United States of America

Congressional Record

PROCEEDINGS AND DEBATES OF THE 107th CONGRESS, FIRST SESSION

Vol. 147 WASHINGTON, THURSDAY, MAY 17, 2001 No. 68

Senate

MORNING BUSINESS

Mr. GRASSLEY. Mr. President, I ask unanimous consent that there now be a period of morning business with Senators permitted to speak up to 10 minutes each.

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

WORLD WAR II MEMORIAL

Mr. STEVENS. Mr. President, in the early part of the Eisenhower years, I joined that administration and later came to Washington and then met a whole series of World War II veterans. We talked and dreamed then of a memorial to a war in which we had just been. Fourteen years ago, the World War II memorial was conceived and the process started, to have it built here in Washington, DC. Eight years ago, the Congress authorized this memorial; 6 years ago the first of 22 public hearings on the site and design of the memorial commenced.

Construction was scheduled to start last month, but the memorial is now bogged down in legal and procedural issues.

Of the 16 million men and women who served in World War II, only 5 million are alive today. We are now losing veterans of the greatest generation at the rate of 1,100 veterans a day. I questioned that, but we checked it; 1,100 veterans of World War II are passing away each day. By the year 2004, there will be less than 4 million of us.

In my home State of Alaska, in the last 10 years, we lost one-third of the veterans whom I had known and worked with so long.

The site design of our memorial has been endorsed by the Historic Preservation Officer of the District of Columbia, it has received four endorsements of the District of Columbia's Preservation Review Board, and five approvals each from the Committee on Fine Arts and the National Capital Planning Commission.

The memorial is governed by the Commemorative Works Act of 1986. That act gave the final site and design approval to the Commission on Fine Arts and the National Capital Planning Commission and the Secretary of the Interior.

Eight sites were considered for the memorial. In 1998, the design was approved by the Commission on Fine Arts and the National Capital Planning Commission and the site selection was reaffirmed. In 1998, the National Park Service, in accordance with the National Environmental Policy Act, completed an environmental assessment and issued a finding of no significant impact. In the year 2000, the final design was approved by the Commission on Fine Arts and the National Capital Planning Commission, and on November 11 of last year, the year 2000, a ceremonial groundbreaking took place for this memorial.

More than 500,000 Americans have sent donations to the fundraising campaign, 48 State legislatures have done the same thing, 1,100 schools and more than 450 veterans groups, who represent 11 million veterans.

Even though all the procedural steps have been taken, the memorial has now been delayed because of a procedural issue involving the National Capital Planning Commission. The National Capital Planning Commission decision of 2 years ago of including a World War II memorial has been placed in question because the former National Capital Planning Commission chairman continued to serve after the expiration of his term. The legislation that would originally establish this commission permitted members to serve until replaced, but when that law was amended, inadvertently the language allowing continuous service fell out with no explanation. That created a technicality that has forced a review now, again, by the National Capital Planning Commission.

This memorial has been through 22 public hearings, it has complied with every applicable law, and this technicality regarding the National Capital Planning Commission Board should not penalize the millions of veterans who served our country honorably when asked to do so. They want to see this memorial.

I congratulate the House of Representatives, particularly Congressman STUMP, for sending this legislation to the Senate. I thank all who have been very considerate in trying to work out the problems relating to it. I believe I am joined by all the veterans of World War II who serve in this body in urging that the House bill be enacted and sent to the President for his signature immediately.

For many of us, this year marks the 55th year since we left the military service. We were in World War II and returned home.

We want to see this memorial finished while a significant number of our comrades are still alive. We want to be there when this memorial is opened.

Memorial Day for 2001 is just 1 week from next Monday. The veterans of this Nation intended to celebrate the initiation of this memorial on that day. They will not be able to do so unless the bill gets to the President in time to sign it. This is more than a dream of our veterans; it is a demand on our country. I urge no Senator stand in the way of the prompt enactment of this bill.

REQUEST FOR ABSENCE FROM THE SENATE

Mr. STEVENS. Mr. President, I ask unanimous consent that I be excused from the voting in the Senate until 6:30 p.m. next Tuesday, commencing at the adjournment today.

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

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

Printed on recycled paper.

DEPARTMENT OF JUSTICE NOMINATIONS

Mr. LEAHY. Mr. President, I come to the Senate to report on the progress the Judiciary Committee is making with respect to a number of administration nominations to the Department of Justice.

Over the last several weeks, I have been working to reach an understanding on how this committee will handle nominations. A number of procedural and substantive issues have been raised in these regards for both Executive and Judicial Branch nominations. The Democratic members have sought to work out arrangements and understandings so that all members of the committee would know what our rules are, know what our practices and procedures will be, and understand how this committee will approach our important responsibilities with respect to nominations.

Over the last 2 weeks the chairman's insistence that the committee proceed with nominations before those practices and procedures had been agreed upon has lead to public reference to outstanding issues that we should have resolved first. I always regret when we are not able to work out matters through reason and cooperation. I do not believe it was appropriate for Republican members of this committee to deride Democratic members as acting ''irresponsibly'' or ''despicably'' or ''in breach of their constitutional duties.'' I know that it was not helpful.

Nonetheless, I was proud of the Democratic members of this committee when we jointly sent our May 4 letter to the chairman and provided a way out of the impasse in spite of the name calling. A few days later the chairman responded with language that reflected our respectful tone and for which I thank him.

While I disagree with much of what the chairman argues and asserts in his letter, I appreciate that he has now indicated that with respect to judicial nominations, he ''intends to be fully respectful of [Democratic Senators'] views and will assist in any way to ensure that you and our other Senate colleagues receive real, meaningful consultation by the White House on judicial nominees.'' I appreciate that in his letter he writes that he ''respect[s our] views and efforts in ensuring [we] will be appropriately consulted in a meaningful manner on nominees to vacancies in [our] home states.''

For the last several weeks, we have also been seeking to resolve concerns about how this committee handles certain confidential information about nominations, information that may reflect on their fitness for office, and may be relevant to how Senators in this committee vote on reporting nominations to the Senate, as well as how Senators vote on confirmations. Those concerns have also been pending for several weeks now without resolution. Those concerns are what prompted our request for an executive session in accordance with Rule 26.5 of the Standing Rules of the Senate so that we could fully discuss these very important matters in accordance with the confidentiality rules that bind us.

Those concerns made it inappropriate to proceed on certain matters over the last few weeks. Although our Republican colleagues knew about our concerns, they nonetheless berated us without any acknowledgment that those open issues, which affect executive as well as judicial nominations, were still unresolved. That, too, was most unfortunate.

Over the last several days I have also reached out to the Bush administration to work with us on ways to resolve these concerns. Those outreach efforts may provide the opportunity to reach a mutually acceptable resolution of these matters. I hope so.

In light of the cooperation we began receiving from the administration last week, we were able to proceed to report and confirm Larry Thompson to be the Deputy Attorney General at the Department of Justice and Dan Bryant to be the Assistant Attorney General for the Office of Legislative Affairs. I understand that they were sworn in last Friday and, again, congratulate them and their families.

I have spoken to Attorney General Ashcroft about the staffing needs of the Department of Justice and assured him that I will do my part. For those with short memories, I note that Attorney General Ashcroft was confirmed 6 weeks before Attorney General Reno's confirmation in the last administration and the Deputy Attorney General was confirmed 3 weeks before his counterpart in the last administration. Assistant Attorney General Bryant was confirmed 7 weeks before his counterpart in the previous administration.

The committee is moving expeditiously on the administration's nominations to the Department of Justice. Indeed, we are ahead of the confirmations schedule of the Clinton administration for each and every nominee confirmed to date.

The Clinton administration's Assistant Attorney General to head the Criminal Division was not confirmed until November. The committee proceeded to consider the Chertoff nomination this week, after a hearing last week. That is extremely expeditious. Indeed, in spite of Mr. Chertoff's role as the lead counsel to the Republicans in the Whitewater investigation, an extremely partisan effort, we are moving ahead. Mr. Chertoff explained at his hearing that he understands the role of the head of the Criminal Division and will carry out those functions without regard to politics or partisanship. I believe him and look forward to working with him.

The Assistant Attorney General to head the Office for Policy Development in the last administration was not confirmed until August, 95 days after her nomination. Professor Dinh did not return his responses to written questions until this Tuesday. He was precipitously placed on the committee agenda last week. Once his responses were in, he was considered and reported out this week, months ahead of his counterpart in the last administration.

While we consider the current nominations, the many dedicated employees at the Department of Justice continue to work, do their jobs, and serve the public. Many of the comments made over the last several weeks disparage their fine work and commitment. I see no evidence that the Department is ''floundering'' or that the dedicated public servants who staff the Department and the United States Attorneys' offices around the country have stopped doing their jobs.

The chairman has noticed another hearing for Department of Justice nominees next week, although he has yet to specify who will be included at that hearing, which is less than a week away. Democrats on the committee are continuing to work expeditiously and cooperatively to consider, report and confirm the vast majority of the President's nominations to the Department of Justice.

CONGRESSIONAL BUDGET ACT COMPLIANCE

Mr. DOMENICI. Mr. President, pursuant to section 313(c) of the Congressional Budget Act of 1974, I submit for the RECORD a list of material in S. 896 considered to be extraneous under subsections (b)(1)(A), (b)(1)(B), and (b)(1)(E) of section 313. The inclusion or exclusion of material on the following list does not constitute a determination of extraneousness by the Presiding Officer of the Senate.

To the best of my knowledge, S. 896, the Restoring Earnings to Lift Individuals and Empower Families (RELIEF) Reconciliation Act of 2001, contains no material considered to be extraneous under subsections (b)(1)(A), (b)(1)(B), and (b)(1)(E) of section 313 of the Congressional Budget Act of 1974.

PROJECT SAFE NEIGHBORHOODS

Mr. LEVIN. Mr. President, in a speech in Philadelphia on Monday, President Bush spoke out about gun violence in this country. Citing alarming statistics about the number of Americans killed and injured by handguns each year, he stated that ''this is unacceptable in America. It's just unacceptable, and we're going to do something about it.'' The President emphasized that ''we're going to reduce gun violence in America, and those who commit crimes with guns will find a determined adversary in my administration.'' I commend the President for his commitment to helping eliminate gun violence.

In his speech, the President introduced ''Project Safe Neighborhoods,'' an initiative to combat gun violence. The main focus of this initiative is on

the increased enforcement of existing gun laws and more vigorous prosecution of crimes committed with handguns. The President plans to devote $550 million in funding to this initiative over the next 2 years. The majority of the funding will be dedicated to hiring new Federal and State prosecutors to focus on gun crimes, updating State criminal record systems, improving Federal ballistics testing that trace illegal guns and developing regional task forces of Federal, State and local law enforcement agencies to catch and prosecute criminals in gun cases.

Although there is often disagreement about the best approach to ending gun violence, we can all agree that enforcement of our gun laws and prosecution of people who use guns illegally are essential elements to any successful approach. Since 1993, increased law enforcement and prosecution efforts have resulted in a 16 percent increase in the number of gun cases filed and a 41 percent increase in the number of offenders sentenced to more than 5 years in prison. These increases in enforcement efforts enjoy broad bipartisan support. I commend the President for building upon this consensus by taking another step toward ensuring that gun criminals are prosecuted to the fullest extent of the law.

While I agree with the aims of the President's initiative, I believe that it is not enough. We must also make it harder for criminals to get guns in the first place, by closing the gun show loophole that allows the purchase of handguns without a background check. Although he stated during the presidential campaign that he supported closing the gun show loophole, President Bush did not mention it in his speech on Monday. The President expressed that ''Project Safe Neighborhoods is one step, an important step'' toward making domestic tranquility a reality. I hope that the President will take the next, necessary step toward protecting the citizens of this country by supporting efforts to close the gun show loophole.

SUBMITTING CHANGES TO COMMITTEE ALLOCATIONS, FUNCTIONAL LEVELS, AND BUDGETARY AGGREGATES

Mr. DOMENICI. Mr. President, section 310(c)(2) of the Congressional Budget Act, as amended, provides the Chairman of the Senate Budget Committee with authority to revise committee allocations, functional levels, and budgetary aggregates for a reconciliation bill which fulfills an instruction with respect to both outlays and revenues. The Chairman's authority under 310(c) may be exercised if the following conditions have been satisfied:

1. The Committee on Finance reports a bill which changes the mix of the instructed revenue and outlay changes by not more than 20 percent of the sum of the components of the instruction, and

2. The Committee on Finance still complies with the overall reconciliation instruction.

I find that S. 896, as reported, satisfies the two conditions above and, pursuant to my authority under section 310(c), I hereby submit revisions to H. Con. Res. 83, the 2002 Budget Resolution. The attached tables show the current 2002 Budget Resolution figures as well as the revised committee allocations, functional levels, and budgetary aggregates, and I ask unanimous consent to have them printed in the RECORD.

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

CONCURRENT RESOLUTION ON THE BUDGET FOR FISCAL YEAR 2002 - H. CON. RES. 83
CONFERENCE AGREEMENT

SECTION 101 (in billions)

(1)(A) Revenues (on-budget)

FY 2001	1630.462
FY 2002	1638.202
FY 2003	1706.044
FY 2004	1780.310
FY 2005	1852.646
FY 2006	1901.304
FY 2007	1994.674
FY 2008	2089.726
FY 2009	2193.954
FY 2010	2318.055
FY 2011	2436.550

(1)(B) Changes in Federal Revenues

FY 2001	0.000
FY 2002	-65.286
FY 2003	-76.067
FY 2004	-84.025
FY 2005	-97.124
FY 2006	-138.279
FY 2007	-141.081
FY 2008	-153.084
FY 2009	-166.162
FY 2010	-171.247
FY 2011	-191.343

(2) Budget Authority (on-budget)

FY 2001	1653.681
FY 2002	1510.948
FY 2003	1668.530
FY 2004	1733.617
FY 2005	1814.079
FY 2006	1866.139
FY 2007	1945.112
FY 2008	2025.075
FY 2009	2102.398
FY 2010	2186.341
FY 2011	2277.143

(3) Budget Outlays (on-budget)

FY 2001	1600.529
FY 2002	1476.841
FY 2003	1641.515
FY 2004	1709.251
FY 2005	1790.389
FY 2006	1837.846
FY 2007	1912.602
FY 2008	1994.838
FY 2009	2071.497
FY 2010	2154.203
FY 2011	2243.394

(4) Deficits or Surpluses (on-budget)

FY 2001	29.933
FY 2002	161.361
FY 2003	64.529
FY 2004	71.059
FY 2005	62.257
FY 2006	63.458
FY 2007	82.072
FY 2008	94.888
FY 2009	122.457
FY 2010	163.852
FY 2011	193.156

(5) Public Debt

FY 2001	5660.699
FY 2002	5603.812
FY 2003	5654.952
FY 2004	5700.089
FY 2005	5751.561
FY 2006	5803.295
FY 2007	5832.676
FY 2008	5847.714
FY 2009	5988.315
FY 2010	6343.661
FY 2011	6720.963

(6) Debt Held by the Public

FY 2001	3243.211
FY 2002	2924.234
FY 2003	2691.176
FY 2004	2437.771
FY 2005	2170.550
FY 2006	1882.764
FY 2007	1555.637
FY 2008	1194.633
FY 2009	939.000
FY 2010	878.000
FY 2011	818.000

CONCURRENT RESOLUTION ON THE BUDGET FOR FISCAL YEAR 2002 - H. CON. RES. 83
CONFERENCE AGREEMENT

(13) Income Security (600)

FY 2001	BA	255.942
	OT	256.932
FY 2002	BA	273.840
	OT	272.122
FY 2003	BA	283.864
	OT	282.611
FY 2004	BA	295.030
	OT	293.420
FY 2005	BA	309.192
	OT	307.667
FY 2006	BA	316.761
	OT	315.312
FY 2007	BA	324.056
	OT	322.627
FY 2008	BA	338.278
	OT	336.950
FY 2009	BA	349.561
	OT	347.987
FY 2010	BA	360.308
	OT	358.600
FY 2011	BA	371.593
	OT	369.419

CONCURRENT RESOLUTION ON THE BUDGET FOR FISCAL YEAR 2002 - H. CON. RES. 83
CONFERENCE AGREEMENT

(18) Net Interest (900)

FY 2001	BA	275.467
	OT	275.467
FY 2002	BA	259.162
	OT	259.162
FY 2003	BA	252.364
	OT	252.364
FY 2004	BA	247.310
	OT	247.310
FY 2005	BA	240.115
	OT	240.115
FY 2006	BA	235.642
	OT	235.642
FY 2007	BA	232.136
	OT	232.136
FY 2008	BA	227.484
	OT	227.484
FY 2009	BA	221.933
	OT	221.933
FY 2010	BA	214.899
	OT	214.899
FY 2011	BA	207.328
	OT	207.328

CONCURRENT RESOLUTION ON THE BUDGET FOR FISCAL YEAR 2002 - H. CON. RES. 83
CONFERENCE AGREEMENT

(19) Allowances (920)

FY 2001	BA	84.528
	OT	84.697
FY 2002	BA	-118.548
	OT	-114.379
FY 2003	BA	-6.115
	OT	-5.222
FY 2004	BA	-6.268
	OT	-5.912
FY 2005	BA	-6.423
	OT	-6.263
FY 2006	BA	-6.580
	OT	-6.503
FY 2007	BA	-6.744
	OT	-6.665
FY 2008	BA	-6.908
	OT	-6.828
FY 2009	BA	-7.079
	OT	-6.994
FY 2010	BA	-7.251
	OT	-7.165
FY 2011	BA	-7.429
	OT	-7.340

CONCURRENT RESOLUTION ON THE BUDGET FOR FISCAL YEAR 2002 - H. CON. RES. 83
REVISIONS TO CONFERENCE AGREEMENT
PURSUANT TO SECTION 310(c)(2)(A)

SECTION 101

(1)(A) Revenues (on-budget)

FY 2001	1597.318
FY 2002	1643.039
FY 2003	1702.895
FY 2004	1774.940
FY 2005	1847.188
FY 2006	1917.404
FY 2007	1998.677
FY 2008	2097.244
FY 2009	2208.199
FY 2010	2327.565
FY 2011	2453.350

(1)(B) Changes in Federal Revenues

FY 2001	-33.144
FY 2002	-60.449
FY 2003	-79.216
FY 2004	-89.395
FY 2005	-102.582
FY 2006	-122.179
FY 2007	-137.078
FY 2008	-145.566
FY 2009	-151.917
FY 2010	-161.737
FY 2011	-174.543

(2) Budget Authority (on-budget)

FY 2001	1567.519
FY 2002	1514.828
FY 2003	1673.766
FY 2004	1739.557
FY 2005	1821.708
FY 2006	1873.799
FY 2007	1952.072
FY 2008	2032.774
FY 2009	2110.659
FY 2010	2195.060
FY 2011	2286.341

(3) Budget Outlays (on-budget)

FY 2001	1514.367
FY 2002	1480.721
FY 2003	1646.751
FY 2004	1715.191
FY 2005	1798.018
FY 2006	1845.505
FY 2007	1919.562
FY 2008	2002.538
FY 2009	2079.757
FY 2010	2162.922
FY 2011	2252.592

(4) Deficits or Surpluses (on-budget)

FY 2001	82.951
FY 2002	162.318
FY 2003	56.144
FY 2004	59.749
FY 2005	49.170
FY 2006	71.899
FY 2007	79.115
FY 2008	94.706
FY 2009	128.442
FY 2010	164.643
FY 2011	200.758

(5) Public Debt

FY 2001	5607.681
FY 2002	5549.837
FY 2003	5609.362
FY 2004	5665.808
FY 2005	5730.367
FY 2006	5773.660
FY 2007	5805.998
FY 2008	5821.218
FY 2009	5988.315
FY 2010	6343.661
FY 2011	6720.963

(6) Debt Held by the Public

FY 2001	3190.193
FY 2002	2870.259
FY 2003	2645.586
FY 2004	2403.490
FY 2005	2149.356
FY 2006	1853.129
FY 2007	1528.959
FY 2008	1168.137
FY 2009	939.000
FY 2010	878.000
FY 2011	818.000

CONCURRENT RESOLUTION ON THE BUDGET FOR FISCAL YEAR 2002 - H. CON. RES. 83

REVISIONS TO CONFERENCE AGREEMENT

PURSUANT TO SECTION 310(c)(2)(A)

(13) Income Security (600)

FY 2001	BA	255.942
	OT	256.932
FY 2002	BA	280.412
	OT	278.694
FY 2003	BA	291.726
	OT	290.473
FY 2004	BA	303.109
	OT	301.499
FY 2005	BA	318.305
	OT	316.780
FY 2006	BA	325.713
	OT	324.264
FY 2007	BA	332.525
	OT	331.096
FY 2008	BA	347.396
	OT	346.068
FY 2009	BA	359.366
	OT	357.792
FY 2010	BA	370.774
	OT	369.066
FY 2011	BA	382.756
	OT	380.582

CONCURRENT RESOLUTION ON THE BUDGET FOR FISCAL YEAR 2002 - H. CON. RES. 83

REVISIONS TO CONFERENCE AGREEMENT

PURSUANT TO SECTION 310(c)(2)(A)

(18) Net Interest (900)

FY 2001	BA	274.305
	OT	274.305
FY 2002	BA	256.470
	OT	256.470
FY 2003	BA	249.738
	OT	249.738
FY 2004	BA	245.171
	OT	245.171
FY 2005	BA	238.631
	OT	238.631
FY 2006	BA	234.349
	OT	234.349
FY 2007	BA	230.627
	OT	230.627
FY 2008	BA	226.065
	OT	226.065
FY 2009	BA	220.389
	OT	220.389
FY 2010	BA	213.152
	OT	213.152
FY 2011	BA	205.363
	OT	205.363

CONCURRENT RESOLUTION ON THE BUDGET FOR FISCAL YEAR 2002 - H. CON. RES. 83

REVISIONS TO CONFERENCE AGREEMENT

PURSUANT TO SECTION 310(c)(2)(A)

(19) Allowances (920)

FY 2001	BA	-0.472
	OT	-0.303
FY 2002	BA	-118.548
	OT	-114.379
FY 2003	BA	-6.115
	OT	-5.222
FY 2004	BA	-6.268
	OT	-5.912
FY 2005	BA	-6.423
	OT	-6.263
FY 2006	BA	-6.580
	OT	-6.503
FY 2007	BA	-6.744
	OT	-6.665
FY 2008	BA	-6.908
	OT	-6.828
FY 2009	BA	-7.079
	OT	-6.994
FY 2010	BA	-7.251
	OT	-7.165
FY 2011	BA	-7.429
	OT	-7.340

SENATE COMMITTEE BUDGET AUTHORITY AND OUTLAY ALLOCATIONS PURSUANT TO SECTION 302 OF THE CONGRESSIONAL BUDGET ACT
BUDGET YEAR TOTAL 2001
(in millions of dollars)
Revised 5/16/01 pursuant to section 310(c)(2)(A)

Committee		Direct spending jurisdiction		Entitlements funded in annual appropriations acts	
		Budget Authority	Outlays	Budget authority	Outlays
Appropriations					
General Purpose Discretionary		640,803	617,507	0	0
Memo:	*on-budget*	*637,372*	*614,136*		
	off-budget	*3,431*	*3,371*		
Highways		0	26,920	0	0
Mass Transit		0	4,639	0	0
Mandatory		332,768	316,432	0	0
Total		973,571	965,498	0	0
Agriculture, Nutrition, and Forestry		26,339	22,544	29,963	12,133
Armed Services		50,881	50,764	54	54
Banking, Housing and Urban Affairs		11,512	4,075	0	0
Commerce, Science, and Transportation		394	(3,472)	751	749
Energy and Natural Resources		2,691	2,609	40	51
Environment and Public Works		39,185	1,838	0	0
Finance		707,396	704,780	169,158	169,328
Foreign Relations		11,369	10,433	0	0
Governmental Affairs		60,669	59,270	0	0
Judiciary		5,064	4,847	264	264
Health, Education, Labor, and Pensions		9,726	8,740	1,852	1,851
Rules and Administration		112	68	0	0
Veterans' Affairs		1,249	1,245	23,556	23,465
Indian Affairs		267	233	0	0
Small Business		(375)	(475)	0	0
Unassigned to Committee		(330,341)	(313,341)	0	0
TOTAL		1,569,709	1,519,656	225,638	207,895

SENATE COMMITTEE BUDGET AUTHORITY AND OUTLAY ALLOCATIONS PURSUANT TO SECTION 302 OF THE CONGRESSIONAL BUDGET ACT
BUDGET YEAR TOTAL 2002
(in millions of dollars)
Revised 5/16/01 pursuant to section 310(c)(2)(A)

Committee		Direct spending jurisdiction		Entitlements funded in annual appropriations acts	
		Budget Authority	Outlays	Budget authority	Outlays
Appropriations					
General Purpose Discretionary		546,945	537,091	0	0
Memo:	*on-budget*	*543,366*	*533,566*		
	off-budget	*3,579*	*3,525*		
Highways		0	28,489	0	0
Mass Transit		0	5,275	0	0
Conservation		1,760	1,232		
Mandatory		358,567	350,837	0	0
Total		907,272	922,924	0	0
Agriculture, Nutrition, and Forestry		21,175	17,856	22,293	13,209
Armed Services		53,053	52,964	54	54
Banking, Housing and Urban Affairs		8,417	1,273	0	0
Commerce, Science, and Transportation		13,452	9,630	805	801
Energy and Natural Resources		2,543	2,435	40	56
Environment and Public Works		41,494	1,799	0	0
Finance		703,580	703,049	185,672	185,713
Foreign Relations		11,706	10,454	0	0
Governmental Affairs		62,982	61,610	0	0
Judiciary		5,195	4,669	264	264
Health, Education, Labor, and Pensions		10,179	9,419	1,804	1,822
Rules and Administration		87	33	0	0
Veterans' Affairs		1,620	1,622	26,902	26,762
Indian Affairs		272	280	0	0
Small Business		0	(100)	0	0
Unassigned to Committee		(329,947)	(320,947)	0	0
TOTAL		1,513,080	1,478,970	237,834	228,681

SENATE COMMITTEE BUDGET AUTHORITY AND OUTLAY ALLOCATIONS PURSUANT TO SECTION 302 OF THE CONGRESSIONAL BUDGET ACT
5-YEAR TOTAL: 2002-2006
(in millions of dollars)
Revised 5/16/01 pursuant to section 310(c)(2)(A)

Committee	Direct spending jurisdiction		Entitlements funded in annual appropriations acts	
	Budget Authority	Outlays	Budget authority	Outlays
Agriculture, Nutrition, and Forestry	69,640	52,349	106,745	71,186
Armed Services	305,980	305,551	274	274
Banking, Housing and Urban Affairs	59,463	2,355	0	0
Commerce, Science, and Transportation	72,789	50,419	4,493	4,468
Energy and Natural Resources	11,145	10,947	200	230
Environment and Public Works	181,030	8,380	0	0
Finance	3,770,695	3,767,949	1,086,697	1,086,656
Foreign Relations	59,747	54,108	0	0
Governmental Affairs	337,994	331,886	0	0
Judiciary	22,667	22,405	1,320	1,320
Health, Education, Labor, and Pensions	48,155	46,411	8,972	8,995
Rules and Administration	436	414	0	0
Veterans' Affairs	9,989	9,964	148,529	147,804
Indian Affairs	1,103	1,116	0	0
Small Business	0	(200)	0	0

SENATE COMMITTEE BUDGET AUTHORITY AND OUTLAY ALLOCATIONS PURSUANT TO SECTION 302 OF THE CONGRESSIONAL BUDGET ACT

10-YEAR TOTAL: 2002-2011

(in millions of dollars)

Revised 5/16/01 pursuant to section 310(c)(2)(A)

Committee	Direct spending jurisdiction		Entitlements funded in annual appropriations acts	
	Budget Authority	Outlays	Budget authority	Outlays
Agriculture, Nutrition, and Forestry	114,692	80,210	225,304	156,220
Armed Services	671,521	670,656	549	549
Banking, Housing and Urban Affairs	132,028	(3,390)	0	0
Commerce, Science, and Transportation	164,611	118,775	10,178	10,292
Energy and Natural Resources	22,064	21,882	400	430
Environment and Public Works	371,833	15,995	0	0
Finance	8,332,502	8,325,884	2,663,216	2,662,654
Foreign Relations	122,819	113,442	0	0
Governmental Affairs	743,601	733,189	0	0
Judiciary	45,724	44,848	2,640	2,640
Health, Education, Labor, and Pensions	102,173	97,860	17,950	17,973
Rules and Administration	875	916	0	0
Veterans' Affairs	19,277	19,318	317,909	316,669
Indian Affairs	2,112	2,108	0	0
Small Business	0	(200)	0	0

NATIONAL BOXING SAFETY ACT OF 2001

Mr. MCCAIN. Mr. President, I am pleased to join my colleague from Nevada, Senator REID, as a cosponsor to the National Boxing Safety Act of 2001. Because professional boxing is the only major sport in the United States that is not governed by a strong, centralized association or league to enforce uniform rules and practices, there is no consistent level of state regulation overseeing the practices of those participating in the industry. As the scandals, controversies, and unethical practices continue to persist, the need for a centralized governing body to regulate the sport has become evident.

While I have certain differences with the legislation, I look forward to working with Senator REID to address these, and together work toward passage of this bill.

THE CUBAN SOLIDARITY ACT OF 2001

Mr. CRAIG. Mr. President, I am honored to lend my support as an original cosponsor to the Cuban Solidarity Act of 2001. As many of us here know, the Cuban Solidarity Act of 2001 goes beyond what the original Helms-Burton Act of 1996 sought to accomplish. Not only does it send a clear signal to the Castro regime that there are consequences to violating political and religious freedoms and human rights, but that we are going to work fervently to bring about a change in his regime.

Four years ago, I spoke here on the Senate floor in condemnation of the cowardly acts of the Cuban government in the shooting down of two civilian aircraft. I also expressed my concerns about the unauthorized use of confiscated United States-citizen-owned property. This bill contains a number of provisions that seek compensation from the Cuban government on both matters.

In Castro's Cuba, dissidents are routinely subjugated to random arrests, exile, imprisonment and beatings for openly opposing the government. During the first two months of 2000, over 350 peaceful human rights activists were arrested. One of the most notable cases included that of Dr. Oscar Biscet of the Lawton Human Rights Foundation, who received three years in prison for protests against abortion and the death penalty.

These violations of human rights taking place only ninety miles from the United States, are a threat to international peace.

Furthermore, many observers are concerned that a successor to Castro is currently being groomed to maintain authoritarian control over the island.

This bill will authorize the President to pursue a more pro-active policy towards changing the regime in Cuba from within. It does so by amending trade sanctions, which will give the President enhanced tools in supporting pro-democracy and human rights groups. Such new tools include authorizing the export of religious, educational and journalistic materials to individuals and independent groups, as well as office supplies, telephones and fax machines. These individuals and groups may include victims of religious persecution, farm cooperatives, political prisoners, and worker's rights groups just to name a few. The bill will also increase humanitarian aid in the form of food and medicine to children and the elderly.

Another large component of this bill, is the support it gives to micro-enterprise efforts in Cuba. By helping self-employed Cubans start their own businesses, we will help to plant the seeds of independent thinking, democracy and entrepreneurialism which will ensure a more peaceful transition to democracy.

Because Castro will not hold power in Cuba forever, we need to take the necessary steps to make sure a transition to democracy is possible and likely.

It is time for a reinvigorated approach towards Cuba, one that includes bipartisan support. Therefore I am pleased to support the Cuba Solidarity Act of 2001, and I would urge others to do the same.

LOCAL LAW ENFORCEMENT ACT OF 2001

Mr. SMITH of Oregon. Mr. President, I rise today to speak about hate crimes legislation I introduced with Senator KENNEDY last month. The Local Law Enforcement Act of 2001 would add new categories to current hate crimes legislation sending a signal that violence of any kind is unacceptable in our society.

I would like to describe a heinous crime that occurred October 31, 1999 in Inverness, Florida. After shouting anti-gay epithets, a teenager allegedly drove into a group of young people dressed in drag on Halloween night, killing 17-year-old Allison Decratel and injuring another person. The teenager, Richard Burzynski Jr., 17, and passenger Thomas Alan Bonneville, 16, drove past the cross-dressed group several times shouting ''faggots'' at the boys in the group before steering the car into the group of teens. The perpetrators fled the scene but were apprehended 50 miles north of the incident. On November 19, Burzynski was indicted on six counts, including first-degree murder.

I believe that Government's first duty is to defend its citizens, to defend them against the harms that come out of hate. The Local Law Enforcement Enhancement Act of 2001 is now a symbol that can become substance. I believe that by passing this legislation, we can change hearts and minds as well.

THE VERY BAD DEBT BOXSCORE

Mr. HELMS. Mr. President, at the close of business yesterday, Wednesday, May 16, 2001, the Federal debt stood at $5,651,674,551,618.32, Five trillion, six hundred fifty-one billion, six hundred seventy-four million, five hundred fifty-one thousand, six hundred eighteen dollars and thirty-two cents.

One year ago, May 16, 2000, the Federal debt stood at $5,669,366,000,000, Five trillion, six hundred sixty-nine billion, three hundred sixty-six million.

Five years ago, May 16, 1996, the Federal debt stood at $5,113,662,000,000, Five trillion, one hundred thirteen billion, six hundred sixty-two million.

Ten years ago, May 16, 1991, the Federal debt stood at $3,460,706,000,000, Three trillion, four hundred sixty billion, seven hundred six million.

Fifteen years ago, May 16, 1986, the Federal debt stood at $2,030,755,000,000, Two trillion, thirty billion, seven hundred fifty-five million, which reflects a debt increase of more than $3.5 trillion, $3,620,919,551,618.32, Three trillion, six hundred twenty billion, nine hundred nineteen million, five hundred fifty-one thousand, six hundred eighteen dollars and thirty-two cents during the past 15 years.

ADDITIONAL STATEMENTS

TAIWANESE AMERICAN HERITAGE WEEK

• Mr. KENNEDY. Mr. President, last week, Taiwanese Americans and all Americans celebrated Taiwanese American Heritage Week. I commend our many citizens of Taiwanese background for the contributions they have made to America.

More than 500,000 Americans are of Taiwanese heritage, and they have achieved impressive successes in business, in science and the arts, in the academic world, and in many other aspects of our national life. They are a vital part of our society and an important part of the strong fabric of American life.

All Americans continue to watch with great interest and support as Taiwan continues to become a stronger nation and a stronger democracy. I share the hope of Taiwanese Americans that Taiwan will continue to prosper in peace and growing economic strength.•

TRIBUTE TO STONEWALL JACKSON HIGH SCHOOL

• Mr. WARNER. Mr. President, it is with great pleasure that I rise today to pay tribute to the accomplishments of Stonewall Jackson High School, in Manassas, VA. Stonewall Jackson has been named Time magazine's High School of the Year and is featured in the May 21, 2001 issue.

Time's Schools of the Year were judged on their approaches to the most pressing challenges in education; educating children of the poor; consolidating schools in rural areas; making effective use of technology in teaching; and getting parents and communities

involved in the education of their children.

I firmly believe that strong parental involvement is a cornerstone for academic success—for it is parents who know the special needs of their own children. Steve Constantino, principal of Stonewall Jackson, believes this also. To increase parental involvement at the high school, Mr. Constantino and his staff planned to put resources in the hands of those who know best how to improve the education of their children, parents. He first removed the counter in the main office to welcome parents and make them feel more comfortable.

But Mr. Constantino and the faculty went a step further by putting in place a program called ParentLink. Through a website and voicemail system, parents can receive up-to-date information regarding their child's grades, homework, attendance, and even the details about what was being taught that day in the classroom. Bridging the communication gap between parents, students, and staff extends beyond ParentLink to the community. Stonewall Jackson accommodates working parents' schedules by holding Saturday morning events and by encouraging parents to make evening use of the school's resources on college and career options.

While increasing parental involvement in education, Stonewall Jackson has also vigorously challenged its students through the International Baccalaureate Diploma program, a rigorous academic program based on international perspectives, an enriched curriculum, community involvement, and written and oral communication skills. An I.B. degree is often regarded as superior to the completion of advanced placement courses, and about 45 percent of the student body at Stonewall Jackson are enrolled in I.B. courses, with 86 percent scoring four or better on a five-point scale.

Over the period of 1995–1999, SAT scores at Stonewall Jackson have risen 61 points; the school has reduced the disparity between minority and nonminority scores by 18 percent; the dropout rate has decreased from 11 percent to 3 percent; and parent satisfaction has risen from 34 percent in 1995 to 59 percent in 1999.

I also would like to take this opportunity to personally congratulate Mr. Constantino on being named Prince William County Public School's ''Principal of the Year'' for 2001, as well as receiving The Washington Post's ''Distinguished Educational Leadership Award.'' I also want to extend the highest commendation and congratulations to the teachers, faculty, and parents of Stonewall Jackson High School for their outstanding performance in educating our children and preparing them to thrive in the 21st Century. And last, but certainly not least, to the students of Stonewall Jackson; I salute you on the floor of the United States Senate, because without you, none of this would be possible.

As we all know, today's youth are tomorrow's leaders, and schools such as Stonewall Jackson are paving the way to a prepared and intelligent generation. Stonewall Jackson High School is an inspiration to everyone in the community of Manassas, the Commonwealth of Virginia, and the United States of America, and should take great pride in the honor this recognition represents.●

150TH ANNIVERSARY OF THE PHOENIX HOME LIFE

● Mr. LIEBERMAN. Mr. President, I rise with my esteemed colleague, Senator CHRIS DODD, to offer congratulations to Phoenix Home Life Mutual Insurance Company, which is celebrating its 150th anniversary today.

Phoenix is actively engaged in so many facets of our society. This company embodies social leadership through charitable contributions and community involvement. The corporate infrastructure of Phoenix is permeated with a sense of compassion that looks beyond the bottom line and stresses to its employees the importance of investing in human capital as a means of promoting community development.

For example, Phoenix encourages employees to volunteer through a policy that allows them to devote 40 hours of company time per year to community activities, provided it is matched by the same amount of personal time. The company also rewards its top 20 professional advisors through its Donor's Award, a program that enables employees to designate up to $2,000 to a local charity. Since it's inception, the award has benefited many organizations, including the Juvenile Diabetes Foundation, Lou Gehrig Baseball, and the Make-a-Wish Foundation.

Through this emphasis on community commitment, Phoenix employees adopt their favorite charities, lending their expertise, their leadership, and their time to a variety of local outreach initiatives. The Loaves and Fishes soup kitchen is one such beneficiary. Each summer, Phoenix home office employees in Hartford team up with Foodshare to harvest vegetables donated by Connecticut farmers for area soup kitchens and shelters. Another example is the planning and organization, by a group of employees in 1999, of Connecticut's first Adoption and Foster Care Exposition, sponsored by Phoenix.

Additionally, Phoenix has spearheaded a three-million-dollar ''Legacy Campaign'' to sustain and promote the Doc Hurley Foundation. Through financial scholarships, mentoring from foundation trustees, and help with purchasing books, the campaign's endowment will help city high school students go to college. Phoenix will contribute a total of $500,000 over the course of the campaign.

One of Phoenix's greatest investments in our communities and in society has been its commitment to Special Olympics. In 1995, Phoenix made an eight-year commitment to Special Olympics International as its first Official Worldwide Partner, setting a standard for volunteerism few companies can match. Approximately 60 percent of home office employees volunteered at the Special Olympics World Games. Field offices also provided volunteers and raised money to assist local chapters with travel and lodging expenses, enabling athletes across the country to participate in a once-in-a-lifetime event.

Phoenix has proven itself to be an indispensable asset to Connecticut. By making community involvement a priority, Phoenix demonstrates that an alliance between the business sector and the community is not just possible, it is necessary.

At the end of the day, Phoenix is not a faceless multi-national corporation. Through its selfless endeavors within Connecticut's communities, it has proven itself to be the consummate good neighbor. Phoenix is a leader in the competitive world of business and a winner in the hearts of countless Connecticut residents. It is with great appreciation and honor that I ask my colleagues to join me in offering congratulations to Phoenix Home Life Mutual Insurance Company on its 150th anniversary.●

CHRIST EPISCOPAL CHURCH

● Mr. BOND. Mr. President, I rise to make a few comments on the sesquicentennial anniversary of Christ Episcopal Church in St. Joseph, MO.

The first formal service of the Episcopal Church was held in the orchard of Mrs. Kate Howard's home at 5th and Francis on September 1, 1851. The Reverend John McNamara, Missionary to the Platte Purchase, celebrated the service. On April 14, 1852, Christ Church parish was organized and the small group purchased a log structure at the northwest corner of 3rd and Jules.

On July 30, 1877 Bishop Robertson of the Diocese of Missouri laid the cornerstone of the new church. The building is brick in the English Gothic style. It is the second oldest building in the city in continuous use as a place of worship by one congregation.

During the 1896 renovation an organ was purchased from a church in Connecticut. This Johnson organ was originally built in 1867. The women of the parish who sponsored three operettas at the Tootle Opera House raised the money for the organ. The original portion is the oldest organ in St. Joseph.

Christ Episcopal Church continues to be a presence in downtown St. Joseph. The members are involved in community outreach activities including the Open Door Food Kitchen, Downtown Partners Association, Ecumenical Corporation for Housing Opportunities, and a Mother's Day Baby Shower to benefit the Division of Family Services.

I commend the congregation of Christ Episcopal Church on their continued commitment to maintain high standards of worship, music and fellowship for a church of 220 parishioners. I am pleased to join with the St. Joseph community and the State of Missouri in congratulating the congregation and wishing them continued growth and success for the next 150 years.●

HONORING CURTIS GIBSON

● Mr. BAUCUS. Mr. President, I rise to recognize a young man who represents the best of Montana, Curtis Gibson. Curtis has distinguished himself as an intelligent, self-motivated Eagle Scout from troop nine in Billings and I am proud to speak about his accomplishment today. I would like to begin by stating that Curtis is the son of Robert and Linda Gibson and the brother of Kelly Gibson, who is also an Eagle Scout.

As you may know, a Boy Scout is called to follow a strict code of conduct. He must be trustworthy, loyal, helpful, friendly, courteous, kind and brave. I am proud to say that Curtis Gibson embodies all of these attributes. While upholding the principles of the Scout oath and law, a potential Eagle Scout must earn 21 merit badges and prove to be a capable and effective leader. Moreover, he must also show that he has planned, developed, and led others in various service projects. I am here to affirm that Curtis has met these criteria and has recently been awarded the rank of Eagle Scout.

Along the way to becoming an Eagle Scout, Curtis organized 20 scouts from Troop Nine to improve Montana's park system. They designed and constructed covered information kiosks at the entrances to Two Moon Park and Norm Schoenthal Island to benefit the Yellowstone River Parks Association and the Yellowstone County Parks Department. These scouts volunteered more than 100 hours during the school year to complete the project and I am grateful for his dedication to the greater Billings community. Curtis's project certainly benefits our park systems, but it also serves Troop Nine and those who gave their time for service and leadership.

I am proud to say that Curtis has been involved in scouting for more than ten years and that he has spent six of those years with Troop Nine. Even though Saint Bernard's Parish in the Billings Heights is their home, Curtis has allowed his scouting activities to take him to Minnesota, Wyoming, South Dakota, the Florida Keys and Canada. In addition, Curtis recently joined Venture Crew Seven. This group joins together experienced Boy Scouts in the Billings area for extensive outdoor activities and service projects. However, Curtis has not limited himself solely to scouting. He is an active member of the student body at Skyview High School where he competes on the varsity swim team. Last year Curtis was named to the Montana all-state swim team.

Once again, I would like to express my appreciation to Curtis for his dedication to the state of Montana and his service to the city of Billings. Curtis has prepared himself well for a lifetime of leadership. The youth of our communities will certainly one day, direct the future greatness of our Nation. It gives me great joy to see that Curtis has taken an active role to ensure the continued success and triumph of Montana and the United States.●

TRIBUTE TO ROBERT ''BUD'' CLAY

● Mr. HATCH. Mr. President, today I wish to pay tribute to a World War II veteran who brought hope to an occupied people.

On May 24th for more than half a century, the residents of the former German-occupied Als Island off the coast of Denmark celebrated Robert ''Bud'' Clay as a hero. However, until recently, Bud was unaware of this honor.

Robert B. Clay was a Lieutenant Colonel in the 351st Bomb Group stationed in Polebrook, England during World War II. He was leading a B–17 bombing raid when things went terribly wrong. The plane's engines started failing one by one. Bud steered the plane toward neutral Sweden, but with the failure of an additional engine, it was clear that they would be unable to escape enemy territory. After ensuring that eight of the ten crewmen had safely bailed out of the plane, Clay and his copilot attempted a crash-landing in a nearby grassy clearing on Als Island.

Als Island was first occupied by German troops in 1939. The crashing of the B–17 on May 24, 1944 was seen by the people of the island as a symbol of approaching liberation. In fact, the plane was such a beacon of hope to them that the people of Als Island kept pieces of the wrecked B–17 not only as souvenirs but also as near-sacred tokens. One woman even made her wedding dress using fabric taken from one of the pilot's parachutes.

All the crewmen in Lieutenant Colonel Clay's plane survived the flight, but were taken as prisoners-of-war. Clay was held captive as a POW for one year in camps near Sagon, Nuremburg, and finally Mooseburg, Germany.

Then on the 28th of April, 1945, Bud saw the stars and stripes being flown from a tall building in an adjacent town. He suddenly realized that liberation was on its way. An experience uncannily like the Danes who viewed his plane's crash as a harbinger of freedom.

For 40 years Clay did not speak of his experience. He was the pilot of the mission and harbored feelings of guilt and responsibility, for the crash, for his crew being taken as POWs, and for not being able to finish out other missions.

However, as he was looking through a war-reunion newsletter two years ago, Clay recognized a photograph of the plane wreckage and the hills and farmhouses surrounding it. An islander had taken the picture as a boy and published the photo and story in hopes of finding the Americans whose crash-landing has been celebrated for decades.

This year will be the first year that Clay will be part of that celebration. He and five others from his bomber crew have been invited to personally attend the ceremonies that have been held in their honor for 56 years.

Clay will forever live as a hero in the memories of Als Island people. He has received e-mails and letters from them expressing their thanks. They have told him that seeing his plane helped them realize for the first time that help was on the way. I am very proud that this great man, who continues to serve in his local community, will finally receive the personal recognition he earned so long ago.●

MIAMI EDISON MIDDLE SCHOOL

● Mr. GRAHAM. Mr. President, I rise today to share with you a remarkable story.

As sweeping a statement as this is, the story of Miami Edison Middle School is truly the story of America in the 20th Century.

It is the story of immigration, with all its challenges, and all its rewards.

It is the story of hard work, of culture differences, and cross-cultural understanding.

It is the story of a city, and a neighborhood and how each generation that passes through leaves behind a layer to build on.

With its Art Deco auditorium and full-sized gymnasium, Miami Edison High School, originally called Dade County Agricultural High, was as magnificent a structure as you could imagine when it was built in 1928.

Through the school, one can trace the growth and transformation of the face of Miami, and indeed, the country.

When it opened in what was then Lemon City, a swath of land surrounded by lemon and orange groves, the entire student body was white.

My wife, Adele, was a student there, as were many of the men and women who are today some of Florida's most respected citizens, including Congressman CLAY SHAW and his wife, Emilie, historian Arva Moore Parks and Miami Dolphins football star Nat Moore.

By the 1960s, most of the students were Hispanic.

A new high school for the area was built in 1978 and Edison became a middle school.

Today, the majority of students are of Haitian descent or are recent Haitian immigrants. Edison High School has the highest percentage in the state of students still learning English. It has the lowest math and reading tests scores. It has far too many students living in poverty.

The original high-school building, however, looks much the same as it did when it was built, only better.

For years Edison, like many urban schools, was left to crumble. Finally, school and county officials decided it was time to put this piece of Florida history in the path of the wrecking ball. To many Edison alumni, organized as the ''Over the Hill Gang, this was unconscionable.

In an age when too many children are being taught in makeshift classrooms, trailers and former utility closets, we were sacrificing what could truly have been called a temple of learning. We were carelessly trampling our history and taking down with it the too-long-lost tradition of teaching our children in school buildings that reflect that grandeur of what goes on inside their walls.

A group of Edison alumni including Arva Moore Parks, one of Florida's great voices for preserving our history, fought to save the school.

In 1992, Dade County agreed to keep the original school standing and refurbish it to meet the needs of today's students.

While the alumni group had the best intentions, the parents of today's Edison students were wary, and not without cause.

The neighborhood had been promised a new middle school in 1988. It was supposed to be completed by 1992. Instead, children were still trying to learn in a decaying, leaking building.

The move to preserve the old school looked, to many neighborhood parents, like another broken promise.

In the end, the families of that area got the best of both worlds. The building, restored by architect Richard Heisenbottle of Coral Gables, is a magnificent melding of old and new. The architectural elements of the past are bolstered by a new wing, new lighting, plumbing and air-conditioning. Old classrooms were gutted and refurbished. The original wood floor of the gymnasium remains in place along with a 1,700-seat auditorium with Deco light fixtures and a carved, wraparound balcony. In 1997 the architect, the alumni group, the Dade County School Board and the Dade Heritage Trust received one of the National Trust for Historic Preservation's prestigious honor awards for the project.

The building itself is a tribute to all involved, but strangely enough, it may not be the most important structure that grew out of this effort. The men and women who fought to save the school also built a sturdy bridge connecting Miami's immigrants to its old guard, its present to its past.

One United Band: The Edison Linkage Foundation was formed to reassure the community's parents that today's students mattered as much to the alumni as the school building.

The foundation raises money for an aggressive mentoring program that offers a stipend to successful students at Edison High School to tutor younger, at-risk children and to serve as role models for navigating the challenging and often frightening world of adolescence.

For some immigrant children, that world is even more frightening than for most young people.

Language barriers are just a small part of the problem many of these children face. Some came from Haiti directly to middle school without having had any formal education before. They are illiterate in their own language as well as a new one.

Many live in poverty, with families who cannot spend as much time with them as they'd like to and cannot help them with their homework.

Tutors can help fill in the blanks, bridge the gaps that keep them from reading, understanding, learning and staying in school. They can offer a living, breathing vision of something to strive for.

The program has been a resounding success. In the 1999–2000 school year, 26 middle-school students showed measurable academic gains after being tutored.

Of the student's tutored, 15 percent were non-readers. Those students are now reading at a level three and above.

Meanwhile, the graduating seniors who served as tutors are all headed for college this fall.

The money to pay for the tutors' time is raised from Edison alumni scattered around the country and through fund-raisers including shows and sales of Haitian art.

The art shows are both a fund-raising tool for the mentoring program and college scholarships, and a source of pride for children from Haitian families.

The third of these will take place May 21, 2001, in the Florida House in Washington, D.C.

All of this has been thanks to the hard work of a number of dedicated volunteers and professionals. These include: Martha Anne Collins, Linkage Foundation administrator; Ron Major, Edison Middle School principal; John Walker, coordinator of the tutoring program and an assistant principal at Miami Edison High School; Alma King-Jones, Middle School coordinator and administrative assistant to the principal; Betsy Kaplan of the Dade County School Board; historian Arva Moore Parks and my wife, Adele Khoury Graham, who co-chaired the Linkage Foundation; Charles Keye, Linkage Foundation treasurer; Fred and Mary Exum and the ''Over the Hill Gang'', who have helped coordinate the brick donation program for the Dade County Public School system.

All these people, and many more, are responsible for the vision, and then the reality, that became the Edison Middle School and the Linkage Foundation.

These men and women reached across generations and through racial and cultural divides to unite Miami today with the Miami of yesterday.

In doing so, they have helped create a source of hope and opportunity for the Miami of tomorrow.●

45TH ANNIVERSARY OF CAN DO, INC

● Mr. SANTORUM. Mr. President, I take this opportunity to recognize a driving economic force in Hazleton, PA. CAN DO, Inc., Community Area New Development Organization, has served the Greater Hazleton area with economic development initiatives since its founding in 1956.

With the decline of the coal mining industry in the 1950s, Hazleton suffered terrible unemployment and low community morale, and several members of the community took it upon themselves to reverse the high-unemployment trend in the region. With that, Dr. Edgar L. Dessen and a group of community leaders formed CAN DO. CAN DO's initial purpose was to raise money to turn around the difficult time that the community was experiencing.

With its tremendous fundraising efforts, CAN DO raised almost $750,000, which was enough to purchase land for the development of an industrial park. In less than a year, Valmont Industrial Park was completed, providing an outstanding facility for businesses to call home. General Foam Company was the first firm to occupy the space and created 100 new jobs. This was just the beginning of the great work that CAN DO would do.

Many years and several facilities later, CAN DO has revitalized Greater Hazleton in many ways. The dedication of the leadership in CAN DO is phenomenal, and it is without a doubt that they have changed the lives of many Northeastern Pennsylvania residents. When economic times were tough in the 1950s, CAN DO displayed the courage and initiative to revitalize their community.

As they celebrate their 45th anniversary I would like to congratulate them with the following resolution:

Whereas CAN DO is an economic development agency serving Greater Hazleton in Northeastern Pennsylvania, and,

Whereas CAN DO was founded in 1956 as a grass-roots movement to attract new industries to Greater Hazleton as the anthracite coal industry failed, and,

Whereas CAN DO has created four industrial parts—Valmont Industrial Park, Humboldt Industrial Park, McAdoo Industrial and the CAN DO Corporate Center, and,

Whereas CAN DO has been responsible for more than 280 development projects, and,

Whereas CAN DO has been responsible for the creation of more than 11,000 current jobs in Greater Hazleton, and

Whereas CAN DO has been responsible for the creation of a tax base worth millions of dollars, and,

Whereas CAN DO has been recognized nationally for the quality of their work in the field of economic development, and

Whereas CAN DO has worked cooperatively with other governing and volunteer bodies to improve the general quality of life for every man, woman, and child in and around Greater Hazleton, and,

Whereas CAN DO is this year celebrating its 45th anniversary,

Therefore, be it declared that CAN DO is to be congratulated for reaching such an important milestone in its long, distinguished history, and

Be it declared that CAN DO is to be commended for performing such meritorious service in the area of economic development.●

TRIBUTE TO DR. JAY C. DAVIS

● Mr. DOMENICI. Mr. President, I wish to take this opportunity to recognize the accomplishments of Dr. Jay C. Davis, the first Director of the Defense Threat Reduction Agency, more commonly known as ''DTRA.'' Jay completes his tenure as the Director on June 21, 2001 and will be returning to Lawrence Livemore National Laboratory.

In October 1998, the Defense Threat Reduction Agency was established by the Department of Defense to respond to the growing threat posed by the proliferation of nuclear, chemical, and biological weapons, so called ''weapons of mass destruction'' or WMD. DTRA was charged to integrate and focus the capabilities of the Department on the present and future WMD threat.

The new Agency needed a Director and the Department picked Jay to establish the Agency, provide its vision, and assure its rapid success. Jay's accomplishments make him an excellent choice for this job. While Jay, a nuclear physicist, had spent the majority of his career at Lawrence Livermore National Laboratory, he's been active in treaty verification and nonproliferation technologies, as well as the design of research and development collaborations.

He served as scientific advisor to the United Nations Secretariat, several US agencies, and to the scientific agencies of the governments of Australia and New Zealand. He participated in two UN inspections in Iraq. Jay is a Fellow of the American Physical Society and was one of its Centennial Lecturers in its 100th Anniversary Year. The author of more than seventy published works in his discipline, he also holds three patents on analytical techniques and applications.

During his three years at DTRA, Jay created an agency that is widely respected. Today, DTRA performs many important missions. It is partnered with the Commanders-in-Chief of the combatant commands, the Services, and the Department of Energy on the maintenance of the physical and doctrinal components of our nuclear deterrent. It provides warfighters with tools to prevail against WMD. DTRA also executes all arms control treaty inspections, cooperative agreements, and technology control activities in the Department of Defense. In addition, Jay has been instrumental in leading and defining the Department's role in supporting local and state agencies in WMD terrorism response operations. Under his leadership, DTRA has contributed significantly to the evolving concept of homeland defense.

Jay has twice been awarded the Distinguished Public Service Medal by the Secretary of Defense, DoD's highest civilian award, for his contributions to national security.

He and his wife May soon will return to the Livermore valley, where he will become the first National Security Fellow at the Lab's Center for Global Security Research. In this new position, Jay will do what he does best, bringing together scientists and technologists with policy analysts to study ways in which technology can enhance national security. I congratulate Jay on all his accomplishments at DTRA and wish him the best in his future endeavors at Lawrence Livermore National Laboratory.●

MESSAGES FROM THE PRESIDENT

Messages from the President of the United States were communicated to the Senate by Mr. Williams, one of his 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.)

MESSAGES FROM THE HOUSE

At 12:51 p.m., a message from the House of Representatives, delivered by Ms. Niland, one of its reading clerks, announced that the House has passed the following bills, in which it requests the concurrence of the Senate:

H.R. 622. An act to amend the Internal Revenue Code of 1986 to expand the adoption credit, and for other purposes.

H.R. 1646. An act to authorize appropriations for the Department of State for fiscal years 2002 and 2003, and for other purposes.

ENROLLED BILLS SIGNED

The message also announced that the Speaker has signed the following enrolled bills:

H.R. 428. An act concerning the participation of Taiwan in the World Health Organization.

H.R. 802. An act to authorize the Public Safety Officer Medal of Valor, and for other purposes.

S. 700. An act to establish a Federal interagency task force for the purpose of coordinating actions to prevent the outbreak of bovine spongiform encephalopathy (commonly known as ''mad cow disease'') and foot-and-mouth disease in the United States.

The enrolled bills were signed subsequently by the President pro tempore (Mr. THURMOND).

At 4:28 p.m., a message from the House of Representatives, delivered by Mr. Hays, one of its reading clerks, announced that the House has agreed to the following concurrent resolution, in which it requests the concurrence of the Senate:

H. Con. Res. 135. A concurrent resolution expressing the sense of the Congress welcoming President Chen Shui-bian of Taiwan to the United States.

The message also announced that pursuant to 22 U.S.C. 276d and clause 10 of rule I, the Speaker appoints the following Members of the House of Representatives to the Canada-United States Interparliamentary Group, in addition to Mr. HOUGHTON of New York, Chairman, appointed on March 20, 2001: Mr. GILMAN of New York, Mr. DREIER of California, Mr. SHAW of Florida, Mr. STEARNS of Florida, Mr. PETERSON of Minnesota, Mr. MANZULLO of Illinois, Mr. ENGLISH of Pennsylvania, and Mr. SOUDER of Indiana.

MEASURES REFERRED

The following bill was read the first and the second times by unanimous consent, and referred as indicated:

H.R. 1646. An act to authorize appropriations for the Department of State for fiscal years 2002 and 2003, and for other purposes; to the Committee on Foreign Relations.

The following concurrent resolution was read, and referred as indicated:

H. Con. Res. 135. Concurrent resolution expressing the sense of the Congress welcoming President Chen Shui-bian of Taiwan to the United States; to the Committee on Foreign Relations.

ENROLLED BILL PRESENTED

The Secretary of the Senate reported that on today, May 17, 2001, he had presented to the President of the United States the following enrolled bill:

S. 700. An act to establish a Federal interagency task force for the purpose of coordinating actions to prevent the outbreak of bovine spongiform encephalopathy (commonly known as ''mad cow disease'') and foot-and-mouth disease in the United States.

EXECUTIVE AND OTHER COMMUNICATIONS

The following communications were laid before the Senate, together with accompanying papers, reports, and documents, which were referred as indicated:

EC–1902. A communication from the Managing Director, Financial Management and Assurance, General Accounting Office, transmitting, pursuant to law, a report relative to the financial statements of the Capitol Preservation Fund for Fiscal Years 1999 and 2000; to the Committee on Rules and Administration.

EC–1903. A communication from the Acting Assistant General Counsel for Regulatory Law, Office of Environment, Safety and Health, Department of Energy, transmitting, pursuant to law, the report of a rule entitled ''Procedural Rules for DOE Nuclear Activities; General Statement of Enforcement Policy'' received on May 14, 2001; to the Committee on Energy and Natural Resources.

EC–1904. A communication from the Regulations Coordinator, Office of Child Support Enforcement, Department of Health and Human Services, transmitting, pursuant to law, the report of a rule entitled ''Comprehensive Tribal Child Support Enforcement Programs'' (RIN0970–AB73) received on May 14, 2001; to the Committee on Finance.

EC–1905. A communication from the Comptroller General of the United States, transmitting, pursuant to law, a report relative to

the Federal Deposit Insurance Corporation's Financial Statements for calendar years 1999 and 2000; to the Committee on Banking, Housing, and Urban Affairs.

EC–1906. A communication from the Chief Financial Officer of the Export-Import Bank of the United States, transmitting, a draft of proposed legislation to amend the Export-Import Bank Act of 1945, as amended; to the Committee on Banking, Housing, and Urban Affairs.

EC–1907. A communication from the Acting Administrator of the Small Business Administration, transmitting, a draft of proposed legislation entitled ''Small Business Amendments Act of 2001''; to the Committee on Small Business.

EC–1908. A communication from the Assistant Director for Budget and Administration, Executive Office of the President, transmitting, pursuant to law, the report of a vacancy in the position of Associate Director, National Security and International Affairs; to the Committee on Commerce, Science, and Transportation.

EC–1909. A communication from the Comptroller General of the United States, transmitting, a report relative to two deferrals of budget authority; to the Committees on Appropriations; the Budget; and Foreign Relations.

EC–1910. A communication from the Principal Deputy Under Secretary of Defense, Acquisition and Technology, transmitting, pursuant to law, a report concerning revisions to the Annual Materials Plans for Fiscal Years 2001 and 2002; to the Committee on Armed Services.

EC–1911. A communication from the Deputy Under Secretary of Defense, Technology Security Policy, transmitting, pursuant to law, the report of a delay on the report concerning military transfers; to the Committee on Armed Services.

EC–1912. A communication from the Deputy General Counsel of the Federal Bureau of Investigation, Department of Justice, transmitting, pursuant to law, the report of a rule entitled ''National Instant Criminal Background Check System Regulation; Delay of Effective Date'' (RIN1110–AA02) received on May 9, 2001; to the Committee on the Judiciary.

EC–1913. A communication from the Secretary of the Judicial Conference of the United States, transmitting, a draft of proposed legislation entitled ''Federal Judgeship Act of 2001''; to the Committee on the Judiciary.

EC–1914. A communication from the Chairman of the National Committee on Vital and Health Statistics, transmitting, pursuant to law, the Annual Report on the Implementation of the Administrative Simplification Provisions of the Health Insurance Portability and Accountability Act for calendar year 2000; to the Committee on Health, Education, Labor, and Pensions.

EC–1915. A communication from the Chairman of the National Labor Relations Board, transmitting, pursuant to law, the report of the discontinuation of service in acting role, and a vacancy in the position of General Counsel; to the Committee on Health, Education, Labor, and Pensions.

