(Mr. LEVIN) and the Senator from California (Mrs. FEINSTEIN) were added as cosponsors of amendment No. 443 intended to be proposed to H.R. 1268, making emergency supplemental appropriations for the fiscal year ending September 30, 2005, to establish and rapidly implement regulations for State driver's license and identification document security standards, to prevent terrorists from abusing the asylum laws of the United States, to unify terrorism-related grounds for inadmissibility and removal, to ensure expeditious construction of the San Diego border fence, and for other purposes.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. DURBIN:

S. 811. A bill to require the Secretary of the Treasury to mint coins in commemoration of the bicentennial of the birth of Abraham Lincoln; to the Committee on Banking, Housing, and Urban Affairs.

Mr. DURBIN. Mr. President, today I am introducing a bill that will honor Abraham Lincoln with a commemorative coin and provide funds to the Abraham Lincoln Bicentennial Commission, which has been charged by Congress with planning the celebration of Lincoln's bicentennial in 2009.

The bill authorizes the Treasury to mint 500,000 one dollar silver coins. The design, which will represent the life and legacy of Abraham Lincoln, will be selected by the Secretary after consultation with the Commission of Fine Arts and the ALBC and reviewed by the Citizens Coinage Advisory Committee.

The coins will be sold for face value plus a $10 surcharge and the cost of designing and issuing them. All funds collected by the surcharge will be provided to the ALBC to further its work.

Abraham Lincoln was one of our greatest leaders, demonstrating enormous courage and strength of character during the Civil War, perhaps the greatest crisis in our Nation's history. Lincoln was born in Kentucky, grew to adulthood in Indiana, achieved fame in Illinois, and led the Nation in Washington, D.C. He rose to the Presidency through a combination of honesty, integrity, intelligence, and commitment to the United States.

Adhering to the belief that all men are created equal, Lincoln led the effort to free all slaves in the United States. Despite the great passions aroused by the Civil War, Lincoln had a generous heart and acted with malice toward none and with charity for all. Lincoln made the ultimate sacrifice for the country he loved, dying from an assassin's bullet on April 15, 1865. All Americans could benefit from studying the life of Abraham Lincoln, As we near the bicentennial of Lincoln's birth, we should recognize his great achievement in ensuring that the United States remained one Nation, united and inseparable.

By Mr. SPECTER:

S. 812. A bill to amend the Internal Revenue Code of 1986 to impose a flat tax only on Individual taxable earned income and business taxable income, and for other purposes; to the Committee on Finance.

Mr. SPECTER. Mr. President, this week, American taxpayers face another Federal income tax deadline. The date of April 15 stabs fear, anxiety, and unease into the hearts of millions of Americans. Every year during "tax season," millions of Americans spend their evenings poring over page after page of IRS instructions, going through their records looking for information and struggling to find and fill out all the appropriate forms on the Federal tax returns. Americans are intimidated by the sheer number of different tax forms and their instructions, many of which they may be unsure whether they need to file. Given the approximately 325 possible forms, not to mention the instructions that accompany them, simply trying to determine which form to file can in itself be a daunting and overwhelming task. According to a 2002 study conducted by the Tax Foundation, American taxpayers, including businesses, spend more than 5.8 billion hours and $194 billion each year in complying with tax laws. That works out to more than $2,400 per U.S. household. Much of this time is spent burrowing through IRS laws and regulations which fill 17,000 pages and have grown from 744,000 words in 1955 to over 6.9 million words in 2000. By contrast, the Pledge of Allegiance has only 31 words, the Gettysburg Address has 267 words, the Declaration of Independence has about 1,300 words, and the Bible has only about 1,773,000 words.

The majority of taxpayers still face filing tax forms that are far too complicated and take far too long to complete. According to the estimated preparation time listed on the forms by the IRS, the 2004 Form 1040 is estimated to take 13 hours and 35 minutes to complete. Moreover this does not include the estimated time to complete the accompanying schedules, such as Schedule A, for itemized deductions, which carries an estimated preparation time of 5 hours, 37 minutes, or Schedule D, for reporting capital gains and losses, shows an estimated preparation time of 6 hours, 10 minutes. Moreover, this complexity is getting worse each year. Just from 2000 to 2004 the estimated time to prepare Form 1040 jumped 34 minutes.

It is no wonder that well over half of all taxpayers, 56 percent according to a recent survey, now hire an outside professional to prepare their tax returns for them. However, the fact that only about 30 percent of individuals itemize their deductions shows that a significant percentage of our taxpaying population believes that the tax system is too complex for them to deal with. We all understand that paying taxes will never be something we enjoy, but neither should it be cruel and unusual punishment. Further, the pace of change to the Internal Revenue Code is brisk—Congress made about 9,500 tax code changes in the past thirteen years. And we are far from being finished. Year after year, we continue to ask the same question—isn't there a better way?

My flat tax legislation would make filing a tax return a manageable chore, not a seemingly endless nightmare, for most taxpayers. My flat tax legislation will fundamentally revise the present tax code, with its myriad rates, deductions, and instructions. This legislation would institute a simple, flat 20 percent tax rate for all individuals and businesses. This proposal is not cast in stone, but is intended to move the debate forward by focusing attention on three key principles which are critical to an effective and equitable taxation system: simplicity, fairness and economic growth.

My flat tax plan would eliminate the kinds of frustrations I have outlined above for millions of taxpayers. This flat tax would enable us to scrap the great majority of the IRS rules, regulations and instructions and delete most of the 6.9 million words in the Internal Revenue Code. Instead of billions of hours of non-productive time spent in compliance with, or avoidance of, the tax code, taxpayers would spend only the small amount of time necessary to fill out a postcard-sized form. Both business and individual taxpayers would thus find valuable hours freed up to engage in productive business activity, or for more time with their families, instead of poring over tax tables, schedules and regulations.

My flat tax proposal is dramatic, but so are its advantages: a taxation system that is simple, fair and designed to maximize prosperity for all Americans. A summary of the key advantages are:

Simplicity: A 10-line postcard filing would replace the myriad forms and attachments currently required, thus saving Americans up to 5.8 billion hours they currently spend every year in tax compliance.

Cuts Government: The flat tax would eliminate the lion's share of IRS rules, regulations and requirements, which have grown from 744,000 words in 1955 to 6.9 million words and 17,000 pages currently. It would also allow us to slash the mammoth IRS bureaucracy of approximately 117,000 employees, creating opportunities to put their expertise to use elsewhere in the government or in private industry.

Promotes Economic Growth: Economists estimate a growth due to a flat tax of over $2 trillion in national wealth over seven years, representing an increase of approximately $7,500 in personal wealth for every man, woman and child in America. This growth would also lead to the creation of 6 million new jobs.

Increases Efficiency: Investment decisions would be made on the basis of productivity rather than simply for tax avoidance, thus leading to even greater economic expansion.

Reduces Interest Rates: Economic forecasts indicate that interest rates would fall substantially, by as much as two points, as the flat tax removes many of the current disincentives to savings.

Lowers compliance costs: Americans would be able to save or invert up to $194 billion they currently spend every year in tax compliance.

Decreases fraud: As tax loopholes are eliminated and the tax code is simplified, there will be far less opportunity for tax avoidance and fraud, which now amounts to over $120 billion in uncollected revenue annually.

Reduces IRS costs: Simplification of the tax code will allow us to save significantly on the $10 billion annual budget currently allocated to the Internal Revenue Service.

The most dramatic way to illustrate the flat tax is to consider that the income tax form for the flat tax is printed on a postcard—it will allow all taxpayers to file their April 15 tax returns on a simple 10-line postcard. This postcard will take 15 minutes to fill out.

At my town hall meetings across Pennsylvania, there is considerable public support for fundamental tax reform.

This is a win-win situation for America because it lowers the tax burden on the taxpayers in the lower brackets. For example in the 2004 tax year, the standard deduction is $4,850 for a single taxpayer, $7,150 for a head of household and $9,700 for a married couple filing jointly, while the personal exemption for individuals and dependents is $3,100. Thus, under the current tax code, a family of four which does not itemize deductions would pay taxes on all income over $22,100—that is personal exemptions of$12,400 and a standard deduction of $9,700. By contrast, under my flat tax bill, that same family would receive a personal exemption of $30,000, and would pay tax on only income over that amount.

The tax loopholes enable write-offs of some $393 billion a year. What is eliminated under the flat tax are the loopholes, the deductions in this complicated code which can be deciphered, interpreted, and found really only by the $500–an-hour lawyers. That money is lost to the taxpayers. $120 billion would be saved by the elimination of fraud because of the simplicity of the Tax Code, the taxpayer being able to find out exactly what they owe.

This bill is modeled after a proposal organized and written by two very distinguished professors of law from Stanford University, Professor Hall and Professor Rabushka. Their model was first introduced in the Congress in the fall of 1994 by Majority Leader Richard Armey. I introduced the flat tax bill—the first one in the Senate—on March 2, 1995, Senate bill 488. On October 27, 1995, I introduced a Sense of the Senate Resolution calling on my colleagues to expedite Congressional adoption of a flat tax. The Resolution, which was introduced as an amendment to pending legislation, was not adopted. I reintroduced my legislation in the 105th Congress with slight modifications to reflect inflation-adjusted increases in the personal allowances and dependent allowances. I re-reintroduced the bill on April 15, 1999—income tax day—in a bill denominated as S. 822. I then introduced my flat tax legislation as an amendment to S. 1429, the Tax Reconciliation bill; the amendment was not adopted. During the 108th Congress, I introduced my flat tax legislation once again on April 11, 2003. On May 14, 2003, I offered an amendment to the Tax Reconciliation legislation urging the Senate to hold hearings and consider legislation providing for a flat tax; this amendment passed by a vote of 70 to 30 on May 15, 2003. I then testified on this issue at a subsequent hearing held by the Joint Economic Committee on November 5, 2003.

Over the years and prior to my legislative efforts on behalf of flat tax reform, I have devoted considerable time and attention to analyzing our nation's tax code and the policies which underlie it. I began the study of the complexities of the tax code over 40 years ago as a law student at Yale University. I included some tax law as part of my practice in my early years as an attorney in Philadelphia. In the spring of 1962, I published a law review article in the Villanova Law Review, ''Pension and Profit Sharing Plans: Coverage and Operation for Closely Held Corporations and Professional Associations,'' 7 Villanova L. Rev. 335, which in part focused on the inequity in making tax-exempt retirement benefits available to some kinds of businesses but not others. It was apparent then, as it is now, that the very complexities of the Internal Revenue Code could be used to give unfair advantage to some. Einstein himself is quoted as saying ''the hardest thing in the world to understand is the income tax.''

The Hall-Rabushka model envisioned a flat tax with no deductions whatever. After considerable reflection, I decided to include in the legislation limited deductions for home mortgage interest for up to $100,000 in borrowing and charitable contributions up to $2,500. While these modifications undercut the pure principle of the flat tax by continuing the use of tax policy to promote home buying and charitable contributions, I believe that those two deductions are so deeply ingrained in the financial planning of American families that they should be retained as a matter of fairness and public policy—and also political practicality. With those two deductions maintained, passage of a modified flat tax will be difficult, but without them, probably impossible.

In my judgment, an indispensable prerequisite to enactment of a modified flat tax is revenue neutrality. Professor Hall advised that the revenue neutrality ofthe Hall-Rabushka proposal, which uses a 19 percent rate, is based on a well-documented model founded on reliable governmental statistics. My legislation raises that rate from 19 percent to 20 percent to accommodate retaining limited home mortgage interest and charitable deductions.

This proposal taxes business revenues fully at their source, so that there is no personal taxation on interest, dividends, capital gains, gifts or estates. Restructured in this way, the tax code can become a powerful incentive for savings and investment—which translates into economic growth and expansion, more and better jobs, and raising the standard of living for all Americans.

The key advantages of this flat tax plan are threefold: First, it will dramatically simplify the payment of taxes. Second, it will remove much of the IRS regulatory morass now imposed on individual and corporate taxpayers, and allow those taxpayers to devote more of their energies to productive pursuits. Third, since it is a plan which rewards savings and investment, the flat tax will spur economic growth in all sectors of the economy as more money flows into investments and savings accounts.

Professors Hall and Rabushka have projected that within seven years of enactment, this type of a flat tax would produce a 6 percent increase in output from increased total work in the U.S. economy and increased capital formation. The economic growth would mean a $7,500 increase in the personal income of all Americans. No one likes to pay taxes. But Americans will be much more willing to pay their taxes under a system that they believe is fair, a system that they can understand, and a system that they recognize promotes rather than prevents growth and prosperity. My flat tax legislation will afford Americans such a tax system.

