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Senate

The Senate met at 9:31 a.m. and was called to order by the Honorable JUDD GREGG, a Senator from the State of New Hampshire.

PRAYER

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

Gracious Father, we pray for the women and men of this Senate. May they feel awe and wonder that You have chosen them through the voice of Your people. May they live this day humbly on the knees of their hearts, honestly admitting their human inadequacy and gratefully acknowledging Your power. Dwell in the secret places of their hearts to give them peace and security. Help them in their offices, with their staffs, in committee meetings, and when they are here together in this sacred, historic Chamber. Remind them of their accountability to You for all they say and do. Reveal Yourself to them. Be the unseen Friend beside them in every changing circumstance. Give them a fresh experience of Your palpable and powerful Spirit. Banish weariness and worry, discouragement and disillusionment. Often today may we hear Your voice saying to us, ''Come to me, all who are weary and heavy laden and I will give you rest.'' Lord, help us all to rest in You and receive the incredible resiliency that You provide. Thank You in advance for a truly productive day. In the name of our Lord. Amen.

PLEDGE OF ALLEGIANCE

The Honorable HARRY REID, a Senator from the State of Nevada, led the Pledge of Allegiance, as follows:

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

APPOINTMENT OF ACTING PRESIDENT PRO TEMPORE

The PRESIDING OFFICER. The clerk will please read a communication to the Senate from the President pro tempore (Mr. THURMOND).

The assistant legislative clerk read the following letter:

U.S. SENATE,
PRESIDENT PRO TEMPORE,
Washington, DC, May 21, 2001.

To the Senate:

Under the provisions of rule I, paragraph 3, of the Standing Rules of the Senate, I hereby appoint the Honorable JUDD GREGG, a Senator from the State of New Hampshire, to perform the duties of the Chair.

STROM THURMOND,
President pro tempore.

Mr. GREGG thereupon assumed the chair as Acting President pro tempore.

RECOGNITION OF THE ACTING MAJORITY LEADER

The ACTING PRESIDENT pro tempore. The Senator from Wyoming.

SCHEDULE

Mr. ENZI. Mr. President, today the Senate will resume consideration of the reconciliation bill with 8 hours remaining for debate. Senator GREGG will be recognized momentarily to debate his amendment and will be followed by Senator WELLSTONE. Under the order, there will be up to 1 hour for debate on first-degree amendments and 30 minutes for debate on second-degree amendments. Votes on all amendments and final passage will begin at 6 p.m. Senators are encouraged to remain in the Chamber during votes in an effort to complete all action on the bill in a timely manner.

I thank my colleagues for their attention. I yield the floor.

RESERVATION OF LEADER TIME

The ACTING PRESIDENT pro tempore. Under the previous order, leadership time is reserved.

RESTORING EARNINGS TO LIFT INDIVIDUALS AND EMPOWER FAMILIES (RELIEF) ACT OF 2001

The ACTING PRESIDENT pro tempore. Under the previous order, the Senate will resume consideration of H.R. 1836 which the clerk will report.

The assistant legislative clerk read as follows:

A bill, H.R. 1836, to provide reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002.

Pending:

Fitzgerald amendment No. 670, to provide that no Federal income tax shall be imposed on amounts received by victims of the Nazi regime or their heirs or estates.

Gregg amendment No. 656, to provide a temporary reduction in the maximum capital gains rate from 20 percent to 15 percent.

Carnahan/Daschle amendment No. 674, to provide a marginal tax rate reduction for all taxpayers.

Collins/Warner amendment No. 675, to provide an above-the-line deduction for qualified professional development expenses of elementary and secondary school teachers and to allow a credit against income tax to elementary and secondary school teachers who provide classroom materials.

Rockefeller amendment No. 679, to delay the reduction of the top income tax rate for individuals until a real Medicare prescription drug benefit is enacted.

Bayh modified amendment No. 685, to preserve and protect the surpluses by providing a trigger to delay tax reductions and mandatory spending increases and limit discretionary spending if certain deficit targets are not met over the next 10 years.

Landrieu amendment No. 686, to expand the adoption credit and adoption assistance programs.

Graham amendment No. 687, of a perfecting nature.

Graham amendment No. 688, to provide a reduction in State estate tax revenues in proportion to the reduction in Federal estate tax revenues.

AMENDMENT NO. 656

The ACTING PRESIDENT pro tempore. Who seeks time?

The Senator from Nebraska.

Mr. HAGEL. Mr. President, I thank the Chair. Good morning.

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

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I rise this morning to support the Gregg amendment. I am proud to be a cosponsor of the Gregg amendment. The Gregg amendment, very simply, cuts the capital gains tax rate from 20 to 15 percent over a 2½-year period. The cut will sunset on December 31, 2003.

The Gregg amendment is about one thing; it is about sustaining economic growth in this country. I think most Americans understand it is investment capital that fuels the engine of economic growth. That engine of economic growth is productivity. There is no growth without investment and productivity.

We have been debating over the last few months—and we will continue to debate—a fiscal year 2002 budget. That budget calls for expenditures by the Federal Government of around $1.9 trillion. That is a lot of money. From where does that money come? It comes from tax revenues.

At the same time we are debating the priorities of that $1.9 trillion budget, we are looking at expanding Government programs. As we prioritize the programs that are important for our people for future generations, that is part of our charge. That is part of the responsibility we have as policymakers.

One of the things we have done recently is we have voted to set aside $300 billion over the next 10 years for a new prescription drug plan for Medicare. It is important. It is relevant. It is needed. We must move on it. What that will do is, of course, build onto an already very significant amount of uncontrollable budget expenditure, the Medicare program, another new very expensive program.

We prioritize that issue in this country. We have essentially said, as did President Bush in the campaign last year, Democrats and Republicans in Congress, we want that prescription drug plan. So $300 billion has been set aside during the next 10 years to add on a new prescription drug plan. I suspect most Americans understand it is going to be far more than $300 billion over the next 10 years by the time we put it all in place. And the hidden cost of that which we do not factor in is the outyears after the 10 years when we will saddle all future Americans with that additional add-on expense of Medicare.

When you look at that $1.9 trillion Federal budget today, you will find that about two-thirds of that is already locked in. That is nondiscretionary. There is nothing we can do about that. We can debate, we can pass laws, but unless we want to change Medicare, unless we essentially want to do away with parts of Medicare and other entitlement programs that we want, that we have prioritized, the fact is that two-thirds of our budget is already committed and we are adding to that.

That is a decision we have all come to, as a society. We want that. The question comes back to what the Gregg amendment is all about. How do we continue to pay for that? How do we pay for that additional prescription drug plan that will cost billions, and hundreds of billions in the outyears, and all the other programs to which we have committed?

We do that by sustaining our economic growth. Government does not produce growth. Government can only do certain things. It is the private sector that produces growth because it is the private sector that develops the productivity which enhances growth and develops and drives growth.

Some of us believe the way to sustain growth is to free up more of that capital so more people in the private sector have that capital in their hands so they can save, they can invest, they can put it in new venture start-up firms that are the firms that will find the technologies and the solutions to the challenges that we have, not just today but what we will face tomorrow. When that investment capital dries up, you will see the consequences as our technology bogs down in every industry, in every discipline—science, health, medicine, national security, new energy sources, new technologies. It is capital, private capital that drives that.

So this amendment is about freeing up some of that capital that is locked in because of ridiculous tax rates. In fact, the United States is one of the very few countries in the world that taxes capital, and we have about the highest capital tax rates of any country in the world. It make no sense to do this.

The other thing it does, as we have seen very clearly from the last two cuts in the capital gains rates, in 1981 and 1997, it increases revenues into our Treasury. We find we are receiving more tax revenues as a result of freeing up those locked down assets.

What does that mean? It means we win all the way around. Unfortunately, we take that fact of life, that reality, that more revenue comes in when we cut capital gains rates, and we score that as a negative. We don't score that as we should, that, in fact, we will find a new source of revenue, a bigger source of revenue. That is another issue.

Capital gains taxes no longer affect just the wealthy. A recent U.S. Treasury Department study found that roughly three-quarters of all families in the United States own capital assets. The study further found that about 30 percent of those families whose incomes are less than $20,000 held capital assets, as did 50 percent of families with incomes between $20,000 and $50,000. So who pays the tax? It is not just the so-called wealthy, unless you are in that $20,000 to $50,000 bracket and you consider yourself wealthy. I don't think you do.

According to IRS data from 1998, 25 million returns filed that year reported capital gains; they reported capital gains on their tax return. That represents about one in five returns. Of those, 40 percent reporting capital gains had incomes of less than $50,000 and 59 percent of those filing those returns with capital gains had incomes of less than $75,000.

It is rather clear, I think, to most of us, that, in fact, capital assets are held by a very significant majority of Americans: pension plans, IRAs—wherever you invest. Whatever the pension plan is, most likely that plan is invested in stocks, in the productivity of this country, in the base of this country.

So as a result of reducing capital gains taxes, the economy will continue to grow. We will have sustained growth creating more jobs, better jobs, generating more capital, and increasing productivity, the engine of growth. All sectors of the economy benefit, increasing more tax revenues into the U.S. Treasury.

Sustaining economic growth is the purpose of the Gregg amendment. I encourage all my colleagues to take a serious look at this amendment. If they do, I believe they will come to the conclusion that this country needs a reduction in its capital gains tax.

I yield the floor.

The PRESIDING OFFICER (Mr. GRASSLEY). The Senator from New Hampshire.

Mr. GREGG. How much time is remaining and how has it been allocated?

The PRESIDING OFFICER. There are 20 minutes on the time of the Senator from New Hampshire; 30 minutes on the other side.

Mr. GREGG. Is there someone to speak in opposition?

Mr. BAUCUS. Not yet, not at this point.

Mr. GRASSLEY. I want to make clear I am in opposition, too, but right now I don't have anyone to speak.

Mr. BAUCUS. Just for the sake of completing the record, I will speak in opposition.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. I appreciate the arguments of my good friend from New Hampshire. Clearly, as capital gains taxes affect the transfer of capital, that is of property, they can affect the degree to which this economy prospers. There is no doubt that capital gains tax rates are a factor in the acceleration of growth rates.

I must point out, though, when the President proposed his tax cut bill of $1.6 trillion, he did not include any capital gains provisions—none whatsoever. I wouldn't want to second guess the President, but the point is he himself thought it made more sense to lower individual rates and not to lower capital gains rates at this time.

I think, if you look at the bill the Finance Committee has brought to the Floor, you will see it is a bill designed to reduce individuals' income taxes. Whether it is the marriage penalty provisions, child credit rates, the new 10-percent bracket—they are all on the individual side. There are no corporate

provisions, nor are there any affecting capital gains.

Another problem I must point out about the proposal by my good friend from New Hampshire is that it is temporary. We have heard many people legitimately voice their concerns about the complexity of the Tax Code, and the capital gains provisions are responsible for their fair share of that complexity. If we have an on-again, off-again capital gains provision, it is not only going to add to the complexity, but it will add some uncertainty as well. People will not know what congressional policy is with respect to capital gains.

That is less true with respect to other provisions. Let's take the R&D tax credit as an example. It is true that Congress over the years has been a bit inconsistent in the number of years for which it extends the R&D tax credit. Sometimes it is extended for 1 year, others a few years. There was a time a few years ago when it lapsed completely for a short period of time. Yet people know Congress will stand by the R&D tax credit so they have some ability to count on it when they do their planning.

It is much less clear with respect to capital gains. The capital gains provisions have changed dramatically over the years, both in structure and in rates. People don't know what to expect with respect to how they will be taxed in the future.

Finally, I must point out that this amendment is not germane to the underlying bill, and at the appropriate point I will make a point of order to that effect.

The PRESIDING OFFICER (Mr. GRASSLEY). The Senator from New Hampshire.

Mr. GREGG. Mr. President, I yield myself such time as I may consume.

First, I think we have to understand what the capital gains tax cut will do. It will generate prosperity. It will generate capital that is today locked down in investments that are not productive, take that capital, cause people to convert that capital to cash, and reinvest it in other economic activity which will create jobs, create prosperity.

Every time we have reduced the capital gains rate in this country, we have seen a flow of revenues into the Federal Treasury also. So not only does it create economic activity in the community at large, and create more investment activity, and thus create more entrepreneurship, and thus create more jobs, it also creates more cash coming into the Federal Treasury.

Why is that, you may ask. How can a tax cut actually generate more income? Because, very simply, the income is never realized if the money stays locked down. It never occurs unless you create the tax cut. When you create the tax cut, people have an incentive to go out and convert those capital assets—which today are just sitting there—into cash, and as a result they generate revenue, and that revenue is taxed. As a result, the Treasury gains more money.

In fact, we do not have to think of this in theoretical terms anymore. We have a series of events which have shown this to have actually occurred. The last time it was suggested that we cut capital gains rates, it was also suggested those capital gains rates would, again, over a period of time, create a loss to the Treasury. In fact, just the opposite occurred. The estimates were off by $100 billion the last time the capital gains rates were cut. We received $100 billion more of income to the Government than we expected as a result of the capital gains activity during the period from 1997 through 2000.

So this year we come forward with a proposal which is a limited capital gains cut, the purpose of which is to energize the economy, create activity, and, as a side bar, it will generate revenues to the Federal Government.

It has been scored as a positive generator of revenues to the Federal Government for the first 3 years by the Joint Tax Committee. Unfortunately, when they looked over 10 years, they did not look, I guess, at the historical data because, if they had, they would have seen that historically there is a factual event which shows it continues to generate positive revenues. Instead, they went to some sort of model they used at Joint Tax and came up with the estimate that in 10 years there might be a loss to the Treasury of $10 billion. Remember, this is $10 billion on a $3.5 trillion tax cut. So it is less than 1 percent of the entire event. And even that number is suspect.

So the simple fact is, the argument that this is going to lose money for the Treasury cannot be supported, either in the short term, where it will generate cashflow, or in the long term, where we have seen positive cashflow to the Treasury as a result of the capital gains cut that was done in the early 1990s. So that makes no sense.

This argument on germaneness also makes no sense. In two places in this bill capital gains are affected. They are affected on the AMT, and they are affected on the estate tax. So clearly capital gains activity is a germane event.

But most importantly, we get back to the original point, which is that by cutting capital gains we actually will generate more economic activity in the marketplace, we will give people more cash, more investment assets. They will go out, take risks, create jobs, and thus create prosperity. That should be our goal in the tax cut.

Mr. President, I ask unanimous consent that Senator HAGEL be added as a cosponsor of this amendment.

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

Mr. GREGG. As was mentioned so appropriately by the Senator from Nebraska, this is no longer a tax issue for the wealthy; this is a tax issue for middle America. Middle America is aggressively investing in the stock market today through their pension plans and also through their individual activity. Reducing the capital gains rate will significantly and positively impact middle America, something this tax bill does not do in the most effective way, in my opinion.

More importantly, it will affect them today because it will give them the opportunity—starting next month, if this tax bill passes—to take advantage of a lower tax rate, which will have an immediate impact on their ability to generate profits and gains and take those profits and gains and put them into new investments which will generate new jobs, which will generate more prosperity.

It is a win-win situation for us because we generate more prosperity as a result of more economic activity and more investment and we actually generate more revenues for the Federal Government.

So I certainly hope, when we get to the point of voting, if there is a motion to repeal this amendment on the issue of germaneness, that will not be brought forward because I might win, and I would not want to undermine the germaneness rules of the Senate by winning that vote. I think it might make more sense, if that motion is going to be made, that it be made on the issue of the cost estimates of this bill. We could waive that motion and, hopefully, be successful.

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

The PRESIDING OFFICER. Thirteen minutes.

Mr. GREGG. I yield 10 minutes to the Senator from Arizona.

The PRESIDING OFFICER. The Chair recognizes the Senator from Arizona.

Mr. KYL. Mr. President, I thank the Senator from New Hampshire for bringing this amendment forward. If I am not listed as a cosponsor, I ask unanimous consent that I be added as a cosponsor of the amendment.

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

Mr. KYL. I note that I offered a similar amendment myself. In fact, I know several of us offered similar amendments because this is such a good idea.

I begin by complimenting the Presiding Officer for the extraordinary job he has done in putting together a compromise tax bill. It is with great hesitancy that I suggest an amendment to this bill, but I know if it were not so critical to get a lot of support from disparate groups of folks, the Presiding Officer undoubtedly would be supporting an amendment of this type as well.

So I simply agree with the Senator from New Hampshire that the primary point here is to both raise revenue and stimulate the economy, which is what a capital gains rate reduction will do. That is what our prior experience in this country has been. Clearly, that is what would happen in this particular case.

So again, what this amendment does is reduce the long-term top rate from 20 to 15 percent for a 2½-year period, from June 2001 to December 31, 2003—a period of 2½ years. That is the period at which the rate will be reduced.

What would be the impact of that? All investors, it has been pointed out—small, medium, and even large investors—would understand there is a window of time for 2½ years, during which they could dispose of assets, sometimes assets they have held for a long period of time because they have not wanted to have to pay the large capital gains rate on them. So they have held on to the asset, thus, in effect, making less money available for investment into the newer technologies and the more exciting things in the market today. It would provide a 2½-year window for all of these people to go ahead and sell those older portfolio stocks, those older assets of land or equipment—or whatever it might be that they have been hesitant to sell in the past because of the huge tax they would have to pay—a 2½-year window to dispose of those assets, take the cash, and reinvest it in something that would help the new economy even more.

That kind of churning effect in the past has been demonstrated to provide not only stimulus to the economy, as the Senator from New Hampshire said, but also more revenues to the Treasury. Indeed, Joint Tax, which does not have a reputation of favorably scoring these kinds of things, noted that during the first 4 years there would be a net gain in revenue to the Treasury from the reduction in the capital gains rate. It is only after that that they have estimated a very slight loss that would occur thereafter. I disagree with that estimate. But, in any event, clearly this is the way to both stimulate the economy and increase revenues.

I think it is unassailable by any standard that the capital gains rates in this country are too high. According to a study by the American Council for Capital Formation, American taxpayers face capital gains tax rates that are 35 percent higher than those paid by the average investor in other countries. This is an area where virtually every other country on the globe outcompetes the United States because they recognize the anchor effect, the drag effect, of a capital gains rate on their economy. We need to get in the game, and we can do that by reducing our capital gains rates.

Lowering the rates will be a boost to the economy. The recent individual capital gains rate reductions have boosted U.S. economic growth. These are facts. Reducing the cost of capital promoted the kind of productive business investment that fostered growth in output and in high paying jobs. Lowering the capital gains rates aided entrepreneurs in their efforts to promote technological advances in products and services most people wanted and needed. It has this unlocking effect I mentioned earlier.

Further reductions in the capital gains rates will enhance savings, investment, GDP growth, and boost equity values.

A recent analysis done by Dr. Allen Sinai, President and CEO of Decision Economics, concluded that the capital gains reductions that were included in the 1999 tax bill, which was vetoed by President Clinton, which would have reduced long-term rates from 20 down to 18 percent, would have had a significant, positive impact on the economy. The analysis indicates that if the rate reductions had been enacted, real GDP would be $64.6 billion higher, and employment, investment, new business formation, and national savings would be greater over the period of 2000–2004.

It is quite likely—I think evident—that our economy would be in much better shape today had the previous administration appreciated the importance of capital formation growth and the President not vetoed the capital gains reduction we passed.

The recent Federal Reserve Board report indicated that Americans lost nearly $2 trillion in wealth in just the last quarter of 2000 as a result of the stock market decline. That is approximately a loss of $20,000 in wealth and capital for each household in America—think of that—the equivalent of $20,000 in loss for each household in America. Of course, less household capital means less capital available for investment and capital formation.

Reducing the capital gains tax rate will encourage investors to unlock cumulative gains of the past. Capital would be more free to go into the entrepreneurial and future-oriented, technology-generating enterprises. In particular, venture capital investment, which is vital to this new technological innovation and productivity, will benefit as a result of the unlocking of this capital.

Let's not forget about national savings. Reducing capital gains taxes means less taxes on Americans who choose to save for their future.

To conclude, this estimate by Joint Tax indicates a revenue increase to the Treasury for the first 4 years. There is not another provision in the tax bill the Presiding Officer has so carefully crafted that will produce actual increases in revenue during this period of time. This is exactly the time when our economy needs the boost. I can't think of anything that would be better for inclusion in this tax bill than this temporary reduction in the rate of capital gains paid by Americans.

The fact that they declare a slight net loss in the time thereafter is simply an indication of the kind of poor estimating they have done in the past.

Again, it is a very small amount of money, and the time we really need the boost is right now. That is where Joint Tax indicates there would be a revenue increase.

The amendment to this bill complements many aspects of the President's plan. It adds another important addition, immediate relief for capital formation and growth. That is what this tax plan is all about. That is what the American people are expecting as the result of the plan. That is why this idea put forth by several of us, encapsulated in the amendment of the Senator from New Hampshire, is such a great idea.

I urge my colleagues, when the time comes, to support this amendment as something that will both generate new revenue and foster capital formation for the American economy. I thank the Senator from New Hampshire for offering the amendment.

The PRESIDING OFFICER. The Chair recognizes the Senator from Montana.

Mr. BAUCUS. Mr. President, how much time remains on each side?

The PRESIDING OFFICER. Twenty-six and a half minutes in opposition.

Mr. BAUCUS. I yield myself 10 minutes.

Mr. President, I note with some amusement the last Senator criticizing the previous President for not being more sympathetic to capital gains reductions. I remind my good friend, the current President also does not seem to have much interest in further capital gains reductions because he, in his big tax bill, did not include any capital gains reduction provisions. Some time down the road he may suggest it. But in this big tax bill, which certainly is one of the major pieces of legislation the President would like to see enacted, this administration does not include any capital gains provisions.

Mr. KYL. Mr. President, will the Senator yield for a quick comment?

Mr. BAUCUS. Certainly.

Mr. KYL. Does the Senator from Montana believe that President Bush, however, would veto a capital gains reduction as President Clinton did?

Mr. BAUCUS. Mr. President, I cannot answer that kind of hypothetical because there is no way of knowing what else might be in that bill the President may not like, just as there's no way of knowing whether President Clinton would have vetoed a capital gains reduction standing alone. Presidents don't have the ability to line-item veto, so it is very hard to answer that question.

But my basic point is clear: This bill contains no capital gains provisions, and for that reason, the amendment is nongermane.

As I mentioned earlier, the amendment offered by my good friend from New Hampshire adds much greater complexity to the tax bill than already exists by making capital gains reductions apply only for a short period of time. We have had a difficult enough time as it is in this bill to try to fit a more progressive bill into the confines of $1.35 trillion over 11 years. We wanted to provide for marriage penalty relief, refundability of the child tax credit and expansion of the Earned Income Tax Credit, lower marginal rates, increased pension benefits, education deductions for college tuition. It has been very hard to fit in all those provisions.

Now the Senator from New Hampshire would add more complexity by making this capital gains provision active only for a short period of time. I believe a major amendment such as this one needs to be thoroughly vetted before we impose a new capital gains structure through this bill.

Many different ideas on how to treat capital gains have been proposed. For example, some Senators have suggested capital gains exclusions, either in the form of a dollar amount exclusion or as a percentage exclusion. This type of capital gains reform actually makes the code much more simple. It is easier to administer, and it might make more sense for more taxpayers; that is, the first x amount of dollars of capital gains could be excluded when computing one's income taxes, or one could say the first 50 percent of capital gains could be excluded.

Years ago, we did have a percentage exclusion, and it made sense. And it represented another way of providing lower capital gains taxes, in the form of an exclusion as opposed to a straight lowering of the rates.

A lot of Americans who holders of mutual funds are concerned about capital gains today because, while the value of their mutual funds declined last year, in many cases they nevertheless paid capital gains taxes on stocks the portfolio manager traded in order to maximize the value of the fund. So even though the shareholder's value declined, he is still paying capital gains taxes in many cases. This doesn't seem to make a lot of sense, but the taxpayer gets to deduct those losses at a later date when he sells the shares.

It has been suggested that we should try to help these taxpayers too, perhaps by allowing them to defer the gains that the portfolio manager provided to the shareholder by trading securities in the portfolio. That would be a way to deal with the capital gains taxes millions of Americans in that situation are facing, even though the shares of their mutual funds are declining. Providing this type of deferral would tend to help middle-income taxpayers a lot more than the amendment offered by the Senator from New Hampshire, which will tend to help wealthier taxpayers.

There are other ways to deal with capital gains taxes too, which have been proposed but not considered this year by the Finance Committee. This is a major modification to the Tax Code designed to stimulate the transfer of assets, yet it hasn't been considered by the Committee of jurisdiction to determine whether this particular approach is the best one to take. I don't think it is good public policy to write such a major provision on the Senate Floor without the Finance Committee's participation.

I think it would be much wiser for us to defer this until later this year, or maybe next year, when there is an opportunity to debate it more fully. The Joint Tax Committee has produced a study on the simplification of the Tax Code, and I will point out again that some of the greatest complexities in the code are the result of our capital gains provisions. In part, this complexity results because of the differential between capital gains rates and ordinary income rates.

The greater that differential, the more taxpayers try very creative ways to move their assets so they are not taxed at ordinary income rates, but rather capital gains rates. And this effort to re-characterize income can stretch the meaning of normal tax concepts. This amendment would exacerbate these efforts because the gap between rates would be greater and people would have more incentive to try to manipulate the characterization of their income in order to improperly minimize their taxes.

My main point is that this is an attractive idea on its face. Clearly, lowering capital gains rates would stimulate the transfer of assets and may accelerate growth, at least in the short term. But this is not the time and place for this amendment.

As for the revenue issues, the Senator has touched on the issue of dynamic scoring versus static scoring methodologies. This brings up an age-old problem we deal with in Congress—that is, how to determine what the revenue impact will be when we change the Tax Code. Those who support dynamic scoring claim that tax cuts, whether in capital gains rates or otherwise, actually raise revenue rather than losing it because of the interactive effect of economic growth. The Joint Tax Committee, in what is almost an art more than a science, generally does a good job of taking into consideration those taxpayer behaviors that are the most reliable when they attempt to estimate the impact of a provision.

I think we have to trust the Joint Tax Committee, which is the agency we all depend upon to determine scoring, which says that the provision actually loses revenue in the context of this bill.

I appreciate the effort of my friend from New Hampshire, but I truly believe this time this is not the time and place for this amendment. I will raise a point of order at the appropriate time.

I reserve the remainder of my time.

Mr. LIEBERMAN. Mr. President, I rise to explain my vote in favor of amendment No. 656 to the tax bill that we are debating today. The record clearly shows my strong support for fiscal discipline and responsible tax reduction. It also shows my strong opposition to the underlying tax cut because it is too large and too careless. However, I am voting in favor of this amendment even though it contains no offsets and could potentially raise the overall cost of the tax cut. I vote for this amendment because I believe it is imperative that this tax bill should contain some provisions directed to business and industry and supportive of economic growth. By voting in favor of this amendment, one of the few that will directly influence investment and economic growth, it is my intent to get it before the Conference Committee where it will be a part of the discussion of what will be the final version of this tax bill. It is my hope that in Conference, our colleagues will recognize that capital formation is a key to economic growth and prosperity. In addition, history has proven that a cut in the capital gains tax not only stimulates the economy, but also raises revenue for the federal government. In fact, one of the reasons I am voting in favor of this temporary reduction in the capital gains tax rate, is that the Joint Tax Committee score does show it raising revenue this year and through 2004 before losing revenue in out years. I am voting for this amendment because I am confident that its cost is justified when compared to its economic benefits and because it is my hope that the Conference Committee will add it to the tax bill without raising the bill's overall cost.

The PRESIDING OFFICER (Mr. COCHRAN). Who yields time? The Senator from New Hampshire.

Mr. GREGG. How much time is remaining?

The PRESIDING OFFICER. The Senator from New Hampshire has 5 minutes. The Senator from Montana has 18 minutes.

Mr. GREGG. I ask that any time used during a quorum call be charged against the time of the Senator from Montana.

The PRESIDING OFFICER. Is there objection.

Mr. BAUCUS. What is the request?

Mr. GREGG. The Senator from Montana has 18 minutes. If we are going to go into a quorum call, I ask that the time be charged to the time of the Senator from Montana.

Mr. BAUCUS. I object. That is not the way we do business around here.

The PRESIDING OFFICER. Objection is heard. If no one yields time, time will be charged equally against both sides.

Who yields time?

Mr. GREGG. Mr. President, I am going to speak, then the Senator from Montana will speak, and then we will yield on this amendment.

Mr. President, I want to make a couple points in response. The scoring on this that I am referring to is not dynamic; it is historical. The fact is that the last time we cut the capital gains tax, it was said by Joint Tax that we would lose revenue over an extended period of time. In fact, it turned out that we gained revenue over the extended period of time. In fact, we exceeded the revenues by over $100 billion over the time period of 5 years.

Today the amendment I have offered generates positive revenue over the first 3 years, which is the period—2½ years—when the capital gains cut is in place. And then it has been projected that in the balance of the 10 years, it

will lose $10 billion total. Mr. President, $10 billion on a $1.3 trillion bill is a manageable number.

The economic benefit that will be generated by cutting the capital gains tax starting June 1 will be huge. It will far exceed any $10 billion that is lost—assuming it were ever lost—because it will mean that there will be a massive infusion of cash into the economy that is today locked down—a massive infusion of investment into the economy that is today locked down.

That investment will generate jobs, create entrepreneurship, and generate prosperity. It will benefit, disproportionately, middle-income Americans, who are today heavily invested through their pension funds and through personal activity in the stock market. It will, therefore, be a significant win for the American people and for the Federal Government because we will generate more revenues for the prosperity of our Nation.

That is why I think it is a good idea to do it and do it now, and it is certainly not an expensive exercise.

I yield back the remainder of my time.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Mr. President, I appreciate the Senator from New Hampshire for agreeing to shorten debate on this amendment. I will again outline why I must respectfully oppose the amendment. One, this is not part of the President's package, and we have resisted including provisions in this bill that are not part of the President's agenda except in very limited circumstances. Frankly, because there are no capital gains provisions in the underlying bill, this amendment is subject to a point of order. It is not germane.

Second, the provision is temporary, and that adds complexity to a code that is complex enough.

Third, there are many ways to deal with capital gains reductions. This amendment only represents one: to lower the rates for a certain period of time. Another would be to provide for an exclusion of some portion of capital gains income from taxes completely, either as a dollar exclusion or as a percentage exclusion. This particular form, that is, the exclusion from income, will tend to help middle-income taxpayers even more than the provision offered by my friend from New Hampshire, which will tend to benefit the wealthiest taxpayers who deal in stocks.

Those Americans who pay capital gains on assets held in their mutual funds, even though the value is declining, are not going to be helped that much by this amendment. There are other ways to help them.

In conclusion, I don't believe this provision represents sound tax policy.

I urge Senators to not support this amendment so we can keep this bill intact, go to conference, and come back with a bill that is virtually identical, if not identical, to the Senate-passed bill. I yield back the remainder of my time.

The PRESIDING OFFICER. The Senator yields back the remainder of his time.

Under the previous order, the Senator from Minnesota, Mr. WELLSTONE, is recognized to offer an amendment.

AMENDMENT NO. 692—MOTION TO COMMIT WITH INSTRUCTIONS

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

The PRESIDING OFFICER. The clerk will report the amendment.

The assistant legislative clerk read as follows:

The Senator from Minnesota [Mr. WELLSTONE] proposes an amendment numbered 692.

Mr. WELLSTONE. Mr. President, I ask unanimous consent that the reading of the motion be dispensed with.

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

The amendment is as follows:

Mr. WELLSTONE moves to commit the bill H.R. 1836, as amended, to the Committee on Finance with instructions to report the same back to the Senate not later than that date that is 3 days after the date on which this motion is adopted with the following amendments:

(1) Establish a reserve account for purposes of providing funds for Federal education programs.

(2) Strike the reductions to the highest rate of tax under section 1 of the Internal Revenue Code of 1986 contained in section 101.

(3) Provide for the deposit in the reserve account described in paragraph (1) in each of fiscal years 2002 through 2011 of an amount equal to the amount that would result from striking the reductions described in paragraph (2) (as determined by the Joint Committee on Taxation).

(4) Make available amounts in the reserve account described in paragraph (1) in each of fiscal years 2002 through 2011 for purposes of funding Federal education programs, which amounts shall be in addition to any other amounts available for funding such programs during each such fiscal year.

Mr. WELLSTONE. Mr. President, I will take a little time because I want to hear from my colleagues on the other side.

In the budget resolution on the Senate side there was an amendment that Senator HARKIN offered. I was an original cosponsor with Senator HARKIN. This was an amendment on which Senators MURRAY and KENNEDY joined. I think this amendment was adopted with 52 votes.

We called for $250 billion over the next 10 years to go into education. There were altogether 52 Senators who voted in support.

But, when the conference committee got its hands on the Harkin amendment, this commitment to education disappeared. This motion commits the reconciliation bill to the Senate Finance Committee and directs the committee to send the bill back to the Senate with a reserve fund of $120 billion; in other words, just half of what the Harkin amendment included.

Where does the $120 billion for education come from over the next 10 years? The motion eliminates the cuts in the 39.6-percent tax bracket.

My colleagues might ask: What happens to the 0.7 percent of Americans who pay taxes at this rate? That is all we are talking about, 0.7 percent of taxpayers. Do they not get a tax cut under this amendment? Absolutely they do, and they get a big one. In fact, the 0.7 percent of families who pay at least some tax at this rate—a married couple, for example, would have to earn over $297,000 a year to do so—will still get about a $8,400 cut in their taxes under this motion. That is a big cut. More importantly, 99.3 percent of American taxpayers will not have their tax cut affected by this motion at all.

By slightly reducing the tax cut for 0.7 percent of the richest Americans, we can invest in what is 100 percent of our future, which is our children. That is what this amendment is all about.

What does this mean? It means we can do better with afterschool programs.

What does this mean? It means we can do better with more reading assistance for these children.

What does this mean? It means we will not have as great a disparity in who can afford higher education.

What does this mean? It means people who are laid off on the Iron Range will have job training and job education opportunities to find other work and do well.

While too many of us are taking photos with children and talking about education, we have a system in the low-income communities where there are 50,000 unprepared teachers hired every year. How interesting it is. We are going to be doing all of this testing, which I will get back to when we get back to the education bill, but at the same time we are going to have a Federal mandate to test every child, we will not have a Federal mandate that will call for the same opportunity for every one of these children to learn and do well.

How in the world do we think these children are going to do that if they do not have good teachers?

How do we think they are going to do it in classes that are 50 in size?

How do we think they are going to do it when the schools are so decrepit?

How do we think they are going to do it when they do not have the additional help they need?

While we are talking, about 25 percent of prekindergarten child care is considered to be good or excellent. Most of it is average to dangerous.

While we are talking, over half of Minnesota's 10- to 12-year-olds have no care after school. That means children whose parents are working hard have no place to go but home alone.

While we are talking, the Pell grant has declined in value to only 86 percent of what it was worth in 1980.

This is a clear question of values. I urge my colleagues to support this motion. It leaves unaffected the tax cuts in this bill for 99.3 percent of American taxpayers. It takes some, but not all, of the surplus funds that would go to

tax cuts for the wealthiest 0.7 percent of taxpayers, and it sets that money aside—$120 billion over 10 years—for education.

The wealthiest 0.7 percent will still see their taxes cut by $8,400. The bill proposes to lock in $1.35 trillion in tax cuts over the next 10 years. If this motion is adopted, we will still have $1.23 trillion of tax cuts, but we will also be locking in $120 billion for education.

Here is the simple proposition: Should the Senate set aside $120 billion of the surplus over the next 10 years for education, an amount equal to one-tenth of the tax cuts that are proposed? I propose $10 in tax cuts but $1 for every $10 in new money for education.

That should be an easy tradeoff for colleagues. I hope it is easy, and I hope they vote yes.

I reserve the remainder of my time.

The PRESIDING OFFICER. Who yields time?

Mr. GRASSLEY. Mr. President, I yield myself such time as I may consume.

The PRESIDING OFFICER. The Senator from Iowa is recognized.

Mr. GRASSLEY. Mr. President, I rise in opposition to the amendment of the Senator from Minnesota. I know he is one of the most sincere individuals in the Senate when it comes to the issue of education. We have had a chance to hear him speak on these issues many times in the last few weeks as we have been considering the Elementary and Secondary Education Act amendments.

As sincere as the Senator from Minnesota is in pursuing his goals for education, doing it on this bill is beyond the scope of the Finance Committee's jurisdiction in the way that he would set up a reserve fund to do that.

A commitment of this bill back to committee to set up a reserve fund would not be within the jurisdiction of our committee. It would direct us to set up a reserve account that would lead us to what he refers to as full funding of education programs.

It would also strike any reduction in the tax burden for those at the 39.6-percent tax rate. There is no revenue estimate for this amendment. That is another issue with which we have to deal within the realities of the budget resolution.

Our bill contains many excellent educational provisions that are within the scope and the jurisdiction of our Senate Finance Committee. These are tax provisions. They are tax provisions that consequently would improve the day-to-day lives of ordinary Americans.

The Senate has passed these education amendments—twice last year and, I think, the year before. Also, these are provisions which, even though they are in this bill, they are on the calendar as a separate bill that was voted out of our committee by a vote of 20–0. So we know these have almost unanimous support in the Senate, as the Senate Finance Committee is a microcosm of the entire Senate.

This motion to commit ought to be seen by our colleagues as a motion to delay the passage of this tax bill and the tax relief for working men and women that will result from this legislation.

In addition, while the motion to commit may be in order, what it directs the committee to do is to fund education spending programs. Therefore, it is my belief—and we may raise this point later on—it would not be germane to the bill. I appreciate Senator WELLSTONE's sincerity. However, I urge my colleagues to reject it.

On a larger note, I am going to take this opportunity to ask the Senator from Minnesota to consider a point of view that I expressed last week in regard to the wealthy of America. I do not deny what he says about the people who pay the 39.6-percent tax rates, that they are very high income people and, maybe more so than other people, can afford to pay that rate. I think too often the Senator from Minnesota as well as a lot of other Senators—maybe even some on our side of the aisle—take the view that when we apply the 39.6-percent tax rate, we are applying it to a group of people who have always been rich and will forever be rich. But that is not the true picture of America.

I want to address that thought and ask the Senator to consider that point of view as I ask him to focus upon what he is doing on the tax portions of his amendment.

We hear so much in this debate about taxing those getting a good paycheck—obviously, a very good paycheck in terms of the amendment of the Senator and those people who are going to be taxed at 39.6 percent. But speeches such as this would make you think the people being taxed must have been getting a good paycheck their entire life—born rich, stay rich, and die rich. But that is not true of most of the people who are in the highest tax brackets. I think people who make these claims provide a distorted picture of America. They present a picture of America where a family who is struggling will always struggle and consequently be at the low income tax rate level or maybe not pay any income tax at all. That is on the one hand. On the other hand, we have an America where people can buy sirloin instead of chuck round, that they have always been able to do this and will always be able to do it. In other words, the poor are always poor and the rich are always rich.

But as we all know, real life provides a more complicated picture. The reality is that the vast majority of our poorest Americans, with a bad spell here and there, spend their lives moving up the economic ladder until retirement.

Yes, there is an extremely small group of people, estimated at approximately 1 percent, for whom the enormous hardship of poverty is a lifelong constant; that is, they are poor and will remain poor throughout most of their life. For these unfortunates, obviously, our society hopefully is a loving society and provides a safety net, a safety net that is expanded by the provisions of this bill, in addition to a lot of appropriated accounts in which we try to help this group of people.

But beyond that 1 percent, or fewer, who are going to be poor throughout their entire life, for most Americans who study, work hard, and play by the rules, their tomorrow is a brighter tomorrow.

I do not come to this conclusion by myself. Every one of us can have the benefit of a detailed study by the University of Michigan that about a third of those at the bottom fifth income bracket—the bottom 20 percent economically of our society—will move up to a higher income bracket even next year; in other words, into the second or third quintile.

Over the past 16 years of study by the University of Michigan, approximately 80 percent of those who were the poorest of Americans had moved into the middle class. And incredibly—but it tells you something about the greatness of America and our economic system and our social dynamics—about 30 percent of those at the bottom were among the richest top fifth during the 16-year study period.

This notion that the people's wages are not constant, that a man probably will not be paid the same amount when he is 25 as compared to when he is 55, is not news to me nor millions of other Americans who understand that there is opportunity to move ahead and up in our society.

But from the way others talk, this must be incredible news to those in the Washington elite who have never had a callus on their hands—that somehow the poor are always poor and the rich did not work to get there, but they have.

What a shock to them it must be to learn that over 60 percent—again, 60 percent—of all families found themselves in the top 20 percent for 1 or more years over a 16-year period in an analysis provided by the Federal Reserve.

This is who is now labeled the wealthy by those fighting tooth and nail against this tax cut—over 60 percent of all American families. And I would like to tell you the real story for many of these families who have finally received the reward of a good paying job after a lifetime of hard work. It is at that time that these families are often the most financially pressed. In other words, people who have married, gotten a job, had families, over a period of 30 years have moved up and maybe became high-income people, but these are also people who might be hit by a 39.6-percent tax bracket who are also financially pressed because in modern-day America these are the families struggling to pay for their kids' college, helping their kids with the cost of daycare, trying to put away something for savings for their retirement.

Also, this generation, the first generation in American history that, besides taking care of their own kids, worrying about their own retirement, may be taking care of their mom and dad who are in a nursing home or need some financial assistance, these people are labeled the rich, the wealthy, and in some instances facing marginal tax rates of up to 50 percent of Federal and State income taxes.

My colleagues should know, too, that for most Americans a good paycheck is fleeting because, as I said, the rich in America are not always rich. Most of them were not born rich. They worked hard to get there. And they do not stay there either because fully one-half of the top 1 percent at the beginning of the decade dropped out of the top 1 percent at the end of the decade, and not only were they not in the top 1 percent, they were not even in the top quintile, the top fifth income bracket, by the end of the decade.

That said, we still all know that the American dream is alive. Sixty percent of all American families will reach the top fifth income bracket during their lifetime. Eighty percent of those on the bottom rungs will reach the middle class or higher.

These high tax rates are really hitting the hard-working middle class who finally get into the top brackets for a few years as a reward for 30 years of hard work and may be even leading a miserly life to some extent thinking about the future. I want you to know those are some of the people who are hurt so much by the high tax brackets—middle-class people who finally make it to the promised land for a few years. I would be sympathetic to people in this body who want to preserve that high tax rate if they wanted to apply it to the people who, for a lifetime, you might refer to as filthy rich. But for people who are from time to time in that high tax bracket, we ought to recognize the fact that it is punitive for people who have worked hard throughout their lifetime.

If you want to tax the other group of people who were born rich, stay rich, and die rich, then figure out some way of taxing them at a high bracket over a 5-year average or something so you do not hook these people who reach the high bracket for a few years of their life and steal the American dream from them.

I am proud this bipartisan tax bill helps reduce the tax bites of these hard-working, middle-income Americans. I encourage my colleagues to remember that when they offer amendment after amendment, it limits marginal tax cuts. It is these millions of hard-working American families who have borne the brunt of hard work, been productive, raising their family, and providing for their own future. Let's not take it away from them.

I yield the floor.

The PRESIDING OFFICER. The Senator from Minnesota.

Mr. WELLSTONE. Mr. President, how much time do I have left?

The PRESIDING OFFICER. The Senator has 25 minutes—24 minutes 25 seconds.

Mr. WELLSTONE. Mr. President, I wish to respond directly to my colleague from Iowa. I am going to start out the same way he did because it has been a friendship. It is not like I dislike Senators, but I always say very positive things about him because I think he is one of the best people in the Senate. I think probably the other 98 Senators feel the same way.

I am going to get back to education, but on this whole question of the elitist Washington viewpoint and people being able to work hard and, if you will, attain the American success or American dream—I know all about it. I don't want to get corny, but I think my father was 56 when my parents finally had enough money to buy a home. We thought we had died and gone to heaven. It was a little box, it was a teeny place, but for them, Jewish immigrants, it was a big deal. I understand full well what that is about.

But I will tell you something and this is an honest to God disagreement we have. You mentioned the whole issue of nursing homes. First of all, both had Parkinson's disease. My parents are no longer alive, but other people's parents and grandparents, they are not going to get a break when it comes to being able to afford prescription drugs. That is why I support the Rockefeller amendment.

I say to my colleague from Iowa, as a matter of fact, the Finance Committee is spending a lot of money on these tax cuts so that is not revenue that is there. If, in fact, you want to make sure senior citizens—then we will get to education—can afford prescription drugs, which means you cannot have too high a deductible or copay, which means you can't means-test it at $20,000 and then say because individuals have an income of $21,000 they don't get any break, which means you have to cover the catastrophic expenses—you cannot do it on the cheap. We are not going to have the money for it.

You talk about nursing homes. My colleague from Iowa has done some of the best work, being there for consumers, going after some of the nursing home industry that do not live up to good standards. I agree with him. But the truth is, whether it is enabling people in Iowa and Minnesota to stay home as long as possible and to live with dignity—that is what my mom or dad wanted—or go to a nursing home, from where do you think the money is going to come? Do you think that is going to be done on a $3,000 tax credit? It costs a lot more than that. Where is the commitment of resources going to be? We are not going to have it. It is all going to be crowded out by this legislation.

I am saying to colleagues that for a couple with an income of $300,000 a year, their tax cut—they are going to get a tax cut. But their tax cut will be $8,400 a year. I think the majority of Minnesotans and couples in the United States of America who make $300,000 a year will say, if the tradeoff is we will be limited to a $8,400 tax cut but there will be more for children and for education, including our children, we are for it.

Let's get real about this. This is all a debate about values and priorities.

Mr. President, 52 Senators voted for the Harkin amendment. I was the first original cosponsor of that amendment. That was $250 billion, and in the budget resolution you said you were going to take it out of tax cuts. Mr. President, 52 Senators voted for that.

I am now taking half of that $250 billion, $120 billion, and I am saying we take it out of the top 0.7 percent of the population, who still get a tax cut but not as much.

You have voted in this ESEA authorization bill, as far as I can calculate, for $212 billion for the period of 2002 to 2008. Are we engaged in symbolic politics or is this for real? I heard some of my colleagues come to the floor and say we have to do more than talk the talk; we have to walk the walk. If you have voted to authorize $212 billion, from where do you think it is going to come? From where do you think it is going to come? My colleague from Iowa, and for all I know Democrats as well, are going to come out here and they are going to say that this motion violates the Budget Act and, because of the Senate's arcane rules, would require 60 votes.

That is true. But, unfortunately, I have to bring this motion to the floor right now because you members of the Senate Finance Committee, you are the ones who are spending all this money. You are spending the money through the tax cuts. It is going to be $2 trillion over the next 10 years when all is said and done, and then in the following 10 years when the chickens come home to roost and we have more and more people who are 65 and 70 and 75 and 80, you are going to erode the revenue base by $4 trillion.

Where is the money going to be for Medicare? Where is the money going to be for Social Security? It is fiscally irresponsible. Honest to God, this Senate Finance Committee—and I love you all individually—you are making me a fiscal conservative. I never thought I would ever say that on the floor of the Senate. I cannot believe what you are doing, in terms of the future projections. I want to announce for the people of Minnesota today: Not only am I a Senator for education and children, that is what I am trying to do here right now, but the Senate Finance Committee, the Republicans and too many Democrats, all of whom I love individually, have now made me a fiscal conservative. I cannot believe what we are doing. I cannot believe it.

So now I would say to my colleagues: This is your choice. Can I repeat it one more time? We set aside only $120 billion of real money—not authorizations.

I don't want you to vote for authorization and go back home and say I voted for all this money for title I and I voted for all this money for everything else, when it is not real money, it is fiction. It is fiction and the Presiding Officer knows it. You set aside $120 billion, that is one-tenth of the tax cuts. So it is an easy choice, $1 for children and education for every $10 in tax cuts, and you set it aside by saying to people, couples with incomes of almost $300,000 a year: You get a tax cut of at least $8,400. What could be more reasonable?

I want to make two other points, one about this overall tax cut that is before us and the other about education. My colleague from Iowa talks about the poor and helping the poor. I give credit where credit is due for a partial refundable tax credit, child credit. But can I ask this question, and I may have an amendment on this later on today: If the choice is between not covering any low-income children versus covering some low-income children, versus covering all low-income children, why aren't we covering all low-income children? Why is it that the poorest of poor children—the 10 million children who come from families with incomes under $10,000 a year—their families do not get a break at all? What in the world is going on here?

My colleague comes out on the floor and says—and so will others—''You are violating the Budget Act.''

Why don't you tell that to my daughter Marcia who is a Spanish teacher who will have 50 students in her class next year?

Why don't you tell that to my son Mark who has been teaching at an inner city school, Arlington High, in St. Paul, where so many of those students never had a break and need the additional help but they are not going to have the resources?

Why don't you tell that to these children who are 7 and 8 years old and in a given year, especially in your inner city schools, they will have two or three or four teachers, and, in addition, quite often they do not have qualified teachers, and, in addition, the schools are overcrowded, and, in addition, quite often the bathrooms don't work, the plumbing doesn't work, the heating isn't adequate, the schools are too hot, and, in addition, they don't have the technology and the resources?

Why don't you tell it to these children that this—because of the Senate's arcane rules—violates the Budget Act? Tell it to the children. Do you want to know something? We can do a lot of things in this Chamber of the Senate and they are reversible later on. When you rob a child of his or her childhood, it is irreversible. We are going to fully fund the title I program for children who come from low-income families 10 years from now, maybe? These 7-year-olds will be 17. It will be too late for them. You don't want to take $120 billion of real money for education? Instead, you want these Robin-Hood-in-reverse tax cuts?

I am embarrassed that the Democratic Party has not fought back harder. This will be the first of many amendments I will have on this tax cut, win or lose.

Mr. President, I reserve the remainder of my time.

The PRESIDING OFFICER. Who yields time?

The Senator from Montana.

Mr. BAUCUS. Mr. President, might I inquire, how much time is remaining on this amendment?

The PRESIDING OFFICER. Senator WELLSTONE has 13 minutes 33 seconds, and the opponents of the amendment have 15 minutes 4 seconds.

Mr. BAUCUS. Mr. President, I do not see anyone in the Chamber who wishes to speak against this amendment.

Mr. WELLSTONE. May I ask my colleague, that must mean I have 98 votes for it?

Mr. BAUCUS. I don't know what it means, I say to my good friend from Minnesota. All I know is that at this point no one wishes to speak against the amendment. I urge my friend, if he wants to continue speaking on the amendment, to do so. I wish I could help the Senator by dredging up opposition to this amendment, but I cannot find any.

Mr. WELLSTONE. I say to my colleague from Montana, I certainly appreciate it. I certainly would like to debate Senators on this priority. I certainly would like to. I think this gets right to the point of values. I think this is a spiritual debate we are having.

I want to know when we are going to match our rhetoric about children and education with real resources. But I do not see Senators in this Chamber, so I am assuming that this will be a win for children and education.

But, for the moment, I say to my colleague, I guess what happens is we go into a quorum call and time is charged equally against both sides?

Mr. BAUCUS. That is correct.

Mr. REID. If the Senator would yield, or the Senator could yield back his time, someone else could offer an amendment.

Mr. WELLSTONE. Mr. President, I think I will speak a little longer about my amendment.

Mr. BAUCUS. Fine.

The PRESIDING OFFICER. The Senator from Minnesota is recognized.

Mr. WELLSTONE. I thank the Chair.

Let me summarize, in a very quiet way, for a moment, what this is about. Then let me just challenge Senators. All I am saying is, it is kind of like walking our talk. There should be 52 votes for this motion. Fifty-two Senators voted for a Harkin amendment to take $250 billion out of tax cuts. I take half of that for education. I take it by eliminating the cuts in the 39.6-percent tax bracket. That is .07 per percent of Americans; that is a couple with an income of $300,000 a year, and they still get an $8,400 tax cut.

But I am saying, by not making that additional cut, you then would have $120 billion you would put aside for education. That is $1 for education and children for every $10 in tax cuts. I am saying to Senators, if you voted for the Harkin amendment, this is half that amount. I hope you will support this motion.

I am saying to you, Senators, that unfortunately it is 10:55 and I cannot get anybody to debate me. But the truth of the matter is, this is historic. What we are doing in the Senate is breathtaking.

The Presiding Officer, he can disagree with me. He is another one of these Senators—I feel as if I am passing out compliments—who is civil and decent and good. And people can have different viewpoints.

For my own part, I think that we are doing two things.

We are, A, passing a tax cut that is still ''Robin Hood in reverse,'' with still over 30 percent of the benefits going to the top 1 percent of the population. I remind my colleagues one more time, I give you credit for improving this bill in the Finance Committee over what the President had, but when over 30 percent of the benefits are going to the top 1 percent, and still 10 million of the poorest children in America and their families are not benefiting from a child credit, I wonder about our priorities.

And B, and even more importantly—and I am sorry; in fact, I am embarrassed—the Democrats do not seem to grasp this. This will so erode our revenue base. We are talking really more about $2 trillion over the next 10 years and that there will not be the resources to invest in education and children, or the resources to invest in affordable prescription drugs, or the resources to expand health care coverage. And the list goes on and on.

If you believe that when it comes to these pressing issues of people's lives there is nothing the Government can or should do, then this is one big, good, ideological victory for you. But if you believe: I came to Washington believing we could do things that would lead to the positive improvement of people's lives, and you believe there is a positive role for Government, then what we are about to do is shut it down.

I cannot even begin to express my indignation about what we are doing with education. We are all for the children, and we are all for education, and we all love them, but we are not digging into our pockets and making the investment.

We are going to get back to a bill really soon where the Federal Government—I am amazed conservatives are considering this—is going to tell every school district, every school, every State: You are going to test children every year, age 8, 9, 10, 11, 12, and 13, and at the same time we are not interested in also having a Federal mandate backed by resources to guarantee that every one of those children will have the same opportunity to succeed. We fund the title I program at the 30-percent level. We have children—most

children, many children—coming to kindergarten way behind, and yet we are not making the investment in the resources.

There never was a deal before we went to this education bill that there would be the money. There still isn't any understanding. And now, Democrats, wake up and smell the coffee. We are not going to have the resources.

This is a massive reversal in social policy. I am heartbroken by what we are doing, but I certainly think that at the very minimum Senators would be willing to vote for this motion. It is simple.

We should not separate our lives as legislators from the words we speak. We have spoken great words about education and children. I have heard so many speeches, I have heard enough speeches to deafen all the gods. I want to know whether we are willing to invest the real money.

My colleagues are going to say this is a violation of the Budget Act. Tell that to the good teachers who are trying to teach the children; tell that to the children. Tell that to kids whose childhood is precious and wonderful, and, in all too many ways, we are robbing them of that childhood.

How much time do I have remaining?

The PRESIDING OFFICER (Mr. JEFFORDS). Six minutes.

Mr. WELLSTONE. Is it too much to ask Senators, is it too much to ask for the sake of better teachers, more teachers—by the way, there are a lot of great teachers—for the sake of having more qualified teachers, for the sake of making sure these kids get more help with reading, making sure there is more title I money for kids who come from low-income backgrounds, making sure we have the additional help for the children, especially the little children, is it too much to ask the wealthiest 0.7 percent to still get tax breaks, at least the $8,400 a year, but we would not eliminate cuts in the 39.6-percent tax bracket and instead make the investment in children and education?

I grant you, the children I am talking about probably do not have the same lobbying coalitions as those who want to cut the highest tax rate. I grant you the children I am talking about and their families probably do not have the same access, probably they are not the big givers, probably they are not the investors. But one would think out of some sense of values we could at least provide the support.

This whole issue of class warfare is a bogus argument. I maintain that the vast majority of people in Minnesota who have incomes around $300,000 a year would be pleased to have some tax cut, at lease $8,000 or thereabouts, but then would say, fine, we don't need any more, and if you are going to put that money into children and education, God bless you, do it. We are proud of you, Senate.

I hope you will vote for the amendment.

How much time do I have remaining?

The PRESIDING OFFICER. The Senator has 4 minutes.

Mr. BAUCUS. Mr. President, how much time is there in opposition to the amendment?

The PRESIDING OFFICER. Fourteen minutes.

Mr. BAUCUS. Mr. President, I will take 4 minutes.

It is with deep regret that I must tell my good friend from Minnesota, in good faith and conscience, I cannot support his amendment, certainly not at this time.

I agree with him that this tax bill is too big. In fact, I argued to the President that he ought to propose a much smaller bill for the first 5 years and then, if the budget surpluses materialize, we can look at another tax cut. That way, if the surpluses don't materialize, this country is protected. We certainly don't know with a great degree of certainty what the budget surplus is going to be 10 years out.

The President did not agree with my suggestion, but it is a position that makes a lot more sense and is better public policy, if we were to pursue that direction. Unfortunately, we are not in that position today, as the Senator well knows.

The main argument the Senator makes—one that has a lot of merit to it—is an argument that he and others made on the budget resolution. But that argument was not successful, and the budget resolution has passed with $1.35 trillion in tax cuts locked in. That is where we are today.

I agree with him that this is still too large a tax cut, though at least it is smaller than the President's earlier proposal of $1.6 trillion, so that is some progress.

There are other provisions in the budget resolution that do protect social needs. One is the $300 billion over 10 years for prescription drugs, an amount that was locked in during the budget debate. Agriculture is provided $74 billion over 10 years, though that is not likely to be enough. There is always the likelihood of disasters and other emergencies that will require us to re-evaluate that amount. As for the contingency fund of $500 billion that is in this bill, we all know that there are more claims to that $500 billion than there are dollars. That is a problem. Nevertheless, the contingency fund is also locked in by the budget resolution.

It is important to remind ourselves that this tax bill will sunset after 10 years; that is, under the rules we provided for ourselves, unless this tax bill passes by 60 votes or more, then these revenue bills are terminated after 10 years. This means that, while it is legitimate to be concerned about the second 10 years, we necessarily review all of these provisions before that time because of the termination.

It may not be the best tax policy to have tax laws that terminate in 10 years, but nevertheless those are the rules we have provided for ourselves to ensure that there is strong bi-partisan support for these measures.

It is also important to recall that future Congresses are also going to make changes. Congress will meet again tomorrow. Congress will also meet next week, next month, and next year, and according to the conditions of the time, I am quite confident that Members of future Congresses will make changes to what we consider here today. There will be different Presidents during the 10 years of this bill, and they will have different priorities and a different agenda.

Although it is not a lot of fun to raise taxes, Congress has raised taxes when Congress felt it was necessary, even under Republican Presidents—many times in the 1980s.

This is a very dynamic country. The United States of America is probably the most dynamic country in the history of civilization. We are a big country, and we have a history of adjusting to difficulties. We are going to find ways to help education more than we have in the past, just as the Senator from Minnesota very correctly points out.

It is important to remember that in our country, 93 percent of the dollars for elementary and secondary education are raised at the State and local level. Only 7 percent of elementary and secondary education dollars are Federal dollars. That is starting to change because the States are so strapped. We in Congress should accelerate that change, and this bill does so. There are deductions for college tuition, for example, and other education provisions in the bill that total some $30 billion. That is a start, and it includes a big, new initiative in the college tuition deduction, which is sure to be expanded in future years.

To conclude, I must tell my good friend from Minnesota with a great deal of regret, it is not even in the jurisdiction of the Finance Committee to set up this fund. He is fighting the right battle for the right cause, but not in the right place. We will be more successful in future days and weeks and months to get more money for education, I am quite confident, and I will help him do so. Regrettably, we can't do it right here.

The PRESIDING OFFICER. Who yields time?

Mr. GRASSLEY. Mr. President, I rise to make a unanimous consent request.

Mr. President, I ask unanimous consent that a vote relative to the motion to waive with respect to the Gregg amendment occur at 6:08 today, with 5 minutes under the control of Senator GREGG and 3 minutes under the control of Senator BAUCUS for final debate prior to the vote, and that there be no second-degree amendment in order prior to the vote, and further, following that vote, the Senate proceed to a vote in relationship to the Carnahan amendment as under the order.

Mr. REID. Mr. President, reserving the right to object, I say to my friend,

the manager of the bill, the reason we are going to agree to this is the fact that Senator GREGG has been over here for several days. I think he deserves this extra time.

With the many, many votes we have later today, there will be no other agreements such as this. The reason there has been a rearrangement of the order of voting is that this will allow Members to hear this debate prior to the first vote, and then after that the votes will sequence. Senator GREGG's vote was supposed to be second. We would have one vote and have this in between.

I hope the majority leader enforces the 10-minute rule this evening. We have so many votes. I hope he will do that. If people have to step out of the Chamber for other business, I hope it will be at the peril of their missing these votes. In the past several months, we have held up votes for so long that it has made it inconvenient for everyone.

Having said that, I withdraw my objection.

Mr. GRASSLEY. Mr. President, I appreciate what the Senator from Nevada has said. I hope, too, that we will be able to expedite each of these many rollcalls that we will have this evening.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

Who yields time?

Mr. WELLSTONE. How much time do I have?

The PRESIDING OFFICER. The Senator has 4 minutes.

Mr. WELLSTONE. Mr. President, I was listening to the Senator from Montana. I have to say to him, with all due respect, he was talking about how we locked this in for agriculture, and this for prescription drugs—although I will tell you something, it is fiction, what has been locked in for prescription drugs to make it affordable.

If we can lock it in for other areas, why can't we lock it in for children and education? The only thing I have gotten from the Senator from Montana is this vague commitment—oh, well, you know, sometime, someplace, later on we will get this done.

We have an opportunity right now to lock this in for children and education. We can lock it in right now—$120 billion over 10 years, half of what we voted for in the budget resolution, coming out of the tax cut, coming out of the very highest 39.6 percent—although the very highest income people, couples with $297,000, still will get a break of $8,400. In exchange for not cutting it any further, we will have $120 billion for children and education.

I mean, vague commitments about the future—why don't we lock it in now? This is real money. That is what this is all about. There is a zero-sum game between how much you do by way of tax cuts and how much you erode the revenue base and what we will be able to do for children and education.

I say especially to my Democratic colleagues, if we can't step up to the plate and vote for children and education, we don't have a politics. We don't have a politics. No wonder people wonder what in the world is going on. You have these Robin-Hood-in-reverse tax cuts still mainly going to the top 1 percent. You erode the revenue base and you are unwilling to lock in a commitment right now to children and education, albeit a very modest commitment.

Senators, in the words of Rabbi Hillel: If you can't make the commitment to children and education now, whenever will you? If you don't speak for children in education now, whenever will you? If we are not for children and education, who in the world are we for? Who do we think we represent? It is time to step up to the plate now. This is real money. Let's not play symbolic politics any longer.

How much time do I have left?

The PRESIDING OFFICER. The Senator has 1 minute.

Mr. WELLSTONE. I am pleased to respond.

Mr. BAUCUS. Mr. President, very briefly, I voted to lock in more money for education when we were on the budget resolution, by voting for the Harkin amendment. I wish that amendment would have passed, but unfortunately it didn't. As the Senator well knows, the place to lock in big amounts for programs such as education is during the budget debate. The budget resolution was the place we were successful in locking in $300 billion for prescription drugs.

But this is not the budget we are debating here. This is the tax bill. And unfortunately, the amount of the tax cut was locked in during the budget debate, and that is what we must be comply with now.

Mr. President, I yield back the remainder of my time.

Mr. WELLSTONE. Mr. President, I say to my colleague from Montana, 60 Senators can make this the proper time and place. That is what this debate is all about. Sixty Senators can make this the proper time and place to make a modest commitment to children and education. We can do it right now, or tonight when we vote on this motion.

With all due respect, I will tell you, people in the trenches working with children in schools around the country look at these arcane rules and say, hey, if 60 of you can step to the plate and be there for children and education, please do so. We are waiting for you to act on what you say you believe in.

So I hope we get 60 votes, and then it will be the time and place. I yield the remainder of my time.

The PRESIDING OFFICER. Under the previous order, the Senator from Utah, Mr. HATCH, is recognized to offer an amendment.

AMENDMENT NO. 697

Mr. HATCH. Mr. President, on behalf of myself, Senators ALLEN, CRAIG, GORDON SMITH, and HARRY REID, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Utah [Mr. HATCH], for himself, Mr. ALLEN, Mr. CRAIG, Mr. SMITH of Oregon, and Mr. REID, proposes an amendment numbered 697.

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

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

The amendment is as follows:

(Purpose: To amend the Internal Revenue Code of 1986 to permanently extend the research credit and to increase the rates of the alternative incremental credit)

At the end of subtitle A of title VIII insert the following:

SEC. ___. RESEARCH CREDIT.

(a) PERMANENT EXTENSION OF RESEARCH CREDIT.—

(1) IN GENERAL.—Section 41 (relating to credit for increasing research activities) is amended by striking subsection (h).

(2) CONFORMING AMENDMENT.—Paragraph (1) of section 45C(b) is amended by striking subparagraph (D).

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to amounts paid or incurred after the date of the enactment of this Act.

(b) INCREASES IN RATES OF ALTERNATIVE INCREMENTAL CREDIT.—

(1) IN GENERAL.—Subparagraph (A) of section 41(c)(4) (relating to election of alternative incremental credit) is amended—

(A) by striking ''2.65 percent'' and inserting ''3 percent'',

(B) by striking ''3.2 percent'' and inserting ''4 percent'', and

(C) by striking ''3.75 percent'' and inserting ''5 percent''.

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years ending after the date of the enactment of this Act.

Mr. HATCH. Mr. President, the amendment I offer is simple and straightforward. It would extend permanently the credit for increasing research activities, commonly known as the research credit, or the R&D credit. This provision has been an important contributor to our robust economic growth in the past decade. I have to admit I am working with the managers of the bill on trying to find an acceptable offset for this particular amendment. Even if we don't find an offset, this amendment is very important, and should be adopted.

Let me explain why this amendment is necessary. In July 1999, the Senate voted to make the research credit permanent. Unfortunately, the House version of the 1999 tax bill included only a 5-year extension of the credit. The 5-year extension prevailed in conference. As we all know, that bill was vetoed by President Clinton.

However, in November of 1999, Congress passed and President Clinton signed the Ticket to Work and Work Incentives Improvement Act, which included the 5-year extension of the research credit. Therefore, the credit was extended to June 30, 2004.

Last summer, the Senate again had the opportunity to vote on a permanent extension of the research credit. While we were debating last year's version of the death tax repeal bill, Senator BAUCUS and I offered an amendment to again make the research credit permanent. The Senate passed the amendment with a vote of 98–1. Once again, President Clinton vetoed the underlying tax bill.

Thus, as it stands under present law, the research credit is scheduled to expire on June 30, 2004. This is most unfortunate, Mr. President, because in 2004, the Congress and, more importantly, America's business community, will once again have to go through the rigmarole of on-again, off-again uncertainty of an important tax provision that means so much to our country.

The ultimate loser in this game is not the Congress, nor even the companies that engage in research, but each American. This is because every one of us is the direct beneficiary of the research investments made by the businesses of America. Each one of us benefits from the higher economic growth, the increased productivity, and from the higher degree of global competitiveness that increased research brings.

The research credit has been in the Internal Revenue Code for 20 years, in one form or another. It has expired and been extended ten times. Ten times, Mr. President. Those extensions have been as short as 6 months and as long as 5 years. There have even been periods when the credit was allowed to expire, and then retroactively reestablished. On one occasion, the credit expired and was re-enacted prospectively, leaving a gap period when the credit was not available. The one thing the credit has never been is permanent.

This is significant because, as effective as the credit has been in providing a strong incentive to companies to increase their research activities, it has been inherently limited in its effectiveness because business leaders have never been able to count on the credit being there on a long-term basis.

Anyone who has been in business for more than 10 minutes knows that planning and budgeting—unlike what we do in Congress—is a multiyear process. And, anyone who has been involved in research knows that the scientific enterprise does not fit neatly into calendar or fiscal years.

Our history of dealing with the research credit—that is, allowing it to run to the brink of expiration and reviving it at the 11th hour, the 12th hour, or even bringing it back from the dead with retroactive extensions—results in not only very poor tax policy, but is also detrimental to our research-intensive business entities and indeed the whole country.

It is time to get serious about our commitment to a tax credit that is widely viewed by economists and business leaders as a very effective provision in creating economic growth and keeping this country on the leading edge of high technology in the world. A 1998 study by Coopers and Lybrand dramatically illustrated the significant economic benefits that have been provided by the research credit. According to the study, making the credit permanent would stimulate substantial amounts of additional research and development in the U.S., increase national productivity and economic growth almost immediately, and provide U.S. workers with higher wages. That is hard to beat. In fact, it cannot be beat.

The vast majority of the members of this body are on record in support of a permanent research credit. As I mentioned, last summer, 98 Senators voted in favor of permanence. Moreover, making the research credit permanent was practically the only business provision that President Bush included in his tax proposal. And, just in case some have forgotten, former Vice President Al Gore also included a permanent research credit in the tax plan on which he campaigned last year. The point here is that making the credit permanent is probably the most bipartisan tax cut provision that has been before the Congress in recent years.

While practically everyone says they support a permanent research credit, it has become too easy for Congress to fall into its two-decade-long practice of merely extending the credit for a year or two, or even 5 years, and then not worrying about it until it is time to extend it again.

These short-term extensions have occurred ten times since 1981. Ten short-term extensions for a tax credit that most Members of this body strongly support. I am not sure we realize how the lack of permanence of the credit damages its effectiveness. I am telling you it does, and so do the experts.

Research and development projects cannot be turned on and off like a light switch. They typically take a number of years and may even last longer than a decade. As our business leaders plan these projects, they need to look years ahead in making the projections and estimating the potential return on their investment. Because the research credit is not permanent, and its extension is not assured, the availability of the credit over the life of these projects is uncertain and is thus often not included in the numbers. As a result, the projected return on the investment is lower and some promising research projects are simply not funded.

With a permanent credit, these business planners would take the benefits of the credit into account, knowing they would be there for all years in which the research is to be performed. The result would be a lower projected cost, leading to more research projects being funded, which in turn would lead to more benefits to the economy, to our productivity, and to each consumer. In fact, making the credit permanent would start these benefits now and actually give an immediate boost to the amount of research performed, even before the current credit expires in 2004.

There is little doubt that a significant amount of the incentive effect of the research credit has been lost over the past 20 years because of the constant uncertainty about its continuing availability. This uncertainty has undermined the very purpose of the credit. For the Government and the American people to maximize the return on their investment in U.S.-based research and development, this credit must be made permanent. And now is the time to do so.

Each time that Congress has extended the research credit for only a short period, rather than permanently, the ostensible reason has been a lack of revenue. We tell our constituents that we simply did not have the money to extend the credit permanently.

Is this the excuse we are going to give the next time we meet with the high-tech workers and entrepreneurs in our States? Are we going to tell them that out of a tax cut bill totaling $1.35 trillion, we could not find the revenue to pay for the permanent extension of this credit?

I admit that the revenue cost of extending the research credit permanently is not inconsequential. The estimate I have from the Joint Committee on Taxation says that its extension would cost around $47 billion over 10 years. But this is only 3.5 percent of the total cost of the bill. It seems to me that 3.5 percent is a small price to pay for a provision that will help ensure continued productivity increases, economic growth, and job creation.

Ironically, it costs at least as much in terms of lost revenue to enact short-term extensions as it does to extend it permanently. So saying we cannot afford to make the research credit permanent is a notion of false economy forced on us by the budget rules. I believe there is simply no valid reason that the credit should not be extended on a permanent basis. The provision was in the President's proposal, and it should be in the bill before us today, and was in Al Gore's plan as well.

I believe a permanent research credit is one of the most important elements of President Bush's tax plan because it is so tied in with the issues of economic growth and our future prosperity.

According to Chairman Greenspan, the Nation's high productivity growth, which has played an instrumental role in our economic growth of the past few years and also in creating our projected budget surplus, would likely not have been possible without the innovations of recent decades, especially those in information technologies. The research credit is a key factor in keeping these innovations coming into our lives. But a temporary credit is inherently limited in its ability to do this.

As I mentioned earlier, I am afraid too many of us are stuck in a mindset that says that since the research credit can just be taken care of later this

year in a tax extenders package, or when it gets closer to its 2004 expiration date, why bother about it now?

I want to emphasize that another temporary extension is not the issue here. We can and probably will always extend the credit when the time for its expiration comes. It will likely be on the less effective basis we have always done it, perhaps only for a few months, or it may be on a retroactive basis, and there may be a gap created, but we will probably keep extending it. The issue is whether or not we should magnify the power of this credit by making it permanent. It is just common sense to do so.

The conditions for a permanent extension now are better than they have ever been, and are likely to be again, and we should not let this bill go by without doing this.

This amendment is about long-term growth, it is about fostering innovation and keeping the innovation pipeline filled, and this is about sustaining the productivity gains that have brought us where we are today and that can help us stay prosperous in the future as we deal with the entitlement challenges ahead.

In conclusion, if we decide not to make the research credit permanent, are we not limiting the potential growth of our economy? How can we expect the American economy to hold the lead in the global economic race if we allow other countries, some of which provide huge government direct subsidies, to offer stronger incentives than we do?

Making the credit permanent will keep American business ahead of the pack. It will speed economic growth. Innovations resulting from American research and development will continue to improve the standard of living for every person in the U.S. and also worldwide.

This provision should be in this bill. It deserves to be on the table in conference with the House. We should not overlook the importance of making the credit permanent now.

I urge my colleagues to support this amendment.

AMENDMENT NO. 701 TO AMENDMENT NO. 697

Mr. HATCH. Mr. President, on behalf of Senator KERRY and myself, I send a perfecting amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Utah [Mr. HATCH], for Mr. KERRY, for himself and Mr. HATCH, proposes an amendment numbered 701 to amendment No. 697.

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

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

The amendment is as follows:

(Purpose: To allow a credit against income tax for research related to developing vaccines against widespread diseases)

At the end of the matter proposed to be inserted, 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.

Mr. HATCH. Mr. President, I will just take a few minutes to speak to Senator KERRY's amendment.

This amendment provides a 30 percent tax credit on qualified research expenses to develop microbicides for HIV and vaccines for malaria, TB, HIV, and other diseases that kill 1 million people or more annually. This is an expansion of the existing 20 percent research and development tax credit.

It mandates that a company file a research plan with the Secretary of the Treasury on these priority vaccines or microbicides before claiming the tax credit.

It allows the tax credit to be applied to the costs of clinical trials outside of the United States, because of the prevalence of malaria, TB, and HIV in developing countries. However, pre-clinical research must be conducted in the United States in order to claim the tax credit.

This amendment also provides a refundable tax credit to small biotech companies based on the amount of qualified research that a company does in a given year. This credit is designed to stimulate increased research among firms that often do the most innovative research.

It mandates that any firm receiving this credit put an equivalent amount of funds into research and development within 2 years of having received the credit. Such expenditures cannot be claimed under the tax credit for qualified vaccine research and development. It requires the Secretary of the Treasury to promulgate regulations to recapture the credit if a company fails to make these expenditures.

The amendment allows 100 percent of the expenditures on contracts and other arrangements for research and development on these priority vaccines and microbicides to be counted toward the baseline for the R&D tax credit. Currently only 65 percent can be counted. This increase is designed as an incentive for larger firms to contract with smaller vaccine research companies.

So, Mr. President, I have filed this on behalf of Senator KERRY and myself. I hope the Senate will give great consideration to this.

I yield the floor and reserve the remainder of my time.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. Mr. President, I yield myself 1 minute. I appreciate the commitment of the Senator from Utah to extending the research and experimentation credit. There is no question the issue of research and experimentation has no greater supporter than the Senator from Utah and all the people involved with it ought to appreciate his interest in it.

I know the R&D credit has strong bipartisan support and that it was included in the President's request.

I ask the Senator give us the time to work with him on the amendment today and see what we can do to make sure it becomes something we can work with and deal with in conference.

I yield the floor.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Mr. President, I join the chairman of the committee in telling the Senator from Utah he has a good amendment. The R&D tax credit should be a permanent part of our law for a couple of basic reasons. One, we know jobs in the future depend upon research today. The more research today, the more technology will be enhanced, productivity enhanced, and more jobs in the market. That is pretty clear.

Second, we want research in the United States more than other countries. It is fine to conduct research overseas if American companies conduct research overseas but we also want them to conduct research here. Other countries give far more lucrative benefits in credits and other incentives to companies in their countries for research and development than do we in America. We all know it is a fiercely competitive world; our economy is so globalized. If we are going to, A, stay ahead and, B, make sure those jobs are here in the United States, it makes good sense to have a credit for Research and Development as a permanent part of our law.

I am a cosponsor with the Senator from Utah of his bill to make R&D tax credit permanent. I will work with the Senator to try to find a way to work this out so we can make it permanent.

The PRESIDING OFFICER. The Senator from Utah.

Mr. HATCH. I thank my colleagues for their graciousness and willingness to work with me to see how we can make this part of the overall tax bill, and I sure hope our colleagues on both sides will support whatever offset they come up with, and that they can support this amendment.

We are making a diligent effort to try to resolve the offset problems. I am willing to yield my time, but I notice the Senator from Nevada has risen. I will be happy to yield to the Senator from Nevada.

Mr. REID. Mr. President, I am a cosponsor of this amendment. It is very good legislation. We have had continual battles in the Senate over what we should do with renewables. We can do nothing with renewables until we get a permanent tax credit.

An example is, we have a wind farm we are putting in at the Nevada Test Site. We are trying to develop new uses for that test site which has been in effect for some 50 years, after setting off nuclear devices there.

The people there know it will produce huge amounts of electricity, but they cannot borrow the money because no one will loan them the money because the tax credit is for a limited period of time.

The amendment of the Senator from Utah, of which I am a proud cosponsor, is the way we have to go. If we are going to change our heavy dependence on fossil fuels, we have to have a tax credit that is permanent on renewables. This does that, among other things. I totally support the amendment of the Senator from Utah.

Mr. HATCH. I thank my colleague and I am prepared to yield the remainder of my time if the floor managers are prepared to yield the remainder of their time?

The PRESIDING OFFICER. All time is yielded back.

Under the order, the pending amendments are laid aside and the Senator from West Virginia is recognized to offer an amendment.

AMENDMENT NO. 703

Mr. BYRD. Mr. President, I thank the Chair.

Mr. President, I am going to offer an amendment. But, before I do, I feel compelled to express my appreciation to the two managers of this bill for the work they have given to the task, for the time they have given to the task. I know it is not easy. I know they have had pressures from colleagues on both sides. I know each has had his own pressures from his own colleagues on his own side. I do not envy you.

I am going to offer an amendment which the managers may not accept. But that will not lessen my appreciation and respect for them. We can't all agree on everything.

When I was majority leader I, from time to time, had colleagues on my own side who did not support me. But those who did not support me today might be those who would support me tomorrow.

So like the waves of the sea, the tide comes in, the tide goes out; it comes back again. I just want to express my appreciation, first of all, to the two managers of the bill.

Mr. President, I am going to send an amendment to the desk, as I said. But, before I send it to the desk, let me say to Senators what the amendment would do. The purpose of the amendment is as follows: I shall read it, then I will send the amendment to the desk.

Purpose: To strike all marginal rate tax cuts except for the establishment of the 10 percent rate and strike all estate and gift tax provisions taking effect after 2006 in order to provide funds to strengthen social security—

Here is your chance, my friends, to strengthen Social Security—

extend the solvency of the Social Security Trust Funds, maintain progressivity in the social security benefit system—

A great Roman said: Friends, Romans, countrymen, lend me your ears.

My colleagues, listen. This amendment would:

maintain progressivity in the social security benefit system, continue to lift more seniors out of poverty, extend the solvency of the Medicare Trust Funds, and provide prescription drug benefits.

''provide prescription drug benefits.''

Mr. President, I send an amendment to the desk.

The PRESIDING OFFICER. The clerk will report.

The senior assistant bill clerk read as follows:

The Senator from West Virginia [Mr. BYRD] proposes an amendment numbered 703.

Mr. BYRD. Now, Mr. President, I ask unanimous consent that further reading of the amendment be waived.

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

The amendment is as follows:

(Purpose: To strike all marginal rate tax cuts except for the establishment of the 10 percent rate and strike all estate and gift tax provisions taking effect after 2006 in order to provide funds to strengthen social security, extend the solvency of the Social Security Trust Funds, maintain progressivity in the social security benefit system, continue to lift more seniors out of poverty, extend the solvency of the Medicare Trust Funds, and provide prescription drug benefits)

At the appropriate place, insert the following:

SEC. ___. ENSURING FUNDING FOR SOCIAL SECURITY AND MEDICARE SOLVENCY, PRESCRIPTION DRUGS, AND LONG-TERM DEBT REDUCTION.

(a) IN GENERAL.—Notwithstanding any other provision of this Act—

(1) except for section 1(i)(1) of the Internal Revenue Code of 1986, as added by section 101 of this Act, and any necessary conforming amendments, title I of this Act shall not take effect; and

(2) any provision of title V of this Act that takes effect after 2006 shall not take effect.

(b) STRATEGIC RESERVE FUND FOR LONG-TERM DEBT AND NEEDS.—Subtitle B of title II of H. Con. Res. 83 (107th Congress) is amended by inserting at the end the following:

''SEC. 219. STRATEGIC RESERVE FUND FOR SOCIAL SECURITY REFORM, MEDICARE REFORM, AND PRESCRIPTION DRUG BENEFITS.

If legislation is reported by the Committee on Finance of the Senate or the Committee on Energy and Commerce or the Committee on Ways and Means of the House of Representatives, or an amendment thereto is offered or a conference report thereon is submitted, that would strengthen social security, extend the solvency of the Social Security Trust Funds, maintain progressivity in the social security benefit system, continue to lift more seniors out of poverty, extend the solvency of the Medicare Trust Funds or provide prescription drug benefits, the chairman of the appropriate Committee on the Budget shall, upon the approval of the appropriate Committee on the Budget, revise the aggregates, functional totals, allocations, and other appropriate levels and limits in this resolution for that measure by not to exceed $450,000,000,000 for the total of fiscal years 2002 through 2011, as long as that measure will not, when taken together with all other previously enacted legislation, reduce the on-budget surplus below the level of the Medicare Hospital Insurance Trust Fund surplus in any fiscal year provided in this resolution.''.

Mr. BYRD. Mr. President, last week as the Senate began debate on the fiscal year 2002 budget reconciliation tax cut bill, the President was in Minnesota unveiling his energy strategy.

Over the weekend the American people read about the content of the President's plan. Essentially, the administration is promoting a national energy strategy heavy on increased production to respond to a number of current and near-term energy shortages that have manifested themselves through rolling blackouts in California and rising gasoline prices across the country.

No one is pretending that the planned construction of new power plants or distribution lines will provide immediate relief to consumers. Instead, the President argues that the only short-term relief for energy-starved, price-gouged consumers is a tax break.

Somehow I think that is not quite sufficient comfort to victims of rolling blackouts—those men and women who have been stuck in elevators, or involved in automobile accidents when the power suddenly cut off. It won't shed light for those families who have had to walk around in the dark, feeling their way along the walls, and tripping over things that they can't see right in front of them.

What amuses me, Mr. President, is that this administration, in using blackouts to promote both its energy and tax cut plans, has seemingly forgotten about the fiscal blackouts of the 1980s. I remember them, when the Congress found itself wandering around in the dark and the economy had tripped over the 1981 Reagan tax cut plan.

In 1981, the Reagan administration promised that massive tax cuts would reinvigorate the economy. Instead, the American economy nearly collapsed. In 1982 and 1983, the annual unemployment rate increased to 9.7 percent and 9.6 percent, respectively—the highest rates recorded since 1950. In 1985, while America's wealthy were reaping the largest share of the national income since World War II, businesses and banks were failing at a record breaking pace. Our savings rate was the lowest in 4 decades, and our national trade deficit had reached a record high.

The Congress had no choice but to pass, and Presidents Reagan, Bush, and Clinton had no choice but to sign, eight in all—numerous bills three of them were not as significant as the five that I will mention. The five that I shall mention are TEFRA, DeFRA—sounds like twins but, wait, they are quintuplets—TEFRA, DeFRA, OBRA of 1987, OBRA of 1990, and OBRA of 1993—to correct our mistake. Why were these all passed? Why were these tax bills passed? To correct our mistakes and the mistakes of the then administration, and increase taxes in hopes of stemming the unprecedented tide of red ink.

The protracted deficits during the 12 years of Presidents Reagan and Bush resulted in higher interest rates for the American taxpayer. This forced the average American to pay more for his mortgage, to pay more for his car, to pay more for his child's education, because of our rush—our mad rush—to enact a huge tax cut—the benefits of which went—in that instance, as will be the case in this instance—the benefits of which went mainly to the wealthiest taxpayers.

Mr. President, this administration, the Bush administration, the Bush No. 2 administration, has tried to juxtapose tax cuts and the threat of a recession in the minds of the American people, even though the most recent economic data suggests that a recession only exists in the rhetoric—in the rhetoric—of the administration.

There is where the recession exists, in the rhetoric of the current administration. And now, of course, the administration has offered tax cuts as a solution to this Nation's energy crisis; the idea being, I suppose, that Californians would be able to purchase more candles and flashlights to deal with the rolling blackouts.

E.J. Dionne pointed out in a recent Washington Post editorial that—and I quote—''there's absolutely nothing the president won't say in support of his tax cut. When times were good he told us we needed a tax cut to keep the good times going. When times threatened to go bad, he said we needed a tax cut to get the economy [rolling]. Now that times look a bit better, he says we need a tax cut to pay the gas bills. Someday soon, he'll tell us tax cuts will solve the problems of crime, drug abuse, teen pregnancy, traffic jams and static cling.'' And that if you do not have

hair, it will make your hair grow, and make your fingernails longer. And if your hair is black, it will make it turn white over night or vice versa.

I would only add, Mr. President, that we may soon hear from the administration that tax cuts can provide whiter teeth, fresher breath, and may even cure the common cold.

But, how much are the American taxpayers willing to shell out for this miracle tonic, this tax cut?

Are the American people ready to spend the money that they invested into the Social Security and Medicare programs? In 2025, the number of people age 65 and older is projected to grow by 73 percent—in 2025. In contrast, the number of workers supporting the Social Security system would grow by 13 percent. The Social Security and Medicare Board of Trustees project that the Social Security's taxes will be inadequate to pay full Social Security benefits by 2016. This $1.35 trillion tax cut package spends vital resources that could otherwise be used to ensure that Social Security benefits will be paid to future retirees.

The Medicare program faces a similar fate. Medicare's projected costs for hospital expenses will grow 60 percent faster than its income over the next 75 years. By 2075, Medicare's costs will be more than two times larger than its income. Again, this $1.35 trillion tax cut spends resources that could otherwise be used to ensure that hospital insurance benefits will be paid to Medicare beneficiaries.

Now, what about our domestic investments in highways, bridges, agriculture, health care, education, and a host of other areas? Are the American people willing to trade these away for a tax cut?

This tax cut package starves the domestic discretionary side of the budget, resulting in a spending level that is $5.5 billion below what is necessary to maintain domestic investments in FY 2002, and an incredible $62 billion cut below what the Congressional Budget Office says is necessary to maintain current services over the next 10 years. That means cuts—cuts, cuts—veterans programs, crime prevention, highway construction and maintenance, and a host of other areas, other categories, in order to provide for these tax benefits.

Now what about the national debt? Well, we are just going to dump that on these youngsters here, the pages, and on people such as my grandchildren, my great grandchildren, and yours, yours out there. Are the American people ready to trade away this historic opportunity to retire the national debt for a tax cut?

Our current gross debt is $5.7 trillion. How much is a trillion dollars? At $1 per second, how long would it take to count $1 trillion? At the rate of $1 per second, how long? It would take 32,000 years. That is big money. We are not used to having that kind of money in my State of West Virginia.

When we talk about $1 trillion, our current gross debt is $5.7 trillion. That amounts to $929 for every man, woman, boy, and girl in the world—that is some debt, isn't it?—$929 for every man, woman, boy, and girl in the world. That is not just pocket change. It represents $20,062 per man, woman, and child in the United States.

Are we to disregard these financial obligations? Are we? Or should we look at our grandchildren and just wash our hands? We can wash our hands, I say to Senators, we can wash our hands of this debt and just leave to it our grandchildren. This the sacrifice that average Americans are being asked to make.

I am almost 84; 83½ yesterday. I could just walk away from the debt and let you folks pick up this obligation. We can enjoy a tax cut for ourselves—just vote for this bill and enjoy the tax cut, but leave this heavy debt burden to the folks who are going to come after us. We won't be around, so what does it matter to us? Let's vote for the Bush tax cut. I am a little selfish, perhaps a little self-centered, so I would like to have this tax cut. Let's vote for the Bush tax cut and let future generations worry about paying off the national debt.

Even if you happen to be lucky enough to be one of the privileged few who would receive any real tax relief under this proposal, you most likely wouldn't receive those tax benefits for another 5 to 10 years. Under this proposal, most of the tax cuts—estate tax repeal, increased IRA contribution limits, expanded child credit, marginal rate reductions—wouldn't be fully in place until sometime between 2007 and 2011. Marriage penalty relief wouldn't even begin to phase in until 2006. How about that, 2006? Let me say that again. Marriage penalty relief wouldn't even begin to phase in until 2006.

I am going to be a little late in reaping the benefits therefrom. A week from tomorrow we will have been married 64 years, my wife and I. Yet, the marriage penalty relief won't even begin to phase in until 2006. That is 5 years away. This bill would put these tax cuts into effect when the surplus projections are most unreliable and least likely to accurately project our ability to pay for them.

There are so many accounting gimmicks in this proposal to hide the true cost of the bill that the only reasonable, accurate measure of its cost would be in the second 10 years, which the Center on Budget and Policy Priorities projects would be $4.1 trillion.

What kind of a balanced tax cut proposal pushes the real costs into the future at the exact moment that money is needed to finance the retirement of Social Security and Medicare beneficiaries? Where is the balance? Where is the balance in a proposal that delays marriage penalty relief for lower and middle income taxpayers so that the top marginal rates can be reduced more quickly? Where is the balance?

Where is the balance in a proposal that provides one-third of its benefits to those taxpayers with annual income over $373,000 by cutting those programs that benefit lower and middle income families?

Well, Mr. President, I submit that the day that this tax cut is enacted and signed into law will be remembered as a black day in our national history. So I propose that we limit the size of this tax cut until we are more certain of whether we can afford it, and that any savings be put aside in a reserve fund for Social Security, Medicare reform, and a prescription drug benefit.

My amendment would eliminate the marginal rate reductions that would benefit the wealthiest taxpayers in the Nation and leave in place the 10-percent bracket reduction that would benefit all taxpayers—lower, middle, and higher income. Under my amendment, those funds that would be allocated to repealing the estate tax for the wealthiest 1 percent of taxpayers would be redirected to ensuring the solvency of those retirement programs from which lower and middle-income taxpayers would benefit much more.

Not only would this amendment put back those funds that should have been set aside for Social Security and Medicare reform in the first place, but it would also provide for a substantial tax cut that would be more evenly distributed amongst the American taxpayers. This amendment would avoid the fiscal disasters that would certainly occur if these tax cuts were allowed to take effect under this bill, if the wild projections of 5 and 10 years out don't materialize. This amendment would ensure that Social Security and Medicare benefits are available for future retirees and that the national debt is being retired.

Mr. President, last week, at the Senate Finance Committee markup, the Democratic leader stated that he found it ''difficult to accept, impossible to explain'' that Congress was about to repeat the same mistake it made in 1981 by passing another massive tax cut that the Nation was not equipped to afford.

As I view these comments, and as I view this Bush tax cut, which had its genesis in the snows and cold winds of New Hampshire last year during the campaign, it reminds me of a story about Benjamin Franklin, a great American statesman, philosopher, and revolutionary of the 18th century.

As Franklin recalled later in his life:

> When I was a child of seven years old, my friends on a holiday filled my pocket with half-pence. I went directly to a shop where they sold toys for children, and being charmed with the sound of a whistle that I met by the way, in the hands of another boy, I voluntarily offered and gave all my money for it. When I came home, whistling all over the house, much pleased with my whistle, but disturbing all the family, my brothers, sisters, and cousins, understanding the bargain I had made, told me I had given four times as much for it as it was worth, put me in mind of what good things I might have bought with the rest of the money, and laughed at me so much for my folly that I cried with vexation; and the reflection gave

me more chagrin than the whistle gave me pleasure.

With the wisdom of age, Franklin added:

As I came into the world, and observed the action of men, I thought I met many who gave too much for the whistle.

Mr. President, the Congress paid too much for its whistle in 1981, and it almost wrecked the economy. Insight will come after the fact when we realize again that we sacrificed too much for this tax cut.

I urge my colleagues to oppose the unsound fiscal policy in this bill. I urge my colleagues not to pay too much for the whistle. I urge my colleagues to vote for my amendment.

I yield the floor.

The PRESIDING OFFICER. Who yields time?

The distinguished Senator from Iowa is recognized.

Mr. GRASSLEY. Mr. President, I yield myself such as I might consume.

I appreciate the concern of the Senator from West Virginia about Social Security. The budget resolution provides for protection for Social Security and Medicare. The relief act, in my opinion, does not jeopardize these programs. Rather, I suggest the relief act strengthens these critical programs because we have a strong, growing economy that is going to result from making sure that we keep resources with the taxpayers for them to invest and spend; thus, doing much more good than if the Government keeps those resources. A growing economy is the best guarantee for Social Security and Medicare's long-term solvency.

I will talk briefly about the fact that we have had concern expressed in the media about some of these very same things that the Senator from West Virginia has visited about—the long-term needs of all programs, including Social Security and Medicare. I think the editorial writers, as I have read them, just over the weekend, and as late as this morning, are in a frenzy about this tax cut that they need not be in. But they can't seem to make up their minds. One day we are criticized because the $1,000 child credit is not indexed for inflation. Then the next day we are attacked because the tax cut is too expensive in the outyears.

Maybe what is really happening is the media is just against reduction of taxes. This is kind of like Goldilocks, I would say, when they first say it is too hot and then it is too cold. But I fear that, unlike Goldilocks, there is no tax cut that is just right for the elite of our media because they want no tax cuts whatsoever. They honestly believe the Federal Government creates wealth, that it is better for a political determination of more money of how the resources are divided rather than letting the marketplace do it.

Somehow, I think they feel ignored as we debate this tax bill. It is like the media crying about Social Security and Medicare. When all else fails, I think it is their goal to raise so many questions that senior citizens so ponder the situation of the budget, whether or not there is security there, long-term security for Social Security and Medicare, it ends up scaring them needlessly.

In the process of our debate, obviously, when you look ahead 10 years—and I said this last week during the debate, so I am not saying it just because the Senator from West Virginia brought it up—in 1regard to the long-term projections of the fiscal condition of the Federal Government, meaning how much money is going to come in and how much we are going to spend on existing programs over the next 10 years, it is legitimate to be cautious.

On the other hand, we are making judgments based on 10-year forecasts. We recently heard about the Reagan tax cuts in 1981, 20 years ago. At that particular time, we were only looking ahead 5 years. I do not think it has entered into this debate, but I know as a fact in 1963, when President Kennedy had tax cuts, they only looked ahead 1 year. Looking ahead 1 year in 1963, looking ahead 5 years in 1981, or looking ahead 10 years in the year 2001, as imprecise as it is to look ahead, although I have to say the people who work on this are getting better at it than they were during the 1980s—but looking ahead 10 years has to be considered more fiscally responsible in our spending and taxing policies than looking ahead just 5 years 20 years ago or looking ahead just 1 year in 1963.

People might wonder why I am talking about 1963, 1981, and 2001. These are the three biggest tax relief measures passed by Congress in the last 50 years.

All I am saying is, nobody knows what the future holds, but we are making a tax relief decision for working men and women based upon these 10-year projections. We ought to give some credit to the people who work so hard to make those projections so that we in Congress can be more—I do not know whether the word ''certain'' is correct—so we can at least attempt to be more precise as we make policy for the long term. That is all we are doing.

I ask people to consider that in the historical approach as we try to do a better job of making public policy decisions.

I yield the floor.

The PRESIDING OFFICER. The distinguished Senator from Montana is recognized.

Mr. BAUCUS. Mr. President, I do not know any Member of the Senate who has more respect and regard for the Senator from West Virginia than myself. He is a Senator's Senator. He knows more about and defends this institution far more than any other Senator. He really lives for his people in West Virginia, for this institution, and for the country. I wish more people knew how hard the Senator from West Virginia fights for all those causes and all those beliefs in such a dignified way. I have the highest respect for the Senator.

I understand his concerns about this bill. I share some of those concerns. I think most Members of the Senate privately share some of the concerns that perhaps this tax cut is a little too large because it is hard to predict what the budget surplus is going to be in the future. But we have provided for this amount in the budget resolution. It did pass the Senate. I know the Senator from West Virginia believes that budget was inappropriate and did not vote for it. As the Senator knows, more than any other Senator here, we still have that budget resolution that passed through the conference and we are in this Chamber with a tax bill that passed the Senate Finance Committee.

There are a lot of provisions in this bill that are major improvements over the President's proposal and/or measures passed by the House. Most significantly, it provides a much better distribution of tax cuts so middle-income Americans receive a greater share of the benefit as opposed to wealthier people compared with the House-passed bills and that suggested by the President.

We also make specific improvements to the Tax Code. One is the creation of a new 10-percent bracket. This is large. It is the single biggest piece of the bill. It provides for $438 billion of tax relief over 10 years to those persons who would be in the 10-percent bracket. Of course, those lower and middle-income Americans and, obviously, even the most wealthy receive some benefit because a new lower bracket rate affects everybody all the way up regardless of the amount of income.

Seventy-five percent of the benefits in this bill go to people who earn less than $75,000. Seventy-five percent of the tax reductions in this bill go to Americans who earn $75,000 or less. There is an upfront stimulus by making a 10-percent provision retroactive to the first of this year.

In addition, there is a significant increase in the child tax credit from $500 to $1,000. Friday, when I was heading home to Montana, somebody stopped me as I was getting off the airplane. I had to change planes at Salt Lake City to get to Montana. He said: Senator, I hope you get a tax credit in there. My wife is about to have a child.

I said: We are going to increase that child tax credit over time to $1,000.

He said: Boy, Senator, I really like that. I really appreciate that. Thanks for doing that.

There are people who do benefit from this legislation. In fact, 16 million children receive benefits under this legislation, children who otherwise would not receive benefits under the other legislation.

We also create incentives for education. One can deduct $5,000 from his or her income to pay for college tuition, which, clearly, is a help because higher education is getting so much more expensive.

The pension provisions, IRA provisions, new stimulus for more savings,

the marriage penalty, it is true, do not take effect, as my very good friend from West Virginia notes, until 2006. I have no doubt the Senator from West Virginia is going to fully utilize that provision in the code for many years, even after it takes effect in the year 2006. Of that I have no doubt.

In addition, there are other provisions in the bill that are very helpful to Americans who really need a break. They revolve around the provisions that make the child tax credit refundable. There is $109 billion in this bill—most of it is new money—for parents, for single parents, single moms, single fathers who do not have a lot of income but are struggling to make ends meet. That is going to go a long way in keeping them off welfare rolls because it is tied in with the EITC, the earned-income tax credit. It is going to help a lot of Americans. That is all in this bill.

To sum up, this is a good bill. It is not perfect, but it certainly will put a lot of dollars into people's pockets in tax reductions. It is more fair to Americans all across the board compared with the President's proposal and those measures passed by the House. It is good legislation.

We are a very dynamic Nation. I have concerns about the size of the cut, for the reasons mentioned by my friend from West Virginia, and have some sympathy for the amendment he is offering for those reasons. I would like to give more stimulus to education, to make sure the Social Security trust fund is even better protected, the Medicare trust fund is even better protected.

We are a very dynamic Nation. We are a very resourceful Nation. We will find ways to do what we know we should do, and that includes protecting Social Security, protecting the Medicare trust fund, and making sure, too, we do all we possibly can to help our children get the very best education possible. Of that I have no doubt.

I remind Senators, if we do not pass this bill, which has been worked on thoroughly by the Senate Finance Committee, my guess is we will be faced with another tax bill which will be much less to the liking of about half the Members of this body, particularly on the Democratic side.

It would be much closer to the measure proposed by the President. It would have a distribution that is much more weighted toward upper income Americans. It would be a bill much to the dislike particularly of the Senator from West Virginia.

Life has choices. We are presented with choices, presented with alternatives. We have to make choices and choose the alternatives which make the most sense. I personally believe that given the choice between this legislation or some other legislation which would be closer to the desire of the President, if Democrats did not try to work to make this legislation better, this is a better choice; that is, this bill as opposed to essentially the President's bill. It is roughly $1.35 trillion—less than the President suggested but still a very significant tax cut.

Although I think this is a better choice compared to the alternative—I deeply respect the Senator's views and I have the highest regard for him—I disagree with this amendment for the reasons I have stated. With the utmost respect, I must tell my good friend I do not support this amendment.

Mr. BYRD. Do I have time remaining, Mr. President?

The PRESIDING OFFICER. The Senator has 5 minutes remaining.

Mr. BYRD. Mr. President, I thank both of the managers again. I respect their reasons for opposing my amendment. I hope the Senate will adopt my amendment later.

Reference has been made to President Reagan's 5-year deficit/surplus estimates. Those projected surpluses in that instance were as follows: In 1982, the projected deficit was $45 billion; the actual deficit was $128 billion. The projected surplus for 1985 was $5.9 billion—that was the projected surplus under the Reagan administration tax cut—whereas instead of a $5.9 billion surplus, the actual deficit was $212 billion. In other words, for the 5 years projected under the Reagan tax cut, the difference between the projected deficit and the actual deficit was $921 billion. That experience should teach us to be cautious.

I close by referring to Joseph in the Bible. We will recall that Pharoah had a dream in which he saw seven fat cattle come up out of the river to feed in a meadow. They are referred to as ''kine'' in the Scriptures. They were followed by seven lean cattle who ate up the seven fat cattle. Pharoah turned to his soothsayers, his wise men, for interpretation of this dream, but they could not interpret the dream. Someone spoke of Joseph as one who could interpret dreams, so Pharoah asked that Joseph, be brought forth from the dungeon where he was being held. Joseph interpreted the dream to mean that there would first be 7 years of plenty, represented by the fat cattle in Pharoah's dream—7 years of plenty. The 7 years of plenty would be followed by 7 years of famine. Joseph recommended that in the time of plenty they should save, put the grain into the warehouses and prepare for the 7 lean years that were sure to come in Egypt.

We have had in this country some very good years. We have had projected surpluses. I think we ought to return to history, realizing that in some form or another it does repeat itself. We have this golden opportunity to use these years of plenty and the fruits therefrom to apply to the problems that confront the Nation, the problems that will come with Social Security, and Medicare, for example. Now is the time to deal with Social Security and Medicare.

The President has said he doesn't want to leave any child behind. The President's budget, which was referred to by my friend from Montana, leaves the old folks behind. I can call them old folks because I am one of them. The old folks, the senior citizens are being left behind. But no millionaire is being left behind.

I urge again that the Senators vote for my amendment later in this day. I thank all Senators for listening. I particularly thank the Chair for his courtesy and kindness.

The PRESIDING OFFICER. Does the Senator from Iowa yield back his time?

Mr. GRASSLEY. We yield back our time.

The PRESIDING OFFICER. Time is yielded back.

AMENDMENT NO. 707

Mr. JEFFORDS. Mr. President, I send an amendment to the desk.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Vermont [Mr. JEFFORDS], for himself, Mr. DODD, Mr. KENNEDY, Mr. ROCKEFELLER, and Mr. LEVIN, proposes an amendment numbered 707.

Mr. JEFFORDS. Mr. President, I ask unanimous consent reading of the amendment be dispensed with.

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

The amendment is as follows:

(Purpose: To amend the Internal Revenue Code of 1986 to expand the dependent care credit)

At the end of subtitle A of title II insert the following:

SEC. ___. DEPENDENT CARE CREDIT.

(a) INCREASE IN DOLLAR LIMIT.—Subsection (c) of section 21 (relating to expenses for household and dependent care services necessary for gainful employment) is amended—

(1) by striking ''$2,400'' in paragraph (1) and inserting ''$3,000'',

(2) by striking ''$4,800'' in paragraph (2) and inserting ''$6,000'', and

(3) by adding at the end the following new paragraph:

''(3) INFLATION ADJUSTMENT.—In the case of any taxable year beginning after 2002, any dollar amount contained in paragraph (1) or (2) 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 2001'' for ''calendar year 1992.''.

(b) INCREASE IN APPLICABLE PERCENTAGE.—Section 21(a)(2) (defining applicable percentage) is amended—

(1) by striking ''30 percent'' and inserting ''50 percent'', and

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

(c) REVENUE OFFSET.—The Secretary of the Treasury shall adjust the highest rate of tax under section 1 of the Internal Revenue Code of 1986 (as amended by section 101 of this Act) to the extent necessary to offset in each fiscal year beginning before October 1, 2011, the decrease in revenues to the Treasury for that fiscal year resulting from the amendments made by this section.

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

Mr. JEFFORDS. Mr. President, the United States has entered into a time

of unprecedented budget surplus. Over $1 trillion is the amount we are discussing. What to do with it, and trillions that are expected into the future.

For years we have struggled to balance the budget, forgoing spending for programs necessary to maintain our human infrastructure. We have not devoted enough to supporting our families and educating our children, but times have changed. There is enough money in the surplus to cut taxes, eliminate the death tax, and reduce the marriage penalty. I believe we must increase our investments in our children and families. To my colleagues I must ask, if not now, when?

I commend Senator GRASSLEY and Senator BAUCUS for their leadership. They have carefully crafted this legislation so it brings the benefits of tax relief of all Americans. They have included balanced rate reductions, a careful phaseout of the estate tax, and a refundable child tax credit. Especially important to me, they have fixed the marriage penalty for all taxpayers, including those who receive the earned-income tax credit.

There is, however, one crucial area not sufficiently enhanced to meet our national education goals. The issue not addressed in this legislation is the great need for our Nation to improve childcare, particularly the early learning and developmental aspect of that care. America lags far behind all other industrialized nations in caring for and educating our preschool-age children. We have the opportunity to make improvements. We need to act now.

If we want to get to the core of our most serious problems in education, we have to improve the care and education of our preschool children. This is something every other industrialized nation in this world does except the United States. And every industrialized nation in the world pays for that through Government funds.

I rise to offer an amendment to increase the dependent care tax credit. The current law allows taxpayers to claim a small credit for childcare expenses.

Right now, the maximum credit allowed is $720 for one child, and twice that amount for two children. Unfortunately, no families qualify to receive the maximum. My amendment would raise the maximum credit to $1,500, for one child, and $3,000, for two or more children. It would allow families with adjusted gross incomes of $30,000 or less to qualify for the maximum credit. And the credit amounts would be indexed for inflation still far from what we need but a major step forward.

This increase in the dependent care tax credit is to be paid for by slowing the reduction of the top income tax rate.

We know that from the time of birth, the human brain is making the connections that are vital to future learning. We know that what we do as parents, care providers, educators, and as a society can either promote or inhibit a child's healthy development—the acquisition of the cognitive, social, behavioral, and physical skills necessary for success in school and life.

Far too many of America's children enter school without the requisite skills and maturity, and continue to lag behind for their entire academic career.

Billions of dollars are spent on remediation efforts to get these children ''up to speed.'' But I believe that ''an ounce of prevention is worth a pound of cure,'' and if we are ever to achieve the first national education goal, we must improve the quality of child care and make it more affordable and available for working parents.

We have known for years that high-quality preschool programs produce cognitive gains, improved school performance, decreased grade retention, and higher achievement in math and reading. The research has been around since the mid-1980s.

The Perry Pre-school Project, the Carolina Abecedarian Project, and the recent Chicago Child-Parent Center study are just a few of the research studies that clearly show the benefits of high-quality early care and education to future academic success. Unlike the rest of the world, America has done little to ensure that our children have access to these kinds of programs.

Quality early education is the bedrock upon which a child's future academic success is built. By giving every child a strong foundation for success in school we set the stage for that child to become a productive worker and a contributing member of society. A strong educational foundation for each child is the key to our national economic, military, and political future.

Let me show the most dramatic evidence of what I am telling you. My first chart is the results of the so-called TIMS examination. These TIMS studies indicate how we compare to the rest of the world with respect to our 13-year-olds in mathematics. As you can see from this chart, where are we? We are 16th; at the bottom of the heap. That means that 55 percent fewer American students give correct answers on the exam. Who is at the top? That is China.

There are a couple of reasons why I have this presentation. One is because it includes China. After we included China that time, someone decided not to do that again. It gives you evidence relative to the largest country with which we compete. If you take a look at the countries doing pretty well on this side of the chart—Switzerland, France, Italy—all industrialized nations that have early education and child care, these are for their 3- and 4-year-olds.

More recent TIMS studies have shown no significant change for the United States, and the most recent report was even worse.

Yet in international contests of the best math students, students from the United States are often the best in the world. So it is not the students, its the educational system that bears most of the responsibility for this failure.

What does this mean for our children? It means that in the global economy in which we live, our children will not be prepared to compete for the high-tech jobs that rely on math skills. In a world of global finance and integrated information systems, it will be very easy for children from other countries to line up for the best, high paying jobs.

Will this have a large impact on the U.S. economy?

I am afraid so. The Information Technology Association of America has recently issued a report that states that at present there are 425,000 IT jobs nationwide that are unfilled because the American workforce lacks the skills to do the job. And these are high paying jobs, with an average income of $50,000 a year. To date, the United States has allowed almost 1 million H–1–B foreign students to take these jobs.

I suggest to my colleagues that a child care tax credit that sets the stage for improved math performance by American students is a direct investment in the strength and health of our economy. John Glenn's Commission issued a report entitled ''Before It's Too Late,'' which emphasizes this need.

The overall health of our society depends on our children coming to school ready to learn and ready to read. Our democracy itself; our leadership in the world, is dependent upon literate citizens.

I want to now to refer to another National Center for Education study entitled ''The Nation's Report Card, 4th Grade Reading 2000.''

Forty percent of American fourth graders are reading below grade level, and 68 percent are not reading at a level that demonstrates solid academic performance. What this says to me is that more than half of our young students have not learned to read very well.

And if you haven't learned to read you cannot read to learn. And I have to wonder if it is a coincidence that 40 percent of our Nation's 3- and 4-year-olds are not enrolled in preschool programs—40 percent, again.

From first through third grades our children are supposed to learn to read so that they can go on to academic success. Without excellent reading skills and a love of reading and learning we are doomed to a spiral of ignorance in our society. We will lose the cultural and historical richness that informs us as a democracy. How can we rightfully retain our place as leader in the democratic world, if many of our students emerge from our public education system functionally illiterate?

We must invest in our children from the moment they are born so that they are fully prepared to be excellent and early readers. This is an investment we must make.

Today, two-thirds of our 3- to 5-year-olds are in some type of care outside

the home. For some, that care is part-day or part-year. But many spend 35 hours or more in the care of someone other than their parents.

A recent nationwide study found that 40 percent of the child care provided to infants in child care centers was potentially injurious—not that it was beneficial but that it was injurious.

Fifteen percent of center-based child care for all preschoolers is so bad that a child's health and safety are threatened.

Seventy percent of center-based child care is rated mediocre—they are not hurting, but neither are they helping children.

Only fifteen percent, I repeat, 15 percent actively promote a child's healthy development.

We know that high quality, preschool education and care improves school readiness and school performance, leads to better socialization, and results in cognitive gains for our children.

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

The PRESIDING OFFICER. The Senator has approximately 17 minutes remaining.

Mr. JEFFORDS. While there are benefits for all children, low-income children benefit even more than children from more economically advantaged families. And we see those benefits regardless of the setting in which the early education and care takes place—as long as it is a quality program.

So I ask my colleagues, how can we, as a nation, continue to shortchange these programs?

Why do we not view early care and education as an integral part of our educational system?

How can we as a nation continue to view it as a private matter among families, rather than a social imperative?

Every one of our industrial competitor countries do. Every one—and the government pays for it. We are leaving children behind.

Our children are not entering school ready-to-learn. Our children are lagging behind most other industrialized nations in math and science.

We know that the best predictor of quality early education and care and positive outcomes for children is a trained, competent teacher. So why do we have a child care workforce that has little education and training beyond a high school diploma?

The majority of the providers in center-based child care receive less training and job specific education than child care workers in urban areas of Nigeria.

We know that this surplus should be used to address the greatest needs in our nation today. So why don't we begin to take care of the most critical problem, the early education and care of our children?

Spending for child care over the past few years by governments—local, State and federal—has increased.

Yet, less than 15 percent of the families eligible under Federal law to receive child care subsidies are receiving any assistance.

The Head Start Program is only serving about 40 percent of the children eligible for the program. The educational component of that program is in the process of being expanded and strengthened.

The Dependent Care Tax Credit helps offset a small portion of the costs of a family's child care expenses.

American parents are the main source of funding for early care and education. They pay it right from their pocket.

All of our competitors in the international marketplace, have government paying most of the costs of care.

Of the total funds spent on early care and education, government pays for 39 percent, private sources—1 percent, and parents—60 percent. This is the reverse of the cost-sharing between parents and government in other industrialized nations.

In all of the other industrialized nations, the costs of early care and education for 3- and 4-year-olds rests with government, employers, or a combination of both. Parents are responsible for a small percentage of the costs, generally in the ten to twenty percent range. In comparison, some low-income working families in the U.S. have to pay 10, 20, sometimes 30 percent of their household income just for the co-payments required to receive a Federal child care subsidy.

In addition, much of the early care and education in America is of poor to adequate quality. High-quality care is expensive, and few families can afford to pay any more.

In every State, except one—Vermont, the cost of 1 year of child care for a 3- or 4-year-old is more than the yearly cost of tuition at a public four-year university in that state. And Vermont's distinction is due to the high cost public higher education, rather than a lower cost of child care.

We know how to improve the quality of early care and education.

We need better trained and educated teachers. We need to pay those teachers more.

We need to quit viewing child care and early education differently—and recognize the critical importance of early education.

We need to integrate quality early learning and healthy development into all care giving.

We need to make quality early learning programs more affordable and available to all children—particularly 3- and 4- year-olds.

We need to give providers funds to recruit and retain quality teachers, to upgrade facilities and equipment, and to provide staff training on a regular basis.

We need to help states increase not only the number of low-income working parents receiving child care subsidies, but make sure those subsidies are high enough to allow families to afford quality care for their children.

Middle and lower-middle income working families receive the least amount of help in covering the costs of child care, and spend a disproportionately high amount of their household budget on child care. We have to focus more government assistance in their direction.

We need to increase the number of quality programs by improving existing care and starting new programs.

We need to encourage businesses to provide more on- and near-site child care for employees and more resources to support the child care arrangements of their employees. Federal tax credits and incentives need to be increased to help these businesses.

And we must make those improvements without increasing the costs to parents.

In other industrialized nations, early education and care for 3- and 4-year-olds is universal, voluntary and free to parents, regardless of their income. Early education and care is viewed as good for children and an important part of the public education system.

American families struggle to pay $4,000, $6,000, and sometimes over $10,000 a year for child care for their young children.

Our own Senate employees, many using federally subsidized child care centers, pay $6,000 to $7,000 a year for one child—out of their own pockets with little financial help.

A few local and State governments have already accepted this view of preschool and have devised a variety of ways to finance their efforts.

Some counties in Florida increased property taxes to pay for pre-school and child care services.

Voters in Aspen, CO, approved a dedicated sales tax for child care.

Maine has created tax increment finance districts and identified child care as an approved development program cost.

Missouri dedicates a portion of the funds received from the state lottery to the Early Childhood Development, Education, and Care Fund.

North Carolina has done a remarkable job in subsidizing child care wages and benefits in exchange for completing professional development activities.

Rhode Island has extended health care benefits for child care providers through the State's publicly funded health insurance program.

Connecticut makes long-term, low-interest loans for the construction and renovation of child care centers available as tax-exempt bond funding. It has started a school-readiness program to make sure low-income children have access to high quality early learning experiences.

New York has a generous, refundable child care tax credit against state personal income taxes that are owed.

And last, but never least, Vermont gives increased subsidy rates for accredited care, and provides cash bonuses to child care providers that get

accredited or complete academic degrees.

Other States have created voluntary income tax check-offs, car license plates, motor vehicle registration accounts, and other innovative means of financing high-quality pre-school programs. Even with these creative approaches, quality pre-school programs are still out of the reach of many parents.

Several States have started programs and tax incentives to get the business community to assume more of the costs of child care for their employees. Some companies, such as IBM, AT&T, and Bank of America, have clearly stepped up to the plate. But too many others have not.

It is particularly hard for small business owners. Unfortunately, many of these programs and incentives have met little success. Participation levels are very low, even among businesses that provide child care assistance for employees. We must work with the business community to create incentives that work for employers and employees alike.

Government, businesses, or parents cannot do this alone. Providing quality early care and education must be a partnership. There must be joint responsibility and cost-sharing.

Government needs to view early education and care as an integral part of the education system. It needs to provide additional funding to improve quality and decrease the costs for parents.

The business community needs to view early education and care as necessary for recruiting and maintaining today's employees. It needs to see it as an investment in tomorrow's workforce.

Parents are already paying most of the costs of care, and find few choices that provide high quality care at a price they can afford. They must have more choices so their children can grow up healthy and ready to succeed.

We must improve the quality and financing mechanisms for early care and education, particularly for our Nation's 3- and 4-year-olds. This is an investment in the real ''infrastructure'' of our country—our children and families. It is one that we cannot afford to ignore any longer.

Isabelle Sawhill of the Brookings Institute has estimated that a high-quality, 2-year program in the United States would cost about $8,000 annually per child. This translates to about $30 billion a year to serve all families with incomes under $30,000 a year. This amendment represents a down payment on that investment.

In March, the HELP Committee held a hearing to compare the United States early care and education, with the rest of the world. At that hearing, a child care provider from Vermont testified. At the conclusion of her testimony, she said: ''Why do so many children get left behind?''

One, there simply is not enough capacity to meet the needs—it's that simple. Two, few parents can afford high quality care. We are talking about young families at the lowest point in their income earning years paying up to fifty-eight percent of their income on child care.

These young parents absorb 87 percent of the cost of care, as opposed to their later years and incomes are higher and they bear only 47 percent of the cost of a year in college. We ask families to pay more at a time they can least afford it.

I always tell my staff, don't come to me with a problem unless you have at least three potential solutions. Here are my suggestions for easing the child care crisis:

Bring business on board as partners.

Forgiveness of student loans, access to higher wages, and health care for providers will help attract and retain our child care workforce.

Quality incentives work, whether we are talking about guaranteed bonuses for extended education or training, or accreditation.

Tax cuts are great, but only after the true needs of a nation have been meet. You have a difficult choice: save a little now by not funding a comprehensive early care and education initiative or pay a lot later. Studies show that for every dollar we spend on early care and education, we save seven dollars in other government programs down the road.

We can no longer afford to be a nation where only the poor or rich have access to high quality early care and education. You need to commit precious resources to our most precious resource, young children.

Let me show you just some other documentation. I want to bring to your attention a study that all of my colleagues ought to read. This is done by the French-American Foundation. The study compares the French system with American childcare. They point out how well the French do in comparison. I urge Members to look at this study. We have copies of this study available. It demonstrates how beneficial the French system is. We should use it as a model. There are other systems also that we should look at for possible solutions to our early care and education crisis.

Mr. President, at this time I yield to my friend from Connecticut 10 minutes.

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

Mr. DODD. First of all, I commend my colleague from Vermont for offering this amendment. I am delighted to be his principal cosponsor. This is an issue we have worked on together for as many years as we have been in the Senate. My colleague from Utah, Senator HATCH, and many others have helped us develop the Child Care and Development Block Grant program.

I note that the Presiding Officer has more than a passing awareness and knowledge of the subject matter of this amendment and has been involved in the question himself when he was in the other body as well as support here.

What we are changing with this amendment are three things that pertain to the Dependent Care Tax Credit or, DCTC under current law. We have not changed, in 20 years, the amount of annual eligible expenses for child care against which the dependent care tax credit is based. That is what we are talking about in this amendment.

Under current law, eligible expenses for child care are capped at $2,400 for families with one child and $4,800 for families with two children each year. We want to raise the cap on these expenses from the present level of $2,400 for a single child up to $3,000. For families with more than one child, the cap on annual child care expenses would be increased from $4,800 to $6,000. That would be for two children. So we are increasing the amount of child care expenses that would be used as the base against which the dependent care tax credit is calculated from $2,400 to $3,000 for families with one child; and $4,800 to $6,000 for families with two children.

But then we do something else. Under current law, a family can only take a percentage of eligible expenses capped by law as their dependent care tax credit. We have talked already about the amount of eligible expenses that we would be increasing under this amendment. But, also in this amendment, we would increase the percentage that is applied to the capped amount of eligible expenses to calculate the credit.

Under current law, the lowest income families can only take 30 percent of $2,400 in eligible expenses for one child or 30 percent of $4,800 for two children. That's the maximum credit allowed under the DCTC. The amount of expenses as well as the percentage of eligible expenses have not been changed in 20 years. What our amendment does is increase the percentage of eligible costs for the lowest income families from 30 percent to 50 percent. If you make from $10,000 to $30,000, you get a maximum of a 50-percent credit. If you make in excess of $30,000, that percentage declines as income rises until it reaches 20 percent. Even the most affluent family in the country can claim 20 percent of allowable eligible expenses for child care under the dependent care tax credit.

Then, lastly, we index to inflation the child care expense thresholds, the annual child care expenses against which the credit is based, because over the last 20 years there have been no increases at all. Obviously, the cost goes up for child care and related expenses, so we will be back at this again. So why not index it, as we have in so many other areas of the Tax Code? That is all this amendment does.

There is no refundability in this amendment. I regret that, but we did not include refundability.

So very briefly, again, what we do is we increase the amount of eligible expenses under the dependent care credit

that a family can take into consideration in calculating their dependent care tax credit. In the case of a single child, the child care expense threshold would increase from $2,400 to $3,000; in the case of two children, the child care expense threshold would increase from $4,800 to $6,000.

You can talk to any family in the country, and they will tell you about the cost of child care. Today it is not uncommon to have child care costs reach $10,000 a year per child. On average, child care expenses both in urban and rural areas are between $6,000 and $10,000 a year. That has gone up considerably in 20 years. Twenty years ago, the cost of child care hovered around $1,500 to $2,000, in some cases $3,000 or more. In 20 years, those costs have just gone up through the ceiling.

Today, in some of the poorer areas, good child care can cost as much as $10,000 or more a year. Needless to say, if you are a family, say, making $40,000, $50,000, $60,000, with two kids, obviously, when you are spending as much as $6,000 to $20,000 for child care for those two children—before you pay rent, before you pay a mortgage, before you put food on the table, clothes and the rest—obviously, that is an extraordinary amount of expense.

So by raising the child care annual expense threshold from $2,400 to $3,000 in the case of one child, and $4,800 to $6,000 in the case of two children, and then increasing the percentage applied to the child care expense base from 30 percent to 50 percent—in the case of the poorest people—with a sliding scale that drops to 20 percent for the most affluent Americans, we think we are going to provide some needed assistance to people who are burdened by high child care costs. For everyone, just like under current law, the amount of allowable expenses would be the same. But, for those families who are low income and moderate income earners, they would be able to take a larger credit than current law—because, both the amount of allowable eligible expenses and the percentage applied to that base would be increased.

How do we pay for it? We drop the top income tax rate by whatever number it needs, maybe 1 point, maybe even less than 1 point to pick this cost up. So we are still providing a tax break for the most affluent Americans. But one of the most significant costs that Americans face is for dependent care, and they need this help.

The Senator from Vermont has laid out—I am, again, preaching to the choir when I speak to the Presiding Officer and the chairman of the committee. They know in the case of Iowa, and in the case of Kansas, there are a lot of hard working folks out there, single parents raising kids. This is not a choice. This is not a case where someone is sitting there and saying they think they will go to work or won't go to work. This is a case where people actually have no other choice. So we are providing some real relief.

I say, with all due respect to the managing members of this bill, the chairman of the committee, we have done something clearly in this bill on the per child tax credit, and I appreciate that. But the dependent care tax credit has not changed. There has been no change in 20 years. It may be 20 years again. It has been nearly 20 years since the last time we dealt comprehensively with the Tax Code. It could be another 20 years before we have a chance to fix it.

So what we are suggesting in this proposal—as the chairman of the HELP Committee pointed out, is that millions of families struggle with child care costs every week. The need for child care assistance is great. Some 65 percent of mothers with children under the age of 6, and 78 percent of mothers with children between the ages of 6 and 13, are working today. Nearly 60 percent of mothers with infants are working. This is not a question of whether or not a need exists. The need is clearly there.

If you do the math on this, a single parent earning $30,000, who has a 1-year-old child and a 3-year-old child, would be spending as much as half of her gross income on dependent child care expenses. The present dependent care tax credit helps, but it is no real match for the reality of the child care market.

Under current law, the maximum credit a family can claim is $720 for one child for 1 year—30 percent of $2,400, and $1,400 for two—30 percent of $4,800. That is not insignificant, but it is not enough to make a family's $8,000 child care bill more affordable.

Our amendment would also index the thresholds for child care expenses for inflation. That is just common sense. Over the years, most of the basic tax provisions affecting tax liability have been indexed for inflation. The personal exemption, the standard deduction, tax brackets for low-income families, the earned-income tax credit, all have been indexed. By indexing the child care expense thresholds under the dependent care tax credit, we would ensure that the credit keeps up with market realities. Within the context of the overall provisions of this tax cut proposal, we can afford it.

We have not increased the child care expense thresholds themselves a dime, let alone indexed them for inflation, over the past 20 years. So again, by raising the child care expense thresholds, and then raising the percentage of eligible expenses a family can take in calculating its dependent care tax credit, we will provide some real relief for families with high day care costs. For example, the maximum credit for a family with one child would increase from 30 percent of $2,400 or $720 to 50 percent of $3,000 or $1,500. The maximum credit for a family with two children would increase from 30 percent of $4,800 or $1,440 to 50 percent of $6,000 or $3,000. These changes will really help low and moderate income families where every dollar counts.

In view of the costs of child care expenses, we think this is an affordable amendment, one that makes sense and provides real relief for working people.

There are no income eligibility caps on the dependent care tax credit, so even the most affluent families can claim as much as 20 percent of allowable dependent care costs.

For these reasons, we urge our colleagues to support this very modest amendment—it is not that expensive—and to reduce the top rate just a fraction to pick up this cost. We think this is something that would make this tax bill a far better proposal.

With that, Mr. President, I yield back whatever time I may not have consumed to the distinguished Senator from Vermont.

Mr. JEFFORDS. Mr. President, I thank my colleague for his very helpful statement. I praise him for the work he has done in this area.

To close up, I would like to follow up on my colleague's statement with a chart. This is the source of funds for child care in early learning in the U.S.: 60 percent by the parents, 1 percent by the private sector, and 39 percent by the Government. In the other countries, it is just the opposite. It is 60 percent by the Federal Government, about 30 percent by the parents, and about 1 percent by the private sector. That is just to emphasize what the Senator has pointed out.

That was excellent testimony that dramatically pointed out to me the serious problems we have.

I ask unanimous consent that Ms. Apgar's statement be printed in the RECORD.

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

STATEMENT OF KATHI J. APGAR, EXECUTIVE DIRECTOR, BRISTOL FAMILY CENTER, BRISTOL, VERMONT, PRESIDENT, VERMONT ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, BEFORE THE SENATE COMMITTEE ON HEALTH, EDUCATION, LABOR, AND PENSIONS, MARCH 27, 2001

I would like to thank Senator Jeffords and the H.E.L.P. Committee for inviting me to share some of the experiences of operating a non-profit, early care and education facility. Most of today's panelists have related statistical information pointing to the crisis in early care and education in our country and the solutions developed by other nations.

I am here to add a personal face to the harsh realities of maintaining a quality program under some dire economic circumstances and add a passionate plea to add new federal dollars to early care and education. We are not talking about ''redirecting'' federal dollars here, let me be explicitly clear: I am a master of robbing from Peter to pay Paul so I can tell you ''redirecting'' is simply another word for non-commitment. We in the early care and education field are talking, real, new federal dollars infused into an inadequate system where children and the future of a nation are at stake.

I have been at the Bristol Family Center for almost eight years. Most of my 11-person staff has been with me that long—a virtually unheard of retention rate in an industry which boasts a 30% turnover in employees

each year. That would be the equivalent of your sixth grader suffering through three new teachers each year . . . this would not be acceptable in the public school setting and it simply is not in the earliest, most critical years of a child's life. My staff started with me at or just above minimum wage with no benefits except federal holidays and three paid sick days per year. It has taken me eight years to raise their salaries to between $8.65 and $13.00 per hour. . . . Still no benefits. This means no health, no dental, no retirement, no long or short term disability . . . We simply cannot afford it.

As we expand our program this year to include infants and toddlers (there is a waiting list of 50 children for every available slot in this age range) I do not know where my staff will come from. Few teachers are readily prepared for an early education setting like mine where English is a second language: abuse is their first communication. Can you blame most available teachers for seeking public school positions with guaranteed salaries and benefits when we cannot afford to compete with that security?

Why can't you afford it you ask?

53% of my enrollment is subsidized by the State of Vermont Child Care Services Division (to you, that's Child Care Block Grant dollars, that's TANF dollars).

The State reimburses us $94.60 per week (55 hours of care at roughly $1.72/hr.).

It costs me $209.79 per week to provide high quality care for these eligible children.

It doesn't take the Congressional Budget Office to tell me that is a $115.00 per child, per week deficit or $5,980 per year, per child for which I must beg the American Legion, VFW and private philanthropic trusts for program support dollars.

People look at my budget and say ''Just cut staff and your bottom line will be fine.'' But think about this for one moment:

In higher education, the quality and quantity of faculty and staff determine the success of a Student's experience.

The same thing is true in early care and education—if I cut staff, the success of a child's first experience plummets.

If you want children to enter kindergarten ready to learn—then ''early literacy'' doesn't mean exposure to books distributed at healthy child visits or flash cards at the high chair, it means:

Honest to goodness human contact with highly trained providers who are readily available through a low child-to-teacher ratio.

It means always having a lap to snuggle on when a book piques the child's interest and discussing what may happen next in the story or creating a song from surrounding the characters.

Early literacy means having someone across the lunch table from a 3- or 4-year-old sharing silly, gigging rhymes and tongue twisters.

Early learning happens when there is someone around to record the child's words to accompany a treasured drawing so they begin to see how letters are the symbols through which feelings and thoughts are communicated.

Kids must feel safe and respected if they are to thrive and be ready for the challenges of a formal school setting not always ready for them.

I cannot provide these quality opportunities for children on the recommended 10:1 ration—I maintain a ratio of roughly five children to one teacher. This may not help my budget—but my true bottom line is the success of a child's experience.

We must never try to supplant the important role parents play as the child's first, and in most cases, best teacher. As modeled by other countries, this is not an us vs. them rationale—we want parents to have the ability to stay home with their young children but the economic viability of this option is not a reality in most American homes.

In Vermont, 87 percent of children under the age of six live with working parents. This creates a tremendous burden on a system whose capacity has not significantly expanded in 10 years or more. We have 35,000 children in regulated care not necessarily quality care. I am a NAEYC (National Association for the Education of Young Children) validator meaning I review programs as they strive to meet the high standards of national accreditation—so I know what quality should look like and we simply do not have enough quality or quantity in the U.S.

Another 25,000 of Vermont's children birth through age eight are in unregulated care—believe me, in many instances you don't want to know what that means. Right now, we are only providing subsidized care for low income and/or at-risk children. Increases in Head Start dollars target the same population—frequently only offering part-time care, not the full day, full week, full year programming working families need—especially those moving back into the workforce thanks to the ''Welfare-to-Work'' initiative.

Why do so many children get left behind?

(1) There simply is not enough capacity to meet the needs—it's that simple.

(2) Few parents can afford high quality care. We are talking about young families at the lowest point in their income earning years paying up to 58% of their income (with an infant and 4-year-old) in child care. These young parents absorb 87% of the cost of child care as opposed to their later years when incomes are higher and they bear only 47% of the cost of a year in college. We ask families to pay most at a time when they can least afford it and pay less when they are better equipped for these expenditures.

I always tell my staff, don't come to me with a problem unless you have at least three potential solutions. Likewise, I have some suggestions for easing the child care crisis:

Bring business on board as partners—the ultimate economic gain is having a stronger workforce whose potential is not wasted because they are worrying about the safety and well-being of their young children. I'll be happy to elaborate on our model collaboration with Middlebury College to create a new infant/toddler center thanks to business participation.

Forgiveness of student loans, access to higher wages and healthcare for providers help us attract and retain employees. Each of these options is already being done in other professions such as border patrol and rural medicine. Let's work together to bring these options to early care and education.

Quality incentives work whether we are talking about guaranteed bonuses for extended personal credentialing or program based bonuses tied to national accreditation standards—it works and children benefit directly from these upward movements.

Tax cuts are great but only after the true needs of a nation have been met. It's nice to hear the slogan ''No child will be left behind'' but as an early educator, parent, taxpayer and lifelong Republican—I'm here to tell you under the current budget—children will be left behind in droves. You have a difficult choice: save a little now by not funding a comprehensive early care and education initiative or pay a lot later. We know that every dollar spent in early care and education we save over $7.00 in corrections costs. Quality early intervention works in every country, every time.

We can no longer afford to be a nation where only the poor or rich have access to high quality early care and education. You need to commit precious resources to our most precious resource, young children. You can do it, you have proven it on our military bases around the world. We know you can do it and now we expect that you will do it. Thank you.

Mr. JEFFORDS. Mr. President, I urge my colleagues to vote to waive the Budget Act, pass this amendment, and help our families who are struggling with the higher cost of child care.

The research demonstrates so vividly that we have to do more now. Let me again reflect on the chart I displayed earlier. Nearly 40 percent of America's fourth graders are reading below grade level; 68 percent of fourth graders cannot read at a level that demonstrates solid academic performance. That, compared to the rest of the world, is abominable. Again, in mathematics, this is so critical for the Nation's workforce. We have hundreds of thousands of jobs and we find that American students are not qualified to take those jobs. We are at the very bottom of the heap. That is why we have nearly 1 million H–1–B foreign-born students, people from other countries coming in and taking those jobs which our young people could have—if they were qualified,

I yield to the Senator from Connecticut.

Mr. DODD. Mr. President, the Senator from Vermont has laid this out very clearly. I hope our colleagues will find the wisdom to support this. I know the Senator from Iowa and the Senator from Montana wrestled very hard. They have been good supporters on many of these issues over the years. Here is something where just a modest change in the rates can make a huge difference to people. I am not talking about the poorest people, although some of them are, but people who are earning about $40,000, $50,000, or $60,000 a year. You have two children, and it is costing them $17,000 or $18,000 a year for child care. That is a huge whack out of gross income.

To provide some increase to defray these costs is a great advantage and a great help to these people. We urge our colleagues on both sides of the aisle to be supportive of this very fair, thoughtful, modest amendment. I thank my colleague for offering it.

Mr. JEFFORDS. I thank the Senator from Connecticut.

I am not alone in examining these issues. Here is, for instance, a report from California, ''Challenges for Higher Education,'' indicating how important it is for our young people to have the expertise, ready to enter the workforce; from Business Week, ''How to Fix America's Schools,'' because we are not providing the right type of trained workforce; and another one, ''Helping Students to be First in the World,'' recommending action in early care and education by the Council of Chiefs of State school officers. There are a many reports and studies. This is one I mentioned earlier, demonstrating how wonderful the French system is and how

terrible our child care is. And there are more.

I will conclude by asking the question I did at the beginning: If not now, when? If we have trillions of dollars of surpluses, and we have billions of dollars of need, why can't we solve it? I see no reason. Now, we have an opportunity to take an important but small step forward.

I yield back the remainder of my time.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. Mr. President, I yield myself such time as I may consume. I won't speak long because I know the Senator from Connecticut is waiting to offer his amendment.

I rise mainly not to comment on the amendment of the Senator from Vermont but to take some time to speak about his contributions to the legislation that is before us. We heard earlier this morning a statistic that Senator BAUCUS gave about 75 percent of the benefits of this legislation go to families making under $75,000 a year. The Senator from Vermont, through several provisions on which he has worked with me on this bill, deserves a great deal of credit for this legislation being well balanced.

I listened to what the Senator from Vermont said about the amendment he now lays before the Senate. I appreciate his speaking on that subject. He should be very proud of his work on the Senate Finance Committee, as he has every right to be proud of the work that has come from his own Senate committee that deals with the issue of education and many other items. It is fair to say that no Senator has had a greater influence on the relief act that is before us than Senator JEFFORDS. His fingerprints are on the expansion of the earned-income credit for married families, the child credit being extended for working families who do not pay income tax, and the inclusion of the pension bill, and many of the education provisions in the bill.

A married family with two children making $15,000 will receive an additional benefit of over $1,000 next year under the bill before us. That is thanks in no small part to the efforts of Senator JEFFORDS. I realize the bill before us, as is obvious from the introduction of the amendment, does not do all the Senator from Vermont hopes for in the way of dependent care. I think it is a strong step toward his goals. The changes I have mentioned already to the relief act are estimated to cost tens of billions of dollars. The Senator's amendment falls in the area of an additional $25 to $30 billion, a figure over 10 years. That would be in addition.

It is unfortunate that we can't, for a lot of good amendments that are being offered, including the amendment by the Senator from Vermont, do all the things given the tight constraints with which we are faced. But the Senator is always blazing a trail for the work of the Congress, and most of his attention rightfully is given to the needs of families with children and preparing people to do well in school.

I don't know what we can do on this particular amendment. But I have heard what the Senator from Vermont said. I pledge myself to work with him.

I yield the floor.

The PRESIDING OFFICER (Mr. DAYTON). The Senator from Vermont.

Mr. JEFFORDS. Mr. President, I ask for the yeas and nays on my amendment.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. Does the Senator yield back his time?

Mr. JEFFORDS. I yield back the remainder of my time.

Mr. GRASSLEY. Mr. President, I yield back the remainder of my time.

The PRESIDING OFFICER. The Senator from Connecticut is recognized.

Mr. DODD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. DODD. I ask unanimous consent that the order for the quorum call be rescinded.

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

AMENDMENT NO. 695

Mr. DODD. Mr. President, I send my amendment to the desk.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Connecticut [Mr. DODD] proposes an amendment numbered 695.

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

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

The amendment is as follows:

(Purpose: To limit the reduction in the 39.6% rate to 38% and to replace the estate tax repeal with increases in the unified credit and the family-owned business exclusion so that the savings may be used for Federal debt reduction and improvements to the Nation's nontransportation infrastructure)

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%" and strike "36%" in the item relating to 2007 and thereafter and insert "38%".

Strike title V and insert:

TITLE V—ESTATE AND GIFT TAX RELIEF

SEC. 501. INCREASE IN AMOUNT OF UNIFIED CREDIT AGAINST ESTATE AND GIFT TAXES.

(a) IN GENERAL.—The table contained in section 2010(c) (relating to applicable credit amount) is amended to read as follows:

"In the case of estates of decedents dying, and gifts made, during:	The applicable exclusion amount is:
2002, 2003, 2004, 2005, and 2006	$1,000,000
2007 and 2008	$1,125,000
2009	$1,500,000
2010 or thereafter	$2,000,000.".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2001.

SEC. 502. INCREASE IN QUALIFIED FAMILY-OWNED BUSINESS INTEREST DEDUCTION AMOUNT.

(a) IN GENERAL.—Paragraph (2) of section 2057(a) (relating to family-owned business interests) is amended to read as follows:

"(2) MAXIMUM DEDUCTION.—

"(A) IN GENERAL.—The deduction allowed by this section shall not exceed the sum of—

"(i) the applicable deduction amount, plus

"(ii) in the case of a decedent described in subparagraph (C), the applicable unused spousal deduction amount.

"(B) APPLICABLE DEDUCTION AMOUNT.—For purposes of this subparagraph (A)(i), the applicable deduction amount is determined in accordance with the following table:

"In the case of estates of decedents dying during:	The applicable deduction amount is:
2002, 2003, 2004, 2005, and 2006	$1,375,000
2007 and 2008	$1,625,000
2009	$2,375,000
2010 or thereafter	$3,375,000.

"(C) APPLICABLE UNUSED SPOUSAL DEDUCTION AMOUNT.—If an immediately predeceased spouse of a decedent died after December 31, 2001, and the estate of such immediately predeceased spouse met the requirements of subsection (b)(1), the applicable unused spousal deduction amount for such decedent is equal to the excess of—

"(i) the applicable deduction amount allowable under this section to the estate of such immediately predeceased spouse, over

"(ii) the sum of—

"(I) the applicable deduction amount allowed under this section to the estate of such immediately predeceased spouse, plus

"(II) the amount of any increase in such estate's unified credit under paragraph (3)(B) which was allowed to such estate.".

(b) CONFORMING AMENDMENTS.—Section 2057(a)(3)(B) is amended—

(1) by striking "$675,000" both places it appears and inserting "the applicable deduction amount", and

(2) by striking "$675,000" in the heading and inserting "APPLICABLE DEDUCTION AMOUNT".

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2001.

Mr. DODD. Mr. President, let me quickly get to the heart of what this amendment does, and I will give some explanation of the specifics of it.

This amendment is designed to reduce the amount of the tax cut at the top rate by a relatively small amount—about 1.6 percent—using those resources to do two things and, in addition to that, also modifying the repeal of the estate tax. By doing those two things, reducing the top rate by less of an amount, by 1.6 percent rather than the 3 points, and by having a modification of the estate tax, we take those resources and apply them to paying down more of the national debt. Fifty percent goes to that, and 50 percent goes to nontransportation infrastructure—the water systems, sewage systems, the electrical, and all the things that go on every day that are necessary for our cities, communities, and States to work.

We have done very little about investing in the physical infrastructure

of America. You cannot go back to your respective States and talk to a mayor or a Governor and they won't tell you that one of their major problems is dealing with the nontransportation infrastructure needs. Almost on a daily basis, when you pick up any paper in America, you will read where another gas main, water main, sewage main has burst or broken, hasn't been replaced in years, schools are literally falling apart—kids go off to school every day to schools built decades ago. Obviously, there are transportation needs. Those are dealt with in other places. This is nontransportation infrastructure and debt reduction. That is what I want to do with this modest change in the tax bill that is in front of us. There are two things that I think are absolutely critical if we are going to succeed in the coming years economically.

Presently, we pay between $220 billion and $225 billion a year in interest payments. Let me repeat that—between $220 billion and $225 billion a year in interest payments. An interest payment doesn't build anything, doesn't make anyone healthier, doesn't provide a Pell grant to go on to higher education, doesn't build a school, a road—it does nothing. All it is is interest payments on the national debt that we have accumulated, the bulk of which was accumulated in the 1980s and early 1990s—in excess of $3 trillion or $4 trillion. Mr. President, $200 billion a year—even with the surplus—is going in that direction.

Certainly, we all ought to agree as Americans that one of our major goals ought to be to bring that debt down. I understand there is a good argument for not eliminating it altogether, and I will accept that. But nobody can convince me that paying $220 billion a year out of taxpayer money to go to interest payments at the expense of other things we need makes much sense.

I think we ought to modify the tax cut for the most affluent Americans by 1.6 percentage points—that is all, 1.6. You still get a good tax cut here. But by a 1.6 point cut, and using those resources to help pay down that debt, and then by modifying the repeal of the estate tax, which only affects 49,000 Americans —modifying that to help rebuild or try to contribute to the infrastructure needs of our country.

How bad are the infrastructure needs? Interest costs on the debt, by the way, are $220 billion a year. Over the next 10 years, that is $1.5 trillion, if we do nothing, if we just accept the present level of debt. Let's assume the economy runs pretty smoothly out here, with no new increases but no real debt. That is $1.5 trillion in debt, according to the Congressional Research Service, if we do nothing to increase our indebtedness.

In 2001, interest payments on the debt were 11.2 percent of the budget and 2.1 percent of the GDP. According to the Society of Civil Engineers, the condition of America's infrastructure receives a failing grade of D plus. They go down the list in terms of roads, bridges, transit, aviation, schools, drinking water, wastewater, dams, solid waste, hazardous waste, navigable waterways, energy—all the way down are Ds, flunking. They estimate that over the next 5 years, just to put it in working condition—not replace—would be $1.3 trillion to bring the Nation's infrastructure into a C or C+ condition. We are doing almost nothing about it.

As we are talking about a tax cut—and I think there is room for it—can we not modify this tax cut by a modest amount to help reduce the debt and invest in the infrastructure needs of America? That is not a complicated question—just modify it, not eliminate it. I am not talking about taking the tax cut off the table, but instead of reducing the top rate from 39 percent to 36 percent, how about just bringing it down 1.6 points?

By the way, I come from the most affluent State in the country on a per capita income basis—Connecticut. If you repeal the Federal estate tax, it affects about 980 people in my State of 3.5 million people. That is 980 people in my State, and 49,000 nationally. So just modifying the estate tax and reducing the size of the tax cut for the most affluent Americans, I can make a huge dent in the national debt of this country and I can invest in the infrastructure needs that we are told, by every objective analysis, are in desperate need of repair. That is what this amendment is designed to do, very simply—bring down that debt, reduce those interest payments, and invest in the infrastructure.

Are we asking so much? In fact, I suggest that if we asked the most affluent Americans whether or not they would be willing to take a more modest tax cut—not to eliminate the tax cut, but a more modest tax cut—in order to bring down the national debt and to invest in the infrastructure, water systems, and sewage systems that are falling apart in our country, they would say you ought to do that.

I don't know why it is we think that the most affluent people would be opposed to doing some of these things. Yet to hear some of the speeches on the floor of this Chamber, that even a modest reduction in the size of the tax cut for the top 1 percent of income earners, people making $300,000 or $400,000 a year, a slight reduction in their tax cut is absolutely unacceptable, even when it means cutting into that $220 billion a year that goes for interest payments. When I think of what I can do with $220 billion for schools, roads, and other things that our country needs.

I have a great fear, of course, that we are going to see this proposal in front of us cause an increase in the national debt. If that happens, of course, then interest rates on cars, homes, and other consumer goods will go up, and that is an awful tax increase. When interest payments on those consumer goods rise, that is a tax increase.

We have seen that happen in the past. We are not unfamiliar with rising interest rate costs and what they can do to people's ability to provide for their families, for businesses to grow and expand and hire more people to compete in the global marketplace.

I have great concern that because of what we are doing with this tax cut proposal—crowding out our ability to do these other things, such as paying down the debt and investing in the infrastructure needs of our country—that we are going to look back and rue the day.

I am 1 of 10 people who was in this Chamber 20 years ago when a similar tax cut proposal was being made, a more modest one. Ten of us said: We are fearful that if we adopt this tax cut proposal, this country is going to witness an increase in its indebtedness, it is going to see interest rates climb, and hard-working people are going to see the cost of everything they need go up.

There are only 3 of us left today in this Chamber who were part of that group of 10 who voted against that tax cut in 1981–1982. I do not know of many people who would not like to have that vote back, if they could.

I do not need to spell out what happened during the mid-1980s and early 1990s. Our national debt went from under $1 trillion to in excess of $3 trillion, almost $4 trillion. Interest rates went up to the ceiling, the economy went dead, flat in the water, and it was not until 1990 and 1993 that we began to come out of it, we began to see our economy grow and expand again as a result of some very courageous votes taken in this Chamber and the other Chamber.

I do not want to see us go back to recreate the mistake we did 20 years ago. I have a great fear that is about what we are going to do in the next 12 hours or less. I do not fault the managing Members for the job they have had to do in the Finance Committee, but this is being done awfully quickly.

It is only the middle of May, and we are jamming through this tax cut proposal even before we are being told what the defense numbers are going to be. We have an energy crisis looming on the horizon. Thomas Friedman of the New York Times called it the ''perfect storm.''

We have this tax cut proposal, as much as a $150 billion to $200 billion increase in defense spending, and an energy crisis looming and we are charging ahead unmindful of the implications of these proposals and what they could do to the economy of this country and the pocketbooks of average Americans.

This amendment does not correct all of that, but it does moderate it to some degree. It says that paying down the national debt ought to be a priority; if not paying all of it down, pay some of it down. This should not be a Democratic idea or a Republican idea to reduce $220 billion in interest payments each year.

Can anyone tell me when an economy has grown in this country when its infrastructure was collapsing? We cannot point to a single period in our history when our basic infrastructure was falling apart and our economy grew.

There is a relationship between interest payments on the debt and infrastructure. The reason I am combining these two in this amendment is because both are absolutely critical to economic growth. If debt is too big, either personally or nationally, then we will not be able to afford the things we need for our families or as a nation. If our infrastructure is collapsing and falling apart, our economy does not grow.

By reducing the tax cut for the most affluent Americans by a small amount, I do not eliminate the national debt, and I do not provide for all the infrastructure needs, but we do some of the things.

If my colleagues do not think this amendment has value, they can call their Governor, Democrat or Republican, and ask them whether or not they think infrastructure costs are serious in their respective States.

I am looking at some numbers from my State of Connecticut. Infrastructure facts: 58 percent of Connecticut schools have at least one inadequate building feature, 68 percent of the schools have at least one unsatisfactory environmental feature. Connecticut's drinking water infrastructure needs $1.35 billion over the next 20 years.

Connecticut is a small State. There are 11 State-determined deficient dams in the State of Connecticut. Again, my colleagues can call their home States, and I am sure they will get similar numbers across the country about what is happening to the basic infrastructure of our Nation and our inability, as a result of what we are about to do with this tax cut, to pay for these costs.

By the way, when fully implemented, this tax cut is not $1.35 trillion. It will cost $4 trillion. I draw the attention of my colleagues to the lead editorial in the New York Times over the weekend about the cost of this tax bill we are about to adopt, and those exploding costs will kick in just as the baby boomers retire, and just as Social Security and Medicare will be placed under extraordinary new strains.

This amendment makes a commitment to debt reduction, and while I believe it is modest, it also seeks a commitment to that other important priority: our national infrastructure.

It is a well-known fact that our country's schools, our water, and wastewater systems, our telecommunications connections are in dire need of attention. Let me give some examples.

Nearly three-quarters of our schools are over 30 years old. The average age of our schools is 42 years. That means schools go back almost to the mid part of the last century. Fourteen million children attend school every day in buildings that are unsafe. Fourteen million kids go to unsafe schools every day.

The American Society of Civil Engineers issued a report card on our Nation's school infrastructure and gave it a failing grade. Our water and wastewater systems need nearly $23 billion more each year. Water and wastewater alone need $23 billion a year for the next 20 years—there is nothing here for that; nothing—in order to replace aging and failing pipes and to meet the environmental and public health standards in the Clean Water and Safe Drinking Water Acts.

Federal contributions have dropped 75 percent in real terms since 1980. We used to be a better partner with our States and communities in picking up these costs. We have now left the scene, pretty much departed entirely. So while providing a tax cut on one level, who do we think is going to pick up the cost of these items at the local level since we do not contribute much anymore? Local property tax, local sales tax, and local income tax will go up. We will provide Americans with a few bucks here, but we will take the money out of another pocket at the State and local level because the Governors and mayors are going to have to pick up these costs because we are not doing it.

The Federal Government represents only about 10 percent of the total capital outlays for water and wastewater infrastructure. That is how much in 20 years we have declined in our participation. The architects of this bill would prefer we not pay anything. That is what they want. Clean water, obviously, affects the environment, public health, and the economy. Clean water supports a $50 billion recreational industry, $300 billion in coastal tourism, $45 billion in annual commercial fishing, and a shellfishing industry.

And we all know the Internet has dramatically altered how we live, work, gathering information, and we are all aware of the increasing importance of being digitally connected. While access has increased for all groups, there still exists a gap, or digital divide, between those Americans with access to technology and those without. Race, income, education, age, and location are all factors related to the level of Internet connectivity.

As to the means to deploy this technology, once again, however, the infrastructure needed to extend access is lagging, desperately lagging in certain areas and among certain groups in this country.

By reducing this tax cut, decreasing modestly for the most affluent, we can make a difference on closing the digital divide to see to it that every child in America will have the opportunity to access this modern technology that they will need to be productive citizens.

Wastewater and telecommunications, are these not priorities issues as well? Don't they deserve the attention of this body? As we are about to give a tax cut of this magnitude, can we not modify it even slightly to make a difference for the people who would benefit as a result of improved water, wastewater, telecommunications, and schools? Does that not make America richer and wealthier, more solid as a nation in the years to come?

Why crowd out everything here so that instead of the 75 percent we used to contribute to our local communities, we are down to 10, 9, 8, 5, and down to 1 percent?

Rural communities fall behind cities' and urban areas' broadband penetration, at only 7.3 percent for rural parts of America. This is not just cities we are talking about; rural communities suffer terribly.

Large gaps in Internet access still remain among ethnic groups. The Internet has become a necessity. It will become even more so in the years ahead. If we don't make investments in the basic infrastructure, we will rue the day, in my view.

The importance of our commitment to our Nation's infrastructure is highlighted by a recent visit I had with mayors from 60 of my cities. One mayor said it best when he said a cut in Federal taxes equals an increase in local taxes. Municipal governments are straining to find the resources for water treatment and school repairs. He asked, are we going to ignore what is happening in our communities for a huge tax cut for those who can afford it the most?

In the tax bill before the Senate, everyone gets tax relief. I am not changing that. I especially appreciate what the most affluent have done since 1993 in contributing to reducing our Nation's debt. They should get tax relief. I don't join those who say there ought to be no tax relief for affluent Americans. They contribute. I suspect were they here in this Chamber and asked the question of whether or not to reduce the national debt and invest in the infrastructure of America by taking a modest tax cut, most affluent Americans would say: Do it, do it.