EC–1916. A communication from the Acting Chief Executive Officer of the Corporation for National and Community Service, transmitting, pursuant to law, the report of a vacancy and the designation of acting officer for the position of Chief Financial Officer; to the Committee on Health, Education, Labor, and Pensions.

EC–1917. A communication from the Acting Chief Executive Officer of the Corporation for National and Community Service, transmitting, pursuant to law, the report of a vacancy and the designation of acting officer for the position of Chief Executive Officer; to the Committee on Health, Education, Labor, and Pensions.

EC–1918. A communication from the Deputy Director of the Peace Corps, transmitting, pursuant to law, the report of a vacancy and the designation of acting officer for the position of Director; to the Committee on Foreign Relations.

EC–1919. A communication from the Assistant Secretary of Legislative Affairs, Department of the Treasury, transmitting, pursuant to law, a report relative to the operations of the Enterprise for the Americas Initiative and the Tropical Forest Conservation Act for 1999 and 2000; to the Committee on Foreign Relations.

PETITIONS AND MEMORIALS

The following petitions and memorials were laid before the Senate and were referred or ordered to lie on the table as indicated:

POM–54. A joint resolution adopted by the Legislature of the State of Alaska relative to the Arctic National Wildlife Refuge; to the Committee on Energy and Natural Resources.

LEGISLATIVE RESOLVE NO. 5

Whereas, in sec. 1002 of the Alaska National Interest Lands Conservation Act (ANILCA), the United States Congress reserved the right to permit further oil and gas exploration, development, and production within the coastal plain of the Arctic National Wildlife Refuge, Alaska; and

Whereas, the oil industry, the state, and the United States Department of the Interior consider the coastal plain to have the highest potential for discovery of very large oil and gas accumulations on the continent of North America, estimated to be as much as 10,000,000,000 barrels of recoverable oil; and

Whereas, the ''1002 study area'' is part of the coastal plain located within the North Slope Borough, and residents of the North Slope Borough, who are predominantly Inupiat Eskimo, are supportive of development in the ''1002 study area''; and

Whereas, oil and gas exploration and development of the coastal plain of the refuge and adjacent land could result in major discoveries that would reduce our nation's future need for imported oil, help balance the nation's trade deficit, and significantly increase the nation's security; and

Whereas domestic demand for oil continues to rise while domestic crude production continues to fall with the result that the United States imports additional oil from foreign sources; and

Whereas development of oil at Prudhoe Bay, Kuparuk, Endicott, Lisburne, and Milne Point has resulted in thousands of jobs throughout the United States, and projected job creation as a result of coastal plain oil development will have a positive effect in all 50 states; and

Whereas Prudhoe Bay production is declining by approximately 10 percent a year; and

Whereas, while new oil field developments on the North Slope of Alaska, such as Alpine, Badami, and West Sak, may slow or temporarily stop the decline in production, only giant coastal plain fields have the theoretical capability of increasing the production volume of Alaska oil to a significant degree; and

Whereas opening the coastal plain of the Arctic National Wildlife Refuge now allows sufficient time for planning environmental safeguards, development, and national security review; and

Whereas the 1,500,000-acre coastal plain of the refuge makes up only eight percent of the 19,000,000-acre refuge, and the development of the oil and gas reserves in the refuge's coastal plain would affect an area of only 2,000 to 7,000 acres, which is less than one-half of one percent of the area of the coastal plain; and

Whereas 8,000,000 of the 19,000,000 acres of the refuge have already been set aside as wilderness; and

Whereas the oil industry has shown at Prudhoe Bay, as well as at other locations along the Arctic coastal plain, that it can safely conduct oil and gas activity without adversely affecting the environment or wildlife populations; and

Whereas the state will ensure the continued health and productivity of the Porcupine Caribou herd and the protection of land, water, and wildlife resources during the exploration and development of the coastal plain of the Arctic National Wildlife Refuge, Alaska; and

Whereas the oil industry is using innovative technology and environmental practices in the new field developments at Alpine and Northstar, and those techniques are directly applicable to operating on the coastal plain and would enhance environmental protection beyond traditionally high standards; be it

Resolved by the Alaska State Legislature, That the Congress of the United States is urged to pass legislation to open the coastal plain of the Arctic National Wildlife Refuge, Alaska, to oil and gas exploration, development, and production, and that the Alaska State Legislature is adamantly opposed to further wilderness or other restrictive designation in the area of the coastal plain of the Arctic National Wildlife Refuge, Alaska; and be it further

Resolved, That that activity be conducted in a manner that protect the environment and naturally occurring population levels of the Porcupine Caribou herd and uses the state's work force to the maximum extent possible; and be it further

Resolved, That the Alaska State Legislature opposes any unilateral reduction in royalty revenue from exploration and development of the coastal plain of the Arctic National Wildlife Refuge, Alaska, and any attempt to coerce the State of Alaska into accepting less than the 90 percent of the oil, gas, and mineral royalties from the federal land in Alaska that was promised to the state at statehood.

Copies of this resolution shall be sent to the Honorable George W. Bush, President of the United States; the Honorable Richard B. Cheney, Vice-President of the United States and President of the U.S. Senate; the Honorable Gale Norton, Secretary of the Interior, the Honorable J. Dennis Hastert, Speaker of the U.S. House of Representatives; the Honorable Trent Lott, Majority Leader of the U.S. Senate; to the Honorable Ted Stevens and the Honorable Frank Murkowski, U.S. Senators, and the Honorable Don Young, U.S. Representative, members of the Alaska delegation in Congress; and to all other members of the U.S. Senate and the U.S. House of Representatives serving in the 107th United States Congress.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. SPECTER, from the Committee on Veterans' Affairs:

Special Report entitled ''Legislative and Oversight Activities During the 106th Congress by the Senate Committee on Veterans' Affairs'' (Rept. No. 107–17).

EXECUTIVE REPORTS OF COMMITTEE

The following executive reports of committee were submitted:

By Mr. HATCH, from the Committee on the Judiciary:

Viet D. Dinh, of the District of Columbia, to be an Assistant Attorney General.

Michael Chertoff, of New Jersey, to be an Assistant Attorney General.

(The above nominations were reported with the recommendation that they be confirmed.)

INTRODUCTION OF BILLS AND JOINT RESOLUTIONS

The following bills and joint resolutions were introduced, read the first and second times by unanimous consent, and referred as indicated:

By Mr. ENZI:

S. 906. A bill to provide for protection of gun owner privacy and ownership rights, and for other purposes; to the Committee on the Judiciary.

By Mrs. CARNAHAN:

S. 907. A bill to amend the Internal Revenue Code of 1986 to encourage the use of ethanol and the adoption of other forms of value-added agriculture, and for other purposes; to the Committee on Finance.

By Mr. BROWNBACK (for himself, Mr. ALLARD, Mr. HELMS, Mr. HUTCHINSON, Mr. INHOFE, Mr. SESSIONS, and Mr. SHELBY):

S. 908. A bill to require Congress and the President to fulfill their Constitutional duty to take personal responsibility for Federal laws; to the Committee on Governmental Affairs.

By Mrs. LINCOLN (for herself and Mr. HUTCHINSON):

S. 909. A bill to improve the administration of the Animal and Plant Health Inspection Service of the Department of Agriculture, and for other purposes; to the Committee on Agriculture, Nutrition, and Forestry.

By Mr. ROCKEFELLER (for himself, Mr. DAYTON, and Mr. WELLSTONE):

S. 910. A bill to provide certain safeguards with respect to the domestic steel industry; to the Committee on Finance.

By Mr. SMITH of Oregon (for himself and Mr. BAUCUS):

S. 911. A bill to reauthorize the Endangered Species Act of 1973; to the Committee on Environment and Public Works.

By Ms. MIKULSKI (for herself and Mrs. HUTCHISON):

S. 912. A bill to amend title 38, United States Code, to increase burial benefits for veterans; to the Committee on Veterans' Affairs.

By Ms. SNOWE (for herself, Mr. ROCKEFELLER, Mr. SMITH of Oregon, and Mrs. FEINSTEIN):

S. 913. A bill to amend title XVIII of the Social Security Act to provide for coverage under the medicare program of all oral anticancer drugs; to the Committee on Finance.

By Mrs. BOXER (for herself, Mr. REID, and Mr. BAUCUS):

S. 914. A bill to designate the United States courthouse located at 95 Seventh Street in San Francisco, California, as the ''James R. Browning United States Courthouse''; to the Committee on Environment and Public Works.

SUBMISSION OF CONCURRENT AND SENATE RESOLUTIONS

The following concurrent resolutions and Senate resolutions were read, and referred (or acted upon), as indicated:

By Mr. MCCONNELL (for himself, Mr. HELMS, Mrs. FEINSTEIN, and Mr. LEAHY):

S. Con. Res. 38. A concurrent resolution recognizing the founding of the Alliance for Reform and Democracy in Asia, and for other purposes; to the Committee on Foreign Relations.

By Mrs. FEINSTEIN (for herself and Mrs. BOXER):

S. Con. Res. 39. A concurrent resolution expressing the sense of Congress that the moratorium on new oil and natural gas leasing activity on submerged land of the outer Continental Shelf should be maintained; to the Committee on Energy and Natural Resources.

By Mr. HATCH (for himself, Mr. BAUCUS, Mr. ALLEN, Mr. BAYH, Mr. BENNETT, Mr. BINGAMAN, Mr. BOND, Mr. BREAUX, Mr. BROWNBACK, Ms. CANTWELL, Mrs. CARNAHAN, Mr. CHAFEE, Mrs. CLINTON, Ms. COLLINS, Mr. CRAIG, Mr. DASCHLE, Mr. DAYTON, Mr. DEWINE, Mr. DODD, Mr. DORGAN, Mr. DURBIN, Mr. ENSIGN, Mr. FEINGOLD, Mrs. FEINSTEIN, Mr. FITZGERALD, Mr. FRIST, Mr. GRAHAM, Mr. GRASSLEY, Mr. HELMS, Mr. INHOFE, Mr. INOUYE, Mr. JEFFORDS, Mr. JOHNSON, Mr. KERRY, Ms. LANDRIEU, Mrs. LINCOLN, Ms. MIKULSKI, Mr. MILLER, Mr. MURKOWSKI, Mrs. MURRAY, Mr. REID, Mr. ROCKEFELLER, Mr. SANTORUM, Mr. SARBANES, Mr. SMITH of Oregon, Ms. SNOWE, Mr. SPECTER, Mr. STEVENS, Mr. THOMAS, Mr. THURMOND, Mr. TORRICELLI, Mr. VOINOVICH, and Mr. WELLSTONE):

S. Con. Res. 40. A concurrent resolution expressing the sense of Congress regarding the designation of the week of May 20, 2001, as ''National Emergency Medical Services Week''; to the Committee on the Judiciary.

ADDITIONAL COSPONSORS

S. 37

At the request of Mr. LUGAR, the name of the Senator from Idaho (Mr. CRAIG) was added as a cosponsor of S. 37, a bill to amend the Internal Revenue Code of 1986 to provide for a charitable deduction for contributions of food inventory.

S. 41

At the request of Mr. HATCH, the name of the Senator from Idaho (Mr. CRAIG) was added as a cosponsor of S. 41, a bill to amend the Internal Revenue Code of 1986 to permanently extend the research credit and to increase the rates of the alternative incremental credit.

S. 152

At the request of Mr. NELSON of Florida, his name was added as a cosponsor of S. 152, a bill to amend the Internal Revenue Code of 1986 to eliminate the 60-month limit and increase the income limitation on the student loan interest deduction.

S. 207

At the request of Mr. SMITH of New Hampshire, the name of the Senator from New York (Mrs. CLINTON) was added as a cosponsor of S. 207, a bill to amend the Internal Revenue Code of 1986 to provide incentives to introduce new technologies to reduce energy consumption in buildings.

S. 275

At the request of Mr. NELSON of Florida, his name was added as a cosponsor of S. 275, 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 preserve a step up in basis of certain property acquired from a decedent, and for other purposes.

S. 381

At the request of Mr. ALLARD, the name of the Senator from Mississippi (Mr. COCHRAN) was added as a cosponsor of S. 381, a bill to amend the Uniformed and Overseas Citizens Absentee Voting Act, the Soldiers' and Sailors' Civil Relief Act of 1940, and title 10, United States Code, to maximize the access of uniformed services voters and recently separated uniformed services voters to the polls, to ensure that each vote cast by such a voter is duly counted, and for other purposes.

S. 394

At the request of Mr. DOMENICI, the name of the Senator from Louisiana (Ms. LANDRIEU) was added as a cosponsor of S. 394, a bill to make an urgent supplemental appropriation for fiscal year 2001 for the Department of Defense for the Defense Health Program.

S. 458

At the request of Mr. NELSON of Florida, his name was added as a cosponsor of S. 458, a bill to amend the Internal Revenue Code of 1986 to make higher education more affordable, and for other purposes.

S. 481

At the request of Mr. NELSON of Florida, his name was added as a cosponsor of S. 481, a bill to amend the Internal Revenue Code of 1986 to provide for a 10-percent income tax rate bracket, and for other purposes.

S. 500

At the request of Mr. BURNS, the name of the Senator from Utah (Mr. BENNETT) was added as a cosponsor of S. 500, a bill to amend the Communications Act of 1934 in order to require the Federal Communications Commission to fulfill the sufficient universal service support requirements for high cost areas, and for other purposes.

S. 554

At the request of Mr. DEWINE, his name was added as a cosponsor of S. 554, a bill to amend title XVIII of the Social Security Act to expand medicare coverage of certain self-injected biologicals.

S. 565

At the request of Mr. DODD, the names of the Senator from Vermont (Mr. LEAHY), the Senator from Nevada (Mr. REID), the Senator from New York (Mrs. CLINTON), the Senator from Indiana (Mr. BAYH), the Senator from Rhode Island (Mr. REED), the Senator

from Florida (Mr. NELSON), the Senator from California (Mrs. BOXER), the Senator from North Carolina (Mr. EDWARDS), the Senator from Delaware (Mr. BIDEN), the Senator from Missouri (Mrs. CARNAHAN), the Senator from Maryland (Ms. MIKULSKI), the Senator from Washington (Mrs. MURRAY), the Senator from Maryland (Mr. SARBANES), the Senator from Michigan (Ms. STABENOW), the Senator from Minnesota (Mr. WELLSTONE), the Senator from New Jersey (Mr. TORRICELLI), the Senator from Louisiana (Ms. LANDRIEU), the Senator from South Dakota (Mr. JOHNSON), the Senator from Michigan (Mr. LEVIN), the Senator from Connecticut (Mr. LIEBERMAN), the Senator from Georgia (Mr. MILLER), the Senator from Nebraska (Mr. NELSON), the Senator from West Virginia (Mr. ROCKEFELLER), the Senator from Oregon (Mr. WYDEN), the Senator from Iowa (Mr. HARKIN), the Senator from Washington (Ms. CANTWELL), the Senator from Hawaii (Mr. AKAKA), the Senator from Montana (Mr. BAUCUS), the Senator from New Mexico (Mr. BINGAMAN), the Senator from North Dakota (Mr. DORGAN), the Senator from Illinois (Mr. DURBIN), the Senator from Wisconsin (Mr. FEINGOLD), the Senator from California (Mrs. FEINSTEIN), the Senator from Florida (Mr. GRAHAM), the Senator from South Carolina (Mr. HOLLINGS), and the Senator from Arkansas (Mrs. LINCOLN) were added as cosponsors of S. 565, a bill to establish the Commission on Voting Rights and Procedures to study and make recommendations regarding election technology, voting, and election administration, to establish a grant program under which the Office of Justice Programs and the Civil Rights Division of the Department of Justice shall provide assistance to States and localities in improving election technology and the administration of Federal elections, to require States to meet uniform and nondiscriminatory election technology and administration requirements for the 2004 Federal elections, and for other purposes.

S. 580

At the request of Mr. HUTCHINSON, the name of the Senator from New Hampshire (Mr. SMITH) was added as a cosponsor of S. 580, a bill to expedite the construction of the World War II memorial in the District of Columbia.

S. 627

At the request of Mr. NELSON of Florida, his name was added as a cosponsor of S. 627, a bill to amend the Internal Revenue Code of 1986 to allow individuals a deduction for qualified long-term care insurance premiums, use of such insurance under cafeteria plans and flexible spending arrangements, and a credit for individuals with long-term care needs.

S. 690

At the request of Mr. WELLSTONE, the name of the Senator from Hawaii (Mr. INOUYE) was added as a cosponsor of S. 690, a bill to amend title XVIII of the Social Security Act to expand and improve coverage of mental health services under the medicare program.

S. 724

At the request of Mr. BOND, the name of the Senator from Louisiana (Ms. LANDRIEU) was added as a cosponsor of S. 724, a bill to amend title XXI of the Social Security Act to provide for coverage of pregnancy-related assistance for targeted low-income pregnant women.

S. 742

At the request of Mr. NELSON of Florida, his name was added as a cosponsor of S. 742, a bill to provide for pension reform, and for other purposes.

S. 756

At the request of Mr. CRAIG, his name was added as a cosponsor of S. 756, a bill to amend the Internal Revenue Code of 1986 to extend and modify the credit for electricity produced from biomass, and for other purposes.

S. 775

At the request of Mrs. LINCOLN, the name of the Senator from New Mexico (Mr. BINGAMAN) was added as a cosponsor of S. 775, a bill to amend title XVIII of the Social Security Act to permit expansion of medical residency training programs in geriatric medicine and to provide for reimbursement of care coordination and assessment services provided under the medicare program.

S. 778

At the request of Mr. HAGEL, the name of the Senator from New Jersey (Mr. CORZINE) was added as a cosponsor of S. 778, a bill to expand the class of beneficiaries who may apply for adjustment of status under section 245(i) of the Immigration and Nationality Act by extending the deadline for classification petition and labor certification filings.

S. 828

At the request of Mr. LIEBERMAN, the name of the Senator from Virginia (Mr. ALLEN) was added as a cosponsor of S. 828, a bill to amend the Internal Revenue Code of 1986 to allow a credit against income tax for certain energy-efficient property.

S. 829

At the request of Mr. BROWNBACK, the names of the Senator from Louisiana (Mr. BREAUX), the Senator from Massachusetts (Mr. KENNEDY), and the Senator from Michigan (Mr. LEVIN) were added as cosponsors of S. 829, a bill to establish the National Museum of African American History and Culture within the Smithsonian Institution.

S. 830

At the request of Mr. CHAFEE, the names of the Senator from Minnesota (Mr. DAYTON) and the Senator from Mississippi (Mr. COCHRAN) were added as cosponsors of S. 830, a bill to amend the Public Health Service Act to authorize the Director of the National Institute of Environmental Health Sciences to make grants for the development and operation of research centers regarding environmental factors that may be related to the etiology of breast cancer.

S. 838

At the request of Mr. DEWINE, the names of the Senator from Maryland (Ms. MIKULSKI), the Senator from Tennessee (Mr. FRIST), and the Senator from Vermont (Mr. JEFFORDS) were added as cosponsors of S. 838, a bill to amend the Federal Food, Drug, and Cosmetic Act to improve the safety and efficacy of pharmaceuticals for children.

S. 839

At the request of Mrs. HUTCHISON, the name of the Senator from Mississippi (Mr. COCHRAN) was added as a cosponsor of S. 839, a bill to amend title XVIII of the Social Security Act to increase the amount of payment for inpatient hospital services under the medicare program and to freeze the reduction in payments to hospitals for indirect costs of medical education.

S. 847

At the request of Mr. DAYTON, the names of the Senator from New York (Mr. SCHUMER), the Senator from New York (Mrs. CLINTON), and the Senator from Pennsylvania (Mr. SPECTER) were added as cosponsors of S. 847, a bill to impose tariff-rate quotas on certain casein and milk protein concentrates.

S. 853

At the request of Mr. NELSON of Florida, his name was added as a cosponsor of S. 853, a bill to amend the Internal Revenue Code of 1986 to reduce the marriage penalty by providing a nonrefundable dual-earner credit and adjustment to the earned income credit.

S. 862

At the request of Mrs. FEINSTEIN, the name of the Senator from Illinois (Mr. DURBIN) was added as a cosponsor of S. 862, a bill to amend the Immigration and Nationality Act to authorize appropriations for fiscal years 2002 through 2006 to carry out the State Criminal Alien Assistance Program.

S. 877

At the request of Mr. NELSON of Florida, the name of the Senator from California (Mrs. BOXER) was added as a cosponsor of S. 877, a bill to amend the Agricultural Marketing Act of 1946 to require that a warning label be affixed to arsenic-treated wood sold in the United States.

S. 880

At the request of Mr. DEWINE, the name of the Senator from Maine (Ms. COLLINS) was added as a cosponsor of S. 880, a bill to amend title XVIII of the Social Security Act to provide adequate coverage for immunosuppressive drugs furnished to beneficiaries under the medicare program that have received an organ transplant, and for other purposes.

S. 881

At the request of Mr. HATCH, the name of the Senator from Vermont (Mr. LEAHY) was added as a cosponsor of S. 881, a bill to amend the Taxpayer

Relief Act of 1997 to provide for consistent treatment of survivor benefits for public safety officers killed in the line of duty.

S. 882

At the request of Ms. MIKULSKI, the name of the Senator from Mississippi (Mr. COCHRAN) was added as a cosponsor of S. 882, a bill to amend title II of the Social Security Act to provide that a monthly insurance benefit thereunder shall be paid for the month in which the recipient dies, subject to a reduction of 50 percent if the recipient dies during the first 15 days of such month, and for other purposes.

S. 884

At the request of Mr. DOMENICI, the name of the Senator from Arizona (Mr. KYL) was added as a cosponsor of S. 884, a bill to improve port-of-entry infrastructure along the Southwest border of the United States, to establish grants to improve port-of-entry facilities, to designate a port-of-entry as a port technology demonstration site, and for other purposes.

S. 885

At the request of Mr. HUTCHINSON, the name of the Senator from Maine (Ms. COLLINS) was added as a cosponsor of S. 885, a bill to amend title XVIII of the Social Security Act to provide for national standardized payment amounts for inpatient hospital services furnished under the medicare program.

S. RES. 57

At the request of Mr. BOND, the names of the Senator from Louisiana (Ms. LANDRIEU) and the Senator from Oregon (Mr. SMITH) were added as cosponsors of S. Res. 57, a resolution to express the sense of the Senate that the Federal investment in programs that provide health care services to uninsured and low-income individuals in medically under-served areas be increased in order to double access to care over the next 5 years.

S. RES. 71

At the request of Mr. HARKIN, the names of the Senator from Maine (Ms. COLLINS) and the Senator from Montana (Mr. BAUCUS) were added as cosponsors of S. Res. 71, a resolution expressing the sense of the Senate regarding the need to preserve six day mail delivery.

S. RES. 88

At the request of Mr. KENNEDY, the names of the Senator from Pennsylvania (Mr. SPECTER) and the Senator from Vermont (Mr. JEFFORDS) were added as cosponsors of S. Res. 88, a resolution expressing the sense of the Senate on the importance of membership of the United States on the United Nations Human Rights Commission.

S. RES. 90

At the request of Mr. GRAHAM, the names of the Senator from Maine (Ms. COLLINS), the Senator from Texas (Mrs. HUTCHISON), and the Senator from Missouri (Mrs. CARNAHAN) were added as cosponsors of S. Res. 90, a resolution designating June 3, 2001, as ''National Child's Day.''

S. CON. RES. 35

At the request of Mr. SCHUMER, the names of the Senator from Michigan (Mr. LEVIN), the Senator from Wisconsin (Mr. KOHL), and the Senator from New Jersey (Mr. CORZINE) were added as cosponsors of S. Con. Res. 35, a concurrent resolution expressing the sense of Congress that Lebanon, Syria, and Iran should allow representatives of the International Committee of the Red Cross to visit the four Israelis, Adi Avitan, Binyamin Avraham, Omar Souad, and Elchanan Tannenbaum, presently held by Hezbollah forces in Lebanon.

AMENDMENT NO. 649

At the request of Mr. ENZI, the name of the Senator from Idaho (Mr. CRAPO) was added as a cosponsor of amendment No. 649.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. ENZI:

S. 906. A bill to provide for protection of gun owner privacy and ownership rights, and for other purposes; to the Committee on the Judiciary.

Mr. ENZI. Mr. President, I rise to announce the introduction of legislation that would make a technical correction to Chapter 44 of title 18 of the United States Code which would ensure that the rights of law-abiding gun owners are not further eroded by the Federal Government when it performs background checks for the purchase of firearms.

My heart goes out to the families who have suffered harm or death at the hands of persons who have chosen to break State and Federal gun statutes. There is no excuse for violence. When one citizen suffers the effects of violence, all of America should be outraged and should demand the violation be prosecuted to the full extent of the law.

Unfortunately, many people have lost sight of the reason for these tragedies, and rather than focusing on preventing further gun violence by working to resolve the violent nature of modern society, the debate over gun control has deteriorated into an argument over ways to punish law-abiding citizens for the criminal actions of others. This leaves us far too often confronted with legislation that attempts to make people feel safer without providing any real security.

Because of the extreme seriousness that surrounds incidents of gun violence, and because of the deep grief and horror that accompanies those times when the value of a human life is taken so lightly, I cannot in good faith support any legislation that makes empty promises and then does nothing to protect America's children.

Events during the past two years clearly show that no number of laws or statutes will protect our children if those laws are not enforced. The key to curbing gun violence is stricter enforcement of existing laws and teaching our children that it is wrong to kill.

No legislative action in the world will keep anyone safe if it is not enforced. By that same token, taking away the rights of law-abiding citizens does nothing to protect America's children from the illegal ownership or use of a firearm. As in all social problems, the solution to ending gun violence lies in addressing the cause of the disease and not in picking away at its symptoms. Moral and social changes must take place throughout the nation. People must become more involved in their communities. Parents must become more involved in the lives of their children. Our society must reinforce the importance of treating others as you would like to be treated yourself.

The legislation I am introducing today would correct a misguided oversight that has occurred in the enforcement of the background check requirements by first, prohibiting the Federal Government from imposing a tax on federally mandated background checks conducted for the transfer of a firearm; second, it would require law enforcement agencies who conduct background checks to immediately destroy the records of those firearm purchasers who, as a result of the background check, are determined to be a legal purchaser; and finally, it imposes civil penalties for Federal agencies who fail to comply with this requirement.

The United States stands out as the example of democracy and freedom for the rest of the world. We hold this position because of our unswerving dedication to the Constitution, and to a Federal court system that has diligently worked to uphold the individual rights created by that historic document. This legislation makes it possible for law enforcement agencies to prevent conflicts that have arisen between an individual's right to privacy and an enumerated right to own a firearm. These conflicts have arisen as a result of a bad policy decision that allows Federal agencies to hold onto background check records for up to 90 days for ''Internal Audit'' reasons. Because of an inability to monitor what agencies do with those records during that time, the immediate record destruction requirement is absolutely necessary to prevent abuses that could place the rights of our citizens in further conflict. Once again, this does not apply to persons whose background checks show they are attempting to illegally purchase a firearm but only applies to law-abiding citizens whose background checks demonstrate that they can legally purchase a firearm.

The underlying background check statute that this legislation amends authorizes federal agencies to conduct background searches for one reason and one reason only, to determine if the applicant can legally purchase a firearm. Once that purpose has been fulfilled there is no further authorization to retain the records of legal and

law-abiding gun purchasers for any other agency actions.

I realize that the question over the rights of gun ownership is an emotional issue for many people on both sides of the debate, but until the United States Constitution is overridden and our citizens' rights to own a gun are taken away, then our Federal agencies have no authority to impede or prevent law-abiding citizens from purchasing or possessing legally-acquired firearms. This legislation would retain those rights and restore equity to the implementation of the firearm background check statute.

By Mrs. CARNAHAN:

S. 907. A bill to amend the Internal Revenue Code of 1986 to encourage the use of ethanol and the adoption of other forms of value-added agriculture, and for other purposes; to the Committee on Finance.

Mrs. CARNAHAN. Mr. President, things are happening fast in the value-added agriculture industry, and I'm pleased that Missouri is leading the way in establishing innovative, value-added enterprises that will help our farm economy prosper.

By encouraging new economic opportunities that add value to crops, we can help improve the economic stability of our family farms.

While value-added agriculture can take many forms, a prime example is ethanol production. Increased ethanol production is not only exciting because it can be farmer-owned and farmer-driven, but because it will create a cleaner-burning fuel that stands to improve air quality.

Ethanol production has become increasingly important as cities across the nation strive to fight smog and meet federal clean air standards. Hundreds of Missouri gas stations in the St. Louis area have begun dispensing reformulated gasoline, a move that will help boost demand for ethanol. With ethanol we also have greater energy security because we are replacing oil imports with domestic sources of renewable energy.

Additional ethanol production will help provide a consistent demand for corn, which should help to improve corn prices and put more money in growers' pockets. Now more than five percent of our domestic corn production, or 550 million bushels of corn, is used every year to produce ethanol. That's especially important in times such as these when our farmers are facing critically low commodity prices.

Today, I am introducing the Investment in Value-Added Agriculture that will build on the success of programs enacted during the Carnahan administration to encourage ethanol use and other forms of value-added agriculture. My legislation updates existing federal law affecting ethanol and uses Missouri law as a model for federal legislation to encourage investments in ethanol and other value-added agribusiness.

My proposal consists of three components.

First, it would extend the ethanol motor fuel excise tax. Currently, this exemption is due to expire in 2007. My legislation would extend the exemption through 2015.

Second, the legislation would expand eligibility of the federal producer tax credit to farmer-owned cooperatives. It would also increase the production capacity limit to allow plants producing up to 60 million gallons of ethanol receive the credit.

Third, the legislation would encourage private investment in new-generation cooperatives by creating a 50 percent tax credit on investments in these enterprises. New-generation cooperatives are producer owned entities designed to add a step to the production process that adds value to crops.

With this legislation I want to continue to help farmers in Missouri and to also help farmers throughout the United States by bringing proven Missouri programs to the federal level. During my husband's gubernatorial administration, Missouri made great strides to encourage ethanol production and value-added agriculture.

To encourage ethanol production in the state, Governor Carnahan provided the initial funding for the Missouri Qualified Fuel Ethanol Producer Incentive Fund. Under the incentive fund, Missouri ethanol producers are eligible for a maximum annual grant of $3.125 million for 5 years.

Two farmer-owned ethanol plants are now operating in Missouri. Both plants utilized funds from this incentive fund.

In 1997, Missouri established a value-added grant and loan programs to help farmers process and add value to their raw commodities and earn more profit on their products. As of last year this program awarded more than $1.6 million in grants.

In addition, the Value-Added Loan Guarantee Program has issued loan guarantees for more than $1.7 million. This program offers commercial lenders added security on agricultural development loans for projects that add value to Missouri farm products.

One of Governor Carnahan's top priorities was the creation of an Agriculture Innovation Center. This Center, run out of the Missouri Department of Agriculture, serves as a one-stop shop for Missouri producers seeking help to implement creative ideas for raising, processing and marketing agricultural products.

It is my sincere hope that this legislation will help encourage adoption and investment in value-added agriculture. Value-added agriculture holds the promise of invigorating the rural landscape and keeping jobs and income in local communities.

By Mr. BROWNBACK (for himself, Mr. ALLARD, Mr. HELMS, Mr. HUTCHINSON, Mr. INHOFE, Mr. SESSIONS, and Mr. SHELBY):

S. 908. A bill to require Congress and the President to fulfill their constitutional duty to take personal responsibility for Federal laws; to the Committee on Governmental Affairs.

Mr. BROWNBACK. Mr. President, today I am introducing the Congressional Responsibility Act of 2001. The underlying principle of this legislation is that the Constitution forbids the delegation of legislative powers to any other branch of government.

Following the preamble to the Constitution, Article I, Section 1 begins: ''All legislative powers herein granted shall be vested in a Congress.'' The Founders clearly believed that this included the power to regulate, as they had noted John Locke's wise admonition that, ''the legislative [branch] cannot transfer the power of making law to any other hands.'' They understood that if this transfer did occur, legislators would no longer be responsible for the laws that government imposes on the people.

Throughout the late eighteenth century and the entire nineteenth century, in fact for the first 150 years of our republic, the Supreme Court held that the transfer of legislative powers to another branch of government was unconstitutional. Unfortunately, in the late 1920's a radical break with the Constitution, and established precedent in previous Supreme Court rulings, occurred with the landmark case, J.W. Hampton, Jr. & Co. v. United States. This was, essentially, a ruling in favor of political expediency, and it started Congress down a slippery slope. Since the Hampton case, Congress has ceded its basic legislative responsibilities to executive branch agencies that craft and enforce regulations, which have the full force of law.

Consequently, our constituents can be taxed, fined, and even imprisoned without any congressional action. This is unjust. The Founders purposefully designed the Congress to be the most accountable branch of government, but Congress has grown increasingly irresponsible. The fundamental link between voter and lawmaker has been severed. A handful of broadly written laws has spawned a virtual alphabet soup of government agencies and an overwhelming regulatory burden that undermines the very idea of representative government. During the 106th Congress, 2,510 new rules and revisions of old rules went into effect. Of these, 75 were considered to be major rules—or rules with an impact of $100 million or more. The case has become so egregious that many regulatory analysts believe more consequential law is generated in the executive branch than in the legislative branch.

The bottom line is that the executive branch has assumed the law-making authority given to the Congress. This is wrong.

The Congressional Responsibility Act would restore the constitutional responsibility of the Congress over the formulation of all laws by making executive branch agencies accountable to the American people through their elected representatives in Congress. In

short, it would return power to Congress, and ultimately it would return power to the people who elect us.

Under the Congressional Responsibility Act all rules and regulations would have to come before the Congress prior to being enacted into law. Congress would then be required to have an up or down vote on the proposed rule or regulation before it could take effect. The bill provides for consideration of rules and regulations in an expedited manner, unless a majority of Members vote to send it through the normal legislative process. Under the bill, if Congress did not take action on the rule, then it would die by default. This approach not only puts Congress back in control of the legislative process, it also ends the horrendous practice of delegation without representation—and it makes Congress accountable for the laws that affect the lives of every American. It is about returning power, responsibility and authority back to Congress.

This non-partisan, ideologically neutral concept was first offered by then Judge Stephen Breyer who wrote that we should end delegation as a means to satisfy ''the literal wording of the Constitution's bicameral and presentation clauses.'' The concept offered in the Congressional Responsibility Act also takes into account the Supreme Court's 1983 decision in INS v. Chadha, which held a one-house veto to be unconstitutional. Other supporters of this concept include Judge Robert Bork; David Schoenbrod, a professor at New York Law School; and numerous other constitutional scholars.

The Constitution suffered greatly in the twentieth century. Now, at the beginning of the twenty-first century, we have a tremendous opportunity to restore the Constitution to its rightful preeminence as the guarantor of our freedoms, the protector of our liberties, and the guiding force for our form of government.

Delegation of legislative powers is as wrong today as taxation without representation was in the 1700s. With enactment of this legislation, we will send a clear message to the bureaucrats in Washington and to the American people at home: Congress must not delegate its constitutionally-granted powers.

Mrs. LINCOLN. Mr. President, the Wildlife Services Division of the United States Department of Agriculture needs assistance in expediting proper bird management activities. I am here today to introduce legislation that accomplishes this goal.

Proper migratory bird management is important to the State of Arkansas for a number of reasons. We are deemed ''The Natural State'' due to the numerous outdoor recreational opportunities that exist in the State. Fishing, hunting, and bird watching opportunities abound throughout Arkansas. Maintaining proper populations of wildlife, especially migratory birds, is essential for sustaining a balanced environment.

In Arkansas, aquaculture production has taken great strides in recent years. The catfish industry in the State has grown rapidly and Arkansas currently ranks second nationally in acreage and production of catfish. The baitfish industry is not far behind, selling more than 15 million pounds of fish annually, with a cash value in excess of $43 million. I have been a great supporter of this industry since my days in the House of Representatives and I am concerned about the impact the double breasted cormorant is having on this industry. In the words of one of my constituents, ''The double-crested cormorant has become a natural disaster!'' I am pleased that the Fish and Wildlife Service has agreed to develop a national management plan for the double breasted cormorant and I am hopeful that an effective management program will be the result of these efforts.

One of my top priorities since coming to Congress in 1992 has been to work to make government more efficient and effective. To specifically address what I see as an inequity among government agencies regarding this issue, I am introducing a bill today that gives Wildlife Service employees as much authority to manage and take migratory birds as any U.S. Fish and Wildlife Service employee. After all, Wildlife Services biologists are professional wildlife managers providing the front line of defense against such problems. With this legislation I would like to recognize the excellent job that Wildlife Services has done and is doing for bird management.

Currently, USDA-Wildlife Services is required to apply for and receive a permit from the U.S. Fish and Wildlife Service before they can proceed with any bird collection or management activities. This process is redundant and unnecessary. Oftentimes, Wildlife Services finds that by the time a permit arrives, the birds for which the permit was applied for are already gone. I hope that this legislation will lead to a more streamlined effort for management purposes and I urge both agencies, USDA and the Fish and Wildlife Service, to work together to accomplish this goal.

I would like to thank my colleague from Arkansas, Senator Tim Hutchinson, for joining me in this effort and look forward to working with my colleagues to ensure that government is operating efficiently.

By Mr. ROCKEFELLER (for himself, Mr. DAYTON and Mr. WELLSTONE):

S. 910. A bill to provide certain safeguards with respect to the domestic steel industry; to the Committee on Finance.

Mr. ROCKEFELLER. Mr. President, today I introduce the Save the American Steel Industry Act of 2001. As you know, the domestic steel industry is currently faced with the most devastating crisis in its history, one that could lead to its decimation if the Administration fails to initiate action under Section 201 of our trade laws. Over two-thirds of our largest steelmakers have entered bankruptcy since 1997, and some analysts predict that almost half of existing U.S. steelmaking capacity may be idled by year's end if the President does not take immediate and decisive action to provide the industry with desperately needed relief. The surge of dumped, subsidized, and disruptive imports that was initially triggered by the onset of the Asian financial crisis has not abated, but has in fact worsened over the past few months. Steel prices have plummeted over the last 3 years, with no hopes of rebounding, and an additional five U.S. steel companies entered Chapter 11 in the first 4 months of this year, with more certain to follow absent Presidential action on Section 201.

My State has two major steel facilities, one owned by Weirton and the other by Wheeling-Pittsburgh. Wheeling-Pitt is in bankruptcy and Weirton is struggling. Thousands of jobs and two important communities in a small, relatively poor State are threatened. It is a situation that is all too common in the American steel belt, and one that demands immediate attention.

Throughout the steel belt, tens of thousands of jobs are at stake; more than 20,000 have already been lost. Hundreds of communities are endangered. Billions of dollars in wages and shareholder value are threatened. Most alarming, our national security is threatened. Unless we act decisively, the United States could soon be as dependent on foreign steel as we are on foreign oil. We are facing a permanent loss of capacity that has the potential to harm every heavy industry in this country, including automakers, defense contractors and, in my home State of West Virginia, aerospace companies.

For some time now, I have advocated consolidation as one of the best ways to ensure the survival of the domestic steel industry in the face of this massive surge of imports. Merged companies create greater economies of scale and with their enhanced capacity and purchasing power, stand a better chance of competing against their heavily subsidized foreign competitors. While consolidation by itself will not relieve the hardships of the steel crisis for our steelworkers, their families and communities, the domestic industry can really only recover with the imposition of remedies under Section 201, I believe that it is a step in the right direction.

Unfortunately, the pace of consolidation in the domestic industry has been slowed due to companies' fears of assuming the tremendous legacy and environmental compliance costs of acquired entities. Legacy costs, in particular, are a tremendous expense for companies, as there are more retired steelworkers than steelworkers currently employed. The burden of assuming such substantial costs has acted as

a deterrent to industry consolidation, which I believe, gives our industry a much better chance of long-term survival.

The Save the American Steel Industry Act of 2001 attempts to address these concerns. Title I of the Act establishes a Steel Retiree Health Care Board in the Department of Labor to administer a newly-created Health Care Benefit Costs Assistance Program. Under the program, the board will contribute funds to eligible steelworker group health plans equal to 75 percent of the qualified expenditures of such plans. The funds will be allocated from a Steelworker Retiree Health Care Trust Fund in the U.S. Treasury financed by a 2 percent Federal excise tax on all steel products sold in the United States.

Title I is critical, because by some estimates, 10 percent of the cost of steel in the U.S. consists of payments to pension and retiree health care funds for workers laid off in the 70's and 80's. This new fund would be accessible to all steel companies providing health insurance to retirees and, as the pool of affected retirees declines, the tax will be reduced. In the meantime, U.S. companies will be at less of a disadvantage against competitors whose governments pick up the tab for health care and retirement costs.

Title II of the Act allows merged companies to apply for grants of up to $200 million from the Commerce Department to help cover the costs of compliance with applicable environmental regulations. The Secretary of Commerce can only provide grants after it is determined that the merger promotes maximum retention of jobs and production capacity consistent with long-term viability. Specifically, at least 80 percent of the steelworkers employed by the merging companies, including a minimum 50 percent of steelworkers employed by the acquired company, must be retained to qualify for a grant. At least 80 percent of the steelmaking facilities of each party must be retained. The Act provides for substantial penalties if a company receiving a grant subsequently violates these thresholds.

Together, these two actions could make a tremendous difference for many domestic steel mills, especially small and mid-sized operations by providing incentives for domestic steel companies to consider joining forces. The Health Care Benefit Costs Assistance Program proposed under Title I makes mergers more likely by ensuring that a large portion of legacy costs inherited in consolidation plans would be covered by the Federal Government. By providing domestic steelmakers with substantial funds to bring merged facilities into compliance with environmental laws, Title II of the bill provides further incentives for consolidation. At the same time, Title II ensures that steelworkers and their families are not sacrificed in the merger process by requiring that most jobs and production capacity are retained and by heavily penalizing companies that receive funding and subsequently do not stick to the agreement.

The American steel industry has earned the respect and consideration of this body as an industry that took some very tough medicine not so very long ago. During the first steel crisis, the U.S. steel industry got very little sympathy. As the first great wave of imports washed across our coasts, the industry was told that it was too old, too inefficient, and too unresponsive to save.

But rather than walk away, the American steel industry put itself through a wrenching, and almost miraculous revitalization, transforming century-old mills into miracles of modern production. No steel industry on earth gets more production per man hour than the U.S. industry. None has a cleaner environmental record. No one has been faster or more effective at integrating computer technology into its production.

And yet, having done that, the industry finds itself threatened again—not by better steelmakers, but by subsidized producers. Companies who have the support of their governments are taking advantage of our traditional commitment to trade, to dump steel on a saturated market. Their competitive advantage lies in their government support, and not their manufacturing skill. It is not fair. It is not just. And I don't believe that our Government should stand by idly and let the painful years and billions of dollars our steel industry invested be stolen away by companies who do not play by the rules.

The Save the American Steel Industry Act of 2001 represents the first step in the Federal Government's commitment to ensuring that the United States maintains our basic steelmaking capacity. While I do not believe that the industry can survive without a comprehensive Section 201 action on all steel products and ultimately, negotiation of a multilateral steel agreement with our trading partners to address the foreign overcapacity problem, this act provides greater incentives for domestic steel companies to consider consolidation, which, I believe, substantially enhances their chances of survival in today's increasingly turbulent steel marketplace. Failure to act now, in this Congress, would be a grave mistake.

By Mr. SMITH of Oregon (for himself and Mr. BAUCUS):

S. 911. A bill to reauthorize the Endangered Species Act of 1973; to the Committee on Environment and Public Works.

Mr. SMITH of Oregon. Mr. President, on Monday, May 7, I traveled once again to Klamath Falls, OR, to address a rally of more than 15,000 people. They came to show their support for the farmers, farm workers, small business owners and local officials in the Upper Klamath River Basin who were devastated by the April 6 Bureau of Reclamation announcement that the agency would deliver no water to most of the agricultural lands that have always received irrigation water from the federal project.

This decision is expected to cost the local economy between two hundred fifty million and three hundred million dollars. This is an area that has already been hurt economically by the significant reduction in the Federal timber sale program, and was further harmed when the Federal roadless policy precluded a proposed ski area that would have brought jobs and tourism dollars to the local community.

This crisis highlights many of the current problems with the administration of the Endangered Species Act. We are managing the water resources in this basin for two fish species, at the expense of all other wildlife, including bald eagles. We are foregoing water deliveries to refuges that are a critical component of the western flyway in order to triple the water we are sending down the river for fish. We are also forgetting our human stewardship, and to date have failed to provide assistance to the farmers and ranchers who are facing economic ruin over this water allocation decision.

You cannot look in the faces of those honest, hard-working farmers and ranchers, as I have, and believe that this situation is just or reasonable. You cannot see the anxiety on the faces of children who don't understand what is happening, or why a fish is more important than their family, and not be moved to action.

That is why, to begin a meaningful dialogue on the Endangered Species Act, I am introducing the ''Endangered Species Recovery Act of 2001.'' This bill is almost identical to legislation that was reported out of the Senate Environment and Public Works Committee in the 105th Congress by a vote of fifteen to three. Those voting in favor were Senators ALLARD, BAUCUS, BOND, Chafee, GRAHAM, HUTCHISON, INHOFE, Kempthorne, Moynihan, REID, SESSIONS, SMITH of New Hampshire, THOMAS, WARNER, and WYDEN. The bill was supported by the Western Governors' Association, and incorporates the recommendations which that Association, the National Governors' Association and the International Association of Fish and Wildlife Agencies sent to the Congress in 1995.

If enacted, this bill would do a better job of recovering species, while addressing the legitimate concerns of property owners or others affected by the Endangered Species Act. While increasing public participation, this legislation significantly strengthens the recovery planning process and creates new tools to ensure that recovery plans are implemented. The bill also streamlines the consultation process and provides significant new incentives for property owners to preserve and restore habitat for listed species.

I remain committed to enhancing our environmental stewardship. But right now, we have a situation where over 1,100 species have been listed under the existing Act, and less than two dozen have been delisted. Litigation is consuming far too much of the time and resources of federal agencies that could be better spent actually recovering species.

The time has come to admit that there must be a better way to protect wildlife. I hope that this will be the beginning of a bipartisan dialogue that results in effective improvements in the Act.

In the meantime, I will continue to press for the assistance that the residents of the Klamath Falls area need to make it through this year. It has become increasingly apparent to me over the last three weeks that existing federal disaster assistance programs and crop insurance programs are simply not geared toward the type of situation we have in the Klamath Falls area. I will continue to press the Administration for an assistance package that will provide meaningful relief to these families.

By Ms. MIKULSKI (for herself and Mrs. HUTCHISON):

S. 912. A bill to amend title 38, United States Code, to increase burial benefits for veterans; to the Committee on Veterans' Affairs.

Ms. MIKULSKI. Mr. President, I rise to introduce the Veterans Burial Benefits Improvement Act of 2001. I am pleased that my colleague, Senator HUTCHISON, joins me in introducing this legislation today.

During the upcoming Memorial Day holiday, we will honor our U.S. soldiers who died in the name of their country. These service men and women are America's true heros and on this day we pay tribute to their courage and sacrifice. Some have given their lives for our country. All have given their time and dedication to ensure our country remains the land of the free and the home of the brave. We owe a special debt of gratitude to each and every one of them.

This holiday serves as an important reminder that our nation has a sacred commitment to honor the promises made to soldiers when they signed up to serve our country. As the Ranking Member of the Senate Appropriations Subcommittee that funds veterans programs, I fight hard to make sure promises made to our service men and women are promises kept. These promises include access to quality, affordable health care and a proper burial for our veterans.

I am deeply concerned that the Federal Government has not increased veterans' burial benefits for the families of our wounded or disabled veterans in over a decade. We are losing over 1,100 World War II veterans each day, but Congress has failed to increase veterans' burial benefits to keep up with rising costs and inflation. While these benefits were never intended to cover the full costs of burial, they now pay for only a fraction of what they covered in 1973, when the Federal Government first started paying burial benefits for our veterans.

That's why I am introducing the Veterans Burial Benefits Improvement Act. This bill will increase burial benefits to cover the same percentage of funeral costs as they did in 1973. It will also provide for these benefits to be increased annually to keep up with inflation.

In 1973, the service-connected benefit payed for 72 percent of veterans' funeral costs. But this benefit has not been increased since 1988, and it now covers just 29 percent of funeral costs. My bill will increase the service-connected benefit from $1,500 to $3,713, bringing it back up to the original 72 percent level.

In 1973, the non-service connected benefit payed for 22 percent of funeral costs. It has not been increased since 1978, and today it covers just 6 percent of funeral costs. My bill will increase the non-service connected benefit from $300 to $1,135, bringing it back up to the original 22 percent level.

In 1973, the plot allowance payed for 13 percent of veterans' funeral costs. This benefit has never been increased, and it now covers just 3 percent of funeral costs. My bill will increase the plot allowance from $150 to $670, bringing it back up to the original 13 percent level.

Finally, the Veterans Burial Benefits Improvement Act will also ensure that these burial benefits are adjusted for inflation annually, so veterans won't have to fight this fight again.

This legislation is just one way to honor our nation's service men and women. I want to thank the millions of veterans, Marylanders, and people across the Nation for their patriotism, devotion, and commitment to honoring the true meaning of Memorial Day. U.S. soldiers from every generation have shared in the duty of defending America and protecting our freedom. For these sacrifices, America is eternally grateful.

I ask unanimous consent that the text of the bill and a letter from several veterans advocacy groups supporting it, be printed in the RECORD.

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

S. 912

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 ''Veterans Burial Benefits Improvement Act of 2001''.

SEC. 2. INCREASE IN BURIAL BENEFITS FOR VETERANS.

(a) BURIAL AND FUNERAL EXPENSES.—(1) Section 2302(a) of title 38, United States Code, is amended by striking ''$300'' and inserting ''$1,135 (as increased from time to time under section 2309 of this title)''.

(2) Section 2303(a)(1)(A) of that title is amended by striking ''$300'' and inserting ''$1,135 (as increased from time to time under section 2309 of this title)''.

(3) Section 2307 of that title is amended by striking ''$1,500,'' and inserting ''$3,713 (as increased from time to time under section 2309 of this title),''.

(b) PLOT ALLOWANCE.—Section 2303(b) of that title is amended—

(1) by striking ''$150'' the first place it and inserting ''$670 (as increased from time to time under section 2309 of this title)''; and

(2) by striking ''$150'' the second place it appears and inserting ''$670 (as so increased)''.

(c) ANNUAL ADJUSTMENT.—(1) Chapter 23 of that title is amended by adding at the end the following new section:

''§ 2309. Annual adjustment of amounts of burial benefits

''With respect to any fiscal year, the Secretary shall provide a percentage increase (rounded to the nearest dollar) in the burial and funeral expenses under sections 2302(a), 2303(a), and 2307 of this title, and in the plot allowance under section 2303(b) of this title, equal to the percentage by which—

''(1) the Consumer Price Index (all items, United States city average) for the 12-month period ending on the June 30 preceding the beginning of the fiscal year for which the increase is made, exceeds

''(2) the Consumer Price Index for the 12-month period preceding the 12-month period described in paragraph (1).''.

(2) The table of sections at the beginning of that chapter is amended by adding at the end the following new item:

''2309. Annual adjustment of amounts of burial benefits.''.

(d) EFFECTIVE DATE.—(1) Except as provided in paragraph (2), the amendments made by this section shall apply to deaths occurring on or after the date of the enactment of this Act.

(2) No adjustments shall be made under section 2309 of title 38, United States Code, as added by subsection (c), for fiscal year 2002.

THE INDEPENDENT BUDGET,
A BUDGET FOR VETERANS BY VETERANS,
Washington, DC, May 14, 2001.

Hon. BARBARA MIKULSKI,
U.S. Senate,
Washington, DC.

DEAR SENATOR MIKULSKI: We are pleased to support your proposed legislation, the Veterans Burial Benefits Improvement Act, to increase burial benefits for veterans. A meaningful increase in benefits provided by our Government to cover veterans' burial and funeral expenses is long overdue.

This proposed legislation would increase burial allowances to reflect the increasing costs of burial for veterans. Benefits would be increased to cover the same percentage of veterans' burial costs as in 1973. It would also provide for these benefits to be adjusted to cover the costs of inflation.

The Independent Budget (IB) produced by AMVETS, Disabled American Veterans, Paralyzed Veterans of America, and the Veterans of Foreign Wars fully supports an adjustment of burial allowances to reflect the increases in burial costs. The allowance for service-connected deaths was last adjusted in 1988, and the allowance for other deaths was last adjusted in 1978. Over these several years without adjustment, the value of the burial allowance has eroded. Clearly, it is time these allowances are raised to make them a more meaningful contribution to the costs of burial for our veterans.

We greatly appreciate your efforts to increase veterans burial allowances to a level that reflects the intended benefit. This proposed legislation would help ensure that our

Nation's military veterans will be buried with the dignity they deserve.

DAVID E. WOODBURY,
Executive Director, AMVETS.
KEITH W. WINGFIELD,
Executive Director, Paralyzed Veterans of America.
ROBERT E. WALLACE,
Executive Director, Veterans of Foreign War.
DAVID W. GORMAN,
Executive Director, Disabled American Veterans.

By Ms. SNOWE (for herself, Mr. ROCKEFELLER, Mr. SMITH of Oregon, and Mrs. FEINSTEIN):

S. 913. A bill to amend title XVIII, of the Social Security Act to provide for coverage under the medicare program of all oral anticancer drugs; to the Committee on Finance.

Ms. SNOWE. Mr. President, I rise today to introduce a small bill, but one with important consequences. My measure, the Access to Cancer Therapies Act, would provide coverage of all oral anticancer drugs under the Medicare program. I am pleased to be joined by Senators ROCKEFELLER, GORDON SMITH, and FEINSTEIN in introducing this measure.

As my colleagues know, there is no Medicare outpatient prescription drug benefit today. If there was, we would not need this legislation. There should be and there must be a Medicare prescription drug benefit this year. Seniors are reeling from the burden of their prescription drug expenses, and they can't defer their illnesses or their costs.

This legislation also reminds us of how crucial prescription drugs are, not only now but even more so in the future. Eight years ago, Congress created a unique Medicare drug benefit for oral anti-cancer drugs, but only if the drug is equivalent to drugs provided ''incident'' to a physician visit; for example, drugs that must be injected. At present, upwards of 95 percent of cancer drug therapy is covered by Medicare either in a physician office or in a reimbursed oral form. But in the near future as much as 25 percent of cancer drug therapy will be in the form of oral drugs that are not currently covered.

In fact, this is already happening. Today, there are about 40 oral anti-cancer drugs, but less than 10 are reimbursed by Medicare. For example, one of the most common drugs used in the treatment of breast cancer, tamoxifen, is among the drugs not currently reimbursed by Medicare.

As cancer therapy moves more toward reliance on oral drugs, Medicare coverage policy must be updated to cover the new therapies, or else even the intent of this very limited policy will be meaningless and Medicare beneficiaries will increasingly lose access to the best cancer therapies. And without this legislative change, beneficiaries will increasingly bear the burden of buying these drugs from their own pockets, which most seniors can ill afford.

Let me provide one very exciting example of an oral anti-cancer drug that illustrates both the urgency of this policy change and of enacting a Medicare prescription drug bill. Last week, the Food and Drug Administration approved a compound known as STI–571. Also known by its brand name Gleevec, this medication was approved in a record setting two and one-half months. Gleevec is used to treat one kind of leukemia and may also be effective against a rare but lethal stomach cancer.

Gleevec is the first, let me repeat, first, cancer drug to specifically address a molecular target which is not only in the cancer, but actually the cause of the cancer, according to the National Cancer Institute. More precisely, Gleevec knocks out a specific enzyme needed for the cancer to thrive. By contrast, most current cancer therapies act like a shotgun, killing both cancer and normal cells. Moreover, Gleevec is among the first fruits of three decades of research into the basic biology of cancer.

But Gleevec is not a cure, it simply arrests the cancer and returns most lab tests to normal. Patients may need to take the drug for life. And treatment is not cheap—a month's supply of Gleevec costs upwards of $2,400.

While biomedical research is providing new, more targeted, and less toxic methods of treatment through new oral anti-cancer drugs that patients can safely take in the comfort of their own homes, Medicare policy is currently unable to provide reliable access to these medications for beneficiaries with cancer.

At the very least, we must ensure all oral anti-cancer drugs are available to our seniors. The Access to Cancer Therapies Act will build on current Medicare policy by ensuring coverage of all anti-cancer drugs, whether oral or injectable, are available to Medicare beneficiaries. The Act will provide beneficiaries with access to innovative new therapies that are less toxic and more convenient, more clinically effective and more cost-effective than many currently covered treatment options. I urge my colleague to support this bill.

Mr. SMITH of Oregon. Mr. President, I have spoken many times about the importance of adding a prescription drug benefit to Medicare. There are other ways in which the Medicare program could be strengthened, for example, by upgrading for innovative medical technologies not covered under the old structure of Medicare. One example of advanced technologies that should be in use are oral anti-cancer drugs. I rise today in support of the Access to Cancer Therapies Act.

Most people would be surprised to know that all cancer therapies are covered under Medicare. This situation is due to an accident of fate. When Medicare was created in 1965, orally administered cancer drugs were completely unknown. While 90 to 95 percent of anti-cancer drug therapy is covered under Medicare Part B, this coverage is largely limited to injectable drugs that are administered incident to covered physician services. Orally administered anti-cancer drugs are only covered if they have an injectable equivalent. Currently there are only seven of these pharmaceuticals available. Researchers fully expect that in the near future, cancer care will be much more heavily based on oral drugs; while oral drugs currently make up around 5 percent of the oncology market, it is projected that they will become 25 percent or more within a decade. Continuing to exclude coverage of oral cancer medications will impose significant unnecessary cost burdens on Medicare beneficiaries, and could influence treatment decisions more on the basis of cost than quality.

The cure for cancer has long been the golden ring of medical research, eluding the grasp of even the most intrepid scientists. But today, in Oregon, we are one step close to a cure. At Oregon Health & Science University, or OHSU, in Portland, Dr. Brian Druker has discovered a treatment for a specific form of leukema—a treatment that offers hope to cancer patients everywhere. Dr. Druker's treatment, known as Gleevec, offers hope to cancer patients everywhere because it shows us how to fight cancer: at the molecular level. As Dr. Peter Kohler, President of OHSU, said: ''People have won the Nobel Prize for lesser work.''

For Dr. Druker, this was a dream that began over twenty years ago, as a medical student. He sat through a lecture on chemotherapy and thought the practice barbaric. He dreamt of the day that chemotherapy could be replaced with a more humane treatment that killed cancerous cells, but didn't ravage the body. In his research, he developed an interest in the proteins responsible for signaling cell growth. He believed these proteins were perfect targets for new therapies. In particular, he felt that BCR–ABL, an abnormal protein responsible for overproduction of white blood cells in a certain type of leukemia, was the best bet for targeted therapy.

In 1993, he came to Oregon to head up his own leukemia research lab at OHSU. It was at that point that his research really started to blossom. He began to experiment with potential treatments for chronic myelogenous leukemia, or CML. One chemical compound, STI 571, immediately showed the most promise. Clinical testing began in June 1998 and the results were nothing less than astonishing. In every case, white blood cell counts returned to normal within six weeks. ''I thought it was too good to be true,'' Druker says.

In fact, further clinical trials have shown that STI 571, now known as Gleevec, is, if anything, more effective than Dr. Druker originally thought.

Trials have been extended to 30 countries and nearly 3000 patients. Over 90 percent of those in the disease's acute, or blast, phase have seen their white blood cell counts return to normal, and one-third in the same phase have no remaining traces of leukemia. In other words, not only did Gleevec treat the leukemia symptoms, it began to eliminate the molecular basis of the disease altogether. Not surprisingly, the Food and Drug Administration last week approved Gleevec for the treatment of CML, the fastest ever approval by the FDA for an anti-cancer treatment.

Further clinical trials have shown that Gleevec is effective for a rare form of cancer known as gastrointestinal stromal tumor, or GIST. Similar to the way Gleevec inhibits the BCR–ABL protein that is found in nearly all CML sufferers, Gleevec also appears to inhibit the so-called KIT protein that is prevalent in most gastrointestinal tumor patients. Trials are also planned or already underway to test Gleevec on brain tumors and soft tissue sarcoma. As Dr. Druker says, Gleevec is unlikely to be a cure for every form of cancer. Nevertheless, it does provide a road map. The important step is to find the molecular defect that underlies each form of cancer and target it for therapy. And with the completion of the Human Genome Project, the information to help find those molecular defects is now available.

The discovery of Gleevec secures Dr. Druker's reputation as one of the foremost scientists of his generation, and may well put him in line for that Nobel Prize mentioned by Dr. Kohler. But it also symbolizes the growing strength of the Oregon Cancer Institute at OHSU. The institute is relatively new, but that hasn't hindered it from having a large impact on the field. That's a testament to the high intellectual caliber of the staff there. As Dr. Grover Bagby, director, points out: the Oregon Cancer Institute was founded on the principle of fighting cancer at the molecular level. And thanks to Dr. Druker, fighting cancer at the molecular level is now the guiding principle for cancer researchers everywhere.

As I said at the beginning of my remarks, the cure for cancer has long been the golden ring of medical research. Yet today, thanks to the work of Dr. Druker and others at OHSU, cures for cancer are at hand. This is a proud day for medical research, and a proud day for Oregon.

Passage of the Access to Cancer Therapies Act would give hope to Oregonians such as Jim Underwood, a Medicare beneficiary in Oregon in the last stages of leukemia. Because Medicare does not currently cover oral cancer treatments, many patients like Jim Greenwood may not benefit form the most innovative, appropriate cancer fighting technologies. I urge my colleagues on both sides of the aisle to move quickly to pass the Access to Cancer Therapies Act so that all Medicare beneficiaries can have access to the most technologically advanced medications available and appropriate for their conditions.

Mrs. FEINSTEIN. Mr. President. I am pleased today to join as an original sponsor with Senators SNOWE, SMITH and ROCKEFELLER, a bill to provide Medicare coverage of cancer drugs.

More than 8 million Americans require some form of cancer care: 1.2 million of these are newly diagnosed patients; some are already on treatment; some need follow-up care. Over half a million people will die from cancer this year.

Medicare, generally, does not cover cancer drugs. This bill will provide that coverage.

Providing Medicare coverage of cancer drugs is particularly important in light of a promising new class of drugs that are becoming available. One of those drugs is Gleevec, formerly known as STI 571.

I am greatly heartened by the news that on May 10 the Food and Drug Administration approved Gleevec for the treatment of chronic myelogenous leukemia. Gleevec is revolutionary because it can precisely target the dysfunctional proteins that cause this cancer and it can disable cancer cells to the point that they are metabolically inactivated with 12 hours of administering the drug.