I ask unanimous consent that a copy of my flat tax postcard, a variety of specific cases that illustrate the fairness and simplicity of this flat tax, and an example flat tax table be printed in the RECORD following my statement.

I ask unanimous consent that the text of this bill be printed in the RECORD.

2004 Individual Tax Return

rm 1 **Individual Wage Tax** **200**

first name and initial (if joint return, also give spouse's name and initial) Your social security number

e address (number and street including apartment number or rural route) Spouse's social security number

town, or post office, state, and ZIP code

Wages, salary, pension and retirement benefits	1
Personal allowance (enter only one)	
-- $20,000 for married filing jointly	
-- $10,000 for single	
-- $15,000 for single head of household	2
Number of dependents, not including spouse, multiplied by $5,000	3
Mortgage interest on debt up to $100,000 for owner-occupied home	4
Cash or equivalent charitable contributions (up to $2,500)	5
Total allowances and deductions (lines 2, 3, 4 and 5)	6
Taxable compensation (line 1 less line 6, if positive; otherwise zero)	7
Tax (20% of line 7)	8
Tax withheld by employer	9
Tax or refund due (difference between lines 8 and 9)	10

A variety of specific cases illustrate the fairness and simplicity of this flat tax:

CASE #1 -- Married couple with two children, rents home, yearly income $35,000:

Under Current Law:

Income	$35,000
Four personal exemptions	$12,400
Standard deduction	$ 9,700
Taxable income	$12,900
Tax due under current rates	$ 1,290
Marginal rate	10.0%
Effective tax rate	3.6%

Under Flat Tax:

Personal allowance	$20,000	
Two dependents	$10,000	
Taxable income	$5,000	
Tax due under flat tax	$1,000	****Decrease of* $290***
Effective tax rate	2.9%	

CASE #2 -- Single individual, rents home, yearly income $50,000.

Under Current Law:

Income	$50,000
One personal exemption	$ 3,100
Standard deduction	$ 4,850
Taxable income	$42,050
Tax due under current rates	$ 7,250
Marginal rate	17.2%
Effective rate	14.5%

Under Flat Tax:

Personal allowance	$10,000	
Taxable income	$40,000	
Tax due under flat tax	$8,000	****Increase of* $750 ***
Effective rate	16.0%	

CASE #3 -- Married couple with no children, $150,000 mortgage at 9%, yearly income $75,000:

Under Current Law:

Income	$75,000

Two personal exemptions	$ 6,200
Home mortgage deduction	$13,500
State & local taxes	$ 3,000
Charitable deduction	$ 1,500
Taxable income	$50,800
Tax due under current rates	$6,905
Marginal rate	13.6%
Effective tax rate	9.2%

Under Flat Tax:

Personal allowance	$20,000	
Home mortgage deduction	$9,000	
Charitable deduction	$ 1,500	
Taxable income	$44,500	
Tax due under flat tax	$8,900	****Increase of $1,995****
Effective tax rate	11.8%	

CASE #4 -- Married couple with three children, $250,000 mortgage at 9%, yearly income $125,000:

Under Current Law:

Income	$125,000
Five personal exemptions	$15,500
Home mortgage deduction	$22,500
State & local taxes	$5,000
Retirement fund deductions	$6,000
Charitable deductions	$ 2,500
Taxable income	$73,500
Tax due under current rates	$11,850
Marginal rate	16.1%
Effective tax rate	9.5%

Under Flat Tax:

Personal allowance	$20,000	
Three dependents	$15,000	
Home mortgage deduction	$9,000	
Charitable deduction	$2,500	
Taxable income	$78,500	
Tax due under flat tax	$15,700	****Increase of $3,850****
Effective tax rate	12.6%	

ANNUAL TAXES UNDER 20% FLAT TAX FOR MARRIED COUPLE WITH TWO CHILDREN FILING JOINTLY

Income	Home Mortgage*	Deductible Mtg Interest	Charitable Contribution*	Personal Allowance (w/ children)	Taxable Income	Effective Tax Rate	Taxes Owed
<30,000					0	0%	None
30,000	60,000	5,400	600	30,000	0	0%	None
40,000	80,000	7,200	800	30,000	2,000	1%	400
50,000	100,000	9,000	1,000	30,000	10,000	4%	2,000
60,000	120,000	9,000	1,200	30,000	19,800	6.6%	3,960
70,000	140,000	9,000	1,400	30,000	29,600	8.6%	5,920
80,000	160,000	9,000	1,600	30,000	39,400	9.9%	7,880
90,000	180,000	9,000	1,800	30,000	49,200	10.9%	9,840
100,000	200,000	9,000	2,000	30,000	59,000	11.8%	11,800
125,000	250,000	9,000	2,500	30,000	83,500	13.4%	16,700
150,000	300,000	9,000	2,500	30,000	108,500	14.5%	21,700
200,000	400,000	9,000	2,500	30,000	158,500	15.9%	31,700
250,000	500,000	9,000	2,500	30,000	208,500	16.7%	41,700
500,000	1,000,000	9,000	2,500	30,000	458,500	18.3%	91,700
1,000,000	2,000,000	9,000	2,500	30,000	958,500	19.2%	191,700

* Assumes home mortgage of twice annual income at a rate of 9% and charitable contributions up to 2% of annual income

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

S. 812

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; AMENDMENT OF 1986 CODE.

(a) SHORT TITLE.—This Act may be cited as the ''Flat Tax Act of 2005''.

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

(c) 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.

SEC. 2. FLAT TAX ON INDIVIDUAL TAXABLE EARNED INCOME AND BUSINESS TAXABLE INCOME.

(a) IN GENERAL.—Subchapter A of chapter 1 of subtitle A is amended to read as follows:

''Subchapter A—Determination of Tax Liability

''PART I. TAX ON INDIVIDUALS.

''PART II. TAX ON BUSINESS ACTIVITIES.

''PART I—TAX ON INDIVIDUALS

''SEC. 1. TAX IMPOSED.

''(a) IMPOSITION OF TAX.—There is hereby imposed on every individual a tax equal to 20 percent of the taxable earned income of such individual.

''(b) TAXABLE EARNED INCOME.—For purposes of this section, the term 'taxable earned income' means the excess (if any) of—

''(1) the earned income received or accrued during the taxable year, over

''(2) the sum of—

''(A) the standard deduction,

''(B) the deduction for cash charitable contributions, and

''(C) the deduction for home acquisition indebtedness, for such taxable year.

''(c) EARNED INCOME.—For purposes of this section—

''(1) IN GENERAL.—The term 'earned income' means wages, salaries, or professional fees, and other amounts received from sources within the United States as compensation for personal services actually rendered, but does not include that part of compensation derived by the taxpayer for personal services rendered by the taxpayer to a corporation which represents a distribution of earnings or profits rather than a reasonable allowance as compensation for the personal services actually rendered.

''(2) TAXPAYER ENGAGED IN TRADE OR BUSINESS.—In the case of a taxpayer engaged in a trade or business in which both personal services and capital are material income-producing factors, under regulations prescribed by the Secretary, a reasonable allowance as compensation for the personal services rendered by the taxpayer, not in excess of 30 percent of the taxpayer's share of the net profits of such trade or business, shall be considered as earned income.

''SEC. 2. STANDARD DEDUCTION.

''(a) IN GENERAL.—For purposes of this subtitle, the term 'standard deduction' means the sum of—

''(1) the basic standard deduction, plus

''(2) the additional standard deduction.

''(b) BASIC STANDARD DEDUCTION.—For purposes of subsection (a), the basic standard deduction is—

''(1) 200 percent of the dollar amount in effect under paragraph (3) of the taxable year in the case of—

''(A) a joint return, or

''(B) a surviving spouse (as defined in section 5(a)),

''(2) $15,000 in the case of a head of household (as defined in section 5(b)), or

''(3) $10,000 in any other case.

''(c) ADDITIONAL STANDARD DEDUCTION.—For purposes of subsection (a), the additional standard deduction is $5,000 for each dependent (as defined in section 6)—

''(1) whose earned income for the calendar year in which the taxable year of the taxpayer begins is less than the basic standard deduction specified in subsection (b)(3), or

''(2) who is a child of the taxpayer and who—

''(A) has not attained the age of 19 at the close of the calendar year in which the taxable year of the taxpayer begins, or

''(B) is a student who has not attained the age of 24 at the close of such calendar year.

''(d) INFLATION ADJUSTMENT.—

''(1) IN GENERAL.—In the case of any taxable year beginning in a calendar year after 2006, each dollar amount contained in subsections (b) and (c) shall be increased by an amount equal to—

''(A) such dollar amount, multiplied by

''(B) the cost-of-living adjustment for the calendar year in which the taxable year begins.

''(2) COST-OF-LIVING ADJUSTMENT.—For purposes of paragraph (1), the cost-of-living adjustment for any calendar year is the percentage (if any) by which—

''(A) the CPI for the preceding calendar year, exceeds

''(B) the CPI for calendar year 2005.

''(3) CPI FOR ANY CALENDAR YEAR.—For purposes of paragraph (2), the CPI for any calendar year is the average of the Consumer Price Index as of the close of the 12-month period ending on August 31 of such calendar year.

''(4) CONSUMER PRICE INDEX.—For purposes of paragraph (3), the term 'Consumer Price Index' means the last Consumer Price Index for all-urban consumers published by the Department of Labor. For purposes of the preceding sentence, the revision of the Consumer Price Index which is most consistent with the Consumer Price Index for calendar year 1986 shall be used.

''(5) ROUNDING.—If any increase determined under paragraph (1) is not a multiple of $50, such amount shall be rounded to the next lowest multiple of $50.

''SEC. 3. DEDUCTION FOR CASH CHARITABLE CONTRIBUTIONS.

''(a) GENERAL RULE.—For purposes of this part, there shall be allowed as a deduction any charitable contribution (as defined in subsection (b)) not to exceed $2,500 ($1,250, in the case of a married individual filing a separate return), payment of which is made within the taxable year.

''(b) CHARITABLE CONTRIBUTION DEFINED.—For purposes of this section, the term 'charitable contribution' means a contribution or gift of cash or its equivalent to or for the use of the following:

''(1) A State, a possession of the United States, or any political subdivision of any of the foregoing, or the United States or the District of Columbia, but only if the contribution or gift is made for exclusively public purposes.

''(2) A corporation, trust, or community chest, fund, or foundation—

''(A) created or organized in the United States or in any possession thereof, or under the law of the United States, any State, the District of Columbia, or any possession of the United States,

''(B) organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or to foster national or international amateur sports competition (but only if no part of its activities involve the provision of athletic facilities or equipment), or for the prevention of cruelty to children or animals,

''(C) no part of the net earnings of which inures to the benefit of any private shareholder or individual, and

''(D) which is not disqualified for tax exemption under section 501(c)(3) by reason of attempting to influence legislation, and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of (or in opposition to) any candidate for public office.

A contribution or gift by a corporation to a trust, chest, fund, or foundation shall be deductible by reason of this paragraph only if it is to be used within the United States or any of its possessions exclusively for purposes specified in subparagraph (B). Rules similar to the rules of section 501(j) shall apply for purposes of this paragraph.

''(3) A post or organization of war veterans, or an auxiliary unit or society of, or trust or foundation for, any such post or organization—

''(A) organized in the United States or any of its possessions, and

''(B) no part of the net earnings of which inures to the benefit of any private shareholder or individual.

''(4) In the case of a contribution or gift by an individual, a domestic fraternal society, order, or association, operating under the lodge system, but only if such contribution or gift is to be used exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals.

''(5) A cemetery company owned and operated exclusively for the benefit of its members, or any corporation chartered solely for burial purposes as a cemetery corporation and not permitted by its charter to engage in any business not necessarily incident to that purpose, if such company or corporation is not operated for profit and no part of the net earnings of such company or corporation inures to the benefit of any private shareholder or individual.

For purposes of this section, the term 'charitable contribution' also means an amount treated under subsection (d) as paid for the use of an organization described in paragraph (2), (3), or (4).

''(c) DISALLOWANCE OF DEDUCTION IN CERTAIN CASES AND SPECIAL RULES.—

''(1) SUBSTANTIATION REQUIREMENT FOR CERTAIN CONTRIBUTIONS.—

''(A) GENERAL RULE.—No deduction shall be allowed under subsection (a) for any contribution of $250 or more unless the taxpayer substantiates the contribution by a contemporaneous written acknowledgment of the contribution by the donee organization that meets the requirements of subparagraph (B).

