting more, what is the problem? The problem is, there is no price and farmers aren't getting anything for their commodities.

Here is what has happened to soybeans just in my State of Iowa since the fall of 1997: Basically about a 45-percent decrease in the value of that crop. The same is true with corn. There have been precipitous drops just in the last year and a half. It is not a lack of total exports. It is a lack of the money and the price that farmers are getting.

While we need to get an emergency package of money out to farmers, we need to do it now. We also have to be about changing the farm policy. We cannot go on another year under the Freedom to Farm bill and be back here again next year looking at another package of several billion dollars. The Freedom to Farm bill has failed miserably. It has failed our Nation. It has failed our farmers. It has failed our rural communities.

I have an article that was in the Kansas paper back in 1995 when we passed the Freedom to Farm bill by my friend from Kansas, Senator ROBERTS. He said:

> Finally, Freedom to Farm enhances the farmer's total economic situation. In fact, the bill results in the highest net farm income over the next seven years of any proposal before Congress.

I hate to say it to my friend from Kansas, but net farm income in key farming areas is down dramatically. For the principal field crops, net farm income is going to be down about 29 percent this year from the average of the last 5 years. That is why we are facing one of the greatest depressions in agriculture since the 1930s. That is why halfhearted measures are not going to work. That is why the bill we have come up with really does address the magnitude of the problem. It is deep, and it is a very large problem and one that has to be addressed efficiently.

The amendment that Senator DASCHLE and I, along with Senator DORGAN, Senator KERREY, Senator JOHNSON, Senator CONRAD, Senator BAUCUS, Senator DURBIN, Senator WELLSTONE, Senator LINCOLN, and Senator SARBANES have just sent to the desk provides for a total of $10.79 billion to farmers and ranchers for this next year.

There is a great gulf of difference between what the Republicans have set up and what we are proposing. First, the Republicans are proposing that we send all of this money out in a direct payment to farmers; an AMTA payment, it is called, a market transition payment. Our payments go out in supplemental loan deficiency payments,

which means they are based upon a farmer's production—what that farmer actually produced this year, not what they did 10 or 20 years ago. In that way, it is more fair and it is more direct to the actual farmers this year. We include $2.6 billion for disaster assistance.

We include a number of other measures such as $212 million for emergency conservation. We have had a lot of floods and a lot of damages in a lot of States. We need to repair the damage to farm and ranch land and enhance our conservation. For emergency trade provision, we have $978 million for purchases of commodities for humanitarian assistance. We have people starving all over the world. We have a Public Law 480 food assistance program and related programs. Our bill provides about $1 billion to take the surplus food we have and send it around the world to starving people. The Republican proposal does not include that.

We include money for emergency economic development for our rural towns, small towns, and communities that are hit hard. Our total package of $10.79 billion addresses the magnitude of the problem. It is that big.

I say to the people who think $10.79 billion is a lot of money, we passed a tax break bill last week for $792 billion, most of which goes to upper-income people in this country. Very little will ever go to our farmers and our ranchers around America.

This point in time is going to decide what happens to rural America this winter. That is why it is so important to act now. That is why it is so important that we get the money out that is needed—not some halfhearted measure in a way that doesn't address the real and devastating economic problems that farmers have all over America.

I will have more to say about my amendment later.

Mr. COCHRAN. Will the Senator yield?

Mr. HARKIN. I yield to the Senator.

Mr. COCHRAN. My colleague asked me whether the Congressional Budget Office had scored the amendment that I offered. I ask my colleague the same question: What does the Congressional Budget Office say the amendment that the Democratic leader has offered will cost the American taxpayer over the next few years?

Mr. HARKIN. I answer to my friend from Mississippi that all of the items in our amendment are direct appropriations for next year. The only items that are not are the Cotton Step Two Export Program, and that is scored by CBO at $439 million for 3 years, and the adjustment to the payment limitations.

Mr. COCHRAN. Does that mean that the exact dollar amount set aside for each of the programs such as the Wetlands Restoration Program, the EQIP program—which is an emergency conservation program—emergency watershed program, all total $212 million in the bill?

Mr. HARKIN. That is the amount of money provided for those items.

Mr. COCHRAN. Emergency trade provisions, humanitarian assistance, cooperator program, for a total of $988 million; is that what the Senator is saying the CBO has verified the cost to be?

Mr. HARKIN. That is the amount of money we specifically provide in the amendment.

Mr. DORGAN. Will the Senator yield?

Mr. HARKIN. I am delighted to yield, and I want to thank the Senator from North Dakota with whom I serve on the agriculture appropriations subcommittee.

I appreciate the very strong help in putting this package together. It has been a very difficult year for farmers in North Dakota as well as Iowa and I can say without fear of contradiction the Senator from North Dakota has been one of the instrumental people in actually putting this package together.

I appreciate the support.

Mr. DORGAN. I want to address the question to the Senator from Iowa. The discussion we had about income support for family farmers in the nature of a disaster program being income support in the form of a transition payment or AMTA, the whole notion of a transition payment is to transition farmers out of a farm program into the free market.

This chart shows what has happened to the price of wheat since 1996. This chart is similar to the corn chart and the price of corn which the Senator from Iowa shared. This is what has happened to the so-called ''free market'' for wheat. The price of wheat has collapsed. The notion of a transition was philosophically by those in this Chamber who said let's transition people out of a farm program.

Isn't that the base of an AMTA payment?

Mr. HARKIN. As I read the debate and all the talk on the Freedom to Farm bill when it passed, the idea was that we would transition out of farm programs with AMTA payments.

Mr. DORGAN. This is the right subject and the right time; we are debating the right issues. The Senator said it well. We have an economy that is growing and prospering, more people are working, fewer people are unemployed, fewer people on welfare, inflation is down. So many good things are going on in this country, but in rural America family farmers are in desperate trouble through no fault of their own.

If any group of Americans found their income had collapsed, or if the salary for Members of Congress had fallen where income for family farmers had fallen, we would have dealt with this immediately and a long time ago. The same is true with corporate earnings.

However, we are here through no fault of the family farmers but because they are trying to do business in a marketplace where prices have just collapsed. If we don't take action soon, we won't have many family farmers left across the bread basket of the country.

Mr. HARKIN. The Senator is absolutely correct. The Freedom to Farm bill was premised that we would put farmers on the free market. As the Senator from Kansas said, they would have high net income for the next several years. However, Freedom to Farm ripped the safety net out from agriculture.

As I pointed out, our exports are up. We are exporting more of our key commodities, but there is no price. The safety net has been taken out from underneath agriculture. Farmers all across America recognize that Freedom to Farm has been a total and absolute disaster when it comes to protecting farm income, and it has to be changed. That is why the first thing we need to do is get the emergency package, but then we have to address the end-of-the-line problem of Freedom to Farm.

Mr. WELLSTONE. Madam President, I have a question.

Mr. HARKIN. I yield for a question.

Mr. WELLSTONE. I actually have three quick questions. First of all, dealing with the urgency of now, is it not true that the Senator from Iowa and other Democrat Senators have tried to pass an emergency assistance package and we have been working on this for some time? Would the Senator from Iowa give a little bit of a historical background? I think farmers are wondering how much more has to happen to them before there is some assistance.

Mr. HARKIN. I thank my friend from Minnesota. I also thank him for his help in putting this package together.

The Senator is right. We started this spring, in the emergency supplemental appropriations bill, trying to add some money. We got beat on a nearly straight party-line vote. All but one Republican voted no; Democrats voted yes.

We then came back, as the Senator from Minnesota knows, and tried it again in the subcommittee on this bill. We again lost on a straight party-line vote.

Now we are on the floor. I will say we are making some progress. At least now our friends on the other side recognize there is a problem. At least they are willing to address it somewhat. The amendment that the Senator from Mississippi sent to the desk is better than nothing, but it is not going to do enough to help get our farmers through this winter. It is only a little more than half of what is needed.

Mr. WELLSTONE. If I might ask my colleague from Iowa a second question to be clear about what is at stake—we will all have a chance to speak later. My colleague from Iowa says that what the Senator from Mississippi introduces is an emergency assistance package for farmers to try to get some income out there to families, and my colleague says it does about half the job.

Mr. HARKIN. A little bit over half. Give them the benefit of the doubt—about half, though.

Mr. WELLSTONE. Where are the gaps? In other words, I think people assume, if we pass something that we say is going to enable them to continue to stay on the farm until we deal with the structural problems, it is going to help them. Again, could the Senator emphasize the difference?

Mr. HARKIN. I will be delighted to respond to the Senator, but I understand our time is up.

Madam President, if I might inquire what the parliamentary situation is right now?

The PRESIDING OFFICER. The Senate resumes consideration of S. 335 in 15 seconds.

Mr. HARKIN. I understand there is a vote at 5:30.

The PRESIDING OFFICER. That is correct.

Mr. HARKIN. Further parliamentary inquiry. After that vote is over, will we return then to the Agriculture appropriations bill?

The PRESIDING OFFICER. The Senator is correct.

Mr. HARKIN. Madam President, I ask unanimous consent that at the end of that vote, when we return to this bill, the Senator from Iowa be recognized to complete his statement. It will not take very long to complete my statement.

The PRESIDING OFFICER. Is there objection?

The Chair hears none. It is so ordered.

## DECEPTIVE MAIL PREVENTION AND ENFORCEMENT ACT—Continued

The PRESIDING OFFICER. Under the previous order, the Senate will now proceed to vote on S. 335, after recognizing Senator EDWARDS for 10 minutes, Senator LEVIN for 5 minutes, and Senator COLLINS for 5 minutes.

The Senator from Maine is recognized.

Ms. SNOWE. Madam President, I rise today in support of S. 335, the Deceptive Mail Prevention and Enforcement Act, legislation authored by my colleague from Maine, Senator SUSAN COLLINS. I applaud her leadership on this issue as chair of the Permanent Subcommittee on Investigations. I believe that this legislation strikes an important balance between consumer protection and over-regulation of the sweepstakes industry.

This issue has long been a priority for me. In the late 1980s, while in the House of Representatives, I began working on initiatives to curb deceptive mailings, and during the 101st Congress, I co-authored H.R. 2331, the Deceptive Mailings Prevention Act of 1989, which was signed into law by President Bush on November 6, 1990. H.R. 2331 prohibited solicitations by private entities for the purchase of products or services or the contribution of funds or membership fees, which imply false federal government connection or endorsement.

At the time, our main focus was on mailings that led one to believe that they were endorsed by the government—for example, offers that promise consumers information on federal benefits for which they may be eligible for a fee, when in fact such information is available at no cost directly from federal agencies.

The legislation barred the use of any seal, insignia, trade or brand name, or other symbol designed to construe government connection or endorsement. Today, I am pleased to support S. 335, which builds on the foundation laid by the 1990 law, in recognition of the problems that have emerged as sweepstakes offers have proliferated, with all of the accompanying abuses we have witnessed.

How many times have each of us received an offer in the mail promising enormous sweepstakes payoffs or other prizes? These promises are a clever way to market magazine subscriptions and other products. The old adage—''if it's too good to be true, it probably is''—comes to mind. Regrettably, for many, such offers seem too good to pass up particularly when the are accompanied by dire warnings such as ''urgent advisory,'' ''don't risk losing your multi-million dollar prize,'' or ''don't risk forfeiture now!'' Many consumers are misled by this type of advertising, which is deliberately designed to mislead.

Many offers are designed to entice the consumer into believing that he or she has already won a valuable prize, for example, or is on the verge of winning, when in fact, the odds against winning may be astronomical.

The sad truth is that companies use deceptive advertising because it works—it sells more product. And the tragic problem facing us today is this: all too often, the consumer who is being victimized is a senior on a fixed income or is disabled.

We have all heard the horror stories about unwitting victims on fixed incomes who have purchased hundreds or thousands of dollars worth of magazine subscriptions—sometimes multiple subscriptions to the same magazine, thinking they would improve their chances of winning a prize. We have heard the tragic accounts of individuals flying to another city or state to claim a prize, genuinely believing that they had been selected as the winner, only to find that they have become a victim. Some have squandered life savings on misleading offers. When these types of incidents become commonplace, I think, we have a good indication that there is a problem. And we have a responsibility to correct the problem.

What I find most troubling about this issue is that many unscrupulous companies intentionally target the most vulnerable consumers, knowing full well how devastating the results can be. S. 355 is designed to target these those companies that have demonstrated that they will not police themselves.

Among other things, S. 335 requires sweepstakes mailings to display rules clearly and state explicitly that no purchase is necessary to increase one's chance of winning. It requires the sponsor of an offer to clearly state the odds of winning and the value of the prize, and prohibits companies from making false statements, such as an individual is a winner, unless they have actually won a prize. It also strengthens safeguards to protect those who have requested not to receive sweepstakes mailings and other such offers, and enhances the Postal Service's authority to investigate, penalize, and stop deceptive mailings.

S. 335 does not prohibit legitimate offers. Rather, it puts fair, common sense restrictions in place in order to protect consumers, particularly those most at risk, such as seniors, or the disabled.

This week, the Senate Commerce Committee, of which I am a member, is scheduled to hold a hearing on fraud against seniors. It is a serious problem, and one that is not going to go away on its own. We must address the problem, and the deceptive mailings which S. 335 seeks to curb are certainly a component of this problem.

I am pleased that S. 335 has generated so much debate on this issue, because I believe that in addition to government action, the key to this challenge is increased awareness and personal responsibility—on the part of companies and individual consumers and families.

Companies should police themselves. Likewise, there are steps that consumers can take to protect themselves. For example, always read the rules for any offer very carefully, especially if it sounds too good to be true. And if it sounds too good to be true, it probably is. If you receive a letter in the mail informing you that you have won a prize, and it solicits a shipping or handling fee, be wary. This type of offer should raise a red flag, and could be a fraud. Finally, make sure you know the company is a reputable one, and don't give out your bank account or credit card number.

I hope this legislation will be a constructive step forward in this important effort, and I hope that it sends a strong message that government takes its responsibility as a watchdog and regulator of anti-consumer practices very seriously.

Mr. CAMPBELL. Madam President, today the Senate is taking another important step toward enacting sweepstakes reform legislation.

Today we continue the good fight that was launched nearly fourteen months ago when the Senate first began consideration of sweepstakes reform legislation. I was pleased to lead the fight for sweepstakes reform on June 5th, 1998, in the 105th Congress, when I introduced S. 2414, the Honesty

in Sweepstakes Act of 1998. This was the first legislation of its kind.

A few months later, on September 1st, 1998, a high-impact Senate hearing focusing on the Honesty in Sweepstakes Act of 1998 attracted national attention and widespread public support. That hearing, followed by a series of hearings chaired by Senator COLLINS this year, was the turning point in the battle for sweepstakes reform and helped generate the powerful momentum that has carried sweepstakes reform forward.

I was prompted to fight for Honesty in Sweepstakes when I heard far too many horrible stories about how consumers, especially our seniors, were being taken advantage of, and all too often seriously financially harmed by sweepstakes promotions that prey upon people's hopes and dreams by making convincing yet false promises of riches. They use massive mailing lists to deliberately target our most vulnerable consumers with false promises of riches and then bombard them again and again.

Since I first introduced the Honesty in Sweepstakes Act I have been contacted by many people from Colorado and all over the country with stories of their unfortunate experiences with sweepstakes promotions. They told stories of how their loved ones, often their elderly parents, had squandered many thousands of dollars after having been lured in by cleverly presented promotions promising instant riches. Many people from all over the country have also sent me large envelopes stuffed full of examples of the misleading sweepstakes promotions they and their loved ones have received.

I am pleased to be an early cosponsor of the bill we consider today, S. 335, the Deceptive Mail Prevention and Enforcement Act, which was introduced by my colleague Senator COLLINS. This bill includes a number of provisions similar to those I included in the Honesty in Sweepstakes Act. There are two additional provisions included in S. 335 that I believe will be especially beneficial in the fight against misleading sweepstakes. The first calls for establishing centralized and easy to access toll free phone numbers where consumers' questions can be answered. The second provision makes it much easier for people to have their names removed from mailing lists.

Our nation's seniors and other vulnerable consumers are clearly being taken advantage of, and in some cases seriously financially harmed, by intentionally misleading sweepstakes promotions. Something needs to be done. I support passage of this legislation to bring this harmful practice to a halt.

Mr. DODD. Mr. President, I rise today in support of S. 335, the Deceptive Mail Prevention and Enforcement Act. I am proud to be one of the cosponsors of this important legislation.

I commend Senators COLLINS and LEVIN for their efforts in addressing the serious problems with deceptive mailings involving sweepstakes, skill contests, facsimile checks, and mailings made to look like government documents. The investigation and hearings of the Senate Governmental Affairs Permanent Subcommittee on Investigations have shed light on sweepstakes and other mailings that promise extravagant prizes in order to entice individuals to make unnecessary purchases.

Far too many of these mailings are full of deceptive and misleading statements, which lead unsuspecting recipients to believe that they must purchase various items in order to be a winner or in order to improve their chances of winning. In too many cases, the prizes and awards are never granted. In many instances, the customer receives a trinket or coupon book of little value. Those consumers who respond to these mailings are then bombarded with additional mailings seeking more money for the same or similar items.

The effect on many consumers can be devastating. One of my constituents wrote about his 88-year-old father, who had spent thousands of dollars in hopes of receiving a large cash prize.

This legislation would set new standards for mailings that use sweepstakes, skill contests, and facsimile checks as promotions to sell merchandise. More disclosures would be required, disclosures which are clear and conspicuous, displayed in a manner that is readily noticeable, readable and understandable. Sweepstakes mailings must include prominent notice that no purchase is necessary to win, and that a purchase will not increase the chances of winning. In addition, the mailing must state the estimated odds of winning.

While S. 335 will probably not put a stop to all of the egregious practices that the unscrupulous companies employ, I am hopeful that this bill will result in fewer deceptive mailings and that fewer consumers will lose their hard-earned savings and retirement funds.

One important provision of this bill would require each company that sends these mailings to have a toll-free number that consumers may call to have their names removed from that company's mailing list. This is a first step in making it possible for individuals to have their names removed from mailing lists. However, this particular system places an undue burden on the consumer to call each company that sends him a mailing. The unscrupulous companies could circumvent the intent of this provision by forming a new company that would then use the old mailing lists.

To minimize this risk, I encourage the industry groups to establish a system whereby consumers would have one toll-free number to call which would serve as the mechanism to remove their names from all mailing lists for all sweepstakes, skill contests, facsimile checks and government look-alike mailings. This system has worked in other areas, and I believe that it would work here, as well.

I urge my colleagues to support this bill.

The PRESIDING OFFICER. The Senator from North Carolina.

Mr. EDWARDS. Madam President, I rise today to urge my colleagues to vote in favor of the sweepstakes legislation, which is S. 335, the Deceptive Mail Prevention and Enforcement Act.

Let me say first, I thank my colleague, Senator LEVIN—I do not see him on the floor right now—also, my colleague, Senator COLLINS. They worked so hard and so long on this remarkably important piece of legislation.

Let me start by telling a story. It is a story I have told before, but I think it goes to the very heart of what this legislation is about.

There is an elderly man in North Carolina who lives in Raleigh, NC, I believe—right outside of Raleigh—named Bobby Bagwell. Bobby Bagwell is an elderly man who was watched over by his family, his daughter-in-law. Although he lived alone, he had a difficult time living alone.

His daughter-in-law went over to his house one day. When going through his various belongings, she discovered boxes and boxes of sweepstakes mailings. She came to discover in addition to that, in response to these sweepstakes mailings, Mr. Bagwell had purchased thousands and thousands of dollars of devices—goods that were basically useless. They were of no value to him at all. When she questioned her father-in-law about why he had bought these goods, the response was that he believed it would increase his chances of winning the sweepstakes. He had spent, I think, something on the order of $20,000, which was basically his life's savings, on purchasing this useless, worthless material.

As I mentioned earlier, Mr. Bagwell was an elderly man. For that reason, he was vulnerable. But there is an even worse part to this story. Mr. Bagwell, as it turns out, suffers from dementia. So he could not remember from day to day what he had bought, how much money he had spent, or why he had spent it. His daughter-in-law, doing everything in her power to do something about this very sad situation, contacted the sweepstakes companies, asking them to take him off the mailing lists. She got no response. She then sent a doctor's order to the sweepstakes companies saying, ''My father-in-law suffers from dementia. I ask you, take him off your lists for sweepstakes mailings because he is buying all these goods, he doesn't remember that he is spending his life's savings, and we need to take him off the lists so he does not continue to engage in this kind of behavior.'' For the second time, she got no response.

Finally, when they contacted me and I became aware of the situation and I contacted the sweepstakes companies,

they responded appropriately and took him off the lists.

The sad part of this story is that in this country, in this day and time, it was necessary for a Senator to contact the sweepstakes companies in order to get this accomplished. That goes to the very heart of what this sweepstakes legislation is about. It is the reason Senator COLLINS has done such a remarkable job in conducting hearings and bringing this matter to the attention of the American people so something can be done about it. It is something for which I believe we have broad bipartisan support, support on both sides of the aisle. Everyone knows and recognizes something needs to be done about this problem.

I do want to discuss one specific feature. The bill has many wonderful provisions, including provisions that require the sweepstakes companies, for example, to tell people that buying these goods does not increase their chances of winning. That would save a man such as Bobby Bagwell from being taken advantage of.

One specific provision I worked on awfully hard, with Senator COLLINS and Senator LEVIN, basically provides that sweepstakes companies be required to provide a vehicle for people to be taken off these mailing lists so someone such as Bobby Bagwell, who has dementia, an elderly person who is being taken advantage of, who is vulnerable, can be protected and can be taken off the lists. In addition to that, it helps every North Carolinian—in my case—and every American who simply does not want to continue to receive these sweepstakes mailings.

We all recognized during the course of the hearings there are some reputable, legitimate companies that engage in these sweepstakes techniques as a marketing tool. But people need to have a way to get off these lists if they want to get off the lists. One of the provisions in this legislation specifically provides for that.

The bottom line is this. This legislation goes a long way toward eliminating any sort of deceptive, misleading sweepstakes mailings. It allows people who do not want to receive these mailings to no longer receive them. Ultimately, what it does is it empowers American families who want to make sure the elderly members of their families—their parents, their in-laws—are taken care of. It empowers them to make sure they are not taken advantage of with these sweepstakes mailings, and in fact, if they so choose, that they no longer continue to receive these mailings.

This is a wonderful piece of legislation. As I mentioned earlier, it has bipartisan support. I am very proud to have worked with Senator COLLINS and Senator LEVIN, who have done a tremendous job for the American people in connection with this legislation.

Lastly, I ask unanimous consent that a letter from the American Association of Retired Persons be printed in the RECORD. They specifically provide their strong support for this legislation.

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

AARP,
*Washington, DC, July 28, 1999.*

Hon. JOHN EDWARDS,
*U.S. Senate, Hart Senate Office Building, Washington, DC.*

DEAR SENATOR EDWARDS: AARP thanks you for including a provision to the Managers Amendment to S. 335, the Deceptive Mail Prevention and Enforcement Act, to institute a notification system. As drafted, the notification system would provide consumers with numbers to call to have their names removed from the mailing lists of companies that promote products and services through sweepstakes. The ability to have one's name removed from mailing lists is an important consumer protection, and facilitating such removal through the use of a toll free number is even better for consumers.

AARP has supported the use of toll free helplines to respond to questions or concerns in the telemarketing area, and the requirement that companies provide such a service to slow the proliferation of deceptive mailings is a logical extension. Further, we applaud the amendment's strong civil penalty provisions imposed on companies that violate a consumer's request.

AARP appreciates your efforts on behalf of consumers to eradicate the practice of fraudulent sweepstakes mailings through this provision to the Manager's Amendment to S. 335. We strongly support the ''notification system'' provisions that you authored, and hope that this section of the bill will be retained as it works its way through conference. We look forward to working with you and other Members on a bi-partisan basis to ensure that this issue is resolved in the 106th Congress.

Sincerely,

HORACE B. DEETS,
*Executive Director.*

The PRESIDING OFFICER. The Senator from Michigan is recognized.

Mr. LEVIN. Madam President, I again commend Senator COLLINS for her really strong leadership of our subcommittee in so many consumer protection measures. This is just the latest of many on which Senator COLLINS has been the leader. That leadership is critically important to the American people. I commend her on it.

I also want to single out Senator EDWARDS. He made a major contribution to this bill by making it possible for people who no longer want to receive these sweepstakes to call a phone number to stop the deluge of mail which is received in so many homes. As in so many other areas, he is already making a great contribution to this Senate. I especially thank him for his contribution to this bipartisan bill. That part of this bill is a very important part. It is a very creative part of the bill. Again, it makes it possible, in a very practical way, for people who get sick and tired of the swamping of their mailboxes with these sweepstakes offers, to end that.

This bill attempts to end these sweepstakes swindles which are swamping our Nation. The sweepstakes scams are part of a $1 billion industry, an industry which is too often based on deception, an industry which too often tells people they have won a prize, dangles in front of them that promised prize, and then, of course, encloses the promotional materials that create the impression that buying a product will help to get that prize.

Most people are skeptical when they get this mail. They realize there could be 100,000 people who are told they have just won a huge amount of money, but there is a significant percentage of our people who are misled. The companies that do this prey on some of the most vulnerable among us and they take special advantage of our seniors. This is shown, in particular, when somebody responds to one of these promotions and then they are frequently inundated with followup targeted promotions. In fact, according to one of our witnesses, one person could get as many as 144 mailings from one company in 1 year and that, by the way, is one of the larger companies that does that, one of the so-called legitimate companies.

Our bill is aimed at ending the abuses and the deceptions and the scams. It will require the companies that are using these sweepstakes to display clearly and conspicuously and in a prominent place and in a prominent manner a statement that no purchase is necessary to enter the contest and, even more important, in my judgment at least, a statement saying that a purchase will not improve their chances of winning.

There are other requirements in this bill, and they are important requirements, but I think those are two of the most important requirements that we do now impose on an industry to see if we can clean up some of these abuses.

We also give the Postal Service some long-needed tools to put the scam artists out of business. The Postal Service will have subpoena authority. The Postal Service will no longer have to take two steps before clamping down on the deception; they will be able to do it in one step. If the representation is deceptive and violates our bill, the Postal Service will be able to end it directly and not have to first go through an order which, in turn, will have to be violated as is the current law.

If someone violates the law, they should not need two steps. One step ought to be enough to stop the violation and punish the perpetrator. This bill is intended to close the loopholes in our law, to end the deceptions that permit too many of these sweepstakes to take in too many people, usually too many vulnerable people, raising hundreds of millions of dollars from people who usually cannot afford the dollars they are scammed into sending to the deceptive mailers of some of these sweepstakes.

Madam President, again, I commend the Senator from Maine, Ms. COLLINS, for her very strong leadership, and the other members of our committee who have participated, including Senator COCHRAN who has been a leader in this

and, again, Senator EDWARDS for his major contribution to this bill.

I thank the Chair.

The PRESIDING OFFICER. The Senator from Maine.

Ms. COLLINS. I thank the Chair. Madam President, I ask unanimous consent that Senator DOMENICI and Senator FEINGOLD be added as cosponsors to the pending legislation S. 335.

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

Ms. COLLINS. Madam President, let me start by expressing my deep appreciation to the members of the subcommittee and the full committee who worked so closely with me on this legislation. In particular, I recognize the enormous contributions of the Senator from Michigan, Mr. LEVIN; the Senator from North Carolina, Mr. EDWARDS; and the Senator from Mississippi, Mr. COCHRAN. Without their help, we would not have been able to craft such an effective bill. I am very grateful for their assistance and support.

We have heard very eloquent statements from a number of Senators today about the need for this legislation. In closing this debate, let me quote from a 74-year-old woman who wrote to me about how deceptive sweepstakes put her deeply into debt. In her letter, she said:

> My only source of income is a monthly Social Security check totaling $893. I estimate that I have spent somewhere between $10,000 and $20,000 in the last 19 years. What money I did not have, I borrowed from my daughter who is now responsible for my total financial support. I am deeply in financial debt. Their mailings were worded in such a way that I was certain I was going to win anywhere from $1 million to $10 million. I truly wish I could recoup the moneys that I squandered in the hope that a real payoff would come my way.

Unfortunately, it is too late for this woman, but today the Senate can act to avoid financial hardship, wasted savings, and a great deal of heartache for countless other vulnerable citizens by passing this legislation.

It is my hope that we will have a very strong vote today and that it will prompt the House to act and we will see this important legislation signed into law before we adjourn this year.

I yield back the remainder of my time. I ask for the yeas and nays. I think they have already been ordered, but if they have not, I request 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.

Ms. COLLINS. I believe the vote is slated for 5:30 p.m. Seeing no other speakers requesting time, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Ms. COLLINS. I ask unanimous consent that the order for the quorum call be rescinded.

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

Ms. COLLINS. Madam President, I ask unanimous consent that the Senator from Minnesota, Mr. WELLSTONE, be added as a cosponsor of the bill S. 335.

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

Ms. COLLINS. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Ms. COLLINS. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

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

Without objection, the substitute amendment, as amended, is agreed to.

The PRESIDING OFFICER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed for a third reading and was read the third time.

The PRESIDING OFFICER. The bill having been read the third time, the question is, Shall the bill pass?

The yeas and nays have been ordered. The clerk will call the roll.

The legislative clerk called the roll.

Mr. NICKLES. I announce that the Senator from Utah (Mr. HATCH), the Senator from Missouri (Mr. BOND), the Senator from New Mexico (Mr. DOMENICI), the Senator from Arizona (Mr. MCCAIN), the Senator from Alabama (Mr. SESSIONS), and the Senator from Alabama (Mr. SHELBY) are necessarily absent.

I further announce that, if present and voting, the Senator from Utah (Mr. HATCH) would vote ''yea.''

Mr. REID. I announce that the Senator from Delaware (Mr. BIDEN), is absent attending a funeral.

I further announce that, if present and voting, the Senator from Delaware (Mr. BIDEN) would vote ''aye.''

The result was announced—yeas 93, nays 0, as follows:

[Rollcall Vote No. 248 Leg.]

YEAS—93

| | | |
|---|---|---|
| Abraham | Dorgan | Kohl |
| Akaka | Durbin | Kyl |
| Allard | Edwards | Landrieu |
| Ashcroft | Enzi | Lautenberg |
| Baucus | Feingold | Leahy |
| Bayh | Feinstein | Levin |
| Bennett | Fitzgerald | Lieberman |
| Bingaman | Frist | Lincoln |
| Boxer | Gorton | Lott |
| Breaux | Graham | Lugar |
| Brownback | Gramm | Mack |
| Bryan | Grams | McConnell |
| Bunning | Grassley | Mikulski |
| Burns | Gregg | Moynihan |
| Byrd | Hagel | Murkowski |
| Campbell | Harkin | Murray |
| Chafee | Helms | Nickles |
| Cleland | Hollings | Reed |
| Cochran | Hutchinson | Reid |
| Collins | Hutchison | Robb |
| Conrad | Inhofe | Roberts |
| Coverdell | Inouye | Rockefeller |
| Craig | Jeffords | Roth |
| Crapo | Johnson | Santorum |
| Daschle | Kennedy | Sarbanes |
| DeWine | Kerrey | Schumer |
| Dodd | Kerry | Smith (NH) |
| Smith (OR) | Thomas | Voinovich |
| Snowe | Thompson | Warner |
| Specter | Thurmond | Wellstone |
| Stevens | Torricelli | Wyden |

NOT VOTING—7

| | | |
|---|---|---|
| Biden | Hatch | Shelby |
| Bond | McCain | |
| Domenici | Sessions | |

The bill (S. 335), as amended, was passed, as follows:

S. 335

*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 ''Deceptive Mail Prevention and Enforcement Act''.

**SEC. 2. RESTRICTIONS ON MAILINGS USING MISLEADING REFERENCES TO THE UNITED STATES GOVERNMENT.**

Section 3001 of title 39, United States Code, is amended—

(1) in subsection (h)—

(A) in the first sentence by striking ''contains a seal, insignia, trade or brand name, or any other term or symbol that reasonably could be interpreted or construed as implying any Federal Government connection, approval or endorsement'' and inserting the following: ''which reasonably could be interpreted or construed as implying any Federal Government connection, approval, or endorsement through the use of a seal, insignia, reference to the Postmaster General, citation to a Federal statute, name of a Federal agency, department, commission, or program, trade or brand name, or any other term or symbol; or contains any reference to the Postmaster General or a citation to a Federal statute that misrepresents either the identity of the mailer or the protection or status afforded such matter by the Federal Government''; and

(B) in paragraph (2)—

(i) in subparagraph (A) by striking ''and'' at the end;

(ii) in subparagraph (B) by striking ''or'' at the end and inserting ''and''; and

(iii) by inserting after subparagraph (B) the following:

''(C) does not contain a false representation implying that Federal Government benefits or services will be affected by any purchase or nonpurchase; or'';

(2) in subsection (i) in the first sentence—

(A) in the first sentence by striking ''contains a seal, insignia, trade or brand name, or any other term or symbol that reasonably could be interpreted or construed as implying any Federal Government connection, approval or endorsement'' and inserting the following: ''which reasonably could be interpreted or construed as implying any Federal Government connection, approval, or endorsement through the use of a seal, insignia, reference to the Postmaster General, citation to a Federal statute, name of a Federal agency, department, commission, or program, trade or brand name, or any other term or symbol; or contains any reference to the Postmaster General or a citation to a Federal statute that misrepresents either the identity of the mailer or the protection or status afforded such matter by the Federal Government''; and

(B) in paragraph (2)—

(i) in subparagraph (A) by striking ''and'' at the end;

(ii) in subparagraph (B) by striking ''or'' at the end and inserting ''and''; and

(iii) by inserting after subparagraph (B) the following:

''(C) does not contain a false representation implying that Federal Government benefits or services will be affected by any purchase or nonpurchase; or'';

(3) by redesignating subsections (j) and (k) as subsections (m) and (o), respectively; and

(4) by inserting after subsection (i) the following:

''(j)(1) Matter otherwise legally acceptable in the mails described under paragraph (2)—

''(A) is nonmailable matter;

''(B) shall not be carried or delivered by mail; and

''(C) shall be disposed of as the Postal Service directs.

''(2) Matter that is nonmailable matter referred to under paragraph (1) is any matter that—

''(A) constitutes a solicitation for the purchase of any product or service that—

''(i) is provided by the Federal Government; and

''(ii) may be obtained without cost from the Federal Government; and

''(B) does not contain a clear and conspicuous statement giving notice of the information under subparagraph (A) (i) and (ii).''.

**SEC. 3. RESTRICTIONS ON SWEEPSTAKES AND DECEPTIVE MAILINGS.**

Section 3001 of title 39, United States Code, is amended by inserting after subsection (j) (as added by section 2(4) of this Act) the following:

''(k)(1) In this subsection, the term—

''(A) 'clearly and conspicuously displayed' means presented in a manner that is readily noticeable, readable, and understandable to the group to whom the applicable matter is disseminated;

''(B) 'facsimile check' means any matter designed to resemble a check or other negotiable instrument that is not negotiable;

''(C) 'skill contest' means a puzzle, game, competition, or other contest in which—

''(i) a prize is awarded or offered;

''(ii) the outcome depends predominately on the skill of the contestant; and

''(iii) a purchase, payment, or donation is required or implied to be required to enter the contest; and

''(D) 'sweepstakes' means a game of chance for which no consideration is required to enter.

''(2) Matter otherwise legally acceptable in the mails that is nonmailable matter described under paragraph (3) shall not be carried or delivered by mail and may be disposed of as the Postal Service directs.

''(3) Matter that is nonmailable matter referred to under paragraph (2) is any matter (except matter as provided under paragraph (4)) that—

''(A)(i) includes entry materials for a sweepstakes or a promotion that purports to be a sweepstakes; and

''(ii)(I) does not contain a statement that prominently discloses in the mailing, in the rules, and on the order or entry form, that no purchase is necessary to enter such sweepstakes;

''(II) does not contain a statement that prominently discloses in the mailing, in the rules, and on the order or entry form, that a purchase will not improve an individual's chances of winning with such entry;

''(III) does not state all terms and conditions of the sweepstakes promotion, including the rules and entry procedures for the sweepstakes;

''(IV) does not disclose the sponsor or mailer of such matter and the principal place of business or an address at which the sponsor or mailer may be contacted;

''(V) does not contain sweepstakes rules that state—

''(aa) the estimated odds of winning each prize;

''(bb) the quantity, estimated retail value, and nature of each prize; and

''(cc) the schedule of any payments made over time;

''(VI) represents that individuals not purchasing products may be disqualified from receiving future sweepstakes mailings;

''(VII) requires that a sweepstakes entry be accompanied by an order or payment for a product previously ordered;

''(VIII) represents that an individual is a winner of a prize unless that individual has won a prize; or

''(IX) contains a representation that contradicts, or is inconsistent with sweepstakes rules or any other disclosure required to be made under this subsection, including any statement qualifying, limiting, or explaining the rules or disclosures in a manner inconsistent with such rules or disclosures;

''(B)(i) includes entry materials for a skill contest or a promotion that purports to be a skill contest; and

''(ii)(I) does not state all terms and conditions of the skill contest, including the rules and entry procedures for the skill contest;

''(II) does not disclose the sponsor or mailer of the skill contest and the principal place of business or an address at which the sponsor or mailer may be contacted; or

''(III) does not contain skill contest rules that state, as applicable—

''(aa) the number of rounds or levels of the contest and the cost to enter each round or level;

''(bb) that subsequent rounds or levels will be more difficult to solve;

''(cc) the maximum cost to enter all rounds or levels;

''(dd) the estimated number or percentage of entrants who may correctly solve the skill contest or the approximate number or percentage of entrants correctly solving the past 3 skill contests conducted by the sponsor;

''(ee) the identity or description of the qualifications of the judges if the contest is judged by other than the sponsor;

''(ff) the method used in judging;

''(gg) the date by which the winner or winners will be determined and the date or process by which prizes will be awarded;

''(hh) the quantity, estimated retail value, and nature of each prize; and

''(ii) the schedule of any payments made over time; or

''(C) includes any facsimile check that does not contain a statement on the check itself that such check is not a negotiable instrument and has no cash value.

''(4) Matter that appears in a magazine, newspaper, or other periodical and contains materials that are a facsimile check, skill contest, or sweepstakes is exempt from paragraph (3), if the matter—

''(A) is not directed to a named individual; or

''(B) does not include an opportunity to make a payment or order a product or service.

''(5) Any statement, notice, or disclaimer required under paragraph (3) shall be clearly and conspicuously displayed.

''(6) In the enforcement of paragraph (3), the Postal Service shall consider all of the materials included in the mailing and the material and language on and visible through the envelope.

''(l)(1) Any person who uses the mails for any matter to which subsection (h), (i), (j), or (k) applies shall adopt reasonable practices and procedures to prevent the mailing of such matter to any person who, personally or through a conservator, guardian, individual with power of attorney—

''(A) submits to the mailer of such matter a written request that such matter should not be mailed to such person; or

''(B)(i) submits such a written request to the attorney general of the appropriate State (or any State government officer who transmits the request to that attorney general); and

''(ii) that attorney general transmits such request to the mailer.

''(2) Any person who mails matter to which subsection (h), (i), (j), or (k) applies shall maintain or cause to be maintained a record of all requests made under paragraph (1). The records shall be maintained in a form to permit the suppression of an applicable name at the applicable address for a 5-year period beginning on the date the written request under paragraph (1) is submitted to the mailer.''.

**SEC. 4. POSTAL SERVICE ORDERS TO PROHIBIT DECEPTIVE MAILINGS.**

Section 3005(a) of title 39, United States Code, is amended—

(1) by striking ''or'' after ''(h),'' both places it appears; and

(2) by inserting '', (j), or (k)'' after ''(i)'' in both such places.

**SEC. 5. TEMPORARY RESTRAINING ORDER FOR DECEPTIVE MAILINGS.**

Section 3007 of title 39, United States Code, is amended—

(1) by redesignating subsection (b) as subsection (c); and

(2) by striking subsection (a) and inserting the following:

''(a)(1) In preparation for or during the pendency of proceedings under sections 3005 and 3006, the Postal Service, in accordance with section 409(d), may apply to the district court in any district in which mail is sent or received as part of the alleged scheme, device, lottery, gift enterprise, sweepstakes, skill contest, or facsimile check or in any district in which the defendant is found, for a temporary restraining order and preliminary injunction under the procedural requirements of rule 65 of the Federal Rules of Civil Procedure.

''(2)(A) Upon a proper showing, the court shall enter an order which shall—

''(i) remain in effect during pendency of the statutory proceedings, any judicial review of such proceedings, or any action to enforce orders issued under the proceedings; and

''(ii) direct the detention by the postmaster, in any and all districts, of the defendant's incoming mail and outgoing mail, which is the subject of the proceedings under sections 3005 and 3006.

''(B) A proper showing under this paragraph shall require proof of a likelihood of success on the merits of the proceedings under section 3005 or 3006.

''(3) Mail detained under paragraph (2) shall—

''(A) be made available at the post office of mailing or delivery for examination by the defendant in the presence of a postal employee; and

''(B) be delivered as addressed if such mail is clearly shown not to be the subject of proceedings under sections 3005 and 3006.

''(4) No finding of the defendant's intent to make a false representation or to conduct a lottery is required to support the issuance of an order under this section.

''(b) If any order is issued under subsection (a) and the proceedings under section 3005 or 3006 are concluded with the issuance of an order under that section, any judicial review of the matter shall be in the district in which the order under subsection (a) was issued.''.

**SEC. 6. CIVIL PENALTIES AND COSTS.**

Section 3012 of title 39, United States Code, is amended—

(1) in subsection (a) by striking ''$10,000 for each day that such person engages in conduct described by paragraph (1), (2), or (3) of this subsection.'' and inserting ''$50,000 for each mailing of less than 50,000 pieces;

$100,000 for each mailing of 50,000 to 100,000 pieces; with an additional $10,000 for each additional 10,000 pieces above 100,000, not to exceed $2,000,000.'';

(2) in subsection (b) (1) and (2) by inserting after ''of subsection (a)'' the following: '', (c), or (d)'';

(3) by redesignating subsections (c) and (d), as subsections (e) and (f), respectively;

(4) by inserting after subsection (b) the following:

''(c)(1) In any proceeding in which the Postal Service may issue an order under section 3005(a), the Postal Service may in lieu of that order or as part of that order assess civil penalties in an amount not to exceed $25,000 for each mailing of less than 50,000 pieces; $50,000 for each mailing of 50,000 to 100,000 pieces; with an additional $5,000 for each additional 10,000 pieces above 100,000, not to exceed $1,000,000.

''(2) In any proceeding in which the Postal Service assesses penalties under this subsection the Postal Service shall determine the civil penalty taking into account the nature, circumstances, extent, and gravity of the violation or violations of section 3005(a), and with respect to the violator, the ability to pay the penalty, the effect of the penalty on the ability of the violator to conduct lawful business, any history of prior violations of such section, the degree of culpability and other such matters as justice may require.

''(d) Any person who violates section 3001(l) shall be liable to the United States for a civil penalty not to exceed $10,000 for each mailing to an individual.''; and

(5) by amending subsection (e) (as redesignated by paragraph (3) of this section) to read as follows:

''(e)(1) From all civil penalties collected in the administrative and judicial enforcement of this chapter, an amount equal to the administrative and judicial costs incurred by the Postal Service in such enforcement, not to equal or exceed $500,000 in each year, shall be—

''(A) deposited in the Postal Service Fund established under section 2003; and

''(B) available for payment of such costs.

''(2) Except for amounts deposited in the Postal Service Fund under paragraph (1), all civil penalties collected in the administrative and judicial enforcement of this chapter shall be deposited in the General Fund of the Treasury.''.

**SEC. 7. ADDITIONAL AUTHORITY FOR THE POSTAL INSPECTION SERVICE.**

(a) IN GENERAL.—Chapter 30 of title 39, United States Code, is amended by adding at the end the following:

**''§ 3016. Administrative subpoenas**

''(a) AUTHORIZATION OF USE OF SUBPOENAS BY POSTMASTER GENERAL.—In any investigation conducted under this chapter, the Postmaster General may require by subpoena the production of any records (including books, papers, documents, and other tangible things which constitute or contain evidence) which the Postmaster General finds relevant or material to the investigation.

''(b) SERVICE.—

''(1) SERVICE WITHIN THE UNITED STATES.—A subpoena issued under this section may be served by a person designated under section 3061 of title 18 at any place within the territorial jurisdiction of any court of the United States.

''(2) FOREIGN SERVICE.—Any such subpoena may be served upon any person who is not to be found within the territorial jurisdiction of any court of the United States, in such manner as the Federal Rules of Civil Procedure prescribe for service in a foreign country. To the extent that the courts of the United States may assert jurisdiction over such person consistent with due process, the United States District Court for the District of Columbia shall have the same jurisdiction to take any action respecting compliance with this section by such person that such court would have if such person were personally within the jurisdiction of such court.

''(3) SERVICE ON BUSINESS PERSONS.—Service of any such subpoena may be made by a Postal Inspector upon a partnership, corporation, association, or other legal entity by—

''(A) delivering a duly executed copy thereof to any partner, executive officer, managing agent, or general agent thereof, or to any agent thereof authorized by appointment or by law to receive service of process on behalf of such partnership, corporation, association, or entity;

''(B) delivering a duly executed copy thereof to the principal office or place of business of the partnership, corporation, association, or entity; or

''(C) depositing such copy in the United States mails, by registered or certified mail, return receipt requested, duly addressed to such partnership, corporation, association, or entity at its principal office or place of business.

''(4) SERVICE ON NATURAL PERSONS.—Service of any subpoena may be made upon any natural person by—

''(A) delivering a duly executed copy to the person to be served; or

''(B) depositing such copy in the United States mails, by registered or certified mail, return receipt requested, duly addressed to such person at his residence or principal office or place of business.

''(5) VERIFIED RETURN.—A verified return by the individual serving any such subpoena setting forth the manner of such service shall be proof of such service. In the case of service by registered or certified mail, such return shall be accompanied by the return post office receipt of delivery of such subpoena.

''(c) ENFORCEMENT.—

''(1) IN GENERAL.—Whenever any person, partnership, corporation, association, or entity fails to comply with any subpoena duly served upon him, the Postmaster General may request that the Attorney General seek enforcement of the subpoena in the district court of the United States for any judicial district in which such person resides, is found, or transacts business, and serve upon such person a petition for an order of such court for the enforcement of this section.

''(2) JURISDICTION.—Whenever any petition is filed in any district court of the United States under this section, such court shall have jurisdiction to hear and determine the matter so presented, and to enter such order or orders as may be required to carry into effect the provisions of this section. Any final order entered shall be subject to appeal under section 1291 of title 28. Any disobedience of any final order entered under this section by any court may be punished as contempt.

''(d) DISCLOSURE.—Any documentary material provided pursuant to any subpoena issued under this section shall be exempt from disclosure under section 552 of title 5.''.

(b) REGULATIONS.—Not later than 120 days after the date of enactment of this section, the Postal Service shall promulgate regulations setting out the procedures the Postal Service will use to implement this section.

(c) TECHNICAL AND CONFORMING AMENDMENT.—The table of sections for chapter 30 of title 39, United States Code, is amended by adding at the end the following:

''3016. Administrative subpoenas.''.

**SEC. 8. REQUIREMENTS OF PROMOTERS OF SKILL CONTESTS OR SWEEPSTAKES MAILINGS.**

(a) IN GENERAL.—Chapter 30 of title 39, United States Code (as amended by section 7 of this Act) is amended by adding after section 3016 the following:

**''§ 3017. Nonmailable skill contests or sweepstakes matter; notification to prohibit mailings**

''(a) DEFINITIONS.—In this section, the term—

''(1) 'promoter' means any person who—

''(A) originates and mails any skill contest or sweepstakes, except for any matter described under section 3001(k)(4); or

''(B) originates and causes to be mailed any skill contest or sweepstakes, except for any matter described under section 3001(k)(4);

''(2) 'removal request' means a request stating that an individual elects to have the name and address of such individual excluded from any list used by a promoter for mailing skill contests or sweepstakes;

''(3) 'skill contest' means a puzzle, game, competition, or other contest in which—

''(A) a prize is awarded or offered;

''(B) the outcome depends predominately on the skill of the contestant; and

''(C) a purchase, payment, or donation is required or implied to be required to enter the contest; and

''(4) 'sweepstakes' means a game of chance for which no consideration is required to enter.

''(b) NONMAILABLE MATTER.—

''(1) IN GENERAL.—Matter otherwise legally acceptable in the mails described under paragraph (2)—

''(A) is nonmailable matter;

''(B) shall not be carried or delivered by mail; and

''(C) shall be disposed of as the Postal Service directs.

''(2) NONMAILABLE MATTER DESCRIBED.—Matter that is nonmailable matter referred to under paragraph (1) is any matter that—

''(A) is a skill contest or sweepstakes, except for any matter described under section 3001(k)(4); and

''(B)(i) is addressed to an individual who made an election to be excluded from lists under subsection (d); or

''(ii) does not comply with subsection (c)(1).

''(c) REQUIREMENTS OF PROMOTERS.—

''(1) NOTICE TO INDIVIDUALS.—Any promoter who mails a skill contest or sweepstakes shall provide with each mailing a statement that—

''(A) is clearly and conspicuously displayed;

''(B) includes the address or toll-free telephone number of the notification system established under paragraph (2); and

''(C) states that the notification system may be used to prohibit the mailing of all skill contests or sweepstakes by that promoter to such individual.

''(2) NOTIFICATION SYSTEM.—Any promoter that mails or causes to be mailed a skill contest or sweepstakes shall establish and maintain a notification system that provides for any individual (or other duly authorized person) to notify the system of the individual's election to have the name and address of the individual excluded from all lists of names and addresses used by that promoter to mail any skill contest or sweepstakes.

''(d) ELECTION TO BE EXCLUDED FROM LISTS.—

''(1) IN GENERAL.—An individual (or other duly authorized person) may elect to exclude the name and address of that individual from all lists of names and addresses used by a promoter of skill contests or sweepstakes by

submitting a removal request to the notification system established under subsection (c).

''(2) RESPONSE AFTER SUBMITTING REMOVAL REQUEST TO THE NOTIFICATION SYSTEM.—Not later than 35 calendar days after a promoter receives a removal request pursuant to an election under paragraph (1), the promoter shall exclude the individual's name and address from all lists of names and addresses used by that promoter to select recipients for any skill contest or sweepstakes.

''(3) EFFECTIVENESS OF ELECTION.—An election under paragraph (1) shall remain in effect, unless an individual (or other duly authorized person) notifies the promoter in writing that such individual—

''(A) has changed the election; and

''(B) elects to receive skill contest or sweepstakes mailings from that promoter.

''(e) PROMOTER NONLIABILITY.—A promoter shall not be subject to civil liability for the exclusion of an individual's name or address from any list maintained by that promoter for mailing skill contests or sweepstakes, if—

''(1) a removal request is received by the promoter's notification system; and

''(2) the promoter has a good faith belief that the request is from—

''(A) the individual whose name and address is to be excluded; or

''(B) another duly authorized person.

''(f) PROHIBITION ON COMMERCIAL USE OF LISTS.—

''(1) IN GENERAL.—

''(A) PROHIBITION.—No person may provide any information (including the sale or rental of any name or address) derived from a list described under subparagraph (B) to another person for commercial use.

''(B) LISTS.—A list referred to under subparagraph (A) is any list of names and addresses (or other related information) compiled from individuals who exercise an election under subsection (d).

''(2) CIVIL PENALTY.—Any person who violates paragraph (1) shall be assessed a civil penalty by the Postal Service not to exceed $2,000,000 per violation.

''(g) CIVIL PENALTIES.—

''(1) IN GENERAL.—Any promoter—

''(A) who recklessly mails nonmailable matter in violation of subsection (b) shall be liable to the United States in an amount of $10,000 per violation for each mailing to an individual of nonmailable matter; or

''(B) who fails to comply with the requirements of subsection (c)(2) shall be liable to the United States.

''(2) ENFORCEMENT.—The Postal Service shall assess civil penalties under this section.''.

(b) TECHNICAL AND CONFORMING AMENDMENTS.—The table of sections for chapter 30 of title 39, United States Code, is amended by adding after the item relating to section 3016 the following:

''3017. Nonmailable skill contests or sweepstakes matter; notification to prohibit mailings.''.

(c) EFFECTIVE DATE.—This section shall take effect 1 year after the date of enactment of this Act.

**SEC. 9. STATE LAW NOT PREEMPTED.**

(a) IN GENERAL.—Nothing in the provisions of this Act (including the amendments made by this Act) or in the regulations promulgated under such provisions shall be construed to preempt any provision of State or local law that imposes more restrictive requirements, regulations, damages, costs, or penalties. No determination by the Postal Service that any particular piece of mail or class of mail is in compliance with such provisions of this Act shall be construed to preempt any provision of State or local law.

(b) EFFECT ON STATE COURT PROCEEDINGS.—Nothing contained in this section shall be construed to prohibit an authorized State official from proceeding in State court on the basis of an alleged violation of any general civil or criminal statute of such State or any specific civil or criminal statute of such State.

**SEC. 10. EFFECTIVE DATE.**

Except as provided in section 8, this Act shall take effect 120 days after the date of enactment of this Act.

The title was amended so as to read: ''A bill to amend chapter 30 of title 39, United States Code, to provide for the nonmailability of certain deceptive matter relating to sweepstakes, skill contests, facsimile checks, administrative procedures, orders, and civil penalties relating to such matter, and for other purposes.''.

Ms. COLLINS. Mr. President, I move to reconsider the vote.

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

The motion to lay on the table was agreed to.

## AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION, AND RELATED AGENCIES APPROPRIATIONS ACT, 2000—Continued

The PRESIDING OFFICER (Mr. FITZGERALD). The Senator from Mississippi.

Mr. COCHRAN. Mr. President, I understand the parliamentary situation is that we are now back on the Agriculture appropriations bill. The pending amendment is the Cochran amendment to the Daschle amendment.

The PRESIDING OFFICER. The Senator is correct.

Mr. COCHRAN. The Senator from Iowa asked unanimous consent before we permitted discussion of the Collins bill that he be recognized following the vote.

I am rising to clarify the situation, and also to inquire how long the distinguished Senator is planning to speak at this point. I am hopeful that there will be time for the distinguished Senator from Indiana, Mr. LUGAR, who is chairman of the Committee on Agriculture, to speak for about 30 minutes. He has to chair a committee hearing in the morning beginning at 9 o'clock and won't be available tomorrow morning. I am hopeful the Senator will either let Senator LUGAR proceed now or after a reasonable time for the Senator to then be recognized for 30 minutes.

That is the purpose of my inquiry of the Senator from Iowa. I did not object when the Senator sought unanimous consent to be recognized because I thought I had talked about 15 minutes and the Senator had talked about the same period of time, or maybe a little longer. That is the purpose of my inquiry.

Mr. HARKIN. I appreciate it.

The PRESIDING OFFICER. The Senator from Iowa.

### PRIVILEGE OF THE FLOOR

Mr. HARKIN. Mr. President, I ask unanimous consent that Traci Parmenter, an intern in my office, be granted floor privileges for the duration of the debate on the Agriculture appropriations bill.

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

Mr. HARKIN. Mr. President, I say to my friend from Mississippi that I don't intend to talk too much longer. I did want to engage in a colloquy with a couple of Senators who wanted to do so. I don't imagine it will take that long—a little bit of time, not that long.

Mr. COCHRAN. I thank the Senator for his clarification.

Mr. HARKIN. We will not take that long. As the Senator knows, I have tremendous respect for my chairman of the Agriculture Committee. But I wanted to wrap up our presentation with a short colloquy with my fellow Senators prior to yielding the floor. If I might, Mr. President, let me try to conclude the remarks that I had earlier.

Did the Senator have a question?

Mr. COCHRAN. No. My question of the Senator was how much longer he thought he would take. This is for the purpose of advising my friend from Indiana how long he would sit on the floor and listen to your colloquy, or whatever it is the Senator intends to do, or for how long the Senator intends to do it. It is just a question. I am not suggesting the Senator does not have the right to talk all night, if he wishes.

Mr. HARKIN. I am not going to talk all night.

Mr. COCHRAN. The Senator from Iowa has the floor. I am just curious about how much time he might take, or could we interrupt the remarks and let the Senator from Indiana proceed?

Mr. HARKIN. About 15 minutes—perhaps not that long.

Let me conclude my earlier remarks. Quite frankly, I find myself in a very uncomfortable position. This is extremely uncomfortable for me. I think the pending amendments are the ultimate statement on the failure of the current farm policy. Why do I say it is uncomfortable for me? Because I don't like it when farmers have to rely on government payments because they are not getting enough from the marketplace.

I am uncomfortable with an amendment that provides above $10 billion in support for our farmers. I find myself extremely uncomfortable. That is why I view what we are doing here as part of a two-step process. First, we must get the emergency money; but second, we have to change the underlying failures of the Freedom to Farm bill or we will be right back where we are again next year, asking for billions more in emergency payments to deal with the crisis in the farm economy.

Our farm policy now is based on cash payments. Now we are back here talking about even more cash payments. We are forced into this situation because the underlying farm policy is wrong. And that is how the Republicans' proposal is shaped. It is a stopgap gesture based on AMTA payments.

So naturally, the larger farmers with the larger base acreages are going to get the most money. This policy goes against what government programs ought to be. Government programs ought to be for those who are in need. This amendment stands that principle on its head. The Republican proposal will give most of the money to the biggest farmers under the so-called AMTA payments. Our proposal offers a more equitable distribution by providing the assistance to producers who are actually on the farm right now and in relation to what they are growing now—not what they grew 20 or more years ago. That is a big difference between the two approaches.

The Republicans' said they wanted to get rid of the old farm programs when they passed Freedom to Farm, but their AMTA type payments are based on that very same outdated base acreage and payment yield system that is decades old. And quite frankly, with the AMTA system, payments can go to someone who is not even trying to grow a crop and has not incurred those expenses. And the benefits of AMTA payments are too easily claimed by absentee landlords. They could be long gone and living in—Palm Beach, Miami, or retired in southern Texas or someplace else. Our proposal is designed to provide the money to real farmers who are actually farming and trying to grow crops.

I might also add one other thing: We are facing some terrible disaster conditions around the country. I know out in the upper Midwest we have had floods and excessive moisture that have prevented planting, in the Dakotas for example, and we have had terrible floods and rainstorms in parts of Iowa. We are facing a tremendous drought on the eastern seaboard among the Atlantic coastal States where we also have farmers who are in dire straits.

In our package, we have over $2 billion for disaster-related assistance. The Republican package has zero dollars to help farmers survive disasters, not for those on the Eastern seaboard suffering that terrible drought or others undergoing disasters. That is another big difference because these are truly farmers in need. They need help. Our bill has that help for them; the Republican bill doesn't.

Those are the two major differences I see. I will have more to say tomorrow about the Freedom to Farm bill. Freedom to Farm had a lot of cheerleaders when it passed a few years ago, saying how great it would be. Those cheers ring hollow now. The proof of the pudding is in the eating. Quite frankly, farmers are going broke. And they know it is a failure. It has not protected farm.

We must change the underlying farm policy. We need to get loan rates up. We had a bipartisan group of State representatives and Senators from Iowa here last week, Republicans and Democrats. They had a proposal for us: Raise the loan rates, allow the Secretary of Agriculture to extend commodity loans and provide storage payments to farmers, all of which I support. I said: You are talking to the wrong person; you ought to talk to the backers of Freedom to Farm. Don't try to convince me, I am for it.

We ought to raise the loan rates. We ought to provide for storage payments. We ought to extend the loans. I think that is what we will come back and try to do in September, the second part of our two-step process.

The name Freedom to Farm reminds me of a conversation a little bit ago when it was asked, is there anything good about the bill. I said about the only thing good in the Freedom to Farm bill is the name ''freedom.''

But considering where the farm economy is now, I am reminded of the words in the Janis Joplin song. ''Freedom is just another word for nothin' left to lose.'' How accurate that is when it comes to the farm crisis. For our farmers, the word ''freedom'' in the Freedom to Farm bill, is just another word for ''nothin' left to lose.''

Mr. WELLSTONE. Mr. President, every time I'm home, farmers are saying to me: We appreciate some assistance so we can live to be able to farm another day, but we want to know whether we or our children or grandchildren will have any future? How are you going to deal with the price crisis? What are you going to do to change the direction that this freedom to farm bill has taken us?

Farmers focus on the structural issues. They want Members to write a new farm bill. They don't want a bail out every year. They want to be able to get a decent price in the marketplace. They want a fair shake. That is all they want.

I ask my colleague from Iowa, also my friend from North Dakota, what should we be focusing on here in the U.S. Senate beyond this emergency assistance package to make sure that farmers can get a decent price, and that family farmers can be able to make a living and their children can farm and our rural communities can flourish?

Mr. HARKIN. In responding to my friend from Minnesota, I was meeting with farmers this week in Iowa talking about our emergency package. On more than one occasion the farmers got up and said: We appreciate what you are trying to do. We can sure use the money. But if all you are going to do is send out another check and we are going to have the Freedom to Farm bill again next year, it isn't going to work because we will be even deeper in the hole next year.

They are begging Congress to change this policy.

I tell my friend from Minnesota what I hear most often from them is they have to have a better price, they have to be able to market their grain more efficiently, and they need some limited kinds of conservation land idling program shorter than 10 years.

The vast majority of farmers I talked to said we have to get our supply and demand in line. The only way we will get them in line anytime soon is if we have some land out of production. With short-term land retirement, something to take land out for conservation purposes for 2 years, or 3 years at the most, where they get some economic benefit for that, coupled with higher loan rates and the extension of the loan and storage payments, we can start to get some stability and get the farm economy back on track.

This past weekend as well as on other Iowa visits, farmers are telling me if we don't change the underlying farm bill it will get worse next year.

Mr. DORGAN. Will the Senator yield?

Mr. HARKIN. I yield.

Mr. DORGAN. I think the points being made here are important to understand. If all we do is to pass a disaster relief package and do nothing to change the underlying farm bill, we will not have addressed problems in a way that gives family farmers hope that there is a future.

Let me ask the Senator about the underlying farm bill. The underlying farm bill, the Freedom to Farm bill, has put us in a position where payments were made to farmers early on when farm prices were very high and farmers didn't need those payments. Now, when farm prices have collapsed and farmers need a bigger payment, they are still getting the same payment or a lower payment than they were getting when prices were high.

In other words, there is a disconnection with respect to need. Freedom to Farm, was it not, was a transition payment. It was to transition them out of the farm program. That was the philosophical underpinning of the farm bill.

Is it the judgment of the Senator from Iowa that while we do this—and it is urgent that we must do this, pass some disaster relief bill—that we also must accompany that with a change in the underlying farm bill, sooner rather than later, because if we do not, those farmers who are making decisions about the future will have to decide there is no hope ahead?

Freedom to Farm means there are lower price supports even when prices collapse. Isn't it true that this must be the first step in a two-step process?

Mr. HARKIN. I could not agree more. I would proffer this. If all we do is pass this emergency package, either this one or the scaled-down package of the Republicans, and we do nothing else, farmers are going to see the handwriting on the wall. If we do not change that Freedom to Farm bill, they are going to see it and they will say, I'm going to be right back where I am again next year. Farmers are going to say, I'm getting out. They will be leaving in droves. It will drive farmers out.

In the State of Iowa, from April of 1998 to April of 1999, land prices in Central Iowa have gone down 11 percent already. The Governor of Iowa was at a

meeting I held in Iowa this weekend. He said, when the legislature left 3 months ago, when they went out of session, they estimated the growth in revenues at 1.8 percent. It is now down to 1 percent. That is going to affect our schools and everything else in the State of Iowa. So the broader impacts on Iowa's economic health are already being felt. It is already happening.

I have had people tell me if all we are going to do is put the money out there, it will help them some with their debts, it will help them get through the next few months, help them get through the harvest, but if we do not change the Freedom to Farm bill, they are out, they are not going to be there next year.

Mr. DORGAN. May I ask one further question?

Mr. HARKIN. I yield for a question.

Mr. DORGAN. Payments, as I understand them, have gone too far in the current farm bill, the underlying farm bill; too high in the disaster programs. Perhaps both programs should be adjusted lower. My understanding of the program that has been offered earlier today, by the majority party, is with the triple-entity rule, the payment limits would effectively, under that rule, be about $460,000—under their disaster package. In my judgment, that is too high. In my judgment, we should craft a farm program and craft disaster programs that target help for family-size farms. If that is not what it is about, my feeling has always been, if we are not targeting help to family farmers, we don't need a Department of Agriculture. The only reason to have all of this is to help family farmers.

Mr. HARKIN. The Senator is onto something regarding payment limitations. In the Republicans' proposal, the maximum payments that an individual can receive—by setting up partnerships or corporations to maneuver around the limits—would be $460,000. Nearly half a million dollars to one individual.

Mr. DORGAN. If I might—

Mr. HARKIN. Again, I think we ought to be here to help people who really need some help and get it out. To me, that is going way beyond the bounds there.

I yield for a question.

Mr. DORGAN. If I might again just inquire, I had computed it under the three-entity rule, what they could achieve. If I have missed part of that and they can achieve $460,000, it simply makes the point; $300,000 is too much. Mr. President, $460,000 is way out of bounds. We ought to be trying to get a reasonable amount of support during this price collapse to family-size farms.

I come from ag country, but I will not support giving $300,000 to anybody in farm country. We don't need that. That is not what a farm program ought to be about, in disaster help or in regular help, when prices collapse. That is not supporting a family-size farm; that is spending taxpayers' money in support of farm operations far in excess of family farms. That doesn't make any sense to me.

Again, when I inquired of the Senator from Iowa, I was thinking of the repeal of the three-entity rule. If there is another device that goes above the $300,000, that simply compounds the aggravation with respect to who is going to get this money and how much. Let us find a way.

I ask the Senator from Iowa, isn't our job here to craft a decent disaster bill, first, that gets the most help possible to family-size farms and, second, to decide we must follow it quickly by saying the current farm bill doesn't work, that is obvious to everyone—obvious because we have to pass disaster bills every year now—and we should change the underlying farm bill in the same way that provides real help to family farmers so when prices collapse they have a chance to survive?

Mr. HARKIN. I respond to my friend from North Dakota: These big cash payments are an inherent part of the Freedom to Farm bill—an inherent part of it. A lot of that money goes to the big operators. Yet we have our family farmers out there who are just trying to get by.

That is why this Freedom to Farm bill—I wish I could say just one good thing—the only good thing about Freedom to Farm was flexibility. It gave the farmer planting flexibility. But as the Senator from North Dakota might remember, when we were debating the farm bill, the Senator from North Dakota offered an amendment to provide the planting flexibility to farmers and still have a farm program that provided higher loan rates and storage payments and some set-asides within the confines of the farm program. If I am not mistaken, it was the Senator from North Dakota who offered the amendment to provide the flexibility to farmers to plant what they wanted, where they wanted, and yet it was defeated on a party-line vote.

So there were those who sold to the farmers the Freedom to Farm bill on the basis that they would have planting flexibility. But we did so in our proposal. We provided planting flexibility in our alternative—I believe it was the Senator from North Dakota who offered it——

Mr. DORGAN. Senator CONRAD.

Mr. HARKIN. Senator CONRAD, the other Senator from North Dakota, offered it. That was to provide that planting flexibility. We were all for that. There was no one here who was not for that. I think farmers by and large got very confused by that. They were told by our friends on the other side of the aisle you had to have Freedom to Farm to get flexibility. That is not so. What happened with Freedom to Farm is that it took away the safety net and we are in the situation we are in right now. I repeat, for emphasis' sake, these big cash payments are an inherent part of the Freedom to Farm bill.

I will yield for one more question.

Mr. WELLSTONE. I will say to my colleagues—and I know they are waiting to speak, and I will soon be done after just a final question—I apologize you have to wait.

I especially say that to Senator GRASSLEY since he was gracious enough, when I was in Iowa, to tell me if I needed a place to stay, I could stay at his farm. I much appreciated it.

Mr. HARKIN. He would have fed you pretty well, too.

Mr. WELLSTONE. I know. I am going to do it next time for sure.

Let me ask one more question, and before I do, I ask unanimous consent—if tomorrow morning we are going to be in debate as well—that I could have 15 minutes to speak on this.

Mr. COCHRAN. Reserving the right to object, what is the request?

Mr. WELLSTONE. I was asking whether or not tomorrow morning we are also going to be in debate on this and that I could have 15 minutes to speak on it.

Mr. COCHRAN. I am constrained to object to any request to speak in the morning. We have not had an announcement as to what time we are coming in or how the bill will be handled. The usual rules of seeking recognition I think probably will apply tomorrow.

Mr. WELLSTONE. OK. Let me ask my colleague: My friend from North Dakota made the distinction between agriculture and family farmers; his passion is for the producers, the family farmers. Beyond this assistance bill, we would like to see something that would help people continue to survive. In Minnesota, on August 21, we are going to have a Rural Crisis Unity Day with a whole congressional delegation there to meet with the farmers and business people and all, really, of rural Minnesota. Does he think it would be helpful for people to say: We need you to do something about the price crisis; we need you to do something to make sure we get a fair shake; we need you to make sure it is not just for Cargill, it is for family farmers; it is not just for IBP or the packers—it is not for the packers, it is for the producers? Do you think this is the kind of thing we are going to need to see in many of our agricultural States over the next several months to come, to put the pressure on the House and Senate to pass a bill for family farmers as opposed to these big conglomerates?

Mr. HARKIN. I say to my friend from Minnesota, I hope each of us in our own capacity would understand what is happening out there right now. We are not blind. We are not deaf. We are not without the capability of going out in the countryside and talking to farmers and listening to them. We all do that.

If we have eyes to see and ears to hear and a decent knowledge of what is happening on the farms, I hope we will not have to have all the rallies and have farmers come to big meetings to try to impress upon us this need. I daresay, however, the way things are going that will happen.

If we do not address the underlying aspects of the Freedom to Farm bill,

you are going to get more and more farmers out to these meetings, especially after harvest. Of course, farmers are busy during the harvest. You will not see too many of them probably in the fall. It is going to be a long, cold winter if we do not change the underlying bill. It will not be just the farmers, you will have the bankers come in. I have heard from bankers in, and you are going to have people from small towns and communities, the school boards and everybody else saying: Look, what is happening? Our towns are drying up.

I say to my friend from Minnesota, I hope we will not force farmers to go to meetings and plead with us to recognize the dire straits they are in. We know it. We know what it is like out there. We have all the data. We have the statistics. We know what the prices are like. Pick up the newspaper and read what the prices are. Look at what futures prices are. I had a chart earlier today about the prices. Cash price of soybeans is down about half, about 45 percent in about the last 2 years. You do not really need much more than that to understand what the problem is, I say to my friend from Minnesota.

Mr. President, I ask unanimous consent to print in the RECORD an outline of the $10.793 billion that is in the first-degree amendment, which is pending at the desk, outlining the different line items and where that money goes so people can look at it tonight.

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

Democratic position: Emergency relief for agriculture

[In billions of dollars]

| | |
|---|---|
| Income | 6.045 |
| Income Loss Payment | 5.600 |
| Dairy | 0.400 |
| Peanuts | 0.045 |
| Tobacco farmers | 0.328 |
| Total | 6.373 |
| Disaster | 2.274 |
| Crop insurance—30% premium discount | 0.400 |
| Backfill 1998 disaster programs | 0.356 |
| Livestock assistance programs | 0.200 |
| Section 32 (domestic food purchases, direct payments related to natural disasters) | 0.500 |
| Disaster Reserve | 0.500 |
| Flooded land program | 0.250 |
| Emergency short-term land diversion program | 0.200 |
| Producers erroneously denied eligibility for '98 relief | 0.070 |
| FSA loans | 0.100 |
| FSA emergency staffing needs | 0.040 |
| Ag mediation | 0.002 |
| USDA rapid response teams | 0.001 |
| Shared Appreciation Agreement regulatory relief | ..... |
| Total | 2.619 |
| Income/disaster total | 8.992 |
| Emergency conservation | 0.212 |
| Emergency Watershed Program | 0.060 |
| Emergency Conservation Program | 0.030 |

Democratic position: Emergency relief for agriculture—Continued

[In billions of dollars]

| | |
|---|---|
| EQIP—Prioritize livestock/nutrient management | 0.052 |
| Wetlands Restoration Program | 0.070 |
| Total | 0.212 |
| Emergency trade provisions | 1.288 |
| Humanitarian assistance, oilseeds and other | 0.978 |
| Cooperator program (foreign market development) | 0.010 |
| Step 2 (cotton) | 0.439 |
| Total | 1.427 |
| Emergency economic development | 0.150 |
| Cooperative revolving loan fund | 0.050 |
| Emergency rural economic assistance | 0.100 |
| Total | 0.150 |
| Emergency policy reform | 0.012 |
| Mandatory price reporting funding | 0.004 |
| Country-of-origin labeling | 0.008 |
| Total | 0.012 |
| Grand total | 10.793 |

Mr. HARKIN. I thank the indulgence of my friend from Indiana. I know my friend wanted to engage in a little colloquy. I am sorry for holding him up. I yield the floor.

The PRESIDING OFFICER. The Senator from Mississippi.

Mr. COCHRAN. Mr. President, I ask unanimous consent that the distinguished Senator from Indiana, Mr. LUGAR, be recognized for such time as he may consume.

The PRESIDING OFFICER. Without objection, it is so ordered. The Senator from Indiana.

Mr. LUGAR. Mr. President, I want to discuss the two amendments which have been offered by my colleagues, the distinguished ranking member, Senator HARKIN of Iowa, and the distinguished chairman of the Agriculture Subcommittee on Appropriations, Senator COCHRAN. But I want to do so in the context in which Senators may be thoughtful about what type of action is appropriate, given not only the problems of agriculture but likewise the general problems that we have in this country that we are trying to address.