The reason the wealthiest 1 percent of Americans pay more in taxes relative to other income groups is not that tax rates have increased, but rather that their before-tax incomes have increased by nearly 50 percent between 1992 and 1998 as a result of wise decisions we made to reduce debt and to increase opportunity in this country. At the same time their incomes have risen dramatically, the overall Federal tax burden has dropped substantially.

The bipartisan 1997 tax bill cut taxes on capital gains from investments, a major source of income for wealthy Americans. So the top 1 percent have seen a drop in their average overall tax rates. The top 400 wealthiest taxpayers, for instance, have seen a decrease in the average tax rates from 29 percent in 1993 to 22 percent in 1998—again, primarily as a result of the cut in the capital gains tax rates.

I reject the argument, further, that the affluent are ready to riot over their taxes. I think the affluent are responsible citizens. I think they will be the first to say they live in the most wonderful nation on the face of this planet. Many came from poor families and created their wealth through hard work and sweat, ingenuity, and smarts. They tell you what they hope more for this country than anything else is to see to it that others have a similar opportunity. I don't think they are about to riot. They want to see the country well managed, well run. They want to see its economic policies reflect the kind of society that gives people that opportunity. When schools are falling apart, with 42 percent of schools being built more than 30 or 40 years ago, when our water and wastewater systems are falling apart, when we have to write a check each year for $220 billion in interest payments, affluent, responsible Americans would say, bring down that national debt and invest in the infrastructure of America. Yes, they will give you a tax cut, as well, in addition to what is being received in the cuts of the capital gains taxes.

I hope to adopt this amendment.

I mentioned earlier the estate tax. I don't disagree we need estate tax relief. But to eliminate it entirely? What that costs over 10 years of this bill is $660 billion a year, for 49,000 Americans. That is who gets saved by this—the 49,000 most affluent Americans. The difference over 10 years is $660 billion. Can we not just modify the estate tax, reduce the size of the tax cut by a very small amount, and make a huge difference in the national debt of the country and the infrastructure needs?

Mr. President, 49,000 Americans, 980 in my State alone—that is it—out of 3.5 million people who will benefit with the complete repeal of the estate tax. And we can't find the resources, we can't modify that to make the difference? In Connecticut, 980 people resulted in estate tax liability out of 3.5 million. I hope my colleagues will consider this amendment as a modest change in the proposal.

I add my friend and colleague from Nevada, Senator REID, as a cosponsor of this amendment.

This is modest change in the amount of tax rates for the most affluent, through modifying the estate tax repeal and investing those resources in bringing down that national debt and investing in the nontransportation infrastructure needs of America, is what this is about. We will not have the economy grow if the national debt goes climbing up again and if the infrastructure is falling apart. That is why I put these two issues together. In the absence of both of these, good infrastructure and reducing debt, both personally as well as nationally, it is hard to imagine how this economy will see a brighter day if we adopt this bill without these provisions added to it.

I withhold the remainder of my time.

The PRESIDING OFFICER. Without objection, the Senator is added as a cosponsor.

Mr. GRASSLEY. I yield myself such time as I consume.

Looking at the amendment being introduced, the purpose of it is to make changes in the bill to reflect changes in the rate of taxation, and particularly heavy emphasis upon change in the estate tax provisions, so that savings can be realized to be used for Federal debt reduction and improvement to the Nation's transportation infrastructure.

I know what the Senator's intent is: to save money so it can be used for the Nation's nontransportation infrastructure. But there is nothing in his amendment that directs the money in that direction. So when it is finally said and done as far as public policy is concerned, this amendment is just to change very dramatically the higher rate reduction that we have in the bill and to more or less decimate the estate tax provisions of our bill.

I have to confess I do not know what it is to be born rich and live rich. There seems to be a compulsion on the part of people in this body, for those who are born rich, live rich, and die rich, to want them to contribute more to the Federal Treasury than other people who do not fit into that category. There is an effort to nick those rich people for more money when they die.

I confess not to understand what it is to be born rich and live rich. So I do not come from the perspective that there is all this money out there that people are just willing to contribute to the Federal Treasury when they die. I do not understand the people who get a big joy out of taxing those people. But if they get a big joy out of it, OK. If they want to establish a category of people who are forever filthy rich and go after them, that might be all right.

But most of the people I think about when I talk about doing away with the death tax are people who have lived very moderately throughout their lives and come to a point, probably because they are involved in farms and small businesses and you are just forced to reinvest so much, put all of your earnings back into the business so you can grow and just be competitive. That is particularly true in farming.

If you started farming years ago with 80 acres and you are only farming 80 acres today, you aren't going to be successful unless you have a job in town. So you have to keep investing in machinery, be more productive, buy more land, et cetera. That is the sort of person I think of, one who has lived moderately and maybe dies fairly well off. The point is, when they live that way, they want to leave that business, those resources, to their kids. They do not want to be hit with a death tax after they have paid taxes all their lives.

I gave the example once before. And I am raising the issue of fairness of a death tax versus those who do not pay it. You have two people who can make exactly the same amount of money throughout their lifetimes. Both of them obviously are going to pay income tax when they make it. But this person over here is going to live very moderately and miserly and maybe leave an estate of $5 million. Then when he dies, his estate, because he lived in so miserly a manner, is going to pay a big reward to the Federal Treasury.

You have the other person over here living it up throughout his life, womanizing, drinking it up—you know, all the things that are dealt with in the material world—who does not leave a penny. This person gets taxed once when he makes it and spends it tomorrow. This person gets taxed when he makes it, saves it, and invests it in a business and wants to leave it to his kids, and then he is taxed again when he dies. What is fair about that?

Those are the people I am worried about. I am not worried about the filthy rich who are born rich, live rich, and die rich. So I have been a long-time advocate that no American family should be forced to pay up to 60 percent of their savings, their business, or their family farm in taxes when they die. No taxpayer should be visited by the undertaker and the tax collector at the same time.

We have now before us an opportunity to do something about that, to help those families that are being crushed under the expensive responsibilities of estate tax planning and estate taxes.

Let me suggest probably the money that is wasted in this country on estate tax planning is the biggest waste of the productive resources in this country that you can have. They are even worse than the estate tax, I believe. People who have worked hard, who are faced with the estate tax, who want to leave some money to their kids, just spend wasteful amounts of money on estate planning in order to legally avoid paying estate tax. Wouldn't it be better if those estate planners, those insurance salesmen, those lawyers, were doing something productive, contributing something to the economy as opposed to this nonproductive effort of estate planning?

When we do away with the estate tax, these folks will be able to do something productive.

There are those in the Senate who want you to believe we are spending $145 billion for the benefit of just 45,000 people; that it is just 45,000 people paying estate tax. I want to tell the Senator from Connecticut I do not believe that is true. There may have been 45,000 estate tax returns that had checks attached. But that is no way to measure the impact on the American taxpayer.

In preparation for the RELIEF Act I had the opportunity to review 1999 Internal Revenue statistics regarding estate tax returns. Those statistics, frankly, were outrageous. In the Federal Government's attempt to enforce its version of social responsibility by

this huge tax rate of 55 to 60 percent on the estate tax, taken from the family's net wealth on the death of a loved one, it has cast a net. There is a net cast by that one involuntary action of death into thousands of homes in its attempt to capture a few so-called rich families.

In 1999, there were only 577 people who died in the United States with gross estates greater than $20 million in value. But 104,000 families were affected by the estate tax requirements.

Let's get this straight: 577 people died with estates over $20 million, but 104,000 families were affected by these estate tax requirements. In search of this supposed social justice, to take 55 percent of a family's lifetime efforts to contribute to the Treasury's general fund, we have upset lives in over 100,000 families. Is that truly a ratio with which we are willing to live? Is that fair? I cannot imagine supporting this amendment. Thousands of American taxpayers who deserve immediate estate tax reform are being cast aside by this amendment.

On the backs of the American taxpayers, the Senator from Connecticut has proposed funding nontransportation infrastructure. That is an interesting thought—nontransportation infrastructure. In order to achieve that goal, he is willing to wait until the year 2010 to increase the unified credit to just $2 million.

That is 30 years from the last time it was increased, 1981. That $2 million, 30 years later, would not even be worth what the unified credit was in 1981. That means for the first time, American taxpayers who are good Americans, who saved and invested in savings accounts and stocks and bonds, will be treated equally with all other taxpayers.

It means that for the first time American farm families and the owners of small businesses will not have to jump through hoops, hold their breath, and pray that they planned their estate just right, subject to audit, in order to get the full use of their unified credit.

In addition, Senator DODD gives no estate tax rate relief. The bipartisan RELIEF Act before us does. We immediately drop the top rate to 50 percent. In the year 2007, we reduce the top rate to 45 percent.

After all is said and done, people are going to be hit with the death tax at a higher rate of taxation than when they were living, which the top rate today is 39.8 percent.

So for the first time in history, an American family can exempt $8 million from the death tax—that is in the bill before us—by the year 2007.

In this bipartisan RELIEF Act, we have chosen to treat all American taxpayers equally, and give a unified credit that everyone can use, unlike the proposed amendment by the Senator from Connecticut. In addition to stealing the American taxpayers' increase in the unified credit, offered in this amendment is a paltry increase in the complex qualified family-owned business deduction. That would be increased by a mere $75,000. And that would not happen until the year 2006.

I think all this flies in the face of the American taxpayer. This is an overwhelmingly complex additional deduction of $75 which, quite frankly, turns out to be meaningless—in fact, so meaningless that I am ashamed I had a hand in writing this about 2 or 3 years ago when it was written. I would have to suggest to the Senator from Connecticut that if he would read again, as I have been forced to read, the Internal Revenue Code on these provisions, he would find that when you get through these complex provisions, if typed in its entirety, it is over 20 pages long, and it is full of requirements, restrictions, cross-references that boggle the minds of accountants and the legal profession and the American taxpayers.

I think we need to be honest with the American public and give them a true death tax break that everyone can use. This amendment will detract from that tremendously. I think our bill does a pretty good job of it, not as good of a job as I would like but within the context of a bipartisan compromise and within the context of the budget restrictions we are operating under, this is the best we can do.

I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. BAUCUS. I yield myself about 5 minutes.

The PRESIDING OFFICER. The Senator is recognized.

Mr. BAUCUS. Mr. President, I would like to address two arguments that have been made against the distributional benefits of this bill.

First, opponents of the bill have made the argument that it does little to alleviate the payroll tax burden, which is the largest tax burden for many middle- and low-income Americans. It is true that about 80 percent of Americans pay more in payroll taxes than they do in income taxes. It is also true that for about 20 percent of Americans their sole Federal tax liability burden is the payroll tax; it is not income tax.

The argument that is made is that this bill does nothing for those people whose principal Federal tax is the payroll tax. That argument is simply incorrect. In fact, the bill before us makes three important changes that directly offset the impact of payroll taxes so there are three measures in this bill which reduce payroll taxes for a significant number of Americans.

First, we amend the child credit to make it significantly more refundable; that is, after you have used up your child credit against your income taxes, if there is still more child credit available, we say: Americans, if you are in that situation, you get a check from Uncle Sam.

We also reduce the marriage penalty under the earned-income credit. It is a very important provision which makes the so-called marriage penalty much less of a burden for low-income families. The Earned Income Tax Credit allows people with insufficient income tax liability to still get the benefit of a tax cut by allowing a credit against their payroll taxes.

Third, we simplify the earned-income tax credit. That is no small matter. Some people might argue that simplification does not have much effect. But I strongly disagree. This bill contains major simplifications to definitions and other provisions which will be a very significant aid to lower income people, allowing them to better utilize the earned-income tax credit. This means they will have more ability, again, to offset against payroll taxes.

Put all these together and the bill before us includes about $109 billion in outlays over the 10-year period of this bill. In other words, about $109 billion is directed exclusively for offsetting payroll taxes.

The second argument against this bill's distributional effects is also incorrect. This argument is that the tax cuts in the bill are regressive because they give a relatively larger cut to those at the very highest income levels. Specifically, it is argued that the bill gives the top 1 percent highest income taxpayers a whopping 33.5 percent of the tax cuts.

Let's look more closely at that argument and deal with all the cards on the table. The above conclusion can only be reached if you include the distributional effects of the estate tax provisions.

But there are two problems with that analysis. First, there is an ongoing dispute on how to distribute the impact of the estate taxes across income classes. This is because the estate tax is based on the size of the estate of the decedent there is no way to calculate the wealth of those who inherit the assets. In fact, the Joint Tax Committee does not do estate tax distributional tables for that exact reason.

There are organizations in this city and in this country that do make those calculations. I have no objection to their trying, but we must remember that these calculations are based on assumptions that are hard to pin down. They are doing as good a job as they can, but they are trying to calculate something that our official scorekeepers refuse to estimate. But even assuming that the downtown organizations that make that analysis are correct, let's think a little more about it.

Virtually all Senators in this body support either ''reform'' or repeal of the Federal estate tax. I believe it is almost impossible to support reform or repeal of the estate tax and then attack the distribution of tax benefits in the bill as regressive.

Why do I say that? Because if you set aside the estate tax provisions—just take them off the table and deal with everything else in this bill—if you look

only at the income and payroll tax effects, this bill is quite progressive compared with current law—not regressive, but progressive.

Let's take a look at the numbers. If we set aside the estate tax provisions what do we find? Let's look at the top 1 percent of taxpayers; that is, those with an annual income of $373,000 or more.

This covers the top 1 percent of taxpayers in America. Under current law, those Americans pay 26 percent of all Federal taxes. That doesn't just cover income taxes, it includes all Federal taxes, including payroll taxes, excise taxes, and even estate taxes. But if you set aside the estate tax provisions in this bill, these taxpayers do not get 33.5 percent of the tax cuts, as alleged. Instead, they get 19 percent, only 19 percent of the benefits, even though they pay 26 percent of all Federal taxes. People with lower incomes get much more under this bill than they do compared to current law.

Let's take another look. According to the Joint Tax Committee, taxpayers with an income of $200,000 or more, that is the top 4 or 5 percent of all taxpayers today, pay about 32 percent of all Federal taxes. Under our bill, these taxpayers get about 22.5 percent of the tax cuts, again, a smaller share of tax cuts than the share of taxes they pay under current law.

What is the point of all this? Basically I am saying that if you look at the whole bill, then this bill is very progressive with the exception of the estate tax provisions. That is, higher income people get a smaller proportion of the tax benefits when compared with current law and everybody below roughly $100,000 will get a greater proportion of tax benefits when compared with current law.

As for the estate tax provisions, unfortunately, a number of my colleagues have been trying to have it both ways. They claim the bill is regressive, when its most regressive features are the estate tax provisions, but at the same time they push to have the unified credit go up to higher and higher numbers.

I have heard Senators on the floor who roundly criticized this bill privately say: Gee, MAX, can we raise the unified credit up to $6, $7, even $10 million?

I don't think you can have it both ways.

Mr. DORGAN. Will the Senator from Montana yield for a question?

Mr. BAUCUS. Certainly.

Mr. DORGAN. Does the Senator from Montana support complete repeal of the estate tax?

Mr. BAUCUS. No, he does not.

Mr. DORGAN. The only point I make is, talking about this bill as progressive, by saying if you don't consider the estate tax, it is a progressive bill.

Mr. BAUCUS. If I may respond, by far most of the cost of the estate tax provisions in the bill, in the current 10 years which the bill covers, results from raising the unified credit. Only a very small portion results from repeal of the estate tax. It is also important to recall this whole bill is sunsetted after 10 years. And so the claims of $600, $900 billion in the second 10 years are interesting, if you project current law out that far, but not particularly relevant since the bill terminates at the end of 2011 and all of its provisions will need to be reinstated.

Mr. DORGAN. If I might further inquire, I admit certain changes have occurred that have made this bill better for lower and middle-income groups more recently. But my guess is the Senator from Montana is not saying repeal of the estate tax is not in this bill, even though he says it is sunsetted. This bill repeals the estate tax in the last year; is that correct?

Mr. BAUCUS. The Senator is absolutely correct. Personally, I do not support full repeal of the estate tax. I support reforming the tax so it protects our family farms, ranches and other businesses. I understand the Senator is going to offer an amendment later today that will eliminate full repeal, while addressing the concerns of family businesses. I intend to support that amendment.

Mr. DORGAN. Further inquiring, I do intend to offer an amendment following the amendment offered by Senator KYL today. I might say that, while I support reform and have long supported reform of the estate tax, I do not support total repeal of the estate tax for reasons which I will describe later.

Mr. BAUCUS. Mr. President, because my time is limited I would like to get back to the point I was making originally about the distribution of this bill.

As this chart behind me shows, for taxpayers with incomes of $25,000 or less, $50,000 or less, $75,000 or less, or $100,000 or less, this bill, which is the red, shows that a greater proportion of tax reductions apply to those taxpayers. For those taxpayers with incomes of $100,000 to $200,000 or taxpayers with incomes above $200,000, again, the red shows they receive less in tax benefits compared with the administration's plan—again showing that this bill is progressive. That is, compared with current law and compared with the Bush plan, this bill does give more tax reductions percentagewise to people with incomes under $100,000, and those at $100,000 or more will get less in tax reductions than the Bush plan or current law. It does show that this is a progressive bill.

I yield the floor.

Mr. DODD. Mr. President, may I inquire how much time remains?

The PRESIDING OFFICER. The Senator from Connecticut has 3 minutes 25 seconds remaining; the managers, 1 minute 41 seconds.

Mr. DODD. In the 3 minutes, I want to make a couple of corrections to some of the statements made about the estate tax.

First, I will tell the Senate exactly how many people paid the estate tax liability: 49,870 people had, in 1999, Federal estate tax liability. That is 2 percent of the adult deaths in the country. When it comes to family farms, the New York Times recently reported that an Iowa State University economist had not been able to find a single documented example, not a single documented example of a family farm lost to the estate tax. Nor could the American Farm Bureau Federation find one example, not one. So when I hear these nostalgic, mythical arguments about the family farm losing out to the estate tax, that is what it is. It is mythology, unless you are the King Ranch in Texas maybe.

The idea that small family farms lose is just not borne out by the statistics or facts. The fact is, there is a significant revenue loss. My colleagues may not want to talk about it, but this bill also backloads the estate tax. It doesn't become fully effective until 2011. This hides the true cost of estate tax repeal.

If you want to vote for $662 billion in tax breaks for 49,000 people, then vote against the amendment. But then you explain that the next time we try to fix the water system or a sewer system or repair a school or reduce the national debt. The family farmer suffered? Name one. The Farm Bureau couldn't name one. The New York Times couldn't find one. Iowa State University couldn't find one.

This is a joke that is going on here. It is ridiculous. Listen to some of the most affluent Americans. Listen to George Soros, who talked about the estate tax and how ridiculous this is. Listen to Warren Buffett, Bill Gates, John Kluge, they will tell you this is a myth, that it is ridiculous talking about death taxes, $662 billion over 10 years. That is real money. That is money that could make a difference in paying down the debt, in investing in the infrastructure of America.

By taking the top rate down, instead of to 36 percent but to 38 percent, is that really an outrageous request to make for a modest investment in a downpayment on reducing the national debt and investing in the nontransportation infrastructure of America? I don't think so, Bill Gates doesn't think so, George Soros doesn't think so, Warren Buffett doesn't think so, John Kluge doesn't think so.

I hope the amendment will be adopted. Maybe we will have a little more balance in this bill. But repealing the estate tax to affect a fraction of the population in this country, some of the most affluent people in the land—to their credit, some of the most affluent people think this is wrong.

Mr. President, I ask for the yeas and nays on the amendment.

The PRESIDING OFFICER. Is there a sufficient second?

At the moment, there is not a sufficient second.

The Senator from Arizona.

Mr. KYL. Might I, on behalf of the Republican majority, pose a question to the Chair?

The PRESIDING OFFICER. The Senator will state it.

Mr. KYL. Mr. President, how much time does the chairman of the committee, the Senator from Iowa, have remaining on the Republican side?

The PRESIDING OFFICER. A minute and a half.

Mr. KYL. Might I be recognized to take that time in response to the Senator from Connecticut?

The PRESIDING OFFICER. The Senator from Arizona is recognized.

Mr. KYL. Then I will be happy to have a rollcall at that point.

This is a very deceptive amendment. There is absolutely nothing in this amendment that calls for any money to be spent on paying down the national debt or applying any money to the infrastructure of the United States. Only in the title does the amendment say that the purpose is to allow money to be spent for this. It says ''may be used'' for Federal debt reduction and improvements to the Nation's infrastructure. What it does is repeal almost all of the benefits in this bill relating to the repeal and reform of the estate tax and takes away all but 1 percent of the top marginal rate reduction called for in the bill.

When the Senator from Connecticut claims that the repeal of the estate tax in this bill is going to cost $662 billion, he is absolutely, totally wrong. According to Joint Tax, the cost of the estate tax repeal and reform measures in this bill is $145 billion, period, not $662 billion. Moreover, it is a fallacy to say that few will benefit. While it is true that relatively few estates pay the tax, hundreds of thousands of people will benefit by the reforms in the estate tax that are included in this legislation: The rate reductions; the increase in the amount of unified credit; and, in the 10th year, the repeal of the tax.

Mr. DODD. Will my colleague yield?

The PRESIDING OFFICER. All time on the amendment has expired.

Mr. DODD. I ask unanimous consent for 30 seconds.

The PRESIDING OFFICER. Is there objection?

Mr. KYL. Mr. President, I will be happy to take 30 seconds when he is done, and I will not object.

Mr. DODD. Mr. President, the Joint Committee on Taxation estimated that the House version, H.R. 8, would cost $186 billion between 2002 and 2011, less than one-third of the 10-year cost they estimated for immediate repeal, $662 billion—the Joint Committee on Taxation.

Mr. KYL. That is right. The immediate repeal—that was my original bill—would cost $662 billion. But we are not immediately repealing. The Senator should consult the bill. The estate tax is not eliminated until the 10th and final year. That elimination is $30 billion of the $145 billion of the total cost of reforming and finally repealing the estate tax. It is not repealed in the first year, not until the 10th year.

The PRESIDING OFFICER. All time has expired.

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

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The Senator from Arizona.

AMENDMENT NO. 691

Mr. KYL. Mr. President, I send amendment No. 691 to the desk. It is the tuition scholarship tax credit.

The PRESIDING OFFICER. The clerk will report.

The senior assistant bill clerk read as follows:

The Senator from Arizona [Mr. KYL] proposes an amendment numbered 691.

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

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

The amendment is as follows:

(Purpose: To amend the Internal Revenue Code of 1986 to allow a credit against income tax for contributions to charitable organizations which provide scholarships for children to attend elementary and secondary schools)

At the end of subtitle D of title IV, add the following:

SEC. ____. CREDIT FOR CONTRIBUTIONS TO CHARITABLE ORGANIZATIONS WHICH PROVIDE SCHOLARSHIPS FOR STUDENTS ATTENDING ELEMENTARY AND SECONDARY SCHOOLS.

(a) IN GENERAL.—Subpart B of part IV of subchapter A of chapter 1 is amended by adding at the end the following new section:

''SEC. 30B. CREDIT FOR CONTRIBUTIONS TO CHARITABLE ORGANIZATIONS WHICH PROVIDE SCHOLARSHIPS FOR STUDENTS ATTENDING ELEMENTARY AND SECONDARY SCHOOLS.

''(a) ALLOWANCE OF CREDIT.—There shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the qualified charitable contributions of the taxpayer for the taxable year.

''(b) MAXIMUM CREDIT.—The credit allowed by subsection (a) for any taxable year shall not exceed $250 ($500, in the case of a joint return).

''(c) QUALIFIED CHARITABLE CONTRIBUTION.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified charitable contribution' means, with respect to any taxable year, the amount allowable as a deduction under section 170 (determined without regard to subsection (d)(1)) for cash contributions to a school tuition organization.

''(2) SCHOOL TUITION ORGANIZATION.—

''(A) IN GENERAL.—The term 'school tuition organization' means any organization described in section 170(c)(2) if the annual disbursements of the organization for elementary and secondary school scholarships are normally not less than 90 percent of the sum of such organization's annual gross income and contributions and gifts.

''(B) ELEMENTARY AND SECONDARY SCHOOL SCHOLARSHIP.—The term 'elementary and secondary school scholarship' means any scholarship excludable from gross income under section 117 for expenses related to education at or below the 12th grade.

''(d) SPECIAL RULES.—

''(1) DENIAL OF DOUBLE BENEFIT.—No deduction shall be allowed under this chapter for any contribution 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.

''(3) CONTROLLED GROUPS.—All persons who are treated as one employer under subsection (a) or (b) of section 52 shall be treated as 1 taxpayer for purposes of this section.

''(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 for contributions to charitable organizations which provide scholarships for students attending elementary and secondary schools.''.

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

Mr. KYL. Mr. President, I am offering this amendment because I believe our Tax Code must and can be reformed to address the urgent need to improve elementary and secondary education in our country.

This tax bill takes a very important first step by allowing the Coverdell education IRAs to be used not only to facilitate savings for college education but for grades K through 12 as well.

Many of us since 1997 have worked very hard to secure this reform. I am gratified that it will finally be accomplished. For that, by the way, special credit is due to my late colleague, Senator Paul Coverdell, as well as Senators TORRICELLI and HUTCHINSON of Arkansas, whom I am pleased to have as cosponsors of this amendment.

While the administration of our schools is and should remain a local responsibility, we have a compelling national interest in improving the quality of K through 12 education. There are ways to do it without adding to the bureaucracy in Washington and without adding new mandates. It is a fact that America is currently not educating the workforce it needs for the economy of the 21st century. Raising overall achievement will enhance America's competitiveness.

Congress has been compelled to authorize the issuance of hundreds of thousands of new visas for highly skilled temporary workers because it is a fact that not enough qualified American workers were available to fill new economy jobs. Unless we take action, this situation is unlikely to change. It is a fact that international tests reveal that American high school seniors rank 19th out of 21 industrialized nations in mathematics achievement and 16th out of 21 nations in science achievement.

Ironically, this threat to our competitiveness is the result of our failure to apply the very principles undergirding our economy's success in the area of education. Our Nation has thrived because our leading industries and institutions have been challenged by constant pressure to improve and to innovate. The source of that pressure is vigorous competition among producers of a service or a good for the allegiance of their potential customers or consumers. So why not promote innovation by producers and choice for consumers in the field of education?

The quasi-monopoly of public education today discourages this innovation, and the fact that funding is through tax dollars diminishes the choice option for all but the most wealthy. They have to go to schools where they are told. They can't direct their tax dollars to the school where they want to send their children.

We must find a way to promote innovation and opportunity through greater choice for parents. Those are the concepts that have built this country through our great free market economic system, and it is the same concept that can improve our educational system for the competition that I spoke of earlier.

Another problem with our education system is that too many of our children are literally being left behind. Thirty-seven percent of American fourth graders' tests show that they are essentially unable to read. For Hispanic fourth graders, the proportion is 58 percent, and for African-American fourth graders, it is 63 percent. That is intolerable.

Since 1983, over 10 million Americans have reached the 12th grade without having to learn how to read at a basic level. Over 20 million have reached their senior year unable to do basic mathematics.

As President Bush has repeatedly noted, far too many of America's most disadvantaged youngsters pass through public schools without receiving an adequate education. It is intolerable that millions of children are trapped in unsafe and failing schools.

Parents should have a right in the United States of America to get the best education possible for their children as they see it, and the amendment I offer today will help secure that right.

My amendment would provide a $250 tax credit, $500 for joint filers, to partially offset the cost of donations to tuition scholarship organizations. What are those? They are organizations that in the past have been primarily founded by business leaders that provide partial tuition scholarships to enable needy youngsters to attend a school of their family's choosing.

The idea first came to light about a decade ago when the first one was founded in Indianapolis. Now there are more than 80 such programs serving more than 50,000 students nationwide.

For families who benefit, these programs are a godsend. A study that was just released by the Kennedy School of Government found that 68 percent of parents awarded scholarships are very satisfied with academics at their child's school compared with only 23 percent of parents not awarded scholarships.

The problem is that demand for scholarships far outstrips supply, even though families must agree to contribute a significant portion of the total cost of tuition. The interesting thing is, that is especially the case at the lower end of the economic ladder.

For example, in 1997, 1,000 partial tuition scholarships were offered to families in the District of Columbia. Nearly 8,000 applications were received, many of them from very low income families.

Another example: In 1999, 1.5 million people applied for 40,000 scholarships in a national lottery. Clearly, there is a huge unmet demand for this kind of assistance.

In 1997, Arizona implemented an innovative plan to meet that demand in our State: A $500 tax credit to offset donations to organizations that provide tuition scholarships to elementary and secondary students. The results: Upwards of $40 million in donations to tuition scholarship organizations.

The number of school tuition organizations operating in my State of Arizona is up from 2 to 33, and the organizations have a very wide range of emphasis and orientations. For example, they range from the Jewish Community Day School Scholarship Fund to the Fund for Native Scholarship Enrichment and Resources to the Foundation for Montessori Scholarships.

Nearly 15,000 Arizona students, nearly all of them from disadvantaged backgrounds, have received this scholarship assistance.

The interesting thing is while some have charged that the law was unconstitutional, particularly given the explicit prohibition on direct aid to parochial schools in Arizona's constitution, our State supreme court recognized that allowing taxpayers to use their own money to support education is a different matter and upheld the program. And consistent with previous holdings on the subject, the U.S. Supreme Court declined to review the decision.

We have the answer to those who fear that Federal dollars going to vouchers which students would then take to the school of their choice could possibly be unconstitutional, though I do not think that is the case. But we have an answer to that concern.

Here you do not have Federal dollars being given to students in the form of vouchers which are then taken to the school of their choice. Instead, what we provide is that if people want to contribute money to a duly qualifying scholarship fund, that scholarship fund can then give that scholarship to needy students and those students can take that scholarship to whatever school in which they want to be educated.

The people who originally donate to the scholarship fund will be granted a tax credit by the U.S. Government. That is constitutional. It does not violate any notion of separation of church and state, and yet it permits people to help those who need the help the most to have the flexibility that only the most wealthy in our society have today: the ability to take their kids to the school of their choice.

It is a much better way to resolve this problem of choice and innovation than, frankly, anybody has come up with to date because it meets the constitutional challenges; it involves the private sector; it involves personal donations; it does not have the Federal Government having to fund a large voucher program. Yet it gets the benefits to the students who need it the most, who are willing to contribute part of their own income to match that scholarship and pay the tuition at the school of their choice, be it a public school, a public charter school, a private school, a parochial school—it does not matter.

In many cases, this money could even be used to pay the public school when one is able to transfer from one public school to another. It is neutral in this regard, as to whether it is used at public or nonpublic schools, and, as I said, it could even be used to offset tuition costs both at private schools and to help enroll a child in a school across a district boundary. This, in effect, creates a Federal credit comparable to those upheld in Arizona and to recently enacted provisions in other States, such as Pennsylvania and Florida, of which I am aware.

It is interesting; the Joint Committee on Taxation has estimated this credit could cost the Federal Treasury $43.4 billion over a 10-year period. Think what a magnitude of difference that money would make in the lives of our children: $43 billion would finance 12.4 million $3,500 scholarships. Think of the opportunity provided to those 12.4 million students with a $3,500 scholarship to take them out of the condition of education they are in now, out of the failing school, out of the unsafe school, and to a school where they can achieve, where they can learn, where they can be competitive, where they can learn their full potential.

I close with this point. I have said many times that if we can get education right, almost everything else in this country will follow. Probably all of my 99 colleagues would agree with that general proposition. If we can get education in this country right, everything else follows. By ''we,'' I do not just mean the Federal Government. In fact, I mean primarily the parents and local school folks.

First, it will help people realize their full potential.

Second, it will make them more qualified to compete for the kinds of jobs that are going to exist in the future.

Third, it will help our Nation compete. We are going to need to compete in a world environment.

Fourth, it is going to make us more secure because we are going to have the kind of young students who can invent the things that are going to help us keep our technological edge when it comes to national security.

Fifth, it is going to make us better citizens.

I have been somewhat appalled at what some of our schools do not teach about the history of this great country of ours, about the foundation for the self-governance we have, about the need for people, especially young people, to participate in our democratic Republic. I fear that generations of Americans are growing up not being taught the fundamentals of our society, our Government, and our free-market system that we were taught, and I think fairly well. People such as the Presiding Officer have helped to create wealth to create jobs, to help turn this country into the great economic engine it is. People in public life have also helped Americans realize the stake they have in self-governing.

If we go a couple generations without teaching our children accurately and adequately in subjects from math and reading to history to government to economics and all the other subjects that students in this complex world have to master, then we are not going to progress as a nation and be the leading superpower and the leader of the world we are today, not just in economic terms but in terms of human rights, democratic principles, and other societal values, as well as the technological values I spoke of earlier.

If we get education right, we can flourish in all of these areas, and if we stay 19 out of 21 on these tests, then Americans are not going to be as well educated and we will be overtaken by other nations.

Is it all bad we would be ''overtaken''? Not necessarily, if other nations are putting their productive capabilities into the same things the United States has, but we have never won a war without turning over to the vanquished the territory we took.

We have led the world in foreign aid and assistance. We have led the world in our insistence on human rights. In other words, America stands for what is good on this Earth, and for us to continue to be the leader of the world to promote these values requires an educated citizenry, a citizenry that will be educated and committed to these ideals, to these propositions.

We cannot sustain that kind of education with the system we have today. The scholarship tuition credits I am proposing with this amendment will enable parents to allow their children to be educated in the very best schools for those students and to enable them to escape the kind of system we have today to one where each child can grow to their full potential. We must demand nothing less of our system.

The final point is, if children are able to take scholarship tuition money to the school of their choice, the school from which they left will have a much greater incentive to improve than is the case today. We are talking about improvement of all schools, not just a few.

This is an idea whose time has come, an idea we can support through a tax credit, through this bill before the Senate today. I hope even though there may not be adequate support for this when we vote on it tonight because of the opening of the debate on the subject, we will be able to promote this idea in ways that will enable it to bear fruit in the days and weeks to come. This is an amendment Congress needs to pass. It is a tax credit the Federal Government needs to provide for an educational benefit that the children of the country need to have.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. Mr. President, I yield myself 1 minute.

I appreciate the Senator's amendment. He seeks to help encourage charitable giving for scholarships, a very worthy cause. Obviously, it is an idea that deserves to be debated and to be looked at carefully. Unfortunately, it falls outside the scope of the RELIEF act. I hope the Senator and I can work to have the Finance Committee consider a charitable bill down the road.

Before I close, I thank the Senator for his good work on the Senate Finance Committee. He is a new member of the committee. The committee has greatly benefited from his energy and ideas. The people of Arizona are fortunate to have his service on the Finance Committee.

I yield the floor.

Mr. BAUCUS. Mr. President, I yield to my good friend from New Mexico.

Mr. BINGAMAN. I speak in opposition to the amendment very briefly. The amendment of the Senator from Arizona is essentially a somewhat indirect way to provide Federal funding for private schools and parochial schools. That is exactly what is involved. It is a tax credit of $250 or up to $500 per couple which is available to any taxpayer who wants to contribute to one of these organizations that provide scholarships to people who go to schools and charge tuition. The schools that charge tuition are the private schools in this country, the parochial schools. Many of them do an excellent job. Clearly, they contribute a tremendous amount to our country.

We do not have the votes in the Senate, and I do not support direct appropriations to private and parochial schools. That has not been the tradition in our country. It is generally considered contrary to our Constitution. The Government has stayed out of the business of funding the private elementary and secondary schools. What we are saying is we will not appropriate money directly to those schools, but we will give each taxpayer a $250 credit if they will give that $250 to the private school. That, to me, seems to be a pretty direct way of providing Federal support for private and parochial schools.

Private and parochial schools do a tremendous job in educating young people. I support the continuation and the success of our private and parochial schools in the country. We have many in my home State that do an excellent job. But we have a limited amount of Federal tax dollars that we can commit to education. We have had many votes in the Senate and we will have more tonight that try to ensure that adequate money is available for public education in the country. I think while all Members generally agree we are not providing enough funds for public education, it would be foolhardy, at the same time we cannot afford to provide what we want for public education, to turn around and say, OK, we will not appropriate it directly to private education, but we will give this tax credit to anyone who wants to contribute.

It is a dollar-for-dollar tax credit, not something where the Federal Government pays part of what someone contributes to the private school. This is a tax credit where the Federal Government pays every single dollar that a person or couple contributes to the private school, up to $500 in the case of a couple. It is a very expensive proposal; $43 billion is the estimate from the Joint Tax Committee. That is an expensive commitment of funds. Frankly, it is one I would be willing to make if the money was going to the public school system to strengthen our public schools. I think that would be a good investment of our dollars. I do not think it is smart when we are unable to make that commitment of an additional $43 billion to the public schools to be turning around and saying we will go ahead and commit that amount of Federal expenditure for the private schools in this indirect way.

I hope my colleagues will see this is not good policy. This is not the way in which to proceed. This is something which has some meritorious motives behind it, but clearly we should be doing all we can to strengthen our public school system. This is a way of essentially taking resources that might otherwise be available for the public schools and diverting them into the private schools which I think would be a mistake at this time in our history.

Mr. GRASSLEY. For Senator KYL, Mr. President, we will yield back his remaining time.

Mr. BAUCUS. The same is true for our side. We yield back the remainder of our time.

The PRESIDING OFFICER (Mr. CORZINE). All time is now yielded back.

AMENDMENT NO. 713

Mr. DORGAN. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from North Dakota [Mr. DORGAN], proposes an amendment numbered 713.

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

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

The amendment is as follows:

(Purpose: Replacing the estate tax repeal with a phased-in increase in the exemption amount to $4,000,000, an unlimited qualified family-owned business exclusion beginning in 2003, and a reduction in the top rate to 45 percent)

On page 63, beginning with line 4, strike all through page 70, line 20, and insert:

Subtitle A—Reductions of Estate and Gift Tax Rates

SEC. 501. REDUCTIONS OF ESTATE AND GIFT TAX RATES.

(a) MAXIMUM RATE OF TAX REDUCED.—

(1) REDUCTION TO 53%.—The table contained in section 2001(c)(1) is amended by striking the highest bracket and inserting the following:

"Over $2,500,000 ..... $1,025,800, plus 53% of the excess over $2,500,000.".

(2) REDUCTION TO 47%.—The table contained in section 2001(c)(1), as amended by paragraph (1), is amended by striking the two highest brackets and inserting the following:

"Over $2,000,000 ..... $780,800, plus 47% of the excess over $2,000,000.".

(3) REDUCTION TO 45%.—The table contained in section 2001(c)(1), as amended by paragraphs (1) and (2), is amended by striking the two highest brackets and inserting the following:

"Over $1,500,000 ..... $555,800, plus 45% of the excess over $1,500,000.".

(b) REPEAL OF PHASEOUT OF GRADUATED RATES.—Subsection (c) of section 2001 is amended by striking paragraph (2).

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to estates of decedents dying, and gifts made, after December 31, 2001.

(2) SUBSECTION (a)(2).—The amendment made by subsection (a)(2) shall apply to estates of decedents dying, and gifts made, after December 31, 2005.

(3) SUBSECTION (a)(3).—The amendments made by subsection (a)(3) shall apply to estates of decedents dying, and gifts made, after December 31, 2009.

Subtitle B—Increase in Exemption Amounts

SEC. 511. INCREASE IN EXEMPTION EQUIVALENT OF UNIFIED CREDIT AND LIFETIME GIFTS EXEMPTION.

(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 through 2006	$1,000,000
2007 and 2008	$1,250,000
2009 and 2010	$1,500,000
2011 and thereafter ...	$4,000,000.".

(b) LIFETIME GIFT EXEMPTION INCREASED TO $1,000,000.—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".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to estates of decedents dying, and gifts made, after December 31, 2001.

SEC. 512. UNLIMITED QUALIFIED FAMILY-OWNED BUSINESS INTEREST DEDUCTION.

(a) IN GENERAL.—Section 2057(a) (relating to family-owned business interests) is amended to read as follows:

"(a) GENERAL RULE.—For purposes of the tax imposed by section 2001, in the case of an estate of a decedent to which this section applies, the value of the taxable estate shall be determined by deducting from the value of the gross estate the adjusted value of the qualified family-owned business interests of the decedent which are described in subsection (b)(2).".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2002.

On page 79, beginning with line 7, strike all through page 106, line 6.

Mr. DORGAN. Mr. President, let me describe briefly what this amendment does. This is amendment deals with the estate tax. I have listened intensely to the debate on the floor of the Senate. Much of the debate on the estate tax has been about Senators' concerns with family farms and small businesses and with parents not being able to pass on those enterprises to their children to operate.

I, too, am concerned about this issue and believe that the estate tax should not interrupt the transfer of a family business to qualified descendants who want to continue to operate the business. We should not do that. A Main Street business in Ames, IA; or Butte, MT; or Regent, ND; ought not suffer the death of an owner and then a crippling estate tax obligation that prevents the owner's children from being able to continue to run that business. We don't want the surviving children of that family business to inherit both the business and a crippling estate tax debt.

I understand that problem. And I believe we should do something about it. That's why my legislation would exempt from the estate tax family-owned businesses that are passed on to qualified heirs who continue to operate those businesses. My amendment would do that by the year 2003. If the family enterprise is passed on to the qualified heir or lineal descendent, and it continues to be operated as outlined in my legislation, it will be totally exempt from the estate tax. So the next time I hear senators stand up and say that this is their goal, I will say, if this is your goal, then vote for my amendment because the estate tax proposal now on the floor of the Senate doesn't do this until a long time down the road.

My proposal exempts all family-owned and operated businesses and farms that are passed on to the next generation by 2003. End of discussion. It is done and done far more quickly than by the bill now being considered by the Senate.

My legislation also includes a $4 million unified estate tax credit that will be available to everyone in 10 years, or $8 million for a husband and wife. With respect to the estate tax, what I am saying is: Yes, let's agree that we will exempt family businesses and family farms. Yes, let's agree that we will increase the unified credit in the estate tax.

The only question that remains then is: Should we completely repeal the estate tax? My answer is no. Should we repeal the estate tax for those whose estates are worth more than $8 million? My answer is no. Here's why.

I have heard lots of discussion today about the so-called death tax. And all of us know—we have read the news stories—that the term "death tax" was concocted by a pollster. They used focus groups and found that their purposes were better served by calling this the death tax, not the estate tax. But, of course, dead people do not pay taxes. We know that. Wealthy heirs pay taxes. Trust fund babies pay taxes.

The ancient Egyptians thought you could take it with you when you died. There are some demonstrations of that when they discover and open their tombs these days. Has anyone here ever seen a hearse pulling a U-Haul trailer? I don't think so. You can't take it with you, and we don't tax death. If we do, I would like my friend from Iowa and others to describe to me how a dead person shows up at the tax office to pay that obligation.

Dead people are not paying taxes. Estates pay taxes, which means the wealthy heirs get less and the trust fund babies get less.

It seems to me, that if the point is you can either have a tax incident in death or life, and you decide not to tax death—if I accept that moniker for a moment—then what is left? Then you tax life. What you're saying is: Don't tax unearned income that flows to a benefactor through someone else's death. Rather, to pay for defense and all the other priorities in the country, tax the income earned by people that go to work every day. Is that a choice that makes much sense? Not to me it isn't.

There are those who want to repeal the estate tax in its entirety, but they have sold this repeal as a means of alleviating the problems of family farms and family businesses. They should disabuse themselves of that notion. I say let's repeal the estate tax for the transfer of family farms and family businesses. So that that problem is solved. And my amendment does that almost immediately, and much more quickly than in the underlying bill.

Once that is out of the way, the question is: What is left over? Those who say we must completely repeal the estate tax, even above $8 million for a husband and wife, say it is a horrible thing to tax unearned wealth or large inheritances.

If it is such a terrible thing to tax unearned wealth, than what should we tax? Should we have a tax system that promotes opportunities for all? Or should we have a tax system that protects the privileges of a very few? A substantial portion of the estate taxes actually paid are on estates that have never been taxed. Close to 70 percent of their value has never been taxed.

I understand that there are some who feel very strongly there should never

have been or even be an estate tax. Let me just make a couple of comments about that position.

Without the estate tax, it seems to me, you would have a world with an aristocracy of the wealthy, which means the ability to command resources would be based on heredity rather than merit. Some think that is all right. But let me quote Mr. Martin Rothenberg, President of Glottal Enterprises. He said it quite well, I think, as a business owner. He said:

> My wealth is not only a product of my own hard work. It also resulted from a strong economy and lots of public investment in me and others. My success has allowed me to provide well for my family, and upon my death. I hope taxes on my estate will help fund the kind of programs that benefitted me and others from humble backgrounds—a good education, money for research and targeted investment in poor communities—to help bring opportunity to all Americans.

Some would say they do not agree with that. That this is not what this is all about. But it seems to me that we ought to make some choices here. When we talk about repealing the estate tax and we describe it as a death tax, it is critically important to understand that what we are about to do is antithetical to good tax policy. We ought to, in my judgment, protect the transfer of family businesses from one generation to another by exempting them from the estate tax. I agree with that.

My amendment is the only legislation you will vote on that will do that almost immediately, in 2003. And if you do not vote for this amendment, 6 months or 1 year from now, or 2 years from now, do not come to the floor of the Senate with Kleenex, dabbing tears, talking about how difficult it is to transfer family businesses and family farms to heirs because you voted against the amendment that would have made it possible for them to not have to pay any estate tax at all.

This country has about one-half of the world's billionaires, or about 309 billionaires in 1999. The wealthiest 400 Americans had $1.2 trillion in estates. And I say good for them. This country is a country in which you can do well, where opportunity exists. This country has created opportunities in which those who work hard and are fortunate can do very well. I would not want to live in a different kind of country. I want those opportunities to be available for all Americans.

But I also believe, when we look at who is going to pay the bills in this country—and, incidentally, everyone in the Senate has spending priorities. This isn't a case of anyone not having them because everyone here has spending priorities. The most conservative Member of the Senate who rails against Federal spending is likely going to be out here saying we need much more money for defense spending. Do you buy bombers or milk? Do you buy military equipment or food for the hungry? Everybody here has their spending priorities—everybody.

The question is: How do you tax to pay for those spending priorities?

My colleague says that the estate tax ought to be completely repealed. Again, using the moniker ''death tax,'' which is a pollster's creation to describe this tax in some pejorative way, what I say is this: My amendment says that the only estate tax that will be left in this country is one for those whose estates are $8 million and above.

I also in my amendment propose reducing the estate tax rate, increasing the unified credit as I indicated, and totally repealing the estate tax for the transfer of family businesses to qualified heirs who continue to operate those businesses. The only estate taxes that are left then are for those whose assets are $8 million and above.

One can say: My priority is to come to the floor of the Senate and protect those folks from the hand of taxation, even though almost two-thirds of that money has never been taxed. That's right, two-thirds of the asset base from those estates will never, ever have been taxed. One might come to the floor and say: My mission in life is to support those estates, those above $8 million—not those who have a family business—but those worth more than $8 million.

Everybody has a right to stand on whose side they want to stand on. But it seems to me that the reasonable thing to do is: If someone dies with $6 or $8 billion in assets, to have a substantial exemption at the bottom, which my amendment will do, and then say to them, that the unearned income that is going to your heirs will be diminished some, by an estate tax, that will go into the hands of those who will redirect it to strengthen our school systems in this country, to invest in research and development, to invest in technology, and to make this a better country.

There are others who say that is not a priority at all. So be it. I happen to think it is a priority. I think if you were to rank priorities with respect to the Tax Code, you should start right at the bottom, with those people who show up for work and make the minimum wage, with those who struggle at the bottom of the economic ladder to try to make ends meet. They are struggling mightily to figure out how to pay their bills, making just the minimum wage.

There are not a lot of folks in the hallways here worrying about those folks today. You bet your life there are not. There are not a lot of lobbyists worrying about the economic interests of those folks at the bottom of the economic ladder. But you can bet your life there a lot of folks around this building that have invested a great deal of time looking after the interests of those who have $10 million, $50 million, $1 billion, or $10 billion, and who want to avoid having to pay an estate tax.

Before I conclude, I again say that I hope I will not hear somebody stand up and say that the case for repealing the estate tax is to stop the interruption of the transfer of small businesses or family farms, because my legislation repeals the estate tax for all of those transactions. When you are going to transfer a farm or a business from one generation to another, and the heirs are going to continue to operate it, my amendment is the only proposal that repeals that tax in this circumstance by 2003. It is the only.

So you can no longer sell the proposition of repealing the estate tax for the largest estates in the country by putting it on the backs of family farms and family businesses. This is the only proposal that will repeal it and will stop the interruption of the transfer of a family farm or business to qualified heirs.

Mr. President, I reserve the remainder of my time.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. I probably should spend most of my time speaking against the amendment of the Senator from North Dakota, but I have already spoken today on why I think the estate tax provisions in this bill ought to be maintained.

AMENDMENT NO. 674

I want to use my time to speak at this point on the first or, I guess now, the second amendment that is going to be up for a vote at 6 o'clock, the Carnahan-Daschle amendment.

I want my colleagues to understand exactly what this amendment does because I think it is one of the toughest amendments and one that may have one of the closest votes today.

This amendment by Senator CARNAHAN guts the tax relief for individual taxpayers by $87 billion. In effect, it increases taxes on families and working people by $87 billion by denying them the tax cuts contained in our bipartisan tax bill.

Here is how the amendment works.

First, this amendment not only delays the reduction of the marginal tax rates; it provides for only a 1-point reduction in the marginal tax rates over a period of years compared to the 3-point reduction in the bipartisan plan Senator BAUCUS and I have put together.

This 1-point reduction equals the rate relief that our bipartisan tax plan provides in the first year alone. Our plan's additional tax cuts would be eliminated entirely under the Carnahan-Daschle amendment.

I have a chart here that demonstrates this better. Their amendment allows only a 1-percent rate cut, which our bill implements next year. But Senator CARNAHAN's amendment delays the rate cuts over 5 years. As you can see from the bottom part of this chart, 1 point each year, but with a different rate each year so that it takes 5 years.

The Carnahan-Daschle amendment would entirely eliminate the bipartisan bill's tax cuts for the years 2005 and 2007.

Our plan reduces the 28-percent rate to 25 percent over 6 years. Our amendment reduces the rate by 1 percentage point to 27 percent next year.

Two years from now, the Carnahan-Daschle amendment would reduce the 28-percent rate to 27 percent but would entirely stop there—no more tax cuts after that point for the 28-percent taxpayers.

Who is a 28-percent taxpayer? It would include any family with taxable income over $45,200. Those families get the shaft under the Carnahan-Daschle amendment.

Our plan also would reduce the 31-percent rate to a 28-percent rate over 6 years, and would do it immediately 1 point next year.

Three years from now, the Carnahan-Daschle amendment would reduce the 31 percent to 30 percent, but stop right there—no more tax cuts then for the 31-percent taxpayer.

You can see from this chart, it is the same story over and over again.

The Carnahan-Daschle amendment takes just the first year of tax cuts from our bipartisan bill and spreads them out over 5 years. And, of course, that is their idea of tax relief for American working men and women.

How do they justify this? How do they justify taking away $87 billion of tax relief from individual taxpayers? They rationalize it by reducing the 15-percent rate to 14 percent; that is all. They claim a 1-percent reduction of one bracket justifies denying a 2-point further reduction in all other brackets.

Senators CARNAHAN and DASCHLE claim this 14-percent rate puts more benefit to middle-income taxpayers. I doubt that. I will show you with a little bit of math how there is reason to doubt that.

I would like to go back to the 28-percent taxpayer family; that is, any family with taxable income over $45,200. Senator BAUCUS has noted that 75 percent of the benefits under the new 10-percent rate bracket in our bill go to taxpayers making less than $75,000. So I will use that as a starting point.

Let's say we have a family with taxable income of $75,000. Under the Carnahan-Daschle amendment, the reduction of the 15-percent rate would save them $452. Two years from now, the 28-percent rate would go to 27 percent, which would give another $298 back. Our bill would give them the $298 not 2 years from now but right now.

So when their plan is fully implemented, this family will have a total tax cut of $750 under the Carnahan-Daschle amendment. When our bipartisan plan is fully implemented, this family will have tax savings of $894, which is $144 more than under the Carnahan-Daschle plan. That is because we reduce the 28-percent rate to 25 percent. Our plan provides over 19 percent more in tax cuts for this family than does the Carnahan-Daschle amendment.

Senators CARNAHAN and DASCHLE justify their proposal because they claim taxpayers in this 15-percent income bracket are shorted since our plan does not reduce the 15-percent rate. They claim that families earning between $12,000 and $45,000 will get no rate cut and no tax relief. That is completely untrue.

The nonpartisan Joint Committee on Taxation says that our bipartisan bill provides between 9 percent and 33 percent of relief for families making between $12,000 and $45,000. Taxpayers on the lower end of this range receive the biggest percentage reduction, 33 percent; those on the upper end receive the least, 9 percent.

Senators CARNAHAN and DASCHLE do not consider that our bipartisan plan targets other benefits to taxpayers in this income range.

They only look at the rate itself. So these benefits, including the child care credit, the education incentives, the pensions, and the IRA provisions, and various other tax relief measures in this bill, are yet further reductions for people at the 15-percent bracket, between $12,000 and $45,000.

The child credit is one example. The entire 15-percent bracket qualifies for it while it is phased out in higher brackets. For many current 15-percent bracket families, the child credit will erase more than 100 percent of their tax liability. The $3,000 expansion of the earned-income credit income thresholds will make more 15-percent bracket families qualify. Higher tax brackets will not qualify.

When fully phased in, a four-person, two-earner family earning $30,000 will see their tax bill change from a $346 liability to a $1,911 net refund under this bill, and that is a 652-percent swing.

You may wonder why we targeted these benefits instead of reducing the 15-percent rate. Well, Senator DASCHLE made this point better than I could when he spoke on the Senate floor last Thursday. This is the reason he identified in correctly pointing out that when you reduce the tax rate, the benefits of the rate reduction go to taxpayers in that rate bracket and to all other taxpayers in the higher rate brackets. This is because taxpayers pass through the lower rate bracket on their way to the higher rate brackets. If you did a rate cut, it would cause our plan to favor upper income levels, for which I am sure Senator DASCHLE would severely criticize us. Our plan does not do that.

As this chart demonstrates, our bill makes the current tax system even more progressive than it is currently. In every one of these brackets, under present law, people are paying a higher share than they would under the new tax law, except for the highest income level of $200,000 and above. At that level, people at $200,000 and above are going to be paying a higher proportion of taxes than they do today. But for every other income level, as a result of our legislation, people in those income levels are going to be paying a lower share of taxes.

The Daschle-Carnahan proposal would actually make our tax system less progressive by giving greater savings to upper income taxpayers as they pass through the 14-percent bracket. When you are really serious about reducing the tax burden for people in the 15-percent income tax bracket, you target available resources to people at that income level. That is exactly what our bipartisan bill does. It targets benefits to families making between $12,000 and $45,000 and provides relief ranging, then, from 9 percent at the $45,000 income to 33 percent at the lower income.

That is better relief than Senator CARNAHAN's 1-percent rate reduction because taking a 15-percent rate to 14 percent is less than a 7-percent reduction of the rate itself.

I don't want you to take my word for it. I don't take Senator DASCHLE's or Senator CARNAHAN's word for it, either. These are conclusions drawn by the Joint Committee on Taxation.

Let's look at the choice before us. Our bipartisan bill provides 9 to 33 percent of relief for 15-percent taxpayers. Our bill provides 19 percent more tax relief to middle-income taxpayers. Their amendment increases individual income taxes by $87 billion based upon the false assumption that we have not cut the tax burden of the 15-percent taxpayers.

This all seems to be a simple decision. If you want to provide meaningful relief for all taxpayers, then you should vote to defeat the Carnahan-Daschle amendment. If you want to increase individual income taxes by $87 billion based upon flawed analysis, then by all means vote for the amendment of the opposition. Their amendment only reduces taxes 1 percentage point. It provides a mere thimbleful of tax relief.

This amendment creates a smokescreen to try to fool middle-income Americans into believing they are getting substantial tax relief when, in fact, it will increase their tax burden by billions.

I will also point out to my colleagues from the other side that the Carnahan-Daschle amendment is not the same amendment offered by Senator DASCHLE during the Finance Committee markup. That amendment would have cut all of the rates by 1 percent in 2002. The Carnahan-Daschle amendment spreads the 1-percent cuts over 5 years, a very significant difference.

I hope the Carnahan-Daschle amendment to withdraw $87 billion in tax cuts is not the crown jewel of the Democrats' tax proposal. I believe the bipartisan bill put forth by our committee should be the high watermark for both political parties.

I say to all of my colleagues on both sides of the aisle who supported the budget resolution, a vote for the Carnahan-Daschle amendment destroys our efforts to provide a $1.35 trillion tax cut. As you know, the RELIEF Act

before us contains only individual income tax cuts. It is not larded in favor of a lot of special interest legislation that sometimes is in tax bills. You cannot draft bipartisan legislation if you do that.

A vote to decrease the tax cuts in the RELIEF Act is a vote to increase income taxes of individuals across America by $87 billion. Obviously, I urge Members to vote to reject the Carnahan-Daschle amendment.

I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. DORGAN. Mr. President, I yield 5 minutes to the Senator from Montana.

Mr. BAUCUS. Mr. President, may I ask how much time remains on the Dorgan amendment?

The PRESIDING OFFICER. The sponsor has 16½ minutes; the opposition has 15.

Mr. BAUCUS. I thank the Chair.

Mr. President, the chairman of the committee, Senator GRASSLEY, and I worked very hard to come up with a bill that both of us could support. Given all the dynamics that exist in this body and given the two-party system that we are operating under, it has not been easy.

During the process of coming to this agreement, the chairman has given a lot—I am sure he would like the top rate to be lowered a lot more quickly, and I have given a lot as well. Despite how progressive it is, I would like this bill to be tilted more toward education, more toward pension reform, more toward middle-income taxpayers.

Having said all that, I do believe the Senator from North Dakota has a good amendment, and I support it. It is true that the people who need relief most in this country under the estate tax are family farmers, ranchers, and family businesses. That is where the estate tax really hurts. They are the people who need the support. His amendment directly goes to the main issue before us; namely, helping families.

It is also an improvement compared with the current bill because the current bill repeals the estate tax only in the last year. A lot of American families can't wait ten years to pass on their businesses to their children.

Senator DORGAN's amendment does it. By offering his amendment, he does away with a very complicated carryover basis provision contained in this bill. We tried that in 1970. We enacted a carryover basis to the heirs of property after estates had been distributed. It didn't work. In fact, we repealed it. It was so complicated, it was a mess. By keeping the current stepped-up basis—again, Mr. President, I personally think he has a good amendment. It is not what we agreed to in committee. It is difficult to strike this balance between supporting my good friend in the committee and the bill we came up with on the one hand, and the one issue on which I do believe the Senator from North Dakota makes good sense.

This was the last issue Senator GRASSLEY and I negotiated—the estate tax provisions. It is extremely complicated, difficult, with very high passions on both sides. I think a good resolution for all of us in the Senate, frankly, is to support the amendment by my friend from North Dakota. In the final analysis, it improves the bill which more of us could support.

I yield the remainder of my time.

The PRESIDING OFFICER. Who seeks time?

Mr. BAUCUS. I ask the Senator from Kentucky, does he reserve time on this amendment.

Mr. BUNNING. On the bill itself, not the amendment.

Mr. BAUCUS. Mr. President, we are still in the period of offering amendments. Under the unanimous consent agreement we don't get to general discussion until 4 o'clock.

Mr. BUNNING. I was told I should come over because this amendment was going to be offered.

Mr. GRASSLEY. Let me ask my friend on the other side of the aisle, would it be all right if he could have what time I had not used on the Dorgan amendment?

Mr. REID. It is my understanding that the Senator from Iowa has about 15 minutes; is that right?

The PRESIDING OFFICER. Just under 15 minutes.

Mr. REID. The Senator from Kentucky is not going to offer an amendment, just speak on the bill?

Mr. BUNNING. That is correct.

Mr. GRASSLEY. I will yield the rest of my time to the Senator from Kentucky.

The PRESIDING OFFICER. The Senator from Kentucky is recognized.

Mr. BUNNING. Mr. President, I voice my support for H.R. 1836, the tax relief bill.

The American people deserve a tax cut. We have not given them a major, across-the-board tax cut since 1981. Twenty years is too long to wait.

Americans are overtaxed. Personal tax payments have risen on average by 10.5 percent per year over the last five years, but, personal income has risen by only 5.9 percent per year.

The tax burden as a percentage of GDP is the highest it has been since World War Two.

This is absolutely ridiculous, especially when you consider our budget surpluses.

This money belongs to the people and should be returned to them.

If we don't, it's just going to get frittered away here in Washington.

President Bush is correct. No American should pay more than a third of their income in Federal taxes.

This bill does not take us all the way there, but it is a step in the right direction.

This bill will also help eliminate the unfair marriage penalty. We have penalized families for far too long.

I have never understood why the Federal government, through the tax code, would penalize people for getting married.

We should be encouraging marriage, not creating disincentives for marriage.

This bill will provide a deduction up to $3,000 for two-earned families who file jointly.

In Kentucky, that is real money.

The bill will also help families by doubling the child tax credit.

This will be a welcome addition to families and ease their burden just a little bit.

As the grandfather of 35, I know this will help my nine children.

I also strongly support the estate tax relief this bill is providing.

For far too long, the children of American farmers and small business owners have labored under the burden of knowing that death could force them to sell their assets to satisfy the IRS.

It is way past time to correct this.

There is no good reason to tax individuals at death or to make this sad time a taxable event.

But we need a tax cut not just for of fairness reasons, but also for economic reasons.

We need tax relief to stimulate our economy. As my colleagues know, unemployment has been increasing, and economic growth has been slipping.

The Federal reserve, through way too late in my opinion, has been using monetary policy to help stimulate the economy. But monetary policy itself is not the answer.

We need a strong fiscal policy solution as well.

We need an immediate decrease in withholding taxes to put more money in the pockets of consumers.

We can do much better and the stimulus effect will be much more pronounced by putting more money in the hands of Americans immediately.

We need to get people to start buying again.

We need to give tax relief to our nation's small businesses so they can start reinvesting again.

This bill will bring much needed relief to small businesses, which are the backbone of our economy.

Small businesses create jobs. We need to help them innovate by relieving their tax burdens.

In a perfect world this is not the bill I would have written. I believe that we can give more relief to our small businesses. I think the rates need to be cut more. And I'd like to see faster death tax and marriage penalty relief.

There are some provisions in this bill which, while they have great merit, are not the priorities I would have chosen.

But, obviously, this is not a perfect world.

I believe that chairman GRASSLEY and the Finance Committee have done an outstanding job under very difficult circumstances.

I think it says a lot about chairman GRASSLEY and the committee as a whole that they were able to move such a major piece of legislation, so quickly, in such a bipartisan fashion.

Mr. President, I urge all of my colleagues to support this tax relief bill.

It is not perfect, but it will bring much needed relief to all Americans who pay income taxes, and even some who don't.

It will also help stimulate our economy, and help bring us out of this economic funk we are in.

Time time for tax relief has long passed. Please support our President and vote for H.R. 1836.

Thank you Mr. President. I yield the floor.

The PRESIDING OFFICER. Who yields time?

The Senator from North Dakota is recognized.

Mr. DORGAN. How much time is remaining on each side?

The PRESIDING OFFICER. There are 11 minutes 44 seconds on the Senator's side; 8½ minutes remain on the other side.

Mr. DORGAN. Mr. President, the Senator from Iowa yielded his remaining time. Was the time not used by the Senator from Kentucky?

The PRESIDING OFFICER. It was not all used.

Mr. DORGAN. Was it reserved?

The PRESIDING OFFICER. It was reserved.

Mr. DORGAN. Mr. President, let me try to describe where we agree and where we disagree on this issue of the estate tax. We agree that the estate tax ought to be repealed for family businesses that are transferred to qualified heirs who want to continue to operate the family business.

We do not believe that family business ought to be interrupted by an estate tax. So we agree on that.

The difference is when to do it. My amendment will totally repeal the estate tax obligation for the transfer of family businesses in 2003. The bill that is before the Senate will do it in 2011. The most important part of their bill is effective, as they describe it, in 2011. Mine is effective in 2003. That is a big difference.

We agree that the rates should go down to 45 percent. My amendment takes the rate to 45 percent. The underlying bill does, too. We agree that the unified credit should go up to $4 million. My amendment does that, and the underlying bill does as well.

The difference is, those who oppose my amendment are saying they want to fight for additional estate tax exemptions and/or repeal for all estates above $8 million. That is the difference. Those who do not support this amendment are saying: We insist on an estate tax repeal for those estates over $8 million in value. They say the largest estates in this country need to have their tax burdens eased.

I ask this question: Why would someone in the Senate support taxing the income of middle-income Americans who work for their money but then oppose taxing the income, in fact the largely unearned income, of those who inherit more than $8 million a year? It seems to me to be a rather strange set of priorities.

We are having this debate about the estate tax that we will vote on this evening. Those who have spoken at great length in this Chamber, I might say, of wanting to protect a family farm or a small business, in my judgment, cannot with a straight face vote against this amendment and then go back home and say: I was supporting you, Main Street business, or I was supporting you, farmer or rancher, because this is the only amendment that, in the year 2003, will repeal the estate tax on the transfer of family businesses to qualified heirs. It is the only opportunity to do that.

The underlying bill will only do it in the year 2011, 10 years from now, the sweet by-and-by as Reverend Ike used to describe it.

I ask for some support for this amendment. I hope those who have talked at such great length about this subject will now have the opportunity and feel the obligation to vote for an amendment that does what they claim they want to be done.

I will speak for a moment more generally on this bill. There is not any question that there is room for a tax cut in this country. We have a budget surplus. It is also the case that we do not know what is going to happen in 6, 8, and 10 years, and we ought to be conservative and cautious about what we commit to in terms of fiscal policy 6, 8, and 10 years from now.

About 20 years ago, a very large tax cut was enacted by this Congress and, as a result of a very substantial tax cut and a doubling of the defense budget, this country sailed into some pretty tough economic waters.

Those rough waters caused very significant and deep Federal budget deficits that nearly choked this country's budget. It meant a difference in everything we did. It meant a difference in how much we had available to invest in our children, invest in education, invest in child care, yes, invest in a range of things that are important to make this a better life, invest especially in infrastructure—roads, school buildings, and so many other things that are important. It made a big difference in our ability to deal with those issues.

We struggled and struggled and, in 1993, we turned this fiscal policy around. We did it by one vote, one single vote in the Senate and one vote in the House of Representatives.

I remember those who stood and opposed it and said: You are going to wreck this country's economy. That is when we had a $290 billion annual deficit. They said: You are going to wreck this economy. This economy was headed in the wrong direction in a hurry. By one vote we supported a change in fiscal policy and turned this economy around. We went from the largest deficits in history to now a budget that is in surplus and gives us the opportunity to return some of that surplus to the American people. And, yes, we should do that.

No one should call themselves, in my judgment, a conservative who comes to this Chamber and says they know what is going to happen to this economy 6, 8, 10 years out and, therefore, put in place a fiscal policy that could, if our economy turns sour, run this country right back into big deficits once again.

That is not a conservative approach. A far better approach, in my judgment, would be to be somewhat cautious. Yes, provide a tax cut, but do it in a manner that is fair, do it in a way that helps American working families, stimulates the economy, and gives some money back to families who could sure use it.

This is not the time, in my judgment, to put in place a tax cut of well over $1.3 trillion but when the costs are really added up may well be over $2 trillion in the coming 10 years. It leaves no margin for error if this economy should turn soft.

It is almost zero gravity politically to be talking about tax cuts. Those who say their main mission in life is to cut the revenue stream of the Federal Government—that is not a controversial proposal I expect back home. It is almost a certain way for one to be popular with one's constituents to say they support the largest possible tax cut for as long as is possible.

But there is another element to this. We should support a tax cut that is fair to all Americans, No. 1, and No. 2, we ought to have enough revenue left to reduce the Federal debt, which stands at $5.6 trillion and which after this fiscal policy plays itself out will stand at $6.7 trillion.

This fiscal policy and the budget passed by this Congress, coupled with this tax cut, will increase Federal indebtedness by $1.1 trillion. Think of that.

Second, there ought to be enough left to make sure we have the investment necessary to improve our country's schools, to provide the research in health and welfare and other issues we have to deal with in this country, and to make this country a place in which all of us can lead better lives.

I know the Senator from New Mexico is waiting to speak. May I ask how much time remains on my amendment?

The PRESIDING OFFICER. There is 4 minutes 7 seconds.

Mr. DORGAN. I reserve the remainder of my time.

Mr. REID. Mr. President, if the Senator will yield, I was asked by the Senator from Iowa to protect the floor on his behalf in his absence. I will certainly do that. It was my understanding that he no longer wished to speak on this amendment. If he returns and desires to speak, we will restore that time. In the meantime we can get to another amendment.

I was told that if I allowed Senator BUNNING to go forward, Senator SPECTER was not going to offer his amendment and Senator BINGAMAN, who is next in order, could offer his. Does that make sense?

On behalf of the Senator from Iowa——

The PRESIDING OFFICER. If the Senator from Iowa comes back and wants to claim his time, he will be so allowed.

Mr. REID. On behalf the Senator of Iowa, I yield back his time with the understanding that if there is a misunderstanding, he can have back his time.

Does the Senator from North Dakota yield back his 4 minutes?

Mr. DORGAN. I do so with the understanding that if the other side reclaims its time, I be restored the 4 minutes.

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

Mr. DORGAN. Mr. President, I ask for the yeas and nays on my amendment.

The PRESIDING OFFICER. Is there a sufficient second?

There is not a sufficient second.

Mr. DORGAN. Mr. President, I ask for the yeas and nays on my amendment.

The PRESIDING OFFICER. Is there a sufficient second?

There appears to be a sufficient second.

The yeas and nays were ordered.

Mr. REID. Mr. President, it is my understanding the 6 hours will run out at approximately 20 to 4. At that time, I alert the majority that I will propound a unanimous consent request to use the 20 minutes, with both sides having that in 5-minute increments, until 4 o'clock. I do not propound that at this time.

The PRESIDING OFFICER. The Senator from New Mexico.

AMENDMENT NO. 717

Mr. BINGAMAN. Mr. President, I wish to offer an amendment, amendment No. 717. It is an amendment related to our energy policy. Its purpose, as provided in the amendment, is to provide energy conservation and production tax incentives.

Let me briefly describe the amendment and the reasons I urge my colleagues to support the amendment when we do get the opportunity to vote on it later this evening.

Last Thursday, President Bush unveiled his national energy policy. I have a copy. There is a lot in this national energy policy upon which I think all Members can agree. There are proposals that will increase production; there are proposals that encourage conservation; there are proposals that will try to stimulate more innovation in technology to better capture energy and use energy in the future.

I commend the President for the initiative he has shown. Obviously, there are provisions in this national energy policy that are going to be very controversial and that I will not support. We will have ample opportunity over the next weeks and months to discuss those and debate them and deliberate on them and vote on them.

Members may wonder why I am talking about energy on a tax bill. This is supposed to be a bill to cut taxes. Why bring up the subject of energy? The reason I bring energy up is that the President himself, last Thursday, proposed a whole series of incentives to meet our energy challenges. These are tax incentives, reductions in people's taxes, if they will agree to take certain actions that will then help our country to meet the challenges we face in the energy area.

I introduced a bill earlier this year that also contains many tax incentives that we believe will move the country toward a more enlightened energy policy. Senator MURKOWSKI, the chairman of the Energy and Natural Resources Committee, on which I am the ranking member, introduced a bill early this year containing many tax incentive provisions. There is a great deal of commonality between the bill Senator MURKOWSKI introduced, the ones I introduced, and the ones the President's national energy policy embraces.

We have an issue where there is substantial consensus. The question is, Why talk about it on this tax bill? Let me explain the context in which we come to the debate on the tax bill. We are talking about this tax bill because we passed a budget resolution in the Senate which set aside $1.35 trillion over the next 10 years and directed the Finance Committee in the Senate to put together a tax bill that would use up that $1.35 trillion.

The tax bill we are talking about today, that we are debating and that we will vote on later tonight, does exactly what the budget resolution told the Finance Committee to do. That is, it uses up all of that $1.35 trillion. There is no more after that. After that, according to the budget resolution, we should not be passing additional tax bills under this budget resolution.

I very much believe if we are going to take the recommendations of the President, if we are going to move in the area of energy policy to provide tax incentives for the actions we believe people ought to take, then we need to adopt the amendment I am offering, this energy amendment, and in that way use some of the tax revenue we are proposing to eliminate in the tax cut legislation to provide these incentives.

Let me go through a description of what is in the amendment. The amendment tries to speed up the investment in our Nation's energy infrastructure, speed up the investment in high-efficiency equipment in all parts of our economy. As I indicated before, the provisions we have in this amendment I believe all have good bipartisan support. They are nothing that I claim authorship of because many are included in what the President has recommended and many are included in what Senator MURKOWSKI recommended.

One large category of these incentives is the investment in infrastructure and highly efficient end use and in generating equipment. For example, one provision shortens the depreciation schedule for transmission lines and natural gas pipelines. We have heard a lot of testimony already in the Energy Committee that we need to move ahead more quickly with building of transmission lines, building of additional pipelines. This will help.

There is a provision for incentives to push ultra-high-efficient appliances and equipment in the marketplace and provide incentives for people to purchase these appliances and equipment.

It provides incentives for constructing and upgrading homes and upgrading and constructing commercial buildings that are energy efficient, something we all agree ought to be done.

It provides incentives for upgrading and building the cleanest, lowest emission coal-fired generation.

It provides incentives for purchase of high-efficiency hybrid vehicles. This is an initiative I have heard a lot of people talk about in this Chamber. We recognize we would be better off as a country; we would import less oil, if we would drive more fuel efficient vehicles. One way to persuade Americans to drive more fuel efficient vehicles is to give them a tax incentive so when they buy a hybrid vehicle with an engine that gets 60 or 70 miles per gallon, it will be cheaper for them because of the tax incentive we provide.

The amendment I will propose today extends the renewable production credit to include a whole range of items: Steel, cogeneration, geothermal, landfill methane, incremental hydropower. It provides a 7-year depreciation schedule for distributed generation facilities. There are a whole range of provisions that are generally agreed by experts to make sense. We also provide incentives for investment in sophisticated real-time metering, electronic load management, so consumers can better control energy use and costs. All of these are provisions that I think will have broad bipartisan support and do have broad bipartisan support.

What I am urging is that we use up the revenue that has been made available through the budget resolution for tax cuts; we do some of these things in the energy area that the President himself last Thursday said he believes we ought to do. It would be irresponsible to pass a large tax cut, cutting rates, eliminating the estate tax, doing a variety of things, without any consideration of the needs we have as a country to move toward a more enlightened energy policy. This amendment tries to ensure we do the right thing.

What I proposed as an offset is slowing down the phasing in of the cuts in the marginal tax rates, the top marginal tax rates. That seems a reasonable way to pay for the cost of this amendment. It is something which I strongly believe would be a good procedure.

Let me make one more general point. I think a reason it is important to raise this issue now is that a lot of people are being misled into believing there is no limit to the number of tax bills we can pass—that we can pass this for $1.35 trillion and then we can come

back later and pass another one that deals with extending the alternative minimum tax exemption; we can pass another that does the traditional extenders; we can pass a whole variety of bills.

I was reading on the Associated Press wire published through the Albuquerque Journal on the Web site before I came over today. The title of the article I thought was very interesting: ''O'Neill: Further tax relief coming.'' It had a picture of Treasury Secretary Paul O'Neill in a speech he gave today where he said the administration viewed this as only the first tax bill, not the last. He also goes on to say in the future they want to accelerate the tax relief under the estate tax. That is another tax bill they anticipate.

It also referred to the fact that in the newspaper interview he indicated they would push for repeal of the Federal corporate income tax. That is not a cut in the Federal corporate income tax; that is elimination of the corporate income tax.

The third he mentioned was a Federal tax on capital gains that should be eliminated.

Mr. President, I am told before I yield the floor I need to call up my amendment. Let me do that at this time. I ask the amendment be considered.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from New Mexico [Mr. BINGAMAN] proposes an amendment numbered 717.

Mr. BINGAMAN. I ask unanimous consent the reading of the amendment be dispensed with.

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

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

Mr. BINGAMAN. Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

Mr. BINGAMAN. I yield time to the Senator from Nevada.

The PRESIDING OFFICER. The Senator from Nevada.

Mr. REID. Mr. President, the Senator from New Mexico is the ranking Democrat on the Committee on Energy and Natural Resources. I am the ranking Democrat on the Committee on Environment and Public Works. We worked very closely together this year and, rather than my offering a separate amendment, we have joined in this amendment.

This is a very good amendment. I hope this body will support this amendment. That which I am most concerned about in his amendment deals with renewable energy.

We are all aware that the current energy crisis in California has demonstrated that America must increase its supply of electricity and decrease its demand.

Ensuring that the lights and heat or air conditioning stay on is absolutely critical to sustaining America's economic growth and Americans' quality of life. Already in Nevada electricity and natural gas prices have skyrocketed in recent months.

These increases are especially hard on working families who are already struggling to make ends meet. The impacts of high energy bills hits minority groups hardest.

The citizens of Nevada, and of the nation, demand a national energy strategy to ensure their economic well being and security, and to provide for the quality of life they deserve.

Nevadans understand that an energy strategy must encompass conservation, efficiency, and expanded generating capacity.

Renewable energy is poised to make major contributions to our Nation's energy needs over the next decade.

I have offered with Senator BINGAMAN as a lead, a good amendment. I have offered an amendment which expands the existing production tax credit for renewable energy technologies to cover all renewable energy technologies, increases the credit from 1.5 to 1.8 cents, and makes the credit permanent.

This amendment expands the credit to include wind, animal and poultry waste, closed- and open loop biomass, incremental hydropower, municipal solid waste, geothermal energy, landfill gas, and steel cogeneration.

Recognizing that coal provides 50 percent of the nation's electricity supply, this amendment also provides for a 1.0 cent production tax credit for co-firing coal power plants with biomass, since co-firing can significantly reduce emissions.

Our nation has a promising potential of renewable energy sources.

Wind power is the fastest growing source of electricity in the world. Prices have dropped 90 percent since 1980. At the Nevada Test Site, a new wind farm will provide 260 megawatts to meet the needs of 260,000 people—more than 10 percent of Nevada's population within 5 years.

Nevada is sometimes referred to as the ''Saudi Arabia of Geothermal Energy.'' Our state has already developed 230 Megawatts of geothermal power, with a longer-term potential of more than 2,500 Megawatts, enough capacity to meet half the state's present energy needs.

The Department of Energy has estimated that we could increase our generation of geothermal energy almost ten fold, supplying ten percent of the energy needs of the West, and expand wind energy production to serve the electricity needs of ten million homes.

As fantastic as it sounds, enough sunlight falls on an area measuring 100 miles by 100 miles in southern Nevada that—if covered with solar panels—could power the entire nation. Obviously, covering this area of Nevada with solar panels is not a practical answer to our current energy challenges. However, the example does make one very practical point: our nation does not lack for renewable energy potential.

In addition, we need a permanent credit to provide business certainty and signal America's long-term commitment to renewable energy resources.

To illustrate the need for a permanent tax credit, I recently learned that the wind farm project in Nevada is now experiencing delays in securing loans from banks due to the uncertain nature of the production tax credit for wind energy. Without a permanent credit, we can't provide the business certainty for utilities to invest in renewable energy resources. This we must do.

This amendment allows for co-production credits to encourage blending of renewable energy with traditional fuels and provides an additional 0.25-cent credit for renewable facilities on native American and native Alaskan lands.

Finally, my amendment provides a production incentive to tax exempt energy production facilities like public power utilities by allowing them to transfer their credits to taxable entities.

Growing renewable energy industries in the U.S. will also help provide growing employment opportunities in the U.S., and help U.S. renewable technologies compete in world markets.

In states such as Nevada, expanded renewable energy production will provide jobs in rural areas—areas that have been largely left out of America's recent economic growth.

Renewable energy—as an alternative to traditional energy sources—is a common sense way to ensure the American people have a reliable source of power at an affordable price.

The United States needs to move away from its dependence on fossils fuels that pollute the environment and undermine our national security interests and balance of trade.

We need to agree to this amendment to send the signal to utilities that we are committed in the long term to the growth of renewable energy. We must accept this commitment for the energy security of the U.S., for the protection of our environment, and for the health of the American people.

Mr. SARBANES. Madam President, I have already expressed my opposition, in general, to the tax reconciliation bill the Senate is currently considering. But I want to take a moment, while Senator BINGAMAN's amendment is pending before us, to highlight a provision in that amendment which I believe can play a significant role in addressing our Nation's current energy problems. This provision is modeled after a bill I cosponsored, S. 217, the Commuter Benefits Equity Act, and represents an important step forward in our efforts to fight pollution and congestion by supporting public transportation.

The Internal Revenue Code currently allows employers to provide a tax-free transit benefit to their employees of up to $65 per month to pay for the cost of commuting by public transportation or vanpool. This program is designed to encourage Americans to leave their cars behind when commuting to work.

However, despite the success of this program in taking cars off the road, our tax laws still reflect a bias toward driving. The Internal Revenue Code allows employers to offer a tax-free parking benefit to their employees of up to $180 per month. The striking disparity between the amount allowed for parking, $180 per month, and the amount allowed for transit, $65 per month, undermines our commitment to supporting public transportation use. The pending amendment would address this discrepancy by raising the maximum monthly transit benefit to equal the parking benefit.

I believe the potential of mass transit to help address our Nation's current energy crunch has been consistently overlooked. With gas prices soaring and congestion increasing, public transit offers one of the best solutions to America's growing pains. I am pleased that this measure has been included in this package of energy-related tax provisions, because I believe support for mass transit should be a component of any energy package.

The PRESIDING OFFICER. The Senator's time has expired on this amendment.

Mr. REID. Mr. President, it is my understanding the 6 hours is now gone or about to be gone; is that true?

The PRESIDING OFFICER. There are 16 minutes on the Republican side of the aisle and no time remaining——

Mr. REID. On this amendment of the Senator from New Mexico?

The PRESIDING OFFICER. That is correct, also with regard to all amendments.

Mr. REID. I would like to know if anyone wishes to speak against the amendment of the Senator from New Mexico. If there is no one who wishes to speak, I know there is at least one Senator who is next in order to offer an amendment, the Senator from Arizona. I understand the Senator from New Hampshire wished to speak generally on the bill for about 3 minutes or to offer an amendment.

If there is someone who has authority to yield back the time, we could get to these amendments. Otherwise, I don't know how we can get to the amendments.

Could the Senator on behalf of Senator GRASSLEY yield back the time?

Mr. MCCAIN. On behalf of Senator GRASSLEY and his capable staff, who will take the responsibility if this is wrong, I yield back the remaining time on this side.

Mr. REID. Before the Senator proceeds, we have now less than 20 minutes before 4 o'clock. It will be my suggestion the two Senators who wish to offer amendments be recognized for up to 5 minutes each. Then it will be the turn of the Democrats to offer an amendment, and then it will be again the Republican's turn. Does that sound reasonable?

Mr. MCCAIN. I have to temporarily object because Senator GRASSLEY would have to be asked. I would like to go ahead with my amendment. He will be back shortly.

Mr. REID. I have no objection to the Senator from Arizona offering his amendment but with a limit of 5 minutes.

Mr. MCCAIN. I have an amendment and motion to recommit. Will you give me 7 minutes?

The PRESIDING OFFICER. Is there objection to 7 minutes? The Chair hears none, and it is so ordered. The Senator from Arizona.

AMENDMENT NO. 660

Mr. MCCAIN. Mr. President, I have an amendment at the desk numbered 660. I ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The senior assistant bill clerk read as follows:

The Senator from Arizona [Mr. MCCAIN] proposes an amendment numbered 660.

Mr. MCCAIN. I ask unanimous consent the reading of the amendment be dispensed with.

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

The amendment is as follows:

(Purpose: To limit the reduction in the 39.6 percent rate bracket to 1 percentage point and to increase the maximum taxable income subject to the 15 percent rate)

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
2005	$2,000
2009 and thereafter	$2,500.''

Mr. MCCAIN. Mr. President, the principle that guides my judgement of a tax reconciliation bill is tax relief for those who need it the most—lower- and middle-income working families. I am in favor of a tax cut, but a responsible one that provides significant tax relief for lower- and middle-income families. And I commend Senator GRASSLEY for moving in that direction. But I am concerned that debt will overwhelm many American households. That is why tax relief should be targeted to middle-income Americans. The more fortunate among us have less concern about debt. It is the parents struggling to make ends meet who are most in need of tax relief.

I had expressed hope that when the reconciliation bill was reported out of the Senate Finance Committee, the tax cuts outlined would provide more tax relief to working, middle-income Americans. However, I am disappointed that the Senate Finance Committee preferred instead to cut the top tax rate of 39.6 percent to 36 percent thereby granting generous tax relief to the wealthiest individuals of our country at the expense of lower- and middle-income American taxpayers.

This amendment would, instead, cut the top tax rate for the wealthiest individuals from 39.6 percent to 38.6 percent and devote the resulting savings that would have gone to this group to lower- and middle-income taxpayers by increasing the number of individuals who pay the 15 percent tax rate. When it is finally phased in, this amendment could place millions of taxpayers now in the 28 percent tax bracket into the 15 percent tax bracket. This amendment targets tax relief to the individuals who feel the tax squeeze the most: lower- and middle-income taxpayers. Under this amendment, unmarried individuals can make nearly $30,000 and married individuals can make $50,000, and still be in the 15 percent tax bracket.

Mr. President, this is a modest amendment. I would have preferred that we be able to have a larger increase in the number of taxpayers in the 15 percent bracket, but given the constraints of the modest savings from cutting the top rate by only 1 percent, this will have to do for now. But it is an important first step towards further reform.

I support this amendment because it helps ordinary middle-class families who are struggling to make ends meet

and it promotes future economic prosperity by increasing the amount of money taxpayers have available for their own saving and investment.

We must provide American families with relief from the excessive rate of taxation that saps job growth and robs them of the opportunity to provide for their needs and save for the future. This amendment would deliver tax relief to more middle-class taxpayers by increasing the number of individuals who pay the 15 percent tax rate.

This amendment results in millions of taxpayers being able to keep more of the money they earn. This extra income will allow individuals to save and invest more. Increased savings and investment are key to sustaining our current economic growth.

In sum, the measure is a win for individuals, and a win for America as a whole. Therefore, Mr. President, on behalf of the millions of Americans in need of relief from over-taxation, I urge my colleagues to support this amendment.

This amendment targets tax relief to the individuals who feel the tax squeeze the most: lower and middle-income taxpayers. Under this amendment, unmarried individuals can make nearly $30,000 and married individuals can earn up to $50,000 and still be in the 15-percent tax bracket.

MOTION TO COMMIT

Now, Mr. President, I send a motion to commit with instructions on behalf of myself, Senator CONRAD, and Senator LEVIN to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. Without objection, the pending amendment will be laid aside and the clerk will report.

The legislative clerk read as follows:

The Senator from Arizona [Mr. MCCAIN], for himself, Mr. CONRAD, and Mr. LEVIN, moves that the Act, H.R. 1836, as amended, be committed to the Senate Finance Committee with instructions to report back forthwith.

The motion is as follows:

(1) strike any reduction in the top 2 income tax rates, and it shall not be in order for the Committee or the Senate to consider any such reductions—

(A) until the President has submitted a comprehensive defense budget amendment to the Congress; and

(B) until the Congressional Budget Office has submitted to the Committees on Budget, Appropriations, and Armed Services a re-estimate of the budget authority and outlays necessary to implement the policies proposed by the President in such budget amendment through fiscal year 2011; and

(2) any other bill reported by the Committee containing reductions in the 2 top income tax rates—

(A) shall be considered as a reconciliation bill in accordance with the Budget Act; and

(B) shall provide that any such reductions to the 2 top income tax rates reflect any adjustment necessary to accommodate the additional outlays estimated by the Congressional Budget Office under paragraph (1)(B) of this motion to be necessary to fund the President's defense budget amendment and to ensure that such outlays, taken in combination with the revenue impact of the income tax rate reduction bill, do not reduce the Federal budget surplus in any year below the levels necessary to preserve the estimated surplus under current law in either the Medicare Hospital Insurance Trust Fund or the Social Security Trust Fund.

Mr. MCCAIN. Mr. President, without knowing what the administration intends to spend on our national defense, it is difficult for me to support the Budget Reconciliation bill. In the wake of large tax cuts, non-defense spending initiatives, and uncertain surplus projections, we cannot be sure how much money will remain to fund such defense priorities as National Missile Defense, force modernization, spare parts, flight hours, overdue facility maintenance, training programs, and the care of our service members.

My motion would ensure that those funds needed for these critical defense priorities are available, especially in light of an article from today's Defense Week, which I will include in the RECORD, that suggests the so-called reserve fund for defense may be much smaller than predicted for the next ten years.

Mr. President, we have the world's finest military, but that is principally because of the fine people in the military who continue to do more with less. Our ability to field credible frontline forces is due to the efforts of our servicemembers, as we live off of the remnants of the Reagan military buildup. That may be difficult to admit, unless you have reviewed the list of aircraft, ships, artillery, and tanks in our current weapons inventory, and recognized the extent of this problem.

Anyone who dismisses our military forces' serious readiness problems, concerns with morale and personnel retention, and deficiencies in everything from spare parts to training, is either willfully uninformed or just not ready to face reality. Highly skilled service men and women, who have made ours the best fighting force the world, have been leaving in droves—unlikely to be replaced in the near future. The reason for deciding to leave the service is simple; if one is overworked, underpaid, and away from home more and more often, why stay? Potential recruits say why join? Failure to fully and quickly address our readiness problem will be more damaging to both the near and long-term health of our all-volunteer force than we can imagine.

The cure for our defense decline will be neither quick nor cheap. We should not only shore up the services' immediate needs, but also should address the modernization and personnel problems caused by years of chronic under-funding.

The administration must take several important steps: propose realistic budget requests; specifically budget for ongoing contingency operations; provide adequately for modernization; ensure equipment and base operations maintenance is adequately funded; and resolve the wide pay and benefits disparity between the military and civilian sector. In turn, civilian and uniformed leadership must be willing to break from service parochialism and institutional affinities for ''cold war'' legacy weapons systems and funding priorities.

Recently, I voted in favor of the Budget Resolution for Fiscal Year 2002 in the interest of moving the budget process forward. But I did so in the hope that the Reconciliation bill would address many of the reservations I had about the priorities and assumptions contained in the resolution.

My chief concern was that the Reconciliation bill should explicitly provide sufficient resources for our national security. Our military services have been neglected for too many years. But with appropriate increases and money freed up from eliminating waste and inefficiency in the defense budget, we can make progress toward restoring the morale and readiness of our Armed Forces.

Currently, the administration is conducting a defense review. My motion would ensure that the reconciliation bill before us provides not only the resources for these overdue reforms, but also funds to substantially strengthen air, sea, and land forces in the near term.

Today in Defense Week there is a very interesting article entitled ''Federal Spending Blueprint Limits Defense Dollars'':

Congress has set aside so much of the $5.6 trillion budget surplus—for a tax cut, Social Security, Medicare and more—that just $12 billion in outlays is left for fiscal 2002 spending increases across the federal government, according to officials and documents. . . .

The annual budget reserve figures have not been previously disclosed. They demonstrate the limits within which military programs must compete against other priorities. These constraints are tighter than is widely known. While a chorus of voices have advocated increasing the Pentagon budget by up to $100 billion a year, the new figures show how difficult even a fraction of that increase will be to attain.

Mr. President, I ask unanimous consent that the article from Defense Week be printed in the RECORD.

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

[From Defense Week, May 21, 2001]

FEDERAL SPENDING BLUEPRINT LIMITS DEFENSE DOLLARS

(By John M. Donnelly)

Congress has set aside so much of the $5.6 trillion budget surplue—for a tax cut, Social Security, Medicare and more—that just $12 billion in outlays is left for fiscal 2002 spending increases across the federal government, according to officials and documents.

The relatively small pot of money for budget boosts sets tight limits on the resources available for Defense Secretary Donald Rumsfeld's emerging plans for the military.

In the budget resolution that Congress passed earlier this month, lawmakers pencilled in plans for the massive surplus that largely ignore the Pentagon. All told, $504 billion of the $5.6 trillion surplus is reserved for any spending, defense or otherwise, above what's currently planned in federal budgets. But in not one of the next five fiscal years

does the amount in the reserve exceed $20 billion in outlays, said William Hoagland, majority staff director of the Senate Budget Committee, in an interview.

The annual budget reserve figures have not been previously disclosed. They demonstrate the limits within which military programs must compete against other priorities. Those constraints are tighter than is widely known. While a chorus of voices have advocated increasing the Pentagon budget by up to $100 billion a year, the new figures show how difficult even a fraction of that increase will be to attain.

Still the Department of Defense and Energy national security programs will not be starved for cash next year: They'll get at least $325 billion in budget authority, about 5 percent more than was appropriated this fiscal year.

Although the $504 billion surplus is a lot of money, on an annual basis, it becomes available only slowly, according to the plan.

After the $12 billion in outlays reserved for the fiscal year that begins Oct. 1, Congress left $19 billion reserved for fiscal 2003, $10 billion for fiscal 2004, $11 billion for 2005 and $20 billion for 2006, Hoagland said. Those figures taken into account the annual rate at which taxes would be slashed in the Senate-passed tax-cut bill, he said.

He hastened to add that those reserve dollars could increase, because the budget resolution is a blueprint and Congress has yet to actually authorize and appropriate the money. On the other hand, many analysts contend that the pool of reserve money is likely to be smaller than the current projection.

HOW BIG A RAISE?

Calls for annual Pentagon budget boosts of between $50 billion and $100 billion have become commonplace as the rising cost of maintaining an aging force structure and 2 million active-duty military and civilian personnel has become more evident. Recent press reports have indicated the Pentagon may even ask for increases of up to $50 billion a year.

The annual dollar amounts described by Hoagland represent what's left in the next five years to increase the budget of any federal department or agency above President Bush's plan. Once Rumsfeld and Bush unveil the findings of a review of military priorities in the coming weeks, the Pentagon is expected to ask for a raise in fiscal 2002 above what Bush put forth in a ''placeholder'' defense budget in late February.

The question of the hour is: How much of a raise?

''Budget authority'' is the total amount that Congress empowers the executive branch to make available for programs; the ''outlay'' figure applicable in this case is the estimated value of the checks the government will sign. In a given year, the Pentagon's outlays typically represent about 60 percent of its budget authority.

Consequently, assuming that all the reserve $12 billion in outlays is slated for the Pentagon alone (an arguably risky assumption), then Bush would need to ask for perhaps an additional $20 billion in budget authority, roughly speaking.

The president's February budget requested $325 billion in budget authority for Defense and Energy security programs. That was $16 billion more than President Clinton's plan for fiscal 2002 and $14 billion over Congress's appropriation for the current fiscal year.

Consequently, $20 billion in a additional budget authority now would make the Pentagon's budget $36 billion higher than Clinton had planned for fiscal 2002 and $34 billion above this year's mark. That's big money, but far less than the $90 billion a senior defense official recently told Defense Week was required.

Although far less of an increase than many have predicted or hoped for, such an increase would not be insignificant and would be criticized in some quarters as unneeded a decade after the Cold War ended.

ASSUMPTIONS QUESTIONED

There are several reasons to suspect that the $504 billion reserve for the next 10 years may end up smaller than predicted.

According to a non-partisan analyst, Steven Kosiak of the Center for Strategic and Budgetary Assessments, a defense think tank in Washington, D.C., the budget blueprint assumes that non-defense spending will not grow much faster than inflation.

But if those programs grow by 1 percent above inflation, then the $504 billion reserve over 10 years would be cut more than 50 percent, Kosiak says. Domestic programs have been kept below inflation only in 1996 and during two years of the Reagan administration, a Democratic aide said. Over the past decade, the growth has averaged 2 percent, Kosiak said.

If past is prologue, the reserve won't materialize. But Bush has promised to hold the line on government outlays.

All told, when a host of other non-defense priorities are considered, Kosiak sees $700 billion in non-military items competing for the $504 billion pot.

In addition, many Republicans are committed to adding to the 11-year $1.35 trillion tax cut now being debated or to pass separate tax cut measures in the future. That, too, would threaten the Pentagon's share of the pie.

Finally, the Congressional Budget Office's assumptions about the economy's growth undergird the projected surplus. If those assumptions fail to come true, the surplus itself may not materialize, some experts warn. For example, according to Kosiak, CBO concedes there's a 50–50 chance that its five-year projections of the surplus could be off by $250 billion, either plus or minus.

If CBO has overstated economic growth, the impact on the reserve could be substantial. Kosiak says that ''even a very modest reduction'' of future growth could completely eliminate the $500 billion reserve.

However, when the CBO has been wrong lately, it has underestimated the economy's strength and so understated the size of U.S. revenues. New revenue numbers are due this summer, and they may change the fiscal picture.

Mr. McCAIN. I asked the Office of Management and Budget Director to send me information as to how much we were going to spend on defense both this year and in the next 10 years. No answer. There has not been even an estimate as to what the supplemental will be. We are about to enact one of the most massive tax cuts in history, and we do not have any idea how much money is going to be devoted to defense spending and how much is going to be left over for it.

I believe the American people and Members of this body have a right to know that answer. This motion basically says that we should wait, as far as the top tiers are concerned, until we find out how much money is going to be spent on defense.

It instructs the Budget Committee to come up with the information that is necessary for us to make these decisions in the overall context of other spending but most importantly defense spending.

I campaigned all across this country telling service men and women that help was on the way. So far not one penny of help has been on the way. So far we have not had a supplemental appropriations bill to meet the pressing, compelling needs just to keep our planes flying, our ships at sea, and our men and women in the military. We do not have the supplemental. We have no estimate of what our defense spending needs are going to be for the next 10 years. According to recent information, including from Defense Week, there will be very little.

I urge the adoption of the motion to commit with instructions.

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

The PRESIDING OFFICER. The Senator has 3 minutes remaining.

Mr. McCAIN. I yield back the remainder of my time.

Mr. REID. Is the Senator from New Hampshire ready to proceed?

The PRESIDING OFFICER. Does the Senator from Nevada yield back time on the McCain amendment?

Mr. BAUCUS. Yes. Mr. President, all time in opposition to the amendment is yielded back.

Mr. McCAIN. Could I say to my friend, my understanding is that Senator CONRAD wanted to speak on this motion to commit, so I want to reserve 2 minutes of my time remaining for Senator CONRAD, if he wants to speak. If not, I will yield it back.

Mr. BAUCUS. I yield back all time. If Senator CONRAD wants to speak for 2 minutes later on during the day, I think we can find time to let him speak on the amendment.

Mr. McCAIN. What is the point? What is the problem? I reserve the 2 minutes.

Mr. BAUCUS. So we can go on with this amendment.

The PRESIDING OFFICER. The Senator has reserved 2 minutes.

Without objection, it is so ordered.

Mr. REID. Mr. President, the Senator from New Hampshire is next in order to speak for not more than 5 minutes.

The PRESIDING OFFICER. The Senator from New Hampshire.

Mr. SMITH of New Hampshire. Mr. President, on behalf of the leader, I ask unanimous consent that following the two previously scheduled votes that will begin at approximately 6:08 this evening, the Senate proceed to votes in relation to the pending amendments in the order in which they were offered. I ask consent that there be 2 minutes equally divided for debate between the votes.

The PRESIDING OFFICER. Is there objection?

Mr. REID. Mr. President, reserving the right to object, that time may slide a little bit because the two leaders have their leader time reserved. They may use that. So with that in mind, I have no objection.

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

Mr. SMITH of New Hampshire. On behalf of Senator McCAIN, I ask unanimous consent that it be in order for me

to ask for the yeas and nays on the McCain amendment and on the McCain motion to commit.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

Mr. SMITH of New Hampshire. I ask for the yeas and nays on the McCain amendment and the McCain motion to commit.

Is there a sufficient second?

There appears to be a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The Senator from New Hampshire.

Mr. SMITH of New Hampshire. What is the pending business before the Senate?

The PRESIDING OFFICER. The Senator from New Hampshire has 5 minutes.

AMENDMENT NO. 680

Mr. SMITH of New Hampshire. Mr. President, I call up my amendment No. 680.

The PRESIDING OFFICER. The clerk will report.

The senior assistant bill clerk read as follows:

The Senator from New Hampshire [Mr. SMITH] proposes an amendment numbered 680.

Mr. SMITH of New Hampshire. I ask reading of the amendment be dispensed with.

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

The amendment is as follows:

(Purpose: To remove the limitation that certain survivor benefits can only be excluded with respect to individuals dying after December 31, 1996)

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.

Mr. SMITH of New Hampshire. Mr. President, there is no more noble calling than for those who choose to put their lives on the line every day to serve and protect our families.

On November 29, 1989, about 12 years ago, New Hampshire State Trooper Gary P. Parker from Wolfeboro, NH, was tragically killed in the line of duty. He left behind his wife Amy, a 16-month-old son Gregory, and a daughter Lindsay, who was to be born just 10 weeks after Trooper Parker lost his life.

Amy Parker is now alone with her grief and was faced with raising both her son and daughter alone, something that I can certainly understand since my father died in the Second World War when I was 3. I was raised by my mother, with my brother, without a dad.

But, fortunately, because her husband had prepared for the unthinkable, both children were left with a small survivor benefit pension. Believe it or not, they were forced to hand over a large portion of those benefits in taxes to the Federal Government, leaving the family very little on which to live.

In 1996, Congress recognized the unfairness of this provision and rightly corrected the oversight. However, the correction only applied to those who died after 1997, leaving all of those families who were currently living with the grief and hardship of a tragic death with that additional burden still there.

This amendment that I am offering, amendment No. 680, is a very simple amendment. I hope I will have the support of my colleagues. It will correct this oversight and bring relief to all the families of law enforcement officers who have lost their lives in the line of duty and are currently living under this inequity in the law.

This is an important amendment that will send a message to our law enforcement community and their families that we hold them in the highest esteem, and we honor them for their service and sacrifice. We ought not have the Tax Code of the United States of America discriminate against them. I hope we will correct this inequity by adopting my amendment.

Mr. President, I ask for the yeas and nays on the amendment.

The PRESIDING OFFICER. Is there a sufficient second?

There appears to be.

The yeas and nays were ordered.

AMENDMENT NO. 723 TO AMENDMENT NO. 680

Mr. SMITH of New Hampshire. Mr. President, before yielding the floor, I send a second-degree amendment to the desk and ask for the yeas and nays on that.

The PRESIDING OFFICER. The clerk will report the amendment.

The senior assistant bill clerk read as follows:

The Senator from New Hampshire [Mr. SMITH] proposes an amendment numbered 723 to amendment No. 680.

Mr. SMITH of New Hampshire. I ask unanimous consent reading of the amendment be dispensed with.

Mr. REID. Objection. Let's read this.

The PRESIDING OFFICER. Objection is heard.

The senior assistant bill clerk read as follows:

At the appropriate place, add the following:

SEC. . 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''.

Mr. SMITH of New Hampshire. Mr. President, this amendment will permanently extend the current moratorium on the imposition of taxes on the Internet. It will also stop those who wish to establish a national sales tax from doing so. In May of last year, the House overwhelming passed this legislation, and the American people strongly oppose taxing the Internet and they vehemently oppose a national sales tax.

Mr. President, let us not forget, as a result of leaving the Internet to its own device, we have seen an explosion in Internet trade, commerce and information available to consumers. Numerous organizations have backed my amendment to extend the moratorium on Internet taxes, including the Association of Concerned Taxpayers, U.S. Business and Industrial Council, and United Seniors Association. Now some have argued that it is not a level playing field because Internet companies don't pay taxes. Well, this is absolutely not true. Every business and every person is required to pay all tax demanded by their state and local government, and just about every business does. And those that don't can expect the tax man to come a knock'n.

Mr. President, my amendment would only continue the current moratorium. It does not abolish any sales or use tax nor does it prevent any government from taking or even increasing sales or use taxes on its own residents. And it also prohibits local or state government in one state from imposing a tax on businesses or people in another state without a proper nexus—nor could they impose a national sales tax.

If we don't pass this legislation, businesses will not only be subject to the state and local governments from which they reside, but could be open to nearly 30,000 state, local, and municipal cities and towns looking to squeeze businesses and individuals for a few extra dollars.

Indeed, the vast array of federal, state, and even international bureaucrats needed to implement these programs and regulations would add on enormous amount of cost, paperwork and redtape which would not only hinder commerce and growth, but will crush small businesses.

Local governments argue that if they can require so-called brick and mortar businesses to pay sales taxes on main street, then they should be allowed to force business men and women in other states to collect these taxes as well.

Well, I disagree. And the Supreme Court disagrees as well. In National Bellas Hess v. Illinois (1967), Complete Auto Transit, Inc. v. Brady 333 (1977), and the Supreme Court's ruling (in Quill v. North Dakota, 1992) held that states attempting to tax out-of-state commerce without a proper nexus was unconstitutional. By allowing states to tax businesses and people in another state, and if we establish a national sales tax, we do this at our own peril.

Mr. President, we must say ''no'' to those who want to raise taxes—we must say ''no'' to those who want to tax the Internet—and we must say ''no'' to those who want a national sales tax.

Mr. President, I urge passage of my amendment.

Mr. President, I renew my request for the yeas and nays on the second degree.

The PRESIDING OFFICER. Is there a sufficient second? At the moment, there is not a sufficient second.

Mr. SMITH of New Hampshire. I yield the floor.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Mr. President, I rise to address the underlying amendment. It is a good idea. There is no reason for the exclusion of certain income under survivor benefits with respect to persons who died before 1996. Sometimes those benefits are distributed after 1996, and I think the amendment offered by the Senator from New Hampshire is a good one.

I must say, I am a little bit surprised by the second-degree amendment. It is not an improvement on the first degree. It is an entirely different subject. It is a subject which is not in the jurisdiction of this committee. I urge the Senator, frankly, to withdraw it or maybe offer the amendment later on. We have not debated that issue at any length. At least with respect to the underlying amendment, I think the Senator has a good idea.

Mrs. CARNAHAN. Mr. President, I would like to take a moment to explain that while I wholeheartedly support extending the current moratorium on Internet access taxes, I must oppose this amendment.

I believe that we should, and I am confident that we will, pass legislation this year that extends the moratorium on Internet access taxes. However, I think it is crucial that the legislation we pass to extend the ban on access taxes also address the ability of states to require remote sellers to collect and remit sales taxes.

The Internet is still a growing and dynamic innovation and I believe that we must ensure that its development is not encumbered by discriminatory taxation. However, as the Internet becomes an increasingly important medium for the transaction of commerce, an unlevel playing field is emerging. While sales transacted at main street businesses are subject to state sales taxes, goods sold over the Internet are often free of such taxes.

This creates two distinct problems. First, brick-and-mortar retailers are being subjected to a competitive disadvantage as consumers are able to purchase goods over the Internet without having to pay state sales tax on them. This situation provides a disincentive to shop at traditional retail locations and could have very negative long-term consequences for main street retailers.

The second problem is that state and local governments rely on sales tax revenues for education, transportation infrastructure, law enforcement services, fire protection and more. The rise in untaxed electronic commerce is eroding state and local governments' revenue bases and may eventually compromise their ability to provide these essential services.

Therefore I believe that we must address the issue of the collection of state sales taxes, and I fear that if this amendment is adopted, the impetus to deal with such issues will be diminished.

I look forward to the opportunity to support an extension to the current moratorium in the context of a larger bill that also deals with the ability of states to require remote sellers to collect and remit sales taxes.

The PRESIDING OFFICER. The Senator from Nevada.

Mr. REID. Mr. President, on behalf of Senator KENNEDY, I call up amendment No. 684.

The PRESIDING OFFICER. There is still time remaining on the second-degree amendment—25 seconds.

Mr. BAUCUS. If the Senator from New Hampshire is willing, I am willing to yield back the remainder of our time on both the first- and second-degree amendments.

Mr. SMITH of New Hampshire. Mr. President, I yield back.

Mr. BAUCUS. I yield back the remainder of our time as well.

The PRESIDING OFFICER. All time is yielded back.

AMENDMENT NO. 684

Mr. REID. Mr. President, I call up amendment No. 684.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Nevada [Mr. REID], for Mr. KENNEDY, for himself, Mr. DODD, and Mr. JOHNSON, proposes an amendment numbered 684.

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

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

The amendment is as follows:

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 by 2008 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.

Mr. REID. Mr. President, because supporters of this bill assert that the size of the total tax cut is not so large as to prevent adequate funding of the nation's education needs, and prior to passage of this tax cut, many of this tax cut's supporters also voted to pass education amendments that anticipate meeting the nation's core education funding needs, it is the purpose of this amendment to provide that reductions of the top marginal income tax rate will not take effect unless funding is provided at the levels authorized in amendments to Senate bill 1, the Better Education for Students and Teachers Act, 107th Congress, that have been adopted by the Senate with respect to the Individuals With Disabilities Education Act, title I, State Grants for Disadvantaged Students, and part A of title II, Teacher Quality, of the Elementary and Secondary Education Act of 1965, as amended by the Better Education for Students and Teachers Act, and provisions of such Act concerning the education of students with limited English proficiency, and after school care in 21st Century Learning Centers.

I yield back the time on this amendment.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Very briefly, Mr. President, to help clarify where the managers of the bill are on this amendment, I think it is a very good amendment, but I cannot agree to it. Essentially, it is conditional. It violates the Constitution. This is not the time and place for this particular amendment, even though it is meritorious, not on this bill.

I yield back the remainder of my time.

The PRESIDING OFFICER. The Senator from Wisconsin.

Mr. FEINGOLD. Mr. President, I ask unanimous consent that the pending amendment be temporarily set aside.

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

AMENDMENT NO. 724

Mr. FEINGOLD. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Wisconsin (Mr. FEINGOLD), for himself and Mr. KOHL, proposes an amendment numbered 724.

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

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

The amendment is as follows:

(Purpose: To eliminate the Medicaid death tax)

On page 314, after line 21, add the following:

SEC. 803. ELIMINATION OF MEDICAID ESTATE RECOVERY REQUIREMENT.

(a) MEDICAID AMENDMENT.—

(1) IN GENERAL.—Section 1396p(b) of Title 42, U.S.C., is amended—

(A) in paragraph (1), by striking ''except that'' and all that follows and inserting ''except that, in the case of an individual described in subsection (a)(1)(B), the State shall seek adjustment or recovery upon sale of the property subject to a lien imposed on account of medical assistance paid on behalf of the individual.'';

(B) in paragraph (2)(B), by striking ''in the case of a lien on an individual's home under subsection (a)(1)(B),'';

(C) in paragraph (3), by striking ''(other than paragraph (1)(C))''; and

(D) by striking paragraph (4).

(2) EFFECTIVE DATE.—The amendments made by paragraph (1) shall apply to individuals dying on or after the date of enactment of this Act.

(b) REVENUE OFFSET.—The Secretary of the Treasury shall adjust the reductions of the rates of tax under section 2001(c) of the Internal Revenue Code of 1986 (as amended by section 511 of this Act) with respect to estates of decedents dying and gifts made in such manner as to increase revenues by $120,000,000 in each fiscal year beginning before October 1, 2011.

Mr. FEINGOLD. Mr. President, my amendment would eliminate the Medicaid Estate Recovery Program, the real ''death tax'' for thousands of elderly of modest means. It offsets the cost of eliminating this program by shaving back the reductions in the estate tax rates.

The Medicaid Estate Recovery Program may be the most regressive tax of all. It effectively imposes a 100 percent estate tax on our most vulnerable citizens—severely disabled seniors who are impoverished. It is levied against the first dollar of the estate's value.

At a time when we are considering completely eliminating all estate taxes on the super wealthy, it is indecent to retain a 100 percent tax on the estates of those with practically nothing.

The average annual cost of nursing home care is about $40,000 or about $110 per day. That cost poses an enormous burden on many elderly or disabled individuals, many of whom are forced to spend down a lifetime's savings before they become poor enough to qualify for Medicaid. After having spent down those savings, a home may be the only thing they have left to leave to their children.

The estate recovery program not only places liens on homes, I also understand that personal property may be at risk in some areas. Grandma's locket may have little material worth but may have great sentimental value to children and grandchildren. Nevertheless, they may go on the block, too, and there is strong anecdotal evidence that many forgo needed care in order to avoid losing their homes and personal property to the estate recovery program.

The estate recovery program does little to offset the cost of Medicaid, accounting for only one-tenth of one percent of the funding for the program according to data from the Congressional Research Service.

In fact, there is reason to believe that the estate recovery program may not even achieve this tiny savings, but instead may actually result in greater Medicaid expenditures. Individuals who forgo nursing home care to avoid liens on their homes and personal keepsakes may end up requiring far more expensive care as a result, and the ensuing higher cost of care only leaves the taxpayers worse off because of this self-neglect.

The estate recovery program can work a real hardship on surviving spouses. After surviving the chronic illness of their loved one, and spending down their life's savings, they then must cope with a lien on their home. As the Congressional Research Service notes, though claims on an individual's estate cannot be acted upon until after the death of the surviving spouse, liens placed on houses can affect an individual's financial credit, preventing that spouse from mortgaging property, getting a bank loan, or taking out a new credit card in order to pay for essential living expenses such as home repairs like a new furnace or a leaking roof.

This program turns States into Realtors and pawn brokers. Some States have simply not implemented the program, and I understand that among them is the President's home State of Texas. Under my amendment the rest of the country would conform to the practice of Texas.

Mr. President, my amendment gets States out of the real estate business. It ends a program that dissuades elderly with severe disabilities from seeking the care they need while generating a pitifully small revenue stream. It ends the 100 percent ''death tax'' that is imposed on families with the most modest means.

I urge my colleagues to support this amendment.

Mr. President, I ask unanimous consent that the pending amendment be temporarily set aside.

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

Mr. REID. Mr. President, since there is nobody on the other side, I think somebody should be here before we do this.

Mr. FEINGOLD. Mr. President, it was for that reason that I did not ask for the yeas and nays on my amendment.

Mr. REID. I wonder if we could have someone on the other side. It is really unfair without someone being over there.

Mr. BAUCUS. Mr. President, if there is some way we could work out waiting for a couple minutes so the chairman of the committee could be here, I think that would be appropriate.

Mr. FEINGOLD. Mr. President, I ask unanimous consent that I be recognized at that point.

Mr. REID. Reserving the right to object, I say to my friend from Wisconsin, we are going to run out of time at 4 o'clock and have to go to 4:08; is that correct?

The PRESIDING OFFICER. The vote is scheduled at 6:08, and there is to have been 2 hours prior to the vote.

Mr. REID. Remember, at 6 o'clock the debate was supposed to start with Senator JUDD GREGG having 5 minutes and Senator BAUCUS 3 minutes.

The PRESIDING OFFICER. The Senator is correct. The Parliamentarian is incorrect.

Mr. REID. I will make sure that, under leader time, the Senator from Wisconsin is protected to offer his amendments.

I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

Mr. REID. Mr. President, if there is some problem that I find at a later time, Senator BAUCUS and I find with Senator GRASSLEY not being here, it appears all Senator FEINGOLD is doing is offering amendments, just as Senator SMITH did and Senator MCCAIN. Having had the break, I don't see anything wrong with that. If anyone does, we will find out about it later.

The PRESIDING OFFICER. The Senator from Wisconsin.

Mr. FEINGOLD. Mr. President, I ask unanimous consent that the current amendment be set aside.

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

AMENDMENT NO. 725

Mr. FEINGOLD. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The senior assistant bill clerk read as follows:

The Senator from Wisconsin [Mr. FEINGOLD] proposes an amendment numbered 725.

Mr. FEINGOLD. I ask unanimous consent that reading of the amendment be dispensed with.

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

The amendment is as follows:

(Purpose: To increase the income limits applicable to the 10 percent rate bracket for individual income taxes)

On page 7, line 24, strike ''$12,000'' and insert ''$15,000''.

On page 8, line 1, strike ''$10,000'' and insert ''$11,250''.

On page 9, in the table between lines 11 and 12, strike column relating to 39.6 percent.

Mr. FEINGOLD. Mr. President, this amendment is about tax fairness.

The bill before us is tilted heavily toward high-income taxpayers. According to Citizens for Tax Justice, when this bill's tax cuts are fully phased in, the highest-income one percent of taxpayers would receive 35 percent of the benefits of the bill. The majority of taxpayers in the bottom three-fifths of the population would get only a little more than 15 percent of the bill's benefits.

When this bill's tax cuts are fully phased in, the one percent of taxpayers with the highest incomes would receive an average tax cut of more than $44,000, while taxpayers in the middle fifth of the population would receive an average tax cut of less than $600.

Even as a share of their income, those with the highest incomes would receive greater benefits under this bill. According to the Center on Budget and Policy Priorities, when fully phased in, this bill's tax cuts would increase the after-tax income of the highest-income one percent of families by an average of 5 percent, but it would increase the average after-tax income of the middle fifth of families by just a little more than 2 percent.

Nationwide, only 907,990 taxpayers, or 7/10 of a percent of taxpayers are in the top tax bracket. But that group is not too small to capture the attentions of this tax bill. In response to an inquiry from Senator ROCKEFELLER during the Finance Committee markup on Tuesday, the Joint Committee on Taxation indicated that reducing the top rate from 39.6 percent to 36 percent in steps over 10 years costs $120 billion in this bill. That's $120 billion for fewer than a million taxpayers. In contrast, fully 128 million taxpayers do not fall into the top tax bracket and would get no benefits whatsoever from the reduction in the top tax rate.

In my own State of Wisconsin, fewer than 15,600 taxpayers, or 6/10 of a percent of taxpayers, are in the top tax bracket, and fully 2.5 million taxpayers are not in the top tax bracket.

My amendment is a simple one. It would strike the cut in the top income tax rate, and use the savings to increase the amount of income covered by the 10 percent income tax bracket. It would thus reduce the already large benefits to that less than one percent of the population with incomes of more than $297,000, and use the savings to give tax cuts to all income taxpayers.

Mr. President, this amendment would restore a modicum of fairness to this bill, and I urge my colleagues to support it.

Mr. President, I ask unanimous consent that the pending amendment be temporarily set aside.

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

MOTION TO COMMIT WITH INSTRUCTIONS

Mr. FEINGOLD. Mr. President, I send a motion to commit to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Wisconsin [Mr. FEINGOLD] moves to commit the bill to the Finance Committee with instructions that the Committee report the bill back within 3 days, with changes that would strike all the estate tax rate reductions in the bill and use the savings to expand the amounts of the estate tax unified credit exemption amounts.

Mr. FEINGOLD. Mr. President, it is no secret that the benefits of this bill are not fairly distributed. The highest-income one percent receive 35 percent of this bill's benefits.

A significant contributor to this imbalance is the estate tax provisions of the bill. Even under current law, roughly 98 percent of Americans will never have to pay a cent of estate tax. So this bill's $145 billion in estate tax cuts will benefit only the wealthiest 2 percent of Americans, and will have no benefit for the other 98 percent of us.

But even in the estate tax provisions themselves, this bill tilts unnecessarily to the very wealthiest.

The bill would increase the unified credit exemption up to $4 million a person, or $8 million a couple. This change alone will exempt all but the very wealthiest Americans from any contact with the estate tax.

But the bill goes further. It would also reduce the rate of taxation that the few extremely wealthy families who still have to pay the estate tax would pay. It thus focuses tax cuts on the very pinnacle of wealth.

Let me give you an idea of the numbers. According to an analysis done by the Center on Budget and Policy Priorities, fewer than 50,000 families in the entire United States paid any estate tax at all in 1999. But of those families, fewer than 3,300 families had estates larger than $5 million in size. These small numbers are indicative of the very few who would benefit from the rate reductions in this bill.

My motion to recommit would spread the estate tax relief in this bill more broadly. My motion would instruct the Finance Committee to strike all the estate tax rate reductions in the bill and use the savings to expand the amounts of the estate tax unified credit exemption amounts. Thus under my motion, more relatively smaller estates would be exempted from taxation altogether. I have been told that elimination of the rate reductions would allow the unified credit exemption to increase to $5 million, or $10 million a couple.

This motion would give complete estate tax relief to more families earlier than the underlying bill.

That is the direction we should go, and I urge my colleagues to support it.

Madam President, I ask unanimous consent that the pending amendment be temporarily set aside.

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

AMENDMENT NO. 726

Mr. FEINGOLD. Madam President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The senior assistant bill clerk read as follows:

The Senator from Wisconsin [Mr. FEINGOLD] proposes an amendment number 726.

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

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

The amendment is as follows:

(Purpose: To preserve the estate tax for estates of more than $100 million in size and increase the income limits applicable to the 10 percent rate bracket for individual income taxes)

On page 9, between lines 4 and 5, insert the following:

''(D) ADJUSTMENTS AFTER 2010.—In prescribing the tables under subsection (f) which apply with respect to taxable years beginning in calendar year 2011, the Secretary shall, in addition to the adjustments made under subparagraph (C) of this subsection, increase the initial bracket amounts for subsection (a) and subsection (b) so as to decrease revenues by the amount of revenues generated by the other provisions of the amendment creating this provision.''

On page 63, strike line 4 and all that follows through page 64, line 16.

On page 65, in line 12, strike ''and before 2011''.

On page 66, in the table after line 1, strike ''2007, 2008, 2009, and 2010'' and insert ''2007 and thereafter''.

On page 68, between lines 14 and 15, following the item relating to 2010, insert the following:

2011 and thereafter $100,000,000

On page 106, after line 6, insert the following:

''(g) Notwithstanding any other provision of law, this subtitle shall not apply to property subject to the estate tax.''

Mr. FEINGOLD. Madam President, this is a simple amendment. It limits the estate tax repeal for estates of over one hundred million dollars and uses the savings to give tax cuts to all income tax payers.

This debate is about priorities. It is a debate about where we should devote our resources.

This amendment provides a clear, easily definable choice.

The Senate has indicated that reforming the estate tax, especially for small businesses and farms, should be a priority. I support that goal, but this bill goes much further than any reasonable limit to address that concern.

This bill goes beyond any commonsense definition of small businesses or modest estates. This bill provides massive amounts to money tax cuts to extremely wealthy multi-millionaires.

How can anyone suggest that distributing the nation's hard-won surplus to

multi-millionaires should be among our highest priorities? Literally hundreds of millions of Americans have more pressing needs.

Specific tax cuts or spending increases come with a price. Every time we lower a tax rate or create a new tax loophole, the tax burden on everyone else increases.

Last year, the Treasury Department's Office of Tax Policy told us how much we would have saved from our amendment to cap the estate tax repeal at estates of $100 million in size. At that time, their most current data was for 1998, for people who died in 1997 and paid taxes in 1998. In that year, 35 estates amounted to more than $100 million. Of those, 31 paid taxes, and 4 did not. Those 31 estates paid $1.4 billion in taxes, or 7 percent of all estate taxes. Repealing the estate tax for those estates would have given those estates a tax cut averaging $45 million each.

Too often, the choices we weigh are heartbreakingly difficult. This is not one of those cases.

It makes some sense to increase the current exemption on estates; it makes no sense at all to repeal the estate tax for the handful of estates over one hundred million dollars.

Madam President, surely the supporters of estate tax cuts must agree that eliminating the estate tax on those handful of estates over one hundred million dollars is not our highest priority or anywhere close to it.

My amendment eliminates the repeal of the estate tax on estates of more than $100 million, and uses the savings to increase the income tax cut for all income tax payers. It is a simple choice.

Madam President, I ask unanimous consent that the Senate temporarily set aside the pending amendments.

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

Mr. FEINGOLD. I thank my colleagues.

Madam President, I ask for the yeas and nays on my amendment.

The PRESIDING OFFICER. Is there a sufficient second?

At the moment, there is not a sufficient second.

Mr. REID. Which amendment is it?

Mr. FEINGOLD. The last one.

Madam President, I yield the floor.

AMENDMENT NO. 727

Mr. REID. Madam President, I send an amendment to the desk on behalf of Senator HARKIN and ask that the prior amendment be set aside.

The PRESIDING OFFICER. Without objection, the pending amendment is set aside.

The clerk will report.

The senior assistant bill clerk read as follows:

The Senator from Nevada [Mr. REID], FOR MR. HARKIN, proposes an amendment numbered 727.

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

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

The amendment is as follows:

(Purpose: To delay the effective date of the reductions in the tax rate relating to the highest rate bracket until the enactment of legislation that ensures the long-term solvency of the social security and medicare trust funds)

On page 11, strike lines 14 through 22 and insert the following:

(1) IN GENERAL.—Except as provided in paragraphs (2) and (3), 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.

(3) ASSURANCE OF TRUST FUND SOLVENCY.—

(A) CBO CERTIFICATION.—The reductions in the tax rate relating to the highest rate bracket under the amendments made by this section shall not take effect unless the Congressional Budget Office submits to Congress and the Secretary of the Treasury a certification that legislation has been enacted that ensures the solvency of—

(i) the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund for a period of not less than 75 years; and

(ii) the Federal Hospital Insurance Trust Fund and the Federal Supplementary Medical Insurance Trust Fund for a period of not less than 50 years.

(B) APPLICATION.—

(i) IN GENERAL.—Except as provided in clause (ii), the reductions in the tax rate relating to the highest rate bracket under the amendments made by this section shall begin with the rate for the taxable year beginning after the date on which the Congressional Budget Office submits the certification described in subparagraph (A).

(ii) RETROACTIVE APPLICATION.—If the Congressional Budget Office submits the certification described in subparagraph (A) before October 1, 2002, this subsection shall be applied as if this paragraph had not been enacted.

Mr. GRASSLEY. Madam President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The senior assistant bill clerk proceeded to call the roll.

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

Mr. BAUCUS. I object.

The PRESIDING OFFICER. Objection is heard. The clerk will continue with the call of the roll.

The senior assistant bill clerk continued the call of the roll.

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

Mr. REID. Madam President, I yield 2 minutes to the Senator from Arkansas to offer an amendment.

The PRESIDING OFFICER. The Senator from Arkansas is recognized.

AMENDMENT NO. 711

Mrs. LINCOLN. Madam President, I have an amendment at the desk.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Arkansas [Mrs. LINCOLN] proposes an amendment numbered 711.

Mrs. LINCOLN. Madam President, I ask unanimous consent that further reading of the amendment be dispensed with.

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

The amendment is as follows:

(Purpose: To eliminate expenditures for tuition, fees, and room and board as qualified elementary and secondary education expenses for distributions made from education individual retirement accounts)

On page 31, line 1, strike ''tuition, fees,''.

On page 31, line 11, strike ''room and board,''.

Mrs. LINCOLN. Madam President, the amendment that I am offering strikes the provision within the education savings accounts language that covers K–12 tuition, fees and room and board expenses while permitting the use of ESA tax savings for other education-related expenses for all students. This amendment will create a level playing field by providing the same tax benefits to all parents regardless of where they send their children to school.

Under my amendment, all parents will be able to take advantage of ESA accounts for K–12 related expenses to buy computers, uniforms, or other items that children use to supplement or further their education. In short, it treats all parents equally.

Using ESA accounts for private school tuition is simply vouchers by another name. While I strongly believe in a parents' right to choose a public school education or private school education for their children, I am concerned that providing a tax incentive to pay private school tuition will divert the attention and resources needed to improve our public schools.

Strengthening our public schools should be a priority for all of us. The philosopher Edmund Burke once said that ''education is the cheap defense of nations.'' How true that is. If we are to continue our role as a world leader, we've got to make sure all of our children are prepared to pick up where we leave off. So in my view, education is a national security issue and an economic one as well.

Many of you know that rural development is a priority for me, and I am continually looking for ways to bring jobs to the impoverished Delta region where I grew up. Whenever I meet with industry folks and urge them to consider the Delta, one of their first questions is: ''How are the public schools?'' They don't ask about the private schools, just the public schools. To attract industry anywhere in this country, we've got to have strong public schools.

My amendment isn't the silver bullet. It is about crafting tax policy that recognizes the important role public schools play in our communities, especially rural communities in poor states like Arkansas.

As a proud graduate of public schools of Arkansas, I have enormous faith in our system of public education. And I

offer this amendment today, Madam President, because I am passionate about fulfilling our responsibility at the federal level to give schools and parents the support and resources they need to be successful.

I urge my colleagues to resist the false promise the current ESA provision provides to parents and public schools and support a tax policy that treat all parents equally.

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

The Senator from Montana.

Mr. BAUCUS. Madam President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

Mr. REID. I ask that when I suggest the absence of a quorum momentarily, the time run equally against both sides.

The PRESIDING OFFICER. Is there objection?

Mr. GRASSLEY. Starting now, the 2 hours is evenly divided.

Mr. REID. That is right, except for the 2 minutes we have already used.

Madam President, has the unanimous consent agreement been agreed to?

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

Mr. GRASSLEY. Madam President, it has been suggested by some of those who are opposed to our legislation that the tax cuts are backloaded, and there is some legitimacy to that argument, although don't forget that the tax rate reduction that benefits most Americans—in fact, every income-tax payer in America—the new 10-percent bracket, going back to January 1, 2001, benefits everybody. From that standpoint, this legislation is very frontloaded. But we are dealing with a congressional budget resolution that was adopted earlier this month.

The budget surplus, excluding Social Security, will be $2.3 trillion over the next 11 years. The proposed tax reductions over the next 11 years will be $1.3 trillion of that $2.3 trillion.

When one looks at the budget surplus and the tax cuts on a year-by-year basis, one will see that tax cuts are designed to stay within the available surplus each and every year. Twenty-nine percent of the budget surplus occurs over the next 5 years, and 29 percent of the tax cut is phased in over the next 5 years. Sixteen percent of the budget surplus occurs in the last year, while only 14 percent of the tax cuts occur the last year. In other words, the tax cuts are phased in to reflect the surpluses available to pay for them.

To the extent one argues that our bill is backloaded, our tax relief is frontloaded for the lower income taxpayers, particularly that 10-percent new bracket about which I have been talking. The tax cuts for the higher income taxpayers who pay the bulk of the Federal tax burden come later.

The reason for this is we want to help lower income taxpayers first, and the tax surplus itself is phased in. So additional tax relief needs to wait until the year 2006. As a result, lower and middle-income taxpayers benefit by getting their money back first and for the time value of having that money in their pocket longer than higher rate taxpayers.

It amazes me; if we had $1.6 trillion the President wanted for tax cuts, we would not have to backload some of these benefits. Wouldn't you know that the people who are complaining about backloading are the same ones who voted against the $1.6 trillion tax cut authority that is in the budget resolution. They deny us the tools then to enact full tax cuts today and then complain because we have to wait a few years to make the tax cuts. These are the same people who, during the budget reconciliation debate, cried that 10-year projections are unreliable. Now they rely on 20-year projections to claim that our tax cut will have negative effects in the second 10 years.

It is a fictitious argument because the bill ends in 2011. Under Senate rules, the bill will not be in effect in the second 10 years.

We are about national priorities, but that issue was settled last week during the budget resolution debate. The budget resolution itself decides what our national priorities are. This bipartisan tax bill before us then is one part of the priorities the entire Senate set 2 weeks ago when we voted for the budget resolution by a vote of 52–48.

The Senate Finance Committee in this bipartisan tax bill is responding to the majority of the Senate in bringing this bill before us as one part of everything that was decided in that budget resolution.

We have had people tell us that we cannot rely on projected surpluses to pay for our tax cuts. However, the biggest threat to fiscal discipline is higher spending, not lower taxes. In 1997, Congress and the President agreed to cap discretionary spending in an effort to balance the Federal budget. Unfortunately, as Federal revenues rose to record levels and our deficits turned into surpluses, these spending caps were broken.

Since 1997, discretionary spending has exceeded the budget caps by $272 billion. Over the next 10 years, discretionary spending will exceed the levels established in 1997 by $1.3 trillion and, as one can see, that is so close to what this tax bill is that it is enough to pay for our entire tax reduction.

No one seems to worry about how unreliable the surplus projections are when we add trillions of dollars in higher spending to the Federal budget. It seems as if there is plenty of money in these 10-year projections if we want to appropriate money, spend more money, but, lo and behold, we bring a tax bill before the Senate to let people keep the money they have earned rather than sending it to Washington, and somehow these 10-year budget projections we rely upon to make policy decisions are undependable.

I have come to the conclusion, or I would not be a part of this bipartisan tax bill, and I would not have voted for the budget agreement, that there is plenty of money from the tax surplus to give tax relief to working men and women and to do it in a way that is fiscally disciplined but, more importantly, imposes fiscal discipline on a lot of the big spenders around this Congress who think they know more how to handle the taxpayers' money than the taxpayers do, who believe if we spend more money, we are going to create more wealth.

Common sense dictates that the Government does not create wealth. Common sense dictates that individual Americans using the resources of their labor and their brain create wealth.

On the other hand, if that money were in the pockets of Members of Congress, it would burn a hole. So we return it to the taxpayers of America, and it allows them, through individual decisionmaking, to decide what they want to do with that money.

The process is going to turn over many more times in the economy, particularly if it is invested, than if we spend it in Washington in a political decision as to how the goods and services in our country ought to be distributed. It is better not to make a political decision but let the marketplace empower the individuals to make a choice. We are going to create more wealth, and the money is going to turn over more times in the economy that way and do more good.

We have also heard the accusation that we are raiding the trust funds. Some people continue to suggest that the tax cut will do this to the Social Security trust fund and the Medicare trust fund. Let me explain it this way.

The budget resolution for which I voted is the basis for this bipartisan tax bill and also, to some extent, what the President said in his budget to the Congress: We can fund our priorities, we can give tax relief to working men and women, we can preserve the Social Security trust fund and the Medicare trust fund, and we can pay down every dollar due on the national debt throughout the 10-year projection of our budget resolution.

There are people who disagree with that, but obviously the vast majority of this body understands that to be a fact.

Under current law, when Social Security and Medicare collect more than they spend—in other words, more income than outgo yearly in the Medicare trust fund and the Social Security trust fund—that money is invested in U.S. Government bonds. These bonds are held by the trust fund until needed to pay benefits. That will be roughly

2017 for Social Security, probably roughly 2010 for Medicare. In the case of Social Security, that will keep benefits at 100 percent, at least through the year 2037.

So when people talk about raiding the trust fund—I don't know whether this is their intent—they do mislead Americans. They want people to believe we are reducing the balance in the trust fund to pay for tax reduction. They know that is not true. The balance in the trust fund can only be reduced to pay for Social Security and Medicare benefits. The tax cuts cannot reduce the balance in the trust fund.

Once again, the chart emphasizes what I first said. It shows we will continue to have tax surpluses, indicated by the blue bar, each of the next 10 years. The tax cuts are the red bar and are a small part of each of those tax surpluses each year. We can see the charge of backload. Albeit we are giving relief to every taxpayer this year, in 2001, the tax reductions of this bill kick in over the next few years to reflect the growing tax surplus we have coming into the Federal Treasury.

I hope people see that as a responsible way to make sure we are able to fund our priorities, maintain the Social Security/Medicare trust funds, pay down every dollar due on the national debt over the next 10 years, and still give tax relief to working men and women.

I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. BAUCUS. I ask the Senator from North Dakota, does he have an amendment he wishes to offer?

Mr. CONRAD. I have amendments as discussed, for which we just received the scoring, so the amendments are being redrafted and will be here momentarily. I would like to talk about the bill if I may, and I ask for 10 minutes.

Mr. BAUCUS. I don't know if we have 10 minutes. There are a lot of Senators desiring to speak.

Mr. REID. I think the ranking member on the Budget Committee deserves 10 minutes. He indicated he would make sure you were adequately protected with time, and I told him you are.

I yield 10 minutes to the Senator from North Dakota.

Mr. GRASSLEY. I have several Members on my side of the aisle who want part of the 1 hour. I would like to know who they are and have them get over here and take up their share; otherwise, I will use it.

Mr. REID. I think the Senator from Iowa raises a very good point. We have attempted this afternoon to get people to offer amendments. We are about out of time. I say the same to people on my side of the aisle. Anyone who wants to speak or has an amendment to offer, time is just about gone.

The Senator from North Dakota is yielded 10 minutes.

The PRESIDING OFFICER. The Senator from North Dakota.

Mr. CONRAD. I thank Senator REID on behalf of the leadership for the time.

Madam President, the New York Times said it best of all: ''More Tax-cut Follies.'' They made the point that while some of the provisions have been improved over what President Bush proposed, nonetheless, overall this bill amounts to ''another gross abdication of fiscal responsibility.'' That sums it up. That is what this tax bill is, an abdication of fiscal responsibility.

Sometimes I wonder if we learn anything from history. If we look back at the Reagan, Bush, and Clinton administrations, we can go back to the time of the Reagan administration where we saw a proposal for a massive tax cut, a massive defense buildup, and an overall package that did not add up. The results were to absolutely explode the budget deficit of the United States. We went from an $80 billion deficit to over $200 billion. We quadrupled the national debt. Then President Bush came in and the deficits doubled again to nearly $290 billion.

It was not until 1993, when we put in place a plan that actually raised income taxes on the wealthiest 1 percent and cut spending that we were able to get back on a path to fiscal responsibility, balancing the books. Then in 1997 we passed a bipartisan plan that finished the job that put us into surplus.

Madam President, it seems we are forgetting those lessons completely. We are now headed back to deficits, back to debt based on a rosy scenario, based on a massive tax cut, based on a massive defense buildup. The numbers we have not yet seen; they are not even part of the budget resolution; that is the fatal flaw of the budget resolution. We don't have the defense numbers. We don't have the money to strengthen Social Security even though President Bush says we should. We don't have the money to fix the alternative minimum tax. We don't have the money for item after item. The reason is, that when we get all those items together, we will find that the overall package does not add up.

The Philadelphia Inquirer said it well: ''Tax-slashers at Work: Once Started, They Can't Seem to Stop.''

Just like the frat brothers, the Senators are going through weird contortions. In the bipartisan mess of a bill that the committee worked on yesterday, one gimmick is to phase in ballyhooed tax breaks over periods as long as a decade.

With other tax breaks, the bill does the opposite trick: Providing tax relief right away, then supposedly ending it a few years down the road.

That is called backloading, and this bill is loaded with it. The bill costs $1.35 trillion in the years 2001 to 2011. But look what happens in the second 10 years. It explodes. The cost goes up to over $4 trillion. That is because item after item is back-loaded.

The estate tax is one example. The cost in the first 10 years is $1.45 billion. Look at what happens in the second 10 years when they completely eliminate the estate tax. The cost goes up to $790 billion right at the time the baby boomers retire.

The same thing happens with the estate tax rate. The 2011 repeal masks massive costs. We can see the cliff effect of the estate tax.

It does not end there. It continues with the marriage penalty but in a different way. With the marriage penalty, they don't put it into place until the year 2004. There is no marriage penalty relief until then. Then they increase relief so it takes full effect in the year 2008.

But it doesn't stop there because they have done the same thing with the alternative minimum tax. They hide backloading by sunsetting the alternative minimum tax relief right in the middle of the period. It is bizarre. They start out by providing alternative minimum tax relief, and then they take it away.

What will happen with the alternative minimum tax? We are going to go from 1.5 million people being affected by the alternative minimum tax to, when this bill passes, nearly 40 million people.

It is just not the back end loading that makes no sense; it is the lack of fairness. This bill we have before the Senate gives the top 20 percent of taxpayers 70 percent of the benefits. It gives the bottom 20 percent 1 percent of the benefits. It doesn't strike me as fair.

But the evidence of unfairness goes on and on. The top 1 percent gets twice as much of the benefits as the bottom 60 percent. The top 1 percent of taxpayers who earn on average $1.1 million a year get 33.5 percent of the benefits. The bottom 60 percent of American taxpayers get 15 percent of the benefits, one-half as much.

The evidence of the unfairness in this bill is in item after item. Perhaps the most interesting part of this bill is the various rate brackets. There are five rate brackets. Every one of them gets rate relief except one. What do you think the one is? The one is the 15-percent bracket where 70 percent of American taxpayers are; 70 percent of American taxpayers get no rate relief under this bill. But as you go up the income ladder, you get more and more generous relief. The big bucks, the big benefits go to those at the very top. The biggest, highest income folks get the biggest rate relief of all. It is not fair.

We have heard discussion in this Chamber that it is a big improvement over what President Bush proposed. There is some improvement but not much. Under the Bush plan, the top 20 percent of taxpayers got 72 percent of the benefits. Under this plan, the top 20 percent get 70 percent of the benefits.

The other thing that has been said about this bill is it is a stimulus to lift the economy. There is precious little stimulus in this bill. We passed in the Senate $85 billion of stimulus. What

came back from conference and what is in this bill is $10 billion, $10 billion in nearly a $9 trillion economy. There is precious little stimulus in this bill.

As I pointed out, this bill is flawed in even more ways. The number of taxpayers affected by the alternative minimum tax explodes under this bill. Boy, are those folks in for a big surprise. Today, 1.5 million people are caught up in the alternative minimum tax. Under this bill, at the end of the 10-year period nearly 40 million people will be affected by the alternative minimum tax. Those folks, nearly 1 in 4 American taxpayers, are not getting a tax cut. They are going to get a tax increase. They are going to have it as a result of the flaws of this bill.

There has been a lot of talk that this bill is reducing the debt. It is reducing the publicly held debt. That is this red line on this chart. It will go from $3.4 trillion today down to about $800 billion. But another part of the debt is increasing. That is the debt that is owed to the trust funds of the United States. You can see that this debt is going to go from about $2 trillion to over $5.5 trillion. And the overall, the gross debt of the United States is actually increasing from $5.6 trillion today, to $6.7 trillion at the end of this 10-year period.

So all the talk about paying down debt, one part of the debt is being paid down, but the overall debt is actually increasing.

Here is the sad history of Federal debt. This is what has happened to it from 1950 to 1999. In 1981, the last time we followed the fiscal policy that is embraced by this bill, we saw the debt of the United States absolutely explode to $5.6 trillion, which is where it is today. At the end of this period, the gross debt of the United States is going to be $6.7 trillion. Here we are passing a massive tax cut. Shame on us. Shame on us for pushing this debt onto our kids. We are the ones who ran up this debt. This was during our time. This was on our watch. This is while we were in charge and we ran up this debt and it is going to continue.

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

Mr. CONRAD. I ask my colleagues to think carefully and oppose this bill.

The PRESIDING OFFICER. Who yields time?

Mr. GRASSLEY. Madam President, I yield 7 minutes to the Senator from Pennsylvania.

The PRESIDING OFFICER. The Senator from Pennsylvania is recognized.

Mr. SPECTER. Madam President, I thank my distinguished colleague from Iowa for yielding the time.

I am going to be submitting for the RECORD an amendment which would provide for a tax credit for clean coal technology research, but I am not going to be pressing for a vote at this time because of the very crowded calendar and the limitation of time for debate. But in an era when we are struggling with a national energy policy, it is my view that we ought to be relying on coal as a major source of supply to avoid reliance on foreign oil, and to ease off on a great many of the controversies which are present as we look to oil exploration in a variety of places.

My own State, Pennsylvania, has some 7.2 billion tons of demonstrated reserves of anthracite coal in the northeastern part of the State and some 21.4 billion tons of demonstrated reserves of bituminous coal. Coal is spread across the United States in great supply. Notwithstanding the tremendous problems we are having in finding sources of energy, we have never developed coal as a source because of the problems with sulfur dioxide and the problems of pollution which we confronted in the Clean Air Act of 1990.

The legislation I would like to see enacted would provide a tax credit for clean coal technology research. The distinguished Senator from West Virginia, Mr. BYRD, has introduced legislation, S. 60, which provides a broader range of tax credits regarding which I have deferred to the Senator's proposed legislation. I only recently joined as a cosponsor to S. 60 because of some concerns which I had about the environmental aspects. But more recently there has been an addressing of those concerns, so I think what Senator BYRD seeks to accomplish in S. 60 is very sound.

In the reconciliation bill, as we all know, with the very limited period of time for debate, there is really not an opportunity to have the kind of exploration of this issue which is required. I have talked to a number of my colleagues about it and I am advised that in July, perhaps, there will be on the floor a tax bill and a energy bill which would provide a better opportunity for the in-depth discussion which this issue requires. But there is no doubt about the need for additional energy. There is no doubt about the problems from OPEC oil and from drilling in many places which have been proposed, with environmental concerns. There is no doubt that coal could provide the answer if we had clean coal technology and sufficient tax incentives for people to move to develop coal as an alternative.

Madam President, I ask unanimous consent a copy of this amendment be printed in the RECORD.

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

(Purpose: To provide a business credit for 10 percent of research expenses regarding clean coal technology)

At the end of title VIII, add the following:

SEC. ____. CREDIT FOR CLEAN COAL TECHNOLOGY RESEARCH EXPENSES.

(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. CLEAN COAL TECHNOLOGY RESEARCH CREDIT.

"(a) GENERAL RULE.—For purposes of section 38, the clean coal technology research credit determined under this section for the taxable year is an amount equal to 10 percent of the excess (if any) of—

"(1) the qualified clean coal technology research expenses for the taxable year, over

"(2) the base amount.

"(b) QUALIFIED CLEAN COAL TECHNOLOGY RESEARCH EXPENSES.—For purposes of this section—

"(1) QUALIFIED CLEAN COAL TECHNOLOGY RESEARCH EXPENSES.—

"(A) IN GENERAL.—Except as otherwise provided in this paragraph, the term 'qualified clean coal technology 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 by substituting 'clean coal technology research' for 'qualified research' each place it appears in paragraphs (2) and (3) of such subsection.

"(B) EXCLUSION FOR AMOUNTS FUNDED BY GRANTS, ETC.—The term 'qualified clean coal technology 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).

"(C) SPECIAL RULE.—For purposes of this paragraph, section 41 shall be deemed to remain in effect for periods after June 30, 2004.

"(2) CLEAN COAL TECHNOLOGY RESEARCH.—

"(A) IN GENERAL.—The term 'clean coal technology research' means research regarding the uses and development of clean coal technology.

"(B) CLEAN COAL TECHNOLOGY.—The term 'clean coal technology' means technology which—

"(i) uses coal to produce 45 percent or more of its thermal output as electricity, including advanced pulverized coal or atmospheric fluidized bed combustion, pressurized fluidized bed combustion, integrated gasification combined cycle, or any other technology for the production of electricity,

"(ii) has a maximum design heat rate of not more than 9,000 Btu/kWh when the design coal has a heat content of more than 8,000 Btu per pound, and

"(iii) has a maximum design heat rate of not more than 10,500 Btu/kWh when the design coal has a heat content of 8,000 Btu per pound or less.

"(c) BASE AMOUNT.—For purposes of this section, the term 'base amount' means the amount which would be determined for the taxable year under section 41(c) (without regard to paragraph (4) thereof) if such subsection were applied by substituting 'qualified clean coal technology research expenses' for 'qualified research expenses' each place it appears.

"(d) COORDINATION WITH CREDIT FOR INCREASING RESEARCH EXPENDITURES.—Any qualified clean coal technology 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.

"(e) SPECIAL RULES.—

"(1) 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.

"(2) ELECTION.—This section shall apply to any taxpayer for any taxable year only if such taxpayer elects to have this section apply for such taxable year.

"(3) COORDINATION WITH DEPARTMENT OF ENERGY PROGRAM.—The amount of any credit allowed a taxpayer under subsection (a) for the taxable year shall not be taken into account for purposes of determining the Federal share of any clean coal technology

project of such taxpayer receiving or scheduled to receive funding under the Clean Coal Technology Program of the Department of Energy.''.

(b) INCLUSION IN GENERAL BUSINESS CREDIT.—

(1) IN GENERAL.—Section 38(b) (relating to current year business credit), 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 clean coal technology research credit determined under section 45G.''.

(2) TRANSITION RULE.—Section 39(d), as amended by section 620, (relating to transitional rules) 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 clean coal technology 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 (relating to certain expenses for which credits are allowable) is amended by adding at the end the following new subsection:

''(d) CREDIT FOR QUALIFIED CLEAN COAL TECHNOLOGY RESEARCH EXPENSES.—

''(1) IN GENERAL.—No deduction or credit shall be allowed for that portion of the qualified clean coal technology research expenses (as defined in section 45G(b)) otherwise allowable as a deduction or credit 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) CLERICAL AMENDMENT.—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. Clean coal technology research credit.''.

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

Mr. SPECTER. Since I have a few more minutes remaining, I would like to comment about the bill generally.

When President Bush established a target of $1.6 trillion in a tax cut over a 10-year period, it was my view that it was a reasonable figure. It is very hard to pick out a figure without any precision, but I was prepared to follow the lead that President Bush had established which was based upon the projection of a surplus over the 10-year period of some $5.6 trillion.

I have said before that I was willing to see the figure up to $1.6 trillion. It has been reduced somewhat to $1.350 trillion now over an 11-year period. I think that is an accommodation which is reasonable. The President and the Administration have come forward and accepted that as a reasonable allocation, but still, in my view, it depends upon that surplus materializing.

I am concerned about having a repeat of what happened with the Kemp-Roth legislation which was enacted in 1981, where we had substantial tax cuts. At the beginning of President Reagan's term, there was a national debt of $1 trillion, and it escalated to $4 trillion in the course of 8 years. I think that is a path which we do not want to repeat. A tax cut will stimulate the economy. I think it is useful, but at the same time we do not want to add to the national debt.

Paying down the deficit is also a very good way to stimulate the economy by eliminating the Government's use of a portion of the capital and having it come into private hands. There have been quite a number of discussions about ways to have the so-called trigger mechanism, that if the surplus does not hold up, there will be a time for reevaluation as to what we are doing with respect to the tax cut.

Of course, it is always possible for Congress to revisit this as a legislative matter. Although from my experience, I know it is much harder to get a tax increase—much, much harder to get a tax increase—than it is to get a tax cut, and for good reason. The Government at the National, State, and local level now takes an enormous bite.

We had a battle in 1993, the first year of President Clinton's administration, when I opposed the tax increase. However, I do think it is important to keep our eye on many balls at the same time, and on the ball to be sure that the surplus materializes.

I know the manager has given me 7 minutes, but I was negotiating for 10. So I will ask Senator GRASSLEY, if I could have his attention, for my other 3 minutes at this time.

Mr. GRASSLEY. Two minutes then. I have Senator GRAMM who needs some time. I grant the Senator 2 more minutes.

Mr. SPECTER. At the end of the 2 minutes, I will have to ask for another minute, I say to Senator GRASSLEY. It will take more time than the full allocation. How about 3 minutes? Going, going——

Mr. GRASSLEY. Please take 2 minutes.

Mr. SPECTER. The balance of my 3-minute speech, which will now be condensed, relates to a concern on the estate tax. I do believe the estate tax is burdensome. The exemption of $675,000 is not realistic. We ought not to burden small businesses and the family farm with the threat of sale or disillusion or problems on the death of the principal. But, I do believe there is some ground where billionaires ought not to escape the estate tax.

I am not sure exactly what that figure is, but we do not want to create a situation for inherited wealth to eliminate incentives in America. It may be that $100 million is an appropriate figure, perhaps even somewhat less.

Also, in the elimination of the estate tax, which is not triggered for some 11 years, there are some real problems which will be caused when there will be taxes on capital gains. Obviously, while we ought not to tax twice, we ought not to have a system where people avoid taxes entirely with the stepped-up basis. That is very complicated.

I am concerned generally with what may happen on unintended consequences. Once we start to deal in the tax field, the unintended consequences may take over. It is my hope that we can have some balance.

I see the Presiding Officer with the gavel, so I yield the floor.

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

Who yields time?

Mr. REID. Madam President, how much time does the minority have?

The PRESIDING OFFICER. The minority has 44½ minutes.

Mr. REID. And the majority?

The PRESIDING OFFICER. The majority has 31 minutes 44 seconds.

Mr. REID. The Senator from Massachusetts, Mr. KERRY, wishes to offer an amendment. I yield him 5 minutes.

The PRESIDING OFFICER. The Senator from Massachusetts.

AMENDMENT NO. 721

Mr. KERRY. Madam President, I call up amendment No. 721.

The PRESIDING OFFICER. The clerk will report.

The bill clerk read as follows:

The Senator from Massachusetts (Mr. KERRY) proposes an amendment No. 721

The amendment is as follows:

(Purpose: To exempt individual taxpayers with adjusted gross incomes below $100,000 from the alternative minimum tax and modify the reduction in the top marginal rate)

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%	39.1%
2005 and 2006	26%	29%	34%	39.1%
2007 and 2008	25%	28%	33%	39%
2009 and 2010	25%	28%	33%	38%
2011 and thereafter	25%	28%	33%	37%

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.

Mr. KERRY. This is an amendment which seeks to address the problem of the alternative minimum tax in this bill. My amendment would exempt all taxpayers with incomes of $100,000 or less from the alternative minimum tax, as it is known.

For millions of Americans, the tax cut under consideration today is a phantom tax cut. It is a phantom tax cut because some don't get it at the outset, and it is a phantom tax cut that, because of the alternative minimum tax, millions will be pushed into a tax bracket that they were never in previously, and that will take away from them the very tax cut they are being promised.

The alternative minimum tax was created, as we know, in 1969, to curtail the ability of high-income individuals to escape payment of income tax through various deductions, exclusions, and exemptions. It is effectively a separate tax system that rides parallel to the normal tax system. It was originally intended to prevent wealthier people from being able to make use of credits and deductions and thereby escape any tax liability whatsoever.

In 1998, we began to notice that something was happening that was unintended. There was an encroachment of the AMT on middle-class taxpayers. That year, our omnibus appropriations bill included a provision allowing taxpayers to claim personal tax credits—such as the HOPE and lifetime learning credits, as well as the adoption credit—without being pushed into the AMT liability. In 1999, we extended this provision through this year.

Last year, about $1.3 million taxpayers confronted AMT liability. Under the current law, that number would climb to over 17 million taxpayers in 2010. But under the bill before us, the number of taxpayers subject to the AMT will climb to nearly 40 million by 2011. As a result, overall alternative minimum tax liability will rise from about $6 billion in the year 2000 to nearly $40 billion in 2010.