''(B) CONTENT OF ACKNOWLEDGMENT.—An acknowledgment meets the requirements of this subparagraph if it includes the following information:

''(i) The amount of cash contributed.

''(ii) Whether the donee organization provided any goods or services in consideration, in whole or in part, for any contribution described in clause (i).

''(iii) A description and good faith estimate of the value of any goods or services referred to in clause (ii) or, if such goods or services consist solely of intangible religious benefits, a statement to that effect.

For purposes of this subparagraph, the term 'intangible religious benefit' means any intangible religious benefit which is provided by an organization organized exclusively for religious purposes and which generally is not sold in a commercial transaction outside the donative context.

''(C) CONTEMPORANEOUS.—For purposes of subparagraph (A), an acknowledgment shall be considered to be contemporaneous if the taxpayer obtains the acknowledgment on or before the earlier of—

''(i) the date on which the taxpayer files a return for the taxable year in which the contribution was made, or

''(ii) the due date (including extensions) for filing such return.

''(D) SUBSTANTIATION NOT REQUIRED FOR CONTRIBUTIONS REPORTED BY THE DONEE ORGANIZATION.—Subparagraph (A) shall not apply to a contribution if the donee organization files a return, on such form and in accordance with such regulations as the Secretary may prescribe, which includes the information described in subparagraph (B) with respect to the contribution.

''(E) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this paragraph, including regulations that may provide that some or all of the requirements of this paragraph do not apply in appropriate cases.

''(2) DENIAL OF DEDUCTION WHERE CONTRIBUTION FOR LOBBYING ACTIVITIES.—No deduction shall be allowed under this section for a contribution to an organization which conducts activities to which section 11(d)(2)(C)(i) applies on matters of direct financial interest to the donor's trade or business, if a principal purpose of the contribution was to avoid Federal income tax by securing a deduction for such activities under this section which would be disallowed by reason of section 11(d)(2)(C) if the donor had conducted such activities directly. No deduction shall be allowed under section 11(d) for any amount for which a deduction is disallowed under the preceding sentence.

''(d) AMOUNTS PAID TO MAINTAIN CERTAIN STUDENTS AS MEMBERS OF TAXPAYER'S HOUSEHOLD.—

''(1) IN GENERAL.—Subject to the limitations provided by paragraph (2), amounts paid by the taxpayer to maintain an individual (other than a dependent, as defined in section 6, or a relative of the taxpayer) as a member of such taxpayer's household during the period that such individual is—

''(A) a member of the taxpayer's household under a written agreement between the taxpayer and an organization described in paragraph (2), (3), or (4) of subsection (b) to implement a program of the organization to provide educational opportunities for pupils or students in private homes, and

''(B) a full-time pupil or student in the twelfth or any lower grade at an educational organization located in the United States which normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of pupils or students in attendance at the place where its educational activities are regularly carried on, shall be treated as amounts paid for the use of the organization.

''(2) LIMITATIONS.—

''(A) AMOUNT.—Paragraph (1) shall apply to amounts paid within the taxable year only to the extent that such amounts do not exceed $50 multiplied by the number of full calendar months during the taxable year which fall within the period described in paragraph (1). For purposes of the preceding sentence, if 15 or more days of a calendar month fall within such period such month shall be considered as a full calendar month.

''(B) COMPENSATION OR REIMBURSEMENT.—Paragraph (1) shall not apply to any amount paid by the taxpayer within the taxable year if the taxpayer receives any money or other property as compensation or reimbursement for maintaining the individual in the taxpayer's household during the period described in paragraph (1).

''(3) RELATIVE DEFINED.—For purposes of paragraph (1), the term 'relative of the taxpayer' means an individual who, with respect to the taxpayer, bears any of the relationships described in subparagraphs (A) through (G) of section 6(d)(2).

''(4) NO OTHER AMOUNT ALLOWED AS DEDUCTION.—No deduction shall be allowed under subsection (a) for any amount paid by a taxpayer to maintain an individual as a member of the taxpayer's household under a program described in paragraph (1)(A) except as provided in this subsection.

''(e) DENIAL OF DEDUCTION FOR CERTAIN TRAVEL EXPENSES.—No deduction shall be allowed under this section for traveling expenses (including amounts expended for meals and lodging) while away from home, whether paid directly or by reimbursement, unless there is no significant element of personal pleasure, recreation, or vacation in such travel.

''(f) DISALLOWANCE OF DEDUCTIONS IN CERTAIN CASES.—For disallowance of deductions for contributions to or for the use of Communist controlled organizations, see section 11(a) of the Internal Security Act of 1950 (50 U.S.C. 790).

''(g) TREATMENT OF CERTAIN AMOUNTS PAID TO OR FOR THE BENEFIT OF INSTITUTIONS OF HIGHER EDUCATION.—

''(1) IN GENERAL.—For purposes of this section, 80 percent of any amount described in paragraph (2) shall be treated as a charitable contribution.

''(2) AMOUNT DESCRIBED.—For purposes of paragraph (1), an amount is described in this paragraph if—

''(A) the amount is paid by the taxpayer to or for the benefit of an educational organization—

''(i) which is described in subsection (d)(1)(B), and

''(ii) which is an institution of higher education (as defined in section 3304(f)), and

''(B) such amount would be allowable as a deduction under this section but for the fact that the taxpayer receives (directly or indirectly) as a result of paying such amount the right to purchase tickets for seating at an athletic event in an athletic stadium of such institution.

If any portion of a payment is for the purchase of such tickets, such portion and the remaining portion (if any) of such payment shall be treated as separate amounts for purposes of this subsection.

''(h) OTHER CROSS REFERENCES.—

''(1) For treatment of certain organizations providing child care, see section 501(k).

''(2) For charitable contributions of partners, see section 702.

''(3) For treatment of gifts for benefit of or use in connection with the Naval Academy as gifts to or for the use of the United States, see section 6973 of title 10, United States Code.

''(4) For treatment of gifts accepted by the Secretary of State, the Director of the International Communication Agency, or the Director of the United States International Development Cooperation Agency, as gifts to or for the use of the United States, see section 25 of the State Department Basic Authorities Act of 1956.

''(5) For treatment of gifts of money accepted by the Attorney General for credit to the 'Commissary Funds, Federal Prisons' as gifts to or for the use of the United States, see section 4043 of title 18, United States Code.

''(6) For charitable contributions to or for the use of Indian tribal governments (or subdivisions of such governments), see section 7871.

''SEC. 4. DEDUCTION FOR HOME ACQUISITION INDEBTEDNESS.

''(a) GENERAL RULE.—For purposes of this part, there shall be allowed as a deduction all qualified residence interest paid or accrued within the taxable year.

''(b) QUALIFIED RESIDENCE INTEREST DEFINED.—The term 'qualified residence interest' means any interest which is paid or accrued during the taxable year on acquisition indebtedness with respect to any qualified residence of the taxpayer. For purposes of the preceding sentence, the determination of whether any property is a qualified residence of the taxpayer shall be made as of the time the interest is accrued.

''(c) ACQUISITION INDEBTEDNESS.—

''(1) IN GENERAL.—The term 'acquisition indebtedness' means any indebtedness which—

''(A) is incurred in acquiring, constructing, or substantially improving any qualified residence of the taxpayer, and

''(B) is secured by such residence.

Such term also includes any indebtedness secured by such residence resulting from the refinancing of indebtedness meeting the requirements of the preceding sentence (or this sentence); but only to the extent the amount of the indebtedness resulting from such refinancing does not exceed the amount of the refinanced indebtedness.

''(2) $100,000 LIMITATION.—The aggregate amount treated as acquisition indebtedness for any period shall not exceed $100,000 ($50,000 in the case of a married individual filing a separate return).

''(d) TREATMENT OF INDEBTEDNESS INCURRED ON OR BEFORE OCTOBER 13, 1987.—

''(1) IN GENERAL.—In the case of any pre-October 13, 1987, indebtedness—

''(A) such indebtedness shall be treated as acquisition indebtedness, and

''(B) the limitation of subsection (c)(2) shall not apply.

''(2) REDUCTION IN $100,000 LIMITATION.—The limitation of subsection (c)(2) shall be reduced (but not below zero) by the aggregate amount of outstanding pre-October 13, 1987, indebtedness.

''(3) PRE-OCTOBER 13, 1987, INDEBTEDNESS.—The term 'pre-October 13, 1987, indebtedness' means—

''(A) any indebtedness which was incurred on or before October 13, 1987, and which was secured by a qualified residence on October 13, 1987, and at all times thereafter before the interest is paid or accrued, or

''(B) any indebtedness which is secured by the qualified residence and was incurred after October 13, 1987, to refinance indebtedness described in subparagraph (A) (or refinanced indebtedness meeting the requirements of this subparagraph) to the extent (immediately after the refinancing) the principal amount of the indebtedness resulting from the refinancing does not exceed the principal amount of the refinanced indebtedness (immediately before the refinancing).

''(4) LIMITATION ON PERIOD OF REFINANCING.—Subparagraph (B) of paragraph (3) shall not apply to any indebtedness after—

''(A) the expiration of the term of the indebtedness described in paragraph (3)(A), or

''(B) if the principal of the indebtedness described in paragraph (3)(A) is not amortized over its term, the expiration of the term of the first refinancing of such indebtedness (or if earlier, the date which is 30 years after the date of such first refinancing).

''(e) OTHER DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

''(1) QUALIFIED RESIDENCE.—For purposes of this subsection—

''(A) IN GENERAL.—Except as provided in subparagraph (C), the term 'qualified residence' means the principal residence of the taxpayer.

''(B) MARRIED INDIVIDUALS FILING SEPARATE RETURNS.—If a married couple does not file a joint return for the taxable year—

''(i) such couple shall be treated as 1 taxpayer for purposes of subparagraph (A), and

''(ii) each individual shall be entitled to take into account ½ of the principal residence unless both individuals consent in writing to 1 individual taking into account the principal residence.

''(C) PRE-OCTOBER 13, 1987, INDEBTEDNESS.—In the case of any pre-October 13, 1987, indebtedness, the term 'qualified residence' has the meaning given that term in section 163(h)(4), as in effect on the day before the date of enactment of this subparagraph.

''(2) SPECIAL RULE FOR COOPERATIVE HOUSING CORPORATIONS.—Any indebtedness secured by stock held by the taxpayer as a tenant-stockholder in a cooperative housing corporation shall be treated as secured by the house or apartment which the taxpayer is entitled to occupy as such a tenant-stockholder. If stock described in the preceding sentence may not be used to secure indebtedness, indebtedness shall be treated as so secured if the taxpayer establishes to the satisfaction of the Secretary that such indebtedness was incurred to acquire such stock.

''(3) UNENFORCEABLE SECURITY INTERESTS.—Indebtedness shall not fail to be treated as secured by any property solely because, under any applicable State or local homestead or other debtor protection law in effect on August 16, 1986, the security interest is ineffective or the enforceability of the security interest is restricted.

''(4) SPECIAL RULES FOR ESTATES AND TRUSTS.—For purposes of determining whether any interest paid or accrued by an estate or trust is qualified residence interest, any residence held by such estate or trust shall be treated as a qualified residence of such estate or trust if such estate or trust establishes that such residence is a qualified residence of a beneficiary who has a present interest in such estate or trust or an interest in the residuary of such estate or trust.

''SEC. 5. DEFINITIONS AND SPECIAL RULES.

''(a) DEFINITION OF SURVIVING SPOUSE.—

''(1) IN GENERAL.—For purposes of this part, the term 'surviving spouse' means a taxpayer—

''(A) whose spouse died during either of the taxpayer's 2 taxable years immediately preceding the taxable year, and

''(B) who maintains as the taxpayer's home a household which constitutes for the taxable year the principal place of abode (as a member of such household) of a dependent—

''(i) who (within the meaning of section 6, determined without regard to subsections (b)(1), (b)(2), and (d)(1)(B)) is a son, stepson, daughter, or stepdaughter of the taxpayer, and

''(ii) with respect to whom the taxpayer is entitled to a deduction for the taxable year under section 2.

For purposes of this paragraph, an individual shall be considered as maintaining a household only if over one-half of the cost of maintaining the household during the taxable year is furnished by such individual.