I note, for example, that the President of the United States, in his speech to the Nation on agriculture on Saturday, indicated that there are a number of things at stake here. I quote the President:

> I am committed to working with Congress to provide the resources to help our farmers and ranchers by dealing with today's crisis and by fixing the farm bill for the future. But we must do so in a way that maintains the fiscal discipline that has created our prosperity that now makes it possible for us to save Social Security, strengthen and modernize Medicare with a prescription drug benefit and to pay off our national debt guaranteeing our long-term financial prosperity. These things are good for America's farming and ranching families, too, and they're good for all Americans.

I quote the President because the administration has been asked a number of times for an opinion on what type of emergency spending, if any, is appropriate at this point, on August 2, for a harvest that, by and large, is not yet in and with conditions that must, of necessity, be unknown. The administration has been reticent to address this situation with any figure, in large part because the administration and, for that matter, many people in this Senate have been arguing over how the surplus we believe will come after September 30 should be spent or the surplus for future years. There have been a number of strong contending ideas which include the rescue of Medicare and Social Security reform, tax reduction, prescription drugs for those in Medicare who do not have that, and the various other things the President has cited.

I make this point because usually on this floor we are into that kind of debate about our future and about how to use our resources. But from time to time, we have a debate on agriculture, and everything else is suspended. It is as if the money we are talking about today, the $10.8 billion, for example, that Senator HARKIN addressed, does not pertain to any of the above—tax reduction, Medicare, Social Security, the surplus, and what have you. It is deemed emergency spending, outside the budget, outside the budget caps, outside of our general consideration.

If we are to do emergency spending of that amount or any amount, there must be some requirements to show the criteria for what is required. That is what I want to review with the Senate this evening.

I suggest the Department of Agriculture, in its most recent summary of where agriculture stands, points out that with low commodity prices in 1999, the year we are in, net farm income will be $43.8 billion. They point out that will fall below the revised estimate of $44.1 billion for 1998, last year. That means the estimate for this year is $300 million, or less than a 1 percent change, from the net income in 1998.

I make that point because, as I have listened to the debate, Senators appear to be describing a loss that is substantially greater than that, but USDA in estimates made just last week, plugging in the low prices and plugging in also sometimes low inputs—that is, for feed costs and various other things agriculture people will need—have come to a conclusion the net change is only the difference between $44.1 billion and $43.8 billion.

Beyond that, the average net income of the last 5 years has been $46.7 billion, which means this year's figure, if it comes out this way, is $2.9 billion less than the 5-year average. The average for the 8-year period covering 1990 through 1997 is $45.7 billion, so this year's result is 1.9 less than the 8-year average, or approximately 4 percent.

I am not making a claim it is higher; I am saying it is going to be lower. It is going to be lower by $300 million as

opposed to last year and at least $2 billion to $3 billion less than the 5-year and 8-year averages.

As I have been listening to the debate and Senators have described this as a depression, a circumstance, Senators must take a look at the parameters of what is the actual set of facts. Let me point out historically the high water mark for agricultural income in the last 10 years was $54.9 billion in 1996. That followed the low year in 1995 of $37.2 billion. Low of 37, high of 54.9. Average: 45, 46 for the 5-year/10-year situations. This year: 43.8, close to 44 billion.

That is the range. This is net income, not net loss. Agriculture had a substantial net income never below $37 billion and never higher than $54.9 billion in this 10-year period of time.

We are taking a look at a situation that shows loss, but we ought to quantify that loss. These are the official USDA projections as of last week.

Senators will recall that 1998's net farm income of $44 billion included $12.2 billion of direct Federal Government payments. About $9 billion was provided by the farm bill and the remaining $3 billion was made available by the October 1998 emergency appropriations bill. But this year, already, before this legislation comes to the floor, Federal payments are projected to be $16.6 billion.

Let me point out how this can be true. The safety net provided by the current farm bill—that safety net—provides for an annual transition payment, a so-called AMTA payment, of $5.1 billion. That is provided for by the farm bill, and to be paid to all farmers according to formula at the times that are prescribed. But loan deficiency payments for corn, wheat, soybean, and other crops eligible for marketing loans are estimated at $6.6 billion. This is a safety net provided by the current farm bill.

It has been suggested a number of times that the current farm bill, in its emphasis upon market economics, has no safety net. But I am pointing out $5.1 billion in AMTA payments and another $6.6 billion in so-called loan deficiency payments, still another $4.8 billion to be paid out in conservation and crop loss disaster payments, with $2 billion of that authorized by the 1998 October emergency appropriations bill.

It is important to note that most of the farm debate has focused on low prices, and charts have been given to the Senate indicating how prices have tended downward over the years. But, nevertheless, the more important figure would be price times yield; that is, the income that comes from an acre.

If, in fact, the price is low but the yield is high, the product of the two may still be a reasonable return for that acre in that year. There is an even more important fact that I suspect that many Senators have not thought through clearly. An article that I saw on the front page of USA Today talked about a farm meeting the distinguished occupant of the Chair attended in Illinois. That particular article mentioned low prices and pointed out the depression and the fall of those prices.

But if the price of corn—as has been sometimes suggested—has been quoted at elevators at $1.75 or $1.70 per bushel, the good news is that a farmer will receive, at least if he is a farmer in the central part of Indiana, $1.95. That is price guaranteed through the loan deficiency payment in that part of the state.

How does this work? Let's say the farmer brings the corn in and the market price is $1.70 per bushel at the time of harvest. At the Beach Grove elevator in Indianapolis, that farmer will receive what amounts to 25 cents a bushel more, bringing that $1.70 up to $1.95. The same is true for soybeans at Beach Grove, IN. The soybean loan rate will be $5.40. In some parts of the country it may be $5.26, I am advised, but it is not $4 or $4.50 or $4.60 or $3.75 or various figures that have been quoted.

This is a tough concept to try to get across because even after you make the point again and again, people talk about a $3.75 market price for soybeans. What I am saying is that every bushel of soybeans the farmer brings into the elevator, he is going to get $5.26 to $5.40 because the government's loan deficiency payment will provide him with a payment equal to the difference between his market price and the local county loan rate. That is very different.

This is not a question about how low the prices are going to go. If they go lower, the loan deficiency payment is higher. That is why the Federal Government will be paying out at least $6.6 billion to make up the difference. It was the same for wheat. In many parts of the country, the wheat harvest has already come in. But the government guarantees at least $2.58 for wheat at many elevators around the country.

I make that point because that is the safety net of the current farm bill. It is a pretty strong safety net. It will provide a very substantial amount of income as the harvests occur, as the grain comes in, as the loan rates are established. It will amount to $6.6 billion that has not yet been received but will be received by farmers. Hopefully, that will take the debate away from a comparison of how low the prices are going to go to the concrete figure of what the loan deficiency payment will be—specifically, as I say, again, in most parts of the country, at least $1.89 for every bushel of corn, $2.58 for every bushel of wheat, and $5.26 for every bushel of soybeans. At many elevators it will be a higher figure than that, including the one in Indianapolis that I cited. Farmers receive that even if the quoted market price is much lower.

Let me mention some other statistics the USDA has pointed out that may give you some idea about the parameters of our discussion.

In the same report last week of USDA giving estimates on net income, USDA also went into the question of farm assets and farm debt and farm equity. If you had heard the entirety of the debate today—or maybe for some time—on this issue, the Chair might logically believe that land values in this country are going down if they pertain to agriculture; that the net worth of farmers collectively in this country is going way down. That, in fact, is not the case.

The Agriculture Department points out that farm equity, which was $825 billion in 1996, rose to $857 billion in 1997. It is estimated to go up to $865 billion this year. That is an increase of approximately $9 billion more, or a 1-percent increase in net worth. The farm real estate figures are $802 billion for this year as opposed to $794 billion last year, and $783 billion the year before, and $746 billion the year before that.

It does not mean every acre of land in every county all over America is going up. As a matter of fact, the Federal Reserve Board statistics for my home State of Indiana indicate an estimate that in the first quarter of 1999, real estate values in agriculture may have gone down by 2 percent. As a matter of fact, that was true of a number of States. But in a fair number of States, obviously, the estimate is that agricultural land is going up. The aggregate, the total, for America is the land values are higher. Furthermore, the net worth is higher because farm debt will decrease from $172 billion to $171 billion.

Once again, listening to the debate you would say, how can that be? If we are in a depression circumstance, how can you be arguing that real estate on farms is going up, that net worth is going up, that debt is coming down? Because that is what is occurring. You can give any number of statistics about prices falling, but the fact is that net income is going to fall by $300 million. And that will still be within $2 to $3 billion of a range for the last 5 or 10 years of time.

Let me try to bring clarity to the argument in still another way.

The distinguished Senator from Iowa, Mr. HARKIN, has mentioned, in a fact sheet that he released and he gave some of these figures again today, that there will be a 29-percent drop in agricultural income, but Senator HARKIN correctly says this is a drop in principal field crops, not all of agriculture, but principal field crops.

I have noted that situation on my own farm. The distinguished Senator from Iowa, Mr. GRASSLEY, is on the floor. He has a family farm and could cite statistics from his farm if he were inclined to do so.

On my farm, Lugar farm in Marion County, IN, our net income in 1998 was 18 percent less than in 1997. That was true principally because our major income sources were soybeans and corn. My guess is that our net income in 1999 may have a similar reduction, although I hope not so great as the 18-percent that was suffered the earlier year.

Obviously, it makes a very great deal of difference, when you come to the net income situation or the difficulty of a farmer, whether the farmer has debt. Our situation is one in which we do not have debt. We are able to finance our operating loans, our operating expenses, without loans and out of retained capital. So that gives you a big headstart. For those farmers who have extended themselves to buy the adjacent farm or have never quite paid off the family mortgage and who must borrow each year to put a crop in the field, the interest costs are very substantial. Those are reflected still in the overall aggregate statistics of net farm income in this country.

As you take a look at ag statistics, the fourth that do the best as opposed to the fourth that do not do as well, very frequently the same amount of land is involved, same weather was involved. The question of debt intrudes and makes a big difference in the bottom line figure; likewise, the sophistication of the marketing plan. Even in the midst of the crisis we were talking about last week, I was able to make a sale of 1,000 bushels of corn to an elevator in Indianapolis at a figure higher than the loan rate, the government's guaranteed minimum price. That prospect was available to each farmer in America, I suspect, that day. We sold that corn for $1.97 for fall delivery. That is not a high price, but that is corn that will not be receiving a loan deficiency payment, corn sold in a market which is still out there. In weather-driven spurts, farmers have been able to market corn and soybeans even under these dire circumstances.

I make that point because those who made sales forward contracts last February and March were able to sell their corn and their soybeans at prices that were substantially higher. Many farmers do these sales; some farmers do not. We are attempting to deal with a situation of a total aggregate, those that did very well and those that did not do so well.

Finally, it seems to me it comes to a basic decision the Senate must make. That is, should the Senate say that agriculture, farmers in America, ought to be made whole, at least to the extent their income is raised to, say, the average level of the last 5 years or the average level of the last 10 years? Is it the goal of the Senate to say no, that is not good enough? What we ought to do is make certain that 1999 is one of the best years agriculture has ever had.

The proposals before us today will not boost the $44 billion more or less of net farm income to $54.9, although they come very close. If the Democratic amendment was adopted and, literally, you added $10.8 billion to the estimate of 43.8, you come up to 54.6, which is just 300 million short of the all-time record for net farm income. In short, not a rescue operation but an idea, I suspect, that this is a good time to, if not set a new record, at least come very close to that through additional Government payments. That may not be the intent of the Senate.

My guess is most Senators understand that farm income is down and they would like to make farmers whole, at somewhere around an average level, which would appear to mean a payment of $2 or $3 billion. Neither of the proposals before us is of that nature.

I have pointed out in colloquies with the press during the past week that there is before the Agriculture Committee now a risk management bill that would, in fact, provide about $2 billion a year for each of the next 3 years if passed, and that would pretty well fill the gap, if that was the intent of the Senate to do that.

I conclude that Senators finally will take a look at this entire situation and reach some overall judgments. Let me offer at least some reasons why some payments might be justified.

First of all, farmers or the rest of America could not have anticipated the Asian crisis that hit about 2 years ago. The last year, in 1998, probably took away 40 percent of the demand of Asian countries for American agricultural products. That probably took away 10 percent of our entire market last year, which means that demand fell overnight by 10 percent, whereas supplies for the last 3 years have not only been ample but around the world the weather has been mighty good and the amount of supply abundant, really throughout that period of time. So a 40-percent hit in terms of the Asian export demand hit very hard. It hit suddenly. Within a 90-day period of time we realized that difficulty.

Let me also mention, in addition to the Asian situation and the oversupply situation, the abnormally good weather in China, in Europe, in Brazil, in Argentina, Australia, major sources of food throughout the world, that the American farmers have run up against the problem of genetically modified organisms in European debate, which means that Europeans are rejecting corn and soybeans that come with the roundup ready genetic changes.

As we all know in America agriculture, in order to get rid of the weeds in the field, it is a much simpler process. It strengthens, certainly, the soybean and corn plants, if a gene is changed in the corn or soybean plants that rejects the herbicides that kills all the weeds but leaves the corn and the soybeans standing. We believe that not only is corn and soybeans from such situations safe, but as a matter of fact, our yields have increased. The health of the plants has increased, and we felt all over the world people might want to benefit from these breakthroughs. Not so in Europe, and a debate rages as to whether there is something fundamentally wrong with our genetically modified seeds to the point we are finding it very difficult to export a single bushel of corn or beans to the European market. That debate is going to go on for awhile, and it has not been helpful.

We are on the threshold of a World Trade Organization meeting in Seattle that comes up in October. We must have fast track authority. That is, the President must be able to negotiate on behalf of the administration with other countries, knowing this body will vote up or down on the treaty without amendment, because amendments by all of us attempting to influence the situation to benefit our particular States or crops or so forth could be matched by amendments all over the world and the treaty negotiations collapse.

We don't have fast track authority. We have tried in this body several times to obtain that. The House of Representatives had similar difficulties. It will require enormous leadership by the President and by many of us, but we cannot make a new treaty that knocks down trade barriers, that increases our exports in the way that all Senators want, without doing the basic steps. Fast track authority is one of them, as well as a determined will that agriculture will not be left off the wagon, that agriculture is an integral part of what our Nation must do at the WTO meetings.

I make this point because we talk, often glibly, about the need for exports. Of course, we have a need for exports. But they will not happen in the quantities that we need to have happen without lowering tariff and nontariff barriers, and the Seattle meeting is where that does or does not get done. If we don't have fast-track authority, it will not occur during this administration. That is a long time.

So for all these reasons, farmers have taken a direct hit, largely because of worldwide demand and in the case of many fields in the State of Illinois, or in my State of Indiana, or the State of Iowa, as much as a third to a half of all our acreage literally results in yields that must be exported, or we have it coming up around our ears. We know that and yet, as a Nation, we have not moved aggressively to make the difference that has to occur.

So for all these reasons, the Senate might come to a conclusion that some compensation is required for farmers in order to keep their cash flow going. I made the point earlier that, as a matter of fact, loans will be reduced this year. But cash flow will be reduced, also. And for those farmers who have the need for operating loans, who are genuinely in danger because of debt situations, the situation could be dire and family farms could be lost.

In the event that we are to make payments, the so-called AMTA payments, put money into the hands of farmers quickly, directly, and certainly—we had a pretty good demonstration of that last year. The Senate, in its wisdom, at the very end of the session as the large appropriation compromise came together, appropriated as part of a package about $6 billion for American agriculture. It came as a surprise to many, but the

form of it came as a surprise that was even more difficult. About $3 billion of it came in AMTA payments. Those were made immediately. They were received by farmers in the first week of November, after passage late in October of the appropriation bill.

I make that point because if we are serious about money actually arriving in the hands of farmers, then we must be serious about the distribution method. The AMTA method gets the money to farmers. It does increase cash flow. It is seen as equitable. The ratios were long ago worked out on the basis of crop history and the signatures for the farm bill. The other half of the $6 billion was for so-called disaster payments. They were ill-defined then, as they are ill-defined now in the legislation in front of us.

The USDA struggled and, as a matter of fact, finally made payments in June of this year—not in November or October of last year—and it did so after exploring not only disasters of 1998 in some States, but '97, '96, '95 and '94—multiple years, all mopped up with some type of distribution and equity found among all sorts of contending parties in various States and counties.

Mr. President, money is not going to get to farmers very fast in distribution methods that suggest that type of procedure, however humane the motivation may be. As a matter of fact, payments aren't going to go to any farmer very soon from this legislation because the House of Representatives is not prepared to act upon this. So, therefore, whatever we are doing with urgency now is going to be a matter for September, or if the appropriation bills do not pass for October or November, or whenever a grand compromise occurs.

I make that point because farmers listening to this debate might feel there is some possibility as of tomorrow or the next day a vote by the Senate could lead to money coming to them. But it will not come to them very soon, whatever our result may be on the floor. Therefore, last week, I suggested that we have 3 days of hearings before the Senate Agriculture Committee, in which on the first day the Secretary of Agriculture would come before the committee and, hopefully, respond to our questions as to what the administration's recommendations are, given all that the President and the Secretary have said about the overall budget condition, about taxes, about Medicare, about Social Security, and given the administration's view of what is appropriate farm or agricultural legislation.

And if you follow this with other groups in our society who would respond to Senator's questions about this, the committee will hold a markup in the first week of September so that the Appropriations Committee that must now struggle with this legislation would have a fairly clear roadmap of what the compromises were and what considerations have been given.

Furthermore, the September debate would give us a pretty good idea of what the yields actually are going to be for a number of our major crops. I suspect that, even as we speak, as people now begin to talk about a different problem in agriculture—namely, drought—a whole slew of new considerations are going to come into the picture. The price might go up and the yield might go down. Once again, the product of the two is the critical element, rather than the new per acre.

Mr. President, obviously, we are in this debate because the occupant of the chair and, more particularly, the distinguished floor leader has indicated that we need to get on with this. I accept that fact. We will have tomorrow morning in the Agriculture Committee at 9 o'clock an appearance by the Secretary of Agriculture. We will ask him for his testimony and we will ask him for the administration's point of view, which I think is relevant to what we are discussing here.

I know it is relevant on the basis of last year's experience because we passed an agriculture appropriation bill, and it had considerable benefits for farmers. But it was vetoed by the President. And, as a result, the benefits did not accrue very rapidly, and we got into what I would say was a bidding war again. That is not advisable if it can be avoided in some normal framework. So I am hopeful that we will have a hearing, and at least that it will provide some benefit for the debate we are now having before us, and certainly for the debate we shall have again. We will have it again because the Appropriations Committees will have to come back with conference reports, and we will have to judge the adequacy or inadequacy of what we have done at that point.

Mr. President, I finally make the point that the previous speakers have stated there is an emergency to be met, an immediate need for income. But, fundamentally, we must debate the entire farm bill when we come back—not simply a question of adequate income for farmers, but the fundamental law of the land.

I am prepared for that debate, but I simply say that before Senators get engaged in the debate, it is well to gauge at least the benefits that come from the current farm bill. There are, to date, $16.6 billion this year, which is just $100 million short of an all-time record of farm payments. That is a substantial safety net. I make the point that the farm bill recognizes that point and, in fact, provides fairly amply when that occurs. But it also provides freedom to farm, and that is very important to most farmers in this country—the ability to determine how to manage their land, how many acres of corn, or beans, or cotton, or rice, or whatever the farmer wants to plant, or not to plant at all. The AMTA payment comes to a farmer who does not plant at all, because this is a transition from the date of supply control to a day in which we move into market economics and the farm area more completely. The thing the world dictates presently is that market economics is the important way to go. Our country testifies to that in almost every other debate.

I hope we will continue to testify in behalf of that when it comes to American agriculture.

I thank the Chair for this indulgence; likewise for other Senators.

I am hopeful that before action is taken on either of the two amendments, there will be testimony by the Secretary and then very thorough analysis by each Senator as to what our obligations should be to American agriculture both to encourage and enhance it and, likewise, that our obligation is to all the taxpayers of the country and the other major objectives that lie before our country.

I thank the Chair.

The PRESIDING OFFICER. The Senator from Mississippi. Mr. COCHRAN. Mr. President, I thank the Senator from Indiana. He has definitely elevated the level of discussion on the issue before the Senate by his remarks. He has given this debate unusual insight based on his experience and his knowledge of the subject and his personal experience as one who is engaged in production agriculture in the State of Indiana.

I think the Senate has benefited from his remarks. I, for one, want to congratulate him and thank him for remaining on the floor this evening and giving the Senate the benefit of his observations on this issue.

Tomorrow, as he points out, there will be a hearing in the Agriculture Committee which could also be very helpful to our further understanding of the situation. The Economic Research Service and other agencies of the Department of Agriculture could make available to us information that would be very helpful and constructive as we try to decide what is best in this situation for our farmers around the country.

I don't want to overdue this or guild the lily too brightly. But I personally respect the Senator so much—and he knows that —and consider him a great friend. I again express my personal appreciation for his being here tonight and for his leadership in the agriculture area specifically.

Mr. LUGAR. Mr. President, I thank the distinguished Senator from Mississippi, who is my friend and whose leadership I appreciate so much.

Let me inquire of the distinguished Senator from Mississippi if he knows of further debate. If not, I make an inquiry because I have been asked to substitute for the leader in making motions.

Mr. COCHRAN. Mr. President, I know of no other Senator who seeks recognition on this. I think it would be appropriate to go to final wrap-up.

Mr. LUGAR. I thank the Senator.

## MORNING BUSINESS

Mr. LUGAR. Mr. President, I ask unanimous consent that the Senate now proceed to a period of morning business with Senators permitted to speak for up to 10 minutes each.

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

## TAXPAYER REFORM ACT OF 1999

Mrs. LINCOLN. Mr. President, I wish to express my support for the Bingaman amendment to recommit S. 1429 to the Senate Finance Committee which would have enabled us to clarify that debt reduction is a top priority for this government in spending any budget surplus.

As we say in my home state of Arkansas, the best time to fix the roof is when the sun is still shining.

Now is the time for us to take steps to reduce our enormous federal debt. I believe we have an unprecedented opportunity before us. We've been making tough decisions—living within our means, so to speak.

We have a surplus that's bigger than we thought it would be and a chance to save Social Security for future generations, protect for Medicare and help older people afford prescription drugs.

So, now we have a shot at reducing our nation's debt, which in turn will lower interest rates and put more money back in the pockets of more Americans.

Using a major portion of any surplus accumulated in these times of prosperity to improve the financial integrity of the federal government. Reducing the national debt is a smart long-term strategy for the U.S. economy and it must be our priority in this bill.

Reducing our national debt will provide a tax cut for millions of Americans because it will restrain interest rates, saving them money on variable mortgages, new mortgages, auto loans, credit card payments, etc. Each percentage point decrease in interest rates would save American families hundreds of dollars every year.

By reducing the national debt we will protect future generations from increasing tax burdens. Currently, more than 25 percent of individual income taxes go to paying interest on our national debt. Every dollar of lower debt saves more than one dollar for future generations, a savings that can be used for tax cuts, or for covering the baby boomers retirement without tax increases.

Reducing the national debt will also make it easier for the government to deal with the future costs of Social Security and Medicare and repay the Social Security trust fund when the Social Security system faces annual shortfalls.

In addition, reducing the national debt will reduce our reliance on foreign investors. More than $1.2 trillion of the national debt—roughly one third of the publicly held debt—is held by foreign investors. In 1998, the U.S. government paid $91 billion in interest payments to foreign investors.

It was not the American way to live beyond one's means. Our parents taught us to work hard so that we can pay our bills, clothe our children and save for the future.

Accumulating debt and simply letting it grow and grow is not—and should not be—an option for most families around this country. It should no longer be the practice of this government.

Federal Reserve Board Chairman Alan Greenspan has repeatedly advised Congress that the most important action we could take to maintain a strong and growing economy is to pay down the national debt. I, for one, believe he is on the right track.

Clarifying our intent to prioritize debt reduction is the right thing to do.

## THE VERY BAD DEBT BOXSCORE

Mr. HELMS. Mr. President, at the close of business yesterday, Thursday, July 29, 1999, the Federal debt stood at $5,640,577,276,840.14 (Five trillion, six hundred forty billion, five hundred seventy-seven million, two hundred seventy-six thousand, eight hundred forty dollars and fourteen cents).

One year ago, July 29, 1998, the Federal debt stood at $5,543,291,000,000 (Five trillion, five hundred forty-three billion, two hundred ninety-one million).

Five years ago, July 29, 1994, the Federal debt stood at $4,636,362,000,000 (Four trillion, six hundred thirty-six billion, three hundred sixty-two million).

Twenty-five years ago, July 29, 1974, the Federal debt stood at $476,155,000,000 (Four hundred seventy-six billion, one hundred fifty-five million) which reflects a debt increase of more than $5 trillion—$5,164,422,276,840.14 (Five trillion, one hundred sixty-four billion, four hundred twenty-two million, two hundred seventy-six thousand, eight hundred forty dollars and fourteen cents) during the past 25 years.

## THE VERY BAD DEBT BOXSCORE

Mr. HELMS. Mr. President, at the close of business Friday, July 30, 1999, the Federal debt stood at $5,638,655,711,931.60 (Five trillion, six hundred thirty-eight billion, six hundred fifty-five million, seven hundred eleven thousand, nine hundred thirty-one dollars and sixty cents).

One year ago, July 30, 1998, the Federal debt stood at $5,544,483,000,000 (Five trillion, five hundred forty-four billion, four hundred eighty-three million).

Fifteen years ago, July 30, 1984, the Federal debt stood at $1,535,192,000,000 (One trillion, five hundred thirty-five billion, one hundred ninety-two million).

Twenty-five years ago, July 30, 1974, the Federal debt stood at $475,337,000,000 (Four hundred seventy-five billion, three hundred thirty-seven million) which reflects a debt increase of more than $5 trillion—$5,163,318,711,931.60 (Five trillion, one hundred sixty-three billion, three hundred eighteen million, seven hundred eleven thousand, nine hundred thirty-one dollars and sixty cents) during the past 25 years.

## MESSAGES FROM THE PRESIDENT

Messages from the President of the United States were communicated to the Senate by Mr. Williams, one of this secretaries.

### EXECUTIVE MESSAGES REFERRED

As in executive session the Presiding Officer laid before the Senate messages from the President of the United States submitting sundry nominations which were referred to the appropriate committees.

(The nominations received today are printed at the end of the Senate proceedings.)

## REPORT ON THE UNITED STATES EMERGENCY REFUGEE AND MIGRATION ASSISTANCE FUND—MESSAGE FROM THE PRESIDENT—PM 54

The PRESIDING OFFICER laid before the Senate the following message from the President of the United States, together with an accompanying report; which was referred to the Committees on Appropriations, the Budget, and Foreign Relations.

*To the Congress of the United States:*

In accordance with the Congressional Budget and Impoundment Control Act of 1974, I herewith report one revised deferral of budget authority, now totaling $173 million.

The deferral affects programs of the Department of State.

WILLIAM J. CLINTON.

THE WHITE HOUSE, *August 2, 1999.*

## REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. CAMPBELL, from the Committee on Indian Affairs, without amendment:

S. 944. A bill to amend Public Law 105–188 to provide for the mineral leasing of certain Indian lands in Oklahoma (Rept. No. 106–132).

## INTRODUCTION OF BILLS AND JOINT RESOLUTIONS

The following bills and joint resolutions were introduced, read the first and second time by unanimous consent, and referred as indicated:

By Mr. BREAUX:

S. 1471. A bill to amend the Internal Revenue Code of 1986 to allow a deduction for contributions to individual investment accounts, and for other purposes; to the Committee on Finance.

By Mr. SARBANES (for himself, Ms. MIKULSKI, Mr. WARNER, Mr. ROBB, and Mr. AKAKA):

S. 1472. A bill to amend chapters 83 and 84 of title 5, United States Code, to modify employee contributions to the Civil Service Retirement System and the Federal Employees Retirement System to the percentages in effect before the statutory temporary increase in calendar year 1999, and for other purposes; to the Committee on Governmental Affairs.

By Mr. ROBB (for himself, Ms. COLLINS, Mr. JEFFORDS, Mr. LUGAR, Mr. TORRICELLI, Ms. SNOWE, and Mr. HOLLINGS):

S. 1473. A bill to amend section 2007 of the Social Security Act to provide grant funding for additional Empowerment Zones, Enterprise Communities, and Strategic Planning Communities, and for other purposes; to the Committee on Finance.

By Mrs. HUTCHISON:

S. 1474. A bill providing conveyance of the Palmetto Bend project to the State of Texas; to the Committee on Energy and Natural Resources.

By Mr. KENNEDY (for himself, Mr. DODD, Mr. CHAFEE, Mr. ROBB, Mr. AKAKA, Mrs. MURRAY, Mr. BINGAMAN, Mr. HARKIN, Mr. FEINGOLD, Mr. KERRY, and Mr. INOUYE):

S.J. Res. 30. A joint resolution proposing an amendment to the Constitution of the United States relative to equal rights for women and men; to the Committee on the Judiciary.

## SUBMISSION OF CONCURRENT AND SENATE RESOLUTIONS

The following concurrent resolutions and Senate resolutions were read, and referred (or acted upon), as indicated:

By Mr. THOMPSON:

S. Res. 170. A resolution recognizing Lawrenceburg, Tennessee, as the birthplace of southern gospel music; to the Committee on the Judiciary.

By Mr. TORRICELLI:

S. Res. 171. A resolution expressing the sense of the Senate that the President should renegotiate the Extradition Treaty Between the United States of America and the United Mexican States; to the Committee on Foreign Relations.

By Mr. VOINOVICH (for himself and Mr. LIEBERMAN):

S. Con. Res. 49. A concurrent resolution expressing the sense of Congress regarding the importance of ''family friendly'' programming on television; to the Committee on Commerce, Science, and Transportation.

## STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. SARBANES (for himself, Ms. MIKULSKI, Mr. WARNER, Mr. ROBB, and Mr. AKAKA):

S. 1472. A bill to amend chapters 83 and 84 of title 5, United States Code, to modify employee contributions to the Civil Service Retirement System and the Federal Employees Retirement System to the percentages in effect before the statutory temporary increase in calendar year 1999, and for other purposes; to the Committee on Governmental Affairs.

### FEDERAL EMPLOYEE RETIREMENT CONTRIBUTIONS ACT OF 1999

Mr. SARBANES. Mr. President, I am again pleased to join with my colleagues, Senators MIKULSKI, WARNER, ROBB and AKAKA, in introducing the Federal Employee Retirement Contributions Act of 1999. This bill makes a technical correction to legislation introduced last week that would return Federal employee retirement contribution rates to their 1998 levels, effective January 1st, 2000. It is my belief that the temporarily increased retirement contributions enacted as part of the Balanced Budget Act of 1997 represent an unfair penalty against Federal workers at a time when budget surpluses are predicted into the next ten years.

Mr. President, I ask unanimous consent that the text of the bill be printed in the RECORD.

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

S. 1472

*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 Employee Retirement Contributions Act of 1999''.

**SEC. 2. DEDUCTIONS, CONTRIBUTIONS, AND DEPOSITS.**

(a) CIVIL SERVICE RETIREMENT SYSTEM.—The table under section 8334(c) of title 5, United States Code, is amended—

(1) in the matter relating to an employee by striking:

''7.4 January 1, 2000, to December 31, 2000.
7.5 January 1, 2001, to December 31, 2002.
7 After December 31, 2002.'';

and inserting the following:

''7 After December 31, 1999.'';

(2) in the matter relating to a Member or employee for Congressional employee service by striking:

''7.9 January 1, 2000, to December 31, 2000.
8 January 1, 2001, to December 31, 2002.
7.5 After December 31, 2002.'';

and inserting the following:

''7.5 After December 31, 1999.'';

(3) in the matter relating to a Member for Member service by striking:

''8.4 January 1, 2000, to December 31, 2000.
8.5 January 1, 2001, to December 31, 2002.
8 After December 31, 2002.'';

and inserting the following:

''8 After December 31, 1999.'';

(4) in the matter relating to a law enforcement officer for law enforcement service and firefighter for firefighter service by striking:

''7.9 January 1, 2000, to December 31, 2000.
8 January 1, 2001, to December 31, 2002.
7.5 After December 31, 2002.'';

and inserting the following:

''7.5 After December 31, 1999.'';

(5) in the matter relating to a bankruptcy judge by striking:

''8.4 January 1, 2000, to December 31, 2000.
8.5 January 1, 2001, to December 31, 2002.
8 After December 31, 2002.'';

and inserting the following:

''8 After December 31, 1999.'';

(6) in the matter relating to a judge of the United States Court of Appeals for the Armed Forces for service as a judge of that court by striking:

''8.4 January 1, 2000, to December 31, 2000.
8.5 January 1, 2001, to December 31, 2002.
8 After December 31, 2002.'';

and inserting the following:

''8 After December 31, 1999.'';

(7) in the matter relating to a United States magistrate by striking:

''8.4 January 1, 2000, to December 31, 2000.
8.5 January 1, 2001, to December 31, 2002.
8 After December 31, 2002.'';

and inserting the following:

''8 After December 31, 1999.'';

(8) in the matter relating to a Court of Federal Claims judge by striking:

''8.4 January 1, 2000, to December 31, 2000.
8.5 January 1, 2001, to December 31, 2002.
8 After December 31, 2002.'';

and inserting the following:

''8 After December 31, 1999.'';

(9) in the matter relating to the Capitol Police by striking:

''7.9 January 1, 2000, to December 31, 2000.
8 January 1, 2001, to December 31, 2002.
7.5 After December 31, 2002.''.

and inserting the following:

''7.5 After December 31, 1999.'';

and

(10) in the matter relating to a nuclear material courier by striking:

''7.9 January 1, 2000, to December 31, 2000.
8 January 1, 2001, to December 31, 2002.
7.5 After December 31, 2002.''.

and inserting the following:

7.5 After December 31, 1999.''.

(b) FEDERAL EMPLOYEES' RETIREMENT SYSTEM.—Section 8422(a) of title 5, United States Code, is amended by striking paragraph (3) and inserting the following:

''(3) The applicable percentage under this paragraph for civilian service shall be as follows:

| | | |
|---|---|---|
| ''Employee ..... | 7 | January 1, 1987, to December 31, 1998. |
| | 7.25 | January 1, 1999, to December 31, 1999. |
| | 7 | After December 31, 1999. |
| Congressional employee. | 7.5 | January 1, 1987, to December 31, 1998. |
| | 7.75 | January 1, 1999, to December 31, 1999. |
| | 7.5 | After December 31, 1999. |
| Member ..... | 7.5 | January 1, 1987, to December 31, 1998. |
| | 7.75 | January 1, 1999, to December 31, 1999. |
| | 7.5 | After December 31, 1999. |
| Law enforcement officer, firefighter, member of the Capitol Police, or air traffic controller. | 7.5 | January 1, 1987, to December 31, 1998. |

| | | |
|---|---|---|
| | 7.75 | January 1, 1999, to December 31, 1999. |
| | 7.5 | After December 31, 1999. |
| Nuclear materials courier. | 7 | January 1, 1987, to the day before the date of enactment of the strom Thurmond National Defense Authorization Act for Fiscal Year 1999. |
| | 7.75 | The date of enactment of the Strom Thurmond National Defense Authorization Act for Fiscal Year 1999 to December 31, 1998. |
| | 7.75 | January 1, 1999, to December 31, 1999. |
| | 7.5 | After December 31, 1999.''. |

**SEC. 3. CONFORMING AMENDMENTS RELATING TO MILITARY AND VOLUNTEER SERVICE UNDER FERS.**

(a) MILITARY SERVICE.—Section 8422(e)(6) of title 5, United States Code, is amended to read as follows:

''(6) The percentage of basic pay under section 204 of title 37 payable under paragraph (1), with respect to any period of military service performed during January 1, 1999, through December 31, 1999, shall be 3.25 percent.''.

(b) VOLUNTEER SERVICE.—Section 8422(f)(4) of title 5, United States Code, is amended to read as follows:

''(4) The percentage of the readjustment allowance or stipend (as the case may be) payable under paragraph (1), with respect to any period of volunteer service performed during January 1, 1999, through December 31, 1999, shall be 3.25 percent.''.

**SEC. 4. OTHER FEDERAL RETIREMENT SYSTEMS.**

(a) CENTRAL INTELLIGENCE AGENCY RETIREMENT AND DISABILITY SYSTEM.—

(1) DEDUCTIONS, WITHHOLDINGS, AND DEPOSITS.—Section 7001(c)(2) of the Balanced Budget Act of 1997 (Public Law 105–33; 111 Stat. 659) is amended to read as follows:

''(2) INDIVIDUAL DEDUCTIONS, WITHHOLDINGS, AND DEPOSITS.—Notwithstanding section 211(a)(1) of the Central Intelligence Agency Retirement Act (50 U.S.C. 2021(a)(1)) beginning on January 1, 1999, through December 31, 1999, the percentage deducted and withheld from the basic pay of an employee participating in the Central Intelligence Agency Retirement and Disability System shall be 7.25 percent.''.

(2) MILITARY SERVICE.—Section 252(h)(1)(A) of the Central Intelligence Agency Retirement Act (50 U.S.C. 2082(h)(1)(A)), is amended to read as follows:

''(h)(1)(A) Each participant who has performed military service before the date of separation on which entitlement to an annuity under this title is based may pay to the Agency an amount equal to 7 percent of the amount of basic pay paid under section 204 of title 37, United States Code, to the participant for each period of military service after December 1956; except, the amount to be paid for military service performed beginning on January 1, 1999, through December 31, 1999, shall be 7.25 percent of basic pay.''.

(b) FOREIGN SERVICE RETIREMENT AND DISABILITY SYSTEM.—

(1) IN GENERAL.—Section 7001(d)(2) of the Balanced Budget Act of 1997 (Public Law 105–33; 111 Stat. 660) is amended by striking subparagraphs (A) and (B) and inserting the following:

''(A) IN GENERAL.—Notwithstanding section 805(a)(1) of the Foreign Service Act of 1980 (22 U.S.C. 4045(a)(1)), beginning on January 1, 1999, through December 31, 1999, the amount withheld and deducted from the basic pay of a participant in the Foreign Service Retirement and Disability System shall be 7.25 percent.

''(B) FOREIGN SERVICE CRIMINAL INVESTIGATORS/INSPECTORS OF THE OFFICE OF THE INSPECTOR GENERAL, AGENCY FOR INTERNATIONAL DEVELOPMENT.—Notwithstanding section 805(a)(2) of the Foreign Service Act of 1980 (22 U.S.C. 4045(a)(2)), beginning on January 1, 1999, through December 31, 1999, the amount withheld and deducted from the basic pay of an eligible Foreign Service criminal investigator/inspector of the Office of the Inspector General, Agency for International Development participating in the Foreign Service Retirement and Disability System shall be 7.75 percent.''.

(2) CONFORMING AMENDMENT.—Section 805(d)(1) of the Foreign Service Act of 1980 (22 U.S.C. 4045(d)(1)) is amended in the table in the matter following subparagraph (B) by striking:

| | |
|---|---|
| ''January 1, 1970, through December 31, 1998, inclusive | 7 |
| January 1, 1999, through December 31, 1999, inclusive | 7.25 |
| January 1, 2000, through December 31, 2000, inclusive | 7.4 |
| January 1, 2001, through December 31, 2002, inclusive | 7.5 |
| After December 31, 2002 | 7''. |

and inserting the following:

| | |
|---|---|
| ''January 1, 1970, through December 31, 1998, inclusive | 7 |
| January 1, 1999, through December 31, 1999, inclusive | 7.25 |
| After December 31, 1999 | 7.''. |

(c) FOREIGN SERVICE PENSION SYSTEM.—

(1) IN GENERAL.—Section 856(a)(2) of the Foreign Service Act of 1980 (22 U.S.C. 4071e(a)(2)) is amended to read as follows:

''(2) The applicable percentage under this subsection shall be as follows:

| | |
|---|---|
| ''7.5 | Before January 1, 1999. |
| 7.75 | January 1, 1999, to December 31, 1999. |
| 7.5 | After December 31, 1999.''. |

(2) VOLUNTEER SERVICE.—Section 854(c)(1) of the Foreign Service Act of 1980 (22 U.S.C. 4071c(c)(1)) is amended by striking all after ''volunteer service;'' and inserting ''except, the amount to be paid for volunteer service beginning on January 1, 1999, through December 31, 1999, shall be 3.25 percent.''.

**SEC. 5. EFFECTIVE DATE.**

This Act and the amendments made by this Act shall take effect on December 31, 1999.

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By Mr. ROBB (for himself, Ms. COLLINS, Mr. JEFFORDS, Mr. LUGAR, Mr. TORRICELLI, Ms. SNOWE, and Mr. HOLLINGS):

S. 1473. A bill to amend section 2007 of the Social Security Act to provide grant funding for additional Empowerment Zones, Enterprise Communities, and Strategic Planning Communities, and for other purposes; to the Committee on Finance.

EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES ACT

● Mr. ROBB. Mr. President, I am pleased to introduce today important legislation that will help low-income rural and urban areas nationwide reinvigorate their communities.

The Empowerment Zones and Enterprise Communities Act will fully fund the Round II Enterprise Zones authorized by Congress in 1997. The Enterprise Zones/Enterprise Community (EZ/ECs) concept combines tax credits and social service grants to promote long-term economic revitalization. The most important aspect of Enterprise Zones are their inclusive approach—by design—so local government, the private sector and non-profit and civic groups together create a vision and a plan to implement that vision, with the federal government playing a supportive role rather than the lead role.

I'm sure many Senators can point with pride to the successes within their own states, but I'd like to take a moment to talk about the Norfolk-Portsmouth Enterprise Zone (EZ) in my state of Virginia. The Norfolk-Portsmouth EZ won its new designation in 1997. One of the many services Norfolk-Portsmouth provides through Norfolk Works, Inc. the entity implementing the many activities of the EZ, are GED classes and job training and apprenticeship programs. There's even a Multi-media Training Course, which includes an 15-week internship at a media company. Norfolk Works also recruits and screen applicants for jobs. And they don't do this alone: Norfolk Works coordinates with many agencies, organizations and businesses to help the residents within the Norfolk-Portsmouth Zone. Already, the Norfolk Works has produced impressive results—from May 1995 to June 1999, 60 percent of those completing training are employed with another 16% involved in additional training.

The success of the Norfolk-Portsmouth Enterprise Zone is just one example of the promise and results of Enterprise Zones. But unlike Round I EZ/ECs, Round II EZ/ECs did not receive the Social Service Block Grant (SSBG) that provides resources for social services such as job training and child care which complements the tax incentives and bonding authority already approved.

Communities competed for these designations with the understanding that Congress would give them the full funding to implement their vision. We have a responsibility to fulfill our obligations to these communities, that worked very hard to win the resources to make their vision a reality.

I look forward to working with our colleagues to fulfill this promise.●

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## ADDITIONAL COSPONSORS

S. 37

At the request of Mr. GRASSLEY, the name of the Senator from Maine (Ms. COLLINS) was added as a cosponsor of S. 37, a bill to amend title XVIII of the Social Security Act to repeal the restriction on payment for certain hospital discharges to post-acute care imposed by section 4407 of the Balanced Budget Act of 1997.

S. 307

At the request of Mr. WYDEN, the name of the Senator from Minnesota (Mr. GRAMS) was added as a cosponsor

of S. 307, a bill to amend title XVIII of the Social Security Act to eliminate the budget neutrality adjustment factor used in calculating the blended capitation rate for Medicare + Choice organizations.

S. 335

At the request of Mr. FEINGOLD, his name was added as a cosponsor of S. 335, a bill to amend chapter 30 of title 39, United States Code, to provide for the nonmailability of certain deceptive matter relating to games of chance, administrative procedures, orders, and civil penalties relating to such matter, and for other purposes.

At the request of Mr. HUTCHINSON, his name was added as a cosponsor of S. 335, supra.

At the request of Mr. ABRAHAM, his name was added as a cosponsor of S. 335, supra.

At the request of Ms. COLLINS, the names of the Senator from New Mexico (Mr. DOMENICI) and the Senator from Minnesota (Mr. WELLSTONE) were added as cosponsors of S. 335, supra.

At the request of Mr. LAUTENBERG, his name was added as a cosponsor of S. 335, supra.

S. 341

At the request of Mr. CRAIG, the names of the Senator from Alabama (Mr. SESSIONS) and the Senator from Mississippi (Mr. COCHRAN) were added as cosponsors of S. 341, a bill to amend the Internal Revenue Code of 1986 to increase the amount allowable for qualified adoption expenses, to permanently extend the credit for adoption expenses, and to adjust the limitations on such credit for inflation, and for other purposes.

S. 472

At the request of Mr. GRASSLEY, the names of the Senator from Ohio (Mr. DEWINE) and the Senator from Massachusetts (Mr. KERRY) were added as cosponsors of S. 472, a bill to amend title XVIII of the Social Security Act to provide certain medicare beneficiaries with an exemption to the financial limitations imposed on physical, speech-language pathology, and occupational therapy services under part B of the medicare program, and for other purposes.

S. 635

At the request of Mr. MACK, the name of the Senator from New Hampshire (Mr. SMITH) 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.

S. 712

At the request of Mr. LOTT, the name of the Senator from Montana (Mr. BURNS) was added as a cosponsor of S. 712, a bill to amend title 39, United States Code, to allow postal patrons to contribute to funding for highway-rail grade crossing safety through the voluntary purchase of certain specially issued United States postage stamps.

S. 777

At the request of Mr. FITZGERALD, the name of the Senator from Michigan (Mr. LEVIN) was added as a cosponsor of S. 777, a bill to require the Department of Agriculture to establish an electronic filing and retrieval system to enable the public to file all required paperwork electronically with the Department and to have access to public information on farm programs, quarterly trade, economic, and production reports, and other similar information.

S. 935

At the request of Mr. LUGAR, the names of the Senator from Idaho (Mr. CRAIG), the Senator from Iowa (Mr. GRASSLEY), and the Senator from South Dakota (Mr. JOHNSON) were added as cosponsors of S. 935, a bill 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, and for other purposes.

S. 956

At the request of Ms. SNOWE, the name of the Senator from Maine (Ms. COLLINS) was added as a cosponsor of S. 956, a bill to establish programs regarding early detection, diagnosis, and interventions for newborns and infants with hearing loss.

S. 1028

At the request of Mr. HATCH, the name of the Senator from Arkansas (Mrs. LINCOLN) was added as a cosponsor of S. 1028, a bill to simplify and expedite access to the Federal courts for injured parties whose rights and privileges, secured by the United States Constitution, have been deprived by final actions of Federal agencies, or other government officials or entities acting under color of State law, and for other purposes.

S. 1128

At the request of Mr. KYL, the names of the Senator from Oregon (Mr. WYDEN) and the Senator from New Hampshire (Mr. GREGG) were added as cosponsors of S. 1128, a bill to amend the Internal Revenue Code of 1986 to repeal the Federal estate and gift taxes and the tax on generation-skipping transfers, to provide for a carryover basis at death, and to establish a partial capital gains exclusion for inherited assets.

S. 1187

At the request of Mr. DORGAN, the name of the Senator from Georgia (Mr. CLELAND) was added as a cosponsor 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.

S. 1239

At the request of Mr. GRAHAM, the name of the Senator from Alaska (Mr. MURKOWSKI) was added as a cosponsor of S. 1239, a bill to amend the Internal Revenue Code of 1986 to treat spaceports like airports under the exempt facility bond rules.

S. 1240

At the request of Mr. MURKOWSKI, the name of the Senator from Georgia (Mr. COVERDELL) was added as a cosponsor of S. 1240, a bill to amend the Internal Revenue Code of 1986 to provide a partial inflation adjustment for capital gains from the sale or exchange of timber.

S. 1268

At the request of Mr. HARKIN, the name of the Senator from Maine (Ms. COLLINS) was added as a cosponsor of S. 1268, a bill to amend the Public Health Service Act to provide support for the modernization and construction of biomedical and behavioral research facilities and laboratory instrumentation.

S. 1269

At the request of Mr. MCCONNELL, the name of the Senator from Idaho (Mr. CRAIG) was added as a cosponsor of S. 1269, a bill to provide that the Federal Government and States shall be subject to the same procedures and substantive laws that would apply to persons on whose behalf certain civil actions may be brought, and for other purposes.

S. 1272

At the request of Mr. NICKLES, the name of the Senator from Missouri (Mr. BOND) was added as a cosponsor of S. 1272, a bill to amend the Controlled Substances Act to promote pain management and palliative care without permitting assisted suicide and euthanasia, and for other purposes.

S. 1303

At the request of Mr. MURKOWSKI, the name of the Senator from Georgia (Mr. COVERDELL) was added as a cosponsor of S. 1303, a bill to amend the Internal Revenue Code of 1986 to modify certain provisions relating to the treatment of forestry activities.

S. 1468

At the request of Mr. LOTT, the name of the Senator from Michigan (Mr. ABRAHAM) was added as a cosponsor of S. 1468, a bill to authorize the minting and issuance of Capitol Visitor Center Commemorative coins, and for other purposes.

SENATE CONCURRENT RESOLUTION 42

At the request of Mr. ROBB, the name of the Senator from New Mexico (Mr. BINGAMAN) was added as a cosponsor of Senate Concurrent Resolution 42, a concurrent resolution expressing the sense of the Congress that a commemorative postage stamp should be issued by the United States Postal Service honoring the members of the Armed Forces who have been awarded the Purple Heart.

SENATE RESOLUTION 95

At the request of Mr. THURMOND, the name of the Senator from Alaska (Mr. STEVENS) was added as a cosponsor of Senate Resolution 95, a resolution designating August 16, 1999, as ''National Airborne Day.''

SENATE RESOLUTION 99

At the request of Mr. REID, the name of the Senator from Michigan (Mr.

LEVIN) was added as a cosponsor of Senate Resolution 99, a resolution designating November 20, 1999, as ''National Survivors for Prevention of Suicide Day.''

AMENDMENT NO. 1495

At the request of Mr. BAUCUS the names of the Senator from New Mexico (Mr. BINGAMAN), the Senator from Kansas (Mr. ROBERTS), the Senator from South Dakota (Mr. JOHNSON), and the Senator from Washington (Mrs. MURRAY) were added as cosponsors of amendment No. 1495 intended to be proposed to S. 1233, an original bill making appropriations for Agriculture, Rural Development, Food and Drug Administration, and Related Agencies programs for the fiscal year ending September 30, 2000, and for other purposes.

## SENATE CONCURRENT RESOLUTION 49—EXPRESSING THE SENSE OF CONGRESS REGARDING THE IMPORTANCE OF ''FAMILY FRIENDLY'' PROGRAMMING ON TELEVISION

Mr. VOINOVICH (for himself and Mr. LIEBERMAN) submitted the following concurrent resolution; which was referred to the Committee on Foreign Relations:

S. CON. RES. 49

Whereas American children and adolescents spend between 22 and 28 hours per week viewing television—more than any other activity except sleeping;

Whereas American homes have an average of 2.75 television sets, and 87 percent of homes with children having more than one television set;

Whereas a very limited number of prime time programs are suitable for the entire family;

Whereas surveys of television content demonstrate that many programs contain substantial sexual and/or violent content;

Whereas parents are ultimately responsible for the appropriate supervision of their child's television viewing, and critical viewing and ''co-viewing'' of television programming with the child are especially important;

Whereas ''family friendly'' programming means programs which are relevant, interesting, and appropriate for audiences of all ages, including movies, series, documentaries, and informational programs aired during hours when children and adults might be together watching television (between 8:00 p.m. and 10:00 p.m.);

Whereas ''family friendly'' programming is of a type that the average viewer or parent would not be embarrassed to watch with children in the room and ideally presents an uplifting message;

Whereas efforts must be made by television networks, studios, and the production community to produce more quality family friendly programs and to air them during times when parents and children are likely to be viewing together;

Whereas members of the Forum on Family Friendly Programming market products and services to entire families and are concerned about the dwindling availability of family friendly television programs during prime time viewing hours; and

Whereas Congress encourages activities by the Forum and other entities designed to promote family friendly programming, including—

(1) participating in meetings with leadership of major television networks, studios, and production companies to share concerns;

(2) expressing the importance of family friendly programming at industry conferences, meetings, and forums;

(3) honoring outstanding family friendly television programs with a new tribute, the Family Program Awards, to be held annually in Los Angeles, California;

(4) establishing a development fund to finance family friendly scripts; and

(5) underwriting scholarships at television studies departments at institutions of higher education to encourage student interest in family friendly programming: Now, therefore, be it

*Resolved by the Senate (the House of Representatives concurring),* That Congress—

(1) recognizes and honors the efforts of the Forum on Family Friendly Programming and other entities supporting family friendly programming;

(2) supports efforts to encourage television networks, studios, and the production community to produce more quality family friendly programs;

(3) supports the Family Friendly Programming Awards, which will encourage, recognize, and celebrate creative excellence in, and commitment to, family friendly programming; and

(4) encourages the media and American advertisers to further a family friendly television environment within which appropriate advertisements can accompany the programming.

● Mr. VOINOVICH. Mr. President, I rise today along with my distinguished colleague from Connecticut, Senator LIEBERMAN, to submit a concurrent resolution recognizing the importance of expanding the amount of family friendly television programming, and the contributions that the Forum for Family Friendly Programming is undertaking to make this goal a reality.

One of the more frustrating aspects of being a parent in the United States is the fact that we cannot always protect our children from what they see and hear. Images and descriptions of violence, sex and drug and alcohol consumption permeate our culture, but nowhere are these depicted more readily than on television. Recent studies support the theory that children exposed to violent video programming at a young age have a higher tendency to engage in violent and aggressive behavior later in life. Even more distressing is that children witness an average of five violent acts per hour on prime-time television and 200,000 acts of violence on television by the time they are 18 years old. There is no doubt that this exposure threatens the healthy development of our children.

For families that have both parents working, it's becoming harder for them to keep track of what their children watch after school or during the summer months. More likely than not, a child will pick up the television clicker before he or she will pick up a book. Indeed, each week, the average child will watch 22–28 hours of television, which is more time than he or she spends on any outside activity other than sleeping.

The trick for parents is to establish good viewing habits for their child—as well as the entire family—that emphasize quality programming and are suited to the age of the child. While there is generally a variety of quality children's programming throughout the morning and afternoon hours, the concern for many parents is the content of evening programming. Right now, most parents indicate that the so-called ''family viewing'' time of evening—traditionally between 8:00 and 10:00 p.m.—often contains programming that they feel is inappropriate for their children. It is important that broadcasters recognize that the daily ''family viewing'' period needs to focus more on programming that is actually family friendly; shows that parents and children can readily watch together.

No one can replace the good judgment of a parent in determining what a child watches on television. However, parents can use all the help they can get in ensuring that more family oriented shows are aired during the evening hours.

To help in this endeavor, a number of our nation's largest companies have joined together to establish the Forum for Family Friendly Programming. Like many American families, the members of the Forum are concerned that fewer and fewer television programs are specifically geared towards the entire family. They are concerned, also, that too many of the programs that our children view contain storylines, language and characters to which they should not be exposed.

Most of the companies that belong to the Forum are sponsors of a wide range of television programs, but they believe that more family-friendly television programming, including movies, documentaries, series or informational programs that are interesting or relevant to a broad audience, will actually appeal to more families.

Right now, the members of the Forum for Family Friendly Programming are working with and in the entertainment community on a variety of initiatives on family friendly programming including: meetings with industry leaders; speeches and discussions at industry meetings and conferences; award tributes to family friendly television programs; a development fund for family friendly scripts; university scholarships in television studies departments to encourage student interest in family friendly programming; and a public awareness campaign to promote more family friendly programming.

Mr. President, as a father and a grandfather, I am deeply concerned about the healthy development of all of our nation's children. Since the future of our country depends upon our children, we must do all that we can to limit their exposure to negative influences and provide them with as safe and nurturing an environment as possible. Therefore, I encourage efforts that will expand the number of quality

family programs that are shown on television, and I congratulate the Forum for Family Friendly Programming on their leadership towards that goal.

I believe that passage of this resolution honoring the Forum's commitment will help raise awareness and inspire others in the business world to align themselves with the goal of bringing quality television to our nation's families. I am pleased to join with my colleague, Senator LIEBERMAN, who has been a leader in the Senate on addressing the needs of our children, and I urge my colleagues to join us in co-sponsoring this resolution, and calling for it's speedy consideration by the Senate.●

## SENATE RESOLUTION 170—RECOGNIZING LAWRENCEBURG, TENNESSEE, AS THE BIRTHPLACE OF SOUTHERN GOSPEL MUSIC

Mr. THOMPSON submitted the following resolution; which was referred to the Committee on the Judiciary:

S. RES. 170

Whereas Lawrenceburg, Tennessee, is the home of many of the first major southern gospel music songwriters, including such songwriters as James D. Vaughan, Adger Pace, James Rowe, G. T. Speer, and William Walbert;

Whereas Lawrenceburg, Tennessee, is the home of the first professional southern gospel music quartet, which was founded by James D. Vaughan in 1910;

Whereas Lawrenceburg, Tennessee, is the home of the first southern gospel music radio station WOAN, which was founded in 1922;

Whereas Lawrenceburg, Tennessee, is the home of the Vaughan School of Music, which helped train the first generation of southern gospel music artists and songwriters, including V. O. Stamps, Frank Stamps, the LeFevers, and the Speers;

Whereas Lawrenceburg, Tennessee, is the home of the *Vaughan Family Visitor*, the first influential southern gospel music newspaper which was published from 1914 to 1964;

Whereas Lawrenceburg, Tennessee, is the home of the James D. Vaughan Music Company, which has published millions of shape-note southern gospel music songbooks from the date of its founding in 1902 until 1964; and

Whereas the Southern Gospel Music Association recognizes Lawrenceburg, Tennessee, as the official birthplace of southern gospel music; Now, therefore, be it

*Resolved*

**SECTION 1. RECOGNITION OF LAWRENCEBURG, TENNESSEE AS THE BIRTHPLACE OF SOUTHERN GOSPEL MUSIC.**

The Senate—

(1) recognizes Lawrenceburg, Tennessee, as the birthplace of southern gospel music; and

(2) requests that the President issue a proclamation honoring Lawrenceburg, Tennessee, as such a birthplace.

Mr. THOMPSON. Mr. President, today I rise to submit a resolution recognizing my hometown of Lawrenceburg, TN, as the official birthplace of Southern Gospel Music.

Lawrenceburg is not a large town by any means, nor is it altogether prominent in the political landscape. What this humble town lacks in size, however, it more than makes up for with its importance in the history of American music. Since the turn of the 20th century, Lawrenceburg has been the home of Southern Gospel Music, a musical tradition embraced and perpetuated by talented and dedicated artists.

The roots of Southern Gospel Music reach back to some of the most gifted songwriters of our time, such as Adger Pace, James Rowe, G.T. Speer, William Walbert, and the great James D. Vaughan. Vaughan went on to found the first Southern Gospel Music quartet in Lawrenceburg in 1910. He also founded, in Lawrenceburg, the Vaughan School of Music and the James D. Vaughan Music Company. This school helped train the first generation of Southern Gospel Music artists, such as V.O. Stamps, Frank Stamps, the Speers, and the LeFevers, while the music company published millions of shape-note Southern Gospel Music songbooks during its existence from 1902 until 1964.

Lawrenceburg was also integral in getting the word out to the world that Southern Gospel Music was on its way. Along with the many traveling quartets originating from the training ground of the Vaughan School of Music, Lawrenceburg was the home of the first influential Southern Gospel Music newspaper, The Vaughan Family Visitor, which began publication in 1914. Eight short years later the first Southern Gospel Music radio station WOAN was founded, also in Lawrenceburg.

With the endorsement of the Southern Gospel Music Association, which has designated Lawrenceburg the birthplace of Southern Gospel Music, I proudly ask my colleagues to support this resolution recognizing Lawrenceburg, TN, as the official birthplace of Southern Gospel Music.

## SENATE RESOLUTION 171—EXPRESSING THE SENSE OF THE SENATE THAT THE PRESIDENT SHOULD RENEGOTIATE THE EXTRADITION TREATY BETWEEN THE UNITED STATES OF AMERICA AND THE UNITED MEXICAN STATES

Mr. TORRICELLI submitted the following resolution; which was referred to the Committee on Foreign Relations:

S. RES. 171

Whereas, under the Extradition Treaty Between the United States of America and the United Mexican States, Mexico refused to extradite murder suspect and United States citizen Jose Luis Del Toro to the United States until the State of Florida agreed not to exercise its right to seek capital punishment in its criminal prosecution of him;

Whereas under the Extradition Treaty Mexico has refused to extradite other suspects of capital crimes; and

Whereas the Extradition Treaty interferes with the justice system of the United States and encourages criminals to flee to Mexico: Now, therefore, be it

*Resolved,*

**SECTION 1. SENSE OF THE SENATE REGARDING THE RENEGOTIATION OF THE UNITED STATES-MEXICAN EXTRADITION TREATY.**

It is the sense of the Senate that the President should renegotiate the Extradition Treaty Between the United States of America and the United Mexican States, signed in Mexico City in 1978 (31 U.S.T. 5059), so that the possibility of capital punishment will not interfere with the timely extradition of criminal suspects from Mexico to the United States.

Mr. TORRICELLI. Mr. President, I rise today to introduce a resolution regarding our extradition treaty with Mexico. This resolution expresses the sense of the Senate that the United States renegotiate our extradition treaty to allow for the possibility of capital punishment. The case of Jose Luis del Toro has made the need for this resolution clear.

When Sheila Bellush was brutally murdered in November 1997, her accused murderer, Jose Luis del Toro, fled to Mexico to escape prosecution in the United States. From this time forward, there has been little consolation for the Bellush family, and a great deal of hardship. While Del Toro was apprehended in Mexico just 13 days later, a nightmare of government delays and roadblocks prevented his extradition to the United States.

The details of Sheila Bellush's murder are shocking. By all accounts, her four 23-month-old quadruplets probably witnessed their mother's murder, and wandered around in her blood trying to wake her up for as many as 4 or 5 hours before the 13-year-old daughter came home from school and found Mrs. Bellush's body.

There is overwhelming evidence that Del Toro was involved in the murder. The Sarasota police believe that he was, in fact, the gunman in a murder-for-hire scheme. Del Toro's cousin works at a golf course where Bellush's ex-husband plays golf. That cousin and one of the ex-husband's golfing partners have been arrested as co-conspirators. On the day of the murder, Del Toro asked directions to the Bellush house and left a clear fingerprint at the scene. He had directions to the Bellush house in his car, which was seen near the crime, and he stayed in a nearby motel, where a .45 caliber bullet was found, like the one used in the murder.

The Mexican government refused his extradition unless the United States agreed to waive the death penalty. Amazingly, we approved such a provision in the U.S.-Mexico Extradition Treaty of 1978. This agreement allows Mexico the right to refuse extradition if the death penalty may be applicable in the case. In the Bellush case, this provision allowed Del Toro to evade prosecution for over a year while awaiting his extradition.

I became involved in this case when Jamie Bellush moved their six children to Newton, New Jersey, and sought my help with Del Toro's extradition. I was in constant contact with the Justice and State Departments and the Mexican Embassy urging them to move

quickly in returning Del Toro. The Mexican Government has since honored our request, and extradited Mr. Del Toro to Florida to stand trial. However, I believe that the U.S. should still move to renegotiate our extradition treaty with Mexico and prevent this unfortunate series of events from happening to other families in the future. I look forward to working with this Congress to pass this resolution.

## AMENDMENTS SUBMITTED

## DECEPTIVE MAIL PREVENTION AND ENFORCEMENT ACT

### COLLINS (AND LEVIN) AMENDMENT NO. 1497

Ms. COLLINS (for herself and Mr. LEVIN) proposed an amendment to the bill (S. 335) to amend chapter 30 of title 39, United States Code, to provide for the nonmailability of certain deceptive matter relating to games of chance, administrative procedures, orders, and civil penalties relating to such matter, and for other purposes; as follows:

On page 19, insert between lines 22 and 23 the following:

''(A) 'clearly and conspicuously displayed' means presented in a manner that is readily noticeable, readable, and understandable to the group to whom the applicable matter is disseminated;

On page 19, line 23, strike ''(A)'' and insert ''(B)''.

On page 20, line 1, strike ''(B)'' and insert ''(C)''.

On page 20, line 9, strike ''(C)'' and insert ''(D)''.

On page 20, line 21, insert ''prominently'' after ''that''.

On page 21, line 1, insert ''prominently'' after ''that''.

On page 21, lines 4 and 5, strike ''an entry from such materials'' and insert ''such entry''.

On page 21, lines 8 and 9, strike '', in language that is easy to find, read, and understand''.

On page 21, line 15, strike ''clearly''.

On page 22, line 5, insert ''or'' after the semicolon.

On page 22, line 11, strike ''or'' after the semicolon.

On page 22, strike lines 12 through 17.

On page 22, lines 23 and 24, strike '', in language that is easy to find, read and understand''.

On page 23, line 1, strike ''clearly and conspicuously''.

On page 23, line 6, strike ''clearly''.

On page 34, line 1, strike all through page 39, line 23, and insert the following:

**SEC. 8. REQUIREMENTS OF PROMOTERS OF SKILL CONTESTS OR SWEEPSTAKES MAILINGS.**

(a) IN GENERAL.—Chapter 30 of title 39, United States Code (as amended by section 7 of this Act) is amended by adding after section 3016 the following:

**''§ 3017. Nonmailable skill contests or sweepstakes matter; notification to prohibit mailings**

''(a) DEFINITIONS.—In this section, the term—

''(1) 'promoter' means any person who—

''(A) originates and mails any skill contest or sweepstakes, except for any matter described under section 3001(k)(4); or

''(B) originates and causes to be mailed any skill contest or sweepstakes, except for any matter described under section 3001(k)(4);

''(2) 'removal request' means a request stating that an individual elects to have the name and address of such individual excluded from any list used by a promoter for mailing skill contests or sweepstakes;

''(3) 'skill contest' means a puzzle, game, competition, or other contest in which—

''(A) a prize is awarded or offered;

''(B) the outcome depends predominately on the skill of the contestant; and

''(C) a purchase, payment, or donation is required or implied to be required to enter the contest; and

''(4) 'sweepstakes' means a game of chance for which no consideration is required to enter.

''(b) NONMAILABLE MATTER.—

''(1) IN GENERAL.—Matter otherwise legally acceptable in the mails described under paragraph (2)—

''(A) is nonmailable matter;

''(B) shall not be carried or delivered by mail; and

''(C) shall be disposed of as the Postal Service directs.

''(2) NONMAILABLE MATTER DESCRIBED.—Matter that is nonmailable matter referred to under paragraph (1) is any matter that—

''(A) is a skill contest or sweepstakes, except for any matter described under section 3001(k)(4); and

''(B)(i) is addressed to an individual who made an election to be excluded from lists under subsection (d); or

''(ii) does not comply with subsection (c)(1).

''(c) REQUIREMENTS OF PROMOTERS.—

''(1) NOTICE TO INDIVIDUALS.—Any promoter who mails a skill contest or sweepstakes shall provide with each mailing a statement that—

''(A) is clearly and conspicuously displayed;

''(B) includes the address or toll-free telephone number of the notification system established under paragraph (2); and

''(C) states that the notification system may be used to prohibit the mailing of all skill contests or sweepstakes by that promoter to such individual.

''(2) NOTIFICATION SYSTEM.—Any promoter that mails or causes to be mailed a skill contest or sweepstakes shall establish and maintain a notification system that provides for any individual (or other duly authorized person) to notify the system of the individual's election to have the name and address of the individual excluded from all lists of names and addresses used by that promoter to mail any skill contest or sweepstakes.

''(d) ELECTION TO BE EXCLUDED FROM LISTS.—

''(1) IN GENERAL.—An individual (or other duly authorized person) may elect to exclude the name and address of that individual from all lists of names and addresses used by a promoter of skill contests or sweepstakes by submitting a removal request to the notification system established under subsection (c).

''(2) RESPONSE AFTER SUBMITTING REMOVAL REQUEST TO THE NOTIFICATION SYSTEM.—Not later than 35 calendar days after a promoter receives a removal request pursuant to an election under paragraph (1), the promoter shall exclude the individual's name and address from all lists of names and addresses used by that promoter to select recipients for any skill contest or sweepstakes.

''(3) EFFECTIVENESS OF ELECTION.—An election under paragraph (1) shall remain in effect, unless an individual (or other duly authorized person) notifies the promoter in writing that such individual—

''(A) has changed the election; and

''(B) elects to receive skill contest or sweepstakes mailings from that promoter.

''(e) PROMOTER NONLIABILITY.—A promoter shall not be subject to civil liability for the exclusion of an individual's name or address from any list maintained by that promoter for mailing skill contests or sweepstakes, if—

''(1) a removal request is received by the promoter's notification system; and

''(2) the promoter has a good faith belief that the request is from—

''(A) the individual whose name and address is to be excluded; or

''(B) another duly authorized person.

''(f) PROHIBITION ON COMMERCIAL USE OF LISTS.—

''(1) IN GENERAL.—

''(A) PROHIBITION.—No person may provide any information (including the sale or rental of any name or address) derived from a list described under subparagraph (B) to another person for commercial use.

''(B) LISTS.—A list referred to under subparagraph (A) is any list of names and addresses (or other related information) compiled from individuals who exercise an election under subsection (d).

''(2) CIVIL PENALTY.—Any person who violates paragraph (1) shall be assessed a civil penalty by the Postal Service not to exceed $2,000,000 per violation.

''(g) CIVIL PENALTIES.—

''(1) IN GENERAL.—Any promoter—

''(A) who recklessly mails nonmailable matter in violation of subsection (b) shall be liable to the United States in an amount of $10,000 per violation for each mailing to an individual of nonmailable matter; or

''(B) who fails to comply with the requirements of subsection (c)(2) shall be liable to the United States.

''(2) ENFORCEMENT.—The Postal Service shall assess civil penalties under this section.''.

(b) TECHNICAL AND CONFORMING AMENDMENTS.—The table of sections for chapter 30 of title 39, United States Code, is amended by adding after the item relating to section 3016 the following:

''3017. Nonmailable skill contests or sweepstakes matter; notification to prohibit mailings.''.

(c) EFFECTIVE DATE.—This section shall take effect 1 year after the date of enactment of this Act.

## DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS ACT, 2000

### MOYNIHAN AMENDMENT NO. 1498

(Ordered to lie on the table.)

Mr. MOYNIHAN submitted an amendment intend to be proposed by him to the bill (H.R. 2466) making appropriations for the Department of the Interior and related agencies for the fiscal year ending September 30, 2000, and for other purposes; as follows:

On page 2, lines 13 and 14, strike ''$634,321,000, to remain available until expended, of'' and insert ''$634,221,000, to remain available until expended, of which not more than $27,406,000 shall be available for annual maintenance relating to transportation and facilities maintenance and of''.

On page 16, line 12, strike ''$1,355,176,000, of'' and insert ''$1,354,976,000, of which not more than $247,805,000 shall be available for resource stewardship relating to park management and not more than $431,981,000 shall

be available for maintenance relating to park management and of''.

On page 17, lines 19 and 20, strike ''$221,093,000, to remain available until expended, of'' and insert ''$220,893,000, to remain available until expended, of which not more than $32,840,000 shall be available for special programs relating to buildings and utilities and not more than $17,000,000 shall be available for construction program management and operations relating to buildings and utilities and of''.

On page 27, lines 22 through 24, strike ''$1,631,996,000, to remain available until September 30, 2001 except as otherwise provided herein, of'' and insert ''$1,631,896,000, to remain available until September 30, 2001 except as otherwise provided herein, of which not more than $131,065,000 shall be available for public safety and justice programs relating to special programs and pooled overhead and of''.

On page 29, lines 18 and 19, strike ''$146,884,000, to remain available until expended:'' and insert ''$146,784,000, to remain available until expended, of which not more than $82,277,000 shall be available for education relating to construction:''.

On page 64, lines 17 and 18, strike ''$362,095,000, to remain available until expended'' and insert ''$361,895,000, to remain available until expended, of which not more than $54,713,000 shall be available for facilities maintenance and not more than $20,345,000 shall be available for trails maintenance,''.

On page 82, lines 13 and 14, strike ''$2,135,561,000, together with payments received during the fiscal year pursuant to 42 U.S.C. 238(b) for services furnished by the Indian Health Service:'' and insert ''$2,135,461,000, together with payments received during the fiscal year pursuant to section 231(b) of the Public Health Service Act (42 U.S.C. 238(b)) for services furnished by the Indian Health Service, of which not more than $991,890,000 shall be available for hospital and health clinic programs relating to Indian Health Service and tribal health delivery, and relating to clinical services:''.

On page 96, line 5, strike ''$23,905,000'' and insert ''$24,905,000''.

## AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION AND RELATED AGENCIES APPROPRIATIONS ACT, 2000

### DASCHLE (AND OTHERS) AMENDMENT NO. 1499

Mr. LOTT (for Mr. DASCHLE (for himself, Mr. HARKIN, Mr. DORGAN, Mr. KERREY, Mr. JOHNSON, Mr. CONRAD, Mr. BAUCUS, Mr. DURBIN, Mr. WELLSTONE, Mrs. LINCOLN, Mr. SARBANES, and Ms. MIKULSKI)) proposed an amendment to the bill (S. 1233) making appropriations for Agriculture, Rural Development, Food and Drug Administration, and Related Agencies programs for the fiscal year ending September 30, 2000, and for other purposes; as follows:

On page 76, between lines 6 and 7, insert the following:

SEC. 7___. EMERGENCY AND INCOME LOSS ASSISTANCE.—(a) ADDITIONAL CROP LOSS ASSISTANCE.—

(1) IN GENERAL.—Except as provided in paragraph (2), in addition to amounts that have been made available to carry out section 1102 of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1999 (7 U.S.C. 1421 note; Public Law 105–277) under other law, the Secretary of Agriculture (referred to in this section as the 'Secretary') shall use not more than $756,000,000 of funds of the Commodity Credit Corporation to provide crop loss assistance in accordance with that section in a manner that, to the maximum extent practicable—

(A) fully compensates agricultural producers for crop losses in accordance with that section (including regulations promulgated to carry out that section); and

(B) provides equitable treatment under that section for agricultural producers described in subsections (b) and (c) of that section.