The increase in AMT liability, for the most part, is attributable to inflation, but unlike the AMT, the regular tax system is indexed for inflation. The AMT is not. The personal exemptions, standard deduction, and tax brackets increase annually. Under the AMT, the exemption amounts and the tax brackets remain constant. Thus, every year taxpayers whose incomes rise with inflation are taxed at the same rate under the regular income tax but they are increasingly penalized by the AMT.

It is simply fraudulent to say in this tax bill that we are offering a great number of Americans tax relief when we know we are pushing millions of Americans into the alternative minimum tax. That is No. 1.

Secondly, everybody knows this is coming down the road, and yet we are under the limits of the total tax cut of $1.35 trillion. We know there is going to be a cost of several hundred billion over a number of years in order to pay for the tax cut we are giving because the consequence of this tax cut is to create a liability on the AMT. But lo and behold, we do not pay for it. That means, once again, the Congress is prepared to defer the tough decisions from today into the future. And everybody knows what will happen in the future. That will, indeed, be dealt with, and it will mean it is a much larger tax cut than is even being promised to the American people today.

For taxpayers, navigating the maze of AMT rules is a significant administrative burden. The National Taxpayer Advocate at the IRS ranks the AMT as one of the most burdensome areas of tax law. To comply with the AMT, taxpayers must compute their regular tax liability and then recalculate their AMT liability using a different base of income, different exemptions, and different tax rates.

The AMT also applies different treatments to certain income deductions, exclusions, and credits that may be used by taxpayers under the regular income tax. In essence, taxpayers are required to apply two methods of accounting—one for the regular tax and one for the AMT.

If Congress fails to adequately address the AMT problem, the coverage will gradually shift from higher income taxpayers to more and more middle-class American taxpayers in States with high income and property taxes, such as States like Massachusetts that are particularly hard hit, because under the AMT, taxpayers are prohibited from deducting State and local taxes. In addition, as the grasp of the AMT spreads, incentives in the regular tax systems, such as the HOPE and the lifetime learning credits, and the adoption credit, completely lose their effectiveness. Not only do we create a liability, but we undo a benefit that we have put into effect previously.

Madam President, the amendment I am proposing today would ensure that the AMT never touches the vast majority of middle-class Americans. It is simple and straightforward. It exempts all taxpayers with incomes of $100,000 or less from the AMT.

As many employees in high-tech firms have already learned, stock options are another item treated differently under the AMT.

The Joint Committee on Taxation, in its recent tax simplification report, recommended complete repeal of the alternative minimum tax. The committee stated in its report, ''the alternative minimum tax can be a trap for the unwary, especially for large families, and creates disparate treatment of taxpayers depending on where they live.''

Despite the overwhelming sentiment against the AMT, the legislation before us moves in the opposite direction. While the bill would provide some limited AMT relief through 2006, all such relief would be repealed in 2007.

Even with the purported AMT fix in the bill before us, during the next five years, the number of taxpayers subject to the AMT will continue to rise steadily—nearly doubling next year alone. In 2002, as a result of the bill before us—with its combination of significant rate reductions and limited AMT relief—thousands of taxpayers will find themselves confronted for the first time by the AMT. And during the second five years, the number of taxpayers subject to the AMT will explode, reaching nearly 40 million in 2011.

In short, the tax bill's proponents want to give Americans a tax cut with the right hand and take it away with the left hand. It is misleading—it is deceptive—and for millions of Americans, it is a phantom tax cut.

And finally, it is fiscally irresponsible. Nobody truly believes Congress will allow the AMT to hit 40 million taxpayers. But the solution has been put off for another day. When we finally deal with the problem, it will be expensive—perhaps costing as much as $300 billion.

The amendment I am proposing today would ensure that the AMT never touches the vast majority of middle-class Americans. It is simple and straightforward. My amendment would exempt all taxpayers with incomes of $100,000 or less from the AMT.

By exempting taxpayers with incomes below $100,000 from the AMT, the amendment protects the original goal—to ensure that wealthy individuals do not entirely escape taxation—while also ensuring that the AMT will never touch the vast majority of maiddle-class taxpayers.

The Joint Committee on Taxation estimates that exempting taxpayers with incomes below $100,000 from the alternative minimum tax will cost $110 billion over the next ten years. That is a small price to pay to ensure that middle-class Americans are able to benefit from the proposed tax reduction.

The Joint Committee on Taxation further estimates that the amendment would eliminate AMT liability for 18 million taxpayers. If the amendment passes, 18 million middle-class taxpayers will be freed from the unintended burden of the alternative minimum tax.

We should not miss our opportunity to address the growing AMT problem. We should not wait. AMT reform deserves more than the token measures included in the bill before us. Anything less is misleading and fiscally irresponsible. I urge my colleagues to support my amendment.

The PRESIDING OFFICER. The Senator from Nevada.

Mr. REID. Madam President, I yield 4 minutes to the Senator from Connecticut, Mr. LIEBERMAN, to offer an amendment.

The PRESIDING OFFICER. The Senator from Connecticut.

AMENDMENT NO. 693

Mr. LIEBERMAN. Madam President, I rise to speak on amendment No. 693 which would offer a rebate of $300 to every taxpayer, income tax and payroll

taxpayer, in the United States within weeks of its passage.

Labels like conservative, liberal, or moderate are used very loosely in our politics and take on a new meaning from moment to moment. For example, the tax plan in the bill before us has been described as moderate or conservative. I have always understood the definition of ''fiscal conservatism'' or ''moderation'' to be centered on fiscal responsibility and balanced budgets.

This tax plan is not fiscally responsible because it wastes the projected surpluses the American people have earned on a too big tax cut, more than we can afford, a tax cut that will take us back into deficits and raise interest rates and, I fear, raise unemployment, and a tax cut that commits nothing of the non-Social Security and Medicare surpluses to pay down our national debt, which is still over $3 trillion.

Because I consider myself a fiscal conservative or fiscal moderate, I will therefore vote against this tax bill.

I have been thinking of the bill in nutritional terms lately: The old line ''you can have too much of a good thing,'' ''you can eat too much of a good thing''—ice cream, for instance. It ultimately is not good for your system. We strive for a balanced diet.

This is an imbalanced budget proposal. Tax cuts are a good thing, but our economy can have too much of them. That is exactly what this bill does.

It leaves out business tax incentives, growth incentives, and it leaves out the kind of genuine short-term fiscal stimulus that our uncertain economy needs today and that was part of the budget resolution we adopted last month. Our plan adopted in the budget resolution was fair, fast, and fiscally responsible.

Unfortunately, the so-called stimulus included in this bill that is on the floor today does none of those things. It is not fair because it provides no relief to millions of Americans who do not pay income taxes. It is not fast because it is phased in over 11 years. And it is certainly not fiscally responsible because it is part of a budget-busting tax cut.

That is why this amendment offers a stimulus that is the real thing, a plan that will get cash into the hands of America's consumers and into the veins of our economy in a matter of weeks.

This amendment will reduce, as of July 1, the 15-percent rate for all income-tax payers to 10 percent, but it goes beyond that and sends a $300 check to every American taxpayer, income tax or payroll tax. That means individuals would receive $300; joint filers, husband and wife, couple, $600; and it creates a separate category of rebate which is $450 this year in a check to single heads of households.

This is the kind of relief and rebate America's workers and taxpayers and families need now. I urge my colleagues to support this amendment.

I thank the Chair.

The PRESIDING OFFICER. Is the Senator calling up his amendment?

Mr. LIEBERMAN. I was, indeed, calling up amendment No. 693.

The PRESIDING OFFICER. The clerk will report.

The bill clerk read as follows.

The Senator from Connecticut [Mr. LIEBERMAN], for himself and Mr. DASCHLE, proposes an amendment numbered 693.

Mr. LIEBERMAN. I ask unanimous consent that reading of the amendment be dispensed with.

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

The amendment is as follows:

(Purpose: To provide immediate tax refund checks to help boost the economy and help families pay for higher gas prices and energy bills and to modify the reduction in the maximum marginal rate of tax)

On page 7, line 15, insert ''(12.5 percent in taxable years beginning in 2001)'' after ''percent''.

On page 13, between lines 15 and 16, insert the following:

SEC. ____. REFUND OF INDIVIDUAL INCOME AND EMPLOYMENT TAXES.

(a) REFUND.—

(1) IN GENERAL.—Subchapter B of chapter 65 (relating to rules of special application in the case of abatements, credits, and refunds) is amended by adding at the end the following new section:

''SEC. 6428. REFUND OF INDIVIDUAL INCOME AND EMPLOYMENT TAXES.

''(a) GENERAL RULE.—Except as otherwise provided in this section, each individual shall be treated as having made a payment against the tax imposed by chapter 1 for any taxable year beginning in 2001, in an amount equal to the lesser of—

''(1) the amount of the taxpayer's liability for tax for the taxpayer's last taxable year beginning in calendar year 2000, or

''(2) the taxpayer's applicable amount.

''(b) LIABILITY FOR TAX.—For purposes of this section, the liability for tax for the taxable year shall be the sum of—

''(1) the excess (if any) of—

''(A) the sum of—

''(i) the taxpayer's regular tax liability (within the meaning of section 26(b)) for the taxable year, and

''(ii) the tax imposed by section 55(a) with respect to such taxpayer for the taxable year, over

''(B) the sum of the credits allowable under part IV of subchapter A of chapter 1 (other than sections 31, 33, and 34) for the taxable year, and

''(2) the taxes imposed by sections 1401, 3101, 3111, 3201(a), 3211(a)(1), and 3221(a) on amounts received by the taxpayer for the taxable year.

''(c) APPLICABLE AMOUNT.—For purposes of this section—

''(1) IN GENERAL.—The applicable amount for any taxpayer shall be determined under the following table:

''In the case of a taxpayer described in:	**The applicable amount is:**
Section 1(a)	$600
Section 1(b)	$450
Section 1(c)	$300
Section 1(d)	$300
Paragraph (2)	$300.

''(2) TAXPAYERS WITH ONLY PAYROLL TAX LIABILITY.—A taxpayer is described in this paragraph if such taxpayer's liability for tax for the taxable year does not include any liability described in subsection (b)(1).

''(d) DATE PAYMENT DEEMED MADE.—

''(1) IN GENERAL.—The payment provided by this section shall be deemed made on the date of the enactment of this section.

''(2) REMITTANCE OF PAYMENT.—The Secretary shall remit to each taxpayer the payment described in paragraph (1) within 90 days after such date of enactment.

''(3) CLAIM FOR NONPAYMENT.—Any taxpayer who erroneously does not receive a payment described in paragraph (1) may make claim for such payment in a manner and at such time as the Secretary prescribes.

''(e) CERTAIN PERSONS NOT ELIGIBLE.—This section shall not apply to—

''(1) 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,

''(2) any estate or trust, or

''(3) any nonresident alien individual.''.

(2) 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 RESTORING EARNINGS TO LIFT INDIVIDUALS AND EMPOWER FAMILIES (RELIEF) ACT OF 2001.—Notwithstanding the provisions of this subsection, the Secretary shall modify the tables and procedures under paragraph (1) to reflect the amendments made by section 101 of the Restoring Earnings To Lift Individuals and Empower Families (RELIEF) Act of 2001 with respect to the 10-percent rate bracket, and such modification shall take effect on July 1, 2001, as if the lowest rate of tax under section 1 (as amended by such section 101) was the 10-percent rate effective on such date.''.

(3) CONFORMING AMENDMENTS.—

(A) Section 1324(b)(2) of title 31, United States Code, is amended by inserting before the period '', or enacted by the Restoring Earnings To Lift Individuals and Empower Families (RELIEF) Act of 2001''.

(B) The table of sections for subchapter B of chapter 65 is amended by adding at the end the following new item:

''Sec. 6428. Refund of individual income and employment taxes.''.

(4) EFFECTIVE DATES.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the amendments made by this subsection shall take effect on the date of the enactment of this Act.

(B) AMENDMENTS TO WITHHOLDING PROVISION.—The amendments made by paragraph (2) shall apply to amounts paid after June 30, 2001.

(b) REVENUE OFFSET.—The Secretary of the Treasury shall adjust the reduction in the highest marginal tax rate in the table contained in section 1(i)(2) of the Internal Revenue Code of 1986, as added by section 101(a), as necessary to offset the decrease in revenues to the Treasury for each fiscal year resulting from the amendments made by subsection (a).

Mr. LIEBERMAN. Madam President, I ask for the yeas and nays on the amendment.

The PRESIDING OFFICER. Is there a sufficient second?

There is not a sufficient second at this time.

There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. Who yields time?

Mr. GRASSLEY. I yield 10 minutes to the Senator from Texas.

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

Mr. GRAMM. Madam President, I thank the distinguished chairman of the Finance Committee. I congratulate

him on the new leadership he has brought to the committee. I can't imagine a chairman doing a better job under more difficult circumstances. He has impressed everybody with his fairness to both Republican and Democrat Members.

I thank Senator BAUCUS for working with us on a bipartisan basis. The product before us is not perfect, but then we are not in the business of perfection. And there is still an opportunity to improve. I congratulate them.

There are four things I need to do, and I have only 10 minutes to do it so I am going to try, even though I speak very slowly, to do it quickly.

AMENDMENT NO. 736

Mr. GRAMM. First, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report the amendment.

The assistant legislative clerk read as follows.

The Senator from Texas [Mr. GRAMM] proposes an amendment numbered 736.

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

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

The amendment is as follows:

(Purpose: To ensure debt reduction by providing for a mid-course review process)

At the appropriate place, insert the following:

"SEC. . MID-COURSE REVIEW.

''(a) IN GENERAL.—Notwithstanding any other provision of law, if at the end of fiscal year 2003 or 2010, the Secretary of the Treasury certifies that the actual reduction in debt held by the public since fiscal year 2001 is less than the actual surplus of the Old Age, Survivors, and Disability Insurance Trust Fund and the Medicare Federal Hospital Insurance Trust Fund since fiscal year 2001, any Member of Congress may introduce and may make a privileged motion to proceed to a bill that implements a mid-course review.

''(b) MID-COURSE REVIEW LEGISLATION.—To qualify under subsection (a), a bill must delay any provision of this Act or any subsequent Act that takes effect in fiscal year 2004 or 2011 and results in a revenue reduction or causes increased outlays through mandatory spending, and must also limit discretionary spending in fiscal year 2004 or 2011 to the level provided for the prior fiscal year plus an adjustment for inflation. It shall not be in order to consider any amendment to mid-course review legislation that does not affect spending and tax reductions proportionately.

''(c) PREVENTION OF UNINTENDED TAX INCREASES OR BENEFIT CUTS.—Notwithstanding any other provision of law, any provision of this Act or any subsequent Act that would be affected by the legislation described in subsection (b) shall become final if no mid-course review legislation is enacted into law.

Mr. GRAMM. Madam President, this is a very simple amendment. There will be a vote on a trigger amendment later. I am adamantly opposed to that. It is very poor economic policy for the Congress to put itself in a straitjacket where if we were in a recession in the future, we could lock America into a tax increase and, in the process, make the economy worse and potentially turn a recession into a depression.

Secondly, the trigger amendment which will be voted on later tonight, in addition to holding out the prospect of putting us in a straitjacket and having an automatic tax increase in a recession, holds out the prospect that Congress could literally spend itself into a tax increase without ever having to vote for the tax increase. What the amendment actually says is, if we are not meeting our deficit reduction targets, taxes would go up automatically.

There are only two reasons you would not meet the targets. One is you are spending a lot more money than you said you were going to spend in the budget, in which case we ought not to be rewarding profligate spending by pouring more gasoline on the fire with a tax increase to fund more spending. Or, two, we are in a recession and we don't want to turn a recession into a depression.

Knowing that my colleagues are determined to deal with this issue, I have put together an amendment that does it in a rational way. It has two mid-course reviews—one in 2003, one in 2010—that if we don't meet our debt reduction targets, if the Secretary of the Treasury certifies we don't, on a highly privileged basis a resolution would come before the Senate that would allow us to debate controlling spending and deferring the tax cut, but there would be a rational decision. And the tax cut would not become permanent until we have at least exercised that decision in terms of the decisions we make in the Senate to act or not act.

It is the rational way to do something. I hope my colleagues will look at doing it in that rational way.

I have covered triggers in my remarks. I am hoping that if the trigger amendment fails, that my amendment would be accepted. In fact, if the trigger amendment passed, I would still hope my amendment would be accepted.

There is an amendment before us that tries to say that there is something wrong with the way the President gave the tax cut to the lowest bracket. What the President did, instead of cutting the 15-percent rate, he gives enough money in tax cuts for the 15-percent bracket to cut it to 14 percent and then ultimately to 13 percent for everybody. But in trying to help lower income people, he creates a new bracket at 10 percent. The net result is, for the people in the lowest income part of the 15-percent bracket, he gives a 33-percent tax cut. For the people in the highest part of the 15-percent bracket, he gives a 9-percent tax cut. But the effect is exactly the same in terms of the dollars you pay in taxes as if you had lowered it from 14 to 13 percent for people in the highest part of the income bracket.

We have an amendment before us that has been offered by two of my Democrat colleagues that creates the impression that somehow there is something wrong with the President's plan because some people don't get a reduction in rates.

The fact is, they get a dramatic reduction in rates with the new 10-percent bracket. It is an incredible paradox that something that was aimed at helping the poorest workers in America the most is now held up by Democrats as an excuse to raise marginal tax rates on the highest income workers. I trust my colleagues will not fall for that poor, weak argument and that it will fail.

Here is my point. A, this is not a huge, irresponsible tax cut, this is a modest tax cut. Of every dollar we are going to send to Washington in the next 10 years under this bill, how much do we get back? If we had adopted the President's entire package, we would have gotten 6.2 cents. We are now talking about roughly 5.2 cents out of every dollar. How does that compare with the Kennedy tax cut? That was 12.6 cents out of every dollar, so it is less than half that size. The Reagan tax cut of 1981 was 18.7 cents out of every dollar. It is roughly a third that size. So we have a tax cut in 1961, 1981, and now in 2001 it is time for America to have a tax cut. This is a prudent, responsible tax cut.

It sounds large if your objective was to spend all this money. And we know our Democrat colleagues offered $1 trillion of new spending proposals above the budget this year alone. Also, in the last 6 months, the Clinton administration approved, with the Congress, $561 billion in new spending over the next 10 years—almost a third of the tax cut.

This is a tax cut America can afford. Even with a trillion dollars of new spending contained in the budget President Bush has proposed, we have a $5.6 trillion surplus. When you take out the amount of the surplus that belongs to Social Security, it is $3.1 trillion. The President asked for $1.6 trillion. We are giving $1.35 trillion. This tax cut is less than half of the unclaimed surplus of the Federal Government. Since when is giving half the money back to the people who earned it irresponsible? I say only if you intended to spend it is that irresponsible.

You have heard a lot of talk here about 45 percent of Americans get no income tax cut. Well, 45 percent of Americans don't pay any income taxes. Income taxes are for taxpayers. You have heard our colleagues talking about, the President of Microsoft is going to get a Lexus. He already has a Lexus. What we are trying to do is reduce the tax burden to promote investment and boost the economy.

Let me talk about the richest 1 percent, the most maligned people in America. The only kind of bigotry that is still acceptable in America is not bigotry based on race, or ethnicity, or religion; you are rightly ostracized by every right-thinking American if you have bigotry on that basis. But you can be bigoted on the basis of success. You can be bigoted against the successful and be not only accepted in America but embraced. I believe it is an outrage.

In 1981, the top 1 percent of income earners paid 17.9 percent of the tax burden. By 1989, it was 25.2. By 1993, it was 29. Today, 35.6 percent of all income taxes are paid by the top 1 percent of income earners. They earn 17 percent of the income, and they pay 35.6 percent of the taxes.

Now the President did not propose to reduce that percentage, he proposed raising it, because he cut the bottom bracket twice as much as the top bracket. So under his bill this would go up to over 36.5 percent. Do you know what our Democrat colleagues say? It is not enough. They want to pile a heavier and heavier burden on successful Americans. I think enough is enough. That ought to be rejected.

We have reduced the top rate to 36 percent here. It will go down in conference. I have tried, finally, to the extent I have had the time, to explain the fallacy of their proposal in terms people could understand. Here is a chart representing an alumni meeting, a class reunion of Dimmitt High School, class of 1951. They met in 1991, and they had a $100 lunch. They had five people show up, and they decided to divide the cost up. Do you remember Kent Hance from the House? He is rich now. Kent paid $60; Sally paid $20; Lamont paid $10; Sue paid $10; and Joe, who has done poorly, paid zero.

Now they meet again, 10 years later, for their 50th reunion. The restaurant says: We are going to cut the rate $50 because, gosh, it is their 50th high school reunion. They were paying $100, and now they are only paying $50. They say: All right, let's cut everybody's cost by 50 percent. So Kent pays $30, Sally pays $10, Lamont pays $5, Sue pays $5, and Joe doesn't pay anything. The Democrats say this is an outrage because poor Joe gets nothing back, even though the lunch cost has been cut in half, $50, and $30 went to Kent, $10 went to Sally, $5 went to Lamont, Sue got $5, and poor Joe got zip. Is that not an outrage? So they want to break up the class reunion. Their proposal is: Let Kent pay $50, Sally pay $10, Lamont and Sue pay zero, but they have to give Joe $10 back.

Would that make any sense to anybody? No.

Mr. President, I ask unanimous consent that the attached chart be included in the RECORD at the conclusion of my remarks.

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

DIMMITT HIGH SCHOOL, CLASS OF 1951

40TH REUNION, 1991

[Total cost for lunch: $100]

Alumnus		
Kent	$60	3X Cost.
Sally	$20	Full Cost.
Lamont	$10	Half Cost.
Sue	$10	Half Cost.
Joe	$0	No Cost.

50TH REUNION, 2001

[Total cost for lunch: $50]

Standard reunion: Reduce all payments by 50%	Democratic reunion: Reduce all payments by $10
Kent:	
$30—3X Cost	$50
Sally:	
$10—Full Cost	$10
Lamont:	
$5—Half Cost	$0
Sue:	
$5—Half Cost	$0
Joe:	
$0—No Cost	−$10 (Refund)

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

The Senator from Nevada.

Mr. REID. Madam President, I yield 5 minutes to the Senator from Massachusetts.

The PRESIDING OFFICER. The Senator from Massachusetts is recognized for 5 minutes.

Mr. KENNEDY. Madam President, I think I have heard it all now. My good friend from Texas is talking about how outraged he is about the discrimination against the top 1 percent of taxpayers being an outrage.

This whole piece of legislation is really a question of a nation's priorities. That is basically what we are talking about. This tax proposal is irresponsible and unfair. It is irresponsible for the economic reasons that have been spelled out by our colleagues, and it is unfair in the way it distributes the resources in this country.

You don't have to be a mathematical genius to see the enormous disparities that are growing between the wealthiest and the neediest in our society. That has been developing over the period of the last 20 years. There has to be some relief for working families and the middle class. We agree with that. But I do think that the American people want to fund education priorities before they give the wealthiest individuals in our society the kinds of tax relief they are receiving.

What are the kinds of priorities? We talk about education being important. We have to bring focus and attention on the investment in our children because our children are our future. Investing in our children is, one, to make sure all children are going to be able to have a headstart experience and are eligible for it. We will have an amendment on that.

Secondly, we are going to have the funding for elementary and secondary education. That means we are going to commit to provide well-trained teachers in the classrooms of this country. We are going to give the option to local school districts to move to smaller class size. We are going to have after-school programs. We are going to also provide help to local communities that are meeting their responsibilities for special needs children. All of that is going to be included. We are going to defer the reduction and the highest rates in this proposal until we are able to implement those kinds of commitments.

There it is, Madam President. We will have a chance, on the one hand, to invest in our future, in our children, and say that this is a priority, and defer the reduction for the wealthiest individuals in our society.

This is a question of priorities. It is a question of choice.

Finally, I add my strongest support to the amendment that has been offered by Senator ROCKEFELLER. Again, it is a question of priorities. Do we really mean it when we say we want to provide a prescription drug benefit program for our seniors and for other needy people in our society?

This legislation does not do so. The Finance Committee and the Republican leadership knew how to do it precisely when they wanted the tax cut. They knew how to get it, and they set the time and dates to get it, but that is not so with regard to a prescription drug program. The Rockefeller amendment does so.

I hope our senior citizens know their interests are going to be voted on this afternoon; not only now, but we are going to have an additional series of votes to make sure this institution has an opportunity to make important choices.

This afternoon and tonight, one of the important choices will be: Are we going to really have a meaningful prescription drug program for the seniors in this country, which is absolutely essential, particularly when we realize about whom we are talking. We are talking about the average senior being 76 years old, widowed, and having important health needs that can be addressed by prescription drugs.

The Rockefeller amendment addresses that, and I again say this is an issue of choice. It is an issue of priorities. Do we want to say it is more important to invest in our children, invest in our future, defer the reductions for the wealthiest individuals who have done exceedingly well over the years? Do we want to make a commitment to our senior citizens in getting a prescription drug program?

Those are important priorities. Those are important choices. Those are issues that are going to be before the Senate. I am hopeful this body will reflect what is in the real national interest and support those amendments. I thank the Senator from Nevada.

The PRESIDING OFFICER (Mr. FITZGERALD). The Senator from Nevada.

Mr. REID. Mr. President, I offer 2 minutes to the Senator from Delaware, Mr. CARPER, and 2 minutes to the Senator from Rhode Island, Mr. CHAFEE. It is my understanding they have an amendment they will offer at a subsequent time, so 2 minutes to the Senator from Delaware and 2 minutes to the Senator from Rhode Island.

The PRESIDING OFFICER. The Senator from Delaware is recognized.

Mr. CARPER. Mr. President, I thank the Senator for yielding. Later this evening, Senator CHAFEE and I will offer an amendment to the tax bill that

we believe is consistent with the budget resolution that passed this Chamber roughly a month ago with 65 affirmative votes, including votes of 15 Democrats, including this Senator.

That budget resolution provided for a tax cut over the next 10 years of about $1.2 trillion, and it also provided for an extra $300 billion above the baseline for educational programs, including Head Start, special education, title I, extra learning time programs.

When the budget resolution came back to us from conference, the tax cut had grown larger by about $150 billion, and the education moneys we added were gone.

Senator CHAFEE and I will offer this amendment in an effort to get us back to where we thought we ought to be and still believe we ought to be as a body and as a country, and that is to have a tax cut of $1.2 trillion over the next 10 years and provide an extra $150 billion above the baseline for education funding.

I want to mention a couple provisions of the amendment. For example, we create a new 10-percent tax bracket that will be effective at the beginning of this year.

We also cut marginal rates for each of the other tax brackets by 1 percent. The lowest rate of 15 percent would drop to 14 percent. The top rate of 39.6 would come down to 38.6. It is an incremental approach to tax cutting that I believe is more reasonable.

We also anticipate further reductions later, but we visit with the new economic status a couple of years down the line and consider those further changes at that time.

We further propose to take the marriage penalty relief this bill offers, to move it up in time, provide estate tax relief, doubling the estate tax exclusion, and then indexing it to the rate of inflation as we go forward.

We double the child tax credit and make it partially refundable, provide a college tuition tax deduction of $5,000 per year, and take the retirement savings incentives that are in this bill and include those in our own amendment.

The PRESIDING OFFICER. The Senator's 2 minutes have expired. The Senator from Rhode Island is recognized for 2 minutes.

Mr. CHAFEE. Mr. President, I commend Senator GRASSLEY and Senator BAUCUS for their hard work on this tax package. I know they have worked hard to forge a bipartisan tax package and worked hard to make that happen. However, I will join Senator CARPER in offering an amendment which will reduce the size of the tax cut to $1.2 trillion.

The reason I join Senator CARPER is I believe there is a whole population forgotten in this tax debate, and that is the property-tax payer. Of course, one of the Federal mandates that is the hardest and most onerous on the property-tax payers is the special education costs.

The Supreme Court ruled in the early seventies that all students have to be educated in the public school system. Congress acted by passing the Individuals with Disabilities Education Act which said we will get the funding up to 40 percent. Of course, we have never gotten above 12, 13, 14 percent, and there is a very onerous cost to the communities in property taxes.

We are proposing to reduce this to $1.2 trillion which, of course, leaves about $150 billion available for the property tax relief. That should be done on IDEA.

Property taxes are the most difficult on communities and on individuals because with an income tax, if one's fortunes decline, one pays less income tax. On a sales tax, if one does do not want to purchase goods, one pays less in sales tax.

With a property tax, it is most onerous because it is always there. Whether your fortunes decline, lose a job, lose a spouse, the income part of your property-tax-paying abilities, and also if you become elderly and want to keep your house, of course, that property tax is always there.

We are not talking about taxes. We need help for the property-tax payers by leaving money available to give relief in IDEA, something we promised in the early seventies, passed in 1975, and we have not done it.

If we are not doing it with the surpluses we have, we will never do it. A vote for the Carper-Chafee amendment is a vote for property tax relief.

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

The Senator from Nevada.

Mr. REID. Mr. President, I yield 10 minutes to the manager of the bill on the minority side, Senator BAUCUS from Montana, who has worked so hard for so many weeks on this legislation.

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

Mr. BAUCUS. Mr. President, I thank my good friend from Nevada who has worked very hard in maintaining order in the Chamber. He has done a terrific job, and I compliment him.

I start by expressing my respect for Senators, especially on the Democratic side, who made arguments against the bill and have proposed amendments to it.

As the chairman of the committee and I have both said, this bill is a compromise. It is not perfect. It is not what anybody would want if he or she were writing it, but it is a compromise. There has been a lot of give and take. Nobody got everything he or she wanted because that is what compromises are all about.

It is almost inevitable that there will be legitimate, good-faith disagreements about the resulting bill. This is a tax bill. There are lots of points of view. It is very complicated. There are going to be very passionate arguments made about various provisions of this bill on both sides.

On top of that, we have been debating under very stringent conditions; that is, constraints of reconciliation. This debate is rushed. It is hard to get revenue estimates. Many Senators have come to me and said it is difficult to get revenue estimates from joint tax. I wish we were not in such a rush mode. I wish this bill could have been debated more thoroughly, but that is not with what we are faced. I understand the frustrations many of my colleagues have.

I also say the criticisms of the bill are very well intended. I appreciate how thoughtful Senators have been in this debate. I especially thank the Democratic leader. As my colleagues will soon hear, he is no fan of this bill, but while voicing his strong opinions, he has fully respected other points of view, and that, to my mind, is the essence of leadership, and I highly compliment him.

My point is this: This is a much better bill than that proposed by the administration.

Some may vote no against this bill because the amount is too high, there is not a tax cut not too great. I respect that. I think the amount in this bill could be a bit lower. I am concerned about the size of the tax cut, as well.

Given the budget resolution providing for $1.35 trillion over 11 years, I think this is a much better bill than we would have had if Senator GRASSLEY and I had not been negotiating to get a compromise. Otherwise, we would be faced on this floor with another bill, a bill that is probably the administration bill or something very close to it.

I say to my friends, particularly on the Democratic side of the aisle, there are two choices. One is to vote against the bill because the tax cut is too large, a view which I respect; the other is to vote for it because it is a lot better than what we otherwise would be facing on the floor. It is much more progressive. There are many very good provisions in the bill. The education provisions, for example, the 10-percent bracket which is made retroactive to the beginning of this year. It is much better than the bill we otherwise would have.

The single biggest part of this tax cut is the $435 billion provision that provides for a cut from the 15-percent rate to the 10-percent rate. That is the biggest single provision in this bill. As a consequence, 75 percent of this tax cut in this bill goes to people who earn $75,000 or less. We also double the child credit and make it partly refundable, covering 16 million more children than the President's proposal. We expand and simplify the earned-income credit which may be the best program ever created to help lower income working families. These are for working families. This is not welfare but working families.

We include a $35 billion package of education incentives. For the first time, one can deduct college tuition, up to $5,000. That is a good start, one of which I think all will be proud. We expand IRAs, expand 401(k)s. We reduce

the marriage penalty. We address the Federal estate tax. These are a lot of the provisions.

What is the practical effect? Under this bill, every individual and family who pays income tax will get a tax cut. That is more than 100 million individuals and families. Another 10 million get a higher tax refund because of refundable credits. That reduces the payroll tax. There are a lot of Americans whose bigger tax is the payroll tax compared to income tax. That helps them directly.

Nineteen million taxpayers at the lower end of the income scale have marginal rates reduced from 15 percent to 10 percent. That is by a third. That is not an unimportant point. There is a lot of talk about the marginal rate, particularly at the top end. Let me repeat, for lower income taxpayers, the marginal rates, for 19 million taxpayers, are reduced by a full one-third. Not 1 percent but 33 percent.

Thirty million families get a higher child credit. For 10 million, the credit is refundable. Four million low-income couples benefit from expansion of the earned-income tax credit. Three million benefit from the higher standard deduction. Forty million couples get relief from the marriage penalty. That is 40 million, no small number. Two million taxpayers benefit from the IRA limits. Another 8 million benefit from the new low-income saver credit. Twelve million seniors pay lower taxes on their Social Security income.

I could go on. There are many other provisions in this bill that are very good. Some Senators criticized certain parts of the bill, but I think it is important to know there are also many provisions that are good in the bill, and those Senators who criticize the bill do not mention a lot of the provisions which I think otherwise they would also support.

The present proposal may have been targeted to upper income taxpayers. This bill is not. It is written in a balanced way, and it cuts taxes and creates incentives for all Americans.

All in all, taking both income and payroll taxes into account, this bill makes our tax system more progressive than the administration's bill. Every income group under $75,000 will pay a lower percentage of their overall tax burden. Every income group over $100,000 will pay a higher percentage of the overall tax burden than contained in the President's proposal. This bill, regarding income taxes and payroll taxes, is more progressive than the President's proposal.

Now, briefly, the prospects for conference. It is common to say at this point in the process the Senate bill constitutes a very delicate balance and that nothing can be changed without jeopardizing the prospect of getting a bipartisan bill enacted into law. This time it happens to be true. The Senate is divided, 50/50. On our side of the aisle, there is some support for the bill, but it hinges on a series of careful changes that we made to provide that balance. If, in conference, that balance is lost, the prospects for passing the conference report may be lost, as well. I hope that does not happen.

In conclusion, this bill is not perfect but it is balanced. It is a compromise. It is good for taxpayers. It is good for working families. It is good for the economy. I strongly urge Senators to support the bill.

In conclusion, I pay my highest compliments to the chairman of the committee, Senator GRASSLEY, who has worked more in good faith and back and forth, to and fro, frankly, than any other Senator I can think of in any other situation. He is a real credit to the State of Iowa and a real credit to the United States of America. I thank him for his cooperation and working together to get this bill where it is.

I yield back the remainder of my time.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. I yield myself 7 minutes of the 19 remaining minutes.

The PRESIDING OFFICER. The Senator has 19 minutes remaining, that is correct.

Mr. GRASSLEY. I thank the Senator from Montana for his compliment. I have said many times on the floor of the Senate, we are here with a bipartisan bill only because of his willingness to work with us and our desire to have a bipartisan bill as opposed to a partisan debate. I think that is the way the Senate Finance Committee normally works. I am glad to have it work in this particular instance.

As we come to the end of our 20 hours of deliberation and begin voting on amendments, I want to make some final comments.

This is a bipartisan effort. This bill was drafted in concert with Senator BAUCUS and with the benefit of the comments of all the members of the Finance Committee with whom I consulted personally.

We took as a starting point President Bush's efforts to provide income tax relief to all Americans. This legislation includes the four main elements of President Bush's goals of providing tax relief to working men and women.

First, this legislation reduces marginal rates at all levels and creates the new 10 percent level proposed by the President. While we don't go as far as the President in reducing the top rates—and I would add we didn't go as far as I would like—we also began to address the hidden marginal rate increases such as PEPS and PEASE that complicate the code.

As I said earlier today, America is a society of opportunity. Over 60 percent of all families will at one time or another be in the top fifth of income in this country. A man will make more at 55, after 30 years of hard work, then he did at 25. A family should not face a crushing marginal rate tax burden when they finally get a good paycheck for a few years as a reward for many, many years of hard work.

Second, we provide income tax relief for married families—for families where both spouses work and where only one spouse works. In addition, thanks to the strong advocacy of Senator JEFFORDS, we expand the earned income credit for married families with children. Further, there was wide bipartisan agreement to simplify the earned income credit which will mean that hundreds of thousands of more children will receive the EIC benefits.

Third, the President's desire to expand the child credit to $1,000 is met in this bill. And in response to the concerns of Senators SNOWE, LINCOLN, BREAUX, JEFFORDS, and KERRY the child credit was expanded to help millions of children whose working parents do not pay income tax.

Fourth, the burden of the death tax is reduced and finally eliminated—as called for by President Bush. The committee was successful in this effort due to the work of many Senators but I would particularly note the efforts of Senators KYL and LINCOLN.

Thus, this bill contains the four main elements of President Bush's efforts to provide tax relief for working families—marginal rate reduction, relief for married families, the expansion of the child credit and the reduction and ultimate elimination of the death tax.

I remind my colleagues again that the hallmark of this bill is that relief for low income families comes first. The marginal rate drop to 10 percent is immediate, the child credit expansion to low income families is immediate, the expansion of EIC is immediate.

In addition, the numbers show that the Finance Committee took President Bush's proposal—which was already quite progressive as compared to current law—that is, at the end of the day upper income families would be paying a greater share of taxes than lower income—and the Finance Committee made the President's proposal even more progressive.

The greater progressivity and ensuring that low income families are first in receiving the benefits of the tax cut is certainly due in no small part to the work of Senator BAUCUS.

So I am somewhat chagrined, reading in the press the constant carping of Senator BAUCUS' efforts to draft a bipartisan bill. It seems that while many are happy to talk about bipartisanship that can't stand to see bipartisanship practiced.

I can assure my colleagues on the other side of the aisle that if Senator BAUCUS had not been present at the creation of this bill—it would have been a very different piece of legislation. It is because of his efforts that there are many elements in the RELIEF Act that members on the other side of the aisle can enthusiastically support.

In addition to President Bush's proposals to provide tax relief to working families, the Finance Committee also included legislation that had already been considered by the Finance Committee earlier this year or last year.

I believe that not all good ideas come from just one end of Pennsylvania Avenue. Thus, we included the Grassley/Baucus pension reform legislation which probably would not have made it in the bill without the longtime support of Senators HATCH, JEFFORDS, and GRAHAM.

In addition, the bill contains over $30 billion targeted for education. elements of this include language to expand the prepaid tuition programs to help families pay for college—long advocated by Senators COLLINS, MCCONNELL, and SESSIONS. In addition, we provide college tuition deduction thanks to Senators TORRICELLI, SNOWE, and JEFFORDS, private activity bonds for school construction in response to Senator GRAHAM's concerns, as well as an expansion of the education savings accounts—in honor of Senator Coverdell—thanks to the work of Senator TORRICELLI and the majority leaders.

As I have said all along, no once got everything they wanted in this bill, including the chairman. But I do believe that everyone got something that they believe is important included in the RELIEF Act.

I have provided this outline of the legislation to remind Senators of the balanced approach that took place in crafting this legislation; to highlight the fact that it reflects the views and priorities of a wide range of members of the committee on both sides of the aisle; and, to explain why the RELIEF Act took the form it did.

But setting aside the priorities and concerns of Senators, none of us should forget the great winners of the RELIEF Act—the American taxpayer. We are providing the American taxpayer the greatest amount of tax relief in a generation. And they deserve it. It is wrong that in a time of surplus we are still imposing a record tax burden on workers.

With passage of the RELIEF Act struggling families will have more money to make ends meet; parents and students will be able to more easily afford the costs of a college education; a successful business woman will be able to expand and hire more people; a father finally getting a good paycheck after years of work will be able to better provide for his aging mother; and, a farmer can pass on the family farm without his children having to sell half the land to pay estate taxes.

The examples are endless of the great benefits that we realize when we give tax relief to working families.

I urge my colleagues to support the RELIEF Act for working families.

I yield the floor.

The PRESIDING OFFICER. Who yields time?

The Senator from Nevada.

AMENDMENT NO. 685, AS MODIFIED

Mr. REID. I send a modification of an amendment to the desk on behalf of Senator EVAN BAYH and others.

I ask the modification be reported on behalf of Senator BAYH.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Nevada [Mr. REID], for Mr. BAYH, proposes an amendment numbered 685, previously proposed, as modified.

Mr. REID. I ask unanimous consent the reading of the amendment be dispensed with.

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

The amendment is 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 calendar 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 (except for automatic or annually enacted cost of living adjustments for benefits enacted prior to the date of enactment of this Act).

(3) DELAY.—If, on September 30 of fiscal year 2004 or 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 has been exceeded for that fiscal year, the effective date of any provision of law described in paragraph (2) that takes effect during the next 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 budget authority for 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 2004 and 2006, the Secretary of the Treasury shall report to Congress the estimated amount of the debt held by the public for the fiscal year ending on September 30 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 at the end of the preceding fiscal year, as determined by the Secretary of the Treasury, would be below the debt target for that fiscal year in section 253A(a) of the Balanced Budget and Emergency Deficit Control Act of 1985 as a result of the effect of the triggering of paragraphs (3) and (4), any Member of Congress may move to proceed to a bill that would increase the rate of discretionary spending and make changes in the provisions of law described in paragraph (2) to increase direct spending and reduce 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 sections 310(e) and 313 of the Congressional Budget Act of 1974 (2 U.S.C. 641(e) and 644). Any amendment offered to the bill shall maintain the proportionality requirement.

(ii) WAIVER.—

(I) IN GENERAL.—The delay and limitation provided in paragraphs (3) and (4) may be disapproved by a joint resolution. A joint resolution considered under this subclause 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.

(II) LOW GROWTH.—(aa) The delay and limitation provided in paragraphs (3) and (4) may be disapproved by a joint resolution for low growth as provided in this subclause. A joint resolution considered under this subclause 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.

(bb) For purposes of this subclause, a period of low growth occurs when the most recent of the Department of Commerce's advance, preliminary, or final reports of actual real economic growth indicate that the rate of real economic growth (as measured by real GDP) for each of the most recently reported quarter and the immediately preceding quarter is less than 1 percent.

(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 at the end of the preceding fiscal year, as determined by the Secretary of the Treasury, would exceed the debt target for that fiscal year in section 253A(a) of the Balanced Budget and Emergency Deficit Control Act of 1985 as a result of the effect of the triggering of paragraphs (3) and (4), 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 (except for automatic or annually enacted cost of living adjustments for benefits enacted prior to the date of enactment of this Act) 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 adjust discretionary spending and maintain the proportionality requirement.

(ii) CONSIDERATION OF LEGISLATION.—A bill considered under clause (i) shall be considered as provided in sections 310(e) and 313 of the Congressional Budget Act of 1974 (2 U.S.C. 641(e) and 644).

(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.—

''(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—

''(A) the Department of the Treasury will be unable to redeem a sufficient amount of securities from holders of Federal debt to achieve the target; or

''(B) the social security and medicare revenues are less than assumed in the concurrent resolution on the budget for fiscal year 2002 (H. Con. Res. 83).

''(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

''(C) not be the result of a budget surpluses 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) SUSPENSION OF LIMIT ON DEBT HELD BY THE PUBLIC FOR WAR.—If a declaration of war is in effect, the limit on the debt held by the public established in this section is suspended.''.

(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 concurrent resolution on the budget or amendment, motion, or conference report thereto 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.''; and

(B) in section 301(a) by—

(i) redesignating paragraphs (6) and (7) as paragraphs (7) and (8), respectively; and

(ii) inserting after paragraph (5) the following:

''(6) the debt held by the public; and''.

(d) RULE OF CONSTRUCTION.—This section and the amendments made by this section shall have no effect on Social Security or Medicare as in effect on the day before the date of enactment of this section.

It shall not be in order in the Senate to consider any bill, joint resolution, motion, amendment, or conference report, pursuant to this section, that contains any provisions other than those enumerated in section 310(a)(1) and 310(a)(2) of the Congressional Budget Act of 1974. This point of order may be waived or suspended in the Senate only by the affirmative vote of three-fifths of the Members, duly chosen and sworn. An affirmative vote of three-fifths of the Members, duly chosen and sworn, shall be required in the Senate to sustain an appeal of the ruling of the Chair on a point of order raised under this paragraph.

Mr. REID. Mr. President, I yield 2 minutes to the Senator from New Jersey.

The PRESIDING OFFICER. The Senator from New Jersey is recognized for 2 minutes. The Chair yields the Senator from New Jersey an additional minute.

MOTION TO COMMIT

Mr. CORZINE. Mr. President, I send a motion to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from New Jersey [Mr. CORZINE] moves to commit the pending legislation to the Finance Committee, with instructions to report back within three days, with an amendment that eliminates income tax reductions for taxpayers with annual incomes greater than $500,000 and reserves all resulting savings to provide a tax credit to help families afford the costs of long-term health care.

Mr. CORZINE. As my colleagues just heard, this motion would commit the bill to the Finance Committee and direct it to report back promptly with an amendment that eliminates an income tax for those earning more than $500,000 a year, and use those savings to establish a tax credit to help families afford the cost of long-term care.

Before I explain the need for my motion, let me first commend Senators GRASSLEY and GRAHAM of Florida, who have provided true leadership on a critical issue for seniors across America, the issue of long-term care.

This motion does not require adoption of their specific approach, though I am proud to support their bill which would provide a $3,000 tax credit for long-term care expenses.

Now is the time to address America's long-term health care needs, before we approve one of the largest, and I believe one of the most inequitable, tax cuts that we could bring before the country, a tax cut that would undermine the largest surplus ever and prevent us from meeting critical health care needs, particularly for our seniors.

Over 12 million seniors and disabled Americans need long-term care, and as many as twice that number may need it as the population ages, as the baby boomers retire. Families who are primary caregivers pay a tremendous price for this care. I believe no one should have to go bankrupt or stress their budgets to afford long-term care and no family should bear the burden alone.

Long-term care should not be just a privilege for the wealthy. A tax credit, as I propose, would provide much needed relief to the families who provide long-term care for their loved ones. It is to ensure a better and fairer use of the surplus than a rate cut targeted for the very wealthiest Americans.

This is not about class warfare. This is about providing relief for our elderly and for the overburdened families who care for them.

I hope my colleagues will agree that we should not provide a windfall for those earning more than $½ million a year while ignoring the very real needs of so many families and the loved ones for whom they struggle.

The PRESIDING OFFICER. Who yields time?

Mr. REID. Mr. President, I yield 3 minutes to the Senator from New York, Mrs. CLINTON.

The PRESIDING OFFICER. The Senator from New York is recognized for 3 minutes.

Mrs. CLINTON. Mr. President, let me begin by commending Chairman GRASSLEY and Ranking Member BAUCUS for the hard work they have put in on this very difficult assignment. I appreciate greatly their efforts.

It pains me that I rise in opposition to the bill which they have presented and that we will be voting on later this evening.

I wish I could support this bill. I wish I could support it because I believe in affordable, reasonable tax cuts. I believe in continuing to pay down our budget debt. And I believe in making the kinds of investments that will enable our country to be richer and stronger and smarter.

However, it is my analysis that, unfortunately, this bill does not meet those criteria. What bothers me is that, despite the pressures that have been working on the Finance Committee to come up with the best possible alternative in a bipartisan way, which they just labored so hard to do, we read there will be additional requests for tax cuts coming down the road, and that there will be additional dollars requested, which might very well be fully justified, to raise our defense expenditures.

It bothers me that we see, in the bill that has been presented to us, that it will be very difficult to find the resources we need for the investments that I think everyone in this Chamber knows are demanded by the people we represent: investments in education, investments in health care, such as a prescription drug benefit, or, as my colleague from New Jersey rightly pointed out, a long-term care tax credit.

I am concerned that, in fact, this bill does squeeze out the opportunity that we have to address, in a realistic way, our energy needs, as well as the other priorities I have mentioned.

There are several considerations that are very important to the people I represent. It is very difficult to look at

this tax bill, without adequate alternative minimum tax reform, and not realize that we are going to be pushing millions of Americans, many of them New Yorkers, into a higher tax bracket.

The Joint Tax Committee estimates that 40 million taxpayers will be subject to the AMT after the tax bill, now debated, is fully phased in. That will have a tremendous impact. It will be a rude surprise for many citizens in New York, California, Connecticut, Wisconsin, Oregon, and other States when they find they do not really gain much from this tax bill but, in fact, they get a higher tax bill.

I am also concerned that due to repeal of the estate tax, and the earlier elimination of the State credit from the estate tax, we are going to find States such as New York in a terrible budgetary dilemma. They are going to be losing dollars from the State side of the estate tax before the Federal Government loses the revenues in 2011.

In some States that will be an incredible burden: several percentage points out of their revenue base where they would have to find some way to amend their constitution or find new revenues. It seems eminently unfair for the Federal Government to be able to shift that burden to the backs of the States with so little warning.

The PRESIDING OFFICER. The Senator has used her 3 minutes.

Mr. REID. I yield the Senator 1 more minute.

Mrs. CLINTON. This reminds me of what we went through in 1981, so I went back and read the account. I wish my colleagues would recall what David Stockman said in December of 1981. He said:

> The reason we did it wrong . . . was that we said, Hey, we have to get a program out fast. And when you decide to put a program of this breadth and depth out fast, you can only do so much . . . . We didn't think it all the way through. We didn't add up all the numbers. We didn't make all the thorough, comprehensive calculations about where we really needed to come out. . . . In other words, we ended up with a list that I'd always been carrying of things to be done, rather than starting the other way and asking, What is the overall fiscal policy required to reach the target?

I am afraid that is what we are doing again.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. I intend to use my 10 minutes this way, so if anybody else is planning to speak, they will know time is used up: 3 minutes to the Senator from Virginia, and 7 minutes to the Senator from Oklahoma.

The PRESIDING OFFICER. The Senator from Virginia is recognized for 3 minutes.

Mr. ALLEN. Mr. President, I thank the chairman, Senator GRASSLEY, and the ranking member, Senator BAUCUS, as well as their staffs, for their hard work and dedication on this tax bill, but, in particular, I thank them for working with me to include an amendment, No. 673, which is my education opportunity tax relief amendment.

This bill, with the education savings account, will be a good help for parents who have children in kindergarten through the 12th grade.

The education savings accounts previously were only available for those who had children in college or a university. It is now expanded for K–12, for up to $2,000 a year that you can get in tax relief for that allocation of your funds, reducing your taxes, and making it a tax-free withdrawal for education-related expenses.

What my amendment makes clear is that if a parent with a child in K–12 wants to buy their child a computer or educational software, or Internet access at home, that is permissible. The way the measure right now is worded, very few schools—certainly not public schools—would actually require parents to purchase a computer or education-related technology as a term of enrollment. So what this does is empower parents to purchase those computers or educational software or Internet access.

It is very important for us to understand that computers are important in schools, in community centers, and in libraries, but computers need to be in the home. Studies show that children who have computers at home stay in school, do better academically, and go on to better jobs because they are more technologically proficient.

This is an idea which will specifically allow parents of K–12 school-aged children to use education savings accounts for the purchase of computers, related technology, and peripherals, educational software, and Internet access. And the purchase would not need to be a requirement of enrollment or attendance at a school.

This also is supported by many groups in the technology area, such as the Information Technology Industry Council, the Computer and Communications Industry Association, Global Learning Systems, and many others.

I ask unanimous consent that letters I have in support be printed in the RECORD immediately following my remarks.

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

(See Exhibit 1.)

Mr. ALLEN. So, Mr. President, and Members of the Senate, I thank you all for working with me.

The PRESIDING OFFICER. The Senator has used his time.

Mr. NICKLES. I yield the Senator 15 seconds.

Mr. ALLEN. This amendment we are working on in a bipartisan manner is supported by parents and the technology community, and it will be beneficial to the schoolchildren all across America.

Thank you, Mr. President. And I thank both mangers of the bill.

EXHIBIT 1

ITT INDUSTRIES, INC.,
White Plains, NY, April 12, 2001.

MS. RACHAEL BOHLANDER,
Legislative Assistant, Office of Senator George Allen,
Russell Senate Office Building, Washington, DC.

DEAR MS. BOHLANDER: I write to thank you for your recent communication to ITT Industries concerning the Education Opportunity Tax Credit Act, a bill introduced by Senator Allen to provide educational assistance through tax credits and for other purposes.

ITT Industries strongly favors efforts to strengthen education in the United States. As a global engineering and manufacturing company with nearly 19,000 employees in this country, ITT Industries shares Senator Allen's interest in assisting American students to prepare for technology jobs in the digital economy. We are also following the administration's proposals concerning education, and will take appropriate account of Senator Allen's initiative.

Thank you for bringing Senator Allen's bill to our attention.

Sincerely yours,

THOMAS R. MARTIN,
Senior Vice President,
Director of Corporate Relations.

GLOBALLEARNINGSYSTEMS,
McLean, VA.

Hon. GEORGE F. ALLEN,
U.S. Senator, Russell Senate Office Building, Washington, DC.

DEAR SENATOR ALLEN: On behalf of GlobalLearningSystems™, I would like to express our enthusiastic support for your recently introduced legislation, S. 488, The Education Opportunity Tax Credit Act.

This bill addresses major education concerns as well as the looming Digital Divide, which hinders not only students, but also their parents. Access to the Internet is a growing necessity of everyday life. For those with modest means, your forward-looking legislation assures that no family's children will be left behind because they did not have the basic tools to keep up.

Since we are a global learning and e-Learning company, we particularly appreciate the impact of the inclusion of e-Learning services in the provisions of the bill, which can improve the success possibilities for all students. For the first time, we can tailor learning to the need of the individual student and make learning the motivating experience all parents seek for their children.

Again, let me congratulate you for making such a positive legislative statement with the introduction of S. 488.

With best wishes for your continuing efforts.

Sincerely yours,

SCOTT SOBEL,
Vice President,
Communications and Marketing.

INFORMATION TECHNOLOGY INDUSTRY COUNCIL,
Washington, DC, May 14, 2001.

Senator GEORGE ALLEN,
U.S. Senate,
Washington, DC.

DEAR SENATOR ALLEN: The Information Technology Industry Council (ITI) would like to applaud your leadership in introducing S. 488, the Education Opportunity Tax Credit Act. ITI recognizes that the success of our nation and its continued global leadership in information technology depends upon our ability to equip all of our children with 21st century skills. S. 488 takes important steps towards achieving that goal.

ITI is the association of leading information technology companies, employing more

than 1.3 million people in the United States and generating $633 billion in worldwide revenues in 1999. ITI's member companies have a long history of working with local school systems to introduce technology into the learning environment and have committeed over $1 billion to provide students, teachers and schools with the equipment and training they need to make the most of technology.

ITI has adopted education principles recognizing the importance of integrating technology into the curriculum and providing students access to that technology. In addition, recent studies have shown that access to technology outside the classroom can increase the benefits students get from having technology in the classroom. Your legislation recognizes this value and helps to bring that digital opportunity to a greater number of students.

We look forward to working with you on this issue. If you have any question please contact me or Matt Tanielian of my staff at (202) 626–5751.

Best regards,

RHETT DAWSON,
President.

The PRESIDING OFFICER. The Senator from Montana.

AMENDMENT NO. 743

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

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Montana [Mr. BAUCUS], for Mr. CONRAD, proposes an amendment numbered 743.

Mr. BAUCUS. I ask unanimous consent reading of the amendment be dispensed with.

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

The amendment is as follows:

(Purpose: To increase the standard deduction and to strike the final two reductions in the 36 and 39.6 rate brackets)

On page 9, strike the matter between lines 11 and 12, and insert:

"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%	35%	38.6%
2007 and thereafter	25%	28%	35%	38.6%

On page 13, between lines 15 and 16, insert:

SEC. 104. INCREASE IN STANDARD DEDUCTION.

(a) IN GENERAL.—Section 63(c) (relating to standard deduction), as amended by section 301, is amended by adding at the end the following:

"(8) ADDITIONAL INCREASE IN BASIC STANDARD DEDUCTION.—In the case of taxable years beginning after December 31, 2004—

"(A) the basic standard deduction in effect for the taxable year under subparagraph (B) or (C) of paragraph (2) (without regard to this paragraph) shall be increased by—

"(i) $600 in the case of taxable years beginning in 2005 and 2006, and

"(ii) $1,600 in the case of taxable years beginning after 2006, and

"(B) the basic standard deduction in effect for the taxable year under subparagraph (A) of paragraph (2) (without regard to this paragraph) shall be increased by the applicable percentage (as defined in paragraph (7)) of the increase under subparagraph (A) of this paragraph."

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

AMENDMENT NO. 744

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

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Montana [Mr. BAUCUS], for Mr. CONRAD, proposes an amendment numbered 744.

Mr. BAUCUS. I ask unanimous consent reading of the amendment be dispensed with.

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

The amendment is as follows:

(Purpose: To increase the standard deduction and to reduce the final reduction in the 39.6 percent rate bracket to 1 percentage point)

On page 9, in the matter between lines 11 and 12, strike "36%" in the item relating to 2007 and thereafter and insert "36.6%".

On page 13, between lines 15 and 16, insert:

SEC. 104. INCREASE IN STANDARD DEDUCTION.

(a) IN GENERAL.—Section 63(c) (relating to standard deduction), as amended by section 301, is amended by adding at the end the following:

"(8) ADDITIONAL INCREASE IN BASIC STANDARD DEDUCTION.—In the case of taxable years beginning after December 31, 2006—

"(A) the basic standard deduction in effect for the taxable year under subparagraph (B) or (C) of paragraph (2) (without regard to this paragraph) shall be increased by $300, and

"(B) the basic standard deduction in effect for the taxable year under subparagraph (A) of paragraph (2) (without regard to this paragraph) shall be increased by the applicable percentage (as defined in paragraph (7)) of the increase under subparagraph (A) of this paragraph."

(b) EFFECTIVE DATE.—The amendments made by this section apply to taxable years beginning after December 31, 2006.

The PRESIDING OFFICER. Who yields time?

Mr. GRASSLEY. I yield time to the Senator from Oklahoma.

The PRESIDING OFFICER. The Senator from Oklahoma is recognized for 6½ minutes.

Mr. NICKLES. Mr. President, I thank my friend and colleague, Senator GRASSLEY, for his leadership on this bill, as well as Senator BAUCUS. I think they have managed it very well, both in committee and on the floor.

I also would like to inform our colleagues that we are going to begin a series of rollcall votes at about 6 o'clock. I urge Members to come to the Chamber and stay in the Chamber. We are going to have these amendments within a strict timeframe. My guess is there will be 10 or 12 minutes, and they will be enforced.

Again, our colleagues should be aware that these votes will start and begin probably about 6 o'clock, and we are going to have numerous rollcalls, probably a lot more than we need. I urge my colleagues, many of whom offered amendments, to accept voice votes, if possible.

I urge my colleagues to vote in favor of this package. It is not perfect. I have heard some people say it is too big. I disagree. This is a very timid package. This is about one-fourth of the surplus. I heard a couple of our colleagues say: Wait a minute, maybe we are reenacting the mistakes made in 1981, the massive tax cuts in 1981.

I looked at the amount of money we raised in 1980 from all sources in the Federal Government. It was $517 billion. In 1990, the Federal Government raised over $1 trillion. It doubled in that 10-year period of time, the revenues that came in.

What happened in that interim is that spending went up even faster than revenues. So I don't think it was because of the tax cuts, although we had a very significant tax cut. If you look at the 1981 tax bill, the 1986 tax bill, you saw maximum rates go down significantly. All taxpayers had significant rate reductions. The maximum rate was 70 percent in 1980. It was 28 percent in 1988. So it was a big change.

This bill is much more timid. And for those who are saying we have cut too much for the wealthy, I don't think they have read the bill. The maximum tax rate under the income-tax code right now is 39.6 percent. Guess what it will be in December of the year 2004, after this massive tax cut. It will be 38.6 percent. It will go down one point. How much did it increase in the 1993 tax increase? The maximum tax rate then went from 31 percent to 39.6. It went up 8.6 points. In addition, what used to be a cap on the Medicare tax was eliminated. So you can add another 1.45 for an individual. You can double that for a couple, so that is another 2.9.

So the effect of the 1993 tax increase was moving the maximum rate from 31 percent to 42.5 percent. That is an 11.5-point increase for maximum taxpayers.

This bill, in the first 4 years, reduces that only 1 point, only one-tenth as much as the increase that we had, and it just so happens the increase in 1993 was retroactive back to January of 1993.

So my point is, this is a very timid tax cut compared to the tax increase we had in 1993. Those are just the facts.

We are slow, very slow in phasing in the tax cuts, the rate cuts for all taxpayers. They are not fully in effect until the year 2007.

I hope we can accelerate that. It takes us too long to get there. But I make this point because I keep seeing amendments: We will delay the effective date for the high tax payers. I guess they don't want to give taxpayers tax cuts. I don't follow that. It is like using the Tax Code only for redistribution of wealth. Let's load up more on the low-income side.

The bill we have before us does a lot for low-income taxpayers. It creates a 10-percent rate. Those taxpayers were paying 15 percent. That is a 33-percent reduction. That is $600 in savings for taxpayers on the low-income scale,

married couples. That is $600 more that they get to keep if they have $12,000 in adjusted taxable income. That is very positive. So that is weighted toward the low income.

There is also a $500 tax credit per child. We passed the first $500 tax credit per child in 1997. That is very positive. If you have four kids, as do I—they are grown now, so I don't get it—who are dependents, that is $2,000. Over the period of this bill we double that. So we make it a $1,000 tax credit per child. This bill even makes it refundable. I don't think that is very good policy, but it is in this bill.

So my point is, this bill is loaded very much towards low-income groups. For those people who say we want to load it more, I disagree. We ought to have a tax cut for taxpayers. The greatest percentage of tax reduction definitely goes towards low- and middle-income taxpayers in this group.

Certainly, individuals who have kids, certainly individuals who are paying that 15-percent rate, who have income on the lower side, they get a very significant rate reduction. And they get it retroactive to January 1 of this year. All other taxpayers don't get a rate reduction until January of next year and only one point. In some cases, that is only one-tenth of the increase they had in 1993.

This bill does a lot of other things that will benefit families. It has educational tax provisions. It has savings provisions dealing with IRAs, education, making savings more affordable, enhancing individual pensions. It does other things, including the death tax. I started to say death tax repeal, but that is not until the year 2001. It does increase the exemption amount or the unified credit amount up to $1 million, $2 million, $3 million, $4 million in the ninth year—that is a positive provision—and ultimately repeal. So we don't penalize somebody for dying. The taxable event would not be when somebody died. The taxable event would be when the property is sold, and then that tax rate would be at the capital gains rate. It wouldn't be at these unbelievably high and punitive rates of 55 percent that are now present law.

I urge my colleagues to vote in favor of final passage of this bill. Let's give taxpayers relief. It is long overdue.

The PRESIDING OFFICER. All time controlled by the majority has expired.

The PRESIDING OFFICER. Who yields time on the bill?

Mr. REID. I yield 2 minutes to the Senator from New Jersey, Mr. CORZINE.

The PRESIDING OFFICER. The Senator from New Jersey is recognized for 2 minutes.

Mr. CORZINE. Mr. President, I rise to speak to the overall bill. I congratulate Senators GRASSLEY and BAUCUS for their effort at bipartisanship to put together a very complicated and difficult piece of legislation.

I also have serious reservations which lead to a conclusion that I think we are overreaching, far overreaching relative to our financial stability. My read of this particular piece of legislation is that it will potentially bring grave concerns to marketplaces around the world when people do the analyses and see the great depth of backloaded tax cuts that are embedded in the bill. It is a very serious concern, particularly in a country that has been running the kinds of serious current account deficits that we have had over the last few years. That backs into concerns about our bond markets, as people analyze these numbers and see how they fit together, particularly in the context of an upcoming increase in defense expenditures that have not been allowed for in this bill.

I have very serious concerns that we will return to periods of deficits—some say a ''deficit ditch.'' I think we need to be very mindful of that tonight as we go to the vote.

It is more than just the principles that are involved, which I have serious concerns with, too, about the distribution, who gets the benefit. I think there are serious concerns about the financial underpinnings that this will provide for our Nation in the years ahead.

I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. REID. Mr. President, I yield such time as we have remaining to the Senator from Montana.

The PRESIDING OFFICER. The Senator from Montana.

AMENDMENT NO. 676

(Purpose: To allow a credit to holders of qualified bonds issued by Amtrak, and for other purposes)

Mr. BAUCUS. Mr. President, I send up amendment No. 676.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Montana [Mr. BAUCUS], for 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, Mr. WARNER, Ms. COLLINS, Mr. DASCHLE, Mrs. FEINSTEIN, Mr. KENNEDY, Ms. LANDRIEU, Mr. REID, and Mr. WELLSTONE, proposes amendment numbered 676.

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

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

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

AMENDMENT NO. 676, WITHDRAWN

Mr. BAUCUS. Mr. President, this is the High-Speed Rail Investment Act. I have worked with Senator BIDEN to help work out provisions to make it acceptable to me, at least with respect to not infringing on the highway trust fund. I support the latest amendment, but it is not germane to the bill. I now withdraw the amendment.

The PRESIDING OFFICER. Without objection, the amendment is withdrawn. The Senator has 2½ minutes remaining.

AMENDMENT NO. 656

Mr. REID. Mr. President, I yield that time and defer to the Senator from New Hampshire who has 5 minutes under the agreement previously entered.

The PRESIDING OFFICER. The Senator from New Hampshire.

Mr. GREGG. Are we now back on my amendment?

The PRESIDING OFFICER. The Senator is correct.

Mr. GREGG. Mr. President, I yield 2 minutes to the Senator from Colorado.

Mr. ALLARD. Mr. President, I am pleased to join with Senators GREGG, ENSIGN, ALLEN, BUNNING, and other in offering this capital gains tax rate reduction. This will provide an immediate stimulus to the economy, there is no tax cut out there that can do a better job of heading off a recession. A capital gains tax rate cut will encourage saving and investment in our economy. It will help entrepreneurs to start businesses and create jobs. The capital gains tax cut will raise revenue for the federal government. After we cut the rate in 1997, the federal government received $200 billion in additional revenue. In just four years, we have $200 billion more than forecast before the rate cut. The tax cut will increase economic growth, increase revenues and reward investment in our economy. I urge my colleagues to support this reduction in the capital gains tax rate from 20 percent to 15 percent.

I think this is one of the most substantial things we can do to, again, head off a recession in our economy.

Mr. President, I yield back the remainder of my time.

Mr. BAUCUS. Mr. President, parliamentary inquiry: What is the pending business?

The PRESIDING OFFICER. The amendment of the Senator from New Hampshire.

Mr. BAUCUS. Under the order, how much time does the Senator have and how much time is allocated to those in opposition?

The PRESIDING OFFICER. The Senator from Montana has 3 minutes. The Senator from New Hampshire has 5½ minutes remaining.

Mr. REID. Mr. President, parliamentary inquiry: The Senator from New Hampshire——

The PRESIDING OFFICER. Does the Senator from Montana yield?

Mr. BAUCUS. Yes.

Mr. REID. The Senator from New Hampshire had 5 minutes. He yielded 2 minutes. How can he end up with 5½ now?

The PRESIDING OFFICER. The Senator from Nevada yielded 3 minutes to the Senator——

Mr. REID. The Senator from Nevada yielded his time back on the bill.

Mr. GREGG. I think we can straighten this out. I ask unanimous consent

that the Senator from Montana have 3 minutes and I have 3 minutes and we then move to a vote.

The PRESIDING OFFICER. Is there objection?

Mr. LOTT. Mr. President, reserving the right to object, I will use a brief part of my leader time to outline the schedule of how we will proceed tonight after the other two speakers have spoken. I withdraw my reservation.

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

Mr. BAUCUS. The pending amendment is the amendment offered by Senator GREGG, No. 656. At the appropriate time, I am going to make a point of order against the amendment. On the substance, I might add, however, that there are no capital gains provisions in the President's proposed tax cut bill. This would be adding a whole new subject, which, frankly, is difficult for us in the committee to incorporate along with the other provisions we have in the bill.

Second, I might add that the provision offered by the Senator provides for a lower capital gains rate, which is temporary—only a couple, 3 years.

In effect, we have heard a lot of criticisms of the bill because of phase-ins and phaseouts, now-you-get-it, now-you-don't, which in the main are legitimate criticisms. But they are there because Senators want other provisions; namely, marriage penalty relief and the child tax credit increased $1,000 over $500. They would like to have rates reduced, estate tax provisions, and they would like to have this new 10 years.

Altogether, it is hard to fit everything within $1.35 trillion, to make it fit, because Senators so strenuously argue for other provisions. We have had these phase-ins and we hope at a subsequent date we can reduce them.

I might add that we have begun to phase out the Pease amendment, and we phased out the personal exemption.

I might add that this amendment adds another complexity. I don't think we want to do that. There are a lot of ways to address capital gains. One is offered by the Senator from New Hampshire. Another is to provide for exclusions up to a certain level, a 50-percent exclusion. Another way is, frankly, just to change the rates in other ways. I might say, because of the various different ideas of how to deal with capital gains, that should be dealt with on a more comprehensive basis, not as an amendment here, which has complexity and does not really help the taxpayers as much as other proposed capital gains amendments would.

For those reasons, on the substance, I think this is not the right time. I also, at the appropriate time, will make a point of order against this amendment.

Mr. GREGG. Mr. President, this amendment would cut the capital gains rate from 20 percent to 15 percent. It is sort of trifecta tax law. We just saw the Preakness run here a couple days ago. If you want a triple winner, this is it.

First off, the American taxpayer wins because the majority of American taxpayers presently own stock. A lot of that stock is locked up. They are not able to convert it to cash and reinvest because they have capital gains and they want to pay that tax. This frees up those locked up assets and middle America wins.

Secondly, the Federal Government wins. Historically, and on the basis of the projections from the Joint Tax, this will be a revenue winner for the next 3 years and, historically, for the next 10 years. We actually generate more revenue. Why? Because of the fact that economic activity is increased and that economic activity is a taxable event.

Today it is not taxable because everybody is sitting on those capital gains. So we are not creating activity, and we are not creating a taxable event.

This amendment creates revenue to the Federal Treasury and scores positively for the next 3 years. In my opinion, it scores positively for the next 10 years. The Joint Tax Committee found it to lose $10 billion on a $1.3 trillion bill, obviously a big number but a minor amount in the context of the whole bill.

The third winning item of this is that it creates prosperity. When you free up capital, people can take that capital and reinvest it in productive activity, either in small business activity or in the stock market to create capital for people who are entrepreneurs, and entrepreneurs create jobs; they create prosperity.

This is a triple winner. It is a benefit to the American taxpayers, especially middle-income taxpayers. It is a benefit to the Federal Government because it generates positive revenue and is a benefit to the economy because it is an engine for prosperity.

A motion will be made that it is not germane. I argue it is germane. There are two areas of capital gains in this bill, No. 1, dealing with AMT and, No. 2, dealing with the estate tax.

More importantly than that, if my colleagues want to vote on something that is a win-win-win, a trifecta for our Government, our country, and our people, this is it: a capital gains cut from 20 to 15 percent. I hope my colleagues will join me in this vote. I yield back whatever time I have remaining.

The PRESIDING OFFICER. The Senator from Montana.

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

Mr. GREGG. Mr. President, I move to waive the point of order and ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The majority leader.

Mr. LOTT. Mr. President, I yield myself such time as I may consume under the leader's time, but it will only be 2 or 3 minutes. First, parliamentary inquiry: We are now ready to proceed with a vote on the first amendment in sequence that could very well go on for quite some time; is that correct?

The PRESIDING OFFICER. The leader is correct.

Mr. LOTT. Before we do that, I want to make two or three points.

First, we have reached a historic point. Tonight we are going to pass this very important, significant tax relief package for working Americans. When one looks at all that is in this bill, it is very impressive, not just the amounts, but also what it does in reducing individual income tax rates, dealing with the death tax, doubling the child tax credit, and reducing the marriage penalty. It provides relief on the alternative minimum tax, encourages savings for education, and it also encourages retirement security.

This is a very large package already in the number of provisions that are in it. In fact, one of the greatest dangers we face right now is loving it to death or loading it down because we still have a number of amendments we may be voting on tonight that could begin to drive up the overall cost of the bill, but also every time colleagues add something, unless they can get over 60 votes, they are taking something away. So I hope we will stick with the package we have before us. It is a good package. It will benefit the economy in America. It will help working American families.

Once again, I have to give a lot of credit to the chairman of the Finance Committee, CHUCK GRASSLEY, for working very hard and reaching out to everybody on both sides of the aisle. He is the new chairman of the committee but has worked it as the old pro he really is.

He also was determined from the beginning that this was going to be bipartisan. He and the Senator from Montana got together and talked. They came to some agreements that maybe the leaders on both sides of the aisle would not have necessarily preferred, but that is the way the Finance Committee has worked in all the years I have watched it up close and now as a member. It has come out not always on a partisan vote but a bipartisan vote as we have tried to get the job done.

I commend the chairman and the ranking Democrat. Despite the fact Senator BAUCUS, the ranking member, will be criticized on his side of the aisle for crossing the aisle a little ways along the way, he did the job and he deserves credit.

With regard to the schedule, we have a lot of work to do this week. This could be a breakthrough week in which we provide tax relief for Americans and pass the most fundamental education

reform in years, again, in a bipartisan way, and that would be a tremendous boost to the American people if they see us doing both of those things this week.

We will begin voting now in sequence. We will limit the votes to 10 minutes plus not more than 5 minutes overtime. After the first vote, we will cut the votes off. If we can get all the Senators to stay in the Chamber, we can actually get votes done in 12 minutes and then, of course, have 2 minutes equally divided to explain the next amendment.

We are going to stick to our guns tonight. Senator BYRD has been calling for that. He is right. If ever there was a time we needed to do it, it is tonight. If we do not do that, we will be here voting at 10 o'clock, 11 o'clock, 12 o'clock, however long it takes.

I emphasize this point. We are going to vote on the amendments on which we need to vote. I encourage Senators not to insist on a vote unless they absolutely have to. We are going to keep voting until we complete our work and get to final passage tonight because we must go back to the education bill in the morning, and we must begin to have a conference meeting across the aisle and across the Capitol tomorrow on how we are going to proceed on tax relief.

We are going to limit the time on these votes. We are going to vote on the amendments, and we are going to vote on final passage tonight. I hope Senators prepared for that and will not be leaving the Capitol. Senators will have a few minutes between votes to run and get a sandwich. Maybe we can get pizzas brought up. We will be glad to invite Senators to come into our Cloakrooms and have pizzas. We need to get this bill finished, and we are going to do it tonight.

Mr. REID. Will the leader yield?

Mr. LOTT. I yield to the distinguished Senator from Nevada who has been in the Chamber again doing yeoman work. I appreciate it.

Mr. REID. I say to the leader, we have approximately 40 amendments that already have votes ordered on them. It does not take much math to figure out, if we are lucky, we can figure that is about 10 hours.

I hope people will understand the difficulty the clerks have hearing people respond to the votes. People in the Chamber should remain as quiet as possible, but also I hope the leader will end some of these votes when it is required. It may mean some people will be upset at the leader for not waiting for them until they finish their dinner or finish a speech, whatever it might be. But I say to my friend, if he relents on one vote, it means it is going to happen the whole night.

Mr. LOTT. If I can say to the Senator, he is right, and the only way we are going to complete our work is stay in the Chamber and cut them off in the regular time. I will do that. I ask for the Senator's support in that effort and the managers. That is the only way we are going to complete this at a reasonable hour.

Mr. BAUCUS. Will the leader yield?

Mr. LOTT. I will be glad to yield.

Mr. BAUCUS. That means the first vote will take how many minutes?

Mr. LOTT. Not more than 20 minutes; 15 minutes, and I believe tradition allows for 5 minutes overtime—not more than 20 minutes.

Mr. BAUCUS. And subsequent amendments?

Mr. LOTT. Subsequent amendments will be 10 minutes or could go as much as 5 minutes overtime. When every Senator is in, it could be as little as 12 minutes, but not more than 15 minutes.

Mr. BAUCUS. I appreciate that. I encourage the leader to stick with 10 minutes.

Mr. LOTT. I did that one time, and I found out it is actually 10 minutes plus 5 minutes that is allowed under the rule. Once every Senator is recorded, if it is 10 minutes, 11 minutes, we will cut it off right then. I am going to stay here and watch every vote.

Mr. BAUCUS. And that includes 2 minutes to explain votes.

Mr. LOTT. That is correct.

Mr. REID. Will the Senator yield for a unanimous consent request?

Mr. LOTT. I will be glad to.

Mr. REID. Mr. President, I was supposed to call up an amendment, and I did not. I ask unanimous consent that amendment No. 747 of the Senator from Delaware, Mr. CARPER, be allowed in order. It is way down at the bottom, but it is here.

Mr. LOTT. Mr. President, I do not believe there is an objection to that request.

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

AMENDMENT NO. 747

(Purpose: To provide responsible tax relief for all income taxpayers, by way of a $1,200,000,000,000 tax cut, and to make available an additional $150,000,000,000 for critical investments in education, particularly for meeting the Federal Government's commitments under IDEA, Head Start, and the bipartisan education reform and ESEA reauthorization bill)

Mr. REID. Can the clerk report amendment No. 747?

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Delaware [Mr. CARPER] proposes an amendment numbered 747.

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

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

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

Mr. LOTT. Mr. President, I yield the floor.

Mr. REID. Mr. President, I ask for the yeas and nays on the amendment No. 747.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

VOTE ON MOTION TO WAIVE

The PRESIDING OFFICER. The question is on agreeing to the motion. The yeas and nays have been ordered. The clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. NICKLES. I announce that the Senator from Alabama (Mr. SESSIONS) and the Senator from Alaska (Mr. STEVENS) are necessarily absent.

The PRESIDING OFFICER. Are there any other Senators in the Chamber desiring to vote?

The yeas and nays resulted—yeas 47, nays 51, as follows:

[Rollcall Vote No. 115 Leg.]

YEAS—47

Allard	Fitzgerald	Murkowski
Allen	Frist	Nickles
Bayh	Gramm	Roberts
Bennett	Gregg	Santorum
Bond	Hagel	Schumer
Brownback	Hatch	Shelby
Bunning	Helms	Smith (NH)
Burns	Hutchinson	Smith (OR)
Campbell	Hutchison	Specter
Cleland	Inhofe	Thomas
Cochran	Kyl	Thompson
Collins	Lieberman	Thurmond
Craig	Lott	Torricelli
Crapo	Lugar	Warner
Ensign	McConnell	Wyden
Enzi	Miller	

NAYS—51

Akaka	Dodd	Landrieu
Baucus	Domenici	Leahy
Biden	Dorgan	Levin
Bingaman	Durbin	Lincoln
Boxer	Edwards	McCain
Breaux	Feingold	Mikulski
Byrd	Feinstein	Murray
Cantwell	Graham	Nelson (FL)
Carnahan	Grassley	Nelson (NE)
Carper	Harkin	Reed
Chafee	Hollings	Reid
Clinton	Inouye	Rockefeller
Conrad	Jeffords	Sarbanes
Corzine	Johnson	Snowe
Daschle	Kennedy	Stabenow
Dayton	Kerry	Voinovich
DeWine	Kohl	Wellstone

NOT VOTING—2

Sessions	Stevens

The PRESIDING OFFICER. On this vote, the yeas are 47, the nays are 51. Three-fifths of the Senators duly chosen and sworn not having voted in the affirmative, the motion is rejected. The point of order is sustained, and the amendment falls.

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

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

The motion to lay on the table was agreed to.

Mr. LOTT. Mr. President, I ask unanimous consent that the next votes in the series be limited to 10 minutes each, with 2 minutes before each vote for an explanation.

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

AMENDMENT NO. 674

The PRESIDING OFFICER. Who yields time on the Carnahan amendment?

The Senator from Missouri.

Mrs. CARNAHAN. Mr. President, this tax bill has a glaring omission. I call

upon my colleagues to correct it. One group, those in the 15-percent marginal tax bracket, have been overlooked. There is no rate cut for them.

Who are these people? They are the forgotten middle-income, working families, those who have a gross family income of $30,000 to $65,000, 72 million Americans—1.7 million of them in Missouri; 44 percent of all Missouri taxpayers. They do not walk these halls. They work every day. They pick up their children at daycare. They pay their bills. They help their children with their homework. They take care of their elderly parents. They trust us to do what is fair. We can do so by reducing this tax rate by 1 point, to 14 percent.

To overlook 17 million Americans is a sin of omission we must not commit. I encourage my Democratic and Republican colleagues to correct this wrong.

I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. Mr. President, this amendment guts our tax relief bill by $87 billion. It increases taxes, then, on families and working people by $87 billion by denying the tax cuts in the bipartisan bill.

This amendment not only delays the reduction in marginal rates; it provides only a 1-point reduction in marginal rates. This 1-point reduction equals the tax relief that our bipartisan tax plan provides in the first year alone. Our plan's additional tax cuts would be eliminated entirely by this amendment.

The proposal of Senators DASCHLE and CARNAHAN would actually make our tax system less progressive by giving greater savings to upper income taxpayers as they pass through the 14-percent bracket.

When you are really serious about reducing the tax burden for people in the 15-percent income bracket, you target your available resources to people at that income level. That is exactly what we have done. For those earning between $12,000 and $45,000, we have provided tax relief ranging from 9 percent on one end to 33 percent on the other. This is a conclusion made by the nonpartisan Joint Committee on Taxation.

To all of my colleagues on both sides of the aisle who supported the budget resolution, a vote for this amendment destroys our efforts to provide a $1.35 trillion tax cut.

I urge you to vote against the amendment.

The PRESIDING OFFICER. The question is on agreeing to amendment No. 674. The yeas and nays have been ordered. The clerk will call the roll.

The legislative clerk called the roll.

Mr. INOUYE. Mr. President, on this vote, I have a pair with the Senator from Alaska, Mr. STEVENS. If he were present and voting, he would vote ''nay.'' If I were at liberty to vote, I would vote ''yea.'' Therefore, I withhold my vote.

The PRESIDING OFFICER (Mr. ENSIGN). Are there any other Senators in the Chamber desiring to vote?

The result was announced—yeas 48, nays 50, as follows:

[Rollcall Vote No. 116 Leg.]

YEAS—48

Akaka	Dodd	Lieberman
Bayh	Dorgan	Lincoln
Biden	Durbin	McCain
Bingaman	Edwards	Mikulski
Boxer	Feingold	Murray
Breaux	Feinstein	Nelson (FL)
Byrd	Graham	Nelson (NE)
Cantwell	Harkin	Reed
Carnahan	Hollings	Reid
Carper	Johnson	Rockefeller
Cleland	Kennedy	Sarbanes
Clinton	Kerry	Schumer
Conrad	Kohl	Stabenow
Corzine	Landrieu	Torricelli
Daschle	Leahy	Wellstone
Dayton	Levin	Wyden

NAYS—50

Allard	Enzi	Miller
Allen	Fitzgerald	Murkowski
Baucus	Frist	Nickles
Bennett	Gramm	Roberts
Bond	Grassley	Santorum
Brownback	Gregg	Sessions
Bunning	Hagel	Shelby
Burns	Hatch	Smith (NH)
Campbell	Helms	Smith (OR)
Chafee	Hutchinson	Snowe
Cochran	Hutchison	Specter
Collins	Inhofe	Thomas
Craig	Jeffords	Thompson
Crapo	Kyl	Thurmond
DeWine	Lott	Voinovich
Domenici	Lugar	Warner
Ensign	McConnell	

NOT VOTING—1

Stevens

PRESENT AND GIVING A LIVE PAIR—1

Inouye

The amendment (No. 674) was rejected.

Mr. LOTT. Mr. President, I move to reconsider the vote and I move to lay that motion on the table.

The motion to lay on the table was agreed to.

AMENDMENT NO. 670

The PRESIDING OFFICER. There are 2 minutes evenly divided on the Fitzgerald amendment No. 670.

Who yields time?

Mr. GRASSLEY. Mr. President, we are going to yield back all time on this amendment and accept the amendment.

The PRESIDING OFFICER. All time has been yielded back.

The question is on agreeing to the amendment of the Senator from Illinois.

The amendment (No. 670) was agreed to.

AMENDMENT NO. 675

The PRESIDING OFFICER. The question is on agreeing to the Collins amendment No. 675. Who yields time?

Mr. GRASSLEY. Mr. President, may we have order, please.

The PRESIDING OFFICER. The Senate will come to order.

Mr. GRASSLEY. Mr. President, I ask that we pass over the Collins amendment and not vote on it now and go on to the next amendment.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

AMENDMENT NO. 679

The PRESIDING OFFICER. The next amendment is Rockefeller amendment 679.

Who yields time?

Mr. BAUCUS. Mr. President, the Senate is not in order. The Senator from West Virginia has an amendment, and I think we all should give him our attention.

The PRESIDING OFFICER. The Senator from West Virginia is recognized.

Mr. ROCKEFELLER. Mr. President, my amendment is a very simple one. It asks Senators to choose between whether or not they would rather first implement a prescription drug provision for all Americans, a universal prescription drug provision for all Americans, before the top income tax bracket reduction would become available. It does not eliminate the income tax reduction. It only says we have to do the prescription drug provision first. We have a year and a half to do it. That is plenty of time.

The objection raised on the floor was that it was not constitutional. We consulted extensively over the weekend and OMB found it to be constitutional and that, in fact, it could be and would be constitutional. There was not a problem.

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

Mr. ROCKEFELLER. I ask unanimous consent for 10 seconds.

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

Mr. ROCKEFELLER. Mr. President, the modification that I would ask is that OMB be allowed to certify the amendment as being in proper order.

The PRESIDING OFFICER. Without objection——

Mr. GRASSLEY. I object.

The PRESIDING OFFICER. Is the Senator seeking to modify his amendment?

Mr. ROCKEFELLER. Yes, I seek to modify the amendment.

The PRESIDING OFFICER. Is there objection?

Mr. ROCKEFELLER. Mr. President, I believe the Senator has a right to modify his amendment.

Mr. GRASSLEY. I object.

The PRESIDING OFFICER. It takes unanimous consent at this time to modify an amendment. Is there objection?

Mr. GRASSLEY. I object.

The PRESIDING OFFICER. Objection is heard.

Mr. GRASSLEY. Mr. President, 2 weeks ago, we passed the budget resolution. It seems as if we are involved in redebating the enacted budget resolution. The budget resolution provides record levels of funding for prescription drug coverage. The budget resolution also says we have more than enough tax surplus to enact the tax cut before us. We handle one issue at a time in the Senate.

The Finance Committee will address the prescription drug issue at a later time. I have said that I hope to do that in committee the last 2 weeks of July. The Senate does make one piece of legislation contingent upon another.

The pending amendment is not germane to the provisions of the reconciliation measure. I therefore raise a point of order against the amendment under section 305(b)(2) of the Budget Act.

The PRESIDING OFFICER. The Senator from West Virginia.

Mr. ROCKEFELLER. Mr. President, I heard the Senator from Iowa, and I move to waive the Budget Act and ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The question is on agreeing to the motion. The clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. NICKLES. I announce that the Senator from Arkansas (Mr. STEVENS) is necessarily absent.

The PRESIDING OFFICER. Are there any other Senators in the Chamber desiring to vote?

The yeas and nays resulted—yeas 48, nays 51, as follows:

[Rollcall Vote No. 117 Leg.]

YEAS—48

Akaka	Dorgan	Levin
Bayh	Durbin	Lieberman
Biden	Edwards	Lincoln
Bingaman	Feingold	McCain
Boxer	Feinstein	Mikulski
Byrd	Graham	Murray
Cantwell	Harkin	Nelson (FL)
Carnahan	Hollings	Reed
Carper	Inouye	Reid
Cleland	Jeffords	Rockefeller
Clinton	Johnson	Sarbanes
Conrad	Kennedy	Schumer
Corzine	Kerry	Specter
Daschle	Kohl	Stabenow
Dayton	Landrieu	Wellstone
Dodd	Leahy	Wyden

NAYS—51

Allard	Ensign	Miller
Allen	Enzi	Murkowski
Baucus	Fitzgerald	Nelson (NE)
Bennett	Frist	Nickles
Bond	Gramm	Roberts
Breaux	Grassley	Santorum
Brownback	Gregg	Sessions
Bunning	Hagel	Shelby
Burns	Hatch	Smith (NH)
Campbell	Helms	Smith (OR)
Chafee	Hutchinson	Snowe
Cochran	Hutchison	Thomas
Collins	Inhofe	Thompson
Craig	Kyl	Thurmond
Crapo	Lott	Torricelli
DeWine	Lugar	Voinovich
Domenici	McConnell	Warner

NOT VOTING—1

Stevens

The PRESIDING OFFICER. On this vote the yeas are 48, the nays are 51. Three-fifths of the Senators duty chosen and sworn not having voted in the affirmative, the motion is rejected. The point of order is sustained, and the amendment falls.

AMENDMENT NO. 685, AS MODIFIED

The PRESIDING OFFICER. The question is on amendment No. 685 offered by the Senator from Indiana, Mr. BAYH.

Mr. BAYH. Mr. President, I thank my colleague from Montana for his graciousness.

The decisions we are soon to make will affect the welfare of our Nation for many years to come. The estimates and assumptions that underlie these decisions are uncertain and unstable, at best. The last time we were called upon as a body to make decisions of this magnitude, we did not make them as well as we might have, for the assumptions and estimates were inaccurate, leading to the largest budget deficits, the largest increase in the national debt in our Nation's history and six separate tax increases to right the fiscal ship of state.

We must do better than that. We owe it to those who have sent us to the Senate to do more than hope for the best. We owe it to them to do more than to hope things work out better than they did the last time.

This amendment will ensure that we take the fiscally responsible course to preserve Social Security and Medicare, to balance the budget, and to pay down the debt. I urge adoption.

Mr. NELSON of Florida. Mr. President, I rise in support as a cosponsor of the amendment offered by Senator BAYH and other colleagues to create a ''Trust Fund Protection Trigger.'' this amendment is simple. This amendment would keep us honest. It would prevent us from raiding Social Security and Medicare Trust funds. As long as specified debt reduction targets are met, the phase in of tax cuts continue as scheduled.

This amendment to the tax cut reconciliation bill would create a safety mechanism to address the danger of fiscally irresponsible tax cuts or federal spending leading our nation back to a period of budget deficits. We must make sure we continue paying down our national debt and protecting Social Security and Medicare.

Mrs. FEINSTEIN. Mr. President, I rise in support of the amendment offered by my colleagues Senators BAYH and SNOWE to create a ''trigger mechanism'' to make sure that the tax cuts we are considering here today will not endanger the projected surpluses or undo the hard work and hard choices of the past decade which have allowed us to eliminate deficits and pay down the debt.

The Congressional Budget Office has projected a unified budget surplus over the next 10 years of some $5.6 trillion, with a $3.1 trillion on-budget surplus. These projected surpluses provide the basis for the consideration of the tax bill before us today.

Indeed, the unprecedented economic expansion of the past decade and our current and projected budget surpluses have provided an unparalleled opportunity for the Congress and the administration to take action to provide all working Americans with a reduction in their taxes, pay down the debt, and meet urgent domestic priorities such as health care, education, and the environment, and to do so in a fiscally responsible way.

And although there are many elements of the reconciliation bill as reported out of committee which I support—marriage penalty relief, for example—one of my concerns with this tax bill is that there is little margin for error if the surpluses not materialize.

In January 2000 the CBO baseline surplus estimate was $3.2 trillion. In January 2001 the estimate was $5.6 trillion, a $2.4 trillion change. There is no guarantee that these projections will not swing back in the other direction and, in fact, there is $4 trillion difference in surplus projections between the CBO baseline and the CBO ''pessimistic'' scenario.

Now, I am not saying that the pessimistic scenario is likely. But I do believe that we have to be cautious.

When I first came to the Senate in 1993 we were facing mounting deficits and an ocean of red ink. It took a lot of hard work and a lot of tough decisions to get spending under control. I am proud of what we accomplished, and don't want to go back to a situation where instead of paying down the Federal debt as we are now we are once again incurring more and more debt.

That is why I support this amendment, which creates a trigger mechanism that would make the implementation of the tax cuts—or any new large spending increases—dependent on the surplus projections actually materializing and continued success in meeting debt reduction targets.

The amendment creates a review mechanism for Congress to make sure that as we proceed with implementing the elements of the tax cuts in this legislation that the surpluses have actually materialized and that phasing-in new elements of the tax package would not set us back down the road to deficits and growing debt. Should the surplus drop, and we do not meet debt reduction targets, the tax cuts scheduled to phase-in the following year would be delayed by one year.

The advantage of this approach is that it makes tax cuts dependent on fiscal discipline and provides a brake against runaway spending. It is a safety valve against a return to deficits. In fact, Federal Reserve Chairman Greenspan endorsed this approach in testimony before the Senate earlier this year.

We have a great opportunity to provide tax cuts to the American people. We need to take advantage of this opportunity, but we must do so in a way that is fiscally responsible. I urge my colleagues to support this bipartisan trigger amendment.

Mr. BAUCUS. Mr. President, these remarks are meant as a substitution for remarks regarding the trigger amendment to H.R. 1836 when debated May 17, 2001. I speak in opposition to the pending amendment as it is based upon uncertainty, the uncertainty layered on top of the uncertainty is whether the trigger will be pulled.

We cannot legislate certainty. We can only exercise good judgment. We, as a Congress, in these next years, have

to decide what to do according to the circumstances at the time and exercise good judgment as to what we should do.

Unfortunately, we have not been able to explore the full policy ramifications of this amendment. We have not been able to adequately debate the substance of this amendment. It is because we are in this time constraint where everything is rushed, and nobody has been able to look at the substance. There have been no hearings on this.

First, you cannot and should not limit public debt management. The Treasury Secretary has to have discretion in debt management. Right off the top, we are tying the hands of the Treasury Secretary, for whatever reason he or she may want to borrow more, sell more securities, sell more bonds for domestic reasons or for international reasons.

Secretary Rubin has said consistently that we should not tie debt management to fiscal policy. You should not do it. It is wrong.

I understand why the Senator from Indiana is offering this amendment, and I understand why the Senator from Maine is offering the amendment.

Let me talk about the uncertainties in this amendment. This amendment essentially provides, I will summarize it, scheduled debt reduction targets, in even numbered years, and the Treasury Secretary will certify whether these targets are being met.

If they are not being met, then what happens? What is triggered is that reductions in taxes are automatically stopped, the growth rates for discretionary spending are automatically held at the rate of inflation, and entitlement spending increases are automatically stopped.

What about a Medicare drug benefit? I heard that entitlement increases will be stopped. No, I will stand corrected because I see the Senator from Indiana shaking his head. But the way it is drafted, new entitlement spending, as I understand it, is included in the trigger. But I stand to be corrected if that is not the case, but that is how I read this amendment now.

What happens in odd-numbered years? Things are not automatic. But any Member can stand up in this Chamber and say the targets have not been met and set a trigger process in motion. That is too much uncertainty.

Do we really want to tie our hands like that? Do we want to limit our discretion in future years as to what is best by putting this automatic provision in the law? Do we want to tie the hands of our Treasury Secretary in debt management? Do we really want to do that?

Talk about the steepness of the yield curve. Why is the yield curve steep? It is steep because the bond market today believes in the outyears that interest rates are going to rise. Why? Because the Federal Reserve has just lowered interest rates by 50 basis points. And because this tax cut is going to pass. The market thinks there is going to be growth because of the stimulus of this tax cut and because of the lowering of short-term interest rates. As a result, the market believes there will be inflation in the outyears; therefore, long-term interest rates are going to be higher.

I believe the policy consequences of this amendment have not been fully explored and that it is based on too much uncertainty. We should not adopt it.

Mr. GRASSLEY. I raise two points about this amendment before I raise a point of order. A trigger would substantially reduce the economic benefits of tax cuts, making it more likely that the debt reduction target would not be met.

Second, there is no reason that we need a trigger to raise taxes. The reality is, Congress is not shy about raising taxes. We have actually reduced taxes in 1981, and we raised taxes in 1982, 1984, 1987, 1989, 1990, and 1993 before we reduced taxes once again in 1997.

What is rare is for Congress, then, to actually give tax relief such as we are now.

The Senator from Virginia, Mr. ALLEN, has an amendment to the amendment, and I defer to him at this time.

The PRESIDING OFFICER. The Senator from Virginia.

AMENDMENT NO. 751 TO AMENDMENT NO. 685

Mr. ALLEN. Mr. President, I have a second-degree amendment that I send to the desk.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Virginia [Mr. ALLEN] proposes an amendment numbered 751 to amendment No. 685.

Mr. ALLEN. I ask unanimous consent the reading of the amendment be dispensed.

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

The amendment is as follows:

(Purpose: To provide for a tax cut accelerator)

At the end of the amendment, add the following:

TITLE ____—TAX CUT ACCELERATOR

SEC. ____. TAX CUT ACCELERATOR.

(a) REPORTING ADDITIONAL SURPLUSES.—If any report provided pursuant to section 202(e)(1) of the Congressional Budget Act of 1974, estimates an on-budget surplus, excluding social security and medicare surplus accounts, that exceeds such an on-budget surplus set forth in such a report for the preceding year, the chairman of the Committee on the Budget of the Senate shall make adjustments in the resolution for the next fiscal year as provided in subsection (b).

(b) ADJUSTMENTS.—The chairman of the Committee on the Budget of the Senate shall make the following adjustments in an amount not to exceed the difference between the on-budget surpluses in the reports referred to in subsection (a):

(1) Reduce the on-budget revenue aggregate by that amount for the fiscal years included in such reports.

(2) Adjust the instruction to the Committee on Finance to increase the reduction in revenues by the sum of the amounts for the period of such fiscal years in such manner as to not produce an on-budget deficit in the next fiscal year, over the next 5 fiscal years, or over the next 10 fiscal years and to require a report of reconciliation legislation by the Committee on Finance not later than March 15.

(3) Adjust such other levels in such resolution, as appropriate, and the Senate pay-as-you-go scorecard.

Mr. BAYH. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The Senator from Virginia has the floor.

Mr. ALLEN. There is a great deal of discussion about slowdowns or breaking on tax cuts. In my view, there ought to be an accelerator if more revenues come in than anticipated. Too often the Federal Government reminds me of the Jerry Reed tune: The Federal Government gets the gold mine but the taxpayers get the shaft.

In my view, if more gold is coming in for surplus, the taxpayers ought to get a few of those nuggets and they ought to get the first claim on surplus revenues coming in at a greater rate than anticipated.

This amendment makes sure if there are breaks, there also is an accelerator for the taxpayers. I hope it would be the pleasure of the Senate to adopt my amendment in the event that the amendment of the Senator from Indiana is adopted.

The PRESIDING OFFICER. Who yields time? There is 1 minute in opposition.

The Senator from Michigan.

Ms. STABENOW. I ask my colleagues for the opportunity for an up-or-down vote on this very important trigger. I ask we vote no on the Allen amendment and instead support this bipartisan amendment.

We thank Senator SNOWE for working with us on an amendment that simply says we will not use Medicare and Social Security trust funds for either tax cuts or increased spending. The tax cuts go into place under our amendment, as does the spending, through the normal budget process, but the point at which the revenues are not available, both the next phase of the tax cut and any increased spending above inflation, would be suspended until we had the opportunity to reassess the situation.

This is a recommendation given by Chairman Greenspan before our Budget Committee that puts before us the very important value of paying down our national debt first, protecting Social Security and Medicare first.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. Mr. President, I raise a point of order on germaneness; that the underlying amendment is not germane to the provisions of the reconciliation measure. The point of order is against the amendment under section 305(b)(2) of the Budget Act.

Mr. BAYH. I move to waive the Budget Act, and I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The question is on agreeing to the motion. The clerk will call the roll.

The legislative clerk called the roll.

Mr. NICKLES. I announce that the Senator from Alaska (Mr. STEVENS) is necessarily absent.

The PRESIDING OFFICER. Are there any other Senators in the Chamber desiring to vote?

The yeas and nays resulted—yeas 49, nays 50, as follows:

[Rollcall Vote No. 118 Leg.]

YEAS—49

Akaka	Dorgan	Lincoln
Bayh	Durbin	Mikulski
Biden	Edwards	Murray
Bingaman	Feinstein	Nelson (FL)
Boxer	Graham	Nelson (NE)
Cantwell	Harkin	Reed
Carnahan	Hollings	Reid
Carper	Inouye	Sarbanes
Chafee	Jeffords	Schumer
Cleland	Johnson	Snowe
Clinton	Kennedy	Specter
Collins	Kerry	Stabenow
Conrad	Kohl	Torricelli
Corzine	Landrieu	Wellstone
Daschle	Leahy	Wyden
Dayton	Levin	
Dodd	Lieberman	

NAYS—50

Allard	Enzi	McConnell
Allen	Feingold	Miller
Baucus	Fitzgerald	Murkowski
Bennett	Frist	Nickles
Bond	Gramm	Roberts
Breaux	Grassley	Rockefeller
Brownback	Gregg	Santorum
Bunning	Hagel	Sessions
Burns	Hatch	Shelby
Byrd	Helms	Smith (NH)
Campbell	Hutchinson	Smith (OR)
Cochran	Hutchison	Thomas
Craig	Inhofe	Thompson
Crapo	Kyl	Thurmond
DeWine	Lott	Voinovich
Domenici	Lugar	Warner
Ensign	McCain	

NOT VOTING—1

Stevens

The PRESIDING OFFICER. On this vote the yeas are 49, the nays are 50. Three-fifths of the Senators duly chosen and sworn not having voted in the affirmative, the motion is rejected. The point of order is sustained and the amendment falls.

The Senator from Montana.

AMENDMENT NO. 686, WITHDRAWN

Mr. BAUCUS. Mr. President, on behalf of Senator LANDRIEU, I ask her amendment be withdrawn. We are working on it. I think we will find a way.

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

AMENDMENT NO. 687

The PRESIDING OFFICER. The question is on agreeing to amendment 687 offered by Senator GRAHAM of Florida.

Mr. GRAHAM. Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The Senator from Florida.

Mr. GRAHAM. Mr. President, this amendment has two principal provisions. First, it stands for the principle that we should have a series of tax bills before the Congress where we can consider one at a time, rather than a single gargantuan bill as is before us tonight. Second, we believe the purpose of the first tax bill should be to deal with the first economic challenge of America, which is a slowing economy.

I would like to call on my colleague, Senator CORZINE, for discussion.

Mr. CORZINE. Mr. President, let me say it is clear we have a need to take out an economic insurance policy on an economy for which the Federal Reserve judged it needed to reduce interest rates five times—2½ percent—in less than 4 months. I think there is clear need to address rising unemployment, making sure that consumer confidence stays secure. If we want to have those economic assumptions strong, we should pass this bill.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. Mr. President, this is a key amendment that would destroy the bipartisan tax bill that we have before us. He proposes to stimulate the economy by expanding the range of the income eligible for the new 10-percent rate. But Senator GRAHAM has not emphasized the tremendous price that would be paid, and that would be eliminating the rest of the tax bill. The only thing that would survive is the 10-percent rate. Worst of all, the Senator's proposal would actually increase taxes on middle-income Americans because a family of four with $60,000 in taxable income would pay $100 more in taxes under the Graham amendment than they would pay under our bipartisan tax bill when fully phased in.

If this amendment is successful, Senator GRAHAM then would, of course, destroy our bipartisan effort to provide $1.3 trillion tax relief.

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

The question is on agreeing to the amendment. The yeas and nays have been ordered. The clerk will call the roll.

Mr. NICKLES. I announce that the Senator from Alaska (Mr. STEVENS), is necessarily absent.

The PRESIDING OFFICER. Are there any other Senators in the Chamber desiring to vote?

The result was announced—yeas 35, nays 64, as follows:

[Rollcall Vote No. 119 Leg.]

YEAS—35

Akaka	Dorgan	Murray
Biden	Feingold	Nelson (FL)
Bingaman	Graham	Reed
Boxer	Hollings	Reid
Byrd	Inouye	Rockefeller
Cantwell	Johnson	Sarbanes
Clinton	Kennedy	Schumer
Conrad	Kerry	Stabenow
Corzine	Leahy	Torricelli
Daschle	Levin	Wellstone
Dayton	Lieberman	Wyden
Dodd	Mikulski	

NAYS—64

Allard	Bayh	Breaux
Allen	Bennett	Brownback
Baucus	Bond	Bunning
Burns	Gramm	Miller
Campbell	Grassley	Murkowski
Carnahan	Gregg	Nelson (NE)
Carper	Hagel	Nickles
Chafee	Harkin	Roberts
Cleland	Hatch	Santorum
Cochran	Helms	Sessions
Collins	Hutchinson	Shelby
Craig	Hutchison	Smith (NH)
Crapo	Inhofe	Smith (OR)
DeWine	Jeffords	Snowe
Domenici	Kohl	Specter
Durbin	Kyl	Thomas
Edwards	Landrieu	Thompson
Ensign	Lincoln	Thurmond
Enzi	Lott	Voinovich
Feinstein	Lugar	Warner
Fitzgerald	McCain	
Frist	McConnell	

NOT VOTING—1

Stevens

The amendment (No. 687) was rejected.

AMENDMENT NO. 688

The PRESIDING OFFICER. There will now be 2 minutes evenly divided on the Graham amendment No. 688.

The PRESIDING OFFICER. Who yields time?

Mr. GRAHAM. Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

Mr. GRAHAM. Mr. President, when President Bush sent us his proposal for the repeal of the estate tax, he suggested that both the State and the Federal components of that estate tax be treated equitably. Twenty percent of the estate tax collected by the Federal Government is remitted to our 50 States in the form of a State credit. The other 80 percent stays in the Federal Treasury.

Under the bill that is before us, half of the State's share will go out of effect as of January 1, 2002, and the other half will go out of effect as of January 1, 2005, and the Federal share does not go out of effect until January 1, 2011.

So what we are essentially saying is, we are rejecting the recommendation of the President. We are saying that we are going to get ours first, and let the States have to eat a substantial amount of this reduction beginning January 1 of next year.

My State, as probably most of yours, has already passed its budget for the next fiscal year. Gov. Jeb Bush told me today it is going to cost him approximately $200 million in this year's already-passed budget.

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

Mr. GRAHAM. I recommend that my colleagues look at the letter from the NGA as to what this will do to your State. Call your Governor and support this amendment.

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

Who yields time in opposition?

The Senator from Iowa.

Mr. GRASSLEY. This amendment was offered at 11 p.m., Thursday, so you have not had a chance to take into consideration what he proposes to provide for the State treasuries at the expense of the Federal Treasury.

What Senator GRAHAM has not shared is that his zeal to protect the State treasuries is at the expense of the American taxpayer and, most importantly, the estate tax reform provisions in this bill.

If you would read from his amendment: Beginning on page 64 strike through page 66. What that really says is: Strike all estate tax reductions. Strike all State death tax changes and slash the unified credit.

We may have heard from Governors, obviously, on this. Do we believe that the Governors really believe our bipartisan death tax reform package should be slashed for the mere convenience of State treasuries?

Do we really believe that the American taxpayer with estates between $2 million and $4 million should accept the burden of funding the States' coffers merely because the States have already drafted a budget and they do not want to get around to drafting another budget for a couple years?

I ask that you kill this amendment.

The PRESIDING OFFICER. The question is on agreeing to Graham amendment No. 688. The yeas and nays have been ordered.

The clerk will call the roll.

The legislative clerk called the roll.

Mr. NICKLES. I announce that the Senator from Alaska (Mr. STEVENS) is necessarily absent.

The PRESIDING OFFICER. Are there any other Senators in the Chamber desiring to vote?

The result was announced—yeas 39, nays 60, as follows:

[Rollcall Vote No. 120 Leg.]

YEAS—39

Akaka	Dorgan	Lieberman
Biden	Durbin	Mikulski
Bingaman	Feinstein	Murray
Boxer	Graham	Nelson (FL)
Byrd	Harkin	Reed
Cantwell	Hollings	Reid
Carper	Inouye	Rockefeller
Clinton	Johnson	Sarbanes
Conrad	Kennedy	Schumer
Corzine	Kerry	Stabenow
Daschle	Kohl	Thomas
Dayton	Leahy	Torricelli
Dodd	Levin	Wellstone

NAYS—60

Allard	Edwards	Lugar
Allen	Ensign	McCain
Baucus	Enzi	McConnell
Bayh	Feingold	Miller
Bennett	Fitzgerald	Murkowski
Bond	Frist	Nelson (NE)
Breaux	Gramm	Nickles
Brownback	Grassley	Roberts
Bunning	Gregg	Santorum
Burns	Hagel	Sessions
Campbell	Hatch	Shelby
Carnahan	Helms	Smith (NH)
Chafee	Hutchinson	Smith (OR)
Cleland	Hutchison	Snowe
Cochran	Inhofe	Specter
Collins	Jeffords	Thompson
Craig	Kyl	Thurmond
Crapo	Landrieu	Voinovich
DeWine	Lincoln	Warner
Domenici	Lott	Wyden

NOT VOTING—1

Stevens

The amendment (No. 688) was rejected.

Mr. LOTT. Mr. President, I move to reconsider the vote, and I move to lay that motion on the table.

The motion to lay on the table was agreed to.

MOTION TO COMMIT

The PRESIDING OFFICER. There are 2 minutes equally divided on the Wellstone motion to commit. The Senator from Minnesota.

Mr. WELLSTONE. Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There appears to be a sufficient second.

The yeas and nays were ordered.

Mr. WELLSTONE. Mr. President, this motion will provide $120 billion over the next 10 years for children and education. We do this by cutting the tax cuts for the top .7 percent, although a couple will still be able to have tax cuts up to $8,400 a year. This is just half of the Harkin amendment. Fifty-two Senators voted to take money out of the tax cuts and put it into children and education. We need 60 votes on this amendment. In other words, even after this amendment passes, you have $10 for tax cuts and you will have $1 for children and education. That seems to be balance to me. I hope there will be a strong vote for this amendment.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. Mr. President, I appreciate the Senator from Minnesota always speaking strongly for the need to do more for education, but this is not the place for this particular issue. In addition, this motion, if it went into effect, would delay the over $30 billion of tax incentives for education that we already have in this bipartisan bill.

This amendment also is not germane. Consequently, I raise a point of order on the germaneness of this provision on a reconciliation measure and that the amendment will come under section 305(b)(2) of the Budget Act.

Mr. WELLSTONE. Mr. President, I move to waive the Budget Act, and I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The question is on agreeing to the motion. The clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. NICKLES. I announce that the Senator from Alaska (Mr. STEVENS) is necessarily absent.

The PRESIDING OFFICER. Are there any other Senators in the Chamber desiring to vote?

The yeas and nays resulted—yeas 41, nays 58, as follows:

[Rollcall Vote No. 121 Leg.]

YEAS—41

Akaka	Daschle	Hollings
Bayh	Dayton	Inouye
Biden	Dodd	Johnson
Bingaman	Dorgan	Kennedy
Boxer	Durbin	Kerry
Byrd	Edwards	Kohl
Cantwell	Feingold	Landrieu
Clinton	Feinstein	Leahy
Conrad	Graham	Levin
Corzine	Harkin	Lieberman
Mikulski	Reid	Stabenow
Murray	Rockefeller	Wellstone
Nelson (FL)	Sarbanes	Wyden
Reed	Schumer	

NAYS—58

Allard	Ensign	Miller
Allen	Enzi	Murkowski
Baucus	Fitzgerald	Nelson (NE)
Bennett	Frist	Nickles
Bond	Gramm	Roberts
Breaux	Grassley	Santorum
Brownback	Gregg	Sessions
Bunning	Hagel	Shelby
Burns	Hatch	Smith (NH)
Campbell	Helms	Smith (OR)
Carnahan	Hutchinson	Snowe
Carper	Hutchison	Specter
Chafee	Inhofe	Thomas
Cleland	Jeffords	Thompson
Cochran	Kyl	Thurmond
Collins	Lincoln	Torricelli
Craig	Lott	Voinovich
Crapo	Lugar	Warner
DeWine	McCain	
Domenici	McConnell	

NOT VOTING—1

Stevens

The PRESIDING OFFICER. On this vote the yeas are 41, the nays are 58. Three-fifths of the Senators duly chosen and sworn not having voted in the affirmative, the motion is rejected. The point of order is sustained and the motion falls.

Mr. LOTT. I move to reconsider the vote, and I move to lay that motion on the table.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. The Senator from Iowa.

AMENDMENT NOS. 697 AND 701, WITHDRAWN

Mr. GRASSLEY. Mr. President, I ask unanimous consent that Senator HATCH's amendment No. 697 and Senator KERRY's amendment No. 701 be withdrawn. We are working on those in other ways, so that Members understand.

The PRESIDING OFFICER. Without objection, it is so ordered. The amendments are withdrawn.

AMENDMENT NO. 703

The PRESIDING OFFICER. The question is on agreeing to amendment No. 703, authored by the Senator from West Virginia, Mr. BYRD.

The Senator from West Virginia is recognized.

Mr. BYRD. Mr. President, Congress has the opportunity to ensure the long-term solvency of Social Security and Medicare. This tax cut, however, would squander that opportunity.

My amendment would reduce the size of the tax cut and place the savings into a reserve fund for Social Security reform, Medicare reform, and a prescription drug benefit. This amendment would retain those tax cuts included in the bill that would benefit lower and middle-income taxpayers, such as the creation of a 10-percent bracket, expansion of the child credit, marriage penalty relief, pension reform, education tax incentives, and alternative minimum tax relief.

This amendment would also retain the estate tax relief provided in the bill through an increased exemption credit. But the amendment would strike from

the bill the marginal rate reductions and the estate and gift tax repeal, both of which would only benefit the wealthiest taxpayers in the Nation, so that those funds can be redirected into Social Security and Medicare reform.

Unlike the underlying bill, this amendment would help to ensure that Social Security and Medicare benefits are available for future retirees, while still providing a substantial tax cut that would be more evenly distributed amongst the American taxpayers.

I hope the Senators will vote to support the amendment.

Mr. GRASSLEY. Mr. President, the Senator from West Virginia has very well described what his amendment does, and that description in itself gives the reasons why we should be against it.

No. 1, it would deny the death tax relief this bill provides with a credit up to $4 million to help the estates from paying the estate tax.

This will also be a massive tax increase compared to the bill before us because it eliminates all relief in marginal rates except for the 10-percent rate. And also it would eliminate the entire estate tax amendments we have.

Also, I believe this amendment is not germane, and I raise the point of germaneness on a reconciliation measure because it does not comply with section 305(b)(2) of the Budget Act.

Mr. BYRD. Mr. President, pursuant to section 904 of the Congressional Budget Act of 1974, I move to waive the applicable sections of that act for the purposes of the pending amendment. I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The question is on agreeing to the motion. The clerk will call the roll.

The legislative clerk called the roll.

Mr. NICKLES. I announce that the Senator from Alaska (Mr. STEVENS) is necessarily absent.

The PRESIDING OFFICER. Are there any other Senators in the Chamber desiring to vote?

The yeas and nays resulted—yeas 39, nays 60, as follows:

[Rollcall Vote No. 122 Leg.]

YEAS—39

Akaka	Dorgan	Kohl
Biden	Durbin	Leahy
Bingaman	Edwards	Levin
Boxer	Feingold	Lieberman
Byrd	Feinstein	Mikulski
Cantwell	Graham	Murray
Carper	Harkin	Nelson (FL)
Clinton	Hollings	Reed
Conrad	Inouye	Reid
Corzine	Jeffords	Rockefeller
Daschle	Johnson	Sarbanes
Dayton	Kennedy	Stabenow
Dodd	Kerry	Wellstone

NAYS—60

Allard	Burns	DeWine
Allen	Campbell	Domenici
Baucus	Carnahan	Ensign
Bayh	Chafee	Enzi
Bennett	Cleland	Fitzgerald
Bond	Cochran	Frist
Breaux	Collins	Gramm
Brownback	Craig	Grassley
Bunning	Crapo	Gregg
Hagel	McCain	Smith (NH)
Hatch	McConnell	Smith (OR)
Helms	Miller	Snowe
Hutchinson	Murkowski	Specter
Hutchison	Nelson (NE)	Thomas
Inhofe	Nickles	Thompson
Kyl	Roberts	Thurmond
Landrieu	Santorum	Torricelli
Lincoln	Schumer	Voinovich
Lott	Sessions	Warner
Lugar	Shelby	Wyden

NOT VOTING—1

Stevens

The PRESIDING OFFICER. On this vote the yeas are 39 and the nays are 60. Three fifths of the Senators duly chosen and sworn not having voted in the affirmative, the motion is rejected. The point of order is sustained and the amendment falls.

AMENDMENT NO. 707, WITHDRAWN

Mr. GRASSLEY. Mr. President, for Mr. JEFFORDS, I ask unanimous consent that amendment No. 707 be withdrawn.

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

The amendment (No. 707) was withdrawn.

AMENDMENT NO. 695

The PRESIDING OFFICER. The question is on agreeing to amendment No. 695 offered by Senator DODD of Connecticut.

Mr. DODD. Mr. President, very briefly, what this amendment does is to try to provide some resources for reducing the level of the national debt. We are spending $220 billion a year in interest payments on the debt, a number that is vastly in excess of what it ought to be.

We also believe, in addition to reducing the debt, in providing resources for nontransportation infrastructure needs—water, wastewater systems, sewage systems, schools. We are told that some $23 billion a year for the next 20 years every year will be needed just to repair water and wastewater treatment facilities in the United States.

My amendment takes the rate reductions for the top income earners from 39.6 to 38. And it also modifies the estate tax to accommodate reducing that national debt and providing resources for the infrastructure needs of this country.

You are never going to have economic growth if you continue to have debt amounting to the levels we do and if you don't invest in the basic infrastructure of this country. For those reasons, I urge adoption of the amendment.

Mr. GRASSLEY. Mr. President, I urge the defeat of this amendment. We have hundreds of thousands of American taxpayers who deserve immediate tax relief and they are being cast aside if this amendment is adopted.

For instance, the unified credit would only be $2 million in the year 2010, whereas our bipartisan RELIEF Act raises the unified credit to $4 million per person.

Remember, that is $8 million per family, no strings attached. You don't need to have a family farm or a family business. The RELIEF Act makes it simple. There is no long-term lien. It is simple. The death tax stays at 60 percent under this amendment. There is no repeal, no help at all. I urge the defeat of this amendment. Also, the marginal rate tax cuts are scaled back.

Finally, even though the Senator talks about infrastructure, this amendment spends not one penny on infrastructure.

The PRESIDING OFFICER. The question is on agreeing to the amendment. The yeas and nays have been ordered. The clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. NICKLES. I announce that the Senator from Alaska (Mr. STEVENS) is necessarily absent.

The PRESIDING OFFICER. Are there any other Senators in the Chamber desiring to vote?

The result was announced—yeas 39, nays 60, as follows:

[Rollcall Vote No. 123 Leg.]

YEAS—39

Akaka	Dodd	Kohl
Biden	Dorgan	Leahy
Bingaman	Durbin	Levin
Boxer	Feingold	Lieberman
Byrd	Feinstein	Mikulski
Cantwell	Graham	Murray
Carper	Harkin	Reed
Chafee	Hollings	Reid
Clinton	Inouye	Rockefeller
Conrad	Jeffords	Sarbanes
Corzine	Johnson	Schumer
Daschle	Kennedy	Stabenow
Dayton	Kerry	Wellstone

NAYS—60

Allard	Ensign	Miller
Allen	Enzi	Murkowski
Baucus	Fitzgerald	Nelson (FL)
Bayh	Frist	Nelson (NE)
Bennett	Gramm	Nickles
Bond	Grassley	Roberts
Breaux	Gregg	Santorum
Brownback	Hagel	Sessions
Bunning	Hatch	Shelby
Burns	Helms	Smith (NH)
Campbell	Hutchinson	Smith (OR)
Carnahan	Hutchison	Snowe
Cleland	Inhofe	Specter
Cochran	Kyl	Thomas
Collins	Landrieu	Thompson
Craig	Lincoln	Thurmond
Crapo	Lott	Torricelli
DeWine	Lugar	Voinovich
Domenici	McCain	Warner
Edwards	McConnell	Wyden

NOT VOTING—1

Stevens

The amendment (No. 695) was rejected.

AMENDMENT NO. 691

The PRESIDING OFFICER (Ms. SNOWE). The question is on agreeing to the Kyl amendment No. 691. The Senator from Arizona.

Mr. KYL. Madam President, this amendment would provide a $500 tax credit for contributions to scholarship funds which could then be given to parents and needy families to enroll their children in the school of their choice. It is an idea that is now being tried in several States, including my own State of Arizona. It is an idea whose time has come.

The Federal Government should provide a tax credit for this purpose, but I

understand a point of order will be raised against the amendment. I ask the Senator from Montana, will there be a point of order raised against the amendment?

Mr. BAUCUS. Madam President, there will be a point of order raised.

Mr. KYL. Madam President, the point of order would be well taken, although the amendment is a darned good amendment, and I hope we will be able to vote on it again some other time. In the interests of time this evening, I will not move to challenge the point of order.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Madam President, I appreciate the generosity and cooperation of the Senator from Arizona.

The point of order is well taken. It is not good policy. I think we are making progress tonight. This is the first time we are going to move along here in a way that does not occupy a lot of time.

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

The PRESIDING OFFICER. The point of order is well taken. The amendment falls.

Who seeks recognition? The Senator from North Dakota.

AMENDMENT NO. 713

Mr. DORGAN. Madam President, if your priority is to help folks on the family farm or family business or their kids or grandkids, then support estate tax reform and my amendment. But if your priority is to make sure, as Leona Helmsley put it, ''Only little people pay taxes,'' support the committee bill.

The committee bill also repeals the estate tax in its entirety for all estates in 2011, even the most wealthy estates. My amendment does not. It does abolish the estate tax for all family farms and all family businesses passed on to the qualified heirs who continue to operate them in 2003. It exempts from the estate tax all family businesses and family farms in that category 8 years earlier than the committee's does. My amendment also contains the $4 million unified credit, the 45-percent rate. The only difference is my legislation would continue to impose an estate tax on the estates of billionaires and those in the upper income areas. I think that is a reasonable thing to do. But I do, in this amendment, believe we ought to repeal the estate tax obligation on family businesses and family farms transferred to qualified heirs. This will do it in 2003. The committee bill will do it 8 years later.

Those who have talked about this issue as their priority certainly ought to support this amendment.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. Madam President, an unlimited family business deduction sounds good, but what does it really mean? Really in the end, nothing. It totally guts the estate tax reform. It postpones rate decreases. It postpones meaningful unified credit increases until the year 2011. The RELIEF Act gives American taxpayers $3 million by the year 2006 and Senator DORGAN does not.

The RELIEF Act is simple. Under our bill, there are no requirements, no long-term obligations to the IRS. I ask you to give real relief now and do that by defeating this amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment. The yeas and nays have been ordered.

The clerk will call the roll.

Mr. NICKLES. I announce that the Senator from Alaska (Mr. STEVENS) is necessarily absent.

The PRESIDING OFFICER. Are there any other Senators in the Chamber desiring to vote?

The result was announced—yeas 43, nays 56, as follows:

[Rollcall Vote No. 124 Leg.]

YEAS—43

Akaka	Dayton	Leahy
Baucus	Dodd	Levin
Bayh	Dorgan	Lieberman
Biden	Durbin	McCain
Bingaman	Edwards	Mikulski
Boxer	Feingold	Reed
Byrd	Graham	Reid
Cantwell	Harkin	Rockefeller
Carnahan	Hollings	Sarbanes
Chafee	Inouye	Schumer
Cleland	Johnson	Stabenow
Clinton	Kennedy	Torricelli
Conrad	Kerry	Wellstone
Corzine	Kohl	
Daschle	Landrieu	

NAYS—56

Allard	Fitzgerald	Murray
Allen	Frist	Nelson (FL)
Bennett	Gramm	Nelson (NE)
Bond	Grassley	Nickles
Breaux	Gregg	Roberts
Brownback	Hagel	Santorum
Bunning	Hatch	Sessions
Burns	Helms	Shelby
Campbell	Hutchinson	Smith (NH)
Carper	Hutchison	Smith (OR)
Cochran	Inhofe	Snowe
Collins	Jeffords	Specter
Craig	Kyl	Thomas
Crapo	Lincoln	Thompson
DeWine	Lott	Thurmond
Domenici	Lugar	Voinovich
Ensign	McConnell	Warner
Enzi	Miller	Wyden
Feinstein	Murkowski	

NOT VOTING—1

Stevens

The amendment (No. 713) was rejected.

Mr. LOTT. I move to reconsider the vote.

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

The motion to lay on the table was agreed to.

AMENDMENT NO. 717

The PRESIDING OFFICER. The question is on agreeing to Bingaman amendment No. 717.

The Senator from New Mexico.

Mr. BINGAMAN. Madam President, have the yeas and nays been ordered on this amendment?

The PRESIDING OFFICER. Yes.

Mr. BINGAMAN. Madam President, I offer this amendment on behalf of myself and Senator REID of Nevada.

Last Thursday, President Bush made a series of recommendations to the Congress to adopt credits and deductions to encourage the country to do what is needed to deal with the energy crisis that he and many of us see.

Many of those same tax proposals are contained in a bill that Senator MURKOWSKI introduced earlier this year and are also contained in a bill I introduced with various Democratic colleagues earlier this year.

This is the time that we should step up to that challenge and pass those tax recommendations to deal with our energy situation. There are credits for energy-efficient appliances, energy-efficient commercial buildings, and energy-efficient residential construction. There are credits for hybrid vehicles.

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

Mr. BINGAMAN. I urge my colleagues to support this amendment.

The PRESIDING OFFICER. The Senator from Alaska.

Mr. MURKOWSKI. Madam President, while I support many of the statements of my good friend, there are several fatal flaws in the amendment. There are 23 provisions in the 141-page amendment. I do not know the cost of all of these tax changes.

On the last page of this amendment, the Senator attempts to offset its cost by delegating to the Secretary of the Treasury the authority to adjust tax rates. This is an unprecedented delegation of authority. I believe it is unconstitutional.

Further, the amendment allows the unelected Secretary of the Treasury to raise the new 10-percent rate on low-income taxpayers to 12 percent or 15 percent or the Secretary could raise the 28-percent bracket on middle-income families to 29 percent or 30 percent. The Secretary of the Treasury has no constitutional authority to set tax rates. That is what we were elected to do.

I believe we should develop an energy policy in the Energy Committee and in the Finance Committee, not on the floor of the Senate. We have not had any hearings on the proposal. I look forward to working with Senator BINGAMAN in both committees to develop a rational energy policy.

Madam President, the pending amendment is not germane to the provisions of the reconciliation measure. I, therefore, raise a point of order against the amendment under section 305(b)(2) of the Budget Act.

Mr. BINGAMAN. Madam President, I move to waive the Budget Act and ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There appears to be a sufficient second.

The question is on agreeing to the motion.

The clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. NICKLES. I announce that the Senator from Alaska (Mr. STEVENS) is necessarily absent.

The PRESIDING OFFICER. Are there any other Senators in the Chamber desiring to vote?

The yeas and nays resulted—yeas 43, nays 56, as follows:

[Rollcall Vote No. 125 Leg.]

YEAS—43

Akaka	Dorgan	Lieberman
Bayh	Durbin	Lincoln
Biden	Edwards	Mikulski
Bingaman	Feingold	Murray
Boxer	Feinstein	Nelson (FL)
Cantwell	Graham	Reed
Carnahan	Harkin	Reid
Carper	Hollings	Sarbanes
Cleland	Inouye	Schumer
Clinton	Johnson	Stabenow
Conrad	Kennedy	Torricelli
Corzine	Kerry	Wellstone
Daschle	Kohl	Wyden
Dayton	Leahy	
Dodd	Levin	

NAYS—56

Allard	Enzi	Miller
Allen	Fitzgerald	Murkowski
Baucus	Frist	Nelson (NE)
Bennett	Gramm	Nickles
Bond	Grassley	Roberts
Breaux	Gregg	Rockefeller
Brownback	Hagel	Santorum
Bunning	Hatch	Sessions
Burns	Helms	Shelby
Byrd	Hutchinson	Smith (NH)
Campbell	Hutchison	Smith (OR)
Chafee	Inhofe	Snowe
Cochran	Jeffords	Specter
Collins	Kyl	Thomas
Craig	Landrieu	Thompson
Crapo	Lott	Thurmond
DeWine	Lugar	Voinovich
Domenici	McCain	Warner
Ensign	McConnell	

NOT VOTING—1

Stevens

The PRESIDING OFFICER. On this vote the yeas are 43, the nays are 56. Three-fifths of the Senators duly chosen and sworn not having voted in the affirmative, the motion is rejected. The point of order is sustained and the amendment falls.

AMENDMENT NO. 660

The PRESIDING OFFICER. The question now occurs on the McCain amendment No. 660. The Senator from Arizona.

Mr. McCAIN. Madam President, this amendment would cut the top tax rate for the wealthiest individuals from 39.6 percent to 38.6 percent and devote the resulting savings that would have gone to this group to lower and middle-income taxpayers by increasing the number of individuals who pay the 15-percent tax rate. When it is finally phased in, this amendment will place millions of taxpayers now in the 28-percent tax bracket into the 15-percent tax bracket. Under this amendment, unmarried individuals can make nearly $30,000 and married individuals can make $50,000 and still be in the 15-percent tax bracket.

I urge its adoption and yield back the remainder of my time.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. Madam President, most of those paying the top marginal rate are small business owners and farmers operating their businesses as sole proprietorships or S-corporations. A study recently released by the Treasury shows that under the President's proposal—this is the President's proposal but still germane—77 percent of the money going to cut the top 39.6-percent rate would go to small business owners. These small business owners make up 63 percent of the tax returns that would benefit from reducing the top rate. Small business owners are, of course, the engine of growth that runs our economy. These are the people who plow their tax money and their tax relief right back into their businesses, increasing wages, hiring more workers.

The number of small businesses that could benefit from a cut in the top rate, for instance, in the State of Arizona, is around 267,000 small businesses. I seriously question how much we really gain by attacking these small businesses with high rates.

Another twist is, for those of you who are interested in disabled children and kids with special needs, there are special needs trusts. These trusts for the disabled can be easily subject to taxation at the top rate of 39.6 percent.

I urge Members to vote down the amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment. The yeas and nays have been ordered. The clerk will call the roll.

The legislative clerk called the roll.

Mr. INOUYE. Madam President, on this vote, I have a pair with the Senator from Alaska (Mr. STEVENS). If he were present and voting, he would vote ''nay.'' If I were at liberty to vote, I would vote ''yea.'' Therefore, I withhold my vote.

The PRESIDING OFFICER. Are there any other Senators in the Chamber desiring to vote?

The result was announced—yeas 49, nays 49, as follows:

[Rollcall Vote No. 126 Leg.]

YEAS—49

Akaka	Dorgan	Lincoln
Bayh	Durbin	McCain
Biden	Edwards	Mikulski
Bingaman	Feingold	Murray
Boxer	Feinstein	Nelson (FL)
Byrd	Graham	Reed
Cantwell	Harkin	Reid
Carnahan	Hollings	Rockefeller
Carper	Jeffords	Sarbanes
Chafee	Johnson	Schumer
Clinton	Kennedy	Specter
Collins	Kerry	Stabenow
Conrad	Kohl	Torricelli
Corzine	Landrieu	Wellstone
Daschle	Leahy	Wyden
Dayton	Levin	
Dodd	Lieberman	

NAYS—49

Allard	Domenici	Lott
Allen	Ensign	Lugar
Baucus	Enzi	McConnell
Bennett	Fitzgerald	Miller
Bond	Frist	Murkowski
Breaux	Gramm	Nelson (NE)
Brownback	Grassley	Nickles
Bunning	Gregg	Roberts
Burns	Hagel	Santorum
Campbell	Hatch	Sessions
Cleland	Helms	Shelby
Cochran	Hutchinson	Smith (NH)
Craig	Hutchison	Smith (OR)
Crapo	Inhofe	Snowe
DeWine	Kyl	Thompson
Thomas	Thurmond	Voinovich
		Warner

PRESENT AND GIVING A LIVE PAIR—1

Inouye

NOT VOTING—1

Stevens

The amendment (No. 660) was rejected.

Mr. LOTT. Madam President, I move to reconsider the vote.

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

The motion to lay on the table was agreed to.

MOTION TO COMMIT

The PRESIDING OFFICER. The question is now on agreeing to the motion of the Senator from Arizona.

The Senator from Arizona is recognized.

Mr. McCAIN. Madam President, the intention of this amendment is to commit until we can find out exactly what our expenditures are going to be for national defense. Recent articles and information clearly indicate that there will be very little, if any, left over for a supplemental for any funding that I personally campaigned that the men and women of the armed services would receive for a national defense system.

I don't expect to win on this, but I can assure you that with this tax cut going through as it is, with all of the additional spending that I have observed over the last few years, which I see no change in whatsoever, we will not have enough money to defend this Nation's vital national security interests.

We are embarked on an unusual and dangerous course of action, a massive tax cut without any indication or evidence whatsoever of how much we are going to need to spend to defend this Nation. I urge great caution as we embark on this enterprise because it may be a very expensive price to pay.

I will take a voice vote on this amendment.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. Madam President, first of all, we all appreciate the Senator's concern about defense because he is very much an authority in that area. I am confident, however, that the budget resolution we passed has provided adequate funding for defense. This amendment would undo all of our efforts to provide significant cuts at all marginal rates. Besides, we have $500 billion in the contingency fund that we will be able to use to draw on if additional money for defense is needed.

I urge my colleagues to vote no.

The PRESIDING OFFICER. The yeas and nays have been ordered. There needs to be consent to vitiate them.

Mr. GRASSLEY. I ask unanimous consent that the yeas and nays be vitiated.

Mr. REID. Objection.

Mrs. BOXER. I object.

The PRESIDING OFFICER. Objection is heard.

Mr. GRASSLEY. Madam President, I make a point of order that the amendment is not germane to the provisions

of a reconciliation measure. I raise a point of order against the amendment under section 305(b)(2) of the Budget Act.

Mr. REID. Madam President, I move to waive and ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The question is on agreeing to the motion.

The clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. NICKLES. I announce that the Senator from Alaska (Mr. STEVENS) is necessarily absent.

The PRESIDING OFFICER (Mr. VOINOVICH). Are there any other Senators in the Chamber desiring to vote?

The yeas and nays resulted—yeas 43, nays 56, as follows:

[Rollcall Vote No. 127 Leg.]

YEAS—43

Akaka	Durbin	Lincoln
Biden	Edwards	McCain
Bingaman	Feingold	Mikulski
Boxer	Feinstein	Murray
Cantwell	Graham	Nelson (FL)
Carnahan	Harkin	Reed
Carper	Hollings	Reid
Cleland	Inouye	Rockefeller
Clinton	Johnson	Sarbanes
Conrad	Kennedy	Schumer
Corzine	Kerry	Stabenow
Daschle	Landrieu	Wellstone
Dayton	Leahy	Wyden
Dodd	Levin	
Dorgan	Lieberman	

NAYS—56

Allard	Ensign	Miller
Allen	Enzi	Murkowski
Baucus	Fitzgerald	Nelson (NE)
Bayh	Frist	Nickles
Bennett	Gramm	Roberts
Bond	Grassley	Santorum
Breaux	Gregg	Sessions
Brownback	Hagel	Shelby
Bunning	Hatch	Smith (NH)
Burns	Helms	Smith (OR)
Byrd	Hutchinson	Snowe
Campbell	Hutchison	Specter
Chafee	Inhofe	Thomas
Cochran	Jeffords	Thompson
Collins	Kohl	Thurmond
Craig	Kyl	Torricelli
Crapo	Lott	Voinovich
DeWine	Lugar	Warner
Domenici	McConnell	

NOT VOTING—1

Stevens

The PRESIDING OFFICER. On this vote the yeas are 43, the nays 56. Three-fifths of the Senators duly chosen and sworn not having voted in the affirmative, the motion is rejected. The point of order is sustained and the amendment falls.

Mr. LOTT. I move to reconsider the vote.

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

The motion to lay on the table was agreed to.

AMENDMENT NO. 723

The PRESIDING OFFICER. The question is on agreeing to the second-degree amendment No. 723 by Senator SMITH to his first-degree amendment No. 680. The Senator from New Hampshire.

Mr. SMITH of New Hampshire. Mr. President, my second-degree amendment is really quite simple. It extends the moratorium on the Internet tax, and that is the extent of it.

If my colleagues want to continue taxing the Internet or tax the Internet further, then they vote against me. But if they do not favor the Internet tax and would like to extend the moratorium against that tax, then vote with me.

Mr. President, I urge the adoption of my amendment and ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

The Senator from Wyoming.

Mr. ENZI. Mr. President, I will be making a motion on the germaneness of the amendment. First, this amendment is not quite as simple as the Senator from New Hampshire says. If a State has a sales tax, the cities, towns, and counties are desperately interested in this. They will not think it is appropriate to adopt a second-degree amendment that will preclude them from having any opportunity to continue the revenue on which they are counting for their schools and other forms of government.

The retailers in our States will not be very happy with that simple change of policy allowing that tax to be destroyed. If a colleague is from a State that does not have a sales tax, he or she would want to vote against this amendment. The reason they would want to vote against it is because they would not want the other 44 States to take an opportunity later to take away a major source of their revenue.

This needs a lot of work. There has been a bipartisan group of us working on this issue for almost a year. We have been working with the retailers, direct marketers, and all levels of government.

The pending amendment is not germane to the provisions of the reconciliation measure. I, therefore, raise a point of order against the amendment under section 305(b)(2) of the Budget Act.

Mr. SMITH of New Hampshire. Mr. President, I move to waive the Budget Act and ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The question is on agreeing to the motion. The clerk will call the roll.

The legislative clerk called the roll.

Mr. NICKLES. I announce that the Senator from Alaska (Mr. STEVENS) is necessarily absent.

The PRESIDING OFFICER. Are there any other Senators in the Chamber desiring to vote?

The yeas and nays resulted—yeas 11, nays 88, as follows:

[Rollcall Vote No. 128 Leg.]

YEAS—11

Allard	Craig	Smith (OR)
Allen	Crapo	Warner
Boxer	Gregg	Wyden
Brownback	Smith (NH)	

NAYS—88

Akaka	Ensign	Lugar
Baucus	Enzi	McCain
Bayh	Feingold	McConnell
Bennett	Feinstein	Mikulski
Biden	Fitzgerald	Miller
Bingaman	Frist	Murkowski
Bond	Graham	Murray
Breaux	Gramm	Nelson (FL)
Bunning	Grassley	Nelson (NE)
Burns	Hagel	Nickles
Byrd	Harkin	Reed
Campbell	Hatch	Reid
Cantwell	Helms	Roberts
Carnahan	Hollings	Rockefeller
Carper	Hutchinson	Santorum
Chafee	Hutchison	Sarbanes
Cleland	Inhofe	Schumer
Clinton	Inouye	Sessions
Cochran	Jeffords	Shelby
Collins	Johnson	Snowe
Conrad	Kennedy	Specter
Corzine	Kerry	Stabenow
Daschle	Kohl	Thomas
Dayton	Kyl	Thompson
DeWine	Landrieu	Thurmond
Dodd	Leahy	Torricelli
Domenici	Levin	Voinovich
Dorgan	Lieberman	Wellstone
Durbin	Lincoln	
Edwards	Lott	

NOT VOTING—1

Stevens

The PRESIDING OFFICER. On this question the yeas are 11 and the nays are 88. Three-fifths of the Senators duly chosen and sworn not having voted in the affirmative, the motion is not agreed to.

The point of order is sustained and the amendment falls.

Mr. LIEBERMAN. Mr. President, I rise to explain my vote against this amendment to the tax bill that we are debating today. The record clearly shows my strong support for the Internet, which is still in its infancy. I believe that Congress needs to give it the time and space to continue to grow and evolve without complex and burdensome taxation.

In October 1998 Congress enacted the Internet Tax Freedom Act. At that time, I supported placing a three year moratorium on the imposition of any new state and local sales tax on Internet access and precluding charging sales tax for purchases over the Internet that do not apply to other mediums. I was also very supporting of the 19 member Advisory Commission on Electronic Commerce that the Act created to review a variety of tax issues relating to electronic commerce, including the taxation of all interstate commerce whether by the Internet or more traditional methods. I must say that I was disappointed that the Commission was not able to make substantive recommendations on most of the key issues before it.

However, I am hopeful that current negotiations now ongoing here in the Senate will produce legislation to address this issue in an effective and equitable manner. For that reason, I am voting against this amendment. I think that the amendment is well intentional, but that we need to give the current negotiations more time to play out in the Commerce Committee before taking action.

AMENDMENT NO. 680

The PRESIDING OFFICER. The question is on agreeing to the first-degree amendment No. 680 by the Senator from New Hampshire.

Who yields time?

Mr. SMITH of New Hampshire. The amendment numbered 680 is the law enforcement survivor benefits. In 1997, Congress passed legislation to take care of not taxing the benefits to children whose fathers died in the line of duty as law enforcement officers. Unfortunately, there was a period of about 13 years and these children were not taken out of that; therefore, families were faced with a tragedy—children were paying taxes on the benefits.

This amendment clarifies that. So for all of those children whose fathers or mothers died in the line of duty, those benefits will not be taxed.

I believe the yeas and nays have been ordered.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. Mr. President, speaking for myself and Senator BAUCUS, we urge the entire Senate to vote for this amendment.

Mr. SMITH of New Hampshire. I state for the record I am perfectly willing to not have a recorded vote, but I am told others want a recorded vote. I don't want to get the blame for having a recorded vote.

The PRESIDING OFFICER. The yeas and nays have been called for.

Mr. GRASSLEY. I ask unanimous consent the yeas and nays be vitiated.

Mr. REID. I object.

The PRESIDING OFFICER. The objection is heard. The question is on agreeing to the amendment. The yeas and nays have been ordered. The clerk will call the roll.

The legislative clerk called the roll.

Mr. NICKLES. I announce that the Senator from Alaska (Mr. STEVENS) is necessarily absent.

The result was announced—yeas 99, nays 0, as follows:

[Rollcall Vote No. 129 Leg.]

YEAS—99

Akaka	Dayton	Kerry
Allard	DeWine	Kohl
Allen	Dodd	Kyl
Baucus	Domenici	Landrieu
Bayh	Dorgan	Leahy
Bennett	Durbin	Levin
Biden	Edwards	Lieberman
Bingaman	Ensign	Lincoln
Bond	Enzi	Lott
Boxer	Feingold	Lugar
Breaux	Feinstein	McCain
Brownback	Fitzgerald	McConnell
Bunning	Frist	Mikulski
Burns	Graham	Miller
Byrd	Gramm	Murkowski
Campbell	Grassley	Murray
Cantwell	Gregg	Nelson (FL)
Carnahan	Hagel	Nelson (NE)
Carper	Harkin	Nickles
Chafee	Hatch	Reed
Cleland	Helms	Reid
Clinton	Hollings	Roberts
Cochran	Hutchinson	Rockefeller
Collins	Hutchison	Santorum
Conrad	Inhofe	Sarbanes
Corzine	Inouye	Schumer
Craig	Jeffords	Sessions
Crapo	Johnson	Shelby
Daschle	Kennedy	Smith (NH)
Smith (OR)	Thomas	Voinovich
Snowe	Thompson	Warner
Specter	Thurmond	Wellstone
Stabenow	Torricelli	Wyden

NOT VOTING—1

Stevens

The amendment (No. 680) was agreed to.

Mr. SMITH of New Hampshire. I move to reconsider the vote.

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

The motion to lay on the table was agreed to.

AMENDMENT NO. 684

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Massachusetts.

Mr. KENNEDY. Mr. President, I yield myself 30 seconds.

Many of our colleagues claim that the nation can afford massive tax cuts and adequate education investments. This amendment holds them to their word. It says that the wealthiest one percent of taxpayers will not see a cut in the top income tax rate until education is funded at the amounts that the Senate recently authorized.

In the last 2 weeks, the Senate has voted overwhelmingly—to fully fund the Individuals with Disabilities Education Act; to fully fund Title I state grants for disadvantaged students; to improve teacher quality for all students; to improve education for students with limited English proficiency; and to expand access to safe after-school activities.

Were these cruel hoaxes on the nation's children, or were they good faith statements of the education investments needed today? Let's get our priorities straight, and provide tax breaks to the wealthy only after we have met our commitments to the nation's school children.

Tax breaks targeted to the richest 1 percent should not be allowed to crowd out basic education services. If we do not have the resources to provide the most basic education services, then we certainly do not have the resources to provide new tax breaks for the wealthiest among us.

I will yield the 30 seconds to the Senator from Connecticut.

Mr. DODD. Mr. President, to underscore the point, we have voted now on several occasions over the past number of weeks for full funding of title I, full funding of the IDEA, special education. What we are saying is it is going to be difficult to meet those obligations unless we provide room in the budget. The only way to do that is by reducing the tax cut a marginal amount so those costs can be met. That is what the amendment of the Senator from Massachusetts does. We urge its adoption.

Mr. GRASSLEY. Mr. President, this amendment delays the tax cuts until a certain level of funding for education is met. Everybody knows that education is a top priority of this Congress, as well as of President Bush. Hopefully, we will finish a major education reform bill this week in the Senate.

This tax bill contains over $30 billion of education tax incentives. There is no reason to delay other tax relief to accomplish something outside the jurisdiction of this bill.

I believe there is a germaneness issue here, so I ask the pending amendment be found not to be germane to the provisions of the reconciliation measure. I raise a point of order against the amendment under section 305(b)(2) of the Budget Act.

Mr. KENNEDY. Mr. President, pursuant to section 904 of the Congressional Budget Act, I move to waive the applicable sections of that act for consideration of the pending amendment.

Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The question is on agreeing to the motion. The clerk will call the roll.

Mr. NICKLES. I announce that the Senator from Alaska (Mr. STEVENS) is necessarily absent.

The PRESIDING OFFICER (Mr. ENSIGN). Are there any other Senators in the Chamber desiring to vote?

The yeas and nays resulted—yeas 48, nays 51, as follows:

[Rollcall Vote No. 130 Leg.]

YEAS—48

Akaka	Dodd	Leahy
Bayh	Dorgan	Levin
Biden	Durbin	Lieberman
Bingaman	Edwards	Lincoln
Boxer	Feingold	Mikulski
Byrd	Feinstein	Murray
Cantwell	Graham	Nelson (FL)
Carnahan	Harkin	Reed
Carper	Hollings	Reid
Chafee	Inouye	Rockefeller
Cleland	Jeffords	Sarbanes
Clinton	Johnson	Schumer
Conrad	Kennedy	Stabenow
Corzine	Kerry	Torricelli
Daschle	Kohl	Wellstone
Dayton	Landrieu	Wyden

NAYS—51

Allard	Enzi	Miller
Allen	Fitzgerald	Murkowski
Baucus	Frist	Nelson (NE)
Bennett	Gramm	Nickles
Bond	Grassley	Roberts
Breaux	Gregg	Santorum
Brownback	Hagel	Sessions
Bunning	Hatch	Shelby
Burns	Helms	Smith (NH)
Campbell	Hutchinson	Smith (OR)
Cochran	Hutchison	Snowe
Collins	Inhofe	Specter
Craig	Kyl	Thomas
Crapo	Lott	Thompson
DeWine	Lugar	Thurmond
Domenici	McCain	Voinovich
Ensign	McConnell	Warner

NOT VOTING—1

Stevens

The PRESIDING OFFICER. On this vote, the yeas are 48, the nays are 51. Three-fifths of the Senators duly chosen and sworn not having voted in the affirmative, the motion is rejected. The point of order is sustained and the amendment falls.

Mr. REID. Mr. President, could we have order.

The PRESIDING OFFICER. The Senate will come to order.

Mrs. BOXER. Mr. President, I have a unanimous consent request. I ask

unanimous consent that we adjourn for the evening and continue voting on these amendments to the tax bill in the light of day tomorrow morning——

MR. BUNNING. I object.

Mrs. BOXER. At a time to be determined by the two leaders.

The PRESIDING OFFICER. Objection is heard.

Mrs. BOXER. It is very late. These are very important matters. This tax bill is going to change the course of this country.

The PRESIDING OFFICER. Objection is heard to the unanimous consent request.

Mrs. BOXER. We ought to go home and get a good night's sleep and then continue voting.

The PRESIDING OFFICER. The Senate will be in order.

The Senator from West Virginia.

Mr. BYRD. Mr. President, I ask unanimous consent to proceed for 2 minutes.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

Mr. BYRD. Mr. President, I respectfully urge the majority leader to put us out. Let's come back on tomorrow and finish voting on these amendments. It is 15 minutes after 11 o'clock. We have several amendments yet listed. I think the Senators ought to have an opportunity to call up those amendments. And Senators ought to be able to understand what they are voting on.

Why is it that we have to continue going tonight?

Mr. LOTT addressed the Chair.

The PRESIDING OFFICER. The majority leader.

Mr. LOTT. If Senator BYRD will yield, I note that just a few minutes ago we even had a 99–0 vote on an amendment that the sponsor was perfectly willing to have accepted by a voice vote. Actually, we have a limited number of amendments here. I would hope some of them would not be offered or could be withdrawn or could be accepted in the manager's package. We should be close to finishing this legislation.

We had indicated for days, including at the beginning of this bill, that we needed to complete action tonight because we have other very important work to do this week. I know Senators KENNEDY, JEFFORDS, and others were ready to go back to the education bill in the morning. That, too, is very important. And we need the time to go into conference between the Members of this body and the other body and complete action on this very important legislation. I know of no legislation that will be more important than what we are doing tonight.

I have been very diligent as all Senators know, in trying to be respectful of Senators' needs to do other events. It is getting harder and harder. There is an event every night. There are events during the day. And we try to accommodate all Senators.

But I think that as close as we are, and as far as we have come, if the Senators will just forbear—and we will work with the managers of the legislation—we could complete it tonight.

I am afraid if we stop now and come back tomorrow, the number of amendments will grow. We have not been able to get a limit or agreement to withhold on amendments. I had hoped we could do that.

As difficult as it may be, Senators are minding the store, staying in the Chamber. Most of these votes have been occurring in less than 12 minutes, or 15 minutes at the most. If we will continue on, we should be able to complete this by midnight and then go on to other important legislation.

I thank Senator BYRD for yielding to me in order to respond to his question.

Mr. REID. Will the Senator from West Virginia yield to me for 1 minute?

Mr. BYRD. Mr. President, I don't have the floor.

Mr. REID. Mr. President, I ask unanimous consent for 1 minute.

The PRESIDING OFFICER. Without objection, it is so ordered. The Senator from Nevada.

Mr. REID. Mr. President, I have been here since 9:30 this morning with Senator GRASSLEY and Senator BAUCUS. I would like to go home. I am willing to work through whatever time it takes. I say to my friend from Mississippi, the majority leader, we are not going to finish by midnight. We have on this side 20 more amendments at least. I wish it were not so, but that is the fact of life. We are not going to finish by midnight. At four amendments per hour, there are 5 more hours at a minimum.

The PRESIDING OFFICER. The Senator from West Virginia.

Mr. BYRD. Mr. President, we are not going to finish this bill tonight. We are just not going to finish it. I hope the majority leader will let us go home. Not everybody in this Chamber has a wife who is as old as I am. We will be married 64 years next Tuesday. I think it is time to go home.

I have been here many nights late. It has been my experience that when you reach this point in time, you don't accomplish a great deal. One Senator can pretty much take a lot of time right at this point. I don't want to do that. I ask the distinguished majority leader to get a unanimous consent request and put us out. Let us come back in tomorrow, and we will all feel better. I need to get home. I just plead with the leadership, we don't have to finish this bill tonight. We don't have to.

This is Monday, isn't it? So we have several days yet left in the week. There is no reason why we have to pass this bill tonight and stay until midnight or 1 or 2 in the morning. To begin with, this is a bad bill. It ought not pass.

I am going to ask the majority leader once more to put us out.

Mr. LOTT. Mr. President, I know from past experience in the Senate, and from observing the Senate from the House, there have been many occasions when the Senate stayed late, beyond even midnight. I believe one time, in the case of a gas deregulation bill, they went very late. There is need to finish this legislation tonight. If it goes over to tomorrow, we should just continue going.

This is very important legislation, to be followed by other very important legislation. If we had some sort of understanding, some finite list of amendments, that would be certainly worth considering. It is important, from my conversation with Senator DASCHLE, to note even now, without completing this legislation, we still will have work to do on Friday and possibly Saturday.

Again, it is important that we complete this work. It is important that we complete it so we can go on and begin the conference and go back to the education bill. It is not that late by comparison. I urge the Senate to continue its work.

I know there had been a feeling that we should not complete it tonight. We need to do it. We have been working on this legislation one way or another for at least 3 months. We know how the final result will go, and I urge the Senate to move forward with the amendments that are offered and get to a final conclusion tonight.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Mr. President, I ask unanimous consent to proceed for 1 minute.

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

Mr. KENNEDY. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The Senator from Montana has the floor.

Mr. KENNEDY. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The Senator has made a unanimous consent request. Is there objection? Without objection, the Senator is recognized for 1 minute.

Mr. KENNEDY. Reserving the right to object, what was the request?

Mr. BAUCUS. I asked unanimous consent to address the Senate for 1 minute.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. I ask the Senator from Mississippi whether he would be willing to entertain putting us out tonight so long as we can develop a list of subsequent amendments to be offered, say, by tomorrow? I say that to my friend because there are so many amendments that could otherwise be offered tonight, we are going to be here until 6 in the morning at least.

I very much agree with the Senator from West Virginia. There is a time and a place for everything. The time to end is probably about now. Perhaps we could put together a list of amendments with the understanding that that is the list, those are the amendments because, as we all know, at this point any number of amendments could be offered even subsequent to those that are being contemplated. I ask the Senator if he would contemplate that?