''(2) LIMITATIONS.—Notwithstanding paragraph (1), for purposes of this part a taxpayer shall not be considered to be a surviving spouse—

''(A) if the taxpayer has remarried at any time before the close of the taxable year, or

''(B) unless, for the taxpayer's taxable year during which the taxpayer's spouse died, a joint return could have been made under the provisions of section 6013 (without regard to subsection (a)(3) thereof).

''(3) SPECIAL RULE WHERE DECEASED SPOUSE WAS IN MISSING STATUS.—If an individual was in a missing status (within the meaning of section 6013(f)(3)) as a result of service in a combat zone and if such individual remains in such status until the date referred to in subparagraph (A) or (B), then, for purposes of paragraph (1)(A), the date on which such individual dies shall be treated as the earlier of the date determined under subparagraph (A) or the date determined under subparagraph (B):

''(A) The date on which the determination is made under section 556 of title 37 of the United States Code or under section 5566 of title 5 of such Code (whichever is applicable) that such individual died while in such missing status.

''(B) Except in the case of the combat zone designated for purposes of the Vietnam conflict, the date which is 2 years after the date designated as the date of termination of combatant activities in that zone.

''(b) DEFINITION OF HEAD OF HOUSEHOLD.—

''(1) IN GENERAL.—For purposes of this part, an individual shall be considered a head of a household if, and only if, such individual is not married at the close of such individual's taxable year, is not a surviving spouse (as defined in subsection (a)), and either—

''(A) maintains as such individual's home a household which constitutes for more than one-half of such taxable year the principal place of abode, as a member of such household, of—

''(i) a qualifying child of the individual (as defined in section 6(c), determined without regard to section 6(e)), but not if such child—

''(I) is married at the close of the taxpayer's taxable year, and

''(II) is not a dependent of such individual by reason of section 6(b)(2) or 6(b)(3), or both, or

''(ii) any other person who is a dependent of the taxpayer, if the taxpayer is entitled to a deduction for the taxable year for such person under section 2, or

''(B) maintains a household which constitutes for such taxable year the principal place of abode of the father or mother of the taxpayer, if the taxpayer is entitled to a deduction for the taxable year for such father or mother under section 2.

For purposes of this paragraph, an individual shall be considered as maintaining a household only if over one-half of the cost of maintaining the household during the taxable year is furnished by such individual.

''(2) DETERMINATION OF STATUS.—For purposes of this subsection—

''(A) an individual who is legally separated from such individual's spouse under a decree of divorce or of separate maintenance shall not be considered as married,

''(B) a taxpayer shall be considered as not married at the close of such taxpayer's taxable year if at any time during the taxable year such taxpayer's spouse is a nonresident alien, and

''(C) a taxpayer shall be considered as married at the close of such taxpayer's taxable year if such taxpayer's spouse (other than a spouse described in subparagraph (B)) died during the taxable year.

''(3) LIMITATIONS.—Notwithstanding paragraph (1), for purposes of this part, a taxpayer shall not be considered to be a head of a household—

''(A) if at any time during the taxable year the taxpayer is a nonresident alien, or

''(B) by reason of an individual who would not be a dependent for the taxable year but for—

''(i) subparagraph (H) of section 6(d)(2), or

''(ii) paragraph (3) of section 6(d).

''(c) CERTAIN MARRIED INDIVIDUALS LIVING APART.—For purposes of this part, an individual shall be treated as not married at the close of the taxable year if such individual is so treated under the provisions of section 7703(b).

''SEC. 6. DEPENDENT DEFINED.

''(a) IN GENERAL.—For purposes of this subtitle, the term 'dependent' means—

''(1) a qualifying child, or

''(2) a qualifying relative.

''(b) EXCEPTIONS.—For purposes of this section—

''(1) DEPENDENTS INELIGIBLE.—If an individual is a dependent of a taxpayer for any taxable year of such taxpayer beginning in a calendar year, such individual shall be treated as having no dependents for any taxable year of such individual beginning in such calendar year.

''(2) MARRIED DEPENDENTS.—An individual shall not be treated as a dependent of a taxpayer under subsection (a) if such individual has made a joint return with the individual's spouse under section 6013 for the taxable year beginning in the calendar year in which the taxable year of the taxpayer begins.

''(3) CITIZENS OR NATIONALS OF OTHER COUNTRIES.—

''(A) IN GENERAL.—The term 'dependent' does not include an individual who is not a citizen or national of the United States unless such individual is a resident of the United States or a country contiguous to the United States.

''(B) EXCEPTION FOR ADOPTED CHILD.—Subparagraph (A) shall not exclude any child of a taxpayer (within the meaning of subsection (f)(1)(B)) from the definition of 'dependent' if—

''(i) for the taxable year of the taxpayer, the child has the same principal place of abode as the taxpayer and is a member of the taxpayer's household, and

''(ii) the taxpayer is a citizen or national of the United States.

''(c) QUALIFYING CHILD.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualifying child' means, with respect to any taxpayer for any taxable year, an individual—

''(A) who bears a relationship to the taxpayer described in paragraph (2),

''(B) who has the same principal place of abode as the taxpayer for more than one-half of such taxable year,

''(C) who meets the age requirements of paragraph (3), and

''(D) who has not provided over one-half of such individual's own support for the calendar year in which the taxable year of the taxpayer begins.

''(2) RELATIONSHIP.—For purposes of paragraph (1)(A), an individual bears a relationship to the taxpayer described in this paragraph if such individual is—

''(A) a child of the taxpayer or a descendant of such a child, or

''(B) a brother, sister, stepbrother, or stepsister of the taxpayer or a descendant of any such relative.

''(3) AGE REQUIREMENTS.—

''(A) IN GENERAL.—For purposes of paragraph (1)(C), an individual meets the requirements of this paragraph if such individual—

''(i) has not attained the age of 19 as of the close of the calendar year in which the taxable year of the taxpayer begins, or ''(ii) is a student who has not attained the age of 24 as of the close of such calendar year.

''(B) SPECIAL RULE FOR DISABLED.—In the case of an individual who is permanently and totally disabled at any time during such calendar year, the requirements of subparagraph (A) shall be treated as met with respect to such individual.

''(4) SPECIAL RULE RELATING TO 2 OR MORE CLAIMING QUALIFYING CHILD.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), if (but for this paragraph) an individual may be 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 clause (i) does not apply, the taxpayer with the highest adjusted gross income for such taxable year.

''(B) MORE THAN 1 PARENT CLAIMING QUALIFYING CHILD.—If the parents claiming 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.

''(d) QUALIFYING RELATIVE.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualifying relative' means, with respect to any taxpayer for any taxable year, an individual—

''(A) who bears a relationship to the taxpayer described in paragraph (2),

''(B) with respect to whom the taxpayer provides over one-half of the individual's support for the calendar year in which such taxable year begins, and

''(C) who is not a qualifying child of such taxpayer or of any other taxpayer for any taxable year beginning in the calendar year in which such taxable year begins.

''(2) RELATIONSHIP.—For purposes of paragraph (1)(A), an individual bears a relationship to the taxpayer described in this paragraph if the individual is any of the following with respect to the taxpayer:

''(A) A child or a descendant of a child.

''(B) A brother, sister, stepbrother, or stepsister.

''(C) The father or mother, or an ancestor of either.

''(D) A stepfather or stepmother.

''(E) A son or daughter of a brother or sister of the taxpayer.

''(F) A brother or sister of the father or mother of the taxpayer.

''(G) A son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law.

''(H) An individual (other than an individual who at any time during the taxable year was the spouse, determined without regard to section 7703, of the taxpayer) who, for the taxable year of the taxpayer, has the same principal place of abode as the taxpayer and is a member of the taxpayer's household.

''(3) SPECIAL RULE RELATING TO MULTIPLE SUPPORT AGREEMENTS.—For purposes of paragraph (1)(C), over one-half of the support of an individual for a calendar year shall be treated as received from the taxpayer if—

''(A) no one person contributed over one-half of such support,

''(B) over one-half of such support was received from 2 or more persons each of whom, but for the fact that any such person alone did not contribute over one-half of such support, would have been entitled to claim such individual as a dependent for a taxable year beginning in such calendar year,

''(C) the taxpayer contributed over 10 percent of such support, and

''(D) each person described in subparagraph (B) (other than the taxpayer) who contributed over 10 percent of such support files a written declaration (in such manner and form as the Secretary may by regulations prescribe) that such person will not claim such individual as a dependent for any taxable year beginning in such calendar year.

''(4) SPECIAL RULE RELATING TO INCOME OF HANDICAPPED DEPENDENTS.—

''(A) IN GENERAL.—For purposes of paragraph (1)(B), the gross income of an individual who is permanently and totally disabled at any time during the taxable year shall not include income attributable to services performed by the individual at a sheltered workshop if—

''(i) the availability of medical care at such workshop is the principal reason for the individual's presence there, and

''(ii) the income arises solely from activities at such workshop which are incident to such medical care.

''(B) SHELTERED WORKSHOP DEFINED.—For purposes of subparagraph (A), the term 'sheltered workshop' means a school—

''(i) which provides special instruction or training designed to alleviate the disability of the individual, and

''(ii) which is operated by an organization described in section 501(c)(3) and exempt from tax under section 501(a), or by a State, a possession of the United States, any political subdivision of any of the foregoing, the United States, or the District of Columbia.

''(5) SPECIAL RULES FOR SUPPORT.—For purposes of this subsection—

''(A) payments to a spouse which are includible in the gross income of such spouse shall not be treated as a payment by the payor spouse for the support of any dependent, and

''(B) in the case of the remarriage of a parent, support of a child received from the parent's spouse shall be treated as received from the parent.

''(e) SPECIAL RULE FOR DIVORCED PARENTS.—

''(1) IN GENERAL.—Notwithstanding subsection (c)(1)(B), (c)(4), or (d)(1)(C), if—

''(A) a child receives over one-half of the child's support during the calendar year from the child's parents—

''(i) who are divorced or legally separated under a decree of divorce or separate maintenance,

''(ii) who are separated under a written separation agreement, or

''(iii) who live apart at all times during the last 6 months of the calendar year, and

''(B) such child is in the custody of 1 or both of the child's parents for more than one-half of the calendar year, such child shall be treated as being the qualifying child or qualifying relative of the noncustodial parent for a calendar year if the requirements described in paragraph (2) are met.

''(2) REQUIREMENTS.—For purposes of paragraph (1), the requirements described in this paragraph are met if—

''(A) a decree of divorce or separate maintenance or written separation agreement between the parents applicable to the taxable year beginning in such calendar year provides that the noncustodial parent shall be entitled to any deduction allowable under section 2 for such child, and in the case of such a decree or agreement executed before January 1, 1985, the noncustodial parent provides at least $600 for the support of such child during such calendar year, or

''(B) the custodial parent signs a written declaration (in such manner and form as the Secretary may prescribe) that such parent will not claim such child as a dependent for such taxable year.

For purposes of subparagraph (A), amounts expended for the support of a child or children shall be treated as received from the noncustodial parent to the extent that such parent provided amounts for such support.

''(3) CUSTODIAL PARENT AND NONCUSTODIAL PARENT.—For purposes of this subsection—

''(A) CUSTODIAL PARENT.—The term 'custodial parent' means the parent with whom a child shared the same principal place of abode for the greater portion of the calendar year.

''(B) NONCUSTODIAL PARENT.—The term 'noncustodial parent' means the parent who is not the custodial parent.

''(4) EXCEPTION FOR MULTIPLE-SUPPORT AGREEMENTS.—This subsection shall not apply in any case where over one-half of the support of the child is treated as having been received from a taxpayer under the provision of subsection (d)(3).

''(f) OTHER DEFINITIONS AND RULES.—For purposes of this section—

''(1) CHILD DEFINED.—

''(A) IN GENERAL.—The term 'child' means an individual who is—

''(i) a son, daughter, stepson, or stepdaughter of the taxpayer, or

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

''(B) ADOPTED CHILD.—In determining whether any of the relationships specified in subparagraph (A)(i) or paragraph (4) exists, a legally adopted individual of the taxpayer, or an individual who is lawfully placed with the taxpayer for legal adoption by the taxpayer, shall be treated as a child of such individual by blood.

''(C) ELIGIBLE FOSTER CHILD.—For purposes of subparagraph (A)(ii), the term 'eligible foster child' means an individual who is placed with the taxpayer by an authorized placement agency or by judgment, decree, or other order of any court of competent jurisdiction.