(2) CROP INSURANCE.—Of the total amount made available under paragraph (1), the Secretary shall use not less than $400,000,000 to assist agricultural producers in purchasing additional coverage for the 2000 crop year under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.).

(3) COMPENSATION FOR DENIAL OF CROP LOSS ASSISTANCE BASED ON TAXPAYER IDENTIFICATION NUMBERS.—The Secretary shall use not more than $70,000,000 of funds of the Commodity Credit Corporation to make payments to producers on a farm that were denied crop loss assistance under section 1102 of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1999 (7 U.S.C. 1421 note; Public Law 105–277), as the result of a change in the taxpayer identification numbers of the producers if the Secretary determines that the change was not made to create an advantage for the producers in the crop insurance program through lower premiums or higher actual production histories.

(b) INCOME LOSS ASSISTANCE.—

(1) IN GENERAL.—The Secretary shall use not more than $6,373,000,000 of funds of the Commodity Credit Corporation to provide (on an equitable basis among producers, as determined by the Secretary) supplemental loan deficiency payments to producers on a farm that are eligible for marketing assistance loans for the 1999 crop of a commodity under section 131 of the Agricultural Market Transition Act (7 U.S.C. 7231).

(2) PAYMENT LIMITATION.—The total amount of the payments that a person may receive under paragraph (1) during any crop year may not exceed $40,000.

(3) PRODUCERS WITHOUT PRODUCTION.—The payments made available under this subsection shall be provided (on an equitable basis among producers, according to actual production history, as determined by the Secretary) to producers with failed acreage, or acreage on which planting was prevented, due to circumstances beyond the control of the producers.

(4) TIME FOR PAYMENT.—The assistance made available under this subsection for an eligible owner or producer shall be provided as soon as practicable after the date of enactment of this Act by providing advance payments that are based on expected production and by taking such measures as are determined appropriate by the Secretary.

(5) DAIRY PRODUCERS.—

(A) IN GENERAL.—Of the total amount made available under paragraph (1), $400,000,000 shall be available to provide assistance to dairy producers in a manner determined by the Secretary.

(B) FEDERAL MILK MARKETING ORDERS.—Payments made under this subsection shall not affect any decision with respect to rulemaking activities under section 143 of the Agricultural Market Transition Act (7 U.S.C. 7253).

(6) PEANUTS.—

(A) IN GENERAL.—Of the total amount made available under paragraph (1), the Secretary shall use not to exceed $45,000,000 to provide payments to producers of quota peanuts or additional peanuts to partially compensate the producers for the loss of markets for the 1998 crop of peanuts.

(B) AMOUNT.—The amount of a payment made to producers on a farm of quota peanuts or additional peanuts under subparagraph (A) shall be equal to the product obtained by multiplying—

(i) the quantity of quota peanuts or additional peanuts produced or considered produced by the producers under section 155 of the Agricultural Market Transition Act (7 U.S.C. 7271); by

(ii) an amount equal to 5 percent of the loan rate established for quota peanuts or additional peanuts, respectively, under section 155 of that Act.

(7) TOBACCO GROWER ASSISTANCE.—The Secretary shall provide $328,000,000 to be distributed to tobacco growers according to the formulas established pursuant to the National Tobacco Grower Settlement Trust.

(c) FUNDS FOR STRENGTHENING MARKETS, INCOME, AND SUPPLY (SECTION 32).—

(1) IN GENERAL.—For an additional amount for the fund maintained for funds made available under section 32 of the Act of August 24, 1935 (7 U.S.C. 612c), there is appropriated, out of any money in the Treasury not otherwise appropriated, $500,000,000.

(2) SET-ASIDE FOR CERTAIN LIVESTOCK PRODUCERS.—Of the funds made available by paragraph (1), the Secretary shall use not more than $200,000,000 to provide assistance to livestock producers—

(A) the operations of which are located in counties with respect to which during 1999 a natural disaster was declared for losses due to excessive heat or drought by the Secretary, or a major disaster or emergency was declared for losses due to excessive heat or drought by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5121 et seq.); and

(B) that experienced livestock losses as a result of the declared disaster or emergency.

(3) WAIVER OF COMMODITY LIMITATION.—In providing assistance under this subsection, the Secretary may waive the limitation established under the second sentence of the second paragraph of section 32 of the Act of August 24, 1935 (7 U.S.C. 612c), on the amount of funds that may be devoted to any 1 agricultural commodity or product.

(d) EMERGENCY LIVESTOCK ASSISTANCE.—For an additional amount to provide emergency livestock assistance, there is appropriated, out of any money in the Treasury not otherwise appropriated, $150,000,000.

(e) COMMODITY PURCHASES AND HUMANITARIAN DONATIONS.—

(1) IN GENERAL.—Notwithstanding any other provision of law, the Secretary shall use not less than $978,000,000 of funds of the Commodity Credit Corporation for the purchase and distribution of agricultural commodities, under applicable food aid authorities, including—

(A) section 416(b) of the Agricultural Act of 1949 (7 U.S.C. 1431(b));

(B) the Food for Progress Act of 1985 (7 U.S.C. 1736o); and

(C) the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1691 et seq.).

(2) LEAST DEVELOPED COUNTRIES.—Not less than 40 percent of the commodities distributed pursuant to this subsection shall be made available to least developed countries, as determined by the Secretary.

(3) LOCAL CURRENCIES.—To the maximum extent practicable, local currencies generated from the sale of commodities under this subsection shall be used for development purposes that foster United States agricultural exports.

(f) UPLAND COTTON PRICE COMPETITIVENESS.—

(1) IN GENERAL.—Section 136(a) of the Agricultural Market Transition Act (7 U.S.C. 7236(a)) is amended—

(A) in paragraph (1), by inserting ''(in the case of each of the 1999–2000, 2000–2001, and 2001–2002 marketing years for upland cotton, at the option of the recipient)'' after ''or cash payments'';

(B) by inserting ''(or, in the case of each of the 1999–2000, 2000–2001, and 2001–2002 marketing years for upland cotton, 1.25 cents per pound)'' after ''3 cents per pound'' each place it appears;

(C) in paragraph (3), by striking subparagraph (A) and inserting the following:

''(A) REDEMPTION, MARKETING, OR EXCHANGE.—

''(i) IN GENERAL.—The Secretary shall establish procedures for redeeming marketing certificates for cash or marketing or exchange of the certificates for—

''(I) except as provided in subclause (II), agricultural commodities owned by the Commodity Credit Corporation in such manner, and at such price levels, as the Secretary determines will best effectuate the purposes of cotton user marketing certificates; or

''(II) in the case of each of the 1999–2000, 2000–2001, and 2001–2002 marketing years for upland cotton, agricultural commodities owned by the Commodity Credit Corporation or pledged to the Commodity Credit Corporation as collateral for a loan in such manner, and at such price levels, as the Secretary determines will best effectuate the purposes of cotton user marketing certificates, including enhancing the competitiveness and marketability of United States cotton.

''(ii) PRICE RESTRICTIONS.—Any price restrictions that would otherwise apply to the disposition of agricultural commodities by the Commodity Credit Corporation shall not apply to the redemption of certificates under this subparagraph.''; and

(D) in paragraph (4), by inserting before the period at the end the following: '', except that this paragraph shall not apply to each of fiscal years 2000, 2001, and 2002''.

(2) ENSURING THE AVAILABILITY OF UPLAND COTTON.—Section 136(b) of the Agricultural Market Transition Act (7 U.S.C. 7236(b)) is amended—

(A) in paragraph (1), by striking ''The'' and inserting ''Except as provided in paragraph (7), the''; and

(B) by adding at the end the following:

''(7) 1999–2000, 2000–2001, AND 2001–2002 MARKETING YEARS.—

''(A) IN GENERAL.—In the case of each of the 1999–2000, 2000–2001, and 2001–2002 marketing years for upland cotton, the President shall carry out an import quota program as provided in this paragraph.

''(B) PROGRAM REQUIREMENTS.—Except as provided in subparagraph (C), whenever the Secretary determines and announces that for any consecutive 4-week period, the Friday through Thursday average price quotation for the lowest-priced United States growth, as quoted for Middling (M) 1 3/32-inch cotton, delivered C.I.F. Northern Europe, adjusted for the value of any certificate issued under subsection (a), exceeds the Northern Europe price by more than 1.25 cents per pound, there shall immediately be in effect a special import quota.

''(C) TIGHT DOMESTIC SUPPLY.—During any month for which the Secretary estimates the season-ending United States upland cotton stocks-to-use ratio, as determined under subparagraph (D), to be below 16 percent, the Secretary, in making the determination under subparagraph (B), shall not adjust the Friday through Thursday average price quotation for the lowest-priced United States growth, as quoted for Middling (M) 1 3/32-inch cotton, delivered C.I.F. Northern Europe, for the value of any certificates issued under subsection (a).

''(D) SEASON-ENDING UNITED STATES STOCKS-TO-USE RATIO.—For the purposes of making estimates under subparagraph (C), the Secretary shall, on a monthly basis, estimate and report the season-ending United States upland cotton stocks-to-use ratio, excluding projected raw cotton imports but including the quantity of raw cotton that has been imported into the United States during the marketing year.

''(E) LIMITATION.—The quantity of cotton entered into the United States during any marketing year described in subparagraph (A) under the special import quota established under this paragraph may not exceed the equivalent of 5 weeks' consumption of upland cotton by domestic mills at the seasonally adjusted average rate of the 3 months immediately preceding the first special import quota established in any marketing year.''.

(3) REMOVAL OF SUSPENSION OF MARKETING CERTIFICATE AUTHORITY.—Section 171(b)(1)(G) of the Agricultural Market Transition Act (7 U.S.C. 7301(b)(1)(G)) is amended by inserting before the period at the end the following: '', except that this subparagraph shall not apply to each of the 1999–2000, 2000–2001, and 2001–2002 marketing years for upland cotton''.

(4) REDEMPTION OF MARKETING CERTIFICATES.—Section 115 of the Agricultural Act of 1949 (7 U.S.C. 1445k) is amended—

(A) in subsection (a)—

(i) by striking ''rice (other than negotiable marketing certificates for upland cotton or rice)'' and inserting ''rice, including the issuance of negotiable marketing certificates for upland cotton or rice'';

(ii) in paragraph (1), by striking ''and'' at the end;

(iii) in paragraph (2), by striking the period at the end and inserting ''; and''; and

(iv) by adding at the end the following:

''(3) redeem negotiable marketing certificates for cash under such terms and conditions as are established by the Secretary.''; and

(B) in the second sentence of subsection (c), by striking ''export enhancement program or the marketing promotion program established under the Agricultural Trade Act of 1978'' and inserting ''market access program or the export enhancement program established under sections 203 and 301 of the Agricultural Trade Act of 1978 (7 U.S.C. 5623, 5651)''.

(g) FARM SERVICE AGENCY.—For an additional amount for the Farm Service Agency, there is appropriated, out of any money in the Treasury not otherwise appropriated, $140,000,000, of which—

(1) $40,000,000 shall be used for salaries and expenses of the Farm Service Agency; and

(2) $100,000,000 shall be used for direct or guaranteed farm ownership, operating, or emergency loans under the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.),

(h) STATE MEDIATION GRANTS.—For an additional amount for grants pursuant to section 502(b) of the Agricultural Credit Act of 1987 (7 U.S.C. 5102(b)), there is appropriated, out of any money in the Treasury not otherwise appropriated, $2,000,000.

(i) DISASTER RESERVE.—

(1) IN GENERAL.—For the disaster reserve established under section 813 of the Agricultural Act of 1970 (7 U.S.C. 1427a), there is appropriated, out of any money in the Treasury not otherwise appropriated, $500,000,000.

(2) CROP AND LIVESTOCK CASH INDEMNITY PAYMENTS.—Notwithstanding any other provision of law, the Secretary may use the amount made available under this subsection to carry out a program to provide crop or livestock cash indemnity payments to agricultural producers for the purpose of remedying losses caused by damaging weather or related condition resulting from a natural or major disaster or emergency.

(3) COMMERCIAL FISHERIES FAILURE.—Notwithstanding any other provision of law, the Secretary shall provide $15,000,000 of the amount made available under this section to the Department of Commerce to provide emergency disaster assistance to persons or entities that have incurred losses from a commercial fishery failure described in section 308(b)(1) of the Interjurisdictional Fisheries Act of 1986 (16 U.S.C. 4107(b)) with respect to a Northeast multispecies fishery.

(j) FLOODED LAND RESERVE PROGRAM.—For an additional amount to carry out a flooded land reserve program in a manner that is consistent with section 1124 of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1999 (7 U.S.C. 1421 note; Public Law 105–277), there is appropriated, out of any money in the Treasury not otherwise appropriated, $250,000,000.

(k) EMERGENCY SHORT-TERM LAND DIVERSION.—For an additional amount to carry out an emergency short-term land diversion program, there is appropriated, out of any money in the Treasury not otherwise appropriated, $200,000,000.

(l) GRAIN INSPECTION, PACKERS, AND STOCKYARDS ADMINISTRATION.—For an additional amount for the Grain Inspection, Packers, and Stockyards Administration to support rapid response teams to enforce the Packers and Stockyards Act, 1921 (7 U.S.C. 181 et seq.), there is appropriated, out of any money in the Treasury not otherwise appropriated, $1,000,000.

(m) WATERSHED AND FLOOD PREVENTION OPERATIONS.—For an additional amount for watershed and flood prevention operations to repair damage to waterways and watersheds resulting from natural disasters, there is appropriated, out of any money in the Treasury not otherwise appropriated, $60,000,000.

(n) EMERGENCY CONSERVATION PROGRAM.—For an additional amount for the emergency conservation program authorized under sections 401, 402, and 404 of the Agricultural Credit Act of 1978 (16 U.S.C. 2201, 2202, 2204) for expenses resulting from natural disasters, there is appropriated, out of any money in the Treasury not otherwise appropriated, $30,000,000.

(o) ENVIRONMENTAL QUALITY INCENTIVES PROGRAM.—

(1) IN GENERAL.—For an additional amount for the environmental quality incentives program established under chapter 4 of subtitle D of title XII of the Food Security Act of 1985 (16 U.S.C. 3839aa et seq.), there is appropriated, out of any money in the Treasury not otherwise appropriated, $52,000,000.

(2) LIVESTOCK NUTRIENT MANAGEMENT PLANS.—The Secretary shall provide a priority in the use of funds made available under paragraph (1) to implementing livestock nutrient management plans.

(p) WETLANDS RESERVE PROGRAM.—For an additional amount for the wetlands reserve program established under subchapter C of chapter 1 of subtitle D of title XII of the Food Security Act of 1985 (16 U.S.C. 3837 et seq.), there is appropriated, out of any money in the Treasury not otherwise appropriated, $70,000,000.

(q) FOREIGN MARKET DEVELOPMENT COOPERATOR PROGRAM.—For an additional amount for the foreign market development cooperator program established under section 702 of the Agricultural Trade Act of 1978 (7 U.S.C. 5722), there is appropriated, out of any money in the Treasury not otherwise appropriated, $10,000,000.

(r) RURAL ECONOMIC ASSISTANCE.—For an additional amount for rural economic assistance, there is appropriated, out of any money in the Treasury not otherwise appropriated, $150,000,000, of which—

(1) $100,000,000 shall be used for rural economic development, with the highest priority given to the most economically disadvantaged rural communities; and

(2) $50,000,000 shall be used to establish and carry out a program of revolving loans for the support of farmer-owned cooperatives.

(s) MANDATORY PRICE REPORTING.—For an additional amount to carry out a program of mandatory price reporting for livestock and livestock products, on enactment of a law establishing the program, there is appropriated, out of any money in the Treasury not otherwise appropriated, $4,000,000.

(t) LABELING OF IMPORTED MEAT AND MEAT FOOD PRODUCTS.—

(1) DEFINITIONS.—Section 1 of the Federal Meat Inspection Act (21 U.S.C. 601) is amended by adding at the end the following:

''(w) BEEF.—The term 'beef' means meat produced from cattle (including veal).

''(x) IMPORTED BEEF.—The term 'imported beef' means beef that is not United States beef, whether or not the beef is graded with a quality grade issued by the Secretary.

''(y) IMPORTED LAMB.—The term 'imported lamb' means lamb that is not United States lamb, whether or not the lamb is graded with a quality grade issued by the Secretary.

''(z) IMPORTED PORK.—The term 'imported pork' means pork that is not United States pork.

''(aa) LAMB.—The term 'lamb' means meat, other than mutton, produced from sheep.

''(bb) PORK.—The term 'pork' means meat produced from hogs.

''(cc) UNITED STATES BEEF.—

''(1) IN GENERAL.—The term 'United States beef' means beef produced from cattle slaughtered in the United States.

''(2) EXCLUSION.—The term 'United States beef' does not include beef produced from cattle imported into the United States in sealed trucks for slaughter.

''(dd) UNITED STATES LAMB.—

''(1) IN GENERAL.—The term 'United States lamb' means lamb produced from sheep slaughtered in the United States.

''(2) EXCLUSION.—The term 'United States lamb' does not include lamb produced from sheep imported into the United States in sealed trucks for slaughter.

''(ee) UNITED STATES PORK.—

''(1) IN GENERAL.—The term 'United States pork' means pork produced from hogs slaughtered in the United States.

''(2) EXCLUSION.—The term 'United States pork' does not include pork produced from hogs imported into the United States in sealed trucks for slaughter.''.

(2) MISBRANDING.—Section 1(n) of the Federal Meat Inspection Act (21 U.S.C. 601(n)) is amended—

(A) in paragraph (11), by striking ''or'' at the end;

(B) in paragraph (12), by striking the period at the end and inserting ''; or''; and

(C) by adding at the end the following:

''(13)(A) if it is imported beef, imported lamb, or imported pork offered for retail sale as muscle cuts of beef, lamb, or pork and does not bear a label that identifies its country of origin;

''(B) if it is United States beef, United States lamb, or United States pork offered for retail sale as muscle cuts of beef, lamb, or pork, and does not bear a label that identifies its country of origin; or

''(C) if it is United States or imported ground beef, ground lamb, or ground pork and is not accompanied by labeling that identifies it as United States beef, United States lamb, United States pork, imported beef, imported lamb, imported pork, or other designation that identifies the content of United States beef, imported beef, United States lamb, imported lamb, United States pork, and imported pork contained in the product, as determined by the Secretary.''.

(3) LABELING.—Section 7 of the Federal Meat Inspection Act (21 U.S.C. 607) is amended by adding at the end the following:

''(g) MANDATORY LABELING.—The Secretary shall provide by regulation that the following offered for retail sale bear a label that identifies its country of origin:

''(1) Muscle cuts of United States beef, United States lamb, United States pork, imported beef, imported lamb, and imported pork.

''(2) Ground beef, ground lamb, and ground pork.

''(h) AUDIT VERIFICATION SYSTEM FOR UNITED STATES AND IMPORTED MUSCLE CUTS OF BEEF, LAMB, AND PORK AND GROUND BEEF, LAMB, AND PORK.—The Secretary may require by regulation that any person that prepares, stores, handles, or distributes muscle cuts of United States beef, imported beef, United States lamb, imported lamb, United States pork, imported pork, ground beef, ground lamb, or ground pork for retail sale maintain a verifiable recordkeeping audit trail that will permit the Secretary to ensure compliance with the regulations promulgated under subsection (g).''.

(4) REGULATIONS.—Not later than 1 year after the date of enactment of this Act, the Secretary shall promulgate final regulations to carry out the amendments made by this subsection.

(5) FUNDING.—For an additional amount to carry out this subsection and the amendments made by this subsection, there is appropriated, out of any money in the Treasury not otherwise appropriated, $8,000,000.

(6) EFFECTIVE DATE.—The amendments made by this subsection take effect 60 days after the date on which final regulations are promulgated under paragraph (4).

(u) INDICATION OF COUNTRY OF ORIGIN OF PERISHABLE AGRICULTURAL COMMODITIES.—

(1) DEFINITIONS.—In this section:

(A) FOOD SERVICE ESTABLISHMENT.—The term ''food service establishment'' means a restaurant, cafeteria, lunch room, food stand, saloon, tavern, bar, lounge, or other similar facility operated as an enterprise engaged in the business of selling food to the public.

(B) PERISHABLE AGRICULTURAL COMMODITY; RETAILER.—The terms ''perishable agricultural commodity'' and ''retailer'' have the meanings given the terms in section 1(b) of the Perishable Agricultural Commodities Act, 1930 (7 U.S.C. 499a(b)).

(2) NOTICE OF COUNTRY OF ORIGIN REQUIRED.—Except as provided in paragraph (3), a retailer of a perishable agricultural commodity shall inform consumers, at the final point of sale of the perishable agricultural commodity to consumers, of the country of origin of the perishable agricultural commodity.

(3) EXEMPTION FOR FOOD SERVICE ESTABLISHMENTS.—Paragraph (2) shall not apply to a perishable agricultural commodity if the perishable agricultural commodity is—

(A) prepared or served in a food service establishment; and

(B)(i) offered for sale or sold at the food service establishment in normal retail quantities; or

(ii) served to consumers at the food service establishment.

(4) METHOD OF NOTIFICATION.—

(A) IN GENERAL.—The information required by paragraph (2) may be provided to consumers by means of a label, stamp, mark, placard, or other clear and visible sign on the perishable agricultural commodity or on the package, display, holding unit, or bin containing the commodity at the final point of sale to consumers.

(B) LABELED COMMODITIES.—If the perishable agricultural commodity is already individually labeled regarding country of origin by the packer, importer, or another person, the retailer shall not be required to provide any additional information to comply with this subsection.

(5) VIOLATIONS.—If a retailer fails to indicate the country of origin of a perishable agricultural commodity as required by paragraph (2), the Secretary may assess a civil penalty on the retailer in an amount not to exceed—

(A) $1,000 for the first day on which the violation occurs; and

(B) $250 for each day on which the same violation continues.

(6) DEPOSIT OF FUNDS.—Amounts collected under paragraph (5) shall be deposited in the Treasury of the United States as miscellaneous receipts.

(7) APPLICATION OF SUBSECTION.—This section shall apply with respect to a perishable agricultural commodity after the end of the 6-month period beginning on the date of the enactment of this Act.

(v) LIMITATION ON MARKETING LOAN GAINS AND LOAN DEFICIENCY PAYMENTS.—Notwithstanding section 1001(2) of the Food Security Act of 1985 (7 U.S.C. 1308(1)), the total amount of the payments specified in section 1001(3) of that Act that a person shall be entitled to receive under the Agricultural Market Transition Act (7 U.S.C. 7201 et seq.) for 1 or more contract commodities and oilseeds during the 1999 crop year may not exceed $150,000.

(w) EMERGENCY REQUIREMENT.—The entire amount necessary to carry out this section and the amendments made by this section shall be available only to the extent that an official budget request for the entire amount, that includes designation of the entire amount of the request as an emergency requirement as defined in the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, is transmitted by the President to the Congress: *Provided*, That the entire amount is designated by the Congress as an emergency requirement pursuant to section 251(b)(2)(A) of such Act.

(x) AVAILABILITY.—The amount necessary to carry out this section and the amendments made by this section shall remain available until expended.

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## COCHRAN AMENDMENT NO. 1500

Mr. LOTT (for Mr. COCHRAN) proposed an amendment to amendment No. 1499 proposed by Mr. DASCHLE to the bill, S. 1233, supra; as follows:

Beginning on page 1, line 3, strike all that follows ''SEC.'' to the end of the amendment and insert the following:

___. EMERGENCY AND MARKET LOSS ASSISTANCE.—(a) MARKET LOSS ASSISTANCE.—

(1) IN GENERAL.—Except as provided in paragraph (4), the Secretary of Agriculture (referred to in this section as the ''Secretary'') shall use not more than $5,544,453,000 of funds of the Commodity Credit Corporation to provide assistance to owners and producers on a farm that are eligible for payments for fiscal year 1999 under a production flexibility contract for the farm under the Agricultural Market Transition Act (7 U.S.C. 7201 et seq.).

(2) AMOUNT.—Except as provided in paragraph (4), the amount of assistance made available to owners and producers on a farm under this subsection shall be proportionate to the amount of the contract payment received by the owners and producers for fiscal

year 1999 under a production flexibility contract for the farm under the Agricultural Market Transition Act.

(3) TIME FOR PAYMENT.—The assistance made available under this subsection for an eligible owner or producer shall be provided not later than 45 days after the date of enactment of this Act.

(4) PEANUTS.—

(A) IN GENERAL.—The Secretary shall use such amounts as are necessary to provide payments to producers of quota peanuts or additional peanuts to partially compensate the producers for continuing low commodity prices, and increasing costs of production, for the 1999 crop year.

(B) AMOUNT.—The amount of a payment made to producers on a farm of quota peanuts or additional peanuts under subparagraph (A) shall be equal to the product obtained by multiplying—

(i) the quantity of quota peanuts or additional peanuts produced or considered produced by the producers under section 155 of the Agricultural Market Transition Act (7 U.S.C. 7271); by

(ii) an amount equal to 5 percent of the loan rate established for quota peanuts or additional peanuts, respectively, under section 155 of that Act.

(b) LIMITATION ON MARKETING LOAN GAINS AND LOAN DEFICIENCY PAYMENTS.—Notwithstanding section 1001(2) of the Food Security Act of 1985 (7 U.S.C. 1308(1)), the total amount of the payments specified in section 1001(3) of that Act that a person shall be entitled to receive under the Agricultural Market Transition Act (7 U.S.C. 7201 et seq.) for 1 or more contract commodities and oilseeds during the 1999 crop year may not exceed $150,000.

(c) UPLAND COTTON PRICE COMPETITIVENESS.—

(1) IN GENERAL.—Section 136(a) of the Agricultural Market Transition Act (7 U.S.C. 7236(a)) is amended—

(A) in paragraph (1), by striking ''or cash payments'' and inserting ''or cash payments, at the option of the recipient,'';

(B) by striking ''3 cents per pound'' each place it appears and inserting ''1.25 cents per pound'';

(C) in the first sentence of paragraph (3)(A), by striking ''owned by the Commodity Credit Corporation in such manner, and at such price levels, as the Secretary determines will best effectuate the purposes of cotton user marketing certificates'' and inserting ''owned by the Commodity Credit Corporation or pledged to the Commodity Credit Corporation as collateral for a loan in such manner, and at such price levels, as the Secretary determines will best effectuate the purposes of cotton user marketing certificates, including enhancing the competitiveness and marketability of United States cotton''; and

(D) by striking paragraph (4).

(2) ENSURING THE AVAILABILITY OF UPLAND COTTON.—Section 136(b) of the Agricultural Market Transition Act (7 U.S.C. 7236(b)) is amended—

(A) by striking paragraph (1) and inserting the following:

''(1) ESTABLISHMENT.—

''(A) IN GENERAL.—The President shall carry out an import quota program during the period ending July 31, 2003, as provided in this subsection.

''(B) PROGRAM REQUIREMENTS.—Except as provided in subparagraph (C), whenever the Secretary determines and announces that for any consecutive 4-week period, the Friday through Thursday average price quotation for the lowest-priced United States growth, as quoted for Middling (M) 1 3/32-inch cotton, delivered C.I.F. Northern Europe, adjusted for the value of any certificate issued under subsection (a), exceeds the Northern Europe price by more than 1.25 cents per pound, there shall immediately be in effect a special import quota.

''(C) TIGHT DOMESTIC SUPPLY.—During any month for which the Secretary estimates the season-ending United States upland cotton stocks-to-use ratio, as determined under subparagraph (D), to be below 16 percent, the Secretary, in making the determination under subparagraph (B), shall not adjust the Friday through Thursday average price quotation for the lowest-priced United States growth, as quoted for Middling (M) 1 3/32-inch cotton, delivered C.I.F. Northern Europe, for the value of any certificates issued under subsection (a).

''(D) SEASON-ENDING UNITED STATES STOCKS-TO-USE RATIO.—For the purposes of making estimates under subparagraph (C), the Secretary shall, on a monthly basis, estimate and report the season-ending United States upland cotton stocks-to-use ratio, excluding projected raw cotton imports but including the quantity of raw cotton that has been imported into the United States during the marketing year.''; and

(B) by adding at the end the following:

''(7) LIMITATION.—The quantity of cotton entered into the United States during any marketing year under the special import quota established under this subsection may not exceed the equivalent of 5 week's consumption of upland cotton by domestic mills at the seasonally adjusted average rate of the 3 months immediately preceding the first special import quota established in any marketing year.''.

(3) REMOVAL OF SUSPENSION OF MARKETING CERTIFICATE AUTHORITY.—Section 171(b)(1) of the Agricultural Market Transition Act (7 U.S.C. 7301(b)(1)) is amended—

(A) by striking subparagraph (G); and

(B) by redesignating subparagraphs (H) through (L) as subparagraphs (G) through (K), respectively.

(4) REDEMPTION OF MARKETING CERTIFICATES.—Section 115 of the Agricultural Act of 1949 (7 U.S.C. 1445k) is amended—

(A) in subsection (a)—

(i) by striking ''rice (other than negotiable marketing certificates for upland cotton or rice)'' and inserting ''rice, including the issuance of negotiable marketing certificates for upland cotton or rice'';

(ii) in paragraph (1), by striking ''and'' at the end;

(iii) in paragraph (2), by striking the period at the end and inserting ''; and''; and

(iv) by adding at the end the following:

''(3) redeem negotiable marketing certificates for cash under such terms and conditions as are established by the Secretary.''; and

(B) in the second sentence of subsection (c), by striking ''export enhancement program or the marketing promotion program established under the Agricultural Trade Act of 1978'' and inserting ''market access program or the export enhancement program established under sections 203 and 301 of the Agricultural Trade Act of 1978 (7 U.S.C. 5623, 5651)''.

(d) SUSPENSION OF SUGAR ASSESSMENTS.—Section 156(f) of the Agricultural Market Transition Act (7 U.S.C. 7272(f)) is amended—

(1) in paragraph (1), by inserting ''except as provided in paragraph (6),'' after ''years,'';

(2) in paragraph (2), by inserting ''except as provided in paragraph (6),'' after ''years,''; and

(3) by adding at the end the following:

''(6) SUSPENSION OF ASSESSMENTS.—Effective beginning with fiscal year 2000 through fiscal year 2002, no assessments shall be required under this subsection during any fiscal year that immediately follows a fiscal year during which the Federal budget was determined to be in surplus, based on the most recent estimates available from the Office of Management and Budget as of the last day of the fiscal year.''.

(e) OILSEED PAYMENTS.—

(1) IN GENERAL.—Notwithstanding any other provision of law, the Secretary shall use not less than $500,000,000 of funds of the Commodity Credit Corporation to make payments to producers of the 1999 crop of oilseeds that are eligible to obtain a marketing assistance loan under section 131 of the Agricultural Market Transition Act (7 U.S.C. 7231).

(2) COMPUTATION.—A payment to producers on a farm under this subsection shall be computed by multiplying—

(A) a payment rate determined by the Secretary; by

(B) the quantity of oilseeds that the producers on the farm are eligible to place under loan under section 131 of that Act.

(3) LIMITATION.—Payments made under this subsection shall be considered to be contract payments for the purposes of section 1001(1) of the Food Security Act of 1985 (7 U.S.C. 1308(1)).

(f) ASSISTANCE TO LIVESTOCK AND DAIRY PRODUCERS.—The Secretary shall use $500,000,000 of funds of the Commodity Credit Corporation to provide assistance to livestock and dairy producers in a manner determined by the Secretary.

(g) SENSE OF CONGRESS REGARDING FAST-TRACK AUTHORITY AND FUTURE WORLD TRADE ORGANIZATION NEGOTIATIONS.—It is the sense of Congress that—

(1) the President should make a formal request for appropriate fast-track authority for future United States trade negotiations;

(2) regarding future World Trade Organization negotiations—

(A) rules for trade in agricultural commodities should be strengthened and trade-distorting import and export practices should be eliminated or substantially reduced;

(B) the rules of the World Trade Organization should be strengthened regarding the practices or policies of a foreign government that unreasonably—

(i) restrict market access for products of new technologies, including products of biotechnology; or

(ii) delay or preclude implementation of a report of a dispute panel of the World Trade Organization; and

(C) agricultural negotiations of the World Trade Organization should conclude simultaneously with nonagricultural negotiations as a single undertaking;

(3) the President should—

(A) conduct a comprehensive evaluation of all existing export and food aid programs, including—

(i) the export credit guarantee program established under section 202 of the Agricultural Trade Act of 1978 (7 U.S.C. 5622);

(ii) the market access program established under section 203 of that Act (7 U.S.C. 5623);

(iii) the export enhancement program established under section 301 of that Act (7 U.S.C. 5651);

(iv) the foreign market development cooperator program established under section 702 of that Act (7 U.S.C. 5722); and

(v) programs established under the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1691 et seq.); and

(B) transmit to Congress—

(i) the results of the evaluation under subparagraph (A); and

(ii) recommendations on maximizing the effectiveness of the programs described in subparagraph (A); and

(4) the Secretary should carry out a purchase and donation or concessional sales initiative in each of fiscal years 1999 and 2000 to promote the export of additional quantities

of soybeans, beef, pork, poultry, and products of such commodities (including soybean meal, soybean oil, textured vegetable protein, and soy protein concentrates and isolates) using programs established under—

(A) the Commodity Credit Corporation Charter Act (15 U.S.C. 714 et seq.);

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

(C) titles I and II of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1701 et seq.); and

(D) the Food for Progress Act of 1985 (7 U.S.C. 1736o).

(h) EMERGENCY REQUIREMENT.—The entire amount necessary to carry out this section and the amendments made by this section shall be available only to the extent that an official budget request for the entire amount, that includes designation of the entire amount of the request as an emergency requirement as defined in the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, is transmitted by the President to the Congress: *Provided*, That the entire amount is designated by the Congress as an emergency requirement pursuant to section 251(b)(2)(A) of such Act.

## LOTT AMENDMENT NO. 1501

Mr. LOTT proposed an amendment to the bill, S. 1233, supra; as follows:

On page 21, between lines 10 and 11, insert the following:

None of the funds appropriated or otherwise made available by this Act may be used to pay the salaries and expenses of personnel of the Department of Agriculture to implement—

(1) sections 143 or 147(3) of the Agricultural Market Transition Act (7 U.S.C. 7253, 7256(3));

(2) the final decision for the consolidation and reform of Federal milk marketing orders, as published in the Federal Register on April 2, 1999 (64 Fed. Reg. 16025); or

(3) section 738 of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1999 (Public Law 105–277; 112 Stat. 2681–30).

## NOTICE OF HEARINGS

### COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

Mr. LUGAR. Mr. President, I would like to announce that the Senate Committee on Agriculture, Nutrition, and Forestry will meet on August 3, 1999, in SH–216 at 9 a.m. The purpose of this meeting will be to discuss the farm crisis.

### COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

Mr. LUGAR. Mr. President, I would like to announce that the Senate Committee on Agriculture, Nutrition, and Forestry will meet on August 4, 1999, in SH–216 at 9 a.m. The purpose of this meeting will be to discuss the farm crisis.

### COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

Mr. LUGAR. Mr. President, I would like to announce that the Senate Committee on Agriculture, Nutrition, and Forestry will meet on August 5, 1999, in SH–216 at 9 a.m. The purpose of this meeting will be to discuss the farm crisis.

# ADDITIONAL STATEMENTS

## POINT CABRILLO LIGHTHOUSE

● Mrs. BOXER. Mr. President, today, I recognize an important and historic restoration project now nearing completion in Mendocino, California. While the North Coast of California is renowned for its natural beauty and breathtaking views, in Mendocino there is another coastal landmark that has captured the imagination of this rugged region. Built in 1908, the Point Cabrillo Lighthouse is a living reminder of California's maritime history. And on August 6th, the Lighthouse celebrates the 90th anniversary of the first lighting of its light.

This one-of-a-kind structure was originally built by the United States Lighthouse Service to protect the legendary ''doghole schooners'' that plied the lumber trade between San Francisco and California's northern coast at the turn of the century. The Lighthouse was turned over to the U.S. Coast Guard in 1939, and still houses Coast Guard navigational aids and monitoring equipment. However, the Lighthouse structure and its rare Fresnel lens suffered significant damage after many years of neglect. Then, in 1998, the California Coastal Conservancy and North Coast Interpretive Association stepped forward to restore and reinstate the original Fresnel lens, and to renovate the Lighthouse for use as an educational and interpretive center.

Thanks to the efforts of the people of Mendocino, the Coastal Conservancy and the North Coast Interpretive Association, the Lighthouse restoration project will soon be complete. A weekend of festivities will celebrate the Lighthouse's revival and highlight the attractions of the Point Cabrillo Preserve and Light Station. This celebration will acknowledge the efforts of the many volunteers and community partners that also helped make this project a success.

It is important to take the time to applaud the restoration of this nationally significant, historic landmark. I also think it is important to recognize the significance of community projects such as the Point Cabrillo Lighthouse, which serve as invaluable, irreplaceable links to our common past and as unique educational tools for the future. I commend the efforts that have gone into this restoration project, and send the Point Cabrillo Lighthouse volunteers and other partners my best wishes for their continued success.●

## TRIBUTE TO THE TOWN OF NEWTON, NEW HAMPSHIRE

● Mr. SMITH of New Hampshire. Mr. President, I rise today to pay tribute to the town of Newton, New Hampshire on its two hundred and fiftieth anniversary. The town's residents will celebrate this historic occasion on August 15, 1999 with a number of festivities including a parade and an ''Olde Fashioned Fireman's Muster''.

Newton's rich and fruitful history dates back to 1639 when families first settled in the area granted by England known as New Salisbury (Amesbury). Newton's actual township was incorporated in 1749, allowing the people to elect their own officials and to hold town meetings.

Much of the frontier region was wild country inhabited by the Naumkeag Indians. The settlers and the Naumkeaks had generally peaceful relations, relying on one another for trading purposes. The greatest danger facing the settlers came from the war parties of the Mic Macs, who originated from the area now known as Maine and New Brunswick, Canada. These hostile groups conducted violent raids as far south as Connecticut, killing large numbers of local populations. With a combination of the settlers' admirable fortitude and the recurring epidemics of disease, these native populations were nearly wiped out.

Newton residents have persevered in other ways throughout the years, courageously serving and defending America. They have participated in the French and Indian Wars, Revolutionary War, War of 1812, Civil War, World War I, World War II, the Korean War and the Vietnam Conflict. Newton's citizens are always willing to serve our Nation when called upon.

I congratulate the town of Newton, and it's dedicated and patriotic citizens. I am proud to serve the residents of Newton in the United States Senate.●

## ICELANDIC HERITAGE

● Mr. CONRAD. Mr. President, I rise today to celebrate the Icelandic heritage of our country and of the state of North Dakota.

For a century it has been North Dakota's custom to set aside time to honor the contributions of Icelanders to North Dakota. In order to honor the thousands of people of Icelandic descent that reside in my state, the Governor has proclaimed July 30 to August 2 as Icelandic Heritage Days.

Icelandic Heritage Days culminates with a celebration of the historical presentation of a new constitution to the Icelandic Parliament. This occurred on August the second, or ''August the Deuce,'' as many Icelanders call it, 1874 by King Kristjan the Ninth. This action formally freed Iceland from hundreds of years of Danish rule.

In 1878, people of Icelandic descent first settled in northeastern North Dakota. Since this time, Icelandic-Americans have been instrumental in the development of their communities and my state. One settler, E.H. Bergman, was a member of the Territorial Legislature, which passed legislation enabling the establishment of the states of North and South Dakota. Since Bergman's time, many more people of Icelandic descent have represented

their constituencies in the ND Legislature and state government.

Mr. President, this year's celebration is especially noteworthy because an honored dignitary, the Honorable Olafur Ragnar Grimsson, the President of Iceland, will be in attendance. This visit will mark the first time that an Icelandic head-of-state has visited North Dakota.

It is a pleasure to have President Grimsson visit North Dakota, and a privilege to honor Icelandic-Americans for all they have done for North Dakota and this great country.●

## ANGELO QUARANTA

● Mrs. BOXER. Mr. President, today, I extend special birthday wishes to a very special Californian, Angelo Quaranta, whose birthday is August 8.

Angelo is perhaps best known as the owner and driving force behind Allegro, an Italian restaurant on San Francisco's Russian Hill. Regardless of whether you are the Governor, the Mayor, a community organizer or just someone looking for a wonderful plate of pasta, Angelo's grace and easy manner always make you feel welcome.

Angelo was born in Taranto, Italy in 1934. Before leaving his homeland for San Francisco in 1960, he attended the police academy and became national Judo champion while serving with the Italian Police Force. Upon arriving in San Francisco, he first worked as a window washer and then began a distinguished career in the insurance industry.

Cooking may be Angelo's passion, but he can be found in many more places than the kitchen. He has long been active in local government and is a leader in community affairs. He is currently president of the Commission of Parking and Traffic, and served on San Francisco's Recreation and Park Commission. In the 1970's, he operated an Italian television station that broadcast programming from Italy. He founded Unione Sportiva Italia, and has been active in numerous efforts to celebrate the invaluable contributions of Italians and Italian-Americans to the life of the city and nation. Angelo has served as a member of the Juvenile Diabetes Foundation and founded Candlelight Again, an organization comprised of restaurant owners and their patrons dedicated to raising funds for community needs. In recognition of his work, and in addition to many other honors, the Mayor's Office has twice proclaimed it ''Angelo Quaranto Day in San Francisco.''

Angelo has two adult daughters who live with their husbands and children in Italy. It is a pleasure to join them and the larger civic family Angelo continues to nurture in San Francisco in wishing him a joyous 65th birthday.●

## TRIBUTE TO HONOR BEDFORD PRESBYTERIAN CHURCH

● Mr. SMITH of New Hampshire. Mr. President, I rise today to honor the Bedford Presbyterian Church which is celebrating its 250th Anniversary on August 15, 1999. The church first organized on August 15, 1749 and has been serving the people of Bedford ever since.

The church was founded under the rules of Massachusetts Colony who deeded the land to the New Hampshire and also mandated that in order to organize a town there must be land for a church, a minister, and an orthodox ministry. The church was thus formed in 1749 and the town charter was signed the next year.

As a person of strong religious convictions, I applaud the services and strong sense of family and community that the church has provided to its community. Furthermore, I applaud their monthly celebrations of this historic event.

I commend the Bedford Presbyterian Church and wish them luck in the next 250 years. It is an honor to represent the members of Bedford Presbyterian Church in the United States Senate.●

## TRIBUTE TO ADMIRAL BARRY COSTELLO

● Mr. GRAMM. Mr. President, I rise today to recognize Rear Admiral (Select) Barry Costello, United States Navy, for the excellent job he has done as the Director of Senate Liaison for the Navy. I want to recognize Admiral Costello for his many achievements and commend him for the exemplary service he has provided to the Senate, to the Navy, and to our great nation.

Barry Costello is a sailor's sailor who has distinguished himself through his seamanship, tactical acumen, and inspiring leadership. He has served on some of our country's finest warships, including command of the destroyer U.S.S. *Elliot* (DD 967). Prior to coming to the Senate, he commanded the prestigious ''Little Beavers'' of Destroyer Squadron 23, following in the footsteps of Admiral Arleigh ''Thirty-One Knot'' Burke, who famously led the ''Little Beavers'' to a decisive victory over Japanese forces in the Battle of Cape Saint George in 1943.

In March 1997, Admiral Costello took the helm of the Navy's Senate Liaison Office. His integrity, enthusiasm, and foresight have earned the admiration of all members of the Senate who have worked with him, and it is not an exaggeration to say that through his service to the Senate, Barry Costello has helped to ensure that our Navy remains the best trained, best equipped, and best prepared naval force in the world.

Mr. President, Rear Admiral (Select) Barry Costello exemplifies what is best in the Navy and in America. The Senate, the Navy and the American people are indebted to him for his many years of distinguished service. As he departs for his first assignment as a flag officer, I know that my colleagues wish Barry, his wife LuAnne, and their sons Aidan and Brendan the very best. I have a feeling we will work with Barry again in another more important role for our Navy and our nation.●

## TRIBUTE TO ROBERT STEPHEN

● Mr. SMITH of New Hampshire. Mr. President, I rise today to pay tribute to Robert Stephen of Manchester, New Hampshire for his appointment to Director of Community Development Services at New Hampshire's Department of Resources and Economic Development.

After ten years of service as a New Hampshire State Senator, Democratic Leader from 1984 to 1990, Robert was appointed Deputy Executive Director of the New Hampshire Job Training Council. In this capacity Robert was responsible for providing New Hampshire businesses with the skilled labor needed to grow and be successful and New Hampshire citizens with the skills they need to become self-sufficient. He has also been a driving force in workforce development by overseeing the state's Rapid Response effort and convening the Statewide Business Relations Team.

Not only has Robert taken on the task of improving the New Hampshire workforce, but he has been an asset to his community. He has won numerous Multiple Sclerosis Fund-Raising Awards, was a former member of the New Hampshire State Athletic Commission, has received the Easter Seal VIP Award and has been a business owner in downtown Manchester. On top of all this service, Robert was also able to become a three-time New Hampshire Golden Gloves Boxing Champion.

Robert's new responsibility as Director of Community Development Services will give him the opportunity to cultivate a stronger and more job ready workforce, meeting the needs and specifications of New Hampshire companies. His presence at the New Hampshire Job Training Council will surely be missed.

I want to commend Robert Stephen for his hard work on behalf of New Hampshire citizens and wish him luck in his new endeavor. It is an honor to represent Robert in the United States Senate.●

## TAXPAYER REFUND ACT OF 1999

On July 30, 1999, the Senate amended and passed H.R. 2488. The text of the bill follows:

*Resolved,* That the bill from the House of Representatives (H.R. 2488) entitled ''An Act to provide for reconciliation pursuant to sections 105 and 211 of the concurrent resolution on the budget for fiscal year 2000.'', do pass with the following amendment:

Strike out all after the enacting clause and insert:

***SECTION 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 made 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:*


*Sec. 1. Short title; etc.*

*TITLE I—BROAD BASED TAX RELIEF*

*Sec. 101. Reduction of 15 percent individual income tax rate.*
*Sec. 102. Increase in maximum taxable income for 14 percent rate bracket.*

*TITLE II—FAMILY TAX RELIEF PROVISIONS*

*Sec. 201. Combined return to which unmarried rates apply.*
*Sec. 202. Marriage penalty relief for earned income credit.*
*Sec. 203. Exclusion for foster care payments to apply to payments by qualified placement agencies.*
*Sec. 204. Modification of dependent care credit.*
*Sec. 205. Allowance of credit for employer expenses for child care assistance.*
*Sec. 206. Modification of alternative minimum tax for individuals.*
*Sec. 207. Long-term capital gains deduction for individuals.*
*Sec. 208. Credit for interest on higher education loans.*
*Sec. 209. Elimination of marriage penalty in standard deduction.*
*Sec. 210. Expansion of adoption credit.*
*Sec. 211. Modification of tax rates for trusts for individuals who are disabled.*

*TITLE III—RETIREMENT SAVINGS TAX RELIEF*

*Subtitle A—Individual Retirement Arrangements*

*Sec. 301. Modification of deduction limits for IRA contributions.*
*Sec. 302. Modification of income limits on contributions and rollovers to Roth IRAs.*
*Sec. 303. Deemed IRAs under employer plans.*
*Sec. 304. Tax credit for matching contributions to Individual Development Accounts.*
*Sec. 305. Certain coins not treated as collectibles.*

*Subtitle B—Expanding Coverage*

*Sec. 311. Option to treat elective deferrals as after-tax contributions.*
*Sec. 312. Increase in elective contribution limits.*
*Sec. 313. Plan loans for subchapter S owners, partners, and sole proprietors.*
*Sec. 314. Elective deferrals not taken into account for purposes of deduction limits.*
*Sec. 315. Reduced PBGC premium for new plans of small employers.*
*Sec. 316. Reduction of additional PBGC premium for new plans.*
*Sec. 317. Elimination of user fee for requests to IRS regarding new pension plans.*
*Sec. 318. SAFE annuities and trusts.*
*Sec. 319. Modification of top-heavy rules.*

*Subtitle C—Enhancing Fairness for Women*

*Sec. 321. Catchup contributions for individuals age 50 or over.*
*Sec. 322. Equitable treatment for contributions of employees to defined contribution plans.*
*Sec. 323. Clarification of tax treatment of division of section 457 plan benefits upon divorce.*
*Sec. 324. Modification of safe harbor relief for hardship withdrawals from cash or deferred arrangements.*
*Sec. 325. Faster vesting of certain employer matching contributions.*

*Subtitle D—Increasing Portability for Participants*

*Sec. 331. Rollovers allowed among various types of plans.*
*Sec. 332. Rollovers of IRAs into workplace retirement plans.*
*Sec. 333. Rollovers of after-tax contributions.*
*Sec. 334. Hardship exception to 60-day rule.*
*Sec. 335. Treatment of forms of distribution.*
*Sec. 336. Rationalization of restrictions on distributions.*
*Sec. 337. Purchase of service credit in governmental defined benefit plans.*
*Sec. 338. Employers may disregard rollovers for purposes of cash-out amounts.*
*Sec. 339. Inclusion requirements for section 457 plans.*

*Subtitle E—Strengthening Pension Security and Enforcement*

*Sec. 341. Repeal of 150 percent of current liability funding limit.*
*Sec. 342. Extension of missing participants program to multiemployer plans.*
*Sec. 343. Excise tax relief for sound pension funding.*
*Sec. 344. Failure to provide notice by defined benefit plans significantly reducing future benefit accruals.*
*Sec. 345. Protection of investment of employee contributions to 401(k) plans.*
*Sec. 346. Treatment of multiemployer plans under section 415.*
*Sec. 347. Maximum contribution deduction rules modified and applied to all defined benefit plans.*
*Sec. 348. Increase in section 415 early retirement limit for governmental and other plans.*

*Subtitle F—Encouraging Retirement Education*

*Sec. 351. Periodic pension benefits statements.*
*Sec. 352. Clarification of treatment of employer-provided retirement advice.*

*Subtitle G—Reducing Regulatory Burdens*

*Sec. 361. Flexibility in nondiscrimination and coverage rules.*
*Sec. 362. Modification of timing of plan valuations.*
*Sec. 363. Substantial owner benefits in terminated plans.*
*Sec. 364. ESOP dividends may be reinvested without loss of dividend deduction.*
*Sec. 365. Notice and consent period regarding distributions.*
*Sec. 366. Repeal of transition rule relating to certain highly compensated employees.*
*Sec. 367. Employees of tax-exempt entities.*
*Sec. 368. Extension to international organizations of moratorium on application of certain nondiscrimination rules applicable to State and local plans.*
*Sec. 369. Annual report dissemination.*
*Sec. 370. Modification of exclusion for employer provided transit passes and passengers permitted to utilize otherwise empty seats on aircraft.*
*Sec. 371. Reporting simplification.*

*Subtitle H—Plan Amendments*

*Sec. 381. Provisions relating to plan amendments.*

*TITLE IV—EDUCATION TAX RELIEF PROVISIONS*

*Sec. 401. Elimination of 60-month limit and increase in income limitation on student loan interest deduction.*
*Sec. 402. Modifications to qualified tuition programs.*
*Sec. 403. 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.*
*Sec. 404. Extension of exclusion for employer-provided educational assistance.*
*Sec. 405. Additional increase in arbitrage rebate exception for governmental bonds used to finance educational facilities.*
*Sec. 406. Treatment of qualified public educational facility bonds as exempt facility bonds.*
*Sec. 407. Federal guarantee of school construction bonds by Federal Home Loan Banks.*
*Sec. 408. Certain educational benefits provided by an employer to children of employees excludable from gross income as a scholarship.*

*TITLE V—HEALTH CARE TAX RELIEF PROVISIONS*

*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 permitted to be offered under cafeteria plans and flexible spending arrangements.*
*Sec. 503. Additional personal exemption for taxpayer caring for elderly family member in taxpayer's home.*
*Sec. 504. Inclusion of certain vaccines against streptococcus pneumoniae to list of taxable vaccines; reduction in per dose tax rate.*

*TITLE VI—SMALL BUSINESS TAX RELIEF PROVISIONS*

*Sec. 601. Deduction for 100 percent of health insurance costs of self-employed individuals.*
*Sec. 602. Increase in expense treatment for small businesses.*
*Sec. 603. Repeal of Federal unemployment surtax.*
*Sec. 604. Income averaging for farmers and fishermen not to increase alternative minimum tax liability.*
*Sec. 605. Farm, Fishing, and Ranch Risk Management Accounts.*
*Sec. 606. Exclusion of investment securities income from passive income test for bank S corporations.*
*Sec. 607. Treatment of qualifying director shares.*
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*TITLE VII—ESTATE AND GIFT TAX RELIEF PROVISIONS*

*Subtitle A—Reductions of Estate, Gift, and Generation-Skipping Transfer Taxes*

*Sec. 701. Reductions of estate, gift, and generation-skipping transfer taxes.*
*Sec. 702. Unified credit against estate and gift taxes replaced with unified exemption amount.*

*Subtitle B—Conservation Easements*

*Sec. 711. Expansion of estate tax rule for conservation easements.*

*Subtitle C—Annual Gift Exclusion*

*Sec. 721. Increase in annual gift exclusion.*

*Subtitle D—Simplification of Generation-Skipping Transfer Tax*

*Sec. 731. Retroactive allocation of GST exemption.*
*Sec. 732. Severing of trusts.*
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*TITLE VIII—TAX EXEMPT ORGANIZATIONS PROVISIONS*

*Sec. 801. Exemption from income tax for State-created organizations providing property and casualty insurance for property for which such coverage is otherwise unavailable.*
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*Sec. 803. Simplification of lobbying expenditure limitation.*
*Sec. 804. Tax-free distributions from individual retirement accounts for charitable purposes.*

*Sec. 805. Mileage reimbursements to charitable volunteers excluded from gross income.*
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*Sec. 901. Interest allocation rules.*
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*Sec. 1001. Modification of State ceiling on low-income housing credit.*

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*Sec. 1011. Tax credit for renovating historic homes.*

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*Sec. 1051. Clarification of exception for independent operators.*

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*Sec. 1061. Modification of earnings and profits rules.*

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*Sec. 1081. Increase in volume cap on private activity bonds.*

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*Sec. 1111. Modification of rural airport definition.*
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*Sec. 1113. Consolidation of life insurance companies with other corporations.*
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*Sec. 1115. Credit for modifications to inter-city buses required under the Americans With Disabilities Act of 1990.*
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*Sec. 1118. Expansion of DC homebuyer tax credit.*
*Sec. 1119. Extension of DC zero percent capital gains rate.*
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*Sec. 1122. No Federal income tax on amounts and lands received by Holocaust victims or their heirs.*
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*Sec. 1129. 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.*
*Sec. 1130. Certain Native American housing assistance disregarded in determining whether building is federally subsidized for purposes of the low-income housing credit.*
*Sec. 1131. Disclosure of tax information to facilitate combined employment tax reporting.*
*Sec. 1132. Treatment of maple syrup production.*
*Sec. 1133. Treatment of bonds issued to acquire renewable resources on land subject to conservation easement.*
*Sec. 1134. Modification of alternative minimum tax for individuals.*
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*Sec. 1201. Permanent extension and modification of research credit.*
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*TITLE XIII—REVENUE OFFSETS*

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*Sec. 1304. Extension of Internal Revenue Service user fees.*
*Sec. 1305. Transfer of excess defined benefit plan assets for retiree health benefits.*
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*Subtitle B—Loophole Closers*

*Sec. 1311. Limitation on use of non-accrual experience method of accounting.*
*Sec. 1312. Limitations on welfare benefit funds of 10 or more employer plans.*
*Sec. 1313. Modification of installment method and repeal of installment method for accrual method taxpayers.*
*Sec. 1314. Treatment of gain from constructive ownership transactions.*
*Sec. 1315. Charitable split-dollar life insurance, annuity, and endowment contracts.*
*Sec. 1316. Restriction on use of real estate investment trusts to avoid estimated tax payment requirements.*
*Sec. 1317. Prohibited allocations of S corporation stock held by an ESOP.*
*Sec. 1318. Modification of anti-abuse rules related to assumption of liability.*

Sec. 1319. Allocation of basis on transfers of intangibles in certain nonrecognition transactions.
Sec. 1320. Controlled entities ineligible for REIT status.
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TITLE XIV—TECHNICAL CORRECTIONS

Sec. 1401. Amendments related to Tax and Trade Relief Extension Act of 1998.
Sec. 1402. Amendments related to Internal Revenue Service Restructuring and Reform Act of 1998.
Sec. 1403. Amendments related to Taxpayer Relief Act of 1997.
Sec. 1404. Other technical corrections.
Sec. 1405. Clerical changes.
Sec. 1406. Technical corrections to Saver Act.

TITLE XV—COMPLIANCE WITH CONGRESSIONAL BUDGET ACT

Sec. 1501. Sunset of provisions of Act.

## TITLE I—BROAD BASED TAX RELIEF

### SEC. 101. REDUCTION OF 15 PERCENT INDIVIDUAL INCOME TAX RATE.

(a) REDUCTION IN RATE.—Subsection (f) of section 1 is amended by adding at the end the following new paragraph:

''(8) RATE REDUCTION.—In prescribing the tables under paragraph (1) which apply with respect to taxable years beginning in a calendar year after 2000, the rate applicable to the lowest income bracket shall be 14 percent.''.

(b) CONFORMING AMENDMENTS.—

(1) Subparagraph (B) of section 1(f)(2) is amended by inserting '', except as provided in paragraph (8),'' before ''by not changing''.

(2) Subparagraph (C) of section 1(f)(2) is amended by inserting ''and the reduction under paragraph (8) in the rate of tax'' before the period.

(3) The heading for subsection (f) of section 1 is amended by inserting ''RATE REDUCTION;'' before ''ADJUSTMENTS''.

(4) Section 1(g)(7)(B)(ii)(II) is amended by striking ''15 percent'' and inserting ''14 percent''.

(5) Section 3402(p)(1)(B) is amended by striking ''15'' and inserting ''14''.

(6) Section 3402(p)(2) is amended by striking ''15 percent'' and inserting ''14 percent''.

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

### SEC. 102. INCREASE IN MAXIMUM TAXABLE INCOME FOR 14 PERCENT RATE BRACKET.

(a) IN GENERAL.—Section 1(f) (relating to adjustments in tax tables so that inflation will not result in tax increases), as amended by section 101, is amended—

(1) in paragraph (2)—

(A) by redesignating subparagraphs (B) and (C) as subparagraphs (C) and (D),

(B) by inserting after subparagraph (A) the following:

''(B) in the case of the tables contained in subsections (a), (b), (c), and (d), by increasing (after adjustment under paragraph (8)) the maximum taxable income level for the 14 percent rate bracket and the minimum taxable income level for the 28 percent rate bracket otherwise determined under subparagraph (A) for taxable years beginning in any calendar year after 2005 by the applicable dollar amount for such calendar year,'', and

(C) by striking ''subparagraph (A)'' in subparagraph (C) (as so redesignated) and inserting ''subparagraphs (A) and (B)'', and

(2) by adding at the end the following:

''(9) APPLICABLE DOLLAR AMOUNT.—For purposes of paragraph (2)(B)—

''(A) IN GENERAL.—The applicable dollar amount for any calendar year shall be determined as follows:

''(i) JOINT RETURNS AND SURVIVING SPOUSES.—In the case of the table contained in subsection (a)—

| ''Calendar year: | Applicable dollar amount: |
|---|---|
| 2006 | $4,000 |
| 2007 and thereafter | $5,000. |

''(ii) OTHER TABLES.—In the case of the table contained in subsection (b), (c), or (d)—

| ''Calendar year: | Applicable dollar amount: |
|---|---|
| 2006 | $2,000 |
| 2007 and thereafter | $2,500. |

''(B) COST-OF-LIVING ADJUSTMENT.—In the case of any taxable year beginning in any calendar year after 2007, the applicable dollar amount shall be increased by an amount equal to—

''(i) such dollar amount, multiplied by

''(ii) the cost-of living adjustment determined under paragraph (3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2006' for 'calendar year 1992' in subparagraph (B) thereof.''.

(b) ROUNDING.—Section 1(f)(6)(A) is amended by inserting ''(after being increased under paragraph (2)(B))'' after ''paragraph (2)(A)''.

## TITLE II—FAMILY TAX RELIEF PROVISIONS

### SEC. 201. COMBINED RETURN TO WHICH UNMARRIED RATES APPLY.

(a) IN GENERAL.—Subpart B of part II of subchapter A of chapter 61 (relating to income tax returns) is amended by inserting after section 6013 the following new section:

''SEC. 6013A. COMBINED RETURN WITH SEPARATE RATES.

''(a) GENERAL RULE.—A husband and wife may make a combined return of income taxes under subtitle A under which—

''(1) a separate taxable income is determined for each spouse by applying the rules provided in this section, and

''(2) the tax imposed by section 1 is the aggregate amount resulting from applying the separate rates set forth in section 1(c) to each such taxable income.

''(b) TREATMENT OF INCOME.—For purposes of this section—

''(1) earned income (within the meaning of section 911(d)), and any income received as a pension or annuity which arises from an employer-employee relationship, shall be treated as the income of the spouse who rendered the services, and

''(2) income from property shall be divided between the spouses in accordance with their respective ownership rights in such property (equally in the case of property held jointly by the spouses).

''(c) TREATMENT OF DEDUCTIONS.—For purposes of this section—

''(1) except as otherwise provided in this subsection, the deductions described in section 62(a) shall be allowed to the spouse treated as having the income to which such deductions relate,

''(2) the deduction for retirement savings described in paragraph (7) of section 62(a) shall be allowed to the spouse whose earned income qualified the savings for the deduction,

''(3) the deduction for alimony described in paragraph (10) of section 62(a) shall be allowed to the spouse who has the liability to pay the alimony,

''(4) the deduction described in paragraph (16) of section 62(a) (relating to contributions to medical savings accounts) shall be allowed to the spouse with respect to whose employment or self-employment such account relates,

''(5) the deductions allowable by section 151(b) (relating to personal exemptions for taxpayer and spouse) shall be determined by allocating 1 personal exemption to each spouse,

''(6) section 63 shall be applied as if such spouses were not married, except that the election whether or not to itemize deductions shall be made jointly by both spouses and apply to each, and

''(7) each spouse's share of all other deductions shall be determined by multiplying the aggregate amount thereof by the fraction—

''(A) the numerator of which is such spouse's adjusted gross income, and

''(B) the denominator of which is the combined adjusted gross incomes of the 2 spouses.

Any fraction determined under paragraph (7) shall be rounded to the nearest percentage point.

''(d) TREATMENT OF CREDITS.—Credits shall be determined (and applied against the joint liability of the couple for tax determined under this section) as if the spouses had filed a joint return.

''(e) TREATMENT AS JOINT RETURN.—Except as otherwise provided in this section or in the regulations prescribed hereunder, for purposes of this title (other than sections 1 and 63(c)) a combined return under this section shall be treated as a joint return.

''(f) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out this section.''.

(b) UNMARRIED RATE MADE APPLICABLE.—So much of subsection (c) of section 1 as precedes the table is amended to read as follows:

''(c) SEPARATE OR UNMARRIED RETURN RATE.—There is hereby imposed on the taxable income of every individual (other than a married individual (as defined in section 7703) filing a return which is not a combined return under section 6013A, a surviving spouse as defined in section 2(a), or a head of household as defined in section 2(b)) a tax determined in accordance with the following table:''.

(c) BASIC STANDARD DEDUCTION FOR UNMARRIED INDIVIDUALS MADE APPLICABLE.—Subparagraph (C) of section 63(c)(2) is amended to read as follows:

''(C) $3,000 in the case of an individual other than—

''(i) a married individual filing a return which is not a combined return under section 6013A,

''(ii) a surviving spouse, or

''(iii) a head of household, or''.

(d) CLERICAL AMENDMENT.—The table of sections for subpart B of part II of subchapter A of chapter 61 is amended by inserting after the item relating to section 6013 the following:

''Sec. 6013A. Combined return with separate rates.''.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2004.

### SEC. 202. 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.—

''(A) IN GENERAL.—Subject to subparagraph (B), the earned'', and

(2) by adding at the end the following new subparagraph:

''(B) JOINT RETURNS.—In the case of a joint return, the phaseout amount determined under subparagraph (A) shall be increased by $2,000.''.

(b) INFLATION ADJUSTMENT.—Paragraph (1)(B) of section 32(j) (relating to inflation adjustments) is amended to read as follows:

''(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined—

''(i) in the case of amounts in subsections (b)(1)(A) and (i)(1), by substituting 'calendar year 1995' for 'calendar year 1992' in subparagraph (B) thereof, and

''(ii) in the case of the $2,000 amount in subsection (b)(1)(B), by substituting 'calendar year 2004' for 'calendar year 1992' in subparagraph (B) of such section 1.''.

(c) ROUNDING.—Section 32(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.

**SEC. 203. EXCLUSION FOR FOSTER CARE PAYMENTS TO APPLY TO PAYMENTS BY QUALIFIED PLACEMENT AGENCIES.**

(a) IN GENERAL.—The matter preceding subparagraph (B) of section 131(b)(1) (defining qualified foster care payment) is amended to read as follows:

''(1) IN GENERAL.—The term 'qualified foster care payment' means any payment made pursuant to a foster care program of a State or political subdivision thereof—

''(A) which is paid by—

''(i) the State or political subdivision thereof, or

''(ii) a qualified foster care placement agency of such State or political subdivision, and''.

(b) QUALIFIED FOSTER INDIVIDUALS TO INCLUDE INDIVIDUALS PLACED BY QUALIFIED PLACEMENT AGENCIES.—Subparagraph (B) of section 131(b)(2) (defining qualified foster individual) is amended to read as follows:

''(B) a qualified foster care placement agency.''.

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

''(3) QUALIFIED FOSTER CARE PLACEMENT AGENCY.—The term 'qualified foster care placement agency' means any placement agency which is licensed or certified by—

''(A) a State or political subdivision thereof, or

''(B) an entity designated by a State or political subdivision thereof,

to make foster care payments under the foster care program of such State or political subdivision to providers of foster care.''.

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

**SEC. 204. MODIFICATION OF DEPENDENT CARE CREDIT.**

(a) INCREASE IN PERCENTAGE OF EMPLOYMENT-RELATED EXPENSES TAKEN INTO ACCOUNT.—Subsection (a)(2) of section 21 (relating to expenses for household and dependent care services necessary for gainful employment) is amended—

(1) by striking ''30 percent'' and inserting ''40 percent'',

(2) by striking ''$2,000'' and inserting ''$1,000'', and

(3) by striking ''$10,000'' and inserting ''$30,000''.

(b) INDEXING OF LIMIT ON EMPLOYMENT-RELATED EXPENSES.—Section 21(c) (relating to dollar limit on amount creditable) is amended to read as follows:

''(c) DOLLAR LIMIT ON AMOUNT CREDITABLE.—

''(1) IN GENERAL.—The amount of the employment-related expenses incurred during any taxable year which may be taken into account under subsection (a) shall not exceed—

''(A) an amount equal to 50 percent of the amount determined under subparagraph (B) if there is 1 qualifying individual with respect to the taxpayer for such taxable year, or

''(B) $4,800 if there are 2 or more qualifying individuals with respect to the taxpayer for such taxable year.

The amount determined under subparagraph (A) or (B) (whichever is applicable) shall be reduced by the aggregate amount excludable from gross income under section 129 for the taxable year.

''(2) COST-OF-LIVING ADJUSTMENT.—

''(A) IN GENERAL.—In the case of a taxable year beginning after 2000, the $4,800 amount under paragraph (1)(B) 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 the taxable year begins, determined by substituting 'calendar year 1999' for 'calendar year 1992' in subparagraph (B) thereof.

''(B) ROUNDING RULES.—If any amount after adjustment under subparagraph (A) is not a multiple of $50, such amount shall be rounded to the next lower multiple of $50.''.

(c) MINIMUM DEPENDENT CARE CREDIT ALLOWED FOR STAY-AT-HOME PARENTS.—Section 21(e) (relating to special rules) is amended by adding at the end the following:

''(11) MINIMUM CREDIT ALLOWED FOR STAY-AT-HOME PARENTS.—

''(A) IN GENERAL.—Notwithstanding subsection (d), in the case of any taxpayer with 1 or more qualifying individuals described in subsection (b)(1)(A) under the age of 1, such taxpayer shall be deemed to have employment-related expenses for the taxable year with respect to each such qualifying individual in an amount equal to the sum of—

''(i) $200 for each month in such taxable year during which such qualifying individual is under the age of 1, and

''(ii) the amount of employment-related expenses otherwise incurred for such qualifying individual for the taxable year (determined under this section without regard to this paragraph).

''(B) ELECTION TO NOT APPLY THIS PARAGRAPH.—This paragraph shall not apply with respect to any qualifying individual for any taxable year if the taxpayer elects to not have this paragraph apply to such qualifying individual for such taxable year.''.

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

**SEC. 205. ALLOWANCE OF CREDIT FOR EMPLOYER EXPENSES FOR CHILD CARE ASSISTANCE.**

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

**''SEC. 45D. EMPLOYER-PROVIDED CHILD CARE CREDIT.**

''(a) ALLOWANCE OF CREDIT.—For purposes of section 38, the employer-provided child care credit determined under this section for the taxable year is an amount equal to the sum of—

''(1) 25 percent of the qualified child care expenditures, and

''(2) 10 percent of the qualified child care resource and referral expenditures,

of the taxpayer for such taxable year.

''(b) DOLLAR LIMITATION.—The credit allowable under subsection (a) for any taxable year shall not exceed $150,000.

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

''(1) QUALIFIED CHILD CARE EXPENDITURE.—

''(A) IN GENERAL.—The term 'qualified child care expenditure' means any amount paid or incurred—

''(i) to acquire, construct, rehabilitate, or expand property—

''(I) which is to be used as part of an eligible qualified child care facility of the taxpayer,

''(II) with respect to which a deduction for depreciation (or amortization in lieu of depreciation) is allowable, and

''(III) which does not constitute part of the principal residence (within the meaning of section 121) of the taxpayer or any employee of the taxpayer,

''(ii) for the operating costs of an eligible qualified child care facility of the taxpayer, including costs related to the training of employees of the child care facility, to scholarship programs, to the providing of differential compensation to employees based on level of child care training, and to expenses associated with achieving accreditation, or

''(iii) under a contract with a qualified child care facility to provide child care services to employees of the taxpayer.

''(B) EXCLUSION FOR AMOUNTS FUNDED BY GRANTS, ETC.—The term 'qualified child care expenditure' shall not include any amount to the extent such amount is funded by any grant, contract, or otherwise by another person (or any governmental entity).

''(C) NONDISCRIMINATION.—The term 'qualified child care expenditure' shall not include any amount expended in relation to any child care services unless the providing of such services to employees of the taxpayer does not discriminate in favor of highly compensated employees (within the meaning of section 404(q)).

''(2) QUALIFIED CHILD CARE FACILITY.—

''(A) IN GENERAL.—The term 'qualified child care facility' means a facility—

''(i) the principal use of which is to provide child care assistance, and

''(ii) which meets the requirements of all applicable laws and regulations of the State or local government in which it is located, including, but not limited to, the licensing of the facility as a child care facility.

Clause (i) shall not apply to a facility which is the principal residence (within the meaning of section 121) of the operator of the facility.

''(B) ELIGIBLE QUALIFIED CHILD CARE FACILITY.—A qualified child care facility shall be treated as an eligible qualified child care facility with respect to the taxpayer if—

''(i) enrollment in the facility is open to employees of the taxpayer during the taxable year,

''(ii) the facility is not the principal trade or business of the taxpayer, and

''(iii) at least 30 percent of the enrollees of such facility are dependents of employees of the taxpayer.

''(C) APPLICATION OF SUBPARAGRAPH (B).—In the case of a new facility, the facility shall be treated as meeting the requirement of subparagraph (B)(iii) if not later than 2 years after placing such facility in service at least 30 percent of the enrollees of such facility are dependents of employees of the taxpayer.

''(3) QUALIFIED CHILD CARE RESOURCE AND REFERRAL EXPENDITURE.—

''(A) IN GENERAL.—The term 'qualified child care resource and referral expenditure' means any amount paid or incurred under a contract to provide child care resource and referral services to employees of the taxpayer.

''(B) EXCLUSION FOR AMOUNTS FUNDED BY GRANTS, ETC.—The term 'qualified child care resource and referral expenditure' shall not include any amount to the extent such amount is funded by any grant, contract, or otherwise by another person (or any governmental entity).

''(C) NONDISCRIMINATION.—The term 'qualified child care resource and referral expenditure' shall not include any amount expended in relation to any child care resource and referral services unless the providing of such services to employees of the taxpayer does not discriminate in favor of highly compensated employees (within the meaning of section 404(q)).

''(d) RECAPTURE OF ACQUISITION AND CONSTRUCTION CREDIT.—

''(1) IN GENERAL.—If, as of the close of any taxable year, there is a recapture event with respect to any eligible qualified child care facility of the taxpayer, then the tax of the taxpayer under this chapter for such taxable year shall be increased by an amount equal to the product of—

''(A) the applicable recapture percentage, and

''(B) the aggregate decrease in the credits allowed under section 38 for all prior taxable years which would have resulted if the qualified child care expenditures of the taxpayer described in subsection (c)(1)(A) with respect to such facility had been zero.

''(2) APPLICABLE RECAPTURE PERCENTAGE.—

''(A) IN GENERAL.—For purposes of this subsection, the applicable recapture percentage shall be determined from the following table:

| ''If the recapture event occurs in: | The applicable recapture percentage is: |
|---|---|
| Year 1 ..... | 100 |

| | |
|---|---|
| Year 2 ..... | 80 |
| Year 3 ..... | 60 |
| Year 4 ..... | 40 |
| Year 5 ..... | 20 |
| Years 6 and thereafter ... | 0. |

''(B) YEARS.—For purposes of subparagraph (A), year 1 shall begin on the first day of the taxable year in which the eligible qualified child care facility is placed in service by the taxpayer.

''(3) RECAPTURE EVENT DEFINED.—For purposes of this subsection, the term 'recapture event' means—

''(A) CESSATION OF OPERATION.—The cessation of the operation of the facility as an eligible qualified child care facility.