Furthermore, Gleevec does not destroy the ''good'' cells, as other treatments do. It helped over 90 percent of patients in clinical trials and holds great promise for other cancers. Scientists say this drug is the wave of the future.

Not only is this drug highly medically effective, it is cost-effective. Gleevec is expected initially to cost around $25,000 annually. While that is a high price, in my view, the other alternative, or standard treatment for this kind of leukemia, is a bone marrow transplant. Bone marrow transplants cost on average $250,000 per procedure. So this drug will be cheaper than the conventional treatment.

Sixty percent of cancer cases occur among people over age 65, a number that will grow as the American population ages, so Medicare is a major payer of cancer care. Cancer therapies have evolved to the point where most cancer care is delivered on an outpatient basis, not in a hospital.

In terms of Medicare, oral, outpatient, prescription cancer drugs are currently covered by Medicare only if the drugs have the same active ingredient as the equivalent injectable cancer drug. This means that very few cancer drugs are covered.

No one really knows how much Medicare patients pay out-of-pocket for cancer drugs, but according to the Institute of Medicine, ''available evidence suggests that it is substantial.'' One study found that Medicare covered 83 percent of typical charges for lung cancer and 65 percent of typical charges for breast cancer. Out-of-pocket expenses ranged from less than $100 to near $4,000. One-third of Medicare beneficiaries have private insurance that covers the prescription drugs that Medicare does not cover. Even if beneficiaries have private drug coverage, that coverage often has high deductibles and other limits so that beneficiaries still have high out of pocket expenses.

The bill we are introducing today addresses just part of the problem. Clearly, we must work for a comprehensive Medicare drug benefit for all illnesses and we must work to improve private health insurance coverage.

The cost of delivering cancer care is $50 billion a year, says the National Cancer Institute. These are costs that we can reduce and this bill is one step.

I hope that by expanding Medicare coverage to cover cancer drugs we can garner support for broader coverage, we can encourage drug companies to make many more new drugs and we can give hope to millions who suffer from cancer.

I urge my colleagues to support this bill.

By Mrs. BOXER (for herself, Mr. REID, and Mr. BAUCUS):

S. 914. A bill to designate the United States courthouse located at 95 Seventh Street in San Francisco, California, as the ''James R. Browning United States Courthouse''; to the Committee on Environment and Public Works.

Mrs. BOXER. Mr. President, I am introducing legislation today to name the courthouse at 95 Seventh Street in San Francisco, CA as the ''James R. Browning United States Courthouse.''

Judge Browning was appointed to the court by President Kennedy and has spent 40 years as a circuit judge on the Court of Appeals for the Ninth Circuit. For twelve of those years, he served as Chief Judge. As chief judge, Judge Browning reorganized and modernized the administration of the Ninth Circuit. Now, he is on Senior Status.

He is originally from Montana and graduated from Montana State University in 1938 and from Montana University Law School in 1941, achieving the highest scholastic record in his class and serving as editor-in-chief of the law review. Before being appointed to the Court, Judge Browning served in the U.S. Army and worked for Department of Justice and in private practice.

I can think of no more appropriate honor for Judge Browning than to place his name on the courthouse building where he has worked for 40 years.

STATEMENTS ON SUBMITTED RESOLUTIONS

SENATE CONCURRENT RESOLUTION 38—RECOGNIZING THE FOUNDING OF THE ALLIANCE FOR REFORM AND DEMOCRACY IN ASIA, AND FOR OTHER PURPOSES

Mr. MCCONNELL (for himself, Mr. HELMS, Mrs. FEINSTEIN, and Mr. LEAHY) submitted the following concurrent resolution; which was referred to the Committee on Foreign Relations:

S. CON. RES. 38

Whereas authoritarian governments in Asia deny their citizens basic freedoms of belief, speech, and association, and engage in intimidation and other human rights abuses designed to ensure that political opposition to those governments is nonexistent or weak;

Whereas established and emerging democracies in Asia offer hope and inspiration to democrats and reformers across the region;

Whereas democracy activists in Asia are firmly committed to advancing democracy, human rights, good governance, and the rule of law, often at great personal risk;

Whereas leading democrats and reformers created the Alliance for Reform and Democracy in Asia (referred to in this Resolution as ARDA) in Bangkok, Thailand, on October 8, 2000, as a broad-based, nonviolent movement to encourage and accelerate the march of democracy in Asia;

Whereas the members of the ARDA have rejected as false any definition of ''Asian values'' that does not include respect for human rights, democracy, freedom, and good governance;

Whereas the members of the ARDA have pledged in a declaration of unity to promote democracy, human rights, and the rule of law in Asia;

Whereas the members of the ARDA support each other through words and deeds in times of political crisis;

Whereas the members of the ARDA have frequently met to reaffirm their collective commitment to democracy, the rule of law, and human rights, most recently in Taiwan and Mongolia; and

Whereas Congress recognizes that the establishment of democratic governments in Asia is vital to the United States national security interests: Now, therefore, be it

Resolved by the Senate (the House of Representatives concurring), That Congress—

(1) recognizes and commends the members of the Alliance for Reform and Democracy in Asia for joining forces in a common struggle for freedom and the rule of law;

(2) calls upon governments in Asia to heed the calls by the ARDA for political and legal reforms, and to engage members of the ARDA in dialog; and

(3) calls for an immediate end to human rights violations committed against Asian democracy activists and reformers.

SENATE CONCURRENT RESOLUTION 39—EXPRESSING THE SENSE OF CONGRESS THAT THE MORATORIUM ON NEW OIL AND NATURAL GAS LEASING ACTIVITY ON SUBMERGED LAND OF THE OUTER CONTINENTAL SHELF SHOULD BE MAINTAINED

Mrs. FEINSTEIN (for herself and Mrs. BOXER) submitted the following concurrent resolution; which was referred to the Committee on Energy and Natural Resources:

S. CON. RES. 39

Whereas during the last 8 years, the Federal Government has operated robust offshore and onshore oil, gas, and coal leasing programs that matched or exceeded production levels during the administrations of former President Reagan and former President Bush;

Whereas offshore, the United States has leased and currently manages more than 44,000,000 acres of outer Continental Shelf land;

Whereas proposals to provide more access to currently protected Federal land for development by the oil, gas, and coal industries ignore the quantity of land that is already available for that purpose;

Whereas it is not necessary to drill in sensitive areas to meet the energy needs of the United States;

Whereas since 1982, there has been in effect a statutory moratorium on new leasing, pre-leasing, and related activities on submerged land of the outer Continental Shelf;

Whereas in 1990, former President Bush used his authority to declare areas of the outer Continental Shelf along the coastlines of Washington, Oregon, California, Bristol Bay, Alaska, and the eastern Gulf of Mexico, and more than 100 miles off the Florida coast, off limits to new drilling through calendar year 2000;

Whereas in 1998, former President Clinton extended the Bush limitation through June 2012;

Whereas citizens of California, Florida, and other States affected by the outer Continental Shelf drilling moratorium are overwhelmingly opposed to new oil drilling off their coastlines and are concerned about plans to open the Florida Gulf Coast to new leasing;

Whereas a majority of people of the United States are growing increasingly concerned about the environment and believe that protecting the environment should take precedence over economic development;

Whereas the people of the United States have made a decision to protect the coastlines of the United States from oil development, because the people know that far better alternatives exist; and

Whereas there are many other worthy options before Congress that could increase energy independence and reduce reliance on foreign oil, such as reauthorization of the Strategic Petroleum Reserve, incentives to improve energy efficiency, research into renewable energy and alternative fuels, and full funding of energy conservation and efficiency programs (including programs for solar and renewable energy, weatherization, and other initiatives): Now, therefore, be it

Resolved by the Senate (the House of Representatives concurring), That it is the sense of Congress that the moratorium in effect as of the date of adoption of this Resolution on new oil and natural gas leasing, pre-leasing, and related activities on submerged land of the outer Continental Shelf should be maintained.

Mrs. FEINSTEIN. Mr. President, today I am pleased to introduce a resolution to maintain the moratorium on new oil and natural gas leasing activity on submerged lands of the Outer Continental Shelf. I am happy to be joined by Senator BOXER.

With this resolution, we are urging President Bush to continue the existing executive order that places coastline areas of several States, including California, off limits to new drilling. This moratoria was initiated by former President George H. Bush in 1990, and extended through 2012 by President Clinton in 1998.

The timing of this resolution is important, as the impending President's energy plan will focus on drilling for new oil and gas reserves. With this focus, many of us in Congress fear that the Administration may pave the way for new exploration of the Outer Continental Shelf. This would be a tragic mistake that endangers the coastlines of many States, including California, which is one of the greatest environmental treasures in the world.

One oil spill from offshore oil wells almost did destroy the beautiful California coastline. In 1969 an oil spill in Federal waters off the coast of Santa Barbara killed thousands of birds, as well as dolphins, seals, and other animals. Estimates of the amount of oil released range up to 200,000 barrels. Within days, oil spread from California's Channel Islands to the Mexican border, an area of approximately 800 square miles. The people of California were so concerned that shortly thereafter they voted to create the California Coastal Commission.

Since the 1969 spill, there have been more than thirty additional significant oil spills off the California coast. Each spill has imperiled the environment, the economy, and the beautiful landscape of California.

We can try to measure the economic cost of oil spills. For example, the value of our coast as ocean-dependent industry is estimated to contribute $17 million per year to our state economy. But we cannot measure the value placed on our quality of life. In 1991, the California Department of Parks and Recreation found that almost 70 percent of Californians had participated in beach activities, and that 25 percent of Californians had participated in saltwater fishing. We simply cannot endanger this resource for limited production.

There is widespread and bipartisan agreement that oil drilling presents serious environmental dangers, and I urge the President to maintain the moratorium on new oil and gas leasing activity on the Outer Continental Shelf.

SENATE CONCURRENT RESOLUTION 40—EXPRESSING THE SENSE OF CONGRESS REGARDING THE DESIGNATION OF THE WEEK OF MAY 20, 2001, AS ''NATIONAL EMERGENCY MEDICAL SERVICES WEEK''

Mr. HATCH (for himself, Mr. BAUCUS, Mr. ALLEN, Mr. BAYH, Mr. BENNETT, Mr. BINGAMAN, Mr. BOND, Mr. BREAUX, Mr. BROWNBACK, Ms. CANTWELL, Mrs. CARNAHAN, Mr. CHAFEE, Mrs. CLINTON, Ms. COLLINS, Mr. CRAIG, Mr. DASCHLE, Mr. DAYTON, Mr. DEWINE, Mr. DODD, Mr. DORGAN, Mr. DURBIN, Mr. ENSIGN, Mr. FEINGOLD, Mrs. FEINSTEIN, Mr.

FITZGERALD, Mr. FRIST, Mr. GRAHAM, Mr. GRASSLEY, Mr. HELMS, Mr. INHOFE, Mr. INOUYE, Mr. JEFFORDS, Mr. JOHNSON, Mr. KERRY, Ms. LANDRIEU, Mrs. LINCOLN, Ms. MIKULSKI, Mr. MILLER, Mr. MURKOWSKI, Mrs. MURRAY, Mr. REID, Mr. ROCKEFELLER, Mr. SANTORUM, Mr. SARBANES, Mr. SMITH of Oregon, Ms. SNOWE, Mr. SPECTER, Mr. STEVENS, Mr. THOMAS, Mr. THURMOND, Mr. TORRICELLI, Mr. VOINOVICH, and Mr. WELLSTONE) submitted the following concurrent resolution; which was referred to the Committee on the Judiciary:

S. CON. RES 40

Whereas emergency medical services are a vital public service;

Whereas the members of emergency medical services teams are ready to provide lifesaving care to those in need 24 hours a day, 7 days a week;

Whereas access to quality emergency care dramatically improves the survival and recovery rate of those who experience sudden illness or injury;

Whereas providers of emergency medical services have traditionally served as the safety net of America's health care system;

Whereas emergency medical services teams consist of emergency physicians, emergency nurses, emergency medical technicians, paramedics, firefighters, educators, administrators, and others;

Whereas approximately two-thirds of all emergency medical services providers are volunteers;

Whereas the members of emergency medical services teams, whether career or volunteer, undergo thousands of hours of specialized training and continuing education to enhance their lifesaving skills;

Whereas Americans benefit daily from the knowledge and skills of these highly trained individuals;

Whereas injury prevention and the appropriate use of the emergency medical services system will help reduce health care costs: Now, therefore, be it

Resolved by the Senate (the House of Representatives concurring), That—

(1) the week of May 20, 2001, is designated as ''National Emergency Medical Services Week''; and

(2) the President should issue a proclamation calling upon the people of the United States to observe such week with appropriate programs and activities.

Mr. HATCH. Mr. President, I am rising to introduce a bipartisan resolution to designate May 20–26, 2001 as National Emergency Medical Services Week in honor of the 750,000 Emergency Medical Services, EMS, personnel who are on the front lines every day saving the lives of countless Americans. I am delighted that my esteemed colleague, Senator BAUCUS, is joining me as the primary cosponsor, in addition to 50 other original cosponsors.

The theme of this year's week is ''EMS: Answering the Call,'' emphasizing the responsiveness of emergency medical services around the country, while underscoring the importance of the national 9–1–1 emergency number system. This observance also honors the passion and commitment of those serving the system including emergency physicians, emergency nurses, emergency medical technicians, paramedics, firefighters, and many other dedicated individuals who provide lifesaving care 24 hours a day, seven days a week.

The continued strength and growth of our Emergency Medical Services System has been an important issue to me. In 1984, Senator INOUYE and I worked closely with several of our colleagues to enact legislation to establish the Nation's first Emergency Medical Services for Children program, EMSC.

Over the past decade, this pediatric EMS program has improved the availability of child-size equipment in ambulances and emergency departments. It has fostered literally hundreds of state and local programs to prevent injuries, and has supported thousands of hours of training for Emergency Medical Technicians, EMTs, paramedics, and other emergency medical care providers. EMSC efforts have led to legislation mandating programs in several States, and to the development of educational materials covering every aspect of pediatric emergency care. However, most importantly, EMSC efforts are saving kids' lives.

EMS providers, be they career or volunteer, which the majority are, engage in thousands of hours of specialized training and continuing education to enhance their lifesaving skills. It is well known that access to quality emergency care dramatically improves the survival and recovery rate of those who experience sudden illness or injury. In fact, emergency medical services providers have traditionally served as the safety net of America's health care system.

However, this healthcare safety net today is in crisis. On the front lines, emergency medical service providers are faced with crowded emergency departments and dwindling resources. These, and many other complex issues are threatening the ability of health professionals to deliver quality care.

A solution to the overcrowding of our nation's emergency departments requires a national commitment. This will mean allocating significant financial resources and convening Federal and State policymakers, local hospitals, community leaders and public and private health plan payers to develop workable solutions. We will also need adequate monitoring and data collection efforts to understand the scope of these problems and to uncover the best methods for resolving this crisis.

To continue to deliver quality healthcare in this country, we must not only recognize those individuals who have dedicated their careers to caring for the very sickest Americans, but also the undue stress and burden this system in crisis places on them each and every day. We must work toward resolving this crisis so we can continue to attract quality healthcare professionals to the EMS field and to give them the resources they need to continue to save lives.

It is appropriate to recognize the value and the accomplishments of emergency medical service providers by designating this May 20–26, Emergency Medical Services Week.

I ask my colleagues to join with me in supporting this resolution.

AMENDMENTS SUBMITTED AND PROPOSED

SA 650. Mr. GRASSLEY (for himself and Mr. BAUCUS) proposed an amendment to the bill H.R. 1836, to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002.

SA 651. Ms. LANDRIEU (for herself and Mr. CRAIG) submitted an amendment intended to be proposed by her to the bill H.R. 1836, supra; which was ordered to lie on the table.

SA 652. Mr. LEAHY (for himself and Mr. BENNETT) submitted an amendment intended to be proposed by him to the bill H.R. 1836, supra; which was ordered to lie on the table.

SA 653. Mr. KERRY submitted an amendment intended to be proposed by him to the bill H.R. 1836, supra; which was ordered to lie on the table.

SA 654. Mr. CONRAD (for himself and Mr. KENNEDY) proposed an amendment to the bill H.R. 1836, supra.

SA 655. Mr. SANTORUM submitted an amendment intended to be proposed by him to the bill H.R. 1836, supra; which was ordered to lie on the table.

SA 656. Mr. GREGG (for himself, Mr. ENSIGN, Mr. ALLARD, Mr. KYL, Mr. BUNNING, and Mr. ALLEN) submitted an amendment intended to be proposed by him to the bill H.R. 1836, supra.

SA 657. Mr. GREGG submitted an amendment intended to be proposed by him to the bill H.R. 1836, supra; which was ordered to lie on the table.

SA 658. Mr. KYL submitted an amendment intended to be proposed by him to the bill H.R. 1836, supra; which was ordered to lie on the table.

SA 659. Mrs. HUTCHISON (for herself and Mr. BROWNBACK) proposed an amendment to the bill H.R. 1836, supra.

SA 660. Mr. McCAIN submitted an amendment intended to be proposed by him to the bill H.R. 1836, supra; which was ordered to lie on the table.

SA 661. Mr. JOHNSON submitted an amendment intended to be proposed by him to the bill H.R. 1836, supra; which was ordered to lie on the table.

SA 662. Mr. INOUYE (for himself and Mr. AKAKA) submitted an amendment intended to be proposed by him to the bill H.R. 1836, supra; which was ordered to lie on the table.

SA 663. Mr. INOUYE (for himself and Mr. AKAKA) submitted an amendment intended to be proposed by him to the bill H.R. 1836, supra; which was ordered to lie on the table.

SA 664. Mr. SCHUMER submitted an amendment intended to be proposed by him to the bill H.R. 1836, supra; which was ordered to lie on the table.

SA 665. Mr. TORRICELLI submitted an amendment intended to be proposed by him to the bill H.R. 1836, supra; which was ordered to lie on the table.

SA 666. Mr. TORRICELLI submitted an amendment intended to be proposed by him to the bill H.R. 1836, supra; which was ordered to lie on the table.

SA 667. Mr. TORRICELLI submitted an amendment intended to be proposed by him to the bill H.R. 1836, supra; which was ordered to lie on the table.

SA 668. Mr. ENSIGN submitted an amendment intended to be proposed by him to the bill H.R. 1836, supra; which was ordered to lie on the table.

SA 669. Mr. SCHUMER (for himself, Mr. BIDEN, Mr. BAYH, Mr. LIEBERMAN, Mr. DURBIN, Mr. TORRICELLI, Mrs. CLINTON, Mr.

DASCHLE, Ms. STABENOW, and Mr. DAYTON) proposed an amendment to the bill H.R. 1836, supra.

SA 670. Mr. FITZGERALD (for himself, Mr. SCHUMER, Mr. JEFFORDS, Mrs. CLINTON, Mr. MCCAIN, Mr. TORRICELLI, Mr. DOMENICI, Mr. ALLEN, Mr. DURBIN, Mr. SMITH, of Oregon, Mr. SPECTER, and Mr. NELSON, of Florida) proposed an amendment to the bill H.R. 1836, supra.

SA 671. Mr. ALLARD (for himself, Mr. GREGG, and Mr. BUNNING) submitted an amendment intended to be proposed by him to the bill H.R. 1836, supra; which was ordered to lie on the table.

SA 672. Mr. ALLEN submitted an amendment intended to be proposed by him to the bill H.R. 1836, supra; which was ordered to lie on the table.

SA 673. Mr. ALLEN submitted an amendment intended to be proposed by him to the bill H.R. 1836, supra; which was ordered to lie on the table.

SA 674. Mrs. CARNAHAN (for herself and Mr. DASCHLE) proposed an amendment to the bill H.R. 1836, supra.

SA 675. Ms. COLLINS (for herself, Mr. WARNER, Mr. COCHRAN, Ms. LANDRIEU, Mr. ALLEN, Mr. SMITH, of Oregon, Mr. HARKIN, Ms. MIKULSKI, Mr. REED, Mr. HUTCHINSON, Mr. DODD, and Mr. ENZI) proposed an amendment to the bill H.R. 1836, supra.

SA 676. Mr. BIDEN (for himself, Mr. TORRICELLI, Mr. KERRY, Mr. SCHUMER, Mr. BAUCUS, Mr. ALLEN, Mrs. BOXER, Mr. CARPER, Mr. CHAFEE, Mrs. CLINTON, Mr. CORZINE, Mr. DAYTON, Mr. DODD, Mr. DURBIN, Mr. LEAHY, Ms. MIKULSKI, Mrs. MURRAY, Mr. ROCKEFELLER, Mr. SARBANES, Mr. SPECTER, and Mr. WARNER) submitted an amendment intended to be proposed by him to the bill H.R. 1836, supra; which was ordered to lie on the table.

SA 677. Mr. KERRY submitted an amendment intended to be proposed by him to the bill H.R. 1836, supra; which was ordered to lie on the table.

SA 678. Mr. KERRY submitted an amendment intended to be proposed by him to the bill H.R. 1836, supra; which was ordered to lie on the table.

SA 679. Mr. ROCKEFELLER (for himself, Mr. GRAHAM, Mr. WELLSTONE, Mr. KENNEDY, Mr. HARKIN, Mr. JOHNSON, Mr. KERRY, Mrs. CLINTON, Mr. DAYTON, and Ms. STABENOW) proposed an amendment to the bill H.R. 1836, supra.

SA 680. Mr. SMITH, of New Hampshire submitted an amendment intended to be proposed by him to the bill H.R. 1836, supra; which was ordered to lie on the table.

SA 681. Mr. SMITH, of New Hampshire submitted an amendment intended to be proposed by him to the bill H.R. 1836, supra; which was ordered to lie on the table.

SA 682. Mrs. HUTCHISON submitted an amendment intended to be proposed by her to the bill H.R. 1836, supra; which was ordered to lie on the table.

SA 683. Mrs. HUTCHISON submitted an amendment intended to be proposed by her to the bill H.R. 1836, supra; which was ordered to lie on the table.

SA 684. Mr. KENNEDY (for himself, Mr. DODD, and Mr. JOHNSON) submitted an amendment intended to be proposed by him to the bill H.R. 1836, supra; which was ordered to lie on the table.

SA 685. Mr. BAYH (for himself, Ms. SNOWE, Mr. CHAFEE, Ms. LANDRIEU, Mrs. FEINSTEIN, Ms. COLLINS, Ms. STABENOW, Mr. JEFFORDS, Mr. KOHL, Mr. CARPER, Mr. NELSON, of Florida, and Mrs. CLINTON) proposed an amendment to the bill H.R. 1836, supra.

SA 686. Ms. LANDRIEU (for herself, Mr. CRAIG, and Mrs. LINCOLN) proposed an amendment to the bill H.R. 1836, supra.

SA 687. Mr. GRAHAM (for himself, Mr. CORZINE, and Mr. DAYTON) proposed an amendment to the bill H.R. 1836, supra.

SA 688. Mr. GRAHAM proposed an amendment to the bill H.R. 1836, supra.

TEXT OF AMENDMENTS

SA 650. Mr. GRASSLEY (for himself and Mr. BAUCUS) proposed an amendment to the bill H.R. 1836, to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002; as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE; ETC.

(a) SHORT TITLE.—This Act may be cited as the ''Restoring Earnings To Lift Individuals and Empower Families (RELIEF) Act of 2001''.

(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 of this Act is as follows:

Sec. 1. Short title; etc.

TITLE I—INDIVIDUAL INCOME TAX RATE REDUCTIONS

Subtitle A—In General

Sec. 101. Reduction in income tax rates for individuals.
Sec. 102. Increase in amount of income required before phaseout of itemized deductions begins.
Sec. 103. Repeal of phaseout of deduction for personal exemptions.

Subtitle B—Compliance With Congressional Budget Act

Sec. 111. Sunset of provisions of title.
Sec. 112. Restoration of provisions of title.

TITLE II—CHILD TAX CREDIT

Subtitle A—In General

Sec. 201. Modifications to child tax credit.

Subtitle B—Compliance With Congressional Budget Act

Sec. 211. Sunset of provisions of title.
Sec. 212. Restoration of provisions of title.

TITLE III—MARRIAGE PENALTY RELIEF

Subtitle A—In General

Sec. 301. Elimination of marriage penalty in standard deduction.
Sec. 302. Phaseout of marriage penalty in 15-percent bracket.
Sec. 303. Marriage penalty relief for earned income credit; earned income to include only amounts includible in gross income; simplification of earned income credit.

Subtitle B—Compliance With Congressional Budget Act

Sec. 311. Sunset of provisions of title.
Sec. 312. Restoration of provisions of title.

TITLE IV—AFFORDABLE EDUCATION PROVISIONS

Subtitle A—Education Savings Incentives

Sec. 401. Modifications to education individual retirement accounts.
Sec. 402. Modifications to qualified tuition programs.

Subtitle B—Educational Assistance

Sec. 411. Permanent extension of exclusion for employer-provided educational assistance.
Sec. 412. Elimination of 60-month limit and increase in income limitation on student loan interest deduction.
Sec. 413. 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.

Subtitle C—Liberalization of Tax-Exempt Financing Rules for Public School Construction

Sec. 421. Additional increase in arbitrage rebate exception for governmental bonds used to finance educational facilities.
Sec. 422. Treatment of qualified public educational facility bonds as exempt facility bonds.

Subtitle D—Other Provisions

Sec. 431. Deduction for higher education expenses.
Sec. 432. Credit for interest on higher education loans.

Subtitle E—Compliance With Congressional Budget Act

Sec. 441. Sunset of provisions of title.
Sec. 442. Restoration of provisions of title.

TITLE V—ESTATE, GIFT, AND GENERATION-SKIPPING TRANSFER TAX PROVISIONS

Subtitle A—Repeal of Estate and Generation-Skipping Transfer Taxes

Sec. 501. Repeal of estate and generation-skipping transfer taxes.

Subtitle B—Reductions of Estate and Gift Tax Rates

Sec. 511. Additional reductions of estate and gift tax rates.

Subtitle C—Increase in Exemption Amounts

Sec. 521. Increase in exemption equivalent of unified credit, lifetime gifts exemption, and GST exemption amounts.

Subtitle D—Credit for State Death Taxes

Sec. 531. Reduction of credit for State death taxes.
Sec. 532. Credit for State death taxes replaced with deduction for such taxes.

Subtitle E—Carryover Basis at Death; Other Changes Taking Effect With Repeal

Sec. 541. Termination of step-up in basis at death.
Sec. 542. Treatment of property acquired from a decedent dying after December 31, 2010.

Subtitle F—Conservation Easements

Sec. 551. Expansion of estate tax rule for conservation easements.

Subtitle G—Modifications of Generation-Skipping Transfer Tax

Sec. 561. Deemed allocation of GST exemption to lifetime transfers to trusts; retroactive allocations.
Sec. 562. Severing of trusts.
Sec. 563. Modification of certain valuation rules.
Sec. 564. Relief provisions.

Subtitle H—Extension of Time for Payment of Estate Tax

Sec. 571. Expansion of availability of installment payment for estates with interests qualifying lending and finance businesses.
Sec. 572. Clarification of availability of installment payment.

Subtitle I—Compliance With Congressional Budget Act

Sec. 581. Sunset of provisions of title.
Sec. 582. Restoration of provisions of title.

TITLE VI—PENSION AND INDIVIDUAL RETIREMENT ARRANGEMENT PROVISIONS

Subtitle A—Individual Retirement Accounts

Sec. 601. Modification of IRA contribution limits.
Sec. 602. Deemed IRAs under employer plans.
Sec. 603. Tax-free distributions from individual retirement accounts for charitable purposes.

Subtitle B—Expanding Coverage

Sec. 611. Increase in benefit and contribution limits.
Sec. 612. Plan loans for subchapter S owners, partners, and sole proprietors.
Sec. 613. Modification of top-heavy rules.
Sec. 614. Elective deferrals not taken into account for purposes of deduction limits.
Sec. 615. Repeal of coordination requirements for deferred compensation plans of State and local governments and tax-exempt organizations.
Sec. 616. Deduction limits.
Sec. 617. Option to treat elective deferrals as after-tax Roth contributions.
Sec. 618. Nonrefundable credit to certain individuals for elective deferrals and IRA contributions.
Sec. 619. Credit for qualified pension plan contributions of small employers.
Sec. 620. Credit for pension plan startup costs of small employers.
Sec. 621. Elimination of user fee for requests to IRS regarding new pension plans.
Sec. 622. Treatment of nonresident aliens engaged in international transportation services.

Subtitle C—Enhancing Fairness for Women

Sec. 631. Catch-up contributions for individuals age 50 or over.
Sec. 632. Equitable treatment for contributions of employees to defined contribution plans.
Sec. 633. Faster vesting of certain employer matching contributions.
Sec. 634. Modifications to minimum distribution rules.
Sec. 635. Clarification of tax treatment of division of section 457 plan benefits upon divorce.
Sec. 636. Provisions relating to hardship distributions.
Sec. 637. Waiver of tax on nondeductible contributions for domestic or similar workers.

Subtitle D—Increasing Portability for Participants

Sec. 641. Rollovers allowed among various types of plans.
Sec. 642. Rollovers of IRAs into workplace retirement plans.
Sec. 643. Rollovers of after-tax contributions.
Sec. 644. Hardship exception to 60-day rule.
Sec. 645. Treatment of forms of distribution.
Sec. 646. Rationalization of restrictions on distributions.
Sec. 647. Purchase of service credit in governmental defined benefit plans.
Sec. 648. Employers may disregard rollovers for purposes of cash-out amounts.
Sec. 649. Minimum distribution and inclusion requirements for section 457 plans.

Subtitle E—Strengthening Pension Security and Enforcement

PART I—GENERAL PROVISIONS

Sec. 651. Repeal of 160 percent of current liability funding limit.
Sec. 652. Maximum contribution deduction rules modified and applied to all defined benefit plans.
Sec. 653. Excise tax relief for sound pension funding.
Sec. 654. Treatment of multiemployer plans under section 415.
Sec. 655. Protection of investment of employee contributions to 401(k) plans.
Sec. 656. Prohibited allocations of stock in S corporation ESOP.
Sec. 657. Automatic rollovers of certain mandatory distributions.
Sec. 658. Clarification of treatment of contributions to multiemployer plan.

PART II—TREATMENT OF PLAN AMENDMENTS REDUCING FUTURE BENEFIT ACCRUALS

Sec. 659. Notice required for pension plan amendments having the effect of significantly reducing future benefit accruals.

Subtitle F—Reducing Regulatory Burdens

Sec. 661. Modification of timing of plan valuations.
Sec. 662. ESOP dividends may be reinvested without loss of dividend deduction.
Sec. 663. Repeal of transition rule relating to certain highly compensated employees.
Sec. 664. Employees of tax-exempt entities.
Sec. 665. Clarification of treatment of employer-provided retirement advice.
Sec. 666. Reporting simplification.
Sec. 667. Improvement of employee plans compliance resolution system.
Sec. 668. Repeal of the multiple use test.
Sec. 669. Flexibility in nondiscrimination, coverage, and line of business rules.
Sec. 670. Extension to all governmental plans of moratorium on application of certain nondiscrimination rules applicable to State and local plans.

Subtitle G—Other ERISA Provisions

Sec. 681. Missing participants.
Sec. 682. Reduced PBGC premium for new plans of small employers.
Sec. 683. Reduction of additional PBGC premium for new and small plans.
Sec. 684. Authorization for PBGC to pay interest on premium overpayment refunds.
Sec. 685. Substantial owner benefits in terminated plans.

Subtitle H—Miscellaneous Provisions

Sec. 691. Tax treatment and information requirements of Alaska Native Settlement Trusts.

Subtitle I—Compliance With Congressional Budget Act

Sec. 695. Sunset of provisions of title.
Sec. 696. Restoration of provisions of title.

TITLE VII—ALTERNATIVE MINIMUM TAX

Subtitle A—In General

Sec. 701. Increase in alternative minimum tax exemption.

Subtitle B—Compliance With Congressional Budget Act

Sec. 711. Sunset of provisions of title.
Sec. 712. Restoration of provisions of title.

TITLE VIII—OTHER PROVISIONS

Subtitle A—In General

Sec. 801. Time for payment of corporate estimated taxes.
Sec. 802. Expansion of authority to postpone certain tax-related deadlines by reason of presidentially declared disaster.

Subtitle B—Compliance With Congressional Budget Act

Sec. 811. Sunset of provisions of title.
Sec. 812. Restoration of provisions of title.

TITLE I—INDIVIDUAL INCOME TAX RATE REDUCTIONS

Subtitle A—In General

SEC. 101. REDUCTION IN INCOME TAX RATES FOR INDIVIDUALS.

(a) IN GENERAL.—Section 1 is amended by adding at the end the following new subsection:

''(i) RATE REDUCTIONS AFTER 2000.—

''(1) 10-PERCENT RATE BRACKET.—

''(A) IN GENERAL.—In the case of taxable years beginning after December 31, 2000—

''(i) the rate of tax under subsections (a), (b), (c), and (d) on taxable income not over the initial bracket amount shall be 10 percent, and

''(ii) the 15 percent rate of tax shall apply only to taxable income over the initial bracket amount but not over the maximum dollar amount for the 15-percent rate bracket.

''(B) INITIAL BRACKET AMOUNT.—For purposes of this subsection, the initial bracket amount is—

''(i) $12,000 in the case of subsection (a),

''(ii) $10,000 in the case of subsection (b), and

''(iii) ½ the amount applicable under clause (i) (after adjustment, if any, under subparagraph (C)) in the case of subsections (c) and (d).

''(C) INFLATION ADJUSTMENT.—In prescribing the tables under subsection (f) which apply with respect to taxable years beginning in calendar years after 2001—

''(i) the Secretary shall make no adjustment to the initial bracket amount for any taxable year beginning before January 1, 2007,

''(ii) the cost-of-living adjustment used in making adjustments to the initial bracket amount for any taxable year beginning after December 31, 2006, shall be determined under subsection (f)(3) by substituting '2005' for '1992' in subparagraph (B) thereof, and

''(iii) such adjustment shall not apply to the amount referred to in subparagraph (B)(iii).

If any amount after adjustment under the preceding sentence is not a multiple of $50, such amount shall be rounded to the next lowest multiple of $50.

''(2) REDUCTIONS IN RATES AFTER 2001.—In the case of taxable years beginning in a calendar year after 2001, the corresponding percentage specified for such calendar year in the following table shall be substituted for the otherwise applicable tax rate in the tables under subsections (a), (b), (c), (d), and (e).

''In the case of taxable years beginning during calendar year:	The corresponding percentages shall be substituted for the following percentages:			
	28%	31%	36%	39.6%
2002, 2003, and 2004 ..	27%	30%	35%	38.6%
2005 and 2006	26%	29%	34%	37.6%
2007 and thereafter	25%	28%	33%	36%

''(3) ADJUSTMENT OF TABLES.—The Secretary shall adjust the tables prescribed under subsection (f) to carry out this subsection.''.

(b) CONFORMING AMENDMENTS.—

(1) Subparagraph (B) of section 1(g)(7) is amended by striking ''15 percent'' in clause (ii)(II) and inserting ''10 percent.''.

(2) Section 1(h) is amended—

(A) by striking ''28 percent'' both places it appears in paragraphs (1)(A)(ii)(I) and (1)(B)(i) and inserting ''25 percent'', and

(B) by striking paragraph (13).

(3) Section 531 is amended by striking ''equal to'' and all that follows and inserting ''equal to the product of the highest rate of tax under section 1(c) and the accumulated taxable income.''.

(4) Section 541 is amended by striking ''equal to'' and all that follows and inserting ''equal to the product of the highest rate of tax under section 1(c) and the undistributed personal holding company income.''.

(5) Section 3402(p)(1)(B) is amended by striking ''7, 15, 28, or 31 percent'' and inserting ''7 percent, any percentage applicable to any of the 3 lowest income brackets in the table under section 1(c),''.

(6) Section 3402(p)(2) is amended by striking ''15 percent'' and inserting ''10 percent''.

(7) Section 3402(q)(1) is amended by striking ''equal to 28 percent of such payment'' and inserting ''equal to the product of the third lowest rate of tax under section 1(c) and such payment''.

(8) Section 3402(r)(3) is amended by striking ''31 percent'' and inserting ''the fourth lowest rate of tax under section 1(c)''.

(9) Section 3406(a)(1) is amended by striking ''equal to 31 percent of such payment'' and inserting ''equal to the product of the fourth lowest rate of tax under section 1(c) and such payment''.

(10) Section 13273 of the Revenue Reconciliation Act of 1993 is amended by striking ''28 percent'' and inserting ''the third lowest rate of tax under section 1(c) of the Internal Revenue Code of 1986''.

(c) 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, 2000.

(2) AMENDMENTS TO WITHHOLDING PROVISIONS.—The amendments made by paragraphs (6), (7), (8), (9), (10), and (11) of subsection (b) shall apply to amounts paid after the 60th day after the date of the enactment of this Act.

SEC. 102. INCREASE IN AMOUNT OF INCOME REQUIRED BEFORE PHASEOUT OF ITEMIZED DEDUCTIONS BEGINS.

(a) IN GENERAL.—Section 68(b)(1) (defining applicable amount) is amended—

(1) by striking ''$100,000'' and inserting ''$150,000'', and

(2) by striking ''$50,000'' and inserting ''$75,000''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2008.

SEC. 103. REPEAL OF PHASEOUT OF DEDUCTION FOR PERSONAL EXEMPTIONS.

(a) IN GENERAL.—Subsection (d) of section 151 (relating to exemption amount) is amended by striking paragraph (3).

(b) TECHNICAL AMENDMENTS.—

(1) Paragraph (6) of section 1(f) is amended—

(A) by striking ''section 151(d)(4)'' in subparagraph (A) and inserting ''section 151(d)(3)'', and

(B) by striking ''section 151(d)(4)(A)'' in subparagraph (B) and inserting ''section 151(d)(3)''.

(2) Paragraph (4) of section 151(d) is amended to read as follows:

''(3) INFLATION ADJUSTMENT.—In the case of any taxable year beginning in a calendar year after 1989, the dollar amount contained in paragraph (1) shall be increased by an amount equal to—

''(A) such dollar amount, multiplied by

''(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, by substituting 'calendar year 1988' for 'calendar year 1992' in subparagraph (B) thereof.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2008.

Subtitle B—Compliance With Congressional Budget Act

SEC. 111. SUNSET OF PROVISIONS OF TITLE.

All provisions of, and amendments made by, this title which are in effect on September 30, 2011, shall cease to apply as of the close of September 30, 2011.

TITLE II—CHILD TAX CREDIT

Subtitle A—In General

SEC. 201. MODIFICATIONS TO CHILD TAX CREDIT.

(a) INCREASE IN PER CHILD AMOUNT.—Subsection (a) of section 24 (relating to child tax credit) is amended to read as follows:

''(a) ALLOWANCE OF CREDIT.—

''(1) IN GENERAL.—There shall be allowed as a credit against the tax imposed by this chapter for the taxable year with respect to each qualifying child of the taxpayer an amount equal to the per child amount.

''(2) PER CHILD AMOUNT.—For purposes of paragraph (1), the per child amount shall be determined as follows:

''In the case of any taxable year beginning in—	The per child amount is—
2001, 2002, or 2003	$600
2004, 2005, or 2006	700
2007, 2008, or 2009	800
2010	900
2011 or thereafter	1,000.''.

(b) CREDIT ALLOWED AGAINST ALTERNATIVE MINIMUM TAX.—

(1) IN GENERAL.—Subsection (b) of section 24 (relating to child tax credit) is amended by adding at the end the following new paragraph:

''(3) LIMITATION BASED ON AMOUNT OF TAX.—The credit allowed under subsection (a) for any taxable year shall not exceed the excess of—

''(A) the sum of the regular tax liability (as defined in section 26(b)) plus the tax imposed by section 55, over

''(B) the sum of the credits allowable under this subpart (other than this section) and section 27 for the taxable year.''.

(2) CONFORMING AMENDMENTS.—

(A) The heading for section 24(b) is amended to read as follows: ''LIMITATIONS.—''.

(B) The heading for section 24(b)(1) is amended to read as follows: ''LIMITATION BASED ON ADJUSTED GROSS INCOME.—''.

(C) Section 24(d) is amended—

(i) by striking ''section 26(a)'' each place it appears and inserting ''subsection (b)(3)'', and

(ii) in paragraph (1)(B) by striking ''aggregate amount of credits allowed by this subpart'' and inserting ''amount of credit allowed by this section''.

(D) Paragraph (1) of section 26(a) is amended by inserting ''(other than section 24)'' after ''this subpart''.

(E) Subsection (c) of section 23 is amended by striking ''and section 1400C'' and inserting ''and sections 24 and 1400C''.

(F) Subparagraph (C) of section 25(e)(1) is amended by inserting '', 24,'' after ''sections 23''.

(G) Section 904(h) is amended by inserting ''(other than section 24)'' after ''chapter''.

(H) Subsection (d) of section 1400C is amended by inserting ''and section 24'' after ''this section''.

(c) REFUNDABLE CHILD CREDIT.—

(1) IN GENERAL.—So much of section 24(d) (relating to additional credit for families with 3 or more children) as precedes paragraph (2) is amended to read as follows:

''(d) PORTION OF CREDIT REFUNDABLE.—

''(1) IN GENERAL.—The aggregate credits allowed to a taxpayer under subpart C shall be increased by the lesser of—

''(A) the credit which would be allowed under this section without regard to this subsection and the limitation under subsection (b)(3), or

''(B) the amount by which the amount of credit allowed by this section (determined without regard to this subsection) would increase if the limitation imposed by subsection (b)(3) were increased by the greater of—

''(i) 15 percent of so much of the taxpayer's earned income (within the meaning of section 32) for the taxable year as exceeds $10,000, or

''(ii) in the case of a taxpayer with 3 or more qualifying children, the excess (if any) of—

''(I) the taxpayer's social security taxes for the taxable year, over

''(II) the credit allowed under section 32 for the taxable year.

The amount of the credit allowed under this subsection shall not be treated as a credit allowed under this subpart and shall reduce the amount of credit otherwise allowable under subsection (a) without regard to subsection (b)(3).''.

(2) CONFORMING AMENDMENT.—Section 32 is amended by striking subsection (n).

(d) ELIMINATION OF REDUCTION OF CREDIT TO TAXPAYER SUBJECT TO ALTERNATIVE MINIMUM TAX PROVISION.—Section 24(d) is amended—

(1) by striking paragraph (2), and

(2) by redesignating paragraph (3) as paragraph (2).

(e) 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, 2000.

(2) SUBSECTION (b).—The amendments made by subsection (b) shall apply to taxable years beginning after December 31, 2001.

Subtitle B—Compliance With Congressional Budget Act

SEC. 211. SUNSET OF PROVISIONS OF TITLE.

All provisions of, and amendments made by, this title which are in effect on September 30, 2011, shall cease to apply as of the close of September 30, 2011.

SEC. 212. RESTORATION OF PROVISIONS OF TITLE.

All provisions of, and amendments made by, this title which were terminated under section 211 shall begin to apply again as of October 1, 2011, as provided in each such provision or amendment.

TITLE III—MARRIAGE PENALTY RELIEF

Subtitle A—In General

SEC. 301. 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 ''the applicable percentage of 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) APPLICABLE PERCENTAGE.—Section 63(c) (relating to standard deduction) is amended by adding at the end the following new paragraph:

''(7) APPLICABLE PERCENTAGE.—For purposes of paragraph (2), the applicable percentage shall be determined in accordance with the following table:

''For taxable years beginning in calendar year—	The applicable percentage is—
2005	174
2006	180
2007	187
2008	193
2009 and thereafter	200.''

(c) TECHNICAL AMENDMENTS.—

(1) Subparagraph (B) of section 1(f)(6), as amended by section 103(b), 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)(3)(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, 2004.

SEC. 302. PHASEOUT OF MARRIAGE PENALTY IN 15-PERCENT BRACKET.

(a) IN GENERAL.—Section 1(f) (relating to adjustments in tax tables so that inflation will not result in tax increases) is amended by adding at the end the following new paragraph:

''(8) PHASEOUT OF MARRIAGE PENALTY IN 15-PERCENT BRACKET.—

''(A) IN GENERAL.—With respect to taxable years beginning after December 31, 2005, in prescribing the tables under paragraph (1)—

''(i) the maximum taxable income in the 15-percent rate bracket in the table contained in subsection (a) (and the minimum taxable income in the next higher taxable income bracket in such table) shall be the applicable percentage of the maximum taxable income in the 15-percent rate bracket in the table contained in subsection (c) (after any other adjustment under this subsection), and

''(ii) the comparable taxable income amounts in the table contained in subsection (d) shall be ½ of the amounts determined under clause (i).

''(B) APPLICABLE PERCENTAGE.—For purposes of subparagraph (A), the applicable percentage shall be determined in accordance with the following table:

"For taxable years beginning in calendar year—	The applicable percentage is—
2005	180
2006	187
2007	193
2008 and thereafter	200.

''(C) ROUNDING.—If any amount determined under subparagraph (A)(i) is not a multiple of $50, such amount shall be rounded to the next lowest multiple of $50.''.

(b) TECHNICAL AMENDMENTS.—

(1) Subparagraph (A) of section 1(f)(2) is amended by inserting ''except as provided in paragraph (8),'' before ''by increasing''.

(2) The heading for subsection (f) of section 1 is amended by inserting ''PHASEOUT OF MARRIAGE PENALTY IN 15-PERCENT BRACKET;'' before ''ADJUSTMENTS''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2004.

SEC. 303. MARRIAGE PENALTY RELIEF FOR EARNED INCOME CREDIT; EARNED INCOME TO INCLUDE ONLY AMOUNTS INCLUDIBLE IN GROSS INCOME; SIMPLIFICATION OF EARNED INCOME CREDIT.

(a) INCREASED PHASEOUT AMOUNT.—

(1) IN GENERAL.—Section 32(b)(2) (relating to amounts) is amended—

(A) by striking ''AMOUNTS.—The earned'' and inserting ''AMOUNTS.—

''(A) IN GENERAL.—Subject to subparagraph (B), the earned'', and

(B) by adding at the end the following new subparagraph:

''(B) JOINT RETURNS.—In the case of a joint return filed by an eligible individual and such individual's spouse, the phaseout amount determined under subparagraph (A) shall be increased by $3,000.''.

(2) 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)(2)(A) and (i)(1), by substituting 'calendar year 1995' for 'calendar year 1992' in subparagraph (B) thereof, and

''(ii) in the case of the $3,000 amount in subsection (b)(2)(B), by substituting 'calendar year 2001' for 'calendar year 1992' in subparagraph (B) of such section 1.''.

(3) 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)''.

(b) EARNED INCOME TO INCLUDE ONLY AMOUNTS INCLUDIBLE IN GROSS INCOME.—Clause (i) of section 32(c)(2)(A) (defining earned income) is amended by inserting '', but only if such amounts are includible in gross income for the taxable year'' after ''other employee compensation''.

(c) REPEAL OF REDUCTION OF CREDIT TO TAXPAYERS SUBJECT TO ALTERNATIVE MINIMUM TAX.—Section 32(h) is repealed.

(d) REPLACEMENT OF MODIFIED ADJUSTED GROSS INCOME WITH ADJUSTED GROSS INCOME.—

(1) IN GENERAL.—Section 32(a)(2)(B) is amended by striking ''modified''.

(2) CONFORMING AMENDMENTS.—

(A) Section 32(c) is amended by striking paragraph (5).

(B) Section 32(f)(2)(B) is amended by striking ''modified'' each place it appears.

(e) RELATIONSHIP TEST.—

(1) IN GENERAL.—Clause (i) of section 32(c)(3)(B) (relating to relationship test) is amended to read as follows:

''(i) IN GENERAL.—An individual bears a relationship to the taxpayer described in this subparagraph if such individual is—

''(I) a son, daughter, stepson, or stepdaughter, or a descendant of any such individual,

''(II) a brother, sister, stepbrother, or stepsister, or a descendant of any such individual, who the taxpayer cares for as the taxpayer's own child, or

''(III) an eligible foster child of the taxpayer.''.

(2) ELIGIBLE FOSTER CHILD.—

(A) IN GENERAL.—Clause (iii) of section 32(c)(3)(B) is amended to read as follows:

''(iii) ELIGIBLE FOSTER CHILD.—For purposes of clause (i), the term 'eligible foster child' means an individual not described in subclause (I) or (II) of clause (i) who—

''(I) is placed with the taxpayer by an authorized placement agency, and

''(II) the taxpayer cares for as the taxpayer's own child.''.

(B) CONFORMING AMENDMENT.—Section 32(c)(3)(A)(ii) is amended by striking ''except as provided in subparagraph (B)(iii),''.

(f) 2 OR MORE CLAIMING QUALIFYING CHILD.—Section 32(c)(1)(C) is amended to read as follows:

''(C) 2 OR MORE CLAIMING QUALIFYING CHILD.—

''(i) IN GENERAL.—Except as provided in clause (ii), if (but for this paragraph) an individual may be claimed, and is claimed, as a qualifying child by 2 or more taxpayers for a taxable year beginning in the same calendar year, such individual shall be treated as the qualifying child of the taxpayer who is—

''(I) a parent of the individual, or

''(II) if subclause (I) does not apply, the taxpayer with the highest adjusted gross income for such taxable year.

''(ii) MORE THAN 1 CLAIMING CREDIT.—If the parents claiming the credit with respect to any qualifying child do not file a joint return together, such child shall be treated as the qualifying child of—

''(I) the parent with whom the child resided for the longest period of time during the taxable year, or

''(II) if the child resides with both parents for the same amount of time during such taxable year, the parent with the highest adjusted gross income.''.

(g) EXPANSION OF MATHEMATICAL ERROR AUTHORITY.—Paragraph (2) of section 6213(g) is amended by striking ''and'' at the end of subparagraph (K), by striking the period at the end of subparagraph (L) and inserting '', and'', and by inserting after subparagraph (L) the following new subparagraph:

''(M) the entry on the return claiming the credit under section 32 with respect to a child if, according to the Federal Case Registry of Child Support Orders established under section 453(h) of the Social Security Act, the taxpayer is a noncustodial parent of such child.''

(h) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

(2) SUBSECTION (g).—The amendment made by subsection (g) shall take effect on January 1, 2004.

Subtitle B—Compliance With Congressional Budget Act

SEC. 311. SUNSET OF PROVISIONS OF TITLE.

All provisions of, and amendments made by, this title which are in effect on September 30, 2011, shall cease to apply as of the close of September 30, 2011.

TITLE IV—AFFORDABLE EDUCATION PROVISIONS

Subtitle A—Education Savings Incentives

SEC. 401. MODIFICATIONS TO EDUCATION INDIVIDUAL RETIREMENT ACCOUNTS.

(a) MAXIMUM ANNUAL CONTRIBUTIONS.—

(1) IN GENERAL.—Section 530(b)(1)(A)(iii) (defining education individual retirement account) is amended by striking ''$500'' and inserting ''$2,000''.

(2) CONFORMING AMENDMENT.—Section 4973(e)(1)(A) is amended by striking ''$500'' and inserting ''$2,000''.

(b) MODIFICATION OF AGI LIMITS TO REMOVE MARRIAGE PENALTY.—Section 530(c)(1) (relating to reduction in permitted contributions based on adjusted gross income) is amended—

(1) by striking ''$150,000'' in subparagraph (A)(ii) and inserting ''$190,000'', and

(2) by striking ''$10,000'' in subparagraph (B) and inserting ''$30,000''.

(c) TAX-FREE EXPENDITURES FOR ELEMENTARY AND SECONDARY SCHOOL EXPENSES.—

(1) IN GENERAL.—Section 530(b)(2) (defining qualified higher education expenses) is amended to read as follows:

''(2) QUALIFIED EDUCATION EXPENSES.—

''(A) IN GENERAL.—The term 'qualified education expenses' means—

''(i) qualified higher education expenses (as defined in section 529(e)(3)), and

''(ii) qualified elementary and secondary education expenses (as defined in paragraph (4)).

''(B) QUALIFIED STATE TUITION PROGRAMS.—Such term shall include any contribution to a qualified State tuition program (as defined in section 529(b)) on behalf of the designated beneficiary (as defined in section 529(e)(1)); but there shall be no increase in the investment in the contract for purposes of applying section 72 by reason of any portion of such contribution which is not includible in gross income by reason of subsection (d)(2).''.

(2) QUALIFIED ELEMENTARY AND SECONDARY EDUCATION EXPENSES.—Section 530(b) (relating to definitions and special rules) is amended by adding at the end the following new paragraph:

''(4) QUALIFIED ELEMENTARY AND SECONDARY EDUCATION EXPENSES.—

''(A) IN GENERAL.—The term 'qualified elementary and secondary education expenses' means—

''(i) expenses for tuition, fees, academic tutoring, special needs services, books, supplies, computer equipment (including related software and services), and other equipment which are incurred in connection with the enrollment or attendance of the designated beneficiary of the trust as an elementary or secondary school student at a public, private, or religious school, and

''(ii) expenses for room and board, uniforms, transportation, and supplementary items and services (including extended day programs) which are required or provided by a public, private, or religious school in connection with such enrollment or attendance.

''(B) SCHOOL.—The term 'school' means any school which provides elementary education or secondary education (kindergarten through grade 12), as determined under State law.''.

(3) CONFORMING AMENDMENTS.—Section 530 is amended—

(A) by striking ''higher'' each place it appears in subsections (b)(1) and (d)(2), and

(B) by striking ''HIGHER'' in the heading for subsection (d)(2).

(d) WAIVER OF AGE LIMITATIONS FOR CHILDREN WITH SPECIAL NEEDS.—Section 530(b)(1) (defining education individual retirement account) is amended by adding at the end the following flush sentence:

''The age limitations in subparagraphs (A)(ii) and (E), and paragraphs (5) and (6) of subsection (d), shall not apply to any designated beneficiary with special needs (as determined under regulations prescribed by the Secretary).''.

(e) ENTITIES PERMITTED TO CONTRIBUTE TO ACCOUNTS.—Section 530(c)(1) (relating to reduction in permitted contributions based on adjusted gross income) is amended by striking ''The maximum amount which a contributor'' and inserting ''In the case of a contributor who is an individual, the maximum amount the contributor''.

(f) TIME WHEN CONTRIBUTIONS DEEMED MADE.—

(1) IN GENERAL.—Section 530(b) (relating to definitions and special rules), as amended by subsection (c)(2), is amended by adding at the end the following new paragraph:

''(5) TIME WHEN CONTRIBUTIONS DEEMED MADE.—An individual shall be deemed to have made a contribution to an education individual retirement account on the last day of the preceding taxable year if the contribution is made on account of such taxable year and is made not later than the time prescribed by law for filing the return for such taxable year (not including extensions thereof).''.

(2) EXTENSION OF TIME TO RETURN EXCESS CONTRIBUTIONS.—Subparagraph (C) of section 530(d)(4) (relating to additional tax for distributions not used for educational expenses) is amended—

(A) by striking clause (i) and inserting the following new clause:

''(i) such distribution is made before the first day of the sixth month of the taxable year following the taxable year, and'', and

(B) by striking ''DUE DATE OF RETURN'' in the heading and inserting ''CERTAIN DATE''.

(g) 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 education expenses (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 NOT TO HAVE SECTION APPLY.—A taxpayer may elect not to have this section apply with respect to the qualified tuition and related expenses of an individual for any taxable 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.

(D) Section 4973(e)(1) is amended by adding ''and'' at the end of subparagraph (A), by striking subparagraph (B), and by redesignating subparagraph (C) as subparagraph (B).

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

SEC. 402. MODIFICATIONS TO QUALIFIED TUITION PROGRAMS.

(a) ELIGIBLE EDUCATIONAL INSTITUTIONS PERMITTED TO MAINTAIN QUALIFIED TUITION PROGRAMS.—

(1) IN GENERAL.—Section 529(b)(1) (defining qualified State tuition program) is amended—

(A) by inserting ''or by 1 or more eligible educational institutions'' after ''maintained by a State or agency or instrumentality thereof'' in the matter preceding subparagraph (A), and

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

''Except to the extent provided in regulations, a program established and maintained by 1 or more eligible educational institutions shall not be treated as a qualified tuition program unless such program has received a ruling or determination that such program meets the applicable requirements for a qualified tuition program.''.

(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 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 amended by striking ''QUALIFIED STATE TUITION'' each place it appears and inserting ''QUALIFIED TUITION''.

(C) The headings for sections 529(b) and 530(b)(2)(B) are amended by striking ''QUALIFIED STATE TUITION'' each place it appears 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''.

(b) 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) and 530(d)(2)''.

(B) Section 221(e)(2)(A) is amended by inserting ''529,'' after ''135,''.

(c) 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 only apply to the first 3

transfers with respect to a designated beneficiary.'', and

(3) by inserting ''OR PROGRAMS'' after ''BENEFICIARIES'' in the heading.

(d) 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.''.

(e) ADJUSTMENT OF LIMITATION ON ROOM AND BOARD DISTRIBUTIONS.—Section 529(e)(3)(B)(ii) is amended to read as follows:

''(ii) LIMITATION.—The amount treated as qualified higher education expenses by reason of clause (i) shall not exceed—

''(I) the allowance (applicable to the student) for room and board 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 the enactment of the Restoring Earnings To Lift Individuals and Empower Families (RELIEF) Act of 2001) as determined by the eligible educational institution for such period, or

''(II) if greater, the actual invoice amount the student residing in housing owned or operated by the eligible educational institution is charged by such institution for room and board costs for such period.''.

(f) TECHNICAL AMENDMENTS.—Section 529(c)(3)(D) is amended—

(1) by inserting ''except to the extent provided by the Secretary,'' before ''all distributions'' in clause (ii), and

(2) by inserting ''except to the extent provided by the Secretary,'' before ''the value'' in clause (iii).

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

Subtitle B—Educational Assistance

SEC. 411. PERMANENT EXTENSION OF EXCLUSION FOR EMPLOYER-PROVIDED EDUCATIONAL ASSISTANCE.

(a) IN GENERAL.—Section 127 (relating to exclusion for educational assistance programs) is amended by striking subsection (d) and by redesignating subsection (e) as subsection (d).

(b) REPEAL OF LIMITATION ON GRADUATE EDUCATION.—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''.

(c) CONFORMING AMENDMENT.—Section 51A(b)(5)(B)(iii) is amended by striking ''or would be so excludable but for section 127(d)''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to expenses relating to courses beginning after December 31, 2001.

SEC. 412. 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), as amended by section 402(b)(2)(B), 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, 2001, 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 ($100,000 in the case of a joint return), bears to

''(ii) $15,000 ($30,000 in the case of a joint return).''.

(2) CONFORMING AMENDMENT.—Section 221(g)(1) is amended by striking ''$40,000 and $60,000 amounts'' and inserting ''$50,000 and $100,000 amounts''.

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

SEC. 413. 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, 2001.

Subtitle C—Liberalization of Tax-Exempt Financing Rules for Public School Construction

SEC. 421. 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, 2001.

SEC. 422. 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 term of the issue to be used to provide the school facility.

''(3) SCHOOL FACILITY.—For purposes of this subsection, the term 'school facility' means—

''(A) any school building,

''(B) any functionally related and subordinate facility and land with respect to such building, 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 a facility described in subparagraph (A) or (B).

''(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, 2001.

Subtitle D—Other Provisions

SEC. 431. DEDUCTION FOR HIGHER EDUCATION EXPENSES.

(a) DEDUCTION ALLOWED.—Part VII of subchapter B of chapter 1 (relating to additional itemized deductions for individuals) is amended by redesignating section 222 as section 223 and by inserting after section 221 the following:

''SEC. 222. QUALIFIED TUITION AND RELATED EXPENSES.

''(a) ALLOWANCE OF DEDUCTION.—In the case of an individual, there shall be allowed as a deduction an amount equal to the qualified tuition and related expenses paid by the taxpayer during the taxable year.

''(b) DOLLAR LIMITATIONS.—

''(1) IN GENERAL.—The amount allowed as a deduction under subsection (a) with respect to the taxpayer for any taxable year shall not exceed the applicable dollar limit.

''(2) APPLICABLE DOLLAR LIMIT.—

''(A) 2002 AND 2003.—In the case of a taxable year beginning in 2002 or 2003, the applicable dollar limit shall be equal to—

''(i) in the case of a taxpayer whose adjusted gross income for the taxable year does not exceed $65,000 ($130,000 in the case of a joint return), $3,000, and—

''(ii) in the case of any other taxpayer, zero.

''(B) 2004 AND 2005.—In the case of a taxable year beginning in 2004 or 2005, the applicable dollar amount shall be equal to—

''(i) in the case of a taxpayer whose adjusted gross income for the taxable year does not exceed $65,000 ($130,000 in the case of a joint return), $5,000,

''(ii) in the case of a taxpayer not described in clause (i) whose adjusted gross income for the taxable year does not exceed $80,000 ($160,000 in the case of a joint return), $2,000, and

''(iii) in the case of any other taxpayer, zero.

''(C) ADJUSTED GROSS INCOME.—For purposes of this paragraph, adjusted gross income shall be determined—

''(i) without regard to this section and sections 911, 931, and 933, and

''(ii) after application of sections 86, 135, 137, 219, 221, and 469.

''(c) NO DOUBLE BENEFIT.—

''(1) IN GENERAL.—No deduction shall be allowed under subsection (a) for any expense for which a deduction is allowed to the taxpayer under any other provision of this chapter.

''(2) COORDINATION WITH OTHER EDUCATION INCENTIVES.—

''(A) DENIAL OF DEDUCTION IF CREDIT ELECTED.—No deduction shall be allowed under subsection (a) for a taxable year with respect to the qualified tuition and related expenses with respect to an individual if the taxpayer or any other person elects to have section 25A apply with respect to such individual for such year.

''(B) COORDINATION WITH EXCLUSIONS.—The total amount of qualified tuition and related expenses shall be reduced by the amount of such expenses taken into account in determining any amount excluded under section 135, 529(c)(1), or 530(d)(2).

''(3) DEPENDENTS.—No deduction shall be allowed under subsection (a) to any 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.

''(d) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

''(1) QUALIFIED TUITION AND RELATED EXPENSES.—The term 'qualified tuition and related expenses' has the meaning given such term by section 25A(f). Such expenses shall be reduced in the same manner as under section 25A(g)(2).

''(2) IDENTIFICATION REQUIREMENT.—No deduction shall be allowed under subsection (a) to a taxpayer with respect to the qualified tuition and related expenses of an individual unless the taxpayer includes the name and taxpayer identification number of the individual on the return of tax for the taxable year.

''(3) LIMITATION ON TAXABLE YEAR OF DEDUCTION.—

''(A) IN GENERAL.—A deduction shall be allowed under subsection (a) for qualified tuition and related expenses for any taxable year only to the extent such expenses are in connection with enrollment at an institution of higher education during the taxable year.