''(2) STUDENT DEFINED.—The term 'student' means an individual who during each of 5 calendar months during the calendar year in which the taxable year of the taxpayer begins—

''(A) is a full-time student at an educational organization described in section 3(d)(1)(B), or

''(B) is pursuing a full-time course of institutional on-farm training under the supervision of an accredited agent of an educational organization described in section 3(d)(1)(B) or of a State or political subdivision of a State.

''(3) DETERMINATION OF HOUSEHOLD STATUS.—An individual shall not be treated as a member of the taxpayer's household if at any time during the taxable year of the taxpayer the relationship between such individual and the taxpayer is in violation of local law.

''(4) BROTHER AND SISTER.—The terms 'brother' and 'sister' include a brother or sister by the half blood.

''(5) SPECIAL SUPPORT TEST IN CASE OF STUDENTS.—For purposes of subsections (c)(1)(D) and (d)(1)(C), in the case of an individual who is—

''(A) a child of the taxpayer, and

''(B) a student, amounts received as scholarships for study at an educational organization described in section 3(d)(1)(B) shall not be taken into account.

''(6) TREATMENT OF MISSING CHILDREN.—

''(A) IN GENERAL.—Solely for the purposes referred to in subparagraph (B), a child of the taxpayer—

''(i) who is presumed by law enforcement authorities to have been kidnapped by someone who is not a member of the family of such child or the taxpayer, and ''(ii) who had, for the taxable year in which the kidnapping occurred, the same principal place of abode as the taxpayer for more than one-half of the portion of such year before the date of the kidnapping, shall be treated as meeting the requirement of subsection (c)(1)(B) with respect to a taxpayer for all taxable years ending during the period that the child is kidnapped.

''(B) PURPOSES.—Subparagraph (A) shall apply solely for purposes of determining—

''(i) the deduction under section 2(c), and

''(ii) whether an individual is a surviving spouse or a head of a household (as such terms are defined in section 5).

''(C) COMPARABLE TREATMENT OF CERTAIN QUALIFYING RELATIVES.—For purposes of this section, a child of the taxpayer—

''(i) who is presumed by law enforcement authorities to have been kidnapped by someone who is not a member of the family of such child or the taxpayer, and

''(ii) who was (without regard to this paragraph) a qualifying relative of the taxpayer for the portion of the taxable year before the date of the kidnapping, shall be treated as a qualifying relative of the taxpayer for all taxable years ending during the period that the child is kidnapped.

''(D) TERMINATION OF TREATMENT.—Subparagraphs (A) and (C) shall cease to apply as of the first taxable year of the taxpayer beginning after the calendar year in which there is a determination that the child is dead (or, if earlier, in which the child would have attained age 18).

''PART II—TAX ON BUSINESS ACTIVITIES

''Sec. 11. Tax imposed on business activities.

''SEC. 11. TAX IMPOSED ON BUSINESS ACTIVITIES.

''(a) TAX IMPOSED.—There is hereby imposed on every person engaged in a business activity located in the United States a tax equal to 20 percent of the business taxable income of such person.

''(b) LIABILITY FOR TAX.—The tax imposed by this section shall be paid by the person engaged in the business activity, whether such person is an individual, partnership, corporation, or otherwise.

''(c) BUSINESS TAXABLE INCOME.—

''(1) IN GENERAL.—For purposes of this section, the term 'business taxable income' means gross active income reduced by the deductions specified in subsection (d).

''(2) GROSS ACTIVE INCOME.—For purposes of paragraph (1), the term 'gross active income' means gross income other than investment income.

''(d) DEDUCTIONS.—

''(1) IN GENERAL.—The deductions specified in this subsection are—

''(A) the cost of business inputs for the business activity,

''(B) the compensation (including contributions to qualified retirement plans but not including other fringe benefits) paid for employees performing services in such activity, and

''(C) the cost of personal and real property used in such activity.

''(2) BUSINESS INPUTS.—

''(A) IN GENERAL.—For purposes of paragraph (1)(A), the term 'cost of business inputs' means—

''(i) the actual cost of goods, services, and materials, whether or not resold during the taxable year, and

''(ii) the actual cost, if reasonable, of travel and entertainment expenses for business purposes.

''(B) PURCHASES OF GOODS AND SERVICES EXCLUDED.—Such term shall not include purchases of goods and services provided to employees or owners.

''(C) CERTAIN LOBBYING AND POLITICAL EXPENDITURES EXCLUDED.—

''(i) IN GENERAL.—Such term shall not include any amount paid or incurred in connection with—

''(I) influencing legislation,

''(II) participation in, or intervention in, any political campaign on behalf of (or in opposition to) any candidate for public office,

''(III) any attempt to influence the general public, or segments thereof, with respect to elections, legislative matters, or referendums, or

''(IV) any direct communication with a covered executive branch official in an attempt to influence the official actions or positions of such official.

''(ii) EXCEPTION FOR LOCAL LEGISLATION.—In the case of any legislation of any local council or similar governing body—

''(I) clause (i)(I) shall not apply, and

''(II) such term shall include all ordinary and necessary expenses (including, but not limited to, traveling expenses described in subparagraph (A)(iii) and the cost of preparing testimony) paid or incurred during the taxable year in carrying on any trade or business—

''(aa) in direct connection with appearances before, submission of statements to, or sending communications to the committees, or individual members, of such council or body with respect to legislation or proposed legislation of direct interest to the taxpayer, or

''(bb) in direct connection with communication of information between the taxpayer and an organization of which the taxpayer is a member with respect to any such legislation or proposed legislation which is of direct interest to the taxpayer and to such organization, and that portion of the dues so paid or incurred with respect to any organization of which the taxpayer is a member which is attributable to the expenses of the activities carried on by such organization.

''(iii) APPLICATION TO DUES OF TAX-EXEMPT ORGANIZATIONS.—Such term shall include the portion of dues or other similar amounts paid by the taxpayer to an organization which is exempt from tax under this subtitle which the organization notifies the taxpayer under section 6033(e)(1)(A)(ii) is allocable to expenditures to which clause (i) applies.

''(iv) INFLUENCING LEGISLATION.—For purposes of this subparagraph—

''(I) IN GENERAL.—The term 'influencing legislation' means any attempt to influence any legislation through communication with any member or employee of a legislative body, or with any government official or employee who may participate in the formulation of legislation.

''(II) LEGISLATION.—The term 'legislation' has the meaning given that term in section 4911(e)(2).

''(v) OTHER SPECIAL RULES.—

''(I) EXCEPTION FOR CERTAIN TAXPAYERS.—In the case of any taxpayer engaged in the trade or business of conducting activities described in clause (i), clause (i) shall not apply to expenditures of the taxpayer in conducting such activities directly on behalf of another person (but shall apply to payments by such other person to the taxpayer for conducting such activities).

''(II) DE MINIMIS EXCEPTION.—

''(aa) IN GENERAL.—Clause (i) shall not apply to any in-house expenditures for any taxable year if such expenditures do not exceed $2,000. In determining whether a taxpayer exceeds the $2,000 limit, there shall not be taken into account overhead costs otherwise allocable to activities described in subclauses (I) and (IV) of clause (i).

''(bb) IN-HOUSE EXPENDITURES.—For purposes of provision (aa), the term 'in-house expenditures' means expenditures described in subclauses (I) and (IV) of clause (i) other than payments by the taxpayer to a person engaged in the trade or business of conducting activities described in clause (i) for the conduct of such activities on behalf of the taxpayer, or dues or other similar amounts paid or incurred by the taxpayer which are allocable to activities described in clause (i).

''(III) EXPENSES INCURRED IN CONNECTION WITH LOBBYING AND POLITICAL ACTIVITIES.—Any amount paid or incurred for research for, or preparation, planning, or coordination of, any activity described in clause (i) shall be treated as paid or incurred in connection with such activity.

''(vi) COVERED EXECUTIVE BRANCH OFFICIAL.—For purposes of this subparagraph, the term 'covered executive branch official' means—

''(I) the President,

''(II) the Vice President,

''(III) any officer or employee of the White House Office of the Executive Office of the President, and the 2 most senior level officers of each of the other agencies in such Executive Office, and

''(IV) any individual serving in a position in level I of the Executive Schedule under section 5312 of title 5, United States Code, any other individual designated by the President as having Cabinet level status, and any immediate deputy of such an individual.

''(vii) SPECIAL RULE FOR INDIAN TRIBAL GOVERNMENTS.—For purposes of this subparagraph, an Indian tribal government shall be treated in the same manner as a local council or similar governing body.

''(viii) CROSS REFERENCE.—

''For reporting requirements and alternative taxes related to this subsection, see section 6033(e).

''(e) CARRYOVER OF EXCESS DEDUCTIONS.—

''(1) IN GENERAL.—If the aggregate deductions for any taxable year exceed the gross active income for such taxable year, the amount of the deductions specified in subsection (d) for the succeeding taxable year (determined without regard to this subsection) shall be increased by the sum of—

''(A) such excess, plus

''(B) the product of such excess and the 3-month Treasury rate for the last month of such taxable year.

''(2) 3-MONTH TREASURY RATE.—For purposes of paragraph (1), the 3-month Treasury rate is the rate determined by the Secretary based on the average market yield (during any 1-month period selected by the Secretary and ending in the calendar month in which the determination is made) on outstanding marketable obligations of the United States with remaining periods to maturity of 3 months or less.''

(b) CONFORMING REPEALS AND REDESIGNATIONS.—

(1) REPEALS.—The following subchapters of chapter 1 of subtitle A and the items relating to such subchapters in the table of subchapters for such chapter 1 are repealed:

(A) Subchapter B (relating to computation of taxable income).

(B) Subchapter C (relating to corporate distributions and adjustments).

(C) Subchapter D (relating to deferred compensation, etc.).

(D) Subchapter G (relating to corporations used to avoid income tax on shareholders).

(E) Subchapter H (relating to banking institutions).

(F) Subchapter I (relating to natural resources).

(G) Subchapter J (relating to estates, trusts, beneficiaries, and decedents).

(H) Subchapter L (relating to insurance companies).

(I) Subchapter M (relating to regulated investment companies and real estate investment trusts).

(J) Subchapter N (relating to tax based on income from sources within or without the United States).

(K) Subchapter O (relating to gain or loss on disposition of property).

(L) Subchapter P (relating to capital gains and losses).

(M) Subchapter Q (relating to readjustment of tax between years and special limitations).

(N) Subchapter S (relating to tax treatment of S corporations and their shareholders).

(O) Subchapter T (relating to cooperatives and their patrons).

(P) Subchapter U (relating to designation and treatment of empowerment zones, enterprise communities, and rural development investment areas).

(Q) Subchapter V (relating to title 11 cases).

(R) Subchapter W (relating to District of Columbia Enterprise Zone).

(2) REDESIGNATIONS.—The following subchapters of chapter 1 of subtitle A and the items relating to such subchapters in the table of subchapters for such chapter 1 are redesignated:

(A) Subchapter E (relating to accounting periods and methods of accounting) as subchapter B.

(B) Subchapter F (relating to exempt organizations) as subchapter C.

(C) Subchapter K (relating to partners and partnerships) as subchapter D.

SEC. 3. REPEAL OF ESTATE AND GIFT TAXES.

Subtitle B (relating to estate, gift, and generation-skipping taxes) and the item relating to such subtitle in the table of subtitles is repealed.

SEC. 4. ADDITIONAL REPEALS.

Subtitles H (relating to financing of presidential election campaigns) and J (relating to coal industry health benefits) and the items relating to such subtitles in the table of subtitles are repealed.

SEC. 5. EFFECTIVE DATES.

(a) IN GENERAL.—Except as provided in subsection (b), the amendments made by this Act apply to taxable years beginning after December 31, 2005.

(b) REPEAL OF ESTATE AND GIFT TAXES.—The repeal made by section 3 applies to estates of decedents dying, and transfers made, after December 31, 2005.

(c) TECHNICAL AND CONFORMING CHANGES.—The Secretary of the Treasury or the Secretary's delegate shall, as soon as practicable but in any event not later than 90 days after the date of enactment of this Act, submit to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate a draft of any technical and conforming changes in the Internal Revenue Code of 1986 which are necessary to reflect throughout such Code the changes in the substantive provisions of law made by this Act.

By Mr. SPECTER:

S. 813. A bill to amend part D of title XVIII of the Social Security Act to authorize the Secretary of Health and Human Services to negotiate for lower prices for medicare prescription drugs; to the Committee on Finance.