''(B) CHANGE IN OWNERSHIP.—

''(i) IN GENERAL.—Except as provided in clause (ii), the disposition of a taxpayer's interest in an eligible qualified child care facility with respect to which the credit described in subsection (a) was allowable.

''(ii) AGREEMENT TO ASSUME RECAPTURE LIABILITY.—Clause (i) shall not apply if the person acquiring such interest in the facility agrees in writing to assume the recapture liability of the person disposing of such interest in effect immediately before such disposition. In the event of such an assumption, the person acquiring the interest in the facility shall be treated as the taxpayer for purposes of assessing any recapture liability (computed as if there had been no change in ownership).

''(4) SPECIAL RULES.—

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

''(B) NO CREDITS AGAINST TAX.—Any increase in tax under this subsection shall not be treated as a tax imposed by this chapter for purposes of determining the amount of any credit under subpart A, B, or D of this part.

''(C) NO RECAPTURE BY REASON OF CASUALTY LOSS.—The increase in tax under this subsection shall not apply to a cessation of operation of the facility as a qualified child care facility by reason of a casualty loss to the extent such loss is restored by reconstruction or replacement within a reasonable period established by the Secretary.

''(e) SPECIAL RULES.—For purposes of this section—

''(1) AGGREGATION RULES.—All persons which are treated as a single employer under subsections (a) and (b) of section 52 shall be treated as a single taxpayer.

''(2) PASS-THRU IN THE CASE OF ESTATES AND TRUSTS.—Under regulations prescribed by the Secretary, rules similar to the rules of subsection (d) of section 52 shall apply.

''(3) ALLOCATION IN THE CASE OF PARTNERSHIPS.—In the case of partnerships, the credit shall be allocated among partners under regulations prescribed by the Secretary.

''(f) NO DOUBLE BENEFIT.—

''(1) REDUCTION IN BASIS.—For purposes of this subtitle—

''(A) IN GENERAL.—If a credit is determined under this section with respect to any property by reason of expenditures described in subsection (c)(1)(A), the basis of such property shall be reduced by the amount of the credit so determined.

''(B) CERTAIN DISPOSITIONS.—If during any taxable year there is a recapture amount determined with respect to any property the basis of which was reduced under subparagraph (A), the basis of such property (immediately before the event resulting in such recapture) shall be increased by an amount equal to such recapture amount. For purposes of the preceding sentence, the term 'recapture amount' means any increase in tax (or adjustment in carrybacks or carryovers) determined under subsection (d).

''(2) OTHER DEDUCTIONS AND CREDITS.—No deduction or credit shall be allowed under any other provision of this chapter with respect to the amount of the credit determined under this section.''.

(b) CONFORMING AMENDMENTS.—

(1) Section 38(b) is amended—

(A) by striking out ''plus'' at the end of paragraph (11),

(B) by striking out the period at the end of paragraph (12), and inserting a comma and ''plus'', and

(C) by adding at the end the following new paragraph:

''(13) the employer-provided child care credit determined under section 45D.''.

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

''Sec. 45D. Employer-provided child care credit.''.

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

**SEC. 206. MODIFICATION OF ALTERNATIVE MINIMUM TAX FOR INDIVIDUALS.**

(a) NONREFUNDABLE PERSONAL CREDITS FULLY ALLOWED AGAINST REGULAR TAX LIABILITY.—

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

''(a) LIMITATION BASED ON AMOUNT OF TAX.—The aggregate amount of credits allowed by this subpart for the taxable year shall not exceed the taxpayer's regular tax liability for the taxable year.''.

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

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

(b) PERSONAL EXEMPTIONS ALLOWED IN COMPUTING MINIMUM TAX.—

(1) IN GENERAL.—Subparagraph (E) of section 56(b)(1) is amended to read as follows:

''(E) SPECIAL RULE FOR CERTAIN DEDUCTIONS.—The standard deduction under section 63(c) shall not be allowed and the deduction for personal exemptions under section 151 and the deduction under section 642(b) shall each be allowed, but shall each be reduced by $250.''.

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after December 31, 2005.

**SEC. 207. LONG-TERM CAPITAL GAINS DEDUCTION FOR INDIVIDUALS.**

(a) GENERAL RULE.—Part I of subchapter P 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) $1,000.

''(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 in determining net capital gain.

''(c) SPECIAL RULE FOR SECTION 1250 PROPERTY.—Solely 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.—No deduction shall be allowed under this section to—

''(1) an individual with respect to whom a deduction under section 151 is allowable to another taxpayer for a taxable year beginning in the calendar 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 or trust, and

''(F) a common trust fund.''.

(b) COORDINATION WITH MAXIMUM CAPITAL GAINS RATE.—Paragraph (3) of section 1(h) (relating to maximum capital gains rate) is amended to read as follows:

''(3) COORDINATION WITH OTHER PROVISIONS.—For purposes of this subsection, the 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, plus

''(B) the amount which the taxpayer elects to take into account as investment income for the taxable year under section 163(d)(4)(B)(iii).''.

(c) DEDUCTION ALLOWABLE IN COMPUTING ADJUSTED GROSS INCOME.—Subsection (a) of section 62 (defining adjusted gross income) is amended by inserting after paragraph (17) the following new paragraph:

''(18) LONG-TERM CAPITAL GAINS.—The deduction allowed by section 1202.''.

(d) TREATMENT OF COLLECTIBLES.—

(1) IN GENERAL.—Section 1222 (relating to other terms relating to capital gains and losses) is amended by inserting after paragraph (11) the following new paragraph:

''(12) SPECIAL RULE FOR COLLECTIBLES.—

''(A) IN GENERAL.—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) 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, S corporation, or trust which is attributable to unrealized appreciation in the value of collectibles held by such entity shall be treated as gain from the sale or exchange of a collectible. Rules similar to the rules of section 751(f) shall apply for purposes of the preceding sentence.

''(C) COLLECTIBLE.—For purposes of this paragraph, the term 'collectible' means any capital asset which is a collectible (as defined in section 408(m) without regard to paragraph (3) thereof).''.

(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) Clause (iv) of section 170(b)(1)(C) is amended by inserting before the period at the end the following: ''and section 1222 shall be applied without regard to paragraph (12) thereof (relating to special rule for collectibles)''.

(e) CONFORMING AMENDMENTS.—

(1) Section 57(a)(7) is amended by striking ''1202'' and inserting ''1203''.

(2) Clause (iii) of section 163(d)(4)(B) is amended to read as follows:

''(iii) the sum of—

''(I) the portion of the net capital gain referred to in clause (ii)(II) (or, if lesser, the net capital gain referred to in clause (ii)(I)) 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 clause.''.

(3) Subparagraph (B) of section 172(d)(2) 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) is amended by striking ''1202'' and inserting ''1203''.

(5) Section 643(a)(3) is amended by striking ''1202'' and inserting ''1203''.

(6) Paragraph (4) of section 691(c) is amended inserting ''1203,'' after ''1202,''.

(7) The second sentence of section 871(a)(2) is amended by inserting ''or 1203'' after ''section 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 '', and the deduction provided by section 1202 and the exclusion provided by section 1203 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:

''(l) CROSS REFERENCE.—

**''For treatment of eligible gain not excluded under subsection (a), see section 1202.''.**

(12) The table of sections for part I of subchapter P of chapter 1 is amended by striking the item relating to section 1202 and by inserting after the item relating to section 1201 the following new items:

''Sec. 1202. Capital gains deduction.

''Sec. 1203. 50-percent exclusion for gain from certain small business stock.''.

(f) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after December 31, 2005.

(2) COLLECTIBLES.—The amendments made by subsection (d) shall apply to sales and exchanges after December 31, 2005.

**SEC. 208. CREDIT FOR INTEREST ON HIGHER EDUCATION LOANS.**

(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 (relating to nonrefundable personal credits) is amended by inserting after section 25A the following new section:

**''SEC. 25B. INTEREST ON HIGHER EDUCATION LOANS.**

''(a) ALLOWANCE OF CREDIT.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the interest paid by the taxpayer during the taxable year on any qualified education loan.

''(b) MAXIMUM CREDIT.—

''(1) IN GENERAL.—Except as provided in paragraph (2), the credit allowed by subsection (a) for the taxable year shall not exceed $1,500.

''(2) LIMITATION BASED ON MODIFIED ADJUSTED GROSS INCOME.—

''(A) 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 such excess bears to $20,000.

''(B) MODIFIED ADJUSTED GROSS INCOME.—The term 'modified adjusted gross income' means adjusted gross income determined without regard to sections 911, 931, and 933.

''(C) INFLATION ADJUSTMENT.—In the case of any taxable year beginning after 2005, the $50,000 and $80,000 amounts referred to in 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 the taxable year begins, by substituting '2004' for '1992'.

''(D) 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) DEPENDENTS NOT ELIGIBLE FOR CREDIT.—No credit shall be allowed by this section to an individual for the 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' has the meaning given such term by section 221(e)(1).

''(2) 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 taken into account for any deduction under any other provision of this chapter.

''(2) MARRIED COUPLES MUST FILE JOINT RETURN.—If the taxpayer is married at 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.''.

(b) CONFORMING AMENDMENT.—The table of sections for subpart A of part IV of subchapter A of chapter 1 is amended by inserting after the item relating to section 25A the following new item:

''Sec. 25B. Interest on higher education loans.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to any qualified education loan (as defined in section 25B(e)(1) of the Internal Revenue Code of 1986, as added by this section) incurred on, before, or after the date of the enactment of this Act, but only with respect to any loan interest payment due after December 31, 2004.

**SEC. 209. ELIMINATION OF MARRIAGE PENALTY IN STANDARD DEDUCTION.**

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

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

(2) by adding ''or'' at the end of subparagraph (B),

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

(4) by striking subparagraph (D).

(b) PHASE-IN.—Subsection (c) of section 63 is amended by adding at the end the following new paragraph:

''(7) PHASE-IN OF INCREASE IN BASIC STANDARD DEDUCTION.—In the case of taxable years beginning before January 1, 2008—

''(A) paragraph (2)(A) shall be applied by substituting for 'twice'—

''(i) '1.671 times' in the case of taxable years beginning during 2001,

''(ii) '1.70 times' in the case of taxable years beginning during 2002,

''(iii) '1.727 times' in the case of taxable years beginning during 2003,

''(iv) '1.837 times' in the case of taxable years beginning during 2004,

''(v) '1.951 times' in the case of taxable years beginning during 2005,

''(vi) '1.953 times' in the case of taxable years beginning during 2006, and

''(vii) '1.973 times' in the case of taxable years beginning during 2007, and

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

If any amount determined under subparagraph (A) is not a multiple of $50, such amount shall be rounded to the next lowest multiple of $50.''.

(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 apply to taxable years beginning after December 31, 2000.

**SEC. 210. EXPANSION OF ADOPTION CREDIT.**

(a) IN GENERAL.—Section 23(a)(1) (relating to allowance of credit) is amended to read as follows:

''(1) IN GENERAL.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter—

''(A) in the case of an adoption of a child other than a child with special needs, the amount of the qualified adoption expenses paid or incurred by the taxpayer, and

''(B) in the case of an adoption of a child with special needs, $10,000.''.

(b) DOLLAR LIMITATION.—Section 23(b)(1) is amended—

(1) by striking ''($6,000, in the case of a child with special needs)'', and

(2) by striking ''subsection (a)'' and inserting ''subsection (a)(1)''.

(c) YEAR CREDIT ALLOWED.—Section 23(a)(2) is amended by adding at the end the following new flush sentence:

''In the case of the adoption of a child with special needs, the credit allowed under paragraph (1) shall be allowed for the taxable year in which the adoption becomes final.''.

(d) DEFINITION OF ELIGIBLE CHILD.—Section 23(d)(2) is amended to read as follows:

''(2) ELIGIBLE CHILD.—The term 'eligible child' means any individual who—

''(A) has not attained age 18, or

''(B) is physically or mentally incapable of caring for himself.''.

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

**SEC. 211. MODIFICATION OF TAX RATES FOR TRUSTS FOR INDIVIDUALS WHO ARE DISABLED.**

(a) IN GENERAL.—Section 1(e) (relating to tax imposed on estates and trusts) is amended to read as follows:

''(e) ESTATES AND TRUSTS.—

''(1) IN GENERAL.—Except as provided in paragraph (2), there is hereby imposed on the taxable income of—

''(A) every estate, and

''(B) every trust,

taxable under this subsection a tax determined in accordance with the following table:

| ''If taxable income is: | The tax is: |
|---|---|
| Not over $1,500 | 15% of taxable income. |
| Over $1,500 but not over $3,500. | $225, plus 28% of the excess over $1,500. |
| Over $3,500 but not over $5,500. | $785, plus 31% of the excess over $3,500. |
| Over $5,500 but not over $7,500. | $1,405, plus 36% of the excess over $5,500. |
| Over $7,500 | $2,125, plus 39.6% of the excess over $7,500. |

''(2) SPECIAL RULE FOR TRUSTS FOR DISABLED INDIVIDUALS.—

''(A) IN GENERAL.—There is hereby imposed on the taxable income of an eligible trust taxable under this subsection a tax determined in the same manner as under subsection (c).

''(B) ELIGIBLE TRUST.—For purposes of subparagraph (A), a trust shall be treated as an eligible trust for any taxable year if, at all times during such year during which the trust is in existence, the exclusive purpose of the trust is to provide reasonable amounts for the support and maintenance of 1 beneficiary who is permanently and totally disabled (within the meaning of section 22(e)(3)). A trust shall not fail to meet the requirements of this subparagraph merely because the corpus of the trust may revert to the grantor or a member of the grantor's family upon the death of the beneficiary.''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2006.

## TITLE III—RETIREMENT SAVINGS TAX RELIEF

### Subtitle A—Individual Retirement Arrangements

#### SEC. 301. MODIFICATION OF 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)—

''(A) IN GENERAL.—The deductible amount shall be determined in accordance with the following table:

| ''For taxable years beginning in: | The deductible amount is: |
|---|---|
| 2001 | $3,000 |
| 2002 | $4,000 |
| 2003 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 2003, 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 the taxable year begins, determined by substituting 'calendar year 2002' for 'calendar year 1992' in subparagraph (B) thereof.

''(ii) 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.''.

(b) INCREASE IN ADJUSTED GROSS INCOME LIMITS FOR ACTIVE PARTICIPANTS.—

(1) IN GENERAL.—Subparagraph (B) of section 219(g)(3) (relating to applicable dollar amount) is amended to read as follows:

''(B) APPLICABLE DOLLAR AMOUNT.—The term 'applicable dollar amount' means the following:

''(i) In the case of a taxpayer filing a joint return:

| ''For taxable years beginning in: | The applicable dollar amount is: |
|---|---|
| 2001 | $53,000 |
| 2002 | $54,000 |
| 2003 | $60,000 |
| 2004 | $65,000 |
| 2005 | $70,000 |
| 2006 | $75,000 |
| 2007 | $80,000 |
| 2008 | $84,000 |
| 2009 | $89,000 |
| 2010 and thereafter | $94,000. |

''(ii) In the case of any other taxpayer (other than a married individual filing a separate return):

| ''For taxable years beginning in: | The applicable dollar amount is: |
|---|---|
| 2001 | $33,000 |
| 2002 | $34,000 |
| 2003 | $40,000 |
| 2004 | $45,000 |
| 2005, 2006, and 2007 | $50,000 |
| 2008 | $52,000 |
| 2009 | $54,500 |
| 2010 and thereafter | $57,000.''. |

(2) COST-OF-LIVING ADJUSTMENT.—Section 219(g)(3) is amended by adding at the end the following new subparagraph:

''(C) COST-OF-LIVING ADJUSTMENT.—

''(i) IN GENERAL.—In the case of any taxable year beginning in a calendar year after 2010, the $94,000 amount in subparagraph (B)(i) and the $57,000 amount in subparagraph(B)(ii) shall each 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 the taxable year begins, determined by substituting 'calendar year 2009' for 'calendar year 1992' in subparagraph (B) thereof.

''(ii) ROUNDING RULES.—If any amount after adjustment under clause (i) is not a multiple of $1,000, such amount shall be reduced to the next lowest multiple of $1,000.''.

(c) CONFORMING AMENDMENTS.—

(1) Section 408(a)(1) is amended by striking ''in excess of $2,000 on behalf of any individual'' and inserting ''on behalf of any individual in excess of the amount in effect for such taxable year under section 219(b)(1)(A)''.

(2) Section 408(b)(2)(B) is amended by striking ''$2,000'' and inserting ''the dollar amount in effect under section 219(b)(1)(A)''.

(3) Section 408(b) is amended by striking ''$2,000'' in the matter following paragraph (4) and inserting ''the dollar amount in effect under section 219(b)(1)(A)''.

(4) Section 408(j) is amended by striking ''$2,000''.

(5) Section 408(p)(8) is amended by striking ''$2,000'' and inserting ''the dollar amount in effect under section 219(b)(1)(A)''

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

#### SEC. 302. MODIFICATION OF INCOME LIMITS ON CONTRIBUTIONS AND ROLLOVERS TO ROTH IRAS.

(a) REPEAL OF AGI LIMIT ON CONTRIBUTIONS.—Section 408A(c)(3) (relating to limits based on modified adjusted gross income) is amended by striking subparagraph (A) and by redesignating subparagraphs (B), (C), and (D) as subparagraphs (A), (B), and (C), respectively.

(b) INCREASE IN AGI LIMIT FOR ROLLOVER CONTRIBUTIONS.—Section 408A(c)(3)(A) (relating to rollover from IRA), as redesignated by subsection (a), is amended to read as follows:

''(A) ROLLOVER FROM IRA.—A taxpayer shall not be allowed to make a qualified rollover contribution from an individual retirement plan other than a Roth IRA during any taxable year if, for the taxable year of the distribution to which the contribution relates, the taxpayer's adjusted gross income exceeds $1,000,000.''.

(c) CONFORMING AMENDMENTS.—

(1) Subparagraph (B) of section 408A(c)(3), as redesignated by subsection (a) and as in effect before and after the amendments made by the Internal Revenue Service Restructuring and Reform Act of 1998, is amended to read as follows:

''(B) DEFINITION OF ADJUSTED GROSS INCOME.—For purposes of subparagraph (A), adjusted gross income shall be determined—

''(i) after application of sections 86 and 469, and

''(ii) without regard to sections 135, 137, 221, and 911, the deduction allowable under section 219, or any amount included in gross income under subsection (d)(3).''.

(2) Subparagraph (B) of section 408A(c)(3), as amended by paragraph (1), is amended by inserting ''or by reason of a required distribution under a provision described in paragraph (5)'' before the period at the end.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to taxable years beginning after December 31, 2002.

(2) ROLLOVERS.—The amendment made by subsection (b) shall apply to taxable years beginning after December 31, 2002.

(3) ADJUSTED GROSS INCOME.—The amendment made by subsection (c)(2) shall apply to taxable years beginning after December 31, 2004.

#### SEC. 303. DEEMED IRAS UNDER EMPLOYER PLANS.

(a) IN GENERAL.—Section 408 (relating to individual retirement accounts) is amended by redesignating subsection (q) as subsection (r) and by inserting after subsection (p) the following new subsection:

''(q) DEEMED IRAS UNDER QUALIFIED EMPLOYER PLANS.—

''(1) GENERAL RULE.—If—

''(A) a qualified employer plan elects to allow employees to make voluntary employee contributions to a separate account or annuity established under the plan, and

''(B) under the terms of the qualified employer plan, such account or annuity meets the applicable requirements of this section or section 408A for an individual retirement account or annuity,

then such account or annuity shall be treated for purposes of this title in the same manner as an individual retirement plan (and contributions to such account or annuity as contributions to an individual retirement plan). For purposes of subparagraph (B), the requirements of subsection (a)(5) shall not apply.

''(2) SPECIAL RULES FOR QUALIFIED EMPLOYER PLANS.—For purposes of this title—

''(A) a qualified employer plan shall not fail to meet any requirement of this title solely by reason of establishing and maintaining a program described in paragraph (1), and

''(B) any account or annuity described in paragraph (1), and any contribution to the account or annuity, shall not be subject to any requirement of this title applicable to a qualified employer plan or taken into account in applying any such requirement to any other contributions under the plan.

''(3) DEFINITIONS.—For purposes of this subsection—

''(A) QUALIFIED EMPLOYER PLAN.—The term 'qualified employer plan' has the meaning given such term by section 72(p)(4).

''(B) VOLUNTARY EMPLOYEE CONTRIBUTION.—The term 'voluntary employee contribution' means any contribution (other than a mandatory contribution within the meaning of section 411(c)(2)(C))—

''(i) which is made by an individual as an employee under a qualified employer plan which allows employees to elect to make contributions described in paragraph (1), and

''(ii) with respect to which the individual has designated the contribution as a contribution to which this subsection applies.''.

(b) AMENDMENT OF ERISA.—

(1) IN GENERAL.—Section 4 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1003) is amended by adding at the end the following new subsection:

''(c) If a pension plan allows an employee to elect to make voluntary employee contributions to accounts and annuities as provided in section 408(q) of the Internal Revenue Code of 1986, such accounts and annuities (and contributions thereto) shall not be treated as part of such plan (or as a separate pension plan) for purposes of any provision of this title other than section 403(c), 404, or 405 (relating to exclusive benefit, and fiduciary and co-fiduciary responsibilities).''.

(2) CONFORMING AMENDMENT.—Section 4(a) of such Act (29 U.S.C. 1003(a)) is amended by inserting ''or (c)'' after ''subsection (b)''.

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

**SEC. 304. TAX CREDIT FOR MATCHING CONTRIBUTIONS TO INDIVIDUAL DEVELOPMENT ACCOUNTS.**

(a) IN GENERAL.—Subchapter F of chapter 1 (relating to exempt organizations) is amended by adding at the end the following new part:

**''PART IX—INDIVIDUAL DEVELOPMENT ACCOUNTS**

''Sec. 530A. Individual development accounts.

**''SEC. 530A. INDIVIDUAL DEVELOPMENT ACCOUNTS.**

''(a) INDIVIDUAL DEVELOPMENT ACCOUNT.—For purposes of this section, the term 'Individual Development Account' means a custodial account established for the exclusive benefit of an eligible individual or such individual's beneficiaries, but only if the written governing instrument creating the account meets the following requirements:

''(1) Except in the case of a qualified rollover (as defined in subsection (c)(2)(E))—

''(A) no contribution will be accepted unless it is in cash, and

''(B) contributions will not be accepted for the taxable year in excess of the lesser of—

''(i) $350, or

''(ii) an amount equal to the compensation includible in the eligible individual's gross income for such taxable year.

''(2) The custodian of the account is a qualified financial institution.

''(3) The interest of an eligible individual in the balance of the account (determined without regard to any such matching contribution or earnings thereon) is nonforfeitable.

''(4) The assets of the account will not be commingled with other property except in a common trust fund or common investment fund.

''(5) Except as provided in subsection (c), any amount in the account may be paid out only for qualified expense distributions.

''(b) MATCHING CONTRIBUTIONS WITH RESPECT TO INDIVIDUAL DEVELOPMENT ACCOUNTS.—

''(1) IN GENERAL.—If an eligible individual establishes an Individual Development Account with a qualified financial institution, the qualified financial institution may deposit into a separate, parallel, individual or pooled matching account an eligible matching contribution for the taxable year. The qualified financial institution shall maintain a separate accounting of matching contributions and earnings thereon.

''(2) ELIGIBLE MATCHING CONTRIBUTION.—For purposes of this section, the term 'eligible matching contribution' means a dollar-for-dollar match of the contributions made by the eligible individual into the Individual Development Account described in paragraph (1) with respect to any taxable year.

''(3) ALLOWANCE OF CREDIT FOR ELIGIBLE MATCHING CONTRIBUTIONS.—

''(A) IN GENERAL.—In the case of a qualified financial institution, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to 85 percent of the eligible matching contributions made by such institution with respect to an eligible individual under this subsection for such taxable year (determined without regard to any amount described in paragraph (4)(B)). If any amount determined under the preceding sentence is not a multiple of $10, such amount shall be rounded to the next highest multiple of $10.

''(B) LIMITATION BASED ON AMOUNT OF TAX.—The credit allowed under subparagraph (A) for any taxable year shall not exceed the excess of—

''(i) the sum of the regular tax liability (as defined in section 26(b)) plus the tax imposed by section 55, over

''(ii) the sum of the credits allowable under part IV of subchapter A of this chapter.

''(C) CREDIT TREATED AS ALLOWED UNDER PART IV OF SUBCHAPTER A.—For purposes of subtitle F, the credit allowed under subparagraph (A) shall be treated as a credit allowable under part IV of subchapter A of this chapter.

''(4) FORFEITURE OF MATCHING FUNDS.—

''(A) IN GENERAL.—Amounts in the matching account established under this subsection for an eligible individual shall be reduced by the amount of any distribution from an Individual Development Account of such individual which is not a qualified expense distribution and which is not recontributed as part of a qualified rollover (as defined in subsection (c)(2)(E)).

''(B) USE OF FORFEITED FUNDS.—Eligible matching contributions which are forfeited by an eligible individual under subparagraph (A) shall be used by the qualified financial institution to make eligible matching contributions for other Individual Development Account contributions by eligible individuals.

''(5) EXCLUSION FROM INCOME.—Gross income of an eligible individual shall not include any eligible matching contribution and the earnings thereon deposited into a matching account under paragraph (1) on behalf of such individual.

''(6) REGULAR REPORTING OF MATCHING CONTRIBUTIONS.—Any qualified financial institution shall report eligible matching contributions to eligible individuals with Individual Development Accounts on not less than a quarterly basis.

''(7) TERMINATION.—No eligible matching contribution may be made for any taxable year beginning after December 31, 2005.

''(c) QUALIFIED EXPENSE DISTRIBUTION.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified expense distribution' means any amount paid or distributed out of an Individual Development Account and the matching account established under subsection (b) for an eligible individual if such amount—

''(A) is used exclusively to pay the qualified expenses of such individual or such individual's spouse or dependents,

''(B) is paid by the qualified financial institution directly to the person to whom the amount is due or to another Individual Development Account, and

''(C) is paid after the holder of the Individual Development Account has completed an economic literacy course offered by the qualified financial institution, a nonprofit organization, or a government entity.

''(2) QUALIFIED EXPENSES.—

''(A) IN GENERAL.—The term 'qualified expenses' means any of the following:

''(i) Qualified higher education expenses.

''(ii) Qualified first-time homebuyer costs.

''(iii) Qualified business capitalization costs.

''(iv) Qualified rollovers.

''(B) QUALIFIED HIGHER EDUCATION EXPENSES.—

''(i) IN GENERAL.—The term 'qualified higher education expenses' has the meaning given such term by section 72(t)(7), determined by treating postsecondary vocational educational schools as eligible educational institutions.

''(ii) POSTSECONDARY VOCATIONAL EDUCATION SCHOOL.—The term 'postsecondary vocational educational school' means an area vocational education school (as defined in subparagraph (C) or (D) of section 521(4) of the Carl D. Perkins Vocational and Applied Technology Education Act (20 U.S.C. 2471(4))) which is in any State (as defined in section 521(33) of such Act), as such sections are in effect on the date of the enactment of this section.

''(iii) COORDINATION WITH OTHER BENEFITS.—The amount of qualified higher education expenses for any taxable year shall be reduced as provided in section 25A(g)(2) and by the amount of such expenses for which a credit or exclusion is allowed under this chapter for such taxable year.

''(C) QUALIFIED FIRST-TIME HOMEBUYER COSTS.—The term 'qualified first-time homebuyer costs' means qualified acquisition costs (as defined in section 72(t)(8) without regard to subparagraph (B) thereof) with respect to a principal residence (within the meaning of section 121) for a qualified first-time homebuyer (as defined in section 72(t)(8)).

''(D) QUALIFIED BUSINESS CAPITALIZATION COSTS.—

''(i) IN GENERAL.—The term 'qualified business capitalization costs' means qualified expenditures for the capitalization of a qualified business pursuant to a qualified business plan.

''(ii) QUALIFIED EXPENDITURES.—The term 'qualified expenditures' means expenditures included in a qualified business plan, including capital, plant, equipment, working capital and inventory expenses.

''(iii) QUALIFIED BUSINESS.—The term 'qualified business' means any business that does not contravene any law.

''(iv) QUALIFIED BUSINESS PLAN.—The term 'qualified business plan' means a business plan which meets such requirements as the Secretary of Housing and Urban Development may specify.

''(E) QUALIFIED ROLLOVERS.—The term 'qualified rollover' means, with respect to any distribution from an Individual Development Account, the payment, within 120 days of such distribution, of all or a portion of such distribution to such account or to another Individual Development Account established in another qualified financial institution for the benefit of the eligible individual. Rules similar to the rules of section 408(d)(3) (other than subparagraph (C) thereof) shall apply for purposes of this subparagraph.

''(d) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

''(1) ELIGIBLE INDIVIDUAL.—

''(A) IN GENERAL.—The term 'eligible individual' means an individual who—

''(i) has attained the age of 18 years,

''(ii) is a citizen or legal resident of the United States, and

''(iii) is a member of a household—

''(I) which is eligible for the earned income tax credit under section 32,

''(II) which is eligible for assistance under a State program funded under part A of title IV of the Social Security Act, or

''(III) the gross income of which does not exceed 60 percent of the area median income (as determined by the Department of Housing and Urban Affairs) and the net worth of which does not exceed $10,000.

''(B) HOUSEHOLD.—The term 'household' means all individuals who share use of a dwelling unit as primary quarters for living and eating separate from other individuals.

''(C) DETERMINATION OF NET WORTH.—

''(i) IN GENERAL.—For purposes of subparagraph (A)(iii)(III), the net worth of a household is the amount equal to—

''(I) the aggregate fair market value of all assets that are owned in whole or in part by any member of a household, minus

''(II) the obligations or debts of any member of the household.

''(ii) CERTAIN ASSETS DISREGARDED.—For purposes of determining the net worth of a household, a household's assets shall not be considered to include the primary dwelling unit and 1 motor vehicle owned by the household.

''(D) PROOF OF COMPENSATION AND STATUS AS AN ELIGIBLE INDIVIDUAL.—Statements under section 6051 and other forms specified by the Secretary proving the eligible individual's wages

*and other compensation and the status of the individual as an eligible individual shall be presented to the custodian at the time of the establishment of the Individual Development Account and at least once annually thereafter.*

*''(2) QUALIFIED FINANCIAL INSTITUTION.—The term 'qualified financial institution' means any person authorized to be a trustee of any individual retirement account under section 408(a)(2).*

*''(3) TREATMENT OF MORE THAN ONE ACCOUNT.—All Individual Development Accounts of an individual shall be treated as one account.*

*''(4) OTHER RULES TO APPLY.—Rules similar to the rules of paragraphs (1), (2), and (3) of section 219(f), section 220(f)(8), paragraphs (4) and (6) of section 408(d), and section 408(m) shall apply for purposes of this section.*

*''(5) REPORTS.—The custodian of an Individual 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 the years to which they relate), distributions, and such other matters as the Secretary may require under regulations. The reports required by this paragraph—*

*''(A) shall be filed at such time and in such manner as the Secretary prescribes in such regulations, and*

*''(B) shall be furnished to individuals—*

*''(i) not later than January 31 of the calendar year following the calendar year to which such reports relate, and*

*''(ii) in such manner as the Secretary prescribes in such regulations.*

*''(e) APPLICATION OF SECTION.—This section shall apply to amounts paid to an Individual Development Account for any taxable year beginning after December 31, 2000, and before January 1, 2006.''.*

*(b) TAX ON EXCESS CONTRIBUTIONS.—*

*(1) 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) an Individual Development Account (within the meaning of section 530A(a)),''.*

*(2) EXCESS CONTRIBUTIONS.—Section 4973 is amended by adding at the end the following new subsection:*

*''(g) INDIVIDUAL DEVELOPMENT ACCOUNTS.—For purposes of this section, in the case of Individual Development Accounts, the term 'excess contributions' means the excess (if any) of—*

*''(1) the amount contributed for the taxable year to the accounts (other than a qualified rollover, as defined in section 530A(c)(2)(E)), over*

*''(2) the amount allowable as a contribution under section 530A.*

*For purposes of this subsection, any contribution which is distributed from the Individual Development Account in a distribution to which rules similar to the rules of section 408(d)(4) apply by reason of section 530A(d)(4) shall be treated as an amount not contributed.''.*

*(c) INFORMATION RELATING TO CERTAIN TRUSTS AND ANNUITY PLANS.—Subsection (c) of section 6047 is amended—*

*(1) by inserting ''or section 530A'' after ''section 219''; and*

*(2) by inserting '', of any Individual Development Account described in section 530A(a),'', after ''section 408(a)''.*

*(d) FAILURE TO PROVIDE REPORTS ON INDIVIDUAL DEVELOPMENT ACCOUNTS.—Paragraph (2) of section 6693(a) is amended by striking ''and'' at the end of subparagraph (C), by striking the period and inserting '', and'' at the end of subparagraph (D), and by adding at the end the following new subparagraph:*

*''(E) section 530(d)(5) (relating to Individual Development Accounts).''.*

*(e) CLERICAL AMENDMENT.—The table of parts for subchapter F of chapter 1 is amended by adding at the end the following new item:*

*''Part IX. Individual development accounts.''.*

*(f) FUNDS IN ACCOUNTS DISREGARDED FOR PURPOSES OF CERTAIN MEANS-TESTED FEDERAL PROGRAMS.—Notwithstanding any other provision of the Internal Revenue Code of 1986 or the Social Security Act that requires consideration of 1 or more financial circumstances of an individual, for the purpose of determining eligibility to receive, or the amount of, any assistance or benefit authorized by such provision to be provided to or for the benefit of such individual, contributions (including earnings thereon) in any Individual Development Account and applicable matching account under section 530A of such Code shall be disregarded for such purpose.*

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

***SEC. 305. CERTAIN COINS NOT TREATED AS COLLECTIBLES.***

*(a) IN GENERAL.—Subparagraph (A) of section 408(m)(3) (relating to exception for certain coins and bullion) is amended to read as follows:*

*''(A) any coin certified by a recognized grading service and traded on a nationally recognized electronic network, or listed by a recognized wholesale reporting service, and—*

*''(i) which is or was at any time legal tender in the United States, or*

*''(ii) issued under the laws of any State, or''.*

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

***Subtitle B—Expanding Coverage***

***SEC. 311. OPTION TO TREAT ELECTIVE DEFERRALS AS AFTER-TAX CONTRIBUTIONS.***

*(a) IN GENERAL.—Subpart A of part I of subchapter D of chapter 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.—If an applicable retirement plan includes a qualified plus contribution program—*

*''(1) 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*

*''(2) such plan (and any arrangement which is part of 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) IN GENERAL.—The term 'qualified plus contribution program' means a program under which an employee may elect to make designated plus contributions 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) DESIGNATED PLUS CONTRIBUTION.—The term 'designated 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 excludable from gross income of the employee for the taxable year (without regard to this section), over*

*''(B) the aggregate amount of elective deferrals of the employee for the taxable year which the employee does not designate under paragraph (1).*

*''(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 if the contribution is to—*

*''(i) another designated plus account of the individual from whose account the payment or distribution was made, or*

*''(ii) a Roth IRA of such individual.*

*''(B) COORDINATION WITH LIMIT.—Any rollover contribution to a designated plus account under subparagraph (A) shall not be taken into 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 includible in gross income.*

*''(2) QUALIFIED DISTRIBUTION.—For purposes of this subsection—*

*''(A) IN GENERAL.—The term 'qualified distribution' has the meaning given such term by section 408A(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 1st taxable year for which the individual made a designated plus contribution to any designated plus account established for such individual under the same applicable retirement plan, or*

*''(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' shall not include any distribution of any excess deferral under section 402(g)(2) and any income on the excess deferral.*

*''(3) AGGREGATION RULES.—Section 72 shall be applied separately with respect to distributions and payments from a designated plus account and other distributions and payments from the plan.*

*''(e) 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(g)(3).''.*

*(b) EXCESS DEFERRALS.—Section 402(g) (relating to limitation on exclusion for elective deferrals) is amended—*

*(1) by adding at the end of paragraph (1) the following new sentence: ''The preceding sentence shall not apply to so much of such excess as does not exceed the designated plus contributions of the individual for the taxable year.'', and*

*(2) by inserting ''(or would be included but for the last sentence thereof)'' after ''paragraph (1)'' in paragraph (2)(A).*

(c) ROLLOVERS.—Subparagraph (B) of section 402(c)(8) is amended by adding at the end the following:

''If any portion of an eligible rollover distribution is attributable to payments or distributions from a designated plus account (as defined in section 402A), an eligible retirement plan with respect to such portion shall include only another designated plus account and a Roth IRA.''.

(d) REPORTING REQUIREMENTS.—

(1) W–2 INFORMATION.—Section 6051(a)(8) is amended by inserting '', including the amount of designated plus contributions (as defined in section 402A)'' before the comma at the end.

(2) INFORMATION.—Section 6047 is amended by redesignating subsection (f) as subsection (g) and by inserting after subsection (e) the following new subsection:

''(f) DESIGNATED PLUS CONTRIBUTIONS.—The Secretary shall require the plan administrator of each applicable retirement plan (as defined in section 402A) to make such returns and reports regarding designated plus contributions (as so defined) to the Secretary, participants and beneficiaries of the plan, and such other persons as the Secretary may prescribe.''.

(e) CONFORMING AMENDMENTS.—

(1) Section 408A(e) is amended by adding after the first sentence the following new sentence: ''Such term includes a rollover contribution described in section 402A(c)(3)(A).''.

(2) The table of sections for subpart A of part I of subchapter D of chapter 1 is amended by inserting after the item relating to section 402 the following new item:

''Sec. 402A. Optional treatment of elective deferrals as plus contributions.''.

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

**SEC. 312. INCREASE IN ELECTIVE CONTRIBUTION LIMITS.**

(a) ELECTIVE DEFERRALS.—

(1) IN GENERAL.—Paragraph (1) of section 402(g) (relating to limitation on exclusion for elective deferrals) is amended to read as follows:

''(1) IN GENERAL.—

''(A) LIMITATION.—Notwithstanding subsections (e)(3) and (h)(1)(B), the elective deferrals of any individual for any taxable year shall be included in such individual's gross income to the extent the amount of such deferrals for the taxable year exceeds the applicable dollar amount.

''(B) APPLICABLE DOLLAR AMOUNT.—For purposes of subparagraph (A), the applicable dollar amount shall be the amount determined in accordance with the following table:

| ''For taxable years beginning in: | The applicable dollar amount is: |
|---|---|
| 2001 | $11,000 |
| 2002 | $12,000 |
| 2003 | $13,000 |
| 2004 | $14,000 |
| 2005 or thereafter | $15,000.''. |

(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, 2005, the Secretary shall adjust the $15,000 amount under paragraph (1)(B) at the same time and in the same manner as under section 415(d); except that the base period shall be the calendar quarter beginning July 1, 2004, and any increase under this paragraph which is not a multiple of $500 shall be rounded to the next lowest multiple of $500.''.

(3) CONFORMING AMENDMENTS.—

(A) Section 402(g) (relating to limitation on exclusion for elective deferrals), as amended by paragraphs (1) and (2), is further amended by striking paragraph (4) and redesignating paragraphs (5), (6), (7), (8), and (9) as paragraphs (4), (5), (6), (7), and (8), respectively.

(B) Paragraph (2) of section 457(c) is amended by striking ''402(g)(8)(A)(iii)'' and inserting ''402(g)(7)(A)(iii)''.

(C) Clause (iii) of section 501(c)(18)(D) is amended by striking ''(other than paragraph (4) thereof)''.

(b) DEFERRED COMPENSATION PLANS OF STATE AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.—

(1) IN GENERAL.—Section 457 (relating to deferred compensation plans of State and local governments and tax-exempt organizations) is amended—

(A) by striking ''$7,500'' each place it appears in subsections (b)(2)(A) and (c)(1) and inserting ''the applicable dollar amount'', and

(B) by striking ''$15,000'' in subsection (b)(3)(A) and inserting ''twice the dollar amount in effect under subsection (b)(2)(A)''.

(2) APPLICABLE DOLLAR AMOUNT; COST-OF-LIVING ADJUSTMENT.—Paragraph (15) of section 457(e) is amended to read as follows:

''(15) APPLICABLE DOLLAR AMOUNT.—

''(A) IN GENERAL.—The applicable dollar amount shall be the amount determined in accordance with the following table:

| ''For taxable years beginning in: | The applicable dollar amount is: |
|---|---|
| 2001 | $9,000 |
| 2002 | $10,000 |
| 2003 | $11,000 |
| 2004 or thereafter | $12,000. |

''(B) COST-OF-LIVING ADJUSTMENTS.—In the case of taxable years beginning after December 31, 2004, the Secretary shall adjust the $12,000 amount specified in the table in subparagraph (A) at the same time and in the same manner as under section 415(d), except that the base period shall be the calendar quarter beginning July 1, 2003, and any increase under this paragraph which is not a multiple of $500 shall be rounded to the next lowest multiple of $500.''.

(c) SIMPLE RETIREMENT ACCOUNTS.—

(1) LIMITATION.—Clause (ii) of section 408(p)(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 408(p)(2) is amended to read as follows:

''(E) APPLICABLE DOLLAR AMOUNT; COST-OF-LIVING ADJUSTMENT.—

''(i) IN GENERAL.—For purposes of subparagraph (A)(ii), the applicable dollar amount shall be the amount determined in accordance with the following table:

| ''For taxable years beginning in: | The applicable dollar amount is: |
|---|---|
| 2001 | $7,000 |
| 2002 | $8,000 |
| 2003 | $9,000 |
| 2004 or thereafter | $10,000. |

''(ii) COST-OF-LIVING ADJUSTMENT.—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 $500 shall be rounded to the next lower multiple of $500.''.

(3) CONFORMING AMENDMENTS.—

(A) Subclause (I) of section 401(k)(11)(B)(i) is amended by striking ''$6,000'' and inserting ''the amount in effect under section 408(p)(2)(A)(ii)''.

(B) Section 401(k)(11) is amended by striking subparagraph (E).

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

**SEC. 313. PLAN LOANS FOR SUBCHAPTER S OWNERS, PARTNERS, AND SOLE PROPRIETORS.**

(a) AMENDMENT TO 1986 CODE.—Subparagraph (B) of section 4975(f)(6) (relating to exemptions not to apply to certain transactions) is amended by adding at the end the following new clause:

''(iii) LOAN EXCEPTION.—For purposes of subparagraph (A)(i), the term 'owner-employee' shall only include a person described in subclause (II) or (III) of clause (i).''.

(b) AMENDMENT TO ERISA.—Section 408(d)(2) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1108(d)(2)) is amended by adding at the end the following new subparagraph:

''(C) For purposes of paragraph (1)(A), the term 'owner-employee' shall only include a 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. 314. 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.—Elective deferrals (as defined in section 402(g)(3)) shall not be 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. 315. REDUCED PBGC PREMIUM FOR NEW PLANS OF SMALL EMPLOYERS.**

(a) IN GENERAL.—Subparagraph (A) of section 4006(a)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)(3)(A)) is amended—

(1) in clause (i), by inserting ''other than a new single-employer plan (as defined in subparagraph (F)) maintained by a small employer (as so defined),'' after ''single-employer plan,'',

(2) in clause (iii), by striking the period at the end and inserting '', and'', and

(3) by adding at the end the following new clause:

''(iv) in the case of a new single-employer plan (as defined in subparagraph (F)) maintained by a small employer (as so defined) for the plan year, $5 for each individual who is a participant in such plan during the plan year.''.

(b) DEFINITION OF NEW SINGLE-EMPLOYER PLAN.—Section 4006(a)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)(3)) is amended by adding at the end the following new subparagraph:

''(F)(i) For purposes of this paragraph, a single-employer plan maintained by a contributing sponsor shall be treated as a new 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 such plan, the sponsor or any member of such sponsor's controlled group (or any predecessor of either) had not established or maintained a plan to which this title applies with respect to which benefits were accrued for substantially the same employees as are in the new single-employer plan.

''(ii)(I) For purposes of this paragraph, the term 'small employer' means an employer which on the first day of any plan year has, in aggregation with all members of the controlled group of such employer, 100 or fewer employees.

''(II) In the case of a plan maintained by 2 or more contributing sponsors that are not part of the same controlled group, the employees of all contributing sponsors and controlled groups of such sponsors shall be aggregated for purposes of determining whether any contributing sponsor is a small employer.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plans established after December 31, 2000.

**SEC. 316. REDUCTION OF ADDITIONAL PBGC PREMIUM FOR NEW PLANS.**

*(a) IN GENERAL.—Subparagraph (E) of section 4006(a)(3) 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 (ii) for any plan year shall be an amount equal to the product of the amount determined under clause (ii) and the applicable percentage. For purposes of this clause, the term 'applicable percentage' means—*

*''(I) 0 percent, for the first plan year.*

*''(II) 20 percent, for the second plan year.*

*''(III) 40 percent, for the third plan year.*

*''(IV) 60 percent, for the fourth plan year.*

*''(V) 80 percent, for the fifth plan year.*

*For purposes of this clause, a defined benefit plan (as defined in section 3(35)) maintained by a contributing sponsor shall be treated as a new defined benefit plan for its first 5 plan years if, during the 36-month period ending on the date of the adoption of the plan, the sponsor and each member of any controlled group including the sponsor (or any predecessor of either) did not establish or maintain a 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. 317. ELIMINATION OF USER FEE FOR REQUESTS TO IRS REGARDING NEW PENSION PLANS.**

*(a) ELIMINATION OF CERTAIN USER FEES.—The Secretary of the Treasury or the Secretary's delegate shall not require payment of user fees under the program established under section 7527 of the Internal Revenue Code of 1986 for requests to the Internal Revenue Service for ruling letters, opinion letters, and determination letters or similar requests with respect to the qualified status of a new pension benefit plan or any trust which is part of the plan.*

*(b) NEW PENSION BENEFIT PLAN.—For purposes of this section—*

*(1) IN GENERAL.—The term ''new pension benefit plan'' means a pension, profit-sharing, stock bonus, annuity, or employee stock ownership plan which is maintained by one or more eligible employers if such employer (or any predecessor employer) has not made a prior request described in subsection (a) for such plan (or any predecessor plan).*

*(2) ELIGIBLE EMPLOYER.—The term ''eligible employer'' means an employer (or any predecessor employer) which has not established or maintained a qualified employer plan with respect to which contributions were made, or benefits were accrued for service, in the 3 most recent taxable years ending prior to the first taxable year in which the request is made.*

*(c) EFFECTIVE DATE.—The provisions of this section shall apply with respect to requests made after December 31, 2000.*

**SEC. 318. SAFE ANNUITIES AND TRUSTS.**

*(a) IN GENERAL.—Subpart A of part I of subchapter D of chapter 1 (relating to deferred compensation, etc.) is amended by inserting after section 408A the following new section:*

**''SEC. 408B. SAFE ANNUITIES AND TRUSTS.**

*''(a) EMPLOYER ELIGIBILITY.—*

*''(1) IN GENERAL.—An employer may establish and maintain a SAFE annuity or a SAFE trust for any year only if—*

*''(A) the employer is an eligible employer (as defined in section 408(p)(2)(C)), and*

*''(B) the employer does not maintain (and no predecessor of the employer maintains) a qualified plan (other than a permissible plan) with respect to which contributions were made, or benefits were accrued, for service in any year in the period beginning with the year such annuity or trust became effective and ending with the year for which the determination is being made.*

*''(2) DEFINITIONS.—For purposes of paragraph (1)—*

*''(A) QUALIFIED PLAN.—The term 'qualified plan' has the meaning given such term by section 408(p)(2)(D)(ii).*

*''(B) PERMISSIBLE PLAN.—The term 'permissible plan' means—*

*''(i) a SIMPLE plan described in section 408(p),*

*''(ii) a SIMPLE 401(k) plan described in section 401(k)(11),*

*''(iii) an eligible deferred compensation plan described in section 457(b),*

*''(iv) a collectively bargained plan but only if the employees eligible to participate in such plan are not also entitled to a benefit described in subsection (b)(5) or (c)(5), or*

*''(v) a plan under which there may be made only—*

*''(I) elective deferrals described in section 402(g)(3), and*

*''(II) employer matching contributions not in excess of the amounts described in subclauses (I) and (II) of section 401(k)(12)(B)(i).*

*''(b) SAFE ANNUITY.—*

*''(1) IN GENERAL.—For purposes of this title, the term 'SAFE annuity' means an individual retirement annuity (as defined in section 408(b) without regard to paragraph (2) thereof and without regard to the limitation on aggregate annual premiums contained in the flush language of section 408(b)) if—*

*''(A) such annuity meets the requirements of paragraphs (2) through (7), and*

*''(B) the only contributions to such annuity (other than rollover contributions) are employer contributions.*

*Nothing in this section shall be construed as preventing an employer from using a group annuity contract which is divisible into individual retirement annuities for purposes of providing SAFE annuities.*

*''(2) PARTICIPATION REQUIREMENTS.—*

*''(A) IN GENERAL.—The requirements of this paragraph are met for any year only if all employees of the employer who—*

*''(i) received at least $5,000 in compensation from the employer during any 2 consecutive preceding years, and*

*''(ii) received at least $5,000 in compensation during the year,*

*are entitled to the benefit described in paragraph (5) for such year.*

*''(B) EXCLUDABLE EMPLOYEES.—An employer may elect to exclude from the requirements under subparagraph (A) employees described in section 410(b)(3).*

*''(3) VESTING.—The requirements of this paragraph are met if the employee's rights to any benefits under the annuity are nonforfeitable.*

*''(4) BENEFIT FORM.—*

*''(A) IN GENERAL.—The requirements of this paragraph are met if the only form of benefit is—*

*''(i) a benefit payable annually in the form of a single life annuity with monthly payments (with no ancillary benefits) beginning at age 65, or*

*''(ii) at the election of the participant, any other form of benefit which is the actuarial equivalent (based on the assumptions specified in the SAFE annuity) of the benefit described in clause (i).*

*The requirements of sections 401(a)(11) and 411(b)(1)(H) shall apply to the benefits described in this subparagraph.*

*''(B) DIRECT TRANSFERS AND ROLLOVERS.—A plan shall not fail to meet the requirements of this paragraph by reason of permitting, at the election of the employee, a trustee-to-trustee transfer or a rollover contribution.*

*''(5) AMOUNT OF ANNUAL ACCRUED BENEFIT.—*

*''(A) IN GENERAL.—The requirements of this paragraph are met for any year if the accrued benefit of each participant derived 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 for such year.*

*''(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)(17).*

*''(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') as service under the plan if the same specified number of years 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. For purposes of the preceding sentence, an eligible plan year is a plan year in the period of consecutive plan years (but not more than the number specified under clause (i)) beginning with the first plan year that the plan is in effect.*

*''(iii) ELECTION MAY NOT APPLY TO CERTAIN PRIOR SERVICE YEARS.—This subparagraph shall not apply with respect to any prior service year of an employee if—*

*''(I) for any part of such prior service year such employee was an active participant (within the meaning of section 219(g)(5)) under any defined benefit plan of the employer (or any predecessor thereof), or*

*''(II) such employee received during such prior service year less than $5,000 in compensation from the employer.*

*''(6) FUNDING.—*

*''(A) IN GENERAL.—The requirements of this paragraph are met only if the employer is required to contribute to the annuity for each plan year the amount necessary to purchase a SAFE annuity in the amount of the benefit accrued for such year for each participant entitled to such benefit.*

*''(B) TIME WHEN CONTRIBUTIONS DEEMED MADE.—For purposes of this paragraph, an employer shall be deemed to have made a contribution on the last day of the preceding taxable year if the payment is 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 (including extensions thereof).*

*''(C) PENALTY FOR FAILURE TO MAKE REQUIRED CONTRIBUTION.—The taxes imposed by section 4971 shall apply to a failure to make the contribution required by this paragraph in the same manner as if the amount of the failure were an accumulated funding deficiency to which such section applies.*

*''(7) LIMITATION ON DISTRIBUTIONS.—The requirements of this paragraph are met only if payments under the contract may be made only after the employee attains age 65 or when the employee separates from service, dies, or becomes disabled (within the meaning of section 72(m)(7)).*

*''(c) SAFE TRUST.—*

*''(1) IN GENERAL.—For purposes of this title, the term 'SAFE trust' means a trust forming part of a defined benefit plan if—*

*''(A) such trust meets the requirements of section 401(a) as modified by subsection (d),*

''(B) a participant's benefits under the plan are based solely on the balance of a separate account in such plan of such participant,

''(C) such plan meets the requirements of paragraphs (2) through (8), and

''(D) the only contributions to such trust (other than rollover contributions) are employer contributions.

''(2) PARTICIPATION REQUIREMENTS.—A plan meets the requirements of this paragraph for any year only if the requirements of subsection (b)(2) are met for such year.

''(3) VESTING.—A plan meets the requirements of this paragraph for any year only if the requirements of subsection (b)(3) are met for such year.

''(4) 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).

''(B) DIRECT TRANSFERS TO INDIVIDUAL RETIREMENT PLAN OR SAFE ANNUITY.—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 distribution that does not exceed the dollar limit in effect under section 411(a)(11)(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) AMOUNT OF ANNUAL ACCRUED BENEFIT.—A plan meets the requirements of this paragraph for any year only if the requirements of subsection (b)(5) are met for such year.

''(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 account of any participant, the plan requires that the employer make an additional contribution to such plan (at the time the annuity contract to which such amount relates is purchased) equal to the unfunded annuity amount, 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 8½ months following the end of the plan year.

''(B) UNFUNDED ANNUITY AMOUNT.—For purposes of this paragraph, the term 'unfunded annuity amount' means, with respect to the account of any participant for whom an annuity is being purchased, the excess (if any) of—

''(i) the amount necessary to purchase an annuity contract which meets the requirements of subsection (b)(4) in the amount of the participant's accrued benefit determined under paragraph (5), over

''(ii) the balance in such account at the time such contract is purchased.

''(C) UNFUNDED PRIOR YEAR LIABILITY.—For purposes of this paragraph, the term 'unfunded prior year liability' means, with respect to any plan year, the excess (if any) of—

''(i) the aggregate of the present value of the accrued liabilities under the plan as of the close of the prior plan year, over

''(ii) the value of the plan's assets determined under section 412(c)(2) as of the close of the plan year (determined without regard to any contributions for such plan year).

Such present value shall be determined using the assumptions specified in subparagraph (D).

''(D) ACTUARIAL ASSUMPTIONS.—In determining the amount required to be contributed under subparagraph (A)—

''(i) the assumed interest rate shall be not less than 3 percent, and not greater than 5 percent, per year,

''(ii) the assumed mortality shall be determined under the applicable mortality table (as defined in section 417(e)(3), as modified by the Secretary so that it does not include any assumption for preretirement mortality), and

''(iii) the assumed retirement age shall be 65.

''(E) CHANGES IN MORTALITY TABLE.—If, for purposes of this subsection, the applicable mortality table under section 417(e)(3) for any plan year is not the same as such table for the prior plan year, the Secretary shall prescribe regulations for such purposes which phase in the effect of the changes over a reasonable period of plan years determined by the Secretary.

''(F) PENALTY FOR FAILURE TO MAKE REQUIRED CONTRIBUTION.—The taxes imposed by section 4971 shall apply to a failure to make the contribution required by this paragraph in the same manner as if the amount of the failure were an accumulated funding deficiency to which such section applies.

''(7) SEPARATE ACCOUNTS FOR PARTICIPANTS.—A plan meets the requirements of this paragraph for any year only if the plan provides—

''(A) for an individual account for each participant, and

''(B) for benefits based solely on—

''(i) the amount contributed to the participant's account,

''(ii) any income, expenses, gains and losses, and any forfeitures of accounts of other participants which may be allocated to such participant's account, and

''(iii) the amount of any unfunded annuity amount with respect to the participant.

''(8) TRUST MAY NOT HOLD SECURITIES WHICH ARE NOT READILY TRADABLE.—A plan meets the requirements of this paragraph only if the plan prohibits the trust from holding directly or indirectly securities which are not readily tradable on an established 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.—

''(1) CERTAIN REQUIREMENTS TREATED AS MET.—For purposes of section 401(a), a SAFE annuity and a SAFE trust shall be treated as meeting the requirements of the following provisions:

''(A) Section 401(a)(4) (relating to nondiscrimination rules).

''(B) Section 401(a)(26) (relating to minimum participation).

''(C) Section 410 (relating to minimum participation and coverage requirements).

''(D) Except as provided in subsection (b)(4(A), section 411(b) (relating to accrued benefit requirements).

''(E) Section 412 (relating to minimum funding standards).

''(F) Section 415 (relating to limitations on benefits and contributions under qualified plans).

''(G) Section 416 (relating to special rules for top-heavy plans).

''(2) CONTRIBUTIONS NOT TAKEN INTO ACCOUNT IN APPLYING LIMITS TO OTHER PLANS.—

''(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) (without regard to the last sentence thereof) 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) IN 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 subsection (a)(1)(A)(i), the amount necessary to satisfy the minimum funding requirement of section 408B(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 219.—

(A) Section 219(b) (relating to maximum amount of deduction), as amended by section 301, 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 408B(b).''.

(B) Section 219(g)(5)(A) (defining active participant) is amended by striking ''or'' at the end of clause (v) and by adding at the end the following new clause:

''(vii) any SAFE annuity (within the meaning of section 408B), or''.

(c) CONTRIBUTIONS AND DISTRIBUTIONS.—

(1) Section 402 (relating to taxability of beneficiary of employees' trust) is amended by adding at the end the following new subsection:

''(l) TREATMENT OF SAFE ANNUITIES.—Rules similar to the rules of paragraphs (1) and (3) of subsection (h) shall apply to contributions and distributions with respect to a SAFE annuities under section 408B.''.

(2) Section 408(d)(3) is amended by adding at the end the following new subparagraph:

''(H) SAFE ANNUITIES.—This paragraph shall not apply to any amount paid or distributed out of a SAFE annuity (as defined in section 408B) 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 408B), paragraph (1) shall be applied by substituting '20 percent' for '10 percent'.''.

(e) SIMPLIFIED EMPLOYER REPORTS.—

(1) SAFE ANNUITIES.—Section 408(l) (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 any SAFE annuity (within the meaning of section 408B) 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 408B to be so contributed,

''(vi) the percentage elected under section 408B(b)(5)(B), and

''(vii) the number of employees with respect to whom contributions are required to be made for such year under section 408B(b)(5)(D).

''(C) REPORTING BY ISSUER OF SAFE ANNUITY.—

''(i) IN GENERAL.—The issuer of each SAFE annuity shall provide to the owner of the annuity for each year a statement setting forth as of the close of such year—

''(I) the benefits guaranteed at age 65 under the annuity, and

''(II) the cash surrender value of the annuity.

''(ii) SUMMARY DESCRIPTION.—The issuer of any SAFE annuity shall provide to the employer maintaining the annuity for each year a description containing the following information:

''(I) The name and address of the employer and the issuer.

''(II) The requirements for eligibility for participation.

''(III) The benefits provided with respect to the annuity.

''(IV) The procedures for, and effects of, withdrawals (including rollovers) from the annuity.

''(D) TIME AND MANNER OF REPORTING.—Any return, report, or statement required under this paragraph shall be made in such form and at such time as the Secretary shall prescribe.''.

(2) SAFE TRUSTS.—Section 6059 (relating to actuarial reports) is amended by redesignating subsections (c) and (d) as subsections (d) and (e), 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 408B), the Secretary shall require a simplified actuarial report which contains information similar to the information required in section 408(l)(3)(B).''.

(f) CONFORMING AMENDMENTS.—

(1) Section 280G(b)(6) is amended by striking ''or'' at the end of subparagraph (C), by striking the period at the end of subparagraph (D) and inserting '', or'' and by adding after subparagraph (D) the following new subparagraph:

''(E) a SAFE annuity described in section 408B.''.

(2) Clause (ii) of section 408(p)(2)(D) is amended by inserting before the period ''(other than clause (vii) of such subparagraph (A))''.

(3) Subsections (b), (c), (m)(4)(B), and (n)(3)(B) of section 414 are each amended by inserting ''408B,'' after ''408(p),''.

(4) Section 4972(d)(1)(A) is amended by striking ''and'' at the end of clause (iii), 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 408B).''.

(5) The table of sections for subpart A of part I of subchapter D of chapter 1 is amended by inserting after the item relating to 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 striking ''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 408B of the Internal Revenue Code of 1986).''.

(2) REPORTING REQUIREMENTS.—Section 101 of such Act (29 U.S.C. 1021) is amended by redesignating the second subsection (h) as subsection (j) and by inserting after the first subsection (h) the following new subsection:

''(i) SAFE ANNUITIES.—

''(1) NO EMPLOYER REPORTS.—Except as provided in this subsection, no report shall be required under this section by an employer maintaining a SAFE annuity under section 408B(b) of the Internal Revenue Code of 1986.

''(2) SUMMARY DESCRIPTION.—The issuer of any SAFE annuity shall provide to the employer 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.

''(3) EMPLOYEE NOTIFICATION.—The employer shall provide each employee eligible to participate in the SAFE annuity with the description described in paragraph (2) at the same time as the notification required under section 408B(b)(5)(B) of the Internal Revenue Code of 1986.''.

(3) WAIVER OF FUNDING STANDARDS.—Section 301(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 408B of such Code).''.

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

**SEC. 319. 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: ''Employer matching contributions (as defined in section 401(m)(4)(A)) shall be taken into account for purposes of this subparagraph.''.

(b) ELIMINATION OF FAMILY ATTRIBUTION.—Section 416(i)(1)(B) (defining 5-percent owner) is amended by adding at the end the following new clause:

''(iv) FAMILY ATTRIBUTION DISREGARDED.—Solely for purposes of applying this paragraph (and not for purposes of any provision of this title which incorporates by reference the definition 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 (4) of section 416(g) (relating to other special rules for top-heavy plans) is amended by adding at the end the following new subparagraph:

''(H) CASH OR DEFERRED ARRANGEMENTS USING ALTERNATIVE METHODS OF MEETING NONDISCRIMINATION 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)(11) are met.

If, but 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 group, contributions under the plan may be taken into account in determining whether any other plan in the group meets the requirements of subsection (c)(2).''.

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

**Subtitle C—Enhancing Fairness for Women**

**SEC. 321. CATCHUP CONTRIBUTIONS FOR INDIVIDUALS AGE 50 OR OVER.**

(a) ELECTIVE DEFERRALS.—Section 414 (relating to definitions and special rules) is amended by adding at the end the following new subsection:

''(v) CATCHUP CONTRIBUTIONS FOR INDIVIDUALS AGE 50 OR OVER.—

''(1) IN GENERAL.—An applicable employer plan shall not be treated as failing to meet any requirement of this title solely because the plan permits an eligible participant to make additional elective deferrals in any plan year.

''(2) LIMITATION ON 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:

| ''For taxable years beginning in: | The applicable dollar amount is: |
|---|---|
| 2001 | 10 percent |
| 2002 | 20 percent |
| 2003 | 30 percent |
| 2004 | 40 percent |
| 2005 and thereafter | 50 percent. |

''(3) TREATMENT OF CONTRIBUTIONS.—In the case of any contribution to a plan under paragraph (1)—

''(A) such contribution shall not, with respect to the year in which the contribution is made—

''(i) be subject to any otherwise applicable limitation contained in section 402(g), 402(h), 403(b), 404(a), 404(h), 408, 415, or 457, 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(a)(4), 401(a)(26), 401(k)(3), 401(k)(11), 401(k)(12), 401(m), 403(b)(12), 408(k), 408(p), 408B, 410(b), or 416 by reason of the making of (or the right to make) such contribution.

''(4) ELIGIBLE PARTICIPANT.—For purposes of this subsection, the term 'eligible participant' means, with respect to any plan year, a participant in a plan—

''(A) 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.

''(5) OTHER DEFINITIONS AND RULES.—For purposes of this subsection—

''(A) APPLICABLE DOLLAR AMOUNT.—The term 'applicable dollar amount' means, with respect to any year, the amount in effect under section 402(g)(1)(B), 408(p)(2)(E)(i), or 457(e)(15)(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 401(a) which is exempt from tax under section 501(a),

''(ii) a plan under which amounts are contributed by an individual's employer for an annuity contract described in section 403(b),

''(iii) an eligible deferred compensation plan under section 457 of an eligible employer as defined in section 457(e)(1)(A), and

''(iv) an arrangement meeting the requirements of section 408 (k) or (p).

''(C) ELECTIVE DEFERRAL.—The term 'elective deferral' has the meaning given such term by subsection (u)(2)(C).

''(D) EXCEPTION FOR SECTION 457 PLANS.—This subsection shall not apply to an applicable employer plan described in paragraph (5)(B)(iii)

for any year to which section 457(b)(3) applies.''.

(b) INDIVIDUAL RETIREMENT PLANS.—Section 219(b), as amended by sections 301 and 318, is amended by adding at the end the following new paragraph:

''(7) CATCHUP CONTRIBUTIONS.—

''(A) IN GENERAL.—In the case of an individual who has attained the age of 50 before the close of the taxable year, the dollar amount in effect under paragraph (1)(A) for such taxable year shall be equal to the applicable percentage of such amount determined without regard to this paragraph.

''(B) APPLICABLE PERCENTAGE.—For purposes of this paragraph, the applicable percentage shall be determined in accordance with the following table:

| ''For taxable years beginning in: | The applicable dollar amount is: |
|---|---|
| 2001 | 110 percent |
| 2002 | 120 percent |
| 2003 | 130 percent |
| 2004 | 140 percent |
| 2005 and thereafter | 150 percent.''. |

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to contributions in taxable years beginning after December 31, 2000.

**SEC. 322. EQUITABLE TREATMENT FOR CONTRIBUTIONS OF EMPLOYEES TO DEFINED CONTRIBUTION PLANS.**

(a) EQUITABLE TREATMENT.—

(1) IN GENERAL.—Subparagraph (B) of section 415(c)(1) (relating to limitation for defined contribution plans) is amended by striking ''25 percent'' and inserting ''100 percent''.

(2) APPLICATION TO SECTION 403(b).—Section 403(b) is amended—

(A) by striking ''the exclusion allowance for such taxable year'' in paragraph (1) and inserting ''the applicable limit under section 415'',

(B) by striking paragraph (2), and

(C) by inserting ''or any amount received by a former employee after the 5th taxable year following the taxable year in which such employee was terminated'' before the period at the end of the second sentence of paragraph (3).

(3) CONFORMING AMENDMENTS.—

(A) Subsection (f) of section 72 is amended by striking ''section 403(b)(2)(D)(iii))'' and inserting ''section 403(b)(2)(D)(iii), as in effect before the enactment of the Taxpayer Refund Act of 1999)''.

(B) Section 404(a)(10)(B) is amended by striking '', the exclusion allowance under section 403(b)(2),''.

(C) Section 415(a)(2) is amended by striking '', and the amount of the contribution for such portion shall reduce the exclusion allowance as provided in section 403(b)(2)''.

(D) Section 415(c)(3) is amended by adding at the end the following new subparagraph:

''(E) ANNUITY CONTRACTS.—In the case of an annuity contract described in section 403(b), the term 'participant's compensation' means the participant's includible compensation determined under section 403(b)(3).''.

(E) Section 415(c) is amended by striking paragraph (4).

(F) Section 415(c)(7) is amended to read as follows:

''(7) CERTAIN CONTRIBUTIONS BY CHURCH PLANS NOT TREATED AS EXCEEDING LIMIT.—

''(A) IN GENERAL.—Notwithstanding any other provision of this subsection, at the election of a participant who is an employee of a church or a convention or association of churches, including an organization described in section 414(e)(3)(B)(ii), contributions and other additions for an annuity contract or retirement income account described in section 403(b) with respect to such participant, when expressed as an annual addition to such participant's account, shall be treated as not exceeding the limitation of paragraph (1) if such annual addition is not in excess of $10,000.

''(B) $40,000 AGGREGATE LIMITATION.—The total amount of additions with respect to any participant which may be taken into account for purposes of this subparagraph for all years may not exceed $40,000.

''(C) ANNUAL ADDITION.—For purposes of this paragraph, the term 'annual addition' has the meaning given such term by paragraph (2).''.

(G) Subparagraph (B) of section 402(g)(7) (as redesignated by section 312(a)) is amended by inserting before the period at the end the following: ''(as in effect before the enactment of the Taxpayer Refund Act of 1999)''.

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

(b) SPECIAL RULES FOR SECTIONS 403(b) AND 408.—

(1) IN GENERAL.—Subsection (k) of section 415 is amended by adding at the end the following new paragraph:

''(4) SPECIAL RULES FOR SECTIONS 403(b) AND 408.—For purposes of this section, any annuity contract described in section 403(b) for the benefit of a participant shall be treated as a defined contribution plan maintained by each employer with respect to which the participant has the control required under subsection (b) or (c) of section 414 (as modified by subsection (h)). For purposes of this section, any contribution by an employer to a 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.

(c) DEFERRED COMPENSATION PLANS OF STATE AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.—

(1) IN GENERAL.—Subparagraph (B) of section 457(b)(2) (relating to salary limitation on eligible deferred compensation plans) is amended by striking ''33⅓ percent'' and inserting ''100 percent''.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to years beginning after December 31, 2000.

**SEC. 323. CLARIFICATION OF TAX TREATMENT OF DIVISION OF SECTION 457 PLAN BENEFITS UPON DIVORCE.**

(a) IN GENERAL.—Section 414(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(b))'' after ''subsection (e))'', and

(2) in the heading, by striking ''GOVERNMENTAL AND CHURCH PLANS'' and inserting ''CERTAIN OTHER PLANS''.

(b) WAIVER OF CERTAIN DISTRIBUTION REQUIREMENTS.—Paragraph (10) of section 414(p) is amended by striking ''and section 409(d)'' and inserting ''section 409(d), and section 457(d)''.

(c) TAX TREATMENT OF PAYMENTS FROM A SECTION 457 PLAN.—Subsection (p) of section 414 is amended by redesignating paragraph (12) as paragraph (13) and inserting after paragraph (11) 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. 324. MODIFICATION OF SAFE HARBOR RELIEF FOR HARDSHIP WITHDRAWALS FROM CASH OR DEFERRED ARRANGEMENTS.**

(a) IN GENERAL.—The Secretary of the Treasury shall revise the regulations relating to hardship distributions under section 401(k)(2)(B)(i)(IV) of the Internal Revenue Code of 1986 to provide that the period an employee is prohibited from making elective and employee contributions in order for a distribution to be deemed necessary to satisfy financial need shall be equal to 6 months.

(b) EFFECTIVE DATE.—The revised regulations under subsection (a) shall apply to years beginning after December 31, 2000.

**SEC. 325. FASTER VESTING OF CERTAIN EMPLOYER MATCHING CONTRIBUTIONS.**

(a) AMENDMENTS TO 1986 CODE.—Section 411(a) (relating to minimum vesting standards) is amended—

(1) in paragraph (2), by striking ''A plan'' and inserting ''Except as provided in paragraph (12), a plan'', and

(2) by adding at the end the following:

''(12) FASTER VESTING FOR MATCHING CONTRIBUTIONS.—In the case of matching contributions (as defined in section 401(m)(4)(A)), 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):

| ''Years of service: | The nonforfeitable percentage is: |
|---|---|
| 2 | 20 |
| 3 | 40 |
| 4 | 60 |
| 5 | 80 |
| 6 | 100.''. |

(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 401(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):

| ''Years of service: | The nonforfeitable percentage is: |
|---|---|
| 2 | 20 |
| 3 | 40 |
| 4 | 60 |
| 5 | 80 |
| 6 | 100.''. |

(c) EFFECTIVE DATES.—

(1) 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 enactment 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 later of—

(i) 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, 2005.

(3) SERVICE REQUIRED.—With respect to any plan, the amendments made by this section shall not apply to any employee before the date that such employee has 1 hour of service under such plan in any plan year to which the amendments made by this section apply.