Mr. LOTT. If the Senator will yield, there has been no end to the amendments that might be offered. I know a number of Senators have three or four more amendments. I would be interested in seeing if we can get an agreement on the amendments that would be proposed. That would give us something we could at least consider. But in the meantime, we could continue to make progress on the legislation while we are seeing if there is some sort of list that can be developed. I think that to stop now, without even knowing what the final product is going to be, what amendments might be offered or when the final conclusion would come, is not the way to proceed.

I know there are those who don't want us to ever complete this legislation. I understand that. But we have had a full debate. We have complied with the rules that apply. And we have made it very clear for days, including before we began this series of votes, that our intent was to go until we concluded.

At this point, let's proceed with the amendments that are pending. I believe Senator FEINGOLD has an amendment that he is ready to offer, and I would be glad to discuss with anybody what the final package of amendments, what list of amendments might be developed, and we will see where we are. I will be glad to yield to Senator NICKLES.

Mr. NICKLES. Mr. President, the majority leader has requested that we proceed with the next vote, and during the next vote Senator REID and I will see if we can't collect a list and come up with a finite list of amendments to see what we have remaining.

The PRESIDING OFFICER. The question is on the Feingold amendment.

Mr. KENNEDY. Mr. President, regular order.

The PRESIDING OFFICER. The Senator from Massachusetts.

Mr. KENNEDY. I am entitled to recognition. I suggest the absence of a quorum.

The PRESIDING OFFICER. A quorum call is not in order at this time.

Mr. KENNEDY. Mr. President, I appeal the decision of the Chair, and I ask for the yeas and nays. I appeal the decision of the Chair and ask for the yeas and nays. I appeal the decision of the Chair, Mr. President. I am entitled to that request.

The PRESIDING OFFICER. Let the Chair state the request.

Mr. KENNEDY. I appeal the decision of the Chair on this, and I ask for the yeas and nays.

The PRESIDING OFFICER. The Senator is appealing the decision of the Chair that a quorum call is not in order at this time while 2 minutes remain on the amendment. Does the Senator seek the yeas and nays on the appeal?

Mr. KENNEDY. Yes, Mr. President.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

Mr. SARBANES. Mr. President, parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Maryland.

Mr. SARBANES. Is it the Chair's ruling that a request for a quorum is not in order because there are still 2 minutes remaining on the amendment?

The PRESIDING OFFICER. The Senator is correct.

Mr. SARBANES. Would a request for a quorum be in order at the conclusion of the 2 minutes?

The PRESIDING OFFICER. The Senator is correct.

Mr. SARBANES. I ask unanimous consent that the Senator from Massachusetts be recognized at the conclusion of the 2 minutes to make his suggestion.

Mr. BUNNING. I object.

The PRESIDING OFFICER. Objection is heard.

The question is, shall the decision of the Chair stand? The yeas and nays have been ordered. The clerk will call the roll.

The legislative clerk called the roll.

Mr. NICKLES. I announce that the Senator from Alaska (Mr. STEVENS) is necessarily absent.

The PRESIDING OFFICER. Are there any other Senators in the Chamber desiring to vote?

The result was announced—yeas 99, nays 0, as follows:

[Rollcall Vote No. 131 Leg.]

YEAS—99

Akaka	Dorgan	Lott
Allard	Durbin	Lugar
Allen	Edwards	McCain
Baucus	Ensign	McConnell
Bayh	Enzi	Mikulski
Bennett	Feingold	Miller
Biden	Feinstein	Murkowski
Bingaman	Fitzgerald	Murray
Bond	Frist	Nelson (FL)
Boxer	Graham	Nelson (NE)
Breaux	Gramm	Nickles
Brownback	Grassley	Reed
Bunning	Gregg	Reid
Burns	Hagel	Roberts
Byrd	Harkin	Rockefeller
Campbell	Hatch	Santorum
Cantwell	Helms	Sarbanes
Carnahan	Hollings	Schumer
Carper	Hutchinson	Sessions
Chafee	Hutchison	Shelby
Cleland	Inhofe	Smith (NH)
Clinton	Inouye	Smith (OR)
Cochran	Jeffords	Snowe
Collins	Johnson	Specter
Conrad	Kennedy	Stabenow
Corzine	Kerry	Thomas
Craig	Kohl	Thompson
Crapo	Kyl	Thurmond
Daschle	Landrieu	Torricelli
Dayton	Leahy	Voinovich
DeWine	Levin	Warner
Dodd	Lieberman	Wellstone
Domenici	Lincoln	Wyden

NOT VOTING—1

Stevens

The ruling of the Chair was sustained as the judgment of the Senate.

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

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

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. The majority leader.

Mr. LOTT. Mr. President, I seek recognition under leader time so I can propound a unanimous consent request and get an understanding as to how we are going to proceed at this point.

First of all, I think it is unfortunate that we see there is a delay being forced. I understand there are Senators who think we have gone late enough tonight and would like for us to resume tomorrow. It is very important we complete this work, and obviously we will not go to any other legislation until we complete this very important work of the people.

I have listened to Senators on both sides of the aisle and am trying to find a way to give Senators a chance to offer their amendments and have them considered. I hope that it will not be delayed indefinitely. Certainly that would be a subversion of the rules, but we will take a time out here and hopefully tomorrow Senators will be prepared to resume our work and bring it to a conclusion.

I believe Senator DASCHLE intends to work with me and the managers of the legislation to try to find a way to bring this debate to a reasonable conclusion. But I emphasize again, we have work we need to do this week, and if we have to go on into Friday or Saturday, I think we should be prepared to do that. Senators on both sides have indicated they would be willing to do that.

MORNING BUSINESS

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

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

WORLD WAR II MEMORIAL

Mr. WARNER. Mr. President, I ask unanimous consent that the Energy Committee be discharged from further consideration of H.R. 1696 regarding construction of the World War II memorial, and the Senate proceed to its immediate consideration.

The PRESIDING OFFICER. Without objection, it is so ordered. The clerk will report the bill by title.

The legislative clerk read as follows:

A bill (H.R. 1696) to expedite the construction of the World War II memorial in the District of Columbia.

There being no objection, the Senate proceeded to consider the bill.

Mr. WARNER. Mr. President, I rise to ask the Senate to act on this, as we have just done. I am honored to do so on behalf of the few in the Senate who served in World War II, Senators INOUYE and STEVENS, with great distinction, I myself with very modest service beginning in 1945 during the closing months of the war.

This memorial is long overdue in recognition of the enormous sacrifice of the men and women of the U.S. military; and, indeed, it is a symbol of the

sacrifices of an entire generation, not only those who went abroad to the battlefields but those here at home and their families.

Mr. President, our former colleague, Robert Dole, was very instrumental in seeing that the financial package and other aspects on this memorial were successful.

Mr. REID. I also say to my friend, I have been impressed with how hard you, Senator INOUYE, and Senator STEVENS have worked on this important issue.

AMENDMENT NO. 745

Mr. WARNER. Mr. President, I understand there is an amendment at the desk submitted by Senator STEVENS and Senator INOUYE, myself, and others, and I ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Virginia [Mr. WARNER], for Mr. STEVENS, for himself, Mr. INOUYE, Mr. THOMPSON, Mr. HOLLINGS, Mr. MURKOWSKI, Mr. BINGAMAN, Mr. THURMOND, Mr. THOMAS, Ms. COLLINS, and Mr. WARNER, proposes an amendment numbered 745.

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

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

The amendment is as follows:

(Purpose: To provide a complete substitute)

Strike all after the enacting clause and insert the following:

SECTION 1. APPROVAL OF WORLD WAR II MEMORIAL SITE AND DESIGN.

Notwithstanding any other provision of law, the World War II Memorial described in plans approved by the Commission of Fine Arts on July 20, 2000 and November 16, 2000, and selected by the National Capital Planning Commission on September 21, 2000 and December 14, 2000, and in accordance with the special use permit issued by the Secretary of the Interior on January 23, 2001, and numbered NCR–NACC–5700–0103, shall be constructed expeditiously at the dedicated Rainbow Pool site in the District of Columbia in a manner consistent with such plans and permits, subject to design modifications, if any, approved in accordance with applicable laws and regulations.

SEC. 2. APPLICATION OF COMMEMORATIVE WORKS ACT.

Elements of the memorial design and construction not approved as of the date of enactment of this Act shall be considered and approved in accordance with the requirements of the Commemorative Works Act (40 U.S.C. 1001 et seq.).

SEC. 3. JUDICIAL REVIEW.

The decision to locate the memorial at the Rainbow Pool site in the District of Columbia and the actions by the Commission of Fine Arts on July 20, 2000 and November 16, 2000, the actions by the National Capital Planning Commission on September 21, 2000 and December 14, 2000, and the issuance of the special use permit identified in section 1 shall not be subject to judicial review.

Mr. STEVENS. Mr. President, I believe that it is time to honor the sacrifices of the World War II generation. Eight years after Congress authorized the construction of this memorial, and six years from the first of 22 public hearings on its site and design, the memorial's construction remains delayed by a procedural issue involving the National Capital Planning Commission (NCPC), one of the agencies required by law to approve the memorial, and a lawsuit filed by a small group of opponents. This legislation would remove those obstacles and require the construction process to promptly go forward.

The legislation accomplishes that goal as follows:

Through sections one and three, the site and design for the World War II Memorial are finalized, expeditious construction is directed, and the prospect of further delay through judicial challenges or other re-considerations of the selected site and design are eliminated. Section one also includes a provision regarding design modifications which is solely intended to address the highly unlikely event that a technical impossibility could occur in the course of construction that might require a limited deviation from the selected design. In light of the careful review the existing plans have already been subject to by the memorial's design, engineering, and construction management professionals, the General Services Administration (GSA), the American Battle Monuments Commission (ABMC), the National Park Service (NPS), the Commission of Fine Arts (CFA) and the National Capital Planning Commission (NCPC), no exercise of this authority is expected. Moreover, as a result of these provisions, funds donated for the Memorial would not be diverted to preparation of the additional mock-up of the Memorial or further presentations on the selected design that have been requested of the NPS by NCPC to administratively redress that agency's procedural issue resolved by this legislation.

The second section directs that the procedural steps of the Commemorative Works Act shall be used for the approval of those few aspects of the Memorial not already finalized. These items are essentially the color of the granite, the flag poles, sculptural elements, the wording of the inscriptions to be placed on the memorial, and final adjustments to the level of lighting. These matters will be presented in due course by the NPS, representing the Secretary of the Interior and acting on behalf of the ABMC, to the two approving commissions designated by the Commemorative Works Act: the CFA and the NCPC.

To further place this legislation in context it is important to briefly describe the extensive, democratic deliberative process through which the site and design were selected.

After receiving Congressional approval in October 1994 to locate the Memorial within the National Monumental Core, many public hearings regarding site selection were conducted including meetings of the National Capital Memorial Commission (NCMC), (May 9 and June 20, 1995), the CFA (July 27 and September 19, 1995), and the NCPC (July 27 and October 5, 1995). In the course of these meetings, the CFA and NCPC, in consultation with the ABMC and NCMC, reviewed eight proposed sites for the Memorial. Through review of these proposals, the possibility of including the Rainbow Pool in the site for the Memorial arose at the June 20, 1995, NCMC public meeting. As the deliberations continued pursuant to the Commemorative Works Act, the appropriateness and potential of the Rainbow Pool as a site for the Memorial became readily apparent. The Rainbow Pool Site was approved at an open, public meeting of the CFA on September 19, 1995, and the NCPC on October 5, 1995. President Clinton formally dedicated the Rainbow Pool site on Veterans' Day 1995.

In 1996, a national two-stage competition to select the designer for the Memorial was conducted in accordance with the GSA's Design Excellence program. Over four hundred entries were reviewed by a distinguished Evaluation Board that selected six competition finalists. From these six finalists, a design jury composed of outstanding architects, landscape architects, architectural critics and WWII veterans, independently and unanimously recommended a design team headed by Friedrich St. Florian of the Rhode Island School of Design. The Evaluation Board concurred and ABMC approved the recommendation on November 20, 1996. On January 17, 1997, President Clinton announced the Friedrich St. Florian team as the winning design team, with Leo A. Daly, a pre-eminent national firm, serving as architect-engineer.

Through the Commemorative Works Act process, the World War II Memorial design underwent three general phases of public review and approval: design concept, preliminary design and final design. The Memorial design has evolved through input and participation by the reviewing commissions and the public. In particular, at public hearings held in July of 1997, both the CFA and the NCPC considered Friedrich St. Florian's initial design concept and reconsidered the approvals of the Rainbow Pool Site. Both commissions reaffirmed selection of the Rainbow Pool site on more than one ocassion; however, both also requested the consideration of substantial changes to the design concept. The design team subsequently undertook extensive efforts to address all concerns raised by the reviewing commissions and the public. Over the course of three years and nine more public meetings, the Memorial design continued to evolve to its finally approved form. As a result of the extensive public participation and careful review by the respective commissions and other governmental agencies, the final design is one which enhances the site, preserves its historic vistas, and preserves the Rainbow Pool by restoring it and making it a part of a national commemorative work.

Finally, in the course of authorizing this Memorial, Congress asked the American people to support the project through voluntary donations. They certainly responded. The memorial fund-raising campaign, under the leadership of Senator Bob Dole and Frederick W. Smith, Chairman and CEO of FedEx Corporation, received financial support from half a million individual Americans, hundreds of corporations and foundations, dozens of civic, fraternal and professional organizations, 48 state legislatures, 1,100 schools, and more than 450 veterans groups representing 11 million veterans providing the funds necessary to construct the Memorial.

I would like to thank my fellow World War II veterans Senator INOUYE, Senator THURMOND, and Senator HOLLINGS for joining me in this amendment. I would also like to thank Senator THOMPSON, Senator MURKOWSKI, Senator BINGAMAN, and Senator THOMAS for their co-sponsorship and for their hard work on this important legislation. I also want to thank the sponsor of this legislation, Congressman STUMP, for all of his work and dedication to insure that World War II veterans will see the monument to their service. It is my hope that the House will act quickly on Congressman STUMP's bill with our amendment. With this legislation, we will ensure that the Memorial is created within the lifetimes of a significant number of those we honor.●

Mr. WARNER. Mr. President, I ask unanimous consent that the amendment be agreed to and the motion to reconsider be laid upon the table.

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

The amendment (No. 745) was agreed to.

Mr. WARNER. Mr. President, I ask unanimous consent the bill, as amended, be advanced to third reading and passed, the motion to reconsider be laid upon the table, and any statements be printed in the RECORD.

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

The bill (H.R. 1696), as amended, was considered read the third time and passed.

Mr. KERRY. Mr. President, the Senate today passed H.R. 1696, legislation authorizing expeditious construction of the World War II Memorial at the Rainbow Pool site on the National Mall in a manner consistent with previously approved plans, but ''subject to design modifications'' that may subsequently be approved by the National Capital Planning Commission and the Commission of Fine Arts under the Commemorative Works Act. In rejecting the original House bill in favor of this legislation, the Senate today recognizes that appropriate modifications to the design may be warranted. The bill permits the National Capital Planning Commission to proceed with its plans to view an on-site mock-up of the memorial and to consider modifications to the design that will ensure that the memorial respects the open, historic character of the Mall, that significant vistas are not obstructed, and that the height and mass of this memorial are appropriate for the site. Consistent with this legislation, such modifications ought to be expeditiously considered and approved by the National Capital Planning Commission and the Commission of Fine Arts so that construction of the memorial may proceed without undue delay.

ECSTASY EXPLOSION

Mr. GRASSLEY. Mr. President, in March I held a hearing on the growing threat of Ecstasy use in America. For a long time we've been hearing that the Ecstasy problem is coming. Well, it's arrived. We heard some disturbing news at this hearing. We heard firsthand testimony from two former users how this ''feel-good'' drug ruined their lives and almost killed them. It's clear to me that this drug is destroying families and lives. Ecstasy, like all drug use, is a serious challenge facing our country.

Ecstasy is a synthetic stimulant. It is called a club drug because it is most commonly used at parties and all-night dance clubs called raves. Its use by youth to enhance the experience of the music and the dancing in clubs, has become very popular. Because it is marketed in clubs, most users are young, as well as most sellers.

At the hearing in March, the White House released the latest Pulse Check report that outlined the recent trends in Ecstasy use. This report confirmed that most users are children and young adults. These drugs are clearly targeted at youths. Ecstasy is found primarily in pill form and manufacturers put cartoons and flashy corporate logos on the pills to make them more appealing.

Ecstasy use is spreading around the country and is affecting all areas. The Pulse Check report shows that both rural and urban areas are experiencing an Ecstasy explosion. In fact, 18 of the 20 cities in the report labeled Ecstasy as an emerging drug. This isn't the drug of the big city anymore, it is now in hometown America.

As the demand is increasing, the availability of Ecstasy is increasing too. The report shows that widespread usage and availability increased dramatically over the past year. Ninety percent of all drug treatment and law enforcement experts say that Ecstasy is readily accessible. If we continue to allow easy access to this drug at clubs and in schools, then this problem will just get worse.

One of the greatest dangers of Ecstasy is how it is used. The report stated that Ecstasy is losing its purity and is now commonly adulterated with other, even more dangerous drugs, such as heroin and amphetamines. Users usually don't know the level of the drug they are taking and will overdose easily. And at parties and dances, Ecstasy is most often taken with several other drugs, most commonly alcohol, but also LSD, marijuana, and cocaine. This deadly cocktail of drugs is making ambulances at clubs an all too common sight. These ambulances, that are now shuttling more unconscious youth than ever before from nightclubs to hospital emergency rooms, are often private ambulances that are hired by the nightclubs themselves. They wait outside the clubs until someone overdoses from the use of Ecstasy, thus bypasing 911 and the attention of the police. My outrage with this practice is heightened by the low level of care and lack of advanced life support that these ambulance crews provide at such dangerous moments. Many youth are not safely making it to hospital emergency rooms.

The situation is becoming an emergency. We need to make it clear to today's youth that this drug is very dangerous and that using it carries heavy consequences. This drug rips apart families and ruins lives at a very young age. Many youth start using this drug before they are old enough to fully grasp the results of their actions. We need to educate our youth and crack down on sellers to combat the increasing availability of this drug. We cannot let this attack on our Nation's youth go unchecked.

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 March 1, 2000 in Salt Lake City, Utah. Two defendants pleaded guilty to misdemeanor assault charges for their part in a 45-minute crime spree that began outside a gay bar. During the crime spree, two people were beaten and three others terrorized. ''Are you a faggot?'' one of the defendants yelled. ''He is a faggot!'' another replied as they chased the first victim to his car and pounded on his vehicle until the victim was able to escape to call the police. Later, the defendants yelled anti-gay slurs and threw beer bottles at another car that had two men in it. Forty-five minutes after the initial attack, the defendants waited outside the gay bar and beat two men who had just exited the bar. One of the defendants told the arresting officer they were ''just out for a good time.''

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 Friday, May 18, 2001, the Federal debt stood at $5,655,505,213,567.79, five trillion, six hundred fifty-five billion, five hundred five million, two hundred thirteen thousand, five hundred sixty-seven dollars and seventy-nine cents.

One year ago, May 18, 2000, the Federal debt stood at $5,672,936,000,000, five trillion, six hundred seventy-two billion, nine hundred thirty-six million.

Twenty-five years ago, May 18, 1976, the Federal debt stood at $605,757,000,000, six hundred five billion, seven hundred fifty-seven million, which reflects a debt increase of more than $5 trillion, $5,049,658,213,567.79, five trillion, forty-nine billion, six hundred fifty-eight million, two hundred thirteen thousand, five hundred sixty-seven dollars and seventy-nine cents during the past 25 years.

ADDITIONALL STATMENTS

TRIBUTE TO BILL ELLISON

• Mr. DEWINE. Mr. President, I rise today to celebrate the life of Bill Ellison, a courageous and heroic man from my home State of Ohio, who died on March 20, 2001, at the age of 38. Bill was a paramedic and firefighter who died of burn injuries he incurred while fighting a house fire in Miami Township, OH. I am honored to recognize him today for his heroism and his commitment and dedication to his local community and State.

Since 1997, Bill Ellison served as a full-time firefighter for Anderson Township, OH, as well as a part-time firefighter for Miami Township. He also worked for the Western Joint Ambulance District. Bill began dedicating himself to his community early on, when, at age 16, he first volunteered for the Melbourne, OH, Fire Department. His exceptional commitment to protecting his community deserves our respect and thanks.

On March 8, 2001, Bill left the Miami Township fire station to respond to a nearby house fire. Upon learning of a possible victim trapped in the house, he joined other firefighters to search for the individual. During the search, Bill fell through the first floor of the home into the basement, where he was knocked unconscious and sustained serious burn injuries. Nearly two weeks after the fire, he passed away as a result of these critical injuries.

Bill's many friends and colleagues often called him ''Doc,'' because he was constantly reading medical texts. They will remember ''Doc'' for his warm and generous heart and his sense of humor. As the father of two daughters, Maryssa and Michaela, and husband to Victoria, Bill Ellison and his legacy will live on through his family and his work.

It is the work of people, like Bill Ellison, that provides us with peace of mind, with the knowledge that there are people who we can count on in case of an emergency. These individuals, who often make grave sacrifices on our behalf, are role models for our communities. I cannot adequately emphasize how important their work, and the work of Bill Ellison, are to our society.

Today, I express my deep gratitude to Bill Ellison, his colleagues, and his family and friends. He did not die in vain, he died in the line of duty to his fellow man. And for that, we will always remember his sacrifices and his life with great respect and admiration.•

HUSKER BASEBALL'S BIG 12 SWEEP

• Mr. NELSON of Nebraska. Mr. President, I would like take this opportunity to commend the University of Nebraska baseball team for winning a third-straight Big 12 Conference Series Championship. Yesterday, in what has become a typical display of terrific teamwork and fierce talent, the Huskers defeated Texas A&M to sweep the series.

The University of Nebraska baseball team boasts a 45–14 record, and now, thanks to their dominance at the Big12 tournament, they will likely earn a top-eight seed on the national level. To add to the excitement, the Huskers will play next month at the College World Series in Omaha, which President Bush is scheduled to attend.

In fact, to honor the President's upcoming trip, I have considered seeking an appropriation for the repainting of Air Force One in Husker Red and putting the block ''N'' on the tail of the plane; however, should that scheme fail, I have an alternate plan to ensure that the President roots for the home team.

Last week, I personally delivered a Huskers baseball cap to the President, and I intend to accompany him aboard Air Force One to make certain he wears it as he disembarks the plane in Nebraska. The College World Series is always exciting, but this year, with our terrific team, the President will have the opportunity to see college baseball at its best.

Again, I offer my heartiest congratulations to each member of the team, and I applaud Coach Dave Van Horn for his leadership. I wish them the very best as they continue to play ball.•

TRIBUTE TO DORIS CASEY

• Mr. GRASSLEY. Mr. President, a recently released study from Duke University found that older Americans are enjoying a more vigorous old age. Fewer people over the age of 65 require nursing home care and more are living on their own, with little or no outside help.

The image of a ''senior citizen'' is dramatically different than it was just a generation ago. Since 1963, the month of May has helped the Nation focus on the contributions and achievements of America's older citizens. Older Americans Month honors the leadership of older persons in our families, workplaces and communities. One of these leaders is an 81-year-old woman from Reinbeck. Doris Casey is a champion for Iowa's older citizens. Through her initiative, concern, and commitment, she has touched the lives of seniors in Reinbeck and throughout northern Iowa.

When the Casey's moved to Reinbeck in 1967, the family planned to stay for only six weeks. As a way to get to know neighbors and make friends, Mrs. Casey began volunteering at the local nursing home once a week and played cards with the residents. Thirty-four years later, Mrs. Casey still lives in Reinbeck. She worked at that nursing home for 17 years and has become a treasured resource in the community for her knowledge and action on senior-related issues. Mrs. Casey has been a member of the Grundy County Commission on Aging for 28 years. She played a key role in starting the county's congregate meal program sixteen years ago. Although the program has since changed to home-delivered meals, Mrs. Casey is still involved. She does the books, takes orders and solicits deliverers. In addition, Mrs. Casey helps coordinate a community meal for approximately 40 seniors in Reinbeck each month.

For the last 27 years, Mrs. Casey has been an active volunteer with the Hawkeye Valley Area Agency on Aging and until recently was a member of their board of directors. The staff at Hawkeye Valley call her a godsend. She volunteers in the administrative office, helps with special projects and answers the hotline for those alleging Medicare fraud and abuse under Operation Restore Trust. Mrs. Casey works hard to ensure that seniors in her community have the latest information on issues affecting their lives. She is a monthly presenter at the county nutrition site and writes a weekly column for her local paper. She provides assistance to those applying for Medicaid and low-income heating assistance, and she serves on the State's consumer Medicare committee. People know that if Mrs. Casey doesn't have the answer on a particular senior issue, she will likely know the person who does.

Last but certainly not least, Mrs. Casey is a caregiver. When her late husband, John, was suffering from Alzheimer's Disease, she served as his full-time caregiver. Mrs. Casey is currently a guardian for a senior with a disability. And, she still visits the local nursing home to share devotions with the residents a few times a year. Mrs. Casey carries out each of these activities with joy, determination and humility. Even a recent hip surgery won't

keep her from carrying on with her duties. Her contributions to the community are many, yet she describes the rewards as all hers.

In one month, Mrs. Casey will turn 82. Happy early birthday, Mrs. Casey. Thank you for your compassion for the people of Reinbeck and the people of Iowa. Your commitment and concern for others is an example to us all that we should contribute to the lives of those around us, no matter what our age.●

IN RECOGNITION OF JIM HETTINGER: PRESIDENT AND EXECUTIVE DIRECTOR OF BATTLE CREEK UNLIMITED

● Mr. LEVIN. Mr. President, I am delighted to speak today to acknowledge a gentleman, from my home State of Michigan, who has served the citizens of Battle Creek, Jim Hettinger. On May 24th of this year, people will gather to pay tribute to Jim Hettinger for his tenure as Executive Director of Battle Creek Unlimited (BCU).

Jim Hettinger has dedicated his professional career, to the development of jobs and opportunities for individuals in the communities where he has worked. For the past twenty years, Jim has served as the president and executive director of Battle Creek Unlimited, Battle Creek's economic development agency.

In the past two decades, Battle Creek has witnessed numerous changes in its economic landscape, but throughout that time period Jim has been working to ensure the economic health and vitality of Battle Creek. As director of Battle Creek Unlimited, Jim Hettinger tirelessly works to promote Battle Creek as an ideal place for businesses to locate. His promotion of Battle Creek has spanned the globe, and has yielded impressive results.

A Michigan native, Jim returned to his home State to work for Battle Creek United after working for the Mid-Missouri Council of Government where he was able to lure a German company to Missouri instead of Battle Creek. However, since arriving in Battle Creek, he has created an industrial park that is recognized as second to none.

Under Jim's guidance, BCU has turned Fort Custer, an abandoned military base, into an industrial park that contains over ninety businesses that provide over 8,000 jobs. The Fort Custer Industrial Park provides good-paying jobs to thousands of individuals by harnessing the dynamism of the global economy. Nearly, three-quarters of the workers in the Ft. Custer Industrial Park are employed by Japanese owned companies. The willingness of international businesses to locate in Battle Creek is testimony to Jim's ability to bridge cultures and convince companies to utilize Battle Creek's world-class workers and receptive business environment.

Jim Hettinger's hard work has been recognized by Michigan Governor John Engler who awarded him the Economic Developer of the Year Award in 1995. Last year, the Counsel General of Japan in Detroit awarded Mr. Hettinger with a ''Certificate of Designation'' on behalf of the Government of Japan.

I hope my Senate colleagues will join me in saluting Jim Hettinger for his career of public service, particularly his efforts to provide quality jobs to the residents of the Battle Creek community while fostering a vibrant and dynamic relationship between the Battle Creek area and Japan.●

MAERSK McKINNEY MOLLER

● Mr. BREAUX. Mr. President, I rise to share with my colleagues a few remarks about a very remarkable gentlemen that visited with me recently. Maersk McKinney Moller is a legendary figure in his native Denmark. And after our meeting, I've come to appreciate even more his ties to the United States and the history he's lived in his 86 years.

Mr. Moller, as some of my colleagues may know, is the owner of the world's largest shipping company—the AP Moller Group. Its U.S. headquarters were founded in 1943, and its U.S. affiliate, Maersk Line, Limited was chartered in Delaware in 1947. Today, it generates employment for approximately 9000 Americans through 10 U.S. corporate entities devoted to ship management, terminal operations, trucking, rail, transportation and logistics services. On a global scale AP Moller controls approximately 250 ships, 53 of which fly the stars and stripes of the United States. It is notably, the largest US-flag commercial fleet in the world.

Mr. Mollers' ties to the United States go back to 1910, well before he was even born. In that year his father, Arnold Peter Moller, married Chastine Estelle McKinney, a native of Kansas City, MO. Returning to Copenhagen, the senior Moller had by 1940 built a fleet of 46 ships, many of which were engaged by the US and its allies in WWII.

April 1940 saw Germany invaded Denmark and young Maersk McKinney Moller's life fundamentally changed. With his bride of five days, he came to the United States. With personal assets blocked by the war, times were financially lean and his lifestyle was modest. The ensuing eight years, however, marked a period that cemented his enduring bond with Americans and admiration for U.S. armed forces.

By the time WWII ended in 1945, 148 Maersk seamen had lost their lives and the Maersk fleet had lost 25 vessels.

That personal history would color much of what followed for Maersk-McKinney. After the war, he and his father rebuilt the AP Moller Group into the global shipping powerhouse it is today. Along the way, he has maintained a close relationship with the United States and her allies in ways that make a significant contribution to our national security.

For nearly 20 years Maersk Lines, Limited, has partnered with the United States Marine Corps to preposition ships and supplies where needed. Maersk ships, in fact, were the first vessels to arrive in Desert Storm and off-load critically needed Marine Corps supplies and equipment.

Prior to Desert Storm, Maersk Line, Limited obtained a secret clearance from the Department of Defense and now has a top-secret clearance to operate sensitive surveillance ships for the US Navy.

I point these things out to my colleagues for a couple of reasons. First, as a matter of general interest, I wish more of my colleagues could have the pleasure of visiting with Mr. Moller. His personal history has imbued him with a very thoughtful approach and seasoned perspective on global issues.

Second, as the man behind the largest commercial fleet of US-flag ships, he has proven to be a valuable partner to our defense interests. His ships and loading facilities and transportation infrastructure have moved literally tons of supplies that support our men and women in uniform.

In the future the Maritime Security Program, MSP, one of the programs critical for maintaining a US-flagged shipping fleet, will need to be reauthorized. During times of critical national need, MSP participants like Maersk Line, Limited are contractually obligated to the statutorily mandated Voluntary Intermodal Sealift Agreement, VISA. I, for one, am reassured to know that a man of Maersk McKinney Moller's stature and integrity is involved so strongly in this aspect of our national defense. He has proven his value to our Nation many times over.●

TOWNS COUNTY MIDDLE SCHOOL LAPTOP PROGRAM

● Mr. MILLER. Mr. President, I want to affirm what TIME magazine has written in its May 21, 2001, issue: Towns County Middle School in Georgia is one of America's ''educational pioneers.''

In my native Towns County, the digital divide has become the digital opportunity. Every middle school student in the county totes a laptop computer from school to home, courtesy of a Federal grant and local donations. Classroom wiring connects the laptops to the Internet, and teachers incorporate the Web into lesson plans. At home, students question teachers online about homework, and teachers email missed assignments to students who are out sick.

In a section called TIME's Schools of the Year, the magazine called this 265-student school ''one of the best-wired middle schools in the U.S.'' and cited it as one of two middle schools in the Nation that has ''found the most promising approaches to the most pressing challenges in education.''

Principal Stephen Smith convinced me as Governor that giving take-home

laptop computers to all middle-schoolers in Towns County would greatly enhance learning. We obtained a grant from the Appalachian Regional Commission and local donations to make this happen, and the program has succeeded beyond anyone's expectations. Test scores and attendance have increased, while discipline referrals have dropped. In addition, parents have become more involved in the school and more of them are earning their GEDs, and borrowing their kids' computers for assignments.

I am very proud of the achievements at Towns County Middle School, and I congratulate Principal Smith, his teachers and all the students and parents on this national recognition.●

FREEDOM TOWER

● Mr. NELSON of Florida. Mr. President, today, the Cuban American National Foundation will dedicate Miami's ''Freedom Tower'' in celebration of Cuban Independence Day. This historic landmark is known to many Cuban political refugees as the ''Ellis Island of the South.'' The Freedom Tower served as an immigration processing center in the 1960's and 1970's and became a symbol of democracy and freedom to Cubans fleeing from tyranny and oppression. I rise today to recognize not only this dedication, but the hard work and sacrifice of the Cuban Americans in Florida who have added so much to our Nation, and who, through their work to restore the Freedom Tower, have given us yet another gift.●

HONORING ALBERT GAMPER, GEORGE RING, AND ROSE CALI

● Mr. TORRICELLI. Mr. President I rise today to recognize Albert R. Gamper, George M. Ring, and Rose Cali as they are honored by the New Jersey Network for their outstanding commitment to the young citizens of New Jersey, education and community-building.

Mr. Ring, a lifelong resident of New Jersey, has been an extremely active and generous citizen with public institutions, from the NJN Foundation to St. Barnabas Health Care Systems to Rutgers University, and the New Jersey Performing Arts Center. Mr. Gamper has devoted countless hours and tremendous energy to organizations that touch the lives of thousands of New Jersey's families.

I also wanted to salute Mr. Ring for his commitment to our Nation. He put his life on the line for this country when he served in the military and has received various distinguished medals for his many achievements, valor and dedicated service to America.

Ms. Cali, founder of the Yogi Berra Museum and Learning Center, has invested much of her time into education and the arts. As a board member of a major State educational institution of higher learning and as a board member of her community's museum, she has made critical contributions in both of these areas and continues to do so. I applaud her efforts.

New Jersey has been blessed with residents such as Mr. Gamper, Mr. Ring, and Ms. Cali who have made a great effort to make a difference. It is both an honor and an inspiration to recognize the dedication of these individuals and the impact they have on the community at large. I commend all three for their commitment and generosity to New Jersey and her residents.●

MESSAGES FROM THE PRESIDENT

Messages from the President of the United States were communicated to the Senate by Ms. Evans, 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.)

REPORT ON U.S. TRADE AND INVESTMENT POLICY TOWARD SUB-SAHARAN AFRICA AND IMPLEMENTATION OF THE AFRICAN GROWTH AND OPPORTUNITY ACT—MESSAGE FROM THE PRESIDENT—PM 21

The PRESIDING OFFICER laid before the Senate the following message from the President of the United States, together with an accompanying report; which was referred to the Committee on Finance.

To the Congress of the United States:

As required by section 106 of title I of the Trade and Development Act of 2000 (Public Law 106–200), I transmit herewith the 2001 Comprehensive Report of the President on U.S. Trade and Investment Policy toward Sub-Saharan Africa and Implementation of the African Growth and Opportunity Act.

GEORGE BUSH.

THE WHITE HOUSE, *May 18, 2001*.

MEASURES REFERRED

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

H.R. 1696. An act to expedite the construction of the World War II memorial in the District of Columbia; to the Committee on Energy and Natural Resources.

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–1920. A communication from the Regulations Coordinator of the Administration For Children and Families, Department of Health and Human Services, transmitting, pursuant to law, the report of a rule entitled ''Runaway and Homeless Youth Program'' (RIN0970–AC04) received on May 14, 2001; to the Committee on Health, Education, Labor, and Pensions.

EC–1921. A communication from the Chairman of the United States Nuclear Regulatory Commission, transmitting, the Commission's Report on Licensing Activities and Regulatory Duties for March 2001; to the Committee on Environment and Public Works.

EC–1922. A communication from the Deputy Secretary of Defense, transmitting, pursuant to law, the 2001 Report on National Defense Stockpile (NDS) Requirements; to the Committee on Armed Services.

EC–1923. A communication from the Federal Register Liaison Officer Alternate, Office of Thrift Supervision, Department of the Treasury, transmitting, pursuant to law, the report of a rule entitled ''Conversion from Stock Form Depository Institution to Federal Stock Association'' (RIN1550–AB45) received on May 3, 2001; to the Committee on Banking, Housing, and Urban Affairs.

EC–1924. A communication from the Acting Assistant Attorney General, Office of Legislative Affairs, Department of Justice, transmitting, pursuant to law, a report relative to the impact of the Twenty-First Amendment Enforcement Act; to the Committee on the Judiciary.

EC–1925. A communication from the Chairman of the Federal Energy Regulatory Commission, transmitting, pursuant to law, a report entitled ''Hydroelectric Licensing Policies, Procedures, and Regulations Comprehensive Review and Recommendations''; to the Committee on Energy and Natural Resources.

EC–1926. A communication from the Acting Assistant Secretary for Land Minerals Management, Minerals Management Service, Department of the Interior, transmitting, pursuant to law, the report of a rule entitled ''Establishing Oil Value for Royalty Due on Federal Leases'' (RIN1010–AC09) received on May 9, 2001; to the Committee on Energy and Natural Resources.

EC–1927. A communication from the Principal Deputy Associate Administrator of the Environmental Protection Agency, transmitting, pursuant to law, the report of a rule entitled ''National Primary Drinking Water Regulations; Arsenic and Clarifications to Compliance and New Source Contaminants Monitoring: Delay of Effective Date'' (FRL6983–8) received on May 18, 2001; to the Committee on Environment and Public Works.

EC–1928. A communication from the Principal Deputy Associate Administrator of the Environmental Protection Agency, transmitting, pursuant to law, the report of a rule entitled ''Notice of Availability of Funds for Source Water Protection'' (FRL6984–2) received on May 18, 2001; to the Committee on Environment and Public Works.

EC–1929. A communication from the Principal Deputy Associate Administrator of the Environmental Protection Agency, transmitting, pursuant to law, the report of a rule entitled ''Revisions to the California and Arizona State Implementation Plans, Antelope Walley Air Pollution Control District and Maricopa County Environmental Services Department'' (FRL6982–6) received on May 18, 2001; to the Committee on Environment and Public Works.

EC–1930. A communication from the Principal Deputy Associate Administrator of the

Environmental Protection Agency, transmitting, pursuant to law, the report of a rule entitled ''Withdrawal of Direct Final Rule, Guidelines Establishing test Procedures for the Analysis of Pollutants Under the Clean Water Act; National Primary Drinking Water Regulations and National Secondary Drinking Water Regulations; Methods Update'' (FRL6974–7) received on May 18, 2001; to the Committee on Environment and Public Works.

EC–1931. A communication from the Chief of the Regulations Unit, Internal Revenue Service, Department of the Treasury, transmitting, pursuant to law, the report of a rule entitled ''Applicable Federal Rates—June 2001'' (Rev. Rul. 2001–27) received on May 17, 2001; to the Committee on Finance.

EC–1932. A communication from the Chief of the Regulations Unit, Internal Revenue Service, Department of the Treasury, transmitting, pursuant to law, the report of a rule entitled ''TD 8945; Taxable Fuel Measurements'' (RIN1545–AY85) received on May 17, 2001; to the Committee on Finance.

EC–1933. A communication from the Director of the Office of Regulations Management, Veterans Benefits Administration, Department of Veterans Affairs, transmitting, pursuant to law, the report of a rule entitled ''U.S. Flags for Burials of Certain Members of the Selected Reserve'' (RIN2900–AK56) received on May 17, 2001; to the Committee on Veterans' Affairs.

EC–1934. A communication from the Program Analyst of the Federal Aviation Administration, Department of Transportation, transmitting, pursuant to law, the report of a rule entitled ''Parachute Operations'' (RIN2120–AG52) received on May 17, 2001; to the Committee on Commerce, Science, and Transportation.

EC–1935. A communication from the Program Analyst of the Federal Aviation Administration, Department of Transportation, transmitting, pursuant to law, the report of a rule entitled ''Flight Crewmember Flight Time Limitations and Rest Requirements; Notice of Enforcement Policy'' (RIN2120–ZZ35) received on May 17, 2001; to the Committee on Commerce, Science, and Transportation.

EC–1936. A communication from the Associate Chief of the Accounting Policy Division, Common Carrier Bureau, Federal Communication Commission, transmitting, pursuant to law, the report of a rule entitled ''2000 Biennial Review—Review of Policies and Rules Concerning Unauthorized Changes of Consumer Long Distance Carriers; Implementation of the Subscriber Carrier Selection Changes Provisions of the Telecommunications Act of 1996; Policies and Rules Concerning Unauthorized Changes of Consumers Long Distance Carriers'' (Doc. Nos. 00–257 and 94–129) received on May 17, 2001; to the Committee on Commerce, Science, and Transportation.

EC–1937. A communication from the Acting Director of the Office of Sustainable Fisheries, National Marine Fisheries Service, Department of Commerce, transmitting, pursuant to law, the report of a rule entitled ''Fisheries of the Exclusive Economic Zone Off Alaska; Sharpchin and Northern Rockfish in the Bering Sea and Aleutian Islands Management Area'' received on May 17, 2001; to the Committee on Commerce, Science, and Transportation.

EC–1938. A communication from the Acting Director of the Office of Sustainable Fisheries, National Marine Fisheries Service, Department of Commerce, transmitting, pursuant to law, the report of a rule entitled ''Fisheries off West Coast States and in the Western Pacific; Pacific Coast Groundfish Fishery; Annual Specifications and Management Measures; Corrections; Trip Limit Adjustment'' received on May 17, 2001; to the Committee on Commerce, Science, and Transportation.

EC–1939. A communication from the Attorney/Advisor, Department of Transportation, transmitting, pursuant to law, the report of a nomination confirmed for the position of Deputy Secretary; to the Committee on Commerce, Science, and Transportation.

EC–1940. A communication from the Assistant Legal Adviser for Treaty Affairs, Department of State, transmitting, pursuant to law, the report of the texts and background statements of international agreements, other than treaties; to the Committee on Foreign Relations.

EC–1941. A communication from the Acting Assistant Secretary of Legislative Affairs, Department of State, transmitting, pursuant to law, the report of the certification of a proposed Manufacturing License Agreement with Sweden; to the Committee on Foreign Relations.

EC–1942. A communication from the Executive Director of the Committee for Purchase from People Who Are Blind or Severely Disabled, transmitting, pursuant to law, the report of additions to the procurement list received on May 17, 2001; to the Committee on Governmental Affairs.

EC–1943. A communication from the Acting Chairman of the Securities and Exchange Commission, transmitting, pursuant to law, the Annual Performance Report for Fiscal Year 2000 and the Annual Performance Plan for Fiscal Year 2002; to the Committee on Governmental Affairs.

EC–1944. A communication from the Executive Director for the Committee for Purchase From People Who Are Blind or Severely Disabled, transmitting, pursuant to law, the report of additions to the procurement list received on May 17, 2001; to the Committee on Governmental Affairs.

EC–1945. A communication from the Director of Regulations Policy and Management, Food and Drug Administration, Department of Health and Human Services, transmitting, pursuant to law, the report of a rule entitled ''Medical Devices; Medical Reporting Regulations; Technical Amendment'' (Doc. No. 98N–0170) received on May 17, 2001; to the Committee on Health, Education, Labor, and Pensions.

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–56. A joint memorial adopted by the Senate of the Legislature of the State of Washington relative to the Leavenworth National Fish Hatchery; to the Committee on Environment and Public Works.

SENATE JOINT MEMORIAL 8006

Whereas, The Leavenworth National Fish Hatchery located on the Icicle River, a tributary of the Wenatchee River, and operated by the United States Fish and Wildlife Service, performs the admirable function of producing spring chinook salmon, providing benefits to the entire Columbia River region; and

Whereas, The Icicle River is a watershed that is home to three fish species, chinook salmon, steelhead trout, and bull trout, that are currently listed as threatened or endangered under the federal endangered species act; and

Whereas, Watershed restoration efforts are being undertaken on a large scale by the State of Washington, treaty Indian tribes, public utility districts, county, local, and city governments, and local volunteer groups, to assist the recovery of Icicle River and Wenatchee River salmon and trout; and

Whereas, The Leavenworth National Fish Hatchery currently utilizes a water withdrawal design that does not provide proper protection for salmon and trout, some of which are naturally spawned endangered steelhead trout, endangered spring run chinook salmon, or threatened bull trout; and

Whereas, Operation of the Leavenworth National Fish Hatchery could be modified with construction of fish passage devices that would result in no jeopardy to listed salmon and trout;

Now, therefore, Your Memorialists respectfully pray that the United States Fish and Wildlife Service will make the proper modifications, in a timely manner, to the water withdrawal structure at the Leavenworth National Fish Hatchery so that its operation will be consistent with the federal endangered species act.

Be it resolved, That the United States Fish and Wildlife Service apply for sufficient funding to construct the fish passage modifications necessary at the Leavenworth National Fish Hatchery, and that Congress shall see fit to appropriate the necessary funds;

Be it further resolved, That copies of this Memorial be immediately transmitted to the Honorable George W. Bush, President of the United States, the United States Fish and Wildlife Service, the President of the United States Senate, the Speaker of the House of Representatives, and each member of Congress from the State of Washington.

POM–57. A joint resolution adopted by the Legislature of the State of Montana relative to the reduction of Forest Fuels; to the Committee on Energy and Natural Resources.

JOINT RESOLUTION

Whereas, the United States Forest Service was first organized to protect the national forests from fire and to provide a sustainable supply of timber, water, goods, and services for the people of the United States; and

Whereas, citizens of Montana and communities throughout the western United States still depend on the prudent stewardship, the sustained utilization of resources, and the steady production of goods and services from the multiple use management of public lands in those western states; and

Whereas, the April 1999 U.S. General Accounting Office report, ''Western National Forests, a Cohesive Strategy is Needed to Address Catastrophic Wildfire Threats'' states, ''the most extensive and serious problem related to the health of national forests in the interior West is the overaccumulation of vegetation, which has caused an increasing number of large, intense, uncontrollable, and catastrophically destructive wildfires''; and

Whereas, the April 2000 U.S. Forest Service report, ''Protecting People and Sustaining Resources in Fire-Adapted Ecosystems: A Cohesive Strategy'' in response to the General Accounting Office report, confirmed the conclusion stated above and further warns ''Without increased restoration treatments in these ecosystems wildland fire suppression costs, natural resource losses, private property losses, and environmental damage are certain to escalate as fuels continue to accumulate and more acres become high-risk.'', and the report also specifies that, at a low intensity, fire is ecologically beneficial and has positive effects on biodiversity, soil productivity, and water quality; and

Whereas, the U.S. Forest Service further acknowledges that 39 million acres of national forest are at significant risk of catastrophic wildfire and an additional 26 million acres will be at similar risk due to increases

in the mortality of trees and brush caused by insects and disease; and

Whereas, catastrophic wildfires, such as those in California in 1993, Florida in 1998, and Montana and Idaho in 2000, are recognized as among the defining natural disasters of the past decade; and

Whereas, the conflagrations that engulfed hundreds of thousands of acres in Montana during 2000 caused millions of dollars of damage to the property of residents; and

Whereas, catastrophic wildfires not only cause damage to the forests and other lands, but place the lives of firefighters at risk and pose threats to human health, personal property, sustainable ecosystems, air quality, and water quality; and

Whereas, the escaped Cerro Grande Prescribed Fire in May, 2000, which consumed 48,000 acres and destroyed 400 homes with losses exceeding $1 billion in Los Alamos, New Mexico, and the escaped Lowden Prescribed Fire in 1999 that destroyed 23 homes in Lewiston, California, highlight the unacceptable risks of using prescribed burning if prescribed burning, as reported, was the sole forest management practice of the subject federal land management agencies; and

Whereas, high-risk forest fuel has accumulated in combination with reduced fire response capability by federal agencies during the 1990s, resulting in catastrophic wildfires becoming more difficult and expensive to extinguish with a disproportionate burden being placed on state and local resources, the costs to fight these fires has increased by 150% between 1986 and 1994, and the costs of maintaining a readiness force has increased by 70% between 1992 and 1997; and

Whereas, current planning efforts of the U.S. Forest Service, such as the Sierra Nevada Framework, the Interior Columbia Basin Ecosystem Management Project, the Roadless Initiative, and the federal monument proclamations rely primarily on the extensive use of prescribed fire, which will further exacerbate the risk of catastrophic wildfires on federal lands throughout the West: Now, therefore, be it

Resolved by the Senate and the House of Representatives of the State of Montana:

(1) That in the interest of protecting the integrity and posterity of Montana's forests, wild lands, wildlife habitat, watersheds, air quality, human health and safety, and private property, the U.S. Forest Service and other federal land management agencies are urged to immediately implement a cohesive strategy to reduce the overabundance of forest fuels that place these resources at high risk of catastrophic wildfire.

(2) That the agencies are urged to utilize an appropriate mix of fire suppression activities and forest management methodologies, including selective thinning, selective harvesting, grazing, the removal of excessive ground fuels, small-scale prescribed burns, and the increased use of private, local, and state contracts for prefire treatments on federal forest lands.

(3) That the Legislature urges that more effective fire suppression in federal forest lands be pursued through increased funding of mutual aid agreements with state and local public firefighting agencies.

(4) That in the interest of forest protection and rural community safety, the federal Department of Agriculture and the Department of Interior are urged to immediately draft, for public review and adoption, a national prescribed fire strategy for public lands that creates a process for the evaluation of worst case scenarios that present a risk of escaped prescribed fires and identifies alternatives that will achieve the land management objectives while minimizing the risk and use of prescribed fire, and that this strategy be incorporated into any regulatory land use planning program that proposes the use of prescribed fire as a management practice. Be it further

Resolved, That the Secretary of State send copies of this resolution to President George W. Bush, Vice President Richard Cheney, Department of Interior Secretary Gale Norton, Department of Agriculture Secretary Ann Veneman, the Governors of Montana, Idaho, Washington, Oregon, California, Nevada, Utah, Wyoming, South Dakota, Colorado, Arizona, and New Mexico, Montana's Congressional Delegation, the Chief of the U.S. Forest Service, the Director of the U.S. Park Service, and the Director of the Bureau of Land Management.

POM–58. A joint resolution adopted by the Legislature of the State of Montana relative to electricity prices in the West; to the Committee on Energy and Natural Resources.

JOINT RESOLUTION

Whereas, wholesale prices of electricity have soared to unprecedented levels, reaching as high as 30 times the prices of a year ago; and

Whereas, many of the state's largest businesses purchase power at rates tied to wholesale price indices, and a growing number of these businesses have been compelled to curtail production or cease operations altogether and lay off hundreds of workers because of high energy costs; and

Whereas, wholesale price increases will lead to sharp increases in retail electricity prices for business, agricultural, and residential consumers in Montana in the near future, with potentially devastating economic consequences; and

Whereas, high wholesale energy prices threaten the solvency of utilities in Montana and throughout the Northwest region; and

Whereas, taxpayer-supported public entities such as the Montana university system, other public schools, and local governments face unanticipated cost increases for energy and may have to scale back their operations to meet these costs; and

Whereas, the Federal Energy Regulatory Commission exercises jurisdiction over wholesale power generation sold in interstate commerce; and

Whereas, actions taken to date by the federal Department of Energy and the Federal Energy Regulatory Commission to address problems in the wholesale market have not resulted in any meaningful reduction in wholesale power prices; and

Whereas, in December 2000 and in January, 2001 the United States Secretary of Energy issued orders requiring certain energy entities to generate, deliver, interchange, and transmit electrical energy when requested by the California independent system operator, and these orders have been extended on repeated additional occasions; and

Whereas, several of the companies that received the energy from these entities are in an unstable financial condition, and there are serious questions about their ability to meet their obligations to pay for this electricity; and

Whereas, without strong and immediate action by the federal government to lower wholesale power prices, Montana and other western states could suffer long-term and irreversible economic harm: Now, therefore, be it

Resolved by the Senate and the House of Representatives of the State of Montana: That the President of the United States, the U.S. Department of Energy, and the Federal Energy Regulatory Commission take strong, short-term measures to reduce wholesale prices throughout the Western region; be it further

Resolved, That the new administration act immediately to develop and implement a long-term strategy to reform the wholesale energy market to avoid continued price spikes that threaten to undermine the prosperity of the western United States; be it further

Resolved, That the new administration commit to providing assistance to low-income citizens who are most at risk from volatile energy prices; be it further

Resolved, That the federal government commit to allowing the western states to work toward fulfilling the region's energy supply needs through existing relationships and to refraining from any additional orders directing suppliers to provide electricity to California; be it further

Resolved, That copies of this resolution be immediately transmitted to the Honorable George W. Bush, President of the United States, the Honorable Spencer Abraham, Secretary of Energy, the members of the Federal Energy Regulatory Commission, the President of the United States Senate, the Speaker of the House of Representatives, and each member of Congress from the state of Montana.

POM–59. A joint resolution adopted by the Legislature of the State of Washington relative to the trade of upland acquacultural products in relations with Canada; to the Committee on Finance.

SENATE JOINT MEMORIAL 8016

Whereas, The upland aquaculture industry in Washington state produce high-quality, pathogen-free, nonanadromous upland products for sale to public agencies and private companies throughout the world; and

Whereas, Washington state's upland acquaculture industry employs hundreds of people in well-paying, technical positions located in many rural communities throughout the state, generating forty million dollars worth of products; and

Whereas, Canadian customers have expressed the desire to purchase high-quality aquacultural products from Washington state producers; and

Whereas, Many customers in the United States currently purchase aquacultural products from Canada; and

Whereas, Increased freedom to engage in the commercial trade of upland aquacultural products between the United States and Canada will only help our two nations grow more prosperous;

Now, therefore, Your Memorialists respectfully pray that the government of the United States emphasize the importance of the free and fair trade of upland aquacultural products in its relations with the government of Canada.

Be it resolved, That copies of this Memorial be immediately transmitted to the Honorable George W. Bush, President of the United States, the President of the United States Senate, the Speaker of the House of Representatives, and each member of Congress from the State of Washington.

POM–60. A resolution adopted by the Senate of the Legislature of the State of Pennsylvania relative to veterans benefits; to the Committee on Veterans' Affairs.

SENATE RESOLUTION

Whereas, All Americans owe a great debt of gratitude to our military veterans for their brave and unselfish service to protect and defend the United States and all of its citizens; and

Whereas, Many World War II and Korean War veterans are retired and some have serious health problems that require prompt attention; and

Whereas, It is estimated that 16% of the 700,000 veterans from the Persian Gulf War are receiving disability compensation and/or

treatment which further compounds the pressure on an already strained health service delivery system; and

Whereas, Some of these veterans are waiting seven to ten months to become eligible for benefits to which they are entitled; and

Whereas, Recent news accounts indicate that over the last several years the waiting list to see a physician for initial approval of benefits at the Lebanon Veterans Administration Medical Center alone has grown to approximately 4,600 veterans; and

Whereas, It is believed that the same or similar situation exists at our other veterans administration medical centers throughout this commonwealth and our nation; therefore be it

Resolved, That the Senate of the Commonwealth of Pennsylvania memorialize the President and the Congress of the United States to take steps to reduce the waiting lists that have developed over the last several years and end the unfortunate delay of benefits that have been earned by the deserving veterans of our United States military services; and be it further

Resolved, That copies of this resolution be transmitted to the President of the United States, to the presiding officers of each house of Congress and to each member of Congress from Pennsylvania.

POM–61. A concurrent resolution adopted by the House of the Legislature of the State of Hawaii relative to Americans interned during World War II; to the Committee on the Judiciary.

HOUSE CONCURRENT RESOLUTION 50

Whereas, during World War II, approximately 120,000 Japanese Americans and permanent resident aliens of Japanese ancestry were interned, relocated, or evacuated from their homes in the United States because of their race; and

Whereas, nearly fifty years later the country apologized for this grave injustice, and passed the Civil Liberties Act of 1988, authorizing payments of $20,000 to each such person who suffered as a result; and

Whereas, the Civil Liberties Act does not cover or even address the Japanese of Latin American ancestry who were interned in the United States during World War II; and

Whereas, during World War II, the United States put pressure on thirteen nations in Central and South America to deport to the United States and intern their citizens and legal residents of Japanese of Latin American ancestry; and

Whereas, 2,264 Japanese Latin Americans were so deported and interned: nearly nine hundred were involuntarily exchanged for prisoners of war and of the one thousand four hundred who remained in United States concentration camps, more than one thousand were deported to Japan after the war and the majority of the remainder forced to work for subminimum wages on farms, twelve hours a day, seven days a week; and

Whereas, a small token apology was made in 1998 resulting from settlement of the case of *Mochizuki* v. *United States*, in which the United States offered an apology and a token settlement of $5000, to be paid from the 1988 Civil Liberties Act fund as long as the moneys were available; and

Whereas, the monetary reparation is symbolic and the discrepancy between the reparations given to the Japanese Americans and the Japanese Latin Americans is insulting, painful, and denies the very real fact that these people were ripped from their homes, deported to another country, and classified as ''illegal enemy aliens'' after the war; and

Whereas, section 23 of the 1999 *Mochizuki* v. *United States* agreement, that gave nominal reparations to a limited number of Japanese Latin Americans provides: ''Nothing in this agreement shall be deemed to override any subsequent legislative enactment designed to compensate class members''; and

Whereas, the approximately one thousand five hundred surviving interned Japanese Latin Americans are rapidly passing away and the equalization of reparations should be done while they can appreciate its symbolism; and

Whereas, justice dictates that the suffering of the interned Japanese of Latin American ancestry be recognized and that this wrong be righted; now, therefore, be it

Resolved by the house of Representatives of the Twenty-first Legislature of the State of Hawaii, Regular Session of 2001, the Senate concurring, That Hawaii's congressional delegation is urged to support and co-sponsor legislation in Congress to equalize reparations for Japanese of Latin American ancestry interned during World War II; and be it further

Resolved That certified copies of this Concurrent Resolution be transmitted to the President of the United States, the Speaker of the United States House of Representatives, the President of the United States Senate, and the members of Hawaii's congressional delegation.

POM–62. A resolution adopted by the House of the Legislature of the State of Hawaii relative to Hawaii Volcanoes National Park; to the Committee on Energy and Natural Resources.

HOUSE RESOLUTION 56

Whereas, the Volcanoes National Park on the Big Island consisting of 217,000 acres is one of only two national parks in this State; and

Whereas, the Volcanoes National Park attracts about 1,500,000 visitors each year who enjoy the natural beauty of the lava fields, native forests, and ocean cliffs; and

Whereas, a large parcel of land lying to the south and west of the Volcanoes National Park known as Kahuku Ranch consisting of 117,000 acres has come up for sale; and

Whereas, the Kahuku Ranch is a piece of real estate that contains outstanding geological, biological, and cultural, scenic, and recreational value; and

Whereas, the National Park Service since 1945 has recognized that the property contained nationally significant resources and in fact, in its 1975 Master Plan, the National Park service identified the property as a ''potential addition to improve the geological, ecological, and scenic integrity of Hawaii Volcanoes National Park''; and

Whereas, this sale offers an opportunity rarely imagined because it gives the National Park Service an excellent chance to expand and protect native plants and archaeological sites from destruction; and

Whereas, this opportunity can benefit current and future generations of residents and tourists, because expansion of the of the Volcanoes National Park will preserve more open space, add to the natural environment, protect affected native species, and preserve cultural and historical sites; and

Whereas, the Volcanoes National Park has been soliciting comments from the public regarding possible purchase of Kahuku Ranch and addressing the concerns of access for hunters, cultural practices, educational purposes, jobs, and small business opportunities; now, therefore, be it

Resolved by the House of Representatives of the Twenty-first Legislature of the State of Hawaii, Regular Session of 2001, That this body supports the acquisition of Kahuku Ranch by the United States National Park Service for expansion of the Hawaii Volcanoes National Park; and be it further

Resolved That certified copies of this Resolution be transmitted to the Superintendent, Hawaii Volcanoes National Park; the Speaker of the United State House of Representative; the President of the United States Senate; and to the meeting of Hawaii's congressional delegation.

POM–63. A resolution adopted by the City Counsel of the City of Westminster, California relative to the Republic of Vietnam; to the Committee on Foreign Relations.

POM–64. A resolution adopted by the City Counsel of Strongsville, Ohio relative to the Domestic Steel Industry; to the Committee on Finance.

POM–65. A concurrent resolution adopted by the House of the Legislature of the State of Ohio relative to tax relief; to the Committee on Finance.

HOUSE RESOLUTION 35

Whereas, Federal taxes are the highest they have ever been during peacetime; and

Whereas, All taxpayers should be allowed to keep more of their own money; and

Whereas, One way to encourage economic growth is to cut marginal tax rates across all tax brackets; and

Whereas, Under current tax law, low-income workers often pay the highest marginal rates; and

Whereas, President Bush's tax relief plan will contribute to raising the standard of living for all Americans; and

Whereas, President Bush's tax relief plan will increase access to the middle class for hard working families, treat all middle class families more fairly, encourage entrepreneurship and growth, and promote charitable giving and education; and

Resolved, That the House of Representatives of the State of Ohio requests the Congressional delegation of the State of Ohio to support and work to pass a tax relief plan and, in doing so, give due consideration of the plan offered by President Bush; and be it further

Resolved, That the House of Representatives, in considering a tax relief plan, place a priority on fair distribution of relief to all Americans, including the lowest wage earners, consider other avenues to relief, such as a reduction in payroll taxes, consider the implications of a plan on programs aiding children, veterans and the poor, and consider a trigger mechanism to adjust the reduction if revenue estimates prove inaccurate.

Resolved, That the Clerk of the House of Representatives transmit duly authenticated copies of this Resolution to the President of the United States, to the members of the Ohio Congressional delegation, to the Speaker and Clerk of the United States House of Representatives, to the President Pro Tempore and Secretary of the United States Senate, and to the news media of Ohio.

POM–66. A resolution adopted by the Senate of the Legislature of the State of Ohio relative to the New Markets for State-Inspected Meat Act; to the Committee on Agriculture, Nutrition, and Forestry.

SENATE RESOLUTION 126

Be it resolved by the Senate of the State of Ohio:

Whereas, In 1967, the Wholesome Meat Inspection Act and the Wholesome Poultry Products Act authorized any state with an inspection program certified by the United States Department of Agriculture as at least equal to the federal program to inspect meat and poultry products for distribution within the state's borders. Currently, the United States Department of Agriculture primarily regulates large meat-packing operations, and state inspection programs have developed expertise in addressing the unique needs of small meat-packing operations; and

Whereas, In spite of the fact that state programs must be at least equal to the federal program, a ban exists on the interstate shipment of state-inspected meat. However, meat that is inspected in foreign countries is not prohibited from being sold in this country; and

Whereas, The ban on the interestate shipment of state-inspected meat has a chilling effect on the growth and prosperity of small meat packers in this country. Not only do the small operations face competition from large domestic meat packers, they are forced to sit idly by while foreign operations have access to purchasers who are off-limits to the small packers; and

Whereas, The New Markets for State-Inspected Meat Act of the 106th United States Congress reinforced a single safety standard between the state programs and the United States Department of Agriculture for all meat and poultry inspections and authorized the interestate shipment of state-inspected products. The proposed law thus provided equal participation in the meat industry for all meat packers while ensuring that the health of consumers would not be compromised. However, the Congress adjourned without enacting it; now therefore be it

Resolved, That the Senate of the State of Ohio urges the 107th Congress of the United States to reintroduce and pass the New Markets for State-Inspected Meat Act as a means of assisting small meat-packing operations and to restore fairness to the meat industry in this country; and be it

Resolved, That the Clerk of the Senate transmit duly authenticated copies of this resolution to the Speaker and Clerk of the United States House of Representatives, to the President Pro Tempore and Secretary of the United States Senate, to the members of the Ohio Congressional delegation, and to the news media of Ohio.

EXECUTIVE REPORTS OF COMMITTEE

The following executive reports of committee were submitted:

By Mr. WARNER for the Committee on Armed Services.

Alfred Rascon, of California, to be Director of Selective Service.

David S.C. Chu, of the District of Columbia, to be Under Secretary of Defense for Personnel and Readiness.

Gordon England, of Texas, to be Secretary of the Navy.

Thomas E. White, of Texas, to be Secretary of the Army.

James G. Roche, of Maryland, to be Secretary of the Air Force.

(The above nominations were reported with the recommendation that they be confirmed subject to the nominees' commitment to respond to requests to appear and testify before any duly constituted committee of the Senate.)

By Mr. WARNER for the Committee on Armed Services.

The following Air National Guard of the United States officer for appointment in the Reserve of the Air Force to the grade indicated under title 10, U.S.C., section 12203:

To be brigadier general

Col. Van P. Williams Jr., 0000.

(The above nomination was reported with the recommendation that it 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. SCHUMER:

S. 915. A bill to amend the Internal Revenue Code of 1986 to allow the Secretary of the Treasury to disclose taxpayer identity information through mass communications to notify persons entitled to tax refunds; to the Committee on Finance.

By Mr. KOHL (for himself, Ms. SNOWE, Mr. BAYH, Mr. GRAHAM, Mr. JOHNSON, Mr. LIEBERMAN, Mr. ROCKEFELLER, Mr. BREAUX, and Mrs. LINCOLN):

S. 916. A bill to provide more child support money to families leaving welfare, and for other purposes; to the Committee on Finance.

By Ms. COLLINS (for herself, Mr. BINGAMAN, Mr. GRASSLEY, Mr. DASCHLE, Mr. JEFFORDS, Mr. SARBANES, Mr. HARKIN, Mr. CORZINE, and Mr. LEAHY):

S. 917. A bill to amend the Internal Revenue Code of 1986 to exclude from gross income amounts received on account of claims based on certain unlawful discrimination and to allow income averaging for backpay and frontpay awards received on account of such claims, and for other purposes; to the Committee on Finance.

By Ms. SNOWE (for herself, Mr. KOHL, Mr. BAYH, Mr. GRAHAM, Mr. JOHNSON, Mr. LIEBERMAN, Mr. ROCKEFELLER, Mr. BREAUX, and Mrs. LINCOLN):

S. 918. A bill to provide more child support money to families leaving welfare, to simplify the rules governing the assignment and distribution of child support collected by States on behalf of children, to improve the collection of child support, and for other purposes; to the Committee on Finance.

By Mr. THURMOND:

S. 919. A bill to require the Secretary of Energy to study the feasibility of developing commercial nuclear energy production facilities at existing Department of Energy sites; to the Committee on Energy and Natural Resources.

By Mr. BREAUX (for himself, Mr. JEFFORDS, Mr. GRAHAM, Mr. CHAFEE, and Mr. LEVIN):

S. 920. A bill to amend the Internal Revenue Code of 1986 to provide a credit against income tax to individuals who rehabilitate historic homes or who are the first purchasers of rehabilitated historic homes for use as a principal residence; to the Committee on Finance.

By Mr. DEWINE:

S. 921. A bill to adjust the boundary of the William Howard Taft National Historic Site in the State of Ohio, to authorize an exchange of land in connection with the historic site, and for other purposes; to the Committee on Energy and Natural Resources.

By Mr. SCHUMER (for himself and Mrs. CLINTON):

S. 922. A bill to amend the Mineral Leasing Act to make available for the Low-Income Home Energy Assistance program a specified percentage of the money received by the United States from onshore Federal oil and gas development; to the Committee on Finance.

By Mr. GRASSLEY (for himself and Mr. NELSON of Nebraska):

S. 923. A bill to amend the Agricultural Market Transition Act to extend the expansion of producers that are eligible for loan deficiency payments; to the Committee on Agriculture, Nutrition, and Forestry.

SUBMISSION OF CONCURRENT AND SENATE RESOLUTIONS

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

By Mr. NELSON of Florida (for himself, Mr. FEINGOLD, and Mr. LEAHY):

S. Res. 91. A resolution condemning the murder of a United States citizen and other civilians, and expressing the sense of the Senate regarding the failure of the Indonesian judicial system to hold accountable those responsible for the killings; to the Committee on Foreign Relations.

By Mrs. FEINSTEIN (for herself, Mr. JEFFORDS, Mr. HUTCHINSON, Mr. HELMS, Mr. SARBANES, Mr. VOINOVICH, Mr. DOMENICI, Mr. WARNER, Mr. GRAMM, Mr. HATCH, Mr. THURMOND, Mr. MCCAIN, Mr. BIDEN, Mr. KERRY, Mr. LEVIN, Mr. DODD, Mrs. CLINTON, Mr. CONRAD, Mr. THOMAS, Mr. ROBERTS, Mr. BINGAMAN, Mr. SCHUMER, Mr. GRASSLEY, Mr. FITZGERALD, Mr. BROWNBACK, Mr. KENNEDY, Mr. COCHRAN, Mr. ALLEN, Mr. DASCHLE, and Mrs. LINCOLN):

S. Res. 92. A resolution to designate the week beginning June 3, 2001, as ''National Correctional Officers and Employees Week''; to the Committee on the Judiciary.

ADDITIONAL COSPONSORS

S. 148

At the request of Mr. CRAIG, the name of the Senator from New Jersey (Mr. CORZINE) was added as a cosponsor of S. 148, a bill to amend the Internal Revenue Code of 1986 to expand the adoption credit, and for other purposes.

S. 170

At the request of Mr. REID, the name of the Senator from Kansas (Mr. ROBERTS) was added as a cosponsor of S. 170, a bill to amend title 10, United States Code, to permit retired members of the Armed Forces who have a service-connected disability to receive both military retired pay by reason of their years of military service and disability compensation from the Department of Veterans Affairs for their disability.

S. 190

At the request of Mr. FRIST, the name of the Senator from Missouri (Mr. BOND) was added as a cosponsor of S. 190, a bill to amend the Federal Food, Drug, and Cosmetic Act to grant the Secretary of Health and Human Services the authority to regulate tobacco products, and for other purposes.

S. 281

At the request of Mr. HAGEL, the names of the Senator from New Jersey (Mr. CORZINE) and the Senator from Delaware (Mr. BIDEN) were added as a cosponsors of S. 281, a bill to authorize the design and construction of a temporary education center at the Vietnam Veterans Memorial.

S. 409

At the request of Mrs. HUTCHISON, the name of the Senator from Virginia (Mr. ALLEN) was added as a cosponsor of S. 409, a bill to amend title 38, United States Code, to clarify the standards for compensation for Persian Gulf veterans suffering from certain

undiagnosed illnesses, and for other purposes.

S. 550

At the request of Mr. DASCHLE, the name of the Senator from New Mexico (Mr. BINGAMAN) was added as a cosponsor of S. 550, a bill to amend part E of title IV of the Social Security Act to provide equitable access for foster care and adoption services for Indian children in tribal areas.

S. 632

At the request of Mr. NELSON of Florida, the name of the Senator from California (Mrs. BOXER) was added as a cosponsor of S. 632, a bill to reinstate a final rule promulgated by the Administrator of the Environmental Protection Agency, and for other purposes.

S. 680

At the request of Mr. HUTCHINSON, the name of the Senator from Alabama (Mr. SESSIONS) was added as a cosponsor of S. 680, a bill to amend the Housing and Community Development Act of 1974 to authorize communities to use community development block grant funds for construction of tornado-safe shelters in manufactured home parks.

S. 694

At the request of Mr. LEAHY, the name of the Senator from South Dakota (Mr. JOHNSON) was added as a cosponsor of S. 694, a bill to amend the Internal Revenue Code of 1986 to provide that a deduction equal to fair market value shall be allowed for charitable contributions of literary, musical, artistic, or scholarly compositions created by the donor.

S. 706

At the request of Mr. KERRY, the name of the Senator from Nebraska (Mr. HAGEL) was added as a cosponsor of S. 706, a bill to amend the Social Security Act to establish programs to alleviate the nursing profession shortage, and for other purposes.

S. 721

At the request of Mr. HUTCHINSON, the name of the Senator from Nebraska (Mr. HAGEL) was added as a cosponsor of S. 721, a bill to amend the Public Health Service Act to establish a Nurse Corps and recruitment and retention strategies to address the nursing shortage, and for other purposes.

S. 723

At the request of Mr. SPECTER, the name of the Senator from New Mexico (Mr. BINGAMAN) was added as a cosponsor of S. 723, a bill to amend the Public Health Service Act to provide for human embryonic stem cell generation and research.

S. 754

At the request of Mr. LEAHY, the name of the Senator from Wisconsin (Mr. FEINGOLD) was added as a cosponsor of S. 754, a bill to enhance competition for prescription drugs by increasing the ability of the Department of Justice and Federal Trade Commission to enforce existing antitrust laws regarding brand name drugs and generic drugs.

S. 804

At the request of Mrs. FEINSTEIN, the name of the Senator from Vermont (Mr. LEAHY) was added as a cosponsor of S. 804, a bill to amend title 49, United States Code, to require phased increases in the fuel efficiency standards applicable to light trucks; to required fuel economy standards for automobiles up to 10,000 pounds gross vehicle weight; to raise the fuel economy of the Federal fleet of vehicles, and for other purposes.

S. 805

At the request of Mr. WELLSTONE, the name of the Senator from Arkansas (Mrs. LINCOLN) was added as a cosponsor of S. 805, a bill to amend the Public Health Service Act to provide for research with respect to various forms of muscular dystrophy, including Duchenne, Becker, limb girdle, congenital, facioscapulohumeral, myotonic, oculopharyngeal, distal, and emery-dreifuss muscular dystrophies.

S. 826

At the request of Mrs. LINCOLN, the name of the Senator from Florida (Mr. GRAHAM) was added as a cosponsor of S. 826, a bill to amend title XVIII of the Social Security Act to eliminate cost-sharing under the medicare program for bone mass measurements.

S. 829

At the request of Mr. BROWNBACK, the names of the Senator from Pennsylvania (Mr. SPECTER) and the Senator from New Jersey (Mr. CORZINE) 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. 838

At the request of Mr. BOND, his name was added as a cosponsor 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. 852

At the request of Mrs. FEINSTEIN, the name of the Senator from New York (Mr. SCHUMER) was added as a cosponsor of S. 852, a bill to support the aspirations of the Tibetan people to safeguard their distinct identity.

S. 865

At the request of Mr. MCCONNELL, the name of the Senator from Arkansas (Mr. HUTCHINSON) was added as a cosponsor of S. 865, a bill to provide small businesses certain protections from litigation excesses and to limit the product liability of nonmanufacturer product sellers.

S. 871

At the request of Mr. CLELAND, the name of the Senator from Oklahoma (Mr. INHOFE) was added as a cosponsor of S. 871, a bill to amend chapter 83 of title 5, United States Code, to provide for the computation of annuities for air traffic controllers in a similar manner as the computation of annuities for law enforcement officers and firefighters.

S. J. RES. 7

At the request of Mr. HATCH, the name of the Senator from Florida (Mr. NELSON, of Florida) was added as a cosponsor of S. J. Res. 7, a joint resolution proposing an amendment to the Constitution of the United States authorizing Congress to prohibit the physical desecration of the flag of the United States.

S. RES. 71

At the request of Mr. HARKIN, the names of the Senator from Georgia (Mr. CLELAND), the Senator from New Jersey (Mr. CORZINE), and the Senator from Wisconsin (Mr. FEINGOLD) 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. CON. RES. 3

At the request of Mr. FEINGOLD, the names of the Senator from Idaho (Mr. CRAIG) and the Senator from Louisiana (Mr. BREAUX) were added as cosponsors of S. Con. Res. 3, a concurrent resolution expressing the sense of Congress that a commemorative postage stamp should be issued in honor of the U.S.S. *Wisconsin* and all those who served aboard her.

S. CON. RES. 14

At the request of Mr. CAMPBELL, the name of the Senator from Utah (Mr. HATCH) was added as a cosponsor of S. Con. Res. 14, a concurrent resolution recognizing the social problem of child abuse and neglect, and supporting efforts to enhance public awareness of it.

S. CON. RES. 17

At the request of Mr. SARBANES, the name of the Senator from Louisiana (Ms. LANDRIEU) was added as a cosponsor of S. Con. Res. 17 , a concurrent resolution expressing the sense of Congress that there should continue to be parity between the adjustments in the compensation of members of the uniformed services and the adjustments in the compensation of civilian employees of the United States.

S. CON. RES. 40

At the request of Mr. HATCH, the names of the Senator from Hawaii (Mr. AKAKA), the Senator from Colorado (Mr. CAMPBELL), the Senator from New Jersey (Mr. CORZINE), the Senator from Texas (Mrs. HUTCHISON), the Senator from Michigan (Ms. STABENOW), and the Senator from Oregon (Mr. WYDEN) were added as cosponsors of 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.''

AMENDMENT NO. 654

At the request of Mr. CONRAD, the name of the Senator from South Dakota (Mr. JOHNSON) was added as a cosponsor of amendment No. 654 proposed to H.R. 1836, a bill to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002.

AMENDMENT NO. 656

At the request of Mr. GREGG, the names of the Senator from Nebraska (Mr. HAGEL) and the Senator from Arkansas (Mr. HUTCHINSON) were added as

cosponsors of amendment No. 656 proposed to H.R. 1836, a bill to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002.

AMENDMENT NO. 660

At the request of Mr. BIDEN, his name was added as a cosponsor of amendment No. 660 proposed to H.R. 1836, a bill to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002.

AMENDMENT NO. 670

At the request of Mr. FITZGERALD, the names of the Senator from New Mexico (Mr. BINGAMAN), the Senator from New Jersey (Mr. CORZINE), the Senator from Ohio (Mr. DEWINE), the Senator from Vermont (Mr. LEAHY), the Senator from Maine (Ms. COLLINS), and the Senator from California (Mrs. FEINSTEIN) were added as cosponsors of amendment No. 670 proposed to H.R. 1836, a bill to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002.

AMENDMENT NO. 674

At the request of Mrs. CARNAHAN, the name of the Senator from South Dakota (Mr. JOHNSON) was added as a cosponsor of amendment No. 674 proposed to H.R. 1836, a bill to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002.

AMENDMENT NO. 676

At the request of Ms. COLLINS, her name was added as a cosponsor of amendment No. 676 proposed to H.R. 1836, a bill to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002.

At the request of Mr. DASCHLE, his name was added as a cosponsor of amendment No. 676 proposed to H.R. 1836, supra.

At the request of Mrs. FEINSTEIN, her name was added as a cosponsor of amendment No. 676 proposed to H.R. 1836, supra.

At the request of Mr. KENNEDY, his name was added as a cosponsor of amendment No. 676 proposed to H.R. 1836, supra.

At the request of Ms. LANDRIEU, her name was added as a cosponsor of amendment No. 676 proposed to H.R. 1836, supra.

At the request of Mr. REID, his name was added as a cosponsor of amendment No. 676 proposed to H.R. 1836, supra.

At the request of Mr. WELLSTONE, his name was added as a cosponsor of amendment No. 676 proposed to H.R. 1836, supra.

AMENDMENT NO. 685

At the request of Mr. BAYH, the names of the Senator from Missouri (Mrs. CARNAHAN) and the Senator from Florida (Mr. GRAHAM) were added as cosponsors of amendment No. 685 proposed to H.R. 1836, a bill to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. KOHL (for himself, Ms. SNOWE, Mr. BAYH, Mr. GRAHAM, Mr. JOHNSON, Mr. LIEBERMAN, Mr. ROCKEFELLER, Mr. BREAUX, and Mrs. LINCOLN):

S. 916. A bill to provide more child support money to families leaving welfare, and for other purposes; to the Committee on Finance.

Mr. KOHL. Mr. President, I rise today to introduce the Children First Child Support Reform Act of 2001, and I want to thank Senators SNOWE, BAYH, GRAHAM, JOHNSON, LIEBERMAN, ROCKEFELLER, BREAUX and LINCOLN for cosponsoring. I am also pleased to cosponsor Senator SNOWE's Child Support Distribution Act of 2001, which includes the ''Children First'' component as well as other provisions to improve child support collections and enforcement. I applaud Senator SNOWE for her continued leadership on this important issue.

The ''Children First'' bill takes significant steps toward ensuring that children receive the child support money they are owed and deserve. In Fiscal Year 1999, the public child support system collected child support payments for only 37 percent of its caseload, up from 23 percent in 1998. Obviously, we still need to improve, but States are making real progress. It's time for Congress to take the next step and help States overcome a major obstacle to collecting child support for families.

There are many reasons why non-custodial parents may not be paying support for their children. Some are not able to pay because they don't have jobs or have fallen on hard times. Others may not pay because they are unfairly prevented from spending time with their children.

But other fathers don't pay because the public system actually discourages them from paying. Under current law, over $2 billion in child support is retained every year by the State and Federal governments as repayment for welfare benefits, rather than delivered to the children to whom it is owed. Since the money doesn't benefit their kids, fathers are discouraged from paying support. And mothers have no incentive to push for payment since the support doesn't go to them.

It's time for Congress to change this system and encourage States to distribute more child support to families. My home State of Wisconsin has already been doing this for several years and is seeing great results. In 1997, I worked with my State to institute an innovative program of passing through child support payments directly to families. A recent evaluation of the Wisconsin program clearly shows that when child support payments are delivered to families, non-custodial parents are more apt to pay, and to pay more. In addition, Wisconsin has found that, overall, this policy does not increase government costs. That makes sense because ''passing through'' support payments to families means they have more of their own resources, and are less apt to depend on public help to meet other needs such as food, transportation or child care.

We now have a key opportunity to encourage all States to follow Wisconsin's example. This legislation gives States options and strong incentives to send more child support directly to families who are working their way off, or are already off, public assistance. Not only will this create the right incentives for non-custodial parents to pay, but it will also simplify the job for States, who currently face an administrative nightmare in following the complicated rules of the current system.

We know that creating the right incentives for non-custodial parents to pay support and increasing collections has long-term benefits. People who can count on child support are more likely to stay in jobs and stay off public assistance.

This legislation finally brings the Child Support Enforcement program into the post-welfare reform era, shifting its focus from recovering welfare costs to increasing child support to families so they can sustain work and maintain self-sufficiency. After all, it's only fair that if we are asking parents to move off welfare and take financial responsibility for their families, then we in Congress must make sure that child support payments actually go to the families to whom they are owed and who are working so hard to succeed.

Last year, a House version of this bill passed by an overwhelming bipartisan vote of 405 to 18, and a similar version has been reintroduced this year. My legislation has also been included in Senator SNOWE's Child Support Distribution Act, and the bipartisan ''Strengthening Working Families Act, both of which I am proud to be an original cosponsor.

I was also greatly encouraged by the statements made by Secretary Thompson at the Labor, Health and Human Services, Education and Related Agencies Appropriations hearing on April 25, 2001, in which the Secretary spoke about the success of Wisconsin's program and expressed his support for this approach. I am hopeful that the Administration will be able to fully support this legislation, as I believe it is consistent with the President's goal of making sure that families, not the government, keep more of the money they earn and deserve.

We must keep this bipartisan momentum going in this Congress. It's time that we finally make child support meaningful for families, and make sure that children get the support they need and deserve.

I ask unanimous consent that the text of the bill be printed in the RECORD.

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

S. 916

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the ''Children First Child Support Reform Act of 2001''.

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

Sec. 1. Short title; table of contents.
Sec. 2. Modification of rule requiring assignment of support rights as a condition of receiving TANF.
Sec. 3. Increasing child support payments to families and simplifying child support distribution rules.
Sec. 4. State option to discontinue certain support assignments.
Sec. 5. Effective date.

SEC. 2. MODIFICATION OF RULE REQUIRING ASSIGNMENT OF SUPPORT RIGHTS AS A CONDITION OF RECEIVING TANF.

Section 408(a)(3) of the Social Security Act (42 U.S.C. 608(a)(3)) is amended to read as follows:

''(3) NO ASSISTANCE FOR FAMILIES NOT ASSIGNING CERTAIN SUPPORT RIGHTS TO THE STATE.—A State to which a grant is made under section 403 shall require, as a condition of paying assistance to a family under the State program funded under this part, that a member of the family assign to the State any rights the family member may have (on behalf of the family member or of any other person for whom the family member has applied for or is receiving such assistance) to support from any other person, not exceeding the total amount of assistance so paid to the family, which accrues during the period that the family receives assistance under the program.''.

SEC. 3. INCREASING CHILD SUPPORT PAYMENTS TO FAMILIES AND SIMPLIFYING CHILD SUPPORT DISTRIBUTION RULES.

(a) DISTRIBUTION RULES.—

(1) IN GENERAL.—Section 457(a) of the Social Security Act (42 U.S.C. 657(a)) is amended to read as follows:

''(a) IN GENERAL.—Subject to subsections (e) and (f), the amounts collected on behalf of a family as support by a State under a plan approved under this part shall be distributed as follows:

''(1) FAMILIES RECEIVING ASSISTANCE.—In the case of a family receiving assistance from the State, the State shall—

''(A) pay to the Federal Government the Federal share of the amount collected, subject to paragraph (3)(A);

''(B) retain, or pay to the family, the State share of the amount collected, subject to paragraph (3)(B); and

''(C) pay to the family any remaining amount.

''(2) FAMILIES THAT FORMERLY RECEIVED ASSISTANCE.—In the case of a family that formerly received assistance from the State:

''(A) CURRENT SUPPORT.—To the extent that the amount collected does not exceed the current support amount, the State shall pay the amount to the family.

''(B) ARREARAGES.—Except as otherwise provided in the State plan approved under section 454, to the extent that the amount collected exceeds the current support amount, the State—

''(i) shall first pay to the family the excess amount, to the extent necessary to satisfy support arrearages not assigned under section 408(a)(3);

''(ii) if the amount collected exceeds the amount required to be paid to the family under clause (i), shall—

''(I) pay to the Federal Government, the Federal share of the excess amount described in this clause, subject to paragraph (3)(A); and

''(II) retain, or pay to the family, the State share of the excess amount described in this clause, subject to paragraph (3)(B); and

''(iii) shall pay to the family any remaining amount.

''(3) LIMITATIONS.—

''(A) FEDERAL REIMBURSEMENTS.—The total of the amounts paid by the State to the Federal Government under paragraphs (1) and (2) with respect to a family shall not exceed the Federal share of the amount assigned with respect to the family under section 408(a)(3).

''(B) STATE REIMBURSEMENTS.—The total of the amounts retained by the State under paragraphs (1) and (2) with respect to a family shall not exceed the State share of the amount assigned with respect to the family under section 408(a)(3).

''(4) FAMILIES THAT NEVER RECEIVED ASSISTANCE.—In the case of any other family, the State shall pay the amount collected to the family.

''(5) FAMILIES UNDER CERTAIN AGREEMENTS.—Notwithstanding paragraphs (1) through (4), in the case of an amount collected for a family in accordance with a cooperative agreement under section 454(33), the State shall distribute the amount collected under the terms of the agreement.

''(6) STATE FINANCING OPTIONS.—To the extent that the State share of the amount payable to a family under paragraph (2)(B) exceeds the amount that the State estimates (under procedures approved by the Secretary) would have been payable to the family under former section 457(a)(2)(B) (as in effect for the State immediately before the date on which this subsection, as amended by the Children First Child Support Reform Act of 2001, first applies to the State) if such former section had remained in effect, the State may elect to use the grant made to the State under section 403(a) to pay the amount, or to have the payment considered a qualified State expenditure for purposes of section 409(a)(7), but not both.

''(7) STATE OPTION TO PASS THROUGH ADDITIONAL SUPPORT WITH FEDERAL FINANCIAL PARTICIPATION.—

''(A) IN GENERAL.—Notwithstanding paragraphs (1) and (2), a State shall not be required to pay to the Federal Government the Federal share of an amount collected on behalf of a family that is not a recipient of assistance under the State program funded under part A, to the extent that the State pays the amount to the family.

''(B) RECIPIENTS OF TANF FOR LESS THAN 5 YEARS.—

''(i) IN GENERAL.—Notwithstanding paragraphs (1) and (2), a State shall not be required to pay to the Federal Government the Federal share of an amount collected on behalf of a family that is a recipient of assistance under the State program funded under part A and, if the family includes an adult, that has received the assistance for not more than 5 years after the date of enactment of this paragraph, to the extent that—

''(I) the State pays the amount to the family; and

''(II) subject to clause (ii), the amount is disregarded in determining the amount and type of the assistance provided to the family.

''(ii) LIMITATION.—Of the amount disregarded as described in clause (i)(II), the maximum amount that may be taken into account for purposes of clause (i) shall not exceed $400 per month, except that, in the case of a family that includes 2 or more children, the State may elect to increase the maximum amount to not more than $600 per month.

''(8) STATES WITH DEMONSTRATION WAIVERS.—Notwithstanding the preceding paragraphs, a State with a waiver under section 1115 that became effective on or before October 1, 1997, the terms of which allow passthrough of child support payments, may pass through such payments in accordance with such terms with respect to families subject to the waiver.''.

(2) STATE PLAN TO INCLUDE ELECTION AS TO WHICH RULES TO APPLY IN DISTRIBUTING CHILD SUPPORT ARREARAGES COLLECTED ON BEHALF OF FAMILIES FORMERLY RECEIVING ASSISTANCE.—Section 454 of the Social Security Act (42 U.S.C. 654) is amended—

(A) by striking ''and'' at the end of paragraph (32);

(B) by striking the period at the end of paragraph (33) and inserting ''; and''; and

(C) by inserting after paragraph (33) the following:

''(34) include an election by the State to apply section 457(a)(2)(B) or former section 457(a)(2)(B) (as in effect for the State immediately before the date this paragraph, as amended by the Children First Child Support Reform Act of 2001, first applies to the State) to the distribution of the amounts which are the subject of such sections, and for so long as the State elects to so apply such former section, the amendments made by section 2 of the Children First Child Support Reform Act of 2001 shall not apply with respect to the State, notwithstanding section 6(a) of such Act.''.

(3) APPROVAL OF ESTIMATION PROCEDURES.—Not later than October 1, 2002, the Secretary of Health and Human Services, in consultation with the States (as defined for purposes of part D of title IV of the Social Security Act (42 U.S.C. 651 et seq.)), shall establish the procedures to be used to make the estimate described in section 457(a)(6) of such Act (42 U.S.C. 657(a)(6)).

(b) CURRENT SUPPORT AMOUNT DEFINED.—Section 457(c) of the Social Security Act (42 U.S.C. 657(c)) is amended by adding at the end the following:

''(5) CURRENT SUPPORT AMOUNT.—The term 'current support amount' means, with respect to amounts collected as support on behalf of a family, the amount designated as the monthly support obligation of the noncustodial parent in the order requiring the support.''.

(c) CONFORMING AMENDMENTS.—

(1) Section 404(a) of the Social Security Act (42 U.S.C. 604(a)) is amended—

(A) by striking ''or'' at the end of paragraph (1);

(B) by striking the period at the end of paragraph (2) and inserting ''; or''; and

(C) by adding at the end the following:

''(3) to fund payment of an amount under section 457(a)(2)(B), but only to the extent that the State properly elects under section 457(a)(6) to use the grant to fund the payment.''.

(2) Section 409(a)(7)(B)(i) of the Social Security Act (42 U.S.C. 609(a)(7)(B)(i)) is amended—

(A) in subclause (I)(aa), by striking ''457(a)(1)(B)'' and inserting ''457(a)(1)''; and

(B) by adding at the end the following:

''(V) PORTIONS OF CERTAIN CHILD SUPPORT PAYMENTS COLLECTED ON BEHALF OF AND DISTRIBUTED TO FAMILIES NO LONGER RECEIVING ASSISTANCE.—Any amount paid by a State under section 457(a)(2)(B), but only to the extent that the State properly elects under section 457(a)(6) to have the payment considered a qualified State expenditure.''.

SEC. 4. STATE OPTION TO DISCONTINUE CERTAIN SUPPORT ASSIGNMENTS.

Section 457(b) of the Social Security Act (42 U.S.C. 657(b)) is amended by striking ''shall'' and inserting ''may''.

SEC. 5. EFFECTIVE DATE.

(a) IN GENERAL.—The amendments made by this section shall take effect on October 1, 2005, and shall apply to payments under parts A and D of title IV of the Social Security Act (42 U.S.C. 601 et seq. and 651 et seq.) for calendar quarters beginning on or after such date, and without regard to whether regulations to implement the amendments (in the case of State programs operated under such part D) are promulgated by such date.

(b) STATE OPTION TO ACCELERATE EFFECTIVE DATE.—In addition, a State may elect to have the amendments made by section 2 or 3 apply to the State and to amounts collected by the State, on and after such date as the State may select that is after the date of enactment of this Act, by including an election to that effect in the State plan under part D of title IV of the Social Security Act (42 U.S.C. 651 et seq.).

By Ms. COLLINS (for herself, Mr. BINGAMAN, Mr. GRASSLEY, Mr. DASCHLE, Mr. JEFFORDS, Mr. SARBANES, Mr. HARKIN, Mr. CORZINE, and Mr. LEAHY):

S. 917. A bill to amend the Internal Revenue Code of 1986 to exclude from gross income amounts received on account of claims based on certain unlawful discrimination and to allow income averaging for backpay and frontpay awards received on account of such claims, and for other purposes; to the Committee on Finance.

Ms. COLLINS. Mr. President, I rise to introduce the Civil Rights Tax Relief Act of 2001, a bill designed to promote the fair and equitable settlement of civil rights claims. I am very pleased to be joined today by Senators BINGAMAN, GRASSLEY, DASCHLE, JEFFORDS, SARBANES, HARKIN, CORZINE, and LEAHY.

The primary purpose of this bill is to remedy an unintended consequence of the Small Business Job Protection Act of 1996, which made damage awards not based on ''physical injuries or physical sickness'' part of a plaintiff's taxable income. Because most acts of employment discrimination and civil rights violations do not cause physical injuries, this provision has had a direct and negative impact on plaintiffs who successfully prove that they have been subjected to intentional employment discrimination or other intentional violations of their civil rights. The problem is compounded by the fact that plaintiffs are now taxed on the entirety of their settlements or damage awards in civil rights cases, despite the fact that a portion of a settlement or award must be paid to the plaintiff's attorney, who in turn is taxed on the same funds! This double taxation of awards of attorneys' fees serves to penalize Americans who win their civil rights cases.

I would like to share one example of how individuals can be harmed by the current taxation scheme, and even discouraged from challenging workplace discrimination. The example was brought to my attention by David Webbert, an attorney who practices in Maine's capitol, Augusta. In the case, David represented a person who successfully challenged a business' policy of discriminating against persons with a particular type of disability. As a result of the case, the discriminatory policy was declared illegal and was ended. Although the plaintiff did not seek any monetary damages in the case, the law did provide for payment of attorney's fees, which were paid by the defendant's insurance company. Because of the current law's double taxation of attorney's fees, they were taxable to the plaintiff in this case, despite the fact that they were also taxable to the attorney. In short, plaintiffs in civil rights cases like this could have to pay taxes despite receiving no monetary award. Or, in other words, under current law, a plaintiff can be penalized financially for bringing a meritorious case against a company's discriminatory policies.

Our bill would eliminate the unfair taxation of civil rights victims' settlements and court awards; taxation that adds insult to a civil rights victim's injuries and serves as a barrier to the just settlement of civil rights claims.

Our bill would change the taxation of awards received by individuals that result from judgments in or settlements of employment discrimination cases. First, the bill excludes from gross income amounts awarded other than for punitive damages and compensation attributable to services that were to be performed, known as ''backpay'', or that would have been performed but for a claimed violation of law by the employer, known as ''frontpay''. Second, award amounts for frontpay or backpay would be included in income, but would be eligible for income averaging according to the time period covered by the award. This correction would allow individuals to pay taxes at the same marginal rates that would have applied to them had they not suffered discrimination. Third, the bill would change the tax code so that people who bring civil rights cases are not taxed on the portion of any award paid as fees to their attorney. This provision would eliminate the double-taxation of such fees, which would still be taxable income to the attorney.

The Civil Rights Tax Relief Act would encourage the fair settlement of costly and protracted litigation of employment discrimination claims. Our legislation would allow both plaintiffs and defendants to settle claims based on the damages, not on excessive taxes that are now levied.

Our bill has been endorsed by the U.S. Chamber of Commerce, the Leadership Conference on Civil Rights, the American Small Business Alliance, AARP, the National Whistleblower Center, the National Employment Lawyers Association, numerous state and local bar associations and sections, including the Maine State Bar Association, Labor and Employment Section, and others. This bill is a ''win-win'' for civil rights plaintiffs and defendant businesses. We invite our colleagues to join with us in support of this common sense legislation.

By Ms. SNOWE (for herself, Mr. KOHL, Mr. BAYH, Mr. GRAHAM, Mr. JOHNSON, Mr. LIEBERMAN, Mr. ROCKFELLER, Mr. BREAUX, and Mrs. LINCOLN):

S. 918. A bill to provide more child support money to families leaving welfare, to simplify the rules governing the assignment and distribution of child support collected by States on behalf of children, to improve the collection of child support, and for other purposes; to the Committee on Finance.

Ms. SNOWE. Mr. President, I rise today to introduce the Child Support Distribution Act. This is companion legislation to Congresswoman NANCY JOHNSON's bill in the House. I want to begin by thanking Senator KOHL for his leadership on child support issues; I am delighted to have been able to team up with him again in this important area.

I also want to thank Senator BAYH for his leadership on family issues. I am pleased that we could work together and incorporate each of our ideas in vital legislation which we have already introduced, the Strengthening Working Families Act. I am also pleased to have Senators GRAHAM, JOHNSON, LIEBERMAN, ROCKFELLER, BREAUX, LINCOLN, BAYH as original cosponsors on this bill.

There is no question that children are the very future of our country and I believe fundamentally that every child has the right to grow up healthy, happy, and safe. Throughout my career, promoting children's well-being and keeping our children safe is a mission that has been close to my heart. While we cannot expect the government to ensure that every child receives parental love and attention, we can ensure that the custodial parent, not the government, receives this vital financial support.

Ending poverty and promoting self-sufficiency is an on-going national commitment. Five years ago Congress restored welfare to a temporary assistance program, rather than a program that entangles and traps generation after generation. In September 2000, there were 5.7 million open TANF caseloads for individual recipients, down from 12.2 million, a 53 percent reduction, in August 1996 when Welfare Reform became law.

Unfortunately, while we are succeeding in promoting self-sufficiency and self-reliance through welfare reform, we are sending out a double-edged message on the need to pay child support. Current law regarding the assignment and distribution of child support for families on welfare is extremely complicated, depending on when families applied for welfare, when the child support was paid, whether that child support was for current or past-due payments, and depending on

how the child support was collected, in other words, through direct payments, through garnishing wages or other government assistance programs, or the federal income tax return intercept program.

The ''Child Support Distribution Act of 2001'' would provide more child support money to families leaving welfare; would simplify the rules governing the assignment and distribution of child support collected by States; would improve the collection of child support; and would authorize demonstration programs encouraging public agencies to help collect child support; and provide guidelines for involvement of public agencies in child support enforcement.

Under current law, when child support is collected for families receiving Temporary Assistance for Needy Families, TANF, the money is divided between the state and federal governments as payment for the welfare the family has received. The 1996 Welfare Reform Act gave states the option to decide how much, if any, of the state share of child support payments collected on behalf of TANF families to send to the family.

The 1996 Welfare Reform law also required that in order to qualify for TANF benefits, beneficiaries must ''assign'', or give their child support rights to the state for periods before and while the family is on welfare. This means that the State is allowed to keep, and divide with the federal government, child support arrearages that were owed even before the family went on TANF if they are collected while the family is receiving welfare benefits.

The original intent of these assignment and distribution strategies was to reimburse the state and federal governments for their outlays to the welfare family. But how much sense does it make to tell a family that is on welfare or trying to get off welfare that the State is entitled to the first cut of any child support payment, even if the absent parent begins to pay back the child support that was owed before the family went on welfare?

This means that the state gets the support before a parent can buy new shoes for her child, before she can buy her child a new coat for the approaching winter, before she can buy groceries for her family, or pay the rent for the next month. So in the real world, not just a policy-oriented world, our current law regarding child support payments provides a disincentive for struggling parents to leave welfare, and it certainly provides no incentive for the absent parent to pay, much less catch up with, their child support bills. I wonder how we can realistically expect to foster a positive relationship between a custodial parent, and the parent paying child support, when the State is entitled to all of the support money.

The key provisions of the bill I am introducing today will allow states to pass through the entire child support collected on their behalf while a person is on welfare; will change how and when child support is ''owed'' to the states for reimbursement for welfare benefits; and will expand the child support collection provisions such as revoking passports for past-due child support.

We must ensure both non-custodial and custodial parents that child support payments are directly benefitting their children. This bill will enable families to keep more of the past-due child support owed to them and it will further the goals of the 1996 Welfare Reform Act by helping families to remain self-sufficient. This bill will give mothers leaving welfare an additional $4 billion child support collections over the first five years of full implementation. It will also lead to the voluntary payment by states of about $900 million over five years in child support to families while they are still on welfare.

Children are the leaders of tomorrow; they are the very future of our great nation. We owe them nothing less than the sum of our energies, our talents, and our efforts in providing them a foundation on which to build happy, healthy and productive lives. And, when appropriate, we need to help parents financially support and provide for their children. Because it simply makes little sense to ask people to be self-sufficient, to pay their child-support bills, and then to allow the State to collect all of that child-support.

I encourage my colleagues to take a serious look at this bill and pass it this year.

By Mr. THURMOND:

S. 919. A bill to require the Secretary of Energy to study the feasibility of developing commercial nuclear energy production facilities at existing Department of Energy sites; to the Committee on Energy and Natural Resources.

Mr. THURMOND. Mr. President, one does not need to look much further than their mailbox and the bills they receive for filling the gas tank or heating the house to realize that the United States is in need of direction and leadership when it comes to an energy policy. I am pleased that President Bush and Vice President CHENEY have unveiled their energy plan and I look forward to working with the Administration on this important issue.

The President's National Energy Policy is a long term approach to addressing our Nation's energy challenges. The policy is a comprehensive plan to address the needs for additional energy production and environmental protection. It will promote energy efficiency and new technologies to modernize the Nation's energy infrastructure. The President's plan will help increase energy supply through clean coal technology, nuclear energy, renewable and alternative energy, and energy conservation. Now is the appropriate time to address these issues before a major energy crisis jeopardizes our economy, national security, and our standard of living.

I am especially pleased that the President highlighted production sources that have been ignored and shunned in recent years such as clean coal and nuclear power as energy sources which must again be embraced. This is a long overdue recognition of the valuable and important roles that nuclear and coal power can and must play in meeting the energy needs of the United States. These two energy sources have clear benefits. However, their increased role in meeting national needs will not be realized without challenge.

To be certain, plans to build any new nuclear production plants will be opposed by some quarters. Those who refuse to recognize the indispensable role of nuclear power will do everything to delay and undermine the construction of new production facilities. Essentially these anti-nuclear obstructionists will seek to create as many obstacles as they can. Past examples have witnessed lawsuits and intervener tactics that drove plant costs up by hundreds of percent and delayed the facility coming on line by decades.

Given such examples, it would certainly not seem that building new production facilities would be a financially appealing or rewarding proposition to a utility company. Yet the truth of the matter is that we desperately need to build new nuclear power production plants. Presently, the United States gets approximately 20 percent of its power from nuclear plants. Even under the most optimistic projections, the majority of the Nation's 103 nuclear power facilities will be coming to the end of their service in the coming years.

The question before us is how do we move forward with increasing this critical energy infrastructure but doing so in a more timely and cost-efficient manner than what took place in the past. The President's National Energy Policy Report recommends an expansion at existing utility power plant sites. I am pleased that the President addressed this issue. As the report states, many existing nuclear power sites have the capacity to include additional reactors. This is an outstanding initiative. However, I remain concerned that even with these new reactors at existing sites the total percentage of energy created by nuclear power will decrease. Such a scenario would only exacerbate the energy shortage for years to come. Ultimately, we must identify new sites for the safe expansion of nuclear energy. I believe the solution to this challenge is creating ''energy campuses'' at existing Department of Energy facilities throughout the United States. More specifically, I am proposing co-locating civilian power production facilities on Department of Energy reservations such as: Hanford; the Nevada Test Site; the

Idaho National Environmental Engineering Laboratory; and, the Savannah River Site.

Creating such ''energy campuses'' would solve any number of problems associated with building a new civilian production facility. To begin, there is no need to secure new land or to convince the local populace that having a nuclear facility nearby is not a safety issue. Simply put, these are pro-nuclear communities that would welcome new industrial investment. Furthermore, it makes for a quicker and less contentious licensing process. Finally, it reduces the amount of new infrastructure required as you would be ''leveraging'' against what already exists at these locations.

The benefits of such a plan are multiple, not the least being that it would get nuclear power plants built and on line rapidly. Several are in the west, the Nevada Test Site, Idaho National Environmental Engineering Laboratory, and Hanford, Washington, and each would be able to directly or indirectly provide more power to energy starved California. Furthermore, this plan guarantees long-term energy supply reliability while not contributing to greenhouse gases or depleting gas reserves.

These sites were ideal for locating nuclear projects fifty years ago, and they remain so to this day. It makes perfect sense to use these existing assets as a platform upon which to expand our civilian nuclear power production capabilities. I am certain that this ''energy campus'' plan offers something for everyone, and if the Bush Administration is going to move forward with relying more heavily on nuclear energy, then this initiative is one way in which to meet the goal of making certain the energy needs of the United States are met.

In order to take the first step toward establishing these energy campuses, I am introducing a bill that will direct the Secretary of Energy to undertake a study regarding the feasibility of establishing civilian nuclear power production facilities at existing Department of Energy sites.

The economy of the United States is dependent upon reasonably priced energy. It is what is required to power everything from the traditional service of bringing goods to market to running the computers upon which engineers make advances in the high technology industry. There is nothing that we touch that does not rely on energy, and the less expensive the energy is, the more reasonably priced the goods or services we are purchasing or using will be. Simply put, Americans enjoy, expect, and demand reasonably priced energy. If we are going to continue to provide this resource at an affordable rate, which is a goal we must meet in order to keep our economy the world's strongest and most diverse, then we are going to have to look for innovative ways in which to supply power. It is time once again to recognize the value of nuclear power production and to find ways to bring more of these facilities ''on-line'' as quickly as possible. Establishing energy campuses at Department of Energy reservations will meet these objectives and I am certain that my colleagues will join me in supporting this legislation. I ask unanimous consent that the text of the bill be printed in the RECORD.

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

S. 919

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. STUDY TO DETERMINE FEASIBILITY OF DEVELOPING COMMERCIAL NUCLEAR ENERGY PRODUCTION FACILITIES AT EXISTING DEPARTMENT OF ENERGY SITES.

(a) IN GENERAL.—The Secretary of Energy shall conduct a study to determine the feasibility of developing commercial nuclear energy production facilities at Department of Energy sites in existence on the date of enactment of this Act, including—

(1) options for how and where nuclear power plants can be developed on existing Department of Energy sites;

(2) estimates on cost savings to the Federal Government that may be realized by locating new nuclear power plants on Federal sites;

(3) the feasibility of incorporating new technology into nuclear power plants located on Federal sites;

(4) potential improvements in the licensing and safety oversight procedures of nuclear power plants located on Federal sites;

(5) an assessment of the effects of nuclear waste management policies and projects as a result of locating nuclear power plants located on Federal sites; and

(6) any other factors that the Secretary believes would be relevant in making the determination.

(b) REPORT.—Not later than 90 days after the date of enactment of this Act, the Secretary shall submit to Congress a report describing the results of the study under subsection (a).

By Mr. BREAUX (for himself, Mr. JEFFORDS, Mr. GRAHAM, Mr. CHAFEE, and Mr. LEVIN):

S. 920. A bill to amend the Internal Revenue Code of 1986 to provide a credit against income tax to individuals who rehabilitate historic homes or who are the first purchasers of rehabilitated historic homes for use as a principal residence; to the Committee on Finance.

Mr. BREAUX. Mr. President, I am honored to reintroduce today, along with my colleagues Senators JEFFORDS, GRAHAM, CHAFEE, and LEVIN, the ''Historic Homeownership Assistance Act of 2001''. This bill will provide the necessary incentive needed to help preserve, revitalize and restore our Nation's older and historic neighborhoods, which often form the core of many of our Nation's most distinct urban areas. During the 106th Congress, this legislation received bipartisan majority support in the House with 226 sponsors and enjoyed the support of 39 sponsors in the Senate. In the 107th, the House bill, H.R. 1172, sponsored by Rep. CLAY SHAW, H.R. 1172, is already endorsed by 72 Members to date.

This bipartisan proposal would create a historic homeowners tax credit directed toward housing stock in deteriorating neighborhoods and communities located in more than 11,000 Federal, State and local historic districts in all 50 states and the District of Columbia. It would allow homebuyers and homeowners to take a 40 percent federal tax credit on residential properties they rehabilitate for use as their primary residence. If enacted, a historic homeowners tax credit would be a useful tool to preserve historic neighborhoods and homes in small towns and urban areas; make homeownership more affordable for less affluent families; revitalize deteriorating older neighborhoods; strengthen the tax base for local governments; and combat sprawl and urban blight.

The number of properties eligible for the historic homeowners credit is approximately one third of the almost one million structures in historic districts nationwide, and 58 percent are located in census tracts with a poverty rate of 20 percent or greater. In Louisiana, 91 percent of the historic districts in the state overlap with census tracts with a rate of poverty of 20 percent or more, a figure much higher than the national average. My home state of Louisiana also has one of the highest concentrations of historic properties in the Nation. In a recent National Park Service survey, it was found that 109 National Register Historic Districts in the State contain 45,084 historic buildings. The Louisiana Division of Historic Preservation reports that of these 45,000 plus structures, 20 percent are in poor condition, 20 percent are in only fair condition and 60 percent are owner-occupied housing. The City of New Orleans alone is reported to have 30,000 vacant housing units, of which 10,000 would qualify for the historic homeownership tax credit.

I cannot emphasize enough how much enactment of this incentive would mean to my State and the Nation at large. This bill will make ownership of a rehabilitated older home more affordable for residents and homebuyers of modest means and incomes while increasing the tax base of our most economically distressed urban areas.

This legislation also includes unique provisions to assist developers and mortgage lenders in saving our most vulnerable historic neighborhoods. Under the bill, developers could rehabilitate historic properties, sell them, and pass the credit onto homebuyers. This feature would allow nonprofit housing providers to utilize the credit to further the goal of affordable homeownership. In addition, the bill offers an option to convert the tax credit to a mortgage credit certificate which could be transferred to a bank or mortgage lender to reduce the mortgage interest rate, lowering monthly mortgage payments to benefit low- and

moderate-income families who do not have enough tax liability to use the credit. In Empowerment Zones, Enterprise Communities, Community Renewal areas and distressed census tracts, the credit could also be used to lower the cost of the down payment on a historic home.

America's priceless heritage is being threatened by urban sprawl as residents abandon the historic districts for the suburbs. The Historic Homeownership Assistance Act is an excellent incentive to aid in the restoration of our national, State and local historic districts that are currently threatened by abandonment and decay. It would encourage local residents to invest in their communities and give first time homebuyers an opportunity to move into older neighborhoods. This bill will not only preserve our heritage, but also help local governments by putting deteriorated ad abandoned properties back on the tax rolls. I strongly urge my colleagues to cosponsor this important piece of legislation.

Mr. President, I ask unanimous consent that the text of the bill be printed in the RECORD.

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

S. 920

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Historic Homeownership Assistance Act''.

SEC. 2. HISTORIC HOMEOWNERSHIP REHABILITATION CREDIT.

(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 (relating to nonrefundable personal credits) is amended by inserting after section 25A the following new section:

''SEC. 25B. HISTORIC HOMEOWNERSHIP REHABILITATION CREDIT.

''(a) GENERAL RULE.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to 20 percent of the qualified rehabilitation expenditures made by the taxpayer with respect to a qualified historic home.

''(b) DOLLAR LIMITATION.—

''(1) IN GENERAL.—The credit allowed by subsection (a) with respect to any residence of a taxpayer shall not exceed $40,000 ($20,000 in the case of a married individual filing a separate return).

''(2) CARRYFORWARD OF CREDIT UNUSED BY REASON OF LIMITATION BASED ON TAX LIABILITY.—If the credit allowable under subsection (a) for any taxable year exceeds the limitation imposed by section 26(a) for such taxable year reduced by the sum of the credits allowable under this subpart (other than this section), such excess shall be carried to the succeeding taxable year and added to the credit allowable under subsection (a) for such succeeding taxable year.

''(c) QUALIFIED REHABILITATION EXPENDITURE.—For purposes of this section:

''(1) IN GENERAL.—The term 'qualified rehabilitation expenditure' means any amount properly chargeable to capital account—

''(A) in connection with the certified rehabilitation of a qualified historic home, and

''(B) for property for which depreciation would be allowable under section 168 if the qualified historic home were used in a trade or business.

''(2) CERTAIN EXPENDITURES NOT INCLUDED.—

''(A) EXTERIOR.—Such term shall not include any expenditure in connection with the rehabilitation of a building unless at least 5 percent of the total expenditures made in the rehabilitation process are allocable to the rehabilitation of the exterior of such building.

''(B) OTHER RULES TO APPLY.—Rules similar to the rules of clauses (ii) and (iii) of section 47(c)(2)(B) shall apply.

''(3) MIXED USE OR MULTIFAMILY BUILDING.—If only a portion of a building is used as the principal residence of the taxpayer, only qualified rehabilitation expenditures which are properly allocable to such portion shall be taken into account under this section.

''(d) CERTIFIED REHABILITATION.—For purposes of this section:

''(1) IN GENERAL.—Except as otherwise provided in this subsection, the term 'certified rehabilitation' has the meaning given such term by section 47(c)(2)(C).

''(2) FACTORS TO BE CONSIDERED IN THE CASE OF TARGETED AREA RESIDENCES, ETC.—

''(A) IN GENERAL.—For purposes of applying section 47(c)(2)(C) under this section with respect to the rehabilitation of a building to which this paragraph applies, consideration shall be given to—

''(i) the feasibility of preserving existing architectural and design elements of the interior of such building,

''(ii) the risk of further deterioration or demolition of such building in the event that certification is denied because of the failure to preserve such interior elements, and

''(iii) the effects of such deterioration or demolition on neighboring historic properties.

''(B) BUILDINGS TO WHICH THIS PARAGRAPH APPLIES.—This paragraph shall apply with respect to any building—

''(i) any part of which is a targeted area residence within the meaning of section 143(j)(1), or

''(ii) which is located within an enterprise community or empowerment zone as designated under section 1391, or a renewal community designated under section 1400(e),

but shall not apply with respect to any building which is listed in the National Register.

''(3) APPROVED STATE PROGRAM.—The term 'certified rehabilitation' includes a certification made by—

''(A) a State Historic Preservation Officer who administers a State Historic Preservation Program approved by the Secretary of the Interior pursuant to section 101(b)(1) of the National Historic Preservation Act, or

''(B) a local government, certified pursuant to section 101(c)(1) of the National Historic Preservation Act and authorized by a State Historic Preservation Officer, or the Secretary of the Interior where there is no approved State program,

subject to such terms and conditions as may be specified by the Secretary of the Interior for the rehabilitation of buildings within the jurisdiction of such officer (or local government) for purposes of this section.

''(e) DEFINITIONS AND SPECIAL RULES.—For purposes of this section:

''(1) QUALIFIED HISTORIC HOME.—The term 'qualified historic home' means a certified historic structure—

''(A) which has been substantially rehabilitated, and

''(B) which (or any portion of which)—

''(i) is owned by the taxpayer, and

''(ii) is used (or will, within a reasonable period, be used) by such taxpayer as his principal residence.

''(2) SUBSTANTIALLY REHABILITATED.—The term 'substantially rehabilitated' has the meaning given such term by section 47(c)(1)(C); except that, in the case of any building described in subsection (d)(2), clause (i)(I) thereof shall not apply.

''(3) PRINCIPAL RESIDENCE.—The term 'principal residence' has the same meaning as when used in section 121.

''(4) CERTIFIED HISTORIC STRUCTURE.—

''(A) IN GENERAL.—The term 'certified historic structure' means any building (and its structural components) which—

''(i) is listed in the National Register, or

''(ii) is located in a registered historic district (as defined in section 47(c)(3)(B)) within which only qualified census tracts (or portions thereof) are located, and is certified by the Secretary of the Interior as being of historic significance to the district.

''(B) CERTAIN STRUCTURES INCLUDED.—Such term includes any building (and its structural components) which is designated as being of historic significance under a statute of a State or local government, if such statute is certified by the Secretary of the Interior to the Secretary as containing criteria which will substantially achieve the purpose of preserving and rehabilitating buildings of historic significance.

''(C) QUALIFIED CENSUS TRACTS.—For purposes of subparagraph (A)(ii)—

''(i) IN GENERAL.—The term 'qualified census tract' means a census tract in which the median income is less than twice the statewide median family income.

''(ii) DATA USED.—The determination under clause (i) shall be made on the basis of the most recent decennial census for which data are available.

''(5) REHABILITATION NOT COMPLETE BEFORE CERTIFICATION.—A rehabilitation shall not be treated as complete before the date of the certification referred to in subsection (d).

''(6) LESSEES.—A taxpayer who leases his principal residence shall, for purposes of this section, be treated as the owner thereof if the remaining term of the lease (as of the date determined under regulations prescribed by the Secretary) is not less than such minimum period as the regulations require.

''(7) TENANT-STOCKHOLDER IN COOPERATIVE HOUSING CORPORATION.—If the taxpayer holds stock as a tenant-stockholder (as defined in section 216) in a cooperative housing corporation (as defined in such section), such stockholder shall be treated as owning the house or apartment which the taxpayer is entitled to occupy as such stockholder.

''(8) ALLOCATION OF EXPENDITURES RELATING TO EXTERIOR OF BUILDING CONTAINING COOPERATIVE OR CONDOMINIUM UNITS.—The percentage of the total expenditures made in the rehabilitation of a building containing cooperative or condominium residential units allocated to the rehabilitation of the exterior of the building shall be attributed proportionately to each cooperative or condominium residential unit in such building for which a credit under this section is claimed.

''(f) WHEN EXPENDITURES TAKEN INTO ACCOUNT.—In the case of a building other than a building to which subsection (g) applies, qualified rehabilitation expenditures shall be treated for purposes of this section as made—

''(1) on the date the rehabilitation is completed, or

''(2) to the extent provided by the Secretary by regulation, when such expenditures are properly chargeable to capital account.

Regulations under paragraph (2) shall include a rule similar to the rule under section 50(a)(2) (relating to recapture if property ceases to qualify for progress expenditures).

''(g) ALLOWANCE OF CREDIT FOR PURCHASE OF REHABILITATED HISTORIC HOME.—

''(1) IN GENERAL.—In the case of a qualified purchased historic home, the taxpayer shall be treated as having made (on the date of purchase) the expenditures made by the seller of such home. For purposes of the preceding sentence, expenditures made by the seller shall be deemed to be qualified rehabilitation expenditures if such expenditures, if made by the purchaser, would be qualified rehabilitation expenditures.

''(2) QUALIFIED PURCHASED HISTORIC HOME.—For purposes of this subsection, the term 'qualified purchased historic home' means any substantially rehabilitated certified historic structure purchased by the taxpayer if—

''(A) the taxpayer is the first purchaser of such structure after the date rehabilitation is completed, and the purchase occurs within 5 years after such date,

''(B) the structure (or a portion thereof) will, within a reasonable period, be the principal residence of the taxpayer,

''(C) no credit was allowed to the seller under this section or section 47 with respect to such rehabilitation, and

''(D) the taxpayer is furnished with such information as the Secretary determines is necessary to determine the credit under this subsection.

''(h) HISTORIC REHABILITATION MORTGAGE CREDIT CERTIFICATE.—

''(1) IN GENERAL.—The taxpayer may elect, in lieu of the credit otherwise allowable under this section, to receive a historic rehabilitation mortgage credit certificate. An election under this paragraph shall be made—

''(A) in the case of a building to which subsection (g) applies, at the time of purchase, or

''(B) in any other case, at the time rehabilitation is completed.

''(2) HISTORIC REHABILITATION MORTGAGE CREDIT CERTIFICATE.—For purposes of this subsection, the term 'historic rehabilitation mortgage credit certificate' means a certificate—

''(A) issued to the taxpayer, in accordance with procedures prescribed by the Secretary, with respect to a certified rehabilitation,

''(B) the face amount of which shall be equal to the credit which would (but for this subsection) be allowable under subsection (a) to the taxpayer with respect to such rehabilitation,

''(C) which may only be transferred by the taxpayer to a lending institution (including a nondepository institution) in connection with a loan—

''(i) that is secured by the building with respect to which the credit relates, and

''(ii) the proceeds of which may not be used for any purpose other than the acquisition or rehabilitation of such building, and

''(D) in exchange for which such lending institution provides to the taxpayer—

''(i) a reduction in the rate of interest on the loan which results in interest payment reductions which are substantially equivalent on a present value basis to the face amount of such certificate, or

''(ii) if the taxpayer so elects with respect to a specified amount of the face amount of such a certificate relating to a building—

''(I) which is a targeted area residence (within the meaning of section 143(j)(1)), or

''(II) which is located in an enterprise community or empowerment zone as designated under section 1391, or a renewal community as designated under section 1400(e),

a payment which is substantially equivalent to such specified amount to be used to reduce the taxpayer's cost of purchasing the building (and only the remainder of such face amount shall be taken into account under clause (i)).

''(3) METHOD OF DISCOUNTING.—The present value under paragraph (2)(D)(i) shall be determined—

''(A) for a period equal to the term of the loan referred to in subparagraph (D)(i),

''(B) by using the convention that any payment on such loan in any taxable year within such period is deemed to have been made on the last day of such taxable year,

''(C) by using a discount rate equal to 65 percent of the average of the annual Federal mid-term rate and the annual Federal long-term rate applicable under section 1274(d)(1) to the month in which the taxpayer makes an election under paragraph (1) and compounded annually, and

''(D) by assuming that the credit allowable under this section for any year is received on the last day of such year.

''(4) USE OF CERTIFICATE BY LENDER.—The amount of the credit specified in the certificate shall be allowed to the lender only to offset the regular tax (as defined in section 55(c)) of such lender. The lender may carry forward all unused amounts under this subsection until exhausted.

''(5) HISTORIC REHABILITATION MORTGAGE CREDIT CERTIFICATE NOT TREATED AS TAXABLE INCOME.—Notwithstanding any other provision of law, no benefit accruing to the taxpayer through the use of a historic rehabilitation mortgage credit certificate shall be included in gross income for purposes of this title.

''(i) RECAPTURE.—

''(1) IN GENERAL.—If, before the end of the 5-year period beginning on the date on which the rehabilitation of the building is completed (or, if subsection (g) applies, the date of purchase of such building by the taxpayer)—

''(A) the taxpayer disposes of such taxpayer's interest in such building, or

''(B) such building ceases to be used as the principal residence of the taxpayer or ceases to be a certified historic structure,

the taxpayer's tax imposed by this chapter for the taxable year in which such disposition or cessation occurs shall be increased by the recapture percentage of the credit allowed under this section for all prior taxable years with respect to such rehabilitation.

''(2) RECAPTURE PERCENTAGE.—For purposes of paragraph (1), the recapture percentage shall be determined in accordance with the table under section 50(a)(1)(B), deeming such table to be amended—

''(A) by striking 'If the property ceases to be investment credit property within—' and inserting 'If the disposition or cessation occurs within—', and

''(B) in clause (i) by striking 'One full year after placed in service' and inserting 'One full year after the taxpayer becomes entitled to the credit'.

''(3) TRANSFER BETWEEN SPOUSES OR INCIDENT TO DIVORCE.—In the case of any transfer described in subsection (a) of section 1041 (relating to transfers between spouses or incident to divorce)—

''(A) the foregoing provisions of this subsection shall not apply, and

''(B) the same tax treatment under this subsection with respect to the transferred property shall apply to the transferee as would have applied to the transferor.

''(j) BASIS ADJUSTMENTS.—For purposes of this subtitle, if a credit is allowed under this section for any expenditure with respect to any property (including any purchase under subsection (g) and any transfer under subsection (h)), the increase in the basis of such property which would (but for this subsection) result from such expenditure shall be reduced by the amount of the credit so allowed.

''(k) PROCESSING FEES.—Any State may impose a fee for the processing of applications for the certification of any rehabilitation under this section provided that the amount of such fee is used only to defray expenses associated with the processing of such applications.

''(l) DENIAL OF DOUBLE BENEFIT.—No credit shall be allowed under this section for any amount for which credit is allowed under section 47.

''(m) REGULATIONS.—The Secretary shall prescribe such regulations as may be appropriate to carry out the purposes of this section, including regulations where less than all of a building is used as a principal residence and where more than 1 taxpayer use the same dwelling unit as their principal residence.''

(b) CONFORMING AMENDMENTS.—

(1) Subsection (c) of section 23 of such Code is amended by striking ''and section 1400C'' and inserting ''and sections 25B and 1400C''.

(2) Subparagraph (C) of section 25(e)(1) of such Code is amended by inserting '', 25B,'' after ''sections 23''.

(3) Subsection (d) of section 1400C of such Code is amended by striking ''other than this section)'' and inserting ''other than this section and section 25B)''.

(4) Subsection (a) of section 1016 of such Code is amended by striking ''and'' at the end of paragraph (26), by striking the period at the end of paragraph (27) and inserting '', and'', and by adding at the end the following new item:

''(28) to the extent provided in section 25B(j).''

(c) CLERICAL AMENDMENT.—The table of sections for subpart A of part IV of subchapter A of chapter 1 of such Code is amended by inserting after the item relating to section 25A the following new item:

''Sec. 25B. Historic homeownership rehabilitation credit.''

(d) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to rehabilitations the physical work on which begins after the date of enactment of this Act.

By Mr. DEWINE:

S. 921. A bill to adjust the boundary of the William Howard Taft National Historic Site in the State of Ohio, to authorize an exchange of land in connection with the historic site, and for other purposes; to the Committee on Energy and Natural Resources.

Mr. DEWINE. Mr. President, I rise today to introduce the ''William Howard Taft National Historic Site Boundary Adjustment Act of 2001.'' This legislation would do three things: First, it would authorize the expansion of the historic grounds of the William Howard Taft's childhood home; second it would allow the Secretary of the Interior, through the National Park Service, to swap one section of equal-valued land for another; and third, it would allow the National Park Service to extend the boundary line of the Historic Site.

As you may know, I strongly support the preservation of Presidential Historic Sites. Sadly, a number of these Presidential Historic sites are becoming run down and are in dire need of our help to secure their existence for future generations. These sites are great educational tools for our children. We must ensure their survival. If we don't, we will lose a valuable part of our American history.

That is why I introduced the Presidential Sites Improvement Act last year and plan to reintroduce it later this year. This legislation is designed to provide grant money for the protection and improvement of Presidential sites, like the William Howard Taft home in Ohio.

President Taft was born in Cincinnati, Ohio, in 1857. He was the son of a distinguished judge and former Ohio Attorney General. Taft graduated from Yale, and then returned to Cincinnati to study and practice law. As my colleagues know, Taft went on to become our 27th U.S. President. He is the only President in U.S. history who went on to become the Chief Justice of the U.S. Supreme Court. In describing his illustrious career as a public servant, Taft once wrote that he always had his ''plate the right side up when offices were falling.''

With the bill I am introducing today, we can make a lasting commitment to future generations by preserving the memory and contributions of our nation's former leaders. Our children and grandchildren should have the opportunity to understand the richness of our country's history.

Mr. GRASSLEY. Mr. President, last year's Loan Deficiency Payments, LDPs, were made available to producers for crops grown on farms not covered by Production Flexibility Contract, PFC, under the 1996 farm bill. In Iowa there are 6200 farms that do not participate in the farm program. Nonparticipating farms are classified as farms not enrolled in 1996 at the beginning of the program, or farms that changed hands during the farm bill that were not properly re-enrolled.

The Agricultural Risk Protection Act of 2000, which we passed into law last year, furnished LDP's to farmers who produced a 2000 crop contract commodity on a farm not covered by a PFC. Senator NELSON and I are offering legislation to extend this one-year opportunity for producers. Our legislation provides an extension of this opportunity that will run for the remainder of the 1996 farm bill.

Not all of the 6200 non-participating farms will choose to use and benefit from an LDP, but for the family farmers in Iowa who are not in the program, guaranteeing close to $1.78 on corn and $5.26 on soybeans is significant assistance.

With the record low prices Iowa producers have experienced recently, I think that the Federal Government should do everything it can to keep producers on the farm. This by no means solves all their problems, but it helps and it's something we should have done for these individuals on a permanent basis when we provided a one-year opportunity for participation in the LDP program last year. I ask unanimous consent that the text of the bill be printed in the RECORD.

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

S. 923

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. EXTENSION OF EXPANSION OF PRODUCERS ELIGIBLE FOR LOAN DEFICIENCY PAYMENTS.

Section 135(a)(2) of the Agricultural Market Transition Act (7 U.S.C. 7235(a)(2)) is amended by striking ''the 2000 crop year'' and inserting ''each of the 2000 through 2002 crop years''.

STATEMENTS ON SUBMITTED RESOLUTIONS

SENATE RESOLUTION 91—CONDEMNING THE MURDER OF A UNITED STATES CITIZEN AND OTHER CIVILIANS, AND EXPRESSING THE SENSE OF THE SENATE REGARDING THE FAILURE OF THE INDONESIAN JUDICIAL SYSTEM TO HOLD ACCOUNTABLE THOSE RESPONSIBLE FOR THE KILLINGS

Mr. NELSON of Florida (for himself, Mr. FEINGOLD, and Mr. LEAHY) submitted the following resolution; which was referred to the Committee on Foreign Relations:

S. RES. 91

Whereas on September 6, 2000, a paramilitary mob in the West Timor town of Atambua killed 3 United Nations aid workers, including United States citizen Carlos Caceres;

Whereas Caceres and the other victims were stabbed and hacked to death with exceptional brutality, and their bodies were then set on fire and dragged through the streets;

Whereas Caceres, an attorney originally from San Juan, Puerto Rico, whose family now resides in the State of Florida, had e-mailed a plea for help saying that ''the militias are on their way'', and that ''we sit here like bait'';

Whereas on May 4, 2001, an Indonesian court in Jakarta meted out only token sentences to the murderers of Carlos Caceres and the other United Nations workers, and failed to allot any punishment whatsoever to the Indonesian military commanders alleged to have sanctioned this attack;

Whereas these token sentences have been condemned as ''wholly unacceptable'' by United Nations Secretary General Kofi Annan, and described by the Department of State as acts that ''call into question Indonesia's commitment to the principle of accountability'';

Whereas the self-confessed killer of Carlos Caceres, a pro-government militia member named Julius Naisama, was sentenced to spend not more than 20 months in jail, and remarked afterwards, ''I accept the sentence with pride'';

Whereas the murders of Carlos Caceres and the other United Nations workers fit a pattern of killings perpetrated or sanctioned by the Indonesian military in Aceh, Irian Jaya, and other parts of the Indonesia, both during and since the end of the Suharto regime;

Whereas, despite Indonesian government promises of judicial accountability, since the initiation of democratic rule in Indonesia in 1998, no senior military official has been put on trial for human rights abuses, extrajudicial killings, torture, or incitement to mob violence; and

Whereas the Government of Indonesia could have prevented both the murder of the United Nations workers and the subsequent miscarriage of justice if the Government had—

(1) upheld its explicit commitment, made after the August, 1999 referendum in East Timor, to ensure that Indonesian military forces would safeguard United Nations workers and Timorese refugees from attacks by the paramilitary militias who had killed approximately 1,000 East Timorese civilians in the preceding weeks;

(2) brought charges of murder or manslaughter against the 6 men who proudly admitted to killing the United Nations workers in an unprovoked attack, rather than only the lesser charge of conspiring to foment violence; and

(3) brought charges against senior military commanders who, according to the United Nations, the Department of State, and the Government of Indonesia itself, are suspected of arming and directing the paramilitary militias responsible for the carnage in East Timor: Now, therefore, be it

Resolved, That (a) the Senate—

(1) condemns the brutal murder of Carlos Caceres, a United States citizen;

(2) decries the inadequate sentences given by the Indonesian judicial system to the self-confessed killers of the 3 United Nations aid workers;

(3) calls on the Government of Indonesia to indict and bring to trial the senior military commanders described in a September 1, 2000, statement by the Government of Indonesia itself, as suspects in the mass killings following the August, 1999 East Timor referendum; and

(4) offers condolences to the family, friends, and colleagues of Carlos Caceres and the other victims of the September 6, 2000, attack.

(b) It is the sense of the Senate that—

(1) the President should, at every appropriate meeting with officials of the Government of Indonesia, stress the importance of ending the climate of impunity which shields those individuals, especially senior members of the Indonesian military, suspected of perpetrating, collaborating in, or covering up extra judicial killings, torture, and other abuses of human rights; and

(2) the President should consider the willingness of the Government of Indonesia to make rapid and substantive progress in judicial reform when determining the level of financial support provided by the United States to Indonesia, whether directly or through international financial institutions.

SEC. 2. The Secretary of the Senate shall transmit a copy of this resolution to the President.

SENATE RESOLUTION 92—TO DESIGNATE THE WEEK BEGINNING JUNE 3, 2001, AS ''NATIONAL CORRECTIONAL OFFICERS AND EMPLOYEES WEEK''

Mrs. FEINSTEIN (for herself, Mr. JEFFORDS, Mr. HUTCHINSON, Mr. HELMS, Mr. SARBANES, Mr. VOINOVICH, Mr. DOMENICI, Mr. WARNER, Mr. GRAMM, Mr. HATCH, Mr. THURMOND, Mr. MCCAIN, Mr. BIDEN, Mr. KERRY, Mr. LEVIN, Mr. DODD, Mrs. CLINTON, Mr. CONRAD, Mr. THOMAS, Mr. ROBERTS, Mr. BINGAMAN, Mr. SCHUMER, Mr. GRASSLEY, Mr. FITZGERALD, Mr. BROWNBACK, Mr. KENNEDY, Mr. COCHRAN, Mr. ALLEN, Mr. DASCHLE, and Mrs. LINCOLN) submitted the following resolution; which was referred to the Committee on the Judicary:

S. RES. 92

Whereas the operation of correctional facilities represents a crucial component of our criminal justice system;

Whereas correctional personnel play a vital role in protecting the rights of the public to be safeguarded from criminal activity;

Whereas correctional personnel are responsible for the care, custody, and dignity of the human beings charged to their care; and

Whereas correctional personnel work under demanding circumstances and face danger in their daily work lives: Now, therefore, be it

Resolved,

SECTION 1. DESIGNATION OF NATIONAL CORRECTIONAL OFFICERS AND EMPLOYEES WEEK.

That the Senate—

(1) designates the week beginning June 3, 2001, as ''National Correctional Officers and Employees Week''; and

(2) requests that the President issue a proclamation calling upon the people of the United States to observe the week with appropriate ceremonies and activities.

Mrs. FEINSTEIN. Mr. President, I rise today to submit a resolution to honor correctional officers and employees. This resolution reaffirms our support for the thousands of correctional officers and employees who work in the face of danger each day, while reforming hardened criminals. They deserve our respect and support.

Nationally more than 200,000 corrections professionals work hard to maintain the safety of our communities. We must never forget that this is an often stressful and dangerous occupation. Nor can we forget the sacrifices made by those courageous individuals who have been injured or killed in the line of duty. Officers put their lives on the line every time they begin a shift.

Tragically, correctional officers have been permanently injured and killed in the line of duty. There have been over 356 men and women who have died while on duty. This year, we honor Wilmot A. Burnett, Lee Dunn, Raymond Curtis, Michael Price, Allen Gamble, Peter Hillman, Jason Acton, Leon Egly, William Giacomo, Alvin Glenn, and Allen Myers, who have all been killed during the past year.

Most of us leave for work knowing that we will return home safe and sound at the end of the day. While we take this peace of mind for granted, correctional officers are not afforded this luxury.

On June 6, 2000, Sergeant Allen Gamble, a correctional officer at Oklahoma State Reformatory was fatally stabbed in the throat as he attempted to help a fellow officer who was being attacked by a prisoner. Sergeant Gamble was survived by his wife, Sherri and his four children. Equally disturbing is the case of Officer Jason Coryell, a correctional officer at the Arizona State Prison Complex. On August 25, 200, Officer Jason Croyell was stabbed three times in the stomach when an inmate refused to be handcuffed. Though the wound was severe, Officer Coryell returned to work in November, 2000.

Officers Gamble and Coryell exemplify the heroism that takes place each day in our nation's correctional facilities. They remind us how individual acts of heroism are a regular part of the job among correctional officers and employees.

In addition to dealing with society's most hardened criminals, correctional officers and employees also seek to reform offenders. They play an important role in lowering recidivism rates. And through literacy programs and vocational training they help transform criminals into productive, law abiding members of society. This is not an easy task.

Correctional officers and their families and friends endure a tremendous amount of stress and sacrifice. Prison security never takes a break, which often means that officers work all hours of the day and night, weekends, and holidays. I hope with this resolution we can honor and recognize this sort of commitment and sacrifice, not just this week, but throughout the year.

America's correctional officers and employees efforts to make our world a better, safer place too often go unnoticed. Few of us can truly appreciate the perils faced daily by our correctional officers. With this resolution we reflect on the contributions correctional officers have made to keep our communities safe. This is why I am pleased to submit this resolution to establish June 3–10, 2001, as Correctional Officers and Employees Week.

AMENDMENTS SUBMITTED AND PROPOSED

SA 689. Mr. KENNEDY 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.

SA 690. Mr. KENNEDY 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 691. Mr. KYL submitted an amendment intended to be proposed by him to the bill H.R. 1836, supra.

SA 692. Mr. WELLSTONE proposed an amendment to the bill H.R. 1836, supra.

SA 693. Mr. LIEBERMAN (for himself and Mr. DASCHLE) submitted an amendment intended to be proposed by him to the bill H.R. 1836, supra.

SA 694. Mr. REID (for himself and Mrs. CLINTON) 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 695. Mr. DODD (for himself and Mr. REID) submitted an amendment intended to be proposed by him to the bill H.R. 1836, supra.

SA 696. Mr. NELSON of Nebraska 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 697. Mr. HATCH (for himself, Mr. ALLEN, Mr. CRAIG, Mr. SMITH, of Oregon, Mr. REID, Mr. BROWNBACK, Mr. BENNETT, and Mr. KERRY) proposed an amendment to the bill H.R. 1836, supra.

SA 698. Mr. KENNEDY 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 699. Mr. KENNEDY 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 700. Mr. KENNEDY 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 701. Mr. HATCH (for Mr. KERRY (for himself and Mr. HATCH)) proposed an amendment to amendment SA 697 proposed by Mr. HATCH to the bill (H.R. 1836) supra.

SA 702. Mr. DASCHLE 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 703. Mr. BYRD proposed an amendment to the bill H.R. 1836, supra.

SA 704. 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 705. 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 706. 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 707. Mr. JEFFORDS (for himself, Mr. DODD, Mr. KENNEDY, Mr. ROCKEFELLER, and Mr. LEVIN) proposed an amendment to the bill H.R. 1836, supra.

SA 708. Mr. LIEBERMAN (for himself, Mrs. FEINSTEIN, Mrs. CLINTON, and Mr. LEAHY) 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 709. Mr. HUTCHINSON 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 710. Mr. HATCH 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 711. Mrs. LINCOLN submitted an amendment intended to be proposed by her to the bill H.R. 1836, supra.

SA 712. Mr. LIEBERMAN (for himself and Mrs. FEINSTEIN) 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 713. Mr. DORGAN proposed an amendment to the bill H.R. 1836, supra.

SA 714. Mr. SESSIONS (for himself, Mr. MCCONNELL, and Mr. WYDEN) 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 715. Mr. SESSIONS (for himself, Mr. MCCONNELL, and Mr. WYDEN) 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 716. 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 717. Mr. BINGAMAN (for himself, Mr. REID, Mr. JOHNSON, Mrs. CLINTON, and Mr. KENNEDY) submitted an amendment intended to be proposed by him to the bill H.R. 1836, supra.

SA 718. Mr. BOND 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 719. Mrs. CARNAHAN (for herself and Mr. DASCHLE) 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 720. Mr. BAYH 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 721. Mr. KERRY submitted an amendment intended to be proposed by him to the bill H.R. 1836, supra.

SA 722. Mr. DASCHLE 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 723. Mr. SMITH of New Hampshire proposed an amendment to amendment SA 680 proposed by Mr. SMITH of New Hampshire to the bill (H.R. 1836) supra.

SA 724. Mr. FEINGOLD proposed an amendment to the bill H.R. 1836, supra.

SA 725. Mr. FEINGOLD proposed an amendment to the bill H.R. 1836, supra.

SA 726. Mr. FEINGOLD proposed an amendment to the bill H.R. 1836, SUPRA.

SA 727. Mr. HARKIN proposed an amendment to the bill H.R. 1836, supra.

SA 728. Mr. HARKIN 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 729. Mr. HARKIN 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 730. Mr. HARKIN 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 731. Mr. HARKIN 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 732. Mr. CAMPBELL submitted an amendment intended to be proposed to amendment SA 440 submitted by Mr. CAMPBELL and intended to be proposed to the bill (S. 1) to extend programs and activities under the Elementary and Secondary Education Act of 1965; which was ordered to lie on the table.

SA 733. Mr. DURBIN 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.

SA 734. Mr. GRAHAM 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 735. 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 736. Mr. GRAMM proposed an amendment to the bill H.R. 1836, supra.

SA 737. Ms. COLLINS 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 738. Ms. COLLINS 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 739. Ms. COLLINS 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 740. Ms. SNOWE (for herself and Mrs. LINCOLN) 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 741. Ms. SNOWE (for herself, Mrs. LINCOLN, Mr. JEFFORDS, Mr. CHAFEE, Mr. DEWINE Mr. KERRY, Mr. DODD, Mr. ROCKEFELLER, Ms. COLLINS, and Mr. SMITH of Oregon) 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 742. Mrs. MURRAY (for herself and Mr. SMITH of Oregon) 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 743. Mr. BAUCUS (for Mr. CONRAD) proposed an amendment to the bill H.R. 1836, supra.

SA 744. Mr. BAUCUS (for Mr. CONRAD) proposed an amendment to the bill H.R. 1836, supra.

SA 745. Mr. WARNER (for Mr. STEVENS (for himself, Mr. INOUYE, Mr. THOMPSON, Mr. HOLLINGS, Mr. MURKOWSKI, Mr. BINGAMAN, Mr. THURMOND, Mr. THOMAS, Ms. COLLINS, and Mr. WARNER)) proposed an amendment to the bill H.R. 1696, to expedite the construction of the World War II memorial in the District of Columbia.

SA 746. Mrs. BOXER 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.

SA 747. Mr. REID (for Mr. CARPER) proposed an amendment to the bill H.R. 1836, supra.

SA 748. Mr. NELSON, of Florida 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 749. Mr. JEFFORDS 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 750. 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 751. Mr. ALLEN proposed an amendment to amendment SA 685 submitted by Mr. BAYH and intended to be proposed to the bill (H.R. 1836) supra.

SA 752. Mr. DORGAN 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 753. Mr. DORGAN 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 754. Mr. KOHL 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 755. Mr. CONRAD 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 756. Mr. LEVIN 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 757. Mr. LEVIN 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 758. Mr. LEVIN 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 759. Mr. LEVIN 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 760. Mr. LEVIN 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 761. Mr. HARKIN 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 762. Mr. JEFFORDS submitted an amendment intended to be proposed by him to the bill H.R. 1836, supra; which was ordered to lie on the table.

TEXT OF AMENDMENTS

SA 689. Mr. KENNEDY 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:

SEC. ____. EXTENSION OF APPLICATION OF JOINT AND SURVIVOR ANNUITY RULES.

(a) APPLICATION TO ALL DEFINED CONTRIBUTION PLANS.—

(1) AMENDMENTS TO ERISA.—

(A) IN GENERAL.—Section 205(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1055(a)) is amended by striking ''to which this section applies''.

(B) CONFORMING AMENDMENTS.—

(i) Section 205(b) of such Act (29 U.S.C. 1055(b)) is amended to read as follows:

''(b)(1)(A) In the case of—

''(i) a tax credit employee stock ownership plan (as defined in section 409(a) of the Internal Revenue Code of 1986), or

''(ii) an employee stock ownership plan (as defined in section 4975(e)(7) of such Code),

subsection (a) shall not apply to that portion of the employee's accrued benefit to which the requirements of section 409(h) of such Code apply.

''(B) Subparagraph (A) shall not apply with respect to any participant unless—

''(i) such plan provides that the participant's nonforfeitable accrued benefit (reduced by any security interest held by the plan by reason of a loan outstanding to such participant) is payable in full, on the death of the participant, to the participant's surviving spouse (or, if there is no surviving spouse or the surviving spouse consents in the manner required under subsection (c)(2), to a designated beneficiary),

''(ii) such participant does not elect the payment of benefits in the form of a life annuity, and

''(iii) with respect to such participant, such plan is not a direct or indirect transferee (in a transfer after December 31, 1984) of a plan to which, at the time of the transfer, subsection (a) applied (or to which this clause applied with respect to the participant).

Clause (iii) shall apply only with respect to the transferred assets (and income therefrom) if the plan separately accounts for such assets and any income therefrom. A plan shall not be treated as failing to meet the requirements of this subparagraph merely because the plan provides that benefits will not be payable to the surviving spouse of the participant unless the participant and such spouse had been married throughout the 1-year period ending on the earlier of the participant's annuity starting date or the date of the participant's death.

''(2) This section shall not apply to a plan which the Secretary of the Treasury or his delegate has determined is a plan described in section 404(c) of the Internal Revenue Code of 1986 (or a continuation thereof) in which participation is substantially limited to individuals who, before January 1, 1976, ceased employment covered by the plan.''

(ii) Section 205(e)(2) of such Act (20 U.S.C. 1055(e)(2)) is amended by striking ''individual account plan or participant described in subparagraph (B) or (C) of subsection (b)(1)'' and inserting ''individual account plan to which this section applies, or any participant described in subsection (b)(1)(B)''.

(2) AMENDMENTS TO INTERNAL REVENUE CODE.—

(A) IN GENERAL.—Section 401(a)(11)(A) of the Internal Revenue Code of 1986 (relating to requirement of joint and survivor annuity and preretirement survivor annuity) is amended by striking the matter preceding clause (i) and inserting:

''(A) IN GENERAL.—Except as provided in section 417 and subparagraph (B), a trust forming part of a plan shall not constitute a qualified trust under this section unless such plan provides—''.

(B) CONFORMING AMENDMENTS.—

(i) Section 401(a)(11) of such Code is amended by striking subparagraphs (B), (C), and (D) and inserting the following new subparagraphs:

''(B) EXCEPTION FOR CERTAIN ESOP BENEFITS.—

''(i) IN GENERAL.—In the case of—

''(I) a tax credit employee stock ownership plan (as defined in section 409(a)), or

''(II) an employee stock ownership plan (as defined in section 4975(e)(7)),

subparagraph (A) shall not apply to that portion of the employee's accrued benefit to which the requirements of section 409(h) apply.

''(ii) NONFORFEITABLE BENEFIT MUST BE PAID IN FULL, ETC.—In the case of any participant, clause (i) shall not apply unless—

''(I) such plan provides that the participant's nonforfeitable accrued benefit (reduced by any security interest held by the plan by reason of a loan outstanding to such participant) is payable in full, on the death of the participant, to the participant's surviving spouse (or, if there is no surviving spouse or the surviving spouse consents in the manner required under section 417(a)(2), to a designated beneficiary),

''(II) such participant does not elect the payment of benefits in the form of a life annuity, and

''(III) with respect to such participant, such plan is not a direct or indirect transferee (in a transfer after December 31, 1984) of a plan to which, at the time of the transfer, subparagraph (A) applied (or to which this subclause applied with respect to the participant).

Subclause (III) shall apply only with respect to the transferred assets (and income therefrom) if the plan separately accounts for such assets and any income therefrom.

''(C) SPECIAL RULE WHERE PARTICIPANT AND SPOUSE MARRIED LESS THAN 1 YEAR.—A plan shall not be treated as failing to meet the requirements of subparagraph (B)(ii) merely because the plan provides that benefits will not be payable to the surviving spouse of the participant unless the participant and such spouse had been married throughout the 1-year period ending on the earlier of the participant's annuity starting date or the date of the participant's death.''

(ii) Section 401(a)(11) of such Code is amended by redesignating subparagraphs (E) and (F) as subparagraphs (D) and (E), respectively.

(iii) Section 417(c)(2) of such Code is amended by striking ''defined contribution plan or participant described in clause (ii) or (iii) of section 401(a)(11)(B)'' and inserting ''defined contribution plan to which section 401(a)(11) applies, or any participant described in section 401(a)(11)(B)(ii),''.

(b) SPECIAL RULES RELATING TO DEFINED CONTRIBUTION PLANS.—

(1) AMENDMENTS TO ERISA.—

(A) PAYMENTS IN LIEU OF ANNUITY.—Section 205 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1055) is amended by redesignating subsection (l) as subsection (m) and by inserting after subsection (k) the following new subsection:

''(l)(1) For purposes of this section, a defined contribution plan shall be treated as providing—

''(A) a qualified joint and survivor annuity if the plan provides that the account balance of the participant to which the participant had a nonforfeitable right (within the meaning of section 203) will be distributed in a series of periodic payments (determined in accordance with tables prescribed by the Secretary of the Treasury) over the joint lives of the participant and the participant's spouse, and

''(B) a qualified preretirement survivor annuity if the plan provides that the account balance of the participant (as of the date of death) to which the participant had a nonforfeitable right (as so defined) will be distributed to the surviving spouse, at the option of the spouse, in either such a series of periodic payments over the life of the surviving spouse or in a lump sum if the plan provides for lump sums.

A plan shall not be treated as failing to meet the requirements of subparagraph (A) if the plan provides that a participant may, with the consent of the spouse, elect at any time to have the plan pay all of the remaining portion of the account balance in a lump sum.

''(2) In the case of a termination of a defined contribution plan which is providing payments described in paragraph (1), such plan shall be treated as meeting the requirements of paragraph (1) if the plan—

''(A) purchases an irrevocable commitment from an insurer in accordance with section 4041(b)(3)(A)(i) for each participant or surviving spouse eligible to receive such payments, or

''(B) in accordance with regulations to be prescribed by the corporation, transfers to the corporation each participant's or spouse's right to receive such payments, for treatment and payment by the corporation to the participant or spouse in a manner similar to the manner in which payments are treated and made under section 4050.''

(B) RESTRICTIONS ON CASH-OUTS.—Section 205(g) of such Act (29 U.S.C. 1055(g)) is amended by adding at the end the following:

''(4) In the case of a defined contribution plan, the plan shall pay one-half of any distribution under paragraph (1) to the participant and one-half to the participant's spouse unless the spouse consents in writing to have the entire distribution paid to the participant.''

(2) AMENDMENTS TO INTERNAL REVENUE CODE.—

(A) PAYMENTS IN LIEU OF ANNUITY.—Section 417 of the Internal Revenue Code of 1986 (relating to definitions and special rules for purposes of survivor minimum annuity requirements) is amended by adding at the end the following new subsection:

''(g) SPECIAL RULES FOR DEFINED CONTRIBUTION PLANS.—For purposes of this section—

''(1) PAYMENTS IN LIEU OF ANNUITIES.—A defined contribution plan shall be treated as providing—

''(A) a qualified joint and survivor annuity if the plan provides that the account balance of the participant to which the participant had a nonforfeitable right (within the meaning of section 411(a)) will be distributed in a series of periodic payments (determined in accordance with tables prescribed by the Secretary) over the joint lives of the participant and the participant's spouse, and

''(B) a qualified preretirement survivor annuity if the plan provides that the account balance of the participant (as of the date of death) to which the participant had a nonforfeitable right (as so defined) will be distributed to the surviving spouse, at the option of the spouse, in either such a series of periodic payments over the life of the surviving spouse or in a lump sum if the plan provides for lump sums.

A plan shall not be treated as failing to meet the requirements of subparagraph (A) if the plan provides that a participant may, with the consent of the spouse, elect at any time to have the plan pay all of the remaining portion of the account balance in a lump sum.

''(2) PLAN TERMINATION.—In the case of a termination of a defined contribution plan which is providing payments described in paragraph (1), such plan shall be treated as meeting the requirements of paragraph (1) if the plan—

''(A) purchases an irrevocable commitment from an insurer in accordance with section 4041(b)(3)(A)(i) of the Employee Retirement Income Security Act of 1974 for each participant or surviving spouse eligible to receive such payments, or

''(B) in accordance with regulations to be prescribed by the Pension Benefit Guaranty Corporation, transfers to the Corporation each participant's or spouse's right to receive such payments, for treatment and payment by the Corporation to the participant or spouse in a manner similar to the manner in which payments are treated and made under section 4050 of such Act.''

(B) RESTRICTIONS ON CASH-OUTS.—Section 417(e) of such Code (relating to restrictions on cash-outs) is amended by adding at the end the following:

''(4) SPECIAL RULE FOR DEFINED CONTRIBUTION PLANS.—In the case of a defined contribution plan, the plan shall pay one-half of any distribution under paragraph (1) to the participant and one-half to the participant's spouse unless the spouse consents in writing to have the entire distribution paid to the participant.''

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to plan years beginning after December 31, 2001.

(2) SPECIAL RULE FOR COLLECTIVELY BARGAINED PLANS.—In the case of a plan maintained pursuant to 1 or more collective bargaining agreements between employee representatives and 1 or more employers ratified on or before the date of enactment of this Act, the amendments made by this section shall not, in the case of employees covered by any such agreement, apply to plan years beginning before the earlier of—

(A) the later of—

(i) January 1, 2002, or

(ii) the date on which the last of such collective bargaining agreements terminates (determined without regard to any extension thereof after the date of enactment of this Act), or

(B) January 1, 2003.