Mr. SPECTER. Mr. President, I have sought recognition today to introduce the Prescription Drug and Health Improvement Act of 2005 to reduce the high prices of prescription drugs for Medicare beneficiaries. I introduced a similar version of this bill in the 108th Congress, S. 2766. To increase the likelihood that this bill may become law this bill does not include a costly provision which would have closed the gap in prescription drug costs for Medicare beneficiaries.

Americans, specifically senior citizens, pay the highest prices in the world for brand-name prescription drugs. With 45 million uninsured Americans and many more senior citizens without an adequate prescription drug benefit, filling a doctor's prescription is unaffordable for many people in this country. The United States has the greatest health care system in the world; however, too many seniors are forced to make difficult choices between life-sustaining prescription drugs and daily necessities.

The Centers for Medicare and Medicaid Services estimate that in 2004 per capita spending on prescription drugs rose approximately 12 percent, with a similar rate of growth expected for this year. Much of the increase in drug spending is due to higher utilization and the shift from older, lower cost drugs to newer, higher cost drugs. However, rapidly increasing drug prices are a critical component.

High drug prices, combined with the surging older population, are also taking a toll on State budgets and private sector health insurance benefits. Medicaid spending on prescription drugs increased at an average annual rate of nearly 19 percent between 1998 and 2002. Until lower priced drugs are available, pressures will continue to squeeze public programs at both the State and Federal level.

To address these problems, my legislation would reduce the high prices of prescription drugs to seniors by repealing the prohibition against interference by the Secretary of HHS with negotiations between drug manufacturers, pharmacies, and prescription drug plan sponsors and instead authorize the Secretary to negotiate contracts with manufacturers of covered prescription drugs. It will allow the Secretary of HHS to use Medicare's large beneficiary population to leverage bargaining power to obtain lower prescription drug prices for Medicare beneficiaries.

Price negotiations between the Secretary of HHS and prescription drug manufacturers would be analogous to the ability of the Secretary of Veterans Affairs to negotiate prescription drug prices with manufacturers. This bargaining power enables veterans to receive prescription drugs at a significant cost savings. According to the National Association of Chain Drug Stores, the average ''cash cost'' of a prescription in 2001 was $40.22. The average cost in the Veterans Affairs (VA) health care system in fiscal year 2001 was $22.87.

In the 108th Congress, in my capacity as chairman of the Veterans' Affairs Committee, I introduced the Veterans Prescription Drugs Assistance Act, S. 1153, which was reported out of committee, but was not considered before the full Senate. In the 109th Congress, I have again introduced the Veterans Prescription Drugs Assistance Act, S. 614.

This legislation will broaden the ability of veterans to access the Veterans Affairs' Prescription Drug Program. Under my bill, all Medicare-eligible veterans will be able to purchase medications at a tremendous price reduction through the Veterans Affairs' Prescription Drug Program. In many cases, this will save veterans who are Medicare beneficiaries up to 50 percent on the cost of prescribed medications, a significant savings for veterans. Similar savings may be available to America's seniors from the savings achieved using the HHS bargaining power, like the Veterans Affairs bargaining power for the benefit of veterans. These savings may provide America's seniors with fiscal relief from the increasing costs of prescription drugs.

I believe this bill can provide desperately needed access to inexpensive, effective prescription drugs for America's seniors. The time has come for concerted action in this arena. I urge my colleagues to move this legislation forward promptly.

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. 813

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. NEGOTIATING FAIR PRICES FOR MEDICARE PRESCRIPTION DRUGS.

(a) IN GENERAL.—Section 1860D–11 of the Social Security Act (42 U.S.C. 1395w–111) is amended by striking subsection (i) (relating to noninterference) and by inserting the following:

''(i) AUTHORITY TO NEGOTIATE PRICES WITH MANUFACTURERS.—In order to ensure that beneficiaries enrolled under prescription drug plans and MA–PD plans pay the lowest possible price, the Secretary shall have authority similar to that of other Federal entities that purchase prescription drugs in bulk to negotiate contracts with manufacturers of covered part D drugs, consistent with the requirements and in furtherance of the goals of providing quality care and containing costs under this part.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect as if included in the enactment of section 101 of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (Public Law 108–173; 117 Stat. 2066).

(c) HHS REPORTS COMPARING NEGOTIATED PRESCRIPTION DRUG PRICES AND RETAIL PRESCRIPTION DRUG PRICES.—Beginning in 2007, the Secretary of Health and Human Services shall regularly, but in no case less often than quarterly, submit to Congress a report that compares the prices for covered part D drugs (as defined in section 1860D–2(e) of the Social Security Act (42 U.S.C. 1395w–102(e)) negotiated by the Secretary pursuant to section 1860D–11(i) of such Act (42 U.S.C. 1395w–111(i)), as amended by subsection (a), with the average price a retail pharmacy would charge an individual who does not have health insurance coverage for purchasing the same strength, quantity, and dosage form of such covered part D drug.

By Mr. THOMAS (for himself, Ms. SNOWE, Mr. ENZI, Mr. BINGAMAN, Mr. ALEXANDER, Mr. TALENT, Mr. ENSIGN, and Mr. SMITH):

S. 815. A bill to amend the Internal Revenue Code of 1986 to allow a 15-year applicable recovery period for depreciation of certain electric transmission property; to the Commission on Finance.

Mr. THOMAS. Mr. President, today I rise to introduce a bill to encourage the construction of electric transmission lines. One of the biggest energy problems our country faces is a lack of electric transmission capacity. Recently, my home State of Wyoming joined forces with Utah, Nevada, and California in a partnership to create a new transmission line—the Frontier Line—to send coal-generated electricity to the West Coast.

Demand for electricity in the West has grown by 60 percent in the last two decades, while transmission capacity has grown by only 20 percent. But ours is certainly not the only region affected. Energy production and distribution is a serious issue affecting all Americans. From our dependence on foreign oil and natural gas, to limited refining capacity and distribution ability, never mind development of non-traditional fuels, we need to get our energy house in order. I have long-favored a comprehensive energy policy and will continue to champion that cause because it is badly needed and the right thing to do.

One piece of any energy policy needs to be providing for electric transmission capacity. If we're producing a surplus in one area of the country but can't convey it to other areas that need it, it doesn't do anyone any good. The bill I introduce today will help alleviate the problem by making it less expensive to invest in electric transmission lines that we badly need.

I ask unanimous consent that the text of this bill be printed in the RECORD.

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

S. 815

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. ELECTRIC TRANSMISSION PROPERTY TREATED AS 15-YEAR PROPERTY.

(a) IN GENERAL.—Subparagraph (E) of section 168(e)(3) of the Internal Revenue Code of 1986 (relating to classification of certain property) is amended by striking ''and'' at the end of clause (v), by striking the period at the end of clause (vi) and by inserting '', and'', and by adding at the end the following new clause:

''(vii) any section 1245 property (as defined in section 1245(a)(3)) used in the transmission at 69 or more kilovolts of electricity for sale the original use of which commences with the taxpayer after the date of the enactment of this clause.''.

(b) ALTERNATIVE SYSTEM.—The table contained in section 168(g)(3)(B) of the Internal Revenue Code of 1986 is amended by inserting after the item relating to subparagraph (E)(vi) the following:

''(E)(vii) .... 30.''.

(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, in taxable years ending after such date.

By Mr. REID (for Mrs. CLINTON):

S. 816. A bill to establish the position of Northern Border Coordinator in the Department of Homeland Security; to the Committee on Homeland Security and Governmental Affairs.

Mr. REID (for Mrs. CLINTON). 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. 816

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. NORTHERN BORDER COORDINATOR.

(a) IN GENERAL.—Title IV of the Homeland Security Act of 2002 (6 U.S.C. 201 et seq.) is amended—

(1) in section 402—

(A) by redesignating paragraph (8) as paragraph (9); and

(B) by inserting after paragraph (7) the following:

''(8) Increasing the security of the border between the United States and Canada and the ports of entry located along that border, and improving the coordination among the agencies responsible for maintaining that security.''; and

(2) in subtitle C, by adding at the end the following:

''SEC. 431. NORTHERN BORDER COORDINATOR.

''(a) IN GENERAL.—There shall be within the Directorate of Border and Transportation Security the position of Northern Border Coordinator, who shall be appointed by the Secretary and who shall report directly to the Under Secretary for Border and Transportation Security.

''(b) RESPONSIBILITIES.—The Northern Border Coordinator shall be responsible for—

''(1) increasing the security of the border, including ports of entry, between the United States and Canada;

''(2) improving the coordination among the agencies responsible for the security described under paragraph (1);

''(3) serving as the primary liaison with State and local governments and law enforcement agencies regarding security along the border between the United States and Canada; and

''(4) serving as a liaison with the Canadian government on border security.''.

(b) CLERICAL AMENDMENT.—The table of contents in section 1(b) of the Homeland Security Act of 2002 (6 U.S.C. 101 et seq.) is amended by inserting after the item relating to section 430 the following:

''Sec. 431. Northern Border Coordinator.''.

By Ms. STABENOW (for herself, Mr. GRAHAM, and Mr. BAYH):

S. 817. A bill to amend the Trade Act of 1974 to create a Special Trade Prosecutor to ensure compliance with trade agreements, and for other purposes; to the Committee on Finance.

Ms. STABENOW. Mr. President, I rise to introduce a bill on behalf of myself and Senators GRAHAM and BAYH.

This bill would create an ambassador-level position within the office of the U.S. Trade Representative entitled: Special Trade Prosecutor. This individual would be appointed by the President and confirmed by the Senate, with the authority to ensure compliance with trade agreements to protect our manufacturers against unfair trade practices.

In practical terms, this prosecutor will have the authority to investigate and recommend prosecuting cases before the World Trade Organization and under trade agreements to which the United States is a party.

Why this bill? At this time?

We have an Executive Branch that is organized in such a way as to make prosecution of unfair trade cases unlikely at best. When you couple this with the fact that our government has sat idle as our domestic manufacturing base has eroded due to unfair trade practices, it becomes very clear that we have put our manufacturers in an impossible situation.

Under the current structure of the office of the U.S. Trade Representative, we are asking our Trade Representative to do too much. Quite simply, the office is not able to deliver.

The current structure demands that they negotiate trade agreements with foreign nations and simultaneously enforce other agreements with those same countries—all without damaging the U.S.'s ability to negotiate the next trade deal.

It's not working. And, while significant portions of our trade imbalances are not caused by lax enforcement, much of it is.

In February, the Department of Commerce reported that the merchandise trade deficit reached a record level of $666.2 billion in the 2004, a 21.7 percent increase since 2003.

If we can address any portion of this deficit we must do it. This bill represents a straight-forward, common-sense solution.

There are many U.S. industries facing unfair trade practices and this bill represents an institutional change that will allow the U.S. to thoroughly and vigorously investigate and prosecute these cases.

For instance, China is a textbook case of how a foreign government has used a network of illegal subsidies and government interventions in order to destroy foreign competition, both in the United States as well as in many other countries.

According to the U.S. China Economic and Security Commission, these actions have gone virtually unchallenged by the U.S. government, despite the fact that China's actions are in clear violations of both U.S. trade law and WTO rules.

These ''anti-competitive actions by China's government include currency manipulation (estimated to provide as much as a 40 percent subsidy for Chinese exporters), illegal direct government subsidies of its money losing state-owned textile and apparel sectors, illegal export tax rebates (13 percent) and the deliberate extension of billions of dollars in non-performing (''free money'') loans by China's central banks in order to award a competitive advantage against foreign competition.''

The Commission goes on to say that ''in the case of China, the dramatic increase in subsidies has caused Chinese prices to drop by an average of 58 percent over the past two years in those product areas where quotas have been removed. As a result, China has gained a near monopoly share in these products over the last 24 months, taking 60 percent of the market.''

However, the U.S. government has failed to file any complaints at the WTO, despite the Chinese government's repeated and widespread violations of WTO rules.

Our government's inaction is costing us millions of American jobs, crippling our manufacturing sector, distorting trade and investment patterns globally, and leaving hundreds of millions of Chinese workers vulnerable and mistreated.

Let me give you a concrete example of the violations that are occurring.

Counterfeit automotive products are a big problem in my home State of Michigan. Not only does it kill American jobs, but it has the potential to kill Americans as cheap shoddy automotive products replace legitimate ones of higher-quality.

The American automotive parts and components industry looses an estimated $12 billion in sales on a global basis to counterfeiting.

And, we don't even keep statistics on the potential loss of life.

As many have said, we should understand that, if left unchecked, penetration by counterfeit automotive products, as well as other manufactured goods, has the potential to undermine the public's confidence and trust in what they are buying. We can't let that happen.