**Subtitle D—Increasing Portability for Participants**

**SEC. 331. ROLLOVERS ALLOWED AMONG VARIOUS TYPES OF PLANS.**

(a) ROLLOVERS FROM AND TO SECTION 457 PLANS.—

*(1) ROLLOVERS FROM SECTION 457 PLANS.—*

*(A) IN GENERAL.—Section 457(e) (relating to other definitions and special rules) 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 to the credit of an employee in such plan 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 employee transfers any 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 the 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)) and (9) of section 402(c) and section 402(f) shall apply for purposes of subparagraph (A).*

*''(C) REPORTING.—Rollovers under this paragraph shall be reported to the Secretary in the same manner as rollovers from qualified retirement plans (as defined in section 4974(c)).''.*

*(B) DEFERRAL LIMIT DETERMINED WITHOUT REGARD TO ROLLOVER AMOUNTS.—Section 457(b)(2) (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 '', and'', 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 payment, is a plan 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 subsection, the term 'eligible rollover distribution' has the meaning given such term by section 402(f)(2)(A).''.*

*(iii) LIABILITY FOR WITHHOLDING.—Subparagraph (B) of section 3405(d)(2) is amended by striking ''or'' at the end of clause (ii), by striking the period at the end of clause (iii) and inserting '', or'', and by adding at the end the following:*

*''(iv) section 457(b).''.*

*(2) ROLLOVERS TO SECTION 457 PLANS.—*

*(A) IN GENERAL.—Section 402(c)(8)(B) (defining eligible retirement plan) is amended by striking ''and'' at the end of clause (iii), by striking the period at the end of clause (iv) and inserting '', and'', 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:*

*''(9) SPECIAL RULE FOR ROLLOVERS TO SECTION 457 PLANS.—For purposes of this subsection, a distribution from an eligible deferred compensation plan (as defined in section 457(b)) of an employer described in section 457(e)(1)(A) shall be treated as a distribution from a qualified retirement plan described in 4974(c)(1) 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 4974(c)).''.*

*(b) ALLOWANCE OF ROLLOVERS FROM AND TO 403(b) PLANS.—*

*(1) ROLLOVERS FROM SECTION 403(b) PLANS.—Section 403(b)(8)(A)(ii) (relating to rollover amounts) is amended by striking ''such distribution'' and all that follows and inserting ''such distribution to an eligible retirement plan described in section 402(c)(8)(B), and''.*

*(2) ROLLOVERS TO SECTION 403(b) PLANS.—Section 402(c)(8)(B) (defining eligible retirement plan), as amended by subsection (a), is amended by striking ''and'' at the end of clause (iv), by striking the period at the end of clause (v) and inserting '', and'', and by inserting after clause (v) the following new clause:*

*''(vi) an annuity contract described in section 403(b).''.*

*(c) EXPANDED EXPLANATION TO RECIPIENTS OF ROLLOVER DISTRIBUTIONS.—Paragraph (1) of section 402(f) (relating to written explanation to recipients of distributions eligible for rollover treatment) is amended by striking ''and'' at the end of subparagraph (C), by striking the period at the end of subparagraph (D) and inserting '', and'', and by adding at the end the following new subparagraph:*

*''(E) of the provisions under which distributions from the eligible retirement plan receiving the distribution may be subject to restrictions and tax consequences which are different from those applicable to distributions from the plan making such distribution.''.*

*(d) SPOUSAL ROLLOVERS.—Section 402(c)(9) (relating to rollover where spouse receives distribution after death of employee) is amended by striking ''; except that'' and all that follows up to the end period.*

*(e) CONFORMING AMENDMENTS.—*

*(1) Section 72(o)(4) is amended by striking ''and 408(d)(3)'' and inserting ''403(b)(8), 408(d)(3), and 457(e)(16)''.*

*(2) Section 219(d)(2) is amended by striking ''or 408(d)(3)'' and inserting ''408(d)(3), or 457(e)(16)''.*

*(3) Section 401(a)(31)(B) is amended by striking ''and 403(a)(4)'' and inserting '', 403(a)(4), 403(b)(8), and 457(e)(16)''.*

*(4) Subparagraph (A) of section 402(f)(2) is amended by striking ''or paragraph (4) of section 403(a)'' and inserting '', paragraph (4) of section 403(a), subparagraph (A) of section 403(b)(8), or subparagraph (A) of section 457(e)(16)''.*

*(5) Paragraph (1) of section 402(f) is amended by striking ''from an eligible retirement plan''.*

*(6) Subparagraphs (A) and (B) of section 402(f)(1) are amended by striking ''another eligible retirement plan'' and inserting ''an eligible retirement plan''.*

*(7) Subparagraph (B) of section 403(b)(8) is amended to read as follows:*

*''(B) CERTAIN RULES MADE APPLICABLE.—The rules of paragraphs (2) through (7) and (9) of section 402(c) and section 402(f) shall apply for purposes of subparagraph (A), except that section 402(f) shall be applied to the payor in lieu of the plan administrator.''.*

*(8) Section 408(a)(1) is amended by striking ''or 403(b)(8)'' and inserting '', 403(b)(8), or 457(e)(16)''.*

*(9) Subparagraphs (A) and (B) of section 415(b)(2) are each amended by striking ''and 408(d)(3)'' and inserting ''403(b)(8), 408(d)(3), and 457(e)(16)''.*

*(10) Section 415(c)(2) is amended by striking ''and 408(d)(3)'' and inserting ''408(d)(3), and 457(e)(16)''.*

*(11) Section 4973(b)(1)(A) is amended by striking ''or 408(d)(3)'' and inserting ''408(d)(3), or 457(e)(16)''.*

*(f) EFFECTIVE DATE; SPECIAL RULE.—*

*(1) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2000.*

*(2) SPECIAL RULE.—Notwithstanding any other provision of law, subsections (h)(3) and (h)(5) of section 1122 of the Tax Reform Act of 1986 shall not apply to any distribution from an eligible retirement plan (as defined in clause (iii) or (iv) of section 402(c)(8)(B) of the Internal Revenue Code of 1986) on behalf of an individual if there was a rollover to such plan on behalf of such individual which is permitted solely by reason of any amendment made by this section.*

***SEC. 332. ROLLOVERS OF IRAS INTO WORKPLACE RETIREMENT PLANS.***

*(a) IN GENERAL.—Subparagraph (A) of section 408(d)(3) (relating to rollover amounts) is amended by adding ''or'' at the end of clause (i), by striking clauses (ii) and (iii), and by adding at the end the following:*

*''(ii) the entire amount received (including money and any other property) is paid into an eligible retirement plan for the benefit of such individual not later than the 60th day after the date on which the payment or distribution is received, except that the maximum amount which may be paid into such plan may not exceed the portion of the amount received which is includible in gross income (determined without regard to this paragraph).*

*For purposes of clause (ii), the term 'eligible retirement plan' means an eligible retirement plan described in clause (iii), (iv), (v), or (vi) of section 402(c)(8)(B).''.*

*(b) CONFORMING AMENDMENTS.—*

*(1) Paragraph (1) of section 403(b) is amended by striking ''section 408(d)(3)(A)(iii)'' and inserting ''section 408(d)(3)(A)(ii)''.*

*(2) Clause (i) of section 408(d)(3)(D) is amended by striking ''(i), (ii), or (iii)'' and inserting ''(i) or (ii)''.*

*(3) Subparagraph (G) of section 408(d)(3) is amended to read as follows:*

*''(G) SIMPLE RETIREMENT ACCOUNTS.—In the case of any payment or distribution out of a simple retirement account (as defined in subsection (p)) to which section 72(t)(6) applies, this paragraph shall not apply unless such payment or distribution is paid into another simple retirement account.''.*

*(c) EFFECTIVE DATE; SPECIAL RULE.—*

*(1) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2000.*

*(2) SPECIAL RULE.—Notwithstanding any other provision of law, subsections (h)(3) and (h)(5) of section 1122 of the Tax Reform Act of 1986 shall not apply to any distribution from an eligible retirement plan (as defined in clause (iii) or (iv) of section 402(c)(8)(B) of the Internal Revenue Code of 1986) on behalf of an individual if there was a rollover to such plan on behalf of such individual which is permitted solely by reason of the amendments made by this section.*

***SEC. 333. ROLLOVERS OF AFTER-TAX CONTRIBUTIONS.***

*(a) ROLLOVERS FROM EXEMPT TRUSTS.—Paragraph (2) of section 402(c) (relating to maximum amount which may be rolled over) is amended by adding at the end the following: ''The preceding sentence shall not apply to such distribution to the extent—*

''(A) such portion is transferred in a direct trustee-to-trustee transfer to a qualified trust which is part of a plan which is a defined contribution plan and which agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible, or

''(B) such portion is transferred to an eligible retirement plan described in clause (i) or (ii) of paragraph (8)(B).''.

(b) OPTIONAL DIRECT TRANSFER OF ELIGIBLE ROLLOVER DISTRIBUTIONS.—Subparagraph (B) of section 401(a)(31) (relating to limitation) is amended by adding at the end the following: ''The preceding sentence shall not apply to such distribution if the plan to which such distribution is transferred—

''(i) agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible, or

''(ii) is an eligible retirement plan described in clause (i) or (ii) of section 402(c)(8)(B).''.

(c) RULES FOR APPLYING SECTION 72 TO IRAS.—Paragraph (3) of section 408(d) (relating to special rules for applying section 72) is amended by inserting at the end the following:

''(H) APPLICATION OF SECTION 72.—

''(i) IN GENERAL.—If—

''(I) a distribution is made from an individual retirement plan, and

''(II) a rollover contribution is made to an eligible retirement plan described in section 402(c)(8)(B)(iii), (iv), (v), or (vi) with respect to all or part of such distribution,

then, notwithstanding paragraph (2), the rules of clause (ii) shall apply for purposes of applying section 72.

''(ii) APPLICABLE RULES.—In the case of a distribution described in clause (i)—

''(I) section 72 shall be applied separately to such distribution,

''(II) notwithstanding the pro rata allocation of income on, and investment in the contract, to distributions under section 72, the portion of such distribution rolled over to an eligible retirement plan described in clause (i) shall be treated as from income on the contract (to the extent of the aggregate income on the contract from all individual retirement plans of the distributee), and

''(III) appropriate adjustments shall be made in applying section 72 to other distributions in such taxable year and subsequent taxable years.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions made after December 31, 2000.

**SEC. 334. HARDSHIP EXCEPTION TO 60-DAY RULE.**

(a) EXEMPT TRUSTS.—Paragraph (3) of section 402(c) (relating to transfer must be made within 60 days of receipt) is amended to read as follows:

''(3) TRANSFER MUST BE MADE WITHIN 60 DAYS OF RECEIPT.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), paragraph (1) shall not apply to any transfer of a distribution made after the 60th day following the day on which the distributee received the property distributed.

''(B) HARDSHIP EXCEPTION.—The Secretary may waive the 60-day requirement under subparagraph (A) where the failure to waive such requirement would be against equity or good conscience, including casualty, disaster, or other events beyond the reasonable control of the individual subject to such requirement.''.

(b) IRAS.—Paragraph (3) of section 408(d) (relating to rollover contributions), as amended by section 333, is amended by adding after subparagraph (H) the following new subparagraph:

''(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 casualty, disaster, or other events beyond the reasonable control of the individual subject to such requirement.''.

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

**SEC. 335. TREATMENT OF FORMS OF DISTRIBUTION.**

(a) PLAN TRANSFERS.—

(1) AMENDMENT TO INTERNAL REVENUE CODE OF 1986.—Paragraph (6) of section 411(d) (relating to accrued benefit not to be decreased by amendment) is amended by adding at the end the following:

''(D) PLAN TRANSFERS.—

''(i) A defined contribution plan (in this subparagraph referred to as the 'transferee 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 subparagraph referred to as the 'transferor plan') to the extent that—

''(I) the forms of distribution previously available under the transferor plan applied to the account of a participant or beneficiary under the transferor plan that was transferred from the transferor plan to the transferee plan pursuant to a direct transfer rather than pursuant to a distribution from the transferor plan,

''(II) the terms of both the transferor plan and the transferee plan authorize the transfer described in subclause (I),

''(III) the transfer described in subclause (I) was made pursuant to a voluntary election by the participant or beneficiary whose account was transferred to the transferee plan,

''(IV) the election described in subclause (III) was made after the participant or beneficiary received a notice describing the consequences of making the election,

''(V) if the transferor plan provides for an annuity as the normal form of distribution under the plan in accordance with section 417, the transfer is made with the consent of the participant's spouse (if any), and such consent meets requirements similar to the requirements imposed by section 417(a)(2), and

''(VI) the transferee plan allows the participant or beneficiary described in subclause (III) to receive any distribution to which the participant or beneficiary is entitled under the transferee plan in the form of a single sum distribution.

''(ii) Clause (i) shall apply to plan mergers and other transactions having the effect of a direct transfer, including consolidations of benefits attributable to different employers within a multiple employer plan.

''(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 subparagraph shall not apply to the elimination of a form of distribution with respect to any participant unless—

''(i) a single sum payment is available to such participant at the same time or times as the form of distribution being eliminated, and

''(ii) 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.—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:

''(4)(A) A defined contribution plan (in this subparagraph referred to as the 'transferee 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 account of a participant or beneficiary under the transferor plan that was transferred from the transferor plan to the transferee plan pursuant to a direct transfer rather than pursuant to a distribution from the transferor plan;

''(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;

''(iv) the election described in clause (iii) was made after the participant or beneficiary received a notice describing the consequences of making the election;

''(v) if the transferor plan provides for an annuity as the normal form of distribution under the plan in accordance with section 417, the transfer is made with the consent of the participant's spouse (if any), and such consent meets requirements similar to the requirements imposed by section 417(a)(2); and

''(vi) the transferee plan allows the participant or beneficiary described in subclause (III) to receive any distribution to which the participant or beneficiary is entitled under the transferee plan in the form of a single sum distribution.

''(B) Subparagraph (A) shall apply to plan mergers and other transactions having the effect of a direct transfer, including consolidations of benefits attributable to different employers within a multiple employer plan.

''(5) 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) a 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.''.

(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 paragraph (6)(B) of section 411(d) (relating to accrued benefit not to be decreased by amendment) is amended to read as follows: ''The Secretary may by regulations provide that this subparagraph shall not apply to any plan amendment that does not adversely affect the rights of participants in a material manner.''.

(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) SECRETARY DIRECTED.—Not later than December 31, 2001, the Secretary of the Treasury is directed to issue final regulations under section 411(d)(6) of the Internal Revenue Code of 1986 and section 204(g)(2) of the Employee Retirement Income Security Act of 1974. Such regulations shall apply to plan years beginning after December 31, 2001, or such earlier date as is specified by the Secretary of the Treasury.

**SEC. 336. RATIONALIZATION OF RESTRICTIONS ON DISTRIBUTIONS.**

(a) MODIFICATION OF SAME DESK EXCEPTION.—

(1) SECTION 401(k).—

(A) Section 401(k)(2)(B)(i)(I) (relating to qualified cash or deferred arrangements) is amended by striking ''separation from service'' and inserting ''severance from employment''.

(B) Subparagraph (A) of section 401(k)(10) (relating to distributions upon termination of plan or disposition of assets or subsidiary) is amended to read as follows:

''(A) IN GENERAL.—An event described in this subparagraph is the termination of the plan without establishment or maintenance of another defined contribution plan (other than an employee stock ownership plan as defined in section 4975(e)(7)).''.

(C) Section 401(k)(10) is amended—

(i) in subparagraph (B)—

(I) by striking ''An event'' in clause (i) and inserting ''A termination'', and

(II) by striking ''the event'' in clause (i) and inserting ''the termination'',

(ii) by striking subparagraph (C), and

(iii) by striking ''OR DISPOSITION OF ASSETS OR SUBSIDIARY'' in the heading.

(2) SECTION 403(b).—

(A) Paragraphs (7)(A)(ii) and (11)(A) of section 403(b) are each amended by striking ''separates from service'' and inserting ''has a severance from employment''.

(B) The heading for paragraph (11) of section 403(b) is amended by striking ''SEPARATION FROM SERVICE'' and inserting ''SEVERANCE FROM EMPLOYMENT''.

(3) SECTION 457.—Clause (ii) of section 457(d)(1)(A) is amended by striking ''is separated from service'' and inserting ''has a severance from employment''.

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

**SEC. 337. PURCHASE OF SERVICE CREDIT IN GOVERNMENTAL DEFINED BENEFIT PLANS.**

(a) 403(b) PLANS.—Subsection (b) of section 403 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 includible 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 purchase of permissive 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) 457 PLANS.—

(1) Subsection (e) of section 457 is amended by adding after paragraph (17) the following new paragraph:

''(18) TRUSTEE-TO-TRUSTEE TRANSFERS TO PURCHASE PERMISSIVE SERVICE CREDIT.—No amount shall be includible 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 purchase of permissive 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.''.

(2) Section 457(b)(2) is amended by striking ''(other than rollover amounts)'' and inserting ''(other than rollover amounts and amounts received in a transfer referred to in subsection (e)(16))''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to trustee-to-trustee transfers after December 31, 2000.

**SEC. 338. EMPLOYERS MAY DISREGARD ROLLOVERS FOR PURPOSES OF CASH-OUT AMOUNTS.**

(a) QUALIFIED PLANS.—

(1) AMENDMENT TO INTERNAL REVENUE CODE OF 1986.—Section 411(a)(11) (relating to restrictions on certain mandatory distributions) is amended by adding at the end the following:

''(D) SPECIAL RULE FOR ROLLOVER CONTRIBUTIONS.—A plan shall not fail to meet the requirements of this paragraph if, under the terms of the plan, the present value of the nonforfeitable accrued benefit is determined without regard to that portion of such benefit which is attributable to rollover contributions (and earnings allocable thereto). For purposes of this subparagraph, the term 'rollover contributions' means any rollover contribution under sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(e)(16).''.

(2) AMENDMENT TO ERISA.—Section 203(e) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(c)) is amended by adding at the end the following:

''(4) A plan shall not fail to meet the requirements of this subsection if, under the terms of the plan, the present value of the nonforfeitable accrued benefit is determined without regard to that portion of such benefit which is attributable to rollover contributions (and earnings allocable thereto). For purposes of this subparagraph, the term 'rollover contributions' means any rollover contribution under sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(e)(16) of the Internal Revenue Code of 1986.''.

(b) ELIGIBLE DEFERRED COMPENSATION PLANS.—Clause (i) of section 457(e)(9)(A) is amended by striking ''such amount'' and inserting ''the portion of such amount which is not attributable to rollover contributions (as defined in section 411(a)(11)(D))''.

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

**SEC. 339. INCLUSION REQUIREMENTS FOR SECTION 457 PLANS.**

(a) YEAR OF INCLUSION.—Subsection (a) of section 457 (relating to year of inclusion in gross income) is amended to read as follows:

''(a) YEAR OF INCLUSION IN GROSS INCOME.—

''(1) IN GENERAL.—Any amount of compensation deferred under an eligible deferred compensation plan, and any income attributable to the amounts so deferred, shall be includible in gross income only for the taxable year in which such compensation or other income—

''(A) is paid to the participant or other beneficiary, in the case of a plan of an eligible employer described in subsection (e)(1)(A), and

''(B) is paid or otherwise made available to the participant or other beneficiary, in the case of a plan of an eligible employer described in subsection (e)(1)(B).

''(2) SPECIAL RULE FOR ROLLOVER AMOUNTS.—To the extent provided in section 72(t)(9), section 72(t) shall apply to any amount includible in gross income under this subsection.''.

(b) 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 of an employer described in paragraph (1)(B)—''.

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

## Subtitle E—Strengthening Pension Security and Enforcement

**SEC. 341. REPEAL OF 150 PERCENT OF CURRENT LIABILITY FUNDING LIMIT.**

(a) AMENDMENT TO INTERNAL REVENUE CODE OF 1986.—Section 412(c)(7) (relating to full-funding limitation) is amended—

(1) by striking ''the applicable percentage'' in subparagraph (A)(i)(I) and inserting ''in the case of plan years beginning before January 1, 2004, the applicable percentage'', and

(2) by amending subparagraph (F) to read as follows:

''(F) APPLICABLE PERCENTAGE.—For purposes of subparagraph (A)(i)(I), the applicable percentage shall be determined in accordance with the following table:

| ''In the case of any plan year beginning in— | The applicable percentage is— |
|---|---|
| 2001 | 160 |
| 2002 | 165 |
| 2003 | 170.''. |

(b) AMENDMENT TO ERISA.—Section 302(c)(7) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1082(c)(7)) is amended—

(1) by striking ''the applicable percentage'' in subparagraph (A)(i)(I) and inserting ''in the case of plan years beginning before January 1, 2004, the applicable percentage'', and

(2) by amending subparagraph (F) to read as follows:

''(F) APPLICABLE PERCENTAGE.—For purposes of subparagraph (A)(i)(I), the applicable percentage shall be determined in accordance with the following table:

| ''In the case of any plan year beginning in— | The applicable percentage is— |
|---|---|
| 2001 | 160 |
| 2002 | 165 |
| 2003 | 170.''. |

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

**SEC. 342. EXTENSION OF MISSING PARTICIPANTS PROGRAM TO MULTIEMPLOYER PLANS.**

(a) IN GENERAL.—Section 4050 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1350) is amended by redesignating subsection (c) as subsection (d) and by inserting after subsection (b) the following:

''(c) MULTIEMPLOYER PLANS.—The corporation shall prescribe rules similar to the rules in subsection (a) for multiemployer plans covered by this title that terminate under section 4041A.''.

(b) CONFORMING AMENDMENT.—Section 206(f) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1056(f)) is amended by striking ''the plan shall provide that,''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions made after final regulations implementing subsection (c) of section 4050 of the Employee Retirement Income Security Act of 1974 (as added by subsection (a)) are prescribed.

**SEC. 343. EXCISE TAX RELIEF FOR SOUND PENSION FUNDING.**

(a) IN GENERAL.—Subsection (c) of section 4972 (relating to nondeductible contributions) is amended by adding at the end the following new paragraph:

''(7) DEFINED BENEFIT PLAN EXCEPTION.—In determining the amount of nondeductible contributions for any taxable year, an employer may elect for such year not to take into account any contributions to a defined benefit plan except to the extent that such contributions exceed the full-funding limitation (as defined in section 412(c)(7), determined without regard to subparagraph (A)(i)(I) thereof). For purposes of this paragraph, the deductible limits under section 404(a)(7) shall first be applied to amounts contributed to defined contribution plans and then to amounts described in this paragraph. If an employer makes an election under this paragraph for a taxable year, paragraph (6) shall not apply to such employer for such taxable year.''.

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

**SEC. 344. FAILURE TO PROVIDE NOTICE BY DEFINED BENEFIT PLANS SIGNIFICANTLY REDUCING FUTURE BENEFIT ACCRUALS.**

(a) EXCISE TAX.—

(1) IN GENERAL.—Chapter 43 of subtitle D (relating to qualified pension, etc., plans) is amended by adding at the end the following new section:

**"SEC. 4980F. FAILURE OF DEFINED BENEFIT PLANS REDUCING BENEFIT ACCRUALS TO SATISFY NOTICE REQUIREMENTS.**

''(a) IMPOSITION OF TAX.—There is hereby imposed a tax on the failure of an applicable pension plan to meet the requirements of subsection (e) with respect to any applicable individual.

''(b) AMOUNT OF TAX.—

''(1) IN GENERAL.—The amount of the tax imposed by subsection (a) on any failure with respect to any applicable individual shall be $100 for each day in the noncompliance period with respect to such failure.

''(2) NONCOMPLIANCE PERIOD.—For purposes of this section, the term 'noncompliance period' means, with respect to any failure, the period beginning on the date the failure first occurs and ending on the date the failure is corrected.

''(3) MINIMUM TAX FOR NONCOMPLIANCE PERIOD WHERE FAILURE DISCOVERED AFTER NOTICE OF EXAMINATION.—Notwithstanding paragraphs (1) and (2) of subsection (c)—

''(A) IN GENERAL.—In the case of 1 or more failures with respect to an applicable individual—

''(i) which are not corrected before the date a notice of examination of income tax liability is sent to the employer, and

''(ii) which occurred or continued during the period under examination,

the amount of tax imposed by subsection (a) by reason of such failures with respect to such beneficiary shall not be less than the lesser of $2,500 or the amount of tax which would be imposed by subsection (a) without regard to such paragraphs.

''(B) HIGHER MINIMUM TAX WHERE VIOLATIONS ARE MORE THAN DE MINIMIS.—To the extent violations by the employer (or the plan in the case of a multiemployer plan) for any year are more than de minimis, subparagraph (A) shall be applied by substituting '$15,000' for '$2,500' with respect to the employer (or such plan).

''(c) LIMITATIONS ON AMOUNT OF TAX.—

''(1) TAX NOT TO APPLY WHERE FAILURE NOT DISCOVERED EXERCISING REASONABLE DILIGENCE.—No tax shall be imposed by subsection (a) on any failure during any period for which it is established to the satisfaction of the Secretary that none of the persons referred to in subsection (d) knew, or exercising reasonable diligence would have known, that the failure existed.

''(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 exercising reasonable diligence would 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 taxable years taken into account shall be determined under principles similar to the principles of section 1561.

''(4) WAIVER BY SECRETARY.—In the case of a failure which is 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 elimination or reduction 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 amendment, provide 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 such participants and beneficiaries to understand how the amendment generally affects different classes of employees.

''(2) ADDITIONAL NOTICE REQUIRED IN CERTAIN CASES.—

''(A) IN GENERAL.—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 of an applicable individual is determined under the plan, or

''(II) requires an applicable individual to choose between 2 or more benefit formulas, and

''(ii) 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 amendment, provide written notice to such applicable individual which includes the information described in subparagraph (B).

''(B) ADDITIONAL INFORMATION.—The notice under subparagraph (A) shall include the following information:

''(i) The accrued benefit (and if the amendment adds the option of an immediate lump sum distribution, the present value of the accrued benefit) as of the effective date, determined under the terms of the plan in effect immediately before the effective date.

''(ii) The accrued benefit as of the effective date, determined under the terms of the plan in effect on the effective date and without regard to any minimum accrued benefit required by reason of section 411(d)(6).

''(iii) Sufficient information (as determined in accordance with regulations prescribed by the Secretary) for an applicable individual to compute their projected accrued benefit under the terms of the plan in effect on the effective date or to acquire information necessary to compute such projected accrued benefit.

''(C) OPTION TO PROVIDE PROJECTED ACCRUED BENEFIT.—A plan may, in lieu of the information described in subparagraph (B)(iii), include a determination of an applicable individual's projected accrued benefit under the terms of the plan in effect on the effective date. Such determination shall include a disclosure of the assumptions used by the plan in determining such benefit and such assumptions must be reasonable in the aggregate.

''(D) RULES FOR COMPUTING BENEFITS.—For purposes of this paragraph, an applicable individual's accrued benefit and projected accrued benefit shall be computed—

''(i) as if the accrued benefit were in the form of a single life annuity commencing at normal retirement age (and by taking into account any early retirement subsidy), and

''(ii) by using the applicable mortality table and the applicable interest rate under section 417(e)(3)(A).

''(3) SECRETARY MAY CHANGE NOTICE AND TIME FOR NOTICE.—If a plan amendment to which paragraph (1) applies requires an applicable individual to choose between 2 or more benefit formulas, the Secretary may, after consultation with the Secretary of Labor—

''(A) require additional information to be provided in either of the notices described in paragraph (1) or (2), and

''(B) require either of such notices to be provided at a time other than the time required under either such paragraph.

''(4) NOTICE BEFORE ADOPTION OF AMENDMENT.—A plan shall not be treated as failing to meet the requirements of paragraph (1) or (2) merely because notice is provided before the adoption of the plan amendment if no material modification of the amendment occurs before the amendment is adopted.

''(5) NOTICE TO DESIGNEE.—Any notice under paragraph (1) or (2) may be provided to a person designated, in writing, by the person to which 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 411(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 under the terms of the plan in effect immediately before the effective date.

''(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 412.

Such term shall not include a governmental plan (within the meaning of section 414(d)) or a church plan (within the meaning of section 414(e)) with respect to which an election under section 410(d) has not been made.''.

(2) CONFORMING AMENDMENT.—The table of sections for chapter 43 of subtitle D is amended by adding at the end the following new item:

''Sec. 4980F. 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:

''(h)(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-type 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 of the Treasury) to allow applicable individuals to understand how the amendment generally affects different classes of employees.

''(2)(A) 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

''(ii) 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 amendment, provide written notice to such applicable individual which includes the information described in subparagraph (B).

''(B) The notice under subparagraph (A) shall include the following information:

''(i) The accrued benefit (and if the amendment adds the option of an immediate lump sum distribution, the present value of the accrued benefit) as of the effective date, determined under the terms of the plan in effect immediately before the effective date.

''(ii) The accrued benefit as of the effective date, determined under the terms of the plan in effect on the effective date and without regard to any minimum accrued benefit required by reason of section 204(g).

''(iii) Sufficient information (as determined in accordance with regulations prescribed by the Secretary of the Treasury) for an applicable individual to compute their projected accrued benefit under the terms of the plan in effect on the effective date or to acquire information necessary to compute such projected accrued benefit.

''(C) A plan may, in lieu of the information described in subparagraph (B)(iii), include a determination of an applicable individual's projected accrued benefit under the terms of the plan in effect on the effective date. Such determination shall include a disclosure of the assumptions used by the plan in determining such benefit and such assumptions must be reasonable in the aggregate.

''(D) For purposes of this paragraph, an applicable individual's accrued benefit and projected accrued benefit shall be computed—

''(i) as if the accrued benefit were in the form of a single life annuity commencing at normal retirement age (and by taking into account any early retirement subsidy), and

''(ii) by using the applicable mortality table and the applicable interest rate under section 205(g)(3)(A).

''(3) If a plan amendment to which paragraph (1) applies requires an applicable individual to choose between 2 or more benefit formulas, the Secretary of the Treasury may, after consultation with the Secretary—

''(A) require additional information to be provided in either of the notices described in paragraph (1) or (2), and

''(B) require either of such notices to 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 paragraph (1) or (2) merely because notice is provided before the adoption of the plan amendment if no material modification of the amendment occurs before the amendment is adopted.

''(5) Any notice under paragraph (1) or (2) may be provided to a person designated, in writing, by the person to which it would otherwise be provided.

''(6)(A) For purposes of this subsection, the term 'applicable individual' means, with respect to any plan amendment—

''(i) any participant in the plan, and

''(ii) any beneficiary 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)(B)).

''(B) Such term shall not include a participant who has less than 1 year of participation (within the meaning of section 204(b)(4)) under the plan as of the effective date of the plan amendment.

''(C) 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 under the terms of the plan in effect immediately before the effective date.

''(7) For purposes of this subsection, the term 'applicable pension plan' means—

''(A) a defined benefit plan, or

''(B) an individual account plan which is subject to the funding standards of section 302.

Such term shall not include a governmental plan (within the meaning of section 3(32)) or a church plan (within the meaning of section 3(33)) with respect to which an election under section 410(d) of the Internal Revenue Code of 1986 has not been made.''.

(c) EFFECTIVE DATES.—

(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 1 or more collective bargaining agreements between employee representatives and 1 or more employers ratified by the date of the enactment of this Act, the amendments made by this section shall not apply to plan amendments taking effect before the earlier of—

(A) the later of—

(i) 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, 2000, or

(B) January 1, 2002.

(3) SPECIAL RULE.—The period for providing any notice required by the amendments made by this section shall not end before the date which is 3 months after the date of the enactment of this Act.

**SEC. 345. PROTECTION OF INVESTMENT OF EMPLOYEE CONTRIBUTIONS TO 401(K) PLANS.**

(a) IN GENERAL.—Section 1524(b) of the Taxpayer Relief Act of 1997 is amended to read as follows:

''(b) EFFECTIVE DATE.—

''(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to elective deferrals for plan years beginning after December 31, 1998.

''(2) NONAPPLICATION TO PREVIOUSLY ACQUIRED PROPERTY.—The amendments made by this section shall not apply to any elective deferral used to acquire an interest in the income or gain from employer securities or employer real property acquired—

''(A) before January 1, 1999, or

''(B) after such date pursuant to a written contract which was binding on such date and at all times thereafter on such plan.''.

(b) 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. 346. TREATMENT OF MULTIEMPLOYER PLANS UNDER SECTION 415.**

(a) COMPENSATION LIMIT.—Paragraph (11) of section 415(b) (relating to limitation for defined benefit plans) is amended to read as follows:

''(11) SPECIAL LIMITATION RULE FOR GOVERNMENTAL AND MULTIEMPLOYER PLANS.—In the case of a governmental plan (as defined in section 414(d)) or a multiemployer plan (as defined in section 414(f)), subparagraph (B) of paragraph (1) shall not apply.''.

(b) COMBINING AND AGGREGATION OF PLANS.—

(1) COMBINING OF PLANS.—Subsection (f) of section 415 (relating to combining of plans) is amended by adding at the end the following:

''(3) EXCEPTION FOR MULTIEMPLOYER PLANS.—Notwithstanding paragraph (1) and subsection (g), a multiemployer plan (as defined in section 414(f)) shall not be combined or aggregated with any other plan maintained by an employer for purposes of applying the limitations established in this section. The preceding sentence shall not apply for purposes of applying subsection (b)(1)(A) to a plan which is not a multiemployer plan.''.

(2) CONFORMING AMENDMENT FOR AGGREGATION OF PLANS.—Subsection (g) of section 415 (relating to aggregation of plans) is amended by striking ''The Secretary'' and inserting ''Except as provided in subsection (f)(3), the Secretary''.

(c) APPLICATION OF SPECIAL EARLY RETIREMENT RULES.—Section 415(b)(2)(F) (relating to plans maintained by governments and tax-exempt organizations) is amended—

(1) by inserting ''a multiemployer plan (within the meaning of section 414(f)),'' after ''section 414(d)),'', and

(2) by striking the heading and inserting:

''(F) SPECIAL EARLY RETIREMENT RULES FOR CERTAIN PLANS.—''.

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

**SEC. 347. MAXIMUM CONTRIBUTION DEDUCTION RULES MODIFIED AND APPLIED TO ALL DEFINED BENEFIT PLANS.**

(a) IN GENERAL.—Subparagraph (D) of section 404(a)(1) (relating to special rule in case of certain plans) is amended to read as follows:

''(D) SPECIAL RULE IN CASE OF CERTAIN PLANS.—

''(i) IN GENERAL.—In the case of any defined benefit plan, except as provided in regulations, the maximum amount deductible under the limitations of this paragraph shall not be less than the unfunded termination liability (determined as if the proposed termination date referred to in section 4041(b)(2)(A)(i)(II) of the Employee Retirement Income Security Act of 1974 were the last day of the plan year).

''(ii) PLANS WITH LESS THAN 100 PARTICIPANTS.—For purposes of this subparagraph, in the case of a plan which has less than 100 participants for the plan year, termination liability shall not include the liability attributable to benefit increases for highly compensated employees (as defined in section 414(q)) resulting from a plan amendment which is made or becomes effective, whichever is later, within the last 2 years before the termination date.

''(iii) RULE FOR DETERMINING NUMBER OF PARTICIPANTS.—For purposes of determining whether a plan has more than 100 participants, all defined benefit plans maintained by the same employer (or any member of such employer's controlled group (within the meaning of section 412(l)(8)(C))) shall be treated as 1 plan, but only employees of such member or employer shall be taken into account.

''(iv) PLANS ESTABLISHED AND MAINTAIN BY PROFESSIONAL SERVICE EMPLOYERS.—Clause (i) shall not apply to a plan described in section 4021(b)(13) of the Employee Retirement Income Security Act of 1974.''.

(b) CONFORMING AMENDMENT.—Paragraph (6) of section 4972(c) is amended to read as follows:

''(6) EXCEPTIONS.—In determining the amount of nondeductible contributions for any taxable year, there shall not be taken into account so much of the contributions to 1 or more defined contribution plans which are not deductible when contributed solely because of section 404(a)(7) as does not exceed the greater of—

''(A) the amount of contributions not in excess of 6 percent of compensation (within the meaning of section 404(a)) paid or accrued (during the taxable year for which the contributions were made) to beneficiaries under the plans, or

''(B) the sum of—

''(i) the amount of contributions described in section 401(m)(4)(A), plus

''(ii) the amount of contributions described in section 402(g)(3)(A).

*For purposes of this paragraph, the deductible limits under section 404(a)(7) shall first be applied to amounts contributed to a defined benefit plan and then to amounts described in subparagraph (B).''.*

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

**SEC. 348. INCREASE IN SECTION 415 EARLY RETIREMENT LIMIT FOR GOVERNMENTAL AND OTHER PLANS.**

*(a) IN GENERAL.—Subclause (II) of section 415(b)(2)(F)(i), as amended by section 346(c), is amended—*

*(1) by striking ''$75,000'' and inserting ''80 percent of the dollar amount in effect under paragraph (1)(A)'', and*

*(2) by striking ''the $75,000 limitation'' and inserting ''80 percent of such dollar amount''.*

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

**Subtitle F—Encouraging Retirement Education**

**SEC. 351. PERIODIC PENSION BENEFITS STATEMENTS.**

*(a) IN GENERAL.—Section 105(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1025 (a)) is amended to read as follows:*

*''(a)(1) Except as provided in paragraph (2)—*

*''(A) the administrator of an individual account plan shall furnish a pension benefit statement—*

*''(i) to a plan participant at least once annually, and*

*''(ii) to a plan beneficiary upon written request, and*

*''(B) the administrator of a defined benefit plan shall furnish a pension benefit statement—*

*''(i) at least once every 3 years to each participant with a nonforfeitable accrued benefit who is employed by the employer maintaining the plan at the time the statement is furnished to participants, and*

*''(ii) to a participant or beneficiary of the plan upon written request.*

*''(2) Notwithstanding paragraph (1), the administrator of a plan to which more than 1 unaffiliated employer is required to contribute shall only be required to furnish a pension benefit statement under paragraph (1) upon the written request of a participant or beneficiary of the plan.*

*''(3) A pension benefit statement under paragraph (1)—*

*''(A) shall indicate, on the basis of the latest available information—*

*''(i) the total benefits accrued, and*

*''(ii) 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)(i) shall be treated 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 ways 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 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1025) is amended by striking subsection (d).*

*(2) Section 105(b) of such Act (29 U.S.C. 1025(b)) is amended to read as follows:*

*''(b) In no case shall a participant or beneficiary of a plan be entitled to more than one statement described in subsection (a)(1)(A) or (a)(1)(B)(ii), whichever is applicable, in any 12-month period.''.*

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

**SEC. 352. 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 (6) and inserting '', or'', and by adding at the end the following new paragraph:*

*''(7) 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 (l) 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 service provided to an employee and his spouse by an employer maintaining a qualified employer plan.*

*''(2) NONDISCRIMINATION RULE.—Subsection (a)(7) shall apply in the case of highly compensated employees only if such services are available on substantially the same terms to each member of the group of employees normally provided education and information regarding the employer's qualified employer plan.*

*''(3) QUALIFIED EMPLOYER PLAN.—For purposes of this subsection, the term 'qualified employer plan' means a plan, contract, pension, or account described in section 219(g)(5).''.*

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

**Subtitle G—Reducing Regulatory Burdens**

**SEC. 361. FLEXIBILITY IN NONDISCRIMINATION AND COVERAGE RULES.**

*(a) NONDISCRIMINATION.—*

*(1) 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 facts and circumstances 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.*

*(2) EFFECTIVE DATES.—*

*(A) REGULATIONS.—The regulation required by subsection (a) shall apply to years beginning after December 31, 2000.*

*(B) CONDITIONS OF AVAILABILITY.—Any condition of availability prescribed by the Secretary under paragraph (1)(A) shall not apply before the first year beginning not less than 120 days after the date on which such condition is prescribed.*

*(b) COVERAGE TEST.—*

*(1) IN GENERAL.—Section 410(b)(1) (relating to minimum coverage requirements) is amended by adding at the end the following:*

*''(D) In the case that the plan fails to meet the requirements of subparagraphs (A), (B) and (C), the plan—*

*''(i) satisfies subparagraph (B), as in effect immediately before the enactment of the Tax Reform Act of 1986,*

*''(ii) is submitted to the Secretary for a determination of whether it satisfies the requirement described in clause (i), and*

*''(iii) satisfies conditions prescribed by the Secretary by regulation that appropriately limit the availability of this subparagraph.*

*Clause (ii) shall apply only to the extent provided by the Secretary.''.*

*(2) EFFECTIVE DATES.—*

*(A) IN GENERAL.—The amendment made by subsection (a) shall apply to years beginning after December 31, 2000.*

*(B) CONDITIONS OF AVAILABILITY.—Any condition of availability prescribed by the Secretary under regulations prescribed by the Secretary under section 410(b)(1)(D) of the Internal Revenue Code of 1986 shall not apply before the first year beginning not less than 120 days after the date on which such condition is prescribed.*

**SEC. 362. MODIFICATION OF TIMING OF PLAN VALUATIONS.**

*(a) IN GENERAL.—Section 412(c)(9) (relating to annual valuation) is amended—*

*(1) by striking ''For purposes'' and inserting the following:*

*''(A) IN GENERAL.—For purposes'', and*

*(2) by adding at the end the following:*

*''(B) ELECTION TO USE PRIOR YEAR VALUATION.—*

*''(i) IN GENERAL.—Except as provided in clause (ii), if, for any plan year—*

*''(I) an election is in effect under this subparagraph with respect to a plan, and*

*''(II) the assets of the plan are not less than 125 percent of the plan's current liability (as defined in paragraph (7)(B)), 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.*

*''(ii) EXCEPTIONS.—*

*''(I) 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.*

*''(II) REGULATIONS.—Clause (i) shall not apply to the extent that more frequent valuations are required under the regulations under subparagraph (A).*

*''(iii) ADJUSTMENTS.—Information under clause (i) shall, in accordance with regulations, be actuarially adjusted to reflect significant differences in participants.*

*''(iv) ELECTION.—An election under this subparagraph, once made, shall be irrevocable without the consent of the Secretary.''.*

*(b) AMENDMENTS TO ERISA.—Paragraph (9) of section 302(c) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(c)) is amended—*

*(1) by inserting ''(A)'' after ''(9)'', and*

*(2) by adding at the end the following:*

*''(B)(i) Except as provided in clause (ii), if, for any plan year—*

*''(I) an election is in effect under this subparagraph with respect to a plan, and*

*''(II) the assets of the plan are not less than 125 percent of the plan's current liability (as defined in paragraph (7)(B)), 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.*

*''(ii)(I) 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) Clause (i) shall not apply to the extent that more frequent valuations are required under the regulations under subparagraph (A).*

*''(iii) Information under clause (i) shall, in accordance with regulations, be actuarially adjusted to reflect significant differences in participants.*

*''(iv) An election under this subparagraph, once made, shall be irrevocable without the consent of the Secretary of the Treasury.''.*

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

**SEC. 363. SUBSTANTIAL OWNER BENEFITS IN TERMINATED PLANS.**

(a) MODIFICATION OF PHASE-IN OF GUARANTEE.—Section 4022(b)(5) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1322(b)(5)) is amended to read as follows:

''(5)(A) For purposes of this paragraph, 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—

''(i) owns the entire interest in an unincorporated trade or business,

''(ii) in the case of a partnership, is a partner who owns, directly or indirectly, 50 percent or more of either the capital interest or the profits interest in such partnership, or

''(iii) in the case of a corporation, owns, directly or indirectly, 50 percent or more in value of either the voting stock of that corporation or all the stock of that corporation.

For purposes of clause (iii), the constructive ownership rules of section 1563(e) of the Internal Revenue Code of 1986 shall apply (determined without regard to section 1563(e)(3)(C)).

''(B) In the case of a participant who is a majority owner, the amount of benefits guaranteed under this section shall equal the product of—

''(i) a fraction (not to exceed 1) the numerator of which is the number of years from the later of the effective date or the adoption date of the plan to the termination date, and the denominator of which is 10, and

''(ii) the amount of benefits that would be guaranteed under this section if the participant were not a majority owner.''.

(b) MODIFICATION OF ALLOCATION OF ASSETS.—

(1) Section 4044(a)(4)(B) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1344(a)(4)(B)) is amended by striking ''section 4022(b)(5)'' and inserting ''section 4022(b)(5)(B)''.

(2) Section 4044(b) of such Act (29 U.S.C. 1344(b)) is amended—

(A) by striking ''(5)'' in paragraph (2) and inserting ''(4), (5),'', and

(B) by redesignating 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 that paragraph. Any remaining assets shall then be allocated to benefits described in subparagraph (B) of that paragraph. If assets allocated to such subparagraph (B) are insufficient to satisfy in full the benefits described 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)'', and

(B) by adding at the end the following:

''(d) 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—

''(1) owns the entire interest in an unincorporated trade or business,

''(2) in the case of a partnership, is a partner who owns, directly or indirectly, more than 10 percent of either the capital interest or the profits interest in such partnership, or

''(3) in the case of a corporation, owns, directly or indirectly, more than 10 percent in value of either the voting stock of that corporation or all the stock of that corporation.

For purposes of paragraph (3), the constructive ownership rules of section 1563(e) of the Internal Revenue Code of 1986 shall apply (determined without regard to section 1563(e)(3)(C)).''.

(2) Section 4043(c)(7) of such Act (29 U.S.C. 1343(c)(7)) is amended by striking ''section 4022(b)(6)'' and inserting ''section 4021(d)''.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to plan terminations—

(A) under section 4041(c) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1341(c)) with respect to which notices 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) with respect to 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. 364. ESOP DIVIDENDS MAY BE REINVESTED WITHOUT LOSS OF DIVIDEND DEDUCTION.**

(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, or''.

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

**SEC. 365. NOTICE AND CONSENT PERIOD REGARDING DISTRIBUTIONS.**

(a) EXPANSION OF PERIOD.—

(1) IN GENERAL.—

(A) AMENDMENT OF INTERNAL REVENUE CODE OF 1986.—Subparagraph (A) of section 417(a)(6) is amended by striking ''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. 1055(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 402(f), 411(a)(11), and 417 of the Internal Revenue Code of 1986 to substitute ''1-year'' for ''90 days'' each place it appears in Treasury Regulations sections 1.402(f)–1, 1.411(a)–11(c), and 1.417(e)–1(b).

(3) EFFECTIVE DATE.—The amendments made by 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 Secretary of the Treasury shall modify the regulations under section 411(a)(11) of the Internal Revenue Code of 1986 to provide that the description of a participant's right, if any, to defer receipt of a distribution shall also describe the consequences of failing to defer such receipt.

(2) EFFECTIVE DATE.—The modifications required by paragraph (1) shall apply to years beginning after December 31, 2000.

**SEC. 366. REPEAL OF TRANSITION RULE RELATING TO CERTAIN HIGHLY COMPENSATED EMPLOYEES.**

(a) IN GENERAL.—Paragraph (4) of section 1114(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. 367. EMPLOYEES OF TAX-EXEMPT ENTITIES.**

(a) IN GENERAL.—The Secretary of the Treasury shall modify Treasury Regulations section 1.410(b)–6(g) to provide that employees of an organization described in section 403(b)(1)(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 401 (k) or (m) of such Code that is provided under the same general arrangement as a plan under such section 401(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 401(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 401 (k) or (m).

(b) EFFECTIVE DATE.—The modification required by subsection (a) shall apply as of the same date set forth in section 1426(b) of the Small Business Job Protection Act of 1996.

**SEC. 368. EXTENSION TO INTERNATIONAL ORGANIZATIONS OF MORATORIUM ON APPLICATION OF CERTAIN NONDISCRIMINATION RULES APPLICABLE TO STATE AND LOCAL PLANS.**

(a) IN GENERAL.—Subparagraph (G) of section 401(a)(5), subparagraph (H) of section 401(a)(26), 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(a)(26) are each amended by inserting ''AND INTERNATIONAL ORGANIZATION'' after ''GOVERNMENTAL''.

(2) Subparagraph (G) of section 401(k)(3) is amended by inserting ''STATE 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. 369. ANNUAL REPORT DISSEMINATION.**

(a) IN GENERAL.—Section 104(b)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1024(b)(3)) is amended by striking ''shall furnish'' and inserting ''shall make available for examination (and, upon request, shall furnish)''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to reports for years beginning after December 31, 1998.

**SEC. 370. MODIFICATION OF EXCLUSION FOR EMPLOYER PROVIDED TRANSIT PASSES AND PASSENGERS PERMITTED TO UTILIZE OTHERWISE EMPTY SEATS ON AIRCRAFT.**

(a) IN GENERAL.—Section 132(f)(3) (relating to cash reimbursements) is amended by striking the last sentence.

(b) Subsection (h) of section 132 of the Internal Revenue Code of 1986 (relating to certain fringe benefits) is amended by adding at the end thereof the following new paragraph:

''(4) SPECIAL RULE FOR PASSENGERS TRAVELING ON NONCOMMERCIAL AIRCRAFT.—Any use of noncommercial air transportation by an individual shall be treated as use by an employee if no regularly scheduled commercial flight is available that day from the air facility at the individual's location.''.

(c) Subsection (j) of section 132 of the Internal Revenue Code of 1986 (relating to certain fringe benefits) is amended by adding at the end thereof the following new paragraph:

''(9) SPECIAL RULE FOR CERTAIN NONCOMMERCIAL AIR TRANSPORTATION.—For the purposes of subsection (b) the term 'no-additional-cost service' includes the value of transportation provided by an employer to an employee on a noncommercially operated aircraft if—

''(A) such transportation is provided on a flight made in the ordinary course of the trade

*or business of the employer owning or leasing such aircraft for use in such trade or business,*

*''(B) the flight on which the transportation is provided by the employer would have been made whether or not such employee was transported on the flight, and*

*''(C) the employer incurs no substantial additional cost in providing such transportation to such employee.*

*For purposes of this paragraph, an aircraft is noncommercially operated if transportation provided by the employer is not provided or made available to the general public by purchase of a ticket or other fare.''.*

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

***SEC. 371. REPORTING SIMPLIFICATION.***

*(a) SIMPLIFIED ANNUAL FILING REQUIREMENT FOR OWNERS AND THEIR SPOUSES.—*

*(1) IN GENERAL.—The Secretary of the Treasury shall modify the requirements for filing annual returns with respect to one-participant retirement plans to ensure that such plans with assets of $500,000 or less as of the close of the plan year need not file a return for that year.*

*(2) ONE-PARTICIPANT RETIREMENT PLAN DEFINED.—For purposes of this subsection, the term ''one-participant retirement plan'' means a retirement plan that—*

*(A) on the first day of the plan year—*

*(i) covered only the employer (and the employer's spouse) and the employer owned the entire business (whether or not incorporated), or*

*(ii) covered only one or more partners (and their spouses) in a business partnership (including partners in an S or C corporation),*

*(B) meets the minimum coverage requirements of section 410(b) of the Internal Revenue Code of 1986 without being combined with any other plan of the business that covers the employees of the business,*

*(C) does not provide benefits to anyone except the employer (and the employer's spouse) or the partners (and their spouses),*

*(D) does not cover a business that is a member of an affiliated service group, a controlled group of corporations, or a group of businesses under common control, and*

*(E) does not cover a business that leases employees.*

*(3) OTHER DEFINITIONS.—Terms used in paragraph (2) which are also used in section 414 of the Internal Revenue Code of 1986 shall have the respective meanings given such terms by such section.*

*(b) SIMPLIFIED ANNUAL FILING REQUIREMENT FOR PLANS WITH FEWER THAN 25 EMPLOYEES.—In the case of a retirement plan which covers less than 25 employees on the 1st day of the plan year and meets the requirements described in subparagraphs (B), (D), and (E) of subsection (a)(2), the Secretary of the Treasury shall provide for the filing of a simplified annual return that is substantially similar to the annual return required to be filed by a one-participant retirement plan.*

*(c) EFFECTIVE DATE.—The provisions of this section shall take effect on January 1, 2001.*

***Subtitle H—Plan Amendments***

***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)(2)(A), 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) IN GENERAL.—This section shall apply to any amendment to any plan or annuity contract which is made—*

*(A) pursuant to any amendment made by this title, or pursuant to any regulation issued under this title, and*

*(B) on or before the last day of the first plan year beginning on or after January 1, 2003.*

*In the case of a government plan (as defined in section 414(d) of the Internal Revenue Code of 1986), this paragraph shall be applied by substituting ''2005'' for ''2003''.*

*(2) CONDITIONS.—This section shall not apply to any amendment unless—*

*(A) during the period—*

*(i) beginning on the date the legislative or regulatory amendment described in paragraph (1)(A) takes effect (or in the case of a plan or contract amendment not required by such legislative or regulatory amendment, the effective date specified by the plan), and*

*(ii) ending on the date described in paragraph (1)(B) (or, if earlier, the date the plan or contract amendment is adopted),*

*the plan or contract is operated as if such plan or contract amendment were in effect, and*

*(B) such plan or contract amendment applies retroactively for such period.*

***TITLE IV—EDUCATION TAX RELIEF PROVISIONS***

***SEC. 401. ELIMINATION OF 60-MONTH LIMIT AND INCREASE IN INCOME LIMITATION ON 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.*

*(2) CONFORMING AMENDMENT.—Section 6050S(e) is amended by striking ''section 221(e)(1)'' and inserting ''section 221(d)(1)''.*

*(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply with respect to any loan interest paid after December 31, 1999, in taxable years ending after such date.*

*(b) INCREASE IN INCOME LIMITATION.—*

*(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*

*''(ii) $15,000.''.*

*(2) CONFORMING AMENDMENT.—Section 221(g)(1) is amended by striking ''$40,000 and $60,000 amounts'' and inserting ''$50,000 amount''.*

*(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years ending after December 31, 1999.*

***SEC. 402. MODIFICATIONS TO QUALIFIED TUITION PROGRAMS.***

*(a) SHORT TITLE.—This section may be cited as the ''Collegiate Learning and Student Savings (CLASS) Act''.*

*(b) 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'' after ''maintained by a State or agency or instrumentality thereof''.*

*(2) PRIVATE QUALIFIED TUITION PROGRAMS LIMITED TO BENEFIT PLANS.—Clause (ii) of section 529(b)(1)(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), 135(d)(1)(D), 529, 530(b)(2)(B), 4973(e), and 6693(a)(2)(C) are each amended by striking ''qualified State tuition'' each place it appears and inserting ''qualified tuition''.*

*(B) The headings for sections 72(e)(9) and 135(c)(2)(C) are each amended by striking ''QUALIFIED STATE TUITION'' and inserting ''QUALIFIED TUITION''.*

*(C) The headings for sections 529(b) and 530(b)(2)(B) are each amended by striking ''QUALIFIED STATE TUITION'' and inserting ''QUALIFIED TUITION''.*

*(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 VIII of subchapter F of chapter 1 is amended by striking ''State''.*

*(c) EXCLUSION FROM GROSS INCOME OF EDUCATION DISTRIBUTIONS FROM QUALIFIED TUITION PROGRAMS.—*

*(1) 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 paragraph—*

*''(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) such distributions do not exceed the qualified higher education expenses (reduced by expenses described in clause (i)), no amount shall be includible in gross income, and*

*''(II) in any other case, the amount otherwise includible in gross income shall be reduced by an amount which bears the same ratio to such amount as such expenses bear to such distributions.*

*''(iii) 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.—The total amount of qualified higher education expenses with respect to an individual for the taxable year shall be reduced—*

*''(I) as provided in section 25A(g)(2), and*

*''(II) 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.*

*''(vi) COORDINATION WITH EDUCATION INDIVIDUAL RETIREMENT ACCOUNTS.—If, with respect to an individual for any taxable year—*

*''(I) the aggregate distributions to which clauses (i) and (ii) and section 530(d)(2)(A) apply, exceed*

*''(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,*

*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 sections 529(c)(3)(B)(i) and 530(d)(2)''.*

*(B) Section 221(e)(2)(A) is amended by inserting ''529,'' after ''135,''.*

*(d) COORDINATION WITH HOPE AND LIFETIME LEARNING CREDITS AND QUALIFIED TUITION PROGRAMS.—*

*(1) 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 subparagraph (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) as provided in section 25A(g)(2), and

''(II) 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.

''(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 25A 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 unless the taxpayer elects to have this section apply with respect to such individual for such year.''.

(B) Section 135(d)(2)(A) is amended by striking ''allowable'' and inserting ''allowed''.

(C) Section 530(d)(2)(D) is amended—

(i) by striking ''or credit'', and

(ii) by striking ''CREDIT OR'' in the heading.

(e) ROLLOVER TO DIFFERENT PROGRAM FOR BENEFIT OF SAME DESIGNATED BENEFICIARY.—Section 529(c)(3)(C) (relating to change in beneficiaries) is amended—

(1) by striking ''transferred to the credit'' in clause (i) and inserting ''transferred—

''(I) to another qualified tuition program for the benefit of the designated beneficiary, or

''(II) to the credit'',

(2) by adding at the end the following new clause:

''(iii) LIMITATION ON CERTAIN ROLLOVERS.—Clause (i)(I) 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 (i)(I).'', and

(3) by inserting ''OR PROGRAMS'' after ''BENEFICIARIES'' in the heading.

(f) MEMBER OF FAMILY INCLUDES FIRST COUSIN.—Section 529(e)(2) (defining member of family) is amended by striking ''and'' at the end of subparagraph (B), by striking the period at the end of subparagraph (C) and by inserting ''; and'', and by adding at the end the following new subparagraph:

''(D) any first cousin of such beneficiary.''.

(g) DEFINITION OF QUALIFIED HIGHER EDUCATION EXPENSES.—

(1) 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 Refund Act of 1999) 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 adding 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 beneficiary's degree program or is taken to acquire or improve job skills of the beneficiary.''.

(h) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

(2) QUALIFIED HIGHER EDUCATION EXPENSES.—The amendments made by subsection (g) shall apply to amounts paid for courses beginning after December 31, 1999.

**SEC. 403. 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 as a qualified scholarship) is amended—

(1) by striking ''Subsections (a)'' and inserting the following:

''(1) IN GENERAL.—Except as provided in paragraph (2), subsections (a)'', and

(2) by adding at the end the following new paragraph:

''(2) EXCEPTIONS.—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)(1)(A) of the Public Health Service Act, or

''(B) the Armed Forces Health Professions Scholarship and Financial Assistance program under subchapter I of chapter 105 of title 10, United States Code.''.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to amounts received in taxable years beginning after December 31, 1993.

**SEC. 404. EXTENSION OF EXCLUSION FOR EMPLOYER-PROVIDED EDUCATIONAL ASSISTANCE.**

(a) IN GENERAL.—Section 127(d) (relating to termination of exclusion for educational assistance programs) is amended by striking ''May 31, 2000'' and inserting ''December 31, 2003''.

(b) REPEAL OF LIMITATION ON GRADUATE EDUCATION.—

(1) IN GENERAL.—The last sentence of section 127(c)(1) is amended by striking '', and such term also does not include any payment for, or the provision of any benefits with respect to, any graduate level course of a kind normally taken by an individual pursuing a program leading to a law, business, medical, or other advanced academic or professional degree''.

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply with respect to expenses relating to courses beginning after December 31, 1999.

**SEC. 405. 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 capital expenditures) is amended by striking ''$5,000,000'' the second place it appears and inserting ''$10,000,000''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to obligations issued in calendar years beginning after December 31, 1999.

**SEC. 406. TREATMENT OF QUALIFIED PUBLIC EDUCATIONAL FACILITY BONDS AS EXEMPT FACILITY BONDS.**

(a) TREATMENT AS EXEMPT FACILITY BOND.—Subsection (a) of section 142 (relating to exempt facility bond) is amended by striking ''or'' at the end of paragraph (11), by striking the period at the end of paragraph (12) and inserting '', or'', and by adding at the end the following new paragraph:

''(13) qualified public educational facilities.''.

(b) QUALIFIED PUBLIC EDUCATIONAL FACILITIES.—Section 142 (relating to exempt facility bond) is amended by adding at the end the following new subsection:

''(k) QUALIFIED PUBLIC EDUCATIONAL FACILITIES.—

''(1) IN GENERAL.—For purposes of subsection (a)(13), the term 'qualified public educational facility' means any school facility which is—

''(A) part of a public elementary school or a public secondary school, and

''(B) owned by a private, for-profit corporation pursuant to a public-private partnership agreement with a State or local educational agency described in paragraph (2).

''(2) PUBLIC-PRIVATE PARTNERSHIP AGREEMENT DESCRIBED.—A public-private partnership agreement is described in this paragraph if it is an agreement—

''(A) under which the corporation agrees—

''(i) to do 1 or more of the following: construct, rehabilitate, refurbish, or equip a school facility, and

''(ii) at the end of the term of the agreement, to transfer the school facility to such agency for no additional consideration, and

''(B) the term of which does not exceed the last maturity date of any bond which is a part of the issue to be used to finance the activities described in subparagraph (A)(i).

''(3) SCHOOL FACILITY.—For purposes of this subsection, the term 'school facility' means—

''(A) school buildings,

''(B) functionally related and subordinate facilities and land with respect to such buildings, including any stadium or other facility primarily used for school events, and

''(C) any property, to which section 168 applies (or would apply but for section 179), for use in the facility.

''(4) PUBLIC SCHOOLS.—For purposes of this subsection, 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 subsection.

''(5) ANNUAL AGGREGATE FACE AMOUNT OF TAX-EXEMPT FINANCING.—

''(A) IN GENERAL.—An issue shall not be treated as an issue described in subsection (a)(13) if the aggregate face amount of bonds issued by the State pursuant thereto (when added to the aggregate face amount of bonds previously so issued during the calendar year) exceeds an amount equal to the greater of—

''(i) $10 multiplied by the State population, or

''(ii) $5,000,000.

''(B) ALLOCATION RULES.—

''(i) IN GENERAL.—Except as otherwise provided in this subparagraph, the State may allocate the amount described in subparagraph (A) for any calendar year in such manner as the State determines appropriate.

''(ii) RULES FOR CARRYFORWARD OF UNUSED LIMITATION.—A State may elect to carry forward an unused limitation for any calendar year for 3 calendar years following the calendar year in which the unused limitation arose under rules similar to the rules of section 146(f), except that the only purpose for which the carryforward may be elected is the issuance of exempt facility bonds described in subsection (a)(13).''.

(c) EXEMPTION FROM GENERAL STATE VOLUME CAPS.—Paragraph (3) of section 146(g) (relating to exception for certain bonds) is amended—

(1) by striking ''or (12)'' and inserting ''(12), or (13)'', and

(2) by striking ''and environmental enhancements of hydroelectric generating facilities'' and inserting ''environmental enhancements of hydroelectric generating facilities, and qualified public educational facilities''.

(d) EXEMPTION FROM LIMITATION ON USE FOR LAND ACQUISITION.—Section 147(h) (relating to certain rules not to apply to mortgage revenue bonds, qualified student loan bonds, and qualified 501(c)(3) bonds) is amended by adding at the end the following new paragraph:

''(3) EXEMPT FACILITY BONDS FOR QUALIFIED PUBLIC-PRIVATE SCHOOLS.—Subsection (c) shall not apply to any exempt facility bond issued as part of an issue described in section 142(a)(13) (relating to qualified public educational facilities).''.

(e) CONFORMING AMENDMENT.—The heading for section 147(h) is amended by striking ''MORTGAGE REVENUE BONDS, QUALIFIED STUDENT LOAN BONDS, AND QUALIFIED 501(c)(3) BONDS'' and inserting ''CERTAIN BONDS''.

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

**SEC. 407. FEDERAL GUARANTEE OF SCHOOL CONSTRUCTION BONDS BY FEDERAL HOME LOAN BANKS.**

(a) IN GENERAL.—Section 149(b)(3) (relating to exceptions) is amended by adding at the end the following new subparagraph:

''(E) CERTAIN GUARANTEED SCHOOL CONSTRUCTION BONDS.—Any bond issued as part of an issue 95 percent or more of the net proceeds of which are used for public school construction shall not be treated as federally guaranteed by reason of any guarantee by any Federal Home Loan Bank under the Federal Home Loan Bank Act (12 U.S.C. 1421 et seq.), to the extent the Federal Housing Finance Board allocates authority to such Bank to so guarantee such bond. For purposes of the preceding sentence, the aggregate face amount of such bonds which may be so guaranteed may not exceed $500,000,000 in any calendar year.''.

(b) EFFECTIVE DATE.—Subparagraph (E) of section 149(b)(3) of the Internal Revenue Code of 1986, as added by the amendment made by subsection (a), shall take effect upon the enactment, after the date of the enactment of this Act, of legislation authorizing the Federal Housing Finance Board to allocate authority to Federal Home Loan Banks to guarantee any bond described in such subparagraph, but only if such legislation makes specific reference to such subparagraph.

**SEC. 408. CERTAIN EDUCATIONAL BENEFITS PROVIDED BY AN EMPLOYER TO CHILDREN OF EMPLOYEES EXCLUDABLE FROM GROSS INCOME AS A SCHOLARSHIP.**

(a) IN GENERAL.—Section 117 (relating to qualified scholarships) is amended by adding at the end 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 161(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 benefit.

For purposes of subparagraph (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.

''(3) PRINCIPAL SHAREHOLDERS AND OWNERS.—Paragraph (1) shall not apply to any amount provided to any child of any individual if such individual (or such individual's spouse) owns (on any day of the year) more than 5 percent of the stock or of the capital or profits interest in the employer.

''(4) DEGREE REQUIREMENT 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.

''(5) 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.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after the date of enactment of this Act.

## TITLE V—HEALTH CARE TAX RELIEF PROVISIONS

**SEC. 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 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 an amount equal to the applicable percentage 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) APPLICABLE PERCENTAGE.—For purposes of subsection (a), the applicable percentage shall be determined in accordance with the following table:

| ''For taxable years beginning in calendar year— | The applicable percentage is— |
|---|---|
| 2001, 2002, 2003 | 25 |
| 2004 and 2005 | 50 |
| 2006 and thereafter | 100. |

''(c) LIMITATION BASED ON OTHER COVERAGE.—

''(1) COVERAGE UNDER CERTAIN SUBSIDIZED EMPLOYER PLANS.—

''(A) IN GENERAL.—Subsection (a) shall not apply to any 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 if 50 percent or 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 would be 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 AND LONG-TERM CARE INSURANCE.—Subparagraphs (A) and (C) shall be applied separately with respect to—

''(i) plans which include primarily coverage for qualified long-term 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) EXCEPTIONS.—

''(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.

''(d) LONG-TERM CARE DEDUCTION LIMITED TO QUALIFIED LONG-TERM CARE INSURANCE CONTRACTS.—In the case of a qualified long-term care insurance contract, only eligible long-term care premiums (as defined in section 213(d)(10)) may be taken into account under subsection (a).

''(e) DEDUCTION NOT AVAILABLE FOR PAYMENT OF ANCILLARY COVERAGE PREMIUMS.—Any amount paid as a premium for insurance which provides for—

''(1) coverage for accidents, disability, 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.

''(2) COORDINATION WITH MEDICAL EXPENSE DEDUCTION.—The amount taken into account by the taxpayer in computing the deduction under this section shall not be taken into account under section 213.

''(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.''.

(b) DEDUCTION ALLOWED WHETHER OR NOT TAXPAYER ITEMIZES OTHER DEDUCTIONS.—Subsection (a) of section 62 is amended by inserting after paragraph (17) the following new item:

''(18) HEALTH AND LONG-TERM CARE INSURANCE COSTS.—The deduction allowed by section 222.''.

(c) CLERICAL AMENDMENT.—The table of sections for part VII of subchapter B of chapter 1 is amended by striking the last item and inserting the following new items:

''Sec. 222. Health and long-term care insurance costs.

''Sec. 223. Cross reference.''.

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

**SEC. 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 inserting before the period at the end ''; except that such term shall include the payment of premiums for any qualified long-term care insurance contract (as defined in section 7702B) 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.''.

(b) FLEXIBLE SPENDING ARRANGEMENTS.—Section 106 (relating to contributions by employer to accident and health plans) is amended by striking subsection (c).

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

**SEC. 503. ADDITIONAL PERSONAL EXEMPTION FOR TAXPAYER CARING FOR ELDERLY FAMILY MEMBER IN TAXPAYER'S HOME.**

(a) IN GENERAL.—Section 151 (relating to allowance of deductions for personal exemptions) is amended by adding at the end redesignating subsection (e) as subsection (f) and by inserting after subsection (d) the following new subsection:

''(e) ADDITIONAL EXEMPTION FOR CERTAIN ELDERLY FAMILY MEMBERS RESIDING WITH TAXPAYER.—

''(1) IN GENERAL.—An exemption of the exemption amount for each qualified family member of the taxpayer.

''(2) QUALIFIED FAMILY MEMBER.—For purposes of this subsection, the term 'qualified family member' means, with respect to any taxable year, any individual—

''(A) who is—

''(i) the father or mother, or an ancestor of either, or

''(ii) a stepfather or stepmother,

of the taxpayer or of the taxpayer's spouse or former spouse,

''(B) who is a member for the entire taxable year of a household maintained by the taxpayer, and

''(C) 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 paragraph (3) for a period—

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

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

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

''(3) INDIVIDUALS WITH LONG-TERM CARE NEEDS.—An individual is described in this paragraph if the individual—

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

''(B) requires substantial supervision to protect such individual from threats to health and safety due to severe cognitive impairment and is unable to perform, without reminding or cuing assistance, at least 1 activity of 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.

''(4) SPECIAL RULES.—Rules similar to the rules of paragraphs (1), (2), (3), (4), and (5) of section 21(e) shall apply for purposes of this subsection.''.

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

**SEC. 504. INCLUSION OF CERTAIN VACCINES AGAINST STREPTOCOCCUS PNEUMONIAE TO LIST OF TAXABLE VACCINES; REDUCTION IN PER DOSE TAX RATE.**

(a) INCLUSION OF VACCINES.—

(1) IN GENERAL.—Section 4132(a)(1) (defining taxable vaccine) is amended by adding at the end the following new subparagraph:

''(L) Any conjugate vaccine against streptococcus pneumoniae.''.

(2) EFFECTIVE DATE.—

(A) SALES.—The amendment made by this subsection shall apply to vaccine sales beginning on the day after the date on which the Centers for Disease Control makes a final recommendation for routine administration to children of any conjugate vaccine against streptococcus pneumoniae, but shall not take effect if subsection (c) does not take effect.

(B) DELIVERIES.—For purposes of subparagraph (A), in the case of sales on or before the date described in such subparagraph for which delivery is made after such date, the delivery date shall be considered the sale date.

(b) REDUCTION IN PER DOSE TAX RATE.—

(1) IN GENERAL.—Section 4131(b)(1) (relating to amount of tax) is amended by striking ''75 cents'' and inserting ''25 cents''.

(2) EFFECTIVE DATE.—

(A) SALES.—The amendment made by this subsection shall apply to vaccine sales after December 31, 2004, but shall not take effect if subsection (c) does not take effect.

(B) DELIVERIES.—For purposes of subparagraph (A), in the case of sales on or before the date described in such subparagraph for which delivery is made after such date, the delivery date shall be considered the sale date.

(3) LIMITATION ON CERTAIN CREDITS OR REFUNDS.—For purposes of applying section 4132(b) of the Internal Revenue Code of 1986 with respect to any claim for credit or refund filed after August 31, 2004, the amount of tax taken into account shall not exceed the tax computed under the rate in effect on January 1, 2005.

(c) VACCINE TAX AND TRUST FUND AMENDMENTS.—

(1) Sections 1503 and 1504 of the Vaccine Injury Compensation Program Modification Act (and the amendments made by such sections) are hereby repealed.

(2) Subparagraph (A) of section 9510(c)(1) is amended by striking ''August 5, 1997'' and inserting ''October 21, 1998''.

(3) 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.

(d) REPORT.—Not later than 1 year after the date of the enactment of this Act, the Comptroller 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—SMALL BUSINESS TAX RELIEF PROVISIONS

**SEC. 601. 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) CLARIFICATION OF LIMITATIONS ON OTHER COVERAGE.—The first sentence of section 162(l)(2)(B) of the Internal Revenue Code of 1986 is amended to read as follows: ''Paragraph (1) shall not apply to any taxpayer for any calendar month for which the taxpayer participates in any subsidized health plan maintained by any employer (other than an employer described in section 401(c)(4)) of the taxpayer or the spouse of the taxpayer.''.

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

**SEC. 602. INCREASE IN EXPENSE TREATMENT FOR SMALL BUSINESSES.**

(a) IN GENERAL.—Paragraph (1) of section 179(b) (relating to dollar limitation) is amended to read as follows:

''(1) DOLLAR LIMITATION.—The aggregate cost which may be taken into account under subsection (a) for any taxable year shall not exceed $30,000.''.

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

**SEC. 603. REPEAL OF FEDERAL UNEMPLOYMENT SURTAX.**

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. 604. INCOME AVERAGING FOR FARMERS AND FISHERMEN NOT TO INCREASE ALTERNATIVE MINIMUM TAX LIABILITY.**

(a) IN GENERAL.—Section 55(c) (defining regular tax) is amended by redesignating paragraph (2) as paragraph (3) and by inserting after paragraph (1) the following:

''(2) COORDINATION WITH INCOME AVERAGING FOR FARMERS AND FISHERMEN.—Solely for purposes of this section, section 1301 (relating to averaging of farm and fishing income) shall not apply in computing the regular tax.''.

(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 redesignating subsection (b)(1)(A)(ii) as subsection (b)(1)(A)(iii).

(3) Section 1301(b) is amended by inserting the following paragraph after subsection (b)(3):

''(4) FISHING BUSINESS.—The term fishing business means the conduct of commercial fishing as defined in section 3 of the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1802).''.

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

**SEC. 605. FARM, FISHING, AND RANCH RISK MANAGEMENT ACCOUNTS.**

(a) IN GENERAL.—Subpart C of part II of subchapter E of chapter 1 (relating to taxable year for which deductions taken) is amended by inserting after section 468B the following:

**''SEC. 468C. FARM AND RANCH RISK MANAGEMENT ACCOUNTS.**

''(a) DEDUCTION ALLOWED.—In the case of an individual engaged in an eligible farming business or commercial fishing, there shall be allowed as a deduction for any taxable year the amount paid in cash by the taxpayer during the taxable year to a Farm, Fishing, and Ranch Risk Management Account (hereinafter referred to as the 'FFARRM Account').