''(B) CERTAIN PREPAYMENTS ALLOWED.—Subparagraph (A) shall not apply to qualified tuition and related expenses paid during a taxable year if such expenses are in connection with an academic term beginning during such taxable year or during the first 3 months of the next taxable year.

''(4) NO DEDUCTION FOR MARRIED INDIVIDUALS FILING SEPARATE RETURNS.—If the taxpayer is a married individual (within the meaning of section 7703), this section shall apply only if the taxpayer and the taxpayer's spouse file a joint return for the taxable year.

''(5) NONRESIDENT ALIENS.—If the taxpayer is a nonresident alien individual for any portion of the taxable year, this section shall apply only if such individual is treated as a resident alien of the United States for purposes of this chapter by reason of an election under subsection (g) or (h) of section 6013.

''(6) REGULATIONS.—The Secretary may prescribe such regulations as may be necessary or appropriate to carry out this section, including regulations requiring recordkeeping and information reporting.

''(e) TERMINATION.—This section shall not apply to taxable years beginning after December 31, 2005.''.

(b) DEDUCTION ALLOWED IN COMPUTING ADJUSTED GROSS INCOME.—Section 62(a) is amended by inserting after paragraph (17) the following:

''(18) HIGHER EDUCATION EXPENSES.—The deduction allowed by section 222.''.

(c) CONFORMING AMENDMENTS.—

(1) Sections 86(b)(2), 135(c)(4), 137(b)(3), and 219(g)(3) are each amended by inserting ''222,'' after ''221,''.

(2) Section 221(b)(2)(C) is amended by inserting ''222,'' before ''911''.

(3) Section 469(i)(3)(E) is amended by striking ''and 221'' and inserting '', 221, and 222''.

(4) The table of sections for part VII of subchapter B of chapter 1 is amended by striking the item relating to section 222 and inserting the following:

''Sec. 222. Qualified tuition and related expenses.

''Sec. 223. Cross reference.''.

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

SEC. 432. 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 $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 $35,000 ($70,000 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 $10,000 ($20,000 in the case of a joint return).

''(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 2009, the $35,000 and $70,000 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 '2008' 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 subsection, any loan and all refinancings of such loan shall be treated as 1 loan. Such 60 months shall be determined in the manner prescribed by the Secretary in the case of multiple loans which are refinanced by, or serviced as, a single loan and in the case of loans incurred before January 1, 2009.

''(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 if any amount of interest on a qualified education loan is taken into account for any deduction under any other provision of this chapter for the taxable year.

''(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 December 31, 2008, but only with respect to any loan interest payment due in taxable years beginning after December 31, 2008.

Subtitle E—Compliance With Congressional Budget Act

SEC. 441. SUNSET OF PROVISIONS OF TITLE.

All provisions of, and amendments made by, this title which are in effect on September 30, 2011, shall cease to apply as of the close of September 30, 2011.

TITLE V—ESTATE, GIFT, AND GENERATION-SKIPPING TRANSFER TAX PROVISIONS

Subtitle A—Repeal of Estate and Generation-Skipping Transfer Taxes

SEC. 501. REPEAL OF ESTATE AND GENERATION-SKIPPING TRANSFER TAXES.

(a) ESTATE TAX REPEAL.—Subchapter C of chapter 11 of subtitle B (relating to miscellaneous) is amended by adding at the end the following new section:

''SEC. 2210. TERMINATION.

''(a) IN GENERAL.—Except as provided in subsection (b), this chapter shall not apply to the estates of decedents dying after December 31, 2010.

''(b) CERTAIN DISTRIBUTIONS FROM QUALIFIED DOMESTIC TRUSTS.—In applying section 2056A with respect to the surviving spouse of a decedent dying before January 1, 2011—

''(1) section 2056A(b)(1)(A) shall not apply to distributions made after December 31, 2021, and

''(2) section 2056A(b)(1)(B) shall not apply after December 31, 2010.''.

(b) GENERATION-SKIPPING TRANSFER TAX REPEAL.—Subchapter G of chapter 13 of subtitle B (relating to administration) is amended by adding at the end the following new section:

''SEC. 2664. TERMINATION.

''This chapter shall not apply to generation-skipping transfers made after December 31, 2010.''.

(c) CONFORMING AMENDMENTS.—

(1) The table of sections for subchapter C of chapter 11 is amended by adding at the end the following new item:

''Sec. 2210. Termination.''.

(2) The table of sections for subchapter G of chapter 13 is amended by adding at the end the following new item:

''Sec. 2664. Termination.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to the estates of decedents dying, and generation-skipping transfers made, after December 31, 2010.

Subtitle B—Reductions of Estate and Gift Tax Rates

SEC. 511. ADDITIONAL REDUCTIONS OF ESTATE AND GIFT TAX RATES.

(a) MAXIMUM RATE OF TAX REDUCED TO 50 PERCENT.—The table contained in section 2001(c)(1) is amended by striking the two highest brackets and inserting the following:

''Over $2,500,000	$1,025,800, plus 50% of the excess over $2,500,000.''.

(b) REPEAL OF PHASEOUT OF GRADUATED RATES.—Subsection (c) of section 2001 is amended by striking paragraph (2).

(c) ADDITIONAL REDUCTIONS OF MAXIMUM RATE OF TAX.—Subsection (c) of section 2001, as amended by subsection (b), is amended by adding at the end the following new paragraph:

''(2) PHASEDOWN OF MAXIMUM RATE OF TAX.—

''(A) IN GENERAL.—In the case of estates of decedents dying, and gifts made, in calendar years after 2002 and before 2011, the tentative tax under this subsection shall be determined by using a table prescribed by the Secretary (in lieu of using the table contained in paragraph (1)) which is the same as such table; except that—

''(i) the maximum rate of tax for any calendar year shall be determined in the table under subparagraph (B), and

''(ii) the brackets and the amounts setting forth the tax shall be adjusted to the extent necessary to reflect the adjustments under subparagraph (A).

''(B) MAXIMUM RATE.—

''Calendar year:	Maximum Rate:
2003	49 percent
2004	48 percent
2005	47 percent
2006	46 percent
2007	45 percent
2008	45 percent
2009	45 percent
2010	45 percent

(d) MAXIMUM GIFT TAX RATE REDUCED TO 40 PERCENT AFTER 2010.—Subsection (a) of section 2502 (relating to rate of tax) is amended to read as follows:

''(a) COMPUTATION OF TAX.—

''(1) IN GENERAL.—The tax imposed by section 2501 for each calendar year shall be an amount equal to the excess of—

''(A) a tentative tax, computed under paragraph (2), on the aggregate sum of the taxable gifts for such calendar year and for each of the preceding calendar periods, over

''(B) a tentative tax, computed under paragraph (2), on the aggregate sum of the taxable gifts for each of the preceding calendar periods.

''(2) RATE SCHEDULE.—

''If the amount with respect to which the tentative tax to be computed is:	The tentative tax is:
Not over $10,000	18% of such amount.
Over $10,000 but not over $20,000.	$1,800, plus 20% of the excess over $10,000.
Over $20,000 but not over $40,000.	$3,800, plus 22% of the excess over $20,000.
Over $40,000 but not over $60,000.	$8,200, plus 24% of the excess over $40,000.
Over $60,000 but not over $80,000.	$13,000, plus 26% of the excess over $60,000.
Over $80,000 but not over $100,000.	$18,200, plus 28% of the excess over $80,000.
Over $100,000 but not over $150,000.	$23,800, plus 30% of the excess over $100,000.
Over $150,000 but not over $250,000.	$38,800, plus 32% of the excess over $150,000.
Over $250,000 but not over $500,000.	$70,800, plus 34% of the excess over $250,000.
Over $500,000 but not over $750,000.	$155,800, plus 37% of the excess over $500,000.
Over $750,000 but not over $1,000,000.	$248,300, plus 39% of the excess over $750,000.
Over $1,000,000	$345,800, plus 40% of the excess over $1,000,000.''.

(e) TREATMENT OF CERTAIN TRANSFERS IN TRUST.—Section 2511 (relating to transfers in general) is amended by adding at the end the following new subsection:

''(c) TREATMENT OF CERTAIN TRANSFERS IN TRUST.—Notwithstanding any other provision of this section and except as provided in regulations, a transfer in trust shall be treated as a taxable gift under section 2503, unless the trust is treated as wholly owned by the donor or the donor's spouse under subpart E of part I of subchapter J of chapter 1.''.

(f) EFFECTIVE DATES.—

(1) SUBSECTIONS (a) AND (b).—The amendments made by subsections (a) and (b) shall apply to estates of decedents dying, and gifts made, after December 31, 2001.

(2) SUBSECTION (c).—The amendment made by subsection (c) shall apply to estates of decedents dying, and gifts made, after December 31, 2002.

(3) SUBSECTIONS (d) AND (e).—The amendments made by subsections (d) and (e) shall apply to gifts made after December 31, 2010.

Subtitle C—Increase in Exemption Amounts

SEC. 521. INCREASE IN EXEMPTION EQUIVALENT OF UNIFIED CREDIT, LIFETIME GIFTS EXEMPTION, AND GST EXEMPTION AMOUNTS.

(a) IN GENERAL.—Subsection (c) of section 2010 (relating to applicable credit amount) is amended by striking the table and inserting the following new table:

''In the case of estates of decedents dying during:	The applicable exclusion amount is:
2002 and 2003	$1,000,000
2004	$2,000,000
2005, 2006, 2007, and 2008	$3,000,000
2009	$3,500,000
2010	$4,000,000.''.

(b) LIFETIME GIFT EXEMPTION INCREASED TO $1,000,000.—

(1) FOR PERIODS BEFORE ESTATE TAX REPEAL.—Paragraph (1) of section 2505(a) (relating to unified credit against gift tax) is amended by inserting ''(determined as if the applicable exclusion amount were $1,000,000)'' after ''calendar year''.

(2) FOR PERIODS AFTER ESTATE TAX REPEAL.—Paragraph (1) of section 2505(a) (relating to unified credit against gift tax), as amended by paragraph (1), is amended to read as follows:

''(1) the amount of the tentative tax which would be determined under the rate schedule set forth in section 2502(a)(2) if the amount with respect to which such tentative tax is to be computed were $1,000,000, reduced by''.

(c) GST EXEMPTION.—

(1) IN GENERAL.—Subsection (a) of 2631 (relating to GST exemption) is amended by striking ''of $1,000,000'' and inserting ''amount''.

(2) EXEMPTION AMOUNT.—Subsection (c) of section 2631 is amended to read as follows:

''(c) GST EXEMPTION AMOUNT.—For purposes of subsection (a), the GST exemption amount for any calendar year shall be equal to the applicable exclusion amount under section 2010(c) for such calendar year.''.

(d) REPEAL OF SPECIAL BENEFIT FOR FAMILY-OWNED BUSINESS INTERESTS.—

(1) IN GENERAL.—Section 2057 is hereby repealed.

(2) CONFORMING AMENDMENTS.—

(A) Paragraph (10) of section 2031(c) is amended by inserting ''(as in effect on the day before the date of the enactment of this parenthetical)'' before the period.

(B) The table of sections for part IV of subchapter A of chapter 11 is amended by striking the item relating to section 2057.

(e) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraphs (2) and (3), the amendments made by this section shall apply to estates of decedents dying, and gifts made, after December 31, 2001.

(2) SUBSECTION (b)(2).—The amendments made by subsection (b)(2) shall apply to gifts made after December 31, 2010.

(3) SUBSECTIONS (c) AND (d).—The amendments made by subsections (c) and (d) shall apply to estates of decedents dying, and generation-skipping transfers made, after December 31, 2003.

Subtitle D—Credit for State Death Taxes

SEC. 531. REDUCTION OF CREDIT FOR STATE DEATH TAXES.

(a) MAXIMUM CREDIT REDUCED TO 8 PERCENT.—

(1) IN GENERAL.—The table contained in section 2011(b) is amended by striking the ten highest brackets and inserting the following:

''Over $2,040,000 ..... $106,800, plus 8% of the excess over $2,040,000.''.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to estates of decedents dying after December 31, 2001.

(b) MAXIMUM CREDIT REDUCED TO 7.2 PERCENT.—

(1) IN GENERAL.—The table contained in section 2011(b), as amended by subsection (a), is amended by striking the two highest brackets and inserting the following:

''Over $1,540,000 ..... $70,800, plus 7.2% of the excess over $1,540,000.''.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to estates of decedents dying after December 31, 2002.

(c) MAXIMUM CREDIT REDUCED TO 7.04 PERCENT.—

(1) IN GENERAL.—The table contained in section 2011(b), as amended by subsections (a) and (b), is amended by striking the highest bracket and inserting the following:

''Over $1,540,000 ..... $70,800, plus 7.04% of the excess over $1,540,000.''.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to estates of decedents dying after December 31, 2003.

SEC. 522. CREDIT FOR STATE DEATH TAXES REPLACED WITH DEDUCTION FOR SUCH TAXES.

(a) REPEAL OF CREDIT.—Section 2011 (relating to credit for State death taxes) is repealed.

(b) DEDUCTION FOR STATE DEATH TAXES.—Part IV of subchapter A of chapter 11 is amended by adding at the end the following new section:

''SEC. 2058. STATE DEATH TAXES.

''(a) ALLOWANCE OF DEDUCTION.—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 the amount of any estate, inheritance, legacy, or succession taxes actually paid to any State or the District of Columbia, in respect of any property included in the gross estate (not including any such taxes paid with respect to the estate of a person other than the decedent).

''(b) PERIOD OF LIMITATIONS.—The deduction allowed by this section shall include only such taxes as were actually paid and deduction therefor claimed before the later of—

''(1) 4 years after the filing of the return required by section 6018, or

''(2) if—

''(A) a petition for redetermination of a deficiency has been filed with the Tax Court within the time prescribed in section 6213(a), the expiration of 60 days after the decision of the Tax Court becomes final,

''(B) an extension of time has been granted under section 6161 or 6166 for payment of the tax shown on the return, or of a deficiency, the date of the expiration of the period of the extension, or

''(C) a claim for refund or credit of an overpayment of tax imposed by this chapter has been filed within the time prescribed in section 6511, the latest of the expiration of—

''(i) 60 days from the date of mailing by certified mail or registered mail by the Secretary to the taxpayer of a notice of the disallowance of any part of such claim,

''(ii) 60 days after a decision by any court of competent jurisdiction becomes final with respect to a timely suit instituted upon such claim, or

''(iii) 2 years after a notice of the waiver of disallowance is filed under section 6532(a)(3).

Notwithstanding sections 6511 and 6512, refund based on the deduction may be made if the claim for refund is filed within the period provided in the preceding sentence. Any such refund shall be made without interest.''.

(c) CONFORMING AMENDMENTS.—

(1) Subsection (a) of section 2012 is amended by striking ''the credit for State death taxes provided by section 2011 and''.

(2) Subparagraph (A) of section 2013(c)(1) is amended by striking ''2011,''.

(3) Paragraph (2) of section 2014(b) is amended by striking '', 2011,''.

(4) Sections 2015 and 2016 are each amended by striking ''2011 or''.

(5) Subsection (d) of section 2053 is amended to read as follows:

''(d) CERTAIN FOREIGN DEATH TAXES.—

''(1) IN GENERAL.—Notwithstanding the provisions of subsection (c)(1)(B), for purposes of the tax imposed by section 2001, the value of the taxable estate may be determined, if the executor so elects before the expiration of the period of limitation for assessment provided in section 6501, by deducting from the value of the gross estate the amount (as determined in accordance with regulations prescribed by the Secretary) of any estate, succession, legacy, or inheritance tax imposed by and actually paid to any foreign country, in respect of any property situated within such foreign country and included in the gross estate of a citizen or resident of the United States, upon a transfer by the decedent for public, charitable, or religious uses described in section 2055. The determination under this paragraph of the country within which property is situated shall be made in accordance with the rules applicable under subchapter B (sec. 2101 and following) in determining whether property is situated within or without the United States. Any election under this paragraph shall be exercised in accordance with regulations prescribed by the Secretary.

''(2) CONDITION FOR ALLOWANCE OF DEDUCTION.—No deduction shall be allowed under paragraph (1) for a foreign death tax specified therein unless the decrease in the tax imposed by section 2001 which results from the deduction provided in paragraph (1) will inure solely for the benefit of the public, charitable, or religious transferees described in section 2055 or section 2106(a)(2). In any case where the tax imposed by section 2001 is equitably apportioned among all the transferees of property included in the gross estate, including those described in sections 2055 and 2106(a)(2) (taking into account any exemptions, credits, or deductions allowed by this chapter), in determining such decrease, there shall be disregarded any decrease in the Federal estate tax which any transferees other than those described in sections 2055 and 2106(a)(2) are required to pay.

''(3) EFFECT ON CREDIT FOR FOREIGN DEATH TAXES OF DEDUCTION UNDER THIS SUBSECTION.—

''(A) ELECTION.—An election under this subsection shall be deemed a waiver of the right to claim a credit, against the Federal estate tax, under a death tax convention with any foreign country for any tax or portion thereof in respect of which a deduction is taken under this subsection.

''(B) CROSS REFERENCE.—

''See section 2014(f) for the effect of a deduction taken under this paragraph on the credit for foreign death taxes.''.

(6) Subparagraph (A) of section 2056A(b)(10) is amended—

(A) by striking ''2011,'', and

(B) by inserting ''2058,'' after ''2056,''.

(7)(A) Subsection (a) of section 2102 is amended to read as follows:

''(a) IN GENERAL.—The tax imposed by section 2101 shall be credited with the amounts determined in accordance with sections 2012 and 2013 (relating to gift tax and tax on prior transfers).''.

(B) Section 2102 is amended by striking subsection (b) and by redesignating subsection (c) as subsection (b).

(C) Section 2102(b)(5) (as redesignated by subparagraph (B)) and section 2107(c)(3) are each amended by striking ''2011 to 2013, inclusive,'' and inserting ''2012 and 2013''.

(8) Subsection (a) of section 2106 is amended by adding at the end the following new paragraph:

''(4) STATE DEATH TAXES.—The amount which bears the same ratio to the State death taxes as the value of the property, as determined for purposes of this chapter, upon which State death taxes were paid and which is included in the gross estate under section 2103 bears to the value of the total gross estate under section 2103. For purposes of this paragraph, the term 'State death taxes' means the taxes described in section 2011(a).''.

(9) Section 2201 is amended—

(A) by striking ''as defined in section 2011(d)'', and

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

''For purposes of this section, the additional estate tax is the difference between the tax imposed by section 2001 or 2101 and the amount equal to 125 percent of the maximum credit provided by section 2011(b), as in effect before its repeal by the Restoring Earnings To Lift Individuals and Empower Families (RELIEF) Act of 2001.''.

(10) Section 2604 is repealed.

(11) Paragraph (2) of section 6511(i) is amended by striking ''2011(c), 2014(b),'' and inserting ''2014(b)''.

(12) Subsection (c) of section 6612 is amended by striking ''section 2011(c) (relating to refunds due to credit for State taxes),''.

(13) The table of sections for part II of subchapter A of chapter 11 is amended by striking the item relating to section 2011.

(14) The table of sections for part IV of subchapter A of chapter 11 is amended by adding at the end the following new item:

''Sec. 2058. State death taxes.''.

(15) The table of sections for subchapter A of chapter 13 is amended by striking the item relating to section 2604.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to estates of decedents dying after December 31, 2004.

Subtitle E—Carryover Basis at Death; Other Changes Taking Effect With Repeal

SEC. 541. TERMINATION OF STEP-UP IN BASIS AT DEATH.

Section 1014 (relating to basis of property acquired from a decedent) is amended by adding at the end the following new subsection:

''(f) TERMINATION.—This section shall not apply with respect to decedents dying after December 31, 2010.''.

SEC. 542. TREATMENT OF PROPERTY ACQUIRED FROM A DECEDENT DYING AFTER DECEMBER 31, 2010.

(a) GENERAL RULE.—Part II of subchapter O of chapter 1 (relating to basis rules of general application) is amended by inserting after section 1021 the following new section:

"SEC. 1022. TREATMENT OF PROPERTY ACQUIRED FROM A DECEDENT DYING AFTER DECEMBER 31, 2010.

''(a) IN GENERAL.—Except as otherwise provided in this section—

''(1) property acquired from a decedent dying after December 31, 2010, shall be treated for purposes of this subtitle as transferred by gift, and

''(2) the basis of the person acquiring property from such a decedent shall be the lesser of—

''(A) the adjusted basis of the decedent, or

''(B) the fair market value of the property at the date of the decedent's death.

''(b) BASIS INCREASE FOR CERTAIN PROPERTY.—

''(1) IN GENERAL.—In the case of property to which this subsection applies, the basis of such property under subsection (a) shall be increased by its basis increase under this subsection.

''(2) BASIS INCREASE.—For purposes of this subsection—

''(A) IN GENERAL.—The basis increase under this subsection for any property is the portion of the aggregate basis increase which is allocated to the property pursuant to this section.

''(B) AGGREGATE BASIS INCREASE.—In the case of any estate, the aggregate basis increase under this subsection is $1,300,000.

''(C) LIMIT INCREASED BY UNUSED BUILT-IN LOSSES AND LOSS CARRYOVERS.—The limitation under subparagraph (B) shall be increased by—

''(i) the sum of the amount of any capital loss carryover under section 1212(b), and the amount of any net operating loss carryover under section 172, which would (but for the decedent's death) be carried from the decedent's last taxable year to a later taxable year of the decedent, plus

''(ii) the sum of the amount of any losses that would have been allowable under section 165 if the property acquired from the decedent had been sold at fair market value immediately before the decedent's death.

''(3) DECEDENT NONRESIDENTS WHO ARE NOT CITIZENS OF THE UNITED STATES.—In the case of a decedent nonresident not a citizen of the United States—

''(A) paragraph (2)(B) shall be applied by substituting '$60,000' for '$1,300,000', and

''(B) paragraph (2)(C) shall not apply.

''(c) ADDITIONAL BASIS INCREASE FOR PROPERTY ACQUIRED BY SURVIVING SPOUSE.—

''(1) IN GENERAL.—In the case of property to which this subsection applies and which is qualified spousal property, the basis of such property under subsection (a) (as increased under subsection (b)) shall be increased by its spousal property basis increase.

''(2) SPOUSAL PROPERTY BASIS INCREASE.—For purposes of this subsection—

''(A) IN GENERAL.—The spousal property basis increase for property referred to in paragraph (1) is the portion of the aggregate spousal property basis increase which is allocated to the property pursuant to this section.

''(B) AGGREGATE SPOUSAL PROPERTY BASIS INCREASE.—In the case of any estate, the aggregate spousal property basis increase is $3,000,000.

''(3) QUALIFIED SPOUSAL PROPERTY.—For purposes of this subsection, the term 'qualified spousal property' means—

''(A) outright transfer property, and

''(B) qualified terminable interest property.

''(4) OUTRIGHT TRANSFER PROPERTY.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'outright transfer property' means any interest in property acquired from the decedent by the decedent's surviving spouse.

''(B) EXCEPTION.—Subparagraph (A) shall not apply where, on the lapse of time, on the occurrence of an event or contingency, or on the failure of an event or contingency to occur, an interest passing to the surviving spouse will terminate or fail—

''(i)(I) if an interest in such property passes or has passed (for less than an adequate and full consideration in money or money's worth) from the decedent to any person other than such surviving spouse (or the estate of such spouse), and

''(II) if by reason of such passing such person (or his heirs or assigns) may possess or enjoy any part of such property after such termination or failure of the interest so passing to the surviving spouse, or

''(ii) if such interest is to be acquired for the surviving spouse, pursuant to directions of the decedent, by his executor or by the trustee of a trust.

For purposes of this subparagraph, an interest shall not be considered as an interest which will terminate or fail merely because it is the ownership of a bond, note, or similar contractual obligation, the discharge of which would not have the effect of an annuity for life or for a term.

''(C) INTEREST OF SPOUSE CONDITIONAL ON SURVIVAL FOR LIMITED PERIOD.—For purposes of this paragraph, an interest passing to the surviving spouse shall not be considered as an interest which will terminate or fail on the death of such spouse if—

''(i) such death will cause a termination or failure of such interest only if it occurs within a period not exceeding 6 months after the decedent's death, or only if it occurs as a result of a common disaster resulting in the death of the decedent and the surviving spouse, or only if it occurs in the case of either such event, and

''(ii) such termination or failure does not in fact occur.

''(5) QUALIFIED TERMINABLE INTEREST PROPERTY.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'qualified terminable interest property' means property—

''(i) which passes from the decedent, and

''(ii) in which the surviving spouse has a qualifying income interest for life.

''(B) QUALIFYING INCOME INTEREST FOR LIFE.—The surviving spouse has a qualifying income interest for life if—

''(i) the surviving spouse is entitled to all the income from the property, payable annually or at more frequent intervals, or has a usufruct interest for life in the property, and

''(ii) no person has a power to appoint any part of the property to any person other than the surviving spouse.

Clause (ii) shall not apply to a power exercisable only at or after the death of the surviving spouse. To the extent provided in regulations, an annuity shall be treated in a manner similar to an income interest in property (regardless of whether the property from which the annuity is payable can be separately identified).

''(C) PROPERTY INCLUDES INTEREST THEREIN.—The term 'property' includes an interest in property.

''(D) SPECIFIC PORTION TREATED AS SEPARATE PROPERTY.—A specific portion of property shall be treated as separate property. For purposes of the preceding sentence, the term 'specific portion' only includes a portion determined on a fractional or percentage basis.

''(d) DEFINITIONS AND SPECIAL RULES FOR APPLICATION OF SUBSECTIONS (b) AND (c).—

''(1) PROPERTY TO WHICH SUBSECTIONS (b) AND (c) APPLY.—

''(A) IN GENERAL.—The basis of property acquired from a decedent may be increased under subsection (b) or (c) only if the property was owned by the decedent at the time of death.

''(B) RULES RELATING TO OWNERSHIP.—

''(i) JOINTLY HELD PROPERTY.—In the case of property which was owned by the decedent and another person as joint tenants with right of survivorship or tenants by the entirety—

''(I) if the only such other person is the surviving spouse, the decedent shall be treated as the owner of only 50 percent of the property,

''(II) in any case (to which subclause (I) does not apply) in which the decedent furnished consideration for the acquisition of the property, the decedent shall be treated as the owner to the extent of the portion of the property which is proportionate to such consideration, and

''(III) in any case (to which subclause (I) does not apply) in which the property has been acquired by gift, bequest, devise, or inheritance by the decedent and any other person as joint tenants with right of survivorship and their interests are not otherwise specified or fixed by law, the decedent shall be treated as the owner to the extent of the value of a fractional part to be determined by dividing the value of the property by the number of joint tenants with right of survivorship.

''(ii) REVOCABLE TRUSTS.—The decedent shall be treated as owning property transferred by the decedent during life to a qualified revocable trust (as defined in section 645(b)(1)).

''(iii) POWERS OF APPOINTMENT.—The decedent shall not be treated as owning any property by reason of holding a power of appointment with respect to such property.

''(iv) COMMUNITY PROPERTY.—Property which represents the surviving spouse's one-half share of community property held by the decedent and the surviving spouse under the community property laws of any State or possession of the United States or any foreign country shall be treated for purposes of this section as owned by, and acquired from, the decedent if at least one-half of the whole of the community interest in such property is treated as owned by, and acquired from, the decedent without regard to this clause.

''(C) PROPERTY ACQUIRED BY DECEDENT BY GIFT WITHIN 3 YEARS OF DEATH.—

''(i) IN GENERAL.—Subsections (b) and (c) shall not apply to property acquired by the decedent by gift or by inter vivos transfer for less than adequate and full consideration in money or money's worth during the 3-year period ending on the date of the decedent's death.

''(ii) EXCEPTION FOR CERTAIN GIFTS FROM SPOUSE.—Clause (i) shall not apply to property acquired by the decedent from the decedent's spouse unless, during such 3-year period, such spouse acquired the property in whole or in part by gift or by inter vivos transfer for less than adequate and full consideration in money or money's worth.

''(D) STOCK OF CERTAIN ENTITIES.—Subsections (b) and (c) shall not apply to—

''(i) stock or securities a foreign personal holding company,

''(ii) stock of a DISC or former DISC,

''(iii) stock of a foreign investment company, or

''(iv) stock of a passive foreign investment company unless such company is a qualified electing fund (as defined in section 1295) with respect to the decedent.

''(2) FAIR MARKET VALUE LIMITATION.—The adjustments under subsections (b) and (c) shall not increase the basis of any interest in property acquired from the decedent above its fair market value in the hands of the decedent as of the date of the decedent's death.

''(3) ALLOCATION RULES.—

''(A) IN GENERAL.—The executor shall allocate the adjustments under subsections (b) and (c) on the return required by section 6018.

''(B) CHANGES IN ALLOCATION.—Any allocation made pursuant to subparagraph (A) may be changed only as provided by the Secretary.

''(4) INFLATION ADJUSTMENT OF BASIS ADJUSTMENT AMOUNTS.—

''(A) IN GENERAL.—In the case of decedents dying in a calendar year after 2011, the $1,300,000, $60,000, and $3,000,000 dollar amounts in subsections (b) and (c)(2)(B) shall each be increased by an amount equal to the product of—

''(i) such dollar amount, and

''(ii) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year, determined by substituting '2010' for '1992' in subparagraph (B) thereof.

''(B) ROUNDING.—If any increase determined under subparagraph (A) is not a multiple of—

''(i) $100,000 in the case of the $1,300,000 amount,

''(ii) $5,000 in the case of the $60,000 amount, and

''(iii) $250,000 in the case of the $3,000,000 amount,

such increase shall be rounded to the next lowest multiple thereof.

''(e) PROPERTY ACQUIRED FROM THE DECEDENT.—For purposes of this section, the following property shall be considered to have been acquired from the decedent:

''(1) Property acquired by bequest, devise, or inheritance, or by the decedent's estate from the decedent.

''(2) Property transferred by the decedent during his lifetime—

''(A) to a qualified revocable trust (as defined in section 645(b)(1)), or

''(B) to any other trust with respect to which the decedent reserved the right to make any change in the enjoyment thereof through the exercise of a power to alter, amend, or terminate the trust.

''(3) Any other property passing from the decedent by reason of death to the extent that such property passed without consideration.

''(f) COORDINATION WITH SECTION 691.—This section shall not apply to property which constitutes a right to receive an item of income in respect of a decedent under section 691.

''(g) CERTAIN LIABILITIES DISREGARDED.—

''(1) IN GENERAL.—In determining whether gain is recognized on the acquisition of property—

''(A) from a decedent by a decedent's estate or any beneficiary other than a tax-exempt beneficiary, and

''(B) from the decedent's estate by any beneficiary other than a tax-exempt beneficiary, and in determining the adjusted basis of such property, liabilities in excess of basis shall be disregarded.

''(2) TAX-EXEMPT BENEFICIARY.—For purposes of paragraph (1)(B)—

''(A) IN GENERAL.—The term 'tax-exempt beneficiary' means—

''(i) the United States, any State or political subdivision thereof, any possession of the United States, any Indian tribal government (within the meaning of section 7871), or any agency or instrumentality of any of the foregoing,

''(ii) an organization (other than a cooperative described in section 521) which is exempt from tax imposed by chapter 1, and

''(iii) any foreign person or entity (within the meaning of section 168(h)(2)).

''(h) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this section.''.

(b) INFORMATION RETURNS, ETC.—

(1) LARGE TRANSFERS AT DEATH.—So much of subpart C of part II of subchapter A of chapter 61 as precedes section 6019 is amended to read as follows:

"Subpart C—Returns Relating to Transfers During Life or at Death

''Sec. 6018. Returns relating to large transfers at death.

''Sec. 6019. Gift tax returns.

"SEC. 6018. RETURNS RELATING TO LARGE TRANSFERS AT DEATH.

''(a) IN GENERAL.—If this section applies to property acquired from a decedent, the executor of the estate of such decedent shall make a return containing the information specified in subsection (c) with respect to such property.

''(b) PROPERTY TO WHICH SECTION APPLIES.—

''(1) LARGE TRANSFERS.—This section shall apply to all property (other than cash) acquired from a decedent if the fair market value of such property acquired from the decedent exceeds the dollar amount applicable under section 1022(b)(2)(B) (without regard to section 1022(b)(2)(C)).

''(2) TRANSFERS OF CERTAIN GIFTS RECEIVED BY DECEDENT WITHIN 3 YEARS OF DEATH.—This section shall apply to any appreciated property acquired from the decedent if—

''(A) subsections (b) and (c) of section 1022 do not apply to such property by reason of section 1022(d)(1)(C), and

''(B) such property was required to be included on a return required to be filed under section 6019.

''(3) NONRESIDENTS NOT CITIZENS OF THE UNITED STATES.—In the case of a decedent who is a nonresident not a citizen of the United States, paragraphs (1) and (2) shall be applied—

''(A) by taking into account only—

''(i) tangible property situated in the United States, and

''(ii) other property acquired from the decedent by a United States person, and

''(B) by substituting the dollar amount applicable under section 1022(b)(3) for the dollar amount referred to in paragraph (1).

''(4) RETURNS BY TRUSTEES OR BENEFICIARIES.—If the executor is unable to make a complete return as to any property acquired from or passing from the decedent, the executor shall include in the return a description of such property and the name of every person holding a legal or beneficial interest therein. Upon notice from the Secretary, such person shall in like manner make a return as to such property.

''(c) INFORMATION REQUIRED TO BE FURNISHED.—The information specified in this subsection with respect to any property acquired from the decedent is—

''(1) the name and TIN of the recipient of such property,

''(2) an accurate description of such property,

''(3) the adjusted basis of such property in the hands of the decedent and its fair market value at the time of death,

''(4) the decedent's holding period for such property,

''(5) sufficient information to determine whether any gain on the sale of the property would be treated as ordinary income,

''(6) the amount of basis increase allocated to the property under subsection (b) or (c) of section 1022, and

''(7) such other information as the Secretary may by regulations prescribe.

''(d) PROPERTY ACQUIRED FROM DECEDENT.—For purposes of this section, section 1022 shall apply for purposes of determining the property acquired from a decedent.

''(e) STATEMENTS TO BE FURNISHED TO CERTAIN PERSONS.—Every person required to make a return under subsection (a) shall furnish to each person whose name is required to be set forth in such return (other than the person required to make such return) a written statement showing—

''(1) the name, address, and phone number of the person required to make such return, and

''(2) the information specified in subsection (c) with respect to property acquired from, or passing from, the decedent to the person required to receive such statement.

The written statement required under the preceding sentence shall be furnished not later than 30 days after the date that the return required by subsection (a) is filed.''.

(2) GIFTS.—Section 6019 (relating to gift tax returns) is amended—

(A) by striking ''Any individual'' and inserting ''(a) IN GENERAL.—Any individual'', and

(B) by adding at the end the following new subsection:

''(b) STATEMENTS TO BE FURNISHED TO CERTAIN PERSONS.—Every person required to make a return under subsection (a) shall furnish to each person whose name is required to be set forth in such return (other than the person required to make such return) a written statement showing—

''(1) the name, address, and phone number of the person required to make such return, and

''(2) the information specified in such return with respect to property received by the person required to receive such statement.

The written statement required under the preceding sentence shall be furnished not later than 30 days after the date that the return required by subsection (a) is filed.''.

(3) TIME FOR FILING SECTION 6018 RETURNS.—

(A) RETURNS RELATING TO LARGE TRANSFERS AT DEATH.—Subsection (a) of section 6075 is amended to read as follows:

''(a) RETURNS RELATING TO LARGE TRANSFERS AT DEATH.—The return required by section 6018 with respect to a decedent shall be filed with the return of the tax imposed by chapter 1 for the decedent's last taxable year or such later date specified in regulations prescribed by the Secretary.''.

(B) CONFORMING AMENDMENTS.—Paragraph (3) of section 6075(b) is amended—

(I) by striking ''ESTATE TAX RETURN'' in the heading and inserting ''SECTION 6018 RETURN'', and

(II) by striking ''(relating to estate tax returns)'' and inserting ''(relating to returns relating to large transfers at death)''.

(4) PENALTIES.—Part I of subchapter B of chapter 68 (relating to assessable penalties) is amended by adding at the end the following new section:

"SEC. 6716. FAILURE TO FILE INFORMATION WITH RESPECT TO CERTAIN TRANSFERS AT DEATH AND GIFTS.

''(a) INFORMATION REQUIRED TO BE FURNISHED TO THE SECRETARY.—Any person required to furnish any information under section 6018 who fails to furnish such information on the date prescribed therefor (determined with regard to any extension of time for filing) shall pay a penalty of $10,000 ($500 in the case of information required to be furnished under section 6018(b)(2)) for each such failure.

''(b) INFORMATION REQUIRED TO BE FURNISHED TO BENEFICIARIES.—Any person required to furnish in writing to each person described in section 6018(e) or 6019(b) the information required under such section who fails to furnish such information shall pay a penalty of $50 for each such failure.

''(c) REASONABLE CAUSE EXCEPTION.—No penalty shall be imposed under subsection (a) or (b) with respect to any failure if it is shown that such failure is due to reasonable cause.

''(d) INTENTIONAL DISREGARD.—If any failure under subsection (a) or (b) is due to intentional disregard of the requirements under sections 6018 and 6019(b), the penalty under such subsection shall be 5 percent of the fair market value (as of the date of death or, in the case of section 6019(b), the date of the gift) of the property with respect to which the information is required.

''(e) DEFICIENCY PROCEDURES NOT TO APPLY.—Subchapter B of chapter 63 (relating to deficiency procedures for income, estate, gift, and certain excise taxes) shall not apply in respect of the assessment or collection of any penalty imposed by this section.''.

(5) CLERICAL AMENDMENTS.—

(A) The table of sections for part I of subchapter B of chapter 68 is amended by adding at the end the following new item:

''Sec. 6716. Failure to file information with respect to certain transfers at death and gifts.''.

(B) The item relating to subpart C in the table of subparts for part II of subchapter A of chapter 61 is amended to read as follows:

''Subpart C. Returns relating to transfers during life or at death.''.

(c) EXCLUSION OF GAIN ON SALE OF PRINCIPAL RESIDENCE MADE AVAILABLE TO HEIR OF DECEDENT IN CERTAIN CASES.—Subsection (d) of section 121 (relating to exclusion of gain from sale of principal residence) is amended by adding at the end the following new paragraph:

''(9) PROPERTY ACQUIRED FROM A DECEDENT.—The exclusion under this section shall apply to property sold by—

''(A) the estate of a decedent, and

''(B) any individual who acquired such property from the decedent (within the meaning of section 1022),

determined by taking into account the ownership and use by the decedent.''.

(d) TRANSFERS OF APPRECIATED CARRYOVER BASIS PROPERTY TO SATISFY PECUNIARY BEQUEST.—

(1) IN GENERAL.—Section 1040 (relating to transfer of certain farm, etc., real property) is amended to read as follows:

''SEC. 1040. USE OF APPRECIATED CARRYOVER BASIS PROPERTY TO SATISFY PECUNIARY BEQUEST.

''(a) IN GENERAL.—If the executor of the estate of any decedent satisfies the right of any person to receive a pecuniary bequest with appreciated property, then gain on such exchange shall be recognized to the estate only to the extent that, on the date of such exchange, the fair market value of such property exceeds such value on the date of death.

''(b) SIMILAR RULE FOR CERTAIN TRUSTS.—To the extent provided in regulations prescribed by the Secretary, a rule similar to the rule provided in subsection (a) shall apply where—

''(1) by reason of the death of the decedent, a person has a right to receive from a trust a specific dollar amount which is the equivalent of a pecuniary bequest, and

''(2) the trustee of a trust satisfies such right with property.

''(c) BASIS OF PROPERTY ACQUIRED IN EXCHANGE DESCRIBED IN SUBSECTION (a) OR (b).—The basis of property acquired in an exchange with respect to which gain realized is not recognized by reason of subsection (a) or (b) shall be the basis of such property immediately before the exchange increased by the amount of the gain recognized to the estate or trust on the exchange.''.

(2) The item relating to section 1040 in the table of sections for part III of subchapter O of chapter 1 is amended to read as follows:

''Sec. 1040. Use of appreciated carryover basis property to satisfy pecuniary bequest.''.

(e) MISCELLANEOUS AMENDMENTS RELATED TO CARRYOVER BASIS.—

(1) RECOGNITION OF GAIN ON TRANSFERS TO NONRESIDENTS.—

(A) Subsection (a) of section 684 is amended by inserting ''or to a nonresident alien'' after ''or trust''.

(B) Subsection (b) of section 684 is amended by striking ''any person'' and inserting ''any United States person''.

(C) The section heading for section 684 is amended by inserting ''and nonresident aliens'' after ''estates''.

(D) The item relating to section 684 in the table of sections for subpart F of part I of subchapter J of chapter 1 is amended by inserting ''and nonresident aliens'' after ''estates''.

(2) CAPITAL GAIN TREATMENT FOR INHERITED ART WORK OR SIMILAR PROPERTY.—

(A) IN GENERAL.—Subparagraph (C) of section 1221(a)(3) (defining capital asset) is amended by inserting ''(other than by reason of section 1022)'' after ''is determined''.

(B) COORDINATION WITH SECTION 170.—Paragraph (1) of section 170(e) (relating to certain contributions of ordinary income and capital gain property) is amended by adding at the end the following: ''For purposes of this paragraph, the determination of whether property is a capital asset shall be made without regard to the exception contained in section 1221(a)(3)(C) for basis determined under section 1022.''.

(3) DEFINITION OF EXECUTOR.—Section 7701(a) (relating to definitions) is amended by adding at the end the following:

''(47) EXECUTOR.—The term 'executor' means the executor or administrator of the decedent, or, if there is no executor or administrator appointed, qualified, and acting within the United States, then any person in actual or constructive possession of any property of the decedent.''.

(4) CERTAIN TRUSTS.—Subparagraph (A) of section 4947(a)(2) is amended by inserting ''642(c),'' after ''170(f)(2)(B),''.

(5) OTHER AMENDMENTS.—

(A) Section 1246 is amended by striking subsection (e).

(B) Subsection (e) of section 1291 is amended—

(i) by striking ''(e),''; and

(ii) by striking ''; except that'' and all that follows and inserting a period.

(C) Section 1296 is amended by striking subsection (i).

(6) CLERICAL AMENDMENT.—The table of sections for part II of subchapter O of chapter 1 is amended by inserting after the item relating to section 1021 the following new item:

''Sec. 1022. Treatment of property acquired from a decedent dying after December 31, 2010.''.

(f) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to estates of decedents dying after December 31, 2010.

(2) TRANSFERS TO NONRESIDENTS.—The amendments made by subsection (e)(1) shall apply to transfers after December 31, 2010.

(3) SECTION 4947.—The amendment made by subsection (e)(4) shall apply to deductions for taxable years beginning after December 31, 2010.

Subtitle F—Conservation Easements

SEC. 551. EXPANSION OF ESTATE TAX RULE FOR CONSERVATION EASEMENTS.

(a) REPEAL OF CERTAIN RESTRICTIONS ON WHERE LAND IS LOCATED.—Clause (i) of section 2031(c)(8)(A) (defining land subject to a qualified conservation easement) is amended to read as follows:

''(i) which is located in the United States or any possession of the United States,''.

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

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to estates of decedents dying after December 31, 2000.

Subtitle G—Modifications of Generation-Skipping Transfer Tax

SEC. 561. DEEMED ALLOCATION OF GST EXEMPTION TO LIFETIME TRANSFERS TO TRUSTS; RETROACTIVE ALLOCATIONS.

(a) IN GENERAL.—Section 2632 (relating to special rules for allocation of GST exemption) is amended by redesignating subsection (c) as subsection (e) and by inserting after subsection (b) the following new subsections:

''(c) DEEMED ALLOCATION TO CERTAIN LIFETIME TRANSFERS TO GST TRUSTS.—

''(1) IN GENERAL.—If any individual makes an indirect skip during such individual's lifetime, any unused portion of such individual's GST exemption shall be allocated to the property transferred to the extent necessary to make the inclusion ratio for such property zero. If the amount of the indirect skip exceeds such unused portion, the entire unused portion shall be allocated to the property transferred.

''(2) UNUSED PORTION.—For purposes of paragraph (1), the unused portion of an individual's GST exemption is that portion of such exemption which has not previously been—

''(A) allocated by such individual,

''(B) treated as allocated under subsection (b) with respect to a direct skip occurring during or before the calendar year in which the indirect skip is made, or

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

''(3) DEFINITIONS.—

''(A) INDIRECT SKIP.—For purposes of this subsection, the term 'indirect skip' means any transfer of property (other than a direct skip) subject to the tax imposed by chapter 12 made to a GST trust.

''(B) GST TRUST.—The term 'GST trust' means a trust that could have a generation-skipping transfer with respect to the transferor unless—

''(i) the trust instrument provides that more than 25 percent of the trust corpus must be distributed to or may be withdrawn by one or more individuals who are non-skip persons—

''(I) before the date that the individual attains age 46,

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

''(III) upon the occurrence of an event that, in accordance with regulations prescribed by the Secretary, may reasonably be expected to occur before the date that such individual attains age 46,

''(ii) the trust instrument provides that more than 25 percent of the trust corpus must be distributed to or may be withdrawn by one or more individuals who are non-skip persons and who are living on the date of death of another person identified in the instrument (by name or by class) who is more than 10 years older than such individuals,

''(iii) the trust instrument provides that, if one or more individuals who are non-skip persons die on or before a date or event described in clause (i) or (ii), more than 25 percent of the trust corpus either must be distributed to the estate or estates of one or more of such individuals or is subject to a

general power of appointment exercisable by one or more of such individuals,

''(iv) the trust is a trust any portion of which would be included in the gross estate of a non-skip person (other than the transferor) if such person died immediately after the transfer,

''(v) the trust is a charitable lead annuity trust (within the meaning of section 2642(e)(3)(A)) or a charitable remainder annuity trust or a charitable remainder unitrust (within the meaning of section 664(d)), or

''(vi) the trust is a trust with respect to which a deduction was allowed under section 2522 for the amount of an interest in the form of the right to receive annual payments of a fixed percentage of the net fair market value of the trust property (determined yearly) and which is required to pay principal to a non-skip person if such person is alive when the yearly payments for which the deduction was allowed terminate.

For purposes of this subparagraph, the value of transferred property shall not be considered to be includible in the gross estate of a non-skip person or subject to a right of withdrawal by reason of such person holding a right to withdraw so much of such property as does not exceed the amount referred to in section 2503(b) with respect to any transferor, and it shall be assumed that powers of appointment held by non-skip persons will not be exercised.

''(4) AUTOMATIC ALLOCATIONS TO CERTAIN GST TRUSTS.—For purposes of this subsection, an indirect skip to which section 2642(f) applies shall be deemed to have been made only at the close of the estate tax inclusion period. The fair market value of such transfer shall be the fair market value of the trust property at the close of the estate tax inclusion period.

''(5) APPLICABILITY AND EFFECT.—

''(A) IN GENERAL.—An individual—

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

''(I) an indirect skip, or

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

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

''(B) ELECTIONS.—

''(i) ELECTIONS WITH RESPECT TO INDIRECT SKIPS.—An election under subparagraph (A)(i)(I) shall be deemed to be timely if filed on a timely filed gift tax return for the calendar year in which the transfer was made or deemed to have been made pursuant to paragraph (4) or on such later date or dates as may be prescribed by the Secretary.

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

''(d) 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 or former 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) CONFORMING AMENDMENT.—Paragraph (2) of section 2632(b) is amended by striking ''with respect to a prior direct skip'' and inserting ''or subsection (c)(1)''.

(c) EFFECTIVE DATES.—

(1) DEEMED ALLOCATION.—Section 2632(c) of the Internal Revenue Code of 1986 (as added by subsection (a)), and the amendment made by subsection (b), shall apply to transfers subject to chapter 11 or 12 made after December 31, 2000, and to estate tax inclusion periods ending after December 31, 2000.

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

SEC. 562. 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 two 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 two 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 December 31, 2000.

SEC. 563. 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) or (c)(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 apply to transfers subject to chapter 11 or 12 of the Internal Revenue Code of 1986 made after December 31, 2000.

SEC. 564. RELIEF PROVISIONS.

(a) IN GENERAL.—Section 2642 is amended by adding at the end the following new subsection:

''(g) RELIEF PROVISIONS.—

''(1) RELIEF FROM 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 subsection (b)(3) or (c)(5) of section 2632.

Such regulations shall include procedures for requesting comparable relief with respect to transfers made before the date of the enactment of this paragraph.

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

''(2) SUBSTANTIAL COMPLIANCE.—An allocation of GST exemption under section 2632 that demonstrates an intent to have the lowest possible inclusion ratio with respect to a transfer or a trust shall be deemed to be an allocation of so much of the transferor's unused GST exemption as produces the lowest possible inclusion ratio. In determining whether there has been substantial compliance, all relevant circumstances shall be

taken into account, including evidence of intent contained in the trust instrument or instrument of transfer and such other factors as the Secretary deems relevant.''.

(b) EFFECTIVE DATES.—

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

(2) SUBSTANTIAL COMPLIANCE.—Section 2642(g)(2) of such Code (as so added) shall apply to transfers subject to chapter 11 or 12 of the Internal Revenue Code of 1986 made after December 31, 2000. No implication is intended with respect to the availability of relief from late elections or the application of a rule of substantial compliance on or before such date.

Subtitle H—Extension of Time for Payment of Estate Tax

SEC. 571. EXPANSION OF AVAILABILITY OF INSTALLMENT PAYMENT FOR ESTATES WITH INTERESTS QUALIFYING LENDING AND FINANCE BUSINESSES.

(a) IN GENERAL.—Section 6166(b) (relating to definitions and special rules) is amended by adding at the end the following new paragraph:

''(10) STOCK IN QUALIFYING LENDING AND FINANCE BUSINESS TREATED AS STOCK IN AN ACTIVE TRADE OR BUSINESS COMPANY.—

''(A) IN GENERAL.—If the executor elects the benefits of this paragraph, then—

''(i) STOCK IN QUALIFYING LENDING AND FINANCE BUSINESS TREATED AS STOCK IN AN ACTIVE TRADE OR BUSINESS COMPANY.—For purposes of this section, any asset used in a qualifying lending and finance business shall be treated as an asset which is used in carrying on a trade or business.

''(ii) 5-YEAR DEFERRAL FOR PRINCIPAL NOT TO APPLY.—The executor shall be treated as having selected under subsection (a)(3) the date prescribed by section 6151(a).

''(iii) 5 EQUAL INSTALLMENTS ALLOWED.—For purposes of applying subsection (a)(1), '5' shall be substituted for '10'.

''(B) DEFINITIONS.—For purposes of this paragraph—

''(i) QUALIFYING LENDING AND FINANCE BUSINESS.—The term 'qualifying lending and finance business' means a lending and finance business, if—

''(I) based on all the facts and circumstances immediately before the date of the decedent's death, there was substantial activity with respect to the lending and finance business, or

''(II) during at least 3 of the 5 taxable years ending before the date of the decedent's death, such business had at least 1 full-time employee substantially all of the services of whom were in the active management of such business, 10 full-time, nonowner employees substantially all of the services of whom were directly related to such business, and $5,000,000 in gross receipts from activities described in clause (ii).

''(ii) LENDING AND FINANCE BUSINESS.—The term 'lending and finance business' means a trade or business of—

''(I) making loans,

''(II) purchasing or discounting accounts receivable, notes, or installment obligations,

''(III) engaging in rental and leasing of real and tangible personal property, including entering into leases and purchasing, servicing, and disposing of leases and leased assets,

''(IV) rendering services or making facilities available in the ordinary course of a lending or finance business, and

''(V) rendering services or making facilities available in connection with activities described in subclauses (I) through (IV) carried on by the corporation rendering services or making facilities available, or another corporation which is a member of the same affiliated group (as defined in section 1504 without regard to section 1504(b)(3)).

''(iii) LIMITATION.—The term 'qualifying lending and finance business' shall not include any interest in an entity, if the stock or debt of such entity or a controlled group (as defined in section 267(f)(1)) of which such entity was a member was readily tradable on an established securities market or secondary market (as defined by the Secretary) at any time within 3 years before the date of the decedent's death.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to estates of decedents dying after December 31, 2001.

SEC. 572. CLARIFICATION OF AVAILABILITY OF INSTALLMENT PAYMENT.

(a) IN GENERAL.—Subparagraph (B) of section 6166(b)(8) (relating to all stock must be non-readily-tradable stock) is amended to read as follows:

''(B) ALL STOCK MUST BE NON-READILY-TRADABLE STOCK.—

''(i) IN GENERAL.—No stock shall be taken into account for purposes of applying this paragraph unless it is non-readily-tradable stock (within the meaning of paragraph (7)(B)).

''(ii) SPECIAL APPLICATION WHERE ONLY HOLDING COMPANY STOCK IS NON-READILY-TRADABLE STOCK.—If the requirements of clause (i) are not met, but all of the stock of any holding company taken into account is non-readily-tradable, then this paragraph shall apply, but subsection (a)(1) shall be applied by substituting '5' for '10'.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to estates of decedents dying after December 31, 2001.

Subtitle I—Compliance With Congressional Budget Act

SEC. 581. SUNSET OF PROVISIONS OF TITLE.

All provisions of, and amendments made by, this title which are in effect on September 30, 2011, shall cease to apply as of the close of September 30, 2011.

TITLE VI—PENSION AND INDIVIDUAL RETIREMENT ARRANGEMENT PROVISIONS

Subtitle A—Individual Retirement Accounts

SEC. 601. MODIFICATION OF IRA CONTRIBUTION LIMITS.

(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:
2002 through 2005	$2,500
2006 and 2007	$3,000
2008 and 2009	$3,500
2010	$4,000
2011 and thereafter	$5,000.

''(B) CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS 50 OR OLDER.—

''(i) IN GENERAL.—In the case of an individual who has attained the age of 50 before the close of the taxable year, the deductible amount for such taxable year shall be increased by the applicable amount.

''(ii) APPLICABLE AMOUNT.—For purposes of clause (i), the applicable amount shall be the amount determined in accordance with the following table:

"For taxable years beginning in:	The applicable amount is:
2002 through 2005	$500
2006 through 2009	$1,000
2010	$1,500
2011 and thereafter	$2,000.

''(C) COST-OF-LIVING ADJUSTMENT.—

''(i) IN GENERAL.—In the case of any taxable year beginning in a calendar year after 2011, 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 2010' for 'calendar year 1992' in subparagraph (B) thereof.

''(ii) ROUNDING RULES.—If any amount after adjustment under clause (i) is not a multiple of $500, such amount shall be rounded to the next lower multiple of $500.''.

(b) 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)''.

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

SEC. 602. 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 not as a qualified employer plan (and contributions to such account or annuity as contributions to an individual retirement plan and not to the qualified employer 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 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).

''(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); except such term shall only include an eligible deferred compensation plan (as defined in section 457(b)) which is maintained by an eligible employer described in section 457(e)(1)(A).

''(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, 2002.

SEC. 603. 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 account holder or beneficiary.

''(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 account holder or beneficiary. 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 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 (before the application of section 170(b)) 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, 2009.

Subtitle B—Expanding Coverage

SEC. 611. INCREASE IN BENEFIT AND CONTRIBUTION LIMITS.

(a) DEFINED BENEFIT PLANS.—

(1) DOLLAR LIMIT.—

(A) Subparagraph (A) of section 415(b)(1) (relating to limitation for defined benefit plans) is amended by striking ''$90,000'' and inserting ''the applicable limit''.

(B) Section 415(b) is amended by adding at the end the following new paragraph:

''(12) APPLICABLE LIMIT.—For purposes of paragraph (1)(A), the applicable limit shall be determined in accordance with the following table:

''For taxable years beginning in:	**The applicable limit is:**
2002, 2003, and 2004	$150,000
2005 and thereafter	$160,000.''.

(C) Subparagraphs (C) and (D) of section 415(b)(2) are each amended—

(i) in the headings, by striking ''$90,000'' and inserting ''APPLICABLE'',

(ii) by striking ''$90,000 limitation'' each place it appears and inserting ''limitation'', and

(iii) by striking ''a $90,000 annual benefit'' each place it appears and inserting ''an annual benefit equal to the applicable limit''.

(D) Paragraph (7) of section 415(b) (relating to benefits under certain collectively bargained plans) is amended by striking ''the greater of $68,212 or one-half the amount otherwise applicable for such year under paragraph (1)(A) for '$90,000' '' and inserting ''one-half the amount otherwise applicable for such year under paragraph (1)(A) for 'the applicable limit' ''.

(2) LIMIT REDUCED WHEN BENEFIT BEGINS BEFORE AGE 62.—Subparagraph (C) of section 415(b)(2) is amended by striking ''the social security retirement age'' each place it appears in the heading and text and inserting ''age 62'' and by striking the second sentence.

(3) LIMIT INCREASED WHEN BENEFIT BEGINS AFTER AGE 65.—Subparagraph (D) of section 415(b)(2) is amended by striking ''the social security retirement age'' each place it appears in the heading and text and inserting ''age 65''.

(4) COST-OF-LIVING ADJUSTMENTS.—Subsection (d) of section 415 (related to cost-of-living adjustments) is amended—

(A) by striking ''$90,000'' in paragraph (1)(A) and inserting ''applicable limit''; and

(B) in paragraph (3)(A)—

(i) by striking ''$90,000'' in the heading and inserting ''applicable limit''; and

(ii) by striking ''October 1, 1986'' and inserting ''July 1, 2004''.

(5) CONFORMING AMENDMENTS.—

(A) Section 415(b)(2) is amended by striking subparagraph (F).

(B) Section 415(b)(9) is amended to read as follows:

''(9) SPECIAL RULE FOR COMMERCIAL AIRLINE PILOTS.—In the case of any participant who is a commercial airline pilot, if, as of the time of the participant's retirement, regulations prescribed by the Federal Aviation Administration require an individual to separate from service as a commercial airline pilot after attaining any age occurring on or after age 60 and before age 62, paragraph (2)(C) shall be applied by substituting such age for age 62.''.

(C) Section 415(b)(10)(C)(i) is amended by striking ''applied without regard to paragraph (2)(F)''.

(b) QUALIFIED TRUSTS.—

(1) COMPENSATION LIMIT.—

(A) Section 401(a)(17) is amended—

(i) in subparagraph (A), by striking ''$150,000'' and inserting ''the applicable dollar amount'',

(ii) in subparagraph (B), by striking ''$150,000'' and inserting ''the applicable dollar'', and

(iii) by adding at the end the following:

''(C) APPLICABLE DOLLAR AMOUNT.—For purposes of this paragraph, the applicable dollar amount shall be determined in accordance with the following table:

''For taxable years beginning in calendar year:	**The applicable dollar amount:**
2002	$180,000
2003	$190,000
2004 or thereafter	$200,000.''.

(B) Section 404(l) is amended—

(i) by striking the second sentence,

(ii) by striking ''$150,000'' and inserting ''the applicable dollar amount in effect under section 401(a)(17)(A)'', and

(iii) by striking ''the preceding sentence'' and inserting ''section 401(a)(17)(B)''.

(C) Section 408(k) is amended—

(i) in each of paragraphs (3)(C) and (6)(D)(ii), by striking ''$150,000'' each place it appears and inserting ''amount of compensation equal to the applicable dollar amount in effect under section 401(a)(17)(A)'', and

(ii) in paragraph (8), by striking ''and shall adjust'' and all that follows through ''section 401(a)(17)(B)''.

(D) Section 505(b)(7) is amended—

(i) by striking ''$150,000'' and inserting ''the applicable dollar amount in effect under section 401(a)(17)(A)'', and

(ii) by striking the second sentence.

(2) BASE PERIOD AND ROUNDING OF COST-OF-LIVING ADJUSTMENT.—Subparagraph (B) of section 401(a)(17) is amended—

(A) by striking ''The Secretary'' and inserting ''In calendar years beginning after 2005, the Secretary'',

(B) by striking ''October 1, 1993'' and inserting ''July 1, 2005''; and

(C) by striking ''$10,000'' both places it appears and inserting ''$5,000''.

(c) 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 calendar year:	The applicable dollar amount:
2002	$11,000
2003	$11,500
2004	$12,000
2005	$12,500
2006	$13,000
2007	$13,500
2008	$14,000
2009	$14,500
2010 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, 2010, 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, 2009, 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)''.

(d) 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) in subsections (b)(2)(A) and (c)(1) by striking ''$7,500'' each place it appears and inserting ''the applicable dollar amount''; and

(B) in subsection (b)(3)(A) by striking ''$15,000'' 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 calendar year:	The applicable dollar amount:
2002	$9,000
2003	$9,500
2004	$10,000
2005	$10,500
2006	$11,000
2007	$12,000
2008	$13,000
2009	$14,000
2010 or thereafter	$15,000.

''(B) COST-OF-LIVING ADJUSTMENTS.—In the case of taxable years beginning after December 31, 2010, the Secretary shall adjust the $15,000 amount under 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, 2009, and any increase under this paragraph which is not a multiple of $500 shall be rounded to the next lowest multiple of $500.''.

(e) 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 calendar year:	The applicable dollar amount:
2002 and 2003	$7,000
2004 and 2005	$8,000
2006 and 2007	$9,000
2008 or thereafter	$10,000.

''(ii) COST-OF-LIVING ADJUSTMENT.—In the case of a year beginning after December 31, 2008, 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, 2007, 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).

(f) ROUNDING RULE RELATING TO DEFINED BENEFIT PLANS AND DEFINED CONTRIBUTION PLANS.—Paragraph (4) of section 415(d) is amended to read as follows:

''(4) ROUNDING.—

''(A) APPLICABLE LIMIT AMOUNT.—Any increase under subparagraph (A) of paragraph (1) which is not a multiple of $5,000 shall be rounded to the next lowest multiple of $5,000.

''(B) $30,000 AMOUNT.—Any increase under subparagraph (C) of paragraph (1) which is not a multiple of $1,000 shall be rounded to the next lowest multiple of $1,000.''.

(g) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 612. PLAN LOANS FOR SUBCHAPTER S OWNERS, PARTNERS, AND SOLE PROPRIETORS.

(a) IN GENERAL.—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 OF 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 amendment made by this section shall apply to years beginning after December 31, 2001.

SEC. 613. MODIFICATION OF TOP-HEAVY RULES.

(a) SIMPLIFICATION OF DEFINITION OF KEY EMPLOYEE.—

(1) IN GENERAL.—Section 416(i)(1)(A) (defining key employee) is amended—

(A) by striking ''or any of the 4 preceding plan years'' in the matter preceding clause (i);

(B) by striking clause (i) and inserting the following:

''(i) an officer of the employer having an annual compensation greater than the amount in effect under section 414(q)(1)(B)(i) for such plan year,'';

(C) by striking clause (ii) and redesignating clauses (iii) and (iv) as clauses (ii) and (iii), respectively;

(D) by striking the second sentence in the matter following clause (iii), as redesignated by subparagraph (C); and

(E) by adding at the end the following: ''For purposes of this subparagraph, in the case of an employee who is not employed during the preceding plan year or is employed for a portion of such year, such employee shall be treated as a key employee if it can be reasonably anticipated that such employee will be described in 1 of the preceding clauses for the current plan year.''.