In Michigan, we lost 51,000 manufacturing jobs between 1989 and 2003 due to China's unfair trade practices, according to the Economic Policy Institute.

Unfortunately, the plant closings continue in Michigan and around the Nation. Over the past three months we see example after example of the damage a ''wait and see'' attitude has on workers in this country.

We should not be shirking our responsibilities to enforce trade rules. This Bill helps us reverse the course upon which we find ourselves—it helps us save American jobs.

I believe in trade and the benefits it can have for our manufacturers, farmers, and other industries. But, we need to have fair trade first and foremost.

A Special Trade Prosecutor would have the power to stand up for our manufacturers and farmers and make sure that other countries are holding up their end of their trade agreements.

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. 817

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. CREATION OF SPECIAL TRADE PROSECUTOR.

(a) ESTABLISHMENT OF POSITION.—Section 141(b)(2) of the Trade Act of 1974 (19 U.S.C. 2171(b)(2)) is amended to read as follows:

''(2) There shall be in the Office 3 Deputy United States Trade Representatives, 1 Chief Agricultural Negotiator, and 1 Special Trade Prosecutor. The 3 Deputy United States Trade Representatives, the Chief Agricultural Negotiator, and the Special Trade Prosecutor shall be appointed by the President, by and with the advice and consent of the Senate. As an exercise of the rulemaking power of the Senate, any nomination of a Deputy United States Trade Representative, the Chief Agricultural Negotiator, or the Special Trade Prosecutor submitted to the Senate for its advice and consent, and referred to a committee, shall be referred to the Committee on Finance. Each Deputy United States Trade Representative, the Chief Agricultural Negotiator, and the Special Trade Prosecutor shall hold office at the pleasure of the President and shall have the rank of Ambassador.''.

(b) FUNCTIONS OF POSITION.—Section 141(c) of the Trade Act of 1974 (19 U.S.C. 2171(c)) is amended by adding at the end the following new paragraph:

''(6) The principal function of the Special Trade Prosecutor shall be to ensure compliance with trade agreements relating to United States manufactured goods and services. The Special Trade Prosecutor shall have the authority to investigate and recommend prosecuting cases before the World Trade Organization and under trade agreements to which the United States is a party. The Special Trade Prosecutor shall recommend administering United States trade laws relating to foreign government barriers to United States goods and services. The Special Trade Prosecutor shall perform such other functions as the United States Trade Representative may direct.''.

By Mr. JOHNSON:

S. 819. A bill to authorize the Secretary of the Interior to reallocate costs of the Pactola Dam and Reservoir, South Dakota, to reflect increased demands for municipal, industrial, and fish and wildlife purposes; to the Committee on Energy and Natural Resources.

Mr. JOHNSON. Mr. President, I rise today to introduce legislation that codifies an agreement between the City of Rapid City, SD and the Rapid Valley Water Conservancy District for a water service contract. The renegotiated agreement reallocates the costs of the Pactola Dam to better reflect the City's growing need for municipal water supply and the Rapid Valley District's decreasing demand for irrigation.

The legislation implements an agreement to improve upon the current municipal, industrial, irrigation, recreation, and wildlife requirements of Rapid City and the Rapid Valley District. It is my hope that this legislation can be quickly approved to facilitate the completion of this contract.

I ask unanimous consent that the text of the Pactola Reservoir Reallocation Authorization Act be printed in the RECORD.

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

S. 819

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 ''Pactola Reservoir Reallocation Authorization Act of 2005''.

SEC. 2. FINDINGS.

Congress finds that—

(1) it is appropriate to reallocate the costs of the Pactola Dam and Reservoir, South Dakota, to reflect increased demands for municipal, industrial, and fish and wildlife purposes; and

(2) section 302 of the Department of Energy Organization Act (42 U.S.C. 7152) prohibits such a reallocation of costs without congressional approval.

SEC. 3. REALLOCATION OF COSTS OF PACTOLA DAM AND RESERVOIR, SOUTH DAKOTA.

The Secretary of the Interior may, as provided in the contract of August 2001 entered into between Rapid City, South Dakota, and the Rapid Valley Conservancy District, reallocate, in a manner consistent with Federal reclamation law (the Act of June 17, 1902 (32 Stat. 388, chapter 1093), and Acts supplemental to and amendatory of that Act (43 U.S.C. 371 et seq.)), the construction costs of Pactola Dam and Reservoir, Rapid Valley Unit, Pick-Sloan Missouri Basin Program, South Dakota, from irrigation purposes to municipal, industrial, and fish and wildlife purposes.

By Mr. FEINGOLD (for himself and Ms. COLLINS):

S. 820. A bill to promote the development of health care cooperatives that will help businesses to pool the health care purchasing power of employers, and for other purposes; to the Committee on Health, Education, Labor, and Pensions.

Mr. FEINGOLD. Mr. President, today, along with my colleague from Maine, Senator COLLINS, I am introducing legislation to help businesses form group-purchasing cooperatives to obtain enhanced benefits, to reduce health care rates, and to improve quality for their employees' health care.

High health care costs are burdening businesses and employees across the Nation. These costs are digging into profits and preventing access to affordable health care. Too many patients feel trapped by the system, with decisions about their health dictated by costs rather than by what they need.

Nationally, the annual average cost to an employer for an employee's health care is $6,348. In my home State of Wisconsin it is even higher—the average cost there is $7,618. We must curb these rapidly increasing health care costs. I strongly support initiatives to ensure that everyone has access to health care. It is crucial that we support successful local initiatives to reduce health care premiums and to improve the quality of employees' health care.

By using group purchasing to obtain rate discounts, some employers have been able to reduce the cost of health care premiums for their employees. According to the National Business Coalition on Health, there are nearly 80 employer-led coalitions across the United States that collectively purchase health care. Through these pools, businesses are able to proactively challenge high costs and inefficient delivery of health care and share information on quality. These coalitions represent over 10,000 employers nationwide.

Improving the quality of health care will also lower the cost of care. By investing in the delivery of quality health care, we will be able to lower long term health care costs. Effective care, such as quality preventive services, can reduce overall health care expenditures. Health purchasing coalitions help promote these services and act as an employer forum for networking and education on health care cost containment strategies. They can help foster a dialogue with health care providers, insurers, and local HMOs.

Health care markets are local. Problems with cost, quality, and access to health care are felt most intensely in the local markets. Health care coalitions can function best when they are formed and implemented locally. Local employers of large and small businesses have formed health care coalitions to track health care trends, create a demand for quality and safety, and encourage group purchasing.

In Wisconsin, there have been various successful initiatives that have formed health care purchasing cooperatives to improve quality of care and to reduce cost. For example, the Employer Health Care Alliance Cooperative, an employer-owned and employer-directed not-for-profit cooperative, has developed a network of health care providers in Dane County and 12 surrounding counties on behalf of its 160 member employers. Through this pooling effort, employers are able to obtain affordable, high-quality health care for their 87,500 employees and dependents.

This legislation seeks to build on successful local initiatives, such as the Alliance, that help businesses to join together to increase access to affordable and high-quality health care.

The Promoting Health Care Purchasing Cooperatives Act would authorize grants to a group of businesses so that they could form group-purchasing cooperatives to obtain enhanced benefits, reduce health care rates, and improve quality.

This legislation offers two separate grant programs to help different types of businesses pool their resources and bargaining power. Both programs would aid businesses to form cooperatives. The first program would help large businesses that sponsor their own health plans, while the second program would help small businesses that purchase their health insurance.

My bill would enable larger businesses to form cost-effective cooperatives that could offer quality health care through several ways. First, they could obtain health services through pooled purchasing from physicians, hospitals, home health agencies, and others. By pooling their experience and interests, employers involved in a coalition could better address essential issues, such as rising health insurance rates and the lack of comparable health care quality data. They would be able to share information regarding the quality of these services and to partner with these health care providers to meet the needs of their employees.

For smaller businesses that purchase their health insurance, the formation of cooperatives would allow them to buy health insurance at lower prices through pooled purchasing. Also, the communication within these cooperatives would provide employees of small businesses with better information about the health care options that are available to them. Finally, coalitions would serve to promote quality improvements by facilitating partnerships between their group and the health care providers.

By working together, the group could develop better quality insurance plans and negotiate better rates.

This legislation also tries to alleviate the burden that our Nation's farmers face when trying to purchase health care for themselves, their families, and their employees. Because the health insurance industry looks upon farming as a high-risk profession, many farmers are priced out of, or simply not offered, health insurance. By helping farmers join cooperatives to purchase health insurance, we will help increase their health insurance options.

Past health purchasing pool initiatives have focused only on cost and have tried to be all things for all people. My legislation creates an incentive to join the pools by giving grants to a group of similar businesses to form group-purchasing cooperatives. The pools are also given flexibility to find innovative ways to lower costs, such as enhancing benefits, for example, more preventive care, and improving quality. Finally, the cooperative structure is a proven model, which creates an incentive for businesses to remain in the pool because they will be invested in the organization.

I am pleased that this bill is supported by the National Business Coalition on Health, an organization that already understands that allowing businesses to come together to increase their health care purchasing power can lead to an increase in health care quality, and a decrease in health care costs.

We must reform health care in America and give employers and employees more options. This legislation, by providing for the formation of cost-effective coalitions that will also improve the quality of care, contributes to this essential reform process. I urge my colleagues to join me in cosponsoring this proposal to improve the quality and costs of health care.

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. 820

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 ''Promoting Health Care Purchasing Cooperatives Act''.

SEC. 2. FINDINGS AND PURPOSE.

(a) FINDINGS.—Congress makes the following findings:

(1) Health care spending in the United States has reached 15 percent of the Gross Domestic Product of the United States, yet 45,000,000 people, or 15.6 percent of the population, remains uninsured.

(2) After nearly a decade of manageable increases in commercial insurance premiums, many employers are now faced with consecutive years of double digit premium increases.

(3) Purchasing cooperatives owned by participating businesses are a proven method of achieving the bargaining power necessary to manage the cost and quality of employer-sponsored health plans and other employee benefits.

(4) The Employer Health Care Alliance Cooperative has provided its members with health care purchasing power through provider contracting, data collection, activities to enhance quality improvements in the health care community, and activities to promote employee health care consumerism.

(5) According to the National Business Coalition on Health, there are nearly 80 employer-led coalitions across the United States that collectively purchase health care, proactively challenge high costs and the inefficient delivery of health care, and share information on quality. These coalitions represent more than 10,000 employers.

(b) PURPOSE.—It is the purpose of this Act to build off of successful local employer-led health insurance initiatives by improving the value of their employees' health care.

SEC. 3. GRANTS TO SELF INSURED BUSINESSES TO FORM HEALTH CARE COOPERATIVES.

(a) AUTHORIZATION.—The Secretary of Health and Human Services (in this Act referred to as the ''Secretary''), acting through the Director of the Agency for Healthcare Research and Quality, is authorized to award grants to eligible groups that meet the criteria described in subsection (d), for the development of health care purchasing cooperatives. Such grants may be used to provide support for the professional staff of such cooperatives, and to obtain contracted services for planning, development, and implementation activities for establishing such health care purchasing cooperatives.

(b) ELIGIBLE GROUP DEFINED.—

(1) IN GENERAL.—In this section, the term ''eligible group'' means a consortium of 2 or more self-insured employers, including agricultural producers, each of which are responsible for their own health insurance risk pool with respect to their employees.

(2) NO TRANSFER OF RISK.—Individual employers who are members of an eligible group may not transfer insurance risk to such group.

(c) APPLICATION.—An eligible group desiring a grant under this section shall submit to the Secretary an application at such time, in such manner, and accompanied by such information as the Secretary may require.

(d) CRITERIA.—

(1) FEASIBILITY STUDY GRANTS.—

(A) IN GENERAL.—An eligible group may submit an application under subsection (c) for a grant to conduct a feasibility study concerning the establishment of a health insurance purchasing cooperative. The Secretary shall approve applications submitted under the preceding sentence if the study will consider the criteria described in paragraph (2).

(B) REPORT.—After completion of a feasibility study under a grant under this section, an eligible group shall submit to the Secretary a report describing the results of such study.

(2) GRANT CRITERIA.—The criteria described in this paragraph include the following with respect to the eligible group:

(A) The ability of the group to effectively pool the health care purchasing power of employers.

(B) The ability of the group to provide data to employers to enable such employers to make data-based decisions regarding their health plans.

(C) The ability of the group to drive quality improvement in the health care community.