''(b) LIMITATION.—(1) The amount which a taxpayer may pay into the FFARRM Account for any taxable year shall not exceed 20 percent

*of so much of the taxable income of the taxpayer (determined without regard to this section) which is attributable (determined in the manner applicable under section 1301) to any eligible farming business or commercial fishing.*

*''(2) Distributions from a FFARRM Account may not be used to purchase, lease, or finance any new fishing vessel, add capacity to any fishery, or otherwise contribute to the overcapitalization of any fishery. The Secretary of Commerce shall implement regulations to enforce this paragraph.*

*''(c) ELIGIBLE FARMING BUSINESS.—(1) For purposes of this section, the term 'eligible farming business' means any farming business (as defined in section 263A(e)(4)) which is not a passive activity (within the meaning of section 469(c)) of the taxpayer.*

*''(2) COMMERCIAL FISHING.—For purposes of this section, the term 'commercial fishing' is defined under section (3) of the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1802).*

*''(d) FFARRM ACCOUNT.—For purposes of this section—*

*''(1) IN GENERAL.—The term 'FFARRM Account' means a trust created or organized in the United States for the exclusive benefit of the taxpayer, but only if the written governing instrument creating the trust meets the following requirements:*

*''(A) No contribution will be accepted for any taxable year in excess of the amount allowed as a deduction under subsection (a) for such year.*

*''(B) The trustee is a bank (as defined in section 408(n)) or another person who demonstrates to the satisfaction of the Secretary that the manner in which such person will administer the trust will be consistent with the requirements of this section.*

*''(C) The assets of the trust consist entirely of cash or of obligations which have adequate stated interest (as defined in section 1274(c)(2)) and which pay such interest not less often than annually.*

*''(D) All income of the trust is distributed currently to the grantor.*

*''(E) The assets of the trust will not be commingled with other property except in a common trust fund or common investment fund.*

*''(2) ACCOUNT TAXED AS GRANTOR TRUST.—The grantor of a FFARRM Account shall be treated for purposes of this title as the owner of such Account and shall be subject to tax thereon in accordance with subpart E of part I of subchapter J of this chapter (relating to grantors and others treated as substantial owners).*

*''(e) INCLUSION OF AMOUNTS DISTRIBUTED.—*

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

*''(A) any amount distributed from a FFARRM Account of the taxpayer during such taxable year, and*

*''(B) any deemed distribution under—*

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

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

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

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

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

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

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

*''(f) SPECIAL RULES.—*

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

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

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

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

*The preceding sentence shall not apply if an amount equal to such nonqualified balance is distributed from such Account to the taxpayer before the due date (including extensions) for filing the return of tax imposed by this chapter for such year (or, if earlier, the date the taxpayer files such return for such year).*

*''(B) NONQUALIFIED BALANCE.—For purposes of subparagraph (A), the term 'nonqualified balance' means any balance in the Account on the last day of the taxable year which is attributable to amounts deposited in such Account before the 4th preceding taxable year.*

*''(C) ORDERING RULE.—For purposes of this paragraph, distributions from a FFARRM Account (other than distributions of current income) shall be treated as made from deposits in the order in which such deposits were made, beginning with the earliest deposits.*

*''(2) CESSATION IN ELIGIBLE BUSINESS.—At the close of the first disqualification period after a period for which the taxpayer was engaged in an eligible farming business or commercial fishing, there shall be deemed distributed from the FFARRM Account of the taxpayer an amount equal to the balance in such Account (if any) at the close of such disqualification period. For purposes of the preceding sentence, the term 'disqualification period' means any period of 2 consecutive taxable years for which the taxpayer is not engaged in an eligible farming business or commercial fishing.*

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

*''(A) Section 220(f)(8) (relating to treatment on death).*

*''(B) Section 408(e)(2) (relating to loss of exemption of account where individual engages in prohibited transaction).*

*''(C) Section 408(e)(4) (relating to effect of pledging account as security).*

*''(D) Section 408(g) (relating to community property laws).*

*''(E) Section 408(h) (relating to custodial accounts).*

*''(4) TIME WHEN PAYMENTS DEEMED MADE.—For purposes of this section, a taxpayer shall be deemed to have made a payment to a FFARRM Account on the last day of a taxable year if such payment is made on account of such taxable year and is made on or before the due date (without regard to extensions) for filing the return of tax for such taxable year.*

*''(5) INDIVIDUAL.—For purposes of this section, the term 'individual' shall not include an estate or trust.*

*''(6) DEDUCTION NOT ALLOWED FOR SELF-EMPLOYMENT TAX.—The deduction allowable by reason of subsection (a) shall not be taken into account in determining an individual's net earnings from self-employment (within the meaning of section 1402(a)) for purposes of chapter 2.*

*''(g) REPORTS.—The trustee of a FFARRM Account shall make such reports regarding such Account to the Secretary and to the person for whose benefit the Account is maintained with respect to contributions, distributions, and such other matters as the Secretary may require under regulations. The reports required by this subsection shall be filed at such time and in such manner and furnished to such persons at such time and in such manner as may be required by such regulations.''.*

*(b) TAX ON EXCESS CONTRIBUTIONS.—*

*(1) Subsection (a) of section 4973 (relating to tax on excess contributions to certain tax-favored accounts and annuities), as amended by section 304(b)(1), is amended by striking ''or'' at the end of paragraph (4), by redesignating paragraphs (4) and (5) as paragraphs (5) and (6), respectively, and by inserting after paragraph (3) the following:*

*''(4) a FFARRM Account (within the meaning of section 468C(d)), or''.*

*(2) Section 4973, as amended by section 304(b)(2), is amended by adding at the end the following:*

*''(h) EXCESS CONTRIBUTIONS TO FFARRM ACCOUNTS.—For purposes of this section, in the case of a FFARRM Account (within the meaning of section 468C(d)), the term 'excess contributions' means the amount by which the amount contributed for the taxable year to the Account exceeds the amount which may be contributed to the Account under section 468C(b) for such taxable year. For purposes of this subsection, any contribution which is distributed out of the FFARRM Account in a distribution to which section 468C(e)(2)(B) applies shall be treated as an amount not contributed.''.*

*(3) The section heading for section 4973 is amended to read as follows:*

***''SEC. 4973. EXCESS CONTRIBUTIONS TO CERTAIN ACCOUNTS, ANNUITIES, ETC.''.***

*(4) The table of sections for chapter 43 is amended by striking the item relating to section 4973 and inserting the following:*

*''Sec. 4973. Excess contributions to certain accounts, annuities, etc.''.*

*(c) TAX ON PROHIBITED TRANSACTIONS.—*

*(1) Subsection (c) of section 4975 (relating to tax on prohibited transactions) is amended by adding at the end the following:*

*''(6) SPECIAL RULE FOR FFARRM ACCOUNTS.—A person for whose benefit a FFARRM Account (within the meaning of section 468C(d)) is established shall be exempt from the tax imposed by this section with respect to any transaction concerning such account (which would otherwise be taxable under this section) if, with respect to such transaction, the account ceases to be a FFARRM Account by reason of the application of section 468C(f)(3)(A) to such account.''.*

*(2) Paragraph (1) of section 4975(e) is amended by redesignating subparagraphs (E) and (F) as subparagraphs (F) and (G), respectively, and by inserting after subparagraph (D) the following:*

*''(E) a FFARRM Account described in section 468C(d),''.*

*(d) FAILURE TO PROVIDE REPORTS ON FFARRM ACCOUNTS.—Paragraph (2) of section 6693(a) (relating to failure to provide reports on certain tax-favored accounts or annuities), as amended by section 304(d), is amended by redesignating subparagraphs (C), (D), and (E) as subparagraphs (D), (E), and (F), respectively, and by inserting after subparagraph (B) the following:*

*''(C) section 468C(g) (relating to FFARRM Accounts),''.*

*(e) CLERICAL AMENDMENT.—The table of sections for subpart C of part II of subchapter E of chapter 1 is amended by inserting after the item relating to section 468B the following:*

*''Sec. 468C. Farm, Fishing and Ranch Risk Management Accounts.''.*

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

***SEC. 606. EXCLUSION OF INVESTMENT SECURITIES INCOME FROM PASSIVE INCOME TEST FOR BANK S CORPORATIONS.***

*(a) IN GENERAL.—Section 1362(d)(3)(C) (defining passive investment income) is amended by adding at the end the following:*

*''(v) EXCEPTION FOR BANKS; ETC.—In the case of a bank (as defined in section 581), a bank holding company (as defined in section 246A(c)(3)(B)(ii)), or a qualified subchapter S subsidiary bank, the term 'passive investment income' shall not include—*

*''(I) interest income earned by such bank, bank holding company, or qualified subchapter S subsidiary bank, or*

''(II) dividends on assets required to be held by such bank, bank holding company, or qualified subchapter S subsidiary bank to conduct a banking business, including stock in the Federal Reserve Bank, the Federal Home Loan Bank, or the Federal Agricultural Mortgage Bank or participation certificates issued by a Federal Intermediate Credit Bank.''.

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

**SEC. 607. TREATMENT OF QUALIFYING DIRECTOR SHARES.**

(a) IN GENERAL.—Section 1361 is amended by adding at the end the following:

''(f) TREATMENT OF QUALIFYING DIRECTOR SHARES.—

''(1) IN GENERAL.—For purposes of this subchapter—

''(A) qualifying director shares shall not be treated as a second class of stock, and

''(B) no person shall be treated as a shareholder of the corporation by reason of holding qualifying director shares.

''(2) QUALIFYING DIRECTOR SHARES DEFINED.—For purposes of this subsection, the term 'qualifying director shares' means any shares of stock in a bank (as defined in section 581) or in a bank holding company registered as such with the Federal Reserve System—

''(i) which are held by an individual solely by reason of status as a director of such bank or company or its controlled subsidiary; and

''(ii) which are subject to an agreement pursuant to which the holder is required to dispose of the shares of stock upon termination of the holder's status as a director at the same price as the individual acquired such shares of stock.

''(3) DISTRIBUTIONS.—A distribution (not in part or full payment in exchange for stock) made by the corporation with respect to qualifying director shares shall be includible as ordinary income of the holder and deductible to the corporation as an expense in computing taxable income under section 1363(b) in the year such distribution is received.''.

(b) CONFORMING AMENDMENTS.—

(1) Section 1361(b)(1) is amended by inserting '', except as provided in subsection (f),'' before ''which does not''.

(2) Section 1366(a) is amended by adding at the end the following:

''(3) ALLOCATION WITH RESPECT TO QUALIFYING DIRECTOR SHARES.—The holders of qualifying director shares (as defined in section 1361(f)) shall not, with respect to such shares of stock, be allocated any of the items described in paragraph (1).''.

(3) Section 1373(a) is amended by striking ''and'' at the end of paragraph (1), by striking the period at the end of paragraph (2) and inserting '', and'', and adding at the end the following:

''(3) no amount of an expense deductible under this subchapter by reason of section 1361(f)(3) shall be apportioned or allocated to such income.''.

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

**SEC. 608. INCREASE IN ESTATE TAX DEDUCTION FOR FAMILY-OWNED BUSINESS INTEREST.**

(a) IN GENERAL.—Section 2057(a)(2) (relating to maximum deduction) is amended by striking ''$675,000'' and inserting ''$1,975,000''.

(b) CONFORMING AMENDMENTS.—Section 2057(a)(3)(B) (relating to coordination with unified credit) is amended by striking ''$675,000'' each place it appears in the text and heading 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. 609. 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. 45E. 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 taxpayer during the taxable year for qualified employee 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 EMPLOYEE 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 employed an average 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 YEAR.—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 9832(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 or incurred 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 401(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 3121(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 the taxable year begins, determined by substituting 'calendar year 2000' for 'calendar year 1992' in subparagraph (B) thereof.

''(ii) ROUNDING.—If any increase determined under clause (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).''.

(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 (13), by striking the period at the end of paragraph (14) and inserting '', plus'', and by adding at the end the following:

''(15) the employee health insurance expenses credit determined under section 45E.''.

(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:

''(10) NO CARRYBACK OF SECTION 45E CREDIT BEFORE EFFECTIVE DATE.—No portion of the unused business credit for any taxable year which is attributable to the employee health insurance expenses credit determined under section 45E may be carried back to a taxable year ending before January 1, 2001.''.

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

''Sec. 45E. Employee health insurance expenses.''.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid or incurred in taxable years beginning after December 31, 2000.

## TITLE VII—ESTATE AND GIFT TAX RELIEF PROVISIONS

### Subtitle A—Reductions of Estate, Gift, and Generation-Skipping Transfer Taxes

**SEC. 701. REDUCTIONS OF ESTATE, GIFT, AND GENERATION-SKIPPING TRANSFER TAXES.**

(a) MAXIMUM RATE OF TAX REDUCED TO 53 PERCENT.—The table contained in section 2001(c)(1) is amended by striking the 2 highest brackets and inserting the following:

''Over $2,500,000 ..... $1,025,800, plus 53% 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) EFFECTIVE DATES.—

(1) SUBSECTION (a).—The amendment made by subsection (a) shall apply to estates of decedents dying, and gifts made, after December 31, 2000.

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

**SEC. 702. UNIFIED CREDIT AGAINST ESTATE AND GIFT TAXES REPLACED WITH UNIFIED EXEMPTION AMOUNT.**

(a) IN GENERAL.—

(1) ESTATE TAX.—Part IV of subchapter A of chapter 11 is amended by inserting after section 2051 the following new section:

**''SEC. 2052. EXEMPTION.**

''(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 (if any) of—

''(1) the exemption amount for the calendar year in which the decedent died, over

''(2) the sum of—

''(A) the aggregate amount allowed as an exemption under section 2521 with respect to gifts made by the decedent after December 31, 2003, and

''(B) the aggregate amount of gifts made by the decedent 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).

Gifts which are includible in the gross estate of the decedent shall not be taken into account in determining the amounts under paragraph (2).

''(b) EXEMPTION AMOUNT.—For purposes of subsection (a), the term 'exemption amount' means the amount determined in accordance with the following table:

| **"In the case of** | **The exemption calendar year: amount is:** |
|---|---|
| 2004 | $850,000 |
| 2005 | $950,000 |
| 2006 | $1,000,000 |
| 2007 or thereafter | $1,500,000.''. |

(2) GIFT TAX.—Subchapter C of chapter 12 (relating to deductions) is amended by inserting before section 2522 the following new section:

**"SEC. 2521. EXEMPTION.**

''(a) IN GENERAL.—In computing taxable gifts for any calendar year, there shall be allowed as a deduction in the case of a citizen or resident of the United States 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 2003, 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)(A) Subparagraph (B) of section 2001(b)(1) is amended by inserting before the comma ''reduced by the amount described in section 2052(a)(2)''.

(B) 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).''.

(2) Subsection (f) of section 2011 is amended by striking '', reduced by the amount of the unified credit provided by section 2010''.

(3) Subsection (a) of section 2012 is amended by striking ''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 2052 or 2106(a)(4) (or the corresponding provisions of prior 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 ''2010,''.

(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 2052 with respect to the decedent as such a credit or exemption (as the case may be) allowable to such surviving spouse for purposes of determining the 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 2102 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 who is 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) $60,000, or

''(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 2052 (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 the tax imposed by this subchapter 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 2505 as in effect on the day before the date of the enactment of the Taxpayer Refund Act of 1999) 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 (i) of this subparagraph (whichever applies) shall be reduced by the exemption so allowed under 2521 (or, in the case of such a credit, by the amount of the gift 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) Section 2206 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 2052 or 2106(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 2052 or 2106(a)(4) in computing the taxable estate''.

(13) Subparagraph (B) of section 2207B(a)(1) is amended to read as follows:

''(B) the sum of the taxable estate and the amount of the exemption allowed under section 2052 or 2106(a)(4) in computing the taxable estate.''.

(14) Subsection (a) of section 2503 is amended by striking ''section 2522'' and inserting ''section 2521''.

(15) Paragraph (1) of section 6018(a) is amended by striking ''the applicable exclusion amount'' and inserting ''the exemption amount under section 2052 for the calendar year which includes the date of death''.

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

''(A)(i) the amount of the tax which would be imposed by chapter 11 on an amount of taxable estate equal to the sum of $1,000,000 and the exemption amount allowable under section 2052, reduced by

''(ii) the amount of tax which would be so imposed if the taxable estate equaled such exemption amount, or''.

(17) The table of sections for part II of subchapter A of chapter 11 is amended by striking the item relating to section 2010.

(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, 2003, and

(2) insofar as they relate to the tax imposed by chapter 12 of such Code, shall apply to gifts made after December 31, 2003.

### Subtitle B—Conservation Easements

**SEC. 711. EXPANSION OF ESTATE TAX RULE FOR CONSERVATION EASEMENTS.**

(a) WHERE LAND IS LOCATED.—

(1) IN GENERAL.—Clause (i) of section 2031(c)(8)(A) (defining land subject to a conservation easement) is amended—

(A) by striking ''25 miles'' both places it appears and inserting ''50 miles'', and

(B) striking ''10 miles'' and inserting ''25 miles''.

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to estates of decedents dying after December 31, 1999.

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

(1) IN GENERAL.—Section 2031(c)(2) (defining applicable percentage) is amended by adding at the end the following new sentence: ''The values taken into account under the preceding sentence shall be such values as of the date of the contribution referred to in paragraph (8)(B).''.

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

### Subtitle C—Annual Gift Exclusion

**SEC. 721. INCREASE IN ANNUAL GIFT EXCLUSION.**

(a) IN GENERAL.—Section 2503(b) (relating to exclusions from gifts) is amended—

(1) by striking the following:

''(b) EXCLUSIONS FROM GIFTS.—

''(1) IN GENERAL.—In the case of gifts'',

(2) by inserting the following:

''(b) EXCLUSIONS FROM GIFTS.—In the case of gifts'',

(3) by striking paragraph (2), and

(4) by striking ''$10,000'' and inserting ''$20,000''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to gifts made after December 31, 2004.

### Subtitle D—Simplification of Generation-Skipping Transfer Tax

**SEC. 731. RETROACTIVE ALLOCATION OF GST EXEMPTION.**

(a) IN GENERAL.—Section 2632 (relating to special rules for allocation of GST exemption) is amended by redesignating subsection (c) as subsection (d) and by inserting after subsection (b) the following new subsection:

''(c) RETROACTIVE ALLOCATIONS.—

''(1) IN GENERAL.—If—

''(A) a non-skip person has an interest or a future interest in a trust to which any transfer has been made,

''(B) such person—

''(i) is a lineal descendant of a grandparent of the transferor or of a grandparent of the transferor's spouse, and

''(ii) is assigned to a generation below the generation assignment of the transferor, and

''(C) such person predeceases the transferor,

then the transferor may make an allocation of any of such transferor's unused GST exemption to any previous transfer or transfers to the trust on a chronological basis.

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

''(A) the value of such transfer or transfers for purposes of section 2642(a) shall be determined as if such allocation had been made on a timely filed gift tax return for each calendar year within which each transfer was made,

''(B) such allocation shall be effective immediately before such death, and

''(C) the amount of the transferor's unused GST exemption available to be allocated shall be determined immediately before such death.

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

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to deaths of non-skip persons occurring after the date of the enactment of this Act.

**SEC. 732. SEVERING OF TRUSTS.**

(a) IN GENERAL.—Subsection (a) of section 2642 (relating to inclusion ratio) is amended by adding at the end the following new paragraph:

''(3) SEVERING OF TRUSTS.—

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

''(B) QUALIFIED SEVERANCE.—For purposes of subparagraph (A)—

''(i) IN GENERAL.—The term 'qualified severance' means the division of a single trust and the creation (by any means available under the governing instrument or under local law) of 2 or more trusts if—

''(I) the single trust was divided on a fractional basis, and

''(II) the terms of the new trusts, in the aggregate, provide for the same succession of interests of beneficiaries as are provided in the original trust.

''(ii) TRUSTS WITH INCLUSION RATIO GREATER THAN ZERO.—If a trust has an inclusion ratio of greater than zero and less than 1, a severance is a qualified severance only if the single trust is divided into 2 trusts, one of which receives a fractional share of the total value of all trust assets equal to the applicable fraction of the single trust immediately before the severance. In such case, the trust receiving such fractional share shall have an inclusion ratio of zero and the other trust shall have an inclusion ratio of 1.

''(iii) REGULATIONS.—The term 'qualified severance' includes any other severance permitted under regulations prescribed by the Secretary.

''(C) TIMING AND MANNER OF SEVERANCES.—A severance pursuant to this paragraph may be made at any time. The Secretary shall prescribe by forms or regulations the manner in which the qualified severance shall be reported to the Secretary.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to severances after the date of the enactment of this Act.

**SEC. 733. MODIFICATION OF CERTAIN VALUATION RULES.**

(a) GIFTS FOR WHICH GIFT TAX RETURN FILED OR DEEMED ALLOCATION MADE.—Paragraph (1) of section 2642(b) (relating to valuation rules, etc.) is amended to read as follows:

''(1) GIFTS FOR WHICH GIFT TAX RETURN FILED OR DEEMED ALLOCATION MADE.—If the allocation of the GST exemption to any transfers of property is made on a gift tax return filed on or before the date prescribed by section 6075(b) for such transfer or is deemed to be made under section 2632(b)(1)—

''(A) the value of such property for purposes of subsection (a) shall be its value as finally determined for purposes of chapter 12 (within the meaning of section 2001(f)(2)), or, in the case of an allocation deemed to have been made at the close of an estate tax inclusion period, its value at the time of the close of the estate tax inclusion period, and

''(B) such allocation shall be effective on and after the date of such transfer, or, in the case of an allocation deemed to have been made at the close of an estate tax inclusion period, on and after the close of such estate tax inclusion period.''.

(b) TRANSFERS AT DEATH.—Subparagraph (A) of section 2642(b)(2) is amended to read as follows:

''(A) TRANSFERS AT DEATH.—If property is transferred as a result of the death of the transferor, the value of such property for purposes of subsection (a) shall be its value as finally determined for purposes of chapter 11; except that, if the requirements prescribed by the Secretary respecting allocation of post-death changes in value are not met, the value of such property shall be determined as of the time of the distribution concerned.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the amendments made by section 1431 of the Tax Reform Act of 1986.

**SEC. 734. RELIEF PROVISIONS.**

(a) IN GENERAL.—Section 2642 is amended by adding at the end the following new subsection:

''(g) RELIEF PROVISIONS.—

''(1) RELIEF FOR LATE ELECTIONS.—

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

''(i) an allocation of GST exemption described in paragraph (1) or (2) of subsection (b), and

''(ii) an election under section 2632(b)(3).

Such regulations shall include procedures for requesting comparable relief with respect to transfers made before the date of enactment of this paragraph.

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

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

(b) EFFECTIVE DATES.—

(1) RELIEF FOR LATE ELECTIONS.—Section 2642(g)(1) (as added by subsection (a)) shall apply to requests pending on, or filed after, the date of the enactment of this Act.

(2) SUBSTANTIAL COMPLIANCE.—Section 2642(g)(2) (as so added) shall take effect on the date of the enactment of this Act and shall apply to allocations made prior to such date for purposes of determining the tax consequences of generation-skipping transfers with respect to which the period of time for filing claims for refund has not expired. No implication is intended with respect to the availability of relief for late elections or the application of a rule of substantial compliance before the enactment of this amendment.

**TITLE VIII—TAX EXEMPT ORGANIZATIONS PROVISIONS**

**SEC. 801. EXEMPTION FROM INCOME TAX FOR STATE-CREATED ORGANIZATIONS PROVIDING PROPERTY AND CASUALTY INSURANCE FOR PROPERTY FOR WHICH SUCH COVERAGE IS OTHERWISE UNAVAILABLE.**

(a) IN GENERAL.—Subsection (c) of section 501 (relating to exemption from tax on corporations, certain trusts, etc.) is amended by adding at the end the following new paragraph:

''(28)(A) Any association created before January 1, 1999, by State law and organized and operated exclusively to provide property and casualty insurance coverage for property located within the State for which the State has determined that coverage in the authorized insurance market is limited or unavailable at reasonable rates, if—

''(i) no part of the net earnings of which inures to the benefit of any private shareholder or individual,

''(ii) except as provided in clause (v), no part of the assets of which may be used for, or diverted to, any purpose other than—

''(I) to satisfy, in whole or in part, the liability of the association for, or with respect to, claims made on policies written by the association,

''(II) to invest in investments authorized by applicable law,

''(III) to pay reasonable and necessary administration expenses in connection with the establishment and operation of the association and the processing of claims against the association, or

''(IV) to make remittances pursuant to State law to be used by the State to provide for the payment of claims on policies written by the association, purchase reinsurance covering losses under such policies, or to support governmental programs to prepare for or mitigate the effects of natural catastrophic events,

''(iii) the State law governing the association permits the association to levy assessments on insurance companies authorized to sell property and casualty insurance in the State, or on property and casualty insurance policyholders with insurable interests in property located in the State to fund deficits of the association, including the creation of reserves,

''(iv) the plan of operation of the association is subject to approval by the chief executive officer or other executive branch official of the State, by the State legislature, or both, and

''(v) the assets of the association revert upon dissolution to the State, the State's designee, or an entity designated by the State law governing the association, or State law does not permit the dissolution of the association.

''(B)(i) An entity described in clause (ii) shall be disregarded as a separate entity and treated as part of the association described in subparagraph (A) from which it receives remittances described in clause (ii) if an election is made within 30 days after the date that such association is determined to be exempt from tax.

''(ii) An entity is described in this clause if it is an entity or fund created before January 1, 1999, pursuant to State law and organized and operated exclusively to receive, hold, and invest remittances from an association described in subparagraph (A) and exempt from tax under subsection (a) and to make disbursements to pay claims on insurance contracts issued by such association, and to make disbursements to support governmental programs to prepare for or mitigate the effects of natural catastrophic events.''.

(b) UNRELATED BUSINESS TAXABLE INCOME.—Subsection (a) of section 512 (relating to unrelated business taxable income) is amended by adding at the end the following new paragraph:

''(6) SPECIAL RULE APPLICABLE TO ORGANIZATIONS DESCRIBED IN SECTION 501(C)(28).—In the

*case of an organization described in section 501(c)(28), the term 'unrelated business taxable income' means taxable income for a taxable year computed without the application of section 501(c)(28) if, at the end of the immediately preceding taxable year, the organization's net equity exceeded 15 percent of the total coverage in force under insurance contracts issued by the organization and outstanding at the end of such preceding year.''.*

*(c) TRANSITIONAL RULE.—No income or gain shall be recognized by an association as a result of a change in status to that of an association described by section 501(c)(28) of the Internal Revenue Code of 1986, as amended by subsection (a).*

*(d) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 1999.*

***SEC. 802. MODIFICATIONS TO SECTION 512(b)(13).***

*(a) IN GENERAL.—Paragraph (13) of section 512(b) is amended by redesignating subparagraph (E) as subparagraph (F) and by inserting after subparagraph (D) the following new paragraph:*

*''(E) PARAGRAPH TO APPLY ONLY TO EXCESS PAYMENTS.—*

*''(i) IN GENERAL.—Subparagraph (A) shall apply only to the portion of a specified payment received by the controlling organization which exceeds the amount which would have been paid if such payment met the requirements prescribed under section 482.*

*''(ii) ADDITION TO TAX FOR VALUATION MISSTATEMENTS.—The tax imposed by this chapter on the controlling organization shall be increased by an amount equal to 20 percent of such excess.''.*

*(b) EFFECTIVE DATE.—*

*(1) IN GENERAL.—The amendment made by this section shall apply to payments received or accrued after December 31, 1999.*

*(2) PAYMENTS SUBJECT TO BINDING CONTRACT TRANSITION RULE.—If the amendments made by section 1041 of the Taxpayer Relief Act of 1997 do not apply to any amount received or accrued after the date of the enactment of this Act under any contract described in subsection (b)(2) of such section, such amendments also shall not apply to amounts received or accrued under such contract before January 1, 2000.*

***SEC. 803. SIMPLIFICATION OF LOBBYING EXPENDITURE LIMITATION.***

*(a) REPEAL OF GRASSROOTS EXPENDITURE LIMIT.—Paragraph (1) of section 501(h) (relating to expenditures by public charities to influence legislation) is amended to read as follows:*

*''(1) GENERAL RULE.—In the case of an organization to which this subsection applies, exemption from taxation under subsection (a) shall be denied because a substantial part of the activities of such organization consists of carrying on propaganda, or otherwise attempting, to influence legislation, but only if such organization normally makes lobbying expenditures in excess of the lobbying ceiling amount for such organization for each taxable year.''.*

*(b) CONFORMING AMENDMENTS.—*

*(1) Section 501(h)(2) is amended by striking subparagraphs (C) and (D).*

*(2) Section 4911(b) is amended to read as follows:*

*''(b) EXCESS LOBBYING EXPENDITURES.—For purposes of this section, the term 'excess lobbying expenditures' means, for a taxable year, the amount by which the lobbying expenditures made by the organization during the taxable year exceed the lobbying nontaxable amount for such organization for such taxable year.''.*

*(3) Section 4911(c) is amended by striking paragraphs (3) and (4).*

*(4) Paragraph (1)(A) of section 4911(f) is amended by striking ''limits of section 501(h)(1) have'' and inserting ''limit of section 501(h)(1) has''.*

*(5) Paragraph (1)(C) of section 4911(f) is amended by striking ''limits of section 501(h)(1) are'' and inserting ''limit of section 501(h)(1) is''.*

*(6) Paragraphs (4)(A) and (4)(B) of section 4911(f) are each amended by striking ''limits of section 501(h)(1)'' and inserting ''limit of section 501(h)(1)''.*

*(7) Paragraph (8) of section 6033(b) (relating to certain organizations described in section 501(c)(3)) is amended by inserting ''and'' at the end of subparagraph (A) and by striking subparagraphs (C) and (D).*

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

***SEC. 804. TAX-FREE DISTRIBUTIONS FROM INDIVIDUAL RETIREMENT ACCOUNTS FOR CHARITABLE PURPOSES.***

*(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 annuity trust or a charitable remainder unitrust (as such terms are defined in section 664(d)),*

*''(II) to a pooled income fund (as defined in section 642(c)(5)), or*

*''(III) for the issuance of a charitable gift annuity (as defined in section 501(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 for whose benefit such account is maintained, the spouse of such individual, or any organization described in section 170(c).*

*''(ii) DETERMINATION OF INCLUSION OF AMOUNTS DISTRIBUTED.—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 664(b)(1), or*

*''(II) in the case of any such annuity, shall not be treated as an investment in the contract.*

*''(iii) 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.*

*''(C) 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, and*

*''(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).*

*''(D) DENIAL OF DEDUCTION.—The amount allowable as a deduction to the taxpayer for the taxable year under section 170 for qualified charitable distributions shall be reduced (but not below zero) by the sum of the amounts of the qualified charitable distributions during such year which (but for this paragraph) would have been includible in the gross income of the taxpayer for such year.''.*

*(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2000.*

***SEC. 805. MILEAGE REIMBURSEMENTS TO CHARITABLE VOLUNTEERS EXCLUDED FROM GROSS INCOME.***

*(a) IN GENERAL.—Part III of subchapter B of chapter 1 is amended by inserting after section 138 the following new section:*

***''SEC. 138A. MILEAGE REIMBURSEMENTS TO CHARITABLE VOLUNTEERS.***

*''(a) IN GENERAL.—Gross income of an individual does not include amounts received, from an organization described in section 170(c), as reimbursement of operating expenses with respect to use of a passenger automobile for the benefit of such organization for which a deduction would otherwise be allowable under section 170. The preceding sentence shall apply only to the extent that such reimbursement would be deductible under section 274(d) (determined by applying the standard business mileage rate established pursuant to section 274(d)) if the organization were not so described and such individual were an employee of such organization.*

*''(b) NO DOUBLE BENEFIT.—Subsection (a) shall not apply with respect to any expenses if the individual claims a deduction or credit for such expenses under any other provision of this title.*

*''(c) EXEMPTION FROM REPORTING REQUIREMENTS.—Section 6041 shall not apply with respect to reimbursements excluded from income under subsection (a).''.*

*(b) CLERICAL AMENDMENT.—The table of sections for part III of subchapter B of chapter 1 is amended by inserting after the item relating to section 138 the following new items:*

*''Sec. 138A. Reimbursement for use of passenger automobile for charity.''.*

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

***SEC. 806. CHARITABLE CONTRIBUTION DEDUCTION FOR CERTAIN EXPENSES INCURRED IN SUPPORT OF NATIVE ALASKAN SUBSISTENCE WHALING.***

*(a) IN GENERAL.—Section 170 (relating to charitable, etc., contributions and gifts) is amended by redesignating subsection (m) as subsection (n) and by inserting after subsection (l) the following new subsection:*

*''(m) EXPENSES PAID BY CERTAIN WHALING CAPTAINS IN SUPPORT OF NATIVE ALASKAN SUBSISTENCE WHALING.—*

*''(1) IN GENERAL.—In the case of an individual who is recognized by the Alaska Eskimo Whaling Commission as a whaling captain charged with the responsibility of maintaining and carrying out sanctioned whaling activities and who engages in such activities during the taxable year, the amount described in paragraph (2) (to the extent such amount does not exceed $7,500 for the taxable year) shall be treated for purposes of this section as a charitable contribution.*

*''(2) AMOUNT DESCRIBED.—*

*''(A) IN GENERAL.—The amount described in this paragraph is the aggregate of the reasonable and necessary whaling expenses paid by the taxpayer during the taxable year in carrying out sanctioned whaling activities.*

*''(B) WHALING EXPENSES.—For purposes of subparagraph (A), the term 'whaling expenses' includes expenses for—*

*''(i) the acquisition and maintenance of whaling boats, weapons, and gear used in sanctioned whaling activities,*

*''(ii) the supplying of food for the crew and other provisions for carrying out such activities, and*

*''(iii) storage and distribution of the catch from such activities.*

''(3) SANCTIONED WHALING ACTIVITIES.—For purposes of this subsection, the term 'sanctioned whaling activities' means subsistence bowhead whale hunting activities conducted pursuant to the management plan of the Alaska Eskimo Whaling Commission.''.

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

**SEC. 807. CHARITABLE CONTRIBUTIONS TO CERTAIN LOW INCOME SCHOOLS MAY BE MADE IN NEXT TAXABLE YEAR.**

(a) IN GENERAL.—Section 170(f) (relating to disallowance of deduction in certain cases and special rules) is amended by adding at the end the following new paragraph:

''(10) TIME WHEN CERTAIN CONTRIBUTIONS DEEMED MADE.—

''(A) IN GENERAL.—At the election of the taxpayer, a qualified low-income school contribution shall be deemed to be made 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). The election may be made at the time of the filing of the return for such table year, and shall be made and substantiated in such manner as the Secretary shall by regulations prescribe.

''(B) QUALIFIED LOW-INCOME SCHOOL CONTRIBUTION.—For purposes of subparagraph (A), the term 'qualified low-income school contribution' means a charitable contribution to an educational organization described in subsection (b)(1)(A)(ii)—

''(i) which is a public, private, or sectarian school which provides elementary or secondary education (through grade 12), as determined under State law, and

''(ii) with respect to which at least 50 percent of the students attending such school are eligible for free or reduced-cost lunches under the school lunch program established under the National School Lunch Act.''.

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

**SEC. 808. DEDUCTION FOR PORTION OF CHARITABLE CONTRIBUTIONS TO BE ALLOWED TO INDIVIDUALS WHO DO NOT ITEMIZE DEDUCTIONS.**

(a) IN GENERAL.—Section 170 (relating to charitable, etc., contributions and gifts), as amended by section 806, is amended by redesignating subsection (n) as subsection (o) and by inserting after subsection (m) the following new subsection:

''(n) DEDUCTION FOR INDIVIDUALS NOT ITEMIZING DEDUCTIONS.—In the case of an individual who does not itemize his deductions for the taxable year, there shall be taken into account as a direct charitable deduction under section 63 an amount equal to the lesser of—

''(1) the amount allowable as a deduction under subsection (a) for the taxable year, or

''(2) $50 ($100 in the case of a joint return).''.

(b) DIRECT CHARITABLE DEDUCTION.—

(1) IN GENERAL.—Subsection (b) of section 63 is amended by striking ''and'' at the end of paragraph (1), by striking the period at the end of paragraph (2) and inserting '', and'', and by adding at the end thereof the following new paragraph:

''(3) the direct charitable deduction.''.

(2) DEFINITION.—Section 63 is amended by redesignating subsection (g) as subsection (h) and by inserting after subsection (f) the following new subsection:

''(g) DIRECT CHARITABLE DEDUCTION.—For purposes of this section, the term 'direct charitable deduction' means that portion of the amount allowable under section 170(a) which is taken as a direct charitable deduction for the taxable year under section 170(n).''.

(3) CONFORMING AMENDMENT.—Subsection (d) of section 63 is amended by striking ''and'' at the end of paragraph (1), by striking the period at the end of paragraph (2) and inserting '', and'', and by adding at the end thereof the following new paragraph:

''(3) the direct charitable deduction.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2004, and before January 1, 2007.

**SEC. 809. INCREASE IN LIMIT ON CHARITABLE CONTRIBUTIONS AS PERCENTAGE OF AGI.**

(a) IN GENERAL.—

(1) INDIVIDUAL LIMIT.—Section 170(b)(1) (relating to percentage limitations) is amended—

(A) by striking ''50 percent'' in subparagraph (A) and inserting ''the applicable percentage'', and

(B) by striking ''30 percent'' each place it appears in subparagraph (C) and inserting ''the applicable percentage''.

(2) CORPORATE LIMIT.—Section 170(b)(2) is amended by striking ''10 percent'' and inserting ''the applicable percentage''.

(b) APPLICABLE PERCENTAGE.—Section 170(b) is amended by adding at the end the following new paragraph:

''(3) APPLICABLE PERCENTAGE.—For purposes of this subsection, the applicable percentage shall be determined under the following tables:

''(A) In the case of paragraph (1)(A):

| "For taxable year— | The applicable percentage is— |
|---|---|
| 2002 | 52 |
| 2003 | 54 |
| 2004 | 56 |
| 2005 | 58 |
| 2006 | 60 |
| 2007 and thereafter | 70. |

''(B) In the case of paragraph (1)(C):

| "For taxable year— | The applicable percentage is— |
|---|---|
| 2002 | 32 |
| 2003 | 34 |
| 2004 | 36 |
| 2005 | 38 |
| 2006 | 40 |
| 2007 and thereafter | 50. |

''(C) In the case of paragraph (2):

| "For taxable year— | The applicable percentage is— |
|---|---|
| 2002 | 12 |
| 2003 | 14 |
| 2004 | 16 |
| 2005 | 18 |
| 2006 and thereafter | 20.''. |

(c) CONFORMING AMENDMENT.—Section 170(d)(1)(A) is amended by striking ''50 percent'' each place it appears and inserting ''the applicable percentage in effect under subsection (b)(1)(A)''.

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

**SEC. 810. LIMITED EXCEPTION TO EXCESS BUSINESS HOLDINGS RULE.**

(a) IN GENERAL.—Section 4943(c)(2) (relating to permitted holdings in a corporation) is amended by adding at the end the following new subparagraphs:

''(D) RULE WHERE VOTING STOCK IS PUBLICLY TRADED.—

''(i) IN GENERAL.—If—

''(I) the private foundation and all disqualified persons together do not own more than the applicable percentage of the voting stock and not more than the applicable percentage in value of all outstanding shares of all classes of stock of an incorporated business enterprise,

''(II) the voting stock owned by the private foundation and all disqualified persons together is stock for which market quotations are readily available on an established securities market, and

''(III) the requirements of clause (ii) are met, then subparagraph (A) shall be applied by substituting 'the applicable percentage' for '20 percent'.

''(ii) REQUIREMENTS TO BE MET.—The requirements of this clause are met during any taxable year—

''(I) in which disqualified persons with respect to the private foundation do not receive compensation (as an employee or otherwise) from the corporation or engage in any act with such corporation which would constitute self-dealing within the meaning of section 4941(d) if such corporation were a private foundation and if each such disqualified person were a disqualified person with respect to such corporation,

''(II) in which disqualified persons with respect to such private foundation do not own in the aggregate more than 2 percent of the voting stock and not more than 2 percent in value of all outstanding shares of all classes of stock in such corporation, and

''(III) for which there is submitted with the annual return of the private foundation for such year (filed within the time prescribed by law, including extensions, for filing such return) a certification which is signed by all the members of an audit committee of the Board of Directors of such corporation consisting of a majority of persons who are not disqualified persons with respect to such private foundation and which certifies that such members, after due inquiry, are not aware that any disqualified person has received compensation from such corporation or has engaged in any act with such corporation that would constitute self-dealing within the meaning of section 4941(d) if such corporation were a private foundation and if each such disqualified person were a disqualified person with respect to such corporation.

For purposes of this clause, the fact that a disqualified person has received compensation from such corporation or has engaged in any act with such corporation which would constitute self-dealing within the meaning of section 4941(d) shall be disregarded if such receipt or act is corrected not later than the due date (not including extensions thereof) for the filing of the private foundation's annual return for the year in which the receipt or act occurs and on the terms that would be necessary to correct such receipt or act and thereby avoid imposition of tax under section 4941(b).

''(E) APPLICABLE PERCENTAGE.—For purposes of this paragraph, the applicable percentage shall be determined under the following table:

| "For taxable year— | The applicable percentage is— |
|---|---|
| 2007 | 40 |
| 2008 and thereafter | 49.''. |

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to foundations established by bequest of decedents dying after December 31, 2006.

**SEC. 811. CERTAIN COSTS OF PRIVATE FOUNDATION IN REMOVING HAZARDOUS SUBSTANCES TREATED AS QUALIFYING DISTRIBUTION.**

(a) IN GENERAL.—In the case of any taxable year beginning after December 31, 1999, the distributable amount of a private foundation for such taxable year for purposes of section 4942 of the Internal Revenue Code of 1986 shall be reduced (but not below zero) by any amount paid or incurred (or set aside) by such private foundation for the investigatory costs and direct costs of removal or taking remedial action with respect to a hazardous substance released at a facility which was owned or operated by such private foundation.

(b) LIMITATIONS.—Subsection (a) shall only apply to costs—

(1) incurred with respect to hazardous substances disposed of at a facility owned or operated by the private foundation but only if—

(A) such facility was transferred to such foundation by bequest before December 11, 1980, and

(B) the active operation of such facility by such foundation was terminated before December 12, 1980, and

(2) which were not incurred pursuant to a pending order issued to the private foundation unilaterally by the President or the President's assignee under section 106 of the Comprehensive Environmental Response, Compensation, and

*Liability Act of 1980 (42 U.S.C. 9606), or pursuant to a nonconsensual judgment against the private foundation issued in a governmental cost recovery action under section 107 of such Act (42 U.S.C. 9607).*

*(c) HAZARDOUS SUBSTANCE.—For purposes of this section, the term ''hazardous substance'' has the meaning given such term by section 101(14) of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (42 U.S.C. 9601(14)).*

***SEC. 812. HOLDING PERIOD REDUCED TO 12 MONTHS FOR PURPOSES OF DETERMINING WHETHER HORSES ARE SECTION 1231 ASSETS.***

*(a) IN GENERAL.—Subparagraph (A) of section 1231(b)(3) (relating to definition of property used in the trade or business) is amended by striking ''and horses''.*

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

## *TITLE IX—INTERNATIONAL TAX RELIEF*

***SEC. 901. INTEREST ALLOCATION RULES.***

*(a) ELECTION TO ALLOCATE INTEREST ON A WORLDWIDE BASIS.—Subsection (e) of section 864 (relating to rules for allocating interest, etc.) is amended by redesignating paragraphs (6) and (7) as paragraphs (7) and (8), respectively, and by inserting after paragraph (5) the following new paragraph:*

*''(6) ELECTION TO ALLOCATE INTEREST ON A WORLDWIDE BASIS.—*

*''(A) IN GENERAL.—Except as provided in this paragraph, this subsection shall be applied by treating a worldwide affiliated group for which an election is in effect under this paragraph as an affiliated group solely for purposes of allocating and apportioning interest expense of each domestic corporation which is a member of such group.*

*''(B) WORLDWIDE AFFILIATED GROUP.—For purposes of this paragraph, the term 'worldwide affiliated group' means the group of corporations which consists of—*

*''(i) all corporations in an affiliated group (as defined in paragraph (5)(A), except that section 1504 shall also be applied without regard to subsection (b)(2) thereof), and*

*''(ii) all foreign corporations (other than a FSC, as defined in section 922(a)) which would be a member of such affiliated group if paragraph (3) of section 1504 (b) did not apply.*

*''(C) TREATMENT OF WORLDWIDE AFFILIATED GROUP.—For purposes of applying paragraph (1), the taxable income of the domestic members of a worldwide affiliated group from sources outside the United States shall be determined by allocating and apportioning the interest expense of such domestic members to such income in an amount equal to the excess (if any) of—*

*''(i) the total interest expense of the worldwide affiliated group multiplied by the ratio which the foreign assets of the worldwide affiliated group bears to all the assets of the worldwide affiliated group, over*

*''(ii) the interest expense of all foreign corporations which are members of the worldwide affiliated group to the extent such interest expense of such foreign corporations would have been allocated and apportioned to foreign source income if this subsection were applied to a group consisting of all the foreign corporations in such worldwide affiliated group.*

*''(D) ELECTION.—An election under this paragraph with respect to any worldwide affiliated group may be made only by the common parent of the affiliated group referred to in subparagraph (B)(i) and may be made only for the first taxable year beginning after December 31, 2004, in which a worldwide affiliated group exists which includes such affiliated group and at least 1 corporation described in subparagraph (B)(ii). Such an election, once made, shall apply to such common parent and all other corporations which are members of such worldwide affiliated group for such taxable year and all subsequent years unless revoked with the consent of the Secretary.''.*

*(b) ELECTION TO EXPAND FINANCIAL INSTITUTION GROUP OF WORLDWIDE GROUP.—Section 864 is amended by redesignating subsection (f) as subsection (g) and by inserting after subsection (e) the following new subsection:*

*''(f) ELECTION TO EXPAND FINANCIAL INSTITUTION GROUP OF WORLDWIDE GROUP.—*

*''(1) IN GENERAL.—If a worldwide affiliated group for which an election under subsection (e)(6) is in effect elects the application of this subsection, all financial corporations which—*

*''(A) are members of such worldwide affiliated group, but*

*''(B) are not corporations described in subsection (e)(5)(C),*

*shall be treated as described in subsection (e)(5)(C) for purposes of applying subsection (e)(5)(B). Subsection (e) shall apply to any such group in the same manner as subsection (e) applies to the pre-election worldwide affiliated group of which such group is a part.*

*''(2) FINANCIAL CORPORATION.—For purposes of this subsection, the term 'financial corporation' means any corporation if at least 80 percent of its gross income is income described in section 904(d)(2)(C)(ii) and the regulations thereunder which is derived from transactions with persons not bearing a relationship described in section 267(b) or 707(b)(1) to the corporation.*

*''(3) ANTIABUSE RULES.—In the case of a corporation which is a member of an electing financial institution group, to the extent that such corporation—*

*''(A) distributes dividends or makes other distributions with respect to its stock after the date of the enactment of this paragraph to any member of the pre-election worldwide affiliated group (other than to a member of the electing financial institution group) in excess of the greater of—*

*''(i) its average annual dividend (expressed as a percentage of current earnings and profits) during the 5-taxable-year period ending with the taxable year preceding the taxable year, or*

*''(ii) 25 percent of its average annual earnings and profits for such 5 taxable year period, or*

*''(B) deals with any person in any manner not clearly reflecting the income of the corporation (as determined under principles similar to the principles of section 482),*

*an amount of indebtedness of the electing financial institution group equal to the excess distribution or the understatement or overstatement of income, as the case may be, shall be recharacterized (for the taxable year and subsequent taxable years) for purposes of this subsection as indebtedness of the worldwide affiliated group (excluding the electing financial institution group). If a corporation has not been in existence for 5 taxable years, this subparagraph shall be applied with respect to the period it was in existence.*

*''(4) ELECTION.—An election under this subsection with respect to any financial institution group may be made only by the common parent of the pre-election worldwide affiliated group and may be made only for the first taxable year beginning after December 31, 2004, in which such affiliated group includes 1 or more financial corporations described in paragraph (1)(B). Such an election, once made, shall apply to all financial corporations which are members of the electing financial institution group for such taxable year and all subsequent years unless revoked with the consent of the Secretary.*

*''(5) DEFINITIONS RELATING TO GROUPS.—For purposes of this subsection—*

*''(A) PRE-ELECTION WORLDWIDE AFFILIATED GROUP.—The term 'pre-election worldwide affiliated group' means, with respect to a corporation, the worldwide affiliated group of which such corporation would (but for an election under this subsection) be a member for purposes of applying subsection (e).*

*''(B) ELECTING FINANCIAL INSTITUTION GROUP.—The term 'electing financial institution group' means the group of corporations to which subsection (e) applies separately by reason of the application of subsection (e)(5)(B) and which includes financial corporations by reason of an election under paragraph (1).*

*''(6) REGULATIONS.—The Secretary shall prescribe such regulations as may be appropriate to carry out this subsection and subsection (e), including regulations—*

*''(A) providing for the direct allocation of interest expense in other circumstances where such allocation would be appropriate to carry out the purposes of this subsection,*

*''(B) preventing assets or interest expense from being taken into account more than once, and*

*''(C) dealing with changes in members of any group (through acquisitions or otherwise) treated under this subsection as an affiliated group for purposes of subsection (e).''.*

*(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2004.*

***SEC. 902. LOOK-THRU RULES TO APPLY TO DIVIDENDS FROM NONCONTROLLED SECTION 902 CORPORATIONS.***

*(a) IN GENERAL.—Section 904(d)(4) (relating to application of look-thru rules to dividends from noncontrolled section 902 corporations) is amended to read as follows:*

*''(4) LOOK-THRU APPLIES TO DIVIDENDS FROM NONCONTROLLED SECTION 902 CORPORATIONS.—*

*''(A) IN GENERAL.—For purposes of this subsection, any dividend from a noncontrolled section 902 corporation with respect to the taxpayer shall be treated as income in a separate category in proportion to the ratio of—*

*''(i) the portion of earnings and profits attributable to income in such category, to*

*''(ii) the total amount of earnings and profits.*

*''(B) SPECIAL RULES.—For purposes of this paragraph—*

*''(i) IN GENERAL.—Rules similar to the rules of paragraph (3)(F) shall apply, except that the term 'separate category' shall include the category of income described in paragraph (1)(I).*

*''(ii) EARNINGS AND PROFITS.—*

*''(I) IN GENERAL.—The rules of section 316 shall apply.*

*''(II) REGULATIONS.—The Secretary may prescribe regulations regarding the treatment of distributions out of earnings and profits for periods before the taxpayer's acquisition of the stock to which the distributions relate.*

*''(iii) DIVIDENDS NOT ALLOCABLE TO SEPARATE CATEGORY.—The portion of any dividend from a noncontrolled section 902 corporation which is not treated as income in a separate category under subparagraph (A) shall be treated as a dividend to which subparagraph (A) does not apply.*

*''(iv) LOOK-THRU WITH RESPECT TO CARRYFORWARDS OF CREDIT.—Rules similar to subparagraph (A) also shall apply to any carryforward under subsection (c) from a taxable year beginning before January 1, 2005, of tax allocable to a dividend from a noncontrolled section 902 corporation with respect to the taxpayer.''.*

*(b) CONFORMING AMENDMENTS.—*

*(1) Subparagraph (E) of section 904(d)(1), as in effect both before and after the amendments made by section 1105 of the Taxpayer Relief Act of 1997, is hereby repealed.*

*(2) Section 904(d)(2)(C)(iii), as so in effect, is amended by striking subclause (II) and by redesignating subclause (III) as subclause (II).*

*(3) The last sentence of section 904(d)(2)(D), as so in effect, is amended to read as follows: ''Such term does not include any financial services income.''.*

*(4) Section 904(d)(2)(E) is amended by striking clauses (ii) and (iv) and by redesignating clause (iii) as clause (ii).*

*(5) Section 904(d)(3)(F) is amended by striking ''(D), or (E)'' and inserting ''or (D)''.*

*(6) Section 864(d)(5)(A)(i) is amended by striking ''(C)(iii)(III)'' and inserting ''(C)(iii)(II)''.*

*(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2004.*

**SEC. 903. CLARIFICATION OF TREATMENT OF PIPELINE TRANSPORTATION INCOME.**

*(a) IN GENERAL.—Section 954(g)(1) (defining foreign base company oil related income) is amended by striking ''or'' 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 new subparagraph:*

*''(C) the pipeline transportation of oil or gas within such foreign country.''.*

*(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years of controlled foreign corporations beginning after December 31, 2002, and taxable years of United States shareholders with or within which such taxable years of controlled foreign corporations end.*

**SEC. 904. SUBPART F TREATMENT OF INCOME FROM TRANSMISSION OF HIGH VOLTAGE ELECTRICITY.**

*(a) IN GENERAL.—Paragraph (2) of section 954(e) (relating to foreign base company services income) is amended by striking ''or'' 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 new subparagraph:*

*''(C) the transmission of high voltage electricity.''.*

*(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years of controlled foreign corporations beginning after December 31, 2002, and taxable years of United States shareholders with or within which such taxable years of controlled foreign corporations end.*

**SEC. 905. ADVANCE PRICING AGREEMENTS TREATED AS CONFIDENTIAL TAXPAYER INFORMATION.**

*(a) IN GENERAL.—*

*(1) TREATMENT AS RETURN INFORMATION.—Paragraph (2) of section 6103(b) (defining return information) is amended by striking ''and'' at the end of subparagraph (A), by inserting ''and'' at the end of subparagraph (B), and by inserting after subparagraph (B) the following new subparagraph:*

*''(C) any advance pricing agreement entered into by a taxpayer and the Secretary and any background information related to such agreement or any application for an advance pricing agreement,''.*

*(2) EXCEPTION FROM PUBLIC INSPECTION AS WRITTEN DETERMINATION.—Paragraph (1) of section 6110(b) (defining written determination) is amended by adding at the end the following new sentence: ''Such term shall not include any advance pricing agreement entered into by a taxpayer and the Secretary and any background information related to such agreement or any application for an advance pricing agreement.''.*

*(3) EFFECTIVE DATE.—The amendments made by this subsection shall take effect on the date of the enactment of this Act.*

*(b) ANNUAL REPORT REGARDING ADVANCE PRICING AGREEMENTS.—*

*(1) IN GENERAL.—Not later than 90 days after the end of each calendar year, the Secretary of the Treasury shall prepare and publish a report regarding advance pricing agreements.*

*(2) CONTENTS OF REPORT.—The report shall include the following for the calendar year to which such report relates:*

*(A) Information about the structure, composition, and operation of the advance pricing agreement program office.*

*(B) A copy of each model advance pricing agreement.*

*(C) The number of—*

*(i) applications filed during such calendar year for advanced pricing agreements;*

*(ii) advance pricing agreements executed cumulatively to date and during such calendar year;*

*(iii) renewals of advanced pricing agreements issued;*

*(iv) pending requests for advance pricing agreements;*

*(v) pending renewals of advance pricing agreements;*

*(vi) for each of the items in clauses (ii) through (v), the number that are unilateral, bilateral, and multilateral, respectively;*

*(vii) advance pricing agreements revoked or canceled, and the number of withdrawals from the advance pricing agreement program; and*

*(viii) advanced pricing agreements finalized or renewed by industry.*

*(D) General descriptions of—*

*(i) the nature of the relationships between the related organizations, trades, or businesses covered by advance pricing agreements;*

*(ii) the covered transactions and the business functions performed and risks assumed by such organizations, trades, or businesses;*

*(iii) the related organizations, trades, or businesses whose prices or results are tested to determine compliance with transfer pricing methodologies prescribed in advanced pricing agreements;*

*(iv) methodologies used to evaluate tested parties and transactions and the circumstances leading to the use of those methodologies;*

*(v) critical assumptions made and sources of comparables used;*

*(vi) comparable selection criteria and the rationale used in determining such criteria;*

*(vii) the nature of adjustments to comparables or tested parties;*

*(viii) the nature of any ranges agreed to, including information regarding when no range was used and why, when interquartile ranges were used, and when there was a statistical narrowing of the comparables;*

*(ix) adjustment mechanisms provided to rectify results that fall outside of the agreed upon advance pricing agreement range;*

*(x) the various term lengths for advance pricing agreements, including rollback years, and the number of advance pricing agreements with each such term length;*

*(xi) the nature of documentation required; and*

*(xii) approaches for sharing of currency or other risks.*

*(E) Statistics regarding the amount of time taken to complete new and renewal advance pricing agreements.*

*(3) CONFIDENTIALITY.—The reports required by this subsection shall be treated as authorized by the Internal Revenue Code of 1986 for purposes of section 6103 of such Code, but the reports shall not include information—*

*(A) which would not be permitted to be disclosed under section 6110(c) of such Code if such report were a written determination as defined in section 6110 of such Code, or*

*(B) which can be associated with, or otherwise identify, directly or indirectly, a particular taxpayer.*

*(4) FIRST REPORT.—The report for calendar year 1999 shall include prior calendar years after 1990.*

*(c) USER FEE.—Section 7527, as added by this Act, is amended by redesignating subsection (c) as subsection (d) and by inserting after subsection (b) the following new subsection:*

*''(c) ADVANCE PRICING AGREEMENTS.—*

*''(1) IN GENERAL.—In addition to any fee otherwise imposed under this section, the fee imposed for requests for advance pricing agreements shall be increased by $500.*

*''(2) REDUCED FEE FOR SMALL BUSINESSES.—The Secretary shall provide an appropriate reduction in the amount imposed by reason of paragraph (1) for requests for advance pricing agreements for small businesses.''.*

*(d) REGULATIONS.—The Secretary of the Treasury or the Secretary's delegate shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of section 6103(b)(2)(C), and the last sentence of section 6110(b)(1), of the Internal Revenue Code of 1986, as added by this section.*

**SEC. 906. AIRLINE MILEAGE AWARDS TO CERTAIN FOREIGN PERSONS.**

*(a) IN GENERAL.—The last sentence of section 4261(e)(3)(C) (relating to regulations) is amended by inserting ''and mileage awards which are issued to individuals whose mailing addresses on record with the person providing the right to air transportation are outside the United States'' before the period at the end thereof.*

*(b) EFFECTIVE DATE.—The amendment made by this section shall apply to amounts paid after December 31, 2004.*

**SEC. 907. REPEAL OF FOREIGN TAX CREDIT LIMITATION UNDER ALTERNATIVE MINIMUM TAX.**

*(a) IN GENERAL.—Section 59(a) (relating to alternative minimum tax foreign tax credit) is amended by striking paragraph (2) and by redesignating paragraphs (3) and (4) as paragraphs (2) and (3), respectively.*

*(b) CONFORMING AMENDMENT.—Section 53(d)(1)(B)(i)(II) is amended by striking ''and if section 59(a)(2) did not apply''.*

*(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2004.*

**SEC. 908. TREATMENT OF MILITARY PROPERTY OF FOREIGN SALES CORPORATIONS.**

*(a) IN GENERAL.—Section 923(a) (defining exempt foreign trade income) is amended by striking paragraph (5) and by redesignating paragraph (6) as paragraph (5).*

*(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2004.*

## TITLE X—HOUSING AND REAL ESTATE TAX RELIEF PROVISIONS

### Subtitle A—Low-Income Housing Credit

**SEC. 1001. MODIFICATION OF STATE CEILING ON LOW-INCOME HOUSING CREDIT.**

*(a) IN GENERAL.—Clauses (i) and (ii) of section 42(h)(3)(C) (relating to State housing credit ceiling) are amended to read as follows:*

*''(i) the unused State housing credit ceiling (if any) of such State for the preceding calendar year,*

*''(ii) the greater of—*

*''(I) the applicable amount under subparagraph (H) multiplied by the State population, or*

*''(II) $2,000,000,''.*

*(b) APPLICABLE AMOUNT.—Paragraph (3) of section 42(h) (relating to housing credit dollar amount for agencies) is amended by adding at the end the following new subparagraph:*

*''(H) APPLICABLE AMOUNT OF STATE CEILING.—For purposes of subparagraph (C)(ii), the applicable amount shall be determined under the following table:*

| **''For calendar year—** | **The applicable amount is—** |
|---|---|
| 2001 | $1.35 |
| 2002 | 1.45 |
| 2003 | 1.55 |
| 2004 | 1.65 |
| 2005 and thereafter | 1.75.''. |

*(c) ADJUSTMENT OF STATE CEILING FOR INCREASES IN COST-OF-LIVING.—Paragraph (3) of section 42(h) (relating to housing credit dollar amount for agencies), as amended by subsection (b), is amended by adding at the end the following new subparagraph:*

*''(I) COST-OF-LIVING ADJUSTMENT.—*

*''(i) IN GENERAL.—In the case of a calendar year after 2005, the $1.75 amount in subparagraph (H) shall be increased by an amount equal to—*

*''(I) such dollar amount, multiplied by*

*''(II) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year by substituting 'calendar year 2004' for 'calendar year 1992' in subparagraph (B) thereof.*

*''(ii) ROUNDING.—Any increase under clause (i) which is not a multiple of 5 cents shall be rounded to the next lowest multiple of 5 cents.''.*

*(d) CONFORMING AMENDMENTS.—*

*(1) Section 42(h)(3)(C), as amended by subsection (a), is amended—*

*(A) by striking ''clause (ii)'' in the matter following clause (iv) and inserting ''clause (i)'', and*

*(B) by striking ''clauses (i)'' in the matter following clause (iv) and inserting ''clauses (ii)''.*

*(2) Section 42(h)(3)(D)(ii) is amended—*

*(A) by striking ''subparagraph (C)(ii)'' and inserting ''subparagraph (C)(i)'', and*

*(B) by striking ''clauses (i)'' in subclause (II) and inserting ''clauses (ii)''.*

*(e) EFFECTIVE DATE.—The amendments made by this section shall apply to calendar years after 2000.*

***Subtitle B—Historic Homes***

***SEC. 1011. TAX CREDIT FOR RENOVATING HISTORIC HOMES.***

*(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 (relating to nonrefundable personal credits) is amended by inserting after section 25A the following new section:*

***''SEC. 25B. HISTORIC HOMEOWNERSHIP REHABILITATION CREDIT.***

*''(a) GENERAL RULE.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to 20 percent of the qualified rehabilitation expenditures made by the taxpayer with respect to a qualified historic home.*

*''(b) DOLLAR LIMITATION.—The credit allowed by subsection (a) with respect to any residence of a taxpayer shall not exceed $20,000 ($10,000 in the case of a married individual filing a separate return).*

*''(c) QUALIFIED REHABILITATION EXPENDITURE.—For purposes of this section—*

*''(1) IN GENERAL.—The term 'qualified rehabilitation expenditure' means any amount properly chargeable to capital account—*

*''(A) in connection with the certified rehabilitation of a qualified historic home, and*

*''(B) for property for which depreciation would be allowable under section 168 if the qualified historic home were used in a trade or business.*

*''(2) CERTAIN EXPENDITURES NOT INCLUDED.—*

*''(A) EXTERIOR.—Such term shall not include any expenditure in connection with 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) OTHER RULES TO APPLY.—Rules similar to the rules of clauses (ii) and (iii) of section 47(c)(2)(B) shall apply.*

*''(3) MIXED USE OR MULTIFAMILY BUILDING.—If only a portion of a building is used as the principal residence of the taxpayer, only qualified rehabilitation expenditures which are properly allocable to such portion shall be taken into account under this section.*

*''(d) CERTIFIED REHABILITATION.—For purposes of this section:*

*''(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) under this section 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, and*

*''(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 143(j)(1), 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 Officer, or 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—*

*''(1) QUALIFIED HISTORIC HOME.—The term 'qualified historic home' means a certified historic structure—*

*''(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 will, within a reasonable period, be used) by such taxpayer as his principal residence.*

*''(2) SUBSTANTIALLY REHABILITATED.—The term 'substantially rehabilitated' has the meaning given such term by section 47(c)(1)(C); except that, in the case of any building described in subsection (d)(2), clause (i)(I) thereof shall not apply.*

*''(3) PRINCIPAL RESIDENCE.—The term 'principal residence' has the same meaning as when used in section 121.*

*''(4) CERTIFIED HISTORIC STRUCTURE.—*

*''(A) IN GENERAL.—The term 'certified historic structure' means any building (and its structural components) 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)) 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.*

*''(B) 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)(ii)—*

*''(i) IN GENERAL.—The term 'qualified census tract' means a census tract in which the median family income is less than twice the statewide median family 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 as complete before the date of the certification referred to in subsection (d).*

*''(6) 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 such minimum period as the regulations require.*

*''(7) TENANT-STOCKHOLDER IN COOPERATIVE HOUSING CORPORATION.—If the taxpayer holds stock as a tenant-stockholder (as defined in section 216) in a cooperative housing corporation (as defined in such section), such stockholder shall be treated as owning the house or apartment which the taxpayer is entitled to occupy as such stockholder.*

*''(8) ALLOCATION OF EXPENDITURES RELATING TO EXTERIOR OF BUILDING CONTAINING COOPERATIVE 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 residential unit in such building for which a credit under this section is claimed.*

*''(f) 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 on the date the rehabilitation is completed.*

*''(g) ALLOWANCE OF CREDIT FOR PURCHASE OF REHABILITATED HISTORIC HOME.—*

*''(1) IN GENERAL.—In the case of a qualified purchased historic home, the taxpayer shall be treated as having made (on the date of purchase) the qualified rehabilitation expenditures made by the seller of such home. For purposes of the preceding sentence, expenditures made by the seller shall be deemed to be qualified rehabilitation expenditures if such expenditures, if made by the purchaser, would be qualified rehabilitation expenditures.*

*''(2) QUALIFIED PURCHASED HISTORIC HOME.—For purposes of this subsection, the term 'qualified purchased historic home' means any substantially rehabilitated certified historic structure purchased by the taxpayer if—*

*''(A) the taxpayer is the first purchaser of such structure after the date rehabilitation is completed, and the purchase occurs within 5 years after such date,*

*''(B) the structure (or a portion thereof) will, within a reasonable period, be the principal residence of the taxpayer,*

*''(C) no credit was allowed to the seller under this section or section 47 with respect to such rehabilitation, and*

*''(D) the taxpayer is furnished with such information as the Secretary determines is necessary to determine the credit under this subsection.*

*''(h) HISTORIC REHABILITATION MORTGAGE CREDIT CERTIFICATE.—*

*''(1) IN GENERAL.—The taxpayer may elect, in lieu of the credit otherwise allowable under this section, to receive a historic rehabilitation mortgage credit certificate. An election under this paragraph shall be made—*

*''(A) in the case of a building to which subsection (g) applies, at the time of purchase, or*

*''(B) in any other case, at the time rehabilitation is completed.*

*''(2) HISTORIC REHABILITATION MORTGAGE CREDIT CERTIFICATE.—For purposes of this subsection, the term 'historic rehabilitation mortgage credit certificate' means a certificate—*

*''(A) issued to the taxpayer, in accordance with procedures 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 relates, and*

*''(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 a specified amount of the face amount of such a certificate relating to a building—

''(I) which is a targeted area residence within the meaning of section 143(j)(1), or

''(II) which is located in an enterprise community or empowerment zone as designated under section 1391,

a payment which is substantially equivalent to such specified amount to be used to reduce the taxpayer's cost of purchasing the building (and only the remainder of such face amount shall be taken into account under clause (i)).

''(3) METHOD OF DISCOUNTING.—The present value under paragraph (2)(D)(i) shall be determined—

''(A) for a period equal to the term of the loan referred to in subparagraph (D)(i),

''(B) by using the convention that any payment on such loan in any taxable year within such period is deemed to have been made on the last day of such taxable year,

''(C) by using a discount rate equal to 65 percent of the average of the annual Federal midterm rate and the annual Federal long-term rate applicable under section 1274(d)(1) to the month in which the taxpayer makes an election under paragraph (1) and compounded annually, and

''(D) by assuming that the credit allowable under this section for any year is received on the last day of such year.

''(4) USE OF 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 55(c)) of such lender. The lender may carry forward all unused amounts under this subsection until exhausted.

''(5) HISTORIC REHABILITATION MORTGAGE CREDIT CERTIFICATE NOT TREATED AS TAXABLE INCOME.—Notwithstanding any other provision of law, no benefit accruing to the taxpayer through the use of an historic rehabilitation mortgage credit certificate shall be treated as taxable income for purposes of this title.

''(i) RECAPTURE.—

''(1) IN GENERAL.—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 of purchase of such building by the taxpayer, or, if subsection (h) applies, the date of the loan)—

''(A) the taxpayer disposes of such taxpayer's interest in such building, or

''(B) such building ceases to be used as the principal residence of the taxpayer,

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 all prior taxable years with respect to such rehabilitation.

''(2) RECAPTURE PERCENTAGE.—For purposes of paragraph (1), the recapture percentage shall be determined in accordance with the following table:

| ''If the disposition or cessation occurs within— | The recapture percentage is— |
|---|---|
| (i) One full year after the taxpayer becomes entitled to the credit. | 100 |
| (ii) One full year after the close of the period described in clause (i). | 80 |
| (iii) One full year after the close of the period described in clause (ii). | 60 |
| (iv) One full year after the close of the period described in clause (iii). | 40 |
| (v) One full year after the close of the period described in clause (iv). | 20.''. |

''(j) BASIS ADJUSTMENTS.—For purposes of this subtitle, 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)), the increase in 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.

''(k) DENIAL OF DOUBLE BENEFIT.—No credit shall be allowed under this section for any amount for which credit is allowed under section 47.

''(l) REGULATIONS.—The Secretary shall prescribe such regulations as may be appropriate to carry out the purposes of this section, including regulations where less than all of a building is used as a principal residence and where more than 1 taxpayer use the same dwelling unit as their principal residence.''.

(b) CONFORMING AMENDMENT.—Subsection (a) of section 1016 is amended by striking ''and'' at the end of paragraph (26), by striking the period at the end of paragraph (27) and inserting '', and'', and by adding at the end the following new item:

''(28) to the extent provided in section 25B(j).''.

(c) CLERICAL AMENDMENT.—The table of sections for subpart A of part IV of subchapter A of chapter 1 is amended by inserting after the item relating to section 25A the following new item:

''Sec. 25B. Historic homeownership rehabilitation credit.''.

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

## Subtitle C—Provisions Relating to Real Estate Investment Trusts

## PART I—TREATMENT OF INCOME AND SERVICES PROVIDED BY TAXABLE REIT SUBSIDIARIES

### SEC. 1021. MODIFICATIONS TO ASSET DIVERSIFICATION TEST.

(a) IN GENERAL.—Subparagraph (B) of section 856(c)(4) is amended to read as follows:

''(B)(i) not more than 25 percent of the value of its total assets is represented by securities (other than those includible under subparagraph (A)), and

''(ii) except with respect to a taxable REIT subsidiary and securities includible under subparagraph (A)—

''(I) not more than 5 percent of the value of its total assets is represented by securities of any 1 issuer,

''(II) the trust does not hold securities possessing more than 10 percent of the total voting power of the outstanding securities of any 1 issuer, and

''(III) the trust does not hold securities having a value of more than 10 percent of the total value of the outstanding securities of any 1 issuer.''.

(b) EXCEPTION FOR STRAIGHT DEBT SECURITIES.—Subsection (c) of section 856 is amended by adding at the end the following new paragraph:

''(7) STRAIGHT DEBT SAFE HARBOR IN APPLYING PARAGRAPH (4).—Securities of an issuer which are straight debt (as defined in section 1361(c)(5) without regard to subparagraph (B)(iii) thereof) shall not be taken into account in applying paragraph (4)(B)(ii)(III) if—

''(A) the issuer is an individual, or

''(B) the only securities of such issuer which are held by the trust or a taxable REIT subsidiary of the trust are straight debt (as so defined), or

''(C) the issuer is a partnership and the trust holds at least a 20 percent profits interest in the partnership.''.

### SEC. 1022. TREATMENT OF INCOME AND SERVICES PROVIDED BY TAXABLE REIT SUBSIDIARIES.

(a) INCOME FROM TAXABLE REIT SUBSIDIARIES NOT TREATED AS IMPERMISSIBLE TENANT SERVICE INCOME.—Clause (i) of section 856(d)(7)(C) (relating to exceptions to impermissible tenant service income) is amended by inserting ''or through a taxable REIT subsidiary of such trust'' after ''income''.

(b) CERTAIN INCOME FROM TAXABLE REIT SUBSIDIARIES NOT EXCLUDED FROM RENTS FROM REAL PROPERTY.—

(1) IN GENERAL.—Subsection (d) of section 856 (relating to rents from real property defined) is amended by adding at the end the following new paragraphs:

''(8) SPECIAL RULE FOR TAXABLE REIT SUBSIDIARIES.—For purposes of this subsection, amounts paid to a real estate investment trust by a taxable REIT subsidiary of such trust shall not be excluded from rents from real property by reason of paragraph (2)(B) if the requirements of subparagraph (A) or (B) are met.

''(A) LIMITED RENTAL EXCEPTION.—The requirements of this subparagraph are met with respect to any property if at least 90 percent of the leased space of the property is rented to persons other than taxable REIT subsidiaries of such trust and other than persons described in section 856(d)(2)(B). The preceding sentence shall apply only to the extent that the amounts paid to the trust as rents from real property (as defined in paragraph (1) without regard to paragraph (2)(B)) from such property are substantially comparable to such rents made by the other tenants of the trust's property for comparable space.

''(B) EXCEPTION FOR CERTAIN LODGING FACILITIES.—The requirements of this subparagraph are met with respect to an interest in real property which is a qualified lodging facility leased by the trust to a taxable REIT subsidiary of the trust if the property is operated on behalf of such subsidiary by a person who is an eligible independent contractor.

''(9) ELIGIBLE INDEPENDENT CONTRACTOR.—For purposes of paragraph (8)(B)—

''(A) IN GENERAL.—The term 'eligible independent contractor' means, with respect to any qualified lodging facility, any independent contractor if, at the time such contractor enters into a management agreement or other similar service contract with the taxable REIT subsidiary to operate the facility, such contractor (or any related person) is actively engaged in the trade or business of operating qualified lodging facilities for any person who is not a related person with respect to the real estate investment trust or the taxable REIT subsidiary.

''(B) SPECIAL RULES.—Solely for purposes of this paragraph and paragraph (8)(B), a person shall not fail to be treated as an independent contractor with respect to any qualified lodging facility by reason of any of the following:

''(i) The taxable REIT subsidiary bears the expenses for the operation of the facility pursuant to the management agreement or other similar service contract.

''(ii) The taxable REIT subsidiary receives the revenues from the operation of such facility, net of expenses for such operation and fees payable to the operator pursuant to such agreement or contract.

''(iii) The real estate investment trust receives income from such person with respect to another property that is attributable to a lease of such other property to such person that was in effect as on the later of—

''(I) January 1, 1999, or

''(II) the earliest date that any taxable REIT subsidiary of such trust entered into a management agreement or other similar service contract with such person with respect to such qualified lodging facility.

''(C) RENEWALS, ETC., OF EXISTING LEASES.—For purposes of subparagraph (B)(iii)—

''(i) a lease shall be treated as in effect on January 1, 1999, without regard to its renewal after such date, so long as such renewal is pursuant to the terms of such lease as in effect on whichever of the dates under subparagraph (B)(iii) is the latest, and

''(ii) a lease of a property entered into after whichever of the dates under subparagraph (B)(iii) is the latest shall be treated as in effect on such date if—

''(I) on such date, a lease of such property from the trust was in effect, and

''(II) under the terms of the new lease, such trust receives a substantially similar or lesser benefit in comparison to the lease referred to in subclause (I).

''(D) QUALIFIED LODGING FACILITY.—For purposes of this paragraph—

''(i) IN GENERAL.—The term 'qualified lodging facility' means any lodging facility unless wagering activities are conducted at or in connection with such facility by any person who is engaged in the business of accepting wagers and who is legally authorized to engage in such business at or in connection with such facility.