(2) CONFORMING AMENDMENT.—Section 416(i)(1)(B)(iii) is amended by striking ''and subparagraph (A)(ii)''.

(b) 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.''.

(c) DISTRIBUTIONS DURING LAST YEAR BEFORE DETERMINATION DATE TAKEN INTO ACCOUNT.—

(1) IN GENERAL.—Paragraph (3) of section 416(g) is amended to read as follows:

''(3) DISTRIBUTIONS DURING LAST YEAR BEFORE DETERMINATION DATE TAKEN INTO ACCOUNT.—

''(A) IN GENERAL.—For purposes of determining—

''(i) the present value of the cumulative accrued benefit for any employee, or

''(ii) the amount of the account of any employee,

such present value or amount shall be increased by the aggregate distributions made with respect to such employee under the plan during the 1-year period ending on the determination date. The preceding sentence shall also apply to distributions under a terminated plan which if it had not been terminated would have been required to be included in an aggregation group.

''(B) 5-YEAR PERIOD IN CASE OF IN-SERVICE DISTRIBUTION.—In the case of any distribution made for a reason other than separation from service, death, or disability, subparagraph (A) shall be applied by substituting '5-year period' for '1-year period'.''.

(2) BENEFITS NOT TAKEN INTO ACCOUNT.—Subparagraph (E) of section 416(g)(4) is amended—

(A) by striking ''LAST 5 YEARS'' in the heading and inserting ''LAST YEAR BEFORE DETERMINATION DATE''; and

(B) by striking ''5-year period'' and inserting ''1-year period''.

(d) FROZEN PLAN EXEMPT FROM MINIMUM BENEFIT REQUIREMENT.—Subparagraph (C) of section 416(c)(1) (relating to defined benefit plans) is amended—

(A) by striking ''clause (ii)'' in clause (i) and inserting ''clause (ii) or (iii)''; and

(B) by adding at the end the following:

''(iii) EXCEPTION FOR FROZEN PLAN.—For purposes of determining an employee's years of service with the employer, any service with the employer shall be disregarded to the extent that such service occurs during a plan year when the plan benefits (within the

meaning of section 410(b)) no key employee or former key employee.''.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 614. 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.—

''(1) IN GENERAL.—The applicable percentage of the amount of any 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.

''(2) APPLICABLE PERCENTAGE.—For purposes of paragraph (1), the applicable percentage shall be determined in accordance with the following table:

"For taxable years beginning in:	The applicable percentage is:
2002 through 2010	25 percent
2011 and thereafter	100 percent

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

SEC. 615. REPEAL OF COORDINATION REQUIREMENTS FOR DEFERRED COMPENSATION PLANS OF STATE AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.

(a) IN GENERAL.—Subsection (c) of section 457 (relating to deferred compensation plans of State and local governments and tax-exempt organizations), as amended by section 611, is amended to read as follows:

''(c) LIMITATION.—The maximum amount of the compensation of any one individual which may be deferred under subsection (a) during any taxable year shall not exceed the amount in effect under subsection (b)(2)(A) (as modified by any adjustment provided under subsection (b)(3)).''.

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

SEC. 616. DEDUCTION LIMITS.

(a) MODIFICATION OF LIMITS.—

(1) STOCK BONUS AND PROFIT SHARING TRUSTS.—

(A) IN GENERAL.—Subclause (I) of section 404(a)(3)(A)(i) (relating to stock bonus and profit sharing trusts) is amended by striking ''15 percent'' and inserting ''25 percent''.

(B) CONFORMING AMENDMENT.—Subparagraph (C) of section 404(h)(1) is amended by striking ''15 percent'' each place it appears and inserting ''25 percent''.

(2) DEFINED CONTRIBUTION PLANS.—

(A) IN GENERAL.—Clause (v) of section 404(a)(3)(A) (relating to stock bonus and profit sharing trusts) is amended to read as follows:

''(v) DEFINED CONTRIBUTION PLANS SUBJECT TO THE FUNDING STANDARDS.—Except as provided by the Secretary, a defined contribution plan which is subject to the funding standards of section 412 shall be treated in the same manner as a stock bonus or profit-sharing plan for purposes of this subparagraph.''

(B) CONFORMING AMENDMENTS.—

(i) Section 404(a)(1)(A) is amended by inserting ''(other than a trust to which paragraph (3) applies)'' after ''pension trust''.

(ii) Section 404(h)(2) is amended by striking ''stock bonus or profit-sharing trust'' and inserting ''trust subject to subsection (a)(3)(A)''.

(iii) The heading of section 404(h)(2) is amended by striking ''STOCK BONUS AND PROFIT-SHARING TRUST'' and inserting ''CERTAIN TRUSTS''.

(b) COMPENSATION.—

(1) IN GENERAL.—Section 404(a) (relating to general rule) is amended by adding at the end the following:

''(12) DEFINITION OF COMPENSATION.—For purposes of paragraphs (3), (7), (8), and (9), the term 'compensation' shall include amounts treated as 'participant's compensation' under subparagraph (C) or (D) of section 415(c)(3).''.

(2) CONFORMING AMENDMENTS.—

(A) Subparagraph (B) of section 404(a)(3) is amended by striking the last sentence thereof.

(B) Clause (i) of section 4972(c)(6)(B) is amended by striking ''(within the meaning of section 404(a))'' and inserting ''(within the meaning of section 404(a) and as adjusted under section 404(a)(12))''.

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

SEC. 617. OPTION TO TREAT ELECTIVE DEFERRALS AS AFTER-TAX ROTH 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 ROTH CONTRIBUTIONS.

''(a) GENERAL RULE.—If an applicable retirement plan includes a qualified Roth contribution program—

''(1) any designated Roth 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 ROTH CONTRIBUTION PROGRAM.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified Roth contribution program' means a program under which an employee may elect to make designated Roth 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 Roth contribution program unless the applicable retirement plan—

''(A) establishes separate accounts ('designated Roth accounts') for the designated Roth 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 ROTH CONTRIBUTIONS.—For purposes of this section—

''(1) DESIGNATED ROTH CONTRIBUTION.—The term 'designated Roth 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 Roth account which is otherwise allowable under this chapter may be made only if the contribution is to—

''(i) another designated Roth 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 Roth 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 Roth 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 Roth 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 first taxable year for which the individual made a designated Roth contribution to any designated Roth account established for such individual under the same applicable retirement plan, or

''(ii) if a rollover contribution was made to such designated Roth account from a designated Roth account previously established for such individual under another applicable retirement plan, the first taxable year for which the individual made a designated Roth contribution to such previously established account.

''(C) DISTRIBUTIONS OF EXCESS DEFERRALS AND CONTRIBUTIONS AND EARNINGS THEREON.—The term 'qualified distribution' shall not include any distribution of any excess deferral under section 402(g)(2) or any excess contribution under section 401(k)(8), and any income on the excess deferral or contribution.

''(3) TREATMENT OF DISTRIBUTIONS OF CERTAIN EXCESS DEFERRALS.—Notwithstanding section 72, if any excess deferral under section 402(g)(2) attributable to a designated Roth contribution is not distributed on or before the 1st April 15 following the close of the taxable year in which such excess deferral is made, the amount of such excess deferral shall—

''(A) not be treated as investment in the contract, and

''(B) be included in gross income for the taxable year in which such excess is distributed.

''(4) AGGREGATION RULES.—Section 72 shall be applied separately with respect to distributions and payments from a designated Roth 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)(A) (as added by section 201(c)(1)) the following new sentence: ''The preceding sentence shall not apply the portion of such excess as does not exceed the designated Roth 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 Roth account (as defined in section 402A), an eligible retirement plan with respect to such portion shall include only another designated Roth 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 Roth 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 ROTH 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 Roth contributions (as defined in section 402A) 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 Roth contributions.''.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2003.

SEC. 618. NONREFUNDABLE CREDIT TO CERTAIN INDIVIDUALS FOR ELECTIVE DEFERRALS AND IRA CONTRIBUTIONS.

(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 (relating to nonrefundable personal credits), as amended by section 432, is amended by inserting after section 25B the following new section:

''SEC. 25C. ELECTIVE DEFERRALS AND IRA CONTRIBUTIONS BY CERTAIN INDIVIDUALS.

''(a) ALLOWANCE OF CREDIT.—In the case of an eligible individual, there shall be allowed as a credit against the tax imposed by this subtitle for the taxable year an amount equal to the applicable percentage of so much of the qualified retirement savings contributions of the eligible individual for the taxable year as do not exceed $2,000.

''(b) APPLICABLE PERCENTAGE.—For purposes of this section, the applicable percentage is the percentage determined in accordance with the following table:

Adjusted Gross Income						Applicable percentage
Joint return		Head of a household		All other cases		
Over	Not over	Over	Not over	Over	Not over	
$0	$30,000	$0	$22,500	$0	$15,000	50
30,000	32,500	22,500	24,375	15,000	16,250	20
32,500	50,000	24,375	37,500	16,250	25,000	10
50,000	.....	37,500	.....	25,000	.....	0

''(c) ELIGIBLE INDIVIDUAL.—For purposes of this section—

''(1) IN GENERAL.—The term 'eligible individual' means any individual if such individual has attained the age of 18 as of the close of the taxable year.

''(2) DEPENDENTS AND FULL-TIME STUDENTS NOT ELIGIBLE.—The term 'eligible individual' shall not include—

''(A) any individual with respect to whom a deduction under section 151 is allowed to another taxpayer for a taxable year beginning in the calendar year in which such individual's taxable year begins, and

''(B) any individual who is a student (as defined in section 151(c)(4)).

''(d) QUALIFIED RETIREMENT SAVINGS CONTRIBUTIONS.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified retirement savings contributions' means, with respect to any taxable year, the sum of—

''(A) the amount of the qualified retirement contributions (as defined in section 219(e)) made by the eligible individual,

''(B) the amount of—

''(i) any elective deferrals (as defined in section 402(g)(3)) of such individual, and

''(ii) any elective deferral of compensation by such individual under an eligible deferred compensation plan (as defined in section 457(b)) of an eligible employer described in section 457(e)(1)(A), and

''(C) the amount of voluntary employee contributions by such individual to any qualified retirement plan (as defined in section 4974(c)).

''(2) REDUCTION FOR CERTAIN DISTRIBUTIONS.—

''(A) IN GENERAL.—The qualified retirement savings contributions determined under paragraph (1) shall be reduced (but not below zero) by the sum of—

''(i) any distribution from a qualified retirement plan (as defined in section 4974(c)), or from an eligible deferred compensation plan (as defined in section 457(b)), received by the individual during the testing period which is includible in gross income, and

''(ii) any distribution from a Roth IRA received by the individual during the testing period which is not a qualified rollover contribution (as defined in section 408A(e)) to a Roth IRA.

''(B) TESTING PERIOD.—For purposes of subparagraph (A), the testing period, with respect to a taxable year, is the period which includes—

''(i) such taxable year,

''(ii) the 2 preceding taxable years, and

''(iii) the period after such taxable year and before the due date (including extensions) for filing the return of tax for such taxable year.

''(C) EXCEPTED DISTRIBUTIONS.—There shall not be taken into account under subparagraph (A)—

''(i) any distribution referred to in section 72(p), 401(k)(8), 401(m)(6), 402(g)(2), 404(k), or 408(d)(4), and

''(ii) any distribution to which section 408A(d)(3) applies.

''(D) TREATMENT OF DISTRIBUTIONS RECEIVED BY SPOUSE OF INDIVIDUAL.—For purposes of determining distributions received by an individual under subparagraph (A) for any taxable year, any distribution received by the spouse of such individual shall be treated as received by such individual if such individual and spouse file a joint return for such taxable year and for the taxable year during which the spouse receives the distribution.

''(e) ADJUSTED GROSS INCOME.—For purposes of this section, adjusted gross income shall be determined without regard to sections 911, 931, and 933.

''(f) INVESTMENT IN THE CONTRACT.—Notwithstanding any other provision of law, a qualified retirement savings contribution shall not fail to be included in determining the investment in the contract for purposes of section 72 by reason of the credit under this section.

''(g) TERMINATION.—This section shall not apply to taxable years beginning after December 31, 2006.''.

(b) CREDIT ALLOWED AGAINST REGULAR TAX AND ALTERNATIVE MINIMUM TAX.—

(1) IN GENERAL.—Section 25C, as added by subsection (a), is amended by inserting after subsection (f) the following new subsection:

''(g) LIMITATION BASED ON AMOUNT OF TAX.—The aggregate credit allowed by this section for the taxable year shall not exceed the sum of—

''(1) the taxpayer's regular tax liability for the taxable year reduced by the sum of the credits allowed by sections 21, 22, 23, 24, 25, 25A, and 25B plus

''(2) the tax imposed by section 55 for such taxable year.''

(2) CONFORMING AMENDMENTS.—

(A) Section 26(a)(1), as amended by section 201, is amended by inserting ''or section 25C'' after ''section 24''.

(B) Section 23(c), as amended by section 201, is amended by striking ''sections 24'' and inserting ''sections 24, 25C,''.

(C) Section 25(e)(1)(C), as amended by section 201, is amended by inserting ''25C,'' after ''24,''.

(D) Section 904(h), as amended by section 201, is amended by inserting ''or 25C'' after ''section 24''.

(E) Section 1400C(d), as amended by section 201, is amended by inserting ''and section 25C'' after ''section 24''.

(c) CONFORMING AMENDMENT.—The table of sections for subpart A of part IV of subchapter A of chapter 1, as amended by section 432, is amended by inserting after the item relating to section 25B the following new item:

''Sec. 25C. Elective deferrals and IRA contributions by certain individuals.''

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

SEC. 619. CREDIT FOR QUALIFIED PENSION PLAN CONTRIBUTIONS OF SMALL EMPLOYERS.

(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. 45E. SMALL EMPLOYER PENSION PLAN CONTRIBUTIONS.

''(a) GENERAL RULE.—For purposes of section 38, in the case of an eligible employer, the small employer pension plan contribution credit determined under this section for any taxable year is an amount equal to 50 percent of the amount which would (but for subsection (f)(1)) be allowed as a deduction under section 404 for such taxable year for qualified employer contributions made to any qualified retirement plan on behalf of any employee who is not a highly compensated employee.

''(b) CREDIT LIMITED TO 3 YEARS.—The credit allowable by this section shall be allowed only with respect to the period of 3 taxable years beginning with the first taxable year for which a credit is allowable with respect to a plan under this section.

''(c) QUALIFIED EMPLOYER CONTRIBUTION.—For purposes of this section—

''(1) DEFINED CONTRIBUTION PLANS.—In the case of a defined contribution plan, the term 'qualified employer contribution' means the amount of nonelective and matching contributions to the plan made by the employer on behalf of any employee who is not a highly compensated employee to the extent such amount does not exceed 3 percent of such employee's compensation from the employer for the year.

''(2) DEFINED BENEFIT PLANS.—In the case of a defined benefit plan, the term 'qualified employer contribution' means the amount of employer contributions to the plan made on behalf of any employee who is not a highly compensated employee to the extent that the accrued benefit of such employee derived from employer contributions for the year does not exceed the equivalent (as determined under regulations prescribed by the Secretary and without regard to contributions and benefits under the Social Security Act) of 3 percent of such employee's compensation from the employer for the year.

''(d) QUALIFIED RETIREMENT PLAN.—

''(1) IN GENERAL.—The term 'qualified retirement plan' means any plan described in section 401(a) which includes a trust exempt from tax under section 501(a) if the plan meets—

''(A) the contribution requirements of paragraph (2),

''(B) the vesting requirements of paragraph (3), and

''(C) the distribution requirements of paragraph (4).

''(2) CONTRIBUTION REQUIREMENTS.—

''(A) IN GENERAL.—The requirements of this paragraph are met if, under the plan—

''(i) the employer is required to make nonelective contributions of at least 1 percent of compensation (or the equivalent thereof in the case of a defined benefit plan) for each employee who is not a highly compensated employee who is eligible to participate in the plan, and

''(ii) allocations of nonelective employer contributions, in the case of a defined contribution plan, are either in equal dollar amounts for all employees covered by the plan or bear a uniform relationship to the total compensation, or the basic or regular rate of compensation, of the employees covered by the plan (and an equivalent requirement is met with respect to a defined benefit plan).

''(B) COMPENSATION LIMITATION.—The compensation taken into account under subparagraph (A) for any year shall not exceed the limitation in effect for such year under section 401(a)(17).

''(3) VESTING REQUIREMENTS.—The requirements of this paragraph are met if the plan satisfies the requirements of either of the following subparagraphs:

''(A) 3-YEAR VESTING.—A plan satisfies the requirements of this subparagraph if an employee who has completed at least 3 years of service has a nonforfeitable right to 100 percent of the employee's accrued benefit derived from employer contributions.

''(B) 5-YEAR GRADED VESTING.—A plan satisfies the requirements of this subparagraph if an employee has a nonforfeitable right to a percentage of the employee's accrued benefit derived from employer contributions determined under the following table:

"Years of service:	**The nonforfeitable percentage is:**
1	20
2	40
3	60
4	80
5	100.

''(4) DISTRIBUTION REQUIREMENTS.—In the case of a profit-sharing or stock bonus plan, the requirements of this paragraph are met if, under the plan, qualified employer contributions are distributable only as provided in section 401(k)(2)(B).

''(e) OTHER DEFINITIONS.—For purposes of this section—

''(1) ELIGIBLE EMPLOYER.—

''(A) IN GENERAL.—The term 'eligible employer' means, with respect to any year, an employer which has no more than 20 employees who received at least $5,000 of compensation from the employer for the preceding year.

''(B) REQUIREMENT FOR NEW QUALIFIED EMPLOYER PLANS.—Such term shall not include an employer if, during the 3-taxable year period immediately preceding the 1st taxable year for which the credit under this section is otherwise allowable for a qualified employer plan of the employer, the employer or any member of any controlled group including the employer (or any predecessor of either) established or maintained a qualified employer plan with respect to which contributions were made, or benefits were accrued, for substantially the same employees as are in the qualified employer plan.

''(2) HIGHLY COMPENSATED EMPLOYEE.—The term 'highly compensated employee' has the meaning given such term by section 414(q) (determined without regard to section 414(q)(1)(B)(ii)).

''(f) SPECIAL RULES.—

''(1) DISALLOWANCE OF DEDUCTION.—No deduction shall be allowed for that portion of the qualified employer contributions paid or incurred for the taxable year which is equal to the credit determined under subsection (a).

''(2) ELECTION NOT TO CLAIM CREDIT.—This section shall not apply to a taxpayer for any taxable year if such taxpayer elects to have this section not apply for such taxable year.

''(3) AGGREGATION RULES.—All persons treated as a single employer under subsection (a) or (b) of section 52, or subsection (n) or (o) of section 414, shall be treated as one person. All eligible employer plans shall be treated as 1 eligible employer plan.

''(g) RECAPTURE OF CREDIT ON FORFEITED CONTRIBUTIONS.—

''(1) IN GENERAL.—Except as provided in paragraph (2), if any accrued benefit which is forfeitable by reason of subsection (d)(3) is forfeited, the employer's tax imposed by this chapter for the taxable year in which the forfeiture occurs shall be increased by 35 percent of the employer contributions from which such benefit is derived to the extent such contributions were taken into account in determining the credit under this section.

''(2) REALLOCATED CONTRIBUTIONS.—Paragraph (1) shall not apply to any contribution which is reallocated by the employer under the plan to employees who are not highly compensated employees.''.

(b) CREDIT ALLOWED AS PART OF GENERAL BUSINESS CREDIT.—Section 38(b) (defining current year business credit) 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 new paragraph:

''(14) in the case of an eligible employer (as defined in section 45E(e)), the small employer pension plan contribution credit determined under section 45E(a).''

(c) CONFORMING AMENDMENTS.—

(1) Section 39(d) is amended by adding at the end the following new paragraph:

''(10) NO CARRYBACK OF SMALL EMPLOYER PENSION PLAN CONTRIBUTION CREDIT BEFORE JANUARY 1, 2003.—No portion of the unused business credit for any taxable year which is attributable to the small employer pension plan contribution credit determined under section 45E may be carried back to a taxable year beginning before January 1, 2003.''

(2) Subsection (c) of section 196 is amended by striking ''and'' at the end of paragraph (8), by striking the period at the end of paragraph (9) and inserting '', and'', and by adding at the end the following new paragraph:

''(10) the small employer pension plan contribution credit determined under section 45E(a).''

(3) 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. 45E. Small employer pension plan contributions.''

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to contributions paid or incurred in taxable years beginning after December 31, 2002.

SEC. 620. CREDIT FOR PENSION PLAN STARTUP COSTS OF SMALL EMPLOYERS.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits), as amended by section 619, is amended by adding at the end the following new section:

"SEC. 45F. SMALL EMPLOYER PENSION PLAN STARTUP COSTS.

''(a) GENERAL RULE.—For purposes of section 38, in the case of an eligible employer, the small employer pension plan startup cost credit determined under this section for any taxable year is an amount equal to 50 percent of the qualified startup costs paid or incurred by the taxpayer during the taxable year.

''(b) DOLLAR LIMITATION.—The amount of the credit determined under this section for any taxable year shall not exceed—

''(1) $500 for the first credit year and each of the 2 taxable years immediately following the first credit year, and

''(2) zero for any other taxable year.

''(c) ELIGIBLE EMPLOYER.—For purposes of this section—

''(1) IN GENERAL.—The term 'eligible employer' has the meaning given such term by section 408(p)(2)(C)(i).

''(2) REQUIREMENT FOR NEW QUALIFIED EMPLOYER PLANS.—Such term shall not include an employer if, during the 3-taxable year period immediately preceding the 1st taxable year for which the credit under this section is otherwise allowable for a qualified employer plan of the employer, the employer or any member of any controlled group including the employer (or any predecessor of either) established or maintained a qualified

employer plan with respect to which contributions were made, or benefits were accrued, for substantially the same employees as are in the qualified employer plan.

''(d) OTHER DEFINITIONS.—For purposes of this section—

''(1) QUALIFIED STARTUP COSTS.—

''(A) IN GENERAL.—The term 'qualified startup costs' means any ordinary and necessary expenses of an eligible employer which are paid or incurred in connection with—

''(i) the establishment or administration of an eligible employer plan, or

''(ii) the retirement-related education of employees with respect to such plan.

''(B) PLAN MUST HAVE AT LEAST 1 PARTICIPANT.—Such term shall not include any expense in connection with a plan that does not have at least 1 employee eligible to participate who is not a highly compensated employee.

''(2) ELIGIBLE EMPLOYER PLAN.—The term 'eligible employer plan' means a qualified employer plan within the meaning of section 4972(d).

''(3) FIRST CREDIT YEAR.—The term 'first credit year' means—

''(A) the taxable year which includes the date that the eligible employer plan to which such costs relate becomes effective, or

''(B) at the election of the eligible employer, the taxable year preceding the taxable year referred to in subparagraph (A).

''(e) SPECIAL RULES.—For purposes of this section—

''(1) AGGREGATION RULES.—All persons treated as a single employer under subsection (a) or (b) of section 52, or subsection (n) or (o) of section 414, shall be treated as one person. All eligible employer plans shall be treated as 1 eligible employer plan.

''(2) DISALLOWANCE OF DEDUCTION.—No deduction shall be allowed for that portion of the qualified startup costs paid or incurred for the taxable year which is equal to the credit determined under subsection (a).

''(3) ELECTION NOT TO CLAIM CREDIT.—This section shall not apply to a taxpayer for any taxable year if such taxpayer elects to have this section not apply for such taxable year.''

(b) CREDIT ALLOWED AS PART OF GENERAL BUSINESS CREDIT.—Section 38(b) (defining current year business credit), as amended by section 619, 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 new paragraph:

''(15) in the case of an eligible employer (as defined in section 45F(c)), the small employer pension plan startup cost credit determined under section 45F(a).''

(c) CONFORMING AMENDMENTS.—

(1) Section 39(d), as amended by section 619(c), is amended by adding at the end the following new paragraph:

''(11) NO CARRYBACK OF SMALL EMPLOYER PENSION PLAN STARTUP COST CREDIT BEFORE JANUARY 1, 2002.—No portion of the unused business credit for any taxable year which is attributable to the small employer pension plan startup cost credit determined under section 45F may be carried back to a taxable year beginning before January 1, 2002.''

(2) Subsection (c) of section 196, as amended by section 619(c), is amended by striking ''and'' at the end of paragraph (9), by striking the period at the end of paragraph (10) and inserting '', and'', and by adding at the end the following new paragraph:

''(11) the small employer pension plan startup cost credit determined under section 45F(a).''

(3) The table of sections for subpart D of part IV of subchapter A of chapter 1, as amended by section 619(c), is amended by adding at the end the following new item:

''Sec. 45F. Small employer pension plan startup costs.''

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to costs paid or incurred in taxable years beginning after December 31, 2001, with respect to qualified employer plans established after such date.

SEC. 621. 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 10511 of the Revenue Act of 1987 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.—

(A) IN GENERAL.—The term ''eligible employer'' means an employer which has—

(i) no more than 100 employees for the preceding year, and

(ii) at least one employee who is not a highly compensated employee (as defined in section 414(q)) and is participating in the plan.

(B) NEW PLAN REQUIREMENT.—The term ''eligible employer'' shall not include an employer if, during the 3-taxable year period immediately preceding the taxable year in which the request is made, the employer or any member of any controlled group including the employer (or any predecessor of either) established or maintained a qualified employer plan with respect to which contributions were made, or benefits were accrued for service, for substantially the same employees as are in the qualified employer plan.

(c) DETERMINATION OF AVERAGE FEES CHARGED.—For purposes of any determination of average fees charged, any request to which subsection (a) applies shall not be taken into account.

(d) EFFECTIVE DATE.—The provisions of this section shall apply with respect to requests made after December 31, 2001.

SEC. 622. TREATMENT OF NONRESIDENT ALIENS ENGAGED IN INTERNATIONAL TRANSPORTATION SERVICES.

(a) EXCLUSION FROM INCOME SOURCING RULES.—The second sentence of section 861(a)(3) (relating to gross income from sources within the United States) is amended by striking ''except for purposes of sections 79 and 105 and subchapter D,''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to remuneration for services performed in plan years beginning after December 31, 2001.

Subtitle C—Enhancing Fairness for Women

SEC. 631. CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS AGE 50 OR OVER.

(a) IN GENERAL.—Section 414 (relating to definitions and special rules) is amended by adding at the end the following new subsection:

''(v) CATCH-UP 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 dollar amount, or

''(ii) the excess (if any) of—

''(I) the participant's compensation (as defined in section 415(c)(3)) 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 DOLLAR AMOUNT.—For purposes of this paragraph, the applicable dollar amount shall be determined in accordance with the following table:

"For taxable years beginning in:	The applicable dollar amount is:
2002, 2003, and 2004	$500
2005 and 2006	$1,000
2007	$2,000
2008	$3,000
2009	$4,000
2010 and thereafter	$7,500.

''(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(k), 408(p), 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 comparable limitation or restriction contained in the terms of the plan.

''(5) OTHER DEFINITIONS AND RULES.—For purposes of this subsection—

''(A) 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 described in section 457(e)(1)(A), and

''(iv) an arrangement meeting the requirements of section 408 (k) or (p).

''(B) ELECTIVE DEFERRAL.—The term 'elective deferral' has the meaning given such term by subsection (u)(2)(C).

''(C) EXCEPTION FOR SECTION 457 PLANS.—This subsection shall not apply to an applicable employer plan described in subparagraph (A)(iii) for any year to which section 457(b)(3) applies.''.

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

SEC. 632. 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 ''the applicable percentage''.

(2) APPLICABLE PERCENTAGE.—Section 415(c) is amended by adding at the end the following new paragraph:

''(8) APPLICABLE PERCENTAGE.—For purposes of paragraph (1)(B), the applicable percentage shall be determined in accordance with the following table:

''For years beginning in:	**The applicable percentage is:**
2002 through 2010	50
2011 and thereafter	100

(3) 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 fifth 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).

(4) 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 Restoring Earnings to Lift Individuals and Empower Families Act of 2001)''.

(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 611(c)(3)) is amended by inserting before the period at the end the following: ''(as in effect before the enactment of the Restoring Earnings to Lift Individuals and Empower Families Act of 2001)''.

(H) Section 664(g) is amended—

(i) in paragraph (3)(E) by striking ''limitations under section 415(c)'' and inserting ''applicable limitation under paragraph (7)'', and

(ii) by adding at the end the following new paragraph:

''(7) APPLICABLE LIMITATION.—

''(A) IN GENERAL.—For purposes of paragraph (3)(E), the applicable limitation under this paragraph with respect to a participant is an amount equal to the lesser of—

''(i) $30,000, or

''(ii) 25 percent of the participant's compensation (as defined in section 415(c)(3)).

''(B) COST-OF-LIVING ADJUSTMENT.—The Secretary shall adjust annually the $30,000 amount under subparagraph (A)(i) 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 October 1, 1993, and any increase under this subparagraph which is not a multiple of $5,000 shall be rounded to the next lowest multiple of $5,000.''.

(5) EFFECTIVE DATE.—

(A) Except as provided in subparagraph (B), the amendments made by this subsection shall apply to years beginning after December 31, 2001.

(B) The amendments made by paragraphs (3) and (4) shall apply to years beginning after December 31, 2010.

(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.—

(A) IN GENERAL.—The amendment made by paragraph (1) shall apply to limitation years beginning after December 31, 2000.

(B) EXCLUSION ALLOWANCE.—Effective for limitation years beginning in 2001, in the case of any annuity contract described in section 403(b) of the Internal Revenue Code of 1986, the amount of the contribution disqualified by reason of section 415(g) of such Code shall reduce the exclusion allowance as provided in section 403(b)(2) of such Code.

(3) MODIFICATION OF 403(b) EXCLUSION ALLOWANCE TO CONFORM TO 415 MODIFICATION.—The Secretary of the Treasury shall modify the regulations regarding the exclusion allowance under section 403(b)(2) of the Internal Revenue Code of 1986 to render void the requirement that contributions to a defined benefit pension plan be treated as previously excluded amounts for purposes of the exclusion allowance. For taxable years beginning after December 31, 2000, such regulations shall be applied as if such requirement were void.

(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 ''the applicable percentage''.

(2) APPLICABLE PERCENTAGE.—Section 457 is amended by adding at the end the following new subsection:

''(h) APPLICABLE PERCENTAGE.—For purposes of subsection (b)(2)(A), the applicable percentage shall be determined in accordance with the following table:

''For years beginning in:	**The applicable percentage is:**
2002 through 2010	50
2011 and thereafter	100

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to years beginning after December 31, 2001.

SEC. 633. FASTER VESTING OF CERTAIN EMPLOYER MATCHING CONTRIBUTIONS.

(a) IN GENERAL.—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) AMENDMENT OF 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) 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, 2001.

(2) COLLECTIVE BARGAINING AGREEMENTS.—In the case of a plan maintained pursuant to one or more collective bargaining agreements between employee representatives and one or more employers ratified by the date of the 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 the enactment); or

(ii) January 1, 2002; or

(B) January 1, 2006.

(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.

SEC. 634. MODIFICATIONS TO MINIMUM DISTRIBUTION RULES.

(a) LIFE EXPECTANCY TABLES.—The Secretary of the Treasury shall modify the life expectancy tables under the regulations relating to minimum distribution requirements under sections 401(a)(9), 408(a)(6) and (b)(3), 403(b)(10), and 457(d)(2) of the Internal Revenue Code to reflect current life expectancy.

(b) REPEAL OF RULE WHERE DISTRIBUTIONS HAD BEGUN BEFORE DEATH OCCURS.—

(1) IN GENERAL.—Subparagraph (B) of section 401(a)(9) is amended by striking clause (i) and redesignating clauses (ii), (iii), and (iv) as clauses (i), (ii), and (iii), respectively.

(2) CONFORMING CHANGES.—

(A) Clause (i) of section 401(a)(9)(B) (as so redesignated) is amended—

(i) by striking ''FOR OTHER CASES'' in the heading; and

(ii) by striking ''the distribution of the employee's interest has begun in accordance with subparagraph (A)(ii)'' and inserting ''his entire interest has been distributed to him''.

(B) Clause (ii) of section 401(a)(9)(B) (as so redesignated) is amended by striking ''clause (ii)'' and inserting ''clause (i)''.

(C) Clause (iii) of section 401(a)(9)(B) (as so redesignated) is amended—

(i) by striking ''clause (iii)(I)'' and inserting ''clause (ii)(I)'';

(ii) by striking ''clause (iii)(III)'' in subclause (I) and inserting ''clause (ii)(III)'';

(iii) by striking ''the date on which the employee would have attained age 70½,'' in subclause (I) and inserting ''April 1 of the calendar year following the calendar year in which the spouse attains 70½,''; and

(iv) by striking ''the distributions to such spouse begin,'' in subclause (II) and inserting ''his entire interest has been distributed to him,''.

(3) EFFECTIVE DATE.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the amendments made by this subsection shall apply to years beginning after December 31, 2001.

(B) DISTRIBUTIONS TO SURVIVING SPOUSE.—

(i) IN GENERAL.—In the case of an employee described in clause (ii), distributions to the surviving spouse of the employee shall not be required to commence prior to the date on which such distributions would have been required to begin under section 401(a)(9)(B) of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of this Act).

(ii) CERTAIN EMPLOYEES.—An employee is described in this clause if such employee dies before—

(I) the date of the enactment of this Act, and

(II) the required beginning date (within the meaning of section 401(a)(9)(C) of the Internal Revenue Code of 1986) of the employee.

SEC. 635. 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.—

(1) IN GENERAL.—The amendment made by subsection (c) shall apply to transfers, distributions, and payments made after December 31, 2001.

(2) AMENDMENTS RELATING TO ASSIGNMENTS IN DIVORCE, ETC., PROCEEDINGS.—The amendments made by subsections (a) and (b) shall take effect on January 1, 2002, except that in the case of a domestic relations order entered before such date, the plan administrator—

(A) shall treat such order as a qualified domestic relations order if such administrator is paying benefits pursuant to such order on such date, and

(B) may treat any other such order entered before such date as a qualified domestic relations order even if such order does not meet the requirements of such amendments.

SEC. 636. PROVISIONS RELATING TO HARDSHIP DISTRIBUTIONS.

(a) SAFE HARBOR RELIEF.—

(1) 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.

(2) EFFECTIVE DATE.—The revised regulations under this subsection shall apply to years beginning after December 31, 2001.

(b) HARDSHIP DISTRIBUTIONS NOT TREATED AS ELIGIBLE ROLLOVER DISTRIBUTIONS.—

(1) MODIFICATION OF DEFINITION OF ELIGIBLE ROLLOVER.—Subparagraph (C) of section 402(c)(4) (relating to eligible rollover distribution) is amended to read as follows:

''(C) any distribution which is made upon hardship of the employee.''.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to distributions made after December 31, 2001.

SEC. 637. WAIVER OF TAX ON NONDEDUCTIBLE CONTRIBUTIONS FOR DOMESTIC OR SIMILAR WORKERS.

(a) IN GENERAL.—Section 4972(c)(6) (relating to exceptions to nondeductible contributions), as amended by section 502, is amended by striking ''or'' at the end of subparagraph (A), by striking the period and inserting '', or'' at the end of subparagraph (B), and by inserting after subparagraph (B) the following new subparagraph:

''(C) so much of the contributions to a simple retirement account (within the meaning of section 408(p)) or a simple plan (within the meaning of section 401(k)(11)) which are not deductible when contributed solely because such contributions are not made in connection with a trade or business of the employer.''

(b) EXCLUSION OF CERTAIN CONTRIBUTIONS.—Section 4972(c)(6), as amended by subsection (a), is amended by adding at the end the following new sentence: ''Subparagraph (C) shall not apply to contributions made on behalf of the employer or a member of the employer's family (as defined in section 447(e)(1)).''.

(c) NO INFERENCE.—Nothing in the amendments made by this section shall be construed to infer the proper treatment of nondeductible contributions under the laws in effect before such amendments.

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

Subtitle D—Increasing Portability for Participants

SEC. 641. 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) 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) which is maintained by an eligible 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) and which is maintained by an eligible employer described in section 457(e)(1)(A).''.

(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) which is maintained by an eligible 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 eligible 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, 2001.

(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. 642. 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, 2001.

(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. 643. 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, 2001.

SEC. 644. 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 643, 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, 2001.

SEC. 645. TREATMENT OF FORMS OF DISTRIBUTION.

(a) PLAN TRANSFERS.—

(1) AMENDMENT OF INTERNAL REVENUE CODE.—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) IN GENERAL.—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, and

''(V) 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) SPECIAL RULE FOR MERGERS, ETC.—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.''.

(2) AMENDMENT OF 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 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 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; and

''(v) the transferee plan allows the participant or beneficiary described in clause (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.''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to years beginning after December 31, 2001.

(b) REGULATIONS.—

(1) AMENDMENT OF INTERNAL REVENUE CODE.—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 shall by regulations provide that this subparagraph shall not apply to any plan amendment which reduces or eliminates benefits or subsidies which create significant burdens or complexities for the plan and plan participants, unless such amendment adversely affects the rights of any participant in a more than de minimis manner.''.

(2) AMENDMENT OF 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 shall by regulations provide that this paragraph shall not apply to any plan amendment which reduces or eliminates benefits or subsidies which create significant burdens or complexities for the plan and plan participants, unless such amendment adversely affects the rights of any participant in a more than de minimis manner.''.

(3) SECRETARY DIRECTED.—Not later than December 31, 2002, the Secretary of the Treasury is directed to issue regulations under section 411(d)(6) of the Internal Revenue Code of 1986 and section 204(g) of the Employee Retirement Income Security Act of 1974, including the regulations required by the amendment made by this subsection. Such regulations shall apply to plan years beginning after December 31, 2002, or such earlier date as is specified by the Secretary of the Treasury.

SEC. 646. 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, 2001.

SEC. 647. 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.—Subsection (e) of section 457, as amended by section 401, is amended by adding after paragraph (16) the following new paragraph:

''(17) 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.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to trustee-to-trustee transfers after December 31, 2001.

SEC. 648. EMPLOYERS MAY DISREGARD ROLLOVERS FOR PURPOSES OF CASH-OUT AMOUNTS.

(a) QUALIFIED PLANS.—

(1) AMENDMENT OF INTERNAL REVENUE CODE.—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 OF 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, 2001.

SEC. 649. MINIMUM DISTRIBUTION AND INCLUSION REQUIREMENTS FOR SECTION 457 PLANS.

(a) MINIMUM DISTRIBUTION REQUIREMENTS.—Paragraph (2) of section 457(d) (relating to distribution requirements) is amended to read as follows:

''(2) MINIMUM DISTRIBUTION REQUIREMENTS.—A plan meets the minimum distribution requirements of this paragraph if such plan meets the requirements of section 401(a)(9).''.

(b) INCLUSION IN GROSS INCOME.—

(1) 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.''.

(2) CONFORMING AMENDMENTS.—

(A) 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 subsection (e)(1)(B)—''.

(B) Section 457(d) is amended by adding at the end the following new paragraph:

''(3) SPECIAL RULE FOR GOVERNMENT PLAN.—An eligible deferred compensation plan of an employer described in subsection (e)(1)(A) shall not be treated as failing to meet the requirements of this subsection solely by reason of making a distribution described in subsection (e)(9)(A).''.

(c) MODIFICATION OF TRANSITION RULES FOR EXISTING 457 PLANS.—

(1) IN GENERAL.—Section 1107(c)(3)(B) of the Tax Reform Act of 1986 is amended by striking ''or'' at the end of clause (i), by striking the period at the end of clause (ii) and inserting '', or'' and by inserting after clause (ii) the following new clause:

''(iii) are deferred pursuant to an agreement with an individual covered by an agreement described in clause (ii), to the extent the annual amount under such agreement with the individual does not exceed—

''(I) the amount described in clause (ii)(II), multiplied by

''(II) the cumulative increase in the Consumer Price Index (as published by the Bureau of Labor Statistics of the Department of Labor).''.

(2) CONFORMING AMENDMENT.—The fourth sentence of section 1107(c)(3)(B) of the Tax Reform Act of 1986 is amended by striking ''This subparagraph'' and inserting ''Clauses (i) and (ii) of this subparagraph''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years ending after the date of the enactment of this Act with respect to increases in the Consumer Price Index after September 30, 1993.

(d) EFFECTIVE DATE.—The amendments made by subsections (a) and (b) shall apply to distributions after December 31, 2001.

Subtitle E—Strengthening Pension Security and Enforcement

PART I—GENERAL PROVISIONS

SEC. 651. REPEAL OF 160 PERCENT OF CURRENT LIABILITY FUNDING LIMIT.

(a) AMENDMENTS TO INTERNAL REVENUE CODE.—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, 2005, 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—
2002	160
2003	165
2004	170.''.

(b) AMENDMENT OF 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, 2005, 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—
2002	160
2003	165
2004	170.''.

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

SEC. 652. 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 one plan, but only employees of such member or employer shall be taken into account.

''(iv) PLANS MAINTAINED 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 one 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, 2001.

SEC. 653. 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 amendment made by this section shall apply to years beginning after December 31, 2001.

SEC. 654. TREATMENT OF MULTIEMPLOYER PLANS UNDER SECTION 415.

(a) COMPENSATION LIMIT.—

(1) IN GENERAL.—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.''.

(2) CONFORMING AMENDMENT.—Section 415(b)(7) (relating to benefits under certain collectively bargained plans) is amended by inserting ''(other than a multiemployer plan)'' after ''defined benefit plan'' in the matter preceding subparagraph (A).

(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 subsection (b)(1)(B) to such plan or any other such 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) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 655. 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 which is invested in assets consisting of qualifying employer securities, qualifying employer real property, or both, if such assets were acquired before January 1, 1999.''.

(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. 656. PROHIBITED ALLOCATIONS OF STOCK IN S CORPORATION 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 ALLOCATIONS 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 person.

''(2) FAILURE TO MEET REQUIREMENTS.—

''(A) IN GENERAL.—If a plan fails to meet the requirements of paragraph (1), the plan shall be treated as having distributed to any disqualified person the amount allocated to the account of such person in violation of paragraph (1) at the time of such allocation.

''(B) CROSS REFERENCE.—

''For excise tax relating to violations of paragraph (1) and ownership of synthetic equity, see section 4979A.

''(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 persons own at least 50 percent of the number of shares of stock in the 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), an individual shall be treated as owning deemed-owned shares of the individual.

Solely for purposes of applying paragraph (5), this subparagraph shall be applied after the attribution rules of paragraph (5) have been applied.

''(4) DISQUALIFIED PERSON.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'disqualified person' means any person if—

''(i) the aggregate number of deemed-owned shares of such person and the members of such person's family is at least 20 percent of the number of deemed-owned shares of stock in the S corporation, or

''(ii) in the case of a person not described in clause (i), the number of deemed-owned shares of such person is at least 10 percent of the number of deemed-owned shares of stock in such corporation.

''(B) TREATMENT OF FAMILY MEMBERS.—In the case of a disqualified person described in subparagraph (A)(i), any member of such person's family with deemed-owned shares shall be treated as a disqualified person if not otherwise treated as a disqualified person under subparagraph (A).

''(C) DEEMED-OWNED SHARES.—

''(i) IN GENERAL.—The term 'deemed-owned shares' means, with respect to any person—

''(I) the stock in the S corporation constituting employer securities of an employee stock ownership plan which is allocated to such person under the plan, and

''(II) such person's share of the stock in such corporation which is held by such plan but which is not allocated under the plan to participants.

''(ii) PERSON'S SHARE OF UNALLOCATED STOCK.—For purposes of clause (i)(II), a person's share of unallocated S corporation stock held by such plan is the amount of the unallocated stock which would be allocated to such person if the unallocated stock were allocated to all participants 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 individual described in clause (ii) or (iii).

A spouse of an individual who is legally separated from such individual under a decree of divorce or separate maintenance shall not be treated as such individual's spouse for purposes of this subparagraph.

''(5) TREATMENT OF SYNTHETIC EQUITY.—For purposes of paragraphs (3) and (4), in the case of a person who owns synthetic equity in the S corporation, except to the extent provided in regulations, the shares of stock in such corporation on which such synthetic equity is based shall be treated as outstanding stock in such corporation and deemed-owned shares of such person if such treatment of synthetic equity of 1 or more such persons results in—

''(A) the treatment of any person as a disqualified person, or

''(B) the treatment of any year as a nonallocation year.

For purposes of this paragraph, synthetic equity shall be treated as owned by a person in the same manner as stock is treated as owned by a person under the rules of paragraphs (2) and (3) of section 318(a). If, without regard to this paragraph, a person is treated as a disqualified person or a year is treated as a nonallocation year, this paragraph shall not be construed to result in the person or year not being so treated.

''(6) 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).

''(C) SYNTHETIC EQUITY.—The term 'synthetic equity' means any stock option, warrant, restricted stock, deferred issuance stock right, or similar interest or right that gives the holder the right to acquire or receive stock of the S corporation in the future. Except to the extent provided in regulations, synthetic equity also includes a stock appreciation right, phantom stock unit, or similar right to a future cash payment based on the value of such stock or appreciation in such value.

''(7) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this subsection.''.

(b) COORDINATION WITH SECTION 4975(e)(7).—The last sentence of section 4975(e)(7) (defining employee stock ownership plan) is amended by inserting '', section 409(p),'' after ''409(n)''.

(c) EXCISE TAX.—

(1) APPLICATION OF TAX.—Subsection (a) of section 4979A (relating to tax on certain prohibited allocations of employer securities) is amended—

(A) by striking ''or'' at the end of paragraph (1), and

(B) by striking all that follows paragraph (2) and inserting the following:

''(3) there is any allocation of employer securities which violates the provisions of section 409(p), or a nonallocation year described in subsection (e)(2)(C) with respect to an employee stock ownership plan, or

''(4) any synthetic equity is owned by a disqualified person in any nonallocation year,

there is hereby imposed a tax on such allocation or ownership equal to 50 percent of the amount involved.''.

(2) LIABILITY.—Section 4979A(c) (defining liability for tax) is amended to read as follows:

''(c) LIABILITY FOR TAX.—The tax imposed by this section shall be paid—

''(1) in the case of an allocation referred to in paragraph (1) or (2) of subsection (a), by—

''(A) the employer sponsoring such plan, or

''(B) the eligible worker-owned cooperative,

which made the written statement described in section 664(g)(1)(E) or in section 1042(b)(3)(B) (as the case may be), and

''(2) in the case of an allocation or ownership referred to in paragraph (3) or (4) of subsection (a), by the S corporation the stock in which was so allocated or owned.''.

(3) DEFINITIONS.—Section 4979A(e) (relating to definitions) is amended to read as follows:

''(e) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

''(1) DEFINITIONS.—Except as provided in paragraph (2), terms used in this section have the same respective meanings as when used in sections 409 and 4978.

''(2) SPECIAL RULES RELATING TO TAX IMPOSED BY REASON OF PARAGRAPH (3) OR (4) OF SUBSECTION (a).—

''(A) PROHIBITED ALLOCATIONS.—The amount involved with respect to any tax imposed by reason of subsection (a)(3) is the amount allocated to the account of any person in violation of section 409(p)(1).

''(B) SYNTHETIC EQUITY.—The amount involved with respect to any tax imposed by reason of subsection (a)(4) is the value of the shares on which the synthetic equity is based.

''(C) SPECIAL RULE DURING FIRST NONALLOCATION YEAR.—For purposes of subparagraph (A), the amount involved for the first nonallocation year of any employee stock ownership plan shall be determined by taking into account the total value of all the deemed-owned shares of all disqualified persons with respect to such plan.

''(D) STATUTE OF LIMITATIONS.—The statutory period for the assessment of any tax imposed by this section by reason of paragraph (3) or (4) of subsection (a) shall not expire before the date which is 3 years from the later of—

''(i) the allocation or ownership referred to in such paragraph giving rise to such tax, or

''(ii) the date on which the Secretary is notified of such allocation or ownership.''.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to plan years beginning after December 31, 2002.

(2) EXCEPTION FOR CERTAIN PLANS.—In the case of any—

(A) employee stock ownership plan established after July 11, 2000, 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 11, 2000.

SEC. 657. AUTOMATIC ROLLOVERS OF CERTAIN MANDATORY DISTRIBUTIONS.

(a) DIRECT TRANSFERS OF MANDATORY DISTRIBUTIONS.—

(1) IN GENERAL.—Section 401(a)(31) (relating to optional direct transfer of eligible rollover distributions), as amended by section 643, is amended by redesignating subparagraphs (B), (C), and (D) as subparagraphs (C), (D), and (E), respectively, and by inserting after subparagraph (A) the following new subparagraph:

''(B) CERTAIN MANDATORY DISTRIBUTIONS.—

''(i) IN GENERAL.—In case of a trust which is part of an eligible plan, such trust shall not constitute a qualified trust under this section unless the plan of which such trust is a part provides that if—

''(I) a distribution described in clause (ii) in excess of $1,000 is made, and

''(II) the distributee does not make an election under subparagraph (A) and does not elect to receive the distribution directly,

the plan administrator shall make such transfer to an individual retirement account or annuity of a designated trustee or issuer and shall notify the distributee in writing (either separately or as part of the notice under section 402(f)) that the distribution may be transferred without cost or penalty to another individual account or annuity.

''(ii) ELIGIBLE PLAN.—For purposes of clause (i), the term 'eligible plan' means a plan which provides that any nonforfeitable accrued benefit for which the present value (as determined under section 411(a)(11)) does not exceed $5,000 shall be immediately distributed to the participant.''.

(2) CONFORMING AMENDMENTS.—

(A) The heading of section 401(a)(31) is amended by striking ''OPTIONAL DIRECT'' and inserting ''DIRECT''.

(B) Section 401(a)(31)(C), as redesignated by paragraph (1), is amended by striking ''Subparagraph (A)'' and inserting ''Subparagraphs (A) and (B)''.

(b) NOTICE REQUIREMENT.—Section 402(f)(1) (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 by adding at the end the following new subparagraph:

''(E) if applicable, of the provision requiring a direct trustee-to-trustee transfer of a distribution under section 401(a)(31)(B) unless the recipient elects otherwise.''.

(c) FIDUCIARY RULES.—

(1) IN GENERAL.—Section 404(c) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1104(c)) is amended by adding at the end the following new paragraph:

''(3) In the case of a pension plan which makes a transfer to an individual retirement account or annuity of a designated trustee or issuer under section 401(a)(31)(B) of the Internal Revenue Code of 1986, the participant or beneficiary shall, for purposes of paragraph (1), be treated as exercising control over the assets in the account or annuity upon the earlier of—

''(A) a rollover of all or a portion of the amount to another individual retirement account or annuity; or

''(B) one year after the transfer is made.''.

(2) REGULATIONS.—

(A) AUTOMATIC ROLLOVER SAFE HARBOR.—The Secretary of Labor shall promulgate regulations to provide guidance regarding meeting the fiduciary requirements of section 404(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1104(a)) in the case of a pension plan which makes a transfer under section 401(a)(31)(B) of the Internal Revenue Code of 1986.

(B) USE OF LOW-COST INDIVIDUAL RETIREMENT PLANS.—The Secretary of the Treasury and the Secretary of Labor shall promulgate such regulations as necessary to encourage the use of low-cost individual retirement plans for purposes of transfers under section 401(a)(31)(B) of the Internal Revenue Code of 1986 and for other uses as appropriate to promote the preservation of assets for retirement income purposes.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions made after final regulations implementing subsection (c) are prescribed.

SEC. 658. CLARIFICATION OF TREATMENT OF CONTRIBUTIONS TO MULTIEMPLOYER PLAN.

(a) NOT CONSIDERED METHOD OF ACCOUNTING.—For purposes of section 446 of the Internal Revenue Code of 1986, a determination under section 404(a)(6) of such Code regarding the taxable year with respect to which a contribution to a multiemployer pension plan is deemed made shall not be treated as a method of accounting of the taxpayer. No deduction shall be allowed for any taxable year for any contribution to a multiemployer pension plan with respect to which a deduction was previously allowed.

(b) REGULATIONS.—The Secretary of the Treasury shall promulgate such regulations as necessary to clarify that a taxpayer shall not be allowed, with respect to any taxable year, an aggregate amount of deductions for contributions to a multiemployer pension plan which exceeds the amount of such contributions made or deemed made under section 404(a)(6) of the Internal Revenue Code of 1986 to such plan.

(c) EFFECTIVE DATE.—Subsection (a), and any regulations promulgated under subsection (b), shall be effective for years ending after the date of the enactment of this Act.

PART II—TREATMENT OF PLAN AMENDMENTS REDUCING FUTURE BENEFIT ACCRUALS

SEC. 659. NOTICE REQUIRED FOR PENSION PLAN AMENDMENTS HAVING THE EFFECT OF SIGNIFICANTLY REDUCING FUTURE BENEFIT ACCRUALS.

(a) EXCISE TAX.—

(1) IN GENERAL.—Chapter 43 (relating to qualified pension, etc., plans) is amended by adding at the end the following new section:

''SEC. 4980F. FAILURE TO PROVIDE NOTICE OF PENSION PLAN AMENDMENTS REDUCING BENEFIT ACCRUALS.

''(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 notice to which the failure relates is provided or the failure is otherwise corrected.

''(c) LIMITATIONS ON AMOUNT OF TAX.—

''(1) TAX NOT TO APPLY WHERE FAILURE NOT DISCOVERED AND REASONABLE DILIGENCE EXERCISED.—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 any person subject to liability for the tax under subsection (d) did not know that the failure existed and exercised reasonable diligence to meet the requirements of subsection (e).

''(2) TAX NOT TO APPLY TO FAILURES CORRECTED WITHIN 30 DAYS.—No tax shall be imposed by subsection (a) on any failure if—

''(A) any person subject to liability for the tax under subsection (d) exercised reasonable diligence to meet the requirements of subsection (e), and

''(B) such person provides the notice described in subsection (e) during the 30-day period beginning on the first date such person knew, or exercising reasonable diligence would have known, that such failure existed.

''(3) OVERALL LIMITATION FOR UNINTENTIONAL FAILURES.—

''(A) IN GENERAL.—If the person subject to liability for tax under subsection (d) exercised reasonable diligence to meet the requirements of subsection (e), 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 or otherwise inequitable 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 PLAN AMENDMENTS SIGNIFICANTLY REDUCING BENEFIT ACCRUALS.—

''(1) IN GENERAL.—If the sponsor of an applicable pension plan adopts an amendment which has the effect of significantly reducing the rate of future benefit accrual of 1 or more participants, the plan administrator shall, not later than the 45th 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 a summary of the plan amendment and the effective date of the amendment,

''(B) includes a statement that the plan amendment is expected to significantly reduce the rate of future benefit accrual,

''(C) includes a description of the classes of employees reasonably expected to be affected by the reduction in the rate of future benefit accrual,

''(D) sets forth examples illustrating how the plan will change benefits for such classes of employees,

''(E) if paragraph (2) applies to the plan amendment, includes a notice that the plan administrator will provide a benefit estimation tool kit described in paragraph (2)(B) to each applicable individual no later than the date required under paragraph (2)(A), and

''(F) includes a notice of each applicable individual's right under Federal law to receive, and of the procedures for requesting, an annual benefit statement.

''(2) REQUIREMENT TO PROVIDE BENEFIT ESTIMATION TOOL KIT.—

''(A) IN GENERAL.—If a plan amendment results in the significant restructuring of the plan benefit formula (as determined under regulations prescribed by the Secretary), the plan administrator shall, not later than the 15th day before the effective date of the amendment, provide a benefit estimation tool kit described in subparagraph (B) to each applicable individual. If such plan amendment occurs within 12 months of an event described in section 410(b)(6)(C), the plan administrator shall in no event be required to provide the benefit estimation tool kit to applicable individuals affected by the event before the date which is 12 months after the date on which notice under paragraph (1) is given to such applicable individuals.

''(B) BENEFIT ESTIMATION TOOL KIT.—The benefit estimation tool kit described in this subparagraph shall include the following information:

''(i) Sufficient information to enable an applicable individual to estimate the individual's projected benefits under the terms of the plan in effect both before and after the adoption of the amendment.

''(ii) The formulas and actuarial assumptions necessary to estimate under both such plan terms a single life annuity at appropriate ages, and, when available, a lump sum distribution.

''(iii) The interest rate used to compute a lump sum distribution and information as to whether the value of any early retirement benefit or retirement-type subsidy (within the meaning of section 411(d)(6)(B)(i)) is included in the lump sum distribution.

''(3) 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.

''(4) FORM OF EXPLANATION.—The information required to be provided under this subsection shall be provided in a manner calculated to be reasonably understood by the average plan participant.

''(f) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

''(1) APPLICABLE INDIVIDUAL.—

''(A) IN GENERAL.—The term 'applicable individual' means, with respect to any plan amendment—

''(i) each participant in the plan, and

''(ii) 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)),

whose rate of future benefit accrual under the plan may reasonably be expected to be significantly reduced by such plan amendment.

''(B) 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.

''(2) APPLICABLE PENSION PLAN.—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 412.

Such term shall not include a governmental plan (within the meaning of section 414(d)), a church plan (within the meaning of section 414(e)) with respect to which an election under section 410(d) has not been made, or any other plan to which section 204(h) of the Employee Retirement Income Security Act of 1974 does not apply.

''(3) EARLY RETIREMENT.—A plan amendment which eliminates or significantly reduces any early retirement benefit or retirement-type subsidy (within the meaning of section 411(d)(6)(B)(i)) shall be treated as having the effect of significantly reducing the rate of future benefit accrual.

''(g) REGULATIONS.—The Secretary shall, not later than 1 year after the date of the enactment of this section, issue—

''(1) the regulations described in subsection (e)(2)(A) and section 204(h)(2)(A) of the Employee Retirement Income Security Act of 1974, and

''(2) guidance for both of the examples described in subsection (e)(1)(D) and section 204(h)(1)(D) of the Employee Retirement Income Security Act of 1974 and the benefit estimation tool kit described in subsection (e)(2)(B) and section 204(h)(2)(B) of the Employee Retirement Income Security Act of 1974.

''(h) NEW TECHNOLOGIES.—The Secretary may by regulation allow any notice under paragraph (1) or (2) of subsection (e) to be provided by using new technologies. Such regulations shall ensure that at least one option for providing such notice is not dependent on new technologies.''

(2) CONFORMING AMENDMENT.—The table of sections for chapter 43 is amended by adding at the end the following new item:

''Sec. 4980F. Failure to provide notice of pension plan amendments reducing benefit accruals.''

(b) AMENDMENT OF 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) If an applicable pension plan is amended so as to provide a significant reduction in the rate of future benefit accrual of 1 or more participants, the plan administrator shall, not later than the 45th 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 a summary of the plan amendment and the effective date of the amendment,

''(B) includes a statement that the plan amendment is expected to significantly reduce the rate of future benefit accrual,

''(C) includes a description of the classes of employees reasonably expected to be affected by the reduction in the rate of future benefit accrual,

''(D) sets forth examples illustrating how the plan will change benefits for such classes of employees,

''(E) if paragraph (2) applies to the plan amendment, includes a notice that the plan administrator will provide a benefit estimation tool kit described in paragraph (2)(B) to each applicable individual no later than the date required under paragraph (2)(A), and

''(F) includes a notice of each applicable individual's right under Federal law to receive, and of the procedures for requesting, an annual benefit statement.

''(2)(A) If a plan amendment results in the significant restructuring of the plan benefit formula (as determined under regulations prescribed by the Secretary of the Treasury), the plan administrator shall, not later than the 15th day before the effective date of the amendment, provide a benefit estimation tool kit described in subparagraph (B) to each applicable individual. If such plan amendment occurs within 12 months of an event described in section 410(b)(6)(C) of the

Internal Revenue Code of 1986, the plan administrator shall in no event be required to provide the benefit estimation tool kit to applicable individuals affected by the event before the date which is 12 months after the date on which notice under paragraph (1) is given to such applicable individuals.

''(B) The benefit estimation tool kit described in this subparagraph shall include the following information:

''(i) Sufficient information to enable an applicable individual to estimate the individual's projected benefits under the terms of the plan in effect both before and after the adoption of the amendment.

''(ii) The formulas and actuarial assumptions necessary to estimate under both such plan terms a single life annuity at appropriate ages, and, when available, a lump sum distribution.

''(iii) The interest rate used to compute a lump sum distribution and information as to whether the value of any early retirement benefit or retirement-type subsidy (within the meaning of subsection (g)(2)(A)) is included in the lump sum distribution.

''(3) 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.

''(4) The information required to be provided under this subsection shall be provided in a manner calculated to be reasonably understood by the average participant.

''(5)(A) In the case of any failure to exercise due diligence in meeting any requirement of this subsection with respect to any plan amendment, the provisions of the applicable pension plan shall be applied as if such plan amendment entitled all applicable individuals to the greater of—

''(i) the benefits to which they would have been entitled without regard to such amendment, or

''(ii) the benefits under the plan with regard to such amendment.

''(B) For purposes of subparagraph (A), there is a failure to exercise due diligence in meeting the requirements of this subsection if such failure is within the control of the plan sponsor and is—

''(i) an intentional failure (including any failure to promptly provide the required notice or information after the plan administrator discovers an unintentional failure to meet the requirements of this subsection),

''(ii) a failure to provide most of the individuals with most of the information they are entitled to receive under this subsection, or

''(iii) a failure to exercise due diligence which is determined under regulations prescribed by the Secretary of the Treasury.

''(C) For excise tax on failure to meet requirements, see section 4980F of the Internal Revenue Code of 1986.

''(5)(A) For purposes of this subsection, the term 'applicable individual' means, with respect to any plan amendment—

''(i) each 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)),

whose rate of future benefit accrual under the plan may reasonably be expected to be significantly reduced by such plan amendment.

''(B) Such term shall not include a participant who has less than 1 year of participation (within the meaning of subsection (b)(4)) under the plan as of the effective date of the plan amendment.

''(6) 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.

''(7) For purposes of this subsection, a plan amendment which eliminates or significantly reduces any early retirement benefit or retirement-type subsidy (within the meaning of section 204(g)(2)(A)) shall be treated as having the effect of significantly reducing the rate of future benefit accrual.

''(8) The Secretary of the Treasury may by regulation allow any notice under this subsection to be provided by using new technologies. Such regulation shall ensure that at least one option for providing such notice is not dependent on new technologies.''

(c) REGULATIONS RELATING TO EARLY RETIREMENT SUBSIDIES.—The Secretary of the Treasury or the Secretary's delegate shall, not later than 1 year after the date of the enactment of this Act, issue regulations relating to early retirement benefits or retirement-type subsidies described in section 411(d)(6)(B)(i) of the Internal Revenue Code of 1986 and section 204(g)(2)(A) of the Employee Retirement Income Security Act of 1974.