SA 690. Mr. KENNEDY 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:

SEC. . QUALIFIED JOINT AND 75 PERCENT SURVIVOR ANNUITY.

(a) AMENDMENTS TO ERISA.—

(1) AMOUNT OF ANNUITY.—Paragraph (1) of section 205(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1055(a)) is amended by inserting ''or, at the election of the participant, shall be provided in the form of a qualified joint and 75 percent survivor annuity'' after ''survivor annuity,''.

(2) DEFINITION.—Subsection (d) of section 205 of such Act (29 U.S.C. 1055) is amended—

(A) by redesignating paragraphs (1) and (2) as subparagraphs (A) and (B), respectively,

(B) by inserting ''(1)'' after ''(d)'', and

(C) by adding at the end the following new paragraph:

''(2) For purposes of this section, the term 'qualified joint and 75 percent survivor annuity' means an annuity for the life of the participant with a survivor annuity for the life of the spouse which is not less than 75 percent of (and is not greater than 100 percent of) the amount of the annuity which is payable during the joint lives of the participant and the spouse.''

(b) AMENDMENTS TO INTERNAL REVENUE CODE.—

(1) AMOUNT OF ANNUITY.—Clause (i) of section 401(a)(11)(A) (relating to requirement of joint and survivor annuity and preretirement survivor annuity) is amended by inserting ''or, at the election of the participant, shall be provided in the form of a qualified joint and 75 percent survivor annuity'' after ''survivor annuity,''.

(2) DEFINITION.—Section 417(f) (relating to definitions and special rules) is amended by adding at the end the following new paragraph:

''(8) DEFINITION OF QUALIFIED JOINT AND SEVENTY FIVE PERCENT SURVIVOR ANNUITY.—The term 'qualified joint and 75 percent survivor annuity' means an annuity for the life of the participant with a survivor annuity for the life of the spouse which is not less than 75 percent of (and is not greater than 100 percent of) the amount of the annuity which is payable during the joint lives of the participant and the spouse.''

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraphs (2) and (3), the amendments made by this section shall apply to plan years beginning after December 31, 2001.

(2) APPLICATION TO CURRENT EMPLOYEES.—The amendments made by this section shall not apply to any employee who does not have at least 1 hour of service in any plan year beginning after December 31, 2001.

(3) COLLECTIVE BARGAINING AGREEMENTS.—In the case of a plan maintained pursuant to 1 or more collective bargaining agreements between employee representatives and 1 or more employers ratified on or before the date of the enactment of this Act, the amendments made by this section shall not, in the case of employees covered by any such agreement, apply to plan years beginning before the earlier of—

(A) the later of—

(i) the date on which the last of such collective bargaining agreements terminates (determined without regard to any extension thereof on or after such date of enactment), or

(ii) January 1, 2002, or

(B) January 1, 2003.

SA 691. 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; as follows:

At the end of subtitle D of title IV, add the following:

SEC. ___. CREDIT FOR CONTRIBUTIONS TO CHARITABLE ORGANIZATIONS WHICH PROVIDE SCHOLARSHIPS FOR STUDENTS ATTENDING ELEMENTARY AND SECONDARY SCHOOLS.

(a) IN GENERAL.—Subpart B of part IV of subchapter A of chapter 1 is amended by adding at the end the following new section:

''SEC. 30B. CREDIT FOR CONTRIBUTIONS TO CHARITABLE ORGANIZATIONS WHICH PROVIDE SCHOLARSHIPS FOR STUDENTS ATTENDING ELEMENTARY AND SECONDARY SCHOOLS.

''(a) ALLOWANCE OF CREDIT.—There shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the qualified charitable contributions of the taxpayer for the taxable year.

''(b) MAXIMUM CREDIT.—The credit allowed by subsection (a) for any taxable year shall not exceed $250 ($500, in the case of a joint return).

''(c) QUALIFIED CHARITABLE CONTRIBUTION.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified charitable contribution' means, with respect to any taxable year, the amount allowable as a deduction under section 170 (determined without regard to subsection (d)(1)) for cash contributions to a school tuition organization.

''(2) SCHOOL TUITION ORGANIZATION.—

''(A) IN GENERAL.—The term 'school tuition organization' means any organization described in section 170(c)(2) if the annual disbursements of the organization for elementary and secondary school scholarships are normally not less than 90 percent of the sum of such organization's annual gross income and contributions and gifts.

''(B) ELEMENTARY AND SECONDARY SCHOOL SCHOLARSHIP.—The term 'elementary and secondary school scholarship' means any scholarship excludable from gross income under section 117 for expenses related to education at or below the 12th grade.

''(d) SPECIAL RULES.—

''(1) DENIAL OF DOUBLE BENEFIT.—No deduction shall be allowed under this chapter for any contribution 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.

''(3) CONTROLLED GROUPS.—All persons who are treated as one employer under subsection (a) or (b) of section 52 shall be treated as 1 taxpayer for purposes of this section.

''(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 for contributions to charitable organizations which provide scholarships for students attending elementary and secondary schools.''.

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

SA 692. Mr. WELLSTONE 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:

Mr. WELLSTONE moves to commit the bill H.R. 1836, as amended, to the Committee on Finance with instructions to report the same back to the Senate not later than that date that is 3 days after the date on which this motion is adopted with the following amendments:

(1) Establish a reserve account for purposes of providing funds for Federal education programs.

(2) Strike the reductions to the highest rate of tax under section 1 of the Internal Revenue Code of 1986 contained in section 101.

(3) Provide for the deposit in the reserve account described in paragraph (1) in each of fiscal years 2002 through 2011 of an amount equal to the amount that would result from striking the reductions described in paragraph (2) (as determined by the Joint Committee on Taxation).

(4) Make available amounts in the reserve account described in paragraph (1) in each of fiscal years 2002 through 2011 for purposes of funding Federal education programs, which amounts shall be in addition to any other amounts available for funding such programs during each such fiscal year.

SA 693. Mr. LIEBERMAN (for himself and Mr. DASCHLE) 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:

On page 7, line 15, insert ''(12.5 percent in taxable years beginning in 2001)'' after ''percent''.

On page 13, between lines 15 and 16, insert the following:

SEC. ___. REFUND OF INDIVIDUAL INCOME AND EMPLOYMENT TAXES.

(a) REFUND.—

(1) IN GENERAL.—Subchapter B of chapter 65 (relating to rules of special application in the case of abatements, credits, and refunds) is amended by adding at the end the following new section:

''SEC. 6428. REFUND OF INDIVIDUAL INCOME AND EMPLOYMENT TAXES.

''(a) GENERAL RULE.—Except as otherwise provided in this section, each individual shall be treated as having made a payment against the tax imposed by chapter 1 for any taxable year beginning in 2001, in an amount equal to the lesser of—

''(1) the amount of the taxpayer's liability for tax for the taxpayer's last taxable year beginning in calendar year 2000, or

''(2) the taxpayer's applicable amount.

''(b) LIABILITY FOR TAX.—For purposes of this section, the liability for tax for the taxable year shall be the sum of—

''(1) the excess (if any) of—

''(A) the sum of—

''(i) the taxpayer's regular tax liability (within the meaning of section 26(b)) for the taxable year, and

''(ii) the tax imposed by section 55(a) with respect to such taxpayer for the taxable year, over

''(B) the sum of the credits allowable under part IV of subchapter A of chapter 1 (other than sections 31, 33, and 34) for the taxable year, and

''(2) the taxes imposed by sections 1401, 3101, 3111, 3201(a), 3211(a)(1), and 3221(a) on amounts received by the taxpayer for the taxable year.

''(c) APPLICABLE AMOUNT.—For purposes of this section—

''(1) IN GENERAL.—The applicable amount for any taxpayer shall be determined under the following table:

''In the case of a taxpayer described in:	**The applicable amount is:**
Section 1(a)	$600
Section 1(b)	$450
Section 1(c)	$300
Section 1(d)	$300
Paragraph (2)	$300.

''(2) TAXPAYERS WITH ONLY PAYROLL TAX LIABILITY.—A taxpayer is described in this paragraph if such taxpayer's liability for tax for the taxable year does not include any liability described in subsection (b)(1).

''(d) DATE PAYMENT DEEMED MADE.—

''(1) IN GENERAL.—The payment provided by this section shall be deemed made on the date of the enactment of this section.

''(2) REMITTANCE OF PAYMENT.—The Secretary shall remit to each taxpayer the payment described in paragraph (1) within 90 days after such date of enactment.

''(3) CLAIM FOR NONPAYMENT.—Any taxpayer who erroneously does not receive a payment described in paragraph (1) may make claim for such payment in a manner and at such time as the Secretary prescribes.

''(e) CERTAIN PERSONS NOT ELIGIBLE.—This section shall not apply to—

''(1) 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,

''(2) any estate or trust, or

''(3) any nonresident alien individual.''.

(2) 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 RESTORING EARNINGS TO LIFT INDIVIDUALS AND EMPOWER FAMILIES (RELIEF) ACT OF 2001.—Notwithstanding the provisions of this subsection, the Secretary shall modify the tables and procedures under paragraph (1) to reflect the amendments made by section 101 of the Restoring Earnings To Lift Individuals and Empower Families (RELIEF) Act of 2001 with respect to the 10-percent rate bracket, and such modification shall take effect on July 1, 2001, as if the lowest rate of tax under section 1 (as amended by such section 101) was the 10-percent rate effective on such date.''.

(3) CONFORMING AMENDMENTS.—

(A) Section 1324(b)(2) of title 31, United States Code, is amended by inserting before the period '', or enacted by the Restoring Earnings To Lift Individuals and Empower Families (RELIEF) Act of 2001''.

(B) The table of sections for subchapter B of chapter 65 is amended by adding at the end the following new item:

''Sec. 6428. Refund of individual income and employment taxes.''.

(4) EFFECTIVE DATES.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the amendments made by this subsection shall take effect on the date of the enactment of this Act.

(B) AMENDMENTS TO WITHHOLDING PROVISION.—The amendments made by paragraph (2) shall apply to amounts paid after June 30, 2001.

(b) REVENUE OFFSET.—The Secretary of the Treasury shall adjust the reduction in the highest marginal tax rate in the table contained in section 1(i)(2) of the Internal Revenue Code of 1986, as added by section 101(a), as necessary to offset the decrease in revenues to the Treasury for each fiscal year resulting from the amendments made by subsection (a).

SA 694. Mr. REID (for himself and Mrs. CLINTON) 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. MODIFICATIONS TO CREDIT FOR ELECTRICITY PRODUCED FROM RENEWABLE AND WASTE PRODUCTS.

(a) INCREASE IN CREDIT RATE.—

(1) IN GENERAL.—Section 45(a)(1) is amended by striking ''1.5 cents'' and inserting ''1.8 cents''.

(2) CONFORMING AMENDMENTS.—

(A) Section 45(b)(2) is amended by striking ''1.5 cent'' and inserting ''1.8 cent''.

(B) Section 45(d)(2)(B) is amended by inserting ''(calendar year 2001 in the case of the 1.8 cent amount in subsection (a))'' after ''1992''.

(b) EXPANSION OF QUALIFIED RESOURCES.—

(1) IN GENERAL.—Section 45(c)(1) (relating to qualified energy resources) is amended by striking ''and'' at the end of subparagraph (B), by striking the period at the end of subparagraph (C) and inserting '', and'', and by adding at the end the following:

''(D) alternative resources.''.

(2) DEFINITION OF ALTERNATIVE RESOURCES.—Section 45(c) (relating to definitions) is amended—

(A) by redesignating paragraph (3) as paragraph (5),

(B) by redesignating paragraph (4) as paragraph (3), and

(C) by inserting after paragraph (3), as redesignated by subparagraph (B), the following:

''(4) ALTERNATIVE RESOURCES.—

''(A) IN GENERAL.—The term 'alternative resources' means—

''(i) solar,

''(ii) biomass (other than closed loop biomass),

''(iii) municipal solid waste,

''(iv) incremental hydropower,

''(v) geothermal,

''(vi) landfill gas, and

''(vii) steel cogeneration.

''(B) BIOMASS.—The term 'biomass' means any solid, nonhazardous, cellulosic waste material or any organic carbohydrate matter, which is segregated from other waste materials, and which is derived from—

''(i) any of the following forest-related resources: mill residues, precommercial thinnings, slash, and brush, but not including old-growth timber,

''(ii) waste pallets, crates, dunnage, untreated wood waste from construction or manufacturing activities, and landscape or right-of-way tree trimmings, but not including unsegregated municipal solid waste or post-consumer wastepaper, or

''(iii) any of the following agriculture sources: orchard tree crops, vineyard, grain, legumes, sugar, and other crop by-products or residues, including any packaging and other materials which are nontoxic and biodegradable and are associated with the processing, feeding, selling, transporting, and disposal of such agricultural materials.

''(C) MUNICIPAL SOLID WASTE.—The term 'municipal solid waste' has the same meaning given the term 'solid waste' under section 2(27) of the Solid Waste Utilization Act (42 U.S.C. 6903).

''(D) INCREMENTAL HYDROPOWER.—The term 'incremental hydropower' means additional generating capacity achieved from—

''(i) increased efficiency, or

''(ii) additions of new capacity,

at a licensed non-Federal hydroelectric project originally placed in service before the date of the enactment of this paragraph.

''(E) GEOTHERMAL.—The term 'geothermal' means energy derived from a geothermal deposit (within the meaning of section 613(e)(2)), but only, in the case of electricity generated by geothermal power, up to (but not including) the electrical transmission stage.

''(F) LANDFILL GAS.—The term 'landfill gas' means gas generated from the decomposition of any household solid waste, commercial solid waste, and industrial solid waste disposed of in a municipal solid waste landfill unit (as such terms are defined in regulations promulgated under subtitle D of the Solid Waste Disposal Act (42 U.S.C. 6941 et seq.).

''(G) STEEL COGENERATION.—The term 'steel cogeneration' means the production of electricity and steam (or other form of thermal energy) from any or all waste sources defined in paragraphs (2) and (3) and subparagraphs (B) and (C) of this paragraph within an operating facility which produces or integrates the production of coke, direct reduced iron ore, iron, or steel provided that the cogeneration meets any regulatory energy-efficiency standards established by the Secretary, and only to the extent that such energy is produced from—

''(i) gases or heat generated from the production of metallurgical coke,

''(ii) gases or heat generated from the production of direct reduced iron ore or iron, from blast furnace or direct ironmaking processes, or

''(iii) gases or heat generated from the manufacture of steel.''.

(3) QUALIFIED FACILITY.—Section 45(c)(5) (defining qualified facility), as redesignated by paragraph 2(A), is amended by adding at the end the following:

''(D) ALTERNATIVE RESOURCES FACILITY.—

''(i) IN GENERAL.—Except as provided in clauses (ii), (iii), and (iv), in the case of a facility using alternative resources to produce electricity, the term 'qualified facility' means any facility of the taxpayer which is originally placed in service after the date of the enactment of this subparagraph.

''(ii) BIOMASS FACILITY.—In the case of a facility using biomass described in paragraph (4)(A)(ii) to produce electricity, the term 'qualified facility' means any facility of the taxpayer.

''(iii) GEOTHERMAL FACILITY.—In the case of a facility using geothermal to produce electricity, the term 'qualified facility' means any facility of the taxpayer which is originally placed in service after December 31, 1992.

''(iv) STEEL COGENERATION FACILITIES.—In the case of a facility using steel cogeneration to produce electricity, the term 'qualified facility' means any facility permitted to operate under the environmental requirements of the Clean Air Act Amendments of 1990 which is owned by the taxpayer and originally placed in service after the date of the enactment of this subparagraph. Such a facility may be treated as originally placed in service when such facility was last upgraded to increase efficiency or generation capability after such date.

''(v) SPECIAL RULES.—In the case of a qualified facility described in this subparagraph, the 10-year period referred to in subsection (a) shall be treated as beginning no earlier than the date of the enactment of this subparagraph.''.

(4) GOVERNMENT-OWNED FACILITY.—Section 45(d)(6) (relating to credit eligibility in the case of government-owned facilities using poultry waste) is amended—

(A) by inserting ''or alternative resources'' after ''poultry waste'', and

(B) by inserting ''OR ALTERNATIVE RESOURCES'' after ''POULTRY WASTE'' in the heading thereof.

(5) QUALIFIED FACILITIES WITH CO-PRODUCTION.—Section 45(b) (relating to limitations and adjustments) is amended by adding at the end the following:

''(4) INCREASED CREDIT FOR CO-PRODUCTION FACILITIES.—

''(A) IN GENERAL.—In the case of a qualified facility described in subsection (c)(3)(D)(i) which has a co-production facility or a qualified facility described in subparagraph (A), (B), or (C) of subsection (c)(3) which adds a co-production facility after the date of the enactment of this paragraph, the amount in effect under subsection (a)(1) for an eligible taxable year of a taxpayer shall (after adjustment under paragraph (2) and before adjustment under paragraphs (1) and (3)) be increased by .25 cents.

''(B) CO-PRODUCTION FACILITY.—For purposes of subparagraph (A), the term 'co-production facility' means a facility which—

''(i) enables a qualified facility to produce heat, mechanical power, chemicals, liquid fuels, or minerals from qualified energy resources in addition to electricity, and

''(ii) produces such energy on a continuous basis.

''(C) ELIGIBLE TAXABLE YEAR.—For purposes of subparagraph (A), the term 'eligible

taxable year' means any taxable year in which the amount of gross receipts attributable to the co-production facility of a qualified facility are at least 10 percent of the amount of gross receipts attributable to electricity produced by such facility.''.

(6) QUALIFIED FACILITIES LOCATED WITHIN QUALIFIED INDIAN LANDS.—Section 45(b) (relating to limitations and adjustments), as amended by paragraph (5), is amended by adding at the end the following:

''(5) INCREASED CREDIT FOR QUALIFIED FACILITY LOCATED WITHIN QUALIFIED INDIAN LAND.—In the case of a qualified facility described in subsection (c)(3)(D) which—

''(A) is located within—

''(i) qualified Indian lands (as defined in section 7871(c)(3)), or

''(ii) lands which are held in trust by a Native Corporation (as defined in section 3(m) of the Alaska Native Claims Settlement Act (43 U.S.C. 1602(m)) for Alaska Natives, and

''(B) is operated with the explicit written approval of the Indian tribal government or Native Corporation (as so defined) having jurisdiction over such lands,

the amount in effect under subsection (a)(1) for a taxable year shall (after adjustment under paragraphs (2) and (4) and before adjustment under paragraphs (1) and (3)) be increased by .25 cents.''.

(7) ELECTRICITY PRODUCED FROM CERTAIN RESOURCES CO-FIRED IN COAL PLANTS.—Section 45(d) (relating to definitions and special rules) is amended by adding at the end the following:

''(8) SPECIAL RULE FOR ELECTRICITY PRODUCED FROM CERTAIN RESOURCES CO-FIRED IN COAL PLANTS.—In the case of electricity produced from biomass (including closed loop biomass), municipal solid waste, or animal waste, co-fired in a facility which produces electricity from coal—

''(A) subsection (a)(1) shall be applied by substituting '1 cent' for '1.8 cents',

''(B) such facility shall be considered a qualified facility for purposes of this section, and

''(C) the 10-year period referred to in subsection (a) shall be treated as beginning no earlier than the date of the enactment of this paragraph.''.

(8) CONFORMING AMENDMENTS.—

(A) The heading for section 45 is amended by inserting ''AND WASTE ENERGY'' after ''RENEWABLE''.

(B) The item relating to section 45 in the table of sections subpart D of part IV of subchapter A of chapter 1 is amended by inserting ''and waste energy'' after ''renewable''.

(c) ADDITIONAL MODIFICATIONS OF RENEWABLE AND WASTE ENERGY RESOURCE CREDIT.—

(1) CREDITS FOR CERTAIN TAX EXEMPT ORGANIZATIONS AND GOVERNMENTAL UNITS.—Section 45(d) (relating to definitions and special rules), as amended by subsection (b)(7), is amended by adding at the end the following:

''(9) CREDITS FOR CERTAIN TAX EXEMPT ORGANIZATIONS AND GOVERNMENTAL UNITS.—

''(A) ALLOWANCE OF CREDIT.—Any credit which would be allowable under subsection (a) with respect to a qualified facility of an entity if such entity were not exempt from tax under this chapter shall be treated as a credit allowable under subpart C to such entity if such entity is—

''(i) an organization described in section 501(c)(12)(C) and exempt from tax under section 501(a),

''(ii) an organization described in section 1381(a)(2)(C), or

''(iii) an entity the income of which is excludable from gross income under section 115.

''(B) USE OF CREDIT.—

''(i) TRANSFER OF CREDIT.—An entity described in subparagraph (A) may assign, trade, sell, or otherwise transfer any credit allowable to such entity under subparagraph (A) to any taxpayer.

''(ii) USE OF CREDIT AS AN OFFSET.—Notwithstanding any other provision of law, in the case of an entity described in clause (i) or (ii) of subparagraph (A), any credit allowable to such entity under subparagraph (A) may be applied by such entity, without penalty, as a prepayment of any loan, debt, or other obligation the entity has incurred under subchapter I of chapter 31 of title 7 of the Rural Electrification Act of 1936 (7 U.S.C. 901 et seq.).

''(C) CREDIT NOT INCOME.—Neither a transfer under clause (i) or a use under clause (ii) of subparagraph (B) of any credit allowable under subparagraph (A) shall result in income for purposes of section 501(c)(12).

''(D) TRANSFER PROCEEDS TREATED AS ARISING FROM ESSENTIAL GOVERNMENT FUNCTION.—Any proceeds derived by an entity described in subparagraph (A)(iii) from the transfer of any credit under subparagraph (B)(i) shall be treated as arising from an essential government function.

''(E) CREDITS NOT REDUCED BY TAX-EXEMPT BONDS OR CERTAIN OTHER SUBSIDIES.—Subsection (b)(3) shall not apply to reduce any credit allowable under subparagraph (A) with respect to—

''(i) proceeds described in subparagraph (A)(ii) of such subsection, or

''(ii) any loan, debt, or other obligation incurred under subchapter I of chapter 31 of title 7 of the Rural Electrification Act of 1936 (7 U.S.C. 901 et seq.),

used to provide financing for any qualified facility.

''(F) TREATMENT OF UNRELATED PERSONS.—For purposes of this paragraph, sales among and between entities described in subparagraph (A) shall be treated as sales between unrelated parties.''.

(2) COORDINATION WITH OTHER CREDITS.—Section 45(d), as amended by paragraph (1), is amended by adding at the end the following:

''(10) COORDINATION WITH OTHER CREDITS.—This section shall not apply to any qualified facility with respect to which a credit under any other section is allowed for the taxable year unless the taxpayer elects to waive the application of such credit to such facility.''.

(3) EXPANSION TO INCLUDE ANIMAL WASTE.—Section 45 (relating to electricity produced from certain renewable resources), as amended by paragraphs (2) and (4) of subsection (b), is amended—

(A) by striking ''poultry'' each place it appears in subsection (c)(1)(C) and subsection (d)(6) and inserting ''animal'',

(B) by striking ''POULTRY'' in the heading of paragraph (6) of subsection (d) and inserting ''ANIMAL'',

(C) by striking paragraph (3) of subsection (c) and inserting the following:

''(3) ANIMAL WASTE.—The term 'animal waste' means poultry manure and litter and other animal wastes, including—

''(A) wood shavings, straw, rice hulls, and other bedding material for the disposition of manure, and

''(B) byproducts, packaging, and other materials which are nontoxic and biodegradable and are associated with the processing, feeding, selling, transporting, and disposal of such animal wastes.'', and

(D) by striking subparagraph (C) of subsection (c)(5) and inserting the following:

''(C) ANIMAL WASTE FACILITY.—

''(i) IN GENERAL.—Except as provided in clause (ii), in the case of a facility using animal waste (other than poultry) to produce electricity, the term 'qualified facility' means any facility of the taxpayer which is originally placed in service after the date of the enactment of this clause.

''(ii) POULTRY WASTE.—In the case of a facility using animal waste relating to poultry to produce electricity, the term 'qualified facility' means any facility of the taxpayer which is originally placed in service after December 31, 1999.''.

(4) TREATMENT OF QUALIFIED FACILITIES NOT IN COMPLIANCE WITH POLLUTION LAWS.—Section 45(c)(5) (relating to qualified facilities), as amended by paragraphs (2) and (3) of subsection (b), is amended by adding at the end the following:

''(E) NONCOMPLIANCE WITH POLLUTION LAWS.—For purposes of this paragraph, a facility which is not in compliance with the applicable State and Federal pollution prevention, control, and permit requirements for any period of time shall not be considered to be a qualified facility during such period.''.

(5) PERMANENT EXTENSION OF QUALIFIED FACILITY DATES.—Section 45(c)(5) (relating to qualified facility), as redesignated by subsection (b)(2), is amended by striking '', and before January 1, 2002'' in subparagraphs (A) and (B).

(d) REVENUE OFFSET.—The Secretary of the Treasury shall adjust the highest rate of tax under section 1 of the Internal Revenue Code of 1986 (as amended by section 101 of this Act) to the extent necessary to offset in each fiscal year beginning before October 1, 2011, the decrease in revenues to the Treasury for that fiscal year resulting from the amendments made by this section.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to electricity and other energy produced after the date of the enactment of this Act.

SA 695. Mr. DODD (for himself and Mr. REID) 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:

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%'' and strike ''36%'' in the item relating to 2007 and thereafter and insert ''38%''.

Strike title V and insert:

TITLE V—ESTATE AND GIFT TAX RELIEF

SEC. 501. INCREASE IN AMOUNT OF UNIFIED CREDIT AGAINST ESTATE AND GIFT TAXES.

(a) IN GENERAL.—The table contained in section 2010(c) (relating to applicable credit amount) is amended to read as follows:

''In the case of estates of decedents dying, and gifts made, during:	**The applicable exclusion amount is:**
2002, 2003, 2004, 2005, and 2006	$1,000,000
2007 and 2008	$1,125,000
2009	$1,500,000
2010 or thereafter	$2,000,000.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2001.

SEC. 502. INCREASE IN QUALIFIED FAMILY-OWNED BUSINESS INTEREST DEDUCTION AMOUNT.

(a) IN GENERAL.—Paragraph (2) of section 2057(a) (relating to family-owned business interests) is amended to read as follows:

''(2) MAXIMUM DEDUCTION.—

''(A) IN GENERAL.—The deduction allowed by this section shall not exceed the sum of—

''(i) the applicable deduction amount, plus

''(ii) in the case of a decedent described in subparagraph (C), the applicable unused spousal deduction amount.

''(B) APPLICABLE DEDUCTION AMOUNT.—For purposes of this subparagraph (A)(i), the applicable deduction amount is determined in accordance with the following table:

"In the case of estates of decedents dying during:	The applicable deduction amount is:
2002, 2003, 2004, 2005, and 2006	$1,375,000
2007 and 2008	$1,625,000
2009	$2,375,000
2010 or thereafter	$3,375,000.

''(C) APPLICABLE UNUSED SPOUSAL DEDUCTION AMOUNT.—If an immediately predeceased spouse of a decedent died after December 31, 2001, and the estate of such immediately predeceased spouse met the requirements of subsection (b)(1), the applicable unused spousal deduction amount for such decedent is equal to the excess of—

''(i) the applicable deduction amount allowable under this section to the estate of such immediately predeceased spouse, over

''(ii) the sum of—

''(I) the applicable deduction amount allowed under this section to the estate of such immediately predeceased spouse, plus

''(II) the amount of any increase in such estate's unified credit under paragraph (3)(B) which was allowed to such estate.''.

(b) CONFORMING AMENDMENTS.—Section 2057(a)(3)(B) is amended—

(1) by striking ''$675,000'' both places it appears and inserting ''the applicable deduction amount'', and

(2) by striking ''$675,000'' in the heading and inserting ''APPLICABLE DEDUCTION AMOUNT''.

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2001.

SA 696. Mr. NELSON of Nebraska 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. ___. CIRCUIT BREAKER.

(a) IN GENERAL.—In any fiscal year beginning with fiscal year 2004, if the level of debt held by the public for that fiscal year (as projected by the Office of Management and Budget sequestration update report on August 20th for that fiscal year) would exceed the level of debt held by the public for that fiscal year set forth in the concurrent resolution on the budget for fiscal year 2002 (H. Con. Res. 83, 107th Congress), any Member of Congress may move to proceed to a bill that would make changes in law to reduce discretionary spending and direct spending and increase revenues in a manner that would reduce the debt held by the public for the fiscal year to a level not exceeding the level provided in this resolution for that fiscal year. The motion to proceed shall be voted on at the end of 4 hours of debate.

(b) CONSIDERATION OF LEGISLATION.—A bill considered under subsection (a) shall be considered as provided in section 310(e) of the Congressional Budget Act of 1974 (2 U.S.C. 641(e)).

SA 697. Mr. HATCH (for himself, Mr. ALLEN, Mr. CRAIG, Mr. SMITH of Oregon, Mr. REID, Mr. BROWNBACK, Mr. BENNETT, and Mr. KERRY) 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 insert the following:

SEC. ___. RESEARCH CREDIT.

(a) PERMANENT EXTENSION OF RESEARCH CREDIT.—

(1) IN GENERAL.—Section 41 (relating to credit for increasing research activities) is amended by striking subsection (h).

(2) CONFORMING AMENDMENT.—Paragraph (1) of section 45C(b) is amended by striking subparagraph (D).

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to amounts paid or incurred after the date of the enactment of this Act.

(b) INCREASES IN RATES OF ALTERNATIVE INCREMENTAL CREDIT.—

(1) IN GENERAL.—Subparagraph (A) of section 41(c)(4) (relating to election of alternative incremental credit) is amended—

(A) by striking ''2.65 percent'' and inserting ''3 percent'',

(B) by striking ''3.2 percent'' and inserting ''4 percent'', and

(C) by striking ''3.75 percent'' and inserting ''5 percent''.

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years ending after the date of the enactment of this Act.

SA 698. Mr. KENNEDY 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, strike the matter between lines 11 and 12, and insert:

''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%	38.2%
2007 and thereafter	25%	28%	33%	36.6%

On page 62, between lines 7 and 8, insert:

SEC. ___. HOPE SCHOLARSHIP CREDIT AVAILABLE FOR COSTS OF ATTENDANCE.

(a) IN GENERAL.—Section 25A(f)(1) is amended by adding at the end the following subparagraph:

''(D) COSTS OF ATTENDANCE.—For purposes of determining the amount of the Hope Scholarship Credit under subsection (b), such term shall include the cost of attendance (as defined in section 472 of the Higher Education Act of 1965 (20 U.S.C. 1087ll), as in effect on the date of enactment of this subparagraph) of the eligible student at an eligible educational institution.''

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

SA 699. Mr. KENNEDY 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) REDUCTION IN TOP RATE CONTINGENT ON INCREASES IN FEDERAL PELL GRANT FUNDING.—Notwithstanding paragraph (2), the reductions in the 39.6 percent rate bracket which (without regard to this paragraph) would take effect for taxable years beginning in 2002, 2005, or 2007 shall not take effect at all unless the Secretary of Education certifies to the Secretary of the Treasury before November 1, 2001, November 1, 2004, or November 1, 2006, whichever is applicable, that during the fiscal year ending in 2001, or during each of the 2 fiscal years ending in 2003 and 2004 or 2005 and 2006, whichever is applicable, the Federal Government honored its commitment to fund the Federal Pell Grant program under subpart I of part A of title IV of the Higher Education Act of 1965 (20 U.S.C. 1070a) in an amount sufficient to increase the maximum Federal Pell Grant amounts awarded under such program to—

''(A) $4,250 for the 2002-2003 school year,

''(B) $4,650 for the 2003-2004 school year,

''(C) $5,050 for the 2004-2005 school year,

''(D) $5,450 for the 2005-2006 school year,

''(E) $5,850 for the 2006-2007 school year,

''(F) $6,250 for the 2007-2008 school year,

''(G) $6,650 for the 2008-2009 school year,

''(H) $7,050 for the 2009-2010 school year, and

''(I) $7,450 for the 2010-2011 school year.''.

SA 700. Mr. KENNEDY 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) REDUCTION IN TOP RATE CONTINGENT ON HEAD START FUNDING.—Notwithstanding paragraph (2), the reductions in the 39.6 percent rate bracket which (without regard to this paragraph) would take effect for taxable years beginning in 2005 or 2007 shall not take effect at all unless the Secretary of Education certifies to the Secretary of the Treasury before November 1, 2004, or November 1, 2006, whichever is applicable, that during each of the 2 fiscal years ending in 2003 and 2004 or 2005 and 2006, whichever is applicable, the Federal Government honored its commitment to fund the Head Start Act in an amount sufficient to enable every eligible child access to such program.''.

SA 701. Mr. HATCH (for Mr. KERRY (for himself and Mr. HATCH)) proposed an amendment to amendment SA 697 proposed by Mr. HATCH 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 the matter proposed to be inserted, 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 702. Mr. DASCHLE 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 insert the following:

SEC. ____. WAIVER OF STATUTE OF LIMITATION FOR TAXES ON CERTAIN FARM VALUATIONS.

If on the date of the enactment of this Act (or at any time within 1 year after the date of the enactment) a refund or credit of any overpayment of tax resulting from the application of section 2032A(c)(7)(E) of the Internal Revenue Code of 1986 is barred by any law or rule of law, the refund or credit of such overpayment shall, nevertheless, be made or allowed if claim therefor is filed before the date 1 year after the date of the enactment of this Act.

SA 703. Mr. BYRD 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 FUNDING FOR SOCIAL SECURITY AND MEDICARE SOLVENCY, PRESCRIPTION DRUGS, AND LONG-TERM DEBT REDUCTION.

(a) IN GENERAL.—Notwithstanding any other provision of this Act—

(1) except for section 1(i)(1) of the Internal Revenue Code of 1986, as added by section 101 of this Act, and any necessary conforming amendments, title I of this Act shall not take effect; and

(2) any provision of title V of this Act that takes effect after 2006 shall not take effect.

(b) STRATEGIC RESERVE FUND FOR LONG-TERM DEBT AND NEEDS.—Subtitle B of title II of H. Con. Res. 83 (107th Congress) is amended by inserting at the end the following:

"SEC. 219. STRATEGIC RESERVE FUND FOR SOCIAL SECURITY REFORM, MEDICARE REFORM, AND PRESCRIPTION DRUG BENEFITS.

If legislation is reported by the Committee on Finance of the Senate or the Committee on Energy and Commerce or the Committee on Ways and Means of the House of Representatives, or an amendment thereto is offered or a conference report thereon is submitted, that would strengthen social security, extend the solvency of the Social Security Trust Funds, maintain progressivity in the social security benefit system, continue to lift more seniors out of poverty, extend

the solvency of the Medicare Trust Funds or provide prescription drug benefits, the chairman of the appropriate Committee on the Budget shall, upon the approval of the appropriate Committee on the Budget, revise the aggregates, functional totals, allocations, and other appropriate levels and limits in this resolution for that measure by not to exceed $450,000,000,000 for the total of fiscal years 2002 through 2011, as long as that measure will not, when taken together with all other previously enacted legislation, reduce the on-budget surplus below the level of the Medicare Hospital Insurance Trust Fund surplus in any fiscal year provided in this resolution.''.

SA 704. 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

On page 174, line 3, strike ''20'' and insert ''50''.

On page 178, line 7, strike ''2 taxable'' and insert ''4 taxable''.

On page 178, line 8, insert before the comma the following: ''and each of the 6 taxable years for an employer with no fewer than 25 employees''.

SA 705. 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	174
2003	180
2004	187
2005	193
2006 and thereafter	200.''.

On page 20, line 14, strike ''2005'' and insert ''2001''.

On page 21, line 2, strike ''2005'' and insert ''2001''.

On page 21, strike the matter following line 21, and insert:

''For taxable years beginning in calendar year—	**The applicable percentage is—**
2002	174
2003	180
2004	187
2005	193
2006 and thereafter	200.''.

On page 22, line 15, strike ''2005'' and insert ''2001''.

SA 706. 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	174
2003	180
2004	187
2005	193
2006 and thereafter	200.''.

On page 20, line 14, strike ''2005'' and insert ''2001''.

SA 707. Mr. JEFFORDS (for himself, Mr. DODD, Mr. KENNEDY, Mr. ROCKEFELLER, and Mr. LEVIN) 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 II insert the following:

SEC. ___. DEPENDENT CARE CREDIT.

(a) INCREASE IN DOLLAR LIMIT.—Subsection (c) of section 21 (relating to expenses for household and dependent care services necessary for gainful employment) is amended—

(1) by striking ''$2,400'' in paragraph (1) and inserting ''$3,000'',

(2) by striking ''$4,800'' in paragraph (2) and inserting ''$6,000'', and

(3) by adding at the end the following new paragraph:

''(3) INFLATION ADJUSTMENT.—In the case of any taxable year beginning after 2002, any dollar amount contained in paragraph (1) or (2) 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 2001'' for ''calendar year 1992.''.

(b) INCREASE IN APPLICABLE PERCENTAGE.—Section 21(a)(2) (defining applicable percentage) is amended—

(1) by striking ''30 percent'' and inserting ''50 percent'', and

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

(c) REVENUE OFFSET.—The Secretary of the Treasury shall adjust the highest rate of tax under section 1 of the Internal Revenue Code of 1986 (as amended by section 101 of this Act) to the extent necessary to offset in each fiscal year beginning before October 1, 2011, the decrease in revenues to the Treasury for that fiscal year resulting from the amendments made by this section.

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

SA 708. Mr. LIEBERMAN (for himself, Mrs. FEINSTEIN, Mrs. CLINTON, and Mr. LEAHY) 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, strike the table between line 11 and 12, 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%	38.6%
2005 and 2006	26%	29%	34%	38.6%
2007	25%	28%	33%	38.6%
2008 and thereafter	25%	28%	33%	37.6%

At the end insert the following:

TITLE ____—BUSINESS RELIEF

Subtitle____—Productivity Incentives

SEC. ____01. INCREASED EXCLUSION AND OTHER MODIFICATIONS APPLICABLE TO QUALIFIED SMALL BUSINESS STOCK.

(a) INCREASED EXCLUSION.—

(1) IN GENERAL.—Subsection (a) of section 1202 (relating to 50-percent exclusion for gain from certain small business stock) is amended by striking ''50 percent'' and inserting ''100 percent''.

(2) CONFORMING AMENDMENTS.—

(A) Subparagraph (A) of section 1(h)(5) is amended to read as follows:

''(A) collectibles gain, over''.

(B) Section 1(h) is amended by striking paragraph (8).

(C) Paragraph (9) of section 1(h) is amended by striking '', gain described in paragraph (7)(A)(i), and section 1202 gain'' and inserting ''and gain described in paragraph (7)(A)(i)''.

(D) Section 1(h) is amended by redesignating paragraphs (9) (as amended by subparagraph (C)), (10), (11), (12), and (13) as paragraphs (8), (9), (10), (11), and (12), respectively.

(E) The heading for section 1202 is amended by striking ''**PARTIAL**'' and inserting ''**100-PERCENT**''.

(F) The table of sections for part I of subchapter P of chapter 1 is amended by striking ''Partial'' in the item relating to section 1202 and inserting ''100-percent''.

(b) REDUCTION IN HOLDING PERIOD.—

(1) IN GENERAL.—Subsection (a) of section 1202 (relating to partial exclusion for gains from certain small business stock) is amended by striking ''5 years'' and inserting ''3 years''.

(2) CONFORMING AMENDMENT.—Subsections (g)(2)(A) and (j)(1)(A) of section 1202 are each amended by striking ''5 years'' and inserting ''3 years''.

(c) EXCLUSION AVAILABLE TO CORPORATIONS.—

(1) IN GENERAL.—Subsection (a) of section 1202 (relating to partial exclusion for gains from certain small business stock) is amended by striking ''other than a corporation''.

(2) TECHNICAL AMENDMENT.—Subsection (c) of section 1202 is amended by adding at the end the following new paragraph:

''(4) STOCK HELD AMONG MEMBERS OF CONTROLLED GROUP NOT ELIGIBLE.—Stock of a member of a parent-subsidiary controlled group (as defined in subsection (d)(3)) shall not be treated as qualified small business stock while held by another member of such group.''.

(d) REPEAL OF MINIMUM TAX PREFERENCE.—

(1) IN GENERAL.—Subsection (a) of section 57 (relating to items of tax preference) is amended by striking paragraph (7).

(2) TECHNICAL AMENDMENT.—Subclause (II) of section 53(d)(1)(B)(ii) is amended by striking '', (5), and (7)'' and inserting ''and (5)''.

(e) STOCK OF LARGER BUSINESSES ELIGIBLE FOR EXCLUSION.—

(1) IN GENERAL.—Paragraph (1) of section 1202(d) (defining qualified small business) is amended by striking ''$50,000,000'' each place it appears and inserting ''$300,000,000''.

(2) INFLATION ADJUSTMENT.—Section 1202(d) (defining qualified small business) is amended by adding at the end the following:

''(4) INFLATION ADJUSTMENT OF ASSET LIMITATION.—In the case of stock issued in any

calendar year after 2002, the $300,000,000 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, determined by substituting 'calendar year 2001' for 'calendar year 1992' in subparagraph (B) thereof

If any amount as adjusted under the preceding sentence is not a multiple of $10,000, such amount shall be rounded to the nearest multiple of $10,000.''.

(f) REPEAL OF PER-ISSUER LIMITATION.—Section 1202(b) (relating to per-issuer limitations on taxpayer's eligible gain) is repealed.

(g) OTHER MODIFICATIONS.—

(1) REPEAL OF WORKING CAPITAL LIMITATION.—Section 1202(e)(6) (relating to working capital) is amended—

(A) in subparagraph (B), by striking ''2 years'' and inserting ''5 years''; and

(B) by striking the last sentence.

(2) EXCEPTION FROM REDEMPTION RULES WHERE BUSINESS PURPOSE.—Section 1202(c)(3) (relating to certain purchases by corporation of its own stock) is amended by adding at the end the following new subparagraph:

''(D) WAIVER WHERE BUSINESS PURPOSE.—A purchase of stock by the issuing corporation shall be disregarded for purposes of subparagraph (B) if the issuing corporation establishes that there was a business purpose for such purchase and one of the principal purposes of the purchase was not to avoid the limitations of this section.''.

(h) QUALIFIED TRADE OR BUSINESS.—Section 1202(e)(3) (defining qualified trade or business) is amended by inserting ''and'' at the end of subparagraph (C), by striking '', and'' at the end of subparagraph (D) and inserting a period, and by striking subparagraph (E).

(i) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section apply to stock issued after the date of the enactment of this Act.

(2) SPECIAL RULE.—The amendments made by subsections (a), (c), (e), (f), and (g)(1) apply to stock issued after August 10, 1993.

SEC. ____02. REPEAL OF MINIMUM TAX PREFERENCE FOR EXCLUSION FOR INCENTIVE STOCK OPTIONS.

(a) IN GENERAL.—Subsection (b) of section 56 (relating to adjustments in computing alternative minimum taxable income) is amended by striking paragraph (3).

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to options exercised in calendar years beginning after the date of the enactment of this Act.

SEC. ____03. 3-YEAR DEPRECIABLE LIFE FOR SEMICONDUCTOR MANUFACTURING EQUIPMENT.

(a) IN GENERAL.—Subparagraph (A) of section 168(e)(3) (relating to classification of property) is amended by striking ''and'' at the end of clause (ii), by striking the period at the end of clause (iii) and inserting '', and'', and by adding at the end the following new clause:

''(iv) any semiconductor manufacturing equipment.''.

(b) CONFORMING AMENDMENTS.—

(1) Subparagraph (B) of section 168(e)(3) is amended—

(A) by striking clause (ii),

(B) by redesignating clauses (iii) through (vi) as clauses (ii) through (v), respectively, and

(C) by striking ''clause (vi)(I)'' in the last sentence and inserting ''clause (v)(I)''.

(2) Subparagraph (B) of section 168(g)(3) is amended by striking the items relating to subparagraph (B)(ii) and subparagraph (B)(iii) and inserting the following:

''(A)(iv) 3

''(B)(ii) ..... 9.5''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to equipment placed in service after the date of the enactment of this Act.

Subtitle B—Compliance With Congressional Budget Act

SEC. ____11. 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 709. Mr. HUTCHINSON 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, insert the following:

SEC. 803. REPEAL OF 1993 INCOME TAX INCREASE ON SOCIAL SECURITY BENEFITS.

(a) RESTORATION OF PRIOR LAW FORMULA.—Subsection (a) of section 86 is amended to read as follows:

''(a) IN GENERAL.—Gross income for the taxable year of any taxpayer described in subsection (b) (notwithstanding section 207 of the Social Security Act) includes social security benefits in an amount equal to the lesser of—

''(1) one-half of the social security benefits received during the taxable year, or

''(2) one-half of the excess described in subsection (b)(1).''

(b) REPEAL OF ADJUSTED BASE AMOUNT.—Subsection (c) of section 86 is amended to read as follows:

''(c) BASE AMOUNT.—For purposes of this section, the term 'base amount' means—

''(1) except as otherwise provided in this subsection, $25,000,

''(2) $32,000 in the case of a joint return, and

''(3) zero in the case of a taxpayer who—

''(A) is married as of the close of the taxable year (within the meaning of section 7703) but does not file a joint return for such year, and

''(B) does not live apart from his spouse at all times during the taxable year.''

(c) CONFORMING AMENDMENTS.—

(1) Subparagraph (A) of section 871(a)(3) is amended by striking ''85 percent'' and inserting ''50 percent''.

(2)(A) Subparagraph (A) of section 121(e)(1) of the Social Security Amendments of 1983 (Public Law 98–21) is amended—

(i) by striking ''(A) There'' and inserting ''There'';

(ii) by striking ''(i)'' immediately following ''amounts equivalent to''; and

(iii) by striking '', less (ii)'' and all that follows and inserting a period.

(B) Paragraph (1) of section 121(e) of such Act is amended by striking subparagraph (B).

(C) Paragraph (3) of section 121(e) of such Act is amended by striking subparagraph (B) and by redesignating subparagraph (C) as subparagraph (B).

(D) Paragraph (2) of section 121(e) of such Act is amended in the first sentence by striking ''paragraph (1)(A)'' and inserting ''paragraph (1)''.

(d) MAINTENANCE OF TRANSFERS TO HOSPITAL INSURANCE TRUST FUND.—

(1) APPROPRIATION.—There are hereby appropriated to the Hospital Insurance Trust Fund established under section 1817 of the Social Security Act amounts equal to the reduction in revenues to the Treasury by reason of the enactment of this section.

(2) TRANSFER.—Amounts appropriated under paragraph (1) shall be transferred from the general fund at such times and in such manner as to replicate to the extent possible the transfers which would have occurred to such Trust Fund had this section not been enacted.

(e) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to taxable years beginning after December 31, 2000.

(2) SUBSECTION (c)(1).—The amendment made by subsection (c)(1) shall apply to benefits paid after December 31, 2000.

(3) SUBSECTION (c)(2).—The amendments made by subsection (c)(2) shall apply to tax liabilities for taxable years beginning after December 31, 2000.

SA 710. Mr. HATCH 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 D of Title IV add the following:

SEC. ____. CONTRIBUTIONS OF BOOK INVENTORY.

(a) IN GENERAL.—Section 170(e)(3) (relating to certain contributions of ordinary income and capital gain property) is amended by adding at the end the following new subparagraph:

''(D) SPECIAL RULE FOR CONTRIBUTIONS OF BOOK INVENTORY FOR EDUCATIONAL PURPOSES.—

''(i) CONTRIBUTIONS OF BOOK INVENTORY.—In determining whether a qualified book contribution is a qualified contribution, subparagraph (A) shall be applied without regard to whether or not—

''(I) the donee is an organization described in the matter preceding clause (i) of subparagraph (A), and

''(II) the property is to be used by the donee solely for the care of the ill, the needy, or infants.

''(ii) QUALIFIED BOOK CONTRIBUTION.—For purposes of this paragraph, the term 'qualified book contribution' means a charitable contribution of books, but only if the contribution is to an organization—

''(I) described in subclause (I) or (III) of paragraph (6)(B)(i), or

''(II) described in section 501(c)(3) and exempt from tax under section 501(a) which is organized primarily to make books available to the general public at no cost or to operate a literacy program.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to contributions made after the date of the enactment of this Act.

SA 711. Mrs. LINCOLN 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; as follows:

On page 31, line 1, strike ''tuition, fees,''.

On page 31, line 11, strike ''room and board,''.

SA 712. Mr. LIEBERMAN (for himself and Mrs. FEINSTEIN) 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, insert the following:

Subtitle B—Research Credits

SEC. ___. PERMANENT EXTENSION AND MODIFICATIONS RESEARCH CREDIT.

(a) PERMANENT EXTENSION OF RESEARCH CREDIT.—

(1) IN GENERAL.—Section 41 (relating to credit for increasing research activities) is amended by striking subsection (h).

(2) CONFORMING AMENDMENT.—Paragraph (1) of section 45C(b) is amended by striking subparagraph (D).

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to amounts paid or incurred after the date of the enactment of this Act.

(b) INCREASES IN RATES OF ALTERNATIVE INCREMENTAL CREDIT.—

(1) IN GENERAL.—Subparagraph (A) of section 41(c)(4) (relating to election of alternative incremental credit) is amended—

(A) by striking ''2.65 percent'' and inserting ''3 percent'',

(B) by striking ''3.2 percent'' and inserting ''4 percent'', and

(C) by striking ''3.75 percent'' and inserting ''5 percent''.

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years ending after the date of the enactment of this Act.

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.

SEC. ___. REVENUE OFFSET.

The Secretary of the Treasury shall adjust each of the corresponding percentages for

the 39.6% rate which are contained in the table contained in section 1(i)(2) of the Internal Revenue Code of 1986 (as added by section 101 of this Act) to the extent necessary to offset in each fiscal year beginning before October 1, 2011, the decrease in revenues to the Treasury for that fiscal year resulting from the amendments made by this subtitle.

SA 713. Mr. DORGAN 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 63, beginning with line 4, strike all through page 70, line 20, and insert:

Subtitle A—Reductions of Estate and Gift Tax Rates

SEC. 501. REDUCTIONS OF ESTATE AND GIFT TAX RATES.

(a) MAXIMUM RATE OF TAX REDUCED.—

(1) REDUCTION TO 53%.—The table contained in section 2001(c)(1) is amended by striking the highest bracket and inserting the following:

''Over $2,500,000 ..... $1,025,800, plus 53% of the excess over $2,500,000.''.

(2) REDUCTION TO 47%.—The table contained in section 2001(c)(1), as amended by paragraph (1), is amended by striking the two highest brackets and inserting the following:

''Over $2,000,000 ..... $780,800, plus 47% of the excess over $2,000,000.''.

(3) REDUCTION TO 45%.—The table contained in section 2001(c)(1), as amended by paragraphs (1) and (2), is amended by striking the two highest brackets and inserting the following:

''Over $1,500,000 ..... $555,800, plus 45% of the excess over $1,500,000.''.

(b) REPEAL OF PHASEOUT OF GRADUATED RATES.—Subsection (c) of section 2001 is amended by striking paragraph (2).

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to estates of decedents dying, and gifts made, after December 31, 2001.

(2) SUBSECTION (a)(2).—The amendment made by subsection (a)(2) shall apply to estates of decedents dying, and gifts made, after December 31, 2005.

(3) SUBSECTION (a)(3).—The amendments made by subsection (a)(3) shall apply to estates of decedents dying, and gifts made, after December 31, 2009.

Subtitle B—Increase in Exemption Amounts

SEC. 511. INCREASE IN EXEMPTION EQUIVALENT OF UNIFIED CREDIT AND LIFETIME GIFTS EXEMPTION.

(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 through 2006	$1,000,000
2007 and 2008	$1,250,000
2009 and 2010	$1,500,000
2011 and thereafter ...	$4,000,000.''.

(b) LIFETIME GIFT EXEMPTION INCREASED TO $1,000,000.—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''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to estates of decedents dying, and gifts made, after December 31, 2001.

SEC. 512. UNLIMITED QUALIFIED FAMILY-OWNED BUSINESS INTEREST DEDUCTION.

(a) IN GENERAL.—Section 2057(a) (relating to family-owned business interests) is amended to read as follows:

''(a) GENERAL RULE.—For purposes of the tax imposed by section 2001, in the case of an estate of a decedent to which this section applies, the value of the taxable estate shall be determined by deducting from the value of the gross estate the adjusted value of the qualified family-owned business interests of the decedent which are described in subsection (b)(2).''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2002.

On page 79, beginning with line 7, strike all through page 106, line 6.

SA 714. Mr. SESSIONS (for himself, Mr. MCCONNELL, and Mr. WYDEN) 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 41, strike line 15 and all that follows through line 18, and insert the following:

''(iii) LIMITATION ON CERTAIN ROLLOVERS.—Clause (i)(I) shall not apply to any transfer if such transfer occurs within 12 months from the date of a previous transfer to any qualified tuition program for the benefit of the designated beneficiary.'', and

SA 715. Mr. SESSIONS (for himself, Mr. MCCONNELL, and Mr. WYDEN) 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 IV add the following:

SEC. ____. LIMITED INVESTMENT DIRECTION ALLOWED.

Section 529(b)(5) (relating to no investment direction) is amended by adding at the end the following new sentence: ''For purposes of this paragraph, no contributor to, or designated beneficiary under, a program shall be deemed to be directly or indirectly directing the investment of any contribution (or any earning thereon) if such contributor or designated beneficiary periodically transfers from among the investment options approved by the qualified tuition program.''.

SA 716. Mr. ALLEN submitted an amendment intended to be proposed by him to the bill H.R. 1836, fiscal year 2002; which was ordered to lie on the table; as follows:

At the appropriate place insert the following:

SEC. . PERMANENT EXTENSION OF INTERNET TAX FREEDOM ACT MORATORIUM.

(a) PERMANENT EXTENSION; INTERNET ACCESS TAXES.—Section 1101 of the Internet Tax Freedom Act (47 U.S.C. 151 note) is amended—

(1) by striking ''taxes during the period beginning on October 1, 1998, and ending 3 years after the date of the enactment of this Act'' and inserting 'taxes after September 30, 1998:';

(2) by striking paragraph (1) of subsection (a) and inserting the following:

''(1) Taxes on Internet access.'';

(3) by striking ''multiple'' in paragraph (2) of subsection (a) and inserting ''Multiple'';

(4) by striking subsection (d); and

(5) by redesignating subsections (e) and (f) as subsections (d) and (e), respectively.

(b) CONFORMING AMENDMENT.—Section 1104(10) of the Internet Tax Freedom Act (47 U.S.C. 151 note) is amended by striking ''unless'' and all that follows through ''1998''.

SA 717. Mr. BINGAMAN (for himself, Mr. REID, Mr. JOHNSON, Mrs. CLINTON, and Mr. KENNEDY) 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, add the following:

TITLE IX—ENERGY CONSERVATION AND PRODUCTION TAX INCENTIVES

SEC. 900. TABLE OF CONTENTS.

TITLE IX—ENERGY CONSERVATION AND PRODUCTION TAX INCENTIVES

Sec. 900. Table of contents.

Subtitle A—Energy-Efficient Property Used in Business

Sec. 901. Credit for certain energy-efficient property used in business.

Sec. 902. Energy-efficient commercial building property deduction.

Sec. 903. Credit for energy-efficient appliances.

Subtitle B—Residential Energy Systems

Sec. 911. Credit for construction of new energy-efficient home.

Sec. 912. Credit for energy efficiency improvements to existing homes.

Sec. 913. Credit for residential solar, wind, and fuel cell energy property.

Subtitle C—Electricity Facilities and Production

Sec. 921. Incentive for distributed generation.

Sec. 922. Modifications to credit for electricity produced from renewable and waste products.

Sec. 923. Treatment of facilities using bagasse to produce energy as solid waste disposal facilities eligible for tax-exempt financing.

Sec. 924. Property used in the transmission of electricity and natural gas pipelines treated as 7-year property.

Subtitle D—Tax Incentives for Ethanol Use

Sec. 931. Allocation of alcohol fuels credit to patrons of a cooperative.

Sec. 932. Additional tax incentives for ethanol use.

Subtitle E—Incentives for Early Commercial Applications of Advanced Clean Coal Technologies

Sec. 941. Credit for investment in qualifying advanced clean coal technology.

Sec. 942. Credit for production from qualifying advanced clean coal technology.

Sec. 943. Risk pool for qualifying advanced clean coal technology.

Subtitle F—Tax Incentives for Qualified Energy Management Devices

Sec. 951. Credit for qualified energy management devices.

Sec. 952. 3-year applicable recovery period for depreciation of energy management equipment.

Subtitle G—Other Provisions

Sec. 961. Alternative motor vehicle credit.

Sec. 962. Uniform dollar limitation for all types of transportation fringe benefits.

Sec. 963. Clarification of Federal employee benefits.

Sec. 964. Extension of tax benefits for alcohol fuels.

Subtitle H—Compliance With Congressional Budget Act

Sec. 971. Revenue offsets.
Sec. 972. Sunset of provisions of title.

Subtitle A—Energy-Efficient Property Used in Business

SEC. 901. CREDIT FOR CERTAIN ENERGY-EFFICIENT PROPERTY USED IN BUSINESS.

(a) IN GENERAL.—Subpart E of part IV of subchapter A of chapter 1 (relating to rules for computing investment credit) is amended by inserting after section 48 the following:

"SEC. 48A. ENERGY CREDIT.

''(a) IN GENERAL.—For purposes of section 46, the energy credit for any taxable year is the energy percentage of the basis of each energy property placed in service during such taxable year.

''(b) ENERGY PERCENTAGE.—

''(1) IN GENERAL.—The energy percentage is—

''(A) except as otherwise provided in this subparagraph, 10 percent,

''(B) in the case of energy property described in clauses (i), (iii), and (vi) of subsection (c)(1)(A), 20 percent,

''(C) in the case of energy property described in subsection (c)(1)(A)(v), 15 percent,

''(D) in the case of energy property described in subsection (c)(1)(A)(ii) relating to a high risk geothermal well, 20 percent, and

''(E) in the case of energy property described in subsection (c)(1)(A)(vii), 30 percent.

''(2) COORDINATION WITH REHABILITATION.—The energy percentage shall not apply to that portion of the basis of any property which is attributable to qualified rehabilitation expenditures.

''(c) ENERGY PROPERTY DEFINED.—

''(1) IN GENERAL.—For purposes of this subpart, the term 'energy property' means any property—

''(A) which is—

''(i) solar energy property,

''(ii) geothermal energy property,

''(iii) energy-efficient building property other than property described in clauses (iii)(I) and (v)(I) of subsection (d)(3)(A),

''(iv) combined heat and power system property,

''(v) low core loss distribution transformer property,

''(vi) qualified anaerobic digester property, or

''(vii) qualified wind energy systems equipment property,

''(B)(i) the construction, reconstruction, or erection of which is completed by the taxpayer, or

''(ii) which is acquired by the taxpayer if the original use of such property commences with the taxpayer.

''(C) which can reasonably be expected to remain in operation for at least 5 years,

''(D) with respect to which depreciation (or amortization in lieu of depreciation) is allowable, and

''(E) which meets the performance and quality standards (if any) which—

''(i) have been prescribed by the Secretary by regulations (after consultation with the Secretary of Energy), and

''(ii) are in effect at the time of the acquisition of the property.

''(2) EXCEPTIONS.—

''(A) PUBLIC UTILITY PROPERTY.—Such term shall not include any property which is public utility property (as defined in section 46(f)(5) as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990), except for property described in paragraph (1)(A)(iv).

''(B) CERTAIN WIND EQUIPMENT.—Such term shall not include equipment described in paragraph (1)(A)(vii) which is taken into account for purposes of section 45 for the taxable year.

''(d) DEFINITIONS RELATING TO TYPES OF ENERGY PROPERTY.—For purposes of this section—

''(1) SOLAR ENERGY PROPERTY.—

''(A) IN GENERAL.—The term 'solar energy property' means equipment which uses solar energy to generate electricity, to heat or cool (or provide hot water for use in) a structure, or to provide solar process heat.

''(B) SWIMMING POOLS, ETC. USED AS STORAGE MEDIUM.—The term 'solar energy property' shall not include property with respect to which expenditures are properly allocable to a swimming pool, hot tub, or any other energy storage medium which has a function other than the function of such storage.

''(C) SOLAR PANELS.—No solar panel or other property installed as a roof (or portion thereof) shall fail to be treated as solar energy property solely because it constitutes a structural component of the structure on which it is installed.

''(2) GEOTHERMAL ENERGY PROPERTY.—

''(A) IN GENERAL.—The term 'geothermal energy property' means equipment used to produce, distribute, or use energy derived from a geothermal deposit (within the meaning of section 613(e)(2)), but only, in the case of electricity generated by geothermal power, up to (but not including) the electrical transmission stage.

''(B) HIGH RISK GEOTHERMAL WELL.—The term 'high risk geothermal well' means a geothermal deposit (within the meaning of section 613(e)(2)) which requires high risk drilling techniques. Such deposit may not be located in a State or national park or in an area in which the relevant State park authority or the National Park Service determines the development of such a deposit will negatively impact on a State or national park.

''(3) ENERGY-EFFICIENT BUILDING PROPERTY.—

''(A) IN GENERAL.—The term 'energy-efficient building property' means—

''(i) a fuel cell which—

''(I) generates electricity using an electrochemical process,

''(II) has an electricity-only generation efficiency greater than 30 percent, and

''(III) has a minimum generating capacity of 2 kilowatts,

''(ii) an electric heat pump hot water heater which yields an energy factor of 1.7 or greater under test procedures prescribed by the Secretary of Energy,

''(iii)(I) an electric heat pump which has a heating system performance factor (HSPF) of at least 8.5 but less than 9 and a cooling seasonal energy efficiency ratio (SEER) of at least 13.5 but less than 15,

''(II) an electric heat pump which has a heating system performance factor (HSPF) of 9 or greater and a cooling seasonal energy efficiency ratio (SEER) of 15 or greater,

''(iv) a natural gas heat pump which has a coefficient of performance of not less than 1.25 for heating and not less than 0.70 for cooling,

''(v)(I) a central air conditioner which has a cooling seasonal energy efficiency ratio (SEER) of at least 13.5 but less than 15,

''(II) a central air conditioner which has a cooling seasonal energy efficiency ratio (SEER) of 15 or greater,

''(vi) an advanced natural gas water heater which—

''(I) increases steady state efficiency and reduces standby and vent losses, and

''(II) has an energy factor of at least 0.65,

''(vii) an advanced natural gas furnace which achieves a 90 percent AFUE and rated for seasonal electricity use of less than 300 kWh per year, and

''(viii) natural gas cooling equipment which meets all applicable standards of the American Society of Heating, Refrigerating, and Air Conditioning Engineers and which—

''(I) has a coefficient of performance of not less than .60, or

''(II) uses desiccant technology and has an efficiency rating of not less than 50 percent.

''(B) LIMITATIONS.—The credit under subsection (a) for the taxable year may not exceed—

''(i) $500 in the case of property described in subparagraph (A) other than clauses (i), (iv), and (viii) thereof,

''(ii) $500 for each kilowatt of capacity in the case of any fuel cell described in subparagraph (A)(i),

''(iii) $1,000 in the case of any natural gas heat pump described in subparagraph (A)(iv), and

''(iv) $150 for each ton of capacity in the case of any natural gas cooling equipment described in subparagraph (A)(viii).

''(4) COMBINED HEAT AND POWER SYSTEM PROPERTY.—

''(A) IN GENERAL.—The term 'combined heat and power system property' means property—

''(i) comprising a system for the same energy source for the simultaneous or sequential generation of electrical power, mechanical shaft power, or both, in combination with steam, heat, or other forms of useful energy,

''(ii) which has an electrical capacity of more than 50 kilowatts or a mechanical energy capacity of more than 67 horsepower or an equivalent combination of electrical and mechanical energy capacities,

''(iii) which produces—

''(I) at least 20 percent of its total useful energy in the form of thermal energy, and

''(II) at least 20 percent of its total useful energy in the form of electrical or mechanical power (or a combination thereof), and

''(iv) the energy efficiency percentage of which exceeds—

''(I) 60 percent in the case of a system with an electrical capacity of less than 1 megawatt),

''(II) 65 percent in the case of a system with an electrical capacity of not less than 1 megawatt and not in excess of 50 megawatts), and

''(III) 70 percent in the case of a system with an electrical capacity in excess of 50 megawatts).

''(B) SPECIAL RULES.—

''(i) ENERGY EFFICIENCY PERCENTAGE.—For purposes of subparagraph (A)(iv), the energy efficiency percentage of a system is the fraction—

''(I) the numerator of which is the total useful electrical, thermal, and mechanical power produced by the system at normal operating rates, and

''(II) the denominator of which is the lower heating value of the primary fuel source for the system.

''(ii) DETERMINATIONS MADE ON BTU BASIS.—The energy efficiency percentage and the percentages under subparagraph (A)(iii) shall be determined on a Btu basis.

''(iii) INPUT AND OUTPUT PROPERTY NOT INCLUDED.—The term 'combined heat and power system property' does not include property used to transport the energy source to the facility or to distribute energy produced by the facility.

''(iv) ACCOUNTING RULE FOR PUBLIC UTILITY PROPERTY.—If the combined heat and power system property is public utility property (as defined in section 46(f)(5) as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990), the taxpayer may only claim the credit under subsection (a)(1) if, with respect to such

property, the taxpayer uses a normalization method of accounting.

''(5) LOW CORE LOSS DISTRIBUTION TRANSFORMER PROPERTY.—The term 'low core loss distribution transformer property' means a distribution transformer which has energy savings from a highly efficient core of at least 20 percent more than the average for power ratings reported by studies required under section 124 of the Energy Policy Act of 1992.

''(6) QUALIFIED ANAEROBIC DIGESTER PROPERTY.—The term 'qualified anaerobic digester property' means an anaerobic digester for manure or crop waste which achieves at least 65 percent efficiency measured in terms of the fraction of energy input converted to electricity and useful thermal energy.

''(7) QUALIFIED WIND ENERGY SYSTEMS EQUIPMENT PROPERTY.—The term 'qualified wind energy systems equipment property' means wind energy systems equipment with a turbine size of not more than 75 kilowatts rated capacity.

''(e) SPECIAL RULES.—For purposes of this section—

''(1) SPECIAL RULE FOR PROPERTY FINANCED BY SUBSIDIZED ENERGY FINANCING OR INDUSTRIAL DEVELOPMENT BONDS.—

''(A) REDUCTION OF BASIS.—For purposes of applying the energy percentage to any property, if such property is financed in whole or in part by—

''(i) subsidized energy financing, or

''(ii) the proceeds of a private activity bond (within the meaning of section 141) the interest on which is exempt from tax under section 103, the amount taken into account as the basis of such property shall not exceed the amount which (but for this subparagraph) would be so taken into account multiplied by the fraction determined under subparagraph (B).

''(B) DETERMINATION OF FRACTION.—For purposes of subparagraph (A), the fraction determined under this subparagraph is 1 reduced by a fraction—

''(i) the numerator of which is that portion of the basis of the property which is allocable to such financing or proceeds, and

''(ii) the denominator of which is the basis of the property.

''(C) SUBSIDIZED ENERGY FINANCING.—For purposes of subparagraph (A), the term 'subsidized energy financing' means financing provided under a Federal, State, or local program a principal purpose of which is to provide subsidized financing for projects designed to conserve or produce energy.

''(2) CERTAIN PROGRESS EXPENDITURE RULES MADE APPLICABLE.—Rules similar to the rules of subsections (c)(4) and (d) of section 46 (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990) shall apply for purposes of this section.

''(f) APPLICATION OF SECTION.—

''(1) IN GENERAL.—Except as provided by paragraph (2), this section shall apply to property placed in service after December 31, 2001, and before January 1, 2009.

''(2) EXCEPTIONS.—

''(A) SOLAR ENERGY AND GEOTHERMAL ENERGY PROPERTY.—Paragraph (1) shall not apply to solar energy property or geothermal energy property.

''(B) CERTAIN ELECTRIC HEAT PUMPS AND CENTRAL AIR CONDITIONERS.—In the case of property which is described in subsection (d)(3)(A)(iii)(I) or (d)(3)(A)(v)(I), this section shall apply to property placed in service after December 31, 2001, and before January 1, 2006.''.

(b) CONFORMING AMENDMENTS.—

(1) Section 48 is amended to read as follows:

''SEC. 48. REFORESTATION CREDIT.

''(a) IN GENERAL.—For purposes of section 46, the reforestation credit for any taxable year is 20 percent of the portion of the amortizable basis of any qualified timber property which was acquired during such taxable year and which is taken into account under section 194 (after the application of section 194(b)(1)).

''(b) DEFINITIONS.—For purposes of this subpart, the terms 'amortizable basis' and 'qualified timber property' have the respective meanings given to such terms by section 194.''.

(2) Section 39(d), as amended by this Act, is amended by adding at the end the following:

''(12) NO CARRYBACK OF ENERGY CREDIT BEFORE EFFECTIVE DATE.—No portion of the unused business credit for any taxable year which is attributable to the energy credit determined under section 48A may be carried back to a taxable year ending before January 1, 2002.''.

(3) Section 280C is amended by adding at the end the following:

''(d) CREDIT FOR ENERGY PROPERTY EXPENSES.—

''(1) IN GENERAL.—No deduction shall be allowed for that portion of the expenses for energy property (as defined in section 48A(c)) 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 48A(a).

''(2) SIMILAR RULE WHERE TAXPAYER CAPITALIZES RATHER THAN DEDUCTS EXPENSES.—If—

''(A) the amount of the credit allowable for the taxable year under section 48A (determined without regard to section 38(c)), exceeds

''(B) the amount allowable as a deduction for the taxable year for expenses for energy property (determined without regard to paragraph (1)), the amount chargeable to capital account for the taxable year for such expenses shall be reduced by the amount of such excess.

''(3) CONTROLLED GROUPS.—Paragraph (3) of subsection (b) shall apply for purposes of this subsection.''.

(4) Section 29(b)(3)(A)(i)(III) is amended by striking 'section 48(a)(4)(C)' and inserting 'section 48A(e)(1)(C)'.

(5) Section 50(a)(2)(E) is amended by striking 'section 48(a)(5)' and inserting 'section 48A(e)(2)'.

(6) Section 168(e)(3)(B) is amended—

(A) by striking clause (vi)(I) and inserting the following:

''(I) is described in paragraph (1) or (2) of section 48A(d) (or would be so described if 'solar and wind' were substituted for 'solar' in paragraph (1)(B)),'', and

(B) in the last sentence by striking ''section 48(a)(3)'' and inserting ''section 48A(c)(2)(A)''.

(c) CLERICAL AMENDMENT.—The table of sections for subpart E of part IV of subchapter A of chapter 1 is amended by striking the item relating to section 48 and inserting the following:

''Sec. 48. Reforestation credit.
''Sec. 48A. Energy credit.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after December 31, 2001, under rules similar to the rules of section 48(m) of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990).

SEC. 902. ENERGY-EFFICIENT COMMERCIAL BUILDING PROPERTY DEDUCTION.

(a) IN GENERAL.—Part VI of subchapter B of chapter 1 (relating to itemized deductions for individuals and corporations) is amended by adding at the end the following:

''SEC. 199. ENERGY-EFFICIENT COMMERCIAL BUILDING PROPERTY.

''(a) IN GENERAL.—There shall be allowed as a deduction for the taxable year an amount equal to the energy-efficient commercial building property expenditures made by a taxpayer for the taxable year.

''(b) MAXIMUM AMOUNT OF DEDUCTION.—The amount of energy-efficient commercial building property expenditures taken into account under subsection (a) shall not exceed an amount equal to the product of—

''(1) $2.25, and

''(2) the square footage of the building with respect to which the expenditures are made.

''(c) YEAR DEDUCTION ALLOWED.—The deduction under subsection (a) shall be allowed in the taxable year in which the construction of the building is completed.

''(d) ENERGY-EFFICIENT COMMERCIAL BUILDING PROPERTY EXPENDITURES.—For purposes of this section—

''(1) IN GENERAL.—The term 'energy-efficient commercial building property expenditures' means an amount paid or incurred for energy-efficient commercial building property installed on or in connection with new construction or reconstruction of property—

''(A) for which depreciation is allowable under section 167,

''(B) which is located in the United States, and

''(C) the construction or erection of which is completed by the taxpayer.

Such property includes all residential rental property, including low-rise multifamily structures and single family housing property which is not within the scope of Standard 90.1–1999 (described in paragraph (3)).

''(2) LABOR COSTS INCLUDED.—Such term includes expenditures for labor costs properly allocable to the onsite preparation, assembly, or original installation of the property.

''(3) ENERGY EXPENDITURES EXCLUDED.—Such term does not include any expenditures taken into account in determining any credit allowed under section 48A.

''(e) ENERGY-EFFICIENT COMMERCIAL BUILDING PROPERTY.—For purposes of subsection (d)—

''(1) IN GENERAL.—The term 'energy-efficient commercial building property' means any property which reduces total annual energy and power costs with respect to the lighting, heating, cooling, ventilation, and hot water supply systems of the building by 50 percent or more in comparison to a reference building which meets the requirements of Standard 90.1–1999 of the American Society of Heating, Refrigerating, and Air Conditioning Engineers and the Illuminating Engineering Society of North America using methods of calculation under subparagraph (B) and certified by qualified professionals as provided under paragraph (6).

''(2) METHODS OF CALCULATION.—The Secretary, in consultation with the Secretary of Energy, shall promulgate regulations which describe in detail methods for calculating and verifying energy and power consumption and cost, taking into consideration the provisions of the 1998 California Nonresidential ACM Manual. These procedures shall meet the following requirements:

''(A) In calculating tradeoffs and energy performance, the regulations shall prescribe the costs per unit of energy and power, such as kilowatt hour, kilowatt, gallon of fuel oil, and cubic foot or Btu of natural gas, which may be dependent on time of usage.

''(B) The calculational methodology shall require that compliance be demonstrated for a whole building. If some systems of the building, such as lighting, are designed later than other systems of the building, the method shall provide that either—

''(i) the expenses taken into account under paragraph (1) shall not occur until the date

designs for all energy-using systems of the building are completed, or

''(ii) the expenses taken into account under paragraph (1) shall be a fraction of such expenses based on the performance of less than all energy-using systems in accordance with subparagraph (C), and the energy performance of all systems and components not yet designed shall be assumed to comply minimally with the requirements of such Standard 90.1–1999.

''(C) The expenditures in connection with the design of subsystems in the building, such as the envelope, the heating, ventilation, air conditioning and water heating system, and the lighting system shall be allocated to the appropriate building subsystem based on system-specific energy cost savings targets in regulations promulgated by the Secretary of Energy which are equivalent, using the calculation methodology, to the whole building requirement of 50 percent savings.

''(D) The calculational methods under this paragraph need not comply fully with section 11 of such Standard 90.1–1999.

''(E) The calculational methods shall be fuel neutral, such that the same energy efficiency features shall qualify a building for the deduction under this section regardless of whether the heating source is a gas or oil furnace or an electric heat pump.

''(F) The calculational methods shall provide appropriate calculated energy savings for design methods and technologies not otherwise credited in either such Standard 90.1–1999 or in the 1998 California Nonresidential ACM Manual, including the following:

''(i) Natural ventilation.

''(ii) Evaporative cooling.

''(iii) Automatic lighting controls such as occupancy sensors, photocells, and timeclocks.

''(iv) Daylighting.

''(v) Designs utilizing semi-conditioned spaces which maintain adequate comfort conditions without air conditioning or without heating.

''(vi) Improved fan system efficiency, including reductions in static pressure.

''(vii) Advanced unloading mechanisms for mechanical cooling, such as multiple or variable speed compressors.

''(viii) The calculational methods may take into account the extent of commissioning in the building, and allow the taxpayer to take into account measured performance which exceeds typical performance.

''(3) COMPUTER SOFTWARE.—

''(A) IN GENERAL.—Any calculation under this subsection shall be prepared by qualified computer software.

''(B) QUALIFIED COMPUTER SOFTWARE.—For purposes of this paragraph, the term 'qualified computer software' means software—

''(i) for which the software designer has certified that the software meets all procedures and detailed methods for calculating energy and power consumption and costs as required by the Secretary,

''(ii) which provides such forms as required to be filed by the Secretary in connection with energy efficiency of property and the deduction allowed under this section, and

''(iii) which provides a notice form which summarizes the energy efficiency features of the building and its projected annual energy costs.

''(4) ALLOCATION OF DEDUCTION FOR PUBLIC PROPERTY.—In the case of energy-efficient commercial building property installed on or in public property, the Secretary shall promulgate a regulation to allow the allocation of the deduction to the person primarily responsible for designing the property in lieu of the public entity which is the owner of such property. Such person shall be treated as the taxpayer for purposes of this section.

''(5) NOTICE TO OWNER.—The qualified individual shall provide an explanation to the owner of the building regarding the energy efficiency features of the building and its projected annual energy costs as provided in the notice under paragraph (3)(B)(iii).

''(6) CERTIFICATION.—

''(A) IN GENERAL.—Except as provided in this paragraph, the Secretary, in consultation with the Secretary of Energy, shall establish requirements for certification and compliance procedures similar to the procedures under section 45H(d).

''(B) QUALIFIED INDIVIDUALS.—Individuals qualified to determine compliance shall be only those individuals who are recognized by an organization certified by the Secretary for such purposes.

''(C) PROFICIENCY OF QUALIFIED INDIVIDUALS.—The Secretary shall consult with nonprofit organizations and State agencies with expertise in energy efficiency calculations and inspections to develop proficiency tests and training programs to qualify individuals to determine compliance.

''(f) TERMINATION.—This section shall not apply with respect to any energy-efficient commercial building property expenditures in connection with property—

''(1) the plans for which are not certified under subsection (e)(6) on or before December 31, 2006, and

''(2) the construction of which is not completed on or before December 31, 2008.''.

(b) CONFORMING AMENDMENTS.—Section 1016(a) is amended by striking ''and'' at the end of paragraph (26), by striking the period at the end of paragraph (27) and inserting '', and'', and by inserting the following:

''(28) for amounts allowed as a deduction under section 199(a).''.

(c) CLERICAL AMENDMENT.—The table of sections for part VI of subchapter B of chapter 1 is amended by adding at the end the following:

''Sec. 199. Energy-efficient commercial building property.''.

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

SEC. 903. CREDIT FOR ENERGY-EFFICIENT APPLIANCES.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business-related credits), as amended by this Act, is amended by adding at the end the following:

''SEC. 45G. ENERGY-EFFICIENT APPLIANCE CREDIT.

''(a) GENERAL RULE.—For purposes of section 38, the energy-efficient appliance credit determined under this section for the taxable year is an amount equal to the applicable amount determined under subsection (b) with respect to qualified energy-efficient appliances produced by the taxpayer during the calendar year ending with or within the taxable year.

''(b) APPLICABLE AMOUNT.—For purposes of subsection (a), the applicable amount determined under this subsection with respect to a taxpayer is the sum of—

''(1) in the case of an energy-efficient clothes washer described in subsection (d)(2)(A) or an energy-efficient refrigerator described in subsection (d)(3)(B)(i), an amount equal to—

''(A) $50, multiplied by

''(B) the number of such washers and refrigerators produced by the taxpayer during such calendar year, and

''(2) in the case of an energy-efficient clothes washer described in subsection (d)(2)(B) or an energy-efficient refrigerator described in subsection (d)(3)(B)(ii), an amount equal to—

''(A) $100, multiplied by

''(B) the number of such washers and refrigerators produced by the taxpayer during such calendar year.

''(c) LIMITATION ON MAXIMUM CREDIT.—

''(1) IN GENERAL.—The maximum amount of credit allowed under subsection (a) with respect to a taxpayer for all taxable years shall be—

''(A) $30,000,000 with respect to the credit determined under subsection (b)(1), and

''(B) $30,000,000 with respect to the credit determined under subsection (b)(2).

''(2) LIMITATION BASED ON GROSS RECEIPTS.—The credit allowed under subsection (a) with respect to a taxpayer for the taxable year shall not exceed an amount equal to 2 percent of the average annual gross receipts of the taxpayer for the 3 taxable years preceding the taxable year in which the credit is determined.

''(3) GROSS RECEIPTS.—For purposes of this subsection, the rules of paragraphs (2) and (3) of section 448(c) shall apply.

''(d) QUALIFIED ENERGY-EFFICIENT APPLIANCE.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified energy-efficient appliance' means—

''(A) an energy-efficient clothes washer, or

''(B) an energy-efficient refrigerator.

''(2) ENERGY-EFFICIENT CLOTHES WASHER.—The term 'energy-efficient clothes washer' means a residential clothes washer, including a residential style coin operated washer, which is manufactured with—

''(A) a 1.26 Modified Energy Factor (referred to in this paragraph as 'MEF') (as determined by the Secretary of Energy), or

''(B) a 1.42 MEF (as determined by the Secretary of Energy) (1.5 MEF for calendar years beginning after 2004).

''(3) ENERGY-EFFICIENT REFRIGERATOR.—The term 'energy-efficient refrigerator' means an automatic defrost refrigerator-freezer which—

''(A) has an internal volume of at least 16.5 cubic feet, and

''(B) consumes—

''(i) 10 percent less kWh per year than the energy conservation standards promulgated by the Department of Energy for such refrigerator for 2001, or

''(ii) 15 percent less kWh per year than such energy conservation standards.

''(e) SPECIAL RULES.—

''(1) IN GENERAL.—Rules similar to the rules of subsections (c), (d), and (e) of section 52 shall apply for purposes of this section.

''(2) AGGREGATION RULES.—All persons treated as a single employer under subsection (a) or (b) of section 52 or subsection (m) or (o) of section 414 shall be treated as one person for purposes of subsection (a).

''(f) VERIFICATION.—The taxpayer shall submit such information or certification as the Secretary, in consultation with the Secretary of Energy, determines necessary to claim the credit amount under subsection (a).

''(g) TERMINATION.—This section shall not apply—

''(1) with respect to energy-efficient refrigerators described in subsection (d)(3)(B)(i) produced in calendar years beginning after 2005, and

''(2) with respect to all other qualified energy-efficient appliances produced in calendar years beginning after 2007.''.

(b) LIMITATION ON CARRYBACK.—Section 39(d) (relating to transition rules), as amended by section 901(b)(2), is amended by adding at the end the following:

''(13) NO CARRYBACK OF ENERGY-EFFICIENT APPLIANCE CREDIT BEFORE 2002.—No portion of the unused business credit for any taxable year which is attributable to the energy-efficient appliance credit determined under section 45G may be carried to a taxable year beginning before January 1, 2002.''.

(c) DENIAL OF DOUBLE BENEFIT.—Section 280C (relating to certain expenses for which credits are allowable), as amended by section 902(b)(3), is amended by adding at the end the following:

''(e) CREDIT FOR ENERGY-EFFICIENT APPLIANCE EXPENSES.—No deduction shall be allowed for that portion of the expenses for qualified energy-efficient appliances (as defined in section 45G(d)) 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).''.

(d) CONFORMING AMENDMENT.—Section 38(b), as amended by this Act, (relating to general business credit) is amended by striking ''plus'' at the end of paragraph (14), by striking the period at the end of paragraph (15) and inserting '', plus'', and by adding at the end the following:

''(16) the energy-efficient appliance credit determined under section 45G(a).''.

(e) CLERICAL AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1, as amended by this Act, is amended by inserting after the item relating to section 45F the following:

''Sec. 45G. Energy-efficient appliance credit.''.

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

Subtitle B—Residential Energy Systems

SEC. 911. CREDIT FOR CONSTRUCTION OF NEW ENERGY-EFFICIENT HOME.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits), as amended by section 903(a), is amended by inserting after section 45G the following:

''SEC. 45H. NEW ENERGY-EFFICIENT HOME CREDIT.

''(a) IN GENERAL.—For purposes of section 38, in the case of an eligible contractor, the credit determined under this section for the taxable year is an amount equal to the aggregate adjusted bases of all energy-efficient property installed in a qualified new energy-efficient home during construction of such home.

''(b) LIMITATIONS.—

''(1) MAXIMUM CREDIT.—

''(A) IN GENERAL.—The credit allowed by this section with respect to a dwelling shall not exceed—

''(i) in the case of a dwelling described in subsection (c)(3)(D)(i), $1,500, and

''(ii) in the case of a dwelling described in subsection (c)(3)(D)(ii), $2,500.

''(B) PRIOR CREDIT AMOUNTS ON SAME DWELLING TAKEN INTO ACCOUNT.—If a credit was allowed under subsection (a) with respect to a dwelling in 1 or more prior taxable years, the amount of the credit otherwise allowable for the taxable year with respect to that dwelling shall not exceed the amount under clause (i) or (ii) (as the case may be), reduced by the sum of the credits allowed under subsection (a) with respect to the dwelling for all prior taxable years.

''(2) COORDINATION WITH REHABILITATION AND ENERGY CREDITS.—For purposes of this section—

''(A) the basis of any property referred to in subsection (a) shall be reduced by that portion of the basis of any property which is attributable to qualified rehabilitation expenditures (as defined in section 47(c)(2)) or to the energy percentage of energy property (as determined under section 48A(a)), and

''(B) expenditures taken into account under either section 47 or 48A(a) shall not be taken into account under this section.

''(c) DEFINITIONS.—For purposes of this section—

''(1) ELIGIBLE CONTRACTOR.—The term 'eligible contractor' means the person who constructed the new energy-efficient home, or in the case of a manufactured home which conforms to Federal Manufactured Home Construction and Safety Standards (24 C.F.R. 3280), the manufactured home producer of such home.

''(2) ENERGY-EFFICIENT PROPERTY.—The term 'energy-efficient property' means any energy-efficient building envelope component, and any energy-efficient heating or cooling equipment which can, individually or in combination with other components, meet the requirements of this section.

''(3) QUALIFIED NEW ENERGY-EFFICIENT HOME.—The term 'qualified new energy-efficient home' means a dwelling—

''(A) located in the United States,

''(B) the construction of which is substantially completed after December 31, 2000,

''(C) the original use of which is as a principal residence (within the meaning of section 121) which commences with the person who acquires such dwelling from the eligible contractor, and

''(D) which is certified to have a projected level of annual heating and cooling energy consumption, measured in terms of average annual energy cost to the homeowner which is at least—

''(i) 30 percent less than the annual level of heating and cooling energy consumption of a reference dwelling constructed in accordance with the standards of chapter 4 of the 2000 International Energy Conservation Code, or

''(ii) 50 percent less than such annual level of heating and cooling energy consumption.

''(4) CONSTRUCTION.—The term 'construction' includes reconstruction and rehabilitation.

''(5) ACQUIRE.—The term 'acquire' includes purchase and, in the case of reconstruction and rehabilitation, such term includes a binding written contract for such reconstruction or rehabilitation.

''(6) BUILDING ENVELOPE COMPONENT.—The term 'building envelope component' means—

''(A) insulation material or system which is specifically and primarily designed to reduce the heat loss or gain of a dwelling when installed in or on such dwelling, and

''(B) exterior windows (including skylights) and doors.

''(7) MANUFACTURED HOME INCLUDED.—The term 'dwelling' includes a manufactured home conforming to Federal Manufactured Home Construction and Safety Standards (24 C.F.R. 3280).

''(d) CERTIFICATION.—

''(1) METHOD.—A certification described in subsection (c)(3)(D) shall be determined on the basis of 1 of the following methods:

''(A) A component-based method, using the applicable technical energy efficiency specifications or ratings (including product labeling requirements) for the energy-efficient building envelope component or energy-efficient heating or cooling equipment. The Secretary shall, in consultation with the Administrator of the Environmental Protection Agency, develop prescriptive component-based packages that are equivalent in energy performance to properties that qualify under subparagraph (B).

''(B) An energy performance-based method that calculates projected energy usage and cost reductions in the dwelling in relation to a reference dwelling—

''(i) heated by the same energy source and heating system type, and

''(ii) constructed in accordance with the standards of chapter 4 of the 2000 International Energy Conservation Code.

Computer software shall be used in support of an energy performance-based method certification under subparagraph (B). Such software shall meet procedures and methods for calculating energy and cost savings in regulations promulgated by the Secretary of Energy. Such regulations on the specifications for software and verification protocols shall be based on the 1998 California Residential Alternative Calculation Method Approval Manual.

''(2) PROVIDER.—Such certification shall be provided by—

''(A) in the case of a method described in paragraph (1)(A), a local building regulatory authority, a utility, a manufactured home production inspection primary inspection agency (IPIA), or a home energy rating organization, or

''(B) in the case of a method described in paragraph (1)(B), an individual recognized by an organization designated by the Secretary for such purposes.

''(3) FORM.—

''(A) IN GENERAL.—Such certification shall be made in writing in a manner that specifies in readily verifiable fashion the energy-efficient building envelope components and energy-efficient heating or cooling equipment installed and their respective rated energy efficiency performance, and in the case of a method described in paragraph (1)(B), accompanied by written analysis documenting the proper application of a permissible energy performance calculation method to the specific circumstances of such dwelling.

''(B) FORM PROVIDED TO BUYER.—A form documenting the energy-efficient building envelope components and energy-efficient heating or cooling equipment installed and their rated energy efficiency performance shall be provided to the buyer of the dwelling. The form shall include labeled R-value for insulation products, NFRC-labeled U-factor and Solar Heat Gain Coefficient for windows, skylights, and doors, labeled AFUE ratings for furnaces and boilers, labeled HSPF ratings for electric heat pumps, and labeled SEER ratings for air conditioners.

''(C) RATINGS LABEL AFFIXED IN DWELLING.—A permanent label documenting the ratings in subparagraph (B) shall be affixed to the front of the electrical distribution panel of the dwelling, or shall be otherwise permanently displayed in a readily inspectable location in the dwelling.

''(4) REGULATIONS.—

''(A) IN GENERAL.—In prescribing regulations under this subsection for energy performance-based certification methods, the Secretary, after examining the requirements for energy consultants and home energy ratings providers specified by the Mortgage Industry National Accreditation Procedures for Home Energy Rating Systems, shall prescribe procedures for calculating annual energy usage and cost reductions for heating and cooling and for the reporting of the results. Such regulations shall—

''(i) provide that any calculation procedures be fuel neutral such that the same energy efficiency measures allow a home to qualify for the credit under this section regardless of whether the dwelling uses a gas or oil furnace or boiler or an electric heat pump, and

''(ii) require that any computer software allow for the printing of the Federal tax forms necessary for the credit under this section and for the printing of forms for disclosure to the homebuyer.

''(B) PROVIDERS.—For purposes of paragraph (2)(B), the Secretary shall establish requirements for the designation of individuals based on the requirements for energy consultants and home energy raters specified by the Mortgage Industry National Accreditation Procedures for Home Energy Rating Systems.

''(e) BASIS ADJUSTMENT.—For purposes of this subtitle, if a credit is allowed under this section for any expenditure with respect to

any property, the increase in the basis of such property which would (but for this subsection) result from such expenditure shall be reduced by the amount of the credit so allowed.

''(f) TERMINATION.—Subsection (a) shall apply to dwellings purchased during the period beginning on January 1, 2001, and ending on December 31, 2005.''.

(b) CREDIT MADE PART OF GENERAL BUSINESS CREDIT.—Subsection (b) of section 38 (relating to current year business credit), as amended by section 903(d), is amended by striking ''plus'' at the end of paragraph (15), by striking the period at the end of paragraph (16) and inserting '', plus'', and by adding at the end the following:

''(17) the new energy-efficient home credit determined under section 45H.''.

(c) DENIAL OF DOUBLE BENEFIT.—Section 280C (relating to certain expenses for which credits are allowable), as amended by section 903(c), is amended by adding at the end the following:

''(f) NEW ENERGY-EFFICIENT HOME EXPENSES.—No deduction shall be allowed for that portion of expenses for a new energy-efficient home 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 45H.''.

(d) CREDIT ALLOWED AGAINST REGULAR AND MINIMUM TAX.—

(1) IN GENERAL.—Subsection (c) of section 38 (relating to limitation based on amount of tax) is amended by redesignating paragraph (3) as paragraph (4) and by inserting after paragraph (2) the following new paragraph:

''(3) SPECIAL RULES FOR NEW ENERGY EFFICIENT HOME CREDIT.—

''(A) IN GENERAL.—In the case of the new energy efficient home credit—

''(i) this section and section 39 shall be applied separately with respect to the credit, and

''(ii) in applying paragraph (1) to the credit—

''(I) subparagraphs (A) and (B) thereof shall not apply, and

''(II) the limitation under paragraph (1) (as modified by subclause (I)) shall be reduced by the credit allowed under subsection (a) for the taxable year (other than the new energy efficient home credit).

''(B) NEW ENERGY EFFICIENT HOME CREDIT.—For purposes of this subsection, the term 'new energy efficient home credit' means the credit allowable under subsection (a) by reason of section 45H.''.

(2) CONFORMING AMENDMENT.—Subclause (II) of section 38(c)(2)(A)(ii) is amended by inserting ''or the new energy efficient home credit'' after ''employment credit''.

(e) LIMITATION ON CARRYBACK.—Subsection (d) of section 39, as amended by section 903(b), is amended by adding at the end the following:

''(14) NO CARRYBACK OF NEW ENERGY-EFFICIENT HOME CREDIT BEFORE EFFECTIVE DATE.—No portion of the unused business credit for any taxable year which is attributable to the credit determined under section 45H may be carried back to any taxable year ending before January 1, 2001.''.

(f) DEDUCTION FOR CERTAIN UNUSED BUSINESS CREDITS.—Subsection (c) of section 196 is amended by striking ''and'' at the end of paragraph (7), by striking the period at the end of paragraph (8) and inserting '', and'', and by adding after paragraph (8) the following:

''(9) the new energy-efficient home credit determined under section 45H.''.

(g) CLERICAL AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1, as amended by section 903(d), is amended by inserting after the item relating to section 45G the following:

''Sec. 45H. New energy-efficient home credit.''.

(h) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after December 31, 2000.

SEC. 912. CREDIT FOR ENERGY EFFICIENCY IMPROVEMENTS TO EXISTING HOMES.

(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 (relating to nonrefundable personal credits), as amended by this Act, is amended by inserting after section 25C the following new section:

''SEC. 25D. ENERGY EFFICIENCY IMPROVEMENTS TO EXISTING HOMES.

''(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 20 percent of the amount paid or incurred by the taxpayer for qualified energy efficiency improvements installed during such taxable year.

''(b) LIMITATIONS.—

''(1) MAXIMUM CREDIT.—The credit allowed by this section with respect to a dwelling shall not exceed $2,000.

''(2) PRIOR CREDIT AMOUNTS FOR TAXPAYER ON SAME DWELLING TAKEN INTO ACCOUNT.—If a credit was allowed to the taxpayer under subsection (a) with respect to a dwelling in 1 or more prior taxable years, the amount of the credit otherwise allowable for the taxable year with respect to that dwelling shall not exceed the amount of $2,000 reduced by the sum of the credits allowed under subsection (a) to the taxpayer with respect to the dwelling for all prior taxable years.

''(c) CARRYFORWARD OF UNUSED CREDIT.—If the credit allowable under subsection (a) exceeds the limitation imposed by section 26(a) for such taxable year reduced by the sum of the credits allowable under subpart A of part IV of subchapter A (other than this section), 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 ENERGY EFFICIENCY IMPROVEMENTS.—For purposes of this section, the term 'qualified energy efficiency improvements' means any energy efficient building envelope component which is certified to meet or exceed the prescriptive criteria for such component in the 2000 International Energy Conservation Code, or any combination of energy efficiency measures which achieves at least a 30 percent reduction in heating and cooling energy usage for the dwelling (as measured in terms of energy cost to the taxpayer), if—

''(1) such component or combinations of measures is installed in or on a dwelling—

''(A) located in the United States, and

''(B) owned and used by the taxpayer as the taxpayer's principal residence (within the meaning of section 121),

''(2) the original use of such component or combination of measures commences with the taxpayer, and

''(3) such component or combination of measures reasonably can be expected to remain in use for at least 5 years.

''(e) CERTIFICATION.—The certification described in subsection (d) shall be—

''(1) in the case of any component described in subsection (d), determined on the basis of applicable energy efficiency ratings (including product labeling requirements) for affected building envelope components,

''(2) in the case of combinations of measures described in subsection (d), determined by the performance-based methods described in section 45H(d),

''(3) provided by a third party, such as a local building regulatory authority, a utility, a manufactured home production inspection primary inspection agency (IPIA), or a home energy rating organization, consistent with the requirements of section 45H(d)(2), and

''(4) made in writing on forms which specify in readily inspectable fashion the energy-efficient components and other measures and their respective efficiency ratings, and which shall include a permanent label affixed to the electrical distribution panel as described in section 45H(d)(3)(C).

''(f) DEFINITIONS AND SPECIAL RULES.—

''(1) DOLLAR AMOUNTS IN CASE OF JOINT OCCUPANCY.—In the case of any dwelling unit which is jointly occupied and used during any calendar year as a residence by 2 or more individuals the following shall apply:

''(A) The amount of the credit allowable under subsection (a) by reason of expenditures for the qualified energy efficiency improvements made during such calendar year by any of such individuals with respect to such dwelling unit shall be determined by treating all of such individuals as 1 taxpayer whose taxable year is such calendar year.

''(B) There shall be allowable with respect to such expenditures to each of such individuals, a credit under subsection (a) for the taxable year in which such calendar year ends in an amount which bears the same ratio to the amount determined under subparagraph (A) as the amount of such expenditures made by such individual during such calendar year bears to the aggregate of such expenditures made by all of such individuals during such calendar year.

''(2) TENANT-STOCKHOLDER IN COOPERATIVE HOUSING CORPORATION.—In the case of an individual who is a tenant-stockholder (as defined in section 216) in a cooperative housing corporation (as defined in such section), such individual shall be treated as having paid his tenant-stockholder's proportionate share (as defined in section 216(b)(3)) of the cost of qualified energy efficiency improvements made by such corporation.

''(3) CONDOMINIUMS.—

''(A) IN GENERAL.—In the case of an individual who is a member of a condominium management association with respect to a condominium which he owns, such individual shall be treated as having paid his proportionate share of the cost of qualified energy efficiency improvements made by such association.

''(B) CONDOMINIUM MANAGEMENT ASSOCIATION.—For purposes of this paragraph, the term 'condominium management association' means an organization which meets the requirements of paragraph (1) of section 528(c) (other than subparagraph (E) thereof) with respect to a condominium project substantially all of the units of which are used as residences.

''(4) BUILDING ENVELOPE COMPONENT.—The term 'building envelope component' means—

''(A) insulation material or system which is specifically and primarily designed to reduce the heat loss or gain or a dwelling when installed in or on such dwelling, and

''(B) exterior windows (including skylights) and doors.

''(5) MANUFACTURED HOMES INCLUDED.—For purposes of this section, the term 'dwelling' includes a manufactured home which conforms to Federal Manufactured Home Construction and Safety Standards (24 C.F.R. 3280).

''(g) BASIS ADJUSTMENT.—For purposes of this subtitle, if a credit is allowed under this section for any expenditure with respect to any property, the increase in the basis of such property which would (but for this subsection) result from such expenditure shall be reduced by the amount of the credit so allowed.

''(h) TERMINATION.—Subsection (a) shall apply to qualified energy efficiency improvements installed during the period beginning

on the date of the enactment of this section and ending on December 31, 2005.''.

(b) CONFORMING AMENDMENTS.—

(1) Subsection (c) of section 23, as amended by this Act, is amended by inserting ''25D,'' after ''25C,''.

(2) Subparagraph (C) of section 25(e)(1), as amended by this Act, is amended by inserting ''25D,'' after ''25C,''.

(3) Subsection (h) of seciton 904, as amended by this Act, is amended by by striking ''or 25C'' and inserting '', 25C, or 25D''.

(4) Subsection (d) of section 1400C is amended by inserting ''and section 25C'' and inserting '', section 25C, and section 25D''.

(4) Subsection (a) of section 1016, as amended by section 902(b), is amended by striking ''and'' at the end of paragraph (27), by striking the period at the end of paragraph (28) and inserting ''; and'', and by adding at the end the following:

''(29) to the extent provided in section 25D(f), in the case of amounts with respect to which a credit has been allowed under section 25D.''.

(5) The table of sections for subpart A of part IV of subchapter A of chapter 1, as amended by this Act, is amended by inserting after the item relating to section 25C the following new item:

''Sec. 25D. Energy efficiency improvements to existing homes.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending on or after the date of the enactment of this Act.

SEC. 913. CREDIT FOR RESIDENTIAL SOLAR, WIND, AND FUEL CELL ENERGY PROPERTY.

(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 (relating to nonrefundable personal credits), as amended by section 912(a), is amended by inserting after section 25D the following:

''SEC. 25E. RESIDENTIAL SOLAR, WIND, AND FUEL CELL ENERGY PROPERTY.

''(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 sum of—

''(1) 15 percent of the qualified photovoltaic property expenditures,

''(2) 15 percent of the qualified solar water heating property expenditures,

''(3) 30 percent of the qualified wind energy property expenditures, and

''(4) 20 percent for the qualified fuel cell property expenditures,

made by the taxpayer during the taxable year.

''(b) LIMITATIONS.—

''(1) MAXIMUM CREDIT.—The credit allowed under subsection (a)(2) shall not exceed $2,000 for each system of solar energy property.

''(2) TYPE OF PROPERTY.—No expenditure may be taken into account under this section unless such expenditure is made by the taxpayer for property installed on or in connection with a dwelling unit which is located in the United States and which is used as a residence.

''(3) SAFETY CERTIFICATIONS.—No credit shall be allowed under this section for an item of property unless—

''(A) in the case of solar water heating property, such property is certified for performance and safety by the non-profit Solar Rating Certification Corporation or a comparable entity endorsed by the government of the State in which such property is installed, and

''(B) in the case of a photovoltaic, wind energy, or fuel cell property, such property meets appropriate fire and electric code requirements.

''(c) DEFINITIONS.—For purposes of this section—

''(1) QUALIFIED SOLAR WATER HEATING PROPERTY EXPENDITURE.—The term 'qualified solar water heating property expenditure' means an expenditure for property which uses solar energy to heat water for use in a dwelling unit with respect to which a majority of the energy is derived from the sun.

''(2) QUALIFIED PHOTOVOLTAIC PROPERTY EXPENDITURE.—The term 'qualified photovoltaic property expenditure' means an expenditure for property which uses solar energy to generate electricity for use in a dwelling unit.

''(3) SOLAR PANELS.—No expenditure relating to a solar panel or other property installed as a roof (or portion thereof) shall fail to be treated as property described in paragraph (1) or (2) solely because it constitutes a structural component of the structure on which it is installed.

''(4) QUALIFIED WIND ENERGY PROPERTY EXPENDITURE.—The term 'qualified wind energy property expenditure' means an expenditure for property which uses wind energy to generate electricity for use in a dwelling unit.

''(5) QUALIFIED FUEL CELL PROPERTY EXPENDITURE.—The term 'qualified fuel cell property expenditure' means an expenditure for property which uses an electrochemical fuel cell system to generate electricity for use in a dwelling unit.

''(6) LABOR COSTS.—Expenditures for labor costs properly allocable to the onsite preparation, assembly, or original installation of the property described in paragraph (1), (2), (4), or (5) and for piping or wiring to interconnect such property to the dwelling unit shall be taken into account for purposes of this section.

''(7) ENERGY STORAGE MEDIUM.—Expenditures which are properly allocable to a swimming pool, hot tub, or any other energy storage medium which has a function other than the function of such storage shall not be taken into account for purposes of this section.

''(d) SPECIAL RULES.—For purposes of this section—

''(1) DOLLAR AMOUNTS IN CASE OF JOINT OCCUPANCY.—In the case of any dwelling unit which is jointly occupied and used during any calendar year as a residence by 2 or more individuals the following shall apply:

''(A) The amount of the credit allowable under subsection (a) by reason of expenditures (as the case may be) made during such calendar year by any of such individuals with respect to such dwelling unit shall be determined by treating all of such individuals as 1 taxpayer whose taxable year is such calendar year.

''(B) There shall be allowable with respect to such expenditures to each of such individuals, a credit under subsection (a) for the taxable year in which such calendar year ends in an amount which bears the same ratio to the amount determined under subparagraph (A) as the amount of such expenditures made by such individual during such calendar year bears to the aggregate of such expenditures made by all of such individuals during such calendar year.

''(2) TENANT-STOCKHOLDER IN COOPERATIVE HOUSING CORPORATION.—In the case of an individual who is a tenant-stockholder (as defined in section 216) in a cooperative housing corporation (as defined in such section), such individual shall be treated as having made his tenant-stockholder's proportionate share (as defined in section 216(b)(3)) of any expenditures of such corporation.

''(3) CONDOMINIUMS.—

''(A) IN GENERAL.—In the case of an individual who is a member of a condominium management association with respect to a condominium which such individual owns, such individual shall be treated as having made his proportionate share of any expenditures of such association.

''(B) CONDOMINIUM MANAGEMENT ASSOCIATION.—For purposes of this paragraph, the term 'condominium management association' means an organization which meets the requirements of paragraph (1) of section 528(c) (other than subparagraph (E) thereof) with respect to a condominium project substantially all of the units of which are used as residences.

''(4) JOINT OWNERSHIP OF ITEMS OF SOLAR OR WIND ENERGY PROPERTY.—

''(A) IN GENERAL.—Any expenditure otherwise qualifying as an expenditure described in paragraph (1), (2), or (4) of subsection (c) shall not be treated as failing to so qualify merely because such expenditure was made with respect to 2 or more dwelling units.

''(B) LIMITS APPLIED SEPARATELY.—In the case of any expenditure described in subparagraph (A), the amount of the credit allowable under subsection (a) shall (subject to paragraph (1)) be computed separately with respect to the amount of the expenditure made for each dwelling unit.

''(5) ALLOCATION IN CERTAIN CASES.—If less than 80 percent of the use of an item is for nonbusiness residential purposes, only that portion of the expenditures for such item which is properly allocable to use for nonbusiness residential purposes shall be taken into account. For purposes of this paragraph, use for a swimming pool shall be treated as use which is not for residential purposes.

''(6) WHEN EXPENDITURE MADE; AMOUNT OF EXPENDITURE.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), an expenditure with respect to an item shall be treated as made when the original installation of the item is completed.

''(B) EXPENDITURES PART OF BUILDING CONSTRUCTION.—In the case of an expenditure in connection with the construction or reconstruction of a structure, such expenditure shall be treated as made when the original use of the constructed or reconstructed structure by the taxpayer begins.

''(C) AMOUNT.—The amount of any expenditure shall be the cost thereof.

''(7) REDUCTION OF CREDIT FOR GRANTS, TAX-EXEMPT BONDS, AND SUBSIDIZED ENERGY FINANCING.—The rules of section 29(b)(3) shall apply for purposes of this section.

''(e) BASIS ADJUSTMENTS.—For purposes of this subtitle, if a credit is allowed under this section for any expenditure with respect to any property, the increase in the basis of such property which would (but for this subsection) result from such expenditure shall be reduced by the amount of the credit so allowed.

''(f) TERMINATION.—The credit allowed under this section shall not apply to taxable years beginning after December 31, 2011.''.

(b) CONFORMING AMENDMENTS.—

(1) Subsection (a) of section 1016, as amended by section 912(b)(4), is amended by striking ''and'' at the end of paragraph (28), by striking the period at the end of paragraph (29) and inserting ''; and'', and by adding at the end the following:

''(30) to the extent provided in section 25E(e), in the case of amounts with respect to which a credit has been allowed under section 25E.''.

(2) The table of sections for subpart A of part IV of subchapter A of chapter 1, as amended by section 912(b)(2), is amended by inserting after the item relating to section 25D the following:

''Sec. 25E. Residential solar, wind, and fuel cell energy property.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to expenditures made after the date of the enactment

of this Act, in taxable years ending after such date.

Subtitle C—Electricity Facilities and Production

SEC. 921. INCENTIVE FOR DISTRIBUTED GENERATION.

(a) DEPRECIATION OF DISTRIBUTED POWER PROPERTY.—

(1) IN GENERAL.—Subparagraph (C) of section 168(e)(3) (relating to 7-year property) is amended by redesignating clause (ii) as clause (iii) and by inserting after clause (i) the following:

''(ii) any distributed power property, and''.

(2) 10-YEAR CLASS LIFE.—The table contained in section 168(g)(3)(B) is amended by inserting after the item relating to subparagraph (C)(i) the following:

''(C)(ii) ..... 10''.

(b) DISTRIBUTED POWER PROPERTY.—Section 168(i) is amended by adding at the end the following:

''(15) DISTRIBUTED POWER PROPERTY.—The term 'distributed power property' means property—

''(A) which is used in the generation of electricity for primary use—

''(i) in nonresidential real or residential rental property used in the taxpayer's trade or business, or

''(ii) in the taxpayer's industrial manufacturing process or plant activity, with a rated total capacity in excess of 500 kilowatts,

''(B) which also may produce usable thermal energy or mechanical power for use in a heating or cooling application, as long as at least 40 percent of the total useful energy produced consists of—

''(i) with respect to assets described in subparagraph (A)(i), electrical power (whether sold or used by the taxpayer), or

''(ii) with respect to assets described in subparagraph (A)(ii), electrical power (whether sold or used by the taxpayer) and thermal or mechanical energy used in the taxpayer's industrial manufacturing process or plant activity,

''(C) which is not used to transport primary fuel to the generating facility or to distribute energy within or outside of the facility,

''(D) which is not operated with diesel fuel, and

''(E) where it is reasonably expected that not more than 50 percent of the produced electricity will be sold to, or used by, unrelated persons.

For purposes of subparagraph (B), energy output is determined on the basis of expected annual output levels, measured in British thermal units (Btu), using standard conversion factors established by the Secretary.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after the date of the enactment of this Act.

SEC. 922. MODIFICATIONS TO CREDIT FOR ELECTRICITY PRODUCED FROM RENEWABLE AND WASTE PRODUCTS.

(a) INCREASE IN CREDIT RATE.—

(1) IN GENERAL.—Section 45(a)(1) is amended by striking ''1.5 cents'' and inserting ''1.8 cents''.

(2) CONFORMING AMENDMENTS.—

(A) Section 45(b)(2) is amended by striking ''1.5 cent'' and inserting ''1.8 cent''.

(B) Section 45(d)(2)(B) is amended by inserting ''(calendar year 2001 in the case of the 1.8 cent amount in subsection (a))'' after ''1992''.

(b) EXPANSION OF QUALIFIED RESOURCES.—

(1) IN GENERAL.—Section 45(c)(1) (relating to qualified energy resources) is amended by striking ''and'' at the end of subparagraph (B), by striking the period at the end of subparagraph (C) and inserting '', and'', and by adding at the end the following:

''(D) alternative resources.''.

(2) DEFINITION OF ALTERNATIVE RESOURCES.—Section 45(c) (relating to definitions) is amended—

(A) by redesignating paragraph (3) as paragraph (5),

(B) by redesignating paragraph (4) as paragraph (3), and

(C) by inserting after paragraph (3), as redesignated by subparagraph (B), the following:

''(4) ALTERNATIVE RESOURCES.—

''(A) IN GENERAL.—The term 'alternative resources' means—

''(i) solar,

''(ii) biomass (other than closed loop biomass),

''(iii) municipal solid waste,

''(iv) incremental hydropower,

''(v) geothermal,

''(vi) landfill gas, and

''(vii) steel cogeneration.

''(B) BIOMASS.—The term 'biomass' means any solid, nonhazardous, cellulosic waste material or any organic carbohydrate matter, which is segregated from other waste materials, and which is derived from—

''(i) any of the following forest-related resources: mill residues, precommercial thinnings, slash, and brush, but not including old-growth timber,

''(ii) waste pallets, crates, dunnage, untreated wood waste from construction or manufacturing activities, and landscape or right-of-way tree trimmings, but not including unsegregated municipal solid waste or post-consumer wastepaper, or

''(iii) any of the following agriculture sources: orchard tree crops, vineyard, grain, legumes, sugar, and other crop by-products or residues, including any packaging and other materials which are nontoxic and biodegradable and are associated with the processing, feeding, selling, transporting, and disposal of such agricultural materials.

''(C) MUNICIPAL SOLID WASTE.—The term 'municipal solid waste' has the same meaning given the term 'solid waste' under section 2(27) of the Solid Waste Utilization Act (42 U.S.C. 6903).

''(D) INCREMENTAL HYDROPOWER.—The term 'incremental hydropower' means additional generating capacity achieved from—

''(i) increased efficiency, or

''(ii) additions of new capacity,

at a licensed non-Federal hydroelectric project originally placed in service before the date of the enactment of this paragraph.

''(E) GEOTHERMAL.—The term 'geothermal' means energy derived from a geothermal deposit (within the meaning of section 613(e)(2)), but only, in the case of electricity generated by geothermal power, up to (but not including) the electrical transmission stage.

''(F) LANDFILL GAS.—The term 'landfill gas' means gas generated from the decomposition of any household solid waste, commercial solid waste, and industrial solid waste disposed of in a municipal solid waste landfill unit (as such terms are defined in regulations promulgated under subtitle D of the Solid Waste Disposal Act (42 U.S.C. 6941 et seq.).

''(G) STEEL COGENERATION.—The term 'steel cogeneration' means the production of electricity and steam (or other form of thermal energy) from any or all waste sources defined in paragraphs (2) and (3) and subparagraphs (B) and (C) of this paragraph within an operating facility which produces or integrates the production of coke, direct reduced iron ore, iron, or steel provided that the cogeneration meets any regulatory energy-efficiency standards established by the Secretary, and only to the extent that such energy is produced from—

''(i) gases or heat generated from the production of metallurgical coke,

''(ii) gases or heat generated from the production of direct reduced iron ore or iron, from blast furnace or direct ironmaking processes, or

''(iii) gases or heat generated from the manufacture of steel.''.

(3) QUALIFIED FACILITY.—Section 45(c)(5) (defining qualified facility), as redesignated by paragraph 2(A), is amended by adding at the end the following:

''(D) ALTERNATIVE RESOURCES FACILITY.—

''(i) IN GENERAL.—Except as provided in clauses (ii), (iii), and (iv), in the case of a facility using alternative resources to produce electricity, the term 'qualified facility' means any facility of the taxpayer which is originally placed in service after the date of the enactment of this subparagraph.

''(ii) BIOMASS FACILITY.—In the case of a facility using biomass described in paragraph (4)(A)(ii) to produce electricity, the term 'qualified facility' means any facility of the taxpayer.

''(iii) GEOTHERMAL FACILITY.—In the case of a facility using geothermal to produce electricity, the term 'qualified facility' means any facility of the taxpayer which is originally placed in service after December 31, 1992.

''(iv) STEEL COGENERATION FACILITIES.—In the case of a facility using steel cogeneration to produce electricity, the term 'qualified facility' means any facility permitted to operate under the environmental requirements of the Clean Air Act Amendments of 1990 which is owned by the taxpayer and originally placed in service after the date of the enactment of this subparagraph. Such a facility may be treated as originally placed in service when such facility was last upgraded to increase efficiency or generation capability after such date.

''(v) SPECIAL RULES.—In the case of a qualified facility described in this subparagraph, the 10-year period referred to in subsection (a) shall be treated as beginning no earlier than the date of the enactment of this subparagraph.''.

(4) GOVERNMENT-OWNED FACILITY.—Section 45(d)(6) (relating to credit eligibility in the case of government-owned facilities using poultry waste) is amended—

(A) by inserting ''or alternative resources'' after ''poultry waste'', and

(B) by inserting ''OR ALTERNATIVE RESOURCES'' after ''POULTRY WASTE'' in the heading thereof.

(5) QUALIFIED FACILITIES WITH CO-PRODUCTION.—Section 45(b) (relating to limitations and adjustments) is amended by adding at the end the following:

''(4) INCREASED CREDIT FOR CO-PRODUCTION FACILITIES.—

''(A) IN GENERAL.—In the case of a qualified facility described in subsection (c)(3)(D)(i) which has a co-production facility or a qualified facility described in subparagraph (A), (B), or (C) of subsection (c)(3) which adds a co-production facility after the date of the enactment of this paragraph, the amount in effect under subsection (a)(1) for an eligible taxable year of a taxpayer shall (after adjustment under paragraph (2) and before adjustment under paragraphs (1) and (3)) be increased by .25 cents.

''(B) CO-PRODUCTION FACILITY.—For purposes of subparagraph (A), the term 'co-production facility' means a facility which—

''(i) enables a qualified facility to produce heat, mechanical power, chemicals, liquid fuels, or minerals from qualified energy resources in addition to electricity, and

''(ii) produces such energy on a continuous basis.

''(C) ELIGIBLE TAXABLE YEAR.—For purposes of subparagraph (A), the term 'eligible

taxable year' means any taxable year in which the amount of gross receipts attributable to the co-production facility of a qualified facility are at least 10 percent of the amount of gross receipts attributable to electricity produced by such facility.''.

(6) QUALIFIED FACILITIES LOCATED WITHIN QUALIFIED INDIAN LANDS.—Section 45(b) (relating to limitations and adjustments), as amended by paragraph (5), is amended by adding at the end the following:

''(5) INCREASED CREDIT FOR QUALIFIED FACILITY LOCATED WITHIN QUALIFIED INDIAN LAND.—In the case of a qualified facility described in subsection (c)(3)(D) which—

''(A) is located within—

''(i) qualified Indian lands (as defined in section 7871(c)(3)), or

''(ii) lands which are held in trust by a Native Corporation (as defined in section 3(m) of the Alaska Native Claims Settlement Act (43 U.S.C. 1602(m)) for Alaska Natives, and

''(B) is operated with the explicit written approval of the Indian tribal government or Native Corporation (as so defined) having jurisdiction over such lands,

the amount in effect under subsection (a)(1) for a taxable year shall (after adjustment under paragraphs (2) and (4) and before adjustment under paragraphs (1) and (3)) be increased by .25 cents.''.

(7) ELECTRICITY PRODUCED FROM CERTAIN RESOURCES CO-FIRED IN COAL PLANTS.—Section 45(d) (relating to definitions and special rules) is amended by adding at the end the following:

''(8) SPECIAL RULE FOR ELECTRICITY PRODUCED FROM CERTAIN RESOURCES CO-FIRED IN COAL PLANTS.—In the case of electricity produced from biomass (including closed loop biomass), municipal solid waste, or animal waste, co-fired in a facility which produces electricity from coal—

''(A) subsection (a)(1) shall be applied by substituting '1 cent' for '1.8 cents',

''(B) such facility shall be considered a qualified facility for purposes of this section, and

''(C) the 10-year period referred to in subsection (a) shall be treated as beginning no earlier than the date of the enactment of this paragraph.''.

(8) CONFORMING AMENDMENTS.—

(A) The heading for section 45 is amended by inserting ''AND WASTE ENERGY'' after ''RENEWABLE''.

(B) The item relating to section 45 in the table of sections subpart D of part IV of subchapter A of chapter 1 is amended by inserting ''and waste energy'' after ''renewable''.

(c) ADDITIONAL MODIFICATIONS OF RENEWABLE AND WASTE ENERGY RESOURCE CREDIT.—

(1) CREDITS FOR CERTAIN TAX EXEMPT ORGANIZATIONS AND GOVERNMENTAL UNITS.—Section 45(d) (relating to definitions and special rules), as amended by subsection (b)(7), is amended by adding at the end the following:

''(9) CREDITS FOR CERTAIN TAX EXEMPT ORGANIZATIONS AND GOVERNMENTAL UNITS.—

''(A) ALLOWANCE OF CREDIT.—Any credit which would be allowable under subsection (a) with respect to a qualified facility of an entity if such entity were not exempt from tax under this chapter shall be treated as a credit allowable under subpart C to such entity if such entity is—

''(i) an organization described in section 501(c)(12)(C) and exempt from tax under section 501(a),

''(ii) an organization described in section 1381(a)(2)(C), or

''(iii) 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.

''(B) USE OF CREDIT.—

''(i) TRANSFER OF CREDIT.—An entity described in subparagraph (A) may assign, trade, sell, or otherwise transfer any credit allowable to such entity under subparagraph (A) to any taxpayer.

''(ii) USE OF CREDIT AS AN OFFSET.—Notwithstanding any other provision of law, in the case of an entity described in clause (i) or (ii) of subparagraph (A), any credit allowable to such entity under subparagraph (A) may be applied by such entity, without penalty, as a prepayment of any loan, debt, or other obligation the entity has incurred under subchapter I of chapter 31 of title 7 of the Rural Electrification Act of 1936 (7 U.S.C. 901 et seq.).

''(C) CREDIT NOT INCOME.—Neither a transfer under clause (i) or a use under clause (ii) of subparagraph (B) of any credit allowable under subparagraph (A) shall result in income for purposes of section 501(c)(12).

''(D) TRANSFER PROCEEDS TREATED AS ARISING FROM ESSENTIAL GOVERNMENT FUNCTION.—Any proceeds derived by an entity described in subparagraph (A)(iii) from the transfer of any credit under subparagraph (B)(i) shall be treated as arising from an essential government function.

''(E) CREDITS NOT REDUCED BY TAX-EXEMPT BONDS OR CERTAIN OTHER SUBSIDIES.—Subsection (b)(3) shall not apply to reduce any credit allowable under subparagraph (A) with respect to—

''(i) proceeds described in subparagraph (A)(ii) of such subsection, or

''(ii) any loan, debt, or other obligation incurred under subchapter I of chapter 31 of title 7 of the Rural Electrification Act of 1936 (7 U.S.C. 901 et seq.),

used to provide financing for any qualified facility.

''(F) TREATMENT OF UNRELATED PERSONS.—For purposes of this paragraph, sales among and between entities described in subparagraph (A) shall be treated as sales between unrelated parties.''.

(2) COORDINATION WITH OTHER CREDITS.—Section 45(d), as amended by paragraph (1), is amended by adding at the end the following:

''(10) COORDINATION WITH OTHER CREDITS.—This section shall not apply to any qualified facility with respect to which a credit under any other section is allowed for the taxable year unless the taxpayer elects to waive the application of such credit to such facility.''.

(3) EXPANSION TO INCLUDE ANIMAL WASTE.—Section 45 (relating to electricity produced from certain renewable resources), as amended by paragraphs (2) and (4) of subsection (b), is amended—

(A) by striking ''poultry'' each place it appears in subsection (c)(1)(C) and subsection (d)(6) and inserting ''animal'',

(B) by striking ''POULTRY'' in the heading of paragraph (6) of subsection (d) and inserting ''ANIMAL'',

(C) by striking paragraph (3) of subsection (c) and inserting the following:

''(3) ANIMAL WASTE.—The term 'animal waste' means poultry manure and litter and other animal wastes, including—

''(A) wood shavings, straw, rice hulls, and other bedding material for the disposition of manure, and

''(B) byproducts, packaging, and other materials which are nontoxic and biodegradable and are associated with the processing, feeding, selling, transporting, and disposal of such animal wastes.'', and

(D) by striking subparagraph (C) of subsection (c)(5) and inserting the following:

''(C) ANIMAL WASTE FACILITY.—

''(i) IN GENERAL.—Except as provided in clause (ii), in the case of a facility using animal waste (other than poultry) to produce electricity, the term 'qualified facility' means any facility of the taxpayer which is originally placed in service after the date of the enactment of this clause.

''(ii) POULTRY WASTE.—In the case of a facility using animal waste relating to poultry to produce electricity, the term 'qualified facility' means any facility of the taxpayer which is originally placed in service after December 31, 1999.''.

(4) TREATMENT OF QUALIFIED FACILITIES NOT IN COMPLIANCE WITH POLLUTION LAWS.—Section 45(c)(5) (relating to qualified facilities), as amended by paragraphs (2) and (3) of subsection (b), is amended by adding at the end the following:

''(E) NONCOMPLIANCE WITH POLLUTION LAWS.—For purposes of this paragraph, a facility which is not in compliance with the applicable State and Federal pollution prevention, control, and permit requirements for any period of time shall not be considered to be a qualified facility during such period.''.

(5) PERMANENT EXTENSION OF QUALIFIED FACILITY DATES.—Section 45(c)(5) (relating to qualified facility), as redesignated by subsection (b)(2), is amended by striking '', and before January 1, 2002'' in subparagraphs (A) and (B).

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to electricity and other energy produced after the date of the enactment of this Act.

SEC. 923. TREATMENT OF FACILITIES USING BAGASSE TO PRODUCE ENERGY AS SOLID WASTE DISPOSAL FACILITIES ELIGIBLE FOR TAX-EXEMPT FINANCING.

(a) IN GENERAL.—Section 142 (relating to exempt facility bond) is amended by adding at the end the following:

''(k) SOLID WASTE DISPOSAL FACILITIES.—For purposes of subsection (a)(6), the term 'solid waste disposal facilities' includes property located in Hawaii and used for the collection, storage, treatment, utilization, processing, or final disposal of bagasse in the manufacture of ethanol.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to bonds issued after the date of the enactment of this Act.

SEC. 924. PROPERTY USED IN THE TRANSMISSION OF ELECTRICITY AND NATURAL GAS PIPELINES TREATED AS 7-YEAR PROPERTY.

(a) DEPRECIATION OF PROPERTY USED IN THE TRANSMISSION OF ELECTRICITY AND NATURAL GAS PIPELINES.—

(1) IN GENERAL.—Subparagraph (C) of section 168(e)(3) (relating to 7-year property), as amended by section 921(a)(1), is amended by striking ''and'' at the end of clause (ii), by redesignating clause (iii) as clause (v), and by inserting after clause (ii) the following:

''(iii) any property used in the transmission of electricity,

''(iv) any gas pipeline, and''.

(2) 10-YEAR CLASS LIFE.—The table contained in section 168(g)(3)(B), as amended by section 921(a)(2), is amended by inserting after the item relating to subparagraph (C)(ii) the following:

''(C)(iii) ..... 10''.
''(C)(iv) ..... 10''.

(b) DEFINITIONS.—Section 168(i), as amended by section 921(b), is amended by adding at the end the following:

''(16) PROPERTY USED IN THE TRANSMISSION OF ELECTRICITY.—The term 'property used in the transmission of electricity' means property used in the transmission of electricity for sale.

''(17) GAS PIPELINE.—The term 'gas pipeline' means the pipe, storage facilities, equipment, distribution infrastructure, and appurtenances used to deliver natural gas.''.

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to property placed in

service after the date of the enactment of this Act.

(2) ACCOUNTING RULE FOR PUBLIC UTILITY PROPERTY.—If any gas pipeline is public utility property (as defined in section 46(f)(5) of the Internal Revenue Code of 1986, as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990), the amendments made by this section shall only apply to such property if, with respect to such property, the taxpayer uses a normalization method of accounting.

Subtitle D—Tax Incentives for Ethanol Use

SEC. 931. ALLOCATION OF ALCOHOL FUELS CREDIT TO PATRONS OF A COOPERATIVE.

(a) IN GENERAL.—Section 40(d) (relating to alcohol used as fuel) is amended by adding at the end the following:

''(6) ALLOCATION OF SMALL ETHANOL PRODUCER CREDIT TO PATRONS OF COOPERATIVE.—

''(A) IN GENERAL.—In the case of a cooperative organization described in section 1381(a), any portion of the credit determined under subsection (a)(3) for the taxable year may, at the election of the organization made on a timely filed return (including extensions) for such year, be apportioned pro rata among patrons of the organization on the basis of the quantity or value of business done with or for such patrons for the taxable year. Such an election, once made, shall be irrevocable for such taxable year.

''(B) TREATMENT OF ORGANIZATIONS AND PATRONS.—The amount of the credit apportioned to patrons pursuant to subparagraph (A)—

''(i) shall not be included in the amount determined under subsection (a) for the taxable year of the organization, and

''(ii) shall be included in the amount determined under subsection (a) for the taxable year of each patron in which the patronage dividend for the taxable year referred to in subparagraph (A) is includible in gross income.

''(C) SPECIAL RULE FOR DECREASING CREDIT FOR TAXABLE YEAR.—If the amount of the credit of a cooperative organization determined under subsection (a)(3) for a taxable year is less than the amount of such credit shown on the cooperative organization's return for such year, an amount equal to the excess of such reduction over the amount not apportioned to the patrons under subparagraph (A) for the taxable year shall be treated as an increase in tax imposed by this chapter on the organization. Any such increase shall not be treated as tax imposed by this chapter for purposes of determining the amount of any credit under this subpart or subpart A, B, E, or G of this part.''.

(b) TECHNICAL AMENDMENT.—Section 1388 (relating to definitions and special rules for cooperative organizations) is amended by adding at the end the following:

''(k) CROSS REFERENCE.—For provisions relating to the apportionment of the alcohol fuels credit between cooperative organizations and their patrons, see section 40(d)(6).''.

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

SEC. 932. ADDITIONAL TAX INCENTIVES FOR ETHANOL USE.

(a) DIESEL FUEL MIXED WITH ALCOHOL TREATED SAME AS GASOLINE.—

(1) QUALIFIED ALCOHOL MIXTURE.—Section 4081(c)(3)(B) (defining qualified alcohol mixture) is amended to read as follows:

''(B) QUALIFIED ALCOHOL MIXTURE.—The term 'qualified alcohol mixture' means any mixture of gasoline or diesel fuel with alcohol if at least 5.7 percent of such mixture is alcohol.''.

(2) ALCOHOL MIXTURE RATES.—

(A) IN GENERAL.—Section 4081(c)(4)(A) (relating to alcohol mixture rates for gasoline mixtures) is amended—

(i) by striking ''which contains gasoline'' in clauses (i) and (ii), and

(ii) by striking ''10 percent gasohol'', ''7.7 percent gasohol'', and ''5.7 percent gasohol'' each place such terms appear in clauses (i) and (ii), and inserting ''a 10 percent mixture'', ''a 7.7 percent mixture'', and ''a 5.7 percent mixture'', respectively.

(B) DEFINITIONS.—Section 4081(c)(4) is amended by striking subparagraphs (B), (C), and (D) and inserting:

''(B) 10 PERCENT MIXTURE.—The term '10 percent mixture' means any mixture of alcohol with gasoline or diesel if at least 10 percent of such mixture is alcohol.

''(C) 7.7 PERCENT MIXTURE.—The term '7.7 percent mixture' means any mixture of alcohol with gasoline or diesel if at least 7.7 percent of such mixture is alcohol.

''(D) 5.7 PERCENT MIXTURE.—The term '5.7 percent mixture' means any mixture of alcohol with gasoline or diesel if at least 5.7 percent of such mixture is alcohol.''

(C) CONFORMING AMENDMENTS.—

(i) The heading for section 4081(c)(4) is amended by striking ''GASOLINE'' and inserting ''ALCOHOL''.

(ii) Section 4081(c) is amended by striking paragraph (5) and by redesignating paragraphs (6), (7), and (8) as paragraphs (5), (6), and (7), respectively.

(b) DEFINITION OF ALCOHOL.—Section 4081(c)(3)(A) (defining alcohol) is amended by striking ''and ethanol'' and inserting '', ethanol, or other alcohol,''.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on January 1, 2001.

Subtitle E—Incentives for Early Commercial Applications of Advanced Clean Coal Technologies

SEC. 941. CREDIT FOR INVESTMENT IN QUALIFYING ADVANCED CLEAN COAL TECHNOLOGY.

(a) ALLOWANCE OF QUALIFYING ADVANCED CLEAN COAL TECHNOLOGY FACILITY CREDIT.—Section 46 (relating to amount of credit) is amended by striking ''and'' at the end of paragraph (2), by striking the period at the end of paragraph (3) and inserting '', and'', and by adding at the end the following:

''(4) the qualifying advanced clean coal technology facility credit.''.

(b) AMOUNT OF QUALIFYING ADVANCED CLEAN COAL TECHNOLOGY FACILITY CREDIT.—Subpart E of part IV of subchapter A of chapter 1 (relating to rules for computing investment credit), as amended by section 901(a), is amended by inserting after section 48A the following:

''SEC. 48B. QUALIFYING ADVANCED CLEAN COAL TECHNOLOGY FACILITY CREDIT.

''(a) IN GENERAL.—For purposes of section 46, the qualifying advanced clean coal technology facility credit for any taxable year is an amount equal to 10 percent of the qualified investment in a qualifying advanced clean coal technology facility for such taxable year.

''(b) QUALIFYING ADVANCED CLEAN COAL TECHNOLOGY FACILITY.—

''(1) IN GENERAL.—For purposes of subsection (a), the term 'qualifying advanced clean coal technology facility' means a facility of the taxpayer which—

''(A)(i)(I) replaces a conventional technology facility of the taxpayer and the original use of which commences with the taxpayer, or

''(II) is a retrofitted or repowered conventional technology facility, the retrofitting or repowering of which is completed by the taxpayer (but only with respect to that portion of the basis which is properly attributable to such retrofitting or repowering), or

''(ii) is acquired through purchase (as defined by section 179(d)(2)),

''(B) is depreciable under section 167,

''(C) has a useful life of not less than 4 years,

''(D) is located in the United States, and

''(E) uses qualifying advanced clean coal technology.

''(2) SPECIAL RULE FOR SALE-LEASEBACKS.—For purposes of subparagraph (A) of paragraph (1), in the case of a facility which—

''(A) is originally placed in service by a person, and

''(B) is sold and leased back by such person, or is leased to such person, within 3 months after the date such facility was originally placed in service, for a period of not less than 12 years,

such facility shall be treated as originally placed in service not earlier than the date on which such property is used under the leaseback (or lease) referred to in subparagraph (B). The preceding sentence shall not apply to any property if the lessee and lessor of such property make an election under this sentence. Such an election, once made, may be revoked only with the consent of the Secretary.

''(3) QUALIFYING ADVANCED CLEAN COAL TECHNOLOGY.—For purposes of paragraph (1)—

''(A) IN GENERAL.—The term 'qualifying advanced clean coal technology' means, with respect to clean coal technology, multiple applications, with a combined capacity of not more than 5,000 megawatts, of integrated gasification combined cycle technology, with or without fuel or chemical co-production—

''(i) installed as a new, retrofit, or repowering application,

''(ii) operated between 2001 and 2015,

''(iii) with a design net heat rate of not more than 8,550 Btu per kilowatt hour when the design coal has a heat content of more than 8,000 Btu per pound, or a design net heat rate of not more than 9,900 Btu per kilowatt hour when the design coal has a heat content of 8,000 Btu per pound or less, and

''(iv) with a net thermal efficiency on any fuel or chemical co-production of not less than 39 percent (higher heating value).

''(B) EXCEPTIONS.—Such term shall not include clean coal technology projects receiving or scheduled to receive funding under the Clean Coal Technology Program of the Department of Energy.

''(C) CLEAN COAL TECHNOLOGY.—The term 'clean coal technology' means advanced technology which uses coal to produce 75 percent or more of its thermal output as electricity and which exceeds the performance of conventional technology.

''(D) CONVENTIONAL TECHNOLOGY.—The term 'conventional technology' means—

''(i) coal-fired combustion technology with a design net heat rate of not less than 9,500 Btu per kilowatt hour (HHV) and a carbon equivalents emission rate of not more than 0.54 pounds of carbon per kilowatt hour when the design coal has a heat content of more than 8,000 Btu per pound,

''(ii) coal-fired combustion technology with a design net heat rate of not less than 10,500 Btu per kilowatt hour (HHV) and a carbon equivalents emission rate of not more than 0.60 pounds of carbon per kilowatt hour when the design coal has a heat content of 8,000 Btu per pound or less, or

''(iii) natural gas-fired combustion technology with a design net heat rate of not less than 7,500 Btu per kilowatt hour (HHV) and a carbon equivalents emission rate of not more than 0.24 pounds of carbon per kilowatt hour.

''(E) DESIGN NET HEAT RATE.—The design net heat rate shall be based on the design annual heat input to and the design annual net

electrical output from the qualifying advanced clean coal technology (determined without regard to such technology's co-generation of steam).

''(F) SELECTION CRITERIA.—Selection criteria for clean coal technology facilities—

''(i) shall be established by the Secretary of Energy as part of a competitive solicitation,

''(ii) shall include primary criteria of minimum design net heat rate, maximum design thermal efficiency, and lowest cost to the government, and

''(iii) shall include supplemental criteria as determined appropriate by the Secretary of Energy.

''(4) NONCOMPLIANCE WITH POLLUTION LAWS.—For purposes of this subsection, a facility which is not in compliance with the applicable State and Federal pollution prevention, control, and permit requirements for any period of time shall not be considered to be a qualifying advanced clean coal technology facility during such period.

''(c) QUALIFIED INVESTMENT.—For purposes of subsection (a), the term 'qualified investment' means, with respect to any taxable year, the basis of a qualifying advanced clean coal technology facility placed in service by the taxpayer during such taxable year.

''(d) QUALIFIED PROGRESS EXPENDITURES.—

''(1) INCREASE IN QUALIFIED INVESTMENT.—In the case of a taxpayer who has made an election under paragraph (5), the amount of the qualified investment of such taxpayer for the taxable year (determined under subsection (c) without regard to this section) shall be increased by an amount equal to the aggregate of each qualified progress expenditure for the taxable year with respect to progress expenditure property.

''(2) PROGRESS EXPENDITURE PROPERTY DEFINED.—For purposes of this subsection, the term 'progress expenditure property' means any property being constructed by or for the taxpayer and which it is reasonable to believe will qualify as a qualifying advanced clean coal technology facility which is being constructed by or for the taxpayer when it is placed in service.

''(3) QUALIFIED PROGRESS EXPENDITURES DEFINED.—For purposes of this subsection—

''(A) SELF-CONSTRUCTED PROPERTY.—In the case of any self-constructed property, the term 'qualified progress expenditures' means the amount which, for purposes of this subpart, is properly chargeable (during such taxable year) to capital account with respect to such property.

''(B) NONSELF-CONSTRUCTED PROPERTY.—In the case of nonself-constructed property, the term 'qualified progress expenditures' means the amount paid during the taxable year to another person for the construction of such property.

''(4) OTHER DEFINITIONS.—For purposes of this subsection—

''(A) SELF-CONSTRUCTED PROPERTY.—The term 'self-constructed property' means property for which it is reasonable to believe that more than half of the construction expenditures will be made directly by the taxpayer.

''(B) NONSELF-CONSTRUCTED PROPERTY.—The term 'nonself-constructed property' means property which is not self-constructed property.

''(C) CONSTRUCTION, ETC.—The term 'construction' includes reconstruction and erection, and the term 'constructed' includes reconstructed and erected.

''(D) ONLY CONSTRUCTION OF QUALIFYING ADVANCED CLEAN COAL TECHNOLOGY FACILITY TO BE TAKEN INTO ACCOUNT.—Construction shall be taken into account only if, for purposes of this subpart, expenditures therefor are properly chargeable to capital account with respect to the property.

''(5) ELECTION.—An election under this subsection may be made at such time and in such manner as the Secretary may by regulations prescribe. Such an election shall apply to the taxable year for which made and to all subsequent taxable years. Such an election, once made, may not be revoked except with the consent of the Secretary.

''(e) CREDITS FOR CERTAIN TAX EXEMPT ORGANIZATIONS AND GOVERNMENTAL UNITS.—

''(1) ALLOWANCE OF CREDIT.—Any credit which would be allowable under subsection (a) with respect to a qualifying advanced clean coal technology facility of an entity if such entity were not exempt from tax under this chapter shall be treated as a credit allowable under subpart C to such entity if such entity is—

''(A) an organization described in section 501(c)(12)(C) and exempt from tax under section 501(a),

''(B) an organization described in section 1381(a)(2)(C),

''(C) 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, or

''(D) the Tennessee Valley Authority.

''(2) USE OF CREDIT.—

''(A) TRANSFER OF CREDIT.—An entity described in subparagraph (A), (B), or (C) of paragraph (1) may assign, trade, sell, or otherwise transfer any credit allowable to such entity under paragraph (1) to any taxpayer.

''(B) USE OF CREDIT AS AN OFFSET.—Notwithstanding any other provision of law, in the case of an entity described in subparagraph (A) or (B) of paragraph (1), any credit allowable to such entity under paragraph (1) may be applied by such entity, without penalty, as a prepayment of any loan, debt, or other obligation the entity has incurred under subchapter I of chapter 31 of title 7 of the Rural Electrification Act of 1936 (7 U.S.C. 901 et seq.).

''(C) USE BY TVA.—

''(i) IN GENERAL.—Notwithstanding any other provision of law, in the case of an entity described in paragraph (1)(D), any credit allowable under paragraph (1) to such entity may be applied as a credit against the payments required to be made in any fiscal year under section 15d(e) of the Tennessee Valley Authority Act of 1933 (16 U.S.C. 831n–4(e)) as an annual return on the appropriations investment and an annual repayment sum.

''(ii) TREATMENT OF CREDITS.—The aggregate amount of credits described in paragraph (1) shall be treated in the same manner and to the same extent as if such credits were a payment in cash and shall be applied first against the annual return on the appropriations investment.

''(iii) CREDIT CARRYOVER.—With respect to any fiscal year, if the aggregate amount of credits described in paragraph (1) exceeds the aggregate amount of payment obligations described in clause (i), the excess amount shall remain available for application as credits against the amounts of such payment obligations in succeeding fiscal years in the same manner as described in this subparagraph.

''(3) CREDIT NOT INCOME.—Neither a transfer under subparagraph (A) or a use under subparagraph (B) of paragraph (2) of any credit allowable under paragraph (1) shall result in income for purposes of section 501(c)(12).

''(4) TRANSFER PROCEEDS TREATED AS ARISING FROM ESSENTIAL GOVERNMENT FUNCTION.—Any proceeds derived by an entity described in paragraph (1)(C) from the transfer of any credit under paragraph (2)(A) shall be treated as arising from an essential government function.

''(f) COORDINATION WITH OTHER CREDITS.—This section shall not apply to any property with respect to which the rehabilitation credit under section 47 or the energy credit under section 48A is allowed unless the taxpayer elects to waive the application of such credit to such property.

''(g) TERMINATION.—This section shall not apply with respect to any qualified investment made more than 10 years after the effective date of this section.''.

(c) RECAPTURE.—Section 50(a) (relating to other special rules) is amended by adding at the end the following:

''(6) SPECIAL RULES RELATING TO QUALIFYING ADVANCED CLEAN COAL TECHNOLOGY FACILITY.—For purposes of applying this subsection in the case of any credit allowable by reason of section 48B, the following shall apply:

''(A) GENERAL RULE.—In lieu of the amount of the increase in tax under paragraph (1), the increase in tax shall be an amount equal to the investment tax credit allowed under section 38 for all prior taxable years with respect to a qualifying advanced clean coal technology facility (as defined by section 48B(b)(1)) multiplied by a fraction whose numerator is the number of years remaining to fully depreciate under this title the qualifying advanced clean coal technology facility disposed of, and whose denominator is the total number of years over which such facility would otherwise have been subject to depreciation. For purposes of the preceding sentence, the year of disposition of the qualifying advanced clean coal technology facility property shall be treated as a year of remaining depreciation.

''(B) PROPERTY CEASES TO QUALIFY FOR PROGRESS EXPENDITURES.—Rules similar to the rules of paragraph (2) shall apply in the case of qualified progress expenditures for a qualifying advanced clean coal technology facility under section 48B, except that the amount of the increase in tax under subparagraph (A) of this paragraph shall be substituted in lieu of the amount described in such paragraph (2).

''(C) APPLICATION OF PARAGRAPH.—This paragraph shall be applied separately with respect to the credit allowed under section 38 regarding a qualifying advanced clean coal technology facility.''.

(d) TRANSITIONAL RULE.—Section 39(d) of the Internal Revenue Code of 1986 (relating to transitional rules), as amended by section 911(e), is amended by adding at the end the following:

''(15) NO CARRYBACK OF SECTION 48B CREDIT BEFORE EFFECTIVE DATE.—No portion of the unused business credit for any taxable year which is attributable to the qualifying advanced clean coal technology facility credit determined under section 48B may be carried back to a taxable year ending before January 1, 2002.''.

(e) TECHNICAL AMENDMENTS.—

(1) Section 49(a)(1)(C) is amended by striking ''and'' at the end of clause (ii), by striking the period at the end of clause (iii) and inserting '', and'', and by adding at the end the following:

''(iv) the portion of the basis of any qualifying advanced clean coal technology facility attributable to any qualified investment (as defined by section 48B(c)).''.

(2) Section 50(a)(4) is amended by striking ''and (2)'' and inserting ''(2), and (6)''.

(3) Section 50(c) is amended by adding at the end the following:

''(6) NONAPPLICATION.—Paragraphs (1) and (2) shall not apply to any advanced clean coal technology facility credit under section 48B.''.

(4) The table of sections for subpart E of part IV of subchapter A of chapter 1, as

amended by section 901(c), is amended by inserting after the item relating to section 48A the following:

''Sec. 48B. Qualifying advanced clean coal technology facility credit.''.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to periods after December 31, 2001, under rules similar to the rules of section 48(m) of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990).

SEC. 942. CREDIT FOR PRODUCTION FROM QUALIFYING ADVANCED CLEAN COAL TECHNOLOGY.

(a) CREDIT FOR PRODUCTION FROM QUALIFYING ADVANCED CLEAN COAL TECHNOLOGY.—Subpart D of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 (relating to business related credits), as amended by section 911(a), is amended by adding at the end the following:

''SEC. 45I. CREDIT FOR PRODUCTION FROM QUALIFYING ADVANCED CLEAN COAL TECHNOLOGY.

''(a) GENERAL RULE.—For purposes of section 38, the qualifying advanced clean coal technology production credit of any taxpayer for any taxable year is equal to—

''(1) the applicable amount of advanced clean coal technology production credit, multiplied by

''(2) the sum of—

''(A) the kilowatt hours of electricity, plus

''(B) each 3,413 Btu of fuels or chemicals,

produced by the taxpayer during such taxable year at a qualifying advanced clean coal technology facility during the 10-year period beginning on the date the facility was originally placed in service.

''(b) APPLICABLE AMOUNT.—For purposes of this section, the applicable amount of advanced clean coal technology production credit with respect to production from a qualifying advanced clean coal technology facility shall be determined as follows:

''(1) Where the design coal has a heat content of more than 8,000 Btu per pound:

''(A) In the case of a facility originally placed in service before 2008, if—

''The facility design net heat rate, Btu/kWh (HHV) is equal to:	The applicable amount is:	
	For 1st 5 years of such service	For 2d 5 years of such service
Not more than 8,400	$.0050	$.0030
More than 8,400 but not more than 8,550.	$.0010	$.0010
More than 8,550 but not more than 8,750.	$.0005	$.0005.

''(B) In the case of a facility originally placed in service after 2007 and before 2012, if—

''The facility design net heat rate, Btu/kWh (HHV) is equal to:	The applicable amount is:	
	For 1st 5 years of such service	For 2d 5 years of such service
Not more than 7,770	$.0090	$.0075
More than 7,770 but not more than 8,125.	$.0070	$.0050
More than 8,125 but not more than 8,350.	$.0060	$.0040.

''(C) In the case of a facility originally placed in service after 2011 and before 2015, if—

''The facility design net heat rate, Btu/kWh (HHV) is equal to:	The applicable amount is:	
	For 1st 5 years of such service	For 2d 5 years of such service
Not more than 7,380	$.0120	$.0090
More than 7,380 but not more than 7,720.	$.0095	$.0070.

''(2) Where the design coal has a heat content of not more than 8,000 Btu per pound:

''(A) In the case of a facility originally placed in service before 2008, if—

''The facility design net heat rate, Btu/kWh (HHV) is equal to:	The applicable amount is:	
	For 1st 5 years of such service	For 2d 5 years of such service
Not more than 8,500	$.0050	$.0030
More than 8,500 but not more than 8,650.	$.0010	$.0010
More than 8,650 but not more than 8,750.	$.0005	$.0005.

''(B) In the case of a facility originally placed in service after 2007 and before 2012, if—

''The facility design net heat rate, Btu/kWh (HHV) is equal to:	The applicable amount is:	
	For 1st 5 years of such service	For 2d 5 years of such service
Not more than 8,000	$.0090	$.0075
More than 8,000 but not more than 8,250.	$.0070	$.0050
More than 8,250 but not more than 8,400.	$.0060	$.0040.

''(C) In the case of a facility originally placed in service after 2011 and before 2015, if—

''The facility design net heat rate, Btu/kWh (HHV) is equal to:	The applicable amount is:	
	For 1st 5 years of such service	For 2d 5 years of such service
Not more than 7,800	$.0120	$.0090
More than 7,800 but not more than 7,950.	$.0095	$.0070.

''(3) Where the clean coal technology facility is producing fuel or chemicals:

''(A) In the case of a facility originally placed in service before 2008, if—

''The facility design net thermal efficiency (HHV) is equal to:	The applicable amount is:	
	For 1st 5 years of such service	For 2d 5 years of such service
Not less than 40.6 percent	$.0050	$.0030
Less than 40.6 but not less than 40 percent.	$.0010	$.0010
Less than 40 but not less than 39 percent.	$.0005	$.0005.

''(B) In the case of a facility originally placed in service after 2007 and before 2012, if—

''The facility design net thermal efficiency (HHV) is equal to:	The applicable amount is:	
	For 1st 5 years of such service	For 2d 5 years of such service
Not less than 43.9 percent	$.0090	$.0075
Less than 43.9 but not less than 42 percent.	$.0070	$.0050
Less than 42 but not less than 40.9 percent.	$.0060	$.0040.

''(C) In the case of a facility originally placed in service after 2011 and before 2015, if—

''The facility design net thermal efficiency (HHV) is equal to:	The applicable amount is:	
	For 1st 5 years of such service	For 2d 5 years of such service
Not less than 44.2 percent	$.0120	$.0090
Less than 44.2 but not less than 43.6 percent.	$.0095	$.0070.

''(c) INFLATION ADJUSTMENT FACTOR.—For calendar years after 2001, each amount in paragraphs (1), (2), and (3) shall be adjusted by multiplying such amount by the inflation adjustment factor for the calendar year in which the amount is applied. If any amount as increased under the preceding sentence is not a multiple of 0.01 cent, such amount shall be rounded to the nearest multiple of 0.01 cent.

''(d) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

''(1) IN GENERAL.—Any term used in this section which is also used in section 48B shall have the meaning given such term in section 48B.

''(2) APPLICABLE RULES.—The rules of paragraphs (3), (4), and (5) of section 45(d) and section 48B(e) shall apply.

''(3) INFLATION ADJUSTMENT FACTOR.—The term 'inflation adjustment factor' means, with respect to a calendar year, a fraction the numerator of which is the GDP implicit price deflator for the preceding calendar year and the denominator of which is the GDP implicit price deflator for the calendar year 2000.

''(4) GDP IMPLICIT PRICE DEFLATOR.—The term 'GDP implicit price deflator' means the most recent revision of the implicit price deflator for the gross domestic product as computed by the Department of Commerce before March 15 of the calendar year.''.

(b) CREDIT TREATED AS BUSINESS CREDIT.—Section 38(b), as amended by section 911(b), is amended by striking ''plus'' at the end of paragraph (16), by striking the period at the end of paragraph (17) and inserting '', plus'', and by adding at the end the following:

''(18) the qualifying advanced clean coal technology production credit determined under section 45I(a).''.

(c) TRANSITIONAL RULE.—Section 39(d) (relating to transitional rules), as amended by section 941(d), is amended by adding at the end the following:

''(16) NO CARRYBACK OF SECTION 45I CREDIT BEFORE EFFECTIVE DATE.—No portion of the unused business credit for any taxable year which is attributable to the qualifying advanced clean coal technology production credit determined under section 45I may be carried back to a taxable year ending before the date of the enactment of section 45I.''.

(d) CLERICAL AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1, as amended by section 911(g), is amended by adding at the end the following:

''Sec. 45I. Credit for production from qualifying advanced clean coal technology.''.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to production after the date of the enactment of this Act.

SEC. 943. RISK POOL FOR QUALIFYING ADVANCED CLEAN COAL TECHNOLOGY.

(a) ESTABLISHMENT.—The Secretary of the Treasury shall establish a financial risk pool which shall be available to any United States owner of a qualifying advanced clean coal technology which has qualified for an advanced clean coal technology production credit (as defined in section 45I of the Internal Revenue Code of 1986, as added by section 942) to offset for the first 3 years of the operation of such technology the costs (not to exceed 5 percent of the total cost of installation) for modifications resulting from the technology's failure to achieve its design performance.

(b) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated such sums as are necessary to carry out the purposes of this section.

Subtitle F—Tax Incentives for Qualified Energy Management Devices

SEC. 951. CREDIT FOR QUALIFIED ENERGY MANAGEMENT DEVICES.

(a) IN GENERAL.—Subpart B of part IV of subchapter A of chapter 1 (relating to foreign

tax credits, etc.) is amended by inserting after section 30A the following new section:

"SEC. 30B. CREDIT FOR QUALIFIED ENERGY MANAGEMENT DEVICES.

''(a) ALLOWANCE OF CREDIT.—There shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to 20 percent of the cost of any qualified energy management device placed in service by the taxpayer during the taxable year.

''(b) QUALIFIED ENERGY MANAGEMENT DEVICE.—For purposes of this section, the term 'qualified energy management device' means equipment, systems, software, and related devices which have as a purpose allowing electric energy and natural gas consumers, suppliers, and service providers to manage the purchase, sale, and use of electricity and natural gas in response to energy price and usage signals, in order to improve the efficiency of energy and energy facility utilization.

''(c) SPECIAL RULES.—

''(1) DENIAL OF DOUBLE BENEFIT.—No deduction or other credit shall be allowed under this chapter for any expenditure 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 sections 27, 29, and 30, over

''(B) the tentative minimum tax for the taxable year.

''(3) BASIS REDUCTION.—The basis of any property for which a credit is allowable under subsection (a) shall be reduced by the amount of such credit.