''(ii) LODGING FACILITY.—The term 'lodging facility' means a hotel, motel, or other establishment more than one-half of the dwelling units in which are used on a transient basis.

''(iii) CUSTOMARY AMENITIES AND FACILITIES.—The term 'lodging facility' includes customary amenities and facilities operated as part of, or associated with, the lodging facility so long as such amenities and facilities are customary for other properties of a comparable size and class owned by other owners unrelated to such real estate investment trust.

''(E) OPERATE INCLUDES MANAGE.—References in this paragraph to operating a property shall be treated as including a reference to managing the property.

''(F) RELATED PERSON.—Persons shall be treated as related to each other if such persons are treated as a single employer under subsection (a) or (b) of section 52.''.

(2) CONFORMING AMENDMENT.—Subparagraph (B) of section 856(d)(2) is amended by inserting ''except as provided in paragraph (8),'' after ''(B)''.

(3) DETERMINING RENTS FROM REAL PROPERTY.—

(A)(i) Paragraph (1) of section 856(d) is amended by striking ''adjusted bases'' in each place that it occurs and inserting ''fair market values'' in each such place.

(ii) The amendment made by this paragraph shall apply to taxable years beginning after December 31, 1999.

(B)(i) Clause (i) of section 856(d)(2)(B) is amended by striking ''number'' and inserting ''value''.

(ii) The amendment made by this paragraph shall apply to amounts received or accrued in taxable years beginning after December 31, 1999, except for amounts paid pursuant to leases in effect on July 12, 1999 or pursuant to a binding contract in effect on such date and at all times thereafter.

**SEC. 1023. TAXABLE REIT SUBSIDIARY.**

(a) IN GENERAL.—Section 856 is amended by adding at the end the following new subsection:

''(l) TAXABLE REIT SUBSIDIARY.—For purposes of this part—

''(1) IN GENERAL.—The term 'taxable REIT subsidiary' means, with respect to a real estate investment trust, a corporation (other than a real estate investment trust) if—

''(A) such trust directly or indirectly owns stock in such corporation, and

''(B) such trust and such corporation jointly elect that such corporation shall be treated as a taxable REIT subsidiary of such trust for purposes of this part.

Such an election, once made, shall be irrevocable unless both such trust and corporation consent to its revocation. Such election, and any revocation thereof, may be made without the consent of the Secretary.

''(2) 35 PERCENT OWNERSHIP IN ANOTHER TAXABLE REIT SUBSIDIARY.—The term 'taxable REIT subsidiary' includes, with respect to any real estate investment trust, any corporation (other than a real estate investment trust) with respect to which a taxable REIT subsidiary of such trust owns directly or indirectly—

''(A) securities possessing more than 35 percent of the total voting power of the outstanding securities of such corporation, or

''(B) securities having a value of more than 35 percent of the total value of the outstanding securities of such corporation.

The preceding sentence shall not apply to a qualified REIT subsidiary (as defined in subsection (i)(2)). The rule of section 856(c)(7) shall apply for purposes of subparagraph (B).

''(3) EXCEPTIONS.—The term 'taxable REIT subsidiary' shall not include—

''(A) any corporation which directly or indirectly operates or manages a lodging facility or a health care facility, and

''(B) any corporation which directly or indirectly provides to any other person (under a franchise, license, or otherwise) rights to any brand name under which any lodging facility or health care facility is operated.

Subparagraph (B) shall not apply to rights provided to an eligible independent contractor to operate or manage a lodging facility if such rights are held by such corporation as a franchisee, licensee, or in a similar capacity and such lodging facility is either owned by such corporation or is leased to such corporation from the real estate investment trust.

''(4) DEFINITIONS.—For purposes of paragraph (3)—

''(A) LODGING FACILITY.—The term 'lodging facility' has the meaning given to such term by paragraph (9)(D)(ii).

''(B) HEALTH CARE FACILITY.—The term 'health care facility' has the meaning given to such term by subsection (e)(6)(D)(ii).''.

(b) CONFORMING AMENDMENT.—Paragraph (2) of section 856(i) is amended by adding at the end the following new sentence: ''Such term shall not include a taxable REIT subsidiary.''.

**SEC. 1024. LIMITATION ON EARNINGS STRIPPING.**

Paragraph (3) of section 163(j) (relating to limitation on deduction for interest on certain indebtedness) is amended by striking ''and'' at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting '', and'', and by adding at the end the following new subparagraph:

''(C) any interest paid or accrued (directly or indirectly) by a taxable REIT subsidiary (as defined in section 856(l)) of a real estate investment trust to such trust.''.

**SEC. 1025. 100 PERCENT TAX ON IMPROPERLY ALLOCATED AMOUNTS.**

(a) IN GENERAL.—Subsection (b) of section 857 (relating to method of taxation of real estate investment trusts and holders of shares or certificates of beneficial interest) is amended by redesignating paragraphs (7) and (8) as paragraphs (8) and (9), respectively, and by inserting after paragraph (6) the following new paragraph:

''(7) INCOME FROM REDETERMINED RENTS, REDETERMINED DEDUCTIONS, AND EXCESS INTEREST.—

''(A) IMPOSITION OF TAX.—There is hereby imposed for each taxable year of the real estate investment trust a tax equal to 100 percent of redetermined rents, redetermined deductions, and excess interest.

''(B) REDETERMINED RENTS.—

''(i) IN GENERAL.—The term 'redetermined rents' means rents from real property (as defined in subsection 856(d)) the amount of which would (but for subparagraph (E)) be reduced on distribution, apportionment, or allocation under section 482 to clearly reflect income as a result of services furnished or rendered by a taxable REIT subsidiary of the real estate investment trust to a tenant of such trust.

''(ii) EXCEPTION FOR CERTAIN SERVICES.—Clause (i) shall not apply to amounts received directly or indirectly by a real estate investment trust for services described in paragraph (1)(B) or (7)(C)(i) of section 856(d).

''(iii) EXCEPTION FOR DE MINIMIS AMOUNTS.—Clause (i) shall not apply to amounts described in section 856(d)(7)(A) with respect to a property to the extent such amounts do not exceed the one percent threshold described in section 856(d)(7)(B) with respect to such property.

''(iv) EXCEPTION FOR COMPARABLY PRICED SERVICES.—Clause (i) shall not apply to any service rendered by a taxable REIT subsidiary of a real estate investment trust to a tenant of such trust if—

''(I) such subsidiary renders a significant amount of similar services to persons other than such trust and tenants of such trust who are unrelated (within the meaning of section 856(d)(8)(F)) to such subsidiary, trust, and tenants, but

''(II) only to the extent the charge for such service so rendered is substantially comparable to the charge for the similar services rendered to persons referred to in subclause (I).

''(v) EXCEPTION FOR CERTAIN SEPARATELY CHARGED SERVICES.—Clause (i) shall not apply to any service rendered by a taxable REIT subsidiary of a real estate investment trust to a tenant of such trust if—

''(I) the rents paid to the trust by tenants (leasing at least 25 percent of the net leasable space in the trust's property) who are not receiving such service from such subsidiary are substantially comparable to the rents paid by tenants leasing comparable space who are receiving such service from such subsidiary, and

''(II) the charge for such service from such subsidiary is separately stated.

''(vi) EXCEPTION FOR CERTAIN SERVICES BASED ON SUBSIDIARY'S INCOME FROM THE SERVICES.—Clause (i) shall not apply to any service rendered by a taxable REIT subsidiary of a real estate investment trust to a tenant of such trust if the gross income of such subsidiary from such service is not less than 150 percent of such subsidiary's direct cost in furnishing or rendering the service.

''(vii) EXCEPTIONS GRANTED BY SECRETARY.—The Secretary may waive the tax otherwise imposed by subparagraph (A) if the trust establishes to the satisfaction of the Secretary that rents charged to tenants were established on an arms' length basis even though a taxable REIT subsidiary of the trust provided services to such tenants.

''(C) REDETERMINED DEDUCTIONS.—The term 'redetermined deductions' means deductions (other than redetermined rents) of a taxable REIT subsidiary of a real estate investment trust if the amount of such deductions would (but for subparagraph (E)) be decreased on distribution, apportionment, or allocation under section 482 to clearly reflect income as between such subsidiary and such trust.

''(D) EXCESS INTEREST.—The term 'excess interest' means any deductions for interest payments by a taxable REIT subsidiary of a real estate investment trust to such trust to the extent that the interest payments are in excess of a rate that is commercially reasonable.

''(E) COORDINATION WITH SECTION 482.—The imposition of tax under subparagraph (A) shall be in lieu of any distribution, apportionment, or allocation under section 482.

''(F) REGULATORY AUTHORITY.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this paragraph. Until the Secretary prescribes such regulations, real estate investment trusts and their taxable REIT subsidiaries may base their allocations on any reasonable method.''.

(b) AMOUNT SUBJECT TO TAX NOT REQUIRED TO BE DISTRIBUTED.—Subparagraph (E) of section 857(b)(2) (relating to real estate investment trust taxable income) is amended by striking ''paragraph (5)'' and inserting ''paragraphs (5) and (7)''.

**SEC. 1026. EFFECTIVE DATE.**

(a) IN GENERAL.—The amendments made by this part shall apply to taxable years beginning after December 31, 2000.

(b) TRANSITIONAL RULES RELATED TO SECTION 1021.—

*(1) EXISTING ARRANGEMENTS.—*

*(A) IN GENERAL.—Except as otherwise provided in this paragraph, the amendment made by section 1021 shall not apply to a real estate investment trust with respect to—*

*(i) securities of a corporation held directly or indirectly by such trust on July 12, 1999,*

*(ii) securities of a corporation held by an entity on July 12, 1999, if such trust acquires control of such entity pursuant to a written binding contract in effect on such date and at all times thereafter before such acquisition,*

*(iii) securities received by such trust (or a successor) in exchange for, or with respect to, securities described in clause (i) or (ii) in a transaction in which gain or loss is not recognized, and*

*(iv) securities acquired directly or indirectly by such trust as part of a reorganization (as defined in section 368(a)(1) of the Internal Revenue Code of 1986) with respect to such trust if such securities are described in clause (i), (ii), or (iii) with respect to any other real estate investment trust.*

*Notwithstanding the preceding sentence, such securities shall be taken into account in determining whether such trust fails to meet the requirements of section 856(c)(4)(B) of such Code (as amended by such amendments) if such trust acquires or receives securities to which the preceding sentence does not apply.*

*(B) NEW TRADE OR BUSINESS OR SUBSTANTIAL NEW ASSETS.—Subparagraph (A) shall cease to apply to securities of a corporation as of the first day after July 12, 1999, on which such corporation engages in a substantial new line of business, or acquires any substantial asset, other than—*

*(i) pursuant to a binding contract in effect on such date and at all times thereafter before the acquisition of such asset,*

*(ii) in a transaction in which gain or loss is not recognized by reason of section 1031 or 1033 of the Internal Revenue Code of 1986, or*

*(iii) in a reorganization (as so defined) with another corporation the securities of which are described in paragraph (1)(A) of this subsection.*

*(C) LIMITATION ON TRANSITION RULES.—Subparagraph (A) shall cease to apply to securities of a corporation held, acquired, or received, directly or indirectly, by a real estate investment trust as of the first day after July 12, 1999, on which such trust acquires any additional securities of such corporation other than—*

*(i) pursuant to a binding contract in effect on such date and at all times thereafter, or*

*(ii) in a reorganization (as so defined) with another corporation the securities of which are described in paragraph (1)(A) of this subsection.*

*(2) TAX-FREE CONVERSION.—If—*

*(A) at the time of an election for a corporation to become a taxable REIT subsidiary, the amendment made by section 1021 does not apply to such corporation by reason of paragraph (1), and*

*(B) such election first takes effect before January 1, 2004,*

*such election shall be treated as a reorganization qualifying under section 368(a)(1)(A) of such Code.*

## *PART II—HEALTH CARE REITS*

### *SEC. 1031. HEALTH CARE REITS.*

*(a) SPECIAL FORECLOSURE RULE FOR HEALTH CARE PROPERTIES.—Subsection (e) of section 856 (relating to special rules for foreclosure property) is amended by adding at the end the following new paragraph:*

*''(6) SPECIAL RULE FOR QUALIFIED HEALTH CARE PROPERTIES.—For purposes of this subsection—*

*''(A) ACQUISITION AT EXPIRATION OF LEASE.—The term 'foreclosure property' shall include any qualified health care property acquired by a real estate investment trust as the result of the termination of a lease of such property (other than a termination by reason of a default, or the imminence of a default, on the lease).*

*''(B) GRACE PERIOD.—In the case of a qualified health care property which is foreclosure property solely by reason of subparagraph (A), in lieu of applying paragraphs (2) and (3)—*

*''(i) the qualified health care property shall cease to be foreclosure property as of the close of the second taxable year after the taxable year in which such trust acquired such property, and*

*''(ii) if the real estate investment trust establishes to the satisfaction of the Secretary that an extension of the grace period in clause (i) is necessary to the orderly leasing or liquidation of the trust's interest in such qualified health care property, the Secretary may grant 1 or more extensions of the grace period for such qualified health care property.*

*Any such extension shall not extend the grace period beyond the close of the 6th year after the taxable year in which such trust acquired such qualified health care property.*

*''(C) INCOME FROM INDEPENDENT CONTRACTORS.—For purposes of applying paragraph (4)(C) with respect to qualified health care property which is foreclosure property by reason of subparagraph (A) or paragraph (1), income derived or received by the trust from an independent contractor shall be disregarded to the extent such income is attributable to—*

*''(i) any lease of property in effect on the date the real estate investment trust acquired the qualified health care property (without regard to its renewal after such date so long as such renewal is pursuant to the terms of such lease as in effect on such date), or*

*''(ii) any lease of property entered into after such date if—*

*''(I) on such date, a lease of such property from the trust was in effect, and*

*''(II) under the terms of the new lease, such trust receives a substantially similar or lesser benefit in comparison to the lease referred to in subclause (I).*

*''(D) QUALIFIED HEALTH CARE PROPERTY.—*

*''(i) IN GENERAL.—The term 'qualified health care property' means any real property (including interests therein), and any personal property incident to such real property, which—*

*''(I) is a health care facility, or*

*''(II) is necessary or incidental to the use of a health care facility.*

*''(ii) HEALTH CARE FACILITY.—For purposes of clause (i), the term 'health care facility' means a hospital, nursing facility, assisted living facility, congregate care facility, qualified continuing care facility (as defined in section 7872(g)(4)), or other licensed facility which extends medical or nursing or ancillary services to patients and which, immediately before the termination, expiration, default, or breach of the lease of or mortgage secured by such facility, was operated by a provider of such services which was eligible for participation in the medicare program under title XVIII of the Social Security Act with respect to such facility.''.*

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

## *PART III—CONFORMITY WITH REGULATED INVESTMENT COMPANY RULES*

### *SEC. 1041. CONFORMITY WITH REGULATED INVESTMENT COMPANY RULES.*

*(a) DISTRIBUTION REQUIREMENT.—Clauses (i) and (ii) of section 857(a)(1)(A) (relating to requirements applicable to real estate investment trusts) are each amended by striking ''95 percent (90 percent for taxable years beginning before January 1, 1980)'' and inserting ''90 percent''.*

*(b) IMPOSITION OF TAX.—Clause (i) of section 857(b)(5)(A) (relating to imposition of tax in case of failure to meet certain requirements) is amended by striking ''95 percent (90 percent in the case of taxable years beginning before January 1, 1980)'' and inserting ''90 percent''.*

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

## *PART IV—CLARIFICATION OF EXCEPTION FROM IMPERMISSIBLE TENANT SERVICE INCOME*

### *SEC. 1051. CLARIFICATION OF EXCEPTION FOR INDEPENDENT OPERATORS.*

*(a) IN GENERAL.—Paragraph (3) of section 856(d) (relating to independent contractor defined) is amended by adding at the end the following flush sentence:*

*''In the event that any class of stock of either the real estate investment trust or such person is regularly traded on an established securities market, only persons who own, directly or indirectly, more than 5 percent of such class of stock shall be taken into account as owning any of the stock of such class for purposes of applying the 35 percent limitation set forth in subparagraph (B) (but all of the outstanding stock of such class shall be considered outstanding in order to compute the denominator for purpose of determining the applicable percentage of ownership).''.*

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

## *PART V—MODIFICATION OF EARNINGS AND PROFITS RULES*

### *SEC. 1061. MODIFICATION OF EARNINGS AND PROFITS RULES.*

*(a) RULES FOR DETERMINING WHETHER REGULATED INVESTMENT COMPANY HAS EARNINGS AND PROFITS FROM NON-RIC YEAR.—Subsection (c) of section 852 is amended by adding at the end the following new paragraph:*

*''(3) DISTRIBUTIONS TO MEET REQUIREMENTS OF SUBSECTION (a)(2)(B).—Any distribution which is made in order to comply with the requirements of subsection (a)(2)(B)—*

*''(A) shall be treated for purposes of this subsection and subsection (a)(2)(B) as made from the earliest earnings and profits accumulated in any taxable year to which the provisions of this part did not apply rather than the most recently accumulated earnings and profits, and*

*''(B) to the extent treated under subparagraph (A) as made from accumulated earnings and profits, shall not be treated as a distribution for purposes of subsection (b)(2)(D) and section 855.''.*

*(b) CLARIFICATION OF APPLICATION OF REIT SPILLOVER DIVIDEND RULES TO DISTRIBUTIONS TO MEET QUALIFICATION REQUIREMENT.—Subparagraph (B) of section 857(d)(3) is amended by inserting before the period ''and section 858''.*

*(c) APPLICATION OF DEFICIENCY DIVIDEND PROCEDURES.—Paragraph (1) of section 852(e) is amended by adding at the end the following new sentence: ''If the determination under subparagraph (A) is solely as a result of the failure to meet the requirements of subsection (a)(2), the preceding sentence shall also apply for purposes of applying subsection (a)(2) to the non-RIC year.''.*

*(d) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2000.*

## *PART VI—STUDY RELATING TO TAXABLE REIT SUBSIDIARIES*

### *SEC. 1071. STUDY RELATING TO TAXABLE REIT SUBSIDIARIES.*

*The Commissioner of the Internal Revenue shall conduct a study to determine how many taxable REIT subsidiaries are in existence and the aggregate amount of taxes paid by such subsidiaries. The Secretary shall submit a report to the Congress describing the results of such study.*

## *Subtitle D—Private Activity Bond Volume Cap*

### *SEC. 1081. INCREASE IN VOLUME CAP ON PRIVATE ACTIVITY BONDS.*

*(a) IN GENERAL.—The table contained in section 146(d)(2) (relating to per capita limit; aggregate limit) is amended by striking ''2002'', ''2003'', ''2004'', ''2005'', ''2006'', and ''2007'' and inserting ''2000'', ''2001'', ''2002'', ''2003'', ''2004'', and ''2005'', respectively.*

*(b) EFFECTIVE DATE.—The amendments made by this section shall apply to calendar years after 2000.*

### *Subtitle E—Leasehold Improvements Depreciation*

**SEC. 1091. RECOVERY PERIOD FOR DEPRECIATION OF CERTAIN LEASEHOLD IMPROVEMENTS.**

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

*''(iv) any qualified leasehold improvement property.''.*

*(b) QUALIFIED LEASEHOLD IMPROVEMENT PROPERTY.—Subsection (e) of section 168 is amended by adding at the end the following new paragraph:*

*''(6) QUALIFIED LEASEHOLD IMPROVEMENT PROPERTY.—*

*''(A) IN GENERAL.—The term 'qualified leasehold improvement property' means any improvement to an interior portion of a building which is nonresidential real property if—*

*''(i) such improvement is made under or pursuant to a lease (as defined in subsection (h)(7))—*

*''(I) by the lessee (or any sublessee) of such portion, or*

*''(II) by the lessor of such portion,*

*''(ii) the original use of such improvement begins with the lessee and after December 31, 2002,*

*''(iii) such portion is to be occupied exclusively by the lessee (or any sublessee) of such portion, and*

*''(iv) such improvement is placed in service more than 3 years after the date the building was first placed in service.*

*''(B) CERTAIN IMPROVEMENTS NOT INCLUDED.—Such term shall not include any 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.*

*''(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 persons' 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.''.*

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

*''(G) Qualified leasehold improvement property described in subsection (e)(6).''.*

*(d) EFFECTIVE DATE.—The amendments made by this section shall apply to qualified leasehold improvement property placed in service after December 31, 2002.*

## *TITLE XI—MISCELLANEOUS PROVISIONS*

**SEC. 1101. REPEAL OF CERTAIN MOTOR FUEL EXCISE TAXES ON FUEL USED BY RAILROADS AND ON INLAND WATERWAY TRANSPORTATION.**

*(a) REPEAL OF 4.3-CENT MOTOR FUEL EXCISE TAXES ON RAILROADS AND INLAND WATERWAY TRANSPORTATION WHICH REMAIN IN GENERAL FUND.—*

*(1) TAXES ON TRAINS.—*

*(A) IN GENERAL.—Subparagraph (A) of section 4041(a)(1) is amended by striking ''or a diesel-powered train'' each place it appears and by striking ''or train''.*

*(B) CONFORMING AMENDMENTS.—*

*(i) Subparagraph (C) of section 4041(a)(1) is amended by striking clause (ii) and by redesignating clause (iii) as clause (ii).*

*(ii) Subparagraph (C) of section 4041(b)(1) is amended by striking all that follows ''section 6421(e)(2)'' and inserting a period.*

*(iii) Paragraph (3) of section 4083(a) is amended by striking ''or a diesel-powered train''.*

*(iv) Section 6427(l) is amended by striking paragraph (3) and by redesignating paragraphs (4) and (5) as paragraphs (3) and (4), respectively.*

*(2) FUEL USED ON INLAND WATERWAYS.—*

*(A) IN GENERAL.—Paragraph (1) of section 4042(b) is amended by adding ''and'' at the end of subparagraph (A), by striking '', and'' at the end of subparagraph (B) and inserting a period, and by striking subparagraph (C).*

*(B) CONFORMING AMENDMENT.—Paragraph (2) of section 4042(b) is amended by striking subparagraph (C).*

*(b) EFFECTIVE DATE.—The amendments made by this subsection shall take effect on October 1, 2000.*

**SEC. 1102. TAX TREATMENT OF ALASKA NATIVE SETTLEMENT TRUSTS.**

*(a) TAX EXEMPTION.—Section 501(c), as amended by section 801(a), is amended by adding at the end the following new paragraph:*

*''(29) A trust which—*

*''(A) constitutes a Settlement Trust under section 39 of the Alaska Native Claims Settlement Act (43 U.S.C. 1629e), and*

*''(B) with respect to which an election under subsection (p)(2) is in effect.''.*

*(b) SPECIAL RULES RELATING TO TAXATION OF ALASKA NATIVE SETTLEMENT TRUSTS.—Section 501 is amended by redesignating subsection (p) as subsection (q) and by inserting after subsection (o) the following new subsection:*

*''(p) SPECIAL RULES FOR TAXATION OF ALASKA NATIVE SETTLEMENT TRUSTS.—*

*''(1) IN GENERAL.—For purposes of this title, the following rules shall apply in the case of a Settlement Trust:*

*''(A) ELECTING TRUST.—If an election under paragraph (2) is in effect for any taxable year—*

*''(i) no amount shall be includible in the gross income of a beneficiary of the Settlement Trust by reason of a contribution to the Settlement Trust made during such taxable year, and*

*''(ii) except as provided in this subsection, the provisions of subchapter J and section 1(e) shall not apply to the Settlement Trust and its beneficiaries for such taxable year.*

*''(B) NONELECTING TRUST.—If an election is not in effect under paragraph (2) for any taxable year, the provisions of subchapter J and section 1(e) shall apply to the Settlement Trust and its beneficiaries for such taxable year.*

*''(2) ONE-TIME ELECTION.—*

*''(A) IN GENERAL.—A Settlement Trust may elect to have the provisions of this subsection and subsection (c)(29) apply to the trust and its beneficiaries.*

*''(B) TIME AND METHOD OF ELECTION.—An election under subparagraph (A) shall be made—*

*''(i) on or before the due date (including extensions) for filing the Settlement Trust's return of tax for the 1st taxable year of the Settlement Trust ending after December 31, 1999, and*

*''(ii) by attaching to such return of tax a statement specifically providing for such election.*

*''(C) PERIOD ELECTION IN EFFECT.—Except as provided in paragraph (3), an election under subparagraph (A)—*

*''(i) shall apply to the 1st taxable year described in subparagraph (B)(i) and all subsequent taxable years, and*

*''(ii) may not be revoked once it is made.*

*''(3) SPECIAL RULES WHERE TRANSFER RESTRICTIONS MODIFIED.—*

*''(A) TRANSFER OF BENEFICIAL INTERESTS.—If, at any time, a beneficial interest in a Settlement Trust may be disposed of in a manner which would not be permitted by section 7(h) of the Alaska Native Claims Settlement Act (43 U.S.C. 1606(h)) if the interest were Settlement Common Stock—*

*''(i) no election may be made under paragraph (2)(A) with respect to such trust, and*

*''(ii) if an election under paragraph (2)(A) is in effect as of such time—*

*''(I) such election is revoked as of the 1st day of the taxable year following the taxable year in which such disposition is first permitted, and*

*''(II) there is hereby imposed on such trust a tax equal to the product of the fair market value of the assets held by the trust as of the close of the taxable year in which such disposition is first permitted and the highest rate of tax under section 1(e) for such taxable year.*

*The tax imposed by clause (ii)(II) shall be in lieu of any other tax imposed by this chapter for the taxable year.*

*''(B) STOCK IN CORPORATION.—If—*

*''(i) the Settlement Common Stock in any Native Corporation which transferred assets to a Settlement Trust making an election under paragraph (2)(A) may be disposed of in a manner not permitted by section 7(h) of the Alaska Native Claims Settlement Act (43 U.S.C. 1606(h)), and*

*''(ii) at any time after such disposition of stock is first permitted, such corporation transfers assets to such trust,*

*clause (ii) of subparagraph (A) shall be applied to such trust on and after the date of the transfer in the same manner as if the trust permitted dispositions of beneficial interests in the trust in a manner not permitted by such section 7(h).*

*''(C) ADMINISTRATIVE PROVISIONS.—For purposes of subtitle F, any tax imposed by subparagraph (A)(ii)(II) shall be treated as an excise tax with respect to which the deficiency procedures of such subtitle apply.*

*''(4) DISTRIBUTION REQUIREMENT ON ELECTING SETTLEMENT TRUST.—*

*''(A) IN GENERAL.—If an election is in effect under paragraph (2) for any taxable year, a Settlement Trust shall distribute at least 55 percent of its adjusted taxable income for such taxable year.*

*''(B) TAX IMPOSED IF INSUFFICIENT DISTRIBUTION.—If a Settlement Trust fails to meet the distribution requirement of subparagraph (A) for any taxable year, then, notwithstanding subsection (c)(29), a tax shall be imposed on the trust under section 1(e) on an amount of taxable income equal to the amount of such failure.*

*''(C) DESIGNATION OF DISTRIBUTION.—Solely for purposes of meeting the requirements of this paragraph, a Settlement Trust may elect to treat any distribution (or portion) during the 65-day period following the close of any taxable year as made on the last day of such taxable year. Any such distribution (or portion) may not be taken into account under this paragraph for any other taxable year.*

*''(D) ADJUSTED TAXABLE INCOME.—For purposes of this paragraph, the term 'adjusted taxable income' means taxable income determined under section 641(b) without regard to any deduction under section 651 or 661.*

*''(5) TAX TREATMENT OF DISTRIBUTIONS TO BENEFICIARIES.—*

*''(A) ELECTING TRUST.—If an election is in effect under paragraph (2) for any taxable year, any distribution to a beneficiary shall be included in gross income of the beneficiary as ordinary income.*

*''(B) NONELECTING TRUSTS.—Any distribution to a beneficiary from a Settlement Trust not described in subparagraph (A) shall be includible in income as provided under subchapter J.*

*''(C) EARNINGS AND PROFITS.—The earnings and profits of any Native Corporation making a*

*contribution to a Settlement Trust shall not be reduced on account thereof at the time of such contribution, but such earnings and profits shall be reduced (up to the amount of such contribution) as distributions are thereafter made by the Settlement Trust which exceed the sum of—*

*''(i) such Trust's total undistributed net income for all prior years during which an election under paragraph (2) is in effect, and*

*''(ii) such Trust's distributable net income.*

*''(6) DEFINITIONS.—For purposes of this subsection—*

*''(A) NATIVE CORPORATION.—The term 'Native Corporation' has the meaning given such term by section 3(m) of the Alaska Native Claims Settlement Act (43 U.S.C. 1602(m)).*

*''(B) SETTLEMENT TRUST.—The term 'Settlement Trust' means a trust which constitutes a Settlement Trust under section 39 of the Alaska Native Claims Settlement Act (43 U.S.C. 1629e).''.*

*(c) WITHHOLDING ON DISTRIBUTIONS BY ELECTING ANCSA SETTLEMENT TRUSTS.—Section 3402 is amended by adding at the end the following new subsection:*

*''(t) TAX WITHHOLDING ON DISTRIBUTIONS BY ELECTING ANCSA SETTLEMENT TRUSTS.—*

*''(1) IN GENERAL.—Any Settlement Trust (as defined in section 501(p)(6)(B)) which is exempt from income tax under section 501(c)(29) (in this subsection referred to as an 'electing trust') and which makes a payment to any beneficiary shall deduct and withhold from such payment a tax in an amount equal to such payment's proportionate share of the annualized tax.*

*''(2) EXCEPTION.—The tax imposed by paragraph (1) shall not apply to any payment to the extent that such payment, when annualized, does not exceed an amount equal to the amount in effect under section 6012(a)(1)(A)(i) for taxable years beginning in the calendar year in which the payment is made.*

*''(3) ANNUALIZED TAX.—For purposes of paragraph (1), the term 'annualized tax' means, with respect to any payment, the amount of tax which would be imposed by section 1(c) (determined without regard to any rate of tax in excess of 31 percent) on an amount of taxable income equal to the excess of—*

*''(A) the annualized amount of such payment, over*

*''(B) the amount determined under paragraph (2).*

*''(4) ANNUALIZATION.—For purposes of this subsection, amounts shall be annualized in the manner prescribed by the Secretary.*

*''(5) ALTERNATE WITHHOLDING PROCEDURES.—At the election of an electing trust, the tax imposed by this subsection on any payment made by such trust shall be determined in accordance with such tables or computational procedures as may be specified in regulations prescribed by the Secretary (in lieu of in accordance with paragraphs (2) and (3)).*

*''(6) COORDINATION WITH OTHER SECTIONS.—For purposes of this chapter and so much of subtitle F as relates to this chapter, payments which are subject to withholding under this subsection shall be treated as if they were wages paid by an employer to an employee.''.*

*(d) REPORTING.—Section 6041 is amended by adding at the end the following new subsection:*

*''(f) APPLICATION TO ALASKA NATIVE SETTLEMENT TRUSTS.—In the case of any distribution from a Settlement Trust (as defined in section 501(p)(6)(B)) to a beneficiary, this section shall apply, except that—*

*''(1) this section shall apply to such distribution without regard to the amount thereof,*

*''(2) the Settlement Trust shall include on any return or statement required by this section information as to the character of such distribution (if applicable) and the amount of tax imposed by chapter 1 which has been deducted and withheld from such distribution, and*

*''(3) the filing of any return or statement required by this section shall satisfy any requirement to file any other form or schedule under this title with respect to distributive share information (including any form or schedule to be included with the trust's tax return).''.*

*(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years of Settlement Trusts ending after December 31, 1999, and to contributions to such trusts after such date.*

***SEC. 1103. LONG-TERM UNUSED CREDITS ALLOWED AGAINST MINIMUM TAX.***

*(a) IN GENERAL.—Subsection (c) of section 53 (relating to limitation) is amended by adding at the end the following:*

*''(2) SPECIAL RULE FOR CORPORATIONS WITH LONG-TERM UNUSED CREDITS.—*

*''(A) IN GENERAL.—If—*

*''(i) a corporation to which section 56(g) applies has a long-term unused minimum tax credit for a taxable year, and*

*''(ii) no credit would be allowable under this section for the taxable year by reason of paragraph (1),*

*then there shall be allowed a credit under subsection (a) for the taxable year in the amount determined under subparagraph (B).*

*''(B) AMOUNT OF CREDIT.—For purposes of subparagraph (A), the amount of the credit shall be equal to the least of the following for the taxable year:*

*''(i) The long-term unused minimum tax credit.*

*''(ii) 50 percent of the taxpayer's tentative minimum tax.*

*''(iii) The excess (if any) of the amount under paragraph (1)(B) over the amount under paragraph (1)(A).*

*''(C) LONG-TERM UNUSED MINIMUM TAX CREDIT.—For purposes of this paragraph—*

*''(i) IN GENERAL.—The long-term unused minimum tax credit for any taxable year is the portion of the minimum tax credit determined under subsection (b) attributable to the adjusted net minimum tax for taxable years beginning after 1986 and ending before the 5th taxable year immediately preceding the taxable year for which the determination is being made.*

*''(ii) FIRST-IN, FIRST-OUT ORDERING RULE.—For purposes of clause (i), credits shall be treated as allowed under subsection (a) on a first-in, first-out basis.''.*

*(b) CONFORMING AMENDMENTS.—Section 53(c) (as in effect before the amendment made by subsection (a)) is amended—*

*(1) by striking ''The'' and inserting the following:*

*''(1) IN GENERAL.—The''; and*

*(2) by redesignating paragraphs (1) and (2) as subparagraphs (A) and (B), respectively.*

*(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2003.*

***SEC. 1104. 5-YEAR NET OPERATING LOSS CARRYBACK FOR LOSSES ATTRIBUTABLE TO OPERATING MINERAL INTERESTS OF INDEPENDENT OIL AND GAS PRODUCERS.***

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

*''(H) LOSSES ON OPERATING MINERAL INTERESTS OF INDEPENDENT OIL AND GAS PRODUCERS.—In the case of a taxpayer—*

*''(i) which has an eligible oil and gas loss (as defined in subsection (j)) for a taxable year, and*

*''(ii) which is not an integrated oil company (as defined in section 291(b)(4)),*

*such eligible oil and gas loss shall be a net operating loss carryback to each of the 5 taxable years preceding the taxable year of such loss.''.*

*(b) ELIGIBLE OIL AND GAS LOSS.—Section 172 is amended by redesignating subsection (j) as subsection (k) and by inserting after subsection (i) the following new subsection:*

*''(j) ELIGIBLE OIL AND GAS LOSS.—For purposes of this section—*

*''(1) IN GENERAL.—The term 'eligible oil and gas loss' means the lesser of—*

*''(A) the amount which would be the net operating loss for the taxable year if only income and deductions attributable to operating mineral interests (as defined in section 614(d)) in oil and gas wells are taken into account, or*

*''(B) the amount of the net operating loss for such taxable year.*

*''(2) COORDINATION WITH SUBSECTION (b)(2).—For purposes of applying subsection (b)(2), an eligible oil and gas loss for any taxable year shall be treated in a manner similar to the manner in which a specified liability loss is treated.*

*''(3) ELECTION.—Any taxpayer entitled to a 5-year carryback under subsection (b)(1)(H) from any loss year may elect to have the carryback period with respect to such loss year determined without regard to subsection (b)(1)(H).''.*

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

***SEC. 1105. ELECTION TO EXPENSE GEOLOGICAL AND GEOPHYSICAL EXPENDITURES.***

*(a) IN GENERAL.—Section 263 (relating to capital expenditures) is amended by adding at the end the following:*

*''(j) GEOLOGICAL AND GEOPHYSICAL EXPENDITURES FOR DOMESTIC OIL AND GAS WELLS.—Notwithstanding subsection (a), a taxpayer may elect to treat geological and geophysical expenses incurred in connection with the exploration for, or development of, oil or gas within the United States (as defined in section 638) as expenses which are not chargeable to capital account. Any expenses so treated shall be allowed as a deduction in the taxable year in which paid or incurred.''.*

*(b) CONFORMING AMENDMENT.—Section 263A(c)(3) is amended by inserting ''263(j),'' after ''263(i),''.*

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

***SEC. 1106. ELECTION TO EXPENSE DELAY RENTAL PAYMENTS***

*(a) IN GENERAL.—Section 263 (relating to capital expenditures), as amended by section 1105(a), is amended by adding at the end the following:*

*''(k) DELAY RENTAL PAYMENTS FOR DOMESTIC OIL AND GAS WELLS.—*

*''(1) IN GENERAL.—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.*

*''(2) 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.''.*

*(b) CONFORMING AMENDMENT.—Section 263A(c)(3), as amended by section 1105(b), is amended by inserting ''263(k),'' after ''263(j),''.*

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

***SEC. 1107. MODIFICATION OF ACTIVE BUSINESS DEFINITION UNDER SECTION 355.***

*(a) IN GENERAL.—Section 355(b) (defining active conduct of a trade or business) is amended by adding at the end the following new paragraph:*

*''(3) SPECIAL RULES RELATING TO ACTIVE BUSINESS REQUIREMENT.—*

*''(A) IN GENERAL.—For purposes of determining whether a corporation meets the requirement of paragraph (2)(A), all members of such corporation's separate affiliated group shall be treated as 1 corporation. For purposes of the preceding sentence, a corporation's separate affiliated group is the affiliated group which would be determined under section 1504(a) if*

*such corporation were the common parent and section 1504(b) did not apply.*

*''(B) CONTROL.—For purposes of paragraph (2)(D), all distributee corporations which are members of the same affiliated group (as defined in section 1504(a) without regard to section 1504(b)) shall be treated as 1 distributee corporation.''.*

*(b) CONFORMING AMENDMENTS.—*

*(1) Subparagraph (A) of section 355(b)(2) is amended to read as follows:*

*''(A) it is engaged in the active conduct of a trade or business,''.*

*(2) Section 355(b)(2) is amended by striking the last sentence.*

*(c) EFFECTIVE DATE.—*

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

*(2) TRANSITION RULE.—The amendments made by this section shall not apply to any distribution pursuant to a transaction which is—*

*(A) made pursuant to an agreement which was binding on such date and at all times thereafter,*

*(B) described in a ruling request submitted to the Internal Revenue Service on or before such date, or*

*(C) described on or before such date in a public announcement or in a filing with the Securities and Exchange Commission.*

*(3) ELECTION TO HAVE AMENDMENTS APPLY.—Paragraph (2) shall not apply if the distributing corporation elects not to have such paragraph apply to distributions of such corporation. Any such election, once made, shall be irrevocable.*

***SEC. 1108. TEMPORARY SUSPENSION OF MAXIMUM AMOUNT OF AMORTIZABLE REFORESTATION EXPENDITURES.***

*(a) INCREASE IN DOLLAR LIMITATION.—Paragraph (1) of section 194(b) (relating to amortization of reforestation expenditures) is amended by striking ''$10,000 ($5,000'' and inserting ''$25,000 ($12,500''.*

*(b) TEMPORARY SUSPENSION OF INCREASED DOLLAR LIMITATION.—Subsection (b) of section 194(b) (relating to amortization of reforestation expenditures) is amended by adding at the end the following new paragraph:*

*''(5) SUSPENSION OF DOLLAR LIMITATION.—Paragraph (1) shall not apply to taxable years beginning after December 31, 1999, and before January 1, 2004.*

*(c) CONFORMING AMENDMENT.—Paragraph (1) of section 48(b) is amended by striking ''section 194(b)(1)'' and inserting ''section 194(b)(1) and without regard to section 194(b)(5)''.*

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

***SEC. 1109. MODIFICATION OF EXCISE TAX IMPOSED ON ARROW COMPONENTS.***

*(a) IN GENERAL.—Paragraph (2) of section 4161(b) (relating to bows and arrows, etc.) is amended to read as follows:*

*''(2) ARROWS.—*

*''(A) IN GENERAL.—There is hereby imposed on the sale by the manufacturer, producer, or importer of any shaft, point, article used to attach a point to a shaft, nock, or vane of a type used in the manufacture of any arrow which after its assembly—*

*''(i) measures 18 inches overall or more in length, or*

*''(ii) measures less than 18 inches overall in length but is suitable for use with a bow described in paragraph (1)(A),*

*a tax equal to 12.4 percent of the price for which so sold.*

*''(B) REDUCED RATE ON CERTAIN HUNTING POINTS.—Subparagraph (A) shall be applied by substituting '11 percent' for '12.4 percent' in the case of a point which is designed primarily for use in hunting fish or large animals.''.*

*(b) EFFECTIVE DATE.—The amendment made by this section shall apply to articles sold by the manufacturer, producer, or importer after the close of the first calendar month ending more than 30 days after the date of the enactment of this Act.*

***SEC. 1110. INCREASE IN THRESHOLD FOR JOINT COMMITTEE REPORTS ON REFUNDS AND CREDITS.***

*(a) GENERAL RULE.—Subsections (a) and (b) of section 6405 are each amended by striking ''$1,000,000'' and inserting ''$2,000,000''.*

*(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on the date of the enactment of this Act, except that such amendment shall not apply with respect to any refund or credit with respect to a report that has been made before such date of enactment under section 6405 of the Internal Revenue Code of 1986.*

***SEC. 1111. MODIFICATION OF RURAL AIRPORT DEFINITION.***

*(a) IN GENERAL.—Clause (ii) of section 4261(e)(1)(B) (defining rural airport) is amended by striking the period at the end of subclause (II) and inserting '', or'', and by adding at the end the following new subclause:*

*''(III) is not connected by paved roads to another airport.''.*

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

***SEC. 1112. PAYMENT OF DIVIDENDS ON STOCK OF COOPERATIVES WITHOUT REDUCING PATRONAGE DIVIDENDS.***

*(a) IN GENERAL.—Subsection (a) of section 1388 (relating to patronage dividend defined) is amended by adding at the end the following: ''For purposes of paragraph (3), net earnings shall not be reduced by amounts paid during the year as dividends on capital stock or other proprietary capital interests of the organization to the extent that the articles of incorporation or bylaws of such organization or other contract with patrons provide that such dividends are in addition to amounts otherwise payable to patrons which are derived from business done with or for patrons during the taxable year.''.*

*(b) EFFECTIVE DATE.—The amendment made by this section shall apply to distributions in taxable years beginning after the date of the enactment of this Act.*

***SEC. 1113. CONSOLIDATION OF LIFE INSURANCE COMPANIES WITH OTHER CORPORATIONS.***

*(a) IN GENERAL.—Section 1504(b) (defining includible corporation) is amended by striking paragraph (2).*

*(b) CONFORMING AMENDMENTS.—*

*(1) Section 1504 is amended by striking subsection (c) and by redesignating subsections (d), (e), and (f) as subsections (c), (d), and (e), respectively.*

*(2) Section 1503(c)(1) (relating to special rule for application of certain losses against income of insurance companies taxed under section 801) is amended by striking ''an election under section 1504(c)(2) is in effect for the taxable year and''.*

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

*(d) NO CARRYBACK BEFORE JANUARY 1, 2001.—To the extent that a consolidated net operating loss is allowed or increased by reason of the amendments made by this section, such loss may not be carried back to a taxable year beginning before January 1, 2001.*

*(e) NONTERMINATION OF GROUP.—No affiliated group shall terminate solely as a result of the amendments made by this section.*

*(f) WAIVER OF 5-YEAR WAITING PERIOD.—Under regulations prescribed by the Secretary of the Treasury or his delegate, an automatic waiver from the 5-year waiting period for reconsolidation provided in section 1504(a)(3) of the Internal Revenue Code of 1986 shall be granted to any corporation which was previously an includible corporation but was subsequently deemed a nonincludible corporation as a result of becoming a subsidiary of a corporation which was not an includible corporation solely by operation of section 1504(c)(2) of such Code (as in effect on the day before the date of the enactment of this Act).*

***SEC. 1114. EXPANSION OF EXEMPTION FROM PERSONAL HOLDING COMPANY TAX FOR LENDING OR FINANCE COMPANIES.***

*(a) IN GENERAL.—Paragraph (6) of section 542(c) (defining personal holding company) is amended—*

*(1) by striking ''rents,'' in subparagraph (B), and*

*(2) by adding ''and'' at the end of subparagraph (B),*

*(3) by striking subparagraph (C), and*

*(4) by redesignating subparagraph (D) as subparagraph (C).*

*(b) EXCEPTION FOR LENDING OR FINANCE COMPANIES DETERMINED ON AFFILIATED GROUP BASIS.—Subsection (d) of section 542 is amended by striking paragraphs (1) and (2) and inserting the following new paragraphs:*

*''(1) LENDING OR FINANCE BUSINESS DEFINED.—For purposes of subsection (c)(6), the term 'lending or finance business' means a business of—*

*''(A) making loans,*

*''(B) purchasing or discounting accounts receivable, notes, or installment obligations,*

*''(C) engaging in leasing (including entering into leases and purchasing, servicing, and disposing of leases and leased assets),*

*''(D) rendering services or making facilities available in the ordinary course of a lending or finance business.*

*''(E) rendering services or making facilities available in connection with activities described in subparagraphs (A), (B), and (C) carried on by the corporation rendering services or making facilities available, or*

*''(F) rendering services or making facilities available to another corporation which is engaged in the lending or finance business (within the meaning of this paragraph), if such services or facilities are related to the lending or finance business (within such meaning) of such other corporation and such other corporation and the corporation rendering services or making facilities available are members of the same affiliated group (as defined in section 1504).*

*''(2) EXCEPTION DETERMINED ON AN AFFILIATED GROUP BASIS.—In the case of a lending or finance company which is a member of an affiliated group (as defined in section 1504), such company shall be treated as meeting the requirements of subsection (c)(6) if such group (determined by taking into account only members of such group which are engaged in a lending or finance business) meets such requirements.''.*

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

***SEC. 1115. CREDIT FOR MODIFICATIONS TO INTER-CITY BUSES REQUIRED UNDER THE AMERICANS WITH DISABILITIES ACT OF 1990.***

*(a) IN GENERAL.—Subsection (a) of section 44 (relating to expenditures to provide access to disabled individuals) is amended to read as follows:*

*''(a) GENERAL RULE.—For purposes of section 38, the amount of the disabled access credit determined under this section for any taxable year shall be an amount equal to the sum of—*

*''(1) in the case of an eligible small business, 50 percent of so much of the eligible access expenditures for the taxable year as exceed $250 but do not exceed $10,250, and*

*''(2) 50 percent of so much of the eligible bus access expenditures for the taxable year with respect to each eligible bus as exceed $250 but do not exceed $30,250.''.*

*(b) ELIGIBLE BUS ACCESS EXPENDITURES.—Section 44 is amended by redesignating subsections (d) and (e) as subsections (e) and (f), respectively, and by inserting after subsection (c) the following new subsection:*

*''(d) ELIGIBLE BUS ACCESS EXPENDITURES.—For purposes of this section—*

''(1) IN GENERAL.—The term 'eligible bus access expenditures' means amounts paid or incurred by the taxpayer for the purpose of enabling the taxpayer's eligible bus to comply with applicable requirements under the Americans With Disabilities Act of 1990 (as in effect on the date of the enactment of this subsection).

''(2) CERTAIN EXPENDITURES NOT INCLUDED.—The amount of eligible bus access expenditures otherwise taken into account under subsection (a)(2) shall be reduced to the extent that funds for such expenditures are received under any Federal, State, or local program.

''(3) ELIGIBLE BUS.—The term 'eligible bus' means any automobile bus eligible for a refund under section 6427(b) by reason of transportation described in section 6427(b)(1)(A).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999, and before January 1, 2012.

**SEC. 1116. INCREASED DEDUCTIBILITY OF BUSINESS MEAL EXPENSES FOR INDIVIDUALS SUBJECT TO FEDERAL LIMITATIONS ON HOURS OF SERVICE.**

The table in section 274(n)(3)(B) (relating to special rule for individuals subject to Federal hours of service) is amended—

(1) by striking ''or 2007'', and

(2) by striking ''2008'' and inserting ''2007''.

**SEC. 1117. TAX-EXEMPT FINANCING OF QUALIFIED HIGHWAY INFRASTRUCTURE CONSTRUCTION.**

(a) TREATMENT AS EXEMPT FACILITY BOND.—A bond described in subsection (b) shall be treated as described in section 141(e)(1)(A) of the Internal Revenue Code of 1986, except that—

(1) section 146 of such Code shall not apply to such bond, and

(2) section 147(c)(1) of such Code shall be applied by substituting ''any portion of'' for ''25 percent or more''.

(b) BOND DESCRIBED.—

(1) IN GENERAL.—A bond is described in this subsection if such bond is issued after December 31, 1999, as part of an issue—

(A) 95 percent or more of the net proceeds of which are to be used to provide a qualified highway infrastructure project, and

(B) to which there has been allocated a portion of the allocation to the project under paragraph (2)(C)(ii) which is equal to the aggregate face amount of bonds to be issued as part of such issue.

(2) QUALIFIED HIGHWAY INFRASTRUCTURE PROJECTS.—

(A) IN GENERAL.—For purposes of paragraph (1), the term ''qualified highway infrastructure project'' means a project—

(i) for the construction or reconstruction of a highway, and

(ii) designated under subparagraph (B) as an eligible pilot project.

(B) ELIGIBLE PILOT PROJECT.—

(i) IN GENERAL.—The Secretary of Transportation, in consultation with the Secretary of the Treasury, shall select not more than 15 highway infrastructure projects to be pilot projects eligible for tax-exempt financing.

(ii) ELIGIBILITY CRITERIA.—In determining the criteria necessary for the eligibility of pilot projects, the Secretary of Transportation shall include the following:

(I) The project must serve the general public.

(II) The project is necessary to evaluate the potential of the private sector's participation in the provision of the highway infrastructure of the United States.

(III) The project must be located on publicly-owned rights-of-way.

(IV) The project must be publicly owned or the ownership of the highway constructed or reconstructed under the project must revert to the public.

(V) The project must be consistent with a transportation plan developed pursuant to section 134(g) or 135(e) of title 23, United States Code.

(C) AGGREGATE FACE AMOUNT OF TAX-EXEMPT FINANCING.—

(i) IN GENERAL.—The aggregate face amount of bonds issued pursuant to this section shall not exceed $15,000,000,000, determined without regard to any bond the proceeds of which are used exclusively to refund (other than to advance refund) a bond issued pursuant to this section (or a bond which is a part of a series of refundings of a bond so issued) if the amount of the refunding bond does not exceed the outstanding amount of the refunded bond.

(ii) ALLOCATION.—The Secretary of Transportation, in consultation with the Secretary of the Treasury, shall allocate the amount described in clause (i) among the eligible pilot projects designated under subparagraph (B).

(iii) REALLOCATION.—If any portion of an allocation under clause (ii) is unused on the date which is 3 years after such allocation, the Secretary of Transportation, in consultation with the Secretary of the Treasury, may reallocate such portion among the remaining eligible pilot projects.

(c) REPORT.—

(1) IN GENERAL.—Not later than the earlier of—

(A) 1 year after either ½ of the projects authorized under this section have been identified or ½ of the total bonds allowable for the projects under this section have been issued, or

(B) 7 years after the date of the enactment of this Act,

the Secretary of Transportation, in consultation with the Secretary of the Treasury, shall submit the report described in paragraph (2) to the Committees on Finance and on Environment and Public Works of the Senate and the Committees on Ways and Means and on Transportation and Infrastructure of the House of Representatives.

(2) CONTENTS.—The report under paragraph (1) shall evaluate the overall success of the program conducted pursuant to this section, including—

(A) a description of each project under the program,

(B) the extent to which the projects used new technologies, construction techniques, or innovative cost controls that resulted in savings in building the project, and

(C) the use and efficiency of the Federal tax subsidy provided by the bond financing.

**SEC. 1118. EXPANSION OF DC HOMEBUYER TAX CREDIT.**

(a) EXTENSION.—Section 1400C(i) (relating to application of section) is amended by striking ''2001'' and inserting ''2002''.

(b) EXPANSION OF INCOME LIMITATION.—Section 1400C(b)(1) (relating to limitation based on modified adjusted gross income) is amended—

(1) by striking ''$110,000'' in subparagraph (A)(i) and inserting ''$140,000'', and

(2) by inserting ''($40,000 in the case of a joint return)'' after ''$20,000'' in subparagraph (B).

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

**SEC. 1119. EXTENSION OF DC ZERO PERCENT CAPITAL GAINS RATE.**

(a) IN GENERAL.—Section 1400B (relating to zero percent capital gains rate) is amended by adding at the end the following new subsection:

''(h) EXTENSION TO ENTIRE DISTRICT OF COLUMBIA.—In determining whether any stock or partnership interest which is originally issued after December 31, 1999, or any tangible property acquired by the taxpayer by purchase after December 31, 1999, is a DC Zone asset, subsection (d) shall be applied without regard to paragraph (2) thereof.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect on January 1, 2000.

**SEC. 1120. NATURAL GAS GATHERING LINES TREATED AS 7-YEAR PROPERTY.**

(a) IN GENERAL.—Subparagraph (C) of section 168(e)(3) (relating to classification of certain property) is amended by redesignating clause (ii) as clause (iii) and by inserting after clause (i) the following new clause:

''(ii) any natural gas gathering line, and''.

(b) NATURAL GAS GATHERING LINE.—Subsection (i) of section 168 is amended by adding at the end the following new paragraph:

''(15) NATURAL GAS GATHERING LINE.—The term 'natural gas gathering line' means—

''(A) the pipe, equipment, and appurtenances determined to be a gathering line by the Federal Energy Regulatory Commission, or

''(B) the pipe, equipment, and appurtenances used to deliver natural gas from the wellhead or a common point to the point at which such gas first reaches—

''(i) a gas processing plant,

''(ii) an interconnection with a transmission pipeline certificated by the Federal Energy Regulatory Commission as an interstate transmission pipeline,

''(iii) an interconnection with an intrastate transmission pipeline, or

''(iv) a direct interconnection with a local distribution company, a gas storage facility, or an industrial consumer.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service on or after the date of the enactment of this Act.

**SEC. 1121. EXEMPTION FROM TICKET TAXES FOR CERTAIN TRANSPORTATION PROVIDED BY SMALL SEAPLANES.**

(a) IN GENERAL.—Section 4281 (relating to small aircraft on nonestablished lines) is amended to read as follows:

**''SEC. 4281. SMALL AIRCRAFT.**

''The taxes imposed by sections 4261 and 4271 shall not apply to—

''(1) transportation by an aircraft having a maximum certificated takeoff weight of 6,000 pounds or less, except when such aircraft is operated on an established line, and

''(2) transportation by a seaplane having a maximum certificated takeoff weight of 6,000 pounds or less with respect to any segment consisting of a takeoff from, and a landing on, water.

For purposes of the preceding sentence, the term 'maximum certificated takeoff weight' means the maximum such weight contained in the type certificate or airworthiness certificate.''.

(b) CLERICAL AMENDMENT.—The table of sections for part III of subchapter C of chapter 33 is amended by striking ''on nonestablished lines'' in the item relating to section 4281.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of the enactment of this Act but shall not apply to any amount paid on or before such date with respect to taxes imposed by sections 4261 and 4271 of the Internal Revenue Code of 1986.

**SEC. 1122. 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 action entitled ''In re Holocaust Victims' Asset Litigation'', (E.D. NY), C.A. No. 96–4849, 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.

**SEC. 1123. 2-PERCENT FLOOR ON MISCELLANEOUS 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 paragraph (11), by striking the period at the end of paragraph (12) and inserting '', and'', 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 adding at the end the following new subsection:*

*''(g) QUALIFIED PROFESSIONAL DEVELOPMENT EXPENSES OF ELIGIBLE TEACHERS.—For purposes of subsection (b)(13)—*

*''(1) QUALIFIED PROFESSIONAL DEVELOPMENT EXPENSES.—*

*''(A) IN GENERAL.—The term 'qualified professional development expenses' means expenses—*

*''(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—*

*''(I) 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 subsection), or*

*''(II) 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 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 so in effect.''.*

*(3) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000, and ending before December 31, 2004.*

*(b) QUALIFIED INCIDENTAL EXPENSES.—*

*(1) IN GENERAL.—Section 67(g)(1)(A), as added by subsection (a)(2), is amended by striking ''and'' at the end of clause (i), by redesignating clause (ii) as clause (iii), and by inserting after clause (i) the following new clause:*

*''(ii) for qualified incidental expenses, and''.*

*(2) DEFINITION.—Section 67(g), as added by subsection (a)(2), is amended by adding at the end the following new paragraph:*

*''(3) 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 $125 for any taxable year for books, supplies, and equipment related to instruction, teaching, or other educational job-related activities of such eligible teacher.*

*''(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.''.*

*(3) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000, and ending before December 31, 2004.*

**SEC. 1124. EXPANSION OF DEDUCTION FOR COMPUTER DONATIONS TO SCHOOLS.**

*(a) EXTENSION OF AGE OF ELIGIBLE COMPUTERS.—Section 170(e)(6)(B)(ii) (defining qualified elementary or secondary educational contribution) is amended—*

*(1) by striking ''2 years'' and inserting ''3 years'', and*

*(2) by inserting ''for the taxpayer's own use'' after ''constructed by the taxpayer''.*

*(b) REACQUIRED COMPUTERS ELIGIBLE FOR DONATION.—*

*(1) IN GENERAL.—Section 170(e)(6)(B)(iii) (defining qualified elementary or secondary educational contribution) is amended by inserting '', the person from whom the donor reacquires the property,'' after ''the donor''.*

*(2) CONFORMING AMENDMENT.—Section 170(e)(6)(B)(ii) is amended by inserting ''or reacquired'' after ''acquired''.*

*(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. 1125. CREDIT FOR COMPUTER DONATIONS TO SCHOOLS AND SENIOR CENTERS.**

*(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits), 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), except that—*

*''(1) such term shall include the contribution of a computer (as defined in section 168(i)(2)(B)(ii)) only if computer software (as defined in section 197(e)(3)(B)) 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), 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 computers.*

*''(c) INCREASED PERCENTAGE FOR CONTRIBUTIONS TO ENTITIES IN 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 1391 or an Indian reservation (as defined in section 168(j)(6)), subsection (a) shall be applied by substituting '50 percent' for '30 percent'.*

*''(d) CERTAIN RULES MADE APPLICABLE.—For purposes of this section, rules similar to the rules of paragraphs (1) and (2) 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 Taxpayer Refund Act of 1999.''.*

*(b) 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 '', 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 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 rules prescribed by the Secretary similar to the rules applicable under subsections (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 on or before the date of the enactment of this paragraph.''.*

*(e) CLERICAL AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1, as amended by this Act, is amended by inserting after 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 to an organization or entity not described in section 45E(c) of the Internal Revenue Code of 1986, as added by subsection (a), in taxable years beginning after the date that is one year after the date of the enactment of this Act.*

**SEC. 1126. INCREASE IN MANDATORY SPENDING FOR CHILD CARE AND DEVELOPMENT BLOCK GRANT.**

*Section 418(a)(3) of the Social Security Act (42 U.S.C. 618(a)(3)) is amended—*

*(1) in subparagraph (E), by striking ''and'' at the end;*

*(2) in subparagraph (F), by striking the period at the end and inserting ''; and''; and*

*(3) by adding at the end the following:*

*''(E) $3,918,000,000 for fiscal year 2002;*

*''(F) $3,979,000,000 for fiscal year 2003;*

*''(G) $4,010,000,000 for fiscal year 2004;*

*''(H) $3,860,000,000 for fiscal year 2005;*

*''(I) $3,954,000,000 for fiscal year 2006;*

*''(J) $4,004,000,000 for fiscal year 2007;*

*''(K) $4,073,000,000 for fiscal year 2008; and*

*''(L) $4,075,000,000 for fiscal year 2009.''.*

**SEC. 1127. SENSE OF THE SENATE REGARDING SAVINGS INCENTIVES.**

*It is the sense of the Senate that before December 31, 1999, Congress should pass legislation that creates savings incentives by providing a partial Federal income tax exclusion for income derived from interest and dividends of no less than $400 for married taxpayers and $200 for single taxpayers.*

**SEC. 1128. SENSE OF CONGRESS REGARDING THE NEED FOR ADDITIONAL FEDERAL FUNDING AND TAX INCENTIVES FOR EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES AUTHORIZED AND DESIGNATED PURSUANT TO 1997 AND 1998 LAWS.**

(a) FINDINGS.—The Senate finds that—

(1) providing Federal tax incentives and other incentives to distressed communities across the Nation to help them rebuild and grow was one of the important goals of the Taxpayer Relief Act of 1997 and the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999;

(2) to help reach that goal, the Taxpayer Relief Act of 1997 authorized 20 additional empowerment zones, 15 urban and 5 rural, followed by 20 new rural enterprise communities authorized in 1998;

(3) the 1997 law authorizing this second round of empowerment zones (EZs) was also significant and important because it broadened empowerment zone eligibility, for the first time, to Indian tribes and rural regions suffering from massive out-migration;

(4) many of our urban and rural communities are not sharing in the benefits of the prolonged economic expansion now enjoyed by many other parts of our country;

(5) a total of more than 250 economically distressed urban and rural communities competed for the 20 new empowerment zones and 20 new rural enterprise communities, and those areas designated as zones and communities should be provided with the Federal incentives and encouragement they need to attract new businesses, and the jobs they provide, in order to stimulate economic growth and improvement;

(6) unfortunately, those areas that are designated EZs or ECs under the 1997 and 1998 laws or rural economic area partnerships (REAPs) by the Department of Agriculture, are not given the full advantage of Social Services Block Grant funds, tax credits, and some other Federal incentives that Congress provided to the first round of empowerment zones and enterprise communities authorized pursuant to 1993 budget legislation;

(7) Congress should act swiftly to provide such designated areas an equal share of tax incentives, grant benefits, and other Federal support at aggregate levels of at least that provided by Congress to distressed urban and rural empowerment zones and enterprise communities pursuant to the 1993 omnibus budget reconciliation bill; and

(8) a fully funded second round of EZs and ECs is estimated to create and retain about 90,000 jobs and stimulate $10,000,000,000 in private and public investments over the next decade.

(b) SENSE OF CONGRESS.—It is the sense of Congress that—

(1) if Congress and the President agree to a substantial tax relief measure, it should ensure that such measure includes full funding for the second round of empowerment zones and enterprise communities authorized in 1997 and 1998 as well as those areas currently designated rural economic area partnerships (REAPs) by the Department of Agriculture; and

(2) all such designated distressed areas, rural and urban, should equally share at least the same aggregate level of funding, tax incentives, and other Federal support that Congress provided to urban and rural empowerment zones and enterprise communities authorized by the 1993 omnibus budget reconciliation bill.

**SEC. 1129. 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 as it could be for some 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 39 years for tax purposes;

(6) 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;

(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 depreciable 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 existing expensing provision to cover investments in depreciable real property; and

(2) Congress should consider including this proposal in any future tax legislation.

**SEC. 1130. CERTAIN NATIVE AMERICAN HOUSING ASSISTANCE DISREGARDED IN DETERMINING WHETHER BUILDING IS FEDERALLY SUBSIDIZED FOR PURPOSES OF THE LOW-INCOME HOUSING CREDIT.**

(a) IN GENERAL.—Subparagraph (E) of section 42(i)(2) of the Internal Revenue Code of 1986 (relating to determination of whether building is federally subsidized) is amended—

(1) in clause (i), by inserting ''or the Native American Housing Assistance and Self-Determination Act of 1996 (25 U.S.C. 4101 et seq.) (as in effect on October 1, 1997)'' after ''this subparagraph)'', and

(2) in the subparagraph heading, by inserting ''OR NATIVE AMERICAN HOUSING ASSISTANCE'' after ''HOME ASSISTANCE''.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to periods after the date of the enactment of this Act.

**SEC. 1131. DISCLOSURE OF TAX INFORMATION TO FACILITATE COMBINED EMPLOYMENT TAX REPORTING.**

Section 6103(d)(5) of the Internal Revenue Code of 1986 is amended to read as follows:

''(5) DISCLOSURE FOR COMBINED EMPLOYMENT TAX REPORTING.—The Secretary may disclose taxpayer identity information and signatures to any agency, body, or commission of any State for the purpose of carrying out with such agency, body, or commission a combined Federal and State employment tax reporting program approved by the Secretary. Subsections (a)(2) and (p)(4) and sections 7213 and 7213A shall not apply with respect to disclosures or inspections made pursuant to this paragraph.''.

**SEC. 1132. TREATMENT OF MAPLE SYRUP PRODUCTION.**

Line 3 of subsection (k) of section 3306 of the Internal Revenue Code of 1986 is amended by inserting after ''chapter'' the following: ''agricultural labor includes labor connected to the harvesting or production of maple sap into maple syrup or sugar, and''.

**SEC. 1133. TREATMENT OF BONDS ISSUED TO ACQUIRE RENEWABLE RESOURCES ON LAND SUBJECT TO CONSERVATION EASEMENT.**

(a) IN GENERAL.—Section 145 (defining qualified 501(c)(3) bond) is amended by redesignating subsection (e) as subsection (f) and by inserting after subsection (d) the following new subsection:

''(e) 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 unaffiliated person,

''(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 (ii) and (iii)(II) of section 170(h)(4)(A),

''(iii) which exceeds 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 shall not fail 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 to, or other 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.''.*

*(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to obligations issued after the date of the enactment of this Act.*

***SEC. 1134. MODIFICATION OF ALTERNATIVE MINIMUM TAX FOR INDIVIDUALS.***

*Section 56(b)(1)(E), as amended by section 206, is amended by striking ''$250'' and inserting ''$300''.*

***SEC. 1135. EXCLUSION FROM INCOME OF SEVERANCE PAYMENT AMOUNTS.***

*(a) IN GENERAL.—Part III of subchapter B of chapter 1 (relating to items specifically excluded from gross income) is amended by redesignating section 139 as section 140 and by inserting after section 138 the following new section:*

***''SEC. 139. SEVERANCE PAYMENTS.***

*''(a) IN GENERAL.—In the case of an individual, gross income shall not include any qualified severance payment.*

*''(b) LIMITATION.—The amount to which the exclusion under subsection (a) 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 by an individual if—*

*''(A) such payment was paid by such individual's employer on account of such individual's separation from employment,*

*''(B) such separation was in connection with a reduction in the work force of the employer, and*

*''(C) such individual does not attain employment within 6 months of the date of such separation in which the amount of compensation is equal to or greater than 95 percent of the amount of compensation for the employment that is related to such payment.*

*''(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) CLERICAL AMENDMENT.—The table of sections for part III of subchapter B of chapter 1 is amended by striking the item relating to section 139 and inserting the following new items:*

*''Sec. 139. Severance payments.*

*''Sec. 140. Cross references to other Acts.''.*

*(c) EFFECTIVE DATE.—The amendments made by subsections (a) and (b) shall apply to taxable years beginning after December 31, 2000, and before January 1, 2002.*

***SEC. 1136. CAPITAL GAIN TREATMENT UNDER SECTION 631(b) TO APPLY TO OUTRIGHT SALES BY LAND OWNER.***

*(a) IN GENERAL.—Subsection (b) of section 631 (relating to disposal of timber with a retained economic interest) is amended—*

*(1) by inserting ''AND OUTRIGHT SALES OF TIMBER'' after ''ECONOMIC INTEREST'' in the subsection heading, and*

*(2) by adding before the last sentence the following new sentence: ''The requirement in the first sentence of this subsection to retain an economic interest in timber shall not apply to an outright sale of such timber by the owner thereof if such owner owned the land (at the time of such sale) from which the timber is cut.''.*

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

***SEC. 1137. CREDIT FOR CLINICAL TESTING RESEARCH EXPENSES ATTRIBUTABLE TO CERTAIN QUALIFIED ACADEMIC INSTITUTIONS INCLUDING TEACHING HOSPITALS.***

*(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits) is amended by inserting after section 41 the following:*

***''SEC. 41A. CREDIT FOR MEDICAL INNOVATION EXPENSES.***

*''(a) GENERAL RULE.—For purposes of section 38, the medical innovation credit determined under this section for the taxable year shall be an amount equal to 40 percent of the excess (if any) of—*

*''(1) the qualified medical innovation expenses for the taxable year, over*

*''(2) the medical innovation base period amount.*

*''(b) QUALIFIED MEDICAL INNOVATION EXPENSES.—For purposes of this section—*

*''(1) IN GENERAL.—The term 'qualified medical innovation expenses' means the amounts which are paid or incurred by the taxpayer during the taxable year directly or indirectly to any qualified academic institution for clinical testing research activities.*

*''(2) CLINICAL TESTING RESEARCH ACTIVITIES.—*

*''(A) IN GENERAL.—The term 'clinical testing research activities' means human clinical testing conducted at any qualified academic institution in the development of any product, which occurs before—*

*''(i) the date on which an application with respect to such product is approved under section 505(b), 506, or 507 of the Federal Food, Drug, and Cosmetic Act (as in effect on the date of the enactment of this section),*

*''(ii) the date on which a license for such product is issued under section 351 of the Public Health Service Act (as so in effect), or*

*''(iii) the date classification or approval of such product which is a device intended for human use is given under section 513, 514, or 515 of the Federal Food, Drug, and Cosmetic Act (as so in effect).*

*''(B) PRODUCT.—The term 'product' means any drug, biologic, or medical device.*

*''(3) QUALIFIED ACADEMIC INSTITUTION.—The term 'qualified academic institution' means any of the following institutions:*

*''(A) EDUCATIONAL INSTITUTION.—A qualified organization described in section 170(b)(1)(A)(iii) which is owned by, or affiliated with, an institution of higher education (as defined in section 3304(f)).*

*''(B) TEACHING HOSPITAL.—A teaching hospital which—*

*''(i) is publicly supported or owned by an organization described in section 501(c)(3), and*

*''(ii) is affiliated with an organization meeting the requirements of subparagraph (A).*

*''(C) FOUNDATION.—A medical research organization described in section 501(c)(3) (other than a private foundation) which is affiliated with, or owned by—*

*''(i) an organization meeting the requirements of subparagraph (A), or*

*''(ii) a teaching hospital meeting the requirements of subparagraph (B).*

*''(D) CHARITABLE RESEARCH HOSPITAL.—A hospital that is designated as a cancer center by the National Cancer Institute.*

*''(4) EXCLUSION FOR AMOUNTS FUNDED BY GRANTS, ETC.—The term 'qualified medical innovation expenses' shall not include any amount to the extent such amount is funded by any grant, contract, or otherwise by another person (or any governmental entity).*

*''(c) MEDICAL INNOVATION BASE PERIOD AMOUNT.—For purposes of this section, the term 'medical innovation base period amount' means the average annual qualified medical innovation expenses paid by the taxpayer during the 3-taxable year period ending with the taxable year immediately preceding the first taxable year of the taxpayer beginning after December 31, 1998.*

*''(d) SPECIAL RULES.—*

*''(1) LIMITATION ON FOREIGN TESTING.—No credit shall be allowed under this section with respect to any clinical testing research activities conducted outside the United States.*

*''(2) CERTAIN RULES MADE APPLICABLE.—Rules similar to the rules of subsections (f) and (g) of section 41 shall apply for purposes of this section.*

*''(3) ELECTION.—This section shall apply to any taxpayer for any taxable year only if such taxpayer elects to have this section apply for such taxable year.*

*''(4) COORDINATION WITH CREDIT FOR INCREASING RESEARCH EXPENDITURES AND WITH CREDIT FOR CLINICAL TESTING EXPENSES FOR CERTAIN DRUGS FOR RARE DISEASES.—Any qualified medical innovation expense for a taxable year to which an election under this section applies shall not be taken into account for purposes of determining the credit allowable under section 41 or 45C for such taxable year.''.*

*(b) CREDIT TO BE PART OF GENERAL BUSINESS CREDIT.—*

*(1) IN GENERAL.—Section 38(b) (relating to current year business credits), as amended by this Act, is amended by striking ''plus'' at the end of paragraph (14), by striking the period at the end of paragraph (15) and inserting '', plus'', and by adding at the end the following:*

*''(16) the medical innovation expenses credit determined under section 41A(a).''.*

*(2) TRANSITION RULE.—Section 39(d), as amended by this Act, is amended by adding at the end the following new paragraph:*

*''(11) NO CARRYBACK OF SECTION 41A CREDIT BEFORE ENACTMENT.—No portion of the unused business credit for any taxable year which is attributable to the medical innovation credit determined under section 41A may be carried back to a taxable year beginning before January 1, 1999.''.*

*(c) DENIAL OF DOUBLE BENEFIT.—Section 280C, as amended by this Act, is amended by adding at the end the following new subsection:*

*''(e) CREDIT FOR INCREASING MEDICAL INNOVATION EXPENSES.—*

*''(1) IN GENERAL.—No deduction shall be allowed for that portion of the qualified medical innovation expenses (as defined in section 41A(b)) otherwise allowable as a deduction for the taxable year which is equal to the amount of the credit determined for such taxable year under section 41A(a).*

*''(2) CERTAIN RULES TO APPLY.—Rules similar to the rules of paragraphs (2), (3), and (4) of subsection (c) shall apply for purposes of this subsection.''.*

*(d) DEDUCTION FOR UNUSED PORTION OF CREDIT.—Section 196(c) (defining qualified business credits) is amended by redesignating paragraphs (5) through (8) as paragraphs (6) through (9), respectively, and by inserting after paragraph (4) the following new paragraph:*

*''(5) the medical innovation expenses credit determined under section 41A(a) (other than such credit determined under the rules of section 280C(d)(2)),''.*

*(e) CLERICAL AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1 is amended by adding after the item relating to section 41 the following:*

*''Sec. 41A. Credit for medical innovation expenses.''.*

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

## *TITLE XII—EXTENSION OF EXPIRED AND EXPIRING PROVISIONS*

***SEC. 1201. PERMANENT EXTENSION AND MODIFICATION OF RESEARCH CREDIT.***

*(a) PERMANENT EXTENSION.—*

*(1) IN GENERAL.—Section 41 (relating to credit for increasing research activities) is amended by striking subsection (h).*

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

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

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

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

*(A) by striking ''1.65 percent'' and inserting ''2.65 percent'',*

*(B) by striking ''2.2 percent'' and inserting ''3.2 percent'', and*

*(C) by striking ''2.75 percent'' and inserting ''3.75 percent''.*

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

***SEC. 1202. SUBPART F EXEMPTION FOR ACTIVE FINANCING INCOME.***

*(a) IN GENERAL.—Sections 953(e)(10) and 954(h)(9) are each amended—*

*(1) by striking ''the first taxable year'' and inserting ''taxable years'', and*

*(2) by striking ''January 1, 2000'' and inserting ''January 1, 2005''.*

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

***SEC. 1203. TAXABLE INCOME LIMIT ON PERCENTAGE DEPLETION FOR MARGINAL PRODUCTION.***

*(a) IN GENERAL.—Subparagraph (H) of section 613A(c)(6) is amended by striking ''January 1, 2000'' and inserting ''January 1, 2005''.*

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

***SEC. 1204. WORK OPPORTUNITY CREDIT AND WELFARE-TO-WORK CREDIT.***

*(a) TEMPORARY EXTENSION.—Sections 51(c)(4)(B) and 51A(f) (relating to termination) are each amended by striking ''June 30, 1999'' and inserting ''June 30, 2004''.*

*(b) CLARIFICATION OF FIRST YEAR OF EMPLOYMENT.—Paragraph (2) of section 51(i) is amended by striking ''during which he was not a member of a targeted group''.*

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

***SEC. 1205. EXTENSION AND MODIFICATION OF CREDIT FOR PRODUCING ELECTRICITY FROM CERTAIN RENEWABLE RESOURCES.***

*(a) EXTENSION AND MODIFICATION OF PLACED-IN-SERVICE RULES.—Paragraph (3) of section 45(c) is amended to read as follows:*

*''(3) QUALIFIED FACILITY.—*

*''(A) WIND FACILITY.—In the case of a facility using wind to produce electricity, the term 'qualified facility' means any facility owned by the taxpayer which is originally placed in service after December 31, 1993, and before July 1, 2004.*

*''(B) CLOSED-LOOP BIOMASS FACILITY.—In the case of a facility using closed-loop biomass to produce electricity, the term 'qualified facility' means any facility owned by the taxpayer which is originally placed in service after December 31, 1992, and before July 1, 2004.*

*''(C) BIOMASS FACILITY.—In the case of a facility using biomass (other than closed-loop biomass) to produce electricity, the term 'qualified facility' means any facility owned by the taxpayer which is originally placed in service before January 1, 2003.*

*''(D) LANDFILL GAS OR POULTRY WASTE FACILITY.—*

*''(i) IN GENERAL.—In the case of a facility using landfill gas or poultry waste to produce electricity, the term 'qualified facility' means any facility of the taxpayer which is originally placed in service after December 31, 1999, and before July 1, 2004.*

*''(ii) LANDFILL GAS.—In the case of a facility using landfill gas, such term shall include equipment and housing (not including wells and related systems required to collect and transmit gas to the production facility) required to generate electricity which are owned by the taxpayer and so placed in service.*

*''(E) SPECIAL RULE.—In the case of a qualified facility described in subparagraph (C), the 10-year period referred to in subsection (a) shall be treated as beginning no earlier than January 1, 2000.''.*

*(b) EXPANSION OF QUALIFIED ENERGY RESOURCES.—*

*(1) IN GENERAL.—Section 45(c)(1) (defining qualified energy resources) is amended by striking ''and'' at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting a comma, and by adding at the end the following new subparagraphs:*

*''(C) biomass (other than closed-loop biomass),*

*''(B) landfill gas, and*

*''(C) poultry waste.''.*

*(2) DEFINITIONS.—Section 45(c) is amended by redesignating paragraph (3) as paragraph (6) and inserting after paragraph (2) the following new paragraphs:*

*''(3) BIOMASS.—The term 'biomass' means any solid, nonhazardous, cellulosic waste material which is segregated from other waste materials and which is derived from—*

*''(A) any of the following forest-related resources: mill residues, precommercial thinnings, slash, and brush, but not including old-growth timber,*

*''(B) urban sources, including waste pallets, crates, and dunnage, manufacturing and construction wood wastes, and landscape or right-of-way tree trimmings, but not including unsegregated municipal solid waste (garbage) or paper that is commonly recycled, or*

*''(C) agriculture sources, including orchard tree crops, vineyard, grain, legumes, sugar, and other crop by-products or residues.*

*''(4) LANDFILL GAS.—The term 'landfill gas' means gas from the decomposition of any household solid waste, commercial solid waste, and industrial solid waste disposed of in a municipal solid waste landfill unit (as such terms are defined in regulations promulgated under subtitle D of the Solid Waste Disposal Act (42 U.S.C. 6941 et seq.)).*

*''(5) POULTRY WASTE.—The term 'poultry waste' means poultry manure and litter, including wood shavings, straw, rice hulls, and other bedding material for the disposition of manure.''.*

*(c) SPECIAL RULES.—Section 45(d) (relating to definitions and special rules) is amended by adding at the end the following new paragraphs:*

*''(6) CREDIT ELIGIBILITY IN THE CASE OF GOVERNMENT-OWNED FACILITIES USING POULTRY WASTE.—In the case of a facility using poultry waste to produce electricity and owned by a governmental unit, the person eligible for the credit under subsection (a) is the lessor or the operator of such facility.*

*''(7) PROPORTIONAL CREDIT FOR FACILITY USING COAL TO CO-FIRE WITH CERTAIN BIOMASS.—In the case of a qualified facility as defined in subsection (c)(3)(C) using coal to co-fire with biomass (other than closed-loop biomass), 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.''.*

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

***SEC. 1206. ALASKA EXEMPTION FROM DYEING REQUIREMENTS.***

*(a) EXCEPTION TO DYEING REQUIREMENTS FOR EXEMPT DIESEL FUEL AND KEROSENE.—Paragraph (1) of section 4082(c) (relating to exception to dyeing requirements) is amended to read as follows:*

*''(1) removed, entered, or sold in the State of Alaska for ultimate sale or use in such State, and''.*

*(b) EFFECTIVE DATE.—The amendment made by this section applies with respect to fuel removed, entered, or sold on or after the date of the enactment of this Act.*

***SEC. 1207. EXTENSION OF EXPENSING OF ENVIRONMENTAL REMEDIATION COSTS.***

*(a) EXTENSION OF TERMINATION DATE.—Subsection (h) of section 198 is amended by striking ''December 31, 2000'' and inserting ''June 30, 2004''.*

*(b) EXPANSION OF QUALIFIED CONTAMINATED SITE.—Section 198(c) is amended to read as follows:*

*''(c) QUALIFIED CONTAMINATED SITE.—For purposes of this section—*

*''(1) IN GENERAL.—The term 'qualified contaminated site' means any area—*

*''(A) which is held by the taxpayer for use in a trade or business or for the production of income, or which is property described in section 1221(1) in the hands of the taxpayer, and*

*''(B) at or on which there has been a release (or threat of release) or disposal of any hazardous substance.*

*''(2) NATIONAL PRIORITIES LISTED SITES NOT INCLUDED.—Such term shall not include any site which is on, or proposed for, the national priorities list under section 105(a)(8)(B) of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (as in effect on the date of the enactment of this section).*

*''(3) TAXPAYER MUST RECEIVE STATEMENT FROM STATE ENVIRONMENTAL AGENCY.—An area shall be treated as a qualified contaminated site with respect to expenditures paid or incurred during any taxable year only if the taxpayer receives a statement from the appropriate agency of the State in which such area is located that such area meets the requirement of paragraph (1)(B).*

*''(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. If the chief executive officer of a State has not designated an appropriate State environmental agency within such 60-day period, the appropriate environmental agency for such State shall be designated by the Administrator of the Environmental Protection Agency.''.*

*(c) EFFECTIVE DATE.—The amendments made by this section shall apply to expenditures paid or incurred after December 31, 1999.*

## *TITLE XIII—REVENUE OFFSETS*

### *Subtitle A—General Provisions*

***SEC. 1301. MODIFICATION 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 ''or fifth'' and inserting ''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. 1302. RETURNS RELATING TO CANCELLATIONS OF INDEBTEDNESS BY ORGANIZATIONS LENDING MONEY.***

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

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

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

***SEC. 1303. INCREASE IN ELECTIVE WITHHOLDING RATE FOR NONPERIODIC DISTRIBUTIONS FROM DEFERRED COMPENSATION PLANS.***

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

*(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to distributions after December 31, 2000.*

***SEC. 1304. EXTENSION OF INTERNAL REVENUE SERVICE USER FEES.***

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

**"SEC. 7527. INTERNAL REVENUE SERVICE USER FEES.**

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

''(1) requests to the Internal Revenue Service for ruling letters, opinion letters, and determination letters, and

''(2) other similar requests.