(d) 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) TRANSITION.—Until such time as the Secretary of the Treasury issues regulations under section 4980F(e)(2) of the Internal Revenue Code of 1986 and section 204(h)(2) of the Employee Retirement Income Security Act of 1974 (as added by the amendments made by this section), a plan shall be treated as meeting the requirements of such sections if it makes a good faith effort to comply with such requirements.

(3) SPECIAL NOTICE RULES.—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.

(d) STUDY.—The Secretary of the Treasury shall prepare a report on the effects of significant restructurings of plan benefit formulas of traditional defined benefit plans. Such study shall examine the effects of such restructurings on longer service participants, including the incidence and effects of ''wear away'' provisions under which participants earn no additional benefits for a period of time after restructuring. As soon as practicable, but not later than one year after the date of enactment of this Act, the Secretary shall submit such report, together with recommendations thereon, to the Committee on Ways and Means and the Committee on Education and the Workforce of the House of Representatives and the Committee on Finance and the Committee on Health, Education, Labor, and Pensions of the Senate.

Subtitle F—Reducing Regulatory Burdens

SEC. 661. MODIFICATION OF TIMING OF PLAN VALUATIONS.

(a) IN GENERAL.—Paragraph (9) of section 412(c) (relating to annual valuation) is amended to read as follows:

''(9) ANNUAL VALUATION.—

''(A) IN GENERAL.—For purposes of this section, a determination of experience gains and losses and a valuation of the plan's liability shall be made not less frequently than once every year, except that such determination shall be made more frequently to the extent required in particular cases under regulations prescribed by the Secretary.

''(B) VALUATION DATE.—

''(i) CURRENT YEAR.—Except as provided in clause (ii), the valuation referred to in subparagraph (A) shall be made as of a date within the plan year to which the valuation refers or within one month prior to the beginning of such year.

''(ii) ELECTION TO USE PRIOR YEAR VALUATION.—The valuation referred to in subparagraph (A) may be made as of a date within the plan year prior to the year to which the valuation refers if—

''(I) an election is in effect under this clause with respect to the plan, and

''(II) as of such date, the value of the assets of the plan are not less than 125 percent of the plan's current liability (as defined in paragraph (7)(B)).

''(iii) ADJUSTMENTS.—Information under clause (ii) shall, in accordance with regulations, be actuarially adjusted to reflect significant differences in participants.

''(iv) ELECTION.—An election under clause (ii), once made, shall be irrevocable without the consent of the Secretary.''.

(b) AMENDMENT OF 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), the valuation referred to in subparagraph (A) shall be made as of a date within the plan year to which the valuation refers or within one month prior to the beginning of such year.

''(ii) The valuation referred to in subparagraph (A) may be made as of a date within the plan year prior to the year to which the valuation refers if—

''(I) an election is in effect under this clause with respect to the plan, and

''(II) as of such date, the value of the assets of the plan are not less than 125 percent of the plan's current liability (as defined in paragraph (7)(B)).

''(iii) Information under clause (ii) shall, in accordance with regulations, be actuarially adjusted to reflect significant differences in participants.

''(iv) An election under clause (ii), 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, 2001.

SEC. 662. 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) LIMITATION ON AMOUNT OF DEDUCTION.—Section 404(k)(1) (relating to deduction for dividends paid on certain employer securities) is amended to read as follows:

''(1) DEDUCTION ALLOWED.—

''(A) IN GENERAL.—In the case of a C corporation, there shall be allowed as a deduction for the taxable year an amount equal to—

''(i) the amount of any applicable dividend described in clause (i), (ii), or (iv) of paragraph (2)(A), and

''(ii) the applicable percentage of any applicable dividend described in clause (iii),

paid in cash by such corporation during the taxable year with respect to applicable employer securities. Such deduction shall be in addition to the deduction allowed subsection (a).

''(B) APPLICABLE PERCENTAGE.—For purposes of subparagraph (A), the applicable percentage shall be determined in accordance with the following table:

"For taxable years beginning in:	The applicable percentage is:
2002, 2003, and 2004	25 percent
2005, 2006, and 2007	50 percent
2008, 2009, and 2010	75 percent
2011 and thereafter	100 percent

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

SEC. 663. 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, 2001.

SEC. 664. 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. 665. 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 advice or information 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, 2001.

SEC. 666. 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 $250,000 or less as of the close of the plan year and each plan year beginning on or after January 1, 1994, 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) EFFECTIVE DATE.—The provisions of this section shall take effect on January 1, 2002.

SEC. 667. IMPROVEMENT OF EMPLOYEE PLANS COMPLIANCE RESOLUTION SYSTEM.

The Secretary of the Treasury shall continue to update and improve the Employee Plans Compliance Resolution System (or any successor program) giving special attention to—

(1) increasing the awareness and knowledge of small employers concerning the availability and use of the program;

(2) taking into account special concerns and circumstances that small employers face with respect to compliance and correction of compliance failures;

(3) extending the duration of the self-correction period under the Self-Correction Program for significant compliance failures;

(4) expanding the availability to correct insignificant compliance failures under the Self-Correction Program during audit; and

(5) assuring that any tax, penalty, or sanction that is imposed by reason of a compliance failure is not excessive and bears a reasonable relationship to the nature, extent, and severity of the failure.

SEC. 668. REPEAL OF THE MULTIPLE USE TEST.

(a) IN GENERAL.—Paragraph (9) of section 401(m) is amended to read as follows:

''(9) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this subsection and subsection (k), including regulations permitting appropriate aggregation of plans and contributions.''.

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

SEC. 669. FLEXIBILITY IN NONDISCRIMINATION, COVERAGE, AND LINE OF BUSINESS 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 paragraph (1) shall apply to years beginning after December 31, 2001.

(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 paragraph (1) shall apply to years beginning after December 31, 2001.

(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.

(c) LINE OF BUSINESS RULES.—The Secretary of the Treasury shall, on or before December 31, 2001, modify the existing regulations issued under section 414(r) of the Internal Revenue Code of 1986 in order to expand (to the extent that the Secretary determines appropriate) the ability of a pension plan to demonstrate compliance with the line of business requirements based upon the facts and circumstances surrounding the design and operation of the plan, even though the plan is unable to satisfy the mechanical tests currently used to determine compliance.

SEC. 670. EXTENSION TO ALL GOVERNMENTAL PLANS OF MORATORIUM ON APPLICATION OF CERTAIN NONDISCRIMINATION RULES APPLICABLE TO STATE AND LOCAL PLANS.

(a) IN GENERAL.—

(1) Subparagraph (G) of section 401(a)(5) and subparagraph (H) of section 401(a)(26) are each amended by striking ''section 414(d))'' and all that follows and inserting ''section 414(d)).''.

(2) 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 striking ''maintained by a State or local government or political subdivision thereof (or agency or instrumentality thereof)''.

(b) CONFORMING AMENDMENTS.—

(1) The heading for subparagraph (G) of section 401(a)(5) is amended to read as follows: ''GOVERNMENTAL PLANS''.

(2) The heading for subparagraph (H) of section 401(a)(26) is amended to read as follows: ''EXCEPTION FOR GOVERNMENTAL PLANS''.

(3) Subparagraph (G) of section 401(k)(3) is amended by inserting ''GOVERNMENTAL PLANS.—'' after ''(G)''.

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

Subtitle G—Other ERISA Provisions

SEC. 681. MISSING PARTICIPANTS.

(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 (e) and by inserting after subsection (b) the following new subsection:

''(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.

''(d) PLANS NOT OTHERWISE SUBJECT TO TITLE.—

''(1) TRANSFER TO CORPORATION.—The plan administrator of a plan described in paragraph (4) may elect to transfer a missing participant's benefits to the corporation upon termination of the plan.

''(2) INFORMATION TO THE CORPORATION.—To the extent provided in regulations, the plan administrator of a plan described in paragraph (4) shall, upon termination of the plan, provide the corporation information with respect to benefits of a missing participant if the plan transfers such benefits—

''(A) to the corporation, or

''(B) to an entity other than the corporation or a plan described in paragraph (4)(B)(ii).

''(3) PAYMENT BY THE CORPORATION.—If benefits of a missing participant were transferred to the corporation under paragraph (1), the corporation shall, upon location of the participant or beneficiary, pay to the participant or beneficiary the amount transferred (or the appropriate survivor benefit) either—

''(A) in a single sum (plus interest), or

''(B) in such other form as is specified in regulations of the corporation.

''(4) PLANS DESCRIBED.—A plan is described in this paragraph if—

''(A) the plan is a pension plan (within the meaning of section 3(2))—

''(i) to which the provisions of this section do not apply (without regard to this subsection), and

''(ii) which is not a plan described in paragraphs (2) through (11) of section 4021(b), and

''(B) at the time the assets are to be distributed upon termination, the plan—

''(i) has missing participants, and

''(ii) has not provided for the transfer of assets to pay the benefits of all missing participants to another pension plan (within the meaning of section 3(2)).

''(5) CERTAIN PROVISIONS NOT TO APPLY.—Subsections (a)(1) and (a)(3) shall not apply to a plan described in paragraph (4).''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to distributions made after final regulations implementing subsections (c) and (d) of section 4050 of the Employee Retirement Income Security Act of 1974 (as added by subsection (a)), respectively, are prescribed.

SEC. 682. 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) 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 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 two 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, 2001.

SEC. 683. REDUCTION OF ADDITIONAL PBGC PREMIUM FOR NEW AND SMALL PLANS.

(a) NEW PLANS.—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 each of 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) SMALL PLANS.—Paragraph (3) of section 4006(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)), as amended by section 682(b), is amended—

(1) by striking ''The'' in subparagraph (E)(i) and inserting ''Except as provided in subparagraph (G), the'', and

(2) by inserting after subparagraph (F) the following new subparagraph:

''(G)(i) In the case of an employer who has 25 or fewer employees on the first day of the plan year, the additional premium determined under subparagraph (E) for each participant shall not exceed $5 multiplied by the number of participants in the plan as of the close of the preceding plan year.

''(ii) For purposes of clause (i), whether an employer has 25 or fewer employees on the first day of the plan year is determined taking into consideration all of the employees of all members of the contributing sponsor's controlled group. In the case of a plan maintained by two or more contributing sponsors, the employees of all contributing sponsors and their controlled groups shall be aggregated for purposes of determining whether the 25-or-fewer-employees limitation has been satisfied.''.

(c) EFFECTIVE DATES.—

(1) SUBSECTION (a).—The amendments made by subsection (a) shall apply to plans established after December 31, 2001.

(2) SUBSECTION (b).—The amendments made by subsection (b) shall apply to plan years beginning after December 31, 2001.

SEC. 684. AUTHORIZATION FOR PBGC TO PAY INTEREST ON PREMIUM OVERPAYMENT REFUNDS.

(a) IN GENERAL.—Section 4007(b) of the Employment Retirement Income Security Act of 1974 (29 U.S.C. 1307(b)) is amended—

(1) by striking ''(b)'' and inserting ''(b)(1)'', and

(2) by inserting at the end the following new paragraph:

''(2) The corporation is authorized to pay, subject to regulations prescribed by the corporation, interest on the amount of any overpayment of premium refunded to a designated payor. Interest under this paragraph shall be calculated at the same rate and in the same manner as interest is calculated for underpayments under paragraph (1).''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to interest accruing for periods beginning not earlier than the date of the enactment of this Act.

SEC. 685. 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 new paragraph:

''(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 new subsection:

''(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, 2001, 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 January 1, 2002.

Subtitle H—Miscellaneous Provisions

SEC. 691. TAX TREATMENT AND INFORMATION REQUIREMENTS OF ALASKA NATIVE SETTLEMENT TRUSTS.

(a) TREATMENT OF ALASKA NATIVE SETTLEMENT TRUSTS.—Subpart A of part I of subchapter J of chapter 1 (relating to general rules for taxation of trusts and estates) is amended by adding at the end the following new section:

''SEC. 646. TAX TREATMENT OF ELECTING ALASKA NATIVE SETTLEMENT TRUSTS.

''(a) IN GENERAL.—If an election under this section is in effect with respect to any Settlement Trust, the provisions of this section shall apply in determining the income tax treatment of the Settlement Trust and its beneficiaries with respect to the Settlement Trust.

''(b) TAXATION OF INCOME OF TRUST.—Except as provided in subsection (f)(1)(B)(ii)—

''(1) IN GENERAL.—There is hereby imposed on the taxable income of an electing Settlement Trust, other than its net capital gain, a tax at the lowest rate specified in section 1(c).

''(2) CAPITAL GAIN.—In the case of an electing Settlement Trust with a net capital gain for the taxable year, a tax is hereby imposed on such gain at the rate of tax which would apply to such gain if the taxpayer were subject to a tax on its other taxable income at only the lowest rate specified in section 1(c).

Any such tax shall be in lieu of the income tax otherwise imposed by this chapter on such income or gain.

''(c) ONE-TIME ELECTION.—

''(1) IN GENERAL.—A Settlement Trust may elect to have the provisions of this section apply to the trust and its beneficiaries.

''(2) TIME AND METHOD OF ELECTION.—An election under paragraph (1) shall be made by the trustee of such trust—

''(A) on or before the due date (including extensions) for filing the Settlement Trust's return of tax for the first taxable year of such trust ending after the date of the enactment of this section, and

''(B) by attaching to such return of tax a statement specifically providing for such election.

''(3) PERIOD ELECTION IN EFFECT.—Except as provided in subsection (f), an election under this subsection—

''(A) shall apply to the first taxable year described in paragraph (2)(A) and all subsequent taxable years, and

''(B) may not be revoked once it is made.

''(d) CONTRIBUTIONS TO TRUST.—

''(1) BENEFICIARIES OF ELECTING TRUST NOT TAXED ON CONTRIBUTIONS.—In the case of an electing Settlement Trust, no amount shall be includible in the gross income of a beneficiary of such trust by reason of a contribution to such trust.

''(2) EARNINGS AND PROFITS.—The earnings and profits of the sponsoring Native Corporation shall not be reduced on account of any contribution to such Settlement Trust:

''(e) TAX TREATMENT OF DISTRIBUTIONS TO BENEFICIARIES.—Amounts distributed by an electing Settlement Trust during any taxable year shall be considered as having the following characteristics in the hands of the recipient beneficiary:

''(1) First, as amounts excludable from gross income for the taxable year to the extent of the taxable income of such trust for such taxable year (decreased by any income tax paid by the trust with respect to the income) plus any amount excluded from gross income of the trust under section 103.

''(2) Second, as amounts excludable from gross income to the extent of the amount described in paragraph (1) for all taxable years for which an election is in effect under subsection (c) with respect to the trust, and not previously taken into account under paragraph (1).

''(3) Third, as amounts distributed by the sponsoring Native Corporation with respect to its stock (within the meaning of section 301(a)) during such taxable year and taxable to the recipient beneficiary as amounts described in section 301(c)(1), to the extent of current or accumulated earnings and profits of the sponsoring Native Corporation as of the close of such taxable year after proper adjustment is made for all distributions made by the sponsoring Native Corporation during such taxable year.

''(4) Fourth, as amounts distributed by the trust in excess of the distributable net income of such trust for such taxable year.

Amounts distributed to which paragraph (3) applies shall not be treated as a corporate distribution subject to section 311(b), and for purposes of determining the amount of a distribution for purposes of paragraph (3) and the basis to the recipients, section 643(e) and not section 301(b) or (d) shall apply.

''(f) SPECIAL RULES WHERE TRANSFER RESTRICTIONS MODIFIED.—

''(1) TRANSFER OF BENEFICIAL INTERESTS.—If, at any time, a beneficial interest in an electing Settlement Trust may be disposed of to a person 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 such interest were Settlement Common Stock—

''(A) no election may be made under subsection (c) with respect to such trust, and

''(B) if such an election is in effect as of such time—

''(i) such election shall cease to apply as of the first day of the taxable year in which such disposition is first permitted,

''(ii) the provisions of this section shall not apply to such trust for such taxable year and all taxable years thereafter, and

''(iii) the distributable net income of such trust shall be increased by the current or accumulated earnings and profits of the sponsoring Native Corporation as of the close of such taxable year after proper adjustment is made for all distributions made by the sponsoring Native Corporation during such taxable year.

In no event shall the increase under clause (iii) exceed the fair market value of the trust's assets as of the date the beneficial interest of the trust first becomes so disposable. The earnings and profits of the sponsoring Native Corporation shall be adjusted as of the last day of such taxable year by the amount of earnings and profits so included in the distributable net income of the trust.

''(2) STOCK IN CORPORATION.—If—

''(A) stock in the sponsoring Native Corporation may be disposed of to a person 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 such stock were Settlement Common Stock, and

''(B) at any time after such disposition of stock is first permitted, such corporation transfers assets to a Settlement Trust,

paragraph (1)(B) 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).

''(3) CERTAIN DISTRIBUTIONS.—For purposes of this section, the surrender of an interest in a Native Corporation or an electing Settlement Trust in order to accomplish the whole or partial redemption of the interest of a shareholder or beneficiary in such corporation or trust, or to accomplish the whole or partial liquidation of such corporation or trust, shall be deemed to be a transfer permitted by section 7(h) of the Alaska Native Claims Settlement Act.

''(g) TAXABLE INCOME.—For purposes of this title, the taxable income of an electing Settlement Trust shall be determined under section 641(b) without regard to any deduction under section 651 or 661.

''(h) DEFINITIONS.—For purposes of this section—

''(1) ELECTING SETTLEMENT TRUST.—The term 'electing Settlement Trust' means a

Settlement Trust which has made the election, effective for a taxable year, described in subsection (c).

''(2) 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)).

''(3) SETTLEMENT COMMON STOCK.—The term 'Settlement Common Stock' has the meaning given such term by section 3(p) of the Alaska Native Claims Settlement Act (43 U.S.C. 1602(p)).

''(4) SETTLEMENT TRUST.—The term 'Settlement Trust' means a trust that constitutes a settlement trust under section 3(t) of the Alaska Native Claims Settlement Act (43 U.S.C. 1602(t)).

''(5) SPONSORING NATIVE CORPORATION.—The term 'sponsoring Native Corporation' means the Native Corporation which transfers assets to an electing Settlement Trust.

''(i) SPECIAL LOSS DISALLOWANCE RULE.—Any loss that would otherwise be recognized by a shareholder upon a disposition of a share of stock of a sponsoring Native Corporation shall be reduced (but not below zero) by the per share loss adjustment factor. The per share loss adjustment factor shall be the aggregate of all contributions to all electing Settlement Trusts sponsored by such Native Corporation made on or after the first day each trust is treated as an electing Settlement Trust expressed on a per share basis and determined as of the day of each such contribution.

''(j) CROSS REFERENCE.—

''For information required with respect to electing Settlement Trusts and sponsoring Native Corporations, see section 6039H.''.

(b) REPORTING.—Subpart A of part III of subchapter A of chapter 61 of subtitle F (relating to information concerning persons subject to special provisions) is amended by inserting after section 6039G the following new section:

''SEC. 6039H. INFORMATION WITH RESPECT TO ALASKA NATIVE SETTLEMENT TRUSTS AND SPONSORING NATIVE CORPORATIONS.

''(a) REQUIREMENT.—The fiduciary of an electing Settlement Trust (as defined in section 646(h)(1)) shall include with the return of income of the trust a statement containing the information required under subsection (c).

''(b) APPLICATION WITH OTHER REQUIREMENTS.—The filing of any statement under this section shall be in lieu of the reporting requirements under section 6034A to furnish any statement to a beneficiary regarding amounts distributed to such beneficiary (and such other reporting rules as the Secretary deems appropriate).

''(c) REQUIRED INFORMATION.—The information required under this subsection shall include—

''(1) the amount of distributions made during the taxable year to each beneficiary,

''(2) the treatment of such distribution under the applicable provision of section 646, including the amount that is excludable from the recipient beneficiary's gross income under section 646, and

''(3) the amount (if any) of any distribution during such year that is deemed to have been made by the sponsoring Native Corporation (as defined in section 646(h)(5)).

''(d) SPONSORING NATIVE CORPORATION.—

''(1) IN GENERAL.—The electing Settlement Trust shall, on or before the date on which the statement under subsection (a) is required to be filed, furnish such statement to the sponsoring Native Corporation (as so defined).

''(2) DISTRIBUTEES.—The sponsoring Native Corporation shall furnish each recipient of a distribution described in section 646(e)(3) a statement containing the amount deemed to have been distributed to such recipient by such corporation for the taxable year.''.

(c) CLERICAL AMENDMENT.—

(1) The table of sections for subpart A of part I of subchapter J of chapter 1 of such Code is amended by adding at the end the following new item:

''Sec. 646. Tax treatment of electing Alaska Native Settlement Trusts.''.

(2) The table of sections for subpart A of part III of subchapter A of chapter 61 of subtitle F of such Code is amended by inserting after the item relating to section 6039G the following new item:

''Sec. 6039H. Information with respect to Alaska Native Settlement Trusts and sponsoring Native Corporations.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after the date of the enactment of this Act and to contributions made to electing Settlement Trusts for such year or any subsequent year.

Subtitle I—Compliance With Congressional Budget Act

SEC. 695. SUNSET OF PROVISIONS OF TITLE.

All provisions of, and amendments made by, this title which are in effect on September 30, 2011, shall cease to apply as of the close of September 30, 2011.

TITLE VII—ALTERNATIVE MINIMUM TAX

Subtitle A—In General

SEC. 701. INCREASE IN ALTERNATIVE MINIMUM TAX EXEMPTION.

(a) IN GENERAL.—

(1) Subparagraph (A) of section 55(d)(1) (relating to exemption amount for taxpayers other than corporations) is amended by striking ''$45,000'' and inserting ''$45,000 ($49,000 in the case of taxable years beginning in 2001, 2002, 2003, 2004, 2005, and 2006)''.

(2) Subparagraph (B) of section 55(d)(1) (relating to exemption amount for taxpayers other than corporations) is amended by striking ''$33,750'' and inserting ''$33,750 ($35,750 in the case of taxable years beginning in 2001, 2002, 2003, 2004, 2005, and 2006)''.

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (1) of section 55(d) is amended by striking ''and'' at the end of subparagraph (B), by striking subparagraph (C), and by inserting after subparagraph (B) the following new subparagraphs:

''(C) 50 percent of the dollar amount applicable under paragraph (1)(A) in the case of a married individual who files a separate return, and

''(D) $22,500 in the case of an estate or trust.''.

(2) Subparagraph (C) of section 55(d)(3) is amended by striking ''paragraph (1)(C)'' and inserting ''subparagraph (C) or (D) of paragraph (1)''.

(3) The last sentence of section 55(d)(3) is amended—

(A) by striking ''paragraph (1)(C)(i)'' and inserting ''paragraph (1)(C)''; and

(B) by striking ''$165,000 or (ii) $22,500'' and inserting ''the minimum amount of such income (as so determined) for which the exemption amount under paragraph (1)(C) is zero, or (ii) such exemption amount (determined without regard to this paragraph)''.

(c) EFFECTIVE DATE.—The amendments made by this section title shall apply to taxable years beginning after December 31, 2000.

Subtitle B—Compliance With Congressional Budget Act

SEC. 711. SUNSET OF PROVISIONS OF TITLE.

All provisions of, and amendments made by, this title which are in effect on September 30, 2011, shall cease to apply as of the close of September 30, 2011.

TITLE VIII—OTHER PROVISIONS

Subtitle A—In General

SEC. 801. TIME FOR PAYMENT OF CORPORATE ESTIMATED TAXES.

Notwithstanding section 6655 of the Internal Revenue Code of 1986—

(1) 70 percent of the amount of any required installment of corporate estimated tax which is otherwise due in September 2001 shall not be due until October 1, 2001; and

(2) 20 percent of the amount of any required installment of corporate estimated tax which is otherwise due in September 2004 shall not be due until October 1, 2004.

SEC. 802. EXPANSION OF AUTHORITY TO POSTPONE CERTAIN TAX-RELATED DEADLINES BY REASON OF PRESIDENTIALLY DECLARED DISASTER.

(a) IN GENERAL.—Section 7508A (relating to authority to postpone certain tax-related deadlines by reason of presidentially declared disaster) is amended by adding at the end the following new subsection:

''(c) DUTIES OF DISASTER RESPONSE TEAM.—The Secretary shall establish as a permanent office in the national office of the Internal Revenue Service a disaster response team which, in coordination with the Federal Emergency Management Agency, shall assist taxpayers in clarifying and resolving Federal tax matters associated with or resulting from any Presidentially declared disaster (as so defined). One of the duties of the disaster response team shall be to extend in appropriate cases the 90-day period described in subsection (a) by not more than 30 days.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect on the date of enactment of this Act.

Subtitle B—Compliance With Congressional Budget Act

SEC. 811. SUNSET OF PROVISIONS OF TITLE.

All provisions of, and amendments made by, this title which are in effect on September 30, 2011, shall cease to apply as of the close of September 30, 2011.

SA 651. Mrs. LANDRIEU (for herself and Mr. CRAIG) submitted an amendment intended to be proposed by her to the bill H.R. 1836, to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002; which was ordered to lie on the table; as follows:

On page 12, strike line 1 and all that follows through line 12.

On page 18, between lines 14 and 15, insert the following:

SEC. 202. EXPANSION OF ADOPTION CREDIT AND ADOPTION ASSISTANCE PROGRAMS.

(a) IN GENERAL.—

(1) ADOPTION CREDIT.—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.''.

(2) ADOPTION ASSISTANCE PROGRAMS.—Section 137(a) (relating to adoption assistance programs) is amended to read as follows:

''(a) IN GENERAL.—Gross income of an employee does not include amounts paid or expenses incurred by the employer for adoption expenses in connection with the adoption of a child by an employee if such amounts are furnished pursuant to an adoption assistance

program. The amount of the exclusion shall be—

''(1) 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

''(2) in the case of an adoption of a child with special needs, $10,000.''.

(b) DOLLAR LIMITATIONS.—

(1) DOLLAR AMOUNT OF ALLOWED EXPENSES.—

(A) ADOPTION EXPENSES.—Section 23(b)(1) (relating to allowance of credit) is amended—

(i) by striking ''$5,000'' and inserting ''$10,000'',

(ii) by striking ''($6,000, in the case of a child with special needs)'', and

(iii) by striking ''subsection (a)'' and inserting ''subsection (a)(1)(A)''.

(B) ADOPTION ASSISTANCE PROGRAMS.—Section 137(b)(1) (relating to dollar limitations for adoption assistance programs) is amended—

(i) by striking ''$5,000'' and inserting ''$10,000'', and

(ii) by striking ''($6,000, in the case of a child with special needs)'', and

(iii) by striking ''subsection (a)'' and inserting ''subsection (a)(1)''.

(2) PHASE-OUT LIMITATION.—

(A) ADOPTION EXPENSES.—Clause (i) of section 23(b)(2)(A) (relating to income limitation) is amended by striking ''$75,000'' and inserting ''$150,000''.

(B) ADOPTION ASSISTANCE PROGRAMS.—Section 137(b)(2)(A) (relating to income limitation) is amended by striking ''$75,000'' and inserting ''$150,000''.

(c) YEAR CREDIT ALLOWED.—Section 23(a)(2) (relating to year credit allowed) 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) REPEAL OF SUNSET PROVISIONS.—

(1) CHILDREN WITHOUT SPECIAL NEEDS.—Paragraph (2) of section 23(d) (relating to definition of eligible child) 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.''.

(2) ADOPTION ASSISTANCE PROGRAMS.—Section 137 (relating to adoption assistance programs) is amended by striking subsection (f).

(e) ADJUSTMENT OF DOLLAR AND INCOME LIMITATIONS FOR INFLATION.—

(1) ADOPTION CREDIT.—Section 23 (relating to adoption expenses) is amended by redesignating subsection (h) as subsection (i) and by inserting after subsection (g) the following new subsection:

''(h) ADJUSTMENTS FOR INFLATION.—In the case of a taxable year beginning after December 31, 2002, each of the dollar amounts in subsection (a)(1)(B) and paragraphs (1) and (2)(A)(i) of subsection (b) shall be increased by an amount equal to—

''(1) such dollar amount, multiplied by

''(2) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2001' for 'calendar year 1992' in subparagraph (B) thereof.''.

(2) ADOPTION ASSISTANCE PROGRAMS.—Section 137 (relating to adoption assistance programs), as amended by subsection (d), is amended by adding at the end the following new subsection:

''(f) ADJUSTMENTS FOR INFLATION.—In the case of a taxable year beginning after December 31, 2002, each of the dollar amounts in subsection (a)(2) and paragraphs (1) and (2)(A) of subsection (b) shall be increased by an amount equal to—

''(1) such dollar amount, multiplied by

''(2) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2001' for 'calendar year 1992' in subparagraph (B) thereof.''.

(f) LIMITATION BASED ON AMOUNT OF TAX.—

(1) IN GENERAL.—Section 23(c) (relating to carryforwards of unused credit) is amended by striking ''the limitation imposed'' and all that follows through ''1400C)'' and inserting ''the applicable tax limitation''.

(2) APPLICABLE TAX LIMITATION.—Section 23(d) (relating to definitions) is amended by adding at the end the following new paragraph:

''(4) APPLICABLE TAX LIMITATION.—The term 'applicable tax limitation' means the sum of—

''(A) the taxpayer's regular tax liability for the taxable year, reduced (but not below zero) by the sum of the credits allowed by sections 21, 22, 24 (other than the amount of the increase under subsection (d) thereof), 25, and 25A, and

''(B) the tax imposed by section 55 for such taxable year.''.

(3) CONFORMING AMENDMENTS.—

(A) Section 26(a) (relating to limitation based on amount of tax) is amended by inserting ''(other than section 23)'' after ''allowed by this subpart''.

(B) Section 53(b)(1) (relating to minimum tax credit) is amended by inserting ''reduced by the aggregate amount taken into account under section 23(d)(3)(B) for all such prior taxable years,'' after ''1986,''.

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

On page 29, strike line 16 and all that follows through page 32, line 2.

SA 652. Mr. LEAHY (for himself and Mr. BENNETT) submitted an amendment intended to be proposed by him to the bill H.R. 1836, to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002; which was ordered to lie on the table; as follows:

On page 314, after line 21, add the following:

SEC. 803. CHARITABLE CONTRIBUTIONS OF CERTAIN ITEMS CREATED BY THE TAXPAYER.

(a) IN GENERAL.—Subsection (e) of section 170 (relating to certain contributions of ordinary income and capital gain property) is amended by adding at the end the following new paragraph:

''(7) SPECIAL RULE FOR CERTAIN CONTRIBUTIONS OF LITERARY, MUSICAL, OR ARTISTIC COMPOSITIONS.—

''(A) IN GENERAL.—In the case of a qualified artistic charitable contribution—

''(i) the amount of such contribution shall be the fair market value of the property contributed (determined at the time of such contribution), and

''(ii) no reduction in the amount of such contribution shall be made under paragraph (1).

''(B) QUALIFIED ARTISTIC CHARITABLE CONTRIBUTION.—For purposes of this paragraph, the term 'qualified artistic charitable contribution' means a charitable contribution of any literary, musical, artistic, or scholarly composition, or similar property, or the copyright thereon (or both), but only if—

''(i) such property was created by the personal efforts of the taxpayer making such contribution no less than 18 months prior to such contribution,

''(ii) the taxpayer—

''(I) has received a qualified appraisal of the fair market value of such property in accordance with the regulations under this section, and

''(II) attaches to the taxpayer's income tax return for the taxable year in which such contribution was made a copy of such appraisal,

''(iii) the donee is an organization described in subsection (b)(1)(A),

''(iv) the use of such property by the donee is related to the purpose or function constituting the basis for the donee's exemption under section 501 (or, in the case of a governmental unit, to any purpose or function described under subsection (c)),

''(v) the taxpayer receives from the donee a written statement representing that the donee's use of the property will be in accordance with the provisions of clause (iv), and

''(vi) the written appraisal referred to in clause (ii) includes evidence of the extent (if any) to which property created by the personal efforts of the taxpayer and of the same type as the donated property is or has been—

''(I) owned, maintained, and displayed by organizations described in subsection (b)(1)(A), and

''(II) sold to or exchanged by persons other than the taxpayer, donee, or any related person (as defined in section 465(b)(3)(C)).

''(C) MAXIMUM DOLLAR LIMITATION; NO CARRYOVER OF INCREASED DEDUCTION.—The increase in the deduction under this section by reason of this paragraph for any taxable year—

''(i) shall not exceed the artistic adjusted gross income of the taxpayer for such taxable year, and

''(ii) shall not be taken into account in determining the amount which may be carried from such taxable year under subsection (d).

''(D) ARTISTIC ADJUSTED GROSS INCOME.—For purposes of this paragraph, the term 'artistic adjusted gross income' means that portion of the adjusted gross income of the taxpayer for the taxable year attributable to—

''(i) income from the sale or use of property created by the personal efforts of the taxpayer which is of the same type as the donated property, and

''(ii) income from teaching, lecturing, performing, or similar activity with respect to property described in clause (i).

''(E) PARAGRAPH NOT TO APPLY TO CERTAIN CONTRIBUTIONS.—Subparagraph (A) shall not apply to any charitable contribution of any letter, memorandum, or similar property which was written, prepared, or produced by or for an individual while the individual is an officer or employee of any person (including any government agency or instrumentality) unless such letter, memorandum, or similar property is entirely personal.

''(F) COPYRIGHT TREATED AS SEPARATE PROPERTY FOR PARTIAL INTEREST RULE.—In the case of a qualified artistic charitable contribution, the tangible literary, musical, artistic, or scholarly composition, or similar property and the copyright on such work shall be treated as separate properties for purposes of this paragraph and subsection (f)(3).''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to contributions made after the date of the enactment of this Act in taxable years ending after such date.

SA 653. Mr. KERRY submitted an amendment intended to be proposed by him to the bill H.R. 1836, to provide for reconciliation pursuant to section 104 of the concurrent resolution on the

budget for fiscal year 2002; which was ordered to lie on the table; as follows:

On page 9, between lines 11 and 12, strike the table and insert the following:

"In the case of taxable years beginning during calendar year:	The corresponding percentages shall be substituted for the following percentages:			
	28%	31%	36%	39.6%
2002, 2003, and 2004.	27%	30%	35%	39%
2005 and 2006	26%	29%	34%	38.6%
2007, 2008, and 2009.	25%	28%	33%	37.6%
2010 and thereafter.	25%	28%	33%	36%

Strike section 701 and insert:

SEC. 701. ALTERNATIVE MINIMUM TAX EXEMPTION FOR CERTAIN INDIVIDUAL TAXPAYERS.

(a) EXEMPTION.—Section 55 (relating to imposition of alternative minimum tax) is amended by adding at the end the following:

"(f) EXEMPTION FOR CERTAIN INDIVIDUALS.—

"(1) REDUCTION IN TENTATIVE MINIMUM TAX.—

"(A) IN GENERAL.—In the case of an individual, the tentative minimum tax for any taxable year (determined without regard to this subsection) shall be reduced by the applicable percentage.

"(B) APPLICABLE PERCENTAGE.—For purposes of subparagraph (A), the applicable percentage with respect to a taxpayer is 100 percent reduced (but not below zero) by 10 percentage points for each $1,000 (or fraction thereof) by which the taxpayer's adjusted gross income for the taxable year exceeds $100,000.

"(2) PROSPECTIVE APPLICATION IF SUBSECTION CEASES TO APPLY.—If paragraph (1) applies to a taxpayer for any taxable year and then ceases to apply to a subsequent taxable year, the rules of paragraphs (2) through (5) of subsection (e) shall apply to the taxpayer to the extent such rules are applicable to individuals."

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

SA 654. Mr. CONRAD (for himself and Mr. KENNEDY) proposed an amendment to the bill H.R. 1836, to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002; as follows:

On page 9, strike all after line 11 and before line 15 and insert the following:

"In the case of taxable years beginning during calendar year:	The corresponding percentages shall be substituted for the following percentages:			
	28%	31%	36%	39.6%
2002, 2003, and 2004.	27%	30%	36%	39.6%
2005 and 2006	26%	29%	36%	39.6%
2007 and 2008	25%	28%	36%	39.6%
2009	25%	28%	35%	38%
2010 and thereafter.	25%	28%	33%	36%

"(3) ADJUSTMENT OF TABLES.—The Secretary shall adjust the tables prescribed under subsection (f) to carry out this subsection, and in any fiscal year in which such adjustment results in an on-budget surplus smaller than the medicare HI trust fund surplus, the Secretary shall further adjust such tables to ensure that in such fiscal year the on-budget surplus is not less than such account.".

Beginning on page 19, strike line 8 and all that follows through page 20, line 12, and insert the following:

(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) TECHNICAL AMENDMENTS.—

(1) Subparagraph (B) of section 1(f)(6), as amended by section 103(b), 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)(3)(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).".

(c) EFFECTIVE DATE.—The amendments made by

Beginning on page 20, strike line 21 and all that follows through page 22, line 4, and insert the following:

"(8) ELIMINATION OF MARRIAGE PENALTY IN 15-PERCENT BRACKET.—

"(A) IN GENERAL.—With respect to taxable years beginning after December 31, 2001, in prescribing the tables under paragraph (1)—

"(i) the maximum taxable income in the 15-percent rate bracket in the table contained in subsection (a) (and the minimum taxable income in the next higher taxable income bracket in such table) shall be twice the maximum taxable income in the 15-percent rate bracket in the table contained in subsection (c) (after any other adjustment under this subsection), and

"(ii) the comparable taxable income amounts in the table contained in subsection (d) shall be ½ of the amounts determined under clause (i).

"(B) ROUNDING.—If any amount determined under subparagraph (A)(i) is not a multiple of $50, such amount shall be rounded to the next lowest multiple of $50.".

SA 655. Mr. SANTORUM submitted an amendment intended to be proposed by him to the bill H.R. 1836, to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002; which was ordered to lie on the table; as follows:

At the end add the following:

TITLE ____—SAVINGS OPPORTUNITY AND CHARITABLE GIVING

SEC. ____01. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This title may be cited as the "Savings Opportunity and Charitable Giving Act of 2001".

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

TITLE ____—SAVINGS OPPORTUNITY AND CHARITABLE GIVING

Sec. ____01. Short title; table of contents.

Subtitle A—Individual Development Accounts

Sec. ____11. Findings and purposes.
Sec. ____12. Definitions.
Sec. ____13. Structure and administration of qualified individual development account programs.
Sec. ____14. Procedures for opening and maintaining an Individual Development Account and qualifying for matching funds.
Sec. ____15. Deposits by qualified individual development account programs.
Sec. ____16. Withdrawal procedures.
Sec. ____17. Certification and termination of qualified individual development account programs.
Sec. ____18. Reporting, monitoring, and evaluation.
Sec. ____19. Authorization of appropriations.
Sec. ____20. Account funds disregarded for purposes of certain means-tested Federal programs.
Sec. ____21. Matching funds for Individual Development Accounts provided through a tax credit for qualified financial institutions.

Subtitle B—Charitable Giving Incentives Package

Sec. ____31. Deduction for portion of charitable contributions to be allowed to individuals who do not itemize deductions.
Sec. ____32. Tax-free distributions from individual retirement accounts for charitable purposes.
Sec. ____33. Charitable deduction for contributions of food inventory.

Subtitle C—Compliance With Congressional Budget Act

Sec. ____41. Sunset of provisions of title.
Sec. ____42. Restoration of provisions of title.

Subtitle A—Individual Development Accounts

SEC. ____11. FINDINGS AND PURPOSES.

(a) FINDINGS.—Congress makes the following findings:

(1) For the vast majority of households the pathway to the economic mainstream and financial security is not through spending and consumption, but through saving, investing, and the accumulation of assets. Assets promote economic household stability, decrease economic strain on households, promote educational attainment, decrease marital dissolution, decrease the risk of intergenerational poverty transmission, increase health and satisfaction among adults, increase property values, decrease residential mobility, increase property maintenance, and increase local civic involvement.

(2) One-third of all Americans have no assets available for investment and another 20 percent have only negligible assets. Assets are distributed far more unevenly than income. Whereas the top 20 percent of American households earn over 43 percent of all income, such households hold over 68 percent of net worth and almost 87 percent of net financial assets. Moreover, asset poverty and wealth gaps are even higher among minority households by a ratio of more than 11 to 1. Up to 20 percent of all households are unbanked and do not have access to the basic financial tools that make asset accumulation possible.

(3) Public policy has contributed to large asset gaps in the United States. Traditional public assistance programs based on income and consumption have rarely been successful in supporting the transition to economic self-sufficiency. Tax policy, through $288,000,000,000 in annual tax incentives, has helped lay the foundation for the great American middle class, but only for some citizens. Fully 90 percent of such current tax benefits accrue to households earning more than $50,000 per year, roughly half of all American households. Lacking an income tax liability, low-income working families cannot take advantage of asset development incentives. Moreover, low-income families seeking public assistance must first spend down their assets and face severe asset limits once on assistance.

(4) Individual Development Accounts, or IDAs, have proven to be successful in helping low-income working families save and accumulate assets. In one national demonstration project, 2,378 low-income families saved

a total of $834,442 in one year which generated another $1,644,510 in private matching funds. Thus far, IDA savings have been used to purchase long-term, high-return assets, including homes, post-secondary education and training, and small businesses. Presently, about 10,000 IDAs are in existence in the United States, held by a very small fraction of the at least 70 million Americans who are asset poor.

(5) Therefore, the Federal Government should support, through the tax code, a significant expansion of Individual Development Accounts so that millions of low-income working families across the country can save, accumulate assets, and move their lives forward, and thus make positive contributions to the economic and social well-being of the United States, as well as to its future.

(b) PURPOSES.—The purposes of this subtitle are to provide for the establishment of individual development account programs that will—

(1) provide individuals and families with limited means an opportunity to accumulate assets and to enter the financial mainstream;

(2) promote education, homeownership, and the development of small businesses;

(3) stabilize families and build communities; and

(4) support continued United States economic expansion.

SEC. ___12. DEFINITIONS.

As used in this subtitle:

(1) ELIGIBLE INDIVIDUAL.—

(A) IN GENERAL.—The term ''eligible individual'' means an individual who—

(i) has attained the age of 18 years but not the age of 61;

(ii) is a citizen or legal resident of the United States;

(iii) is not a student (as defined in section 151(c)(4)); and

(iv) is a taxpayer the adjusted gross income of whom for the preceding taxable year does not exceed—

(I) $20,000, in the case of a taxpayer described in section 1(c) or 1(d) of the Internal Revenue Code of 1986;

(II) $25,000, in the case of a taxpayer described in section 1(b) of such Code; and

(III) $40,000, in the case of a taxpayer described in section 1(a) of such Code.

(B) INFLATION ADJUSTMENT.—

(i) IN GENERAL.—In the case of any taxable year beginning after 2002, each dollar amount referred to in subparagraph (A)(iv) 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) of the Internal Revenue Code of 1986 for the calendar year in which the taxable year begins, by substituting ''2001'' for ''1992''.

(ii) ROUNDING.—If any amount as adjusted under clause (i) is not a multiple of $50, such amount shall be rounded to the nearest multiple of $50.

(2) INDIVIDUAL DEVELOPMENT ACCOUNT.—The term ''Individual Development Account'' means an account established for an eligible individual as part of a qualified individual development account program, but only if the written governing instrument creating the account meets the following requirements:

(A) The sole owner of the account is the individual for whom the account was established.

(B) No contribution will be accepted unless it is in cash.

(C) The holder of the account is a qualified financial institution.

(D) The assets of the account will not be commingled with other property except in a common trust fund or common investment fund.

(E) Except as provided in section ___16(b), any amount in the account may be paid out only for the purpose of paying the qualified expenses of the account owner.

(3) PARALLEL ACCOUNT.—The term ''parallel account'' means a separate, parallel individual or pooled account for all matching funds and earnings dedicated to an Individual Development Account owner as part of a qualified individual development account program, the sole owner of which is a qualified financial institution, a qualified nonprofit organization, or an Indian tribe.

(4) QUALIFIED FINANCIAL INSTITUTION.—

(A) IN GENERAL.—The term ''qualified financial institution'' means any person authorized to be a trustee of any individual retirement account under section 408(a)(2) of the Internal Revenue Code of 1986.

(B) RULE OF CONSTRUCTION.—Nothing in this paragraph shall be construed as preventing a person described in subparagraph (A) from collaborating with 1 or more contractual affiliates, qualified nonprofit organizations, or Indian tribes to carry out an individual development account program established under section ___13.

(5) QUALIFIED NONPROFIT ORGANIZATION.—The term ''qualified nonprofit organization'' means—

(A) any organization described in section 501(c)(3) of the Internal Revenue Code of 1986 and exempt from taxation under section 501(a) of such Code;

(B) any community development financial institution certified by the Community Development Financial Institution Fund; or

(C) any credit union chartered under Federal or State law.

(6) INDIAN TRIBE.—The term ''Indian tribe'' means any Indian tribe as defined in section 4(12) of the Native American Housing Assistance and Self-Determination Act of 1996 (25 U.S.C. 4103(12), and includes any tribal subsidiary, subdivision, or other wholly owned tribal entity.

(7) QUALIFIED INDIVIDUAL DEVELOPMENT ACCOUNT PROGRAM.—The term ''qualified individual development account program'' means a program established under section ___13 which—

(A) Individual Development Accounts and parallel accounts are held by a qualified financial institution; and

(B) additional activities determined by the Secretary as necessary to responsibly develop and administer accounts, including recruiting, providing financial education and other training to account owners, and regular program monitoring, are carried out by the qualified financial institution, a qualified nonprofit organization, or an Indian tribe.

(8) QUALIFIED EXPENSE DISTRIBUTION.—

(A) IN GENERAL.—The term ''qualified expense distribution'' means any amount paid (including through electronic payments) or distributed out of an Individual Development Account and a parallel account established for an eligible individual if such amount—

(i) is used exclusively to pay the qualified expenses of the Individual Development Account owner or such owner's spouse or dependents, as approved by the qualified financial institution, qualified nonprofit organization, or Indian tribe;

(ii) is paid by the qualified financial institution, qualified nonprofit organization, or Indian tribe—

(I) except as otherwise provided in this clause, directly to the unrelated third party to whom the amount is due;

(II) in the case of distributions for working capital under a qualified business plan (as defined in subparagraph (B)(iv)(IV)), directly to the account owner;

(III) in the case of any qualified rollover, directly to another Individual Development Account and parallel account; or

(IV) in the case of a qualified final distribution, directly to the spouse, dependent, or other named beneficiary of the deceased account owner; and

(iii) is paid after the account owner has completed a financial education course as required under section ___14(b).

(B) QUALIFIED EXPENSES.—

(i) 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 or expansion costs.

(IV) Qualified rollovers.

(V) Qualified final distribution.

(ii) QUALIFIED HIGHER EDUCATION EXPENSES.—

(I) IN GENERAL.—The term ''qualified higher education expenses'' has the meaning given such term by section 72(t)(7) of the Internal Revenue Code of 1986, 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 Act.

(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) of such Code and may not be taken into account for purposes of determining qualified higher education expenses under section 135 or 530 of the Internal Revenue Code of 1986.

(iii) QUALIFIED FIRST-TIME HOMEBUYER COSTS.—The term ''qualified first-time homebuyer costs'' means qualified acquisition costs (as defined in section 72(t)(8) of such Code without regard to subparagraph (B) thereof) with respect to a principal residence (within the meaning of section 121 of such Code) for a qualified first-time homebuyer (as defined in section 72(t)(8) of such Code).

(iv) QUALIFIED BUSINESS CAPITALIZATION OR EXPANSION COSTS.—

(I) IN GENERAL.—The term ''qualified business capitalization or expansion costs'' means qualified expenditures for the capitalization or expansion 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, inventory expenses, attorney and accounting fees, and other costs normally associated with starting or expanding a business.

(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 has been approved by the qualified financial institution, qualified nonprofit organization, or Indian tribe and which meets such requirements as the Secretary may specify.

(v) QUALIFIED ROLLOVERS.—The term ''qualified rollover'' means the complete distribution of the amounts in an Individual Development Account and parallel account to another Individual Development Account and parallel account established in another

qualified financial institution, qualified nonprofit organization, or Indian tribe for the benefit of the account owner.

(vi) QUALIFIED FINAL DISTRIBUTION.—The term ''qualified final distribution'' means, in the case of a deceased account owner, the complete distribution of the amounts in an Individual Development Account and parallel account directly to the spouse, any dependent, or other named beneficiary of the deceased.

(9) SECRETARY.—The term ''Secretary'' means the Secretary of the Treasury.

SEC. ___13. STRUCTURE AND ADMINISTRATION OF QUALIFIED INDIVIDUAL DEVELOPMENT ACCOUNT PROGRAMS.

(a) ESTABLISHMENT OF QUALIFIED INDIVIDUAL DEVELOPMENT ACCOUNT PROGRAMS.—Any qualified financial institution, qualified nonprofit organization, or Indian tribe may establish 1 or more qualified individual development account programs which meet the requirements of this subtitle.

(b) BASIC PROGRAM STRUCTURE.—

(1) IN GENERAL.—All qualified individual development account programs shall consist of the following 2 components:

(A) An Individual Development Account to which an eligible individual may contribute cash in accordance with section ___14.

(B) A parallel account to which all matching funds shall be deposited in accordance with section ___15.

(2) TAILORED IDA PROGRAMS.—A qualified financial institution, a qualified nonprofit organization, or an Indian tribe may tailor its qualified individual development account program to allow matching funds to be spent on 1 or more of the categories of qualified expenses.

(c) TAX TREATMENT OF PARALLEL ACCOUNTS.—Any account described in subparagraph (B) of subsection (b)(1) is exempt from taxation under the Internal Revenue Code of 1986.

SEC. ___14. PROCEDURES FOR OPENING AND MAINTAINING AN INDIVIDUAL DEVELOPMENT ACCOUNT AND QUALIFYING FOR MATCHING FUNDS.

(a) OPENING AN ACCOUNT.—An eligible individual may open an Individual Development Account with a qualified financial institution, a qualified nonprofit organization, or an Indian tribe upon certification that such individual maintains no other Individual Development Account (other than an Individual Development Account to be terminated by a qualified rollover).

(b) REQUIRED COMPLETION OF FINANCIAL EDUCATION COURSE.—

(1) IN GENERAL.—Before becoming eligible to withdraw matching funds to pay for qualified expenses, owners of Individual Development Accounts must complete a financial education course offered by a qualified financial institution, a qualified nonprofit organization, an Indian tribe, or a government entity.

(2) STANDARD AND APPLICABILITY OF COURSE.—The Secretary, in consultation with representatives of qualified individual development account programs and financial educators, shall establish minimum quality standards for the contents of financial education courses and providers of such courses offered under paragraph (1) and a protocol to exempt individuals from the requirement under paragraph (1) because of hardship or lack of need.

(c) PROOF OF STATUS AS AN ELIGIBLE INDIVIDUAL.—Federal income tax forms from the preceding taxable year (or in the absence of such forms, such documentation as specified by the Secretary proving the eligible individual's adjusted gross income and the status of the individual as an eligible individual) shall be presented to the qualified financial institution, qualified nonprofit organization, or Indian tribe at the time of the establishment of the Individual Development Account and in any taxable year in which contributions are made to the Account to qualify for matching funds under section ___15(b)(1)(A).

(d) DIRECT DEPOSITS.—The Secretary may, under regulations, provide for the direct deposit of any portion (not less than $1) of any overpayment of Federal tax of an individual as a contribution to the Individual Development Account of such individual.

SEC. ___15. DEPOSITS BY QUALIFIED INDIVIDUAL DEVELOPMENT ACCOUNT PROGRAMS.

(a) PARALLEL ACCOUNTS.—The qualified financial institution, qualified nonprofit organization, or Indian tribe shall deposit all matching funds for each Individual Development Account into a parallel account at a qualified financial institution, a qualified nonprofit organization, or an Indian tribe.

(b) REGULAR DEPOSITS OF MATCHING FUNDS.—

(1) IN GENERAL.—Subject to paragraph (2), the qualified financial institution, qualified nonprofit organization, or Indian tribe shall not less than quarterly (or upon a proper withdrawal request under section ___16, if necessary) deposit into the parallel account with respect to each eligible individual the following:

(A) A dollar-for-dollar match for the first $500 contributed by the eligible individual into an Individual Development Account with respect to any taxable year.

(B) Any matching funds provided by State, local, or private sources in accordance to the matching ratio set by those sources.

(2) INFLATION ADJUSTMENT.—

(A) IN GENERAL.—In the case of any taxable year beginning after 2002, the dollar amount referred to in paragraph (1)(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) of the Internal Revenue Code of 1986 for the calendar year in which the taxable year begins, by substituting ''2001'' for ''1992''.

(B) ROUNDING.—If any amount as adjusted under subparagraph (A) is not a multiple of $20, such amount shall be rounded to the nearest multiple of $20.

(3) CROSS REFERENCE.—

For allowance of tax credit for Individual Development Account subsidies, including matching funds, see section 30B of the Internal Revenue Code of 1986.

(c) DEPOSIT OF MATCHING FUNDS INTO INDIVIDUAL DEVELOPMENT ACCOUNT OF INDIVIDUAL WHO HAS ATTAINED AGE 61.—In the case of an Individual Development Account owner who attains the age of 61, the qualified financial institution, qualified nonprofit organization, or Indian tribe which holds the parallel account for such individual shall deposit the funds in such parallel account into the Individual Development Account of such individual on the first day of the succeeding taxable year of such individual.

(d) UNIFORM ACCOUNTING REGULATIONS.—To ensure proper recordkeeping and determination of the tax credit under section 30B of the Internal Revenue Code of 1986, the Secretary shall prescribe regulations with respect to accounting for matching funds in the parallel accounts.

(e) REGULAR REPORTING OF ACCOUNTS.—Any qualified financial institution, qualified nonprofit organization, or Indian tribe shall report the balances in any Individual Development Account and parallel account of an individual on not less than an annual basis to such individual.

SEC. ___16. WITHDRAWAL PROCEDURES.

(a) WITHDRAWALS FOR QUALIFIED EXPENSES.—To withdraw money from an individual's Individual Development Account to pay qualified expenses of such individual or such individual's spouse or dependents, the qualified financial institution, qualified nonprofit organization, or Indian tribe shall directly transfer such funds from the Individual Development Account, and, if applicable, from the parallel account electronically to the distributees described in section ___11(8)(A)(ii). If the distributee is not equipped to receive funds electronically, the qualified financial institution, qualified nonprofit organization, or Indian tribe may issue such funds by paper check to the distributee.

(b) WITHDRAWALS FOR NONQUALIFIED EXPENSES.—An Individual Development Account owner may unilaterally withdraw any amount of funds from the Individual Development Account for purposes other than to pay qualified expenses, but shall forfeit a proportionate amount of matching funds from the individual's parallel account by doing so, unless such withdrawn funds are recontributed to such Account by September 30 following the withdrawal.

(c) WITHDRAWALS FROM ACCOUNTS OF NONELIGIBLE INDIVIDUALS.—If the individual for whose benefit an Individual Development Account is established ceases to be an eligible individual, such account shall remain an Individual Development Account, but such individual shall not be eligible for any further matching funds under section ___15(b)(1)(A) during the period—

(1) beginning on the first day of the taxable year of such individual following the beginning of such ineligibility, and

(2) ending on the last day of the taxable year of such individual in which such ineligibility ceases.

(d) TAX TREATMENT OF MATCHING FUNDS.—Any amount withdrawn from a parallel account shall not be includible in an eligible individual's gross income.

(e) WITHDRAWAL LIABILITY RESTS ONLY WITH ELIGIBLE INDIVIDUALS.—Nothing in this subtitle may be construed to impose liability on a qualified financial institution, a qualified nonprofit organization, or an Indian tribe for non-compliance with the requirements of this subtitle related to withdrawals from Individual Development Accounts.

SEC. ___17. CERTIFICATION AND TERMINATION OF QUALIFIED INDIVIDUAL DEVELOPMENT ACCOUNT PROGRAMS.

(a) CERTIFICATION PROCEDURES.—Upon establishing a qualified individual development account program under section ___13, a qualified financial institution, a qualified nonprofit organization, or an Indian tribe shall certify to the Secretary on forms prescribed by the Secretary and accompanied by any documentation required by the Secretary, that—

(1) the accounts described in subparagraphs (A) and (B) of section ___13(b)(1) are operating pursuant to all the provisions of this subtitle; and

(2) the qualified financial institution, qualified nonprofit organization, or Indian tribe agrees to implement an information system necessary to monitor the cost and outcomes of the qualified individual development account program.

(b) AUTHORITY TO TERMINATE QUALIFIED IDA PROGRAM.—If the Secretary determines that a qualified financial institution, a qualified nonprofit organization, or an Indian tribe under this subtitle is not operating a qualified individual development account program in accordance with the requirements of this subtitle (and has not implemented any corrective recommendations directed by the Secretary), the Secretary shall terminate such institution's, nonprofit organization's, or Indian tribe's authority to

conduct the program. If the Secretary is unable to identify a qualified financial institution, a qualified nonprofit organization, or an Indian tribe to assume the authority to conduct such program, then any funds in a parallel account established for the benefit of any individual under such program shall be deposited into the Individual Development Account of such individual as of the first day of such termination.

SEC. ___18. REPORTING, MONITORING, AND EVALUATION.

(a) RESPONSIBILITIES OF QUALIFIED FINANCIAL INSTITUTIONS, QUALIFIED NONPROFIT ORGANIZATIONS, AND INDIAN TRIBES.—Each qualified financial institution, qualified nonprofit organization, or Indian tribe that operates a qualified individual development account program under section ___13 shall report annually to the Secretary within 90 days after the end of each calendar year on—

(1) the number of eligible individuals making contributions into Individual Development Accounts;

(2) the amounts contributed into Individual Development Accounts and deposited into parallel accounts for matching funds;

(3) the amounts withdrawn from Individual Development Accounts and parallel accounts, and the purposes for which such amounts were withdrawn;

(4) the balances remaining in Individual Development Accounts and parallel accounts; and

(5) such other information needed to help the Secretary monitor the cost and outcomes of the qualified individual development account program (provided in a non-individually-identifiable manner).

(b) RESPONSIBILITIES OF THE SECRETARY.—

(1) MONITORING PROTOCOL.—Not later than 12 months after the date of the enactment of this Act, the Secretary shall develop and implement a protocol and process to monitor the cost and outcomes of the qualified individual development account programs established under section ___13.

(2) ANNUAL REPORTS.—In each year after the date of the enactment of this Act, the Secretary shall submit a progress report to Congress on the status of such qualified individual development account programs. Such report shall include from a representative sample of qualified individual development account programs information on—

(A) the characteristics of participants, including age, gender, race or ethnicity, marital status, number of children, employment status, and monthly income;

(B) deposits, withdrawals, balances, uses of Individual Development Accounts, and participant characteristics;

(C) the characteristics of qualified individual development account programs, including match rate, economic education requirements, permissible uses of accounts, staffing of programs in full time employees, and the total costs of programs; and

(D) process information on program implementation and administration, especially on problems encountered and how problems were solved.

SEC. ___19. AUTHORIZATION OF APPROPRIATIONS.

There is authorized to be appropriated to the Secretary $1,000,000 for fiscal year 2002 and for each fiscal year through 2008, for the purposes of implementing this subtitle, including the reporting, monitoring, and evaluation required under section ___18, to remain available until expended.

SEC. ___20. ACCOUNT FUNDS DISREGARDED FOR PURPOSES OF CERTAIN MEANS-TESTED FEDERAL PROGRAMS.

Notwithstanding any other provision of Federal law that requires consideration of 1 or more financial circumstances of an individual, for the purposes 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, an amount equal to the sum of—

(1) all amounts (including earnings thereon) in any Individual Development Account; plus

(2) the matching deposits made on behalf of such individual (including earnings thereon) in any parallel account,

shall be disregarded for such purposes.

SEC. ___21. MATCHING FUNDS FOR INDIVIDUAL DEVELOPMENT ACCOUNTS PROVIDED THROUGH A TAX CREDIT FOR QUALIFIED FINANCIAL INSTITUTIONS.

(a) IN GENERAL.—Subpart B of part IV of subchapter A of chapter 1 (relating to other credits) is amended by inserting after section 30A the following new section:

"SEC. 30B. INDIVIDUAL DEVELOPMENT ACCOUNT INVESTMENT CREDIT FOR QUALIFIED FINANCIAL INSTITUTIONS.

''(a) DETERMINATION OF AMOUNT.—There shall be allowed as a credit against the applicable tax for the taxable year an amount equal to the individual development account investment provided by an eligible entity during the taxable year under an individual development account program established under section ___13 of the Savings Opportunity and Charitable Giving Act of 2001.

''(b) APPLICABLE TAX.—For the purposes of this section, the term 'applicable tax' means the excess (if any) of—

''(1) the tax imposed under this chapter (other than the taxes imposed under the provisions described in subparagraphs (C) through (Q) of section 26(b)(2)), over

''(2) the credits allowable under subpart B (other than this section) and subpart D of this part.

''(c) INDIVIDUAL DEVELOPMENT ACCOUNT INVESTMENT.—

''(1) IN GENERAL.—For purposes of this section, the term 'individual development account investment' means, with respect to an individual development account program of a qualified financial institution in any taxable year, an amount equal to the sum of—

''(A) the aggregate amount of dollar-for-dollar matches under such program under section ___15(b)(1)(A) of the Savings Opportunity and Charitable Giving Act of 2001 for such taxable year, plus

''(B) an amount equal to the sum of—

''(i) with respect to each Individual Development Account opened during such taxable year, $100, plus

''(ii) with respect to each Individual Development Account maintained during such taxable year, $30.

''(2) INFLATION ADJUSTMENT.—

''(A) IN GENERAL.—In the case of any taxable year beginning after 2002, each dollar amount referred to in 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, by substituting '2001' for '1992'.

''(B) ROUNDING.—If any amount as adjusted under subparagraph (A) is not a multiple of $5, such amount shall be rounded to the nearest multiple of $5.

''(d) ELIGIBLE ENTITY.—For purposes of this section, the term 'eligible entity' means a qualified financial institution, or 1 or more contractual affiliates of such an institution as defined by the Secretary in regulations.

''(e) OTHER DEFINITIONS.—For purposes of this section, any term used in this section and also in the Savings Opportunity and Charitable Giving Act of 2001 Act shall have the meaning given such term by such Act.

''(f) DENIAL OF DOUBLE BENEFIT.—No deduction or credit (other than under this section) shall be allowed under this chapter with respect to any expense which is taken into account under subsection (c)(1)(A) in determining the credit under this section.

''(g) REGULATIONS.—The Secretary may prescribe such regulations as may be necessary or appropriate to carry out this section, including regulations providing for a recapture of the credit allowed under this section (notwithstanding any termination date described in subsection (h)) in cases where there is a forfeiture under section ___16(b) of the Savings Opportunity and Charitable Giving Act of 2001 Act in a subsequent taxable year of any amount which was taken into account in determining the amount of such credit.