''(4) RECAPTURE.—The Secretary shall, by regulations, provide for recapturing the benefit of any credit allowable under subsection (a) with respect to any property that ceases to be property eligible for such credit.

''(5) PROPERTY USED OUTSIDE THE UNITED STATES, ETC., NOT QUALIFIED.—No credit shall be allowed under subsection (a) with respect to any property referred to in section 50(b)(1) or with respect to the portion of the cost of any property taken into account under section 179.

''(6) ELECTION TO NOT TAKE CREDIT.—No credit shall be allowed under subsection (a) for any energy management device if the taxpayer elects to not have this section apply to such device.''.

(b) CONFORMING AMENDMENTS.—

(1) The table of contents 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. Credit for qualified energy management devices.''.

(2) Section 1016(a), as amended by this title, is amended by striking ''and'' at the end of paragraph (29), by striking the period at the end of paragraph (30) and inserting '', and'', and by adding at the end the following new paragraph:

''(31) to the extent provided in section 30B(c)(1).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after the date of enactment.

SEC. 952. 3-YEAR APPLICABLE RECOVERY PERIOD FOR DEPRECIATION OF ENERGY MANAGEMENT EQUIPMENT.

(a) IN GENERAL.—Section 168(e)(3)(A) (relating to classification of property) is amended by striking ''and'' at the end of clause (ii), by striking the period at the end of clause (iii) and inserting '', and'', and by adding at the end the following new clause:

''(iv) any qualified energy management equipment.''.

(b) DEFINITION OF QUALIFIED ENERGY MANAGEMENT EQUIPMENT.—Section 168(i) (relating to definitions and special rules), as amended by this title, is amended by inserting at the end the following new subsection:

''(18) QUALIFIED ENERGY MANAGEMENT EQUIPMENT.—The term 'qualified energy management equipment' means monitoring devices and meters, related communications equipment or systems, and associated equipment and devices, designed to improve the efficiency of energy and energy facility utilization, including equipment which—

''(A) allows interactive communication relating to energy usage and cost between energy consumers, suppliers, and service providers,

''(B) allows energy consumers, suppliers, and service providers to respond to energy price signals in order to manage the purchase and use of energy, or

''(C) allows for similar synchronized demand-side energy management.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after date of enactment.

Subtitle G—Other Provisions

SEC. 961. ALTERNATIVE MOTOR VEHICLE CREDIT.

(a) IN GENERAL.—Subpart B of part IV of subchapter A of chapter 1 (relating to foreign tax credit, etc.), as amended by section 951, is amended by adding at the end the following:

"SEC. 30C. ALTERNATIVE MOTOR VEHICLE CREDIT.

''(a) ALLOWANCE OF CREDIT.—There shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the sum of—

''(1) the new qualified fuel cell motor vehicle credit determined under subsection (b),

''(2) the new qualified hybrid motor vehicle credit determined under subsection (c), and

''(3) the new qualified alternative fuel motor vehicle credit determined under subsection (d).

''(b) NEW QUALIFIED FUEL CELL MOTOR VEHICLE CREDIT.—

''(1) IN GENERAL.—For purposes of subsection (a), the new qualified fuel cell motor vehicle credit determined under this subsection with respect to a new qualified fuel cell motor vehicle placed in service by the taxpayer during the taxable year is—

''(A) $4,000, if such vehicle has a gross vehicle weight rating of not more than 8,500 pounds,

''(B) $10,000, if such vehicle has a gross vehicle weight rating of more than 8,500 pounds but not more than 14,000 pounds,

''(C) $20,000, if such vehicle has a gross vehicle weight rating of more than 14,000 pounds but not more than 26,000 pounds, and

''(D) $40,000, if such vehicle has a gross vehicle weight rating of more than 26,000 pounds.

''(2) INCREASE FOR FUEL EFFICIENCY.—

''(A) IN GENERAL.—The amount determined under paragraph (1)(A) with respect to a new qualified fuel cell motor vehicle which is a passenger automobile or light truck shall be increased by—

''(i) $1,000, if such vehicle achieves at least 150 percent but less than 175 percent of the 2000 model year city fuel economy,

''(ii) $1,500, if such vehicle achieves at least 175 percent but less than 200 percent of the 2000 model year city fuel economy,

''(iii) $2,000, if such vehicle achieves at least 200 percent but less than 225 percent of the 2000 model year city fuel economy,

''(iv) $2,500, if such vehicle achieves at least 225 percent but less than 250 percent of the 2000 model year city fuel economy,

''(v) $3,000, if such vehicle achieves at least 250 percent but less than 275 percent of the 2000 model year city fuel economy,

''(vi) $3,500, if such vehicle achieves at least 275 percent but less than 300 percent of the 2000 model year city fuel economy, and

''(vii) $4,000, if such vehicle achieves at least 300 percent of the 2000 model year city fuel economy.

''(B) 2000 MODEL YEAR CITY FUEL ECONOMY.—For purposes of subparagraph (A), the 2000 model year city fuel economy with respect to a vehicle shall be determined in accordance with the following tables:

''(i) In the case of a passenger automobile:

''If vehicle inertia weight class is:	The 0000 model year city fuel economy is:
1,500 or 1,750 lbs	43.7 mpg
2,000 lbs	38.3 mpg
2,250 lbs	34.1 mpg
2,500 lbs	30.7 mpg
2,750 lbs	27.9 mpg
3,000 lbs	25.6 mpg
3,500 lbs	22.0 mpg
4,000 lbs	19.3 mpg
4,500 lbs	17.2 mpg
5,000 lbs	15.5 mpg
5,500 lbs	14.1 mpg
6,000 lbs	12.9 mpg
6,500 lbs	11.9 mpg
7,000 or 8,500 lbs	11.1 mpg.

''(ii) In the case of a light truck:

''If vehicle inertia weight class is:	The 0000 model year city fuel economy is:
1,500 or 1,750 lbs	37.6 mpg
2,000 lbs	33.7 mpg
2,250 lbs	30.6 mpg
2,500 lbs	28.0 mpg
2,750 lbs	25.9 mpg
3,000 lbs	24.1 mpg
3,500 lbs	21.3 mpg
4,000 lbs	19.0 mpg
4,500 lbs	17.3 mpg
5,000 lbs	15.8 mpg
5,500 lbs	14.6 mpg
6,000 lbs	13.6 mpg
6,500 lbs	12.8 mpg
7,000 or 8,500 lbs	12.0 mpg.

''(C) VEHICLE INERTIA WEIGHT CLASS.—For purposes of subparagraph (B), the term 'vehicle inertia weight class' has the same meaning as when defined in regulations prescribed by the Administrator of the Environmental Protection Agency for purposes of the administration of title II of the Clean Air Act (42 U.S.C. 7521 et seq.).

''(3) NEW QUALIFIED FUEL CELL MOTOR VEHICLE.—For purposes of this subsection, the term 'new qualified fuel cell motor vehicle' means a motor vehicle—

''(A) which is propelled by power derived from one or more cells which convert chemical energy directly into electricity by combining oxygen with hydrogen fuel which is stored on board the vehicle in any form and may or may not require reformation prior to use,

''(B) which, in the case of a passenger automobile or light truck—

''(i) for 2002 and later model vehicles, has received a certificate of conformity under the Clean Air Act and meets or exceeds the equivalent qualifying California low emission vehicle standard under section 243(e)(2) of the Clean Air Act for that make and model year, and

''(ii) for 2004 and later model vehicles, has received a certificate that such vehicle meets or exceeds the Bin 5 Tier II emission level established in regulations prescribed by the Administrator of the Environmental Protection Agency under section 202(i) of the Clean Air Act for that make and model year vehicle,

''(C) the original use of which commences with the taxpayer,

''(D) which is acquired for use or lease by the taxpayer and not for resale, and

''(E) which is made by a manufacturer.

''(c) NEW QUALIFIED HYBRID MOTOR VEHICLE CREDIT.—

''(1) IN GENERAL.—For purposes of subsection (a), the new qualified hybrid motor vehicle credit determined under this subsection with respect to a new qualified hybrid motor vehicle placed in service by the taxpayer during the taxable year is the credit amount determined under paragraph (2).

''(2) CREDIT AMOUNT.—

''(A) IN GENERAL.—The credit amount determined under this paragraph shall be determined in accordance with the following tables:

''(i) In the case of a new qualified hybrid motor vehicle which is a passenger automobile or light truck and which provides the following percentage of the maximum available power:

''If percentage of the maximum available power is:	The credit amount is:
At least 5 percent but less than 10 percent.	$250
At least 10 percent but less than 20 percent.	$500
At least 20 percent but less than 30 percent.	$750
At least 30 percent	$1,000.

''(ii) In the case of a new qualified hybrid motor vehicle which is a heavy duty hybrid motor vehicle and which provides the following percentage of the maximum available power:

''(I) If such vehicle has a gross vehicle weight rating of not more than 14,000 pounds:

''If percentage of the maximum available power is:	The credit amount is:
At least 20 percent but less than 30 percent.	$1,500
At least 30 percent but less than 40 percent.	$1,750
At least 40 percent but less than 50 percent.	$2,000
At least 50 percent but less than 60 percent.	$2,250
At least 60 percent	$2,500.

''(II) If such vehicle has a gross vehicle weight rating of more than 14,000 but not more than 26,000 pounds:

''If percentage of the maximum available power is:	The credit amount is:
At least 20 percent but less than 30 percent.	$4,000
At least 30 percent but less than 40 percent.	$4,500
At least 40 percent but less than 50 percent.	$5,000
At least 50 percent but less than 60 percent.	$5,500
At least 60 percent	$6,000.

''(III) If such vehicle has a gross vehicle weight rating of more than 26,000 pounds:

''If percentage of the maximum available power is:	The credit amount is:
At least 20 percent but less than 30 percent.	$6,000
At least 30 percent but less than 40 percent.	$7,000
At least 40 percent but less than 50 percent.	$8,000
At least 50 percent but less than 60 percent.	$9,000
At least 60 percent	$10,000.

''(B) INCREASE FOR FUEL EFFICIENCY.—

''(i) AMOUNT.—The amount determined under subparagraph (A)(i) with respect to a passenger automobile or light truck shall be increased by—

''(I) $500, if such vehicle achieves at least 125 percent but less than 150 percent of the 2000 model year city fuel economy,

''(II) $1,000, if such vehicle achieves at least 150 percent but less than 175 percent of the 2000 model year city fuel economy,

''(III) $1,500, if such vehicle achieves at least 175 percent but less than 200 percent of the 2000 model year city fuel economy,

''(IV) $2,000, if such vehicle achieves at least 200 percent but less than 225 percent of the 2000 model year city fuel economy,

''(V) $2,500, if such vehicle achieves at least 225 percent but less than 250 percent of the 2000 model year city fuel economy, and

''(VI) $3,000, if such vehicle achieves at least 250 percent of the 2000 model year city fuel economy.

''(ii) 2000 MODEL YEAR CITY FUEL ECONOMY.—For purposes of clause (i), the 2000 model year city fuel economy with respect to a vehicle shall be determined using the tables provided in subsection (b)(2)(B) with respect to such vehicle.

''(C) INCREASE FOR ACCELERATED EMISSIONS PERFORMANCE.—The amount determined under subparagraph (A)(ii) with respect to an applicable heavy duty hybrid motor vehicle shall be increased by the increase credit amount determined in accordance with the following tables:

''(i) In the case of a vehicle which has a gross vehicle weight rating of not more than 14,000 pounds:

''If the model year is:	The increase credit amount is:
2002	$3,500
2003	$3,000
2004	$2,500
2005	$2,000
2006	$1,500.

''(ii) In the case of a vehicle which has a gross vehicle weight rating of more than 14,000 pounds but not more than 26,000 pounds:

''If the model year is:	The increase credit amount is:
2002	$9,000
2003	$7,750
2004	$6,500
2005	$5,250
2006	$4,000.

''(iii) In the case of a vehicle which has a gross vehicle weight rating of more than 26,000 pounds:

''If the model year is:	The increase credit amount is:
2002	$14,000
2003	$12,000
2004	$10,000
2005	$8,000
2006	$6,000.

''(D) DEFINITIONS.—

''(i) APPLICABLE HEAVY DUTY HYBRID MOTOR VEHICLE.—For purposes of subparagraph (C), the term 'applicable heavy duty hybrid motor vehicle' means a heavy duty hybrid motor vehicle which is powered by an internal combustion or heat engine which is certified as meeting the emission standards set in the regulations prescribed by the Administrator of the Environmental Protection Agency for 2007 and later model year diesel heavy duty engines or 2008 and later model year ottocycle heavy duty engines, as applicable.

''(ii) HEAVY DUTY HYBRID MOTOR VEHICLE.—For purposes of this paragraph, the term 'heavy duty hybrid motor vehicle' means a new qualified hybrid motor vehicle which has a gross vehicle weight rating of more than 10,000 pounds and draws propulsion energy from both of the following onboard sources of stored energy:

''(I) An internal combustion or heat engine using consumable fuel which, for 2002 and later model vehicles, has received a certificate of conformity under the Clean Air Act and meets or exceeds a level of not greater than 3.0 grams per brake horsepower–hour of oxides of nitrogen and 0.01 per brake horsepower–hour of particulate matter.

''(II) A rechargeable energy storage system.

''(iii) MAXIMUM AVAILABLE POWER.—

''(I) PASSENGER AUTOMOBILE OR LIGHT TRUCK.—For purposes of subparagraph (A)(i), the term 'maximum available power' means the maximum power available from the battery or other electrical storage device, during a standard 10 second pulse power test, divided by the sum of the battery or other electrical storage device and the SAE net power of the heat engine.

''(II) HEAVY DUTY HYBRID MOTOR VEHICLE.—For purposes of subparagraph (A)(ii), the term 'maximum available power' means the maximum power available from the battery or other electrical storage device, during a standard 10 second pulse power test, divided by the vehicle's total traction power. The term 'total traction power' means the sum of the electric motor peak power and the heat engine peak power of the vehicle, except that if the electric motor is the sole means by which the vehicle can be driven, the total traction power is the peak electric motor power.

''(3) NEW QUALIFIED HYBRID MOTOR VEHICLE.—For purposes of this subsection, the term 'new qualified hybrid motor vehicle' means a motor vehicle—

''(A) which draws propulsion energy from onboard sources of stored energy which are both—

''(i) an internal combustion or heat engine using combustible fuel, and

''(ii) a rechargeable energy storage system,

''(B) which, in the case of a passenger automobile or light truck—

''(i) for 2002 and later model vehicles, has received a certificate of conformity under the Clean Air Act and meets or exceeds the equivalent qualifying California low emission vehicle standard under section 243(e)(2) of the Clean Air Act for that make and model year, and

''(ii) for 2004 and later model vehicles, has received a certificate that such vehicle meets or exceeds the Bin 5 Tier II emission level established in regulations prescribed by the Administrator of the Environmental Protection Agency under section 202(i) of the Clean Air Act for that make and model year vehicle,

''(C) the original use of which commences with the taxpayer,

''(D) which is acquired for use or lease by the taxpayer and not for resale, and

''(E) which is made by a manufacturer.

''(d) NEW QUALIFIED ALTERNATIVE FUEL MOTOR VEHICLE CREDIT.—

''(1) ALLOWANCE OF CREDIT.—Except as provided in paragraph (5), the credit determined under this subsection is an amount equal to the applicable percentage of the incremental cost of any new qualified alternative fuel motor vehicle placed in service by the taxpayer during the taxable year.

''(2) APPLICABLE PERCENTAGE.—For purposes of paragraph (1), the applicable percentage with respect to any new qualified alternative fuel motor vehicle is—

''(A) 50 percent, plus

''(B) 30 percent, if such vehicle—

''(i) has received a certificate of conformity under the Clean Air Act and meets or exceeds the most stringent standard available for certification under the Clean Air Act for that make and model year vehicle (other than a zero emission standard), or

''(ii) has received an order from an applicable State certifying the vehicle for sale or lease in California and meets or exceeds the most stringent standard available for certification under the State laws of California (enacted in accordance with a waiver granted under section 209(b) of the Clean Air Act) for

that make and model year vehicle (other than a zero emission standard).

''(3) INCREMENTAL COST.—For purposes of this subsection, the incremental cost of any new qualified alternative fuel motor vehicle is equal to the amount of the excess of the manufacturer's suggested retail price for such vehicle over such price for a gasoline or diesel fuel motor vehicle of the same model, to the extent such amount does not exceed—

''(A) $5,000, if such vehicle has a gross vehicle weight rating of not more than 8,500 pounds,

''(B) $10,000, if such vehicle has a gross vehicle weight rating of more than 8,500 pounds but not more than 14,000 pounds,

''(C) $25,000, if such vehicle has a gross vehicle weight rating of more than 14,000 pounds but not more than 26,000 pounds, and

''(D) $40,000, if such vehicle has a gross vehicle weight rating of more than 26,000 pounds.

''(4) QUALIFIED ALTERNATIVE FUEL MOTOR VEHICLE DEFINED.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'qualified alternative fuel motor vehicle' means any motor vehicle—

''(i) which is only capable of operating on an alternative fuel,

''(ii) the original use of which commences with the taxpayer,

''(iii) which is acquired by the taxpayer for use or lease, but not for resale, and

''(iv) which is made by a manufacturer.

''(B) ALTERNATIVE FUEL.—The term 'alternative fuel' means compressed natural gas, liquefied natural gas, liquefied petroleum gas, hydrogen, and any liquid at least 85 percent of the volume of which consists of methanol.

''(5) CREDIT FOR MIXED-FUEL VEHICLES.—

''(A) IN GENERAL.—In the case of a mixed-fuel vehicle placed in service by the taxpayer during the taxable year, the credit determined under this subsection is an amount equal to—

''(i) in the case of a 75/25 mixed-fuel vehicle, 70 percent of the credit which would have been allowed under this subsection if such vehicle was a qualified alternative fuel motor vehicle, and

''(ii) in the case of a 95/5 mixed-fuel vehicle, 95 percent of the credit which would have been allowed under this subsection if such vehicle was a qualified alternative fuel motor vehicle.

''(B) MIXED-FUEL VEHICLE.—For purposes of this subsection, the term 'mixed-fuel vehicle' means any motor vehicle described in subparagraph (C) or (D) of paragraph (3), which—

''(i) is certified by the manufacturer as being able to perform efficiently in normal operation on a combination of an alternative fuel and a petroleum-based fuel,

''(ii) either—

''(I) has received a certificate of conformity under the Clean Air Act, or

''(II) has received an order from an applicable State certifying the vehicle for sale or lease in California and meets or exceeds the low emission vehicle standard under section 88.105-94 of title 40, Code of Federal Regulations, for that make and model year vehicle,

''(iii) the original use of which commences with the taxpayer,

''(iv) which is acquired by the taxpayer for use or lease, but not for resale, and

''(v) which is made by a manufacturer.

''(C) 75/25 MIXED-FUEL VEHICLE.—For purposes of this subsection, the term '75/25 mixed-fuel vehicle' means a mixed-fuel vehicle which operates using at least 75 percent alternative fuel and not more than 25 percent petroleum-based fuel.

''(D) 95/5 MIXED-FUEL VEHICLE.—For purposes of this subsection, the term '95/5 mixed-fuel vehicle' means a mixed-fuel vehicle which operates using at least 95 percent alternative fuel and not more than 5 percent petroleum-based fuel.

''(e) APPLICATION WITH OTHER CREDITS.—The credit allowed under subsection (a) for any taxable year shall not exceed the excess (if any) of—

''(1) the regular tax for the taxable year reduced by the sum of the credits allowable under subpart A and sections 27, 29, 30, and 30B, over

''(2) the tentative minimum tax for the taxable year.

''(f) OTHER DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

''(1) CONSUMABLE FUEL.—The term 'consumable fuel' means any solid, liquid, or gaseous matter which releases energy when consumed by an auxiliary power unit.

''(2) MOTOR VEHICLE.—The term 'motor vehicle' has the meaning given such term by section 30(c)(2).

''(3) 2000 MODEL YEAR CITY FUEL ECONOMY.—The 2000 model year city fuel economy with respect to any vehicle shall be measured under rules similar to the rules under section 4064(c).

''(4) OTHER TERMS.—The terms 'automobile', 'passenger automobile', 'light truck', and 'manufacturer' have the meanings given such terms in regulations prescribed by the Administrator of the Environmental Protection Agency for purposes of the administration of title II of the Clean Air Act (42 U.S.C. 7521 et seq.).

''(5) REDUCTION IN BASIS.—For purposes of this subtitle, the basis of any property for which a credit is allowable under subsection (a) shall be reduced by the amount of such credit so allowed (determined without regard to subsection (e)).

''(6) NO DOUBLE BENEFIT.—The amount of any deduction or credit allowable under this chapter—

''(A) for any incremental cost taken into account in computing the amount of the credit determined under subsection (d) shall be reduced by the amount of such credit attributable to such cost, and

''(B) with respect to a vehicle described under subsection (b) or (c), shall be reduced by the amount of credit allowed under subsection (a) for such vehicle for the taxable year.

''(7) PROPERTY USED BY TAX-EXEMPT ENTITIES.—In the case of a credit amount which is allowable with respect to a motor vehicle which is acquired by an entity exempt from tax under this chapter, the person which sells or leases such vehicle to the entity shall be treated as the taxpayer with respect to the vehicle for purposes of this section and the credit shall be allowed to such person, but only if the person clearly discloses to the entity in any sale or lease document the specific amount of any credit otherwise allowable to the entity under this section and reduces the sale or lease price of such vehicle by an equivalent amount of such credit.

''(8) RECAPTURE.—The Secretary shall, by regulations, provide for recapturing the benefit of any credit allowable under subsection (a) with respect to any property which ceases to be property eligible for such credit (including recapture in the case of a lease period of less than the economic life of a vehicle).

''(9) PROPERTY USED OUTSIDE UNITED STATES, ETC., NOT QUALIFIED.—No credit shall be allowed under subsection (a) with respect to any property referred to in section 50(b) or with respect to the portion of the cost of any property taken into account under section 179.

''(10) ELECTION TO NOT TAKE CREDIT.—No credit shall be allowed under subsection (a) for any vehicle if the taxpayer elects to not have this section apply to such vehicle.

''(11) CARRYFORWARD ALLOWED.—

''(A) IN GENERAL.—If the credit amount allowable under subsection (a) for a taxable year exceeds the amount of the limitation under subsection (e) for such taxable year (referred to as the 'unused credit year' in this paragraph), such excess shall be allowed as a credit carryforward for each of the 20 taxable years following the unused credit year.

''(B) RULES.—Rules similar to the rules of section 39 shall apply with respect to the credit carryforward under subparagraph (A).

''(12) INTERACTION WITH AIR QUALITY AND MOTOR VEHICLE SAFETY STANDARDS.—Unless otherwise provided in this section, a motor vehicle shall not be considered eligible for a credit under this section unless such vehicle is in compliance with—

''(A) the applicable provisions of the Clean Air Act for the applicable make and model year of the vehicle (or applicable air quality provisions of State law in the case of a State which has adopted such provision under a waiver under section 209(b) of the Clean Air Act), and

''(B) the motor vehicle safety provisions of sections 30101 through 30169 of title 49, United States Code.

''(g) REGULATIONS.—

''(1) IN GENERAL.—The Secretary shall promulgate such regulations as necessary to carry out the provisions of this section.

''(2) ADMINISTRATOR OF ENVIRONMENTAL PROTECTION AGENCY.—The Administrator of the Environmental Protection Agency, in coordination with the Secretary of Transportation and the Secretary of the Treasury, shall prescribe such regulations as necessary to determine whether a motor vehicle meets the requirements to be eligible for a credit under this section.

''(h) TERMINATION.—This section shall not apply to any property placed in service after—

''(1) in the case of a new qualified fuel cell motor vehicle (as described in subsection (b)), December 31, 2011, and

''(2) in the case of any other property, December 31, 2007.''.

(b) CONFORMING AMENDMENTS.—

(1) Section 1016(a), as amended by section 951, is amended by striking ''and'' at the end of paragraph (30), by striking the period at the end of paragraph (31) and inserting '', and'', and by adding at the end the following:

''(32) to the extent provided in section 30C(f)(4).''.

(2) Section 53(d)(1)(B)(iii) is amended by inserting '', or not allowed under section 30C solely by reason of the application of section 30C(e)(2)'' before the period.

(3) Section 55(c)(2) is amended by inserting ''30C(e),'' after ''30(b)(3)''.

(4) Section 6501(m) is amended by inserting ''30C(f)(9),'' after ''30(d)(4),''.

(5) The table of sections for subpart B of part IV of subchapter A of chapter 1, as amended by section 951, is amended by inserting after the item relating to section 30B the following:

''Sec. 30C. Alternative motor vehicle credit.''.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after December 31, 2001, in taxable years ending after such date.

SEC. 962. UNIFORM DOLLAR LIMITATION FOR ALL TYPES OF TRANSPORTATION FRINGE BENEFITS.

(a) IN GENERAL.—Subparagraph (A) of section 132(f)(2) (relating to limitation on exclusion) is amended by striking ''$65'' and inserting ''$175''.

(b) CONFORMING AMENDMENT.—Section 9010 of the Transportation Equity Act for the 21st

Century is amended by striking subsection (c).

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

SEC. 963. CLARIFICATION OF FEDERAL EMPLOYEE BENEFITS.

Section 7905 of title 5, United States Code, is amended—

(1) in subsection (a)—

(A) in paragraph (2)(C) by inserting ''and'' after the semicolon;

(B) in paragraph (3) by striking ''; and'' and inserting a period; and

(C) by striking paragraph (4); and

(2) in subsection (b)(2)(A) by amending subparagraph (A) to read as follows:

''(A) a qualified transportation fringe as defined in section 132(f)(1) of the Internal Revenue Code of 1986;''.

SEC. 964. EXTENSION OF TAX BENEFITS FOR ALCOHOL FUELS.

(a) IN GENERAL.—The following provisions are each amended by striking ''2007'' each place it appears and inserting ''2011'':

(1) Subparagraphs (C)(ii) and (D) of section 4041(b)(2) (relating to qualified methanol and ethanol fuel).

(2) Section 4041(k)(3) (relating to termination of rates relating to fuels containing alcohol).

(3) Section 4081(c)(8) (relating to termination of special rate for taxable fuels mixed with alcohol).

(4) Section 4091(c)(5) (relating to termination of reduced rate of tax for aviation fuel in alcohol mixture, etc.).

(b) EXTENSION OF REFUND AUTHORITY.—Paragraph (4) of section 6427(f) (relating to refund for gasoline, diesel fuel, and aviation fuel used to produce certain alcohol fuels) is amended by striking ''2007'' and inserting ''2011''.

(c) CREDIT FOR ALCOHOL USED AS A FUEL.—Paragraph (1) of section 40(e) (relating to termination of credit for alcohol used as a fuel) is amended—

(1) by striking ''December 31, 2007'' in subparagraph (A) and inserting ''December 31, 2011'', and

(2) by striking ''January 1, 2008'' and inserting ''January 1, 2012''.

(d) TARIFF SCHEDULE.—Headings 9901.00.50 and 9901.00.52 of the Harmonized Tariff Schedule of the United States (19 U.S.C. 3007) are each amended in the effective period column by striking ''10/1/2007'' each place it appears and inserting ''10/1/2011''.

(e) REDUCED CREDIT FOR ETHANOL BLENDERS.—Section 40(h) (relating to reduced credit for ethanol blenders) is amended—

(1) by striking ''2007'' in paragraph (1) and inserting ''2011'', and

(2) by striking ''2005, 2006, or 2007'' in the table contained in paragraph (2) and inserting ''2005 through 2011''.

(f) EFFECTIVE DATE.—The amendments made by this section shall take effect on January 1, 2002.

Subtitle H—Compliance With Congressional Budget Act

SEC. 971. REVENUE OFFSET

The Secretary of the Treasury shall adjust the top marginal rates of tax under section 1 of the Internal Revenue Code of 1986 (as amended by section 101 of this Act) to the extent necessary to offset in each fiscal year beginning before October 1, 2011, the decrease in revenues to the Treasury for that fiscal year resulting from the amendments made by this title.

SEC. 972. 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 718. Mr. BOND 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. ____. DEDUCTION FOR HEALTH INSURANCE COSTS OF SELF-EMPLOYED INDIVIDUALS INCREASED.

(a) IN GENERAL.—Section 162(l)(1) (relating to special rules for health insurance costs of self-employed individuals) is amended to read as follows:

''(1) ALLOWANCE OF DEDUCTION.—In the case of an individual who is an employee within the meaning of section 401(c)(1), there shall be allowed as a deduction under this section an amount equal to the amount paid during the taxable year for insurance which constitutes medical care for the taxpayer, the taxpayer's spouse, and dependents.''.

(b) CLARIFICATION OF LIMITATIONS ON OTHER COVERAGE.—The first sentence of section 162(l)(2)(B) (relating to other coverage) is amended to read as follows: ''Paragraph (1) shall not apply to any taxpayer for any calendar month for which the taxpayer participates in any subsidized health plan maintained by any employer (other than an employer described in section 401(c)(4)) of the taxpayer or the spouse of the taxpayer.''.

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

SA 719. Mrs. CARNAHAN (for herself and Mr. DASCHLE) 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 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.

''(C) NO INCREASE IN REFUNDABLE CREDITS.—In determining the portion of any credit under subpart C of part IV (relating to refundable credits) which is treated as an overpayment of tax under section 6404, there shall be disregarded any increase in such portion solely by reason of any reduction in rates under subparagraph (A) as described in clause (i) or (ii) of subparagraph (B).

''(3) ADJUSTMENT OF TABLES.—The Secretary''.

SA 720. Mr. BAYH 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 44, between lines 9 and 10, insert the following:

SEC. 411A. CERTAIN POSTSECONDARY EDUCATIONAL BENEFITS PROVIDED BY AN EMPLOYER TO CHILDREN OF EMPLOYEES EXCLUDABLE FROM GROSS INCOME UNDER EDUCATIONAL ASSISTANCE PROGRAMS.

(a) IN GENERAL.—Section 127 (relating to educational assistance programs), as amended by section 411, is amended by redesignating subsection (d) as subsection (e) and inserting after subsection (c) the following:

''(d) POST SECONDARY EDUCATIONAL BENEFITS PROVIDED TO CHILDREN OF EMPLOYEES.—

''(1) IN GENERAL.—For purposes of this section, educational assistance provided by the employer to a child (as defined in section 151(c)(3)) of an employee of such employer pursuant to an educational assistance program shall be treated as educational assistance provided for the exclusive benefit of the employee.

''(2) DOLLAR LIMITATIONS.—The amount excluded from the gross income of the employee by reason of paragraph (1) for a taxable year with respect to amounts provided to each child of such employee shall not exceed $2,000.

''(3) LIMITATION ON EDUCATIONAL ASSISTANCE.—Paragraph (1) shall only apply to expenses paid or incurred in connection with the enrollment or attendance of a child of an employee at an educational institution described in section 529(e)(5).''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date of enactment of this Act.

SA 721. 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; 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%	39.1%
2005 and 2006	26%	29%	34%	39.1%
2007 and 2008	25%	28%	33%	39%
2009 and 2010	25%	28%	33%	38%
2011 and thereafter ..	25%	28%	33%	37%

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 722. Mr. DASCHLE 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:

Strike all after the first word and insert the following:

1. SHORT TITLE; ETC.

(a) SHORT TITLE.—This Act may be cited as the ''Economic Stimulus Tax Cut 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 AND EMPLOYMENT TAXES

Subtitle A—In General

Sec. 101. Refund of individual income and employment taxes.
Sec. 102. Reduction in income tax rates for individuals.

Subtitle B—Compliance With Congressional Budget Act

Sec. 111. Sunset 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.

TITLE III—MARRIAGE PENALTY RELIEF

Subtitle A—In General

Sec. 301. Elimination of marriage penalty in standard deduction.
Sec. 302. 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.

TITLE IV—AFFORDABLE EDUCATION PROVISIONS

Subtitle A—Education Savings Incentives

Sec. 401. 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. Expansion of incentives for public schools.
Sec. 422. Application of certain labor standards on construction projects financed under public school modernization program.
Sec. 423. Employment and training activities relating to construction or reconstruction of public school facilities.

Subtitle D—Indian School Construction Act

Sec. 431. Indian school construction.

Subtitle E—Other Provisions

Sec. 441. Deduction for higher education expenses.

Subtitle F—Compliance With Congressional Budget Act

Sec. 451. Sunset of provisions of title.

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

Sec. 501. Increase in amount of unified credit against estate and gift taxes.
Sec. 502. Increase in qualified family-owned business interest deduction amount.
Sec. 503. Sunset 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. Plan loans for subchapter S owners, partners, and sole proprietors.
Sec. 612. Modification of top-heavy rules.
Sec. 613. Elective deferrals not taken into account for purposes of deduction limits.
Sec. 614. Repeal of coordination requirements for deferred compensation plans of State and local governments and tax-exempt organizations.
Sec. 615. Deduction limits.
Sec. 616. Option to treat elective deferrals as after-tax Roth contributions.
Sec. 617. Nonrefundable credit to certain individuals for elective deferrals and IRA contributions.
Sec. 618. Credit for qualified pension plan contributions of small employers.
Sec. 619. Credit for pension plan startup costs of small employers.
Sec. 620. Elimination of user fee for requests to IRS regarding new pension plans.
Sec. 621. Treatment of nonresident aliens engaged in international transportation services.

Subtitle C—Enhancing Fairness for Women

Sec. 631. Equitable treatment for contributions of employees to defined contribution plans.
Sec. 632. Faster vesting of certain employer matching contributions.
Sec. 633. Modifications to minimum distribution rules.
Sec. 634. Clarification of tax treatment of division of section 457 plan benefits upon divorce.
Sec. 635. Provisions relating to hardship distributions.
Sec. 636. 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.
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TITLE I—INDIVIDUAL INCOME AND EMPLOYMENT TAXES

Subtitle A—In General

SEC. 101. REFUND OF INDIVIDUAL INCOME AND EMPLOYMENT TAXES.

(a) IN GENERAL.—Subchapter B of chapter 65 (relating to rules of special application in the case of abatements, credits, and refunds) is amended by adding at the end the following new section:

"SEC. 6428. REFUND OF INDIVIDUAL INCOME AND EMPLOYMENT TAXES.

''(a) GENERAL RULE.—Except as otherwise provided in this section, each individual shall be treated as having made a payment against the tax imposed by chapter 1 for any taxable year beginning in 2001, in an amount equal to the lesser of—

''(1) the amount of the taxpayer's liability for tax for the taxpayer's last taxable year beginning in calendar year 2000, or

''(2) the taxpayer's applicable amount.

''(b) LIABILITY FOR TAX.—For purposes of this section, the liability for tax for the taxable year shall be the sum of—

''(1) the excess (if any) of—

''(A) the sum of—

''(i) the taxpayer's regular tax liability (within the meaning of section 26(b)) for the taxable year, and

''(ii) the tax imposed by section 55(a) with respect to such taxpayer for the taxable year, over

''(B) the sum of the credits allowable under part IV of subchapter A of chapter 1 (other than sections 31, 33, and 34) for the taxable year, and

''(2) the taxes imposed by sections 1401, 3101, 3111, 3201(a), 3211(a)(1), and 3221(a) on amounts received by the taxpayer for the taxable year.

''(c) APPLICABLE AMOUNT.—For purposes of this section—

''(1) IN GENERAL.—The applicable amount for any taxpayer shall be determined under the following table:

"In the case of a taxpayer described in:	**The applicable amount is:**
Section 1(a)	$600
Section 1(b)	$450
Section 1(c)	$300
Section 1(d)	$300
Paragraph (2)	$300.

''(2) TAXPAYERS WITH ONLY PAYROLL TAX LIABILITY.—A taxpayer is described in this paragraph if such taxpayer's liability for tax for the taxable year does not include any liability described in subsection (b)(1).

''(d) DATE PAYMENT DEEMED MADE.—

''(1) IN GENERAL.—The payment provided by this section shall be deemed made on the date of the enactment of this section.

''(2) REMITTANCE OF PAYMENT.—The Secretary shall remit to each taxpayer the payment described in paragraph (1) within 90 days after such date of enactment.

''(3) CLAIM FOR NONPAYMENT.—Any taxpayer who erroneously does not receive a payment described in paragraph (1) may make claim for such payment in a manner and at such time as the Secretary prescribes.

''(e) CERTAIN PERSONS NOT ELIGIBLE.—This section shall not apply to—

''(1) 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,

''(2) any estate or trust, or

''(3) any nonresident alien individual.''.

(b) CONFORMING AMENDMENT.—Section 1324(b)(2) of title 31, United States Code, is amended by inserting before the period '', or enacted by the Economic Stimulus Tax Cut Act of 2001''.

(c) CLERICAL AMENDMENT.—The table of sections for subchapter B of chapter 65 of the Internal Revenue Code of 1986 is amended by adding at the end the following new item:

''Sec. 6428. Refund of individual income and employment taxes.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of the enactment of this Act.

SEC. 102. 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) NEW LOWEST 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 (12.5 percent in taxable years beginning in 2001), and

''(ii) the 15 percent rate of tax shall apply only to taxable income over the initial bracket amount.

''(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) 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, 2003,

''(ii) the cost-of-living adjustment used in making adjustments to the initial bracket amount for any taxable year beginning after December 31, 2002, shall be determined under subsection (f)(3) by substituting '2001' 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) ADJUSTMENT OF TABLES.—The Secretary shall adjust the tables prescribed under subsection (f) to carry out this subsection.''.

(b) DETERMINATION OF WITHHOLDING TABLES.—Section 3402(a) of the Internal Revenue Code of 1986 (relating to requirement of withholding) is amended by adding at the following new paragraph:

''(3) CHANGES MADE BY SECTION 102 OF THE ECONOMIC STIMULUS TAX CUT ACT OF 2001.—Notwithstanding the provisions of this subsection, the Secretary shall modify the tables and procedures under paragraph (1) to reflect the amendments made by section 102 of the Economic Stimulus Tax Cut Act of 2001, and such modification shall take effect on July 1, 2001, as if the lowest rate of tax under section 1 (as amended by such section 102) was a 10-percent rate effective on such date.''.

(c) CONFORMING AMENDMENTS.—

(1) Subparagraph (B) of section 1(g)(7) of the Internal Revenue Code of 1986 is amended—

(A) by striking ''15 percent'' in clause (ii)(II) and inserting ''the first bracket percentage'', and

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

''For purposes of clause (ii), the first bracket percentage is the percentage applicable to the lowest income bracket in the table under subsection (c).''.

(2) Section 1(h) of such Code is amended by striking paragraph (13).

(3) Section 15 of such Code is amended by adding at the end the following new subsection:

''(f) RATE REDUCTIONS ENACTED BY ECONOMIC STIMULUS TAX CUT ACT OF 2001.—This section shall not apply to any change in rates under subsection (i) of section 1 (relating to rate reductions in 2001).''.

(4) Section 3402(p)(2) of such Code is amended by striking ''equal to 15 percent of such payment'' and inserting ''equal to the product of the lowest rate of tax under section 1(c) and such payment''.

(d) 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 PROVISION.—The amendments made by subsection (b) and subsection (c)(4) shall apply to amounts paid after June 30, 2001.

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.—

(1) IN GENERAL.—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—**
2002, 2003, 2004, 2005, 2006, or 2007	$600
2008	700
2009	800
2010	900
2011 or thereafter	1,000.''.

(2) INFLATION ADJUSTMENT.—

''(g) INFLATION ADJUSTMENT.—In the case of any taxable year beginning after 2001, any dollar amount contained in subsection (a)(2) 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) 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—

''(i) in the case of a taxpayer not described in clause (ii), 15 percent of so much of the taxpayer's earned income (within the meaning of section 32) for the taxable year as exceeds $8,000, and

''(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 DATE.—The amendments made by this section 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.

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—**
2002	174
2003	180
2004	187
2005	193
2006 and thereafter	200.''.

(c) TECHNICAL AMENDMENTS.—

(1) Subparagraph (B) of section 1(f)(6) is amended by striking ''(other than with'' and all that follows through ''shall be applied'' and inserting ''(other than with respect to sections 63(c)(4) and 151(d)(4)(A)) shall be applied''.

(2) Paragraph (4) of section 63(c) is amended by adding at the end the following flush sentence:

''The preceding sentence shall not apply to the amount referred to in paragraph (2)(A).''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2005.

SEC. 302. 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 $3,500.''.

(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 $3,500 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 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 Economic Stimulus Tax Cut 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. EXPANSION OF INCENTIVES FOR PUBLIC SCHOOLS.

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

''Subchapter Y—Public School Modernization Provisions

''Sec. 1400K. Credit to holders of qualified public school modernization bonds.

''Sec. 1400L. Qualified school construction bonds.

''Sec. 1400M. Qualified zone academy bonds.

''SEC. 1400K. CREDIT TO HOLDERS OF QUALIFIED PUBLIC SCHOOL MODERNIZATION BONDS.

''(a) ALLOWANCE OF CREDIT.—In the case of a taxpayer who holds a qualified public school modernization 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 public school modernization 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 public school modernization 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 (1), 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 issuance 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 part IV of subchapter A (other than subpart C thereof, relating to refundable credits).

''(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 PUBLIC SCHOOL MODERNIZATION BOND; CREDIT ALLOWANCE DATE.—For purposes of this section—

''(1) QUALIFIED PUBLIC SCHOOL MODERNIZATION BOND.—The term 'qualified public school modernization bond' means—

''(A) a qualified zone academy bond, and

''(B) a qualified school construction bond.

''(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.

''(e) OTHER DEFINITIONS.—For purposes of this subchapter—

''(1) LOCAL EDUCATIONAL AGENCY.—The term 'local educational agency' has the meaning given to such term by section 14101 of the Elementary and Secondary Education Act of 1965. Such term includes the local educational agency that serves the District of Columbia but does not include any other State agency.

''(2) BOND.—The term 'bond' includes any obligation.

''(3) STATE.—The term 'State' includes the District of Columbia and any possession of the United States.

''(4) PUBLIC SCHOOL FACILITY.—The term 'public school facility' shall not include—

''(A) any stadium or other facility primarily used for athletic contests or exhibitions or other events for which admission is charged to the general public, or

''(B) any facility which is not owned by a State or local government or any agency or instrumentality of a State or local government.

''(f) 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.

''(g) RECAPTURE OF PORTION OF CREDIT WHERE CESSATION OF COMPLIANCE.—

''(1) IN GENERAL.—If any bond which when issued purported to be a qualified public school modernization bond ceases to be a qualified public school modernization 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.

''(h) BONDS HELD BY REGULATED INVESTMENT COMPANIES.—If any qualified public school modernization 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.

''(i) CREDITS MAY BE STRIPPED.—Under regulations prescribed by the Secretary—

''(1) IN GENERAL.—There may be a separation (including at issuance) of the ownership of a qualified public school modernization 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.

''(2) CERTAIN RULES TO APPLY.—In the case of a separation described in paragraph (1), the rules of section 1286 shall apply to the qualified public school modernization bond as if it were a stripped bond and to the credit under this section as if it were a stripped coupon.

''(j) 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 public school modernization bonds on a credit allowance date shall be treated as if it were a payment of estimated tax made by the taxpayer on such date.

''(k) 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.

''(l) REPORTING.—Issuers of qualified public school modernization bonds shall submit reports similar to the reports required under section 149(e).

''(m) TERMINATION.—This section shall not apply to any bond issued after September 30, 2006.

''SEC. 1400L. QUALIFIED SCHOOL CONSTRUCTION BONDS.

''(a) QUALIFIED SCHOOL CONSTRUCTION BOND.—For purposes of this subchapter, the term 'qualified school construction bond' means any bond issued as part of an issue if—

''(1) 95 percent or more of the proceeds of such issue are to be used for the construction, rehabilitation, or repair of a public school facility or for the acquisition of land on which such a facility is to be constructed with part of the proceeds of such issue,

''(2) the bond is issued by a State or local government within the jurisdiction of which such school is located,

''(3) the issuer designates such bond for purposes of this section, and

''(4) the term of each bond which is part of such issue does not exceed 15 years.

''(b) LIMITATION ON AMOUNT OF BONDS DESIGNATED.—The maximum aggregate face amount of bonds issued during any calendar year which may be designated under subsection (a) by any issuer shall not exceed the sum of—

''(1) the limitation amount allocated under subsection (d) for such calendar year to such issuer, and

''(2) if such issuer is a large local educational agency (as defined in subsection (e)(4)) or is issuing on behalf of such an agency, the limitation amount allocated under subsection (e) for such calendar year to such agency.

''(c) NATIONAL LIMITATION ON AMOUNT OF BONDS DESIGNATED.—There is a national qualified school construction bond limitation for each calendar year. Such limitation is—

''(1) $11,000,000,000 for 2002,

''(2) $11,000,000,000 for 2003, and

''(3) except as provided in subsection (f), zero after 2003.

''(d) 60 PERCENT OF LIMITATION ALLOCATED AMONG STATES.—

''(1) IN GENERAL.—60 percent of the limitation applicable under subsection (c) for any calendar year shall be allocated by the Secretary among the States in proportion to the respective numbers of children in each State who have attained age 5 but not age 18 for the most recent fiscal year ending before such calendar year. The limitation amount allocated to a State under the preceding sentence shall be allocated by the State to issuers within such State.

''(2) MINIMUM ALLOCATIONS TO STATES.—

''(A) IN GENERAL.—The Secretary shall adjust the allocations under this subsection for any calendar year for each State to the extent necessary to ensure that the sum of—

''(i) the amount allocated to such State under this subsection for such year, and

''(ii) the aggregate amounts allocated under subsection (e) to large local educational agencies in such State for such year,

is not less than an amount equal to such State's minimum percentage of the amount to be allocated under paragraph (1) for the calendar year.

''(B) MINIMUM PERCENTAGE.—A State's minimum percentage for any calendar year is the minimum percentage described in section 1124(d) of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6334(d)) for such State for the most recent fiscal year ending before such calendar year.

''(3) ALLOCATIONS TO CERTAIN POSSESSIONS.—The amount to be allocated under paragraph (1) to any possession of the United States other than Puerto Rico shall be the amount which would have been allocated if all allocations under paragraph (1) were made on the basis of respective populations of individuals below the poverty line (as defined by the Office of Management and Budget). In making other allocations, the amount to be allocated under paragraph (1) shall be reduced by the aggregate amount allocated under this paragraph to possessions of the United States.

''(4) ALLOCATIONS FOR INDIAN SCHOOLS.—In addition to the amounts otherwise allocated under this subsection, $200,000,000 for calendar year 2002, and $200,000,000 for calendar year 2003, shall be allocated by the Secretary of the Interior for purposes of the construction, rehabilitation, and repair of schools funded by the Bureau of Indian Affairs. In the case of amounts allocated under the preceding sentence, Indian tribal governments (as defined in section 7871) shall be treated as qualified issuers for purposes of this subchapter.

''(e) 40 PERCENT OF LIMITATION ALLOCATED AMONG LARGEST SCHOOL DISTRICTS.—

''(1) IN GENERAL.—40 percent of the limitation applicable under subsection (c) for any calendar year shall be allocated under paragraph (2) by the Secretary among local educational agencies which are large local educational agencies for such year.

''(2) ALLOCATION FORMULA.—The amount to be allocated under paragraph (1) for any calendar year shall be allocated among large local educational agencies in proportion to the respective amounts each such agency received for Basic Grants under subpart 2 of part A of title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6331 et seq.) for the most recent fiscal year ending before such calendar year.

''(3) ALLOCATION OF UNUSED LIMITATION TO STATE.—The amount allocated under this subsection to a large local educational agency for any calendar year may be reallocated by such agency to the State in which such agency is located for such calendar year. Any amount reallocated to a State under the preceding sentence may be allocated as provided in subsection (d)(1).

''(4) LARGE LOCAL EDUCATIONAL AGENCY.—For purposes of this section, the term 'large local educational agency' means, with respect to a calendar year, any local educational agency if such agency is—

''(A) among the 100 local educational agencies with the largest numbers of children aged 5 through 17 from families living below the poverty level, as determined by the Secretary using the most recent data available from the Department of Commerce that are satisfactory to the Secretary, or

''(B) 1 of not more than 25 local educational agencies (other than those described in subparagraph (A)) that the Secretary of Education determines (based on the most recent data available satisfactory to the Secretary) are in particular need of assistance, based on a low level of resources for school

construction, a high level of enrollment growth, or such other factors as the Secretary deems appropriate.

''(f) CARRYOVER OF UNUSED LIMITATION.—If for any calendar year—

''(1) the amount allocated under subsection (d) to any State, exceeds

''(2) the amount of bonds issued during such year which are designated under subsection (a) pursuant to such allocation,

the limitation amount under such subsection for such State for the following calendar year shall be increased by the amount of such excess. A similar rule shall apply to the amounts allocated under subsection (d)(4) or (e).

''(g) SPECIAL RULES RELATING TO ARBITRAGE.—

''(1) IN GENERAL.—A bond shall not be treated as failing to meet the requirement of subsection (a)(1) solely by reason of the fact that the proceeds of the issue of which such bond is a part are invested for a temporary period (but not more than 36 months) until such proceeds are needed for the purpose for which such issue was issued.

''(2) BINDING COMMITMENT REQUIREMENT.—Paragraph (1) shall apply to an issue only if, as of the date of issuance, there is a reasonable expectation that—

''(A) at least 10 percent of the proceeds of the issue will be spent within the 6-month period beginning on such date for the purpose for which such issue was issued, and

''(B) the remaining proceeds of the issue will be spent with due diligence for such purpose.

''(3) EARNINGS ON PROCEEDS.—Any earnings on proceeds during the temporary period shall be treated as proceeds of the issue for purposes of applying subsection (a)(1) and paragraph (1) of this subsection.

''SEC. 1400M. QUALIFIED ZONE ACADEMY BONDS.

''(a) QUALIFIED ZONE ACADEMY BOND.—For purposes of this subchapter—

''(1) IN GENERAL.—The term 'qualified zone academy 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 a qualified purpose with respect to a qualified zone academy established by a local educational agency,

''(B) the bond is issued by a State or local government within the jurisdiction of which such academy is located,

''(C) the issuer—

''(i) designates such bond for purposes of this section,

''(ii) certifies that it has written assurances that the private business contribution requirement of paragraph (2) will be met with respect to such academy, and

''(iii) certifies that it has the written approval of the local educational agency for such bond issuance, and

''(D) the term of each bond which is part of such issue does not exceed 15 years.

Rules similar to the rules of section 1400L(g) shall apply for purposes of paragraph (1).

''(2) PRIVATE BUSINESS CONTRIBUTION REQUIREMENT.—

''(A) IN GENERAL.—For purposes of paragraph (1), the private business contribution requirement of this paragraph is met with respect to any issue if the local educational agency that established the qualified zone academy has written commitments from private entities to make qualified contributions having a present value (as of the date of issuance of the issue) of not less than 10 percent of the proceeds of the issue.

''(B) QUALIFIED CONTRIBUTIONS.—For purposes of subparagraph (A), the term 'qualified contribution' means any contribution (of a type and quality acceptable to the local educational agency) of—

''(i) equipment for use in the qualified zone academy (including state-of-the-art technology and vocational equipment),

''(ii) technical assistance in developing curriculum or in training teachers in order to promote appropriate market driven technology in the classroom,

''(iii) services of employees as volunteer mentors,

''(iv) internships, field trips, or other educational opportunities outside the academy for students, or

''(v) any other property or service specified by the local educational agency.

''(3) QUALIFIED ZONE ACADEMY.—The term 'qualified zone academy' means any public school (or academic program within a public school) which is established by and operated under the supervision of a local educational agency to provide education or training below the postsecondary level if—

''(A) such public school or program (as the case may be) is designed in cooperation with business to enhance the academic curriculum, increase graduation and employment rates, and better prepare students for the rigors of college and the increasingly complex workforce,

''(B) students in such public school or program (as the case may be) will be subject to the same academic standards and assessments as other students educated by the local educational agency,

''(C) the comprehensive education plan of such public school or program is approved by the local educational agency, and

''(D)(i) such public school is located in an empowerment zone or enterprise community (including any such zone or community designated after the date of the enactment of this section), or

''(ii) there is a reasonable expectation (as of the date of issuance of the bonds) that at least 35 percent of the students attending such school or participating in such program (as the case may be) will be eligible for free or reduced-cost lunches under the school lunch program established under the National School Lunch Act.

''(4) QUALIFIED PURPOSE.—The term 'qualified purpose' means, with respect to any qualified zone academy—

''(A) constructing, rehabilitating, or repairing the public school facility in which the academy is established,

''(B) acquiring the land on which such facility is to be constructed with part of the proceeds of such issue,

''(C) providing equipment for use at such academy,

''(D) developing course materials for education to be provided at such academy, and

''(E) training teachers and other school personnel in such academy.

''(b) LIMITATIONS ON AMOUNT OF BONDS DESIGNATED.—

''(1) IN GENERAL.—There is a national zone academy bond limitation for each calendar year. Such limitation is—

''(A) $400,000,000 for 1998,

''(B) $400,000,000 for 1999,

''(C) $400,000,000 for 2000,

''(D) $400,000,000 for 2001,

''(E) $1,400,000,000 for 2002,

''(F) $1,400,000,000 for 2003, and

''(G) except as provided in paragraph (3), zero after 2003.

''(2) ALLOCATION OF LIMITATION.—

''(A) ALLOCATION AMONG STATES.—

''(i) 1998, 1999, 2000, AND 2001 LIMITATIONS.—The national zone academy bond limitations for calendar years 1998, 1999, 2000, and 2001 shall be allocated by the Secretary among the States on the basis of their respective populations of individuals below the poverty line (as defined by the Office of Management and Budget).

''(ii) LIMITATION AFTER 2001.—The national zone academy bond limitation for any calendar year after 2001 shall be allocated by the Secretary among the States in proportion to the respective amounts each such State received for Basic Grants under subpart 2 of part A of title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6331 et seq.) for the most recent fiscal year ending before such calendar year.

''(B) ALLOCATION TO LOCAL EDUCATIONAL AGENCIES.—The limitation amount allocated to a State under subparagraph (A) shall be allocated by the State to qualified zone academies within such State.

''(C) DESIGNATION SUBJECT TO LIMITATION AMOUNT.—The maximum aggregate face amount of bonds issued during any calendar year which may be designated under subsection (a) with respect to any qualified zone academy shall not exceed the limitation amount allocated to such academy under subparagraph (B) for such calendar year.

''(3) CARRYOVER OF UNUSED LIMITATION.—If for any calendar year—

''(A) the limitation amount under this subsection for any State, exceeds

''(B) the amount of bonds issued during such year which are designated under subsection (a) (or the corresponding provisions of prior law) with respect to qualified zone academies within such State,

the limitation amount under this subsection for such State for the following calendar year shall be increased by the amount of such excess.''

(b) REPORTING.—Subsection (d) of section 6049 (relating to returns regarding payments of interest) is amended by adding at the end the following new paragraph:

''(8) REPORTING OF CREDIT ON QUALIFIED PUBLIC SCHOOL MODERNIZATION BONDS.—

''(A) IN GENERAL.—For purposes of subsection (a), the term 'interest' includes amounts includible in gross income under section 1400K(f) and such amounts shall be treated as paid on the credit allowance date (as defined in section 1400K(d)(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) CONFORMING AMENDMENTS.—

(1) Subchapter U of chapter 1 is amended by striking part IV, by redesignating part V as part IV, and by redesignating section 1397F as section 1397E.

(2) The table of subchapters for chapter 1 is amended by adding at the end the following new item:

''Subchapter Y. Public school modernization provisions.''

(3) The table of parts of subchapter U of chapter 1 is amended by striking the last 2 items and inserting the following item:

''Part IV. Regulations.''

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to obligations issued after December 31, 2001.

(2) REPEAL OF RESTRICTION ON ZONE ACADEMY BOND HOLDERS.—In the case of bonds to which section 1397E of the Internal Revenue Code of 1986 (as in effect before the date of the enactment of this Act) applies, the limitation of such section to eligible taxpayers

(as defined in subsection (d)(6) of such section) shall not apply after the date of the enactment of this Act.

SEC. 422. APPLICATION OF CERTAIN LABOR STANDARDS ON CONSTRUCTION PROJECTS FINANCED UNDER PUBLIC SCHOOL MODERNIZATION PROGRAM.

Section 439 of the General Education Provisions Act (relating to labor standards) is amended—

(1) by inserting ''(a)'' before ''All laborers and mechanics'', and

(2) by adding at the end the following:

''(b)(1) For purposes of this section, the term 'applicable program' also includes the qualified zone academy bond provisions enacted by section 226 of the Taxpayer Relief Act of 1997 and the program established by section 421 of the Economic Stimulus Tax Cut Act of 2001.

''(2) A State or local government participating in a program described in paragraph (1) shall—

''(A) in the awarding of contracts, give priority to contractors with substantial numbers of employees residing in the local education area to be served by the school being constructed; and

''(B) include in the construction contract for such school a requirement that the contractor give priority in hiring new workers to individuals residing in such local education area.

''(3) In the case of a program described in paragraph (1), nothing in this subsection or subsection (a) shall be construed to deny any tax credit allowed under such program. If amounts are required to be withheld from contractors to pay wages to which workers are entitled, such amounts shall be treated as expended for construction purposes in determining whether the requirements of such program are met.''.

SEC. 423. EMPLOYMENT AND TRAINING ACTIVITIES RELATING TO CONSTRUCTION OR RECONSTRUCTION OF PUBLIC SCHOOL FACILITIES.

(a) IN GENERAL.—Section 134 of the Workforce Investment Act of 1998 (29 U.S.C. 2864) is amended by adding at the end the following:

''(f) LOCAL EMPLOYMENT AND TRAINING ACTIVITIES RELATING TO CONSTRUCTION OR RECONSTRUCTION OF PUBLIC SCHOOL FACILITIES.—

''(1) IN GENERAL.—In order to provide training services related to construction or reconstruction of public school facilities receiving funding assistance under an applicable program, each State shall establish a specialized program of training meeting the following requirements:

''(A) The specialized program provides training for jobs in the construction industry.

''(B) The program provides trained workers for projects for the construction or reconstruction of public school facilities receiving funding assistance under an applicable program.

''(C) The program ensures that skilled workers (residing in the area to be served by the school facilities) will be available for the construction or reconstruction work.

''(2) COORDINATION.—The specialized program established under paragraph (1) shall be integrated with other activities under this Act, with the activities carried out under the National Apprenticeship Act of 1937 by the State Apprenticeship Council or through the Bureau of Apprenticeship and Training in the Department of Labor, as appropriate, and with activities carried out under the Carl D. Perkins Vocational and Technical Education Act of 1998. Nothing in this subsection shall be construed to require services duplicative of those referred to in the preceding sentence.

''(3) APPLICABLE PROGRAM.—In this subsection, the term 'applicable program' has the meaning given the term in section 439(b) of the General Education Provisions Act (relating to labor standards).''.

(b) STATE PLAN.—Section 112(b)(17)(A) of the Workforce Investment Act of 1998 (29 U.S.C. 2822(b)(17)(A)) is amended—

(1) in clause (iii), by striking ''and'' at the end;

(2) by redesignating clause (iv) as clause (v); and

(3) by inserting after clause (iii) the following:

''(iv) how the State will establish and carry out a specialized program of training under section 134(f); and''.

Subtitle D—Indian School Construction Act

SEC. 431. INDIAN SCHOOL CONSTRUCTION.

(a) DEFINITIONS.—In this section:

(1) BUREAU.—The term ''Bureau'' means the Bureau of Indian Affairs of the Department of the Interior.

(2) INDIAN.—The term ''Indian'' means any individual who is a member of a tribe.

(3) SECRETARY.—The term ''Secretary'' means the Secretary of the Interior.

(4) TRIBAL SCHOOL.—The term ''tribal school'' means an elementary school, secondary school, or dormitory that is operated by a tribal organization or the Bureau for the education of Indian children and that receives financial assistance for its operation under an appropriation for the Bureau under section 102, 103(a), or 208 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450f, 450h(a), and 458d) or under the Tribally Controlled Schools Act of 1988 (25 U.S.C. 2501 et seq.) under a contract, a grant, or an agreement, or for a Bureau-operated school.

(5) TRIBE.—The term ''tribe'' has the meaning given the term ''Indian tribal government'' by section 7701(a)(40) of the Internal Revenue Code of 1986, including the application of section 7871(d) of such Code. Such term includes any consortium of tribes approved by the Secretary.

(b) ISSUANCE OF BONDS.—

(1) IN GENERAL.—The Secretary shall establish a pilot program under which eligible tribes have the authority to issue qualified tribal school modernization bonds to provide funding for the construction, rehabilitation, or repair of tribal schools, including the advance planning and design thereof.

(2) ELIGIBILITY.—

(A) IN GENERAL.—To be eligible to issue any qualified tribal school modernization bond under the program under paragraph (1), a tribe shall—

(i) prepare and submit to the Secretary a plan of construction that meets the requirements of subparagraph (B);

(ii) provide for quarterly and final inspection of the project by the Bureau; and

(iii) pledge that the facilities financed by such bond will be used primarily for elementary and secondary educational purposes for not less than the period such bond remains outstanding.

(B) PLAN OF CONSTRUCTION.—A plan of construction meets the requirements of this subparagraph if such plan—

(i) contains a description of the construction to be undertaken with funding provided under a qualified tribal school modernization bond;

(ii) demonstrates that a comprehensive survey has been undertaken concerning the construction needs of the tribal school involved;

(iii) contains assurances that funding under the bond will be used only for the activities described in the plan;

(iv) contains response to the evaluation criteria contained in Instructions and Application for Replacement School Construction, Revision 6, dated February 6, 1999; and

(v) contains any other reasonable and related information determined appropriate by the Secretary.

(C) PRIORITY.—In determining whether a tribe is eligible to participate in the program under this subsection, the Secretary shall give priority to tribes that, as demonstrated by the relevant plans of construction, will fund projects—

(i) described in the Education Facilities Replacement Construction Priorities List as of FY 2000 of the Bureau of Indian Affairs (65 Fed. Reg. 4623–4624);

(ii) described in any subsequent priorities list published in the Federal Register; or

(iii) which meet the criteria for ranking schools as described in Instructions and Application for Replacement School Construction, Revision 6, dated February 6, 1999.

(D) ADVANCE PLANNING AND DESIGN FUNDING.—A tribe may propose in its plan of construction to receive advance planning and design funding from the tribal school modernization escrow account established under paragraph (6)(B). Before advance planning and design funds are allocated from the escrow account, the tribe shall agree to issue qualified tribal school modernization bonds after the receipt of such funds and agree as a condition of each bond issuance that the tribe will deposit into such account or a fund managed by the trustee as described in paragraph (4)(C) an amount equal to the amount of such funds received from the escrow account.

(3) PERMISSIBLE ACTIVITIES.—In addition to the use of funds permitted under paragraph (1), a tribe may use amounts received through the issuance of a qualified tribal school modernization bond to—

(A) enter into and make payments under contracts with licensed and bonded architects, engineers, and construction firms in order to determine the needs of the tribal school and for the design and engineering of the school;

(B) enter into and make payments under contracts with financial advisors, underwriters, attorneys, trustees, and other professionals who would be able to provide assistance to the tribe in issuing bonds; and

(C) carry out other activities determined appropriate by the Secretary.

(4) BOND TRUSTEE.—

(A) IN GENERAL.—Notwithstanding any other provision of law, any qualified tribal school modernization bond issued by a tribe under this subsection shall be subject to a trust agreement between the tribe and a trustee.

(B) TRUSTEE.—Any bank or trust company that meets requirements established by the Secretary may be designated as a trustee under subparagraph (A).

(C) CONTENT OF TRUST AGREEMENT.—A trust agreement entered into by a tribe under this paragraph shall specify that the trustee, with respect to any bond issued under this subsection shall—

(i) act as a repository for the proceeds of the bond;

(ii) make payments to bondholders;

(iii) receive, as a condition to the issuance of such bond, a transfer of funds from the tribal school modernization escrow account established under paragraph (6)(B) or from other funds furnished by or on behalf of the tribe in an amount, which together with interest earnings from the investment of such funds in obligations of or fully guaranteed by the United States or from other investments authorized by paragraph (10), will produce moneys sufficient to timely pay in full the entire principal amount of such bond on the stated maturity date therefor;

(iv) invest the funds received pursuant to clause (iii) as provided by such clause; and

(v) hold and invest the funds in a segregated fund or account under the agreement, which fund or account shall be applied solely to the payment of the costs of items described in paragraph (3).

(D) REQUIREMENTS FOR MAKING DIRECT PAYMENTS.—

(i) IN GENERAL.—Notwithstanding any other provision of law, the trustee shall make any payment referred to in subparagraph (C)(v) in accordance with requirements that the tribe shall prescribe in the trust agreement entered into under subparagraph (C). Before making a payment to a contractor under subparagraph (C)(v), the trustee shall require an inspection of the project by a local financial institution or an independent inspecting architect or engineer, to ensure the completion of the project.

(ii) CONTRACTS.—Each contract referred to in paragraph (3) shall specify, or be renegotiated to specify, that payments under the contract shall be made in accordance with this paragraph.

(5) PAYMENTS OF PRINCIPAL AND INTEREST.—

(A) PRINCIPAL.—No principal payments on any qualified tribal school modernization bond shall be required until the final, stated maturity of such bond, which stated maturity shall be within 15 years from the date of issuance. Upon the expiration of such period, the entire outstanding principal under the bond shall become due and payable.

(B) INTEREST.—In lieu of interest on a qualified tribal school modernization bond there shall be awarded a tax credit under section 1400K of the Internal Revenue Code of 1986.

(6) BOND GUARANTEES.—

(A) IN GENERAL.—Payment of the principal portion of a qualified tribal school modernization bond issued under this subsection shall be guaranteed solely by amounts deposited with each respective bond trustee as described in paragraph (4)(C)(iii).

(B) ESTABLISHMENT OF ACCOUNT.—

(i) IN GENERAL.—Notwithstanding any other provision of law, beginning in fiscal year 2002, from amounts made available for school replacement under the construction account of the Bureau, the Secretary is authorized to deposit not more than $30,000,000 each fiscal year into a tribal school modernization escrow account.

(ii) PAYMENTS.—The Secretary shall use any amounts deposited in the escrow account under clauses (i) and (iii) to make payments to trustees appointed and acting pursuant to paragraph (4) or to make payments described in paragraph (2)(D).

(iii) TRANSFERS OF EXCESS PROCEEDS.—Excess proceeds held under any trust agreement that are not needed for any of the purposes described in clauses (iii) and (v) of paragraph (4)(C) shall be transferred, from time to time, by the trustee for deposit into the tribal school modernization escrow account.

(7) LIMITATIONS.—

(A) OBLIGATION TO REPAY.—Notwithstanding any other provision of law, the principal amount on any qualified tribal school modernization bond issued under this subsection shall be repaid only to the extent of any escrowed funds furnished under paragraph (4)(C)(iii). No qualified tribal school modernization bond issued by a tribe shall be an obligation of, nor shall payment of the principal thereof be guaranteed by, the United States, the tribes, nor their schools.

(B) LAND AND FACILITIES.—Any land or facilities purchased or improved with amounts derived from qualified tribal school modernization bonds issued under this subsection shall not be mortgaged or used as collateral for such bonds.

(8) SALE OF BONDS.—Qualified tribal school modernization bonds may be sold at a purchase price equal to, in excess of, or at a discount from the par amount thereof.

(9) TREATMENT OF TRUST AGREEMENT EARNINGS.—Any amounts earned through the investment of funds under the control of a trustee under any trust agreement described in paragraph (4) shall not be subject to Federal income tax.

(10) INVESTMENT OF SINKING FUNDS.—Any sinking fund established for the purpose of the payment of principal on a qualified tribal school modernization bond shall be invested in obligations issued by or guaranteed by the United States or in such other assets as the Secretary of the Treasury may by regulation allow.

(c) EXPANSION OF INCENTIVES FOR TRIBAL SCHOOLS.—Chapter 1, as amended by section 421, is amended by adding at the end the following new subchapter:

"Subchapter Z—Tribal School Modernization Provisions

"Sec. 1400N. Credit to holders of qualified tribal school modernization bonds.

"SEC. 1400N. CREDIT TO HOLDERS OF QUALIFIED TRIBAL SCHOOL MODERNIZATION BONDS.

"(a) ALLOWANCE OF CREDIT.—In the case of a taxpayer who holds a qualified tribal school modernization 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 tribal school modernization 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 tribal school modernization 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 (1), the applicable credit rate with respect to an issue is the rate equal to an average market yield (as of the date of sale of the issue) on outstanding long-term corporate obligations (as determined 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 part IV of subchapter A (other than subpart C thereof, relating to refundable credits).

"(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 TRIBAL SCHOOL MODERNIZATION BOND; OTHER DEFINITIONS.—For purposes of this section—

"(1) QUALIFIED TRIBAL SCHOOL MODERNIZATION BOND.—

"(A) IN GENERAL.—The term 'qualified tribal school modernization bond' means, subject to subparagraph (B), any bond issued as part of an issue under section 421(c) of the Economic Stimulus Tax Cut Act of 2001, as in effect on the date of the enactment of this section, if—

"(i) 95 percent or more of the proceeds of such issue are to be used for the construction, rehabilitation, or repair of a school facility funded by the Bureau of Indian Affairs of the Department of the Interior or for the acquisition of land on which such a facility is to be constructed with part of the proceeds of such issue,

"(ii) the bond is issued by a tribe,

"(iii) the issuer designates such bond for purposes of this section, and

"(iv) the term of each bond which is part of such issue does not exceed 15 years.

"(B) NATIONAL LIMITATION ON AMOUNT OF BONDS DESIGNATED.—

"(i) NATIONAL LIMITATION.—There is a national qualified tribal school modernization bond limitation for each calendar year. Such limitation is—

"(I) $200,000,000 for 2002,

"(II) $200,000,000 for 2003, and

"(III) zero after 2004.

"(ii) ALLOCATION OF LIMITATION.—The national qualified tribal school modernization bond limitation shall be allocated to tribes by the Secretary of the Interior subject to the provisions of section 421(c) of the Economic Stimulus Tax Cut Act of 2001, as in effect on the date of the enactment of this section.

"(iii) DESIGNATION SUBJECT TO LIMITATION AMOUNT.—The maximum aggregate face amount of bonds issued during any calendar year which may be designated under subsection (d)(1) with respect to any tribe shall not exceed the limitation amount allocated to such government under clause (ii) for such calendar year.

"(iv) CARRYOVER OF UNUSED LIMITATION.—If for any calendar year—

"(I) the limitation amount under this subparagraph, exceeds

"(II) the amount of qualified tribal school modernization bonds issued during such year,

the limitation amount under this subparagraph for the following calendar year shall be increased by the amount of such excess. The preceding sentence shall not apply if such following calendar year is after 2010.

"(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) BOND.—The term 'bond' includes any obligation.

"(4) TRIBE.—The term 'tribe' has the meaning given the term 'Indian tribal government' by section 7701(a)(40), including the application of section 7871(d). Such term includes any consortium of tribes approved by the Secretary of the Interior.

"(e) 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.

''(f) BONDS HELD BY REGULATED INVESTMENT COMPANIES.—If any qualified tribal school modernization 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.

''(g) CREDITS MAY BE STRIPPED.—Under regulations prescribed by the Secretary—

''(1) IN GENERAL.—There may be a separation (including at issuance) of the ownership of a qualified tribal school modernization 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.

''(2) CERTAIN RULES TO APPLY.—In the case of a separation described in paragraph (1), the rules of section 1286 shall apply to the qualified tribal school modernization bond as if it were a stripped bond and to the credit under this section as if it were a stripped coupon.

''(h) 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 tribal school modernization bonds on a credit allowance date shall be treated as if it were a payment of estimated tax made by the taxpayer on such date.

''(i) 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.

''(j) CREDIT TREATED AS ALLOWED UNDER PART IV OF SUBCHAPTER A.—For purposes of subtitle F, the credit allowed by this section shall be treated as a credit allowable under part IV of subchapter A of this chapter.

''(k) REPORTING.—Issuers of qualified tribal school modernization bonds shall submit reports similar to the reports required under section 149(e).''.

(d) REPORTING.—Subsection (d) of section 6049 (relating to returns regarding payments of interest), as amended by section 421, is amended by adding at the end the following new paragraph:

''(9) REPORTING OF CREDIT ON QUALIFIED TRIBAL SCHOOL MODERNIZATION BONDS.—

''(A) IN GENERAL.—For purposes of subsection (a), the term 'interest' includes amounts includible in gross income under section 1400N(e) and such amounts shall be treated as paid on the credit allowance date (as defined in section 1400N(d)(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.''

(e) CONFORMING AMENDMENTS.—The table of subchapters for chapter 1, as amended by section 421, is amended by adding at the end the following new item:

''Subchapter Z. Tribal school modernization provisions.''

(f) ADDITIONAL PROVISIONS.—

(1) SOVEREIGN IMMUNITY.—This section and the amendments made by this section shall not be construed to impact, limit, or affect the sovereign immunity of the Federal Government or any State or tribal government.

(2) APPLICATION.—This section and the amendments made by this section shall take effect on the date of the enactment of this Act with respect to bonds issued after December 31, 2001, regardless of the status of regulations promulgated thereunder.

Subtitle E—Other Provisions

SEC. 441. 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, and

''(ii) 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.''.

(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.

Subtitle F—Compliance With Congressional Budget Act

SEC. 451. 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

SEC. 501. INCREASE IN AMOUNT OF UNIFIED CREDIT AGAINST ESTATE AND GIFT TAXES.

(a) IN GENERAL.—The table contained in section 2010(c) (relating to applicable credit amount) is amended to read as follows:

"In the case of estates of decedents dying, and gifts made, during:	The applicable exclusion amount is:
2002, 2003, 2004, 2005, and 2006	$1,000,000
2007 and 2008	$1,125,000
2009	$1,500,000
2010 or thereafter	$2,000,000.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2001.

SEC. 502. INCREASE IN QUALIFIED FAMILY-OWNED BUSINESS INTEREST DEDUCTION AMOUNT.

(a) IN GENERAL.—Paragraph (2) of section 2057(a) (relating to family-owned business interests) is amended to read as follows:

''(2) MAXIMUM DEDUCTION.—

''(A) IN GENERAL.—The deduction allowed by this section shall not exceed the sum of—

''(i) the applicable deduction amount, plus

''(ii) in the case of a decedent described in subparagraph (C), the applicable unused spousal deduction amount.

''(B) APPLICABLE DEDUCTION AMOUNT.—For purposes of this subparagraph (A)(i), the applicable deduction amount is determined in accordance with the following table:

"In the case of estates of decedents dying during:	The applicable deduction amount is:
2002, 2003, 2004, 2005, and 2006	$1,375,000
2007 and 2008	$1,625,000
2009	$2,375,000
2010 or thereafter	$3,375,000.

''(C) APPLICABLE UNUSED SPOUSAL DEDUCTION AMOUNT.—With respect to a decedent whose immediately predeceased spouse died after December 31, 2001, and the estate of such immediately predeceased spouse met the requirements of subsection (b)(1), the applicable unused spousal deduction amount for such decedent is equal to the excess of—

''(i) the applicable deduction amount allowable under this section to the estate of such immediately predeceased spouse, over

''(ii) the sum of—

''(I) the applicable deduction amount allowed under this section to the estate of such immediately predeceased spouse, plus

''(II) the amount of any increase in such estate's unified credit under paragraph (3)(B) which was allowed to such estate.''.

(b) CONFORMING AMENDMENTS.—Section 2057(a)(3)(B) is amended—

(1) by striking ''$675,000'' both places it appears and inserting ''the applicable deduction amount'', and

(2) by striking ''$675,000'' in the heading and inserting ''APPLICABLE DEDUCTION AMOUNT''.

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2001.

SEC. 503. 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), 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 thereafter	$3,000.''.

(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. 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. 612. 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. 613. 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. 614. 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) 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. 615. 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. 616. 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. 617. 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) is amended by inserting after section 25A the following new section:

''SEC. 25B. 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 25B, 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, and 25A 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 25B'' after ''section 24''.

(B) Section 23(c), as amended by section 201, is amended by striking ''sections 24'' and inserting ''sections 24, 25B,''.

(C) Section 25(e)(1)(C), as amended by section 201, is amended by inserting ''25B,'' after ''24,''.

(D) Section 904(h), as amended by section 201, is amended by inserting ''or 25B'' after ''section 24''.

(E) Section 1400C(d), as amended by section 201, is amended by inserting ''and section 25B'' after ''section 24''.

(c) 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. 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. 618. 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. 619. 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 618, 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 618, 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 618(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 618(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 618(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. 620. 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. 621. 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. 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 percent
2011 and thereafter	100 percent.''.

(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 Economic Stimulus Tax Cut 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 Economic Stimulus Tax Cut 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 percent
2011 and thereafter	100 percent.''.

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

SEC. 632. 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. 633. 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. 634. 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. 635. 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. 636. 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 616, 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 641, 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—EXTENSIONS OF EXPIRING PROVISIONS

Subtitle A—In General

SECTION 701. PERMANENT EXTENSION OF RESEARCH CREDIT.

(a) PERMANENT EXTENSION.—

(1) IN GENERAL.—Section 41 (relating to credit for increasing research activities) is amended by striking subsection (h).

(2) CONFORMING AMENDMENT.—Paragraph (1) of section 45C(b) is amended by striking subparagraph (D).

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to amounts paid or incurred after the date of the enactment of this Act.

(b) INCREASE IN RATES OF ALTERNATIVE INCREMENTAL CREDIT.—

(1) IN GENERAL.—Subparagraph (A) of section 41(c)(4) (relating to election of alternative incremental credit) is amended—

(A) by striking ''2.65 percent'' and inserting ''3 percent'',

(B) by striking ''3.2 percent'' and inserting ''4 percent'', and

(C) by striking ''3.75 percent'' and inserting ''5 percent''.

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years ending after the date of the enactment of this Act.

SEC. 702. WORK OPPORTUNITY CREDIT AND WELFARE-TO-WORK CREDIT.

(a) TEMPORARY EXTENSION.—Sections 51(c)(4)(B) and 51A(f) (relating to termination) are each amended by striking ''2001'' and inserting ''2003''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to individuals who begin work for the employer after December 31, 2001.

SEC. 703. TAXABLE INCOME LIMIT ON PERCENTAGE DEPLETION FOR MARGINAL PRODUCTION.

(a) TEMPORARY EXTENSION.—Subparagraph (H) of section 613A(c)(6) is amended by striking ''January 1, 2002'' and inserting ''January 1, 2004''.

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

SEC. 704. SUBPART F EXEMPTION FOR ACTIVE FINANCING INCOME.

(a) TEMPORARY EXTENSION.—Section 953(e)(10) is amended—

(1) by striking ''January 1, 2002'' and inserting ''January 1, 2004'', and

(2) by striking ''December 31, 2001'' and inserting ''December 31, 2003''.

(b) CONFORMING AMENDMENT.—Section 954(h)(9) is amended by striking ''January 1, 2002'' and inserting ''January 1, 2004''.

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

SEC. 705. PARITY IN THE APPLICATION OF CERTAIN LIMITS TO MENTAL HEALTH BENEFITS.

(a) TEMPORARY EXTENSION.—Subsection (f) of section 9812 is amended by striking ''on or after September 30, 2001'' and inserting ''after September 30, 2003''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to benefits for services furnished after September 30, 2001.

SEC. 706. DEDUCTION FOR CLEAN-FUEL VEHICLES AND CERTAIN REFUELING PROPERTY.

(a) TEMPORARY EXTENSION.—Subsection (f) of section 179A is amended by striking ''December 31, 2004'' and inserting ''December 31, 2006''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after December 31, 2004.

SEC. 707. LUXURY TAX ON PASSENGER VEHICLES.

(a) TEMPORARY EXTENSION.—Subsection (g) of section 4001 is amended by striking ''December 31, 2002'' and inserting ''December 31, 2004''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to any sale, use, or installation after December 31, 2002.

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—ALTERNATIVE MINIMUM TAX

Subtitle A—In General

SEC. 801. 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) IN GENERAL.—In the case of an individual, the tentative minimum tax shall be

zero for any taxable year if the adjusted gross income of the taxpayer for the taxable year does not exceed $80,000.

''(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.

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.

TITLE IX—TAX RELIEF FOR ADOPTIVE PARENTS

Subtitle A—In General

SEC. 901. EXPANSION OF ADOPTION CREDIT.

(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) 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 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, 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.—Subsection (c) of section 23 is amended by striking ''the limitation imposed'' and all that follows through ''1400C)'' and inserting ''the applicable tax limitation''.

(2) APPLICABLE TAX LIMITATION.—Subsection (d) of section 23 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) Subsection (a) of section 26 (relating to limitation based on amount of tax) is amended by inserting ''(other than section 23)'' after ''allowed by this subpart''.

(B) Paragraph (1) of section 53(b) (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.

Subtitle B—Compliance With Congressional Budget Act

SEC. 911. 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 X—SELF-EMPLOYED HEALTH INSURANCE DEDUCTION

Subtitle A—In General

SEC. 1001. FULL DEDUCTION FOR HEALTH INSURANCE COSTS OF SELF-EMPLOYED INDIVIDUALS.

(a) IN GENERAL.—Section 162(l)(1) (relating to special rules for health insurance costs of self-employed individuals) is amended to read as follows:

''(1) ALLOWANCE OF DEDUCTION.—In the case of an individual who is an employee within the meaning of section 401(c)(1), there shall be allowed as a deduction under this section an amount equal to the amount paid during the taxable year for insurance which constitutes medical care for the taxpayer, the taxpayer's spouse, and dependents.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2000.

Subtitle B—Compliance With Congressional Budget Act

SEC. 1011. 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 XI—ENERGY SECURITY AND TAX INCENTIVE POLICY

Subtitle A—Energy-Efficient Property Used in Business

SEC. 1101. CREDIT FOR CERTAIN ENERGY-EFFICIENT PROPERTY USED IN BUSINESS.

(a) IN GENERAL.—Subpart E of part IV of subchapter A of chapter 1 (relating to rules for computing investment credit) is amended by inserting after section 48 the following:

''SEC. 48A. ENERGY CREDIT.

''(a) IN GENERAL.—For purposes of section 46, the energy credit for any taxable year is the energy percentage of the basis of each energy property placed in service during such taxable year.

''(b) ENERGY PERCENTAGE.—

''(1) IN GENERAL.—The energy percentage is—

''(A) except as otherwise provided in this subparagraph, 10 percent,

''(B) in the case of energy property described in clauses (i), (iii), and (vi) of subsection (c)(1)(A), 20 percent,

''(C) in the case of energy property described in subsection (c)(1)(A)(v), 15 percent,

''(D) in the case of energy property described in subsection (c)(1)(A)(ii) relating to a high risk geothermal well, 20 percent, and

''(E) in the case of energy property described in subsection (c)(1)(A)(vii), 30 percent.

''(2) COORDINATION WITH REHABILITATION.—The energy percentage shall not apply to that portion of the basis of any property which is attributable to qualified rehabilitation expenditures.

''(c) ENERGY PROPERTY DEFINED.—

''(1) IN GENERAL.—For purposes of this subpart, the term 'energy property' means any property—

''(A) which is—

''(i) solar energy property,

''(ii) geothermal energy property,

''(iii) energy-efficient building property other than property described in clauses (iii)(I) and (v)(I) of subsection (d)(3)(A),

''(iv) combined heat and power system property,

''(v) low core loss distribution transformer property,

''(vi) qualified anaerobic digester property, or

''(vii) qualified wind energy systems equipment property,

''(B)(i) the construction, reconstruction, or erection of which is completed by the taxpayer, or

''(ii) which is acquired by the taxpayer if the original use of such property commences with the taxpayer.

''(C) which can reasonably be expected to remain in operation for at least 5 years,

''(D) with respect to which depreciation (or amortization in lieu of depreciation) is allowable, and

''(E) which meets the performance and quality standards (if any) which—

''(i) have been prescribed by the Secretary by regulations (after consultation with the Secretary of Energy), and

''(ii) are in effect at the time of the acquisition of the property.

''(2) EXCEPTIONS.—

''(A) PUBLIC UTILITY PROPERTY.—Such term shall not include any property which is public utility property (as defined in section 46(f)(5) as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990), except for property described in paragraph (1)(A)(iv).

''(B) CERTAIN WIND EQUIPMENT.—Such term shall not include equipment described in paragraph (1)(A)(vii) which is taken into account for purposes of section 45 for the taxable year.

''(d) DEFINITIONS RELATING TO TYPES OF ENERGY PROPERTY.—For purposes of this section—

''(1) SOLAR ENERGY PROPERTY.—

''(A) IN GENERAL.—The term 'solar energy property' means equipment which uses solar energy to generate electricity, to heat or cool (or provide hot water for use in) a structure, or to provide solar process heat.

''(B) SWIMMING POOLS, ETC. USED AS STORAGE MEDIUM.—The term 'solar energy property' shall not include property with respect to which expenditures are properly allocable to a swimming pool, hot tub, or any other energy storage medium which has a function other than the function of such storage.

''(C) SOLAR PANELS.—No solar panel or other property installed as a roof (or portion thereof) shall fail to be treated as solar energy property solely because it constitutes a structural component of the structure on which it is installed.

''(2) GEOTHERMAL ENERGY PROPERTY.—

''(A) IN GENERAL.—The term 'geothermal energy property' means equipment used to produce, distribute, or use energy derived from a geothermal deposit (within the meaning of section 613(e)(2)), but only, in the case of electricity generated by geothermal power, up to (but not including) the electrical transmission stage.

''(B) HIGH RISK GEOTHERMAL WELL.—The term 'high risk geothermal well' means a geothermal deposit (within the meaning of section 613(e)(2)) which requires high risk drilling techniques. Such deposit may not be located in a State or national park or in an area in which the relevant State park authority or the National Park Service determines the development of such a deposit will negatively impact on a State or national park.

''(3) ENERGY-EFFICIENT BUILDING PROPERTY.—

''(A) IN GENERAL.—The term 'energy-efficient building property' means—

''(i) a fuel cell which—

''(I) generates electricity using an electrochemical process,

''(II) has an electricity-only generation efficiency greater than 30 percent, and

''(III) has a minimum generating capacity of 2 kilowatts,

''(ii) an electric heat pump hot water heater which yields an energy factor of 1.7 or greater under test procedures prescribed by the Secretary of Energy,

''(iii)(I) an electric heat pump which has a heating system performance factor (HSPF) of at least 8.5 but less than 9 and a cooling seasonal energy efficiency ratio (SEER) of at least 13.5 but less than 15,

''(II) an electric heat pump which has a heating system performance factor (HSPF) of 9 or greater and a cooling seasonal energy efficiency ratio (SEER) of 15 or greater,

''(iv) a natural gas heat pump which has a coefficient of performance of not less than 1.25 for heating and not less than 0.70 for cooling,

''(v)(I) a central air conditioner which has a cooling seasonal energy efficiency ratio (SEER) of at least 13.5 but less than 15,

''(II) a central air conditioner which has a cooling seasonal energy efficiency ratio (SEER) of 15 or greater,

''(vi) an advanced natural gas water heater which—

''(I) increases steady state efficiency and reduces standby and vent losses, and

''(II) has an energy factor of at least 0.65,

''(vii) an advanced natural gas furnace which achieves a 90 percent AFUE and rated for seasonal electricity use of less than 300 kWh per year, and

''(viii) natural gas cooling equipment which meets all applicable standards of the American Society of Heating, Refrigerating, and Air Conditioning Engineers and which—

''(I) has a coefficient of performance of not less than .60, or

''(II) uses desiccant technology and has an efficiency rating of not less than 50 percent.

''(B) LIMITATIONS.—The credit under subsection (a) for the taxable year may not exceed—

''(i) $500 in the case of property described in subparagraph (A) other than clauses (i), (iv), and (viii) thereof,

''(ii) $1,000 for each kilowatt of capacity in the case of any fuel cell described in subparagraph (A)(i),

''(iii) $1,000 in the case of any natural gas heat pump described in subparagraph (A)(iv), and

''(iv) $150 for each ton of capacity in the case of any natural gas cooling equipment described in subparagraph (A)(viii).

''(4) COMBINED HEAT AND POWER SYSTEM PROPERTY.—

''(A) IN GENERAL.—The term 'combined heat and power system property' means property—

''(i) comprising a system for the same energy source for the simultaneous or sequential generation of electrical power, mechanical shaft power, or both, in combination with steam, heat, or other forms of useful energy,

''(ii) which has an electrical capacity of more than 50 kilowatts or a mechanical energy capacity of more than 67 horsepower or an equivalent combination of electrical and mechanical energy capacities,

''(iii) which produces—

''(I) at least 20 percent of its total useful energy in the form of thermal energy, and

''(II) at least 20 percent of its total useful energy in the form of electrical or mechanical power (or a combination thereof), and

''(iv) the energy efficiency percentage of which exceeds—

''(I) 60 percent in the case of a system with an electrical capacity of less than 1 megawatt),

''(II) 65 percent in the case of a system with an electrical capacity of not less than 1 megawatt and not in excess of 50 megawatts), and

''(III) 70 percent in the case of a system with an electrical capacity in excess of 50 megawatts).

''(B) SPECIAL RULES.—

''(i) ENERGY EFFICIENCY PERCENTAGE.—For purposes of subparagraph (A)(iv), the energy efficiency percentage of a system is the fraction—

''(I) the numerator of which is the total useful electrical, thermal, and mechanical power produced by the system at normal operating rates, and

''(II) the denominator of which is the lower heating value of the primary fuel source for the system.

''(ii) DETERMINATIONS MADE ON BTU BASIS.—The energy efficiency percentage and the percentages under subparagraph (A)(iii) shall be determined on a Btu basis.

''(iii) INPUT AND OUTPUT PROPERTY NOT INCLUDED.—The term 'combined heat and power system property' does not include property used to transport the energy source to the facility or to distribute energy produced by the facility.

''(iv) ACCOUNTING RULE FOR PUBLIC UTILITY PROPERTY.—If the combined heat and power system property is public utility property (as defined in section 46(f)(5) as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990), the taxpayer may only claim the credit under subsection (a)(1) if, with respect to such property, the taxpayer uses a normalization method of accounting.

''(5) LOW CORE LOSS DISTRIBUTION TRANSFORMER PROPERTY.—The term 'low core loss distribution transformer property' means a distribution transformer which has energy savings from a highly efficient core of at least 20 percent more than the average for power ratings reported by studies required under section 124 of the Energy Policy Act of 1992.

''(6) QUALIFIED ANAEROBIC DIGESTER PROPERTY.—The term 'qualified anaerobic digester property' means an anaerobic digester for manure or crop waste which achieves at least 65 percent efficiency measured in terms of the fraction of energy input converted to electricity and useful thermal energy.

''(7) QUALIFIED WIND ENERGY SYSTEMS EQUIPMENT PROPERTY.—The term 'qualified wind energy systems equipment property' means wind energy systems equipment with a turbine size of not more than 75 kilowatts rated capacity.

''(e) SPECIAL RULES.—For purposes of this section—

''(1) SPECIAL RULE FOR PROPERTY FINANCED BY SUBSIDIZED ENERGY FINANCING OR INDUSTRIAL DEVELOPMENT BONDS.—

''(A) REDUCTION OF BASIS.—For purposes of applying the energy percentage to any property, if such property is financed in whole or in part by—

''(i) subsidized energy financing, or

''(ii) the proceeds of a private activity bond (within the meaning of section 141) the interest on which is exempt from tax under section 103, the amount taken into account as the basis of such property shall not exceed the amount which (but for this subparagraph) would be so taken into account multiplied by the fraction determined under subparagraph (B).

''(B) DETERMINATION OF FRACTION.—For purposes of subparagraph (A), the fraction determined under this subparagraph is 1 reduced by a fraction—

''(i) the numerator of which is that portion of the basis of the property which is allocable to such financing or proceeds, and

''(ii) the denominator of which is the basis of the property.

''(C) SUBSIDIZED ENERGY FINANCING.—For purposes of subparagraph (A), the term 'subsidized energy financing' means financing provided under a Federal, State, or local program a principal purpose of which is to provide subsidized financing for projects designed to conserve or produce energy.

''(2) CERTAIN PROGRESS EXPENDITURE RULES MADE APPLICABLE.—Rules similar to the rules of subsections (c)(4) and (d) of section 46 (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990) shall apply for purposes of this section.

''(f) APPLICATION OF SECTION.—

''(1) IN GENERAL.—Except as provided by paragraph (2), this section shall apply to property placed in service after December 31, 2001, and before January 1, 2009.

''(2) EXCEPTIONS.—

''(A) SOLAR ENERGY AND GEOTHERMAL ENERGY PROPERTY.—Paragraph (1) shall not apply to solar energy property or geothermal energy property.

''(B) CERTAIN ELECTRIC HEAT PUMPS AND CENTRAL AIR CONDITIONERS.—In the case of property which is described in subsection (d)(3)(A)(iii)(I) or (d)(3)(A)(v)(I), this section shall apply to property placed in service after December 31, 2001, and before January 1, 2006.''.

(b) CONFORMING AMENDMENTS.—

(1) Section 48 is amended to read as follows:

''SEC. 48. REFORESTATION CREDIT.

''(a) IN GENERAL.—For purposes of section 46, the reforestation credit for any taxable year is 20 percent of the portion of the amortizable basis of any qualified timber property which was acquired during such taxable year and which is taken into account under section 194 (after the application of section 194(b)(1)).

''(b) DEFINITIONS.—For purposes of this subpart, the terms 'amortizable basis' and 'qualified timber property' have the respective meanings given to such terms by section 194.''.

(2) Section 39(d), as amended by this Act, is amended by adding at the end the following:

''(12) NO CARRYBACK OF ENERGY CREDIT BEFORE EFFECTIVE DATE.—No portion of the unused business credit for any taxable year which is attributable to the energy credit determined under section 48A may be carried back to a taxable year ending before January 1, 2002.''.

(3) Section 280C is amended by adding at the end the following:

''(d) CREDIT FOR ENERGY PROPERTY EXPENSES.—

''(1) IN GENERAL.—No deduction shall be allowed for that portion of the expenses for energy property (as defined in section 48A(c)) 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 48A(a).

''(2) SIMILAR RULE WHERE TAXPAYER CAPITALIZES RATHER THAN DEDUCTS EXPENSES.—If—

''(A) the amount of the credit allowable for the taxable year under section 48A (determined without regard to section 38(c)), exceeds

''(B) the amount allowable as a deduction for the taxable year for expenses for energy property (determined without regard to paragraph (1)), the amount chargeable to capital account for the taxable year for such expenses shall be reduced by the amount of such excess.

''(3) CONTROLLED GROUPS.—Paragraph (3) of subsection (b) shall apply for purposes of this subsection.''.

(4) Section 29(b)(3)(A)(i)(III) is amended by striking 'section 48(a)(4)(C)' and inserting 'section 48A(e)(1)(C)'.

(5) Section 50(a)(2)(E) is amended by striking 'section 48(a)(5)' and inserting 'section 48A(e)(2)'.

(6) Section 168(e)(3)(B) is amended—

(A) by striking clause (vi)(I) and inserting the following:

''(I) is described in paragraph (1) or (2) of section 48A(d) (or would be so described if 'solar and wind' were substituted for 'solar' in paragraph (1)(B)),'', and

(B) in the last sentence by striking ''section 48(a)(3)'' and inserting ''section 48A(c)(2)(A)''.

(c) CLERICAL AMENDMENT.—The table of sections for subpart E of part IV of subchapter A of chapter 1 is amended by striking the item relating to section 48 and inserting the following:

''Sec. 48. Reforestation credit.
''Sec. 48A. Energy credit.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after December 31, 2001, under rules similar to the rules of section 48(m) of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990).

SEC. 1102. ENERGY-EFFICIENT COMMERCIAL BUILDING PROPERTY DEDUCTION.

(a) IN GENERAL.—Part VI of subchapter B of chapter 1 (relating to itemized deductions for individuals and corporations) is amended by adding at the end the following:

''SEC. 199. ENERGY-EFFICIENT COMMERCIAL BUILDING PROPERTY.

''(a) IN GENERAL.—There shall be allowed as a deduction for the taxable year an amount equal to the energy-efficient commercial building property expenditures made by a taxpayer for the taxable year.

''(b) MAXIMUM AMOUNT OF DEDUCTION.—The amount of energy-efficient commercial building property expenditures taken into account under subsection (a) shall not exceed an amount equal to the product of—

''(1) $2.25, and

''(2) the square footage of the building with respect to which the expenditures are made.

''(c) YEAR DEDUCTION ALLOWED.—The deduction under subsection (a) shall be allowed in the taxable year in which the construction of the building is completed.

''(d) ENERGY-EFFICIENT COMMERCIAL BUILDING PROPERTY EXPENDITURES.—For purposes of this section—

''(1) IN GENERAL.—The term 'energy-efficient commercial building property expenditures' means an amount paid or incurred for energy-efficient commercial building property installed on or in connection with new construction or reconstruction of property—

''(A) for which depreciation is allowable under section 167,

''(B) which is located in the United States, and

''(C) the construction or erection of which is completed by the taxpayer.

Such property includes all residential rental property, including low-rise multifamily structures and single family housing property which is not within the scope of Standard 90.1–1999 (described in paragraph (3)).

''(2) LABOR COSTS INCLUDED.—Such term includes expenditures for labor costs properly allocable to the onsite preparation, assembly, or original installation of the property.

''(3) ENERGY EXPENDITURES EXCLUDED.—Such term does not include any expenditures taken into account in determining any credit allowed under section 48A.

''(e) ENERGY-EFFICIENT COMMERCIAL BUILDING PROPERTY.—For purposes of subsection (d)—

''(1) IN GENERAL.—The term 'energy-efficient commercial building property' means any property which reduces total annual energy and power costs with respect to the lighting, heating, cooling, ventilation, and hot water supply systems of the building by 50 percent or more in comparison to a reference building which meets the requirements of Standard 90.1–1999 of the American Society of Heating, Refrigerating, and Air Conditioning Engineers and the Illuminating Engineering Society of North America using methods of calculation under subparagraph (B) and certified by qualified professionals as provided under paragraph (6).

''(2) METHODS OF CALCULATION.—The Secretary, in consultation with the Secretary of Energy, shall promulgate regulations which describe in detail methods for calculating and verifying energy and power consumption and cost, taking into consideration the provisions of the 1998 California Nonresidential ACM Manual. These procedures shall meet the following requirements:

''(A) In calculating tradeoffs and energy performance, the regulations shall prescribe the costs per unit of energy and power, such as kilowatt hour, kilowatt, gallon of fuel oil, and cubic foot or Btu of natural gas, which may be dependent on time of usage.

''(B) The calculational methodology shall require that compliance be demonstrated for a whole building. If some systems of the building, such as lighting, are designed later than other systems of the building, the method shall provide that either—

''(i) the expenses taken into account under paragraph (1) shall not occur until the date designs for all energy-using systems of the building are completed, or

''(ii) the expenses taken into account under paragraph (1) shall be a fraction of such expenses based on the performance of less than all energy-using systems in accordance with subparagraph (C), and the energy performance of all systems and components not yet designed shall be assumed to comply minimally with the requirements of such Standard 90.1–1999.

''(C) The expenditures in connection with the design of subsystems in the building, such as the envelope, the heating, ventilation, air conditioning and water heating system, and the lighting system shall be allocated to the appropriate building subsystem based on system-specific energy cost savings targets in regulations promulgated by the Secretary of Energy which are equivalent, using the calculation methodology, to the whole building requirement of 50 percent savings.

''(D) The calculational methods under this paragraph need not comply fully with section 11 of such Standard 90.1–1999.

''(E) The calculational methods shall be fuel neutral, such that the same energy efficiency features shall qualify a building for the deduction under this section regardless of whether the heating source is a gas or oil furnace or an electric heat pump.

''(F) The calculational methods shall provide appropriate calculated energy savings for design methods and technologies not otherwise credited in either such Standard 90.1–1999 or in the 1998 California Nonresidential ACM Manual, including the following:

''(i) Natural ventilation.

''(ii) Evaporative cooling.

''(iii) Automatic lighting controls such as occupancy sensors, photocells, and timeclocks.

''(iv) Daylighting.

''(v) Designs utilizing semi-conditioned spaces which maintain adequate comfort conditions without air conditioning or without heating.

''(vi) Improved fan system efficiency, including reductions in static pressure.

''(vii) Advanced unloading mechanisms for mechanical cooling, such as multiple or variable speed compressors.

''(viii) The calculational methods may take into account the extent of commissioning in the building, and allow the taxpayer to take into account measured performance which exceeds typical performance.

''(3) COMPUTER SOFTWARE.—

''(A) IN GENERAL.—Any calculation under this subsection shall be prepared by qualified computer software.

''(B) QUALIFIED COMPUTER SOFTWARE.—For purposes of this paragraph, the term 'qualified computer software' means software—

''(i) for which the software designer has certified that the software meets all procedures and detailed methods for calculating energy and power consumption and costs as required by the Secretary,

''(ii) which provides such forms as required to be filed by the Secretary in connection with energy efficiency of property and the deduction allowed under this section, and

''(iii) which provides a notice form which summarizes the energy efficiency features of the building and its projected annual energy costs.

''(4) ALLOCATION OF DEDUCTION FOR PUBLIC PROPERTY.—In the case of energy-efficient commercial building property installed on or in public property, the Secretary shall promulgate a regulation to allow the allocation of the deduction to the person primarily responsible for designing the property in lieu of the public entity which is the owner of such property. Such person shall be treated as the taxpayer for purposes of this section.

''(5) NOTICE TO OWNER.—The qualified individual shall provide an explanation to the owner of the building regarding the energy efficiency features of the building and its projected annual energy costs as provided in the notice under paragraph (3)(B)(iii).

''(6) CERTIFICATION.—

''(A) IN GENERAL.—Except as provided in this paragraph, the Secretary, in consultation with the Secretary of Energy, shall establish requirements for certification and compliance procedures similar to the procedures under section 45H(d).

''(B) QUALIFIED INDIVIDUALS.—Individuals qualified to determine compliance shall be only those individuals who are recognized by an organization certified by the Secretary for such purposes.

''(C) PROFICIENCY OF QUALIFIED INDIVIDUALS.—The Secretary shall consult with nonprofit organizations and State agencies with expertise in energy efficiency calculations and inspections to develop proficiency tests and training programs to qualify individuals to determine compliance.

''(f) TERMINATION.—This section shall not apply with respect to any energy-efficient commercial building property expenditures in connection with property—

''(1) the plans for which are not certified under subsection (e)(6) on or before December 31, 2006, and

''(2) the construction of which is not completed on or before December 31, 2008.''.

(b) CONFORMING AMENDMENTS.—Section 1016(a) is amended by striking ''and'' at the end of paragraph (26), by striking the period at the end of paragraph (27) and inserting '', and'', and by inserting the following:

''(28) for amounts allowed as a deduction under section 199(a).''.

(c) CLERICAL AMENDMENT.—The table of sections for part VI of subchapter B of chapter 1 is amended by adding at the end the following:

''Sec. 199. Energy-efficient commercial building property.''.

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

SEC. 1103. CREDIT FOR ENERGY-EFFICIENT APPLIANCES.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business-related credits), as amended by this Act, is amended by adding at the end the following:

''SEC. 45G. ENERGY-EFFICIENT APPLIANCE CREDIT.

''(a) GENERAL RULE.—For purposes of section 38, the energy-efficient appliance credit determined under this section for the taxable year is an amount equal to the applicable amount determined under subsection (b) with respect to qualified energy-efficient appliances produced by the taxpayer during the calendar year ending with or within the taxable year.

''(b) APPLICABLE AMOUNT.—For purposes of subsection (a), the applicable amount determined under this subsection with respect to a taxpayer is the sum of—

''(1) in the case of an energy-efficient clothes washer described in subsection (d)(2)(A) or an energy-efficient refrigerator described in subsection (d)(3)(B)(i), an amount equal to—

''(A) $50, multiplied by

''(B) the number of such washers and refrigerators produced by the taxpayer during such calendar year, and

''(2) in the case of an energy-efficient clothes washer described in subsection (d)(2)(B) or an energy-efficient refrigerator described in subsection (d)(3)(B)(ii), an amount equal to—

''(A) $100, multiplied by

''(B) the number of such washers and refrigerators produced by the taxpayer during such calendar year.

''(c) LIMITATION ON MAXIMUM CREDIT.—

''(1) IN GENERAL.—The maximum amount of credit allowed under subsection (a) with respect to a taxpayer for all taxable years shall be—

''(A) $30,000,000 with respect to the credit determined under subsection (b)(1), and

''(B) $30,000,000 with respect to the credit determined under subsection (b)(2).

''(2) LIMITATION BASED ON GROSS RECEIPTS.—The credit allowed under subsection (a) with respect to a taxpayer for the taxable year shall not exceed an amount equal to 2 percent of the average annual gross receipts of the taxpayer for the 3 taxable years preceding the taxable year in which the credit is determined.

''(3) GROSS RECEIPTS.—For purposes of this subsection, the rules of paragraphs (2) and (3) of section 448(c) shall apply.

''(d) QUALIFIED ENERGY-EFFICIENT APPLIANCE.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified energy-efficient appliance' means—

''(A) an energy-efficient clothes washer, or

''(B) an energy-efficient refrigerator.

''(2) ENERGY-EFFICIENT CLOTHES WASHER.—The term 'energy-efficient clothes washer' means a residential clothes washer, including a residential style coin operated washer, which is manufactured with—

''(A) a 1.26 Modified Energy Factor (referred to in this paragraph as 'MEF') (as determined by the Secretary of Energy), or

''(B) a 1.42 MEF (as determined by the Secretary of Energy) (1.5 MEF for calendar years beginning after 2004).

''(3) ENERGY-EFFICIENT REFRIGERATOR.—The term 'energy-efficient refrigerator' means an automatic defrost refrigerator-freezer which—

''(A) has an internal volume of at least 16.5 cubic feet, and

''(B) consumes—

''(i) 10 percent less kWh per year than the energy conservation standards promulgated by the Department of Energy for such refrigerator for 2001, or

''(ii) 15 percent less kWh per year than such energy conservation standards.

''(e) SPECIAL RULES.—

''(1) IN GENERAL.—Rules similar to the rules of subsections (c), (d), and (e) of section 52 shall apply for purposes of this section.

''(2) AGGREGATION RULES.—All persons treated as a single employer under subsection (a) or (b) of section 52 or subsection (m) or (o) of section 414 shall be treated as one person for purposes of subsection (a).

''(f) VERIFICATION.—The taxpayer shall submit such information or certification as the Secretary, in consultation with the Secretary of Energy, determines necessary to claim the credit amount under subsection (a).

''(g) TERMINATION.—This section shall not apply—

''(1) with respect to energy-efficient refrigerators described in subsection (d)(3)(B)(i) produced in calendar years beginning after 2005, and

''(2) with respect to all other qualified energy-efficient appliances produced in calendar years beginning after 2007.''.

(b) LIMITATION ON CARRYBACK.—Section 39(d) (relating to transition rules), as amended by section 1101(b)(2), is amended by adding at the end the following:

''(13) NO CARRYBACK OF ENERGY-EFFICIENT APPLIANCE CREDIT BEFORE 2002.—No portion of the unused business credit for any taxable year which is attributable to the energy-efficient appliance credit determined under section 45G may be carried to a taxable year beginning before January 1, 2002.''.

(c) DENIAL OF DOUBLE BENEFIT.—Section 280C (relating to certain expenses for which credits are allowable), as amended by section 1102(b)(3), is amended by adding at the end the following:

''(e) CREDIT FOR ENERGY-EFFICIENT APPLIANCE EXPENSES.—No deduction shall be allowed for that portion of the expenses for qualified energy-efficient appliances (as defined in section 45G(d)) 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).''.

(d) CONFORMING AMENDMENT.—Section 38(b), as amended by this Act, (relating to general business credit) is amended by striking ''plus'' at the end of paragraph (14), by striking the period at the end of paragraph (15) and inserting '', plus'', and by adding at the end the following:

''(16) the energy-efficient appliance credit determined under section 45G(a).''.

(e) CLERICAL AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1, as amended by this Act, is amended by inserting after the item relating to section 45F the following:

''Sec. 45G. Energy-efficient appliance credit.''.

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

Subtitle B—Residential Energy Systems

SEC. 1111. CREDIT FOR CONSTRUCTION OF NEW ENERGY-EFFICIENT HOME.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits), as amended by section 1103(a), is amended by inserting after section 45G the following:

''SEC. 45H. NEW ENERGY-EFFICIENT HOME CREDIT.

''(a) IN GENERAL.—For purposes of section 38, in the case of an eligible contractor, the credit determined under this section for the taxable year is an amount equal to the aggregate adjusted bases of all energy-efficient property installed in a qualified new energy-efficient home during construction of such home.

''(b) LIMITATIONS.—

''(1) MAXIMUM CREDIT.—

''(A) IN GENERAL.—The credit allowed by this section with respect to a dwelling shall not exceed—

''(i) in the case of a dwelling described in subsection (c)(3)(D)(i), $1,500, and

''(ii) in the case of a dwelling described in subsection (c)(3)(D)(ii), $2,500.

''(B) PRIOR CREDIT AMOUNTS ON SAME DWELLING TAKEN INTO ACCOUNT.—If a credit was allowed under subsection (a) with respect to a dwelling in 1 or more prior taxable years, the amount of the credit otherwise allowable for the taxable year with respect to that dwelling shall not exceed the amount under clause (i) or (ii) (as the case may be), reduced by the sum of the credits allowed under subsection (a) with respect to the dwelling for all prior taxable years.

''(2) COORDINATION WITH REHABILITATION AND ENERGY CREDITS.—For purposes of this section—

''(A) the basis of any property referred to in subsection (a) shall be reduced by that portion of the basis of any property which is attributable to qualified rehabilitation expenditures (as defined in section 47(c)(2)) or to the energy percentage of energy property (as determined under section 48A(a)), and

''(B) expenditures taken into account under either section 47 or 48A(a) shall not be taken into account under this section.

''(c) DEFINITIONS.—For purposes of this section—

''(1) ELIGIBLE CONTRACTOR.—The term 'eligible contractor' means the person who constructed the new energy-efficient home, or in the case of a manufactured home which conforms to Federal Manufactured Home Construction and Safety Standards (24 C.F.R. 3280), the manufactured home producer of such home.

''(2) ENERGY-EFFICIENT PROPERTY.—The term 'energy-efficient property' means any energy-efficient building envelope component, and any energy-efficient heating or cooling equipment which can, individually or in combination with other components, meet the requirements of this section.

''(3) QUALIFIED NEW ENERGY-EFFICIENT HOME.—The term 'qualified new energy-efficient home' means a dwelling—

''(A) located in the United States,

''(B) the construction of which is substantially completed after December 31, 2000,

''(C) the original use of which is as a principal residence (within the meaning of section 121) which commences with the person who acquires such dwelling from the eligible contractor, and

''(D) which is certified to have a projected level of annual heating and cooling energy consumption, measured in terms of average annual energy cost to the homeowner which is at least—

''(i) 30 percent less than the annual level of heating and cooling energy consumption of a reference dwelling constructed in accordance with the standards of chapter 4 of the 2000 International Energy Conservation Code, or

''(ii) 50 percent less than such annual level of heating and cooling energy consumption.

''(4) CONSTRUCTION.—The term 'construction' includes reconstruction and rehabilitation.

''(5) ACQUIRE.—The term 'acquire' includes purchase and, in the case of reconstruction and rehabilitation, such term includes a binding written contract for such reconstruction or rehabilitation.

''(6) BUILDING ENVELOPE COMPONENT.—The term 'building envelope component' means—

''(A) insulation material or system which is specifically and primarily designed to reduce the heat loss or gain of a dwelling when installed in or on such dwelling, and

''(B) exterior windows (including skylights) and doors.

''(7) MANUFACTURED HOME INCLUDED.—The term 'dwelling' includes a manufactured home conforming to Federal Manufactured Home Construction and Safety Standards (24 C.F.R. 3280).

''(d) CERTIFICATION.—

''(1) METHOD.—A certification described in subsection (c)(3)(D) shall be determined on the basis of 1 of the following methods:

''(A) A component-based method, using the applicable technical energy efficiency specifications or ratings (including product labeling requirements) for the energy-efficient building envelope component or energy-efficient heating or cooling equipment. The Secretary shall, in consultation with the Administrator of the Environmental Protection Agency, develop prescriptive component-based packages that are equivalent in energy performance to properties that qualify under subparagraph (B).

''(B) An energy performance-based method that calculates projected energy usage and cost reductions in the dwelling in relation to a reference dwelling—

''(i) heated by the same energy source and heating system type, and

''(ii) constructed in accordance with the standards of chapter 4 of the 2000 International Energy Conservation Code.

Computer software shall be used in support of an energy performance-based method certification under subparagraph (B). Such software shall meet procedures and methods for calculating energy and cost savings in regulations promulgated by the Secretary of Energy. Such regulations on the specifications for software and verification protocols shall be based on the 1998 California Residential Alternative Calculation Method Approval Manual.

''(2) PROVIDER.—Such certification shall be provided by—

''(A) in the case of a method described in paragraph (1)(A), a local building regulatory authority, a utility, a manufactured home production inspection primary inspection agency (IPIA), or a home energy rating organization, or

''(B) in the case of a method described in paragraph (1)(B), an individual recognized by an organization designated by the Secretary for such purposes.

''(3) FORM.—

''(A) IN GENERAL.—Such certification shall be made in writing in a manner that specifies in readily verifiable fashion the energy-efficient building envelope components and energy-efficient heating or cooling equipment installed and their respective rated energy efficiency performance, and in the case of a method described in paragraph (1)(B), accompanied by written analysis documenting the proper application of a permissible energy performance calculation method to the specific circumstances of such dwelling.

''(B) FORM PROVIDED TO BUYER.—A form documenting the energy-efficient building envelope components and energy-efficient heating or cooling equipment installed and their rated energy efficiency performance shall be provided to the buyer of the dwelling. The form shall include labeled R-value for insulation products, NFRC-labeled U-factor and Solar Heat Gain Coefficient for windows, skylights, and doors, labeled AFUE ratings for furnaces and boilers, labeled HSPF ratings for electric heat pumps, and labeled SEER ratings for air conditioners.

''(C) RATINGS LABEL AFFIXED IN DWELLING.—A permanent label documenting the ratings in subparagraph (B) shall be affixed to the front of the electrical distribution panel of the dwelling, or shall be otherwise permanently displayed in a readily inspectable location in the dwelling.

''(4) REGULATIONS.—

''(A) IN GENERAL.—In prescribing regulations under this subsection for energy performance-based certification methods, the Secretary, after examining the requirements for energy consultants and home energy ratings providers specified by the Mortgage Industry National Accreditation Procedures for Home Energy Rating Systems, shall prescribe procedures for calculating annual energy usage and cost reductions for heating and cooling and for the reporting of the results. Such regulations shall—

''(i) provide that any calculation procedures be fuel neutral such that the same energy efficiency measures allow a home to qualify for the credit under this section regardless of whether the dwelling uses a gas or oil furnace or boiler or an electric heat pump, and

''(ii) require that any computer software allow for the printing of the Federal tax forms necessary for the credit under this section and for the printing of forms for disclosure to the homebuyer.

''(B) PROVIDERS.—For purposes of paragraph (2)(B), the Secretary shall establish requirements for the designation of individuals based on the requirements for energy consultants and home energy raters specified by the Mortgage Industry National Accreditation Procedures for Home Energy Rating Systems.

''(e) BASIS ADJUSTMENT.—For purposes of this subtitle, if a credit is allowed under this section for any expenditure with respect to any property, the increase in the basis of such property which would (but for this subsection) result from such expenditure shall be reduced by the amount of the credit so allowed.

''(f) TERMINATION.—Subsection (a) shall apply to dwellings purchased during the period beginning on January 1, 2001, and ending on December 31, 2005.''.

(b) CREDIT MADE PART OF GENERAL BUSINESS CREDIT.—Subsection (b) of section 38 (relating to current year business credit), as amended by section 1103(d), is amended by striking ''plus'' at the end of paragraph (15), by striking the period at the end of paragraph (16) and inserting '', plus'', and by adding at the end the following:

''(17) the new energy-efficient home credit determined under section 45H.''.

(c) DENIAL OF DOUBLE BENEFIT.—Section 280C (relating to certain expenses for which credits are allowable), as amended by section 1103(c), is amended by adding at the end the following:

''(f) NEW ENERGY-EFFICIENT HOME EXPENSES.—No deduction shall be allowed for that portion of expenses for a new energy-efficient home 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 45H.''.

(d) CREDIT ALLOWED AGAINST REGULAR AND MINIMUM TAX.—

(1) IN GENERAL.—Subsection (c) of section 38 (relating to limitation based on amount of tax) is amended by redesignating paragraph (3) as paragraph (4) and by inserting after paragraph (2) the following new paragraph:

''(3) SPECIAL RULES FOR NEW ENERGY EFFICIENT HOME CREDIT.—

''(A) IN GENERAL.—In the case of the new energy efficient home credit—

''(i) this section and section 39 shall be applied separately with respect to the credit, and

''(ii) in applying paragraph (1) to the credit—

''(I) subparagraphs (A) and (B) thereof shall not apply, and

''(II) the limitation under paragraph (1) (as modified by subclause (I)) shall be reduced

by the credit allowed under subsection (a) for the taxable year (other than the new energy efficient home credit).

''(B) NEW ENERGY EFFICIENT HOME CREDIT.—For purposes of this subsection, the term 'new energy efficient home credit' means the credit allowable under subsection (a) by reason of section 45H.''.

(2) CONFORMING AMENDMENT.—Subclause (II) of section 38(c)(2)(A)(ii) is amended by inserting ''or the new energy efficient home credit'' after ''employment credit''.

(e) LIMITATION ON CARRYBACK.—Subsection (d) of section 39, as amended by section 1103(b), is amended by adding at the end the following:

''(14) NO CARRYBACK OF NEW ENERGY-EFFICIENT HOME CREDIT BEFORE EFFECTIVE DATE.—No portion of the unused business credit for any taxable year which is attributable to the credit determined under section 45H may be carried back to any taxable year ending before January 1, 2001.''.

(f) DEDUCTION FOR CERTAIN UNUSED BUSINESS CREDITS.—Subsection (c) of section 196 is amended by striking ''and'' at the end of paragraph (7), by striking the period at the end of paragraph (8) and inserting '', and'', and by adding after paragraph (8) the following:

''(9) the new energy-efficient home credit determined under section 45H.''.

(g) CLERICAL AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1, as amended by section 1103(d), is amended by inserting after the item relating to section 45G the following:

''Sec. 45H. New energy-efficient home credit.''.

(h) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after December 31, 2000.

SEC. 1112. CREDIT FOR ENERGY EFFICIENCY IMPROVEMENTS TO EXISTING HOMES.

(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 (relating to nonrefundable personal credits), as amended by this Act, is amended by inserting after section 25C the following new section:

''SEC. 25D. ENERGY EFFICIENCY IMPROVEMENTS TO EXISTING HOMES.

''(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 20 percent of the amount paid or incurred by the taxpayer for qualified energy efficiency improvements installed during such taxable year.

''(b) LIMITATIONS.—

''(1) MAXIMUM CREDIT.—The credit allowed by this section with respect to a dwelling shall not exceed $2,000.

''(2) PRIOR CREDIT AMOUNTS FOR TAXPAYER ON SAME DWELLING TAKEN INTO ACCOUNT.—If a credit was allowed to the taxpayer under subsection (a) with respect to a dwelling in 1 or more prior taxable years, the amount of the credit otherwise allowable for the taxable year with respect to that dwelling shall not exceed the amount of $2,000 reduced by the sum of the credits allowed under subsection (a) to the taxpayer with respect to the dwelling for all prior taxable years.

''(c) CARRYFORWARD OF UNUSED CREDIT.—If the credit allowable under subsection (a) exceeds the limitation imposed by section 26(a) for such taxable year reduced by the sum of the credits allowable under subpart A of part IV of subchapter A (other than this section), 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 ENERGY EFFICIENCY IMPROVEMENTS.—For purposes of this section, the term 'qualified energy efficiency improvements' means any energy efficient building envelope component which is certified to meet or exceed the prescriptive criteria for such component in the 2000 International Energy Conservation Code, or any combination of energy efficiency measures which achieves at least a 30 percent reduction in heating and cooling energy usage for the dwelling (as measured in terms of energy cost to the taxpayer), if—

''(1) such component or combinations of measures is installed in or on a dwelling—

''(A) located in the United States, and

''(B) owned and used by the taxpayer as the taxpayer's principal residence (within the meaning of section 121),

''(2) the original use of such component or combination of measures commences with the taxpayer, and

''(3) such component or combination of measures reasonably can be expected to remain in use for at least 5 years.

''(e) CERTIFICATION.—The certification described in subsection (d) shall be—

''(1) in the case of any component described in subsection (d), determined on the basis of applicable energy efficiency ratings (including product labeling requirements) for affected building envelope components,

''(2) in the case of combinations of measures described in subsection (d), determined by the performance-based methods described in section 45H(d),

''(3) provided by a third party, such as a local building regulatory authority, a utility, a manufactured home production inspection primary inspection agency (IPIA), or a home energy rating organization, consistent with the requirements of section 45H(d)(2), and

''(4) made in writing on forms which specify in readily inspectable fashion the energy-efficient components and other measures and their respective efficiency ratings, and which shall include a permanent label affixed to the electrical distribution panel as described in section 45H(d)(3)(C).

''(f) DEFINITIONS AND SPECIAL RULES.—

''(1) DOLLAR AMOUNTS IN CASE OF JOINT OCCUPANCY.—In the case of any dwelling unit which is jointly occupied and used during any calendar year as a residence by 2 or more individuals the following shall apply:

''(A) The amount of the credit allowable under subsection (a) by reason of expenditures for the qualified energy efficiency improvements made during such calendar year by any of such individuals with respect to such dwelling unit shall be determined by treating all of such individuals as 1 taxpayer whose taxable year is such calendar year.

''(B) There shall be allowable with respect to such expenditures to each of such individuals, a credit under subsection (a) for the taxable year in which such calendar year ends in an amount which bears the same ratio to the amount determined under subparagraph (A) as the amount of such expenditures made by such individual during such calendar year bears to the aggregate of such expenditures made by all of such individuals during such calendar year.

''(2) TENANT-STOCKHOLDER IN COOPERATIVE HOUSING CORPORATION.—In the case of an individual who is a tenant-stockholder (as defined in section 216) in a cooperative housing corporation (as defined in such section), such individual shall be treated as having paid his tenant-stockholder's proportionate share (as defined in section 216(b)(3)) of the cost of qualified energy efficiency improvements made by such corporation.

''(3) CONDOMINIUMS.—

''(A) IN GENERAL.—In the case of an individual who is a member of a condominium management association with respect to a condominium which he owns, such individual shall be treated as having paid his proportionate share of the cost of qualified energy efficiency improvements made by such association.

''(B) CONDOMINIUM MANAGEMENT ASSOCIATION.—For purposes of this paragraph, the term 'condominium management association' means an organization which meets the requirements of paragraph (1) of section 528(c) (other than subparagraph (E) thereof) with respect to a condominium project substantially all of the units of which are used as residences.

''(4) BUILDING ENVELOPE COMPONENT.—The term 'building envelope component' means—

''(A) insulation material or system which is specifically and primarily designed to reduce the heat loss or gain or a dwelling when installed in or on such dwelling, and

''(B) exterior windows (including skylights) and doors.

''(5) MANUFACTURED HOMES INCLUDED.—For purposes of this section, the term 'dwelling' includes a manufactured home which conforms to Federal Manufactured Home Construction and Safety Standards (24 C.F.R. 3280).

''(g) BASIS ADJUSTMENT.—For purposes of this subtitle, if a credit is allowed under this section for any expenditure with respect to any property, the increase in the basis of such property which would (but for this subsection) result from such expenditure shall be reduced by the amount of the credit so allowed.

''(h) TERMINATION.—Subsection (a) shall apply to qualified energy efficiency improvements installed during the period beginning on the date of the enactment of this section and ending on December 31, 2005.''.

(b) CONFORMING AMENDMENTS.—

(1) Subsection (c) of section 23, as amended by this Act, is amended by inserting ''25D,'' after ''25C,''.

(2) Subparagraph (C) of section 25(e)(1), as amended by this Act, is amended by inserting ''25D,'' after ''25C,''.

(3) Subsection (h) of section 904, as amended by this Act, is amended by by striking ''or 25C'' and inserting '', 25C, or 25D''.

(4) Subsection (d) of section 1400C is amended by inserting ''and section 25C'' and inserting '', section 25C, and section 25D''.

(4) Subsection (a) of section 1016, as amended by section 1102(b), is amended by striking ''and'' at the end of paragraph (27), by striking the period at the end of paragraph (28) and inserting ''; and'', and by adding at the end the following:

''(29) to the extent provided in section 25D(f), in the case of amounts with respect to which a credit has been allowed under section 25D.''.

(5) The table of sections for subpart A of part IV of subchapter A of chapter 1, as amended by this Act, is amended by inserting after the item relating to section 25C the following new item:

''Sec. 25D. Energy efficiency improvements to existing homes.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending on or after the date of the enactment of this Act.

SEC. 1113. CREDIT FOR RESIDENTIAL SOLAR, WIND, AND FUEL CELL ENERGY PROPERTY.

(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 (relating to nonrefundable personal credits), as amended by section 1112(a), is amended by inserting after section 25D the following:

''SEC. 25E. RESIDENTIAL SOLAR, WIND, AND FUEL CELL ENERGY PROPERTY.

''(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 sum of—

''(1) 15 percent of the qualified photovoltaic property expenditures,

''(2) 15 percent of the qualified solar water heating property expenditures,

''(3) 30 percent of the qualified wind energy property expenditures, and

''(4) 25 percent for the qualified fuel cell property expenditures,

made by the taxpayer during the taxable year.

''(b) LIMITATIONS.—

''(1) MAXIMUM CREDIT.—The credit allowed under subsection (a)(2) shall not exceed $2,000 for each system of solar energy property.

''(2) TYPE OF PROPERTY.—No expenditure may be taken into account under this section unless such expenditure is made by the taxpayer for property installed on or in connection with a dwelling unit which is located in the United States and which is used as a residence.

''(3) SAFETY CERTIFICATIONS.—No credit shall be allowed under this section for an item of property unless—

''(A) in the case of solar water heating property, such property is certified for performance and safety by the non-profit Solar Rating Certification Corporation or a comparable entity endorsed by the government of the State in which such property is installed, and

''(B) in the case of a photovoltaic, wind energy, or fuel cell property, such property meets appropriate fire and electric code requirements.

''(c) DEFINITIONS.—For purposes of this section—

''(1) QUALIFIED SOLAR WATER HEATING PROPERTY EXPENDITURE.—The term 'qualified solar water heating property expenditure' means an expenditure for property which uses solar energy to heat water for use in a dwelling unit with respect to which a majority of the energy is derived from the sun.

''(2) QUALIFIED PHOTOVOLTAIC PROPERTY EXPENDITURE.—The term 'qualified photovoltaic property expenditure' means an expenditure for property which uses solar energy to generate electricity for use in a dwelling unit.

''(3) SOLAR PANELS.—No expenditure relating to a solar panel or other property installed as a roof (or portion thereof) shall fail to be treated as property described in paragraph (1) or (2) solely because it constitutes a structural component of the structure on which it is installed.

''(4) QUALIFIED WIND ENERGY PROPERTY EXPENDITURE.—The term 'qualified wind energy property expenditure' means an expenditure for property which uses wind energy to generate electricity for use in a dwelling unit.

''(5) QUALIFIED FUEL CELL PROPERTY EXPENDITURE.—The term 'qualified fuel cell property expenditure' means an expenditure for property which uses an electrochemical fuel cell system to generate electricity for use in a dwelling unit.

''(6) LABOR COSTS.—Expenditures for labor costs properly allocable to the onsite preparation, assembly, or original installation of the property described in paragraph (1), (2), (4), or (5) and for piping or wiring to interconnect such property to the dwelling unit shall be taken into account for purposes of this section.

''(7) ENERGY STORAGE MEDIUM.—Expenditures which are properly allocable to a swimming pool, hot tub, or any other energy storage medium which has a function other than the function of such storage shall not be taken into account for purposes of this section.

''(d) SPECIAL RULES.—For purposes of this section—

''(1) DOLLAR AMOUNTS IN CASE OF JOINT OCCUPANCY.—In the case of any dwelling unit which is jointly occupied and used during any calendar year as a residence by 2 or more individuals the following shall apply:

''(A) The amount of the credit allowable under subsection (a) by reason of expenditures (as the case may be) made during such calendar year by any of such individuals with respect to such dwelling unit shall be determined by treating all of such individuals as 1 taxpayer whose taxable year is such calendar year.

''(B) There shall be allowable with respect to such expenditures to each of such individuals, a credit under subsection (a) for the taxable year in which such calendar year ends in an amount which bears the same ratio to the amount determined under subparagraph (A) as the amount of such expenditures made by such individual during such calendar year bears to the aggregate of such expenditures made by all of such individuals during such calendar year.

''(2) TENANT-STOCKHOLDER IN COOPERATIVE HOUSING CORPORATION.—In the case of an individual who is a tenant-stockholder (as defined in section 216) in a cooperative housing corporation (as defined in such section), such individual shall be treated as having made his tenant-stockholder's proportionate share (as defined in section 216(b)(3)) of any expenditures of such corporation.

''(3) CONDOMINIUMS.—

''(A) IN GENERAL.—In the case of an individual who is a member of a condominium management association with respect to a condominium which such individual owns, such individual shall be treated as having made his proportionate share of any expenditures of such association.

''(B) CONDOMINIUM MANAGEMENT ASSOCIATION.—For purposes of this paragraph, the term 'condominium management association' means an organization which meets the requirements of paragraph (1) of section 528(c) (other than subparagraph (E) thereof) with respect to a condominium project substantially all of the units of which are used as residences.

''(4) JOINT OWNERSHIP OF ITEMS OF SOLAR OR WIND ENERGY PROPERTY.—

''(A) IN GENERAL.—Any expenditure otherwise qualifying as an expenditure described in paragraph (1), (2), or (4) of subsection (c) shall not be treated as failing to so qualify merely because such expenditure was made with respect to 2 or more dwelling units.

''(B) LIMITS APPLIED SEPARATELY.—In the case of any expenditure described in subparagraph (A), the amount of the credit allowable under subsection (a) shall (subject to paragraph (1)) be computed separately with respect to the amount of the expenditure made for each dwelling unit.

''(5) ALLOCATION IN CERTAIN CASES.—If less than 80 percent of the use of an item is for nonbusiness residential purposes, only that portion of the expenditures for such item which is properly allocable to use for nonbusiness residential purposes shall be taken into account. For purposes of this paragraph, use for a swimming pool shall be treated as use which is not for residential purposes.

''(6) WHEN EXPENDITURE MADE; AMOUNT OF EXPENDITURE.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), an expenditure with respect to an item shall be treated as made when the original installation of the item is completed.

''(B) EXPENDITURES PART OF BUILDING CONSTRUCTION.—In the case of an expenditure in connection with the construction or reconstruction of a structure, such expenditure shall be treated as made when the original use of the constructed or reconstructed structure by the taxpayer begins.

''(C) AMOUNT.—The amount of any expenditure shall be the cost thereof.

''(7) REDUCTION OF CREDIT FOR GRANTS, TAX-EXEMPT BONDS, AND SUBSIDIZED ENERGY FINANCING.—The rules of section 29(b)(3) shall apply for purposes of this section.

''(e) BASIS ADJUSTMENTS.—For purposes of this subtitle, if a credit is allowed under this section for any expenditure with respect to any property, the increase in the basis of such property which would (but for this subsection) result from such expenditure shall be reduced by the amount of the credit so allowed.

''(f) TERMINATION.—The credit allowed under this section shall not apply to taxable years beginning after December 31, 2011.''.

(b) CONFORMING AMENDMENTS.—

(1) Subsection (a) of section 1016, as amended by section 1112(b)(4), is amended by striking ''and'' at the end of paragraph (28), by striking the period at the end of paragraph (29) and inserting ''; and'', and by adding at the end the following:

''(30) to the extent provided in section 25E(e), in the case of amounts with respect to which a credit has been allowed under section 25E.''.

(2) The table of sections for subpart A of part IV of subchapter A of chapter 1, as amended by section 1112(b)(2), is amended by inserting after the item relating to section 25D the following:

''Sec. 25E. Residential solar, wind, and fuel cell energy property.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to expenditures made after the date of the enactment of this Act, in taxable years ending after such date.

Subtitle C—Electricity Facilities and Production

SEC. 1121. INCENTIVE FOR DISTRIBUTED GENERATION.

(a) DEPRECIATION OF DISTRIBUTED POWER PROPERTY.—

(1) IN GENERAL.—Subparagraph (C) of section 168(e)(3) (relating to 7-year property) is amended by redesignating clause (ii) as clause (iii) and by inserting after clause (i) the following:

''(ii) any distributed power property, and''.

(2) 10-YEAR CLASS LIFE.—The table contained in section 168(g)(3)(B) is amended by inserting after the item relating to subparagraph (C)(i) the following:

''(C)(ii) ..... 10''.

(b) DISTRIBUTED POWER PROPERTY.—Section 168(i) is amended by adding at the end the following:

''(15) DISTRIBUTED POWER PROPERTY.—The term 'distributed power property' means property—

''(A) which is used in the generation of electricity for primary use—

''(i) in nonresidential real or residential rental property used in the taxpayer's trade or business, or

''(ii) in the taxpayer's industrial manufacturing process or plant activity, with a rated total capacity in excess of 500 kilowatts,

''(B) which also may produce usable thermal energy or mechanical power for use in a heating or cooling application, as long as at least 40 percent of the total useful energy produced consists of—

''(i) with respect to assets described in subparagraph (A)(i), electrical power (whether sold or used by the taxpayer), or

''(ii) with respect to assets described in subparagraph (A)(ii), electrical power (whether sold or used by the taxpayer) and thermal or mechanical energy used in the taxpayer's industrial manufacturing process or plant activity,

''(C) which is not used to transport primary fuel to the generating facility or to

distribute energy within or outside of the facility, and

''(D) where it is reasonably expected that not more than 50 percent of the produced electricity will be sold to, or used by, unrelated persons.

For purposes of subparagraph (B), energy output is determined on the basis of expected annual output levels, measured in British thermal units (Btu), using standard conversion factors established by the Secretary.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after the date of the enactment of this Act.

SEC. 1122. MODIFICATIONS TO CREDIT FOR ELECTRICITY PRODUCED FROM RENEWABLE AND WASTE PRODUCTS.

(a) INCREASE IN CREDIT RATE.—

(1) IN GENERAL.—Section 45(a)(1) is amended by striking ''1.5 cents'' and inserting ''1.8 cents''.

(2) CONFORMING AMENDMENTS.—

(A) Section 45(b)(2) is amended by striking ''1.5 cent'' and inserting ''1.8 cent''.

(B) Section 45(d)(2)(B) is amended by inserting ''(calendar year 2001 in the case of the 1.8 cent amount in subsection (a))'' after ''1992''.

(b) EXPANSION OF QUALIFIED RESOURCES.—

(1) IN GENERAL.—Section 45(c)(1) (relating to qualified energy resources) is amended by striking ''and'' at the end of subparagraph (B), by striking the period at the end of subparagraph (C) and inserting '', and'', and by adding at the end the following:

''(D) alternative resources.''.

(2) DEFINITION OF ALTERNATIVE RESOURCES.—Section 45(c) (relating to definitions) is amended—

(A) by redesignating paragraph (3) as paragraph (5),

(B) by redesignating paragraph (4) as paragraph (3), and

(C) by inserting after paragraph (3), as redesignated by subparagraph (B), the following:

''(4) ALTERNATIVE RESOURCES.—

''(A) IN GENERAL.—The term 'alternative resources' means—

''(i) solar,

''(ii) biomass (other than closed loop biomass),

''(iii) municipal solid waste,

''(iv) incremental hydropower,

''(v) geothermal,

''(vi) landfill gas, and

''(vii) steel cogeneration.

''(B) BIOMASS.—The term 'biomass' means any solid, nonhazardous, cellulosic waste material or any organic carbohydrate matter, which is segregated from other waste materials, and which is derived from—

''(i) any of the following forest-related resources: mill residues, precommercial thinnings, slash, and brush, but not including old-growth timber,

''(ii) waste pallets, crates, dunnage, untreated wood waste from construction or manufacturing activities, and landscape or right-of-way tree trimmings, but not including unsegregated municipal solid waste or post-consumer wastepaper, or

''(iii) any of the following agriculture sources: orchard tree crops, vineyard, grain, legumes, sugar, and other crop by-products or residues, including any packaging and other materials which are nontoxic and biodegradable and are associated with the processing, feeding, selling, transporting, and disposal of such agricultural materials.

''(C) MUNICIPAL SOLID WASTE.—The term 'municipal solid waste' has the same meaning given the term 'solid waste' under section 2(27) of the Solid Waste Utilization Act (42 U.S.C. 6903).

''(D) INCREMENTAL HYDROPOWER.—The term 'incremental hydropower' means additional generating capacity achieved from—

''(i) increased efficiency, or

''(ii) additions of new capacity,

at a licensed non-Federal hydroelectric project originally placed in service before the date of the enactment of this paragraph.

''(E) GEOTHERMAL.—The term 'geothermal' means energy derived from a geothermal deposit (within the meaning of section 613(e)(2)), but only, in the case of electricity generated by geothermal power, up to (but not including) the electrical transmission stage.

''(F) LANDFILL GAS.—The term 'landfill gas' means gas generated from the decomposition of any household solid waste, commercial solid waste, and industrial solid waste disposed of in a municipal solid waste landfill unit (as such terms are defined in regulations promulgated under subtitle D of the Solid Waste Disposal Act (42 U.S.C. 6941 et seq.).

''(G) STEEL COGENERATION.—The term 'steel cogeneration' means the production of electricity and steam (or other form of thermal energy) from any or all waste sources defined in paragraphs (2) and (3) and subparagraphs (B) and (C) of this paragraph within an operating facility which produces or integrates the production of coke, direct reduced iron ore, iron, or steel provided that the cogeneration meets any regulatory energy-efficiency standards established by the Secretary, and only to the extent that such energy is produced from—

''(i) gases or heat generated from the production of metallurgical coke,

''(ii) gases or heat generated from the production of direct reduced iron ore or iron, from blast furnace or direct ironmaking processes, or

''(iii) gases or heat generated from the manufacture of steel.''.

(3) QUALIFIED FACILITY.—Section 45(c)(5) (defining qualified facility), as redesignated by paragraph 2(A), is amended by adding at the end the following:

''(D) ALTERNATIVE RESOURCES FACILITY.—

''(i) IN GENERAL.—Except as provided in clauses (ii), (iii), and (iv), in the case of a facility using alternative resources to produce electricity, the term 'qualified facility' means any facility of the taxpayer which is originally placed in service after the date of the enactment of this subparagraph.

''(ii) BIOMASS FACILITY.—In the case of a facility using biomass described in paragraph (4)(A)(ii) to produce electricity, the term 'qualified facility' means any facility of the taxpayer.

''(iii) GEOTHERMAL FACILITY.—In the case of a facility using geothermal to produce electricity, the term 'qualified facility' means any facility of the taxpayer which is originally placed in service after December 31, 1992.

''(iv) STEEL COGENERATION FACILITIES.—In the case of a facility using steel cogeneration to produce electricity, the term 'qualified facility' means any facility permitted to operate under the environmental requirements of the Clean Air Act Amendments of 1990 which is owned by the taxpayer and originally placed in service after the date of the enactment of this subparagraph. Such a facility may be treated as originally placed in service when such facility was last upgraded to increase efficiency or generation capability after such date.

''(v) SPECIAL RULES.—In the case of a qualified facility described in this subparagraph, the 10-year period referred to in subsection (a) shall be treated as beginning no earlier than the date of the enactment of this subparagraph.''.

(4) GOVERNMENT-OWNED FACILITY.—Section 45(d)(6) (relating to credit eligibility in the case of government-owned facilities using poultry waste) is amended—

(A) by inserting ''or alternative resources'' after ''poultry waste'', and

(B) by inserting ''OR ALTERNATIVE RESOURCES'' after ''POULTRY WASTE'' in the heading thereof.

(5) QUALIFIED FACILITIES WITH CO-PRODUCTION.—Section 45(b) (relating to limitations and adjustments) is amended by adding at the end the following:

''(4) INCREASED CREDIT FOR CO-PRODUCTION FACILITIES.—

''(A) IN GENERAL.—In the case of a qualified facility described in subsection (c)(3)(D)(i) which has a co-production facility or a qualified facility described in subparagraph (A), (B), or (C) of subsection (c)(3) which adds a co-production facility after the date of the enactment of this paragraph, the amount in effect under subsection (a)(1) for an eligible taxable year of a taxpayer shall (after adjustment under paragraph (2) and before adjustment under paragraphs (1) and (3)) be increased by .25 cents.

''(B) CO-PRODUCTION FACILITY.—For purposes of subparagraph (A), the term 'co-production facility' means a facility which—

''(i) enables a qualified facility to produce heat, mechanical power, chemicals, liquid fuels, or minerals from qualified energy resources in addition to electricity, and

''(ii) produces such energy on a continuous basis.

''(C) ELIGIBLE TAXABLE YEAR.—For purposes of subparagraph (A), the term 'eligible taxable year' means any taxable year in which the amount of gross receipts attributable to the co-production facility of a qualified facility are at least 10 percent of the amount of gross receipts attributable to electricity produced by such facility.''.

(6) QUALIFIED FACILITIES LOCATED WITHIN QUALIFIED INDIAN LANDS.—Section 45(b) (relating to limitations and adjustments), as amended by paragraph (5), is amended by adding at the end the following:

''(5) INCREASED CREDIT FOR QUALIFIED FACILITY LOCATED WITHIN QUALIFIED INDIAN LAND.—In the case of a qualified facility described in subsection (c)(3)(D) which—

''(A) is located within—

''(i) qualified Indian lands (as defined in section 7871(c)(3)), or

''(ii) lands which are held in trust by a Native Corporation (as defined in section 3(m) of the Alaska Native Claims Settlement Act (43 U.S.C. 1602(m)) for Alaska Natives, and

''(B) is operated with the explicit written approval of the Indian tribal government or Native Corporation (as so defined) having jurisdiction over such lands,

the amount in effect under subsection (a)(1) for a taxable year shall (after adjustment under paragraphs (2) and (4) and before adjustment under paragraphs (1) and (3)) be increased by .25 cents.''.

(7) ELECTRICITY PRODUCED FROM CERTAIN RESOURCES CO-FIRED IN COAL PLANTS.—Section 45(d) (relating to definitions and special rules) is amended by adding at the end the following:

''(8) SPECIAL RULE FOR ELECTRICITY PRODUCED FROM CERTAIN RESOURCES CO-FIRED IN COAL PLANTS.—In the case of electricity produced from biomass (including closed loop biomass), municipal solid waste, or animal waste, co-fired in a facility which produces electricity from coal—

''(A) subsection (a)(1) shall be applied by substituting '1 cent' for '1.8 cents',

''(B) such facility shall be considered a qualified facility for purposes of this section, and

''(C) the 10-year period referred to in subsection (a) shall be treated as beginning no

earlier than the date of the enactment of this paragraph.''.

(8) CONFORMING AMENDMENTS.—

(A) The heading for section 45 is amended by inserting ''and waste energy'' after ''renewable''.

(B) The item relating to section 45 in the table of sections subpart D of part IV of subchapter A of chapter 1 is amended by inserting ''and waste energy'' after ''renewable''.

(c) ADDITIONAL MODIFICATIONS OF RENEWABLE AND WASTE ENERGY RESOURCE CREDIT.—

(1) CREDITS FOR CERTAIN TAX EXEMPT ORGANIZATIONS AND GOVERNMENTAL UNITS.—Section 45(d) (relating to definitions and special rules), as amended by subsection (b)(7), is amended by adding at the end the following:

''(9) CREDITS FOR CERTAIN TAX EXEMPT ORGANIZATIONS AND GOVERNMENTAL UNITS.—

''(A) ALLOWANCE OF CREDIT.—Any credit which would be allowable under subsection (a) with respect to a qualified facility of an entity if such entity were not exempt from tax under this chapter shall be treated as a credit allowable under subpart C to such entity if such entity is—

''(i) an organization described in section 501(c)(12)(C) and exempt from tax under section 501(a),

''(ii) an organization described in section 1381(a)(2)(C), or

''(iii) 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.

''(B) USE OF CREDIT.—

''(i) TRANSFER OF CREDIT.—An entity described in subparagraph (A) may assign, trade, sell, or otherwise transfer any credit allowable to such entity under subparagraph (A) to any taxpayer.

''(ii) USE OF CREDIT AS AN OFFSET.—Notwithstanding any other provision of law, in the case of an entity described in clause (i) or (ii) of subparagraph (A), any credit allowable to such entity under subparagraph (A) may be applied by such entity, without penalty, as a prepayment of any loan, debt, or other obligation the entity has incurred under subchapter I of chapter 31 of title 7 of the Rural Electrification Act of 1936 (7 U.S.C. 901 et seq.).

''(C) CREDIT NOT INCOME.—Neither a transfer under clause (i) or a use under clause (ii) of subparagraph (B) of any credit allowable under subparagraph (A) shall result in income for purposes of section 501(c)(12).

''(D) TRANSFER PROCEEDS TREATED AS ARISING FROM ESSENTIAL GOVERNMENT FUNCTION.—Any proceeds derived by an entity described in subparagraph (A)(iii) from the transfer of any credit under subparagraph (B)(i) shall be treated as arising from an essential government function.

''(E) CREDITS NOT REDUCED BY TAX-EXEMPT BONDS OR CERTAIN OTHER SUBSIDIES.—Subsection (b)(3) shall not apply to reduce any credit allowable under subparagraph (A) with respect to—

''(i) proceeds described in subparagraph (A)(ii) of such subsection, or

''(ii) any loan, debt, or other obligation incurred under subchapter I of chapter 31 of title 7 of the Rural Electrification Act of 1936 (7 U.S.C. 901 et seq.),

used to provide financing for any qualified facility.

''(F) TREATMENT OF UNRELATED PERSONS.—For purposes of this paragraph, sales among and between entities described in subparagraph (A) shall be treated as sales between unrelated parties.''.

(2) COORDINATION WITH OTHER CREDITS.—Section 45(d), as amended by paragraph (1), is amended by adding at the end the following:

''(10) COORDINATION WITH OTHER CREDITS.—This section shall not apply to any qualified facility with respect to which a credit under any other section is allowed for the taxable year unless the taxpayer elects to waive the application of such credit to such facility.''.

(3) EXPANSION TO INCLUDE ANIMAL WASTE.—Section 45 (relating to electricity produced from certain renewable resources), as amended by paragraphs (2) and (4) of subsection (b), is amended—

(A) by striking ''poultry'' each place it appears in subsection (c)(1)(C) and subsection (d)(6) and inserting ''animal'',

(B) by striking ''POULTRY'' in the heading of paragraph (6) of subsection (d) and inserting ''ANIMAL'',

(C) by striking paragraph (3) of subsection (c) and inserting the following:

''(3) ANIMAL WASTE.—The term 'animal waste' means poultry manure and litter and other animal wastes, including—

''(A) wood shavings, straw, rice hulls, and other bedding material for the disposition of manure, and

''(B) byproducts, packaging, and other materials which are nontoxic and biodegradable and are associated with the processing, feeding, selling, transporting, and disposal of such animal wastes.'', and

(D) by striking subparagraph (C) of subsection (c)(5) and inserting the following:

''(C) ANIMAL WASTE FACILITY.—

''(i) IN GENERAL.—Except as provided in clause (ii), in the case of a facility using animal waste (other than poultry) to produce electricity, the term 'qualified facility' means any facility of the taxpayer which is originally placed in service after the date of the enactment of this clause.

''(ii) POULTRY WASTE.—In the case of a facility using animal waste relating to poultry to produce electricity, the term 'qualified facility' means any facility of the taxpayer which is originally placed in service after December 31, 1999.''.

(4) TREATMENT OF QUALIFIED FACILITIES NOT IN COMPLIANCE WITH POLLUTION LAWS.—Section 45(c)(5) (relating to qualified facilities), as amended by paragraphs (2) and (3) of subsection (b), is amended by adding at the end the following:

''(E) NONCOMPLIANCE WITH POLLUTION LAWS.—For purposes of this paragraph, a facility which is not in compliance with the applicable State and Federal pollution prevention, control, and permit requirements for any period of time shall not be considered to be a qualified facility during such period.''.

(5) EXTENSION OF QUALIFIED FACILITY DATES.—Section 45(c)(5) (relating to qualified facility), as redesignated by subsection (b)(2), is amended by striking '', and before January 1, 2002'' in subparagraphs (A) and (B).

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to electricity and other energy produced after the date of the enactment of this Act and before January 1, 2007.

SEC. 1123. TREATMENT OF FACILITIES USING BAGASSE TO PRODUCE ENERGY AS SOLID WASTE DISPOSAL FACILITIES ELIGIBLE FOR TAX-EXEMPT FINANCING.

(a) IN GENERAL.—Section 142 (relating to exempt facility bond) is amended by adding at the end the following:

''(k) SOLID WASTE DISPOSAL FACILITIES.—For purposes of subsection (a)(6), the term 'solid waste disposal facilities' includes property located in Hawaii and used for the collection, storage, treatment, utilization, processing, or final disposal of bagasse in the manufacture of ethanol.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to bonds issued after the date of the enactment of this Act.

SEC. 1124. DEPRECIATION OF PROPERTY USED IN THE TRANSMISSION OF ELECTRICITY.

(a) DEPRECIATION OF PROPERTY USED IN THE TRANSMISSION OF ELECTRICITY.—

(1) IN GENERAL.—Subparagraph (C) of section 168(e)(3) (relating to 7-year property), as amended by section 1121(a)(1), is amended by striking ''and'' at the end of clause (ii), by redesignating clause (iii) as clause (iv), and by inserting after clause (ii) the following:

''(iii) any property used in the transmission of electricity, and''.

(2) 10-YEAR CLASS LIFE.—The table contained in section 168(g)(3)(B), as amended by section 1121(a)(2), is amended by inserting after the item relating to subparagraph (C)(ii) the following:

''(C)(iii) ..... 10''.

(b) DEFINITION OF PROPERTY USED IN THE TRANSMISSION OF ELECTRICITY.—Section 168(i), as amended by section 1121(b), is amended by adding at the end the following:

''(16) PROPERTY USED IN THE TRANSMISSION OF ELECTRICITY.—The term 'property used in the transmission of electricity' means property used in the transmission of electricity for sale.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after the date of the enactment of this Act.

Subtitle D—Tax Incentives for Ethanol Use

SEC. 1131. SMALL ETHANOL PRODUCER CREDIT.

(a) ALLOCATION OF ALCOHOL FUELS CREDIT TO PATRONS OF A COOPERATIVE.—Section 40(g) (relating to alcohol used as fuel) is amended by adding at the end the following new paragraph:

''(6) ALLOCATION OF SMALL ETHANOL PRODUCER CREDIT TO PATRONS OF COOPERATIVE.—

''(A) ELECTION TO ALLOCATE.—

''(i) IN GENERAL.—In the case of a cooperative organization described in section 1381(a), any portion of the credit determined under subsection (a)(3) for the taxable year may, at the election of the organization, be apportioned pro rata among patrons of the organization on the basis of the quantity or value of business done with or for such patrons for the taxable year.

''(ii) FORM AND EFFECT OF ELECTION.—An election under clause (i) for any taxable year shall be made on a timely filed return for such year. Such election, once made, shall be irrevocable for such taxable year.

''(B) TREATMENT OF ORGANIZATIONS AND PATRONS.—The amount of the credit apportioned to patrons under subparagraph (A)—

''(i) shall not be included in the amount determined under subsection (a) with respect to the organization for the taxable year,

''(ii) shall be included in the amount determined under subsection (a) for the taxable year of each patron for which the patronage dividends for the taxable year described in subparagraph (A) are included in gross income, and

''(iii) shall be included in gross income of such patrons for the taxable year in the manner and to the extent provided in section 87.

''(C) SPECIAL RULES FOR DECREASE IN CREDITS FOR TAXABLE YEAR.—If the amount of the credit of a cooperative organization determined under subsection (a)(3) for a taxable year is less than the amount of such credit shown on the return of the cooperative organization for such year, an amount equal to the excess of—

''(i) such reduction, over

''(ii) the amount not apportioned to such patrons under subparagraph (A) for the taxable year,

shall be treated as an increase in tax imposed by this chapter on the organization.

Such increase shall not be treated as tax imposed by this chapter for purposes of determining the amount of any credit under this subpart or subpart A, B, E, or G.''.

(b) IMPROVEMENTS TO SMALL ETHANOL PRODUCER CREDIT.—

(1) DEFINITION OF SMALL ETHANOL PRODUCER.—Section 40(g) (relating to definitions and special rules for eligible small ethanol producer credit) is amended by striking ''30,000,000'' each place it appears and inserting ''60,000,000''.

(2) SMALL ETHANOL PRODUCER CREDIT NOT A PASSIVE ACTIVITY CREDIT.—Clause (i) of section 469(d)(2)(A) is amended by striking ''subpart D'' and inserting ''subpart D, other than section 40(a)(3),''.