''(b) PROGRAM CRITERIA.—

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

''(A) shall vary according to categories (or subcategories) established by the Secretary,

''(B) shall be determined after taking into account the average time for (and difficulty of) complying with requests in each category (and subcategory), and

''(C) shall be payable in advance.

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

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

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

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

(b) CONFORMING AMENDMENTS.—

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

''Sec. 7527. Internal Revenue Service user fees.''.

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

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

**SEC. 1305. TRANSFER OF EXCESS DEFINED BENEFIT PLAN ASSETS FOR RETIREE HEALTH BENEFITS.**

(a) EXTENSION.—

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

(2) CONFORMING AMENDMENTS.—

(A) Section 101(e)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1021(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) Paragraph (13) of section 408(b) of such Act (29 U.S.C. 1108(b)(13)) is amended—

(i) by striking ''in a taxable year beginning before January 1, 2001'' and inserting ''made before October 1, 2009'', and

(ii) by striking ''1995'' and inserting ''2001''.

(b) APPLICATION OF MINIMUM COST REQUIREMENTS.—

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

''(3) MINIMUM COST REQUIREMENTS.—

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

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

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

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

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

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

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

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

(2) CONFORMING AMENDMENTS.—

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

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

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to qualified transfers occurring after the date of the enactment of this Act.

(2) TRANSITION RULE.—If the cost maintenance period for any qualified transfer after the date of the enactment of this Act includes any portion of a benefit maintenance period for any qualified transfer on or before such date, the amendments made by subsection (b) shall not apply to such portion of the cost maintenance period (and such portion shall be treated as a benefit maintenance period).

**SEC. 1306. TAX TREATMENT OF INCOME AND LOSS ON DERIVATIVES.**

(a) IN GENERAL.—Section 1221 (defining capital assets) is amended—

(1) by striking ''For purposes'' and inserting the following:

''(a) IN GENERAL.—For purposes'',

(2) by striking the period at the end of paragraph (5) and inserting a semicolon, and

(3) by adding at the end the following:

''(6) any commodities derivative financial instrument held by a commodities derivatives dealer, unless—

''(A) it is established to the satisfaction of the Secretary that such instrument has no connection to the activities of such dealer as a dealer, and

''(B) such instrument is clearly identified in such dealer's records as being described in subparagraph (A) before the close of the day on which it was acquired, originated, or entered into (or such other time as the Secretary may by regulations prescribe);

''(7) any hedging transaction which is clearly identified as such before the close of the day on which it was acquired, originated, or entered into (or such other time as the Secretary may by regulations prescribe); or

''(8) supplies of a type regularly used or consumed by the taxpayer in the ordinary course of a trade or business of the taxpayer.

''(b) DEFINITIONS AND SPECIAL RULES.—

''(1) COMMODITIES DERIVATIVE FINANCIAL INSTRUMENTS.—For purposes of subsection (a)(6)—

''(A) COMMODITIES DERIVATIVES DEALER.—The term 'commodities derivatives dealer' means a person which regularly offers to enter into, assume, offset, assign, or terminate positions in commodities derivative financial instruments with customers in the ordinary course of a trade or business.

''(B) COMMODITIES DERIVATIVE FINANCIAL INSTRUMENT.—

''(i) IN GENERAL.—The term 'commodities derivative financial instrument' means any contract or financial instrument with respect to commodities (other than a share of stock in a corporation, a beneficial interest in a partnership or trust, a note, bond, debenture, or other evidence of indebtedness, or a section 1256 contract (as defined in section 1256(b)), the value or settlement price of which is calculated by or determined by reference to a specified index.

''(ii) SPECIFIED INDEX.—The term 'specified index' means any one or more or any combination of—

''(I) a fixed rate, price, or amount, or

''(II) a variable rate, price, or amount,

which is based on any current, objectively determinable financial or economic information with respect to commodities which is not within the control of any of the parties to the contract or instrument and is not unique to any of the parties' circumstances.

''(2) 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 primarily—

''(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 may prescribe 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.''.

(b) MANAGEMENT OF RISK.—

(1) 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) DEFINITION OF HEDGING TRANSACTION.—For purposes of this subsection, the term 'hedging transaction' means any hedging transaction (as defined in section 1221(b)(2)(A)) if, before the close of the day on which such transaction was entered into (or such earlier time as the Secretary may prescribe by regulations), the taxpayer clearly identifies such transaction as being a hedging transaction.''.

(c) CONFORMING AMENDMENTS.—

(1) Each of the following sections are amended by striking ''section 1221'' and inserting ''section 1221(a)'':

(A) Section 170(e)(3)(A).

(B) Section 170(e)(4)(B).

(C) Section 367(a)(3)(B)(i).

(D) Section 818(c)(3).
(E) Section 865(i)(1).
(F) Section 1092(a)(3)(B)(ii)(II).
(G) Subparagraphs (C) and (D) of section 1231(b)(1).
(H) Section 1234(a)(3)(A).

(2) Each of the following sections are amended by striking ''section 1221(1)'' and inserting ''section 1221(a)(1)'':
(A) Section 198(c)(1)(A)(i).
(B) Section 263A(b)(2)(A).
(C) Clauses (i) and (iii) of section 267(f)(3)(B).
(D) Section 341(d)(3).
(E) Section 543(a)(1)(D)(i).
(F) Section 751(d)(1).
(G) Section 775(c).
(H) Section 856(c)(2)(D).
(I) Section 856(c)(3)(C).
(J) Section 856(e)(1).
(K) Section 856(j)(2)(B).
(L) Section 857(b)(4)(B)(i).
(M) Section 857(b)(6)(B)(iii).
(N) Section 864(c)(4)(B)(iii).
(O) Section 864(d)(3)(A).
(P) Section 864(d)(6)(A).
(Q) Section 954(c)(1)(B)(iii).
(R) Section 995(b)(1)(C).
(S) Section 1017(b)(3)(E)(i).
(T) Section 1362(d)(3)(C)(ii).
(U) Section 4662(c)(2)(C).
(V) Section 7704(c)(3).
(W) Section 7704(d)(1)(D).
(X) Section 7704(d)(1)(G).
(Y) Section 7704(d)(5).

(3) Section 818(b)(2) is amended by striking ''section 1221(2)'' and inserting ''section 1221(a)(2)''.

(4) Section 1397B(e)(2) is amended by striking ''section 1221(4)'' and inserting ''section 1221(a)(4)''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to any instrument held, acquired, or entered into, any transaction entered into, and supplies held or acquired on or after the date of enactment of this Act.

**Subtitle B—Loophole Closers**

**SEC. 1311. LIMITATION ON USE OF NON-ACCRUAL EXPERIENCE METHOD OF ACCOUNTING.**

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

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

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

(b) EFFECTIVE DATE.—

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

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

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

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

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

**SEC. 1312. LIMITATIONS ON WELFARE BENEFIT FUNDS OF 10 OR MORE EMPLOYER PLANS.**

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

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

''(i) Medical benefits.

''(ii) Disability benefits.

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

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

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

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

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

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

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

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

**SEC. 1313. MODIFICATION OF INSTALLMENT METHOD AND REPEAL OF INSTALLMENT METHOD FOR ACCRUAL METHOD TAXPAYERS.**

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

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

''(a) USE OF INSTALLMENT METHOD.—

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

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

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

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

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

**SEC. 1314. TREATMENT OF GAIN FROM CONSTRUCTIVE OWNERSHIP TRANSACTIONS.**

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

**''SEC. 1260. GAINS FROM CONSTRUCTIVE OWNERSHIP TRANSACTIONS.**

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

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

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

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

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

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

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

''(4) NO CREDITS AGAINST INCREASE IN TAX.—Any increase in tax under paragraph (1) shall not be treated as tax imposed by this chapter for purposes of determining—

''(A) the amount of any credit allowable under this chapter, or

''(B) the amount of the tax imposed by section 55.

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

''(1) IN GENERAL.—The term 'financial asset' means—

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

''(B) to the extent provided in regulations—

''(i) any debt instrument, and

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

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

''(A) a regulated investment company,

''(B) a real estate investment trust,

''(C) an S corporation,

''(D) a partnership,

''(E) a trust,

''(F) a common trust fund,

''(G) a passive foreign investment company (as defined in section 1297 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

''Sec. 1260. Gains from constructive ownership transactions.''.

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

**SEC. 1315. CHARITABLE SPLIT-DOLLAR LIFE INSURANCE, ANNUITY, AND ENDOWMENT CONTRACTS.**

(a) IN GENERAL.—Subsection (f) of section 170 (relating to disallowance of deduction in certain cases and special rules), as amended by section 807, is amended by adding at the end the following new paragraph:

''(11) SPLIT-DOLLAR LIFE INSURANCE, ANNUITY, AND ENDOWMENT CONTRACTS.—

''(A) IN GENERAL.—Nothing in this section or in section 545(b)(2), 556(b)(2), 642(c), 2055, 2106(a)(2), or 2522 shall be construed to allow a deduction, and no deduction shall be allowed, for any transfer to or for the use of an organization described in subsection (c) if in connection with such transfer—

''(i) the organization directly or indirectly pays, or has previously paid, any premium on any personal benefit contract with respect to the transferor, or

''(ii) there is an understanding or expectation that any person will directly or indirectly pay any premium on any personal benefit contract with respect to the transferor.

''(B) PERSONAL BENEFIT CONTRACT.—For purposes of subparagraph (A), the term 'personal benefit contract' means, with respect to the transferor, any life insurance, annuity, or endowment contract if any direct or indirect beneficiary under such contract is the transferor, any member of the transferor's family, or any other person (other than an organization described in subsection (c)) designated by the transferor.

''(C) APPLICATION TO CHARITABLE REMAINDER TRUSTS.—In the case of a transfer to a trust referred to in subparagraph (E), references in subparagraphs (A) and (F) to an organization described in subsection (c) shall be treated as a reference to such trust.

''(D) EXCEPTION FOR CERTAIN ANNUITY CONTRACTS.—If, in connection with 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 501(m)) and such organization purchases any annuity contract to fund such obligation, persons receiving 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, and

''(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).

''(E) EXCEPTION FOR CERTAIN CONTRACTS HELD BY CHARITABLE REMAINDER TRUSTS.—A person shall not be treated for purposes of subparagraph (B) as an indirect beneficiary under any life insurance, annuity, or endowment contract held by a charitable remainder annuity trust or a charitable remainder unitrust (as defined in section 664(d)) solely by reason of being entitled to any payment referred to in paragraph (1)(A) or (2)(A) of section 664(d) if—

''(i) such trust possesses all of the incidents of ownership under such contract, and

''(ii) such trust is entitled to all the payments under such contract.

''(F) EXCISE TAX ON PREMIUMS PAID.—

''(i) IN GENERAL.—There is hereby imposed on any organization described in subsection (c) an excise tax equal to the premiums paid by such organization on any life insurance, annuity, or endowment contract if the payment of premiums on such contract is in connection with a transfer for which a deduction is not allowable under subparagraph (A), determined without regard to when such transfer is made.

''(ii) PAYMENTS BY OTHER PERSONS.—For purposes of clause (i), payments made by any other person pursuant to an understanding or expectation referred to in subparagraph (A) shall be treated as made by the organization.

''(iii) REPORTING.—Any organization on which tax is imposed by clause (i) with respect to any premium shall file an annual return which includes—

''(I) the amount of such premium paid during the year and the name and TIN of each beneficiary under the contract to which the premium relates, and

''(II) such other information as the Secretary may require.

The penalties applicable to returns required under section 6033 shall apply to returns required under this clause. Returns required under this clause shall be furnished at such time and in such manner as the Secretary shall by forms or regulations require.

''(iv) CERTAIN RULES TO APPLY.—The tax imposed by this subparagraph shall be treated as imposed by chapter 42 for purposes of this title other than subchapter B of chapter 42.

''(G) SPECIAL RULE WHERE STATE REQUIRES SPECIFICATION OF CHARITABLE GIFT ANNUITANT IN CONTRACT.—In the case of an obligation to pay a charitable gift annuity referred to in subparagraph (D) which is entered into under the laws of a State which requires, in order for the charitable gift annuity to be exempt from insurance regulation by such State, that each beneficiary under the charitable gift annuity be named as a beneficiary under an annuity contract issued by an insurance company authorized to transact business in such State, the requirements of clauses (i) and (ii) of subparagraph (D) shall be treated as met if—

''(i) such State law requirement was in effect on February 8, 1999,

''(ii) each such beneficiary under the charitable gift annuity is a bona fide resident of such State at the time the obligation to pay a charitable gift annuity is entered into, and

''(iii) the only persons entitled to payments under such contract are persons entitled to payments as beneficiaries under such obligation on the date such obligation is entered into.

''(H) MEMBER OF FAMILY.—For purposes of this paragraph, an individual's family consists of the individual's grandparents, the grandparents of such individual's spouse, the lineal descendants of such grandparents, and any spouse of such a lineal descendant.

''(I) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this paragraph, including regulations to prevent the avoidance of such purposes.''.

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as otherwise provided in this section, the amendment made by this section shall apply to transfers made after February 8, 1999.

(2) EXCISE TAX.—Except as provided in paragraph (3) of this subsection, section 170(f)(11)(F) of the Internal Revenue Code of 1986 (as added by this section) shall apply to premiums paid after the date of the enactment of this Act.

(3) REPORTING.—Clause (iii) of such section 170(f)(11)(F) shall apply to premiums paid after February 8, 1999 (determined as if the tax imposed by such section applies to premiums paid after such date).

**SEC. 1316. RESTRICTION ON USE OF REAL ESTATE INVESTMENT TRUSTS TO AVOID ESTIMATED TAX PAYMENT REQUIREMENTS.**

(a) IN GENERAL.—Subsection (e) of section 6655 (relating to estimated tax by corporations) is amended by adding at the end the following new paragraph:

''(5) TREATMENT OF CERTAIN REIT DIVIDENDS.—

''(A) IN GENERAL.—Any dividend received from a closely held real estate investment trust by any person which owns (after application of subsections (d)(5) and (l)(3)(B) of section 856) 10 percent or more (by vote or value) of the stock or beneficial interests in the trust shall be taken into account in computing annualized income installments under paragraph (2) in a manner similar to the manner under which partnership income inclusions are taken into account.

''(B) CLOSELY HELD REIT.—For purposes of subparagraph (A), the term 'closely held real estate investment trust' means a real estate investment trust with respect to which 5 or fewer persons own (after application of subsections (d)(5) and (l)(3)(B) of section 856) 50 percent or more (by vote or value) of the stock or beneficial interests in the trust.''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to estimated tax payments due on or after September 15, 1999.

**SEC. 1317. PROHIBITED ALLOCATIONS OF S CORPORATION STOCK HELD BY AN ESOP.**

(a) IN GENERAL.—Section 409 (relating to qualifications for tax credit employee stock ownership plans) is amended by redesignating subsection (p) as subsection (q) and by inserting after subsection (o) the following new subsection:

''(p) PROHIBITED ALLOCATION OF SECURITIES IN AN S CORPORATION.—

''(1) IN GENERAL.—An employee stock ownership plan holding employer securities consisting of stock in an S corporation shall provide that no portion of the assets of the plan attributable to (or allocable in lieu of) such employer securities may, during a nonallocation year, accrue (or be allocated directly or indirectly under any plan of the employer meeting the requirements of section 401(a)) for the benefit of any disqualified individual.

''(2) FAILURE TO MEET REQUIREMENTS.—If a plan fails to meet the requirements of paragraph (1)—

''(A) the plan shall be treated as having distributed to any disqualified individual the amount allocated to the account of such individual in violation of paragraph (1) at the time of such allocation,

''(B) the provisions of section 4979A shall apply, and

''(C) the statutory period for the assessment of any tax imposed by section 4979A shall not expire before the date which is 3 years from the later of—

''(i) the allocation of employer securities resulting in the failure under paragraph (1) giving rise to such tax, or

''(ii) the date on which the Secretary is notified of such failure.

''(3) NONALLOCATION YEAR.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'nonallocation year' means any plan year of an employee stock ownership plan if, at any time during such plan year—

''(i) such plan holds employer securities consisting of stock in an S corporation, and

''(ii) disqualified individuals own at least 50 percent of the number of outstanding shares of stock in such S corporation.

''(B) ATTRIBUTION RULES.—For purposes of subparagraph (A)—

''(i) IN GENERAL.—The rules of section 318(a) shall apply for purposes of determining ownership, except that—

''(I) in applying paragraph (1) thereof, the members of an individual's family shall include members of the family described in paragraph (4)(D), and

''(II) paragraph (4) thereof shall not apply.

''(ii) DEEMED-OWNED SHARES.—Notwithstanding the employee trust exception in section 318(a)(2)(B)(i), disqualified individuals shall be treated as owning deemed-owned shares.

''(4) DISQUALIFIED INDIVIDUAL.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'disqualified individual' means any individual who is a participant or beneficiary under the employee stock ownership plan if—

''(i) the aggregate number of deemed-owned shares of such individual and the members of the individual's family is at least 20 percent of the number of outstanding shares of stock in the S corporation constituting employer securities of such plan, or

''(ii) if such individual is not described in clause (i), the number of deemed-owned shares of such individual is at least 10 percent of the number of outstanding shares of stock in such corporation.

''(B) TREATMENT OF FAMILY MEMBERS.—In the case of a disqualified individual described in subparagraph (A)(i), any member of the individual's family with deemed-owned shares shall be treated as a disqualified individual if not otherwise a disqualified individual under subparagraph (A).

''(C) DEEMED-OWNED SHARES.—For purposes of this paragraph—

''(i) IN GENERAL.—The term 'deemed-owned shares' means, with respect to any participant or beneficiary under the employee stock ownership plan—

''(I) the stock in the S corporation constituting employer securities of such plan which is allocated to such participant or beneficiary under the plan, and

''(II) such participant's or beneficiary's share of the stock in such corporation which is held by such trust but which is not allocated under the plan to employees.

''(ii) INDIVIDUAL'S SHARE OF UNALLOCATED STOCK.—For purposes of clause (i)(II), an individual's share of unallocated S corporation stock held by the trust is the amount of the unallocated stock which would be allocated to such individual if the unallocated stock were allocated to individuals in the same proportions as the most recent stock allocation under the plan.

''(D) MEMBER OF FAMILY.—For purposes of this paragraph, the term 'member of the family' means, with respect to any individual—

''(i) the spouse of the individual,

''(ii) an ancestor or lineal descendant of the individual or the individual's spouse,

''(iii) a brother or sister of the individual or the individual's spouse and any lineal descendant of the brother or sister, and

''(iv) the spouse of any person described in clause (ii) or (iii).

''(5) DEFINITIONS.—For purposes of this subsection—

''(A) EMPLOYEE STOCK OWNERSHIP PLAN.—The term 'employee stock ownership plan' has the meaning given such term by section 4975(e)(7).

''(B) EMPLOYER SECURITIES.—The term 'employer security' has the meaning given such term by section 409(l).

''(6) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this subsection, including regulations providing for the treatment of any stock option, restricted stock, stock appreciation right, phantom 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'', and by adding at the end the following new paragraph:

''(3) any allocation of employer securities which violates the provisions of section 409(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 prohibited allocation described in subsection (b)(3), such tax shall be paid by the S corporation the stock in which was allocated in violation of section 409(p).''.

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to plan years beginning after December 31, 2000.

(2) EXCEPTION FOR CERTAIN PLANS.—In the case of any—

(A) employee stock ownership plan established after July 14, 1999, 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 under section 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. 1318. 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 ''a principal purpose'', and

(2) by striking ''on the exchange'' in subparagraph (A).

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to assumptions of liability after July 14, 1999.

**SEC. 1319. ALLOCATION OF BASIS ON TRANSFERS OF INTANGIBLES IN CERTAIN NONRECOGNITION TRANSACTIONS.**

(a) TRANSFERS TO CORPORATIONS.—Section 351 (relating to transfer to corporation controlled by transferor) is amended by redesignating subsection (h) as subsection (i) and by inserting after subsection (g) the following new subsection:

''(h) TREATMENT OF TRANSFERS OF INTANGIBLE PROPERTY.—

''(1) TRANSFERS OF LESS THAN ALL SUBSTANTIAL RIGHTS.

''(A) IN GENERAL.—A transfer of an interest in intangible property (as defined in section 936(h)(3)(B)) shall be treated under this section as a transfer of property even if the transfer is of less than all of the substantial rights of the transferor in the property.

''(B) ALLOCATION OF BASIS.—In the case of a transfer of less than all of the substantial rights of the transferor in the intangible property, the transferor's basis immediately before the transfer shall be allocated among the rights retained by the transferor and the rights transferred on the basis of their respective fair market values.

''(2) NONRECOGNITION NOT TO APPLY TO INTANGIBLE PROPERTY DEVELOPED FOR TRANSFEREE.—This section shall not apply to a transfer of intangible property developed by the transferor or any related person if such development was pursuant to an arrangement with the transferee.''.

(b) TRANSFERS TO PARTNERSHIPS.—Subsection (d) of section 721 is amended to read as follows:

''(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 PARTNERSHIPS.—For regulatory authority to treat intangibles transferred to a partnership as sold, see section 367(d)(3).''.

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

**SEC. 1320. CONTROLLED ENTITIES INELIGIBLE FOR REIT STATUS.**

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

''(7) which is not a controlled entity (as defined in subsection (l)); and''.

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

''(l) CONTROLLED ENTITY.—

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

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

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

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

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

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

''(A) any real estate investment trust, and

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

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

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

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

''(4) EXCEPTION FOR CERTAIN NEW REITS.—

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

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

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

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

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

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

''(v) The corporation annually increases the value of its real estate assets by at least 10 percent.

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

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

''(C) ELIGIBILITY PERIOD.—

''(i) IN GENERAL.—The eligibility period (for which an incubator REIT election can be made) begins with the REIT's second taxable year and ends at the close of the REIT's third taxable year, except that the REIT may, subject to clauses (ii), (iii), and (iv), elect to extend such period for an additional 2 taxable years.

''(ii) GOING PUBLIC TRANSACTION.—A REIT may not elect to extend the eligibility period under clause (i) unless it enters into an agreement with the Secretary that if it does not engage in a going public transaction by the end of the extended eligibility period, it shall pay Federal income taxes for the 2 years of the extended eligibility period as if it had not made an incubator REIT election and had ceased to qualify as a REIT for those 2 taxable years.

''(iii) RETURNS, INTEREST, AND NOTICE.—

''(I) 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.

''(II) INTEREST.—Interest shall be payable on any tax imposed by reason of clause (ii) for any taxable year but, unless there was a finding under subparagraph (D), no substantial underpayment penalties shall be imposed.

''(III) NOTICE.—The corporation shall, at the same time it files its returns under subclause (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.

''(IV) 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.

''(iv) Clauses (ii) and (iii) 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 not a controlled entity as of the beginning of its fourth taxable year. In such a case, the corporation's directors may still be liable for the penalties described in subparagraph (D) during the eligibility period.

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

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

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

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

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

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

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

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

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to taxable years ending after July 14, 1999.

(2) EXCEPTION FOR EXISTING CONTROLLED ENTITIES.—The amendments made by this section shall not apply to any entity which is a controlled entity (as defined in section 856(l) of the Internal Revenue Code of 1986, as added by this section) as of July 14, 1999, which is a real estate investment trust for the taxable year which includes such date, and which has significant business assets or activities as of such date. For purposes of the preceding sentence, an entity shall be treated as such a controlled entity on July 14, 1999, if it becomes such an entity after such date in a transaction—

(A) made pursuant to a written agreement which was binding on such date and at all times thereafter, or

(B) described on or before such date in a filing with the Securities and Exchange Commission required solely by reason of the transaction.

**SEC. 1321. DISTRIBUTIONS TO A CORPORATE PARTNER OF STOCK IN ANOTHER CORPORATION.**

(a) IN GENERAL.—Section 732 (relating to basis of distributed property other than money) is amended by adding at the end the following new subsection:

''(f) CORRESPONDING ADJUSTMENT TO BASIS OF ASSETS OF A DISTRIBUTED CORPORATION CONTROLLED BY A CORPORATE PARTNER.—

''(1) IN GENERAL.—If—

''(A) a corporation (hereafter in this subsection referred to as the 'corporate partner') receives a distribution from a partnership of stock in another corporation (hereafter in this subsection referred to as the 'distributed corporation'),

''(B) the corporate partner has control of the distributed corporation immediately after the distribution or at any time thereafter, and

''(C) the partnership's adjusted basis in such stock immediately before the distribution exceeded the corporate partner's adjusted basis in such stock immediately after the distribution,

then an amount equal to such excess shall be applied to reduce (in accordance with subsection (c)) the basis of property held by the distributed corporation at such time (or, if the corporate partner does not control the distributed corporation at such time, at the time the corporate partner first has such control).

''(2) EXCEPTION FOR CERTAIN DISTRIBUTIONS BEFORE CONTROL ACQUIRED.—Paragraph (1) shall not apply to any distribution of stock in the distributed corporation if—

''(A) the corporate partner does not have control of such corporation immediately after such distribution, and

''(B) the corporate partner establishes to the satisfaction of the Secretary that such distribution was not part of a plan or arrangement to acquire control of the distributed corporation.

''(3) LIMITATIONS ON BASIS REDUCTION.—

''(A) IN GENERAL.—The amount of the reduction under paragraph (1) shall not exceed the amount by which the sum of the aggregate adjusted bases of the property and the amount of money of the distributed corporation exceeds the corporate partner's adjusted basis in the stock of the distributed corporation.

''(B) REDUCTION NOT TO EXCEED ADJUSTED BASIS OF PROPERTY.—No reduction under paragraph (1) in the basis of any property shall exceed the adjusted basis of such property (determined without regard to such reduction).

''(4) GAIN RECOGNITION WHERE REDUCTION LIMITED.—If the amount of any reduction under paragraph (1) (determined after the application of paragraph (3)(A)) exceeds the aggregate adjusted bases of the property of the distributed corporation—

''(A) such excess shall be recognized by the corporate partner as long-term capital gain, and

''(B) the corporate partner's adjusted basis in the stock of the distributed corporation shall be increased by such excess.

''(5) CONTROL.—For purposes of this subsection, the term 'control' means ownership of stock meeting the requirements of section 1504(a)(2).

''(6) INDIRECT DISTRIBUTIONS.—For purposes of paragraph (1), if a corporation acquires (other than in a distribution from a partnership) stock the basis of which is determined in whole or in part by reference to subsection (a)(2) or (b), the corporation shall be treated as receiving a distribution of such stock from a partnership.

''(7) SPECIAL RULE FOR STOCK IN CONTROLLED CORPORATION.—If the property held by a distributed corporation is stock in a corporation which the distributed corporation controls, this subsection shall be applied to reduce the basis of the property of such controlled corporation. This subsection shall be reapplied to any property of any controlled corporation which is stock in a corporation which it controls.

''(8) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this subsection, including regulations to avoid double counting and to prevent the abuse of such purposes.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to distributions made after July 14, 1999.

## TITLE XIV—TECHNICAL CORRECTIONS

**SEC. 1401. AMENDMENTS RELATED TO TAX AND TRADE RELIEF EXTENSION ACT OF 1998.**

(a) AMENDMENT RELATED TO SECTION 1004(b) OF THE ACT.—Subsection (d) of section 6104 is

*amended by adding at the end the following new paragraph:*

*''(6) APPLICATION TO NONEXEMPT CHARITABLE TRUSTS AND NONEXEMPT PRIVATE FOUNDATIONS.—The organizations referred to in paragraphs (1) and (2) of section 6033(d) shall comply with the requirements of this subsection relating to annual returns filed under section 6033 in the same manner as the organizations referred to in paragraph (1).''.*

*(b) AMENDMENT RELATED TO SECTION 4003 OF THE ACT.—Subsection (b) of section 4003 of the Tax and Trade Relief Extension Act of 1998 is amended by inserting ''(7)(A)(i)(II),'' after ''(5)(A)(ii)(I),''.*

*(c) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the provisions of the Tax and Trade Relief Extension Act of 1998 to which they relate.*

***SEC. 1402. AMENDMENTS RELATED TO INTERNAL REVENUE SERVICE RESTRUCTURING AND REFORM ACT OF 1998.***

*(a) AMENDMENT RELATED TO 1103 OF THE ACT.—Paragraph (6) of section 6103(k) is amended—*

*(1) by inserting ''and an officer or employee of the Office of Treasury Inspector General for Tax Administration'' after ''internal revenue officer or employee'', and*

*(2) by striking ''INTERNAL REVENUE'' in the heading and inserting ''CERTAIN''.*

*(b) AMENDMENT RELATED TO SECTION 3509 OF THE ACT.—Subparagraph (A) of section 6110(g)(5) is amended by inserting '', any Chief Counsel advice,'' after ''technical advice memorandum''.*

*(c) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the provisions of the Internal Revenue Service Restructuring and Reform Act of 1998 to which they relate.*

***SEC. 1403. AMENDMENTS RELATED TO TAXPAYER RELIEF ACT OF 1997.***

*(a) AMENDMENT RELATED TO SECTION 302 OF THE ACT.—The last sentence of section 3405(e)(1)(B) is amended by inserting ''(other than a Roth IRA)'' after ''individual retirement plan''.*

*(b) AMENDMENTS RELATED TO SECTION 1072 OF THE ACT.—*

*(1) Clause (ii) of section 415(c)(3)(D) and subparagraph (B) of section 403(b)(3) are each amended by striking ''section 125 or'' and inserting ''section 125, 132(f)(4), or''.*

*(2) Paragraph (2) of section 414(s) is amended by striking ''section 125, 402(e)(3)'' and inserting ''section 125, 132(f)(4), 402(e)(3)''.*

*(c) AMENDMENT RELATED TO SECTION 1454 OF THE ACT.—Subsection (a) of section 7436 is amended by inserting before the period at the end of the first sentence ''and the proper amount of employment tax under such determination''.*

*(d) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the provisions of the Taxpayer Relief of 1997 to which they relate.*

***SEC. 1404. OTHER TECHNICAL CORRECTIONS.***

*(a) AFFILIATED CORPORATIONS IN CONTEXT OF WORTHLESS SECURITIES.—*

*(1) Subparagraph (A) of section 165(g)(3) is amended to read as follows:*

*''(A) the taxpayer owns directly stock in such corporation meeting the requirements of section 1504(a)(2), and''.*

*(2) Paragraph (3) of section 165(g) is amended by striking the last sentence.*

*(3) The amendments made by this subsection shall apply to taxable years beginning after December 31, 1984.*

*(b) REFERENCE TO CERTAIN STATE PLANS.—*

*(1) Subparagraph (B) of section 51(d)(2) is amended—*

*(A) by striking ''plan approved'' and inserting ''program funded'', and*

*(B) by striking ''(relating to assistance for needy families with minor children)''.*

*(2) The amendment made by paragraph (1) shall take effect as if included in the amendments made by section 1201 of the Small Business Job Protection Act of 1996.*

*(c) AMOUNT OF IRA CONTRIBUTION OF LESSER EARNING SPOUSE.—*

*(1) Clause (ii) of section 219(c)(1)(B) is amended by striking ''and'' at the end of subclause (I), by redesignating subclause (II) as subclause (III), and by inserting after subclause (I) the following new subclause:*

*''(II) the amount of any designated nondeductible contribution (as defined in section 408(o)) on behalf of such spouse for such taxable year, and''.*

*(2) The amendment made by paragraph (1) shall take effect as if included in section 1427 of the Small Business Job Protection Act of 1996.*

*(d) MODIFIED ENDOWMENT CONTRACTS.—*

*(1) Paragraph (2) of section 7702A(a) is amended by inserting ''or this paragraph'' before the period.*

*(2) Clause (ii) of section 7702A(c)(3)(A) is amended by striking ''under the contract'' and inserting ''under the old contract''.*

*(3) The amendments made by this subsection shall take effect as if included in the amendments made by section 5012 of the Technical and Miscellaneous Revenue Act of 1988.*

*(e) LUMP-SUM DISTRIBUTIONS.—*

*(1) Clause (ii) of section 401(k)(10)(B) is amended by adding at the end the following new sentence: ''Such term includes a distribution of an annuity contract from—*

*''(I) a trust which forms a part of a plan described in section 401(a) and which is exempt from tax under section 501(a), or*

*''(II) an annuity plan described in section 403(a).''.*

*(2) The amendment made by paragraph (1) shall take effect as if included in section 1401 of the Small Business Job Protection Act of 1996.*

*(f) TENTATIVE CARRYBACK ADJUSTMENTS OF LOSSES FROM SECTION 1256 CONTRACTS.—*

*(1) Subsection (a) of section 6411 is amended by striking ''section 1212(a)(1)'' and inserting ''subsection (a)(1) or (c) of section 1212''.*

*(2) The amendment made by paragraph (1) shall take effect as if included in the amendments made by section 504 of the Economic Recovery Tax Act of 1981.*

***SEC. 1405. CLERICAL CHANGES.***

*(1) Subsection (f) of section 67 is amended by striking ''the last sentence'' and inserting ''the second sentence''.*

*(2) The heading for paragraph (5) of section 408(d) is amended to read as follows:*

*''(5) DISTRIBUTIONS OF EXCESS CONTRIBUTIONS AFTER DUE DATE FOR TAXABLE YEAR AND CERTAIN EXCESS ROLLOVER CONTRIBUTIONS.—''.*

*(3) The heading for subparagraph (B) of section 529(e)(3) is amended by striking ''UNDER GUARANTEED PLANS''.*

*(4)(A) Subsection (e) of section 678 is amended by striking ''an electing small business corporation'' and inserting ''an S corporation''.*

*(B) Clause (v) of section 6103(e)(1)(D) is amended to read as follows:*

*''(v) if the corporation was an S corporation, any person who was a shareholder during any part of the period covered by such return during which an election under section 1362(a) was in effect, or''.*

*(5) Subparagraph (B) of section 995(b)(3) is amended by striking ''the Military Security Act of 1954 (22 U.S.C. 1934)'' and inserting ''section 38 of the International Security Assistance and Arms Export Control Act of 1976 (22 U.S.C. 2778)''.*

*(6) Subparagraph (B) of section 4946(c)(3) is amended by striking ''the lowest rate of compensation prescribed for GS–16 of the General Schedule under section 5332'' and inserting ''the lowest rate of basic pay for the Senior Executive Service under section 5382''.*

***SEC. 1406. 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 new 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 Council.'';*

*(3) in subsection (e)(2)—*

*(A) by striking ''Committee on Labor and Human Resources'' in subparagraph (B) and inserting ''Committee on Health, Education, Labor, and Pensions'';*

*(B) by striking 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 House of Representatives and 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;*

*''(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'';*

*(4) in subsection (e)(3)(A)—*

*(A) by striking ''There shall be no 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 ''not 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 the period at the end of clause (ii) and inserting ''; and''; 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, 2001, 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) RECEPTION AND REPRESENTATION AUTHORITY.—The Secretary is hereby granted reception and representation 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.''; and*

*(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''; and*

*(B) by striking ''fiscal year 1998'' and inserting ''fiscal years 2001, 2005, and 2009''.*

***TITLE XV—COMPLIANCE WITH CONGRESSIONAL BUDGET ACT***

***SEC. 1501. SUNSET OF PROVISIONS OF ACT.***

*All provisions of, and amendments made by, this Act which are in effect on September 30, 2009, shall cease to apply as of the close of September 30, 2009.*

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## CHEMICAL SAFETY INFORMATION, SITE SECURITY AND FUELS REGULATORY RELIEF ACT

Mr. LUGAR. Mr. President, I ask the Chair lay before the Senate a message from the House of Representatives on the bill (S. 880) to amend the Clean Air Act to remove flammable fuels from the list of substances with respect to which reporting and other activities are required under the risk management plan program.

The PRESIDING OFFICER laid before the Senate the following message from the House of Representatives:

*Resolved*, That the bill from the Senate (S. 880) entitled ''An Act to amend the Clean Air Act to remove flammable fuels from the list of substances with respect to which reporting and other activities are required under the risk management plan program'', do pass with the following amendments:

Strike out all after the enacting clause and insert:

***SECTION 1. SHORT TITLE.***

*This Act may be cited as the ''Chemical Safety Information, Site Security and Fuels Regulatory Relief Act''.*

***SEC. 2. REMOVAL OF PROPANE SOLD BY RETAILERS AND OTHER FLAMMABLE FUELS FROM RISK MANAGEMENT LIST.***

*Section 112(r) of the Clean Air Act (42 U.S.C. 7412(r)) is amended—*

*(1) by redesignating subparagraphs (A) through (C) of paragraph (4) as clauses (i) through (iii), respectively, and indenting appropriately;*

*(2) by striking in paragraph (4) ''Administrator shall consider each of the following criteria—'' and inserting the following: ''Administrator—*

*''(A) shall consider—'';*

*(3) in subparagraph (A)(iii) (as designated by paragraphs (1) and (2)), of paragraph (4)by striking the period at the end and inserting ''; and'';*

*(4) by adding at the end of paragraph (4) the following:*

*''(B) shall not list a flammable substance when used as a fuel or held for sale as a fuel at a retail facility under this subsection solely because of the explosive or flammable properties of the substance, unless a fire or explosion caused by the substance will result in acute adverse heath effects from human exposure to the substance, including the unburned fuel or its combustion byproducts, other than those caused by the heat of the fire or impact of the explosion.''; and*

*(5) by inserting the following new subparagraph at the end of paragraph (2):*

*''(D) The term 'retail facility' means a stationary source at which more than one-half of the income is obtained from direct sales to end users or at which more than one-half of the fuel sold, by volume, is sold through a cylinder exchange program.''.*

***SEC. 3. PUBLIC ACCESS TO OFF-SITE CONSEQUENCE ANALYSIS INFORMATION.***

*(a) IN GENERAL.—Section 112(r)(7) of the Clean Air Act (42 U.S.C. 7412(r)(7)) is amended by adding at the end the following:*

*''(H) PUBLIC ACCESS TO OFF-SITE CONSEQUENCE ANALYSIS INFORMATION.—*

*''(i) DEFINITIONS.—In this subparagraph:*

*''(I) COVERED PERSON.—The term 'covered person' means—*

*''(aa) an officer or employee of the United States;*

*''(bb) an officer or employee of an agent or contractor of the Federal Government;*

*''(cc) an officer or employee of a State or local government;*

*''(dd) an officer or employee of an agent or contractor of a State or local government;*

*''(ee) an individual affiliated with an entity that has been given, by a State or local government, responsibility for preventing, planning for, or responding to accidental releases;*

*''(ff) an officer or employee or an agent or contractor of an entity described in item (ee); and*

*''(gg) a qualified researcher under clause (vii).*

*''(II) OFFICIAL USE.—The term 'official use' means an action of a Federal, State, or local government agency or an entity referred to in subclause (I)(ee) intended to carry out a function relevant to preventing, planning for, or responding to accidental releases.*

*''(III) OFF-SITE CONSEQUENCE ANALYSIS INFORMATION.—The term 'off-site consequence analysis information' means those portions of a risk management plan, excluding the executive summary of the plan, consisting of an evaluation of 1 or more worst-case release scenarios or alternative release scenarios, and any electronic data base created by the Administrator from those portions.*

*''(IV) RISK MANAGEMENT PLAN.—The term 'risk management plan' means a risk management plan submitted to the Administrator by an owner or operator of a stationary source under subparagraph (B)(iii).*

*''(ii) REGULATIONS.—Not later than 1 year after the date of enactment of this subparagraph, the President shall—*

*''(I) assess—*

*''(aa) the increased risk of terrorist and other criminal activity associated with the posting of off-site consequence analysis information on the Internet; and*

*''(bb) the incentives created by public disclosure of off-site consequence analysis information for reduction in the risk of accidental releases; and*

*''(II) based on the assessment under subclause (I), promulgate regulations governing the distribution of off-site consequence analysis information in a manner that, in the opinion of the President, minimizes the likelihood of accidental releases and the risk described in subclause (I)(aa) and the likelihood of harm to public health and welfare, and—*

*''(aa) allows access by any member of the public to paper copies of off-site consequence analysis information for a limited number of stationary sources located anywhere in the United States, without any geographical restriction;*

*''(bb) allows other public access to off-site consequence analysis information as appropriate;*

*''(cc) allows access for official use by a covered person described in any of items (cc) through (ff) of clause (i)(I) (referred to in this subclause as a 'State or local covered person') to off-site consequence analysis information relating to stationary sources located in the person's State;*

*''(dd) allows a State or local covered person to provide, for official use, off-site consequence analysis information relating to stationary sources located in the person's State to a State or local covered person in a contiguous State; and*

*''(ee) allows a State or local covered person to obtain for official use, by request to the Administrator, off-site consequence analysis information that is not available to the person under item (cc).*

*''(iii) AVAILABILITY UNDER FREEDOM OF INFORMATION ACT.—*

*''(I) FIRST YEAR.—Off-site consequence analysis information, and any ranking of stationary sources derived from the information, shall not be made available under section 552 of title 5, United States Code, during the 1-year period beginning on the date of enactment of this subparagraph.*

*''(II) AFTER FIRST YEAR.—If the regulations under clause (ii) are promulgated on or before the end of the period described in subclause (I), off-site consequence analysis information covered by the regulations, and any ranking of stationary sources derived from the information, shall not be made available under section 552 of title 5, United States Code, after the end of that period.*

*''(III) APPLICABILITY.—Subclauses (I) and (II) apply to off-site consequence analysis information submitted to the Administrator before, on, or after the date of enactment of this subparagraph.*

*''(iv) AVAILABILITY OF INFORMATION DURING TRANSITION PERIOD.—The Administrator shall make off-site consequence analysis information available to covered persons for official use in a manner that meets the requirements of items (cc) through (ee) of clause (ii)(II), and to the public in a form that does not make available any information concerning the identity or location of stationary sources, during the period—*

*''(I) beginning on the date of enactment of this subparagraph; and*

*''(II) ending on the earlier of the date of promulgation of the regulations under clause (ii) or the date that is 1 year after the date of enactment of this subparagraph.*

*''(v) PROHIBITION ON UNAUTHORIZED DISCLOSURE OF INFORMATION BY COVERED PERSONS.—*

*''(I) IN GENERAL.—Beginning on the date of enactment of this subparagraph, a covered person shall not disclose to the public off-site consequence analysis information in any form, or any statewide or national ranking of identified stationary sources derived from such information, except as authorized by this subparagraph (including the regulations promulgated under clause (ii)). After the end of the 1-year period beginning on the date of enactment of this subparagraph, if regulations have not been promulgated under clause (ii), the preceding sentence shall not apply.*

*''(II) CRIMINAL PENALTIES.—Notwithstanding section 113, a covered person that willfully violates a restriction or prohibition established by this subparagraph (including the regulations promulgated under clause (ii)) shall, upon conviction, be fined for an infraction under section 3571 of title 18, United States Code, (but shall not be subject to imprisonment) for each unauthorized disclosure of off-site consequence analysis information, except that subsection (d) of such section 3571 shall not apply to a case in which the offense results in pecuniary loss unless the defendant knew that such loss would occur. The disclosure of off-site consequence analysis information for each specific stationary source shall be considered a separate offense. The total of all penalties that may be imposed on a single person or organization under this item shall not exceed $1,000,000 for violations committed during any 1 calendar year.*

*''(III) APPLICABILITY.—If the owner or operator of a stationary source makes off-site consequence analysis information relating to that stationary source available to the public without restriction—*

*''(aa) subclauses (I) and (II) shall not apply with respect to the information; and*

*''(bb) the owner or operator shall notify the Administrator of the public availability of the information.*

*''(IV) LIST.—The Administrator shall maintain and make publicly available a list of all stationary sources that have provided notification under subclause (III)(bb).*

*''(vi) NOTICE.—The Administrator shall provide notice of the definition of official use as provided in clause (i)(III) and examples of actions that would and would not meet that definition, and notice of the restrictions on further dissemination and the penalties established by this Act to each covered person who receives off-site consequence analysis information under clause (iv) and each covered person who receives off-site consequence analysis information for an official use under the regulations promulgated under clause (ii).*

*''(vii) QUALIFIED RESEARCHERS.—*

*''(I) IN GENERAL.—Not later than 180 days after the date of enactment of this subparagraph, the Administrator, in consultation with the Attorney General, shall develop and implement a system for providing off-site consequence analysis information, including facility identification, to any qualified researcher, including a qualified researcher from industry or any public interest group.*

*''(II) LIMITATION ON DISSEMINATION.—The system shall not allow the researcher to disseminate, or make available on the Internet, the off-site consequence analysis information, or any portion of the off-site consequence analysis information, received under this clause.*

*''(viii) READ-ONLY INFORMATION TECHNOLOGY SYSTEM.—In consultation with the Attorney General and the heads of other appropriate Federal agencies, the Administrator shall establish an information technology system that provides for the availability to the public of off-site consequence analysis information by means of a central data base under the control of the Federal Government that contains information that users may read, but that provides no means by which an electronic or mechanical copy of the information may be made.*

*''(ix) VOLUNTARY INDUSTRY ACCIDENT PREVENTION STANDARDS.—The Environmental Protection Agency, the Department of Justice, and other appropriate agencies may provide technical assistance to owners and operators of stationary sources and participate in the development of voluntary industry standards that will help achieve the objectives set forth in paragraph (1).*

*''(x) EFFECT ON STATE OR LOCAL LAW.—*

*''(I) IN GENERAL.—Subject to subclause (II), this subparagraph (including the regulations promulgated under this subparagraph) shall supersede any provision of State or local law that is inconsistent with this subparagraph (including the regulations).*

*''(II) AVAILABILITY OF INFORMATION UNDER STATE LAW.—Nothing in this subparagraph precludes a State from making available data on the off-site consequences of chemical releases collected in accordance with State law.*

*''(xi) REPORT.—*

*''(I) IN GENERAL.—Not later than 3 years after the date of enactment of this subparagraph, the Attorney General, in consultation with appropriate State, local, and Federal Government agencies, affected industry, and the public, shall submit to Congress a report that describes the extent to which regulations promulgated under this paragraph have resulted in actions, including the design and maintenance of safe facilities, that are effective in detecting, preventing, and minimizing the consequences of releases of regulated substances that may be caused by criminal activity. As part of this report, the Attorney General, using available data to the extent possible, and a sampling of covered stationary sources selected at the discretion of the Attorney General, and in consultation with appropriate State, local, and Federal governmental agencies, affected industry, and the public, shall review the vulnerability of covered stationary sources to criminal and terrorist activity, current industry practices regarding site security, and security of transportation of regulated substances. The Attorney General shall submit this report, containing the results of the review, together with recommendations, if any, for reducing vulnerability of covered stationary sources to criminal and terrorist activity, to the Committee on Commerce of the United States House of Representatives and the Committee on Environment and Public Works of the United States Senate and other relevant committees of Congress.*

*''(II) INTERIM REPORT.—Not later than 12 months after the date of enactment of this subparagraph, the Attorney General shall submit to the Committee on Commerce of the United States House of Representatives and the Committee on Environment and Public Works of the United States Senate, and other relevant committees of Congress, an interim report that includes, at a minimum—*

*''(aa) the preliminary findings under subclause (I);*

*''(bb) the methods used to develop the findings; and*

*''(cc) an explanation of the activities expected to occur that could cause the findings of the report under subclause (I) to be different than the preliminary findings.*

*''(III) AVAILABILITY OF INFORMATION.—Information that is developed by the Attorney General or requested by the Attorney General and received from a covered stationary source for the purpose of conducting the review under subclauses (I) and (II) shall be exempt from disclosure under section 552 of title 5, United States Code, if such information would pose a threat to national security.*

*''(xii) SCOPE.—This subparagraph—*

*''(I) applies only to covered persons; and*

*''(II) does not restrict the dissemination of off-site consequence analysis information by any covered person in any manner or form except in the form of a risk management plan or an electronic data base created by the Administrator from off-site consequence analysis information.*

*''(xiii) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to the Administrator and the Attorney General such sums as are necessary to carry out this subparagraph (including the regulations promulgated under clause (ii)), to remain available until expended.''.*

*(b) REPORTS.—*

*(1) DEFINITION OF ACCIDENTAL RELEASE.—In this subsection, the term ''accidental release'' has the meaning given the term in section 112(r)(2) of the Clean Air Act (42 U.S.C. 7412(r)(2)).*

*(2) REPORT ON STATUS OF CERTAIN AMENDMENTS.—Not later than 2 years after the date of enactment of this Act, the Comptroller General of the United States shall submit to Congress a report on the status of the development of amendments to the National Fire Protection Association Code for Liquefied Petroleum Gas that will result in the provision of information to local emergency response personnel concerning the off-site effects of accidental releases of substances exempted from listing under section 112(r)(4)(B) of the Clean Air Act (as added by section 3).*

*(3) REPORT ON COMPLIANCE WITH CERTAIN INFORMATION SUBMISSION REQUIREMENTS.—Not later than 3 years after the date of enactment of this Act, the Comptroller General of the United States shall submit to Congress a report that—*

*(A) describes the level of compliance with Federal and State requirements relating to the submission to local emergency response personnel of information intended to help the local emergency response personnel respond to chemical accidents or related environmental or public health threats; and*

*(B) contains an analysis of the adequacy of the information required to be submitted and the efficacy of the methods for delivering the information to local emergency response personnel.*

*(c) REEVALUATION OF REGULATIONS.—The President shall reevaluate the regulations promulgated under this section within 6 years after the enactment of this Act. If the President determines not to modify such regulations, the President shall publish a notice in the Federal Register stating that such reevaluation has been completed and that a determination has been made not to modify the regulations. Such notice shall include an explanation of the basis of such decision.*

***SEC. 4. PUBLIC MEETING DURING MORATORIUM PERIOD.***

*(a) IN GENERAL.—Not later than 180 days after the date of enactment of this Act, each owner or operator of a stationary source covered by section 112(r)(7)(B)(ii) of the Clean Air Act shall convene a public meeting, after reasonable public notice, in order to describe and discuss the local implications of the risk management plan submitted by the stationary source pursuant to section 112(r)(7)(B)(iii) of the Clean Air Act, including a summary of the off-site consequence analysis portion of the plan. Two or more stationary sources may conduct a joint meeting. In lieu of conducting such a meeting, small business stationary sources as defined in section 507(c)(1) of the Clean Air Act may comply with this section by publicly posting a summary of the off-site consequence analysis information for their facility not later than 180 days after the enactment of this Act. Not later than 10 months after the date of enactment of this Act, each such owner or operator shall send a certification to the director of the Federal Bureau of Investigation stating that such meeting has been held, or that such summary has been posted, within 1 year prior to, or within 6 months after, the date of the enactment of this Act. This section shall not apply to sources that employ only Program 1 processes within the meaning of regulations promulgated under section 112(r)(7)(B)(i) of the Clean Air Act.*

*(b) ENFORCEMENT.—The Administrator of the Environmental Protection Agency may bring an action in the appropriate United States district court against any person who fails or refuses to comply with the requirements of this section, and such court may issue such orders, and take such other actions, as may be necessary to require compliance with such requirements.*

Mr. LAUTENBERG. Mr. President, I was heavily involved in the negotiations over the manager's amendment to S. 880 as passed by the Senate by unanimous consent on June 23, and have carefully studied the House's amendments to S. 880, which we accept today. I rise to clarify the congressional intent with respect to S. 880, the Chemical Safety Information, Site Security and Fuels Regulatory Relief Act of 1999, as we pass it and send it to the President.

Balance between the right-to-know effect and risks of criminal activity (New section 112(r)(7)(H)(ii)): The amendment directs the President to promulgate regulations governing the disclosure of the off-site Consequence Analysis (OCA) information in a way that minimizes the likelihood of releases of the regulated chemicals, whether these releases are accidental or the result of criminal activity. In

other words, the amendment calls for a balancing of the risk-reducing effect of public disclosure (the ''Right-to-Know Effect'') against the potential of increased risk of criminal activity associated with the posting of the OCA information on the Internet. Most importantly, reducing the threat of criminal activity is not the sole or even primary focus of the rule-making. Rather the objective is to minimize the release of regulated chemicals, which requires a balanced approach, and nothing in this Act necessarily precludes the eventual electronic dissemination of the information.

Off-site consequence analysis information (New section 112(r)(7)(H)(i)(IV) and (V), and (xii)): The amendment defines ''off-site consequence analysis information'' (OCA information) as a portion of a ''risk management plan,'' which is in turn defined as referring only to information ''submitted to the Administrator by an owner or operator of a stationary source under subparagraph (B)'' of section 112(r)(7) of the Clean Air Act. Similarly, the amendment makes clear that its restrictions apply only to OCA information in the form submitted to the Administrator (New section 112(r)(7)(H)(xii)). In other words, no information, except OCA information submitted to the Administrator, in the form in which it was submitted, is affected by the amendment. Even identical information that is made available to members of the public (unless there is a legally-binding restriction) or that is submitted to state or local agencies is not affected by the constraints on disclosure established by the Act.

Official use (New section 112(r)(7)(H)(i)(III) and (vi)): The amendment defines ''official use'' broadly—''an action . . . intended to carry out a function relevant to preventing, planning for or responding to accidental releases or criminal releases''—to reflect the sense that there are a broad range of official uses to which the OCA information may appropriately be put, so long as its public availability is constrained in accord with the regulations developed under the amendment. The bill does not authorize the Administrator to establish restrictions on such official use.

State and local official access to all OCA information (New section 112(r)(7)(H)(ii)(II)(ee)): The amendment requires that any covered State and local official be provided, upon request, OCA information on any facility in the country, not just on facilities in the individual's State or community. This reflects, among other things, the fact that a comprehensive evaluation of the facility next door should include comparison with other facilities, including those owned by the same company or its competitors. Similarly, a comprehensive evaluation of the hazard reduction programs of Community A requires a comparison of the hazards presented by facilities in Community A with those presented in Community B.

Public access to OCA information regardless of geographic location (New section 112(r)(7)(H)(ii)(II)(aa)): The amendment makes clear that the regulations shall allow any member of the public access to the OCA information for a limited number of facilities regardless of geographic location. This reflects the fact that the need to compare the neighborhood facility with facilities in other locations, or to compare one's community with others, is just as important and appropriate for the public as it is for officials.

Voluntary disclosure of OCA information: New section 112(r)(7)(H)(v)(III): The amendment directs any facility that chooses to provide its OCA information to the public without legally-binding restriction to inform the public, through EPA, of that voluntary disclosure.

Qualified researchers (New section 112(r)(7)(H)(vii)): The amendment directs the Administrator, in consultation with the Attorney General, to develop a system for providing access to OCA information for ''qualified researchers.'' The Administrator is given authority to determine whether researchers are ''qualified,'' but is otherwise given no authority to screen researchers nor to deny them access to OCA information on the basis of political persuasion, likely findings, purpose to which findings would be put, or any other such factor.

Interaction with State law (New section 112(r)(7)H)(x)(II)): The amendment makes clear that States with existing or new laws that collect even data that is identical to OCA information are not precluded from making the State- or local-gathered data available.

Reports on vulnerability to criminal activity (New section 112(r)(7)(H)(xi)): The amendment directs the Attorney General to submit a preliminary report in one year and a final report in three years on the extent to which the Risk Management Program regulations have resulted in actions, by stationary sources among others, that are effective in detecting, preventing, and minimizing the consequences of releases caused by criminal activity. The Comptroller General is specifically directed to study the ''design and maintenance of safe facilities'' so that Congress may learn the extent to which the best protection against criminal activity is to maintain a facility that is inherently safe.

Reevaluation of disclosure regulations (Section 3(c)): The Act directs the President to reevaluate the regulations governing disclosure within six years. This reevaluation should be made on the same basis used to promulgate the regulations—i.e. the President should perform two separate assessments: (1) an assessment of the increased risk of criminal activity associated with the internet posting of OCA information, and (2) an assessment of the incentives created by public disclosure of OCA information for reduction in the risk of accidental releases. Written documentation of the two assessments and all information and data the President utilizes in preparation of the assessments should be a part of the administrative record associated with any determination the President makes regarding the regulations, or any modification of the regulations.

General duty; Finally, the Act leaves the general duty clause of section 112(r) of the Clean Air Act unchanged, in recognition of the fact that the Environmental Protection Agency believes that the general duty clause applies to releases caused by criminal or terrorist activities.

Mr. INHOFE. Mr. President, I rise today to discuss my legislation, S. 880, the Fuels Regulatory Relief Act, which passed Congress today, and according to the Administration should be signed into law shortly. This bill was passed in the Senate by unanimous consent on June 23, 1999, and passed by the House with amendments, on July 21, 1999.

I appreciate the speediness with which the House acted on this legislation and the support of my good friend Chairman TOM BLILEY. Unfortunately the Senate is forced to act just as quickly on this legislation because of delays created by the administration. In early 1998, I raised concerns to the administration regarding the security risks posed by disseminating the worst-case scenario data on the Internet. The FBI agreed with my concerns. Despite the acknowledgment of the risks involved the administration did not cooperate with Congress to fix this problem until the eleventh hour.

Because of the urgency in passing this legislation I have decided that a conference would not be beneficial. While I agree with most of the changes incorporated in the House-passed version, due to the haste of their consideration, I feel the necessity to explain in more detail my view, as the lead sponsor, of one particular provision.

Section 3 of the act requires the ''Attorney General, and in consultation with appropriate State, local, and Federal governmental agencies, affected industry, and the public, shall review the vulnerability of covered stationary sources to criminal and terrorist activity, current industry practices regarding site security, and security of transportation of regulated substances.''

In carrying out this provision, I ask the Attorney General, in consulting with the Federal governmental agencies, to work with the Intelligence Community as well as the FBI. If any technical assistance regarding chemicals is needed I direct the Attorney General to work with the Department of Energy facilities, particularly the Hazardous Material Spill Center at the Nevada Test site and the Sandia laboratory in New Mexico. Regarding the transportation issues, the Attorney General should consult with the Department of Transportation. In addition, I would like to emphasize that

any confidential information or national security information should be closely safeguarded.

Mr. LUGAR. Mr. President, I ask unanimous consent that the Senate concur in the amendment of the House.

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

## EXECUTIVE CALENDAR

### EXECUTIVE SESSION

Mr. LUGAR. Mr. President, I ask unanimous consent that the Senate immediately proceed to executive session to consider the following nominations en bloc: Executive Calendar Nos. 202, 205, 207, and 216.

I further ask unanimous consent that the nominations be confirmed en bloc, the motions to reconsider be laid upon the table, and that any statements relating to the nominations be printed in the RECORD, the President be immediately notified of the Senate's action, and the Senate then return to legislative session.

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

The nominations were considered and confirmed, as follows:

BARRY GOLDWATER SCHOLARSHIP & EXCELLENCE IN EDUCATION FOUNDATION

James Roger Angel, of Arizona, to be a Member of the Board of Trustees of the Barry Goldwater Scholarship and Excellence in Education Foundation for a term expiring February 4, 2002.

NATIONAL COMMISSION ON LIBRARIES AND INFORMATION SCIENCE

Jack E. Hightower, of Texas, to be a Member of the National Commission on Libraries and Information Science for a term expiring July 19, 1999.

NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES

Jerry D. Florence, of California, to be a Member of the National Museum Services Board for a term expiring December 6, 2002.

DEPARTMENT OF JUSTICE

Alejandro N. Mayorkas, of California, to be United States Attorney for the Central District of California.

## LEGISLATIVE SESSION

The PRESIDING OFFICER. Under the previous order, the Senate will resume legislative session.

## ORDERS FOR TUESDAY, AUGUST 3, 1999

Mr. LUGAR. Mr. President, I ask unanimous consent that when the Senate completes its business today, it adjourn until the hour of 9:30 a.m. on Tuesday, August 3. I further ask unanimous consent that on Tuesday, immediately following the prayer, the Journal of proceedings be approved to date, the morning hour be deemed expired, the time for the two leaders be reserved for their use later in the day, and the Senate then begin a period of morning business until 10:30 a.m. with Senators speaking for up to 5 minutes each, with the following exceptions:

Senator HAGEL, or his designee, from 9:30 to 10 a.m., to be followed by Senator REED of Rhode Island for 10 minutes, Senator BAUCUS for 10 minutes, and Senator DURBIN for 10 minutes.

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

Mr. LUGAR. Mr. President, further, I ask unanimous consent that the Senate stand in recess from the hours of 12:30 p.m. to 2:15 p.m. for the weekly policy conferences to meet.

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

## PROGRAM

Mr. LUGAR. Mr. President, for the information of all Senators, the Senate will convene at 9:30 a.m. and be in a period of morning business until 10:30. Following morning business, the Senate will resume consideration of the pending disaster relief amendment to the Agriculture appropriations bill. It is hoped that a time agreement can be made so that votes on this issue can take place by tomorrow afternoon.

As a reminder, the Senate will recess tomorrow from 12:30 to 2:15 so that the weekly policy conferences can meet. Further, a cloture motion on the dairy compact amendment was filed today. Therefore, under the provisions of rule XXII, that cloture vote will take place 1 hour after the Senate convenes on Wednesday unless an agreement is made by the two leaders.

## COMMENDING GENERAL WESLEY K. CLARK

Mr. LUGAR. Mr. President, I ask unanimous consent that Senate Resolution 169 be discharged from the Armed Services Committee and, further, that the Senate proceed to its immediate consideration.

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

The clerk will report.

The legislative clerk read as follows:

A resolution (S. Res. 169) commending General Wesley K. Clark, United States Army.

There being no objection, the Senate proceeded to consider the resolution.

Mr. LUGAR. Mr. President, I ask unanimous consent that the resolution be agreed to, the preamble be agreed to, the motion to reconsider be laid upon the table, and that any statements relating to S. Res. 169 be printed in the RECORD.

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

The resolution (S. Res. 169) was agreed to.

The preamble was agreed to.

The resolution, with its preamble, reads as follows:

S. RES. 169

Whereas General Wesley K. Clark has had a long and distinguished military career, which includes graduating first in the class of 1966 from the United States Military Academy at West Point and serving in command positions at every level in the United States Army, culminating in service concurrently in the positions of Supreme Allied Commander, Europe and Commander-in-Chief of the United States European Command;

Whereas General Clark was integral to the formulation of the Dayton Accords;

Whereas General Clark most recently distinguished himself by his tireless, resourceful, and successful leadership of the first military action of the North Atlantic Treaty Organization despite severe constraints; and

Whereas General Clark's record of exemplary and dedicated service is an example which all military officers should seek to emulate and is deserving of special recognition: Now, therefore, be it

*Resolved*, That—

(1) the United States Senate commends and expresses its gratitude to General Wesley K. Clark, United States Army, for his outstanding record of military service to the United States of America; and

(2) the Secretary of the Senate shall transmit a copy of this resolution to General Wesley K. Clark.

## ADJOURNMENT UNTIL 9:30 A.M. TOMORROW

Mr. LUGAR. Mr. President, if there is no further business to come before the Senate, I ask unanimous consent that the Senate stand in adjournment under the previous order.

There being no objection, the Senate, at 7:16 p.m., adjourned until Tuesday, August 3, 1999, at 9:30 a.m.

## NOMINATIONS

Executive nominations received by the Senate August 2, 1999:

DEPARTMENT OF TRANSPORTATION

STEPHEN D. VAN BEEK, OF THE DISTRICT OF COLUMBIA, TO BE ASSOCIATE DEPUTY SECRETARY OF TRANSPORTATION, VICE JOHN CHARLES HORSLEY, RESIGNED.

DEPARTMENT OF THE TREASURY

NEAL S. WOLIN, OF ILLINOIS, TO BE GENERAL COUNSEL FOR THE DEPARTMENT OF THE TREASURY, VICE EDWARD S. KNIGHT, RESIGNED.

MISSISSIPPI RIVER COMMISSION

SAM EPSTEIN ANGEL, OF ARKANSAS, TO BE A MEMBER OF THE MISSISSIPPI RIVER COMMISSION FOR A TERM OF NINE YEARS. (REAPPOINTMENT)

BRIGADIER GENERAL ROBERT H. GRIFFIN, UNITED STATES ARMY, TO BE A MEMBER OF THE MISSISSIPPI RIVER COMMISSION, UNDER THE PROVISIONS OF SECTION 2 OF AN ACT OF CONGRESS, APPROVED JUNE 1879 (21 STAT. 37) (33 USC 642).

## CONFIRMATIONS

Executive nominations confirmed by the Senate August 2, 1999:

BARRY GOLDWATER SCHOLARSHIP AND EXCELLENCE IN EDUCATION FOUNDATION

JAMES ROGER ANGEL, OF ARIZONA, TO BE A MEMBER OF THE BOARD OF TRUSTEES OF THE BARRY GOLDWATER SCHOLARSHIP AND EXCELLENCE IN EDUCATION FOUNDATION FOR A TERM EXPIRING FEBRUARY 4, 2002.

NATIONAL COMMISSION ON LIBRARIES AND INFORMATION SCIENCE

JACK E. HIGHTOWER, OF TEXAS, TO BE A MEMBER OF THE NATIONAL COMMISSION ON LIBRARIES AND INFORMATION SCIENCE FOR A TERM EXPIRING JULY 19, 1999.

NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES

JERRY D. FLORENCE, OF CALIFORNIA, TO BE A MEMBER OF THE NATIONAL MUSEUM SERVICES BOARD FOR A TERM EXPIRING DECEMBER 6, 2002, VICE JOHN L. BRYANT, JR., TERM EXPIRED.

THE ABOVE NOMINATIONS WERE APPROVED SUBJECT TO THE NOMINEES' COMMITMENT TO RESPOND TO REQUESTS TO APPEAR AND TESTIFY BEFORE ANY DULY CONSTITUTED COMMITTEE OF THE SENATE.

DEPARTMENT OF JUSTICE

ALEJANDRO N. MAYORKAS, OF CALIFORNIA, TO BE UNITED STATES ATTORNEY FOR THE CENTRAL DISTRICT OF CALIFORNIA.