''(h) APPLICATION OF SECTION.—This section shall apply to any expenditure made in any taxable year beginning after December 31, 2001, and before January 1, 2009, with respect to any Individual Development Account opened before January 1, 2007.''.

(b) CONFORMING AMENDMENT.—The table of sections for subpart B of part IV of subchapter A of chapter 1 is amended by inserting after the item relating to section 30A the following new item:

''Sec. 30B. Individual development account investment credit for qualified financial institutions.''.

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

Subtitle B—Charitable Giving Incentives Package

SEC. ___31. 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) is amended by redesignating subsection (m) as subsection (n) and by inserting after subsection (l) the following new subsection:

''(m) DEDUCTION FOR INDIVIDUALS NOT ITEMIZING DEDUCTIONS.—

''(1) IN GENERAL.—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 applicable percentage of the excess of the amount allowable under subsection (a) for the taxable year over the applicable amount.

''(2) APPLICABLE PERCENTAGE.—For purposes of this subsection, the applicable percentage shall be determined under the following table:

"In the case of taxable years beginning in—	The applicable percentage is—
2002	50
2003	60
2004	70
2005	80
2006	90
2007 and thereafter	100.

''(3) APPLICABLE AMOUNT.—For purposes of this subsection, the applicable amount is equal—

''(A) $500 in the case of an individual, and

''(B) $1,000 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 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(m).''.

(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 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 the date of the enactment of this Act.

SEC. ___32. 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.—No amount shall be includible in gross income by reason of a qualified charitable distribution from an individual retirement account to an organization described in section 170(c).

''(B) SPECIAL RULES RELATING TO CHARITABLE REMAINDER TRUSTS, POOLED INCOME FUNDS, AND CHARITABLE GIFT ANNUITIES.—

''(i) IN GENERAL.—No amount shall be includible in gross income by reason 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)).

The preceding sentence shall apply only if no person holds an income 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 any person by reason of a payment or distribution from a trust referred to in clause (i)(I) or a charitable gift annuity (as so defined), 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) shall be treated as income described in section 664(b)(1), and

''(II) 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 59½, and

''(ii) which is made directly from the account to—

''(I) an organization described in section 170(c), or

''(II) a trust, fund, or annuity referred to in subparagraph (B).

''(D) DENIAL OF DEDUCTION.—The amount allowable as a deduction under section 170 to the taxpayer for the taxable year shall be reduced (but not below zero) by the sum of the amounts of the qualified charitable distributions during such year which would be includible in the gross income of the taxpayer for such year but for this paragraph.''

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after the date of the enactment of this Act.

SEC. ___33. CHARITABLE DEDUCTION FOR CONTRIBUTIONS OF FOOD INVENTORY.

(a) IN GENERAL.—Subsection (e) of section 170 (relating to certain contributions of ordinary income and capital gain property) is amended by adding at the end the following new paragraph:

''(7) SPECIAL RULE FOR CONTRIBUTIONS OF FOOD INVENTORY.—For purposes of this section—

''(A) CONTRIBUTIONS BY NON-CORPORATE TAXPAYERS.—In the case of a charitable contribution of food by a taxpayer, paragraph (3)(A) shall be applied without regard to whether or not the contribution is made by a corporation.

''(B) LIMIT ON REDUCTION.—In the case of a charitable contribution of food which is a qualified contribution (within the meaning of paragraph (3)(A), as modified by subparagraph (A) of this paragraph)—

''(i) paragraph (3)(B) shall not apply, and

''(ii) the reduction under paragraph (1)(A) for such contribution shall be no greater than the amount (if any) by which the amount of such contribution exceeds twice the basis of such food.

''(C) DETERMINATION OF BASIS.—For purposes of this paragraph, if a taxpayer uses the cash method of accounting, the basis of any qualified contribution of such taxpayer shall be deemed to be 50 percent of the fair market value of such contribution.

''(D) DETERMINATION OF FAIR MARKET VALUE.—In the case of a charitable contribution of food which is a qualified contribution (within the meaning of paragraph (3), as modified by subparagraphs (A) and (B) of this paragraph) and which, solely by reason of internal standards of the taxpayer, lack of market, or similar circumstances, or which is produced by the taxpayer exclusively for the purposes of transferring the food to an organization described in paragraph (3)(A), cannot or will not be sold, the fair market value of such contribution shall be determined—

''(i) without regard to such internal standards, such lack of market, such circumstances, or such exclusive purpose, and

''(ii) if applicable, by taking into account the price at which the same or similar food items are sold by the taxpayer at the time of the contribution (or, if not so sold at such time, in the recent past).''.

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

Subtitle C—Compliance With Congressional Budget Act

SEC. ___41. SUNSET OF PROVISIONS OF TITLE.

All provisions of, and amendments made by, this title which are in effect on September 30, 2011, shall cease to apply as of the close of September 30, 2011.

SEC. ___42. RESTORATION OF PROVISIONS OF TITLE.

All provisions of, and amendments made by, this title which were terminated under section ___41 shall begin to apply again as of October 1, 2011, as provided in each such provision or amendment.

SA 656. Mr. GREGG (for himself, Mr. ENSIGN, Mr. ALLARD, Mr. KYL, Mr. BUNNING, and Mr. ALLEN) submitted an amendment intended to be proposed by him to the bill H.R. 1836, to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002; as follows:

At the end of subtitle A of title VIII, add the following:

SEC. ___. TEMPORARY REDUCTION IN CAPITAL GAINS RATE.

(a) REDUCTION IN MAXIMUM RATE.—The following sections are each amended by striking ''20 percent'' and inserting ''15 percent'':

(1) Section 1(h)(1)(C).

(2) Section 55(b)(3)(C).

(3) Section 1445(e)(1).

(4) The second sentence of section 7518(g)(6)(A).

(5) The second sentence of section 607(h)(6)(A) of the Merchant Marine Act, 1936.

(b) TRANSITION RULES FOR TAXABLE YEARS WHICH INCLUDE JUNE 1, 2001.—For purposes of applying section 1(h) of the Internal Revenue Code of 1986 in the case of a taxable year which includes June 1, 2001—

(1) The amount of tax determined under subparagraph (B) of section 1(h)(1) of such Code shall be the sum of—

(A) 10 percent of the lesser of—

(i) the net capital gain taking into account only gain or loss properly taken into account for the portion of the taxable year on or after such date (determined without regard to collectibles gain or loss, gain described in section (1)(h)(6)(A)(i) of such Code, and section 1202 gain), or

(ii) the amount on which a tax is determined under such subparagraph (without regard to this subsection), plus

(B) 10 percent of the excess (if any) of—

(i) the amount on which a tax is determined under such subparagraph (without regard to this subsection), over

(ii) the amount on which a tax is determined under subparagraph (A).

(2) The amount of tax determined under subparagraph (C) of section (1)(h)(1) of such Code shall be the sum of—

(A) 15 percent of the lesser of—

(i) the excess (if any) of the amount of net capital gain determined under subparagraph (A)(i) of paragraph (1) of this subsection over the amount on which a tax is determined under subparagraph (A) of paragraph (1) of this subsection, or

(ii) the amount on which a tax is determined under such subparagraph (C) (without regard to this subsection), plus

(B) 20 percent of the excess (if any) of—

(i) the amount on which a tax is determined under such subparagraph (C) (without regard to this subsection), over

(ii) the amount on which a tax is determined under subparagraph (A) of this paragraph.

(3) For purposes of applying section 55(b)(3) of such Code, rules similar to the rules of paragraphs (1) and (2) of this subsection shall apply.

(4) In applying this subsection with respect to any pass-thru entity, the determination of when gains and loss are properly taken into account shall be made at the entity level.

(5) Terms used in this subsection which are also used in section 1(h) of such Code shall have the respective meanings that such terms have in such section.

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to sales or exchanges made—

(A) on or after June 1, 2001, and

(B) in taxable years beginning before January 1, 2004.

(2) WITHHOLDING.—The amendment made by subsection (a)(3) shall apply to amounts paid on or after June 1, 2001.

SA 657. Mr. GREGG submitted an amendment intended to be proposed by him to the bill H.R. 1836, to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002; which was ordered to lie on the table; as follows:

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

SEC. . EXTENSION OF MORATORIUM ON IMPOSITION OF TAXES ON THE INTERNET.

Section 1101(a) of the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999 (112 Stat. 2681–719) is amended by striking ''3 years'' and inserting ''6 years''.

SA 658. Mr. KYL submitted an amendment intended to be proposed by him to the bill H.R. 1836, to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002; which was ordered to lie on the table; as follows:

At the end of subtitle A of title VIII, add the following:

SEC. ___. TEMPORARY REDUCTION IN CAPITAL GAINS RATE.

(a) REDUCTION IN MAXIMUM RATE.—The following sections are each amended by striking ''20 percent'' and inserting ''15 percent'':

(1) Section 1(h)(1)(C).

(2) Section 55(b)(3)(C).

(3) Section 1445(e)(1).

(4) The second sentence of section 7518(g)(6)(A).

(5) The second sentence of section 607(h)(6)(A) of the Merchant Marine Act, 1936.

(b) TRANSITION RULES.—For purposes of applying section 1(h) of the Internal Revenue Code of 1986 in the case of a taxable year which includes the date of the enactment of the Restoring Earnings To Lift Individuals and Empower Families (RELIEF) Act of 2001—

(1) The amount of tax determined under subparagraph (B) of section 1(h)(1) of such Code shall be the sum of—

(A) 10 percent of the lesser of—

(i) the net capital gain taking into account only gain or loss properly taken into account for the portion of the taxable year on or after such date (determined without regard to collectibles gain or loss, gain described in section (1)(h)(6)(A)(i) of such Code, and section 1202 gain), or

(ii) the amount on which a tax is determined under such subparagraph (without regard to this subsection), plus

(B) 10 percent of the excess (if any) of—

(i) the amount on which a tax is determined under such subparagraph (without regard to this subsection), over

(ii) the amount on which a tax is determined under subparagraph (A).

(2) The amount of tax determined under subparagraph (C) of section (1)(h)(1) of such Code shall be the sum of—

(A) 15 percent of the lesser of—

(i) the excess (if any) of the amount of net capital gain determined under subparagraph (A)(i) of paragraph (1) of this subsection over the amount on which a tax is determined under subparagraph (A) of paragraph (1) of this subsection, or

(ii) the amount on which a tax is determined under such subparagraph (C) (without regard to this subsection), plus

(B) 20 percent of the excess (if any) of—

(i) the amount on which a tax is determined under such subparagraph (C) (without regard to this subsection), over

(ii) the amount on which a tax is determined under subparagraph (A) of this paragraph.

(3) For purposes of applying section 55(b)(3) of such Code, rules similar to the rules of paragraphs (1) and (2) of this subsection shall apply.

(4) In applying this subsection with respect to any pass-thru entity, the determination of when gains and loss are properly taken into account shall be made at the entity level.

(5) Terms used in this subsection which are also used in section 1(h) of such Code shall have the respective meanings that such terms have in such section.

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to sales or exchanges made—

(A) on or after the date of the enactment of this Act, and

(B) in taxable years beginning before January 1, 2003.

(2) WITHHOLDING.—The amendment made by subsection (a)(3) shall apply to amounts paid after the date of the enactment of this Act.

SA 659. Mrs. HUTCHISON (for herself and Mr. BROWNBACK) proposed an amendment to the bill H.R. 1836, to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002; as follows:

On page 19, beginning with line 21, strike all through the matter preceding line 1 on page 20, and insert:

''(7) APPLICABLE PERCENTAGE.—For purposes of paragraph (2), the applicable percentage shall be determined in accordance with the following table:

''For taxable years beginning in calendar year—	**The applicable percentage is—**
2002	170
2003	175
2004	180
2005	185
2006	190
2007	195
2008 and thereafter	200.''.

On page 20, line 14, strike ''2005'' and insert ''2001''.

On page 29, line 4, strike ''$2,000'' and insert ''the applicable amount''.

On page 29, line 7, strike ''$2,000'' and insert ''the applicable amount (as defined in section 530(b)(6))''.

On page 29, between lines 7 and 8, insert:

(3) APPLICABLE AMOUNT.—Section 530(b) is amended by adding at the end the following:

''(6) APPLICABLE AMOUNT.—The applicable amount shall be determined in accordance with the following table:

''In the case of taxable years beginning in calendar year—	**The applicable amount is—**
2002 or 2003	$500
2004 or 2005	$750
2006 or 2007	$1,000
2008 or 2009	$1,500
2010 and thereafter	$2,000.''.

On page 35, strike lines 21 through 23, and insert:

(h) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

(2) SUBSECTION (c).—The amendments made by subsection (c) shall apply to taxable years beginning after December 31, 2005.

Strike section 412 and insert:

SEC. 412. INCREASE IN INCOME LIMITATION ON STUDENT LOAN INTEREST DEDUCTION.

(a) INCREASE IN INCOME LIMITATION.—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 ($100,000 in the case of a joint return), bears to

''(ii) $15,000 ($30,000 in the case of a joint return).''.

(b) CONFORMING AMENDMENT.—Section 221(g)(1) is amended by striking ''$40,000 and $60,000 amounts'' and inserting ''$50,000 and $100,000 amounts''.

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

On page 53, line 12, strike ''$3,000'' and insert ''$2,000 ($1,500 in the case of 2002)''.

On page 53, line 21, after ''$5,000'' insert ''($3,000''.

On page 311, line 10, strike ''$49,000'' and insert ''$48,000 in the case of 2004.)''.

On page 311, line 16, strike ''$35,750'' and insert ''$35,250''.

SA 660. Mr. MCCAIN submitted an amendment intended to be proposed by him to the bill H.R. 1836, to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002; which was ordered to lie on the table; as follows:

On page 9, in the matter between lines 11 and 12, strike ''37.6%'' in the item relating to 2005 and 2006 and insert ''38.6%'' and strike ''36%'' in the item relating to 2007 and thereafter and insert ''38.6%''.

On page 13, between lines 15 and 16, insert:

SEC. 104. INCREASE IN MAXIMUM TAXABLE INCOME FOR 15 PERCENT RATE BRACKET.

Section 1(f) (relating to adjustments in tax tables so that inflation will not result in tax increases), as amended by section 302, 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 the maximum taxable income level for the 15 percent rate bracket and the minimum taxable income level for the next highest rate bracket otherwise determined under subparagraph (A) (after application of paragraph (8)) for taxable years beginning in any calendar year after 2004, 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), the applicable dollar amount for any calendar year shall be determined as follows:

''(A) JOINT RETURNS AND SURVIVING SPOUSES.—In the case of the table contained in subsection (a)—

''Calendar year:	**Applicable Dollar Amount:**
2005	$1,000
2006	$2,000
2007	$3,000
2008	$4,000
2009 and thereafter	$5,000.

''(B) OTHER TABLES.—In the case of the table contained in subsection (b), (c), or (d)—

''Calendar year:	**Applicable Dollar Amount:**
2005	$500
2006	$1,000
2007	$1,500
2008	$2,000
2009 and thereafter	$2,500.''

SA 661. Mr. JOHNSON submitted an amendment intended to be proposed by him to the bill H.R. 1836, to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002; which was ordered to lie on the table; as follows:

On page 314, after line 21, add the following:

SEC. 803. INCREASED FUNDING FOR VETERANS HOSPITAL CARE AND MEDICAL SERVICES.

Notwithstanding any other provision of law, there is appropriated, out of any funds in the Treasury not otherwise appropriated, $1,700,000,000 for fiscal year 2002 for purposes of providing hospital care and medical services to veterans under chapter 17 of title 38, United States Code.

SA 662. Mr. INOUYE (for himself and Mr. AKAKA) submitted an amendment intended to be proposed by him to the bill H.R. 1836, to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002; which was ordered to lie on the table; as follows:

At the appropriate place, insert the following:

SEC. ___. TREATMENT OF CERTAIN HOSPITAL SUPPORT ORGANIZATIONS AS QUALIFIED ORGANIZATIONS FOR PURPOSES OF DETERMINING ACQUISITION INDEBTEDNESS.

(a) IN GENERAL.—Subparagraph (C) of section 514(c)(9) (relating to real property acquired by a qualified organization) 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 new clause:

''(iv) a qualified hospital support organization (as defined in subparagraph (I)).''.

(b) QUALIFIED HOSPITAL SUPPORT ORGANIZATIONS.—Paragraph (9) of section 514(c) is amended by adding at the end the following new subparagraph:

''(I) QUALIFIED HOSPITAL SUPPORT ORGANIZATIONS.—For purposes of subparagraph (C)(iv), the term 'qualified hospital support organization' means, with respect to any eligible indebtedness (including any qualified refinancing of such eligible indebtedness), a support organization (as defined in section 509(a)(3)) which supports a hospital described in section 119(d)(4)(B) and with respect to which—

''(i) more than half of its assets (by value) at any time since its organization—

''(I) were acquired, directly or indirectly, by gift or devise, and

''(II) consisted of real property, and

''(ii) the fair market value of the organization's real estate acquired, directly or indirectly, by gift or devise, exceeded 10 percent of the fair market value of all investment assets held by the organization immediately prior to the time that the eligible indebtedness was incurred.

For purposes of this subparagraph, the term 'eligible indebtedness' means indebtedness secured by real property acquired by the organization, directly or indirectly, by gift or devise, the proceeds of which are used exclusively to acquire any leasehold interest in such real property or for improvements on, or repairs to, such real property. A determination under clauses (i) and (ii) of this subparagraph shall be made each time such an eligible indebtedness (or the qualified refinancing of such an eligible indebtedness) is incurred. For purposes of this subparagraph, a refinancing of such an eligible indebtedness shall be considered qualified if such refinancing does not exceed the amount of the refinanced eligible indebtedness immediately before the refinancing.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to indebtedness incurred after December 31, 2003.

SA 663. Mr. INOUYE (for himself and Mr. AKAKA) submitted an amendment intended to be proposed by him to the bill H.R. 1836, to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002; which was ordered to lie on the table; as follows:

SEC. 573. SPECIAL RULES FOR CLOSELY HELD BUSINESSES WITH 16 TO 75 PARTNERS OR SHAREHOLDERS.

(a) IN GENERAL.—Section 6166(b) (relating to definitions and special rules), as amended by section 571, is amended by adding at the end the following new paragraph:

''(11) SPECIAL RULES FOR BUSINESS WITH 16 TO 75 PARTNERS OR SHAREHOLDERS.—If the executor elects the benefits of this paragraph, then, for purposes of this section—

''(A) INTEREST AS A PARTNER IN A PARTNERSHIP TREATED AS AN INTEREST IN A CLOSELY HELD BUSINESS IF THE PARTNERSHIP HAD MORE THAN 15 BUT NO MORE THAN 75 PARTNERS.—An interest as partner in a partnership carrying on a trade or business shall be treated as an interest in a closely held business if such partnership had more than 15 but no more than 75 partners.

''(B) STOCK IN A CORPORATION TREATED AS AN INTEREST IN A CLOSELY HELD BUSINESS IF THE CORPORATION HAD MORE THAN 15 BUT NO MORE THAN 75 SHAREHOLDERS.—Stock in a corporation carrying on a trade or business shall be treated as an interest in a closely held business if such corporation had more than 15 but no more than 75 shareholders.

''(C) 5-YEAR DEFERRAL FOR PRINCIPAL NOT TO APPLY.—The executor shall be treated as having selected under subsection (a)(3) the date prescribed by section 6151(a).

''(D) 5 EQUAL INSTALLMENTS ALLOWED.—For purposes of applying subsection (a)(1), '5' shall be substituted for '10'.''

(b) EFFECTIVE DATE.—The amendment made by this section, shall apply to estates of decedents dying after December 31, 2001.

SA 664. Mr. SCHUMER submitted an amendment intended to be proposed by him to the bill H.R. 1836, to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002; which was ordered to lie on the table; as follows:

On page 54, between lines 4 and 5, insert the following:

''(C) 2006 THROUGH 2011.—

''(i) IN GENERAL.—In the case of a taxable year beginning in 2006, 2007, 2008, 2009, 2010, or 2011, the applicable dollar amount shall be equal to the applicable dollar amount determined in the table contained in clause (ii), reduced (but not below zero) by the amount determined under clause (iii).

''(ii) APPLICABLE DOLLAR AMOUNT.—

"Taxable year beginning in:	Applicable dollar amount:
2006	$10,000
2007	$10,000
2008	$12,000
2009	$12,000
2010	$12,000
2011	$12,000.

''(iii) AMOUNT OF REDUCTION.—The amount determined under this clause for any taxable year is the amount which bears the same ratio to the applicable dollar amount determined in the table contained in clause (ii) for such taxable year as—

''(I) the excess of—

''(aa) the taxpayer's adjusted gross income for such taxable year, over

''(bb) $65,000 ($90,000 in the case of return filed by a head of household (as defined in section 2(b)), and $130,000 in the case of a joint return), bears to

''(II) $10,000 ($20,000 in the case of a joint return).

On page 59, line 3, strike ''$500'' and insert ''$1000''.

Strike section 511 relating to reductions of estate and gift tax rates.

SA 665. Mr. TORRICELLI submitted an amendment intended to be proposed by him to the bill H.R. 1836, to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002; which was ordered to lie on the table; as follows:

On page 314, after line 21, add the following:

SEC. 3. PARTIAL EXCLUSION OF GAIN FROM SALE OF LOW-TO-MODERATE INCOME HOUSING.

(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 inserting after section 138 the following new section:

''SEC. 139. CERTAIN GAIN FROM SALE OF LOW-TO-MODERATE INCOME HOUSING.

''(a) IN GENERAL.—Gross income shall not include the gain from the sale of any qualified low-to-moderate income building made during the taxable year.

''(b) QUALIFIED LOW-TO-MODERATE INCOME BUILDING.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified low-to-moderate income building' means any building which is part of a qualified low-to-moderate income development project.

''(2) QUALIFIED LOW-TO-MODERATE INCOME DEVELOPMENT PROJECT.—

''(A) IN GENERAL.—The term 'qualified low-to-moderate income development project' means any development project of 1 or more for qualified low-to-moderate income buildings located in an eligible urban area if 40 percent or more of the residential units in such development project are occupied and owned by individuals whose income is 100 percent or less of area median gross income.

''(B) ELIGIBLE URBAN AREA.—The term 'eligible urban area' means an area which is either a qualified census tract or an area of chronic economic distress (as defined in paragraphs (2) and (3) of section 143(j), respectively).

''(c) LIMITATION.—The amount of gain which may be taken into account under subsection (a) with respect to the sale of a low-to-moderate income building shall not exceed $10,000 for each low-to-moderate income unit in such building.''.

(b) CONFORMING 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. Certain gain from sale of low-to-moderate income housing.

''Sec. 140. Cross references to other Acts.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply sales in taxable years beginning after the date of the enactment of this Act for five years.

SA 666. Mr. TORRICELLI submitted an amendment intended to be proposed by him to the bill H.R. 1836, to provide for reconciliation pursuant to section

104 of the concurrent resolution on the budget for fiscal year 2002; which was ordered to lie on the table; as follows:

On page 314, after line 21, add the following:

SEC. 803. MISCONDUCT OF INTERNAL REVENUE SERVICE EMPLOYEES.

(a) DISCIPLINE OR TERMINATION OF EMPLOYMENT FOR MISCONDUCT.—Section 1203 of the Internal Revenue Service Restructuring and Reform Act of 1998 (26 U.S.C. 7804 note) is amended to read as follows:

"SEC. 1203. DISCIPLINE OR TERMINATION OF EMPLOYMENT FOR MISCONDUCT.

''(a) IN GENERAL.—Notwithstanding any other law, the Commissioner of Internal Revenue may impose discipline up to and including termination of the employment of any employee of the Internal Revenue Service if there is a final administrative or judicial determination that such employee committed any act or omission described under subsection (b) in the performance of the employee's official duties. Such termination shall be a removal for cause on charges of misconduct.

''(b) ACTS OR OMISSIONS.—The acts or omissions referred to under subsection (a) are—

''(1) willful failure to obtain the required approval signatures on documents authorizing the seizure of a taxpayer's home, personal belongings, or business assets;

''(2) willfully providing a false statement under oath with respect to a material matter involving a taxpayer or taxpayer representative;

''(3) with respect to a taxpayer, taxpayer representative, or other employee of the Internal Revenue Service, the willful violation of—

''(A) any right under the Constitution of the United States; or

''(B) any civil right established under—

''(i) title VI or VII of the Civil Rights Act of 1964;

''(ii) title IX of the Education Amendments of 1972;

''(iii) the Age Discrimination in Employment Act of 1967;

''(iv) the Age Discrimination Act of 1975;

''(v) section 501 or 504 of the Rehabilitation Act of 1973; or

''(vi) title I of the Americans with Disabilities Act of 1990;

''(4) willfully falsifying or destroying documents to conceal mistakes made by any employee with respect to a matter involving a taxpayer or taxpayer representative;

''(5) willful assault or battery on a taxpayer, taxpayer representative, or other employee of the Internal Revenue Service, but only if there is a criminal conviction, or a final judgment by a court in a civil case, with respect to the assault or battery;

''(6) willful violations of the Internal Revenue Code of 1986, Department of Treasury regulations, or policies of the Internal Revenue Service (including the Internal Revenue Manual) for the purpose of retaliating against, or harassing, a taxpayer, taxpayer representative, or other employee of the Internal Revenue Service;

''(7) willful misuse of the provisions of section 6103 of the Internal Revenue Code of 1986 for the purpose of concealing information from a congressional inquiry;

''(8) willful understatement of Federal tax liability, unless such understatement is due to reasonable cause and not to willful neglect; and

''(9) willfully threatening to audit a taxpayer for the purpose of extracting personal gain or benefit.

''(c) NO APPEAL.—Any determination of the Commissioner of Internal Revenue under subsection (a) may not be appealed in any administrative or judicial proceeding.

''(d) DEFINITION.—For purposes of the provisions described in clauses (i), (ii), and (iv) of subsection (b)(3)(B), references to a program or activity receiving Federal financial assistance or an education program or activity receiving Federal financial assistance shall include any program or activity conducted by the Internal Revenue Service for a taxpayer.''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to acts or omissions occurring on or after the date of enactment of this Act.

SA 667. Mr. TORRICELLI submitted an amendment intended to be proposed by him to the bill H.R. 1836, to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002; which was ordered to lie on the table; as follows:

At the end of subtitle A of title II, add the following:

SEC. ___. ELIMINATION OF THE MARRIAGE PENALTY IN THE CHILD TAX CREDIT.

(a) IN GENERAL.—Section 24(b) (relating to limitation based on adjusted gross income), as amended by section 201, is amended—

(1) by striking ''$55,000'' in paragraph (2)(C) and inserting ''one-half the amount in subparagraph (A)'', and

(2) by adding at the end, the following new paragraph:

''(4) INFLATION ADJUSTMENT.—In the case of any taxable year beginning after 2001, the dollar amount contained in paragraph (2)(A) shall be increased by an amount equal to—

''(A) such dollar amount, multiplied by

''(B) the cost-of-living adjustment determined under section (1)(f)(3) for the calendar year in which the taxable year begins, by substituting ''calendar year 2000'' for ''calendar year 1992.''.

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

SA 668. Mr. ENSIGN submitted an amendment intended to be proposed by him to the bill H.R. 1836, to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002; which was ordered to lie on the table; as follows:

At the end of subtitle A of title VIII, add the following:

SEC. ___. TEMPORARY REDUCTION IN CAPITAL GAINS RATE.

(a) IN GENERAL.—

(1) REDUCTION IN 10 PERCENT RATE.—Section 1(h)(1)(B) is amended by inserting ''(8 percent in the case of 2002 and 2003)'' after ''10 percent''.

(2) REDUCTION IN 20 PERCENT RATE.—Section 1(h)(1)(C) (relating to maximum capital gains rate) is amended by inserting ''(15 percent in the case of 2002 and 2003)'' after ''20 percent''.

(b) CONFORMING AMENDMENTS.—

(1) Section 1(h)(2)(A) is amended by inserting ''(8 percent in the case of 2002 and 2003)'' after ''10 percent''.

(2) Section 55(b)(3) is amended—

(A) in subparagraph (B), by striking ''10 percent'' and inserting ''the rate in effect under subsection 1(h)(1)(B)'', and

(B) in subparagraph (C), by striking ''20 percent'' and inserting ''the rate in effect under subsection 1(h)(1)(C)''.

(3) Paragraph (1) of section 1445(e) by striking ''20 percent)'' and inserting ''the rate in effect under section 1(h)(1)(C))''.

(4)(A) The second sentence of section 7518(g)(6)(A) is amended by striking ''20 percent'' and inserting ''the rate in effect under section 1(h)(1)(C)''.

(B) The second sentence of section 607(h)(6)(A) of the Merchant Marine Act, 1936 is amended by striking ''20 percent'' and inserting ''the rate in effect under section 1(h)(1)(C)''.

SA 669. Mr. SCHUMER (for himself, Mr. BIDEN, Mr. BAYH, Mr. LIEBERMAN, Mr. DURBIN, Mr. TORRICELLI, Mrs. CLINTON, Mr. DASCHLE, Ms. STABENOW, and Mr. DAYTON) proposed an amendment to the bill H.R. 1836, to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002; as follows:

On page 54, between lines 4 and 5, insert the following:

''(C) 2006 THROUGH 2011.—

''(i) IN GENERAL.—In the case of a taxable year beginning in 2006, 2007, 2008, 2009, 2010, or 2011, the applicable dollar amount shall be equal to the applicable dollar amount determined in the table contained in clause (ii), reduced (but not below zero) by the amount determined under clause (iii).

''(ii) APPLICABLE DOLLAR AMOUNT.—

"Taxable year beginning in:	Applicable dollar amount:
2006	$10,000
2007	10,000
2008	12,000
2009	12,000
2010	12,000
2011	12,000

.

''(iii) AMOUNT OF REDUCTION.—The amount determined under this clause for any taxable year is the amount which bears the same ratio to the applicable dollar amount determined in the table contained in clause (ii) for such taxable year as—

''(I) the excess of—

''(aa) the taxpayer's adjusted gross income for such taxable year, over

''(bb) $65,000 ($90,000 in the case of return filed by a head of household (as defined in section 2(b)), and $130,000 in the case of a joint return), bears to

''(II) $10,000 ($20,000 in the case of a joint return).

On page 59, line 3, strike ''$500'' and insert ''$1,000''.

Beginning on page 64, line 21, strike all through page 66, before line 2, and insert the following:

(a) MAXIMUM RATE OF TAX REDUCED TO 53 PERCENT.—The table contained in section 2001(c)(1) is amended by striking the two 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).

On page 68, strike lines 1 through 3.

SA 670. Mr. FITZGERALD (for himself, Mr. SCHUMER, Mr. JEFFORDS, Mrs. CLINTON, Mr. MCCAIN, Mr. TORRICELLI, Mr. DOMENICI, Mr. ALLEN, Mr. DURBIN, Mr. SMITH of Oregon, Mr. SPECTER, and Mr. NELSON of Florida) proposed an amendment to the bill H.R. 1836, to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002; as follows:

At the end of subtitle A of title VIII, add the following:

SEC. ___. NO FEDERAL INCOME TAX ON RESTITUTION RECEIVED BY VICTIMS OF THE NAZI REGIME OR THEIR HEIRS OR ESTATES.

(a) IN GENERAL.—For purposes of the Internal Revenue Code of 1986, any excludable restitution payments received by an eligible individual (or the individual's heirs or estate)—

(1) shall not be included in gross income; and

(2) shall not be taken into account for purposes of applying any provision of such Code which takes into account excludable income in computing adjusted gross income, including section 86 of such Code (relating to taxation of Social Security benefits).

For purposes of such Code, the basis of any property received by an eligible individual (or the individual's heirs or estate) as part of an excludable restitution payment shall be the fair market value of such property as of the time of the receipt.

(b) COORDINATION WITH FEDERAL MEANS-TESTED PROGRAMS.—

(1) IN GENERAL.—Any excludable restitution payment shall be disregarded in determining eligibility for, and the amount of benefits or services to be provided under, any Federal or federally assisted program which provides benefits or service based, in whole or in part, on need.

(2) PROHIBITION AGAINST RECOVERY OF VALUE OF EXCESSIVE BENEFITS OR SERVICES.—No officer, agency, or instrumentality of any government may attempt to recover the value of excessive benefits or services provided under a program described in subsection (a) before January 1, 2000, by reason of any failure to take account of excludable restitution payments received before such date.

(3) NOTICE REQUIRED.—Any agency of government that has taken into account excludable restitution payments in determining eligibility for a program described in subsection (a) before January 1, 2000, shall make a good faith effort to notify any individual who may have been denied eligibility for benefits or services under the program of the potential eligibility of the individual for such benefits or services.

(4) COORDINATION WITH 1994 ACT.—Nothing in this Act shall be construed to override any right or requirement under ''An Act to require certain payments made to victims of Nazi persecution to be disregarded in determining eligibility for and the amount of benefits or services based on need'', approved August 1, 1994 (Public Law 103–286; 42 U.S.C. 1437a note), and nothing in that Act shall be construed to override any right or requirement under this Act.

(c) ELIGIBLE INDIVIDUAL.—For purposes of this section, the term ''eligible individual'' means a person who was persecuted for racial or religious reasons by Nazi Germany, any other Axis regime, or any other Nazi-controlled or Nazi-allied country.

(d) EXCLUDABLE RESTITUTION PAYMENT.—For purposes of this section, the term ''excludable restitution payment'' means any payment or distribution to an individual (or the individual's heirs or estate) which—

(1) is payable by reason of the individual's status as an eligible individual, including any amount payable by any foreign country, the United States of America, or any other foreign or domestic entity, or a fund established by any such country or entity, any amount payable as a result of a final resolution of a legal action, and any amount payable under a law providing for payments or restitution of property;

(2) constitutes the direct or indirect return of, or compensation or reparation for, assets stolen or hidden from, or otherwise lost to, the individual before, during, or immediately after World War II by reason of the individual's status as an eligible individual, including any proceeds of insurance under policies issued on eligible individuals by European insurance companies immediately before and during World War II; or

(3) consists of interest which is payable as part of any payment or distribution described in paragraph (1) or (2).

(e) EFFECTIVE DATE.—

(1) IN GENERAL.—This section shall apply to any amount received on or after January 1, 2000.

(2) NO INFERENCE.—Nothing in this Act shall be construed to create any inference with respect to the proper tax treatment of any amount received before January 1, 2000.

SA 671. Mr. ALLARD (for himself, Mr. GREGG, and Mr. BUNNING) submitted an amendment intended to be proposed by him to the bill H.R. 1836, to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002; which was ordered to lie on the table; as follows:

At the end of title I, insert:

SEC. ___. REDUCTION IN CAPITAL GAINS RATES FOR INDIVIDUALS.

(a) IN GENERAL.—

(1) 10-PERCENT RATE REDUCED TO 8 PERCENT.—Subparagraph (B) of section 1(h)(1), as amended by section 101, is amended by striking ''10 percent'' and inserting ''8 percent''.

(2) 20-PERCENT RATE REDUCED TO 15 PERCENT.—Subparagraph (C) of section 1(h)(1) is amended by striking ''20 percent'' and inserting ''15 percent''.

(4) CONFORMING AMENDMENTS.—

(A) Section 57(a)(7) is amended—

(i) by striking ''42 percent'' and inserting ''28 percent'', and

(ii) by striking the last sentence.

(B) Paragraph (1) of section 1445(e) is amended by striking ''20 percent'' and inserting ''15 percent''.

(C) The second sentence of section 7518(g)(6)(A), and the second sentence of section 607(h)(6)(A) of the Merchant Marine Act, 1936, are each amended by striking ''20 percent'' and inserting ''15 percent''.

(2) CONFORMING AMENDMENTS.—Subparagraph (A)(ii) of section 1(h)(6), as redesignated by paragraph (1), is amended—

(A) in subclause (I) by striking ''paragraph (5)(B)'' and inserting ''paragraph (4)(B)'', and

(B) in subclause (II) by striking ''paragraph (5)(A)'' and inserting ''paragraph (4)(A)''.

(c) MINIMUM TAX.—

(1) IN GENERAL.—

(A) 10-PERCENT RATE REDUCED TO 8 PERCENT.—Subparagraph (B) of section 55(b)(3) is amended by striking ''10 percent'' and inserting ''8 percent''.

(B) 20-PERCENT RATE REDUCED TO 15 PERCENT.—Subparagraph (C) of section 55(b)(3) is amended by striking ''20 percent'' and inserting ''15 percent''.

(2) CONFORMING AMENDMENT.—Paragraph (3) of section 55(b) is amended in the matter following subparagraph (D) by striking ''In the case of taxable years beginning after December 31, 2000, rules similar to the rules of section 1(h)(2) shall apply for purposes of subparagraphs (B) and (C).''.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided by paragraph (2), the amendments made by this section shall apply to sales or exchanges after the date of the enactment of this Act and before January 1, 2003.

(2) WITHHOLDING.—The amendment made by subsection (a)(3)(B) shall apply to amounts paid after the date of the enactment of this Act and before January 1, 2003.

SA 672. Mr. ALLEN submitted an amendment intended to be proposed by him to the bill H.R. 1836, to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002; which was ordered to lie on the table; as follows:

On page 55, strike lines 17 through 21, and insert:

''(1) QUALIFIED TUITION AND RELATED EXPENSES.—

''(A) IN GENERAL.—The term 'qualified tuition and related expenses' has the meaning given such term by section 25A(f). Such expenses shall be reduced in the same manner as under section 25A(g)(2).

''(B) SPECIAL RULE FOR COMPUTERS AND INTERNET ACCESS FOR ELEMENTARY AND SECONDARY STUDENTS.—

''(i) IN GENERAL.—Except as provided in this paragraph, the term 'qualified tuition and related expenses' includes, in the case of an individual who maintains a household which includes as a member one or more qualifying students, amounts paid or incurred for computer technology or equipment.

''(ii) LIMITATION.—The amount of expenses under clause (i) which may be taken into account under subsection (a) for any taxable year shall not exceed $1,000, reduced by the amount of expenses taken into account under clause (i) during the preceding 2 taxable years in connection with the purchase of a computer.

''(iii) QUALIFYING STUDENT.—For purposes of this subparagraph, the term 'qualifying student' means a dependent of the taxpayer (within the meaning of section 152) who is enrolled in school on a full-time basis.

''(iv) COMPUTER TECHNOLOGY OR EQUIPMENT.—For purposes of this subparagraph, the term 'computer technology or equipment' has the meaning given such term by section 170(e)(6)(F)(i) and includes Internet access and related services.

''(v) SCHOOL.—For purposes of this subparagraph, the term 'school' means any public, charter, private, religious, or home school which provides elementary education or secondary education (kindergarten through grade 12), as determined under State law.

SA 673. Mr. ALLEN submitted an amendment intended to be proposed by him to the bill H.R. 1836, to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002; which was ordered to lie on the table; as follows:

On page 31, lines 3 and 4, strike ''computer equipment (including related software and services)''.

On page 31, line 10, strike ''and''.

On page 31, line 17, strike the end period and insert '', and''.

On page 31, between lines 17 and 18, insert:

''(iii) expenses for the purchase of any computer technology or equipment (as defined in section 170(e)(6)(F)(i)) or Internet access and related services, if such technology, equipment, or services are to be used by the beneficiary and the beneficiary's family during any of the years the beneficiary is in school.

SA 674. Mrs. CARNAHAN (for herself and Mr. DASCHLE) proposed an amendment to the bill H.R. 1836, to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002; as follows:

On page 9, strike lines 5 through 12 and insert the following:

''(2) REDUCTIONS IN RATES AFTER 2001.—

''(A) IN GENERAL.—Each rate of tax (other than the 10 percent rate) in the tables under

subsections (a), (b), (c), (d), and (e) shall be reduced by 1 percentage point for taxable years beginning during a calendar year after the trigger year.

''(B) TRIGGER YEAR.—For purposes of subparagraph (A), the trigger year is—

''(i) 2002, in the case of the 15 percent rate,

''(ii) 2003, in the case of the 28 percent rate,

''(iii) 2004, in the case of the 31 percent rate,

''(iv) 2005, in the case of the 36 percent rate, and

''(v) 2006, in the case of the 39.6 percent rate.

''(3) ADJUSTMENT OF TABLES.—The Secretary''.

SA 675. Ms. COLLINS (for herself, Mr. WARNER, Mr. COCHRAN, Ms. LANDRIEU, Mr. ALLEN, Mr. SMITH of Oregon, Mr. HARKIN, Ms. MIKULSKI, Mr. REED, Mr. HUTCHINSON, Mr. DODD, and Mr. ENZI) proposed an amendment to the bill H.R. 1836, to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002; as follows:

At the end of title IV, add the following:

Subtitle E—Miscellaneous Education Provisions

SEC. 441. SHORT TITLE.

This subtitle may be cited as the ''Teacher Relief Act of 2001''.

SEC. 442. ABOVE-THE-LINE DEDUCTION FOR QUALIFIED PROFESSIONAL DEVELOPMENT EXPENSES OF ELEMENTARY AND SECONDARY SCHOOL TEACHERS.

(a) DEDUCTION ALLOWED.—Part VII of subchapter B of chapter 1 (relating to additional itemized deductions for individuals), as amended by section 431(a), is amended by redesignating section 223 as section 224 and by inserting after section 222 the following new section:

''SEC. 223. QUALIFIED PROFESSIONAL DEVELOPMENT EXPENSES.

''(a) ALLOWANCE OF DEDUCTION.—In the case of an eligible educator, there shall be allowed as a deduction an amount equal to the qualified professional development expenses paid or incurred by the taxpayer during the taxable year.

''(b) MAXIMUM DEDUCTION.—The deduction allowed under subsection (a) for any taxable year shall not exceed $500.

''(c) QUALIFIED PROFESSIONAL DEVELOPMENT EXPENSES OF ELIGIBLE EDUCATORS.—For purposes of this section—

''(1) QUALIFIED PROFESSIONAL DEVELOPMENT EXPENSES.—

''(A) IN GENERAL.—The term 'qualified professional development expenses' means expenses for tuition, fees, books, supplies, equipment, and transportation required for the enrollment or attendance of an individual in a qualified course of instruction.

''(B) QUALIFIED COURSE OF INSTRUCTION.—The term 'qualified course of instruction' means a course of instruction which—

''(i) is—

''(I) directly related to the curriculum and academic subjects in which an eligible educator provides instruction,

''(II) designed to enhance the ability of an eligible educator to understand and use State standards for the academic subjects in which such educator provides instruction,

''(III) designed to provide instruction in how to teach children with different learning styles, particularly children with disabilities and children with special learning needs (including children who are gifted and talented), or

''(IV) designed to provide instruction in how best to discipline children in the classroom and identify early and appropriate interventions to help children described in subclause (III) to learn,

''(ii) is tied to—

''(I) challenging State or local content standards and student performance standards, or

''(II) strategies and programs that demonstrate effectiveness in increasing student academic achievement and student performance, or substantially increasing the knowledge and teaching skills of an eligible educator,

''(iii) is of sufficient intensity and duration to have a positive and lasting impact on the performance of an eligible educator in the classroom (which shall not include 1-day or short-term workshops and conferences), except that this clause shall not apply to an activity if such activity is 1 component described in a long-term comprehensive professional development plan established by an eligible educator and the educator's supervisor based upon an assessment of the needs of the educator, the students of the educator, and the local educational agency involved, and

''(iv) is part of a program of professional development which is approved and certified by the appropriate local educational agency as furthering the goals of the preceding clauses.

''(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 in effect on the date of the enactment of this section.

''(2) ELIGIBLE EDUCATOR.—

''(A) IN GENERAL.—The term 'eligible educator' means an individual who is a kindergarten through grade 12 teacher, instructor, counselor, principal, or aide in an elementary or secondary school for at least 900 hours during a school year.

''(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.

''(d) DENIAL OF DOUBLE BENEFIT.—

''(1) IN GENERAL.—No other deduction or credit shall be allowed under this chapter for any amount taken into account for which a deduction is allowed under this section.

''(2) COORDINATION WITH EXCLUSIONS.—A deduction shall be allowed under subsection (a) for qualified professional development expenses only to the extent the amount of such expenses exceeds the amount excludable under section 135, 529(c)(1), or 530(d)(2) for the taxable year.''.

(b) DEDUCTION ALLOWED IN COMPUTING ADJUSTED GROSS INCOME.—Section 62(a), as amended by section 431(b), is amended by inserting after paragraph (18) the following new paragraph:

''(19) QUALIFIED PROFESSIONAL DEVELOPMENT EXPENSES.—The deduction allowed by section 223.''.

(c) CONFORMING AMENDMENTS.—

(1) Sections 86(b)(2), 135(c)(4), 137(b)(3), and 219(g)(3) are each amended by inserting ''223,'' after ''221,''.

(2) Section 221(b)(2)(C) is amended by inserting ''223,'' before ''911''.

(3) Section 469(i)(3)(E) is amended by striking ''and 221'' and inserting '', 221, and 223''.

(4) The table of sections for part VII of subchapter B of chapter 1, as amended by section 431(c), is amended by striking the item relating to section 223 and inserting the following new items:

''Sec. 223. Qualified professional development expenses.

''Sec. 224. Cross reference.''.

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

SEC. 442. CREDIT TO ELEMENTARY AND SECONDARY SCHOOL TEACHERS WHO PROVIDE CLASSROOM MATERIALS.

(a) IN GENERAL.—Subpart B of part IV of subchapter A of chapter 1 (relating to other credits) is amended by adding at the end the following new section:

''SEC. 30B. CREDIT TO ELEMENTARY AND SECONDARY SCHOOL TEACHERS WHO PROVIDE CLASSROOM MATERIALS.

''(a) ALLOWANCE OF CREDIT.—In the case of an eligible educator, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to 50 percent of the qualified elementary and secondary education expenses which are paid or incurred by the taxpayer during such taxable year.

''(b) MAXIMUM CREDIT.—The credit allowed by subsection (a) for any taxable year shall not exceed $250.

''(c) DEFINITIONS.—

''(1) ELIGIBLE EDUCATOR.—The term 'eligible educator' has the same meaning given such term in section 223(c).

''(2) QUALIFIED ELEMENTARY AND SECONDARY EDUCATION EXPENSES.—The term 'qualified elementary and secondary education expenses' means expenses for books, supplies (other than nonathletic supplies for courses of instruction in health or physical education), computer equipment (including related software and services) and other equipment, and supplementary materials used by an eligible educator in the classroom.

''(3) ELEMENTARY OR SECONDARY SCHOOL.—The term 'elementary or secondary school' means any school which provides elementary education or secondary education (through grade 12), as determined under State law.

''(d) SPECIAL RULES.—

''(1) DENIAL OF DOUBLE BENEFIT.—No deduction shall be allowed under this chapter for any expense for which credit is allowed under this section.

''(2) APPLICATION WITH OTHER CREDITS.—The credit allowable under subsection (a) for any taxable year shall not exceed the excess (if any) of—

''(A) the regular tax for the taxable year, reduced by the sum of the credits allowable under subpart A and the preceding sections of this subpart, over

''(B) the tentative minimum tax for the taxable year.

''(e) ELECTION TO HAVE CREDIT NOT APPLY.—A taxpayer may elect to have this section not apply for any taxable year.''.

(b) CLERICAL AMENDMENT.—The table of sections for subpart B of part IV of subchapter A of chapter 1 is amended by adding at the end the following new item:

''Sec. 30B. Credit to elementary and secondary school teachers who provide classroom materials.''.

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

SA 676. Mr. BIDEN (for himself, Mr. TORRICELLI, Mr. KERRY, Mr. SCHUMER, Mr. BAUCUS, Mr. ALLEN, Mrs. BOXER, Mr. CARPER, Mr. CHAFEE, Mrs. CLINTON, Mr. CORZINE, Mr. DAYTON, Mr. DODD, Mr. DURBIN, Mr. LEAHY, Ms. MIKULSKI, Mrs. MURRAY, Mr. ROCKEFELLER, Mr. SARBANES, Mr. SPECTER, and Mr. WARNER) submitted an amendment intended to be proposed by him to the bill H.R. 1836, to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for

fiscal year 2002; which was ordered to lie on the table; as follows:

At the end of subtitle A of title VIII, add the following:

TITLE—HIGH-SPEED RAIL INVESTMENT

SEC. ___. CREDIT TO HOLDERS OF QUALIFIED AMTRAK BONDS.

(a) IN GENERAL.—Part IV of subchapter A of chapter 1 (relating to credits against tax) is amended by adding at the end the following new subpart:

"Subpart H—Nonrefundable Credit for Holders of Qualified Amtrak Bonds

''Sec. 54. Credit to holders of qualified Amtrak bonds.

"SEC. 54. CREDIT TO HOLDERS OF QUALIFIED AMTRAK BONDS.

''(a) ALLOWANCE OF CREDIT.—In the case of a taxpayer who holds a qualified Amtrak bond on a credit allowance date of such bond which occurs during the taxable year, there shall be allowed as a credit against the tax imposed by this chapter for such taxable year an amount equal to the sum of the credits determined under subsection (b) with respect to credit allowance dates during such year on which the taxpayer holds such bond.

''(b) AMOUNT OF CREDIT.—

''(1) IN GENERAL.—The amount of the credit determined under this subsection with respect to any credit allowance date for a qualified Amtrak bond is 25 percent of the annual credit determined with respect to such bond.

''(2) ANNUAL CREDIT.—The annual credit determined with respect to any qualified Amtrak bond is the product of—

''(A) the applicable credit rate, multiplied by

''(B) the outstanding face amount of the bond.

''(3) APPLICABLE CREDIT RATE.—For purposes of paragraph (2), the applicable credit rate with respect to an issue is the rate equal to an average market yield (as of the day before the date of sale of the issue) on outstanding long-term corporate debt obligations (determined under regulations prescribed by the Secretary).

''(4) SPECIAL RULE FOR ISSUANCE AND REDEMPTION.—In the case of a bond which is issued during the 3-month period ending on a credit allowance date, the amount of the credit determined under this subsection with respect to such credit allowance date shall be a ratable portion of the credit otherwise determined based on the portion of the 3-month period during which the bond is outstanding. A similar rule shall apply when the bond is redeemed.

''(c) LIMITATION BASED ON AMOUNT OF TAX.—

''(1) IN GENERAL.—The credit allowed under subsection (a) for any taxable year shall not exceed the excess of—

''(A) the sum of the regular tax liability (as defined in section 26(b)) plus the tax imposed by section 55, over

''(B) the sum of the credits allowable under this part (other than this subpart and subpart C).

''(2) CARRYOVER OF UNUSED CREDIT.—If the credit allowable under subsection (a) exceeds the limitation imposed by paragraph (1) for such taxable year, such excess shall be carried to the succeeding taxable year and added to the credit allowable under subsection (a) for such taxable year.

''(d) QUALIFIED AMTRAK BOND.—For purposes of this part—

''(1) IN GENERAL.—The term 'qualified Amtrak bond' means any bond issued as part of an issue if—

''(A) 95 percent or more of the proceeds of such issue are to be used for any qualified project,

''(B) the bond is issued by the National Railroad Passenger Corporation,

''(C) the issuer—

''(i) designates such bond for purposes of this section,

''(ii) certifies that it meets the State contribution requirement of paragraph (3) with respect to such project and that it has received the required State contribution payment before the issuance of such bond,

''(iii) certifies that it has obtained the written approval of the Secretary of Transportation for such project, including a finding by the Inspector General of the Department of Transportation that there is a reasonable likelihood that the proposed program will result in a positive incremental financial contribution to the National Railroad Passenger Corporation and that the investment evaluation process includes a return on investment, leveraging of funds (including State capital and operating contributions), cost effectiveness, safety improvement, mobility improvement, and feasibility, and

''(iv) certifies that it has obtained written certification by the Secretary, after consultation with the Secretary of Transportation, that, in the case of a qualified project which results in passenger trains operating at speeds greater than 79 miles per hour, the issuer has entered into a written agreement with the rail carriers (as defined in section 24102 of title 49, United States Code) the properties of which are to be improved by such project as to the scope and estimated cost of such project and the impact on freight capacity of such rail carriers; Provided that the National Railroad Passenger Corporation shall not exercise its rights under section 24308(a) of such title 49 to resolve disputes with respect to such project or the cost of such project,

''(D) the term of each bond which is part of such issue does not exceed 20 years,

''(E) the payment of principal with respect to such bond is the obligation of the National Railroad Passenger Corporation (regardless of the establishment of the trust account under subsection (j)), and

''(F) the issue meets the requirements of subsection (h).

''(2) TREATMENT OF CHANGES IN USE.—For purposes of paragraph (1)(A), the proceeds of an issue shall not be treated as used for a qualified project to the extent that the issuer takes any action within its control which causes such proceeds not to be used for a qualified project. The Secretary shall prescribe regulations specifying remedial actions that may be taken (including conditions to taking such remedial actions) to prevent an action described in the preceding sentence from causing a bond to fail to be a qualified Amtrak bond.

''(3) STATE CONTRIBUTION REQUIREMENT.—

''(A) IN GENERAL.—For purposes of paragraph (1)(C)(ii), the State contribution requirement of this paragraph is met with respect to any qualified project if the National Railroad Passenger Corporation has a written binding commitment from 1 or more States to make matching contributions not later than the date of issuance of the issue of not less than 20 percent of the cost of the qualified project. State matching contributions may include privately funded contributions.

''(B) USE OF STATE MATCHING CONTRIBUTIONS.—The matching contributions described in subparagraph (A) with respect to each qualified project shall be used—

''(i) as necessary to redeem bonds which are a part of the issue with respect to such project, and

''(ii) in the case of any remaining amount, at the election of the National Railroad Passenger Corporation and the contributing State—

''(I) to fund a qualified project,

''(II) to redeem other qualified Amtrak bonds, or

''(III) for the purposes of subclauses (I) and (II).

''(C) STATE CONTRIBUTION REQUIREMENT FOR CERTAIN QUALIFIED PROJECTS.—

''(i) IN GENERAL.—Notwithstanding any other provision of law, with respect to any qualified project on the high-speed rail corridors designated under section 104(d)(2) of title 23, United States Code, the State contribution requirement of this paragraph may include the value of land to be contributed by a State for right-of-way.

''(ii) SPECIAL RULES REGARDING USE OF BOND PROCEEDS.—Proceeds from the issuance of bonds for such a qualified project may be used to the extent necessary for the purpose of subparagraph (B)(i), and any such proceeds deposited into the trust account required under subsection (j) shall be deemed expenditures for the qualified project under subsection (h).

''(D) STATE MATCHING CONTRIBUTIONS MAY NOT INCLUDE FEDERAL FUNDS.—For purposes of this paragraph, State matching contributions shall not be derived, directly or indirectly, from Federal funds, including any transfers from the Highway Trust Fund under section 9503.

''(E) NO STATE CONTRIBUTION REQUIREMENT FOR CERTAIN QUALIFIED PROJECTS.—With respect to any qualified project described in subsection (e)(4), the State contribution requirement of this paragraph is zero.

''(4) QUALIFIED PROJECT.—

''(A) IN GENERAL.—The term 'qualified project' means—

''(i) the acquisition, financing, or refinancing of equipment, rolling stock, and other capital improvements, including station rehabilitation or construction, track or signal improvements, or the elimination of grade crossings, for the northeast rail corridor between Washington, D.C. and Boston, Massachusetts,

''(ii) the acquisition, financing, or refinancing of equipment, rolling stock, and other capital improvements, including station rehabilitation or construction, track or signal improvements, or the elimination of grade crossings, for the improvement of train speeds or safety (or both) on the high-speed rail corridors designated under section 104(d)(2) of title 23, United States Code, and

''(iii) the acquisition, financing, or refinancing of equipment, rolling stock, and other capital improvements, including station rehabilitation or construction, track or signal improvements, or the elimination of grade crossings, for other intercity passenger rail corridors for the purpose of increasing railroad speeds up to 90 miles per hour.

''(B) REFINANCING RULES.—For purposes of subparagraph (A), a refinancing shall constitute a qualified project only if the indebtedness being refinanced (including any obligation directly or indirectly refinanced by such indebtedness) was originally incurred by the National Railroad Passenger Corporation—

''(i) after the date of the enactment of this section,

''(ii) for a term of not more than 3 years,

''(iii) to finance or acquire capital improvements described in subparagraph (A), and

''(iv) in anticipation of being refinanced with proceeds of a qualified Amtrak bond.

''(C) PRIOR ISSUANCE COSTS.—For purposes of subparagraph (A), a qualified project may include the costs a State incurs prior to the issuance of the bonds to fulfill any statutory requirements directly necessary for implementation of the project.

''(e) LIMITATIONS ON AMOUNT OF BONDS DESIGNATED.—

''(1) IN GENERAL.—There is a qualified Amtrak bond limitation for each fiscal year. Such limitation is—

''(A) $1,200,000,000 for each of the fiscal years 2002 through 2011, and

''(B) except as provided in paragraph (5), zero after fiscal year 2011.

''(2) BONDS FOR RAIL CORRIDORS.—Not more than $3,000,000,000 of the limitation under paragraph (1) may be designated for any 1 rail corridor described in clause (i) or (ii) of subsection (d)(4)(A).

''(3) BONDS FOR OTHER PROJECTS.—Not more than $100,000,000 of the limitation under paragraph (1) for any fiscal year may be allocated to all qualified projects described in subsection (d)(4)(A)(iii).

''(4) BONDS FOR ALASKA RAILROAD.—The Secretary of Transportation may allocate to the Alaska Railroad a portion of the qualified Amtrak limitation for any fiscal year in order to allow the Alaska Railroad to issue bonds which meet the requirements of this section for use in financing any project described in subsection (d)(4)(A)(iii) (determined without regard to the requirement of increasing railroad speeds). For purposes of this section, the Alaska Railroad shall be treated in the same manner as the National Railroad Passenger Corporation.

''(5) CARRYOVER OF UNUSED LIMITATION.—If for any fiscal year—

''(A) the limitation amount under paragraph (1), exceeds

''(B) the amount of bonds issued during such year which are designated under subsection (d)(1)(C)(i),

the limitation amount under paragraph (1) for the following fiscal year (through fiscal year 2015) shall be increased by the amount of such excess.

''(6) ADDITIONAL SELECTION CRITERIA.—In selecting qualified projects for allocation of the qualified Amtrak bond limitation under this subsection, the Secretary of Transportation—

''(A) may give preference to any project with a State matching contribution rate exceeding 20 percent, and

''(B) shall consider regional balance in infrastructure investment and the national interest in ensuring the development of a nation-wide high-speed rail transportation network.

''(f) OTHER DEFINITIONS.—For purposes of this subpart—

''(1) BOND.—The term 'bond' includes any obligation.

''(2) CREDIT ALLOWANCE DATE.—The term 'credit allowance date' means—

''(A) March 15,

''(B) June 15,

''(C) September 15, and

''(D) December 15.

Such term includes the last day on which the bond is outstanding.

''(3) STATE.—The term 'State' means the several States and the District of Columbia, and any subdivision thereof.

''(4) PROGRAM.—The term 'program' means 1 or more projects implemented over 1 or more years to support the development of intercity passenger rail corridors.

''(g) CREDIT INCLUDED IN GROSS INCOME.—Gross income includes the amount of the credit allowed to the taxpayer under this section (determined without regard to subsection (c)) and the amount so included shall be treated as interest income.

''(h) SPECIAL RULES RELATING TO ARBITRAGE.—

''(1) IN GENERAL.—Subject to paragraph (2), an issue shall be treated as meeting the requirements of this subsection if as of the date of issuance, the issuer reasonably expects—

''(A) to spend at least 95 percent of the proceeds of the issue for 1 or more qualified projects within the 5-year period beginning on such date, and

''(B) to proceed with due diligence to complete such projects and to spend the proceeds of the issue.

''(2) RULES REGARDING CONTINUING COMPLIANCE AFTER 5-YEAR DETERMINATION.—If at least 95 percent of the proceeds of the issue is not expended for 1 or more qualified projects within the 5-year period beginning on the date of issuance, an issue shall be treated as continuing to meet the requirements of this subsection if either—

''(A) the issuer uses all unspent proceeds of the issue to redeem bonds of the issue within 90 days after the end of such 5-year period, or

''(B) the following requirements are met:

''(i) The issuer spends at least 75 percent of the proceeds of the issue for 1 or more qualified projects within the 5-year period beginning on the date of issuance.

''(ii) The issuer has proceeded with due diligence to spend the proceeds of the issue within such 5-year period and continues to proceed with due diligence to spend such proceeds.

''(iii) The issuer pays to the Federal Government any earnings on the proceeds of the issue that accrue after the end of such 5-year period.

''(iv) Either—

''(I) at least 95 percent of the proceeds of the issue is expended for 1 or more qualified projects within the 6-year period beginning on the date of issuance, or

''(II) the issuer uses all unspent proceeds of the issue to redeem bonds of the issue within 90 days after the end of such 6-year period.

''(i) RECAPTURE OF PORTION OF CREDIT WHERE CESSATION OF COMPLIANCE.—

''(1) IN GENERAL.—If any bond which when issued purported to be a qualified Amtrak bond ceases to be a qualified Amtrak bond, the issuer shall pay to the United States (at the time required by the Secretary) an amount equal to the sum of—

''(A) the aggregate of the credits allowable under this section with respect to such bond (determined without regard to subsection (c)) for taxable years ending during the calendar year in which such cessation occurs and the 2 preceding calendar years, and

''(B) interest at the underpayment rate under section 6621 on the amount determined under subparagraph (A) for each calendar year for the period beginning on the first day of such calendar year.

''(2) FAILURE TO PAY.—If the issuer fails to timely pay the amount required by paragraph (1) with respect to such bond, the tax imposed by this chapter on each holder of any such bond which is part of such issue shall be increased (for the taxable year of the holder in which such cessation occurs) by the aggregate decrease in the credits allowed under this section to such holder for taxable years beginning in such 3 calendar years which would have resulted solely from denying any credit under this section with respect to such issue for such taxable years.

''(3) SPECIAL RULES.—

''(A) TAX BENEFIT RULE.—The tax for the taxable year shall be increased under paragraph (2) 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 paragraph (2) shall not be treated as a tax imposed by this chapter for purposes of determining—

''(i) the amount of any credit allowable under this part, or

''(ii) the amount of the tax imposed by section 55.

''(j) USE OF TRUST ACCOUNT.—

''(1) IN GENERAL.—The amount of any matching contribution with respect to a qualified project described in subsection (d)(3)(B)(i) or (d)(3)(B)(ii)(II) and the temporary period investment earnings on proceeds of the issue with respect to such project, and any earnings thereon, shall be held in a trust account by a trustee independent of the National Railroad Passenger Corporation to be used to the extent necessary to redeem bonds which are part of such issue.