(3) ALLOWING CREDIT AGAINST MINIMUM TAX.—

(A) IN GENERAL.—Subsection (c) of section 38 (relating to limitation based on amount of tax) is amended by redesignating paragraph (3) as paragraph (4) and by inserting after paragraph (2) the following new paragraph:

''(3) SPECIAL RULES FOR SMALL ETHANOL PRODUCER CREDIT.—

''(A) IN GENERAL.—In the case of the small ethanol producer credit—

''(i) this section and section 39 shall be applied separately with respect to the credit, and

''(ii) in applying paragraph (1) to the credit—

''(I) subparagraphs (A) and (B) thereof shall not apply, and

''(II) the limitation under paragraph (1) (as modified by subclause (I)) shall be reduced by the credit allowed under subsection (a) for the taxable year (other than the small ethanol producer credit).

''(B) SMALL ETHANOL PRODUCER CREDIT.—For purposes of this subsection, the term 'small ethanol producer credit' means the credit allowable under subsection (a) by reason of section 40(a)(3).''.

(B) CONFORMING AMENDMENT.—Subclause (II) of section 38(c)(2)(A)(ii) is amended by striking ''(other'' and all that follows through ''credit)'' and inserting ''(other than the empowerment zone employment credit or the small ethanol producer credit)''.

(4) SMALL ETHANOL PRODUCER CREDIT NOT ADDED BACK TO INCOME UNDER SECTION 87.—Section 87 (relating to income inclusion of alcohol fuel credit) is amended to read as follows:

''SEC. 87. ALCOHOL FUEL CREDIT.

''Gross income includes an amount equal to the sum of—

''(1) the amount of the alcohol mixture credit determined with respect to the taxpayer for the taxable year under section 40(a)(1), and

''(2) the alcohol credit determined with respect to the taxpayer for the taxable year under section 40(a)(2).''.

(c) CONFORMING AMENDMENT.—Section 1388 (relating to definitions and special rules for cooperative organizations) is amended by adding at the end the following new subsection:

''(k) CROSS REFERENCE.—For provisions relating to the apportionment of the alcohol fuels credit between cooperative organizations and their patrons, see section 40(g)(6).''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

SEC. 1132. ADDITIONAL TAX INCENTIVES FOR ETHANOL USE.

(a) DIESEL FUEL MIXED WITH ALCOHOL TREATED SAME AS GASOLINE.—

(1) QUALIFIED ALCOHOL MIXTURE.—Section 4081(c)(3)(B) (defining qualified alcohol mixture) is amended to read as follows:

''(B) QUALIFIED ALCOHOL MIXTURE.—The term 'qualified alcohol mixture' means any mixture of gasoline or diesel fuel with alcohol if at least 5.7 percent of such mixture is alcohol.''.

(2) ALCOHOL MIXTURE RATES.—

(A) IN GENERAL.—Section 4081(c)(4)(A) (relating to alcohol mixture rates for gasoline mixtures) is amended—

(i) by striking ''which contains gasoline'' in clauses (i) and (ii), and

(ii) by striking ''10 percent gasohol'', ''7.7 percent gasohol'', and ''5.7 percent gasohol'' each place such terms appear in clauses (i) and (ii), and inserting ''a 10 percent mixture'', ''a 7.7 percent mixture'', and ''a 5.7 percent mixture'', respectively.

(B) DEFINITIONS.—Section 4081(c)(4) is amended by striking subparagraphs (B), (C), and (D) and inserting:

''(B) 10 PERCENT MIXTURE.—The term '10 percent mixture' means any mixture of alcohol with gasoline or diesel if at least 10 percent of such mixture is alcohol.

''(C) 7.7 PERCENT MIXTURE.—The term '7.7 percent mixture' means any mixture of alcohol with gasoline or diesel if at least 7.7 percent of such mixture is alcohol.

''(D) 5.7 PERCENT MIXTURE.—The term '5.7 percent mixture' means any mixture of alcohol with gasoline or diesel if at least 5.7 percent of such mixture is alcohol.''

(C) CONFORMING AMENDMENTS.—

(i) The heading for section 4081(c)(4) is amended by striking ''GASOLINE'' and inserting ''ALCOHOL''.

(ii) Section 4081(c) is amended by striking paragraph (5) and by redesignating paragraphs (6), (7), and (8) as paragraphs (5), (6), and (7), respectively.

(b) DEFINITION OF ALCOHOL.—Section 4081(c)(3)(A) (defining alcohol) is amended by striking ''and ethanol'' and inserting '', ethanol, or other alcohol,''.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on January 1, 2001.

Subtitle E—Commuter Benefits Equity

SEC. 1141. UNIFORM DOLLAR LIMITATION FOR ALL TYPES OF TRANSPORTATION FRINGE BENEFITS.

(a) IN GENERAL.—Subparagraph (A) of section 132(f)(2) (relating to limitation on exclusion) is amended by striking ''$65'' and inserting ''$175''.

(b) CONFORMING AMENDMENT.—Section 9010 of the Transportation Equity Act for the 21st Century is amended by striking subsection (c).

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

SEC. 1142. CLARIFICATION OF FEDERAL EMPLOYEE BENEFITS.

Section 7905 of title 5, United States Code, is amended—

(1) in subsection (a)—

(A) in paragraph (2)(C) by inserting ''and'' after the semicolon;

(B) in paragraph (3) by striking ''; and'' and inserting a period; and

(C) by striking paragraph (4); and

(2) in subsection (b)(2)(A) by amending subparagraph (A) to read as follows:

''(A) a qualified transportation fringe as defined in section 132(f)(1) of the Internal Revenue Code of 1986;''.

Subtitle F—Tax Credit for Energy Conservation Expenditures.

SEC. 1151. ENERGY CONSERVATION EXPENDITURES.

(a) IN GENERAL.—Subpart C of part IV of subchapter A of chapter 1 (relating to refundable credits) is amended by redesignating section 35 as section 36 and by inserting after section 34 the following new section:

''SEC. 35. ENERGY CONSERVATION EXPENDITURES.

''(a) ALLOWANCE OF CREDIT.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this subtitle for the taxable year an amount equal to the energy conservation expenditures made by the taxpayer during such year.

''(b) MAXIMUM CREDIT.—The amount of the credit allowed under subsection (a) with respect to each dwelling unit for the taxable year shall not exceed $2,000.

''(c) ENERGY CONSERVATION EXPENDITURES.—For purposes of this section—

''(1) IN GENERAL.—The term 'energy conservation expenditures' means expenditures made by the taxpayer for qualified energy property—

''(A) which is certified to equal or exceed energy conservation standards for such property or for the installation of such property as prescribed by the Secretary, in consultation with the Secretary of Energy, and

''(B) which is installed on or in connection with a dwelling unit—

''(i) which is located in the United States, and

''(ii) which is used by the taxpayer as a residence.

Such term includes expenditures for labor costs properly allocable to the onsite preparation, assembly, or installation of the property.

''(2) QUALIFIED ENERGY PROPERTY.—

''(A) IN GENERAL.—The term 'qualified energy property' means—

''(i) swimming pool and hot tub covers,

''(ii) ceiling insulation,

''(iii) weatherstripping,

''(iv) water heater insulation blankets,

''(v) low-flow showerheads,

''(vi) caulking in ceilings,

''(vii) insulation of plenums and ducts,

''(viii) installation of storm windows with a U-value of 0.45 or less,

''(ix) thermal doors and windows,

''(x) duty cyclers,

''(xi) clock thermostats,

''(xii) evaporative coolers,

''(xiii) whole house fans,

''(xiv) external shading devices,

''(xv) thermal energy storage devices with central control systems,

''(xvi) controls and automatic switching devices between natural and electric lighting, or

''(xvii) any other property that the Secretary of Energy determines to be an effective device for the conservation of energy.

''(d) CERTIFICATION.—

''(1) PRODUCTS.—A certification with respect to a qualified energy property shall be made by the manufacturer of such property.

''(2) INSTALLATION.—A certification with respect to the installation of a qualified energy property shall be made by the person who sold or installed the property.

''(3) FORM OF CERTIFICATIONS.—Certifications referred to in this subsection shall be in such form as the Secretary shall prescribe, and, except in the case of a certification by a representative of a local building regulatory authority, shall include the taxpayer identification number of the person making the certification.

''(e) SPECIAL RULES.—For purposes of this section—

''(1) DOLLAR AMOUNTS IN CASE OF JOINT OCCUPANCY.—In the case of any dwelling unit which if jointly occupied and used during any calendar year as a residence by 2 or more individuals the following shall apply:

''(A) The amount of the credit allowable under subsection (a) by reason of expenditures (as the case may be) made during such calendar year by any of such individuals with respect to such dwelling unit shall be

determined by treating all of such individuals as 1 taxpayer whose taxable year is such calendar year.

''(B) There shall be allowable with respect to such expenditures to each of such individuals, a credit under subsection (a) for the taxable year in which such calendar year ends in an amount which bears the same ratio to the amount determined under subparagraph (A) as the amount of such expenditures made by such individual during such calendar year bears to the aggregate of such expenditures made by all of such individuals during such calendar year.

''(2) TENANT-STOCKHOLDER IN COOPERATIVE HOUSING CORPORATION.—In the case of an individual who is a tenant-stockholder (as defined in section 216) in a cooperative housing corporation (as defined in such section), such individual shall be treated as having made his tenant-stockholder's proportionate share (as defined in section 216(b)(3)) of any expenditures of such corporation.

''(3) CONDOMINIUMS.—

''(A) IN GENERAL.—In the case of an individual who is a member of a condominium management association with respect to a condominium which he owns, such individual shall be treated as having made his proportionate share of any expenditures of such association.

''(B) CONDOMINIUM MANAGEMENT ASSOCIATION.—For purposes of this paragraph, the term 'condominium management association' means an organization which meets the requirements of paragraph (1) of section 528(c) (other than subparagraph (E) thereof) with respect to a condominium project substantially all of the units of which are used as residences.

''(4) JOINT OWNERSHIP OF ENERGY ITEMS.—

''(A) IN GENERAL.—Any expenditure otherwise qualifying as a energy conservation expenditure shall not be treated as failing to so qualify merely because such expenditure was made with respect to 2 or more dwelling units.

''(B) LIMITS APPLIED SEPARATELY.—In the case of any expenditure described in subparagraph (A), the amount of the credit allowable under subsection (a) shall (subject to paragraph (1)) be computed separately with respect to the amount of the expenditure made for each dwelling unit.

''(5) ALLOCATION IN CERTAIN CASES.—If less than 80 percent of the use of an item is for nonbusiness residential purposes, only that portion of the expenditures for such item which is properly allocable to use for nonbusiness residential purposes shall be taken into account.

''(6) WHEN EXPENDITURE MADE; AMOUNT OF EXPENDITURE.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), an expenditure with respect to an item shall be treated as made when the original installation of the item is completed.

''(B) EXPENDITURES PART OF BUILDING CONSTRUCTION.—In the case of an expenditure in connection with the construction or reconstruction of a structure, such expenditure shall be treated as made when the original use of the constructed or reconstructed structure by the taxpayer begins.

''(C) AMOUNT.—The amount of any expenditure shall be the cost thereof.

''(7) OTHER APPLICABLE RULES.—Rules similar to the rules of paragraphs (4) and (5) of section 48(a) shall apply for purposes of this section.

''(f) BASIS ADJUSTMENTS.—For purposes of this subtitle, if a credit is allowed under this section for any expenditure with respect to any property, the increase in the basis of such property which would (but for this subsection) result from such expenditure shall be reduced by the amount of the credit so allowed.

''(g) DENIAL OF DOUBLE BENEFIT.—No deduction or other credit shall be allowed under this chapter for any expenditure for which credit is allowed under this section.

''(h) ELECTION TO HAVE CREDIT NOT APPLY.—A taxpayer may elect to have this section not apply for any taxable year.

''(i) APPLICATION OF SECTION.—This section shall apply to expenditures with respect to property placed in service after December 31, 2000.''.

(b) CONFORMING AMENDMENTS.—

(1) Section 1324(b)(2) of title 31, United States Code, is amended by striking ''or'' before ''enacted'' and by inserting before the period at the end '', or from section 35 of such Code''.

(2) The table of sections for subpart C of part IV of subchapter A of chapter 1 is amended by striking the item relating to section 35 and inserting the following new items:

''Sec. 35. Energy conservation expenditures.

''Sec. 36. Overpayments of tax.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after December 31, 2000.

Subtitle G—Hybrid Vehicle Incentive

SEC. 1161. EXPANSION OF CLEAN-FUEL VEHICLE DEDUCTION TO INCLUDE HYBRID VEHICLES.

(a) IN GENERAL.—Section 179A(c) (defining qualified clean-fuel vehicle property) is amended by adding at the end the following new paragraph:

''(4) QUALIFIED HYBRID VEHICLE INCLUDED.—

''(A) IN GENERAL.—The term 'qualified clean-fuel vehicle property' includes any qualified hybrid vehicle.

''(B) QUALIFIED HYBRID VEHICLE.—

''(i) IN GENERAL.—The term 'qualified hybrid vehicle' means any motor vehicle which—

''(I) is propelled by a combination of a fuel which is not a clean-burning fuel and electricity, and

''(II) has a city fuel economy of not less than 50 miles per gallon.

''(ii) CITY FUEL ECONOMY.—The term 'city fuel economy' has the meaning given the term in section 600.002–85 of title 40, Code of Federal Regulations (or a successor regulation).''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to property placed in service after the date of the enactment of this Act.

Subtitle H—Compliance With Congressional Budget Act

SEC. 1171. 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 XII—OTHER PROVISIONS

Subtitle A—In General

SEC. 1201. 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. 1211. 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 723. Mr. SMITH of New Hampshire proposed an amendment to amendment SA 680 proposed by Mr.homeowners Smith, of New Hampshire 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, add the following:

SEC. . 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 724. Mr. FEINGOLD 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 314, after line 21, add the following:

SEC. 803. ELIMINATION OF MEDICAID ESTATE RECOVERY REQUIREMENT.

(a) MEDICAID AMENDMENT.—

(1) IN GENERAL.—Section 1396p(b) of Title 42, U.S.C., is amended—

(A) in paragraph (1), by striking ''except that'' and all that follows and inserting ''except that, in the case of an individual described in subsection (a)(1)(B), the State shall seek adjustment or recovery upon sale of the property subject to a lien imposed on account of medical assistance paid on behalf of the individual.'';

(B) in paragraph (2)(B), by striking ''in the case of a lien on an individual's home under subsection (a)(1)(B),'';

(C) in paragraph (3), by striking ''(other than paragraph (1)(C)''; and

(D) by striking paragraph (4).

(2) EFFECTIVE DATE.—The amendments made by paragraph (1) shall apply to individuals dying on or after the date of enactment of this Act.

(b) REVENUE OFFSET.—The Secretary of the Treasury shall adjust the reductions of the rates of tax under section 2001(c) of the Internal Revenue Code of 1986 (as amended by section 511 of this Act) with respect to estates of decedents dying and gifts made in such manner as to increase revenues by $120,000,000 in each fiscal year beginning before October 1, 2011.

SA 725. Mr. FEINGOLD 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 7, line 24, strike ''$12,000'' and insert ''$15,000''.

On page 8, line 1, strike ''$10,000'' and insert ''$11,250''.

On page 9, in the table between lines 11 and 12, strike the column relating to 39.6 percent.

SA 726. Mr. FEINGOLD 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 4 and 5, insert the following:

''(D) ADJUSTMENTS AFTER 2010.—In prescribing the tables under subsection (f) which apply with respect to taxable years beginning in calendar year 2011, the Secretary shall, in addition to the adjustments made under subparagraph (C) of this subsection, increase the initial bracket amounts for subsection (a) and subsection (b) so as to decrease revenues by the amount of revenues generated by the other provisions of the amendment creating this provision.''

On page 63, strike line 4 and all that follows through page 64, line 16.

On page 65, in line 12, strike ''and before 2011''.

On page 66, in the table after line 1, strike ''2007, 2008, 2009, and 2010'' and insert ''2007 and thereafter''.

On page 68, between lines 14 and 15, following the item relating to 2010, insert the following:

2001 and thereafter	$100,000,000

On page 106, after line 6, insert the following:

''(g) Notwithstanding any other provision of law, this subtitle shall not apply to property subject to the estate tax.''

SA 727. Mr. HARKIN 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 11, strike lines 14 through 22 and insert the following:

(1) IN GENERAL.—Except as provided in paragraphs (2) and (3), 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.

(3) ASSURANCE OF TRUST FUND SOLVENCY.—

(A) CBO CERTIFICATION.—The reductions in the tax rate relating to the highest rate bracket under the amendments made by this section shall not take effect unless the Congressional Budget Office submits to Congress and the Secretary of the Treasury a certification that legislation has been enacted that ensures the solvency of—

(i) the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund for a period of not less than 75 years; and

(ii) the Federal Hospital Insurance Trust Fund and the Federal Supplementary Medical Insurance Trust Fund for a period of not less than 50 years.

(B) APPLICATION.—

(i) IN GENERAL.—Except as provided in clause (ii), the reductions in the tax rate relating to the highest rate bracket under the amendments made by this section shall begin with the rate for the taxable year beginning after the date on which the Congressional Budget Office submits the certification described in subparagraph (A).

(ii) RETROACTIVE APPLICATION.—If the Congressional Budget Office submits the certification described in subparagraph (A) before October 1, 2002, this subsection shall be applied as if this paragraph had not been enacted.

SA 728. Mr. HARKIN 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, strike the table between lines 11 and 12 and insert the following:

''In the case of taxable years beginning during calendar year:	The corresponding percentages shall be substituted for the following percentages:			
	10%	28%	31%	36%
2002, 2003, and 2004 ..	9%	27%	30%	35%
2005 and 2006	8.5%	26%	29%	34%
2007 and thereafter	8%	25%	28%	33%''.

SA 729. Mr. HARKIN 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 D of title IV, add the following:

SEC. ____. CREDIT FOR CERTAIN EMERGENCY RESPONSE PROFESSIONAL EXPENSES.

(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 EMERGENCY RESPONSE PROFESSIONALS FOR CERTAIN EXPENSES.

''(a) ALLOWANCE OF CREDIT.—In the case of an eligible emergency response professional, 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 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 EMERGENCY RESPONSE PROFESSIONAL.—The term 'eligible emergency response professional' includes—

''(A) a full-time employee of any police department or fire department which is organized and operated by a governmental entity to provide police protection, firefighting service, or emergency medical services for any area within the jurisdiction of such governmental entity,

''(B) an emergency medical technician licensed by a State who is employed by a State or non-profit to provide emergency medical services, and

''(C) a member of a volunteer fire department which is organized to provide firefighting or emergency medical services for any area within the jurisdiction of a governmental entity which is not provided with any other firefighting services.

''(2) GOVERNMENTAL ENTITY.—The term 'governmental entity' means a State (or political subdivision thereof), Indian tribal (or political subdivision thereof), or Federal government.

''(3) QUALIFIED EXPENSES.—The term 'qualified expenses' means unreimbursed expenses for police and firefighter activities, as determined by the Secretary.

''(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 emergency response professionals for certain expenses.''.

(c) REVENUE OFFSET.—The Secretary of the Treasury shall adjust the highest rate of tax under section 1 of the Internal Revenue Code of 1986 (as amended by section 101 of this Act) to the extent necessary to offset in each fiscal year after December 31, 2002, the decrease in revenues to the Treasury for that fiscal year resulting from the amendments made by this section.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to expenses paid or incurred after December 31, 2001.

SA 730. Mr. HARKIN 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 D of title IV, add the following:

SEC. ____. CREDIT FOR CERTAIN HIGHER EDUCATION LOANS.

(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. CERTAIN HIGHER EDUCATION LOANS.

''(a) ALLOWANCE OF CREDIT.—In the case of a qualified 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 and principle paid by the taxpayer during the taxable year on any qualified education loan.

''(b) MAXIMUM CREDIT.—The credit allowed by subsection (a) for a qualified individual shall not exceed $2,000.

''(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) DEFINITIONS.—For purposes of this section—

''(1) DEPENDENT.—The term 'dependent' has the meaning given such term by section 152.

''(2) NURSE.—The term 'nurse' means—

''(A) an individual who is—

''(i) licensed or certified by a State to provide nursing or nursing-related services, and

''(ii) employed to perform such services on a full-time basis for at least 6 months in the taxable year in which the credit described in subsection (a) is claimed, or

''(B) any other licensed or certified health professional practicing in a health profession shortage area, as defined in section 332(a)(1) of the Public Health Service Act (42 U.S.C. 254e(a)(1)).

''(3) QUALIFIED EDUCATION LOAN.—The term 'qualified education loan' has the meaning given such term by section 221(e)(1).

''(4) QUALIFIED INDIVIDUAL.—The term 'qualified individual' means a teacher or a nurse.

''(5) TEACHER.—The term 'teacher' means—

''(A) a certified individual who is a kindergarten through grade 12 classroom teacher, instructor, counselor, aide, or principal in any State, Federal, or tribally licensed elementary or secondary school on a full-time basis for an academic year ending during a taxable year, or

''(B) a head start teacher in a licensed head start program recognized by the Secretary of Health and Human Services.

''(f) SPECIAL RULES.—

''(1) DENIAL OF DOUBLE BENEFIT.—No credit shall be allowed under this section if any amount of interest or principle on a qualified education loan is taken into account for any deduction or credit 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 25B the following new item:

''Sec. 25C. Certain higher education loans.''.

(c) REVENUE OFFSET.—The Secretary of the Treasury shall adjust the highest rate of tax under section 1 of the Internal Revenue Code of 1986 (as amended by section 101 of this Act) to the extent necessary to offset in each fiscal year beginning before October 1, 2011, the decrease in revenues to the Treasury for that fiscal year resulting from the amendments made by this section.

(d) EFFECTIVE DATE.—The amendments made under subsection (a) and (b) shall apply to any qualified education loan (as defined in section 25C(d)(3) of the Internal Revenue Code of 1986, as added by this section) incurred on, before, or after December 31, 2001, but only with respect to any loan interest or principle payment due in taxable years beginning after December 31, 2001.

SA 731. Mr. HARKIN 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, strike the table between line 11 and 12 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	27%	30%	35%	39%
2003 and 2004	27%	30%	35%	38.6%
2005 and 2006	26%	29%	34%	38%
2007 and thereafter	25%	28%	33%	36%

At the end add the following:

TITLE ____—SCHOOL CONSTRUCTION AND MODERNIZATION

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

SEC. ____01. EXPANSION OF INCENTIVES FOR PUBLIC SCHOOLS.

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

''Subchapter Y—Public School Modernization Provisions

''Sec. 1400K. Credit to holders of qualified public school modernization bonds.

''Sec. 1400L. Qualified school construction bonds.

''Sec. 1400M. Qualified zone academy bonds.

''SEC. 1400K. CREDIT TO HOLDERS OF QUALIFIED PUBLIC SCHOOL MODERNIZATION BONDS.

''(a) ALLOWANCE OF CREDIT.—In the case of a taxpayer who holds a qualified public school modernization 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 public school modernization 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 public school modernization 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 (1), 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 issuance 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 part IV of subchapter A (other than subpart C thereof, relating to refundable credits).

''(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 PUBLIC SCHOOL MODERNIZATION BOND; CREDIT ALLOWANCE DATE.—For purposes of this section—

''(1) QUALIFIED PUBLIC SCHOOL MODERNIZATION BOND.—The term 'qualified public school modernization bond' means—

''(A) a qualified zone academy bond, and

''(B) a qualified school construction bond.

''(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.

''(e) OTHER DEFINITIONS.—For purposes of this subchapter—

''(1) LOCAL EDUCATIONAL AGENCY.—The term 'local educational agency' has the meaning given to such term by section 14101 of the Elementary and Secondary Education Act of 1965. Such term includes the local educational agency that serves the District of Columbia but does not include any other State agency.

''(2) BOND.—The term 'bond' includes any obligation.

''(3) STATE.—The term 'State' includes the District of Columbia and any possession of the United States.

''(4) PUBLIC SCHOOL FACILITY.—The term 'public school facility' shall not include—

''(A) any stadium or other facility primarily used for athletic contests or exhibitions or other events for which admission is charged to the general public, or

''(B) any facility which is not owned by a State or local government or any agency or instrumentality of a State or local government.

''(f) 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.

''(g) RECAPTURE OF PORTION OF CREDIT WHERE CESSATION OF COMPLIANCE.—

''(1) IN GENERAL.—If any bond which when issued purported to be a qualified public school modernization bond ceases to be a qualified public school modernization 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.

''(h) BONDS HELD BY REGULATED INVESTMENT COMPANIES.—If any qualified public school modernization 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.

''(i) CREDITS MAY BE STRIPPED.—Under regulations prescribed by the Secretary—

''(1) IN GENERAL.—There may be a separation (including at issuance) of the ownership of a qualified public school modernization 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.

''(2) CERTAIN RULES TO APPLY.—In the case of a separation described in paragraph (1), the rules of section 1286 shall apply to the qualified public school modernization bond as if it were a stripped bond and to the credit under this section as if it were a stripped coupon.

''(j) 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 public school modernization bonds on a credit allowance date shall be treated as if it were a payment of estimated tax made by the taxpayer on such date.

''(k) 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.

''(l) REPORTING.—Issuers of qualified public school modernization bonds shall submit reports similar to the reports required under section 149(e).

''(m) TERMINATION.—This section shall not apply to any bond issued after September 30, 2006.

''SEC. 1400L. QUALIFIED SCHOOL CONSTRUCTION BONDS.

''(a) QUALIFIED SCHOOL CONSTRUCTION BOND.—For purposes of this subchapter, the term 'qualified school construction bond' means any bond issued as part of an issue if—

''(1) 95 percent or more of the proceeds of such issue are to be used for the construction, rehabilitation, or repair of a public school facility or for the acquisition of land on which such a facility is to be constructed with part of the proceeds of such issue,

''(2) the bond is issued by a State or local government within the jurisdiction of which such school is located,

''(3) the issuer designates such bond for purposes of this section, and

''(4) the term of each bond which is part of such issue does not exceed 15 years.

''(b) LIMITATION ON AMOUNT OF BONDS DESIGNATED.—The maximum aggregate face amount of bonds issued during any calendar year which may be designated under subsection (a) by any issuer shall not exceed the sum of—

''(1) the limitation amount allocated under subsection (d) for such calendar year to such issuer, and

''(2) if such issuer is a large local educational agency (as defined in subsection (e)(4)) or is issuing on behalf of such an agency, the limitation amount allocated under subsection (e) for such calendar year to such agency.

''(c) NATIONAL LIMITATION ON AMOUNT OF BONDS DESIGNATED.—There is a national qualified school construction bond limitation for each calendar year. Such limitation is—

''(1) $11,000,000,000 for 2002,

''(2) $11,000,000,000 for 2003, and

''(3) except as provided in subsection (f), zero after 2003.

''(d) 60 PERCENT OF LIMITATION ALLOCATED AMONG STATES.—

''(1) IN GENERAL.—60 percent of the limitation applicable under subsection (c) for any calendar year shall be allocated by the Secretary among the States in proportion to the respective numbers of children in each State who have attained age 5 but not age 18 for the most recent fiscal year ending before such calendar year. The limitation amount allocated to a State under the preceding sentence shall be allocated by the State to issuers within such State.

''(2) MINIMUM ALLOCATIONS TO STATES.—

''(A) IN GENERAL.—The Secretary shall adjust the allocations under this subsection for any calendar year for each State to the extent necessary to ensure that the sum of—

''(i) the amount allocated to such State under this subsection for such year, and

''(ii) the aggregate amounts allocated under subsection (e) to large local educational agencies in such State for such year,

is not less than an amount equal to such State's minimum percentage of the amount to be allocated under paragraph (1) for the calendar year.

''(B) MINIMUM PERCENTAGE.—A State's minimum percentage for any calendar year is the minimum percentage described in section 1124(d) of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6334(d)) for such State for the most recent fiscal year ending before such calendar year.

''(3) ALLOCATIONS TO CERTAIN POSSESSIONS.—The amount to be allocated under paragraph (1) to any possession of the United States other than Puerto Rico shall be the amount which would have been allocated if all allocations under paragraph (1) were made on the basis of respective populations of individuals below the poverty line (as defined by the Office of Management and Budget). In making other allocations, the amount to be allocated under paragraph (1) shall be reduced by the aggregate amount allocated under this paragraph to possessions of the United States.

''(4) ALLOCATIONS FOR INDIAN SCHOOLS.—In addition to the amounts otherwise allocated under this subsection, $200,000,000 for calendar year 2002, and $200,000,000 for calendar year 2003, shall be allocated by the Secretary of the Interior for purposes of the construction, rehabilitation, and repair of schools funded by the Bureau of Indian Affairs. In the case of amounts allocated under the preceding sentence, Indian tribal governments (as defined in section 7871) shall be treated as qualified issuers for purposes of this subchapter.

''(e) 40 PERCENT OF LIMITATION ALLOCATED AMONG LARGEST SCHOOL DISTRICTS.—

''(1) IN GENERAL.—40 percent of the limitation applicable under subsection (c) for any calendar year shall be allocated under paragraph (2) by the Secretary among local educational agencies which are large local educational agencies for such year.

''(2) ALLOCATION FORMULA.—The amount to be allocated under paragraph (1) for any calendar year shall be allocated among large local educational agencies in proportion to the respective amounts each such agency received for Basic Grants under subpart 2 of part A of title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6331 et seq.) for the most recent fiscal year ending before such calendar year.

''(3) ALLOCATION OF UNUSED LIMITATION TO STATE.—The amount allocated under this subsection to a large local educational agency for any calendar year may be reallocated by such agency to the State in which such agency is located for such calendar year. Any amount reallocated to a State under the preceding sentence may be allocated as provided in subsection (d)(1).

''(4) LARGE LOCAL EDUCATIONAL AGENCY.—For purposes of this section, the term 'large local educational agency' means, with respect to a calendar year, any local educational agency if such agency is—

''(A) among the 100 local educational agencies with the largest numbers of children aged 5 through 17 from families living below the poverty level, as determined by the Secretary using the most recent data available from the Department of Commerce that are satisfactory to the Secretary, or

''(B) 1 of not more than 25 local educational agencies (other than those described in subparagraph (A)) that the Secretary of Education determines (based on the most recent data available satisfactory to the Secretary) are in particular need of assistance, based on a low level of resources for school construction, a high level of enrollment growth, or such other factors as the Secretary deems appropriate.

''(f) CARRYOVER OF UNUSED LIMITATION.—If for any calendar year—

''(1) the amount allocated under subsection (d) to any State, exceeds

''(2) the amount of bonds issued during such year which are designated under subsection (a) pursuant to such allocation,

the limitation amount under such subsection for such State for the following calendar year shall be increased by the amount of such excess. A similar rule shall apply to the amounts allocated under subsection (d)(4) or (e).

''(g) SPECIAL RULES RELATING TO ARBITRAGE.—

''(1) IN GENERAL.—A bond shall not be treated as failing to meet the requirement of subsection (a)(1) solely by reason of the fact that the proceeds of the issue of which such bond is a part are invested for a temporary period (but not more than 36 months) until such proceeds are needed for the purpose for which such issue was issued.

''(2) BINDING COMMITMENT REQUIREMENT.—Paragraph (1) shall apply to an issue only if, as of the date of issuance, there is a reasonable expectation that—

''(A) at least 10 percent of the proceeds of the issue will be spent within the 6-month period beginning on such date for the purpose for which such issue was issued, and

''(B) the remaining proceeds of the issue will be spent with due diligence for such purpose.

''(3) EARNINGS ON PROCEEDS.—Any earnings on proceeds during the temporary period shall be treated as proceeds of the issue for purposes of applying subsection (a)(1) and paragraph (1) of this subsection.

''SEC. 1400M. QUALIFIED ZONE ACADEMY BONDS.

''(a) QUALIFIED ZONE ACADEMY BOND.—For purposes of this subchapter—

''(1) IN GENERAL.—The term 'qualified zone academy 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 a qualified purpose with respect to a qualified zone academy established by a local educational agency,

''(B) the bond is issued by a State or local government within the jurisdiction of which such academy is located,

''(C) the issuer—

''(i) designates such bond for purposes of this section,

''(ii) certifies that it has written assurances that the private business contribution requirement of paragraph (2) will be met with respect to such academy, and

''(iii) certifies that it has the written approval of the local educational agency for such bond issuance, and

''(D) the term of each bond which is part of such issue does not exceed 15 years.

Rules similar to the rules of section 1400L(g) shall apply for purposes of paragraph (1).

''(2) PRIVATE BUSINESS CONTRIBUTION REQUIREMENT.—

''(A) IN GENERAL.—For purposes of paragraph (1), the private business contribution requirement of this paragraph is met with respect to any issue if the local educational agency that established the qualified zone academy has written commitments from private entities to make qualified contributions having a present value (as of the date of issuance of the issue) of not less than 10 percent of the proceeds of the issue.

''(B) QUALIFIED CONTRIBUTIONS.—For purposes of subparagraph (A), the term 'qualified contribution' means any contribution (of a type and quality acceptable to the local educational agency) of—

''(i) equipment for use in the qualified zone academy (including state-of-the-art technology and vocational equipment),

''(ii) technical assistance in developing curriculum or in training teachers in order to promote appropriate market driven technology in the classroom,

''(iii) services of employees as volunteer mentors,

''(iv) internships, field trips, or other educational opportunities outside the academy for students, or

''(v) any other property or service specified by the local educational agency.

''(3) QUALIFIED ZONE ACADEMY.—The term 'qualified zone academy' means any public school (or academic program within a public school) which is established by and operated under the supervision of a local educational agency to provide education or training below the postsecondary level if—

''(A) such public school or program (as the case may be) is designed in cooperation with business to enhance the academic curriculum, increase graduation and employment rates, and better prepare students for the rigors of college and the increasingly complex workforce,

''(B) students in such public school or program (as the case may be) will be subject to the same academic standards and assessments as other students educated by the local educational agency,

''(C) the comprehensive education plan of such public school or program is approved by the local educational agency, and

''(D)(i) such public school is located in an empowerment zone or enterprise community (including any such zone or community designated after the date of the enactment of this section), or

''(ii) there is a reasonable expectation (as of the date of issuance of the bonds) that at least 35 percent of the students attending such school or participating in such program (as the case may be) will be eligible for free or reduced-cost lunches under the school lunch program established under the National School Lunch Act.

''(4) QUALIFIED PURPOSE.—The term 'qualified purpose' means, with respect to any qualified zone academy—

''(A) constructing, rehabilitating, or repairing the public school facility in which the academy is established,

''(B) acquiring the land on which such facility is to be constructed with part of the proceeds of such issue,

''(C) providing equipment for use at such academy,

''(D) developing course materials for education to be provided at such academy, and

''(E) training teachers and other school personnel in such academy.

''(b) LIMITATIONS ON AMOUNT OF BONDS DESIGNATED.—

''(1) IN GENERAL.—There is a national zone academy bond limitation for each calendar year. Such limitation is—

''(A) $400,000,000 for 1998,

''(B) $400,000,000 for 1999,

''(C) $400,000,000 for 2000,

''(D) $400,000,000 for 2001,

''(E) $1,400,000,000 for 2002,

''(F) $1,400,000,000 for 2003, and

''(G) except as provided in paragraph (3), zero after 2003.

''(2) ALLOCATION OF LIMITATION.—

''(A) ALLOCATION AMONG STATES.—

''(i) 1998, 1999, 2000, AND 2001 LIMITATIONS.—The national zone academy bond limitations for calendar years 1998, 1999, 2000, and 2001 shall be allocated by the Secretary among the States on the basis of their respective populations of individuals below the poverty line (as defined by the Office of Management and Budget).

''(ii) LIMITATION AFTER 2001.—The national zone academy bond limitation for any calendar year after 2001 shall be allocated by the Secretary among the States in proportion to the respective amounts each such State received for Basic Grants under subpart 2 of part A of title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6331 et seq.) for the most recent fiscal year ending before such calendar year.

''(B) ALLOCATION TO LOCAL EDUCATIONAL AGENCIES.—The limitation amount allocated to a State under subparagraph (A) shall be allocated by the State to qualified zone academies within such State.

''(C) DESIGNATION SUBJECT TO LIMITATION AMOUNT.—The maximum aggregate face amount of bonds issued during any calendar year which may be designated under subsection (a) with respect to any qualified zone academy shall not exceed the limitation amount allocated to such academy under subparagraph (B) for such calendar year.

''(3) CARRYOVER OF UNUSED LIMITATION.—If for any calendar year—

''(A) the limitation amount under this subsection for any State, exceeds

''(B) the amount of bonds issued during such year which are designated under subsection (a) (or the corresponding provisions of prior law) with respect to qualified zone academies within such State,

the limitation amount under this subsection for such State for the following calendar year shall be increased by the amount of such excess.''.

(b) REPORTING.—Subsection (d) of section 6049 (relating to returns regarding payments of interest) is amended by adding at the end the following new paragraph:

''(8) REPORTING OF CREDIT ON QUALIFIED PUBLIC SCHOOL MODERNIZATION BONDS.—

''(A) IN GENERAL.—For purposes of subsection (a), the term 'interest' includes amounts includible in gross income under section 1400K(f) and such amounts shall be treated as paid on the credit allowance date (as defined in section 1400K(d)(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) CONFORMING AMENDMENTS.—

(1) Subchapter U of chapter 1 is amended by striking part IV, by redesignating part V as part IV, and by redesignating section 1397F as section 1397E.

(2) The table of subchapters for chapter 1 is amended by adding at the end the following new item:

''Subchapter Y. Public school modernization provisions.''.

(3) The table of parts of subchapter U of chapter 1 is amended by striking the last 2 items and inserting the following item:

''Part IV. Regulations.''.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to obligations issued after December 31, 2001.

(2) REPEAL OF RESTRICTION ON ZONE ACADEMY BOND HOLDERS.—In the case of bonds to which section 1397E of the Internal Revenue Code of 1986 (as in effect before the date of the enactment of this Act) applies, the limitation of such section to eligible taxpayers (as defined in subsection (d)(6) of such section) shall not apply after the date of the enactment of this Act.

SEC. ___02. APPLICATION OF CERTAIN LABOR STANDARDS ON CONSTRUCTION PROJECTS FINANCED UNDER PUBLIC SCHOOL MODERNIZATION PROGRAM.

Section 439 of the General Education Provisions Act (relating to labor standards) is amended—

(1) by inserting ''(a)'' before ''All laborers and mechanics'', and

(2) by adding at the end the following:

''(b)(1) For purposes of this section, the term 'applicable program' also includes the qualified zone academy bond provisions enacted by section 226 of the Taxpayer Relief Act of 1997 and the program established by section ___01 of the Restoring Earnings To Lift Individuals and Empower Families (RELIEF) Act of 2001.

''(2) A State or local government participating in a program described in paragraph (1) shall—

''(A) in the awarding of contracts, give priority to contractors with substantial numbers of employees residing in the local education area to be served by the school being constructed; and

''(B) include in the construction contract for such school a requirement that the contractor give priority in hiring new workers to individuals residing in such local education area.

''(3) In the case of a program described in paragraph (1), nothing in this subsection or subsection (a) shall be construed to deny any tax credit allowed under such program. If amounts are required to be withheld from contractors to pay wages to which workers are entitled, such amounts shall be treated as expended for construction purposes in determining whether the requirements of such program are met.''.

SEC. ___03. EMPLOYMENT AND TRAINING ACTIVITIES RELATING TO CONSTRUCTION OR RECONSTRUCTION OF PUBLIC SCHOOL FACILITIES.

(a) IN GENERAL.—Section 134 of the Workforce Investment Act of 1998 (29 U.S.C. 2864) is amended by adding at the end the following:

''(f) LOCAL EMPLOYMENT AND TRAINING ACTIVITIES RELATING TO CONSTRUCTION OR RECONSTRUCTION OF PUBLIC SCHOOL FACILITIES.—

''(1) IN GENERAL.—In order to provide training services related to construction or reconstruction of public school facilities receiving

funding assistance under an applicable program, each State shall establish a specialized program of training meeting the following requirements:

''(A) The specialized program provides training for jobs in the construction industry.

''(B) The program provides trained workers for projects for the construction or reconstruction of public school facilities receiving funding assistance under an applicable program.

''(C) The program ensures that skilled workers (residing in the area to be served by the school facilities) will be available for the construction or reconstruction work.

''(2) COORDINATION.—The specialized program established under paragraph (1) shall be integrated with other activities under this Act, with the activities carried out under the National Apprenticeship Act of 1937 by the State Apprenticeship Council or through the Bureau of Apprenticeship and Training in the Department of Labor, as appropriate, and with activities carried out under the Carl D. Perkins Vocational and Technical Education Act of 1998. Nothing in this subsection shall be construed to require services duplicative of those referred to in the preceding sentence.

''(3) APPLICABLE PROGRAM.—In this subsection, the term 'applicable program' has the meaning given the term in section 439(b) of the General Education Provisions Act (relating to labor standards).''.

(b) STATE PLAN.—Section 112(b)(17)(A) of the Workforce Investment Act of 1998 (29 U.S.C. 2822(b)(17)(A)) is amended—

(1) in clause (iii), by striking ''and'' at the end;

(2) by redesignating clause (iv) as clause (v); and

(3) by inserting after clause (iii) the following:

''(iv) how the State will establish and carry out a specialized program of training under section 134(f); and''.

Subtitle B—Indian School Construction Act

SEC. ___11. INDIAN SCHOOL CONSTRUCTION.

(a) DEFINITIONS.—In this section:

(1) BUREAU.—The term ''Bureau'' means the Bureau of Indian Affairs of the Department of the Interior.

(2) INDIAN.—The term ''Indian'' means any individual who is a member of a tribe.

(3) SECRETARY.—The term ''Secretary'' means the Secretary of the Interior.

(4) TRIBAL SCHOOL.—The term ''tribal school'' means an elementary school, secondary school, or dormitory that is operated by a tribal organization or the Bureau for the education of Indian children and that receives financial assistance for its operation under an appropriation for the Bureau under section 102, 103(a), or 208 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450f, 450h(a), and 458d) or under the Tribally Controlled Schools Act of 1988 (25 U.S.C. 2501 et seq.) under a contract, a grant, or an agreement, or for a Bureau-operated school.

(5) TRIBE.—The term ''tribe'' has the meaning given the term ''Indian tribal government'' by section 7701(a)(40) of the Internal Revenue Code of 1986, including the application of section 7871(d) of such Code. Such term includes any consortium of tribes approved by the Secretary.

(b) ISSUANCE OF BONDS.—

(1) IN GENERAL.—The Secretary shall establish a pilot program under which eligible tribes have the authority to issue qualified tribal school modernization bonds to provide funding for the construction, rehabilitation, or repair of tribal schools, including the advance planning and design thereof.

(2) ELIGIBILITY.—

(A) IN GENERAL.—To be eligible to issue any qualified tribal school modernization bond under the program under paragraph (1), a tribe shall—

(i) prepare and submit to the Secretary a plan of construction that meets the requirements of subparagraph (B);

(ii) provide for quarterly and final inspection of the project by the Bureau; and

(iii) pledge that the facilities financed by such bond will be used primarily for elementary and secondary educational purposes for not less than the period such bond remains outstanding.

(B) PLAN OF CONSTRUCTION.—A plan of construction meets the requirements of this subparagraph if such plan—

(i) contains a description of the construction to be undertaken with funding provided under a qualified tribal school modernization bond;

(ii) demonstrates that a comprehensive survey has been undertaken concerning the construction needs of the tribal school involved;

(iii) contains assurances that funding under the bond will be used only for the activities described in the plan;

(iv) contains response to the evaluation criteria contained in Instructions and Application for Replacement School Construction, Revision 6, dated February 6, 1999; and

(v) contains any other reasonable and related information determined appropriate by the Secretary.

(C) PRIORITY.—In determining whether a tribe is eligible to participate in the program under this subsection, the Secretary shall give priority to tribes that, as demonstrated by the relevant plans of construction, will fund projects—

(i) described in the Education Facilities Replacement Construction Priorities List as of FY 2000 of the Bureau of Indian Affairs (65 Fed. Reg. 4623–4624);

(ii) described in any subsequent priorities list published in the Federal Register; or

(iii) which meet the criteria for ranking schools as described in Instructions and Application for Replacement School Construction, Revision 6, dated February 6, 1999.

(D) ADVANCE PLANNING AND DESIGN FUNDING.—A tribe may propose in its plan of construction to receive advance planning and design funding from the tribal school modernization escrow account established under paragraph (6)(B). Before advance planning and design funds are allocated from the escrow account, the tribe shall agree to issue qualified tribal school modernization bonds after the receipt of such funds and agree as a condition of each bond issuance that the tribe will deposit into such account or a fund managed by the trustee as described in paragraph (4)(C) an amount equal to the amount of such funds received from the escrow account.

(3) PERMISSIBLE ACTIVITIES.—In addition to the use of funds permitted under paragraph (1), a tribe may use amounts received through the issuance of a qualified tribal school modernization bond to—

(A) enter into and make payments under contracts with licensed and bonded architects, engineers, and construction firms in order to determine the needs of the tribal school and for the design and engineering of the school;

(B) enter into and make payments under contracts with financial advisors, underwriters, attorneys, trustees, and other professionals who would be able to provide assistance to the tribe in issuing bonds; and

(C) carry out other activities determined appropriate by the Secretary.

(4) BOND TRUSTEE.—

(A) IN GENERAL.—Notwithstanding any other provision of law, any qualified tribal school modernization bond issued by a tribe under this subsection shall be subject to a trust agreement between the tribe and a trustee.

(B) TRUSTEE.—Any bank or trust company that meets requirements established by the Secretary may be designated as a trustee under subparagraph (A).

(C) CONTENT OF TRUST AGREEMENT.—A trust agreement entered into by a tribe under this paragraph shall specify that the trustee, with respect to any bond issued under this subsection shall—

(i) act as a repository for the proceeds of the bond;

(ii) make payments to bondholders;

(iii) receive, as a condition to the issuance of such bond, a transfer of funds from the tribal school modernization escrow account established under paragraph (6)(B) or from other funds furnished by or on behalf of the tribe in an amount, which together with interest earnings from the investment of such funds in obligations of or fully guaranteed by the United States or from other investments authorized by paragraph (10), will produce moneys sufficient to timely pay in full the entire principal amount of such bond on the stated maturity date therefor;

(iv) invest the funds received pursuant to clause (iii) as provided by such clause; and

(v) hold and invest the funds in a segregated fund or account under the agreement, which fund or account shall be applied solely to the payment of the costs of items described in paragraph (3).

(D) REQUIREMENTS FOR MAKING DIRECT PAYMENTS.—

(i) IN GENERAL.—Notwithstanding any other provision of law, the trustee shall make any payment referred to in subparagraph (C)(v) in accordance with requirements that the tribe shall prescribe in the trust agreement entered into under subparagraph (C). Before making a payment to a contractor under subparagraph (C)(v), the trustee shall require an inspection of the project by a local financial institution or an independent inspecting architect or engineer, to ensure the completion of the project.

(ii) CONTRACTS.—Each contract referred to in paragraph (3) shall specify, or be renegotiated to specify, that payments under the contract shall be made in accordance with this paragraph.

(5) PAYMENTS OF PRINCIPAL AND INTEREST.—

(A) PRINCIPAL.—No principal payments on any qualified tribal school modernization bond shall be required until the final, stated maturity of such bond, which stated maturity shall be within 15 years from the date of issuance. Upon the expiration of such period, the entire outstanding principal under the bond shall become due and payable.

(B) INTEREST.—In lieu of interest on a qualified tribal school modernization bond there shall be awarded a tax credit under section 1400K of the Internal Revenue Code of 1986.

(6) BOND GUARANTEES.—

(A) IN GENERAL.—Payment of the principal portion of a qualified tribal school modernization bond issued under this subsection shall be guaranteed solely by amounts deposited with each respective bond trustee as described in paragraph (4)(C)(iii).

(B) ESTABLISHMENT OF ACCOUNT.—

(i) IN GENERAL.—Notwithstanding any other provision of law, beginning in fiscal year 2002, from amounts made available for school replacement under the construction account of the Bureau, the Secretary is authorized to deposit not more than $30,000,000 each fiscal year into a tribal school modernization escrow account.

(ii) PAYMENTS.—The Secretary shall use any amounts deposited in the escrow account under clauses (i) and (iii) to make payments to trustees appointed and acting pursuant to paragraph (4) or to make payments described in paragraph (2)(D).

(iii) TRANSFERS OF EXCESS PROCEEDS.—Excess proceeds held under any trust agreement that are not needed for any of the purposes described in clauses (iii) and (v) of paragraph (4)(C) shall be transferred, from time to time, by the trustee for deposit into the tribal school modernization escrow account.

(7) LIMITATIONS.—

(A) OBLIGATION TO REPAY.—Notwithstanding any other provision of law, the principal amount on any qualified tribal school modernization bond issued under this subsection shall be repaid only to the extent of any escrowed funds furnished under paragraph (4)(C)(iii). No qualified tribal school modernization bond issued by a tribe shall be an obligation of, nor shall payment of the principal thereof be guaranteed by, the United States, the tribes, nor their schools.

(B) LAND AND FACILITIES.—Any land or facilities purchased or improved with amounts derived from qualified tribal school modernization bonds issued under this subsection shall not be mortgaged or used as collateral for such bonds.

(8) SALE OF BONDS.—Qualified tribal school modernization bonds may be sold at a purchase price equal to, in excess of, or at a discount from the par amount thereof.

(9) TREATMENT OF TRUST AGREEMENT EARNINGS.—Any amounts earned through the investment of funds under the control of a trustee under any trust agreement described in paragraph (4) shall not be subject to Federal income tax.

(10) INVESTMENT OF SINKING FUNDS.—Any sinking fund established for the purpose of the payment of principal on a qualified tribal school modernization bond shall be invested in obligations issued by or guaranteed by the United States or in such other assets as the Secretary of the Treasury may by regulation allow.

(c) EXPANSION OF INCENTIVES FOR TRIBAL SCHOOLS.—Chapter 1, as amended by section ____01, is amended by adding at the end the following new subchapter:

"Subchapter Z—Tribal School Modernization Provisions

''Sec. 1400N. Credit to holders of qualified tribal school modernization bonds.

"SEC. 1400N. CREDIT TO HOLDERS OF QUALIFIED TRIBAL SCHOOL MODERNIZATION BONDS.

''(a) ALLOWANCE OF CREDIT.—In the case of a taxpayer who holds a qualified tribal school modernization 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 tribal school modernization 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 tribal school modernization 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 (1), the applicable credit rate with respect to an issue is the rate equal to an average market yield (as of the date of sale of the issue) on outstanding long-term corporate obligations (as determined 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 part IV of subchapter A (other than subpart C thereof, relating to refundable credits).

''(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 TRIBAL SCHOOL MODERNIZATION BOND; OTHER DEFINITIONS.—For purposes of this section—

''(1) QUALIFIED TRIBAL SCHOOL MODERNIZATION BOND.—

''(A) IN GENERAL.—The term 'qualified tribal school modernization bond' means, subject to subparagraph (B), any bond issued as part of an issue under section ____01(c) of the Restoring Earnings To Lift Individuals and Empower Families (RELIEF) Act of 2001, as in effect on the date of the enactment of this section, if—

''(i) 95 percent or more of the proceeds of such issue are to be used for the construction, rehabilitation, or repair of a school facility funded by the Bureau of Indian Affairs of the Department of the Interior or for the acquisition of land on which such a facility is to be constructed with part of the proceeds of such issue,

''(ii) the bond is issued by a tribe,

''(iii) the issuer designates such bond for purposes of this section, and

''(iv) the term of each bond which is part of such issue does not exceed 15 years.

''(B) NATIONAL LIMITATION ON AMOUNT OF BONDS DESIGNATED.—

''(i) NATIONAL LIMITATION.—There is a national qualified tribal school modernization bond limitation for each calendar year. Such limitation is—

''(I) $200,000,000 for 2002,

''(II) $200,000,000 for 2003, and

''(III) zero after 2004.

''(ii) ALLOCATION OF LIMITATION.—The national qualified tribal school modernization bond limitation shall be allocated to tribes by the Secretary of the Interior subject to the provisions of section ____01(c) of the Restoring Earnings To Lift Individuals and Empower Families (RELIEF) Act of 2001, as in effect on the date of the enactment of this section.

''(iii) DESIGNATION SUBJECT TO LIMITATION AMOUNT.—The maximum aggregate face amount of bonds issued during any calendar year which may be designated under subsection (d)(1) with respect to any tribe shall not exceed the limitation amount allocated to such government under clause (ii) for such calendar year.

''(iv) CARRYOVER OF UNUSED LIMITATION.—If for any calendar year—

''(I) the limitation amount under this subparagraph, exceeds

''(II) the amount of qualified tribal school modernization bonds issued during such year,

the limitation amount under this subparagraph for the following calendar year shall be increased by the amount of such excess. The preceding sentence shall not apply if such following calendar year is after 2010.

''(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) BOND.—The term 'bond' includes any obligation.

''(4) TRIBE.—The term 'tribe' has the meaning given the term 'Indian tribal government' by section 7701(a)(40), including the application of section 7871(d). Such term includes any consortium of tribes approved by the Secretary of the Interior.

''(e) 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.

''(f) BONDS HELD BY REGULATED INVESTMENT COMPANIES.—If any qualified tribal school modernization 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.

''(g) CREDITS MAY BE STRIPPED.—Under regulations prescribed by the Secretary—

''(1) IN GENERAL.—There may be a separation (including at issuance) of the ownership of a qualified tribal school modernization 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.

''(2) CERTAIN RULES TO APPLY.—In the case of a separation described in paragraph (1), the rules of section 1286 shall apply to the qualified tribal school modernization bond as if it were a stripped bond and to the credit under this section as if it were a stripped coupon.

''(h) 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 tribal school modernization bonds on a credit allowance date shall be treated as if it were a payment of estimated tax made by the taxpayer on such date.

''(i) 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.

''(j) CREDIT TREATED AS ALLOWED UNDER PART IV OF SUBCHAPTER A.—For purposes of subtitle F, the credit allowed by this section shall be treated as a credit allowable under part IV of subchapter A of this chapter.

''(k) REPORTING.—Issuers of qualified tribal school modernization bonds shall submit reports similar to the reports required under section 149(e).''.

(d) REPORTING.—Subsection (d) of section 6049 (relating to returns regarding payments of interest), as amended by section ____01, is amended by adding at the end the following new paragraph:

''(9) REPORTING OF CREDIT ON QUALIFIED TRIBAL SCHOOL MODERNIZATION BONDS.—

''(A) IN GENERAL.—For purposes of subsection (a), the term 'interest' includes amounts includible in gross income under section 1400N(e) and such amounts shall be treated as paid on the credit allowance date (as defined in section 1400N(d)(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.''.

(e) CONFORMING AMENDMENTS.—The table of subchapters for chapter 1, as amended by section ___01, is amended by adding at the end the following new item:

''Subchapter Z. Tribal school modernization provisions.''.

(f) ADDITIONAL PROVISIONS.—

(1) SOVEREIGN IMMUNITY.—This section and the amendments made by this section shall not be construed to impact, limit, or affect the sovereign immunity of the Federal Government or any State or tribal government.

(2) APPLICATION.—This section and the amendments made by this section shall take effect on the date of the enactment of this Act with respect to bonds issued after December 31, 2001, regardless of the status of regulations promulgated thereunder.

Subtitle C—Compliance With Congressional Budget Act

SEC. ___31. 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 732. Mr. CAMPBELL submitted an amendment intended to be proposed to amendment SA 440 submitted by Mr. CAMPBELL and intended to be proposed to the bill (S. 1) to extend programs and activities under the Elementary and Secondary Education Act of 1965; which was ordered to lie on the table; as follows:

At the appropriate place, insert the following:

SEC. ___. SENIOR OPPORTUNITIES.

(a) TWENTY-FIRST CENTURY COMMUNITY LEARNING CENTERS.—Section 1609(a)(2) (as amended in section 151) is further amended—

(1) in subparagraph (G), by striking ''and'' after the semicolon;

(2) in subparagraph (H), by striking the period and inserting ''; and''; and

(3) by adding at the end the following:

''(I) if the organization plans to use seniors as volunteers in activities carried out through the center, a description of how the organization will encourage and use appropriately qualified seniors to serve as the volunteers.''.

(b) SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES; GOVERNOR'S PROGRAMS.—Section 4114(d) (as amended in section 401) is further amended—

(1) in paragraph (14), by striking ''and'' after the semicolon;

(2) in paragraph (15), by striking the period and inserting ''; and''; and

(3) by adding at the end the following:

''(16) drug and violence prevention activities that use the services of appropriately qualified seniors.''.

(c) SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES; LOCAL DRUG AND VIOLENCE PREVENTION PROGRAMS.—Section 4116(b) (as amended in section 401) is further amended—

(1) in paragraph (2)—

(A) in the matter preceding subparagraph (A), by inserting ''(including mentoring by appropriately qualified seniors)'' after ''mentoring''; and

(B) in subparagraph (C)—

(i) in clause (i), by striking ''and'' after the semicolon;

(ii) in clause (ii), by inserting ''and'' after the semicolon; and

(iii) by adding at the end the following:

''(iii) drug and violence prevention activities that use the services of appropriately qualified seniors;'';

(2) in paragraph (4)(C), by inserting ''(including mentoring by appropriately qualified seniors)'' after ''mentoring programs''; and

(3) in paragraph (8), by inserting '', which may involve appropriately qualified seniors working with students'' after ''settings''.

(d) SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES; FEDERAL ACTIVITIES.—Section 4121(a) (as amended in section 401) is further amended—

(1) in paragraph (10), by inserting '', including projects and activities that promote the interaction of youth and appropriately qualified seniors'' after ''responsibility''; and

(2) in paragraph (13), by inserting '', including activities that integrate appropriately qualified seniors in activities'' after ''title''.

(e) INDIAN, NATIVE HAWAIIAN, AND ALASKA NATIVE EDUCATION; FORMULA GRANTS.—Section 7115(b) (as amended in section 701) is further amended—

(1) in paragraph (10), by striking ''and'' after the semicolon;

(2) in paragraph (11), by striking the period and inserting ''; and''; and

(3) by adding at the end the following:

''(12) activities that recognize and support the unique cultural and educational needs of Indian children, and incorporate appropriately qualified tribal elders and seniors.''.

(f) INDIAN, NATIVE HAWAIIAN, AND ALASKA NATIVE EDUCATION; SPECIAL PROGRAMS AND PROJECTS.—Section 7121(c)(1) (as amended in section 701) is further amended—

(1) in subparagraph (K), by striking ''or'' after the semicolon;

(2) in subparagraph (L), by striking ''(L)'' and inserting ''(M)''; and

(3) by inserting after subparagraph (K) the following:

''(L) activities that recognize and support the unique cultural and educational needs of Indian children, and incorporate appropriately qualified tribal elders and seniors; or''.

(g) INDIAN, NATIVE HAWAIIAN, AND ALASKA NATIVE EDUCATION; PROFESSIONAL DEVELOPMENT.—The second sentence of section 7122(d)(1) (as amended in section 701) is further amended by striking the period and inserting '', and may include programs designed to train tribal elders and seniors.''.

(h) INDIAN, NATIVE HAWAIIAN, AND ALASKA NATIVE EDUCATION; NATIVE HAWAIIAN PROGRAMS.—Section 7205(a)(3)(H) (as amended in section 701) is further amended—

(1) in clause (ii), by striking ''and'' after the semicolon;

(2) in clause (iii), by inserting ''and'' at the end; and

(3) by adding at the end the following:

''(iv) programs that recognize and support the unique cultural and educational needs of Native Hawaiian children, and incorporate appropriately qualified Native Hawaiian elders and seniors;''.

(i) INDIAN, NATIVE HAWAIIAN, AND ALASKA NATIVE EDUCATION; ALASKA NATIVE PROGRAMS.—Section 7304(a)(2)(F) (as amended in section 701) is further amended—

(1) in clause (i), by striking ''and'' after the semicolon;

(2) in clause (ii), by inserting ''and'' after the semicolon; and

(3) by adding at the end the following:

''(iii) may include activities that recognize and support the unique cultural and educational needs of Alaskan Native children, and incorporate appropriately qualified Alaskan Native elders and seniors;''.

SA 733. Mr. DURBIN 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, insert the following:

SEC. ___. CREDIT FOR EMPLOYEE HEALTH INSURANCE EXPENSES.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business-related credits), as amended by this Act, is amended by adding at the end the following:

''SEC. 45G. EMPLOYEE HEALTH INSURANCE EXPENSES.

''(a) GENERAL RULE.—For purposes of section 38, in the case of a small employer, the employee health insurance expenses credit determined under this section is an amount equal to the applicable percentage of the amount paid by the taxpayer during the taxable year for qualified employee health insurance expenses of each qualified employee.

''(b) APPLICABLE PERCENTAGE.—For purposes of subsection (a)—

''(1) IN GENERAL.—Except as provided in paragraphs (2), (3), and (4), the applicable percentage is equal to—

''(A) 25 percent in the case of self-only coverage, and

''(B) 35 percent in the case of family coverage (as defined in section 220(c)(5)).

''(2) COVERAGE FOR FIRST 3 YEARS.—

''(A) IN GENERAL.—In the case of the first 3 successive years of health insurance coverage for qualified employees by a small employer, beginning with the first year coverage, paragraph (1) shall be applied by substituting for '25 percent' and '35 percent', respectively, the following percentages:

In the case of:	Self-only coverage percentage is:	Family coverage percentage is:
First year coverage	60	70
Second year coverage	50	60
Third year coverage	40	50

''(B) FIRST YEAR COVERAGE.—For purposes of subparagraph (A), the term 'first year coverage' means the first taxable year in which the small employer pays qualified employee health insurance expenses but only if such small employer did not provide health insurance coverage for any qualified employee during the 2 taxable years immediately preceding the taxable year.

''(3) HIGH PARTICIPATION BONUS.—

''(A) IN GENERAL.—With respect to any taxable year during which a small employer pays qualified employee health insurance expenses for the applicable coverage percentage of the eligible qualified employees of the small employer, the applicable percentage otherwise determined for such taxable year under paragraph (1) or (2) shall be increased by the applicable percentage points.

''(B) APPLICABLE COVERAGE PERCENTAGE; APPLICABLE PERCENTAGE POINTS.—For purposes of subparagraph (A), the coverage percentage and applicable percentage points shall be determined under the following table:

"Applicable coverage percentage:	Applicable Percentage points:
More than 70 but not more than 80	10
More than 80 but not more than 90	15
More than 90	20.

''(C) ELIGIBLE QUALIFIED EMPLOYEE.—For purposes of subparagraph (A), the term 'eligible qualified employee' means any qualified employee who is not provided health insurance coverage during the taxable year under—

''(i) a health plan of the employee's spouse,

''(ii) title XVIII, XIX, or XXI of the Social Security Act,

''(iii) chapter 17 of title 38, United States Code,

''(iv) chapter 55 of title 10, United States Code,

''(v) chapter 89 of title 5, United States Code,

''(vi) the Indian Health Care Improvement Act, or

''(vii) any other provision of law.

''(4) LIMITATION BASED ON WAGES.—

''(A) IN GENERAL.—The percentage which would (but for this paragraph) be taken into account as the applicable percentage for purposes of subsection (a) for the taxable year shall be reduced (but not below zero) by the percentage determined under subparagraph (B).

''(B) AMOUNT OF REDUCTION.—The percentage determined under this subparagraph is the percentage which bears the same ratio to the percentage which would be so taken into account as—

''(i) the excess of—

''(I) the qualified employee's wages at an annual rate during such taxable year, over

''(II) $20,000, bears to

''(ii) $5,000.

''(c) DEFINITIONS.—For purposes of this section—

''(1) SMALL EMPLOYER.—

''(A) IN GENERAL.—The term 'small employer' means, with respect to any calendar year, any employer if such employer employed an average of 25 or fewer employees on business days during either of the 2 preceding calendar years. For purposes of the preceding sentence, a preceding calendar year may be taken into account only if the employer was in existence throughout such year.

''(B) EMPLOYERS NOT IN EXISTENCE IN PRECEDING YEAR.—In the case of an employer which was not in existence throughout the 1st preceding calendar year, the determination under subparagraph (A) shall be based on the average number of employees that it is reasonably expected such employer will employ on business days in the current calendar year.

''(2) QUALIFIED EMPLOYEE HEALTH INSURANCE EXPENSES.—

''(A) IN GENERAL.—The term 'qualified employee health insurance expenses' means any amount paid by an employer for health insurance coverage to the extent such amount is attributable to coverage provided to any employee while such employee is a qualified employee.

''(B) EXCEPTION FOR AMOUNTS PAID UNDER SALARY REDUCTION ARRANGEMENTS.—No amount paid or incurred for health insurance coverage pursuant to a salary reduction arrangement shall be taken into account under subparagraph (A).

''(C) HEALTH INSURANCE COVERAGE.—The term 'health insurance coverage' has the meaning given such term by section 9832(b)(1).

''(3) QUALIFIED EMPLOYEE.—

''(A) IN GENERAL.—The term 'qualified employee' means, with respect to any period, an employee of an employer if the total amount of wages paid or incurred by such employer to such employee at an annual rate during the taxable year exceeds $5,000 but does not exceed $25,000.

''(B) TREATMENT OF CERTAIN EMPLOYEES.—For purposes of subparagraph (A), the term 'employee'—

''(i) shall not include an employee within the meaning of section 401(c)(1), and

''(ii) shall include a leased employee within the meaning of section 414(n).

''(C) WAGES.—The term 'wages' has the meaning given such term by section 3121(a) (determined without regard to any dollar limitation contained in such section).

''(D) INFLATION ADJUSTMENT.—

''(i) IN GENERAL.—In the case of any taxable year beginning in a calendar year after 2001, the $30,000 amount contained in subparagraph (A) shall be increased by an amount equal to—

''(I) such dollar amount, multiplied by

''(II) the cost-of-living adjustment under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2000' for 'calendar year 1992' in subparagraph (B) thereof.

''(ii) ROUNDING.—If any increase determined under clause (i) is not a multiple of $100, such amount shall be rounded to the nearest multiple of $100.

''(d) CERTAIN RULES MADE APPLICABLE.—For purposes of this section, rules similar to the rules of section 52 shall apply.

''(e) DENIAL OF DOUBLE BENEFIT.—No deduction or credit under any other provision of this chapter shall be allowed for the amount of the credit with respect to qualified employee health insurance expenses taken into account under subsection (a).''.

(b) CREDIT TO BE PART OF GENERAL BUSINESS CREDIT.—Section 38(b) (relating to current year business credit), as amended by this Act, is amended by striking ''plus'' at the end of paragraph (14), by striking the period at the end of paragraph (15) and inserting '', plus'', and by adding at the end the following:

''(16) the employee health insurance expenses credit determined under section 45G.''.

(c) NO CARRYBACKS.—Subsection (d) of section 39 (relating to carryback and carryforward of unused credits), as amended by this Act, is amended by adding at the end the following:

''(12) NO CARRYBACK OF SECTION 45G CREDIT BEFORE EFFECTIVE DATE.—No portion of the unused business credit for any taxable year which is attributable to the employee health insurance expenses credit determined under section 45G may be carried back to a taxable year ending before the date of the enactment of section 45G.''.

(d) CLERICAL AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1, as amended by this Act, is amended by adding at the end the following:

''Sec. 45G. Employee health insurance expenses.''.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid or incurred in taxable years beginning after December 31, 2001.

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	27%	30%	35%	39.2%
2003	27%	30%	35%	39.3%
2004	27%	30%	35%	39.3%
2005	26%	29%	34%	38.6%
2006	26%	29%	34%	38.6%
2007	25%	28%	33%	38.6%
2008	25%	28%	33%	38.6%
2009	25%	28%	33%	38.6%
2010	25%	28%	33%	38.6%
2011 and thereafter	25%	28%	33%	38.6%

SA 734. Mr. GRAHAM 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 line 8 and insert the following: 529(c)(1), or 530(d)(2). For purposes of the preceding sentence, the amount taken into account in determining the amount excluded under section 529(c)(1) shall not include that portion of the distribution which represents a return of any contributions to the plan.

SA 735. 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. . DEFINITION OF FAMILY FOR PURPOSES OF QUALIFIED FAMILY OWNED BUSINESS INTERESTS.

(a) DEFINITION OF FAMILY.—Section 2057(i)(2) (relating to member of the family) is amended by inserting before the period '', except such term shall include a lineal descendant of a grandparent of the individual and the spouse of any such lineal descendant''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to estates of decedents dying after December 31, 2001.

SA 736. Mr. GRAMM 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. . MID-COURSE REVIEW.

''(a) IN GENERAL.—Notwithstanding any other provision of law, if at the end of fiscal year 2003 or 2010, the Secretary of the Treasury certifies that the actual reduction in debt held by the public since fiscal year 2001 is less than the actual surplus of the Old Age, Survivors, and Disability Insurance Trust Fund and the Medicare Federal Hospital Insurance Trust Fund since fiscal year 2001, any Member of Congress may introduce and may make a privileged motion to proceed to a bill that implements a mid-course review.

''(b) MID-COURSE REVIEW LEGISLATION.—To qualify under subsection (a), a bill must delay any provision of this Act or any subsequent Act that takes effect in fiscal year 2004 or 2011 and results in a revenue reduction or causes increased outlays through mandatory spending, and must also limit discretionary spending in fiscal year 2004 or 2011 to the level provided for the prior fiscal year plus an adjustment for inflation. It shall not be in order to consider any amendment to mid-course review legislation that does not affect spending and tax reductions proportionately.''

''(c) PREVENTION OF UNINTENDED TAX INCREASES OR BENEFIT CUTS.—Notwithstanding any other provision of law, any provision of this Act or any subsequent Act that would be affected by the legislation described in subsection (b) shall become final if no mid-course review legislation is enacted into law.

SA 737. Ms. COLLINS 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 appropriate place, insert the following:

SEC. ___. CREDIT FOR PURCHASE OF FISHING SAFETY EQUIPMENT.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business-related credits), as amended by this Act, is amended by adding at the end the following new section:

''SEC. 45G. FISHING SAFETY EQUIPMENT CREDIT.

''(a) GENERAL RULE.—For purposes of section 38, in the case of an eligible taxpayer, the fishing safety equipment credit determined under this section for the taxable year is 75 percent of the amount of qualified fishing safety equipment expenses paid or incurred by the taxpayer during the taxable year.

''(b) LIMITATION ON MAXIMUM CREDIT.—The credit allowed under subsection (a) with respect to a taxpayer for the taxable year shall not exceed $1,500.

''(c) ELIGIBLE TAXPAYER.—For purposes of this section, the term 'eligible taxpayer' means a taxpayer engaged in a fishing business.

''(d) DEFINITIONS.—For purposes of this section—

''(1) FISHING BUSINESS.—The term 'fishing business' means the conduct of commercial fishing as defined in section 3 of the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1802).''.

''(2) QUALIFIED FISHING SAFETY EQUIPMENT EXPENSES.—

''(A) IN GENERAL.—The term 'qualified fishing safety equipment expenses' means an amount paid or incurred for fishing safety equipment for use by the taxpayer in connection with a fishing business.

''(B) FISHING SAFETY EQUIPMENT.—The term 'fishing safety equipment' means—

''(i) lifesaving equipment required to be carried by a vessel under section 4502 of title 46, United States Code, and

''(ii) any maintenance of such equipment required under such section.

''(e) SPECIAL RULES.—

''(1) IN GENERAL.—Rules similar to the rules of subsections (c), (d), and (e) of section 52 shall apply for purposes of this section.

''(2) AGGREGATION RULES.—All persons treated as a single employer under subsection (a) or (b) of section 52 or subsection (m) or (o) of section 414 shall be treated as one person for purposes of subsection (a).

''(f) DENIAL OF DOUBLE BENEFIT.—No deduction shall be allowed under this chapter (other than a credit under this section) for any amount taken into account in determining the credit under this section.

''(g) BASIS ADJUSTMENT.—For purposes of this subtitle, if a credit is allowed under this section with respect to any equipment, the basis of such equipment shall be reduced by the amount of the credit so allowed.''.

(b) LIMITATION ON CARRYBACK.—Section 39(d) (relating to transition rules), as amended by this Act, is amended by adding at the end the following new paragraph:

''(12) NO CARRYBACK OF FISHING SAFETY EQUIPMENT CREDIT BEFORE EFFECTIVE DATE.—No portion of the unused business credit for any taxable year which is attributable to the fishing safety equipment credit determined under section 45G may be carried to a taxable year ending before the date of the enactment of section 45G.''.

(c) CONFORMING AMENDMENTS.—

(1) Section 38(b) (relating to general business credit), as amended by this Act, is amended by striking ''plus'' at the end of paragraph (14), by striking the period at the end of paragraph (15) and inserting '', plus'', and by adding at the end the following new paragraph:

''(16) the fishing safety equipment credit determined under section 45G(a).''.

(2) Subsection (a) of section 1016 is amended by striking ''and'' at the end of paragraph (26), by striking the period at the end of paragraph (27) and inserting '', and'', and by adding at the end the following new paragraph:

''(28) in the case of equipment with respect to which a credit was allowed under section 45G, to the extent provided in section 45G(g).''.

(d) CLERICAL AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1, as amended by this Act, is amended by inserting after the item relating to section 45F the following new item:

''Sec. 45G. Fishing safety equipment credit.''.

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

SA 738. Ms. COLLINS 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 subtitle A of title VIII add the following:

SEC. ___. MODIFICATIONS TO CREDIT FOR ELECTRICITY PRODUCED FROM RENEWABLE RESOURCES.

(a) QUALIFIED FACILITIES INCLUDE ALL BIOMASS FACILITIES.—

(1) IN GENERAL.—Subparagraph (B) of section 45(c)(1) (relating to credit for electricity produced from certain renewable resources) is amended to read as follows:

''(B) biomass, and''.

(2) BIOMASS DEFINED.—Paragraph (2) of section 45(c) is amended to read as follows:

''(2) BIOMASS.—The term 'biomass' means—

''(A) any organic material from a plant which is planted exclusively for purposes of being used at a qualified facility to produce electricity, or

''(B) any solid, nonhazardous, cellulosic waste material which is segregated from other waste materials and which is derived from—

''(i) any of the following forest-related resources: mill residues, precommercial thinnings, slash, and brush, but not including old-growth timber,

''(ii) urban sources, including waste pallets, crates, and dunnage, manufacturing and construction wood wastes (other than pressure-treated, chemically-treated, or painted wood wastes), and landscape or right-of-way tree trimmings, but not including unsegregated municipal solid waste (garbage) or paper which is commonly recycled, or

''(iii) agriculture sources, including orchard tree crops, vineyard, grain, legumes, sugar, and other crop by-products or residues.''.

(b) EXTENSION AND MODIFICATION OF PLACED IN SERVICE RULES.—

(1) IN GENERAL.—Subparagraph (B) of section 45(c)(3) is amended to read as follows:

''(B) BIOMASS FACILITIES.—In the case of a facility using biomass to produce electricity, the term 'qualified facility' means, with respect to any month, any facility owned or leased by the taxpayer which is originally placed in service before July 1, 2001, if, for such month, biomass comprises not less than 75 percent (on a Btu basis) of the average monthly fuel input of the facility for the taxable year which includes such month.''.

(2) SPECIAL RULES.—Section 45(c)(3) is amended by adding at the end the following:

''(D) SPECIAL RULES.—In the case of a qualified facility described in subparagraph (B)—

''(i) the 10-year period referred to in subsection (a) shall be treated as beginning not earlier than the date of the enactment of this paragraph, and

''(ii) subsection (b)(3) shall not apply to any such facility originally placed in service before January 1, 1997.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to electricity produced after the date of the enactment of this Act.

SA 739. Ms. COLLINS 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 subtitle A of title VIII add the following:

SEC. ___. INCREASED EXCLUSION AND OTHER MODIFICATIONS APPLICABLE TO QUALIFIED SMALL BUSINESS STOCK.

(a) INCREASED EXCLUSION.—Section 1202(a) (relating to partial exclusion for gain from certain small business stock) is amended by striking ''50 percent'' each place it appears and inserting ''75 percent''.

(b) REDUCTION IN HOLDING PERIOD.—

(1) IN GENERAL.—Section 1202(a) (relating to partial exclusion for gain from certain small business stock) is amended by striking ''5 years'' and inserting ''3 years''.

(2) CONFORMING AMENDMENTS.—Subsections (g)(2)(A) and (j)(1)(A) of section 1202 are each amended by striking ''5 years'' and inserting ''3 years''.

(c) REPEAL OF MINIMUM TAX PREFERENCE.—

(1) IN GENERAL.—Section 57(a) (relating to items of tax preference) is amended by striking paragraph (7).

(2) TECHNICAL AMENDMENT.—Section 53(d)(1)(B)(ii)(II) is amended by striking '', (5), and (7)'' and inserting ''and (5)''.

(d) OTHER MODIFICATIONS.—

(1) WORKING CAPITAL LIMITATION.—

(A) IN GENERAL.—Section 1202(e)(6) (relating to working capital) is amended—

(i) in subparagraph (B), by striking ''2 years'' and inserting ''5 years''; and

(ii) by striking ''2 years'' in the last sentence and inserting ''5 years''.

(B) LIMITATION ON ASSETS TREATED AS USED IN ACTIVE CONDUCT OF BUSINESS.—The second sentence of section 1202(e)(6) is amended by inserting ''described in subparagraph (A)'' after ''of the corporation''.

(2) EXCEPTION FROM REDEMPTION RULES WHERE BUSINESS PURPOSE.—Section 1202(c)(3) (relating to certain purchases by corporation of its own stock) is amended by adding at the end the following:

''(D) WAIVER WHERE BUSINESS PURPOSE.—A purchase of stock by the issuing corporation shall be disregarded for purposes of subparagraph (B) if the issuing corporation establishes that there was a business purpose for such purchase and one of the principal purposes of the purchase was not to avoid the limitations of this section.''.

(e) EXCLUDED QUALIFIED TRADE OR BUSINESS.—Section 1202(e)(3) (relating to qualified trade or business) is amended—

(1) by inserting '', and is anticipated to continue to be,'' before ''the reputation'' in subparagraph (A), and

(2) by inserting ''but not including the business of raising fish or any business involving biotechnology applications'' after ''trees'' in subparagraph (C).

(f) INCREASE IN CAP ON ELIGIBLE GAIN FOR JOINT RETURNS.—

(1) IN GENERAL.—Section 1202(b)(1)(A) (relating to per-issuer limitations on taxpayer's eligible gain) is amended by inserting ''($20,000,000 in the case of a joint return)'' after ''$10,000,000''.

(2) CONFORMING AMENDMENT.—Section 1202(b)(3) is amended by striking subparagraph (A) and redesignating subparagraphs (B) and (C) as subparagraphs (A) and (B), respectively.

(g) DECREASE IN CAPITAL GAINS RATE.—

(1) IN GENERAL.—Subparagraph (A) of section 1(h)(5) (relating to 28-percent gain) is amended to read as follows:

''(A) collectibles gain, over''.

(2) CONFORMING AMENDMENTS.—

(A) Section 1(h) is amended by striking paragraph (8).

(B) Paragraph (9) of section 1(h) is amended by striking '', gain described in paragraph (7)(A)(i), and section 1202 gain'' and inserting ''and gain described in paragraph (7)(A)(i)''.

(h) INCREASE IN ROLLOVER PERIOD FOR QUALIFIED SMALL BUSINESS STOCK.—Subsections (a)(1) and (b)(3) of section 1045 (relating to rollover of gain from qualified small business stock to another qualified small business stock) are each amended by striking ''60-day'' and inserting ''180-day''.

(i) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to stock issued after the date of the enactment of this Act.

(2) SPECIAL RULE.—The amendments made by subsections (a) and (d)(1) apply to stock issued after August 10, 1993.

SA 740. Ms. SNOWE (for herself and Mrs. LINCOLN) 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 18, between lines 14 and 15, insert the following:

SEC. 202. REFUNDS DISREGARDED IN THE ADMINISTRATION OF FEDERAL PROGRAMS AND FEDERALLY ASSISTED PROGRAMS.

Any payment considered to have been made to any individual by reason of section 24 of the Internal Revenue Code of 1986, as amended by section 201, shall not be taken into account as income and shall not be taken into account as resources for the month of receipt and the following month, for purposes of determining the eligibility of such individual or any other individual for benefits or assistance, or the amount or extent of benefits or assistance, under any Federal program or under any State or local program financed in whole or in part with Federal funds.

SA 741. Ms. SNOWE (for herself, Mrs. LINCOLN, Mr. JEFFORDS, Mr. CHAFFEE, Mr. DEWINE, Mr. KERRY, Mr. DODD, Mr. ROCKEFELLER, Ms. COLLINS, and Mr. SMITH of Oregon) 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 18, between lines 14 and 15, insert:

SEC. 202. SENSE OF THE SENATE ON THE MODIFICATIONS TO THE CHILD TAX CREDIT.

(a) FINDINGS.—

(1) There are over 12,000,000 children in poverty in the United States—about 78 percent of these children live in working families.

(2) The child tax credit was originally designed to benefit families with children in recognition of the costs associated with raising children.

(3) There are 15,400,000 children whose families would not benefit from the doubling of the child tax credit unless it is made refundable and another 7,000,000 children live in families who will not receive an increased benefit under the bill unless the credit is made refundable.

(4) A person who earns the Federal minimum wage and works 40 hours a week for 50 weeks a year earns approximately $10,300.

(5) The provision included in section 201 would give families with children the benefit of a partially refundable child tax credit based on 15 cents of their income for every dollar earned above $10,000.

(6) For a family earning $15,000 that is an additional $750 to help make ends meet.

(7) Doubling the child tax credit to $1,000 and making it partially refundable will benefit over 37,000,000 families with dependent children.

(8) The expansion of the child tax credit included in section 201 is a meaningful and a responsible effort on the part of the Senate to address the needs of low income working families to promote work and such an expansion would provide the benefit of a child tax credit to 10,700,000 more children than the provision passed by the House of Representatives.

(b) SENSE OF THE SENATE.—It is the sense of the Senate that the ''10–15'' child tax credit provision included in section 201 is a worthy start, and should be maintained as part of the final package.

SA 742. Mrs. MURRAY (for herself and Mr. SMITH of Oregon) 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 52, between lines 11 and 12, insert the following:

SEC. 423. TREATMENT OF BONDS ISSUED TO ACQUIRE RENEWABLE RESOURCES ON LAND SUBJECT TO CONSERVATION EASEMENT.

(a) IN GENERAL.—Section 145 (defining qualified 501(c)(3) bond) is amended by redesignating subsection (e) as subsection (f) and by inserting after subsection (d) the following new subsection:

''(e) BONDS ISSUED TO ACQUIRE RENEWABLE RESOURCES ON LAND SUBJECT TO CONSERVATION EASEMENT.—

''(1) IN GENERAL.—If—

''(A) the proceeds of any bond are used to acquire land (or a long-term lease thereof) together with any renewable resource associated with the land (including standing timber, agricultural crops, or water rights) from an unaffiliated person,

''(B) the land is subject to a conservation restriction—

''(i) which is granted in perpetuity to an unaffiliated person that is—

''(I) a 501(c)(3) organization, or

''(II) a Federal, State, or local government conservation organization,

''(ii) which meets the requirements of clauses (ii) and (iii)(II) of section 170(h)(4)(A),

''(iii) which exceeds the requirements of relevant environmental and land use statutes and regulations, and

''(iv) which obligates the owner of the land to pay the costs incurred by the holder of the conservation restriction in monitoring compliance with such restriction,

''(C) a management plan which meets the requirements of the statutes and regulations referred to in subparagraph (B)(iii) is developed for the conservation of the renewable resources, and

''(D) such bond would be a qualified 501(c)(3) bond (after the application of paragraph (2)) but for the failure to use revenues derived by the 501(c)(3) organization from the sale, lease, or other use of such resource as otherwise required by this part,

such bond shall not fail to be a qualified 501(c)(3) bond by reason of the failure to so use such revenues if the revenues which are not used as otherwise required by this part are used in a manner consistent with the stated charitable purposes of the 501(c)(3) organization.

''(2) TREATMENT OF TIMBER, ETC.—

''(A) IN GENERAL.—For purposes of subsection (a), the cost of any renewable resource acquired with proceeds of any bond described in paragraph (1) shall be treated as a cost of acquiring the land associated with the renewable resource and such land shall not be treated as used for a private business use because of the sale or leasing of the renewable resource to, or other use of the renewable resource by, an unaffiliated person to the extent that such sale, leasing, or other use does not constitute an unrelated trade or business, determined by applying section 513(a).

''(B) APPLICATION OF BOND MATURITY LIMITATION.—For purposes of section 147(b), the cost of any land or renewable resource acquired with proceeds of any bond described in paragraph (1) shall have an economic life commensurate with the economic and ecological feasibility of the financing of such land or renewable resource.

''(C) UNAFFILIATED PERSON.—For purposes of this subsection, the term 'unaffiliated person' means any person who controls not more than 20 percent of the governing body of another person.''.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to obligations issued after January 1, 2002, and before January 1, 2007.

(c) REVENUE OFFSET.—The Secretary of the Treasury shall adjust one or more of the amendments made by this Act to any section of the Internal Revenue Code of 1986 to the extent necessary to offset in each fiscal year beginning before October 1, 2011, the decrease in revenues to the Treasury for that fiscal year resulting from the amendment made by this section.

SA 743. Mr. BAUCUS (for Mr. CONRAD) 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 the matter between lines 11 and 12, and insert:

''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%

"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%
2005 and 2006	26%	29%	35%	38.6%
2007 and thereafter	25%	28%	35%	38.6%

On page 13, between lines 15 and 16, insert:

SEC. 104. INCREASE IN STANDARD DEDUCTION.

(a) IN GENERAL.—Section 63(c) (relating to standard deduction), as amended by section 301, is amended by adding at the end the following:

''(8) ADDITIONAL INCREASE IN BASIC STANDARD DEDUCTION.—In the case of taxable years beginning after December 31, 2004—

''(A) the basic standard deduction in effect for the taxable year under subparagraph (B) or (C) of paragraph (2) (without regard to this paragraph) shall be increased by—

''(i) $600 in the case of taxable years beginning in 2005 and 2006, and

''(ii) $1,600 in the case of taxable years beginning after 2006, and

''(B) the basic standard deduction in effect for the taxable year under subparagraph (A) of paragraph (2) (without regard to this paragraph) shall be increased by the applicable percentage (as defined in paragraph (7)) of the increase under subparagraph (A) of this paragraph.''

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

SA 744. Mr. BAUCUS (for Mr. CONRAD) 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, in the matter between lines 11 and 12, strike ''36%'' in the item relating to 2007 and thereafter and insert ''36.6%''.

On page 13, between lines 15 and 16, insert:

SEC. 104. INCREASE IN STANDARD DEDUCTION.

(a) IN GENERAL.—Section 63(c) (relating to standard deduction), as amended by section 301, is amended by adding at the end the following:

''(8) ADDITIONAL INCREASE IN BASIC STANDARD DEDUCTION.—In the case of taxable years beginning after December 31, 2006—

''(A) the basic standard deduction in effect for the taxable year under subparagraph (B) or (C) of paragraph (2) (without regard to this paragraph) shall be increased by $300, and

''(B) the basic standard deduction in effect for the taxable year under subparagraph (A) of paragraph (2) (without regard to this paragraph) shall be increased by the applicable percentage (as defined in paragraph (7)) of the increase under subparagraph (A) of this paragraph.''

(b) EFFECTIVE DATE.—The amendments made by this section apply to taxable years beginning after December 31, 2006.

SA 745. Mr. WARNER (for Mr. STEVENS (for himself, Mr. INOUYE, Mr. THOMPSON, Mr. HOLLINGS, Mr. MURKOWSKI, Mr. BINGAMAN, Mr. THURMOND, Mr. THOMAS, Ms. COLLINS, and Mr. WARNER)) proposed an amendment to the bill H.R. 1696, to expedite the construction of the World War II memorial in the District of Columbia; as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. APPROVAL OF WORLD WAR II MEMORIAL SITE AND DESIGN.

Notwithstanding any other provision of law, the World War II Memorial described in plans approved by the Commission of Fine Arts on July 20, 2000 and November 16, 2000, and selected by the National Capital Planning Commission on September 21, 2000 and December 14, 2000, and in accordance with the special use permit issued by the Secretary of the Interior on January 23, 2001, and numbered NCR–NACC–5700–0103, shall be constructed expeditiously at the dedicated Rainbow Pool site in the District of Columbia in a manner consistent with such plans and permits, subject to design modifications, if any, approved in accordance with applicable laws and regulations.

SEC. 2. APPLICATION OF COMMEMORATIVE WORKS ACT.

Elements of the memorial design and construction not approved as of the date of enactment of this Act shall be considered and approved in accordance with the requirements of the Commemorative Works Act (40 U.S.C. 1001 et seq.).

SEC. 3. JUDICIAL REVIEW.

The decision to locate the memorial at the Rainbow Pool site in the District of Columbia and the actions by the Commission of Fine Arts on July 20, 2000 and November 16, 2000, the actions by the National Capital Planning Commission on September 21, 2000 and December 14, 2000, and the issuance of the special use permit identified in section 1 shall not be subject to judicial review.

SA 746. Mrs. BOXER 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 subtitle A of title VIII add the following:

SEC. ___. EXPANSION OF WORK OPPORTUNITY TAX CREDIT.

(a) IN GENERAL.—Section 51(d)(1) (relating to members of targeted groups) is amended by striking ''or'' at the end of subparagraph (G), by striking the period at the end of subparagraph (H) and inserting '', or'', and by adding at the end the following:

''(I) a qualified low-income veteran.''

(b) QUALIFIED LOW-INCOME VETERAN.—Section 51(d) (relating to members of targeted groups) is amended by redesignating paragraphs (10) through (12) as paragraphs (11) through (13), respectively, and by inserting after paragraph (9) the following:

''(10) QUALIFIED LOW-INCOME VETERAN.—

''(A) IN GENERAL.—The term 'qualified low-income veteran' means any veteran whose gross income for the taxable year preceding the taxable year including the hiring date, was below the poverty line (as defined by the Office of Management and Budget) for such preceding taxable year .

''(B) VETERAN.—The term 'veteran' has the meaning given such term by paragraph (3)(B).

''(C) SPECIAL RULES FOR DETERMINING AMOUNT OF CREDIT.—For purposes of applying this subpart to wages paid or incurred to any qualified low-income veteran—

''(i) subsection (a) shall be applied by substituting '50 percent of the qualified first-year wages and 25 percent of the qualified second-year wages' for '40 percent of the qualified first year wages', and

''(ii) in lieu of paragraphs (2) and (3) of subsection (b), the following definitions and special rule shall apply:

''(I) QUALIFIED FIRST-YEAR WAGES.—The term 'qualified first-year wages' means, with respect to any individual, qualified wages attributable to service rendered during the 1-year period beginning with the day the individual begins work for the employer.

''(II) QUALIFIED SECOND-YEAR WAGES.—The term 'qualified second-year wages' means, with respect to any individual, qualified wages attributable to service rendered during the 1-year period beginning on the day after the last day of the 1-year period with respect to such individual determined under subclause (I).

''(III) ONLY FIRST $20,000 OF WAGES PER YEAR TAKEN INTO ACCOUNT.—The amount of the qualified first and second year wages which may be taken into account with respect to any individual shall not exceed $20,000 per year.''.

(c) PERMANENCE OF CREDIT.—Section 51(c)(4) (relating to termination) is amended by inserting ''(except for wages paid to a qualified low-income veteran)'' after ''individual''.

(d) REVENUE OFFSET.—The Secretary of the Treasury shall adjust the highest rate of tax under section 1 of the Internal Revenue Code of 1986 (as amended by section 101 of this Act) to the extent necessary to offset in each fiscal year beginning before October 1, 2011, the decrease in revenues to the Treasury for that fiscal year resulting from the amendments made by this section.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to individuals who begin work for the employer after the date of the enactment of this Act.

SA 747. Mr. REID (for Mr. CARPER) 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; which was ordered to lie on the table; as follows:

Strike all after the first word and insert the following:

1. SHORT TITLE; ETC.

(a) SHORT TITLE.—This Act may be cited as the ''Economic Stimulus Tax Cut 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 AND EMPLOYMENT TAXES

Subtitle A—In General

Sec. 101. Refund of individual income and employment taxes.

Sec. 102. Reduction in income tax rates for individuals.

Subtitle B—Compliance With Congressional Budget Act

Sec. 111. Sunset 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.

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.

TITLE IV—AFFORDABLE EDUCATION PROVISIONS

Subtitle A—Education Savings Incentives

Sec. 401. 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—Other Provisions

Sec. 421. Deduction for higher education expenses.

Subtitle D—Compliance With Congressional Budget Act

Sec. 431. Sunset of provisions of title.

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

Sec. 501. Increase in amount of unified credit against estate and gift taxes.
Sec. 502. Increase in qualified family-owned business interest deduction amount.
Sec. 503. Sunset 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. Plan loans for subchapter S owners, partners, and sole proprietors.
Sec. 612. Modification of top-heavy rules.
Sec. 613. Elective deferrals not taken into account for purposes of deduction limits.
Sec. 614. Repeal of coordination requirements for deferred compensation plans of State and local governments and tax-exempt organizations.
Sec. 615. Deduction limits.
Sec. 616. Option to treat elective deferrals as after-tax Roth contributions.
Sec. 617. Nonrefundable credit to certain individuals for elective deferrals and IRA contributions.
Sec. 618. Credit for qualified pension plan contributions of small employers.
Sec. 619. Credit for pension plan startup costs of small employers.
Sec. 620. Elimination of user fee for requests to IRS regarding new pension plans.
Sec. 621. Treatment of nonresident aliens engaged in international transportation services.

Subtitle C—Enhancing Fairness for Women

Sec. 631. Equitable treatment for contributions of employees to defined contribution plans.
Sec. 632. Faster vesting of certain employer matching contributions.
Sec. 633. Modifications to minimum distribution rules.
Sec. 634. Clarification of tax treatment of division of section 457 plan benefits upon divorce.
Sec. 635. Provisions relating to hardship distributions.
Sec. 636. 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.
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TITLE I—INDIVIDUAL INCOME AND EMPLOYMENT TAXES

Subtitle A—In General

SEC. 101. REFUND OF INDIVIDUAL INCOME AND EMPLOYMENT TAXES.

(a) IN GENERAL.—Subchapter B of chapter 65 (relating to rules of special application in the case of abatements, credits, and refunds) is amended by adding at the end the following new section:

''SEC. 6428. REFUND OF INDIVIDUAL INCOME AND EMPLOYMENT TAXES.

''(a) GENERAL RULE.—Except as otherwise provided in this section, each individual shall be treated as having made a payment against the tax imposed by chapter 1 for any taxable year beginning in 2001, in an amount equal to the lesser of—

''(1) the amount of the taxpayer's liability for tax for the taxpayer's last taxable year beginning in calendar year 2000, or

''(2) the taxpayer's applicable amount.

''(b) LIABILITY FOR TAX.—For purposes of this section, the liability for tax for the taxable year shall be the sum of—

''(1) the excess (if any) of—

''(A) the sum of—

''(i) the taxpayer's regular tax liability (within the meaning of section 26(b)) for the taxable year, and

''(ii) the tax imposed by section 55(a) with respect to such taxpayer for the taxable year, over

''(B) the sum of the credits allowable under part IV of subchapter A of chapter 1 (other than sections 31, 33, and 34) for the taxable year, and

''(2) the taxes imposed by sections 1401, 3101, 3111, 3201(a), 3211(a)(1), and 3221(a) on amounts received by the taxpayer for the taxable year.

''(c) APPLICABLE AMOUNT.—For purposes of this section—

''(1) IN GENERAL.—The applicable amount for any taxpayer shall be determined under the following table:

''In the case of a taxpayer described in:	**The applicable amount is:**
Section 1(a)	$600
Section 1(b)	$450
Section 1(c)	$300
Section 1(d)	$300
Paragraph (2)	$300.

''(2) TAXPAYERS WITH ONLY PAYROLL TAX LIABILITY.—A taxpayer is described in this paragraph if such taxpayer's liability for tax for the taxable year does not include any liability described in subsection (b)(1).

''(d) DATE PAYMENT DEEMED MADE.—

''(1) IN GENERAL.—The payment provided by this section shall be deemed made on the date of the enactment of this section.

''(2) REMITTANCE OF PAYMENT.—The Secretary shall remit to each taxpayer the payment described in paragraph (1) within 90 days after such date of enactment.

''(3) CLAIM FOR NONPAYMENT.—Any taxpayer who erroneously does not receive a payment described in paragraph (1) may make claim for such payment in a manner and at such time as the Secretary prescribes.

''(e) CERTAIN PERSONS NOT ELIGIBLE.—This section shall not apply to—

''(1) 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,

''(2) any estate or trust, or

''(3) any nonresident alien individual.''.

(b) CONFORMING AMENDMENT.—Section 1324(b)(2) of title 31, United States Code, is amended by inserting before the period '', or enacted by the Economic Stimulus Tax Cut Act of 2001''.

(c) CLERICAL AMENDMENT.—The table of sections for subchapter B of chapter 65 of the Internal Revenue Code of 1986 is amended by adding at the end the following new item:

''Sec. 6428. Refund of individual income and employment taxes.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of the enactment of this Act.

SEC. 102. 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) NEW LOWEST 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.—

''(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 shall adjust the tables prescribed under subsection (f) to carry out this subsection.''.

(b) DETERMINATION OF WITHHOLDING TABLES.—Section 3402(a) of the Internal Revenue Code of 1986 (relating to requirement of withholding) is amended by adding at the following new paragraph:

''(3) CHANGES MADE BY SECTION 102 OF THE ECONOMIC STIMULUS TAX CUT ACT OF 2001.—Notwithstanding the provisions of this subsection, the Secretary shall modify the tables and procedures under paragraph (1) to reflect the amendments made by section 102 of the Economic Stimulus Tax Cut Act of 2001, and such modification shall take effect on July 1, 2001, as if the lowest rate of tax under section 1 (as amended by such section 102) was a 10-percent rate effective on such date.''.

(c) CONFORMING AMENDMENTS.—

(1) Subparagraph (B) of section 1(g)(7) of the Internal Revenue Code of 1986 is amended—

(A) by striking ''15 percent'' in clause (ii)(II) and inserting ''the first bracket percentage'', and

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

''For purposes of clause (ii), the first bracket percentage is the percentage applicable to the lowest income bracket in the table under subsection (c).''.

(2) Section 1(h) of such Code is amended by striking paragraph (13).

(3) Section 15 of such Code is amended by adding at the end the following new subsection:

''(f) RATE REDUCTIONS ENACTED BY ECONOMIC STIMULUS TAX CUT ACT OF 2001.—This section shall not apply to any change in rates under subsection (i) of section 1 (relating to rate reductions in 2001).''.

(4) Section 3402(p)(2) of such Code is amended by striking ''equal to 15 percent of such payment'' and inserting ''equal to the product of the lowest rate of tax under section 1(c) and such payment''.

(d) 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 PROVISION.—The amendments made by subsection (b) and subsection (c)(4) shall apply to amounts paid after June 30, 2001.

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.—

(1) IN GENERAL.—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—**
2002, 2003, 2004, 2005, 2006, or 2007	$600
2008	700
2009	800
2010	900
2011 or thereafter	1,000.''.

(2) INFLATION ADJUSTMENT.—

''(g) INFLATION ADJUSTMENT.—In the case of any taxable year beginning after 2001, any

dollar amount contained in subsection (a)(2) 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) 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—

''(i) in the case of a taxpayer not described in clause (ii), 15 percent of so much of the taxpayer's earned income (within the meaning of section 32) for the taxable year as exceeds $8,000, and

''(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 DATE.—The amendments made by this section 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.

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—
2002	174
2003	180
2004	187
2005	193
2006 and thereafter	200.''.

(c) TECHNICAL AMENDMENTS.—

(1) Subparagraph (B) of section 1(f)(6) is amended by striking ''(other than with'' and all that follows through ''shall be applied'' and inserting ''(other than with respect to sections 63(c)(4) and 151(d)(4)(A)) shall be applied''.

(2) Paragraph (4) of section 63(c) is amended by adding at the end the following flush sentence:

''The preceding sentence shall not apply to the amount referred to in paragraph (2)(A).''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2005.

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:

2''For taxable years beginning in calendar year—	The applicable percentage is—
2006	174
2007	180
2008	187
2009	193
2010 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, 2005.

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 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 Economic Stimulus Tax Cut 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—Other Provisions

SEC. 421. 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, and

''(ii) in the case of any other taxpayer, zero.

''(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	$5,000
2007	$6,000
2008	$7,000
2009	$8,000
2010	$9,000
2011	$10,000.

''(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 ($130,000 in the case of a joint return), bears to

''(II) $10,000 ($20,000 in the case of a joint return).

''(D) 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.''.

(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.

Subtitle D—Compliance With Congressional Budget Act

SEC. 431. 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

SEC. 501. INCREASE IN AMOUNT OF UNIFIED CREDIT AGAINST ESTATE AND GIFT TAXES.

(a) IN GENERAL.—Subsection (c) of section 2010 (relating to unified credit against estate tax) is amended to read as follows:

''(c) APPLICABLE CREDIT AMOUNT.—For purposes of this section—

''(1) IN GENERAL.—The applicable credit amount is the amount of the tentative tax which would be determined under the rate schedule set forth in section 2001(c) if the amount with respect to which such tentative tax is to be computed were the applicable exclusion amount.

''(2) APPLICABLE EXCLUSION AMOUNT.—The applicable exclusion amount is equal to the sum of—

''(A) the decedent's exclusion amount, plus

''(B) in the case of a decedent described in paragraph (4), the unused spousal exclusion amount.

''(3) DECEDENT'S EXCLUSION AMOUNT.—

''(A) IN GENERAL.—For purposes of paragraph (2)(A), the decedent's exclusion amount is $2,000,000.

''(B) INFLATION ADJUSTMENT OF BASIS ADJUSTMENT AMOUNTS.—

''(i) IN GENERAL.—In the case of decedents dying in a calendar year after 2006, the $2,000,000 dollar amount in subparagraph (A) shall 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 '2005' for '1992' in subparagraph (B) thereof.

''(B) ROUNDING.—If any increase determined under subparagraph (A) is not a multiple of $250,000, such increase shall be rounded to the next lowest multiple thereof.

''(4) UNUSED SPOUSAL EXCLUSION AMOUNT.—With respect to a decedent whose immediately predeceased spouse died after December 31, 2005, the unused spousal exclusion amount for such decedent is equal to the excess of—

''(A) the applicable exclusion amount allowable under this subsection to the estate of such immediately predeceased spouse, over

''(B) the applicable exclusion amount allowed under this section to the estate of such immediately predeceased spouse.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2005.

SEC. 502. INCREASE IN QUALIFIED FAMILY-OWNED BUSINESS INTEREST DEDUCTION AMOUNT.

(a) IN GENERAL.—Paragraph (2) of section 2057(a) (relating to family-owned business interests) is amended to read as follows:

''(2) MAXIMUM DEDUCTION.—

''(A) IN GENERAL.—The deduction allowed by this section shall not exceed the sum of—

''(i) the applicable deduction amount, plus

''(ii) in the case of a decedent described in subparagraph (C), the applicable unused spousal deduction amount.

''(B) APPLICABLE DEDUCTION AMOUNT.—For purposes of this subparagraph (A)(i), the applicable deduction amount is determined in accordance with the following table:

"In the case of estates of decedents dying during:	The applicable deduction amount is:
2002, 2003, 2004, 2005, and 2006	$1,375,000
2007 and 2008	$1,625,000
2009	$2,375,000
2010 or thereafter	$3,375,000.

''(C) APPLICABLE UNUSED SPOUSAL DEDUCTION AMOUNT.—With respect to a decedent whose immediately predeceased spouse died after December 31, 2001, and the estate of such immediately predeceased spouse met the requirements of subsection (b)(1), the applicable unused spousal deduction amount for such decedent is equal to the excess of—

''(i) the applicable deduction amount allowable under this section to the estate of such immediately predeceased spouse, over

''(ii) the sum of—

''(I) the applicable deduction amount allowed under this section to the estate of such immediately predeceased spouse, plus

''(II) the amount of any increase in such estate's unified credit under paragraph (3)(B) which was allowed to such estate.''.

(b) CONFORMING AMENDMENTS.—Section 2057(a)(3)(B) is amended—

(1) by striking ''$675,000'' both places it appears and inserting ''the applicable deduction amount'', and

(2) by striking ''$675,000'' in the heading and inserting ''APPLICABLE DEDUCTION AMOUNT''.

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2001.

SEC. 503. 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), 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 thereafter	$3,000.''.

(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. 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. 612. 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. 613. 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. 614. 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) 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. 615. 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. 616. 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. 617. 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) is amended by inserting after section 25A the following new section:

''SEC. 25B. 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 25B, 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, and 25A 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 25B'' after ''section 24''.

(B) Section 23(c), as amended by section 201, is amended by striking ''sections 24'' and inserting ''sections 24, 25B,''.

(C) Section 25(e)(1)(C), as amended by section 201, is amended by inserting ''25B,'' after ''24,''.

(D) Section 904(h), as amended by section 201, is amended by inserting ''or 25B'' after ''section 24''.

(E) Section 1400C(d), as amended by section 201, is amended by inserting ''and section 25B'' after ''section 24''.

(c) 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. 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. 618. 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. 619. 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 618, 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 618, 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 618(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 618(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 618(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. 620. 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. 621. 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. 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 percent
2011 and thereafter	100 percent.''.

(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 Economic Stimulus Tax Cut 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 Economic Stimulus Tax Cut 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 percent
2011 and thereafter	100 percent.''.

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

SEC. 632. 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. 633. 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. 634. 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. 635. 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. 636. 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 616, 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 641, 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—EXTENSIONS OF EXPIRING PROVISIONS

Subtitle A—In General

SECTION 701. PERMANENT EXTENSION OF RESEARCH CREDIT.

(a) PERMANENT EXTENSION.—

(1) IN GENERAL.—Section 41 (relating to credit for increasing research activities) is amended by striking subsection (h).

(2) CONFORMING AMENDMENT.—Paragraph (1) of section 45C(b) is amended by striking subparagraph (D).

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to amounts paid or incurred after the date of the enactment of this Act.

(b) INCREASE IN RATES OF ALTERNATIVE INCREMENTAL CREDIT.—

(1) IN GENERAL.—Subparagraph (A) of section 41(c)(4) (relating to election of alternative incremental credit) is amended—

(A) by striking ''2.65 percent'' and inserting ''3 percent'',

(B) by striking ''3.2 percent'' and inserting ''4 percent'', and

(C) by striking ''3.75 percent'' and inserting ''5 percent''.

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years ending after the date of the enactment of this Act.

SEC. 702. WORK OPPORTUNITY CREDIT AND WELFARE-TO-WORK CREDIT.

(a) TEMPORARY EXTENSION.—Sections 51(c)(4)(B) and 51A(f) (relating to termination) are each amended by striking ''2001'' and inserting ''2003''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to individuals who begin work for the employer after December 31, 2001.

SEC. 703. TAXABLE INCOME LIMIT ON PERCENTAGE DEPLETION FOR MARGINAL PRODUCTION.

(a) TEMPORARY EXTENSION.—Subparagraph (H) of section 613A(c)(6) is amended by striking ''January 1, 2002'' and inserting ''January 1, 2004''.

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

SEC. 704. SUBPART F EXEMPTION FOR ACTIVE FINANCING INCOME.

(a) TEMPORARY EXTENSION.—Section 953(e)(10) is amended—

(1) by striking ''January 1, 2002'' and inserting ''January 1, 2004'', and

(2) by striking ''December 31, 2001'' and inserting ''December 31, 2003''.

(b) CONFORMING AMENDMENT.—Section 954(h)(9) is amended by striking ''January 1, 2002'' and inserting ''January 1, 2004''.

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

SEC. 705. PARITY IN THE APPLICATION OF CERTAIN LIMITS TO MENTAL HEALTH BENEFITS.

(a) TEMPORARY EXTENSION.—Subsection (f) of section 9812 is amended by striking ''on or after September 30, 2001'' and inserting ''after September 30, 2003''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to benefits for services furnished after September 30, 2001.

SEC. 706. DEDUCTION FOR CLEAN-FUEL VEHICLES AND CERTAIN REFUELING PROPERTY.

(a) TEMPORARY EXTENSION.—Subsection (f) of section 179A is amended by striking ''December 31, 2004'' and inserting ''December 31, 2006''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after December 31, 2004.

SEC. 707. LUXURY TAX ON PASSENGER VEHICLES.

(a) TEMPORARY EXTENSION.—Subsection (g) of section 4001 is amended by striking ''December 31, 2002'' and inserting ''December 31, 2004''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to any sale, use, or installation after December 31, 2002.

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—ALTERNATIVE MINIMUM TAX

Subtitle A—In General

SEC. 801. 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) IN GENERAL.—In the case of an individual, the tentative minimum tax shall be zero for any taxable year if the adjusted gross income of the taxpayer for the taxable year does not exceed $80,000.

''(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.

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.

TITLE IX—ENSURING DEBT REDUCTION

SEC. 901. 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 calendar year 2003, 2003, 2004, 2005, 2006, 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 2002, 2003, 2004, 2005, 2006, or 2007 and causes increased outlays through mandatory spending (except for automatic or annually enacted cost of living adjustments for benefits enacted prior to the date of enactment of this Act).

(3) DELAY.—If, on September 30 of fiscal year 2002, 2003, 2004, 2005, 2006, or 2007, 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 has been exceeded for that fiscal year, the effective date of any provision of law described in paragraph (2) that takes effect during the next 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 budget authority for 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 each fiscal year, the Secretary of the Treasury shall report to Congress the estimated amount of the debt held by the public for the fiscal year ending on September 30 of that year.

(6) CONGRESSIONAL ACTION.—

(A) TRIGGER.—

(i) MODIFICATION.—In fiscal year 2002, 2003, 2004, 2005, 2006, or 2007, if the level of debt held by the public at the end of the preceding fiscal year, as determined by the Secretary of the Treasury, would be below the debt target for that fiscal year in section 253A(a) of the Balanced Budget and Emergency Deficit Control Act of 1985 as a result of the effect of the triggering of paragraphs (3) and (4), any Member of Congress may move to proceed to a bill that would increase the rate of discretionary spending and make changes in the provisions of law described in paragraph (2) to increase direct spending and reduce 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 sections 310(e) and 313 of the Congressional Budget Act of 1974 (2 U.S.C. 641(e) and 644). Any amendment offered to the bill shall maintain the proportionality requirement.

(ii) WAIVER.—

(I) IN GENERAL.—The delay and limitation provided in paragraphs (3) and (4) may be disapproved by a joint resolution. A joint resolution considered under this subclause 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.

(II) LOW GROWTH.—(aa) The delay and limitation provided in paragraphs (3) and (4) may be disapproved by a joint resolution for low growth as provided in this subclause. A joint resolution considered under this subclause 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.

(bb) For purposes of this subclause, a period of low growth occurs when the most recent of the Department of Commerce's advance, preliminary, or final reports of actual real economic growth indicate that the rate of real economic growth (as measured by real GDP) for each of the most recently reported quarter and the immediately preceding quarter is less than 1 percent.

(B) OTHER FISCAL YEARS.—

(i) IN GENERAL.—In fiscal year 2008, 2009, or 2010, if the level of debt held by the public at the end of the preceding fiscal year, as determined by the Secretary of the Treasury, would exceed the debt target for that fiscal year in section 253A(a) of the Balanced Budget and Emergency Deficit Control Act of 1985 as a result of the effect of the triggering of paragraphs (3) and (4), 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 (except for automatic or annually enacted cost of living adjustments for benefits enacted prior to the date of enactment of this Act) 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 adjust discretionary spending and maintain the proportionality requirement.

(ii) CONSIDERATION OF LEGISLATION.—A bill considered under clause (i) shall be considered as provided in sections 310(e) and 313 of the Congressional Budget Act of 1974 (2 U.S.C. 641(e) and 644).

(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.—

''(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—

''(A) the Department of the Treasury will be unable to redeem a sufficient amount of securities from holders of Federal debt to achieve the target; or

''(B) the social security and medicare revenues are less than assumed in the concurrent resolution on the budget for fiscal year 2002 (H. Con. Res. 83).

''(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

''(C) not be the result of a budget surpluses 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) SUSPENSION OF LIMIT ON DEBT HELD BY THE PUBLIC FOR WAR.—If a declaration of war is in effect, the limit on the debt held by the public established in this section is suspended.''.

(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 concurrent resolution on the budget or amendment, motion, or conference report thereto 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.''; and

(B) in section 301(a) by—

(i) redesignating paragraphs (6) and (7) as paragraphs (7) and (8), respectively; and

(ii) inserting after paragraph (5) the following:

''(6) the debt held by the public; and''.

(d) RULE OF CONSTRUCTION.—This section and the amendments made by this section shall have no effect on Social Security or Medicare as in effect on the day before the date of enactment of this section.

TITLE X—OTHER PROVISIONS

Subtitle A—In General

SEC. 1001. 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.

SEC. 1002. HISTORIC HOMEOWNERSHIP REHABILITATION CREDIT.

(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 (relating to nonrefundable personal credits) is amended by inserting after section 25A the following new section:

"SEC. 25B. HISTORIC HOMEOWNERSHIP REHABILITATION CREDIT.

''(a) GENERAL RULE.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to 20 percent of the qualified rehabilitation expenditures made by the taxpayer with respect to a qualified historic home.

''(b) DOLLAR LIMITATION.—

''(1) IN GENERAL.—The credit allowed by subsection (a) with respect to any residence of a taxpayer shall not exceed $40,000 ($20,000 in the case of a married individual filing a separate return).

''(2) CARRYFORWARD OF CREDIT UNUSED BY REASON OF LIMITATION BASED ON TAX LIABILITY.—If the credit allowable under subsection (a) for any taxable year exceeds the limitation imposed by section 26(a) for such taxable year reduced by the sum of the credits allowable under this subpart (other than this section), such excess shall be carried to the succeeding taxable year and added to the credit allowable under subsection (a) for such succeeding taxable year.

''(c) QUALIFIED REHABILITATION EXPENDITURE.—For purposes of this section:

''(1) IN GENERAL.—The term 'qualified rehabilitation expenditure' means any amount properly chargeable to capital account—

''(A) in connection with the certified rehabilitation of a qualified historic home, and

''(B) for property for which depreciation would be allowable under section 168 if the qualified historic home were used in a trade or business.

''(2) CERTAIN EXPENDITURES NOT INCLUDED.—

''(A) EXTERIOR.—Such term shall not include any expenditure in connection with the rehabilitation of a building unless at least 5 percent of the total expenditures made in the rehabilitation process are allocable to the rehabilitation of the exterior of such building.

''(B) OTHER RULES TO APPLY.—Rules similar to the rules of clauses (ii) and (iii) of section 47(c)(2)(B) shall apply.

''(3) MIXED USE OR MULTIFAMILY BUILDING.—If only a portion of a building is used as the principal residence of the taxpayer, only qualified rehabilitation expenditures which are properly allocable to such portion shall be taken into account under this section.

''(d) CERTIFIED REHABILITATION.—For purposes of this section:

''(1) IN GENERAL.—Except as otherwise provided in this subsection, the term 'certified rehabilitation' has the meaning given such term by section 47(c)(2)(C).

''(2) FACTORS TO BE CONSIDERED IN THE CASE OF TARGETED AREA RESIDENCES, ETC.—

''(A) IN GENERAL.—For purposes of applying section 47(c)(2)(C) under this section with respect to the rehabilitation of a building to which this paragraph applies, consideration shall be given to—

''(i) the feasibility of preserving existing architectural and design elements of the interior of such building,

''(ii) the risk of further deterioration or demolition of such building in the event that certification is denied because of the failure to preserve such interior elements, and

''(iii) the effects of such deterioration or demolition on neighboring historic properties.

''(B) BUILDINGS TO WHICH THIS PARAGRAPH APPLIES.—This paragraph shall apply with respect to any building—

''(i) any part of which is a targeted area residence within the meaning of section 143(j)(1), or

''(ii) which is located within an enterprise community or empowerment zone as designated under section 1391, or a renewal community designated under section 1400(e),

but shall not apply with respect to any building which is listed in the National Register.

''(3) APPROVED STATE PROGRAM.—The term 'certified rehabilitation' includes a certification made by—

''(A) a State Historic Preservation Officer who administers a State Historic Preservation Program approved by the Secretary of the Interior pursuant to section 101(b)(1) of the National Historic Preservation Act, or

''(B) a local government, certified pursuant to section 101(c)(1) of the National Historic Preservation Act and authorized by a State Historic Preservation Officer, or the Secretary of the Interior where there is no approved State program,

subject to such terms and conditions as may be specified by the Secretary of the Interior for the rehabilitation of buildings within the jurisdiction of such officer (or local government) for purposes of this section.

''(e) DEFINITIONS AND SPECIAL RULES.—For purposes of this section:

''(1) QUALIFIED HISTORIC HOME.—The term 'qualified historic home' means a certified historic structure—

''(A) which has been substantially rehabilitated, and

''(B) which (or any portion of which)—

''(i) is owned by the taxpayer, and

''(ii) is used (or will, within a reasonable period, be used) by such taxpayer as his principal residence.

''(2) SUBSTANTIALLY REHABILITATED.—The term 'substantially rehabilitated' has the meaning given such term by section 47(c)(1)(C); except that, in the case of any building described in subsection (d)(2), clause (i)(I) thereof shall not apply.

''(3) PRINCIPAL RESIDENCE.—The term 'principal residence' has the same meaning as when used in section 121.

''(4) CERTIFIED HISTORIC STRUCTURE.—

''(A) IN GENERAL.—The term 'certified historic structure' means any building (and its structural components) which—

''(i) is listed in the National Register, or

''(ii) is located in a registered historic district (as defined in section 47(c)(3)(B)) within which only qualified census tracts (or portions thereof) are located, and is certified by the Secretary of the Interior as being of historic significance to the district.

''(B) CERTAIN STRUCTURES INCLUDED.—Such term includes any building (and its structural components) which is designated as being of historic significance under a statute of a State or local government, if such statute is certified by the Secretary of the Interior to the Secretary as containing criteria which will substantially achieve the purpose of preserving and rehabilitating buildings of historic significance.

''(C) QUALIFIED CENSUS TRACTS.—For purposes of subparagraph (A)(ii)—

''(i) IN GENERAL.—The term 'qualified census tract' means a census tract in which the median income is less than twice the statewide median family income.

''(ii) DATA USED.—The determination under clause (i) shall be made on the basis of the most recent decennial census for which data are available.

''(5) REHABILITATION NOT COMPLETE BEFORE CERTIFICATION.—A rehabilitation shall not be treated as complete before the date of the certification referred to in subsection (d).

''(6) LESSEES.—A taxpayer who leases his principal residence shall, for purposes of this section, be treated as the owner thereof if the remaining term of the lease (as of the date determined under regulations prescribed by the Secretary) is not less than such minimum period as the regulations require.

''(7) TENANT-STOCKHOLDER IN COOPERATIVE HOUSING CORPORATION.—If the taxpayer holds stock as a tenant-stockholder (as defined in section 216) in a cooperative housing corporation (as defined in such section), such stockholder shall be treated as owning the house or apartment which the taxpayer is entitled to occupy as such stockholder.

''(8) ALLOCATION OF EXPENDITURES RELATING TO EXTERIOR OF BUILDING CONTAINING COOPERATIVE OR CONDOMINIUM UNITS.—The percentage of the total expenditures made in the rehabilitation of a building containing cooperative or condominium residential units allocated to the rehabilitation of the exterior of the building shall be attributed proportionately to each cooperative or condominium residential unit in such building for which a credit under this section is claimed.

''(f) WHEN EXPENDITURES TAKEN INTO ACCOUNT.—In the case of a building other than a building to which subsection (g) applies, qualified rehabilitation expenditures shall be treated for purposes of this section as made—

''(1) on the date the rehabilitation is completed, or

''(2) to the extent provided by the Secretary by regulation, when such expenditures are properly chargeable to capital account.

Regulations under paragraph (2) shall include a rule similar to the rule under section 50(a)(2) (relating to recapture if property ceases to qualify for progress expenditures).

''(g) ALLOWANCE OF CREDIT FOR PURCHASE OF REHABILITATED HISTORIC HOME.—

''(1) IN GENERAL.—In the case of a qualified purchased historic home, the taxpayer shall be treated as having made (on the date of purchase) the expenditures made by the seller of such home. For purposes of the preceding sentence, expenditures made by the seller shall be deemed to be qualified rehabilitation expenditures if such expenditures, if made by the purchaser, would be qualified rehabilitation expenditures.

''(2) QUALIFIED PURCHASED HISTORIC HOME.—For purposes of this subsection, the term 'qualified purchased historic home' means any substantially rehabilitated certified historic structure purchased by the taxpayer if—

''(A) the taxpayer is the first purchaser of such structure after the date rehabilitation is completed, and the purchase occurs within 5 years after such date,

''(B) the structure (or a portion thereof) will, within a reasonable period, be the principal residence of the taxpayer,

''(C) no credit was allowed to the seller under this section or section 47 with respect to such rehabilitation, and

''(D) the taxpayer is furnished with such information as the Secretary determines is necessary to determine the credit under this subsection.

''(h) HISTORIC REHABILITATION MORTGAGE CREDIT CERTIFICATE.—

''(1) IN GENERAL.—The taxpayer may elect, in lieu of the credit otherwise allowable under this section, to receive a historic rehabilitation mortgage credit certificate. An election under this paragraph shall be made—

''(A) in the case of a building to which subsection (g) applies, at the time of purchase, or

''(B) in any other case, at the time rehabilitation is completed.

''(2) HISTORIC REHABILITATION MORTGAGE CREDIT CERTIFICATE.—For purposes of this subsection, the term 'historic rehabilitation mortgage credit certificate' means a certificate—

''(A) issued to the taxpayer, in accordance with procedures prescribed by the Secretary, with respect to a certified rehabilitation,

''(B) the face amount of which shall be equal to the credit which would (but for this subsection) be allowable under subsection (a) to the taxpayer with respect to such rehabilitation,

''(C) which may only be transferred by the taxpayer to a lending institution (including a nondepository institution) in connection with a loan—

''(i) that is secured by the building with respect to which the credit relates, and

''(ii) the proceeds of which may not be used for any purpose other than the acquisition or rehabilitation of such building, and

''(D) in exchange for which such lending institution provides to the taxpayer—

''(i) a reduction in the rate of interest on the loan which results in interest payment reductions which are substantially equivalent on a present value basis to the face amount of such certificate, or

''(ii) if the taxpayer so elects with respect to a specified amount of the face amount of such a certificate relating to a building—

''(I) which is a targeted area residence (within the meaning of section 143(j)(1)), or

''(II) which is located in an enterprise community or empowerment zone as designated under section 1391, or a renewal community as designated under section 1400(e),

a payment which is substantially equivalent to such specified amount to be used to reduce the taxpayer's cost of purchasing the building (and only the remainder of such face amount shall be taken into account under clause (i)).

''(3) METHOD OF DISCOUNTING.—The present value under paragraph (2)(D)(i) shall be determined—

''(A) for a period equal to the term of the loan referred to in subparagraph (D)(i),

''(B) by using the convention that any payment on such loan in any taxable year within such period is deemed to have been made on the last day of such taxable year,

''(C) by using a discount rate equal to 65 percent of the average of the annual Federal mid-term rate and the annual Federal long-term rate applicable under section 1274(d)(1) to the month in which the taxpayer makes an election under paragraph (1) and compounded annually, and

''(D) by assuming that the credit allowable under this section for any year is received on the last day of such year.

''(4) USE OF CERTIFICATE BY LENDER.—The amount of the credit specified in the certificate shall be allowed to the lender only to offset the regular tax (as defined in section 55(c)) of such lender. The lender may carry forward all unused amounts under this subsection until exhausted.

''(5) HISTORIC REHABILITATION MORTGAGE CREDIT CERTIFICATE NOT TREATED AS TAXABLE INCOME.—Notwithstanding any other provision of law, no benefit accruing to the taxpayer through the use of a historic rehabilitation mortgage credit certificate shall be included in gross income for purposes of this title.

''(i) RECAPTURE.—

''(1) IN GENERAL.—If, before the end of the 5-year period beginning on the date on which the rehabilitation of the building is completed (or, if subsection (g) applies, the date of purchase of such building by the taxpayer)—

''(A) the taxpayer disposes of such taxpayer's interest in such building, or

''(B) such building ceases to be used as the principal residence of the taxpayer or ceases to be a certified historic structure,

the taxpayer's tax imposed by this chapter for the taxable year in which such disposition or cessation occurs shall be increased by the recapture percentage of the credit allowed under this section for all prior taxable years with respect to such rehabilitation.

''(2) RECAPTURE PERCENTAGE.—For purposes of paragraph (1), the recapture percentage shall be determined in accordance with the table under section 50(a)(1)(B), deeming such table to be amended—

''(A) by striking 'If the property ceases to be investment credit property within—' and inserting 'If the disposition or cessation occurs within—', and

''(B) in clause (i) by striking 'One full year after placed in service' and inserting 'One full year after the taxpayer becomes entitled to the credit'.

''(3) TRANSFER BETWEEN SPOUSES OR INCIDENT TO DIVORCE.—In the case of any transfer described in subsection (a) of section 1041 (relating to transfers between spouses or incident to divorce)—

''(A) the foregoing provisions of this subsection shall not apply, and

''(B) the same tax treatment under this subsection with respect to the transferred property shall apply to the transferee as would have applied to the transferor.

''(j) BASIS ADJUSTMENTS.—For purposes of this subtitle, if a credit is allowed under this section for any expenditure with respect to any property (including any purchase under subsection (g) and any transfer under subsection (h)), the increase in the basis of such property which would (but for this subsection) result from such expenditure shall be reduced by the amount of the credit so allowed.

''(k) PROCESSING FEES.—Any State may impose a fee for the processing of applications for the certification of any rehabilitation under this section provided that the amount of such fee is used only to defray expenses associated with the processing of such applications.

''(l) DENIAL OF DOUBLE BENEFIT.—No credit shall be allowed under this section for any amount for which credit is allowed under section 47.

''(m) REGULATIONS.—The Secretary shall prescribe such regulations as may be appropriate to carry out the purposes of this section, including regulations where less than all of a building is used as a principal residence and where more than 1 taxpayer use the same dwelling unit as their principal residence.''

(b) CONFORMING AMENDMENTS.—

(1) Subsection (c) of section 23 is amended by striking ''and section 1400C'' and inserting ''and sections 25B and 1400C''.

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

(3) Subsection (d) of section 1400C is amended by striking ''other than this section)'' and inserting ''other than this section and section 25B)''.

(4) Subsection (a) of section 1016 is amended by striking ''and'' at the end of paragraph (26), by striking the period at the end of paragraph (27) and inserting '', and'', and by adding at the end the following new item:

''(28) to the extent provided in section 25B(j).''

(c) CLERICAL AMENDMENT.—The table of sections for subpart A of part IV of subchapter A of chapter 1 is amended by inserting after the item relating to section 25A the following new item:

''Sec. 25B. Historic homeownership rehabilitation credit.''

(d) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to rehabilitations the physical work on which begins after the date of enactment of this Act.

Subtitle B—Compliance With Congressional Budget Act

SEC. 1011. 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 XI—ENERGY SECURITY AND TAX INCENTIVE POLICY

Subtitle A—Energy-Efficient Property Used in Business

SEC. 1101. CREDIT FOR CERTAIN ENERGY-EFFICIENT PROPERTY USED IN BUSINESS.

(a) IN GENERAL.—Subpart E of part IV of subchapter A of chapter 1 (relating to rules for computing investment credit) is amended by inserting after section 48 the following:

''SEC. 48A. ENERGY CREDIT.

''(a) IN GENERAL.—For purposes of section 46, the energy credit for any taxable year is the energy percentage of the basis of each energy property placed in service during such taxable year.

''(b) ENERGY PERCENTAGE.—

''(1) IN GENERAL.—The energy percentage is—

''(A) except as otherwise provided in this subparagraph, 10 percent,

''(B) in the case of energy property described in clauses (i), (iii), and (vi) of subsection (c)(1)(A), 20 percent,

''(C) in the case of energy property described in subsection (c)(1)(A)(v), 15 percent,

''(D) in the case of energy property described in subsection (c)(1)(A)(ii) relating to a high risk geothermal well, 20 percent, and

''(E) in the case of energy property described in subsection (c)(1)(A)(vii), 30 percent.

''(2) COORDINATION WITH REHABILITATION.—The energy percentage shall not apply to that portion of the basis of any property which is attributable to qualified rehabilitation expenditures.

''(c) ENERGY PROPERTY DEFINED.—

''(1) IN GENERAL.—For purposes of this subpart, the term 'energy property' means any property—

''(A) which is—

''(i) solar energy property,

''(ii) geothermal energy property,

''(iii) energy-efficient building property other than property described in clauses (iii)(I) and (v)(I) of subsection (d)(3)(A),

''(iv) combined heat and power system property,

''(v) low core loss distribution transformer property,

''(vi) qualified anaerobic digester property, or

''(vii) qualified wind energy systems equipment property,

''(B)(i) the construction, reconstruction, or erection of which is completed by the taxpayer, or

''(ii) which is acquired by the taxpayer if the original use of such property commences with the taxpayer.

''(C) which can reasonably be expected to remain in operation for at least 5 years,

''(D) with respect to which depreciation (or amortization in lieu of depreciation) is allowable, and

''(E) which meets the performance and quality standards (if any) which—

''(i) have been prescribed by the Secretary by regulations (after consultation with the Secretary of Energy), and

''(ii) are in effect at the time of the acquisition of the property.

''(2) EXCEPTIONS.—

''(A) PUBLIC UTILITY PROPERTY.—Such term shall not include any property which is public utility property (as defined in section 46(f)(5) as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990), except for property described in paragraph (1)(A)(iv).

''(B) CERTAIN WIND EQUIPMENT.—Such term shall not include equipment described in paragraph (1)(A)(vii) which is taken into account for purposes of section 45 for the taxable year.

''(d) DEFINITIONS RELATING TO TYPES OF ENERGY PROPERTY.—For purposes of this section—

''(1) SOLAR ENERGY PROPERTY.—

''(A) IN GENERAL.—The term 'solar energy property' means equipment which uses solar energy to generate electricity, to heat or cool (or provide hot water for use in) a structure, or to provide solar process heat.

''(B) SWIMMING POOLS, ETC. USED AS STORAGE MEDIUM.—The term 'solar energy property' shall not include property with respect to which expenditures are properly allocable to a swimming pool, hot tub, or any other energy storage medium which has a function other than the function of such storage.

''(C) SOLAR PANELS.—No solar panel or other property installed as a roof (or portion thereof) shall fail to be treated as solar energy property solely because it constitutes a structural component of the structure on which it is installed.

''(2) GEOTHERMAL ENERGY PROPERTY.—

''(A) IN GENERAL.—The term 'geothermal energy property' means equipment used to produce, distribute, or use energy derived from a geothermal deposit (within the meaning of section 613(e)(2)), but only, in the case of electricity generated by geothermal power, up to (but not including) the electrical transmission stage.

''(B) HIGH RISK GEOTHERMAL WELL.—The term 'high risk geothermal well' means a geothermal deposit (within the meaning of section 613(e)(2)) which requires high risk drilling techniques. Such deposit may not be located in a State or national park or in an area in which the relevant State park authority or the National Park Service determines the development of such a deposit will negatively impact on a State or national park.

''(3) ENERGY-EFFICIENT BUILDING PROPERTY.—

''(A) IN GENERAL.—The term 'energy-efficient building property' means—

''(i) a fuel cell which—

''(I) generates electricity using an electrochemical process,

''(II) has an electricity-only generation efficiency greater than 30 percent, and

''(III) has a minimum generating capacity of 2 kilowatts,

''(ii) an electric heat pump hot water heater which yields an energy factor of 1.7 or greater under test procedures prescribed by the Secretary of Energy,

''(iii)(I) an electric heat pump which has a heating system performance factor (HSPF) of at least 8.5 but less than 9 and a cooling seasonal energy efficiency ratio (SEER) of at least 13.5 but less than 15,

''(II) an electric heat pump which has a heating system performance factor (HSPF) of 9 or greater and a cooling seasonal energy efficiency ratio (SEER) of 15 or greater,

''(iv) a natural gas heat pump which has a coefficient of performance of not less than 1.25 for heating and not less than 0.70 for cooling,

''(v)(I) a central air conditioner which has a cooling seasonal energy efficiency ratio (SEER) of at least 13.5 but less than 15,

''(II) a central air conditioner which has a cooling seasonal energy efficiency ratio (SEER) of 15 or greater,

''(vi) an advanced natural gas water heater which—

''(I) increases steady state efficiency and reduces standby and vent losses, and

''(II) has an energy factor of at least 0.65,

''(vii) an advanced natural gas furnace which achieves a 90 percent AFUE and rated for seasonal electricity use of less than 300 kWh per year, and

''(viii) natural gas cooling equipment which meets all applicable standards of the American Society of Heating, Refrigerating, and Air Conditioning Engineers and which—

''(I) has a coefficient of performance of not less than .60, or

''(II) uses desiccant technology and has an efficiency rating of not less than 50 percent.

''(B) LIMITATIONS.—The credit under subsection (a) for the taxable year may not exceed—

''(i) $500 in the case of property described in subparagraph (A) other than clauses (i), (iv), and (viii) thereof,

''(ii) $1,000 for each kilowatt of capacity in the case of any fuel cell described in subparagraph (A)(i),

''(iii) $1,000 in the case of any natural gas heat pump described in subparagraph (A)(iv), and

''(iv) $150 for each ton of capacity in the case of any natural gas cooling equipment described in subparagraph (A)(viii).

''(4) COMBINED HEAT AND POWER SYSTEM PROPERTY.—

''(A) IN GENERAL.—The term 'combined heat and power system property' means property—

''(i) comprising a system for the same energy source for the simultaneous or sequential generation of electrical power, mechanical shaft power, or both, in combination with steam, heat, or other forms of useful energy,

''(ii) which has an electrical capacity of more than 50 kilowatts or a mechanical energy capacity of more than 67 horsepower or an equivalent combination of electrical and mechanical energy capacities,

''(iii) which produces—

''(I) at least 20 percent of its total useful energy in the form of thermal energy, and

''(II) at least 20 percent of its total useful energy in the form of electrical or mechanical power (or a combination thereof), and

''(iv) the energy efficiency percentage of which exceeds—

''(I) 60 percent in the case of a system with an electrical capacity of less than 1 megawatt),

''(II) 65 percent in the case of a system with an electrical capacity of not less than 1 megawatt and not in excess of 50 megawatts), and

''(III) 70 percent in the case of a system with an electrical capacity in excess of 50 megawatts).

''(B) SPECIAL RULES.—

''(i) ENERGY EFFICIENCY PERCENTAGE.—For purposes of subparagraph (A)(iv), the energy efficiency percentage of a system is the fraction—

''(I) the numerator of which is the total useful electrical, thermal, and mechanical power produced by the system at normal operating rates, and

''(II) the denominator of which is the lower heating value of the primary fuel source for the system.

''(ii) DETERMINATIONS MADE ON BTU BASIS.—The energy efficiency percentage and the percentages under subparagraph (A)(iii) shall be determined on a Btu basis.

''(iii) INPUT AND OUTPUT PROPERTY NOT INCLUDED.—The term 'combined heat and power system property' does not include property used to transport the energy source to the facility or to distribute energy produced by the facility.

''(iv) ACCOUNTING RULE FOR PUBLIC UTILITY PROPERTY.—If the combined heat and power system property is public utility property (as defined in section 46(f)(5) as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990), the taxpayer may only claim the credit under subsection (a)(1) if, with respect to such property, the taxpayer uses a normalization method of accounting.

''(5) LOW CORE LOSS DISTRIBUTION TRANSFORMER PROPERTY.—The term 'low core loss distribution transformer property' means a distribution transformer which has energy savings from a highly efficient core of at least 20 percent more than the average for power ratings reported by studies required under section 124 of the Energy Policy Act of 1992.

''(6) QUALIFIED ANAEROBIC DIGESTER PROPERTY.—The term 'qualified anaerobic digester property' means an anaerobic digester for manure or crop waste which achieves at least 65 percent efficiency measured in terms of the fraction of energy input converted to electricity and useful thermal energy.

''(7) QUALIFIED WIND ENERGY SYSTEMS EQUIPMENT PROPERTY.—The term 'qualified wind energy systems equipment property' means wind energy systems equipment with a turbine size of not more than 75 kilowatts rated capacity.

''(e) SPECIAL RULES.—For purposes of this section—

''(1) SPECIAL RULE FOR PROPERTY FINANCED BY SUBSIDIZED ENERGY FINANCING OR INDUSTRIAL DEVELOPMENT BONDS.—

''(A) REDUCTION OF BASIS.—For purposes of applying the energy percentage to any property, if such property is financed in whole or in part by—

''(i) subsidized energy financing, or

''(ii) the proceeds of a private activity bond (within the meaning of section 141) the interest on which is exempt from tax under section 103, the amount taken into account as the basis of such property shall not exceed the amount which (but for this subparagraph) would be so taken into account multiplied by the fraction determined under subparagraph (B).

''(B) DETERMINATION OF FRACTION.—For purposes of subparagraph (A), the fraction determined under this subparagraph is 1 reduced by a fraction—

''(i) the numerator of which is that portion of the basis of the property which is allocable to such financing or proceeds, and

''(ii) the denominator of which is the basis of the property.

''(C) SUBSIDIZED ENERGY FINANCING.—For purposes of subparagraph (A), the term 'subsidized energy financing' means financing provided under a Federal, State, or local program a principal purpose of which is to provide subsidized financing for projects designed to conserve or produce energy.

''(2) CERTAIN PROGRESS EXPENDITURE RULES MADE APPLICABLE.—Rules similar to the rules of subsections (c)(4) and (d) of section 46 (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990) shall apply for purposes of this section.

''(f) APPLICATION OF SECTION.—

''(1) IN GENERAL.—Except as provided by paragraph (2), this section shall apply to property placed in service after December 31, 2001, and before January 1, 2009.

''(2) EXCEPTIONS.—

''(A) SOLAR ENERGY AND GEOTHERMAL ENERGY PROPERTY.—Paragraph (1) shall not apply to solar energy property or geothermal energy property.

''(B) CERTAIN ELECTRIC HEAT PUMPS AND CENTRAL AIR CONDITIONERS.—In the case of property which is described in subsection (d)(3)(A)(iii)(I) or (d)(3)(A)(v)(I), this section shall apply to property placed in service after December 31, 2001, and before January 1, 2006.''.

(b) CONFORMING AMENDMENTS.—

(1) Section 48 is amended to read as follows:

''SEC. 48. REFORESTATION CREDIT.

''(a) IN GENERAL.—For purposes of section 46, the reforestation credit for any taxable year is 20 percent of the portion of the amortizable basis of any qualified timber property which was acquired during such taxable year and which is taken into account under section 194 (after the application of section 194(b)(1)).

''(b) DEFINITIONS.—For purposes of this subpart, the terms 'amortizable basis' and 'qualified timber property' have the respective meanings given to such terms by section 194.''.

(2) Section 39(d), as amended by this Act, is amended by adding at the end the following:

''(12) NO CARRYBACK OF ENERGY CREDIT BEFORE EFFECTIVE DATE.—No portion of the unused business credit for any taxable year which is attributable to the energy credit determined under section 48A may be carried back to a taxable year ending before January 1, 2002.''.

(3) Section 280C is amended by adding at the end the following:

''(d) CREDIT FOR ENERGY PROPERTY EXPENSES.—

''(1) IN GENERAL.—No deduction shall be allowed for that portion of the expenses for energy property (as defined in section 48A(c)) 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 48A(a).

''(2) SIMILAR RULE WHERE TAXPAYER CAPITALIZES RATHER THAN DEDUCTS EXPENSES.—If—

''(A) the amount of the credit allowable for the taxable year under section 48A (determined without regard to section 38(c)), exceeds

''(B) the amount allowable as a deduction for the taxable year for expenses for energy property (determined without regard to paragraph (1)), the amount chargeable to capital account for the taxable year for such expenses shall be reduced by the amount of such excess.

''(3) CONTROLLED GROUPS.—Paragraph (3) of subsection (b) shall apply for purposes of this subsection.''.

(4) Section 29(b)(3)(A)(i)(III) is amended by striking 'section 48(a)(4)(C)' and inserting 'section 48A(e)(1)(C)'.

(5) Section 50(a)(2)(E) is amended by striking 'section 48(a)(5)' and inserting 'section 48A(e)(2)'.

(6) Section 168(e)(3)(B) is amended—

(A) by striking clause (vi)(I) and inserting the following:

''(I) is described in paragraph (1) or (2) of section 48A(d) (or would be so described if 'solar and wind' were substituted for 'solar' in paragraph (1)(B)),'', and

(B) in the last sentence by striking ''section 48(a)(3)'' and inserting ''section 48A(c)(2)(A)''.

(c) CLERICAL AMENDMENT.—The table of sections for subpart E of part IV of subchapter A of chapter 1 is amended by striking the item relating to section 48 and inserting the following:

''Sec. 48. Reforestation credit.
''Sec. 48A. Energy credit.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after December 31, 2001, under rules similar to the rules of section 48(m) of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990).

SEC. 1102. ENERGY-EFFICIENT COMMERCIAL BUILDING PROPERTY DEDUCTION.

(a) IN GENERAL.—Part VI of subchapter B of chapter 1 (relating to itemized deductions for individuals and corporations) is amended by adding at the end the following:

''SEC. 199. ENERGY-EFFICIENT COMMERCIAL BUILDING PROPERTY.

''(a) IN GENERAL.—There shall be allowed as a deduction for the taxable year an amount equal to the energy-efficient commercial building property expenditures made by a taxpayer for the taxable year.

''(b) MAXIMUM AMOUNT OF DEDUCTION.—The amount of energy-efficient commercial building property expenditures taken into account under subsection (a) shall not exceed an amount equal to the product of—

''(1) $2.25, and

''(2) the square footage of the building with respect to which the expenditures are made.

''(c) YEAR DEDUCTION ALLOWED.—The deduction under subsection (a) shall be allowed in the taxable year in which the construction of the building is completed.

''(d) ENERGY-EFFICIENT COMMERCIAL BUILDING PROPERTY EXPENDITURES.—For purposes of this section—

''(1) IN GENERAL.—The term 'energy-efficient commercial building property expenditures' means an amount paid or incurred for energy-efficient commercial building property installed on or in connection with new construction or reconstruction of property—

''(A) for which depreciation is allowable under section 167,

''(B) which is located in the United States, and

''(C) the construction or erection of which is completed by the taxpayer.

Such property includes all residential rental property, including low-rise multifamily structures and single family housing property which is not within the scope of Standard 90.1–1999 (described in paragraph (3)).

''(2) LABOR COSTS INCLUDED.—Such term includes expenditures for labor costs properly allocable to the onsite preparation, assembly, or original installation of the property.

''(3) ENERGY EXPENDITURES EXCLUDED.—Such term does not include any expenditures taken into account in determining any credit allowed under section 48A.

''(e) ENERGY-EFFICIENT COMMERCIAL BUILDING PROPERTY.—For purposes of subsection (d)—

''(1) IN GENERAL.—The term 'energy-efficient commercial building property' means any property which reduces total annual energy and power costs with respect to the lighting, heating, cooling, ventilation, and hot water supply systems of the building by 50 percent or more in comparison to a reference building which meets the requirements of Standard 90.1–1999 of the American Society of Heating, Refrigerating, and Air Conditioning Engineers and the Illuminating Engineering Society of North America using methods of calculation under subparagraph (B) and certified by qualified professionals as provided under paragraph (6).

''(2) METHODS OF CALCULATION.—The Secretary, in consultation with the Secretary of Energy, shall promulgate regulations which describe in detail methods for calculating and verifying energy and power consumption and cost, taking into consideration the provisions of the 1998 California Nonresidential ACM Manual. These procedures shall meet the following requirements:

''(A) In calculating tradeoffs and energy performance, the regulations shall prescribe the costs per unit of energy and power, such as kilowatt hour, kilowatt, gallon of fuel oil, and cubic foot or Btu of natural gas, which may be dependent on time of usage.

''(B) The calculational methodology shall require that compliance be demonstrated for a whole building. If some systems of the building, such as lighting, are designed later than other systems of the building, the method shall provide that either—

''(i) the expenses taken into account under paragraph (1) shall not occur until the date designs for all energy-using systems of the building are completed, or

''(ii) the expenses taken into account under paragraph (1) shall be a fraction of such expenses based on the performance of less than all energy-using systems in accordance with subparagraph (C), and the energy performance of all systems and components not yet designed shall be assumed to comply minimally with the requirements of such Standard 90.1–1999.

''(C) The expenditures in connection with the design of subsystems in the building, such as the envelope, the heating, ventilation, air conditioning and water heating system, and the lighting system shall be allocated to the appropriate building subsystem based on system-specific energy cost savings targets in regulations promulgated by the Secretary of Energy which are equivalent, using the calculation methodology, to the whole building requirement of 50 percent savings.

''(D) The calculational methods under this paragraph need not comply fully with section 11 of such Standard 90.1–1999.

''(E) The calculational methods shall be fuel neutral, such that the same energy efficiency features shall qualify a building for the deduction under this section regardless of whether the heating source is a gas or oil furnace or an electric heat pump.

''(F) The calculational methods shall provide appropriate calculated energy savings for design methods and technologies not otherwise credited in either such Standard 90.1–1999 or in the 1998 California Nonresidential ACM Manual, including the following:

''(i) Natural ventilation.

''(ii) Evaporative cooling.

''(iii) Automatic lighting controls such as occupancy sensors, photocells, and timeclocks.

''(iv) Daylighting.

''(v) Designs utilizing semi-conditioned spaces which maintain adequate comfort conditions without air conditioning or without heating.

''(vi) Improved fan system efficiency, including reductions in static pressure.

''(vii) Advanced unloading mechanisms for mechanical cooling, such as multiple or variable speed compressors.

''(viii) The calculational methods may take into account the extent of commissioning in the building, and allow the taxpayer to take into account measured performance which exceeds typical performance.

''(3) COMPUTER SOFTWARE.—

''(A) IN GENERAL.—Any calculation under this subsection shall be prepared by qualified computer software.

''(B) QUALIFIED COMPUTER SOFTWARE.—For purposes of this paragraph, the term 'qualified computer software' means software—

''(i) for which the software designer has certified that the software meets all procedures and detailed methods for calculating energy and power consumption and costs as required by the Secretary,

''(ii) which provides such forms as required to be filed by the Secretary in connection with energy efficiency of property and the deduction allowed under this section, and

''(iii) which provides a notice form which summarizes the energy efficiency features of the building and its projected annual energy costs.

''(4) ALLOCATION OF DEDUCTION FOR PUBLIC PROPERTY.—In the case of energy-efficient commercial building property installed on or in public property, the Secretary shall promulgate a regulation to allow the allocation of the deduction to the person primarily responsible for designing the property in lieu of the public entity which is the owner of such property. Such person shall be treated as the taxpayer for purposes of this section.

''(5) NOTICE TO OWNER.—The qualified individual shall provide an explanation to the owner of the building regarding the energy efficiency features of the building and its projected annual energy costs as provided in the notice under paragraph (3)(B)(iii).

''(6) CERTIFICATION.—

''(A) IN GENERAL.—Except as provided in this paragraph, the Secretary, in consultation with the Secretary of Energy, shall establish requirements for certification and compliance procedures similar to the procedures under section 45H(d).

''(B) QUALIFIED INDIVIDUALS.—Individuals qualified to determine compliance shall be only those individuals who are recognized by an organization certified by the Secretary for such purposes.

''(C) PROFICIENCY OF QUALIFIED INDIVIDUALS.—The Secretary shall consult with nonprofit organizations and State agencies with expertise in energy efficiency calculations and inspections to develop proficiency tests and training programs to qualify individuals to determine compliance.

''(f) TERMINATION.—This section shall not apply with respect to any energy-efficient commercial building property expenditures in connection with property—

''(1) the plans for which are not certified under subsection (e)(6) on or before December 31, 2006, and

''(2) the construction of which is not completed on or before December 31, 2008.''.

(b) CONFORMING AMENDMENTS.—Section 1016(a) is amended by striking ''and'' at the end of paragraph (26), by striking the period at the end of paragraph (27) and inserting '', and'', and by inserting the following:

''(28) for amounts allowed as a deduction under section 199(a).''.

(c) CLERICAL AMENDMENT.—The table of sections for part VI of subchapter B of chapter 1 is amended by adding at the end the following:

''Sec. 199. Energy-efficient commercial building property.''.

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

Subtitle B—Residential Energy Systems

SEC. 1111. CREDIT FOR CONSTRUCTION OF NEW ENERGY-EFFICIENT HOME.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits), as amended by section 1103(a), is amended by inserting after section 45G the following:

''SEC. 45H. NEW ENERGY-EFFICIENT HOME CREDIT.

''(a) IN GENERAL.—For purposes of section 38, in the case of an eligible contractor, the credit determined under this section for the taxable year is an amount equal to the aggregate adjusted bases of all energy-efficient property installed in a qualified new energy-efficient home during construction of such home.

''(b) LIMITATIONS.—

''(1) MAXIMUM CREDIT.—

''(A) IN GENERAL.—The credit allowed by this section with respect to a dwelling shall not exceed—

''(i) in the case of a dwelling described in subsection (c)(3)(D)(i), $1,500, and

''(ii) in the case of a dwelling described in subsection (c)(3)(D)(ii), $2,500.

''(B) PRIOR CREDIT AMOUNTS ON SAME DWELLING TAKEN INTO ACCOUNT.—If a credit was allowed under subsection (a) with respect to a dwelling in 1 or more prior taxable years, the amount of the credit otherwise allowable for the taxable year with respect to that dwelling shall not exceed the amount under clause (i) or (ii) (as the case may be), reduced by the sum of the credits allowed under subsection (a) with respect to the dwelling for all prior taxable years.

''(2) COORDINATION WITH REHABILITATION AND ENERGY CREDITS.—For purposes of this section—

''(A) the basis of any property referred to in subsection (a) shall be reduced by that portion of the basis of any property which is attributable to qualified rehabilitation expenditures (as defined in section 47(c)(2)) or to the energy percentage of energy property (as determined under section 48A(a)), and

''(B) expenditures taken into account under either section 47 or 48A(a) shall not be taken into account under this section.

''(c) DEFINITIONS.—For purposes of this section—

''(1) ELIGIBLE CONTRACTOR.—The term 'eligible contractor' means the person who constructed the new energy-efficient home, or in the case of a manufactured home which conforms to Federal Manufactured Home Construction and Safety Standards (24 C.F.R. 3280), the manufactured home producer of such home.

''(2) ENERGY-EFFICIENT PROPERTY.—The term 'energy-efficient property' means any energy-efficient building envelope component, and any energy-efficient heating or cooling equipment which can, individually or in combination with other components, meet the requirements of this section.

''(3) QUALIFIED NEW ENERGY-EFFICIENT HOME.—The term 'qualified new energy-efficient home' means a dwelling—

''(A) located in the United States,

''(B) the construction of which is substantially completed after December 31, 2000,

''(C) the original use of which is as a principal residence (within the meaning of section 121) which commences with the person who acquires such dwelling from the eligible contractor, and

''(D) which is certified to have a projected level of annual heating and cooling energy consumption, measured in terms of average annual energy cost to the homeowner which is at least—

''(i) 30 percent less than the annual level of heating and cooling energy consumption of a reference dwelling constructed in accordance with the standards of chapter 4 of the 2000 International Energy Conservation Code, or

''(ii) 50 percent less than such annual level of heating and cooling energy consumption.

''(4) CONSTRUCTION.—The term 'construction' includes reconstruction and rehabilitation.

''(5) ACQUIRE.—The term 'acquire' includes purchase and, in the case of reconstruction and rehabilitation, such term includes a binding written contract for such reconstruction or rehabilitation.

''(6) BUILDING ENVELOPE COMPONENT.—The term 'building envelope component' means—

''(A) insulation material or system which is specifically and primarily designed to reduce the heat loss or gain of a dwelling when installed in or on such dwelling, and

''(B) exterior windows (including skylights) and doors.

''(7) MANUFACTURED HOME INCLUDED.—The term 'dwelling' includes a manufactured home conforming to Federal Manufactured Home Construction and Safety Standards (24 C.F.R. 3280).

''(d) CERTIFICATION.—

''(1) METHOD.—A certification described in subsection (c)(3)(D) shall be determined on the basis of 1 of the following methods:

''(A) A component-based method, using the applicable technical energy efficiency specifications or ratings (including product labeling requirements) for the energy-efficient building envelope component or energy-efficient heating or cooling equipment. The Secretary shall, in consultation with the Administrator of the Environmental Protection Agency, develop prescriptive component-based packages that are equivalent in energy performance to properties that qualify under subparagraph (B).

''(B) An energy performance-based method that calculates projected energy usage and cost reductions in the dwelling in relation to a reference dwelling—

''(i) heated by the same energy source and heating system type, and

''(ii) constructed in accordance with the standards of chapter 4 of the 2000 International Energy Conservation Code.

Computer software shall be used in support of an energy performance-based method certification under subparagraph (B). Such software shall meet procedures and methods for calculating energy and cost savings in regulations promulgated by the Secretary of Energy. Such regulations on the specifications for software and verification protocols shall be based on the 1998 California Residential Alternative Calculation Method Approval Manual.

''(2) PROVIDER.—Such certification shall be provided by—

''(A) in the case of a method described in paragraph (1)(A), a local building regulatory authority, a utility, a manufactured home production inspection primary inspection agency (IPIA), or a home energy rating organization, or

''(B) in the case of a method described in paragraph (1)(B), an individual recognized by an organization designated by the Secretary for such purposes.