''(2) USE OF REMAINING FUNDS IN TRUST ACCOUNT.—Upon the repayment of the principal of all qualified Amtrak bonds issued under this section, any remaining funds in the trust account described in paragraph (1) shall be available—

''(A) to the trustee described in paragraph (1), to meet any remaining obligations under any guaranteed investment contract used to secure earnings sufficient to repay the principal of such bonds, and

''(B) to the issuer, for any qualified project.

''(k) OTHER SPECIAL RULES.—

''(1) PARTNERSHIP; S CORPORATION; AND OTHER PASS-THRU ENTITIES.—Under regulations prescribed by the Secretary, in the case of a partnership, trust, S corporation, or other pass-thru entity, rules similar to the rules of section 41(g) shall apply with respect to the credit allowable under subsection (a).

''(2) BONDS HELD BY REGULATED INVESTMENT COMPANIES.—If any qualified Amtrak bond is held by a regulated investment company, the credit determined under subsection (a) shall be allowed to shareholders of such company under procedures prescribed by the Secretary.

''(3) CREDITS MAY BE STRIPPED.—Under regulations prescribed by the Secretary—

''(A) IN GENERAL.—There may be a separation (including at issuance) of the ownership of a qualified Amtrak bond and the entitlement to the credit under this section with respect to such bond. In case of any such separation, the credit under this section shall be allowed to the person who on the credit allowance date holds the instrument evidencing the entitlement to the credit and not to the holder of the bond.

''(B) CERTAIN RULES TO APPLY.—In the case of a separation described in subparagraph (A), the rules of section 1286 shall apply to the qualified Amtrak bond as if it were a stripped bond and to the credit under this section as if it were a stripped coupon.

''(4) TREATMENT FOR ESTIMATED TAX PURPOSES.—Solely for purposes of sections 6654 and 6655, the credit allowed by this section to a taxpayer by reason of holding a qualified Amtrak bond on a credit allowance date shall be treated as if it were a payment of estimated tax made by the taxpayer on such date.

''(5) CREDIT MAY BE TRANSFERRED.—Nothing in any law or rule of law shall be construed to limit the transferability of the credit allowed by this section through sale and repurchase agreements.

''(6) REPORTING.—Issuers of qualified Amtrak bonds shall submit reports similar to the reports required under section 149(e).''.

(b) REPORTING.—Subsection (d) of section 6049 (relating to returns regarding payments of interest), as amended by section 505(d), is amended by adding at the end the following new paragraph:

''(9) REPORTING OF CREDIT ON QUALIFIED AMTRAK BONDS.—

''(A) IN GENERAL.—For purposes of subsection (a), the term 'interest' includes amounts includible in gross income under section 54(g) and such amounts shall be

treated as paid on the credit allowance date (as defined in section 54(f)(2)).

''(B) REPORTING TO CORPORATIONS, ETC.—Except as otherwise provided in regulations, in the case of any interest described in subparagraph (A) of this paragraph, subsection (b)(4) of this section shall be applied without regard to subparagraphs (A), (H), (I), (J), (K), and (L)(i).

''(C) REGULATORY AUTHORITY.—The Secretary may prescribe such regulations as are necessary or appropriate to carry out the purposes of this paragraph, including regulations which require more frequent or more detailed reporting.''.

(c) CLERICAL AMENDMENTS.—

(1) The table of subparts for part IV of subchapter A of chapter 1 is amended by adding at the end the following new item:

''Subpart H. Nonrefundable Credit for Holders of Qualified Amtrak Bonds.''.

(2) Section 6401(b)(1) is amended by striking ''and G'' and inserting ''G, and H''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to obligations issued after September 30, 2001.

(e) MULTI-YEAR CAPITAL SPENDING PLAN AND OVERSIGHT.—

(1) AMTRAK CAPITAL SPENDING PLAN.—

(A) IN GENERAL.—The National Railroad Passenger Corporation shall annually submit to the President and Congress a multi-year capital spending plan, as approved by the Board of Directors of the Corporation.

(B) CONTENTS OF PLAN.—Such plan shall identify the capital investment needs of the Corporation over a period of not less than 5 years and the funding sources available to finance such needs and shall prioritize such needs according to corporate goals and strategies.

(C) INITIAL SUBMISSION DATE.—The first plan shall be submitted before the issuance of any qualified Amtrak bonds by the National Railroad Passenger Corporation pursuant to section 54 of the Internal Revenue Code of 1986 (as added by this section).

(2) OVERSIGHT OF AMTRAK TRUST ACCOUNT AND QUALIFIED PROJECTS.—

(A) TRUST ACCOUNT OVERSIGHT.—The Secretary of the Treasury shall annually report to Congress as to whether the amount deposited in the trust account established by the National Railroad Passenger Corporation under section 54(j) of such Code (as so added) is sufficient to fully repay at maturity the principal of any outstanding qualified Amtrak bonds issued pursuant to section 54 of such Code (as so added), together with amounts expected to be deposited into such account, as certified by the National Railroad Passenger Corporation in accordance with procedures prescribed by the Secretary of the Treasury.

(B) PROJECT OVERSIGHT.—The National Railroad Passenger Corporation shall contract for an annual independent assessment of the costs and benefits of the qualified projects financed by such qualified Amtrak bonds, including an assessment of the investment evaluation process of the Corporation. The annual assessment shall be included in the plan submitted under paragraph (1).

(C) OVERSIGHT FUNDING.—Not more than 0.5 percent of the amounts made available through the issuance of qualified Amtrak bonds by the National Railroad Passenger Corporation pursuant to section 54 of such Code (as so added) may be used by the National Railroad Passenger Corporation for assessments described in subparagraph (B).

(f) PROTECTION OF HIGHWAY TRUST FUND.—

(1) CERTIFICATION BY THE SECRETARY OF THE TREASURY.—The issuance of any qualified Amtrak bonds by the National Railroad Passenger Corporation or the Alaska Railroad pursuant to section 54 of the Internal Revenue Code of 1986 (as added by this section) is conditioned on certification by the Secretary of the Treasury, after consultation with the Secretary of Transportation, within 30 days of a request by the issuer, that with respect to funds of the Highway Trust Fund described under paragraph (2), the issuer either—

(A) has not received such funds during fiscal years commencing with fiscal year 2002 and ending before the fiscal year the bonds are issued, or

(B) has repaid to the Highway Trust Fund any such funds which were received during such fiscal years.

(2) APPLICABILITY.—This subsection shall apply to funds received directly, or indirectly from a State or local transit authority, from the Highway Trust Fund established under section 9503 of the Internal Revenue Code of 1986, except for funds authorized to be expended under section 9503(c) of such Code, as in effect on the date of the enactment of this Act.

(3) NO RETROACTIVE EFFECT.—Nothing in this subsection shall adversely affect the entitlement of the holders of qualified Amtrak bonds to the tax credit allowed pursuant to section 54 of the Internal Revenue Code of 1986 (as so added) or to repayment of principal upon maturity.

(g) EXEMPTION FROM TAXES FOR HIGH-SPEED RAIL LINES AND IMPROVEMENTS.—Notwithstanding any other provision of law, no rail carrier (as defined in section 24102 of title 49, United States Code) shall be required to pay any tax or fee imposed by the Internal Revenue Code of 1986 with respect to the acquisition, improvement, or ownership of personal or real property funded by the proceeds of qualified Amtrak bonds (as defined in section 54(d) of the Internal Revenue Code of 1986 (as added by this section) or with respect to revenues or income derived from such acquisition, improvement, or ownership (other than revenues or income derived from expanded operations resulting from such acquisition, improvement, or ownership).

(h) ISSUANCE OF REGULATIONS.—The Secretary of the Treasury shall issue regulations required under section 54 of the Internal Revenue Code (as added by this section) not later than 90 days after the date of the enactment of this Act.

(i) ISSUANCE OF TAX-EXEMPT BONDS FOR RAIL PASSENGER PROJECTS.—

(1) FUNDING STATE MATCH REQUIREMENT.—Section 142(a) (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) the State contribution requirement for qualified projects under section 54.''.

(2) REPEAL OF GOVERNMENTAL OWNERSHIP REQUIREMENT FOR MASS COMMUTING FACILITIES.—Section 142(b)(1)(A) (relating to certain facilities must be governmentally owned) is amended by striking ''(3),''.

(3) DEFINITION OF HIGH-SPEED INTERCITY RAIL FACILITIES.—Section 142(i)(1) is amended by striking ''in excess of 150 miles per hour'' and inserting ''prescribed in section 104(d)(2) of title 23, United States Code,''.

(4) EXEMPTION FROM VOLUME CAP.—Subsection (g) of section 146 (relating to exception for certain bonds) is amended by striking paragraph (4) and the last sentence of such subsection and inserting the following new paragraph:

''(4) any exempt facility bond issued as part of an issue described in paragraph (3), (11), or (13) of section 142(a) (relating to mass commuting facilities, high-speed intercity rail facilities, and State contribution requirements under section 54).''.

(5) EFFECTIVE DATE.—The amendments made by this subsection shall apply to bonds issued after the date of enactment of this Act.

SA 677. Mr. KERRY submitted an amendment intended to be proposed by him to the bill H.R. 1836, to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002; which was ordered to lie on the table; as follows:

On page 66, in the table set forth between lines 1 and 2, strike that matter relating to years 2007, 2008, 2009, and 2010 and insert the following:

''2007 and 2008 ..... 46 percent

''2009 and 2010 ..... 45 percent.''.

At the end of subtitle A of title VIII, add the following:

SEC. ___. CREDIT FOR MEDICAL RESEARCH RELATED TO DEVELOPING VACCINES AGAINST WIDESPREAD DISEASES.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits), as amended by section 620, is amended by adding at the end the following new section:

''SEC. 45G. CREDIT FOR MEDICAL RESEARCH RELATED TO DEVELOPING VACCINES AGAINST WIDESPREAD DISEASES.

''(a) GENERAL RULE.—For purposes of section 38, the vaccine research credit determined under this section for the taxable year is an amount equal to 30 percent of the qualified vaccine research expenses for the taxable year.

''(b) QUALIFIED VACCINE RESEARCH EXPENSES.—For purposes of this section—

''(1) QUALIFIED VACCINE RESEARCH EXPENSES.—

''(A) IN GENERAL.—Except as otherwise provided in this paragraph, the term 'qualified vaccine research expenses' means the amounts which are paid or incurred by the taxpayer during the taxable year which would be described in subsection (b) of section 41 if such subsection were applied with the modifications set forth in subparagraph (B).

''(B) MODIFICATIONS; INCREASED INCENTIVE FOR CONTRACT RESEARCH PAYMENTS.—For purposes of subparagraph (A), subsection (b) of section 41 shall be applied—

''(i) by substituting 'vaccine research' for 'qualified research' each place it appears in paragraphs (2) and (3) of such subsection, and

''(ii) by substituting '100 percent' for '65 percent' in paragraph (3)(A) of such subsection.

''(C) EXCLUSION FOR AMOUNTS FUNDED BY GRANTS, ETC.—The term 'qualified vaccine research 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).

''(2) VACCINE RESEARCH.—The term 'vaccine research' means research to develop vaccines and microbicides for—

''(A) malaria,

''(B) tuberculosis,

''(C) HIV, or

''(D) any infectious disease (of a single etiology) which, according to the World Health Organization, causes over 1,000,000 human deaths annually.

''(c) COORDINATION WITH CREDIT FOR INCREASING RESEARCH EXPENDITURES.—

''(1) IN GENERAL.—Except as provided in paragraph (2), any qualified vaccine research expenses 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 for such taxable year.

''(2) EXPENSES INCLUDED IN DETERMINING BASE PERIOD RESEARCH EXPENSES.—Any qualified vaccine research expenses for any taxable year which are qualified research expenses (within the meaning of section 41(b)) shall be taken into account in determining base period research expenses for purposes of applying section 41 to subsequent taxable years.

''(d) SPECIAL RULES.—

''(1) LIMITATIONS ON FOREIGN TESTING.—No credit shall be allowed under this section with respect to any vaccine research (other than human clinical testing) conducted outside the United States.

''(2) PRE-CLINICAL RESEARCH.—No credit shall be allowed under this section for preclinical research unless such research is pursuant to a research plan an abstract of which has been filed with the Secretary before the beginning of such year. The Secretary, in consultation with the Secretary of Health and Human Services, shall prescribe regulations specifying the requirements for such plans and procedures for filing under this paragraph.

''(3) CERTAIN RULES MADE APPLICABLE.—Rules similar to the rules of paragraphs (1) and (2) of section 41(f) shall apply for purposes of this section.

''(4) ELECTION.—This section (other than subsection (e)) shall apply to any taxpayer for any taxable year only if such taxpayer elects to have this section apply for such taxable year.

''(e) CREDIT TO BE REFUNDABLE FOR CERTAIN TAXPAYERS.—

''(1) IN GENERAL.—In the case of an electing qualified taxpayer—

''(A) the credit under this section shall be determined without regard to section 38(c), and

''(B) the credit so determined shall be allowed as a credit under subpart C.

''(2) ELECTING QUALIFIED TAXPAYER.—For purposes of this subsection, the term 'electing qualified taxpayer' means, with respect to any taxable year, any domestic C corporation if—

''(A) the aggregate gross assets of such corporation at any time during such taxable year are $500,000,000 or less,

''(B) the net income tax (as defined in section 38(c)) of such corporation is zero for such taxable year and the 2 preceding taxable years,

''(C) as of the close of the taxable year, the corporation is not under the jurisdiction of a court in a title 11 or similar case (within the meaning of section 368(a)(3)(A)),

''(D) the corporation provides such assurances as the Secretary requires that, not later than 2 taxable years after the taxable year in which the taxpayer receives any refund of a credit under this subsection, the taxpayer will make an amount of qualified vaccine research expenses equal to the amount of such refund, and

''(E) the corporation elects the application of this subsection for such taxable year.

''(3) AGGREGATE GROSS ASSETS.—Aggregate gross assets shall be determined in the same manner as such assets are determined under section 1202(d).

''(4) CONTROLLED GROUPS.—A corporation shall be treated as meeting the requirement of paragraph (2)(B) only if each person who is treated with such corporation as a single employer under subsections (a) and (b) of section 52 also meets such requirement.

''(5) SPECIAL RULES.—

''(A) RECAPTURE OF CREDIT.—The Secretary shall promulgate such regulations as necessary and appropriate to provide for the recapture of any credit allowed under this subsection in cases where the taxpayer fails to make the expenditures described in paragraph (2)(D).

''(B) EXCLUSION OF CERTAIN QUALIFIED VACCINE RESEARCH EXPENSES.—For purposes of determining the credit under this section for a taxable year, the qualified vaccine research expenses taken into account for such taxable year shall not include an amount paid or incurred during such taxable year equal to the amount described in paragraph (2)(D) (and not already taken into account under this subparagraph for a previous taxable year).''.

(b) INCLUSION IN GENERAL BUSINESS CREDIT.—

(1) IN GENERAL.—Section 38(b), as amended by section 620, 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 new paragraph:

''(16) the vaccine research credit determined under section 45G.''.

(2) TRANSITION RULE.—Section 39(d), as amended by section 620, is amended by adding at the end the following new paragraph:

''(12) NO CARRYBACK OF SECTION 45G CREDIT BEFORE ENACTMENT.—No portion of the unused business credit for any taxable year which is attributable to the vaccine research credit determined under section 45G may be carried back to a taxable year ending before the date of the enactment of section 45G.''.

(c) DENIAL OF DOUBLE BENEFIT.—Section 280C is amended by adding at the end the following new subsection:

''(d) CREDIT FOR QUALIFIED VACCINE RESEARCH EXPENSES.—

''(1) IN GENERAL.—No deduction shall be allowed for that portion of the qualified vaccine research expenses (as defined in section 45G(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 45G(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 striking ''and'' at the end of paragraph (8), by striking the period at the end of paragraph (9) and inserting '', and'', and by adding at the end the following new paragraph:

''(10) the vaccine research credit determined under section 45G(a) (other than such credit determined under the rules of section 280C(d)(2)).''.

(e) TECHNICAL AMENDMENTS.—

(1) Section 1324(b)(2) of title 31, United States Code, is amended by inserting ''or from section 45G(e) of such Code,'' after ''1978,''.

(2) The table of sections for subpart D of part IV of subchapter A of chapter 1, as amended by section 620, is amended by adding at the end the following new item:

''Sec. 45G. Credit for medical research related to developing vaccines against widespread diseases.''.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after the date of the enactment of this Act.

SA 678. Mr. KERRY submitted an amendment intended to be proposed by him to the bill H.R. 1836, to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002; which was ordered to lie on the table; as follows:

On page 66, in the table set forth between lines 1 and 2, strike that matter relating to years 2007, 2008, 2009, and 2010 and insert the following:

''2007 and 2008 ..... 46 percent
''2009 and 2010 ..... 45 percent.''.

At the end of subtitle A of title VIII, add the following:

SEC. ___. CREDIT FOR MEDICAL RESEARCH RELATED TO DEVELOPING VACCINES AGAINST WIDESPREAD DISEASES.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits), as amended by section 620, is amended by adding at the end the following new section:

''SEC. 45G. CREDIT FOR MEDICAL RESEARCH RELATED TO DEVELOPING VACCINES AGAINST WIDESPREAD DISEASES.

''(a) GENERAL RULE.—For purposes of section 38, the vaccine research credit determined under this section for the taxable year is an amount equal to 30 percent of the qualified vaccine research expenses for the taxable year.

''(b) QUALIFIED VACCINE RESEARCH EXPENSES.—For purposes of this section—

''(1) QUALIFIED VACCINE RESEARCH EXPENSES.—

''(A) IN GENERAL.—Except as otherwise provided in this paragraph, the term 'qualified vaccine research expenses' means the amounts which are paid or incurred by the taxpayer during the taxable year which would be described in subsection (b) of section 41 if such subsection were applied with the modifications set forth in subparagraph (B).

''(B) MODIFICATIONS; INCREASED INCENTIVE FOR CONTRACT RESEARCH PAYMENTS.—For purposes of subparagraph (A), subsection (b) of section 41 shall be applied—

''(i) by substituting 'vaccine research' for 'qualified research' each place it appears in paragraphs (2) and (3) of such subsection, and

''(ii) by substituting '100 percent' for '65 percent' in paragraph (3)(A) of such subsection.

''(C) EXCLUSION FOR AMOUNTS FUNDED BY GRANTS, ETC.—The term 'qualified vaccine research 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).

''(2) VACCINE RESEARCH.—The term 'vaccine research' means research to develop vaccines and microbicides for—

''(A) malaria,

''(B) tuberculosis,

''(C) HIV, or

''(D) any infectious disease (of a single etiology) which, according to the World Health Organization, causes over 1,000,000 human deaths annually.

''(c) COORDINATION WITH CREDIT FOR INCREASING RESEARCH EXPENDITURES.—

''(1) IN GENERAL.—Except as provided in paragraph (2), any qualified vaccine research expenses 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 for such taxable year.

''(2) EXPENSES INCLUDED IN DETERMINING BASE PERIOD RESEARCH EXPENSES.—Any qualified vaccine research expenses for any taxable year which are qualified research expenses (within the meaning of section 41(b)) shall be taken into account in determining base period research expenses for purposes of applying section 41 to subsequent taxable years.

''(d) SPECIAL RULES.—

''(1) LIMITATIONS ON FOREIGN TESTING.—No credit shall be allowed under this section with respect to any vaccine research (other than human clinical testing) conducted outside the United States.

''(2) PRE-CLINICAL RESEARCH.—No credit shall be allowed under this section for pre-clinical research unless such research is pursuant to a research plan an abstract of which has been filed with the Secretary before the beginning of such year. The Secretary, in consultation with the Secretary of Health and Human Services, shall prescribe regulations specifying the requirements for such plans and procedures for filing under this paragraph.

''(3) CERTAIN RULES MADE APPLICABLE.—Rules similar to the rules of paragraphs (1) and (2) of section 41(f) shall apply for purposes of this section.

''(4) ELECTION.—This section (other than subsection (e)) shall apply to any taxpayer for any taxable year only if such taxpayer elects to have this section apply for such taxable year.

''(e) CREDIT TO BE REFUNDABLE FOR CERTAIN TAXPAYERS.—

''(1) IN GENERAL.—In the case of an electing qualified taxpayer—

''(A) the credit under this section shall be determined without regard to section 38(c), and

''(B) the credit so determined shall be allowed as a credit under subpart C.

''(2) ELECTING QUALIFIED TAXPAYER.—For purposes of this subsection, the term 'electing qualified taxpayer' means, with respect to any taxable year, any domestic C corporation if—

''(A) the aggregate gross assets of such corporation at any time during such taxable year are $500,000,000 or less,

''(B) the net income tax (as defined in section 38(c)) of such corporation is zero for such taxable year and the 2 preceding taxable years,

''(C) as of the close of the taxable year, the corporation is not under the jurisdiction of a court in a title 11 or similar case (within the meaning of section 368(a)(3)(A)),

''(D) the corporation provides such assurances as the Secretary requires that, not later than 2 taxable years after the taxable year in which the taxpayer receives any refund of a credit under this subsection, the taxpayer will make an amount of qualified vaccine research expenses equal to the amount of such refund, and

''(E) the corporation elects the application of this subsection for such taxable year.

''(3) AGGREGATE GROSS ASSETS.—Aggregate gross assets shall be determined in the same manner as such assets are determined under section 1202(d).

''(4) CONTROLLED GROUPS.—A corporation shall be treated as meeting the requirement of paragraph (2)(B) only if each person who is treated with such corporation as a single employer under subsections (a) and (b) of section 52 also meets such requirement.

''(5) SPECIAL RULES.—

''(A) RECAPTURE OF CREDIT.—The Secretary shall promulgate such regulations as necessary and appropriate to provide for the recapture of any credit allowed under this subsection in cases where the taxpayer fails to make the expenditures described in paragraph (2)(D).

''(B) EXCLUSION OF CERTAIN QUALIFIED VACCINE RESEARCH EXPENSES.—For purposes of determining the credit under this section for a taxable year, the qualified vaccine research expenses taken into account for such taxable year shall not include an amount paid or incurred during such taxable year equal to the amount described in paragraph (2)(D) (and not already taken into account under this subparagraph for a previous taxable year).

''(f) TERMINATION.—

''(1) IN GENERAL.—This section shall not apply to any amount paid or incurred after June 30, 2004.

''(2) COMPUTATION OF BASE AMOUNT.—In the case of any taxable year with respect to which this section applies to a number of days which is less than the total number of days in such taxable year, the base amount with respect to such taxable year shall be the amount which bears the same ratio to the base amount for such year (determined without regard to this paragraph) as the number of days in such taxable year to which this section applies bears to the total number of days in such taxable year.''.

(b) INCLUSION IN GENERAL BUSINESS CREDIT.—

(1) IN GENERAL.—Section 38(b), as amended by section 620, 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 new paragraph:

''(16) the vaccine research credit determined under section 45G.''.

(2) TRANSITION RULE.—Section 39(d), as amended by section 620, is amended by adding at the end the following new paragraph:

''(12) NO CARRYBACK OF SECTION 45G CREDIT BEFORE ENACTMENT.—No portion of the unused business credit for any taxable year which is attributable to the vaccine research credit determined under section 45G may be carried back to a taxable year ending before the date of the enactment of section 45G.''.

(c) DENIAL OF DOUBLE BENEFIT.—Section 280C is amended by adding at the end the following new subsection:

''(d) CREDIT FOR QUALIFIED VACCINE RESEARCH EXPENSES.—

''(1) IN GENERAL.—No deduction shall be allowed for that portion of the qualified vaccine research expenses (as defined in section 45G(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 45G(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 striking ''and'' at the end of paragraph (8), by striking the period at the end of paragraph (9) and inserting '', and'', and by adding at the end the following new paragraph:

''(10) the vaccine research credit determined under section 45G(a) (other than such credit determined under the rules of section 280C(d)(2)).''.

(e) TECHNICAL AMENDMENTS.—

(1) Section 1324(b)(2) of title 31, United States Code, is amended by inserting ''or from section 45G(e) of such Code,'' after ''1978,''.

(2) The table of sections for subpart D of part IV of subchapter A of chapter 1, as amended by section 620, is amended by adding at the end the following new item:

''Sec. 45G. Credit for medical research related to developing vaccines against widespread diseases.''.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after the date of the enactment of this Act.

SA 679. Mr. ROCKEFELLER (for himself, Mr. GRAHAM, Mr. WELLSTONE, Mr. KENNEDY, Mr. HARKIN, Mr. JOHNSON, Mr. KERRY, Mrs. CLINTON, Mr. DAYTON, and Ms. STABENOW) proposed an amendment to the bill H.R. 1836, to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002; as follows:

On page 9, between lines 14 and 15, insert the following:

''(4) DELAY OF TOP RATE REDUCTION.—

''(A) IN GENERAL.—Notwithstanding paragraph (2), with respect to a calendar year, no percentage described in that paragraph shall be substituted for 39.6 percent until the requirement of subparagraph (B) is met.

''(B) MEDICARE OUTPATIENT PRESCRIPTION DRUG BENEFIT ENACTED.—Legislation is enacted that adds an outpatient prescription drug benefit to the medicare program established under title XVIII of the Social Security Act, without using funds generated from any surpluses in any trust fund established under the Social Security Act, that is—

''(i) voluntary,

''(ii) accessible to all medicare beneficiaries,

''(iii) designed to assist medicare beneficiaries with the high cost of prescription drugs, protect them from excessive out of pocket costs, and give them bargaining power in the marketplace,

''(iv) affordable to all medicare beneficiaries and the medicare program,

''(v) administered using private sector entities and competitive purchasing techniques, and

''(vi) consistent with broader reform of the medicare program.''.

SA 680. Mr. SMITH of New Hampshire submitted an amendment intended to be proposed by him to the bill H.R. 1836, to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002; which was ordered to lie on the table; as follows:

On page 802, after line 21, add the following:

SEC. 803. REMOVAL OF LIMITATION.

(a) IN GENERAL.—Section 101(h) of the Internal Revenue Code of 1986 (relating to exclusion of survivor benefits from gross income) is amended by adding after paragraph (2) the following new paragraph:

''(3) APPLICATION.—This subsection shall apply to amounts received after December 31, 2000.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect on the date of the enactment of this Act.

SA 681. Mr. SMITH of New Hampshire submitted an amendment intended to be proposed by him to the bill H.R. 1836, to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002; which was ordered to lie on the table; as follows:

On page 802, after line 21, add the following:

SEC. 803. PERMANENT MORATORIUM ON IMPOSITION OF TAXES ON THE INTERNET.

Section 1101(a) of the Internet Tax Freedom Act (title XI of division C of the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999; 47 U.S.C. 151 note) is amended by striking ''during the period beginning on October 1, 1998, and ending 3 years after the date of the enactment of this Act'' and inserting ''after September 30, 1998''.

SA 682. Mrs. HUTCHISON submitted an amendment intended to be proposed by her to the bill H.R. 1836, to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002; which was ordered to lie on the table; as follows:

At the end of the bill, add the following:

TITLE—SECTION 527 POLITICAL ORGANIZATION REPORTING REQUIREMENTS

SEC. ___01. EXEMPTION FOR STATE AND LOCAL CANDIDATE COMMITTEES FROM NOTIFICATION REQUIREMENTS.

(a) EXEMPTION FROM NOTIFICATION REQUIREMENTS.—Paragraph (5) of section 527(i) (relating to organizations must notify Secretary that they are section 527 organizations) 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 adding at the end the following:

''(C) which is a political committee of a State or local candidate.''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect as if included in the amendments made by Public Law 106–230.

SEC. ___02. EXEMPTION FOR CERTAIN STATE AND LOCAL POLITICAL COMMITTEES FROM REPORTING AND ANNUAL RETURN REQUIREMENTS.

(a) EXEMPTION FROM REPORTING REQUIREMENTS.—

(1) IN GENERAL.—Section 527(j)(5) (relating to coordination with other requirements) is amended by striking ''or'' at the end of subparagraph (D), by striking the period at the end of subparagraph (E) and inserting '', or'', and by adding at the end the following:

''(F) to any organization described in paragraph (7), but only if, during the calendar year—

''(i) such organization is required by State or local law to report, and such organization reports, information regarding each separate expenditure and contribution (including information regarding the person who makes such contribution or receives such expenditure) with respect to which information would otherwise be required to be reported under this subsection, and

''(ii) such information is made public by the agency with which such information is filed and is publicly available for inspection in a manner similar to reports under section 6104(d)(1).

An organization shall not be treated as failing to meet the requirements of subparagraph (F)(i) solely because the minimum amount of any expenditure or contribution required to be reported under State or local law is greater (but not by more than $100) than the minimum amount required under this subsection.''.

(2) DESCRIPTION OF ORGANIZATION.—Section 527(j) is amended by adding at the end the following:

''(7) CERTAIN ORGANIZATIONS.—An organization is described in this paragraph if—

''(A) such organization is not described in subparagraph (A), (B), (C), or (D) of paragraph (5),

''(B) such organization does not engage in any exempt function activities other than activities for the purpose of influencing or attempting to influence the selection, nomination, election, or appointment of any individual to any State or local public office or office in a State or local political organization, and

''(C) no candidate for Federal office or individual holding Federal office—

''(i) controls or materially participates in the direction of such organization,

''(ii) solicits any contributions to such organization, or

''(iii) directs, in whole or in part, any expenditure made by such organization.''.

(b) EXEMPTION FROM REQUIREMENTS FOR ANNUAL RETURN BASED ON GROSS RECEIPTS.—Paragraph (6) of section 6012(a) (relating to persons required to make returns of income) is amended by striking ''organization, which'' and all that follows through ''section)'' and inserting ''organization—

''(A) which has political organization taxable income (within the meaning of section 527(c)(1)) for the taxable year, or

''(B) which—

''(i) is not a political committee of a State or local candidate or an organization to which section 527 applies solely by reason of subsection (f)(1) of such section, and

''(ii) has gross receipts of—

''(I) in the case of political organization described in section 527(j)(5)(F), $100,000 or more for the taxable year, and

''(II) in the case of any other political organization, $25,000 or more for the taxable year''.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the amendments made by Public Law 106–230.

SEC. ___03. NOTIFICATION OF INTERACTION OF REPORTING REQUIREMENTS.

(a) IN GENERAL.—The Secretary of the Treasury, in consultation with the Federal Election Commission, shall publicize—

(1) the effect of the amendments made by this title, and

(2) the interaction of requirements to file a notification or report under section 527 of the Internal Revenue Code of 1986 and reports under the Federal Election Campaign Act of 1971.

(b) INFORMATION.—Information provided under subsection (a) shall be included in any appropriate form, instruction, notice, or other guidance issued to the public by the Secretary of the Treasury or the Federal Election Commission regarding reporting requirements of political organizations (as defined in section 527 of the Internal Revenue Code of 1986) or reporting requirements under the Federal Election Campaign Act of 1971.

SEC. ___04. WAIVER OF PENALTIES.

(a) WAIVER OF FILING PENALTIES.—Section 527 is amended by adding at the end the following:

''(k) AUTHORITY TO WAIVE.—The Secretary may waive all or any portion of the—

''(1) tax assessed on an organization by reason of the failure of the organization to give notice under subsection (i), or

''(2) penalty imposed under subsection (j) for a failure to file a report,

on a showing that such failure was due to reasonable cause and not due to willful neglect.''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to any tax assessed or penalty imposed after June 30, 2000.

SA 683. Mrs. HUTCHISON submitted an amendment intended to be proposed by her to the bill H.R. 1836, to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002; which was ordered to lie on the table; as follows:

On page 19, beginning with line 21, strike all through the matter preceding line 1 on page 20, and insert:

''(7) APPLICABLE PERCENTAGE.—For purposes of paragraph (2), the applicable percentage shall be determined in accordance with the following table:

''For taxable years beginning in calendar year—	**The applicable percentage is—**
2002	170
2003	175
2004	180
2005	185
2006	190
2007	195
2008 and thereafter	200.''.

On page 20, line 14, strike ''2004'' and insert ''2001''.

SA 684. Mr. KENNEDY (for himself, Mr. DODD, and Mr. JOHNSON) submitted an amendment intended to be proposed by him to the bill H.R. 1836, to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002; which was ordered to lie on the table; as follows:

On page 9, between lines 14 and 15, insert:

''(4) DELAY OF TOP RATE REDUCTION.—

''(A) IN GENERAL.—Notwithstanding paragraph (2), with respect to a calendar year, no percentage described in that paragraph shall be substituted for 39.6 percent until the requirement of subparagraph (B) is met.

''(B) FULLY FUNDING BASIC EDUCATION SERVICES.—The requirement of this subparagraph is that legislation be enacted that appropriates funds for core education programs at or above the levels that have been authorized for such programs by the Senate in the following amendments to Senate bill 1 (the Better Education for Students and Teachers Act, 107th Congress):

''(i) Senate Amendment 360 (107th Congress; as offered by Senator Hagel and Senator Harkin), which passed the Senate on a voice vote with no dissenters, to honor the Federal commitment to provide States with 40 percent of the cost of implementing the Individuals with Disabilities Education Act, instead of the 17 percent of costs that the Federal Government currently provides.

''(ii) Senate Amendment 365 (107th Congress; as offered by Senator Dodd), which passed the Senate on a vote of 79 to 21, to provide support under title I of the Elementary and Secondary Education Act of 1965 (as amended by the Better Education for Students and Teachers Act) for 100 percent of the economically disadvantaged children rather than the 33 percent who are currently aided under such title.

''(iii) Senate Amendment 375 (107th Congress; as offered by Senator Kennedy), which passed the Senate on a vote of 69 to 31, to improve teacher quality for all students under the bipartisan agreement reflected in part A of title II of the Elementary and Secondary Education Act of 1965 (as amended by the Better Education for Students and Teachers Act).

''(iv) Senate Amendment 451 (107th Congress; as offered by Senator Lincoln), which passed the Senate on a vote of 62 to 34, to improve the quality of education available to bilingual students with limited English proficiency, especially in light of the nation's growing immigrant population.

''(v) Senate Amendment 563 (107th Congress; as offered by Senator Boxer), which passed the Senate on a vote of 60 to 39, to ensure that more of the nation's 7,000,000 latchkey children have access to safe, constructive activities after school while their parents are at work.

SA 685. Mr. BAYH (for himself, Ms. SNOWE, Mr. CHAFEE, Ms. LANDRIEU, Mrs. FEINSTEIN, Ms. COLLINS, Ms. STABENOW, Mr. JEFFORDS, Mr. KOHL, Mr. CARPER, Mr. NELSON of Florida, and Mrs. CLINTON) proposed an amendment to the bill H.R. 1836, to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002; as follows:

At the appropriate place, insert the following:

SEC. ___. ENSURING DEBT REDUCTION.

(a) TRIGGER.—

(1) IN GENERAL.—Notwithstanding any other provision of this Act or any other law, the effective date of a provision of law described in paragraph (2) shall be delayed as provided in paragraph (3).

(2) PROVISION DESCRIBED.—A provision of law described in this paragraph is—

(A) a provision of this Act that takes effect in fiscal year 2005 or 2007 and results in a revenue reduction; or

(B) a provision of law that—

(i) is enacted after the date of enactment of this Act; and

(ii) takes effect in fiscal year 2005 or 2007 and causes increased outlays through mandatory spending.

(3) DELAY.—If, on September 30 of 2004 and 2006, the Secretary of the Treasury determines that the limit on the debt held by the public in section 253A(a) of the Balanced Budget and Emergency Deficit Control Act of 1985 will be exceeded in the fiscal year beginning October 1 of the following year, the effective date of any a provision of law described in paragraph (2) that takes effect during that fiscal year shall be delayed by 1 calendar year.

(4) DISCRETIONARY SPENDING LIMITATION.—Notwithstanding any other provision of law, in any fiscal year subject to the delay provisions of paragraph (3), the amount of discretionary spending in each discretionary spending account shall be the level provided for that account in the preceding fiscal year plus an adjustment for inflation.

(5) REPORTS TO CONGRESS.—On July 1 and September 5 of 2003 and 2005, the Secretary of the Treasury shall report to Congress the estimated amount of the debt held by the public for the fiscal year beginning on October 1 of that year.

(6) CONGRESSIONAL ACTION.—

(A) TRIGGER.—

(i) MODIFICATION.—In fiscal year 2005 or 2007, if the level of debt held by the public for that fiscal year would be below the level of debt held by the public for that fiscal year in section 253A(a) of the Balanced Budget and Emergency Deficit Control Act of 1985, due to the provisions of paragraphs (3) and (4) any Member of Congress may move to proceed to a bill that would make changes in law to increase discretionary spending and direct spending and increase revenues (proportionately) in a manner that would increase the debt held by the public for that fiscal year to a level not exceeding the level provided in section 253A(a) of the Balanced Budget and Emergency Deficit Control Act of 1985. The motion to proceed shall be voted on at the end of 4 hours of debate. A bill considered under this clause shall be considered as provided in section 310(e) of the Congressional Budget Act of 1974 (2 U.S.C. 641(e)). Any amendment offered to the bill shall maintain the proportionality requirement.

(ii) WAIVER.—The delay and limitation provided in paragraphs (3) and (4) may be disapproved by a joint resolution. A joint resolution considered under this clause shall not be advanced to third reading in either House unless a motion to proceed to third reading is agreed to by three-fifths of the Members, duly chosen and sworn.

(B) OTHER FISCAL YEARS.—

(i) IN GENERAL.—In fiscal year 2003, 2005, 2007, 2008, 2009, or 2010, if the level of debt held by the public for that fiscal year would exceed the level of debt held by the public for that fiscal year in section 253A(a) of the Balanced Budget and Emergency Deficit Control Act of 1985, any Member of Congress may move to proceed to a bill that would defer changes in law that take effect in that fiscal year that would increase direct spending and decrease revenues and freeze the amount of discretionary spending in each discretionary spending account for that fiscal year at the level provided for that account in the preceding fiscal year plus an adjustment for inflation (all proportionately) in a manner that would reduce the debt held by the public for that fiscal year to a level not exceeding the level provided in section 253A(a) of the Balanced Budget and Emergency Deficit Control Act of 1985. The motion to proceed shall be voted on at the end of 4 hours of debate. Any amendment offered to the bill shall either defer effective dates or freeze discretionary spending and maintain the proportionality requirement.

(ii) CONSIDERATION OF LEGISLATION.—A bill considered under clause (i) shall be considered as provided in section 310(e) of the Congressional Budget Act of 1974 (2 U.S.C. 641(e)).

(b) PUBLIC DEBT TARGETS.—The Balanced Budget and Emergency Deficit Control Act of 1985 is amended—

(1) in section 250(c)(1), by inserting ''' debt held by the public''' after ''outlays',''; and

(2) by inserting after section 253 the following:

"SEC. 253A. DEBT HELD BY THE PUBLIC LIMIT.

''(a) LIMIT.—The debt held by the public shall not exceed—

''(1) for fiscal year 2002, $2,955,000,000,000;

''(2) for fiscal year 2003, $2,747,000,000,000;

''(3) for fiscal year 2004, $2,524,000,000,000;

''(4) for fiscal year 2005, $2,279,000,000,000;

''(5) for fiscal year 2006, $2,011,000,000,000;

''(6) for fiscal year 2007, $1,724,000,000,000;

''(7) for fiscal year 2008, $1,418,000,000,000;

''(8) for fiscal year 2009, $1,089,000,000,000; and

''(9) for fiscal year 2010, $878,000,000,000.

''(b) ADJUSTMENTS TO DEBT TARGETS FOR INABILITY TO REDEEM.—

''(1) IN GENERAL.—The debt held by the public targets may be adjusted in a specific fiscal year if the Secretary of the Treasury certifies that the target cannot be reached because the Department of the Treasury will be unable to redeem a sufficient amount of securities from holders of Federal debt to achieve the target.

''(2) CERTIFICATION.—The certification shall—

''(A) be transmitted by the President to Congress;

''(B) outline the specific reasons that the targets cannot be achieved and the estimated amount of excess reserves that will accumulate due to an inability of the Treasury to redeem Federal debt; and

''(C) not be the result of a lack of surplus revenues being available to redeem debt held by the public.

''(3) CONGRESSIONAL ACTION.—The adjustment provided in this subsection may be disapproved by a joint resolution. A joint resolution considered under this paragraph shall not be advanced to third reading in either House unless a motion to proceed to third reading is agreed to by a majority of the whole body.''.

(c) CONGRESSIONAL BUDGET PROCESS.—

(1) POINT OF ORDER.—Section 301 of the Congressional Budget Act of 1974 is amended by adding at the end the following:

''(j) DEBT HELD BY THE PUBLIC POINT OF ORDER.—It shall not be in order in the Senate to consider any bill, joint resolution, amendment, motion, or conference report that would—

''(1) increase the limit on the debt held by the public in section 253A(a) of the Balanced Budget and Emergency Deficit Control Act of 1985; or

''(2) provide additional borrowing authority that would result in the limit on the debt held by the public in section 253A(a) of the Balanced Budget and Emergency Deficit Control Act of 1985 being exceeded.''.

(2) SUPERMAJORITY WAIVER AND APPEAL.—Subsections (c)(1) and (d)(2) of section 904 of the Congressional Budget Act of 1974 are amended by striking ''305(b)(2),'' and inserting ''301(j), 305(b)(2),''.

(3) ADDITIONAL AMENDMENTS TO THE BUDGET ACT.—The Congressional Budget Act of 1974 is amended—

(A) in section 3, by adding at the end the following:

''(11)(A) The term 'debt held by the public' means the outstanding face amount of all debt obligations issued by the United States Government that are held by outside investors, including individuals, corporations, State or local governments, foreign governments, and the Federal Reserve System.

''(B) For the purpose of this paragraph, the term 'face amount', for any month, of any debt obligation issued on a discount basis that is not redeemable before maturity at the option of the holder of the obligation is an amount equal to the sum of—

''(i) the original issue price of the obligation; plus

''(ii) the portion of the discount on the obligation attributable to periods before the beginning of such month.'';

(B) in section 301(a) by—

(i) redesignating paragraphs (6) and (7) as paragraphs (7) and (8), respectfully; and

(ii) inserting after paragraph (5) the following:

''(6) the debt held by the public; and''; and

(C) in section 310(a) by—

(i) striking ''or'' at the end of paragraph (3);

(ii) by redesignating paragraph (4) as paragraph (5); and

(iii) inserting the following new paragraph;

''(4) specify the amounts by which the statutory limit on the debt held by the public is to be changed and direct the committee having jurisdiction to recommend such change; or''.

SA 686. Ms. LANDRIEU (for herself, Mr. CRAIG, and Mrs. LINCOLN) proposed an amendment to the bill H.R. 1836, to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002; as follows:

On page 18, between lines 14 and 15, insert the following:

SEC. 202. EXPANSION OF ADOPTION CREDIT AND ADOPTION ASSISTANCE PROGRAMS.

(a) IN GENERAL.—

(1) ADOPTION CREDIT.—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.''.

(2) ADOPTION ASSISTANCE PROGRAMS.—Section 137(a) (relating to adoption assistance programs) is amended to read as follows:

''(a) IN GENERAL.—Gross income of an employee does not include amounts paid or expenses incurred by the employer for adoption expenses in connection with the adoption of a child by an employee if such amounts are furnished pursuant to an adoption assistance program. The amount of the exclusion shall be—

''(1) 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

''(2) in the case of an adoption of a child with special needs, $10,000.''.

(b) DOLLAR LIMITATIONS.—

(1) DOLLAR AMOUNT OF ALLOWED EXPENSES.—

(A) ADOPTION EXPENSES.—Section 23(b)(1) (relating to allowance of credit) is amended—

(i) by striking ''$5,000'' and inserting ''$10,000'',

(ii) by striking ''($6,000, in the case of a child with special needs)'', and

(iii) by striking ''subsection (a)'' and inserting ''subsection (a)(1)(A)''.

(B) ADOPTION ASSISTANCE PROGRAMS.—Section 137(b)(1) (relating to dollar limitations for adoption assistance programs) is amended—

(i) by striking ''$5,000'' and inserting ''$10,000'', and

(ii) by striking ''($6,000, in the case of a child with special needs)'', and

(iii) by striking ''subsection (a)'' and inserting ''subsection (a)(1)''.

(2) PHASE-OUT LIMITATION.—

(A) ADOPTION EXPENSES.—Clause (i) of section 23(b)(2)(A) (relating to income limitation) is amended by striking ''$75,000'' and inserting ''$150,000''.

(B) ADOPTION ASSISTANCE PROGRAMS.—Section 137(b)(2)(A) (relating to income limitation) is amended by striking ''$75,000'' and inserting ''$150,000''.

(c) YEAR CREDIT ALLOWED.—Section 23(a)(2) (relating to year credit allowed) 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) REPEAL OF SUNSET PROVISIONS.—

(1) CHILDREN WITHOUT SPECIAL NEEDS.—Paragraph (2) of section 23(d) (relating to definition of eligible child) 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.''.

(2) ADOPTION ASSISTANCE PROGRAMS.—Section 137 (relating to adoption assistance programs) is amended by striking subsection (f).

(e) ADJUSTMENT OF DOLLAR AND INCOME LIMITATIONS FOR INFLATION.—

(1) ADOPTION CREDIT.—Section 23 (relating to adoption expenses) is amended by redesignating subsection (h) as subsection (i) and by inserting after subsection (g) the following new subsection:

''(h) ADJUSTMENTS FOR INFLATION.—In the case of a taxable year beginning after December 31, 2002, each of the dollar amounts in subsection (a)(1)(B) and paragraphs (1) and (2)(A)(i) of subsection (b) shall be increased by an amount equal to—

''(1) such dollar amount, multiplied by

''(2) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2001' for 'calendar year 1992' in subparagraph (B) thereof.''.

(2) ADOPTION ASSISTANCE PROGRAMS.—Section 137 (relating to adoption assistance programs), as amended by subsection (d), is amended by adding at the end the following new subsection:

''(f) ADJUSTMENTS FOR INFLATION.—In the case of a taxable year beginning after December 31, 2002, each of the dollar amounts in subsection (a)(2) and paragraphs (1) and (2)(A) of subsection (b) shall be increased by an amount equal to—

''(1) such dollar amount, multiplied by

''(2) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2001' for 'calendar year 1992' in subparagraph (B) thereof.''.

(f) LIMITATION BASED ON AMOUNT OF TAX.—

(1) IN GENERAL.—Section 23(c) (relating to carryforwards of unused credit) is amended by striking ''the limitation imposed'' and all that follows through ''1400C)'' and inserting ''the applicable tax limitation''.

(2) APPLICABLE TAX LIMITATION.—Section 23(d) (relating to definitions) is amended by adding at the end the following new paragraph:

''(4) APPLICABLE TAX LIMITATION.—The term 'applicable tax limitation' means the sum of—

''(A) the taxpayer's regular tax liability for the taxable year, reduced (but not below zero) by the sum of the credits allowed by sections 21, 22, 24 (other than the amount of the increase under subsection (d) thereof), 25, and 25A, and

''(B) the tax imposed by section 55 for such taxable year.''.

(3) CONFORMING AMENDMENTS.—

(A) Section 26(a) (relating to limitation based on amount of tax) is amended by inserting ''(other than section 23)'' after ''allowed by this subpart''.

(B) Section 53(b)(1) (relating to minimum tax credit) is amended by inserting ''reduced by the aggregate amount taken into account under section 23(d)(3)(B) for all such prior taxable years,'' after ''1986,''.

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

SA 687. Mr. GRAHAM (for himself, Mr. CORZINE, and Mr. DAYTON) proposed an amendment to the bill H.R. 1836, to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002; as follows:

Strike all after the first word and insert the following:

SECTION 1. SHORT TITLE; ETC.

(a) SHORT TITLE.—This Act may be cited as the ''Economic Insurance Tax Cut of 2001''.

(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.

SEC. 2. 10-PERCENT INCOME TAX RATE BRACKET FOR INDIVIDUALS.

(a) RATES FOR 2001.—Section 1 (relating to tax imposed) is amended by striking subsections (a) through (d) and inserting the following:

''(a) MARRIED INDIVIDUALS FILING JOINT RETURNS AND SURVIVING SPOUSES.—There is hereby imposed on the taxable income of—

''(1) every married individual (as defined in section 7703) who makes a single return jointly with his spouse under section 6013, and

''(2) every surviving spouse (as defined in section 2(a)),

a tax determined in accordance with the following table:

"If taxable income is:	The tax is:
Not over $19,000	10% of taxable income.
Over $19,000 but not over $45,200.	$1,900, plus 15% of the excess over $19,000.
Over $45,200 but not over $109,250.	$5,830, plus 28% of the excess over $45,200.
Over $109,250 but not over $166,500.	$23,764, plus 31% of the excess over $109,250.
Over $166,500 but not over $297,350.	$41,511.50, plus 36% of the excess over $166,500.
Over $297,350	$88,617.50, plus 39.6% of the excess over $297,350.

''(b) HEADS OF HOUSEHOLDS.—There is hereby imposed on the taxable income of every head of a household (as defined in section 2(b)) a tax determined in accordance with the following table:

"If taxable income is:	The tax is:
Not over $14,250	10% of taxable income.
Over $14,250 but not over $36,250.	$1,425, plus 15% of the excess over $14,250.
Over $36,250 but not over $93,650.	$4,725, plus 28% of the excess over $36,250.
Over $93,650 but not over $151,650.	$20,797, plus 31% of the excess over $93,650.
Over $151,650 but not over $297,350.	$38,777, plus 36% of the excess over $151,650.
Over $297,350	$91,229, plus 39.6% of the excess over $297,350.

''(c) UNMARRIED INDIVIDUALS (OTHER THAN SURVIVING SPOUSES AND HEADS OF HOUSEHOLDS).—There is hereby imposed on the taxable income of every individual (other than a surviving spouse as defined in section 2(a) or the head of a household as defined in section 2(b)) who is not a married individual (as defined in section 7703) a tax determined in accordance with the following table:

"If taxable income is:	The tax is:
Not over $9,500	10% of taxable income.
Over $9,500 but not over $27,050.	$950, plus 15% of the excess over $9,500.
Over $27,050 but not over $65,550.	$3,582.50, plus 28% of the excess over $27,050.
Over $65,550 but not over $136,750.	$14,362.50, plus 31% of the excess over $65,550.
Over $136,750 but not over $297,350.	$36,434.50, plus 36% of the excess over $136,750.
Over $297,350	$94,250.50, plus 39.6% of the excess over $297,350.

''(d) MARRIED INDIVIDUALS FILING SEPARATE RETURNS.—There is hereby imposed on the taxable income of every married individual (as defined in section 7703) who does not make a single return jointly with his spouse under section 6013, a tax determined in accordance with the following table:

"If taxable income is:	The tax is:
Not over $9,500	10% of taxable income.
Over $9,500 but not over $22,600.	$950, plus 15% of the excess over $9,500.
Over $22,600 but not over $54,625.	$2,915, plus 28% of the excess over $22,600.
Over $54,625 but not over $83,250.	$11,882, plus 31% of the excess over $54,625.
Over $83,250 but not over $148,675.	$20,755.75, plus 36% of the excess over $83,250.
Over $148,675	$44,308.75, plus 39.6% of the excess over $148,675.''.

(b) INFLATION ADJUSTMENT TO APPLY IN DETERMINING RATES FOR 2002.—Subsection (f) of section 1 is amended—

(1) by striking ''1993'' in paragraph (1) and inserting ''2001'',

(2) by striking ''1992'' in paragraph (3)(B) and inserting ''2000'', and

(3) by striking paragraph (7).

(c) CONFORMING AMENDMENTS.—

(1) The following provisions are each amended by striking ''1992'' and inserting ''2000'' each place it appears:

(A) Section 25A(h).
(B) Section 32(j)(1)(B).
(C) Section 41(e)(5)(C).
(D) Section 42(h)(3)(H)(i)(II).
(E) Section 59(j)(2)(B).
(F) Section 63(c)(4)(B).
(G) Section 68(b)(2)(B).
(H) Section 132(f)(6)(A)(ii).
(I) Section 135(b)(2)(B)(ii).
(J) Section 146(d)(2)(B).
(K) Section 151(d)(4).
(L) Section 220(g)(2).
(M) Section 221(g)(1)(B).
(N) Section 512(d)(2)(B).
(O) Section 513(h)(2)(C)(ii).
(P) Section 685(c)(3)(B).
(Q) Section 877(a)(2).
(R) Section 911(b)(2)(D)(ii)(II).
(S) Section 2032A(a)(3)(B).
(T) Section 2503(b)(2)(B).
(U) Section 2631(c)(2).

(V) Section 4001(e)(1)(B).
(W) Section 4261(e)(4)(A)(ii).
(X) Section 6039F(d).
(Y) Section 6323(i)(4)(B).
(Z) Section 6334(g)(1)(B).
(AA) Section 6601(j)(3)(B).
(BB) Section 7430(c)(1).

(2) Subclause (II) of section 42(h)(6)(G)(i) is amended by striking ''1987'' and inserting ''2000''.

(d) ADDITIONAL CONFORMING AMENDMENTS.—

(1) Section 1(g)(7)(B)(ii)(II) is amended by striking ''15 percent'' and inserting ''10 percent''.

(2) Section 1(h) is amended by striking paragraph (13).

(3) Section 3402(p)(1)(B) is amended by striking ''7, 15, 28, or 31 percent'' and inserting ''5, 10, 15, 28, or 31 percent''.

(4) Section 3402(p)(2) is amended by striking ''15 percent'' and inserting ''10 percent''.

(e) DETERMINATION OF WITHHOLDING TABLES.—Section 3402(a) (relating to requirement of withholding) is amended by adding at the following new paragraph:

''(3) CHANGES MADE BY SECTION 2 OF THE ECONOMIC INSURANCE TAX CUT OF 2001.—Notwithstanding the provisions of this subsection, the Secretary shall modify the tables and procedures under paragraph (1) through the reduction of the amount of withholding required with respect to taxable years beginning in calendar year 2001 to reflect the effective date of the amendments made by section 2 of the Economic Insurance Tax Cut of 2001, and such modification shall take effect on the first day of the first month beginning after the date of the enactment of such Act.''

(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, 2000.

(2) AMENDMENTS TO WITHHOLDING PROVISIONS.—The amendments made by paragraphs (3) and (4) of subsection (d) shall apply to amounts paid after December 31, 2000.

SA 688. Mr. GRAHAM proposed an amendment to the bill H.R. 1836, to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002; as follows:

Beginning on page 64, line 17, strike all through page 66, before line 2, and insert:

Subtitle B—Reduction of Gift Tax Rate

SEC. 511. REDUCTION OF GIFT TAX RATE AFTER REPEAL.

On page 66, line 2, strike ''(d)'' and insert ''(a)''.

On page 67, line 1, strike ''(e)'' and insert ''(b)''.

Beginning on page 67, line 12, strike all through page 68, line 6, and insert:

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to gifts made after December 31, 2010.

On page 68, strike the table between lines 14 and 15, and insert:

''In the case of estates of decedents dying during:	**The applicable exclusion amount is:**
2002 and 2003	$1,000,000
2004, 2005, and 2006	$2,000,000
2007, 2008, 2009, and 2010	$3,000,000.''.

Beginning on page 70, line 20, strike all through page 79, line 6.

NOTICE OF HEARINGS

COMMITTEE ON ENERGY AND NATURAL RESOURCES

Mr. MURKOWSKI. Mr. President, I would like to announce for the information of the Senate and the public that the hearing previously scheduled before the Committee on Energy and Natural Resources for Tuesday, May 22 at 2:30 p.m. in SH–216 has been rescheduled for Wednesday, May 23, 2001 at 9:30 a.m. in room SD–366 of the Dirksen Senate Office Building in Washington, D.C.

The purpose of this hearing is to receive testimony on the Administration's National Energy Policy report.

Because of the limited time available for the hearing, witnesses may testify by invitation only. However, those wishing to submit written testimony for the hearing record should send two copies of their testimony to the Committee on Energy and Natural Resources, United States Senate, 364 Dirksen Senate Office Building, Washington, D.C. 20510–6150.

For further information, please call Trici Heninger, Staff Assistant, or Bryan Hannegan, Staff Scientist, at (202) 224–4971.

SUBCOMMITTEE ON WATER AND POWER

Mr. SMITH. Mr. President, I would like to announce for the information of the Senate and the public that the oversight hearing regarding the Lower Klamath River Basin which had been previously scheduled for Wednesday, May 23, 2001 at 2 p.m. in room SD–366 of the Dirksen Senate Office Building in Washington, D.C. has been postponed until further notice.

For further information, please call Trici Heninger, Staff Assistant, or Colleen Deegan, Counsel, at (202) 224–8115.

AUTHORITY FOR COMMITTEES TO MEET

COMMITTEE ON ARMED SERVICES

Mr. GRASSLEY. Mr. President, I ask unanimous consent that the Committee on Armed Services be authorized to meet during the session of the Senate on Thursday, May 17, 2001, at 4:30 p.m., in executive session to consider certain pending nominations.

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

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

Mr. GRASSLEY. Mr. President, I ask unanimous consent that the Committee on Commerce, Science, and Transportation be authorized to meet on the nominations of Michael Powell, Kathleen Abernathy, Kevin Martin, and Michael Copps to be members of the Federal Communications Commission on Thursday, May 17, 2001, at 9:30 a.m.

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

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS

Mr. GRASSLEY. Mr. President, I ask unanimous consent that the Committee on Environment and Public Works be authorized to meet to conduct a hearing on Thursday, May 17, at 9:30 a.m. to receive testimony regarding the following nominees:

Linda Fisher to be Deputy Administrator, Environmental Protection Agency;

Jeffrey Holmstead to be Assistant Administrator for Air and Radiation, Environmental Protection Agency;

Stephen Johnson to be Assistant Administrator for Toxic Substances, Environmental Protection Agency; and

James Connaughton to be a Member, Council on Environmental Quality.

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

COMMITTEE ON FOREIGN RELATIONS

Mr. GRASSLEY. Mr. President, I ask unanimous consent that the Committee on Foreign Relations be authorized to meet during the session of the Senate on Thursday, May 17, 2001, at 2 p.m. and 4 p.m. to hold two hearings as follows: at 2 p.m., in room SD–419, the Honorable William J. Burns, of the District of Columbia, to be Assistant Secretary of State for Near Eastern Affairs; and at 4 p.m. in room SD–419, Mrs. Christina B. Rocca, of Virginia, to be Assistant Secretary of State for South Asian Affairs; and Mr. Walter H. Kansteiner, of Virginia, to be Assistant Secretary of State for African Affairs.

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

COMMITTEE ON GOVERNMENTAL AFFAIRS

Mr. GRASSLEY. Mr. President, I ask unanimous consent that the Committee on Governmental Affairs be authorized to meet during the session of the Senate on Thursday, May 17, 2001 at 10 a.m. for a hearing to consider the nominations of John D. Graham to be Administrator of the Office of Information and Regulatory Affairs at the Office of Management and Budget, Stephen A. Perry to be Administrator of the General Services and Angela Styles to be Administrator of the Office of Federal Procurement Policy.

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

COMMITTEE ON HEALTH, EDUCATION, LABOR, AND PENSIONS

Mr. GRASSLEY. Mr. President, I ask unanimous consent that the Committee on Health, Education, Labor, and Pensions be authorized to meet for a hearing on Addressing Direct Care Staffing Shortages during the session of the Senate on Thursday, May 17, 2001, at 9:30 a.m.

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

COMMITTEE ON THE JUDICIARY

Mr. GRASSLEY. Mr. President, I ask unanimous consent that the Committee on the Judiciary be authorized to meet to conduct a markup on Thursday, May 17, 2001 at 10 a.m., in SD–226.

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

SELECT COMMITTEE ON INTELLIGENCE

Mr. GRASSLEY. Mr. President, I ask unanimous consent that the Select

Committee on Intelligence be authorized to meet during the session of the Senate on Thursday, May 17, 2001 at 2 p.m. to hold a closed hearing on intelligence matters.

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

SPECIAL COMMITTEE ON AGING

Mr. GRASSLEY. Mr. President, I ask unanimous consent that the Special Committee on Aging be authorized to meet on Thursday, May 17, 2001 from 9:30 a.m.–12 p.m. in Dirksen 562 for the purpose of conducting a hearing.

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

SUBCOMMITTEE ON INTERNATIONAL TRADE AND FINANCE

Mr. GRASSLEY. Mr. President, I ask unanimous consent that the Subcommittee on International Trade and Finance of the Committee on Banking, Housing, and Urban Affairs be authorized to meet during the session of the Senate on May 17, 2001 to conduct a hearing on ''Reauthorization of the U.S. Export-Import Bank.''

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

PRIVILEGES OF THE FLOOR

Mr. GRASSLEY. Mr. President, I ask unanimous consent that the following employees of the Joint Committee on Taxation be allowed on the Senate floor for the duration of the debate on the tax RELIEF bill: Robert Bailey, Thomas A. Barthold, Ray Beeman, John Bloyer, Roger Colinvaux, H. Benjamin Hartley, Harold E. Hirsch, Deirdre James, Lauralee A. Matthews, Patricia McDermott, Brian Meighan, John Navratil, Joseph W. Nega, Samuel Olchyk, Lindy L. Paul, Oren S. Penn, Cecily W. Rock, Mary M. Schmitt, Todd C. Simmens, Carolyn E. Smith, and Barry L. Wold.

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

Mr. GRASSLEY. Mr. President, I ask unanimous consent that the following interns of the Senate Finance Committee be allowed on the Senate floor for the duration of the debate on the tax RELIEF bill: Michael Whitmore, Zachary W. Paulson, and Paul Raak.

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

APPOINTMENTS

The PRESIDING OFFICER. The Chair, on behalf of the Vice President, in accordance with 22 U.S.C. 1928a–1928d, as amended, appoints the following Senators as members of the Senate Delegation to the NATO Parliamentary Assembly during the First Session of the 107th Congress, to be held in Vilnius, Lithuania, May 27–31, 2001: The Senator from Ohio (Mr. VOINOVICH), the Senator from Maryland (Mr. SARBANES), the Senator from Maryland (Ms. MIKULSKI), and the Senator from Illinois (Mr. DURBIN).

EXECUTIVE SESSION

EXECUTIVE CALENDAR

Mr. GRASSLEY. In executive session, I ask unanimous consent that the Senate proceed to the consideration of the following nominations: Calendar Nos. 47, 49, and 78. I further ask unanimous consent that the nominations be confirmed, the motions to reconsider be laid upon the table, 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 considered and confirmed are as follows:

DEPARTMENT OF DEFENSE

Victoria Clarke, of Maryland, to be an Assistant Secretary of Defense.

William J. Haynes II, of Tennessee, to be an Assistant Secretary of Defense.

EXPORT-IMPORT BANK OF THE UNITED STATES

John E. Robson, of California, to be President of the Export-Import Bank of the United States for a term expiring January 20, 2005, vice James A. Harmon, resigned.