''(3) FORM.—

''(A) IN GENERAL.—Such certification shall be made in writing in a manner that specifies in readily verifiable fashion the energy-efficient building envelope components and energy-efficient heating or cooling equipment installed and their respective rated energy efficiency performance, and in the case of a method described in paragraph (1)(B), accompanied by written analysis documenting the proper application of a permissible energy performance calculation method to the specific circumstances of such dwelling.

''(B) FORM PROVIDED TO BUYER.—A form documenting the energy-efficient building envelope components and energy-efficient heating or cooling equipment installed and their rated energy efficiency performance shall be provided to the buyer of the dwelling. The form shall include labeled R-value for insulation products, NFRC-labeled U-factor and Solar Heat Gain Coefficient for windows, skylights, and doors, labeled AFUE ratings for furnaces and boilers, labeled HSPF ratings for electric heat pumps, and labeled SEER ratings for air conditioners.

''(C) RATINGS LABEL AFFIXED IN DWELLING.—A permanent label documenting the ratings in subparagraph (B) shall be affixed to the front of the electrical distribution panel of the dwelling, or shall be otherwise permanently displayed in a readily inspectable location in the dwelling.

''(4) REGULATIONS.—

''(A) IN GENERAL.—In prescribing regulations under this subsection for energy performance-based certification methods, the Secretary, after examining the requirements for energy consultants and home energy ratings providers specified by the Mortgage Industry National Accreditation Procedures for Home Energy Rating Systems, shall prescribe procedures for calculating annual energy usage and cost reductions for heating and cooling and for the reporting of the results. Such regulations shall—

''(i) provide that any calculation procedures be fuel neutral such that the same energy efficiency measures allow a home to qualify for the credit under this section regardless of whether the dwelling uses a gas or oil furnace or boiler or an electric heat pump, and

''(ii) require that any computer software allow for the printing of the Federal tax forms necessary for the credit under this section and for the printing of forms for disclosure to the homebuyer.

''(B) PROVIDERS.—For purposes of paragraph (2)(B), the Secretary shall establish requirements for the designation of individuals based on the requirements for energy consultants and home energy raters specified by the Mortgage Industry National Accreditation Procedures for Home Energy Rating Systems.

''(e) BASIS ADJUSTMENT.—For purposes of this subtitle, if a credit is allowed under this section for any expenditure with respect to any property, the increase in the basis of such property which would (but for this subsection) result from such expenditure shall be reduced by the amount of the credit so allowed.

''(f) TERMINATION.—Subsection (a) shall apply to dwellings purchased during the period beginning on January 1, 2001, and ending on December 31, 2005.''.

(b) CREDIT MADE PART OF GENERAL BUSINESS CREDIT.—Subsection (b) of section 38 (relating to current year business credit), as amended by section 1103(d), is amended by striking ''plus'' at the end of paragraph (15), by striking the period at the end of paragraph (16) and inserting '', plus'', and by adding at the end the following:

''(17) the new energy-efficient home credit determined under section 45H.''.

(c) DENIAL OF DOUBLE BENEFIT.—Section 280C (relating to certain expenses for which credits are allowable), as amended by section 1103(c), is amended by adding at the end the following:

''(f) NEW ENERGY-EFFICIENT HOME EXPENSES.—No deduction shall be allowed for that portion of expenses for a new energy-efficient home 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 45H.''.

(d) CREDIT ALLOWED AGAINST REGULAR AND MINIMUM TAX.—

(1) IN GENERAL.—Subsection (c) of section 38 (relating to limitation based on amount of tax) is amended by redesignating paragraph (3) as paragraph (4) and by inserting after paragraph (2) the following new paragraph:

''(3) SPECIAL RULES FOR NEW ENERGY EFFICIENT HOME CREDIT.—

''(A) IN GENERAL.—In the case of the new energy efficient home credit—

''(i) this section and section 39 shall be applied separately with respect to the credit, and

''(ii) in applying paragraph (1) to the credit—

''(I) subparagraphs (A) and (B) thereof shall not apply, and

''(II) the limitation under paragraph (1) (as modified by subclause (I)) shall be reduced by the credit allowed under subsection (a) for the taxable year (other than the new energy efficient home credit).

''(B) NEW ENERGY EFFICIENT HOME CREDIT.—For purposes of this subsection, the term 'new energy efficient home credit' means the credit allowable under subsection (a) by reason of section 45H.''.

(2) CONFORMING AMENDMENT.—Subclause (II) of section 38(c)(2)(A)(ii) is amended by inserting ''or the new energy efficient home credit'' after ''employment credit''.

(e) LIMITATION ON CARRYBACK.—Subsection (d) of section 39, as amended by section 1103(b), is amended by adding at the end the following:

''(14) NO CARRYBACK OF NEW ENERGY-EFFICIENT HOME CREDIT BEFORE EFFECTIVE DATE.—No portion of the unused business credit for any taxable year which is attributable to the credit determined under section 45H may be carried back to any taxable year ending before January 1, 2001.''.

(f) DEDUCTION FOR CERTAIN UNUSED BUSINESS CREDITS.—Subsection (c) of section 196 is amended by striking ''and'' at the end of paragraph (7), by striking the period at the end of paragraph (8) and inserting '', and'', and by adding after paragraph (8) the following:

''(9) the new energy-efficient home credit determined under section 45H.''.

(g) CLERICAL AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1, as amended by section 1103(d), is amended by inserting after the item relating to section 45G the following:

''Sec. 45H. New energy-efficient home credit.''.

(h) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after December 31, 2000.

SEC. 1112. CREDIT FOR ENERGY EFFICIENCY IMPROVEMENTS TO EXISTING HOMES.

(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 (relating to nonrefundable personal credits), as amended by this Act, is amended by inserting after section 25C the following new section:

"SEC. 25D. ENERGY EFFICIENCY IMPROVEMENTS TO EXISTING HOMES

''(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 20 percent of the amount paid or incurred by the taxpayer for qualified energy efficiency improvements installed during such taxable year.

''(b) LIMITATIONS.—

''(1) MAXIMUM CREDIT.—The credit allowed by this section with respect to a dwelling shall not exceed $2,000.

''(2) PRIOR CREDIT AMOUNTS FOR TAXPAYER ON SAME DWELLING TAKEN INTO ACCOUNT.—If a credit was allowed to the taxpayer under subsection (a) with respect to a dwelling in 1 or more prior taxable years, the amount of the credit otherwise allowable for the taxable year with respect to that dwelling shall not exceed the amount of $2,000 reduced by the sum of the credits allowed under subsection (a) to the taxpayer with respect to the dwelling for all prior taxable years.

''(c) CARRYFORWARD OF UNUSED CREDIT.—If the credit allowable under subsection (a) exceeds the limitation imposed by section 26(a) for such taxable year reduced by the sum of the credits allowable under subpart A of part IV of subchapter A (other than this section), 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 ENERGY EFFICIENCY IMPROVEMENTS.—For purposes of this section, the term 'qualified energy efficiency improvements' means any energy efficient building envelope component which is certified to meet or exceed the prescriptive criteria for such component in the 2000 International Energy Conservation Code, or any combination of energy efficiency measures which achieves at least a 30 percent reduction in heating and cooling energy usage for the dwelling (as measured in terms of energy cost to the taxpayer), if—

''(1) such component or combinations of measures is installed in or on a dwelling—

''(A) located in the United States, and

''(B) owned and used by the taxpayer as the taxpayer's principal residence (within the meaning of section 121),

''(2) the original use of such component or combination of measures commences with the taxpayer, and

''(3) such component or combination of measures reasonably can be expected to remain in use for at least 5 years.

''(e) CERTIFICATION.—The certification described in subsection (d) shall be—

''(1) in the case of any component described in subsection (d), determined on the basis of applicable energy efficiency ratings (including product labeling requirements) for affected building envelope components,

''(2) in the case of combinations of measures described in subsection (d), determined by the performance-based methods described in section 45H(d),

''(3) provided by a third party, such as a local building regulatory authority, a utility, a manufactured home production inspection primary inspection agency (IPIA), or a home energy rating organization, consistent with the requirements of section 45H(d)(2), and

''(4) made in writing on forms which specify in readily inspectable fashion the energy-efficient components and other measures and their respective efficiency ratings, and which shall include a permanent label affixed to the electrical distribution panel as described in section 45H(d)(3)(C).

''(f) DEFINITIONS AND SPECIAL RULES.—

''(1) DOLLAR AMOUNTS IN CASE OF JOINT OCCUPANCY.—In the case of any dwelling unit which is jointly occupied and used during any calendar year as a residence by 2 or more individuals the following shall apply:

''(A) The amount of the credit allowable under subsection (a) by reason of expenditures for the qualified energy efficiency improvements made during such calendar year by any of such individuals with respect to such dwelling unit shall be determined by treating all of such individuals as 1 taxpayer whose taxable year is such calendar year.

''(B) There shall be allowable with respect to such expenditures to each of such individuals, a credit under subsection (a) for the taxable year in which such calendar year ends in an amount which bears the same ratio to the amount determined under subparagraph (A) as the amount of such expenditures made by such individual during such calendar year bears to the aggregate of such expenditures made by all of such individuals during such calendar year.

''(2) TENANT-STOCKHOLDER IN COOPERATIVE HOUSING CORPORATION.—In the case of an individual who is a tenant-stockholder (as defined in section 216) in a cooperative housing corporation (as defined in such section), such individual shall be treated as having paid his tenant-stockholder's proportionate share (as defined in section 216(b)(3)) of the cost of qualified energy efficiency improvements made by such corporation.

''(3) CONDOMINIUMS.—

''(A) IN GENERAL.—In the case of an individual who is a member of a condominium management association with respect to a condominium which he owns, such individual shall be treated as having paid his proportionate share of the cost of qualified energy efficiency improvements made by such association.

''(B) CONDOMINIUM MANAGEMENT ASSOCIATION.—For purposes of this paragraph, the term 'condominium management association' means an organization which meets the requirements of paragraph (1) of section 528(c) (other than subparagraph (E) thereof) with respect to a condominium project substantially all of the units of which are used as residences.

''(4) BUILDING ENVELOPE COMPONENT.—The term 'building envelope component' means—

''(A) insulation material or system which is specifically and primarily designed to reduce the heat loss or gain or a dwelling when installed in or on such dwelling, and

''(B) exterior windows (including skylights) and doors.

''(5) MANUFACTURED HOMES INCLUDED.—For purposes of this section, the term 'dwelling' includes a manufactured home which conforms to Federal Manufactured Home Construction and Safety Standards (24 C.F.R. 3280).

''(g) BASIS ADJUSTMENT.—For purposes of this subtitle, if a credit is allowed under this section for any expenditure with respect to any property, the increase in the basis of such property which would (but for this subsection) result from such expenditure shall be reduced by the amount of the credit so allowed.

''(h) TERMINATION.—Subsection (a) shall apply to qualified energy efficiency improvements installed during the period beginning on the date of the enactment of this section and ending on December 31, 2005.''.

(b) CONFORMING AMENDMENTS.—

(1) Subsection (c) of section 23, as amended by this Act, is amended by inserting ''25D,'' after ''25C,''.

(2) Subparagraph (C) of section 25(e)(1), as amended by this Act, is amended by inserting ''25D,'' after ''25C,''.

(3) Subsection (h) of seciton 904, as amended by this Act, is amended by by striking ''or 25C'' and inserting '', 25C, or 25D''.

(4) Subsection (d) of section 1400C is amended by inserting ''and section 25C'' and inserting '', section 25C, and section 25D''.

(4) Subsection (a) of section 1016, as amended by section 1102(b), is amended by striking ''and'' at the end of paragraph (27), by striking the period at the end of paragraph (28) and inserting ''; and'', and by adding at the end the following:

''(29) to the extent provided in section 25D(f), in the case of amounts with respect to which a credit has been allowed under section 25D.''.

(5) The table of sections for subpart A of part IV of subchapter A of chapter 1, as amended by this Act, is amended by inserting after the item relating to section 25C the following new item:

''Sec. 25D. Energy efficiency improvements to existing homes.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending on or after the date of the enactment of this Act.

SEC. 1113. CREDIT FOR RESIDENTIAL SOLAR, WIND, AND FUEL CELL ENERGY PROPERTY.

(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 (relating to nonrefundable personal credits), as amended by section 1112(a), is amended by inserting after section 25D the following:

"SEC. 25E. RESIDENTIAL SOLAR, WIND, AND FUEL CELL ENERGY PROPERTY.

''(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 sum of—

''(1) 15 percent of the qualified photovoltaic property expenditures,

''(2) 15 percent of the qualified solar water heating property expenditures,

''(3) 30 percent of the qualified wind energy property expenditures, and

''(4) 25 percent for the qualified fuel cell property expenditures,

made by the taxpayer during the taxable year.

''(b) LIMITATIONS.—

''(1) MAXIMUM CREDIT.—The credit allowed under subsection (a)(2) shall not exceed $2,000 for each system of solar energy property.

''(2) TYPE OF PROPERTY.—No expenditure may be taken into account under this section unless such expenditure is made by the taxpayer for property installed on or in connection with a dwelling unit which is located in the United States and which is used as a residence.

''(3) SAFETY CERTIFICATIONS.—No credit shall be allowed under this section for an item of property unless—

''(A) in the case of solar water heating property, such property is certified for performance and safety by the non-profit Solar Rating Certification Corporation or a comparable entity endorsed by the government of the State in which such property is installed, and

''(B) in the case of a photovoltaic, wind energy, or fuel cell property, such property meets appropriate fire and electric code requirements.

''(c) DEFINITIONS.—For purposes of this section—

''(1) QUALIFIED SOLAR WATER HEATING PROPERTY EXPENDITURE.—The term 'qualified solar water heating property expenditure' means an expenditure for property which uses solar energy to heat water for use in a dwelling unit with respect to which a majority of the energy is derived from the sun.

''(2) QUALIFIED PHOTOVOLTAIC PROPERTY EXPENDITURE.—The term 'qualified photovoltaic property expenditure' means an expenditure for property which uses solar energy to generate electricity for use in a dwelling unit.

''(3) SOLAR PANELS.—No expenditure relating to a solar panel or other property installed as a roof (or portion thereof) shall fail to be treated as property described in paragraph (1) or (2) solely because it constitutes a structural component of the structure on which it is installed.

''(4) QUALIFIED WIND ENERGY PROPERTY EXPENDITURE.—The term 'qualified wind energy property expenditure' means an expenditure for property which uses wind energy to generate electricity for use in a dwelling unit.

''(5) QUALIFIED FUEL CELL PROPERTY EXPENDITURE.—The term 'qualified fuel cell property expenditure' means an expenditure for property which uses an electrochemical fuel cell system to generate electricity for use in a dwelling unit.

''(6) LABOR COSTS.—Expenditures for labor costs properly allocable to the onsite preparation, assembly, or original installation of the property described in paragraph (1), (2), (4), or (5) and for piping or wiring to interconnect such property to the dwelling unit shall be taken into account for purposes of this section.

''(7) ENERGY STORAGE MEDIUM.—Expenditures which are properly allocable to a swimming pool, hot tub, or any other energy storage medium which has a function other than the function of such storage shall not be taken into account for purposes of this section.

''(d) SPECIAL RULES.—For purposes of this section—

''(1) DOLLAR AMOUNTS IN CASE OF JOINT OCCUPANCY.—In the case of any dwelling unit which is jointly occupied and used during any calendar year as a residence by 2 or more individuals the following shall apply:

''(A) The amount of the credit allowable under subsection (a) by reason of expenditures (as the case may be) made during such calendar year by any of such individuals with respect to such dwelling unit shall be determined by treating all of such individuals as 1 taxpayer whose taxable year is such calendar year.

''(B) There shall be allowable with respect to such expenditures to each of such individuals, a credit under subsection (a) for the taxable year in which such calendar year ends in an amount which bears the same ratio to the amount determined under subparagraph (A) as the amount of such expenditures made by such individual during such calendar year bears to the aggregate of such expenditures made by all of such individuals during such calendar year.

''(2) TENANT-STOCKHOLDER IN COOPERATIVE HOUSING CORPORATION.—In the case of an individual who is a tenant-stockholder (as defined in section 216) in a cooperative housing corporation (as defined in such section), such individual shall be treated as having made his tenant-stockholder's proportionate share (as defined in section 216(b)(3)) of any expenditures of such corporation.

''(3) CONDOMINIUMS.—

''(A) IN GENERAL.—In the case of an individual who is a member of a condominium management association with respect to a condominium which such individual owns, such individual shall be treated as having made his proportionate share of any expenditures of such association.

''(B) CONDOMINIUM MANAGEMENT ASSOCIATION.—For purposes of this paragraph, the term 'condominium management association' means an organization which meets the requirements of paragraph (1) of section 528(c) (other than subparagraph (E) thereof) with respect to a condominium project substantially all of the units of which are used as residences.

''(4) JOINT OWNERSHIP OF ITEMS OF SOLAR OR WIND ENERGY PROPERTY.—

''(A) IN GENERAL.—Any expenditure otherwise qualifying as an expenditure described in paragraph (1), (2), or (4) of subsection (c) shall not be treated as failing to so qualify merely because such expenditure was made with respect to 2 or more dwelling units.

''(B) LIMITS APPLIED SEPARATELY.—In the case of any expenditure described in subparagraph (A), the amount of the credit allowable under subsection (a) shall (subject to paragraph (1)) be computed separately with respect to the amount of the expenditure made for each dwelling unit.

''(5) ALLOCATION IN CERTAIN CASES.—If less than 80 percent of the use of an item is for nonbusiness residential purposes, only that portion of the expenditures for such item which is properly allocable to use for nonbusiness residential purposes shall be taken into account. For purposes of this paragraph, use for a swimming pool shall be treated as use which is not for residential purposes.

''(6) WHEN EXPENDITURE MADE; AMOUNT OF EXPENDITURE.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), an expenditure with respect to an item shall be treated as made when the original installation of the item is completed.

''(B) EXPENDITURES PART OF BUILDING CONSTRUCTION.—In the case of an expenditure in connection with the construction or reconstruction of a structure, such expenditure shall be treated as made when the original use of the constructed or reconstructed structure by the taxpayer begins.

''(C) AMOUNT.—The amount of any expenditure shall be the cost thereof.

''(7) REDUCTION OF CREDIT FOR GRANTS, TAX-EXEMPT BONDS, AND SUBSIDIZED ENERGY FINANCING.—The rules of section 29(b)(3) shall apply for purposes of this section.

''(e) BASIS ADJUSTMENTS.—For purposes of this subtitle, if a credit is allowed under this section for any expenditure with respect to any property, the increase in the basis of such property which would (but for this subsection) result from such expenditure shall be reduced by the amount of the credit so allowed.

''(f) TERMINATION.—The credit allowed under this section shall not apply to taxable years beginning after December 31, 2011.''.

(b) CONFORMING AMENDMENTS.—

(1) Subsection (a) of section 1016, as amended by section 1112(b)(4), is amended by striking ''and'' at the end of paragraph (28), by striking the period at the end of paragraph (29) and inserting ''; and'', and by adding at the end the following:

''(30) to the extent provided in section 25E(e), in the case of amounts with respect to which a credit has been allowed under section 25E.''.

(2) The table of sections for subpart A of part IV of subchapter A of chapter 1, as amended by section 1112(b)(2), is amended by inserting after the item relating to section 25D the following:

''Sec. 25E. Residential solar, wind, and fuel cell energy property.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to expenditures made after the date of the enactment of this Act, in taxable years ending after such date.

Subtitle C—Electricity Facilities and Production

SEC. 1121. MODIFICATIONS TO CREDIT FOR ELECTRICITY PRODUCED FROM RENEWABLE AND WASTE PRODUCTS.

(a) INCREASE IN CREDIT RATE.—

(1) IN GENERAL.—Section 45(a)(1) is amended by striking ''1.5 cents'' and inserting ''1.8 cents''.

(2) CONFORMING AMENDMENTS.—

(A) Section 45(b)(2) is amended by striking ''1.5 cent'' and inserting ''1.8 cent''.

(B) Section 45(d)(2)(B) is amended by inserting ''(calendar year 2001 in the case of the 1.8 cent amount in subsection (a))'' after ''1992''.

(b) EXPANSION OF QUALIFIED RESOURCES.—

(1) IN GENERAL.—Section 45(c)(1) (relating to qualified energy resources) is amended by striking ''and'' at the end of subparagraph (B), by striking the period at the end of subparagraph (C) and inserting '', and'', and by adding at the end the following:

''(D) alternative resources.''.

(2) DEFINITION OF ALTERNATIVE RESOURCES.—Section 45(c) (relating to definitions) is amended—

(A) by redesignating paragraph (3) as paragraph (5),

(B) by redesignating paragraph (4) as paragraph (3), and

(C) by inserting after paragraph (3), as redesignated by subparagraph (B), the following:

''(4) ALTERNATIVE RESOURCES.—

''(A) IN GENERAL.—The term 'alternative resources' means—

''(i) solar,

''(ii) biomass (other than closed loop biomass),

''(iii) municipal solid waste,

''(iv) incremental hydropower,

''(v) geothermal,

''(vi) landfill gas, and

''(vii) steel cogeneration.

''(B) BIOMASS.—The term 'biomass' means any solid, nonhazardous, cellulosic waste material or any organic carbohydrate matter, which is segregated from other waste materials, and which is derived from—

''(i) any of the following forest-related resources: mill residues, precommercial thinnings, slash, and brush, but not including old-growth timber,

''(ii) waste pallets, crates, dunnage, untreated wood waste from construction or manufacturing activities, and landscape or right-of-way tree trimmings, but not including unsegregated municipal solid waste or post-consumer wastepaper, or

''(iii) any of the following agriculture sources: orchard tree crops, vineyard, grain, legumes, sugar, and other crop by-products or residues, including any packaging and other materials which are nontoxic and biodegradable and are associated with the processing, feeding, selling, transporting, and disposal of such agricultural materials.

''(C) MUNICIPAL SOLID WASTE.—The term 'municipal solid waste' has the same meaning given the term 'solid waste' under section 2(27) of the Solid Waste Utilization Act (42 U.S.C. 6903).

''(D) INCREMENTAL HYDROPOWER.—The term 'incremental hydropower' means additional generating capacity achieved from—

''(i) increased efficiency, or

''(ii) additions of new capacity

at a licensed non-Federal hydroelectric project originally placed in service before the date of the enactment of this paragraph.

''(E) GEOTHERMAL.—The term 'geothermal' means energy derived from a geothermal deposit (within the meaning of section 613(e)(2)), but only, in the case of electricity generated by geothermal power, up to (but not including) the electrical transmission stage.

''(F) LANDFILL GAS.—The term 'landfill gas' means gas generated from the decomposition of any household solid waste, commercial solid waste, and industrial solid waste disposed of in a municipal solid waste landfill

unit (as such terms are defined in regulations promulgated under subtitle D of the Solid Waste Disposal Act (42 U.S.C. 6941 et seq.).

''(G) STEEL COGENERATION.—The term 'steel cogeneration' means the production of electricity and steam (or other form of thermal energy) from any or all waste sources defined in paragraphs (2) and (3) and subparagraphs (B) and (C) of this paragraph within an operating facility which produces or integrates the production of coke, direct reduced iron ore, iron, or steel provided that the cogeneration meets any regulatory energy-efficiency standards established by the Secretary, and only to the extent that such energy is produced from—

''(i) gases or heat generated from the production of metallurgical coke,

''(ii) gases or heat generated from the production of direct reduced iron ore or iron, from blast furnace or direct ironmaking processes, or

''(iii) gases or heat generated from the manufacture of steel.''.

(3) QUALIFIED FACILITY.—Section 45(c)(5) (defining qualified facility), as redesignated by paragraph 2(A), is amended by adding at the end the following:

''(D) ALTERNATIVE RESOURCES FACILITY.—

''(i) IN GENERAL.—Except as provided in clauses (ii), (iii), and (iv), in the case of a facility using alternative resources to produce electricity, the term 'qualified facility' means any facility of the taxpayer which is originally placed in service after the date of the enactment of this subparagraph.

''(ii) BIOMASS FACILITY.—In the case of a facility using biomass described in paragraph (4)(A)(ii) to produce electricity, the term 'qualified facility' means any facility of the taxpayer.

''(iii) GEOTHERMAL FACILITY.—In the case of a facility using geothermal to produce electricity, the term 'qualified facility' means any facility of the taxpayer which is originally placed in service after December 31, 1992.

''(iv) STEEL COGENERATION FACILITIES.—In the case of a facility using steel cogeneration to produce electricity, the term 'qualified facility' means any facility permitted to operate under the environmental requirements of the Clean Air Act Amendments of 1990 which is owned by the taxpayer and originally placed in service after the date of the enactment of this subparagraph. Such a facility may be treated as originally placed in service when such facility was last upgraded to increase efficiency or generation capability after such date.

''(v) SPECIAL RULES.—In the case of a qualified facility described in this subparagraph, the 10-year period referred to in subsection (a) shall be treated as beginning no earlier than the date of the enactment of this subparagraph.''.

(4) GOVERNMENT-OWNED FACILITY.—Section 45(d)(6) (relating to credit eligibility in the case of government-owned facilities using poultry waste) is amended—

(A) by inserting ''or alternative resources'' after ''poultry waste'', and

(B) by inserting ''OR ALTERNATIVE RESOURCES'' after ''POULTRY WASTE'' in the heading thereof.

(5) QUALIFIED FACILITIES WITH CO-PRODUCTION.—Section 45(b) (relating to limitations and adjustments) is amended by adding at the end the following:

''(4) INCREASED CREDIT FOR CO-PRODUCTION FACILITIES.—

''(A) IN GENERAL.—In the case of a qualified facility described in subsection (c)(3)(D)(i) which has a co-production facility or a qualified facility described in subparagraph (A), (B), or (C) of subsection (c)(3) which adds a co-production facility after the date of the enactment of this paragraph, the amount in effect under subsection (a)(1) for an eligible taxable year of a taxpayer shall (after adjustment under paragraph (2) and before adjustment under paragraphs (1) and (3)) be increased by .25 cents.

''(B) CO-PRODUCTION FACILITY.—For purposes of subparagraph (A), the term 'co-production facility' means a facility which—

''(i) enables a qualified facility to produce heat, mechanical power, chemicals, liquid fuels, or minerals from qualified energy resources in addition to electricity, and

''(ii) produces such energy on a continuous basis.

''(C) ELIGIBLE TAXABLE YEAR.—For purposes of subparagraph (A), the term 'eligible taxable year' means any taxable year in which the amount of gross receipts attributable to the co-production facility of a qualified facility are at least 10 percent of the amount of gross receipts attributable to electricity produced by such facility.''.

(6) QUALIFIED FACILITIES LOCATED WITHIN QUALIFIED INDIAN LANDS.—Section 45(b) (relating to limitations and adjustments), as amended by paragraph (5), is amended by adding at the end the following:

''(5) INCREASED CREDIT FOR QUALIFIED FACILITY LOCATED WITHIN QUALIFIED INDIAN LAND.—In the case of a qualified facility described in subsection (c)(3)(D) which—

''(A) is located within—

''(i) qualified Indian lands (as defined in section 7871(c)(3)), or

''(ii) lands which are held in trust by a Native Corporation (as defined in section 3(m) of the Alaska Native Claims Settlement Act (43 U.S.C. 1602(m)) for Alaska Natives, and

''(B) is operated with the explicit written approval of the Indian tribal government or Native Corporation (as so defined) having jurisdiction over such lands,

the amount in effect under subsection (a)(1) for a taxable year shall (after adjustment under paragraphs (2) and (4) and before adjustment under paragraphs (1) and (3)) be increased by .25 cents.''.

(7) ELECTRICITY PRODUCED FROM CERTAIN RESOURCES CO-FIRED IN COAL PLANTS.—Section 45(d) (relating to definitions and special rules) is amended by adding at the end the following:

''(8) SPECIAL RULE FOR ELECTRICITY PRODUCED FROM CERTAIN RESOURCES CO-FIRED IN COAL PLANTS.—In the case of electricity produced from biomass (including closed loop biomass), municipal solid waste, or animal waste, co-fired in a facility which produces electricity from coal—

''(A) subsection (a)(1) shall be applied by substituting '1 cent' for '1.8 cents',

''(B) such facility shall be considered a qualified facility for purposes of this section, and

''(C) the 10-year period referred to in subsection (a) shall be treated as beginning no earlier than the date of the enactment of this paragraph.''.

(8) CONFORMING AMENDMENTS.—

(A) The heading for section 45 is amended by inserting ''AND WASTE ENERGY'' after ''RENEWABLE''.

(B) The item relating to section 45 in the table of sections subpart D of part IV of subchapter A of chapter 1 is amended by inserting ''and waste energy'' after ''renewable''.

(c) ADDITIONAL MODIFICATIONS OF RENEWABLE AND WASTE ENERGY RESOURCE CREDIT.—

(1) CREDITS FOR CERTAIN TAX EXEMPT ORGANIZATIONS AND GOVERNMENTAL UNITS.—Section 45(d) (relating to definitions and special rules), as amended by subsection (b)(7), is amended by adding at the end the following:

''(9) CREDITS FOR CERTAIN TAX EXEMPT ORGANIZATIONS AND GOVERNMENTAL UNITS.—

''(A) ALLOWANCE OF CREDIT.—Any credit which would be allowable under subsection (a) with respect to a qualified facility of an entity if such entity were not exempt from tax under this chapter shall be treated as a credit allowable under subpart C to such entity if such entity is—

''(i) an organization described in section 501(c)(12)(C) and exempt from tax under section 501(a),

''(ii) an organization described in section 1381(a)(2)(C), or

''(iii) 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.

''(B) USE OF CREDIT.—

''(i) TRANSFER OF CREDIT.—An entity described in subparagraph (A) may assign, trade, sell, or otherwise transfer any credit allowable to such entity under subparagraph (A) to any taxpayer.

''(ii) USE OF CREDIT AS AN OFFSET.—Notwithstanding any other provision of law, in the case of an entity described in clause (i) or (ii) of subparagraph (A), any credit allowable to such entity under subparagraph (A) may be applied by such entity, without penalty, as a prepayment of any loan, debt, or other obligation the entity has incurred under subchapter I of chapter 31 of title 7 of the Rural Electrification Act of 1936 (7 U.S.C. 901 et seq.).

''(C) CREDIT NOT INCOME.—Neither a transfer under clause (i) or a use under clause (ii) of subparagraph (B) of any credit allowable under subparagraph (A) shall result in income for purposes of section 501(c)(12).

''(D) TRANSFER PROCEEDS TREATED AS ARISING FROM ESSENTIAL GOVERNMENT FUNCTION.—Any proceeds derived by an entity described in subparagraph (A)(iii) from the transfer of any credit under subparagraph (B)(i) shall be treated as arising from an essential government function.

''(E) CREDITS NOT REDUCED BY TAX-EXEMPT BONDS OR CERTAIN OTHER SUBSIDIES.—Subsection (b)(3) shall not apply to reduce any credit allowable under subparagraph (A) with respect to—

''(i) proceeds described in subparagraph (A)(ii) of such subsection, or

''(ii) any loan, debt, or other obligation incurred under subchapter I of chapter 31 of title 7 of the Rural Electrification Act of 1936 (7 U.S.C. 901 et seq.),

used to provide financing for any qualified facility.

''(F) TREATMENT OF UNRELATED PERSONS.—For purposes of this paragraph, sales among and between entities described in subparagraph (A) shall be treated as sales between unrelated parties.''.

(2) COORDINATION WITH OTHER CREDITS.—Section 45(d), as amended by paragraph (1), is amended by adding at the end the following:

''(10) COORDINATION WITH OTHER CREDITS.—This section shall not apply to any qualified facility with respect to which a credit under any other section is allowed for the taxable year unless the taxpayer elects to waive the application of such credit to such facility.''.

(3) EXPANSION TO INCLUDE ANIMAL WASTE.—Section 45 (relating to electricity produced from certain renewable resources), as amended by paragraphs (2) and (4) of subsection (b), is amended—

(A) by striking ''poultry'' each place it appears in subsection (c)(1)(C) and subsection (d)(6) and inserting ''animal'',

(B) by striking ''POULTRY'' in the heading of paragraph (6) of subsection (d) and inserting ''ANIMAL'',

(C) by striking paragraph (3) of subsection (c) and inserting the following:

''(3) ANIMAL WASTE.—The term 'animal waste' means poultry manure and litter and other animal wastes, including—

''(A) wood shavings, straw, rice hulls, and other bedding material for the disposition of manure, and

''(B) byproducts, packaging, and other materials which are nontoxic and biodegradable and are associated with the processing, feeding, selling, transporting, and disposal of such animal wastes.'', and

(D) by striking subparagraph (C) of subsection (c)(5) and inserting the following:

''(C) ANIMAL WASTE FACILITY.—

''(i) IN GENERAL.—Except as provided in clause (ii), in the case of a facility using animal waste (other than poultry) to produce electricity, the term 'qualified facility' means any facility of the taxpayer which is originally placed in service after the date of the enactment of this clause.

''(ii) POULTRY WASTE.—In the case of a facility using animal waste relating to poultry to produce electricity, the term 'qualified facility' means any facility of the taxpayer which is originally placed in service after December 31, 1999.''.

(4) TREATMENT OF QUALIFIED FACILITIES NOT IN COMPLIANCE WITH POLLUTION LAWS.—Section 45(c)(5) (relating to qualified facilities), as amended by paragraphs (2) and (3) of subsection (b), is amended by adding at the end the following:

''(E) NONCOMPLIANCE WITH POLLUTION LAWS.—For purposes of this paragraph, a facility which is not in compliance with the applicable State and Federal pollution prevention, control, and permit requirements for any period of time shall not be considered to be a qualified facility during such period.''.

(5) EXTENSION OF QUALIFIED FACILITY DATES.—Section 45(c)(5) (relating to qualified facility), as redesignated by subsection (b)(2), is amended by striking '', and before January 1, 2002'' in subparagraphs (A) and (B).

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to electricity and other energy produced after the date of the enactment of this Act and before January 1, 2007.

Subtitle D—Compliance With Congressional Budget Act

SEC. 1131. 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 748. Mr. NELSON of Florida 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, before line 2, insert the following:

''(C) COORDINATION WITH CREDIT FOR STATE DEATH TAXES.—

''(i) IN GENERAL.—Rules similar to the rules of subparagraph (A) shall apply to the table contained in section 2011(b) except that the Secretary shall prescribe percentage point reductions which maintain the proportionate relationship (as in effect before any reduction under this paragraph) between the credit under section 2011 and the tax rates under this subsection.''.

(d) REVENUE OFFSET.—The Secretary of the Treasury shall adjust the highest rate of tax under section 1 of the Internal Revenue Code of 1986 (as amended by section 101 of this Act) to the extent necessary to offset in each fiscal year beginning before October 1, 2011, the decrease in revenues to the Treasury for that fiscal year resulting from section 2001(c)(2)(C) of the Internal Revenue Code of 1986 (as added by the amendments made by subsection (c)).

Beginning on page 70, line 20, strike all through page 79, line 6.

SA 749. Mr. JEFFORDS 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 280, line 25, strike ''one-participant'' and insert ''eligible''.

On page 281, line 5, strike ''ONE-PARTICPANT'' and insert ''ELIGIBLE''.

On page 281, line 7, strike ''one-participant'' and insert ''eligible''.

On page 281, strike lines 10 through 13 and insert the following:

(i) covered only an individual or an individual and the individual's spouse and such individual (or individual and spouse) wholly owned the trade or business (whether or not incorporated); or

On page 281, on lines 14 and 15, strike ''one or more partners (and their spouses)'' and insert ''the partners or the partners and their spouses''.

On page 281, line 24, strike ''the employer (and the employer's spouse)'' and insert ''the individuals described in subparagraph (A)(i)''.

Beginning on page 288, strike line 1 and all that follows through page 299, line 24, and insert the following:

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.

SEC. 686. PERIODIC PENSION BENEFITS STATEMENTS.

(a) IN GENERAL.—Section 105(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1025 (a)) is amended to read as follows:

''(a)(1) Except as provided in paragraph (2)—

''(A) the administrator of an individual account plan shall furnish a pension benefit statement—

''(i) to a plan participant at least once annually, and

''(ii) to a plan beneficiary upon written request, and

''(B) the administrator of a defined benefit plan shall furnish a pension benefit statement—

''(i) at least once every 3 years to each participant with a nonforfeitable accrued benefit who is employed by the employer maintaining the plan at the time the statement is furnished to participants, and

''(ii) to a plan participant or plan beneficiary of the plan upon written request.

''(2) A pension benefit statement under paragraph (1)—

''(A) shall indicate, on the basis of the latest available information and reasonable estimates—

''(i) the total benefits accrued, and

''(ii) the nonforfeitable pension benefits, if any, which have accrued, or the earliest date on which benefits will become nonforfeitable,

''(B) shall be written in a manner calculated to be understood by the average plan participant,

''(C) shall include a statement that the summary annual report is available upon request, and

''(D) may be provided in written, electronic, or other appropriate form.

''(3)(A) In the case of a defined benefit plan, the requirements of paragraph (1)(B)(i) shall be treated as met with respect to a participant if the administrator provides the participant at least once each year with notice of the availability of the pension benefit statement and the ways in which the participant may obtain such statement. Such notice shall be provided in written, electronic, or other appropriate form, and may be included with other communications to the participant if done in a manner reasonably designed to attract the attention of the participant.

''(B) The Secretary may provide that years in which no employee or former employee benefits (within the meaning of section 410(b) of the Internal Revenue Code of 1986) under the plan need not be taken into account in determining the 3-year period under paragraph (1)(B)(i).''.

(b) CONFORMING AMENDMENTS.—

(1) Section 105 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1025) is amended by striking subsection (d).

(2) Section 105(b) of such Act (29 U.S.C. 1025(b)) is amended to read as follows:

''(b) In no case shall a participant or beneficiary of a plan be entitled to more than one statement described in subsection (a)(1)(A) or (a)(1)(B)(ii), whichever is applicable, in any 12-month period.''.

(c) MODEL STATEMENTS.—The Secretary of Labor shall develop a model benefit statement, written in a manner calculated to be understood by the average plan participant, that may be used by plan administrators in complying with the requirements of section 105 of the Employee Retirement Income Security Act of 1974.

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to 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, with respect to 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, 2003.

SEC. 687. BENEFIT SUSPENSION NOTICE.

(a) MODIFICATION OF REGULATION.—The Secretary of Labor shall modify the regulation under section 203(a)(3)(B) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(a)(3)(B)) to provide that the notification required by such regulation—

(1) in the case of an employee who, after commencement of payment of benefits under the plan, returns to service for which benefit payments may be suspended under such section 203(a)(3)(B) shall be made during the first calendar month or payroll period in which the plan withholds payments, and

(2) in the case of any employee who is not described in paragraph (1)—

(A) may be included in the summary plan description for the plan furnished in accordance with section 104(b) of such Act (29 U.S.C. 1024(b)), rather than in a separate notice, and

(B) need not include a copy of the relevant plan provisions.

(b) EFFECTIVE DATE.—The modification made under this section shall apply to plan years beginning after December 31, 2001.

SEC. 688. STUDIES.

(a) REPORT ON PENSION COVERAGE.—Not later than 5 years after the date of the enactment of this Act, the Secretary of the Treasury, jointly with the Secretary of Labor, shall submit a report 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 a report on the effect of the provisions of the Restoring Earnings to Lift Individuals and Empower Families Act of 2001 on pension coverage, including—

(1) any expansion of coverage for low- and middle-income workers;

(2) levels of pension benefits;

(3) quality of pension coverage;

(4) worker's access to and participation in plans; and

(5) retirement security.

(b) STUDY OF PRERETIREMENT USE OF BENEFITS.—

(1) IN GENERAL.—The Secretary of the Treasury, jointly with the Secretary of Labor, shall conduct a study of—

(A) current tax provisions allowing individuals to access individual retirement plans and qualified retirement plan benefits of such individual prior to retirement, including an analysis of—

(i) the extent of use of such current provisions by individuals; and

(ii) the extent to which such provisions undermine the goal of accumulating adequate resources for retirement; and

(B) the types of investment decisions made by individual retirement plan beneficiaries and participants in self-directed qualified retirement plans, including an analysis of—

(i) current restrictions on investments; and

(ii) the extent to which additional restrictions on investments would facilitate the accumulation of adequate income for retirement.

(2) REPORT.—Not later than January 1, 2003, the Secretary of the Treasury, jointly with the Secretary of Labor, shall submit a report 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 containing the results of the study conducted under paragraph (1) and any recommendations.

SEC. 689. ANNUAL REPORT DISSEMINATION.

(a) IN GENERAL.—Section 104(b)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1024(b)(3)) is amended by striking ''shall furnish'' and inserting ''shall make available for examination (and, upon request, shall furnish)''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to reports for years beginning after December 31, 2000.

SEC. 690. CIVIL PENALTIES FOR BREACH OF FIDUCIARY RESPONSIBILITY.

(a) IMPOSITION AND AMOUNT OF PENALTY MADE DISCRETIONARY.—Section 502(l)(1) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1132(l)(1)) is amended—

(1) by striking ''shall'' and inserting ''may'', and

(2) by striking ''equal to'' and inserting ''not greater than''.

(b) APPLICABLE RECOVERY AMOUNT.—Section 502(l)(2) of such Act (29 U.S.C. 1132(l)(2)) is amended to read as follows:

''(2) For purposes of paragraph (1), the term 'applicable recovery amount' means any amount which is recovered from any fiduciary or other person (or from any other person on behalf of any such fiduciary or other person) with respect to a breach or violation described in paragraph (1) on or after the 30th day following receipt by such fiduciary or other person of written notice from the Secretary of the violation, whether paid voluntarily or by order of a court in a judicial proceeding instituted by the Secretary under paragraph (2) or (5) of subsection (a). The Secretary may, in the Secretary's sole discretion, extend the 30-day period described in the preceding sentence.''.

(c) OTHER RULES.—Section 502(l) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1132(l)) is amended by adding at the end the following new paragraph:

''(5) A person shall be jointly and severally liable for the penalty described in paragraph (1) to the same extent that such person is jointly and severally liable for the applicable recovery amount on which the penalty is based.

''(6) No penalty shall be assessed under this subsection unless the person against whom the penalty is assessed is given notice and opportunity for a hearing with respect to the violation and applicable recovery amount.''.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to any breach of fiduciary responsibility or other violation of part 4 of subtitle B of title I of the Employee Retirement Income Security Act of 1974 occurring on or after the date of enactment of this Act.

(2) TRANSITION RULE.—In applying the amendment made by subsection (b) (relating to applicable recovery amount), a breach or other violation occurring before the date of enactment of this Act which continues after the 180th day after such date (and which may have been discontinued at any time during its existence) shall be treated as having occurred after such date of enactment.

SEC. 690A. NOTICE AND CONSENT PERIOD REGARDING DISTRIBUTIONS.

(a) EXPANSION OF PERIOD.—

(1) AMENDMENT OF INTERNAL REVENUE CODE.—

(A) IN GENERAL.—Subparagraph (A) of section 417(a)(6) is amended by striking ''90-day'' and inserting ''180-day''.

(B) MODIFICATION OF REGULATIONS.—The Secretary of the Treasury shall modify the regulations under sections 402(f), 411(a)(11), and 417 of the Internal Revenue Code of 1986 to substitute ''180 days'' for ''90 days'' each place it appears in Treasury Regulations sections 1.402(f)–1, 1.411(a)–11(c), and 1.417(e)–1(b).

(2) AMENDMENT OF ERISA.—Section 205(c)(7)(A) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1055(c)(7)(A)) is amended by striking ''90-day'' and inserting ''180-day''.

(3) EFFECTIVE DATE.—The amendments made by paragraphs (1)(A) and (2) and the modifications required by paragraph (1)(B) shall apply to years beginning after December 31, 2001.

(b) CONSENT REGULATION INAPPLICABLE TO CERTAIN DISTRIBUTIONS.—

(1) IN GENERAL.—The Secretary of the Treasury shall modify the regulations under section 411(a)(11) of the Internal Revenue Code of 1986 to provide that the description of a participant's right, if any, to defer receipt of a distribution shall also describe the consequences of failing to defer such receipt.

(2) MODEL STATEMENT.—The Secretary of the Treasury shall develop a model statement, written in a manner calculated to be understood by the average plan participant, regarding participants' rights to defer receipt of a distribution and the consequences of so doing, that may be used by plan administrators in complying with the requirements of this section.

(3) EFFECTIVE DATE.—The modifications required by paragraph (1) shall apply to years beginning after December 31, 2001.

(c) DISCLOSURE OF OPTIONAL FORMS OF BENEFITS.—

(1) AMENDMENT OF INTERNAL REVENUE CODE.—Section 417(a)(3) (relating to plan to provide written explanation) is amended by adding at the end the following:

''(C) EXPLANATION OF OPTIONAL FORMS OF BENEFITS.—

''(i) IN GENERAL.—If—

''(I) a plan provides optional forms of benefits, and

''(II) the present values of such forms of benefits are not actuarially equivalent as of the annuity starting date,

then each written explanation required to be provided under subparagraph (A) shall include the information described in clause (ii).

''(ii) INFORMATION.—A plan to which this subparagraph applies shall include sufficient information (as determined in accordance

with regulations prescribed by the Secretary) to allow the participant to understand the differences in the present values of the optional forms of benefits provided by the plan and the effect the participant's election as to the form of benefit will have on the value of the benefits available under the plan. Any such information shall be provided in a manner calculated to be reasonably understood by the average plan participant.''

(2) AMENDMENT OF ERISA.—Section 205(c)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1055(c)(3)) is amended by adding at the end the following:

''(C)(i) If—

''(I) a plan provides optional forms of benefits, and

''(II) the present values of such forms of benefits are not actuarially equivalent as of the annuity starting date,

then such plan shall include the information described in clause (ii) with each written explanation required to be provided under subparagraph (A).

''(ii) A plan to which this subparagraph applies shall include sufficient information (as determined in accordance with regulations prescribed by the Secretary of the Treasury) to allow the participant to understand the differences in the present values of the optional forms of benefits provided by the plan and the effect the participant's election as to the form of benefit will have on the value of the benefits available under the plan. Any such information shall be provided in a manner calculated to be reasonably understood by the average plan participant.''

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

SEC. 690B. AMENDMENTS REGARDING NATIONAL SUMMIT ON RETIREMENT SAVINGS.

Section 517 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1147) is amended—

(1) in subsection (a), by striking ''2001 and 2005 on or after September 1 of each year involved'' and inserting ''2001 or 2002, and 2005 and 2009. Such Summit shall be convened in the calendar year 2001 or the first calendar quarter of 2002 and shall be convened on or after September 1 of each year thereafter'';

(2) in subsection (e)(2)—

(A) by striking ''Committee on Labor and Human Resources'' in subparagraph (D) and inserting ''Committee on Health, Education, Labor, and Pensions'';

(B) by striking subparagraph (F) and inserting the following:

''(F) the Chairman and Ranking Member of the Subcommittee on Labor, Health and Human Services, and Education of the Committee on Appropriations of the House of Representatives and the Chairman and Ranking Member of the Subcommittee on Labor, Health and Human Services, and Education of the Committee on Appropriations of the Senate;'';

(C) by redesignating subparagraph (G) as subparagraph (J); and

(D) by inserting after subparagraph (F) the following new subparagraphs:

''(G) the Chairman and Ranking Member of the Committee on Finance of the Senate;

''(H) the Chairman and Ranking Member of the Committee on Ways and Means of the House of Representatives;

''(I) the Chairman and Ranking Member of the Subcommittee on Employer-Employee Relations of the Committee on Education and the Workforce of the House of Representatives; and'';

(3) in subsection (e)(3)(A)—

(A) by striking ''There shall be no more than 200 additional participants.'' and inserting ''The participants in the National Summit shall also include additional participants appointed under this subparagraph.'';

(B) by striking ''one-half shall be appointed by the President,'' in clause (i) and inserting ''not more than 100 participants shall be appointed under this clause by the President,'', and by striking ''and'' at the end of clause (i);

(C) by striking ''one-half shall be appointed by the elected leaders of Congress'' in clause (ii) and inserting ''not more than 100 participants shall be appointed under this clause by the elected leaders of Congress'', and by striking the period at the end of clause (ii) and inserting ''; and''; and

(D) by adding at the end the following new clause:

''(iii) The President, in consultation with the elected leaders of Congress referred to in subsection (a), may appoint under this clause additional participants to the National Summit. The number of such additional participants appointed under this clause may not exceed the lesser of 3 percent of the total number of all additional participants appointed under this paragraph, or 10. Such additional participants shall not be Federal, State, or local government employees.'';

(4) in subsection (f)(1)(C), by inserting '', no later than 90 days prior to the date of the commencement of the National Summit,'' after ''comment'' in paragraph (1)(C);

(5) in subsection (g), by inserting '', in consultation with the congressional leaders specified in subsection (e)(2),'' after ''report'';

(6) in subsection (i)—

(A) by striking ''1997'' in paragraph (1) and inserting ''2001''; and

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

''(3) RECEPTION AND REPRESENTATION AUTHORITY.—The Secretary is hereby granted reception and representation authority limited specifically to the events at the National Summit. The Secretary shall use any private contributions accepted in connection with the National Summit prior to using funds appropriated for purposes of the National Summit pursuant to this paragraph.

''(4) FUNDS AVAILABLE.—Of the funds appropriated to the Pension and Welfare Benefits Administration for fiscal year 2001, $500,000 shall remain available without fiscal year limitation through September 30, 2002, for the purpose of defraying the costs of the National Summit.''; and

(7) in subsection (k)—

(A) by striking ''shall enter into a contract on a sole-source basis'' and inserting ''may enter into a contract''; and

(B) by striking ''fiscal year 1998'' and inserting ''fiscal years 2001 or 2002, and 2005, and 2009''.

On page 310, strike lines 10 and 11 and insert the following:

Subtitle I—Plan Amendments

SEC. 692. PROVISIONS RELATING TO PLAN AMENDMENTS.

(a) IN GENERAL.—If this section applies to any plan or contract amendment—

(1) such plan or contract shall be treated as being operated in accordance with the terms of the plan during the period described in subsection (b)(2)(A), and

(2) except as provided by the Secretary of the Treasury, such plan shall not fail to meet the requirements of section 411(d)(6) of the Internal Revenue Code of 1986 or section 204(g) of the Employee Retirement Income Security Act of 1974 by reason of such amendment.

(b) AMENDMENTS TO WHICH SECTION APPLIES.—

(1) IN GENERAL.—This section shall apply to any amendment to any plan or annuity contract which is made—

(A) pursuant to any amendment made by this Act, or pursuant to any regulation issued under this Act, and

(B) on or before the last day of the first plan year beginning on or after January 1, 2005.

In the case of a governmental plan (as defined in section 414(d) of the Internal Revenue Code of 1986), this paragraph shall be applied by substituting ''2007'' for ''2005''.

(2) CONDITIONS.—This section shall not apply to any amendment unless—

(A) during the period—

(i) beginning on the date the legislative or regulatory amendment described in paragraph (1)(A) takes effect (or in the case of a plan or contract amendment not required by such legislative or regulatory amendment, the effective date specified by the plan); and

(ii) ending on the date described in paragraph (1)(B) (or, if earlier, the date the plan or contract amendment is adopted),

the plan or contract is operated as if such plan or contract amendment were in effect; and

(B) such plan or contract amendment applies retroactively for such period.

Subtitle J—Compliance With Congressional Budget Act

SA 750. 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 B of title IV add the following:

SEC. ____. EXCLUSION FROM INCOME OF CERTAIN AMOUNTS CONTRIBUTED TO COVERDELL EDUCATION SAVINGS ACCOUNTS.

(a) IN GENERAL.—Section 127 (relating to education assistance programs), as amended by section 411(a), is amended by redesignating subsection (d) as subsection (e) and by inserting after subsection (c) the following new subsection:

''(d) QUALIFIED COVERDELL EDUCATION SAVINGS ACCOUNT CONTRIBUTIONS.—

''(1) IN GENERAL.—Gross income of an employee shall not include amounts paid or incurred by the employer for a qualified Coverdell education savings account contribution on behalf of the employee.

''(2) QUALIFIED COVERDELL EDUCATION SAVINGS ACCOUNT CONTRIBUTION.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'qualified Coverdell education savings account contribution' means an amount contributed pursuant to an educational assistance program described in subsection (b) by an employer to a Coverdell education savings account established and maintained for the benefit of an employee or the employee's spouse, or any lineal descendent of either.

''(B) DOLLAR LIMIT.—A contribution by an employer to a Coverdell education savings account shall not be treated as a qualified Coverdell education savings account contribution to the extent that the contribution, when added to prior contributions by the employer during the calendar year to Coverdell education savings accounts established and maintained for the same beneficiary, exceeds $500.

''(3) SPECIAL RULES.—

''(A) CONTRIBUTIONS NOT TREATED AS EDUCATIONAL ASSISTANCE IN DETERMINING MAXIMUM EXCLUSION.—For purposes of subsection (a)(2), qualified Coverdell education savings account contributions shall not be treated as educational assistance.

''(B) SELF-EMPLOYED NOT TREATED AS EMPLOYEE.—For purposes of this subsection, subsection (c)(2) shall not apply.

''(C) ADJUSTED GROSS INCOME PHASEOUT OF ACCOUNT CONTRIBUTION NOT APPLICABLE TO INDIVIDUAL EMPLOYERS.—The limitation under section 530(c) shall not apply to a qualified Coverdell education savings account contribution made by an employer who is an individual.

''(D) CONTRIBUTIONS NOT TREATED AS AN INVESTMENT IN THE CONTRACT.—For purposes of section 530(d), a qualified Coverdell education savings account contribution shall not be treated as an investment in the contract.''.

(E) FICA Exclusion.—For purposes of section 530(d), the exclusion from FICA taxes shall not apply.

(b) REPORTING REQUIREMENT.—Section 6051(a) (relating to receipts for employees) is amended by striking ''and'' at the end of paragraph (10), by striking the period at the end of paragraph (11) and inserting '', and'', and by adding at the end the following new paragraph:

''(12) the amount of any qualified Coverdell education savings account contribution under section 127(d) with respect to such employee.''.

(c) CONFORMING AMENDMENT.—Section 221(e)(2)(A) is amended by inserting ''(other than under subsection (d) thereof)'' after ''section 127''.

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

SA 751. Mr. ALLEN proposed an amendment to amendment SA 685 submitted by Mr. BAYH and intended to be proposed 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 the amendment, add the following:

TITLE ____—TAX CUT ACCELERATOR

SEC. ____. TAX CUT ACCELERATOR.

(a) REPORTING ADDITIONAL SURPLUSES.—If any report provided pursuant to section 202(e)(1) of the Congressional Budget Act of 1974, estimates an on-budget surplus, excluding social security and medicare surplus accounts, that exceeds such an on-budget surplus set forth in such a report for the preceding year, the chairman of the Committee on the Budget of the Senate shall make adjustments in the resolution for the next fiscal year as provided in subsection (b).

(b) ADJUSTMENTS.—The chairman of the Committee on the Budget of the Senate shall make the following adjustments in an amount not to exceed the difference between the on-budget surpluses in the reports referred to in subsection (a):

(1) Reduce the on-budget revenue aggregate by that amount for the fiscal years included in such reports.

(2) Adjust the instruction to the Committee on Finance to increase the reduction in revenues by the sum of the amounts for the period of such fiscal years in such manner as to not produce an on-budget deficit in the next fiscal year, over the next 5 fiscal years, or over the next 10 fiscal years and to require a report of reconciliation legislation by the Committee on Finance not later than March 15.

(3) Adjust such other levels in such resolution, as appropriate, and the Senate pay-as-you-go scorecard.

SA 752. Mr. DORGAN 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. TREATMENT OF CONSERVATION RESERVE PROGRAM PAYMENTS AS RENTALS FROM REAL ESTATE.

(a) IN GENERAL.—Section 1402(a)(1) (defining net earnings from self-employment) is amended by inserting ''and including payments under section 1233(2) of the Food Security Act of 1985 (16 U.S.C. 3833(2))'' after ''crop shares''.

(b) REVENUE OFFSET.—The Secretary of the Treasury shall adjust the reductions of the highest brackets and maximum rates of tax under section 2001(c) of the Internal Revenue Code of 1986 (as amended by section 511 of this Act) with respect to estates of decedents dying and gifts made to the extent necessary to offset in each fiscal year beginning before October 1, 2011, the decrease in revenues to the Treasury for that fiscal year resulting from the amendment made by subsection (a).

(c) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to payments made before, on, or after the date of the enactment of this Act.

SA 753. Mr. DORGAN 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. ____. ACCELERATION OF BENEFITS OF WAGE TAX CREDITS FOR EMPOWERMENT ZONES.

(a) IN GENERAL.—Section 113(d) of the Community Renewal Tax Relief Act of 2000 is amended by striking ''December 31, 2001'' and inserting ''the earlier of—

''(1) the date of the enactment of the Restoring Earnings To Lift Individuals and Empower Families (RELIEF) Act of 2001, or

''(2) July 1, 2001''.

(b) REVENUE OFFSET.—The Secretary of the Treasury shall adjust the reductions of the highest brackets and maximum rates of tax under section 2001(c) of the Internal Revenue Code of 1986 (as amended by section 511 of this Act) with respect to estates of decedents dying and gifts made to the extent necessary to offset in each fiscal year beginning before October 1, 2011, the decrease in revenues to the Treasury for that fiscal year resulting from the amendment made by subsection (a).

SA 754. Mr. KOHL 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 18, between lines 14 and 15, insert the following:

SEC. 202. ALLOWANCE OF CREDIT FOR EMPLOYER EXPENSES FOR CHILD CARE ASSISTANCE.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 (relating to business related credits), as amended by sections 619 and 620, is further amended by adding at the end the following:

''SEC. 45G. EMPLOYER-PROVIDED CHILD CARE CREDIT.

''(a) IN GENERAL.—For purposes of section 38, the employer-provided child care credit determined under this section for the taxable year is an amount equal to the sum of—

''(1) 25 percent of the qualified child care expenditures, and

''(2) 10 percent of the qualified child care resource and referral expenditures,

of the taxpayer for such taxable year.

''(b) DOLLAR LIMITATION.—The credit allowable under subsection (a) for any taxable year shall not exceed $150,000.

''(c) DEFINITIONS.—For purposes of this section—

''(1) QUALIFIED CHILD CARE EXPENDITURE.—

''(A) IN GENERAL.—The term 'qualified child care expenditure' means any amount paid or incurred—

''(i) to acquire, construct, rehabilitate, or expand property—

''(I) which is to be used as part of a qualified child care facility of the taxpayer,

''(II) with respect to which a deduction for depreciation (or amortization in lieu of depreciation) is allowable, and

''(III) which does not constitute part of the principal residence (within the meaning of section 121) of the taxpayer or any employee of the taxpayer,

''(ii) for the operating costs of a qualified child care facility of the taxpayer, including costs related to the training of employees, to scholarship programs, and to the providing of increased compensation to employees with higher levels of child care training, or

''(iii) under a contract with a qualified child care facility to provide child care services to employees of the taxpayer.

''(B) FAIR MARKET VALUE.—The term 'qualified child care expenditures' shall not include expenses in excess of the fair market value of such care.

''(2) QUALIFIED CHILD CARE FACILITY.—

''(A) IN GENERAL.—The term 'qualified child care facility' means a facility—

''(i) the principal use of which is to provide child care assistance, and

''(ii) which meets the requirements of all applicable laws and regulations of the State or local government in which it is located, including the licensing of the facility as a child care facility.

Clause (i) shall not apply to a facility which is the principal residence (within the meaning of section 121) of the operator of the facility.

''(B) SPECIAL RULES WITH RESPECT TO A TAXPAYER.—A facility shall not be treated as a qualified child care facility with respect to a taxpayer unless—

''(i) enrollment in the facility is open to employees of the taxpayer during the taxable year,

''(ii) if the facility is the principal trade or business of the taxpayer, at least 30 percent of the enrollees of such facility are dependents of employees of the taxpayer, and

''(iii) the use of such facility (or the eligibility to use such facility) does not discriminate in favor of employees of the taxpayer who are highly compensated employees (within the meaning of section 414(q)).

''(3) QUALIFIED CHILD CARE RESOURCE AND REFERRAL EXPENDITURE.—

''(A) IN GENERAL.—The term 'qualified child care resource and referral expenditure' means any amount paid or incurred under a contract to provide child care resource and referral services to an employee of the taxpayer.

''(B) NONDISCRIMINATION.—The services shall not be treated as qualified unless the provision of such services (or the eligibility to use such services) does not discriminate in favor of employees of the taxpayer who are highly compensated employees (within the meaning of section 414(q)).

''(d) RECAPTURE OF ACQUISITION AND CONSTRUCTION CREDIT.—

''(1) IN GENERAL.—If, as of the close of any taxable year, there is a recapture event with respect to any qualified child care facility of

the taxpayer, then the tax of the taxpayer under this chapter for such taxable year shall be increased by an amount equal to the product of—

''(A) the applicable recapture percentage, and

''(B) the aggregate decrease in the credits allowed under section 38 for all prior taxable years which would have resulted if the qualified child care expenditures of the taxpayer described in subsection (c)(1)(A) with respect to such facility had been zero.

''(2) APPLICABLE RECAPTURE PERCENTAGE.—

''(A) IN GENERAL.—For purposes of this subsection, the applicable recapture percentage shall be determined from the following table:

"If the recapture event occurs in:	The applicable recapture percentage is:
Years 1–3	100
Year 4	85
Year 5	70
Year 6	55
Year 7	40
Year 8	25
Years 9 and 10	10
Years 11 and thereafter	0.

''(B) YEARS.—For purposes of subparagraph (A), year 1 shall begin on the first day of the taxable year in which the qualified child care facility is placed in service by the taxpayer.

''(3) RECAPTURE EVENT DEFINED.—For purposes of this subsection, the term 'recapture event' means—

''(A) CESSATION OF OPERATION.—The cessation of the operation of the facility as a qualified child care facility.

''(B) CHANGE IN OWNERSHIP.—

''(i) IN GENERAL.—Except as provided in clause (ii), the disposition of a taxpayer's interest in a qualified child care facility with respect to which the credit described in subsection (a) was allowable.

''(ii) AGREEMENT TO ASSUME RECAPTURE LIABILITY.—Clause (i) shall not apply if the person acquiring such interest in the facility agrees in writing to assume the recapture liability of the person disposing of such interest in effect immediately before such disposition. In the event of such an assumption, the person acquiring the interest in the facility shall be treated as the taxpayer for purposes of assessing any recapture liability (computed as if there had been no change in ownership).

''(4) SPECIAL RULES.—

''(A) TAX BENEFIT RULE.—The tax for the taxable year shall be increased under paragraph (1) only with respect to credits allowed by reason of this section which were used to reduce tax liability. In the case of credits not so used to reduce tax liability, the carryforwards and carrybacks under section 39 shall be appropriately adjusted.

''(B) NO CREDITS AGAINST TAX.—Any increase in tax under this subsection shall not be treated as a tax imposed by this chapter for purposes of determining the amount of any credit under subpart A, B, or D of this part.

''(C) NO RECAPTURE BY REASON OF CASUALTY LOSS.—The increase in tax under this subsection shall not apply to a cessation of operation of the facility as a qualified child care facility by reason of a casualty loss to the extent such loss is restored by reconstruction or replacement within a reasonable period established by the Secretary.

''(e) SPECIAL RULES.—For purposes of this section—

''(1) AGGREGATION RULES.—All persons which are treated as a single employer under subsections (a) and (b) of section 52 shall be treated as a single taxpayer.

''(2) PASS-THRU IN THE CASE OF ESTATES AND TRUSTS.—Under regulations prescribed by the Secretary, rules similar to the rules of subsection (d) of section 52 shall apply.

''(3) ALLOCATION IN THE CASE OF PARTNERSHIPS.—In the case of partnerships, the credit shall be allocated among partners under regulations prescribed by the Secretary.

''(f) NO DOUBLE BENEFIT.—

''(1) REDUCTION IN BASIS.—For purposes of this subtitle—

''(A) IN GENERAL.—If a credit is determined under this section with respect to any property by reason of expenditures described in subsection (c)(1)(A), the basis of such property shall be reduced by the amount of the credit so determined.

''(B) CERTAIN DISPOSITIONS.—If, during any taxable year, there is a recapture amount determined with respect to any property the basis of which was reduced under subparagraph (A), the basis of such property (immediately before the event resulting in such recapture) shall be increased by an amount equal to such recapture amount. For purposes of the preceding sentence, the term 'recapture amount' means any increase in tax (or adjustment in carrybacks or carryovers) determined under subsection (d).

''(2) OTHER DEDUCTIONS AND CREDITS.—No deduction or credit shall be allowed under any other provision of this chapter with respect to the amount of the credit determined under this section.''.

(b) CONFORMING AMENDMENTS.—

(1) Section 38(b) of the Internal Revenue Code of 1986 is amended by striking ''plus'' at the end of paragraph (12), by striking the period at the end of paragraph (13) and inserting '', plus'', and by adding at the end the following:

''(14) the employer-provided child care credit determined under section 45G.''.

(2) The table of sections for subpart D of part IV of subchapter A of chapter 1 of such Code is amended by adding at the end the following:

''Sec. 45G. Employer-provided child care credit.''

(3) Section 1016(a) of such Code is amended by striking ''and'' at the end of paragraph (26), by striking the period at the end of paragraph (27) and inserting '', and'', and by adding at the end the following:

''(28) in the case of a facility with respect to which a credit was allowed under section 45G, to the extent provided in section 45G(f)(1).''.

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

SA 755. Mr. CONRAD 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 63, beginning with line 4, strike all through page 70, line 20, and insert:

Subtitle A—Reductions of Estate and Gift Tax Rates

SEC. 501. REDUCTIONS OF ESTATE AND GIFT TAX RATES.

(a) MAXIMUM RATE OF TAX REDUCED.—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) EFFECTIVE DATE.—The amendments made by this section shall apply to estates of decedents dying, and gifts made, after December 31, 2001.

Subtitle B—Increase in Exemption Amounts

SEC. 511. 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	$1,500,000
2005	$2,000,000
2006	$3,000,000
2007, 2008, and 2009	$3,500,000
2010	$4,500,000
2011 and thereafter	$5,000,000.''.

(b) LIFETIME GIFT EXEMPTION INCREASED TO $1,000,000.—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''.

(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) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to estates of decedents dying, and gifts made, after December 31, 2001.

(2) SUBSECTION (c).—The amendments made by subsection (c) shall apply to estates of decedents dying, and generation-skipping transfers made, after December 31, 2003.

SEC. 512. INCREASE IN QUALIFIED FAMILY-OWNED BUSINESS INTEREST DEDUCTION AMOUNT.

(a) IN GENERAL.—Paragraph (2) of section 2057(a) (relating to family-owned business interests) is amended to read as follows:

''(2) MAXIMUM DEDUCTION.—

''(A) IN GENERAL.—The deduction allowed by this section shall not exceed the applicable deduction amount.

''(B) APPLICABLE DEDUCTION AMOUNT.—For purposes of subparagraph (A), the applicable deduction amount is determined in accordance with the following table:

"In the case of estates of decedents dying during:	The applicable deduction amount is:
2002 through 2010	$5,000,000
2011 or thereafter	$7,500,000.''.

(b) COORDINATION WITH UNIFIED CREDIT.—Section 2057(a)(3) is amended to read as follows:

''(3) COORDINATION WITH UNIFIED CREDIT.—If this subsection applies to an estate, the applicable exclusion amount under section 2010 which applies to the estate without regard to this section shall be equal to the lesser of—

''(A) such applicable exclusion amount, or

''(B) the excess (if any) of the applicable deduction amount over the deduction allowed under this section.''.

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2001.

On page 79, beginning with line 7, strike all through page 106, line 6.

SA 756. Mr. LEVIN 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. ___. ADJUSTMENT TO RATES IN RESPONSE TO BREACH OF LIMITS.

If, in fiscal year 2002, the discretionary spending level assumed in the concurrent resolution on the budget for fiscal year 2002 (H. Con. Res. 83) for such year is exceeded, the Secretary of the Treasury shall adjust the reduction in the highest marginal tax rate in the table contained in section 1(i)(2) of the Internal Revenue Code of 1986, as added by section 101(a), for taxable years beginning in calendar years after such fiscal year as necessary to offset the decrease in the Treasury resulting from such excess.

SA 757. Mr. LEVIN 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 13, between lines 15 and 16, insert the following:

SEC. ___. WIDENING OF 10 PERCENT BRACKET.

(a) IN GENERAL.—Section 1(i)(1)(B), as added by section 101(a) of this Act, is further amended—

(1) in clause (i), by striking ''$12,000'' and inserting ''$20,000'', and

(2) in clause (ii), by striking ''$10,000'' and inserting ''$16,500''.

(b) REVENUE OFFSET.—The Secretary of the Treasury shall adjust the reduction in the marginal tax rates in the table contained in section 1(i)(2) of the Internal Revenue Code of 1986, as added by section 101(a), as necessary to offset the decrease in revenues to the Treasury for each fiscal year resulting from the amendments made by subsection (a). Such adjustment shall be made first to the reduction of the highest marginal tax rate and then, if necessary, to the reduction of each next highest rate.

SA 758. Mr. LEVIN 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 312, after line 20, insert the following:

SEC. ___. FURTHER INCREASE IN ALTERNATIVE MINIMUM TAX EXEMPTION.

(a) IN GENERAL.—Section 55(d)(1) (relating to exemption amount for taxpayers other than corporations), as amended by section 701(a), is further amended—

(1) in subparagraph (A), by striking ''$45,000 ($49,000 in the case of taxable years beginning in 2001, 2002, 2003, 2004, 2005, and 2006)'' and inserting ''$49,000''; and

(2) in subparagraph (B), by striking ''$33,750 ($35,750 in the case of taxable years beginning in 2001, 2002, 2003, 2004, 2005, and 2006)'' and inserting ''$35,750''.

(b) REVENUE OFFSET.—The Secretary of the Treasury shall adjust the reduction in the highest marginal tax rate in the table contained in section 1(i)(2) of the Internal Revenue Code of 1986, as added by section 101(a), for calendar years after 2006 as necessary to offset the decrease in revenues to the Treasury for each fiscal year beginning before October 1, 2011, resulting from the amendments made by subsection (a).

SA 759. Mr. LEVIN 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:

Beginning on page 68, strike line 12 and all that follows through page 70, line 19, and insert the following:

(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 through 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 paragraph (2), the amendments made by this section shall apply to estates of decedents dying and gifts and generation-skipping transfers 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.

(f) REVENUE OFFSET.—The Secretary of the Treasury shall adjust the reduction in the highest marginal tax rate in the table contained in section 1(i)(2) of the Internal Revenue Code of 1986, as added by section 101(a) of this Act, as necessary to offset the decrease in revenues to the Treasury for each fiscal year resulting from the amendments made by this section as compared to the amendments made by section 521 of the Restoring Earnings To Lift Individuals and Empower Families (RELIEF) Act of 2001 as reported by the Finance Committee of the Senate on May 16, 2001.

SA 760. Mr. LEVIN 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. ___. ACCELERATION OF FULL IMPLEMENTATION OF TUTITION DEDUCTION AND REPEAL OF TERMINATION.

(a) DEDUCTION FOR HIGHER EDUCATION EXPENSES.—

(1) MAXIMUM AMOUNT OF DEDUCTION.—Section 222(b)(2) (relating to applicable dollar amount), as added by section 431(a) of this Act, is amended to read as follows:

''(2) APPLICABLE DOLLAR LIMIT.—

''(A) IN GENERAL.—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), $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.

''(B) 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.''.

(2) REPEAL OF TERMINATION.—Section 222(e) (relating to termination), as added by section 431(a) of this Act, is repealed.

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

(c) REVENUE OFFSET.—The Secretary of the Treasury shall adjust the reduction in the highest marginal tax rate in the table contained in section 1(i)(2) of the Internal Revenue Code of 1986, as added by section 101(a) of this Act, as necessary to offset the decrease in revenues to the Treasury for each fiscal year resulting from the amendments made by this section.

SA 760. Mr. HARKIN 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 I, add the following:

SEC. ___. REDUCTION OF RATES.

(a) IN GENERAL.—The table contained in section 1(i)(2) (relating to reductions in rates after 2001), as added by section 101 of this Act, is further amended to read as follows:

''In the case of taxable years beginning during calendar year:	The corresponding percentages shall be substituted for the following percentages:			
	10%	28%	31%	36%
2002, 2003, and 2004 ..	9.5%	27%	30%	35%
2005 and 2006	8.8%	26%	29%	34%
2007 and thereafter ..	8%	25%	28%	33%''.

(b) REVENUE OFFSET.—The Secretary of the Treasury shall adjust the highest rate of tax under section 1 of the Internal Revenue Code

of 1986 (as amended by section 101 of this Act) to the extent necessary to offset in each fiscal year beginning before October 1, 2011, the decrease in revenues to the Treasury for that fiscal year resulting from the amendment made by this section regarding the lowest rate of tax under section 1 of such Code (as amended by section 101 of this Act).

SA 762. Mr. JEFFORDS 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 280, line 25, strike ''one-participant'' and insert ''eligible''.

On page 281, line 5, strike ''ONE-PARTICPANT'' and insert ''ELIGIBLE''.

On page 281, line 7, strike ''one-participant'' and insert ''eligible''.

On page 281, strike lines 10 through 13 and insert the following:

(i) covered only an individual or an individual and the individual's spouse and such individual (or individual and spouse) wholly owned the trade or business (whether or not incorporated); or

On page 281, on lines 14 and 15, strike ''one or more partners (and their spouses)'' and insert ''the partners or the partners and their spouses''.

On page 281, line 24, strike ''the employer (and the employer's spouse)'' and insert ''the individuals described in subparagraph (A)(i)''.

Beginning on page 288, strike line 1 and all that follows through page 299, line 24, and insert the following:

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.

SEC. 686. PERIODIC PENSION BENEFITS STATEMENTS.

(a) IN GENERAL.—Section 105(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1025 (a)) is amended to read as follows:

''(a)(1) Except as provided in paragraph (2)—

''(A) the administrator of an individual account plan shall furnish a pension benefit statement—

''(i) to a plan participant at least once annually, and

''(ii) to a plan beneficiary upon written request, and

''(B) the administrator of a defined benefit plan shall furnish a pension benefit statement—

''(i) at least once every 3 years to each participant with a nonforfeitable accrued benefit who is employed by the employer maintaining the plan at the time the statement is furnished to participants, and

''(ii) to a plan participant or plan beneficiary of the plan upon written request.

''(2) A pension benefit statement under paragraph (1)—

''(A) shall indicate, on the basis of the latest available information and reasonable estimates—

''(i) the total benefits accrued, and

''(ii) the nonforfeitable pension benefits, if any, which have accrued, or the earliest date on which benefits will become nonforfeitable,

''(B) shall be written in a manner calculated to be understood by the average plan participant,

''(C) shall include a statement that the summary annual report is available upon request, and

''(D) may be provided in written, electronic, or other appropriate form.

''(3)(A) In the case of a defined benefit plan, the requirements of paragraph (1)(B)(i) shall be treated as met with respect to a participant if the administrator provides the participant at least once each year with notice of the availability of the pension benefit statement and the ways in which the participant may obtain such statement. Such notice shall be provided in written, electronic, or other appropriate form, and may be included with other communications to the participant if done in a manner reasonably designed to attract the attention of the participant.

''(B) The Secretary may provide that years in which no employee or former employee benefits (within the meaning of section 410(b) of the Internal Revenue Code of 1986) under the plan need not be taken into account in determining the 3-year period under paragraph (1)(B)(i).''.

(b) CONFORMING AMENDMENTS.—

(1) Section 105 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1025) is amended by striking subsection (d).

(2) Section 105(b) of such Act (29 U.S.C. 1025(b)) is amended to read as follows:

''(b) In no case shall a participant or beneficiary of a plan be entitled to more than one statement described in subsection (a)(1)(A) or (a)(1)(B)(ii), whichever is applicable, in any 12-month period.''.

(c) MODEL STATEMENTS.—The Secretary of Labor shall develop a model benefit statement, written in a manner calculated to be understood by the average plan participant, that may be used by plan administrators in complying with the requirements of section 105 of the Employee Retirement Income Security Act of 1974.

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to 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, with respect to 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, 2003.

SEC. 687. BENEFIT SUSPENSION NOTICE.

(a) MODIFICATION OF REGULATION.—The Secretary of Labor shall modify the regulation under section 203(a)(3)(B) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(a)(3)(B)) to provide that the notification required by such regulation—

(1) in the case of an employee who, after commencement of payment of benefits under the plan, returns to service for which benefit payments may be suspended under such section 203(a)(3)(B) shall be made during the first calendar month or payroll period in which the plan withholds payments, and

(2) in the case of any employee who is not described in paragraph (1)—

(A) may be included in the summary plan description for the plan furnished in accordance with section 104(b) of such Act (29 U.S.C. 1024(b)), rather than in a separate notice, and

(B) need not include a copy of the relevant plan provisions.

(b) EFFECTIVE DATE.—The modification made under this section shall apply to plan years beginning after December 31, 2001.

SEC. 688. STUDIES.

(a) REPORT ON PENSION COVERAGE.—Not later than 5 years after the date of the enactment of this Act, the Secretary of the Treasury, jointly with the Secretary of Labor, shall submit a report 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 a report on the effect of the provisions of the Restoring Earnings to Lift Individuals and Empower Families Act of 2001 on pension coverage, including—

(1) any expansion of coverage for low- and middle-income workers;

(2) levels of pension benefits;

(3) quality of pension coverage;

(4) worker's access to and participation in plans; and

(5) retirement security.

(b) STUDY OF PRERETIREMENT USE OF BENEFITS.—

(1) IN GENERAL.—The Secretary of the Treasury, jointly with the Secretary of Labor, shall conduct a study of—

(A) current tax provisions allowing individuals to access individual retirement plans and qualified retirement plan benefits of such individual prior to retirement, including an analysis of—

(i) the extent of use of such current provisions by individuals; and

(ii) the extent to which such provisions undermine the goal of accumulating adequate resources for retirement; and

(B) the types of investment decisions made by individual retirement plan beneficiaries and participants in self-directed qualified retirement plans, including an analysis of—

(i) current restrictions on investments; and

(ii) the extent to which additional restrictions on investments would facilitate the accumulation of adequate income for retirement.

(2) REPORT.—Not later than January 1, 2003, the Secretary of the Treasury, jointly with the Secretary of Labor, shall submit a report 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 containing the results of the study conducted under paragraph (1) and any recommendations.

SEC. 689. ANNUAL REPORT DISSEMINATION.

(a) IN GENERAL.—Section 104(b)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1024(b)(3)) is amended by striking ''shall furnish'' and inserting ''shall make available for examination (and, upon request, shall furnish)''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to reports for years beginning after December 31, 2000.

SEC. 690. CIVIL PENALTIES FOR BREACH OF FIDUCIARY RESPONSIBILITY.

(a) IMPOSITION AND AMOUNT OF PENALTY MADE DISCRETIONARY.—Section 502(l)(1) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1132(l)(1)) is amended—

(1) by striking ''shall'' and inserting ''may'', and

(2) by striking ''equal to'' and inserting ''not greater than''.

(b) APPLICABLE RECOVERY AMOUNT.—Section 502(l)(2) of such Act (29 U.S.C. 1132(l)(2)) is amended to read as follows:

''(2) For purposes of paragraph (1), the term 'applicable recovery amount' means any amount which is recovered from any fiduciary or other person (or from any other person on behalf of any such fiduciary or other person) with respect to a breach or violation described in paragraph (1) on or after the 30th day following receipt by such fiduciary or other person of written notice from the Secretary of the violation, whether paid voluntarily or by order of a court in a judicial proceeding instituted by the Secretary under paragraph (2) or (5) of subsection (a). The Secretary may, in the Secretary's sole discretion, extend the 30-day period described in the preceding sentence.''.

(c) OTHER RULES.—Section 502(l) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1132(l)) is amended by adding at the end the following new paragraph:

''(5) A person shall be jointly and severally liable for the penalty described in paragraph (1) to the same extent that such person is jointly and severally liable for the applicable recovery amount on which the penalty is based.

''(6) No penalty shall be assessed under this subsection unless the person against whom the penalty is assessed is given notice and opportunity for a hearing with respect to the violation and applicable recovery amount.''.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to any breach of fiduciary responsibility or other violation of part 4 of subtitle B of title I of the Employee Retirement Income Security Act of 1974 occurring on or after the date of enactment of this Act.

(2) TRANSITION RULE.—In applying the amendment made by subsection (b) (relating to applicable recovery amount), a breach or other violation occurring before the date of enactment of this Act which continues after the 180th day after such date (and which may have been discontinued at any time during its existence) shall be treated as having occurred after such date of enactment.

SEC. 690A. NOTICE AND CONSENT PERIOD REGARDING DISTRIBUTIONS.

(a) EXPANSION OF PERIOD.—

(1) AMENDMENT OF INTERNAL REVENUE CODE.—

(A) IN GENERAL.—Subparagraph (A) of section 417(a)(6) is amended by striking ''90-day'' and inserting ''180-day''.

(B) MODIFICATION OF REGULATIONS.—The Secretary of the Treasury shall modify the regulations under sections 402(f), 411(a)(11), and 417 of the Internal Revenue Code of 1986 to substitute ''180 days'' for ''90 days'' each place it appears in Treasury Regulations sections 1.402(f)–1, 1.411(a)–11(c), and 1.417(e)–1(b).

(2) AMENDMENT OF ERISA.—Section 205(c)(7)(A) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1055(c)(7)(A)) is amended by striking ''90-day'' and inserting ''180-day''.

(3) EFFECTIVE DATE.—The amendments made by paragraphs (1)(A) and (2) and the modifications required by paragraph (1)(B) shall apply to years beginning after December 31, 2001.

(b) CONSENT REGULATION INAPPLICABLE TO CERTAIN DISTRIBUTIONS.—

(1) IN GENERAL.—The Secretary of the Treasury shall modify the regulations under section 411(a)(11) of the Internal Revenue Code of 1986 to provide that the description of a participant's right, if any, to defer receipt of a distribution shall also describe the consequences of failing to defer such receipt.

(2) MODEL STATEMENT.—The Secretary of the Treasury shall develop a model statement, written in a manner calculated to be understood by the average plan participant, regarding participants' rights to defer receipt of a distribution and the consequences of so doing, that may be used by plan administrators in complying with the requirements of this section.

(3) EFFECTIVE DATE.—The modifications required by paragraph (1) shall apply to years beginning after December 31, 2001.

(c) DISCLOSURE OF OPTIONAL FORMS OF BENEFITS.—

(1) AMENDMENT OF INTERNAL REVENUE CODE.—Section 417(a)(3) (relating to plan to provide written explanation) is amended by adding at the end the following:

''(C) EXPLANATION OF OPTIONAL FORMS OF BENEFITS.—

''(i) IN GENERAL.—If—

''(I) a plan provides optional forms of benefits, and

''(II) the present values of such forms of benefits are not actuarially equivalent as of the annuity starting date,

then each written explanation required to be provided under subparagraph (A) shall include the information described in clause (ii).

''(ii) INFORMATION.—A plan to which this subparagraph applies shall include sufficient information (as determined in accordance with regulations prescribed by the Secretary) to allow the participant to understand the differences in the present values of the optional forms of benefits provided by the plan and the effect the participant's election as to the form of benefit will have on the value of the benefits available under the plan. Any such information shall be provided in a manner calculated to be reasonably understood by the average plan participant.''

(2) AMENDMENT OF ERISA.—Section 205(c)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1055(c)(3)) is amended by adding at the end the following:

''(C)(i) If—

''(I) a plan provides optional forms of benefits, and

''(II) the present values of such forms of benefits are not actuarially equivalent as of the annuity starting date,

then such plan shall include the information described in clause (ii) with each written explanation required to be provided under subparagraph (A).

''(ii) A plan to which this subparagraph applies shall include sufficient information (as determined in accordance with regulations prescribed by the Secretary of the Treasury) to allow the participant to understand the differences in the present values of the optional forms of benefits provided by the plan and the effect the participant's election as to the form of benefit will have on the value of the benefits available under the plan. Any such information shall be provided in a manner calculated to be reasonably understood by the average plan participant.''

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

SEC. 690B. AMENDMENTS REGARDING NATIONAL SUMMIT ON RETIREMENT SAVINGS.

Section 517 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1147) is amended—

(1) in subsection (a), by striking ''2001 and 2005 on or after September 1 of each year involved'' and inserting ''2001 or 2002, and 2005 and 2009. Such Summit shall be convened in the calendar year 2001 or the first calendar quarter of 2002 and shall be convened on or after September 1 of each year thereafter'';

(2) in subsection (e)(2)—

(A) by striking ''Committee on Labor and Human Resources'' in subparagraph (D) and inserting ''Committee on Health, Education, Labor, and Pensions'';

(B) by striking subparagraph (F) and inserting the following:

''(F) the Chairman and Ranking Member of the Subcommittee on Labor, Health and Human Services, and Education of the Committee on Appropriations of the House of Representatives and the Chairman and Ranking Member of the Subcommittee on Labor, Health and Human Services, and Education of the Committee on Appropriations of the Senate;'';

(C) by redesignating subparagraph (G) as subparagraph (J); and

(D) by inserting after subparagraph (F) the following new subparagraphs:

''(G) the Chairman and Ranking Member of the Committee on Finance of the Senate;

''(H) the Chairman and Ranking Member of the Committee on Ways and Means of the House of Representatives;

''(I) the Chairman and Ranking Member of the Subcommittee on Employer-Employee Relations of the Committee on Education and the Workforce of the House of Representatives; and'';

(3) in subsection (e)(3)(A)—

(A) by striking ''There shall be no more than 200 additional participants.'' and inserting ''The participants in the National Summit shall also include additional participants appointed under this subparagraph.'';

(B) by striking ''one-half shall be appointed by the President,'' in clause (i) and inserting ''not more than 100 participants shall be appointed under this clause by the President,'', and by striking ''and'' at the end of clause (i);

(C) by striking ''one-half shall be appointed by the elected leaders of Congress'' in clause (ii) and inserting ''not more than 100 participants shall be appointed under this clause by the elected leaders of Congress'', and by striking the period at the end of clause (ii) and inserting ''; and''; and

(D) by adding at the end the following new clause:

''(iii) The President, in consultation with the elected leaders of Congress referred to in subsection (a), may appoint under this clause additional participants to the National Summit. The number of such additional participants appointed under this clause may not exceed the lesser of 3 percent of the total number of all additional participants appointed under this paragraph, or 10. Such additional participants shall not be Federal, State, or local government employees.'';

(4) in subsection (f)(1)(C), by inserting '', no later than 90 days prior to the date of the commencement of the National Summit,'' after ''comment'' in paragraph (1)(C);

(5) in subsection (g), by inserting '', in consultation with the congressional leaders specified in subsection (e)(2),'' after ''report'';

(6) in subsection (i)—

(A) by striking ''1997'' in paragraph (1) and inserting ''2001''; and

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

''(3) RECEPTION AND REPRESENTATION AUTHORITY.—The Secretary is hereby granted reception and representation authority limited specifically to the events at the National Summit. The Secretary shall use any private contributions accepted in connection with the National Summit prior to using funds appropriated for purposes of the National Summit pursuant to this paragraph.

''(4) FUNDS AVAILABLE.—Of the funds appropriated to the Pension and Welfare Benefits Administration for fiscal year 2001, $500,000 shall remain available without fiscal year limitation through September 30, 2002, for the purpose of defraying the costs of the National Summit.''; and

(7) in subsection (k)—

(A) by striking ''shall enter into a contract on a sole-source basis'' and inserting ''may enter into a contract''; and

(B) by striking ''fiscal year 1998'' and inserting ''fiscal years 2001 or 2002, and 2005, and 2009''.

On page 310, strike lines 10 and 11 and insert the following:

Subtitle I—Plan Amendments

SEC. 692. PROVISIONS RELATING TO PLAN AMENDMENTS.

(a) IN GENERAL.—If this section applies to any plan or contract amendment—

(1) such plan or contract shall be treated as being operated in accordance with the terms of the plan during the period described in subsection (b)(2)(A), and

(2) except as provided by the Secretary of the Treasury, such plan shall not fail to meet the requirements of section 411(d)(6) of the Internal Revenue Code of 1986 or section 204(g) of the Employee Retirement Income Security Act of 1974 by reason of such amendment.

(b) AMENDMENTS TO WHICH SECTION APPLIES.—

(1) IN GENERAL.—This section shall apply to any amendment to any plan or annuity contract which is made—

(A) pursuant to any amendment made by this Act, or pursuant to any regulation issued under this Act, and

(B) on or before the last day of the first plan year beginning on or after January 1, 2005.

In the case of a governmental plan (as defined in section 414(d) of the Internal Revenue Code of 1986), this paragraph shall be applied by substituting ''2007'' for ''2005''.

(2) CONDITIONS.—This section shall not apply to any amendment unless—

(A) during the period—

(i) beginning on the date the legislative or regulatory amendment described in paragraph (1)(A) takes effect (or in the case of a plan or contract amendment not required by such legislative or regulatory amendment, the effective date specified by the plan); and

(ii) ending on the date described in paragraph (1)(B) (or, if earlier, the date the plan or contract amendment is adopted),

the plan or contract is operated as if such plan or contract amendment were in effect; and

(B) such plan or contract amendment applies retroactively for such period.

Subtitle J—Compliance With Congressional Budget Act

NOTICE OF HEARING

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 a legislative hearing has been scheduled before the Committee on Energy and Natural Resources.

The hearing will take place on Thursday, May 24, 2001, at 9:30 a.m., in room SD–106 of the Dirksen Senate Office Building in Washington, DC.

The purpose of this hearing is to receive testimony on the research and development, workforce training, and Price-Anderson Act provisions of pending energy legislation, including S. 242, Department of Energy University Nuclear Science and Engineering Act; S. 388, the National Energy Security Act of 2001; S. 472, Nuclear Energy Electricity Supply Assurance Act of 2001; and S. 597, the Comprehensive and Balanced Energy Policy Act of 2001.

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, U.S. Senate, 364 Dirksen Senate Office Building, Washington, DC 20510–6150.

For further information, please call Trici Heninger, Staff Assistant, or Bryan Hannegan, Staff Scientist, at (202) 224–4971.

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 Monday, May 21, 2001, at 5:45 p.m., in executive session to consider certain pending nominations.

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

PRIVILEGE OF THE FLOOR

Mr. REID. Mr. President, I ask unanimous consent that two fellows in the office of Senator LIEBERMAN, James Thurston and Kiersten Todt, be extended privileges of the floor for the duration of H.R. 1836.

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

Mr. BAUCUS. Mr. President, I ask unanimous consent that Todd Smith, a law clerk, from the Democratic staff of the Senate Finance Committee be granted access to the Senate floor for the duration of the debate on H.R. 1836.

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

ORDERS FOR TUESDAY, MAY 22, 2001

Mr. LOTT. Mr. President, I ask unanimous consent that when the Senate completes its business today, it stand in adjournment until 9:30 a.m. on Tuesday, and following the prayer and the pledge, the Journal of proceedings be approved to date, the morning hour be deemed expired, and the Senate resume voting with respect to H.R. 1836, with 2 minutes prior to each vote for explanation and all succeeding votes in the series limited to 10 minutes in length. I further ask unanimous consent that all amendments remaining in order, other than a series of cleared amendments to be offered by the managers, must be contained on a list that will be submitted by the majority leader, after consultation with the Democratic leader, after 10 a.m. on Tuesday.

The PRESIDING OFFICER. Is there objection?

Mrs. BOXER. I object.

The PRESIDING OFFICER. Objection is heard.

Mr. LOTT. Mr. President, I renew my request that the Senate complete its business today and stand in adjournment until 9:30 a.m. on Tuesday, and following the prayer, the Journal of proceedings be approved to date, the morning hour be deemed expired, and the Senate resume voting with respect to H.R. 1836, with 2 minutes prior to each vote for explanation and all succeeding votes in the series be limited to 10 minutes in length.

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

ADJOURNMENT UNTIL 9:30 A.M. TOMORROW

Mr. LOTT. Mr. President, I now ask unanimous consent that the Senate stand in adjournment under the previous order.

There being no objection, the Senate, at 11:53 p.m., adjourned until Tuesday, May 22, 2001, at 9:30 a.m.

NOMINATIONS

Executive nominations received by the Senate May 21, 2001:

IN THE MARINE CORPS

THE FOLLOWING NAMED OFFICER FOR APPOINTMENT IN THE UNITED STATES MARINE CORPS TO THE GRADE INDICATED WHILE ASSIGNED TO A POSITION OF IMPORTANCE AND RESPONSIBILITY UNDER TITLE 10, U.S.C., SECTION 601:

To be lieutenant general

MAJ. GEN. EDWARD HANLON JR., 0000

THE JUDICIARY

SHARON PROST, OF THE DISTRICT OF COLUMBIA, TO BE UNITED STATES CIRCUIT JUDGE FOR THE FEDERAL CIRCUIT, VICE S. JAY PLAGER, RETIRED.

IN THE ARMY

THE FOLLOWING NAMED OFFICERS FOR APPOINTMENT TO THE GRADE INDICATED IN THE UNITED STATES ARMY AS CHAPLAIN UNDER TITLE 10, U.S.C., SECTIONS 624 AND 3064:

To be lieutenant general

ROGER L ARMSTEAD, 0000 CH
GERALD K BEBBER, 0000 CH
FRANCIS M BELUE, 0000 CH
PAUL K BRADFORD, 0000 CH
RICHARD J CHAVARRIA, 0000 CH
RUBEN D COLON JR., 0000 CH
THOMAS L DUDLEY JR., 0000 CH
THOMAS M DURHAM, 0000 CH
JOHN W ELLIS III, 0000 CH
STEPHEN E FEEHAN, 0000 CH
JAMES R FOXWORTH, 0000 CH
DON E GERMAN, 0000 CH
JAMES L GRIFFIN, 0000 CH
CHARLES L HOWELL, 0000 CH
KARL O KUCKHAHN JR., 0000 CH
WILLIAM T LAIGAIE, 0000 CH
MICHAEL T LEMBKE, 0000 CH
SCOTTIE R LLOYD, 0000 CH
DONALD G MCCONNAUGHHAY, 0000 CH
DAN L PAYNE, 0000 CH
RICHARD G QUINN, 0000 CH
MICHAEL L RAYMO, 0000 CH
KENNETH L WERHO, 0000 CH
JAMES R WHITE JR., 0000 CH
THOMAS P WILD, 0000 CH
GREGORY K WILLIAMSON, 0000 CH
CHRISTOPHER H WISDOM, 0000 CH
CARL S YOUNG JR., 0000 CH

THE FOLLOWING NAMED OFFICERS FOR APPOINTMENT TO THE GRADE INDICATED IN THE UNITED STATES ARMY IN THE MEDICAL CORPS (MC) AND DENTAL CORPS (DE) AND FOR REGULAR APPOINTMENT (IDENTIFIED BY AN ASTERISK(*)) UNDER TITLE 10, U.S.C., SECTIONS 624, 531, AND 3064:

To be lieutenant colonel

*ERIC D ADAMS, 0000 MC
ALFONSO S ALARCON, 0000 MC
*JEFFREY S ALMONY, 0000 DE
ROCCO A ARMONDA, 0000 MC
*PETER J ARMSTRONG, 0000 MC
*RICANTHONY R ASHLEY, 0000 MC
*JOHN T ATKINS III, 0000 MC
*ROBERT A AVERY, 0000 MC
GEORGE K BAL, 0000 MC
*WILLIAM C BANDY, 0000 MC
DAVID W BARBER, 0000 MC
*SCOTT D BARNES, 0000 MC
*MICHAEL G BEAT, 0000 MC
PAUL L BENFANTI, 0000 MC
*LYNN M BERGREN, 0000 MC
MARIE C BETTENCOURT, 0000 MC
*ROMAN O BILYNSKY, 0000 MC
*LORNE H BLACKBOURNE, 0000 MC
*WILLIAM J BLANKE, 0000 MC
*YONG C BRADLEY, 0000 MC
DAVID A BROWN, 0000 MC
*ROBERT N BRUCE, 0000 MC
CHESTER C BUCKENMAIER III, 0000 MC
*RICHARD C BUTLER, 0000 MC
*JOHN C BYRD, 0000 MC
*ROBERT B CARROLL, 0000 MC
*KIMBERLY Y CATER, 0000 DE
*THEODORE J CHOMA, 0000 MC
*ELLEN M CHUNG, 0000 MC
MICHAEL J CITRONE, 0000 MC
*JAMES J CLOSMANN, 0000 DE
*CAMERON W COLE, 0000 DE
*JACK M COZBY JR., 0000 DE
*ROBERT M CRAIG, 0000 MC
*BARBARA A CROTHERS, 0000 MC
*JAMES E CURLEE, 0000 MC
*BRAD J DAVIS, 0000 MC
MARC L DAYMUDE, 0000 MC
*RONALD D DEGUZMAN, 0000 MC
DAVID A DELLAGIUSTINA, 0000 MC
*MARK H DEPPER, 0000 MC
*ROBERT W DESVERREAUX, 0000 MC
*EDWARD E DICKERSON, 0000 MC
*CATHERINE A DINAUER, 0000 MC
*ROBERT K DURNFORD, 0000 MC
*BYRON K EDMOND, 0000 MC
KIRK W EGGLESTON, 0000 MC
*MICHAEL D EISENHAUER, 0000 MC
*KATHLEEN M EISIN, 0000 DE
*RICHARD W ELLISON, 0000 MC
JAMES J ENGLAND, 0000 MC
ALEC T EROR, 0000 MC
*CHRIS EVANOV, 0000 DE
*KEVAGHN P FAIR, 0000 MC
JOHN H FARLEY, 0000 MC
HERBERT P FECHTER, 0000 MC
*GREGORY P FITZHARRIS, 0000 MC
*LESLIE S FOSTER, 0000 MC
ROBERT R GALVAN JR., 0000 DE
*JOHN H GARR, 0000 MC
*MARK P GAUL, 0000 MC
ROBERT C GERLACH, 0000 DE
ROBERT V GIBBONS, 0000 MC
*THOMAS W GIBSON, 0000 MC
*TAMER GOKSEL, 0000 DE
*JULIO GONZALES III, 0000 DE
JESS A GRAHAM, 0000 MC
*MARYBETH A GRAZKO, 0000 MC
*THOMAS W GREIG, 0000 MC
JAMIE B GRIMES, 0000 MC
*NEAL C HADRO, 0000 MC
*BARRY T HAMMAKER, 0000 MC
*LLOYD D HANCOCK, 0000 MC
KARLA K HANSEN, 0000 MC
DENNIS R HARTUNG, 0000 MC
*MICHAEL L HEMKER, 0000 DE
WILLIAM C HEWITSON, 0000 MC
*GEORGE J HOLZER JR., 0000 DE
*PAUL J HOUGE, 0000 MC
*JAMES P HOUSTON, 0000 DE
LEONARD N HOWARD, 0000 MC
*DAVID M JEFFALONE, 0000 DE
*CARLOS E JIMENEZ, 0000 MC
ANTHONY J JOHNSON, 0000 MC
*KENNETH E JONES, 0000 DE
*STEPHEN M KEESEE, 0000 DE
*REBECCA A KELLER, 0000 MC
*MICHAEL S KELLEY, 0000 MC
*KIMBERLY L KESLING, 0000 MC
RONALD P KING, 0000 MC
*MAUREEN K KOOPS, 0000 MC
MARTIN L LADWIG, 0000 MC
*MARK E LANDAU, 0000 MC
*PHILLIP W LANDES, 0000 MC
DALE H LEVANDOWSKI, 0000 MC
JAMES R LIFFRIG, 0000 MC
NICK N LOMIS, 0000 MC
*JAMES M LUCHETTI, 0000 MC
ERIC T LUND, 0000 MC
*RICHARD E LYNNE, 0000 DE
*JAMES R MACHOLL, 0000 DE
*KURT L MAGGIO, 0000 MC
LIEM T MANSFIELD, 0000 MC
*JOHN T MARLEY, 0000 DE
*MARK A MATAOSKY, 0000 MC
*SCOTT A MATZENBACHER, 0000 DE
*CRAIG T MEARS, 0000 MC
JENNIFER S MENETREZ, 0000 MC
*KEVIN P MICHAELS, 0000 MC
*CHARLES E MIDDLETON, 0000 DE
*EDWYNNA H MILLER, 0000 DE
*CARL M MINAMI, 0000 MC
*TIMOTHY A MITCHENER, 0000 DE
*RON L MOODY, 0000 MC
*RICKEY A MORLEN, 0000 DE
*TODD A MORTON, 0000 MC
*DAVID A MOTT, 0000 DE
*ROBERT L MOTT JR., 0000 MC
*MICHAEL R NELSON, 0000 MC
FRANK J NEWTON, 0000 MC
*KAREN K OBRIEN, 0000 MC
*STEPHEN C OCONNOR, 0000 MC
*JAMES OLIVER, 0000 MC
WILLIAM T PACE, 0000 MC
*JULIE A PAVLIN, 0000 MC
*SAMUEL E PAYNE, 0000 MC
*ELIZABETH W PIANTANIDA, 0000 MC
*DAVID M PRESTON, 0000 MC
*FERNANDO RAMOS, 0000 MC
*CHERYL M RILEY, 0000 DE
*GEOFFREY H ROBERT, 0000 DE
ROBERT M RUSH JR., 0000 MC
*CHARLES A SABADELL, 0000 DE
*STEPHEN M SALERNO, 0000 MC
*CUMMINGS J SANTIAGO, 0000 DE
JOHN S SCOTT, 0000 MC
*DAVID W SEES, 0000 MC
*ELLEN G SHAVER, 0000 MC
*JAMES F SHIKLE, 0000 MC
JOSEPH A SHROUT, 0000 MC
*STEPHEN V SILVEY, 0000 MC
*ROBERT A SMITH, 0000 MC
*GEORGE B STACKHOUSE, 0000 MC
*WILLIAM J STANTON, 0000 MC
*JAMES J STAUDENMEIER, 0000 MC
*TIMOTHY J STEINAGLE, 0000 MC
*DANNY O STENE, 0000 MC
*RANDALL W STETTLER, 0000 DE
MICHAEL R STJEAN, 0000 MC
*DAVID M SUHRBIER, 0000 MC
*JOSEPH B SUTCLIFFE, 0000 MC
*MARK B SWEET, 0000 DE
GARY W SWENSON, 0000 MC
*RICHARD S SWINNEY, 0000 MC
*THOMAS S SYMPSON, 0000 DE
*MAUREEN L TATE, 0000 MC
MARK F TORRES, 0000 MC
*DIANE M TOUART, 0000 MC
*CAROL A TRAKIMAS, 0000 MC
*MARTIN R VELEZ, 0000 DE
*KHA N VO, 0000 DE
*RICHARD K WAGNER, 0000 MC
*CHRISTOPHER J WALSHE, 0000 MC
TIMOTHY L WASHOWICH, 0000 MC
*IAN S WEDMORE, 0000 MC
*PRESTON Q WELCH, 0000 DE
*ANDREAS WOLTER, 0000 MC
CLAUDE R WORKMAN, 0000 MC
DAVID S ZUMBRO, 0000 MC

THE FOLLOWING NAMED ARMY NATIONAL GUARD OF THE UNITED STATES OFFICERS FOR APPOINTMENT TO THE GRADE INDICATED IN THE RESERVE OF THE ARMY UNDER TITLE 10, U.S.C., SECTIONS 12203 AND 12211:

To be colonel

GREGGORY R. CLUFF, 0000
BRUCE C. FRANDSEN, 0000
CHARLES R. GRAY, 0000
JEANETTE G. HALL, 0000
EDWARD R. HARDIMAN, 0000
TERRY M. HASTON, 0000
DAVID A. ROBINSON, 0000
STEVEN W. VINSON, 0000

IN THE NAVY

THE FOLLOWING NAMED OFFICERS FOR APPOINTMENT TO THE GRADE INDICATED IN THE UNITED STATES NAVY UNDER TITLE 10, U.S.C., SECTION 624:

To be commander

SCOT K ABEL, 0000
GREGORY W ADAIR, 0000
SCOTT F ADAMS, 0000
TIMOTHY A ADAMS, 0000
SCOTT F ADLEY, 0000
MARK A ADMIRAL, 0000
EUGENE J AGER, 0000
BRYAN M AHERN, 0000
MATTHEW P AHERN, 0000
CYNTHIA A ALDERSON, 0000
JAMES D ALGER II, 0000
BRIAN M ALLEN, 0000
WARREN D ALLISON, 0000
JOSE V AMPER, 0000
MICHAEL D ANDERSON, 0000
MICHAEL D ANGOVE, 0000
CLETE D ANSELM, 0000
TITO M ARANDELA JR., 0000
CHRISTOPHER V ARIAS, 0000
JOHN T ARMANTROUT, 0000
PAUL D ASHCRAFT, 0000
NATHAN W ASHE, 0000
MATTHEW B ASHLEY, 0000
STEVEN J ASHWORTH, 0000
JAMES L AUTREY, 0000
HERMAN T K AWAI, 0000
CHARLES E BAKER III, 0000
BRIAN K BALDAUF, 0000
JOHN R BALDWIN, 0000
TODD D BARCLAY, 0000
MICHELE C BARKER, 0000
KEVIN M BARRY, 0000
ARNOLD BARTHEL III, 0000
DAVID W BARTON, 0000
DAMON W BATESON, 0000
ROBERT S BAYER, 0000
MICHAEL E BEAULIEU, 0000
MARTIN A BECK, 0000
DAVID R BECKETT, 0000
JEFFREY A BELANGER, 0000
CHRISTOPHER J BENCAL, 0000
DAVID W BENTLEY, 0000
MICHAEL G BERENS, 0000
GEORGE M BERTSCH, 0000
DAVID T BISHOP JR., 0000
DOUGLAS L BLACKBURN, 0000
WILLIAM J BLACKLIDGE, 0000
JAMES R BOCKERT, 0000
JOSEPH H B BOENER, 0000
CHRISTOPHER E BOLT, 0000
ROBERT A BORCHERT, 0000
ROBERT W BOSERMAN II, 0000
LUIS A BOTICARIO, 0000
KENNETH J BOWEN II, 0000
ROBERT D BOYER, 0000
DAVID C BOYLE, 0000
KAREN K BRADY, 0000
MELANIE A BRANSON, 0000
JOHN A BREAST, 0000
JAMES E BREDEMEIER, 0000
PETER J BRENNAN, 0000
JAMES R BREON, 0000
JEFFREY A BRESLAU, 0000
MARK BRIDENSTINE, 0000
GEORGE BRIGGS JR., 0000
ROBERT K BRODIN, 0000
WAYNE M BROVELLI, 0000
BRIAN B BROWN, 0000
DANIEL J BROWN, 0000
WESLEY A BROWN, 0000
THEODORE R I BROWNELL, 0000
JOHN G BRUENING, 0000
JOHN J BURNHAM, 0000
MICHAEL J BURRELL, 0000
CARL F BUSH, 0000
GARY W BUTTERWORTH, 0000
WILLIAM D BYRNE JR., 0000
JOEL L CABANA, 0000
ROBERT B CALDWELL JR., 0000
ROBERT L CALHOUN JR., 0000
ANTHONY F CALIFANO, 0000
BRETT W CALKINS, 0000
JUDITH A CALL, 0000
SHERYL E CAMPBELL, 0000
LOUIS T CANNON JR., 0000
CHARLES CAPETS, 0000
RONALD M CARVALHO JR., 0000
THOMAS M CASHMAN, 0000
JAMES T CASON, 0000
NELSON C CASTRO, 0000
DANIEL S CAVE, 0000
MICHAEL A CELEC, 0000
DARRYL D CENTANNI, 0000
MICHAEL J CERNECK, 0000
DALE S CHAPMAN, 0000
DAVID A CHASE, 0000
SHOSHANA S CHATFIELD, 0000

ANTHONY P CHATHAM, 0000
WAYNE M CHAUNCEY, 0000
JOSEPH M CHENELER, 0000
CARL R CHERRY, 0000
DONNA A CHERRY, 0000
JAMES C CHILDS, 0000
JONATHAN CHRISTIAN, 0000
MICHAEL R CHRISTOPHERSON, 0000
DONALD T CIESIELSKI JR., 0000
ALLEN L CLARK, 0000
JOHN M CLAUSEN, 0000
RICHARD L J CLEMMONS, 0000
HENRY D COATES, 0000
KEVIN M COATS, 0000
DOUGLAS F COCHRANE, 0000
TIMOTHY S COCKREL, 0000
BARBARA J CODER, 0000
JOHN J COFFEY, 0000
JEFFREY S COLE, 0000
STEVEN D COLE, 0000
ANDREW A COLETTI, 0000
JOHN A COLLINS, 0000
THOMAS M CONLON, 0000
DAVID R CONNER, 0000
SEAN M CONNORS, 0000
CARL R CONTI II, 0000
RONALD E COOK, 0000
SCOTT P COOLEDGE, 0000
RANDALL D CORBELL, 0000
LUIS G CORDERO, 0000
PAUL L CORLISS, 0000
ANNETTE P CORNETT, 0000
ROBERT E COSGRIFF, 0000
EDWARD J COWAN, 0000
JOHN W CRAIG, 0000
MARTIN J CRAMER, 0000
TODD W CRAMER, 0000
NANCY L CREWS, 0000
GREGORY H CREWSE, 0000
HANS K CROEBER, 0000
MICHAEL R CROSKREY, 0000
DAVID S CROW, 0000
RICHARD R CSUHTA, 0000
EDWIN CUNNINGHAM, 0000
RICHARD E CUNNINGHAM, 0000
MARK A DAHLKE, 0000
ROBERT L DAIN, 0000
MARC H DALTON, 0000
MATTHEW W DANEHY, 0000
EDWARD J DANGELO, 0000
JEFFREY M DANIELSON, 0000
DAVID D DARGAN, 0000
DONALD P DARNELL JR., 0000
GEORGE R DAVIDSON, 0000
JEFFREY D DAVILA, 0000
CHARLES A DAVIS, 0000
KEVIN T DAVIS, 0000
DAVID D DAVISON, 0000
KENNETH H DEAL, 0000
JAMES R DEBOLD, 0000
MICHAEL W DEGRAW, 0000
RAFAELITO B DEJESUS, 0000
SILVESTER R DELROSARIO, 0000
MOISES DELTORO III, 0000
DEBRA S DELVECCHIO, 0000
PETER C DEMANE, 0000
JOHN M DENNETT, 0000
BRUCE A DERENSKI, 0000
ROBERT W DESANTIS, 0000
ALBERT J DESMARAIS, 0000
ALEXANDER S DESROCHES, 0000
MARGARET M DHAENE, 0000
JAMES H DICK, 0000
SCOTT F DIPERT, 0000
LAWRENCE R DIRUSSO, 0000
WILLIAM A DOCHERTY, 0000
JAMES S DONNELLY, 0000
JOHN M DOREY, 0000
STEPHEN J DORFF, 0000
DOLORES M DORSETT, 0000
ROBERT I DOUGLASS, 0000
CRAIG A DOXEY, 0000
PETER M DRISCOLL, 0000
KENNETH A DRUMMOND, 0000
TIMOTHY J DUENING, 0000
TIMOTHY J DUNIGAN, 0000
MICHAEL R DUNKLE, 0000
JEFFREY R DUNLAP, 0000
GREGORY T EATON, 0000
JOHN G EDEN, 0000
GARY EDWARDS, 0000
GREG R ELLISON, 0000
KATHERINE D C ERB, 0000
PAUL E ERICKSON, 0000
STEPHEN C EVANS, 0000
SCOTT R EVERTSON, 0000
STEVEN Y FAGGERT, 0000
JAMES E FANELL, 0000
DALE L FEDDERSEN, 0000
LARRY J A FELDER, 0000
WILLIAM R FENICK, 0000
RANDY S FENZ, 0000
ANTHONYJOSEPH FERRARI, 0000
ADAM D FERREIRA, 0000
GREGORY J FICK, 0000
JOHN H FICKLE JR., 0000
SCOTT C FISH, 0000
BRIAN M FLACHSBART, 0000
HUGH M FLANAGAN JR., 0000
KEVIN P FLANAGAN, 0000
DALE G FLECK, 0000
DAVID P FLUKER, 0000
ROBERT G FOGG, 0000
DAVID C FOLEY, 0000
MICHAEL J FORD, 0000
THOMAS S FOX III, 0000
KENNETH LAWRENCE FRACK JR., 0000
ELIZABETH A FROSLEE, 0000
DAVID G FRY, 0000
BRIAN B GANNON, 0000
BERNARD M GATELY JR., 0000
TIMOTHY P GAVIN, 0000
DAVID A GEISLER, 0000
WILLIAM J GETZFRED, 0000
VINCENT F GIAMPAOLO, 0000
MICHAEL S GIAUQUE, 0000
CURTIS J GILBERT, 0000
STEPHEN M GILLESPIE, 0000
JAMES F GILLIES, 0000
GREGORY D GJURICH, 0000
GREGORY E GLAROS, 0000
JAMES A GLASS, 0000
RICHARD M GOMEZ, 0000
ROBERT P GONZALES, 0000
MIGUEL GONZALEZ, 0000
ROBERT D GOODWIN JR., 0000
RUSSELL W GORDON JR., 0000
STANLEY J GRABOWSKI JR., 0000
PATRICK O GRADY, 0000
RONALD W GRAFT, 0000
DAVID R GRAMBO, 0000
COLLIN P GREEN, 0000
JOHN K GREEN JR., 0000
LOUIS J GREGUS, 0000
DANIEL C GRIECO, 0000
CLAYTON A GRINDLE JR., 0000
DOUGLAS J GROSSMANN, 0000
KEVIN A GRUNDY, 0000
STEPHEN P GRZESZCZAK III, 0000
JAMES W GUEST, 0000
HARVEY L GUFFEY JR., 0000
STEPHEN GULAKOWSKI, 0000
ROBERT V GUSENTINE, 0000
JON A HAGEMANN, 0000
JAMES E HAGY, 0000
RANDY D HALDEMAN, 0000
GERARD W HALL, 0000
TODD B HALL, 0000
STEVEN E HALPERN, 0000
CHRISTOPHER H HALTON, 0000
JAMES C HAMBLET, 0000
WILLIAM P HAMBLET JR., 0000
JAMES K HAMEL, 0000
DOUGLAS C HAMILTON, 0000
NEIL A HAMLETT, 0000
ANNE G HAMMOND, 0000
DARYL ROBERT HANCOCK, 0000
GLEN K HANSEN, 0000
JONATHAN L HARNDEN JR., 0000
MARK W HARRIS, 0000
CHRISTINA C HARTIGAN, 0000
THOMAS J HARVAN, 0000
CHARLES S HATCHER JR., 0000
JEFFREY S HAUPT, 0000
WILLIE HAWK JR., 0000
CRAIG O HAYNES, 0000
PETER D HAYNES, 0000
DOUGLAS E HEADY, 0000
JOHN P HEATHERINGTON, 0000
ERNEST C HELME III, 0000
DANIEL P HENDERSON, 0000
RICHARD H HENDREN, 0000
KELLY A HENRY, 0000
MARVIN D HENSLEY, 0000
FREDERIC W HEPLER, 0000
MITCH A HESKETT, 0000
PAUL A HESS, 0000
WAYNE HIGH, 0000
JAMES A HILDEBRAND, 0000
NELSON P HILDRETH, 0000
JON A HILL, 0000
KEVIN C HILL, 0000
MICHAEL J HILL, 0000
PAUL D HILL, 0000
JOSEPH E HINES, 0000
MELANIE J HITCHCOCK, 0000
FRANKLIN D HIXENBAUGH, 0000
JAMES B HOKE, 0000
STEWART W HOLBROOK, 0000
NANCY J HOLCOMB, 0000
MICHAEL A HOLDENER, 0000
MICHAEL P HOLLAND, 0000
ERIC C HOLLOWAY, 0000
ROBERT E HOLMES, 0000
RICKY L HOLT, 0000
MARC D HOMAN, 0000
DANIEL C HONKEN, 0000
LUTHER H HOOK III, 0000
ROBERT S HOPKINS, 0000
SCOTT D HORADAN, 0000
MICHAEL D HORAN, 0000
DAVID L HOSTETLER, 0000
CAROL A HOTTENROTT, 0000
JAMES J HOUSINGER, 0000
DANIEL P HOWE, 0000
MARK M HUBER, 0000
JEFFREY T HUDGENS, 0000
WESLEY S HUEY, 0000
CHARLES E HUFF, 0000
DAVID W HUGHES, 0000
JAMES C HUGHES, 0000
FRANK E HUGHLETT, 0000
PAUL D HUGILL, 0000
BRIAN N HUMM, 0000
LINDA M HUNTER, 0000
HEWITT M HYMAS, 0000
CARL R INMAN, 0000
HESHAM H ISLAM, 0000
JAMES E IVEY, 0000
STEVEN M JAMES, 0000
PETER R JANNOTTA, 0000
DOUGLAS A JENIK, 0000
RUSSELL C JENSEN, 0000
JOSEPH G JERAULD, 0000
DARREN A JOHNSON, 0000
DAVID P JOHNSON, 0000
JOSEPH C JOHNSON, 0000
MATTHEW L JOHNSON, 0000
DAVID L JONES, 0000
DEVON JONES, 0000
JOHN R JONES, 0000
LLOYD H JONES, 0000
LOGAN S JONES, 0000
SYNTHIA S JONES, 0000
DAVID A JULIAN, 0000
CHRISTOPHER D JUNGE, 0000
WERNER H JURINKA, 0000
NEIL A KARNES, 0000
ROBERT E KAUFMAN, 0000
SHANNON E KAWANE, 0000
STEPHANIE T KECK, 0000
RAYMOND F KELEDEI, 0000
BRITT K KELLEY, 0000
MARK E KELLY, 0000
SCOTT J KELLY, 0000
TIMOTHY J KELLY, 0000
VERNON P KEMPER, 0000
JULIE A KENDALL, 0000
CHRISTOPHER J KENNEDY, 0000
KYLE R KETCHUM, 0000
JAMES W KILBY, 0000
DENNIS R KING, 0000
TIMOTHY J KING, 0000
CHRISTOPHER T KIRKBRIDE, 0000
DAVID A KLAASSE, 0000
DANIEL M KLETTER, 0000
PAUL H KOB, 0000
JACQUELINE R KOCHER, 0000
STEPHEN T KOEHLER, 0000
THOMAS G KOLLIE JR., 0000
TONY KWON, 0000
RICHARD A LABRANCHE, 0000
LISA LAMARRE, 0000
TIMOTHY G LANE, 0000
BRUCE O LANKFORD, 0000
KEVIN W LAPOINTE, 0000
ERNEST E LASHUA JR., 0000
ROBERT C LAUBENGAYER, 0000
JOHN C LAWLESS, 0000
MARK R LAXEN, 0000
EDWARD F LAZARSKI JR., 0000
EDWIN LEBRON, 0000
KIMO K LEE, 0000
PATRICK A LEFERE, 0000
FRANK A LEHARDY III, 0000
DAVID A LEMEK, 0000
JOSEPH J LEONARD, 0000
JAMES P LEWIS, 0000
YANCY B LINDSEY, 0000
PETER R LINTNER, 0000
DEBRA M LIVINGOOD, 0000
SHAWN W LOBREE, 0000
ROBERT C LOCKERBY, 0000
COBY D LOESSBERG, 0000
RICHARD B LORENTZEN, 0000
BRUCE F LOVELESS, 0000
DEBORAH E LUCKETT, 0000
MICHAEL D LUMPKIN, 0000
THOMAS G LUNNEY, 0000
CHARLES E LUTTRELL, 0000
PETER C LYLE, 0000
PATRICK E LYONS, 0000
DIRK N MACFARLANE, 0000
PAUL S MACKLEY, 0000
JEFFREY R MACRIS, 0000
JAMES D MACY, 0000
JOHN MALFITANO, 0000
DOUGLAS A MALIN, 0000
JAMES J MALLOY, 0000
RODNEY E MALLOY, 0000
MICHAEL L MALONE, 0000
DAVID G MANERO, 0000
MARK S MANFREDI, 0000
KEVIN MANNIX, 0000
BRADLEY W MARGESON, 0000
CHARLES A MARQUEZ, 0000
RICHARD W MARTIER, 0000
ERNEST W MARTIN, 0000
JOSEPH A MARTINELLI, 0000
JOHN K MARTINS, 0000
GEORGE S MATTHESEN, 0000
TIMOTHY S MATTINGLY, 0000
JESUS A MATUDIO, 0000
SUSAN K MATUSIAK, 0000
LOUIS E MAYER IV, 0000
VINCENT D MCBETH, 0000
BRIAN C MCCAWLEY, 0000
EDWARD M MCCHESNEY, 0000
ESTHER J MCCLURE, 0000
TIMOTHY P MCCUE, 0000
MARK H MCDONALD, 0000
THOMAS MCDOWELL JR., 0000
THOMAS F MCGOVERN, 0000
JAMES J MCHUGH IV, 0000
JAMES F MCILMAIL, 0000
PAUL P MCKEON, 0000
RUSSELL T MCLACHLAN, 0000
MARK A MCLAUGHLIN, 0000
DEIDRE L MCLAY, 0000
MICHAEL J MCMILLAN, 0000
STEVE J MCPHILLIPS, 0000
KEVIN G MEENAGHAN, 0000
STEVEN J MEHR, 0000
JOHN F MEIER, 0000
FRANKLIN D MELLOTT, 0000
NORBERT F MELNICK, 0000
JOHN A MENKE III, 0000
KELLY L MERRELL, 0000
MARK H MERRICK, 0000
CRAIG F MERRILL, 0000
CHRIS D MEYER, 0000

FRANK J MICHAEL III, 0000
KENT A MICHAELIS, 0000
BRYAN D MICKELSON, 0000
BARRY L MILLER, 0000
KENT L MILLER, 0000
THOMAS M MILLMAN, 0000
DAVID B MILLS, 0000
WILLIAM C MINTER, 0000
MICHAEL E MITCHELL, 0000
ROSS P MITCHELL, 0000
JOSEPH E MOCK, 0000
DAN W MONETTE, 0000
NICHOLAS MONGILLO, 0000
ELLEN E MOORE, 0000
TIMOTHY J MOREY, 0000
JOHN J MOYNIHAN JR., 0000
STEVEN A MUCKLOW, 0000
CATHERINE T MUELLER, 0000
CHARLES E MUGGLEWORTH, 0000
CHARLES U MULLER, 0000
PHILIP A MUNACO, 0000
CRAIG S MUNSON, 0000
DONNA P MURPHY, 0000
ROBERT S MURPHY, 0000
JOHN T MYERS, 0000
DAVID D MYRE, 0000
ELMER E NAGMA, 0000
STEVEN D NAKAGAWA, 0000
MICHAEL K NAPOLITANO, 0000
DOUGLAS M NASHOLD, 0000
DAVID S NEELY, 0000
BRADFORD S NEFF, 0000
KEVIN K NELSON, 0000
PETER J NEWTON, 0000
ROBERT M NEWTON, 0000
JOHN C NICHOLSON, 0000
FREDRICK J NIELSEN, 0000
CAROLINE M NIELSON, 0000
DEAN T NILSEN, 0000
WILLIAM C NOLL, 0000
GEORGE P NORMAN, 0000
NANCY A NORTON, 0000
SAMUEL R M NORTON, 0000
FRANCIS G NOVAK, 0000
DONALD B NUCKOLS JR., 0000
PETER C NULAND, 0000
KELLY M OAKELEY, 0000
CRAIG R OECHSEL, 0000
DAVID A OGBURN, 0000
JAMES R OHMAN, 0000
LISA A OKUN, 0000
GORDON R OLIVER II, 0000
PAUL D OLSON, 0000
DAVID D ONSTOTT, 0000
MICHAEL T ORTWEIN, 0000
CHRISTOPHER D ORWOLL, 0000
MICHAEL S ORZELL, 0000
THOMAS E OSBORN, 0000
DAVID B OSGOOD, 0000
RICHARD N OSTER, 0000
SCOTT F OUTLAW, 0000
CHRISTOPHER G OVERTON, 0000
DAVID A OWEN, 0000
STEVEN M OXHOLM, 0000
ROBERT E PALISIN II, 0000
CRAIG E PALMER, 0000
CHARLES R PAPAS, 0000
KENT A PARO, 0000
LOUIS P PARTIDA, 0000
BARRY W PAYNE, 0000
BENJAMIN H PEABODY, 0000
JOSEPH R PEARL, 0000
THOMAS L PECK, 0000
CHRISTOPHER L PENDLETON, 0000
MICHAEL L PEOPLES, 0000
JOHN C PETERSCHMIDT, 0000
RUSSEL H PHELPS III, 0000
WILLIAM E PHILIPS, 0000
HERMAN M PHILLIPS, 0000
SEAN M PHILLIPS, 0000
BRETT M PIERSON, 0000
MICHAEL J PIETKIEWICZ, 0000
HUMBERTO M PINEDA JR., 0000
JAMES A PINKEPANK, 0000
JOSEPH W PIONTEK, 0000
ROBERT S PIPER, 0000
CURTIS D PLUNK, 0000
STEVEN P POLILLO, 0000
RICKS W POLK, 0000
PHILIP H PORTER, 0000
MICHAEL B PORTLAND, 0000
JOHN C POST, 0000
JILL E POSUNIAK, 0000
CEDRIC E PRINGLE, 0000
MARCUS A PRITCHARD, 0000
PER E PROVENCHER, 0000
DENNIS D QUICK, 0000
RANDALL E RAMEL, 0000
PHILIP D RAMIREZ, 0000
RINDA K RANCH, 0000
JAMES E REED, 0000
KATHARINE A M REED, 0000
STEPHEN P REHWALD JR., 0000
PETER R REIF, 0000
CRAIG REMIG, 0000
DAVID A RENBERG, 0000
NILS A RESARE II, 0000
VALERIE L REYNOLDS, 0000
WILLIAM T RICH, 0000
JEFFERY S RIEDEL, 0000
FREDERICK W RISCHMILLER, 0000
THOMAS A RITTAL II, 0000
KENNETH C RITTER, 0000
ANGEL R RIVERA, 0000
NANNETTE S ROBERTS, 0000
STEPHEN E ROBERTS, 0000
STANLEY M ROBERTSON, 0000
CHARLES W ROCK, 0000
JOHN T ROESLI, 0000
DANIEL J ROQUES, 0000
JON T ROSS, 0000
JAMES A ROSSER III, 0000
CHRISTOPHER J ROUIN, 0000
GERALD C ROXBURY, 0000
TIMOTHY P RUDDEROW, 0000
ROBIN G RUNNE, 0000
ROBERT RUPP, 0000
BONITA A RUSSELL, 0000
PATRICK J RYAN, 0000
TONY D RYKKEN, 0000
DANNY M SAD, 0000
MARK T SAKAGUCHI, 0000
DAVID J SAMPSON, 0000
MARK A SANFORD, 0000
THOMAS SANFORD, 0000
THOMAS C SASS, 0000
EDWARD A SAWYER, 0000
DONALD L SAYRE, 0000
JOHN L SCHAFER, 0000
RAYMOND T SCHENK, 0000
BRENDA M SCHEUFELE, 0000
EDWARD G SCHIEFER, 0000
DAVID L SCHIFFMAN, 0000
WALTER M SCHNELL, 0000
EDWARD R SCHOFIELD, 0000
RYAN B SCHOLL, 0000
JOHNNY L SCHULTZ, 0000
KENNETH J SCHWINGSHAKL, 0000
CHRISTOPHER D SCOFIELD, 0000
LEWIS J SCOTT, 0000
JAMES W SCROFANI, 0000
TODD R SEARS, 0000
ARMANDO A SEGARRA, 0000
JOHN P SEGERSON, 0000
LORIN C SELBY, 0000
KAREN D SELLERS, 0000
GEORGE B SHARP, 0000
ROBERT D SHARP, 0000
BRUCE A SHAW, 0000
GORDON E SHEEK, 0000
PATRICK B SHEPLER, 0000
PAUL J SHOCK, 0000
JOHN E SHOCKLEY, 0000
BENNETT J SICLARE, 0000
FRANK A SIMEI JR., 0000
IRMA SITYAR, 0000
JOHN B SKILLMAN, 0000
DAVID P SLIWINSKI, 0000
GEORGE H SLOOK, 0000
ANTHONY D SMITH, 0000
DAVID G SMITH, 0000
GORDON B SMITH, 0000
MICHAEL A SMITH, 0000
MICHAEL D SMITH, 0000
ADAM C SMITHYMAN, 0000
MELISSA C SMOOT, 0000
CAROLYNN M SNYDER, 0000
ROBERT C SOARES, 0000
JACINTO S SORIANO JR., 0000
RICHARD N SOUCIE, 0000
JULIA M SPINELLI, 0000
ARTHUR L STANLEY, 0000
GREGORY A STANLEY, 0000
PATRICK W STANTON, 0000
RAYMOND S STARSMAN, 0000
MICHAEL J STEED JR., 0000
LAWRENCE J STEIN, 0000
DANIEL W STEINLE, 0000
MICHAEL D STEINMANN, 0000
STEPHEN M STERNBERG, 0000
DEAN E STEWARTCURRY, 0000
RICHARD L STRICKLAND, 0000
JOSEPH B STROUP, 0000
CHRISTOPHER M STRUB, 0000
CURTIS D STUBBS, 0000
MARK A STURGES, 0000
JOSEPH A SULLIVAN, 0000
MICHAEL H SUMRALL, 0000
TERRENCE P SUTHERLAND, 0000
GEORGE M SUTTON, 0000
GARY W SWEANY, 0000
SCOTT C SWEHLA, 0000
KEITH A SWENSEN, 0000
EDWARD A SWINDLE, 0000
RANDALL C SYKORA, 0000
MICHAEL T TALAGA, 0000
ERIC A TAPP, 0000
JAMES E TATERA, 0000
JAMES E TAUBITZ, 0000
CHRISTOPHER TAYLOR, 0000
ERIC A TAYLOR, 0000
KEITH T TAYLOR, 0000
LELAND D TAYLOR, 0000
MICHAEL F TEDESCO, 0000
TAD E TEICHERT, 0000
DOUGLAS J TENHOOPEN, 0000
KARLTON G TERRELL, 0000
SCOTT A TESSMER, 0000
RICHARD E THOMAS, 0000
ROBERT W THOMSON, 0000
ROBERT K TILLERY, 0000
THOMAS J TROTTO, 0000
EMMETT S TURK, 0000
DARREN L TURNER, 0000
JEFFREY S TYER, 0000
BRUCE C URBON, 0000
KELLY J VALENCIA, 0000
MICHAEL G VANDURICK, 0000
KENT R VANHORN, 0000
IAN V VATET, 0000
KENNETH W VENABLE, 0000
DANIEL F VERHEUL, 0000
MICHAEL L VIEIRA, 0000
RICHARD K VINE, 0000
JOSEPH P VOBORIL, 0000
PAUL M VOTRUBA, 0000
WILLIAM S WALES, 0000
MICHAEL S WALLACE, 0000
KENNETH C WALLS, 0000
MICHAEL D WALLS, 0000
DAVID J WALSH, 0000
PATRICK M WALSH, 0000
EDWARD B WARFORD, 0000
ERIC J WATKISS, 0000
JOHN M WATSON, 0000
NORMAN E WEAKLAND, 0000
MYRON C WEAVER, 0000
BLAKE T WEBER, 0000
MATTHEW A WEINGART, 0000
DAVID F WEIR, 0000
DAVID A WELCH, 0000
DAVID A WELCH, 0000
GREGORY J WENDEL, 0000
MICHAEL A WETTLAUFER, 0000
KEITH R WETTSCHRECK, 0000
PAUL A WETZEL, 0000
JOHN D WHEELER, 0000
QUENTIN G WHEELER, 0000
JEFFERY A WHITAKER, 0000
ALAN A WHITE, 0000
DENNIS B WHITE, 0000
TIMOTHY J WHITE, 0000
ERIC S WHITEMAN, 0000
CLAUDIA S WHITNEY, 0000
ARTHUR D WHITTAKER JR., 0000
ANDREW C WILDE, 0000
THOMAS Y WILDER, 0000
WADE F WILKENSON, 0000
ROBERT A WILLEN, 0000
DAVID A WILLIAMS, 0000
SUNITA L WILLIAMS, 0000
TED R WILLIAMS, 0000
ROY N WILLIAMSON, 0000
BARRY E WILMORE, 0000
JESSE A WILSON JR., 0000
TIMOTHY M WILSON, 0000
TONY W WILSON, 0000
MATTHEW H WISNIEWSKI, 0000
STEPHEN WISOTZKI, 0000
EDWARD S WOLSKI, 0000
JEFFREY S WOLSTENHOLME, 0000
JONATHAN WOOD, 0000
JOSEPH H WOODWARD, 0000
RICHARD A WORTMAN, 0000
JOHN C H WOUGHTER, 0000
STEPHANIE L WRIGHT, 0000
VIRGIL S WRIGHT, 0000
RUSSELL L WYCKOFF, 0000
CRAIG W YAGER, 0000
PERRY D YAW, 0000
MICHAEL B YOAST, 0000
JOHN S ZAVADIL, 0000
EDWARD B ZELLEM, 0000
JOHN M ZELNIK, 0000
LAWRENCE K ZELVIN, 0000
STEPHEN B ZIKE, 0000
WILLIAM A ZIRZOW IV, 0000

THE FOLLOWING NAMED OFFICERS FOR REGULAR APPOINTMENT TO THE GRADES INDICATED IN THE UNITED STATES NAVY UNDER TITLE 10, U.S.C., SECTIONS 531 AND 5582:

To be commander

CHRISTOPHER E CONKLE, 0000
WILLIAM J FULTON, 0000
THOMAS R HOIOOS, 0000
KEITH D KOWALSKI, 0000
THOMAS J MURPHY, 0000

To be lieutenant commander

BRIAN E BOWDEN, 0000
DANIEL J CHISHOLM, 0000
DEMETRIO L DOMINGO, 0000
GRACE F DORANGRICCHIA, 0000
BRENT K GEORGE, 0000
KEVIN J GISH, 0000
STEPHEN E GOZZO, 0000
DAVID S GRENNEK, 0000
MICHELLE A GUIDRY, 0000
CHRISTOPHER D HOLMES, 0000
STEVEN L LARUE, 0000
WILLIAM M LEININGER, 0000
ELIZABETH G MCDONALD, 0000
JOSEPH R MCKEE, 0000
SEAN C MEEHAN, 0000
MARTHA J MICHAELSON, 0000
ROBERT J NORDNESS, 0000
DEVON C NUGENT, 0000
DONALD J PARKER, 0000
SCOTT D PORTER, 0000
FRANLILS C TENGASANTOS, 0000
JOHN C TREUTLER, 0000
PETER M WATERS, 0000
ANDREW J WILLIAMS, 0000
SCOTT M WOLFE, 0000
FORREST YOUNG, 0000

To be lieutenant

JAMES D ABBOTT, 0000
SYED N AHMAD, 0000
JOSEPH W ALDEN, 0000
JULIANN M ALTHOFF, 0000
KARLA J ARNDT, 0000
JULIUS U ARNETTE, 0000
NICOLAS ARRETCHE, 0000
DEBORAH J BAKKEN, 0000
STEVEN M BARR, 0000
WILLIAM B BASSETT, 0000
HARRIETT S BATES, 0000

GARTH A BAULCH, 0000
WILLIAM H BAXTER, 0000
KENNETH R BELKOFER JR., 0000
ANDREE E BERGMANN, 0000
JULIO BESS, 0000
ANTHONY BESSONE, 0000
ROGER L BILLINGS, 0000
ROZETHA L BLACKMON, 0000
JOHN A BLOCKER, 0000
CHRISTOPHER L BRADNER, 0000
WILLIAM H BROOKS, 0000
ROBERT H BROWN III, 0000
JAMES A BROWNLEE, 0000
CHRISTOPHER L CASTRO, 0000
DAVID F CHACON, 0000
BRIAN J CHEYKA, 0000
JAMES C COUDEYRAS, 0000
MICHAEL F CRIQUI, 0000
TITANIA B CROSS, 0000
YNIOL A CRUZ, 0000
CRAIG A CUNNINGHAM, 0000
CHRISTOPHER D DECLERCQ, 0000
TOM S DEJARNETTE, 0000
JOSEPH P DIEMER, 0000
MICHAEL A DILAURO, 0000
STEPHEN W DUDAR, 0000
GEOFFREY C EATON, 0000
GREGORY T ENGEL, 0000
RONALD J FANELLI II, 0000
LAURA D FARNSWORTH, 0000
ZOE A FAUSOLD, 0000
SHAWN A FOLLUM, 0000
JANETTE M FORSSELL, 0000
DIANE G FRANKLIN, 0000
CLAUDE F GAHARD JR., 0000
DONALD L GAINES II, 0000
DAVID S GILMORE, 0000
JONATHAN T GOOD, 0000
JEREMY B GREEN, 0000
ELIZABETH H GREENWAY, 0000
BILLY F HALL JR., 0000
MARY K HALLERBERG, 0000
GLENN R HANCOCK, 0000
STACY L HANNA, 0000
DEAN L HANSEN, 0000
NADJMEH M HARIRI, 0000
ANTONIO B HARLEY, 0000
GAYLE L HARRIS, 0000
CHARLES S HARTUNG, 0000
MARK R HENDRICKSON, 0000
LEONARD W HENNESSY, 0000
LARRY W HERTER, 0000
ROBERT F HIGHT JR., 0000
ANDREA M HILES, 0000
MELISSA A HINESLEY, 0000
KENNETH E HOBBS, 0000
LEE D HOEY, 0000
JULIE A HOOVER, 0000
IRENE G IRBY, 0000
SANDRA L JAMISON, 0000
SUSAN M JAY, 0000
JOHN D JESSUP II, 0000
JEANETTE M KAMPS, 0000
MARK R KELLER, 0000
EDWARD N KELLY, 0000
TERESA S KIMURA, 0000
DONALD C KING, 0000
JAMES A KIRK, 0000
JEFFREY J KRUPKA, 0000
CHRISTINE B LARSON, 0000
MATTHEW P LESSER, 0000
DAVID R LIEVANOS, 0000
EDDIE LOPEZ, 0000
YVONNE R LYDA, 0000
MICHAEL D MACNICHOLL, 0000
DELTHENIA T MAHONE, 0000
JOHN B MARKLEY, 0000
STEVEN J MAVICA, 0000
CONRAD J MAYER, 0000
SHAWN W MCGINNIS, 0000
ANDREW K MICKLEY, 0000
JAMES MILLER JR., 0000
TIM H MIN, 0000
CARLOS A MONREAL II, 0000
ALEXANDER M MOORE, 0000
DANIEL D MOORE, 0000
FERNETTE L MOORE, 0000
JENNIFER L MOORE, 0000
EDWARD MURRAY JR., 0000
JULIE A NELSON, 0000
ALBERTO J NIETO, 0000
DAVID E NIEVES, 0000
BRIAN E NOTTINGHAM, 0000
ALDA M OCONNOR, 0000
DARREL E OLSOWSKI, 0000
RHONDA J PAIGE, 0000
RONALD J PIEPER JR., 0000
JOSE D PLANAS, 0000
MARIO R PORTILLO, 0000
TONY J RAMIREZ, 0000
VERNON J RED, 0000
MARTIN RIOS, 0000
WHITLEY H ROBINSON, 0000
RONALD B ROSS, 0000
MICHAEL J ROTH, 0000
MICHAEL A ROVENOLT, 0000
JOAQUIN A SANCHEZ, 0000
CHARLES R SARGEANT, 0000
TRAVIS C SCHWEIZER, 0000
MIKHAEL H SER, 0000
KELLY M SHEKITKA, 0000
WILLIAM A SIEMER, 0000
ADAM C SMITH, 0000
ROBERT S SMITH, 0000
DAVID P SNELL, 0000
WILLIAM H SNYDER III, 0000
BRADLEY J SOUTHWELL, 0000
DAVID W STALLWORTH, 0000
SARAH L STEVICK, 0000
RICHARD E STOERMANN, 0000
JON P TANGREDI, 0000
ALLEN S TAYLOR, 0000
RONALD G TERRELL, 0000
JOSEPH W TITUS, 0000
GORDON J TOPEKA, 0000
JAMES M TYNECKI, 0000
BRIAN K VANBRUNT, 0000
GEOFFREY K VICKERS, 0000
EDWARD G VONBERG, 0000
CHRISTOPHER M WILLIAMS, 0000
DONALD D WILLIAMS, 0000
MARC K WILLIAMS, 0000
JOHN R WILLIAMSON, 0000
COREY D WOFFORD, 0000
FRANCINE M WORTHINGTON, 0000
E YOUNG JAMES, 0000

To be lieutenant junior grade

DOMINGO B ALINIO, 0000
EMILY Z ALLEN, 0000
JAMES L ANDERSON, 0000
KATHY Y ARTHURS, 0000
HAROLD D AUSBROOKS, 0000
KENNETH C BARRETT, 0000
JAMES M BELMONT, 0000
MARC E BERNATH, 0000
JENNIFER M BLAKESLEE, 0000
STEVEN G BLANTON, 0000
BERKELEY BRANDT, 0000
JAMES E BROWN, 0000
HUGH B BURKE, 0000
ROBERT BYFORD II, 0000
DARIAN CALDWELL, 0000
EDMUND J CHAFFEE III, 0000
PAUL C CHAN, 0000
CHRIS M COGGINS, 0000
JAMES T CORDIA, 0000
ELROY S CROCKER, 0000
THOMAS J DERNBACH, 0000
MELISSA M DOOLEY, 0000
JOSEF A ELCHANAN, 0000
MARIO M FORTE, 0000
ALBERTO A GARCIA, 0000
ROBERT S GEROSA JR., 0000
GREGORY E GOODMAN, 0000
KRISTOFOR E GRAF, 0000
SCOTT A GUSTIN, 0000
JEFFREY C HANSON, 0000
JAMES M HARDEY, 0000
RICHARD H HARRISON, 0000
WILLIAM B HUNT JR., 0000
DEBORAH K HUTCHENS, 0000
WILLIAM L JANIK, 0000
JASON M JOHNSON, 0000
JERRY L JOHNSON, 0000
HANS P JUHLHIDLE, 0000
STEPHEN S KHOVANANTH, 0000
CHRIS A LANE, 0000
SCOTT D LOGAN, 0000
ANGELA L LOGSDON, 0000
CHAD O LORENZANA, 0000
GEOFFREY D LYSTER, 0000
JOSHUA B MALKIN, 0000
EDWARD C MAULBECK, 0000
BRIAN W MAXWELL, 0000
JULIUS A MCCLOUD, 0000
BRIAN D MCINTOSH, 0000
CEDRIC J MCNEAL, 0000
GORDON E MEEK III, 0000
PAUL W METZGER, 0000
MARC MILOT, 0000
VICTOR B MINELLA, 0000
JASON T MORRIS, 0000
SCOTT A MOSEMAN, 0000
CHRISTOPHER P NILES, 0000
RICHARD J OTLOWSKI, 0000
JONATHAN A PERKINS, 0000
HARLEY R PERRY, 0000
DAVID L RAMTHUN, 0000
RANDY L ROCCI, 0000
VIKTORIA J ROLFF, 0000
MICHAEL W ROY, 0000
RON F SANDERS, 0000
FREDERICK M SANT, 0000
LLOYD W SAUNDERS, 0000
MICHELLE L SMITH, 0000
TISHA D SMITH, 0000
ROBERT A STROBL, 0000
IVAN TERRY, 0000
MILCIADES THEN, 0000
ROMEO T TIZON JR., 0000
JOHN J TOMON, 0000
DAVID A VONDRAK, 0000
TIMOTHY A WALLACE, 0000
CHRISTOPHER A WEECH, 0000
LANIER A WESTMORELAND, 0000
CHARLES L WHITE, 0000
MARY C WISE, 0000
RONALD E YUN JR., 0000
PHILIP D ZARUM, 0000

THE FOLLOWING NAMED OFFICER FOR ORIGINAL REGULAR APPOINTMENT AS A PERMANENT LIMITED DUTY OFFICER TO THE GRADE INDICATED IN THE UNITED STATES NAVY UNDER TITLE 10, U.S. CODE, SECTION 5589:

To be lieutenant

CHARLIE C. BILES, 0000

THE FOLLOWING NAMED OFFICERS FOR ORIGINAL REGULAR APPOINTMENT AS PERMANENT LIMITED DUTY OFFICERS TO THE GRADE INDICATED IN THE UNITED STATES NAVY UNDER TITLE 10, U.S.C., SECTIONS 531 AND 5589:

To be lieutenant

JAMES W ADKISSON III, 0000
MATTHEW E ARNOLD, 0000
DANIEL A AROS, 0000
RICHARD ARRIAGA, 0000
EDUARDO AYALA JR., 0000
RONALD C BAKER, 0000
JAMES S BARNES, 0000
VINCENT E BARNES, 0000
TOMMY L BEALS, 0000
KEITH L BECK, 0000
ROBERT A BEEBE, 0000
WILLIAM D BELFOUR, 0000
ANTHONY M BERRY, 0000
MARLENE A BEST, 0000
MARK F BIBEAU, 0000
MICHAEL J BICKEL, 0000
ALICE J BLACK, 0000
BRYAN D BLANKENSHIP, 0000
KENNETH BRONOKOWSKI, 0000
RANDALL V BROOKS, 0000
PURVIS A BROUGHTON, 0000
THERESA J BROWN, 0000
RONALD W BURKETT, 0000
JOSPEH H BURROWS, 0000
WILLIAM J BURROWS, 0000
WANDA S CABAL, 0000
MICHAEL G CALDWELL, 0000
CHUCK D CAMPBELL, 0000
JOSEPH F CAMPBELL, 0000
JAMES T CASH, 0000
DANIEL R CEITHAMER, 0000
WILLIAM C CHAMBERS, 0000
MICHAEL A CHANLEY, 0000
RONALD S CHAVEZ, 0000
DANIEL J CHECHE, 0000
MICHAEL T CHERRY, 0000
ALAN M CHUDERSKI, 0000
CHARLES M CLANAHAN, 0000
GREGGORY A CLARK, 0000
JAMES P CLARK, 0000
GREGORY D CLECKLER, 0000
SEAN T CLEVENGER, 0000
REY S CORPUZ, 0000
ROBERT D COSBY, 0000
ROGER M COUTU JR., 0000
LANCE A COVERDILL, 0000
RAY D COX JR., 0000
GROVER N CRAFT JR., 0000
WESLEY D CUNNINGHAM, 0000
DAVID A CVITANOVICH, 0000
ROBERT G DALTON, 0000
SCOTT R DANCER, 0000
ALAN D DAVIS, 0000
RICHARD A DEHAVEN, 0000
DANIEL F DELGROSSO, 0000
CHRISTINA DIGREGORIO, 0000
ADAM DONALDSON, 0000
ROBIN F DONALDSON, 0000
ARNEL M DUARTE, 0000
ERIC E DUNN, 0000
MICHAEL N DUNN, 0000
JAMES S DYE, 0000
MICHAEL A DYER, 0000
THOMAS W EASON, 0000
GARY E EDGAR, 0000
CLARENCE J ERVIN, 0000
DONALD E EVERSOLL, 0000
DEWEY K FELLERS, 0000
THOMAS J FELTEN, 0000
ROBERT A FERGUSON, 0000
STANLEY G FERGUSON, 0000
DEAN R FISHER JR., 0000
JOAN J FISHER, 0000
MICHAEL K FORD, 0000
SYLVESTER FREDERICK, 0000
FRANCIS X FULLER JR., 0000
MICHAEL B GARBER, 0000
GARY W GAULDIN, 0000
KYLE J GEHRES, 0000
PATRICK A GILLILAN, 0000
CHARLES T GORDON, 0000
PAMELA GRAHAM, 0000
RICHARD V GREEN, 0000
ROOSEVELT GREER, 0000
CHRISTOPHER GROVER, 0000
JACINTO T GUTIERREZ, 0000
ROBERT L HALFHILL, 0000
DAVID W HANSELMAN, 0000
ERIC D HANSEN, 0000
DAVID R HARROLD, 0000
HARRY E HAYES, 0000
DAMON B HEEMSTRA, 0000
NOAH A HENDRIX JR., 0000
STEVEN HERNANDEZ, 0000
YVONNE A HOBSON, 0000
TIMOTHY R HODSKINS, 0000
THOMAS G HOLCOMB, 0000
JIMMY D HOLLAND, 0000
RICHARD T HOLMAN, 0000
DAVID S HUBBELL, 0000
CHARLES D HUNTINGTON, 0000
DERRICK L HUTCHISON, 0000
BILL A ICENOGLE, 0000
BRETT D INGLE, 0000
MARK P INGWERSEN, 0000
DAVID L JACOBS, 0000
MICHAEL A JOHNSON, 0000
TERRY JOHNSON, 0000
HARRY L JUNEAU JR., 0000
PRISCILLA M JUSTINIANO, 0000
TODD C KEELING, 0000
GEORGE S KELLAS, 0000
VINCENT M KIRSCH, 0000
MATTHEW J KLEVA, 0000
ROBERT D KOKRDA, 0000

GEORGE M KONEN, 0000
FRANK S KREMER, 0000
FREDERICK W KRUSE, 0000
GREG A KUNTZ, 0000
PERRY A LAFOE, 0000
SCOTT R LANGMYER, 0000
GARY D LAROCHELLE, 0000
BRYAN L LEATHERMAN, 0000
FRANK E LEAUBER, 0000
LEWIS J LEE, 0000
WESLEY C LEOW, 0000
SIM Z LEVEY, 0000
BRENT R LITTON, 0000
ROBERT N LOPEZ, 0000
DOMINIC R LOVELLO, 0000
JAMES W LYONS, 0000
DANIEL D MALONEY, 0000
GARY J MANFREDO, 0000
EDGAR MARTINEZ, 0000
MICHAEL P MCCARTHY, 0000
JOEL M MCELHANNON, 0000
JOHNNY D MCGRAW, 0000
BRIAN K MCINTYRE, 0000
TODD MCKELLAR, 0000
PATRICK L MCKENNA, 0000
EDGAR W MCNULTY, 0000
DONALD L MEDLEY, 0000
RICHARD L MENARD, 0000
LAREAVA S MESCHINO, 0000
THOMAS H MILLER, 0000
BRIAN A MINARD, 0000
LLOYD M MORNEAULT, 0000
JOHN MUNIZ, 0000
RICHARD K MURTLAND, 0000
CHRISTOPHER T NICHOLS, 0000
GEORGE R NIEDHAMMER, 0000
DAVID B OLDHAM JR., 0000
BERRENDIA K ONEAL, 0000
MORRIS OXENDINE, 0000
FRANCISCO PARRA, 0000
DREMA D PARSONS, 0000
JAMES A PATTERSON, 0000
JAMES L PEAL, 0000
ALETHEA D PEARSON, 0000
DANIEL B PEARSON, 0000
KEVIN S PETERS, 0000
ALLEN PINKERTON, 0000
ROBERT M PITKIN, 0000
JOHN W POPHAM, 0000
ALAN W PROCTOR, 0000
STEPHEN R RANNE, 0000
DWAYNE A RASH, 0000
CHRISTOPHER L RAYBURN, 0000
DAVID J REILLY, 0000
PHILIP J RIGGS, 0000
ROCKY A RILEY, 0000
EUGENE R ROBERTS, 0000
GERALD ROBINSON, 0000
TERRY A ROBINSON, 0000
EDDIE ROBLES, 0000
DANIEL J ROGERS, 0000
MICHAEL ROSENBERRY, 0000
VALERIE K ROSS, 0000
JOHN J ROSSO, 0000
MICHAEL J ROTH, 0000
HAROLD G RUSSELL, 0000
JEFFRY A SANDIN, 0000
STACEY J SCHLOSSER, 0000
MACK F SCHMIDT, 0000
SCOTT B SCHNEEWEIS, 0000
ANDREA L SCHREIBER, 0000
FREDERICK J SEIGER, 0000
EDNA M SHANNON, 0000
MARK S SHANNON, 0000
ROBERT P SHAW, 0000
KEITH E SHIPMAN, 0000
HAROLD E SHUCK JR., 0000
MELANIE C SIGAFOOSE, 0000
DONALD A SIGLEY, 0000
JOHN S SILVA, 0000
ROY J SIMMONS, 0000
JEFFREY J SIMONS, 0000
ERWIN J SNELL, 0000
CHRISTOPHER K SNOWDON, 0000
LARRY R SPRADLIN, 0000
TIMOTHY M STEELE, 0000
WADE M STEPHENS, 0000
ROBERT L STEVENS, 0000
FRED L STEWART, 0000
ANTHONY W STOUT, 0000
LUIS O SUAREZ, 0000
ROBERT B SULLIVAN, 0000
ALLEN C SUMMERALL, 0000
DAVID L TARWATER, 0000
MICHAEL S TAYLOR, 0000
JAMES E THOMAS, 0000
ARTHUR C TOEHLKE, 0000
MICHAEL G TOPPING, 0000
WESBURN J UNGER, 0000
DAVID A VALENTINE, 0000
JEFFREY L WADELL, 0000
TERRY L WALTON, 0000
EZRA A WARD, 0000
AARON T WASHINGTON JR., 0000
WILLIE WASHINGTON, 0000
LARRY W WATSON, 0000
RICHARD W WEAVER, 0000
ROSE M WHERRY, 0000
DAVID J WHITE, 0000
TIMOTHY F WHITE, 0000
THOMAS N WHITEHEAD, 0000
MARK R WILSEY, 0000
BRYAN D WINCHESTER, 0000
MINDEE M WOLVEN, 0000
RONALD A WOODALL, 0000
TOMMY C WOODS, 0000
RONALD D YARBER, 0000
MICHAEL W YAWN, 0000
KENNETH H YOUNG, 0000
MIKE ZIMMERMAN, 0000