(D) The ability of the group to promote health care consumerism through employee education, self-care, and comparative provider performance information.

(E) The ability of the group to meet any other criteria determined appropriate by the Secretary.

(e) COOPERATIVE GRANTS.—After the submission of a report by an eligible group under subsection (d)(1)(B), the Secretary shall determine whether to award the group a grant for the establishment of a cooperative under subsection (a). In making a determination under the preceding sentence, the Secretary shall consider the criteria described in subsection (d)(2) with respect to the group.

(f) COOPERATIVES.—

(1) IN GENERAL.—An eligible group awarded a grant under subsection (a) shall establish or expand a health insurance purchasing cooperative that shall—

(A) be a nonprofit organization;

(B) be wholly owned, and democratically governed by its member-employers;

(C) exist solely to serve the membership base;

(D) be governed by a board of directors that is democratically elected by the cooperative membership using a 1-member, 1-vote standard; and

(E) accept any new member in accordance with specific criteria, including a limitation on the number of members, determined by the Secretary.

(2) AUTHORIZED COOPERATIVE ACTIVITIES.—A cooperative established under paragraph (1) shall—

(A) assist the members of the cooperative in pooling their health care insurance purchasing power;

(B) provide data to improve the ability of the members of the cooperative to make data-based decisions regarding their health plans;

(C) conduct activities to enhance quality improvement in the health care community;

(D) work to promote health care consumerism through employee education, self-care, and comparative provider performance information; and

(E) conduct any other activities determined appropriate by the Secretary.

(g) REVIEW.—

(1) IN GENERAL.—Not later than 1 year after the date on which grants are awarded under this section, and every 2 years thereafter, the Secretary shall study programs funded by grants under this section and provide to the appropriate committees of Congress a report on the progress of such programs in improving the access of employees to quality, affordable health insurance.

(2) SLIDING SCALE FUNDING.—The Secretary shall use the information included in the report under paragraph (1) to establish a schedule for scaling back payments under this section with the goal of ensuring that programs funded with grants under this section are self sufficient within 10 years.

SEC. 4. GRANTS TO SMALL BUSINESSES TO FORM HEALTH CARE COOPERATIVES.

The Secretary shall carry out a grant program that is identical to the grant program provided in section 3, except that an eligible group for a grant under this section shall be a consortium of 2 or more employers, including agricultural producers, each of which—

(1) have 99 employees or less; and

(2) are purchasers of health insurance (are not self-insured) for their employees.

SEC. 5. AUTHORIZATION OF APPROPRIATIONS.

From the administrative funds provided to the Secretary, the Secretary may use not more than a total of $60,000,000 for fiscal years 2006 through 2015 to carry out this Act.

By Ms. MURKOWSKI (for herself and Mr. STEVENS):

S. 822. A bill to prevent the retroactive application of changes to Trans-Alaska Pipeline Quality Bank valuation methodologies; to the Committee on Energy and Natural Resources.

Ms. MURKOWSKI. Mr. President, I rise today for myself and fellow Alaska Senator TED STEVENS to introduce legislation concerning a complex issue, the Quality Bank that is used to facilitate payments between shippers using the Trans-Alaska Oil Pipeline System to reflect variations in the value of different crude oil streams that are injected into the pipeline.

Since its opening in June 1977, the Trans-Alaska Pipeline System, TAPS, has carried crude oil from Alaska's North Slope to Valdez where the oil is shipped to market. The pipeline carries crude oil from various sources and of varying quality—the oil injected into the line before the pipeline's Pump Station One near Deadhorse, AK, and commingled as the blended stream of oil travels south to Valdez. The TAPS Quality Bank was established to compensate producers of higher quality crude oil for the difference in the value of the crude injected at the North Slope and that of the lower-quality commingled stream received in Valdez, since each shipper receives a quantity of the blended stream equivalent to the amount it injected into the line.

Companies injecting low-quality crude oil pay into the Quality Bank, while companies injecting high quality crude receive a payment from the Quality Bank. In addition, between the North Slope and Valdez, two refineries, Flint Hills and Petro Star, withdraw a portion of the common stream from TAPS, partially refine the crude oil into products such as gasoline, diesel and jet fuel, and reinject into TAPS the other components of crude left over after their refinery processes. Each fuel extracted from the crude is called a "cut." To compensate producers for the loss in value of the crude oil because of what is removed by these refineries, refiners also pay into the Quality Bank. The objective of the Quality Bank is to make monetary adjustments so that each shipper is in the same economic position it would enjoy if it received the same oil in Valdez that it delivered to TAPS on the state's North Slope.

The methodology used to determine Quality Bank payments has been a subject of controversy since the Quality Bank's creation. The problem arises because there is no independent market for the crude injected on the North Slope and thus no way to objectively determine its value. The methodology is set by the Federal Energy Regulatory Commission. Since the early 1980s, FERC-approved methodologies have been challenged in court and revised multiple times. In 1993, the majority of North Slope shippers proposed and FERC approved a settlement calling for the use of a "distillation" methodology, which would value crude oil based on the market price of various cuts created when the components are separated based on different boiling points—the distillation process. This methodology replaced the former "gravity" methodology where oil was valued based on its relative gravity.

Since 1993, disputes have focused largely on the valuation of cuts at the highest boiling points—the "Heavy Distillate" cut that evaporates at temperatures between 350 and 650 degrees F. and the Resid, residual, cut, which includes the portion remaining after distillation of all other cuts at boiling points up to 1050 degrees F. Two additional cuts are also at issue, the VGO and Naptha cuts.

In 1997, responding to a D.C. Circuit Court of Appeals ruling, FERC approved a settlement with a revised valuation methodology for Distillate and Resid. Under the FERC order, the new valuation methodologies were to be applied on a prospective basis only. Later, the D.C. Circuit in 1999 told FERC to revise some particular details of the Resid valuation and also held that FERC had "failed to provide an adequate explanation" as to why the new methodology should not be made retroactive to 1993.

Responding to the ruling, the Administrative Law Judge, who in 1997 had decided that all changes should only apply prospectively, reversed his position and released a decision in August 2004 calling for changes in the Resid and Heavy Distillate cuts to be applied retroactively, in the case of Resid to as far back as 1993. In addition, the administrative law judge decided to apply new valuations for VGO and Naptha, prospectively. Currently, the judge's decision is awaiting a final decision by the FERC on whether to impose the Initial Decision or alter it.

There are clearly major public policy implications resulting from this Quality Bank issue. While the bank is a "zero sum" game as far as money paid in and out of the bank is concerned, the impacts on the parties and thus on the citizens of Alaska are anything but equal.

For decades Alaskans suffered under the impacts of having to import all refined fuel products into the State from West Coast refineries. Besides higher prices caused by transportation, that left the State wholly dependent on fuel supplies that needed to travel at least 2,000 miles on average to reach Alaska consumers—sometimes through bad weather and difficult sea conditions. With the construction of in-State refineries, Alaskans finally saw greater security of supply, less dependence upon weather for shipment arrivals, and the possibility of lower fuel prices because of potentially reduced transportation costs. The greater dependability of fuel supplies improved aviation freight shipments at the Anchorage and Fairbanks international airports, helping create jobs in air freight and related industries.

But the decision of the Administrative Law Judge to apply new Quality Bank methodology assessments retroactively, places the economics of in-State refineries at risk. That in turn not only impacts the job security for the roughly 400 Alaskans who work at the refineries, but also threatens the State's energy and economic security.

The problem is that both of the refineries must make long- and short-term business decisions based on crude costs when they process crude oil into product. Refineries optimize their production slates based on current market realities. It is difficult for them to operate, given low profit margins, if oil values can change years later as a result of Quality Bank decisions. They simply have no way to make rational business decisions when the value of their products can be determined retroactively long after they can protect themselves for perceived mistakes in FERC-approved valuation methodologies. This certainly threatens the ability of the refineries to attract capital, money needed for them to modernize and meet new ultra-low sulfur diesel ''clean fuel'' requirements soon to go into effect.

The State's Congressional Delegation last fall in report language added to the Federal budget expressed its concern with the equity of long retroactive Quality Bank valuation adjustments. Last autumn we urged FERC to look carefully at the justice of the Initial Decision of the Administrative Law Judge in this case and we encouraged all of the eight parties that includes the State of Alaska, to reach an out-of-court settlement of the 1993 case to bring finality to this complex case before it harms instate refinery capabilities. At the time we avoided a legislative solution to this purely Alaskan case. We are renewing our pleas for action in a letter sent to FERC on Thursday.

In the intervening six months, while one mediation session has occurred, the parties report little or no progress toward reaching a mutually agreeable settlement. While opinions may differ on whether Congress should intervene to settle the on-going case, there is little doubt that Congress should step forward to prevent such an arcane dispute from ever again threatening Alaska's energy industry.

For that reason prior to the next mediation session, today we introduce legislation to limit the ability of FERC in the future to make retroactive the impacts of future Quality Bank valuation methodology changes. By this legislation, after December 31, 2005, FERC still will be able to change the methodology for determining the value of oil flowing through the pipeline but will not be permitted to apply changes to Quality Bank valuation methodologies on anything other than a prospective basis.

We have proposed this provision to prevent this legal nightmare from happening again. This provision will first eliminate the perverse current incentive for all sides to promote further litigation regarding Quality Bank valuations based on the expectation of a retroactive application of changes that would result in a large economic windfall. The retroactive application of valuation methodology changes encourages the sides in a dispute to sue in hopes of gaining a larger benefit in the future. This is a ''lottery,'' however, that Alaskans are guaranteed to lose.

By setting December 31, 2005, as the date that FERC can no longer apply Quality Bank valuation methodologies on a retroactive basis, the legislation will put the FERC and the litigants on record that the current dispute must be resolved by the end of this year.

Requiring FERC to apply valuation methodology changes in connection with any future disputes on a prospective basis only will eliminate the risk and uncertainty associated with the prospect of nearly unlimited retroactive application of Quality Bank payment methodology changes. That will allow all Quality Bank participants to be able to conduct business with the certainty of knowing that prices received and paid for oil today cannot be altered years down the road. In addition, this will eliminate the strong incentive that currently exists for some parties to engage in endless litigation, in hopes of gaining windfall benefits from retroactive application changes.

While we continue to call on all sides in the current dispute to compromise and settle this case now, this bill will discourage if not eliminate this type of dispute in the future—a benefit for all Alaskans.

Mr. STEVENS. Mr. President, I join my colleague, Senator LISA MURKOWSKI, in introducing legislation pertaining to the Trans Alaska Pipeline System (TAPS) and the Quality Bank.

The Quality Bank was created to balance accounts among oil producers on Alaska's North Slope who produce crude oil of different quality and value from different oil fields. When the oil is delivered at Pump Station No. 1, it is commingled and transported by TAPS to Valdez, Alaska, where it is shipped by tanker to the lower 48 States.

This Quality Bank accounting concept also applies to oil refineries in my State who receive needed crude oil from TAPS, refine various petroleum products and return the balance of the crude oil to the pipeline. The methodology used to determine these payments has been the subject of dispute since the Bank's inception, creating uncertainty in the market and a chilling effect on business investment in Alaska.

In 1989, a legal proceeding was initiated at the Federal Energy Regulatory Commission (FERC) that in 1993 changed the methodology under which ''Quality Banks'' in Alaska were operated. After 15 long and protracted years of legal proceedings before FERC, an Administrative Law Judge issued an Initial Decision proposing to replace the Quality Bank methodology that the parties assumed they were operating under since 1993. It proposes instead a new complex set of valuations that the parties could not have predicted and that have very large financial impacts, especially on refiners. Significantly, this decision also proposes to apply the most significant of these new valuations retroactively, all the way back to 1993.

The Administrative Law Judge's decision to apply this new methodology retroactively puts Alaska's in-State refineries at risk at a time when the United States can ill afford to lose its limited refining capacity.

Given the Potential impact should FERC decide to adopt the ALJ's decision, Congress included legislative language in the Fiscal Year 2005 Consolidated Appropriations conference report expressing its concern over this issue. Congress urged FERC to carefully Consider the specific equities of this case to prevent special hardship, inequity, or an unfair distribution of burdens to any party, to assess the equity of assigning retroactivity, and to resolve this matter in a fair and equitable manner.

In addition, the State's Congressional Delegation urged the parties to reach a settlement to end over 15 years of litigation and bring finality to this issue. Despite repeated calls for settlement, the parties appear to have made little or no progress towards this end.

The issue of retroactivity and its application in the aforementioned case is problematic given the lack of clear Congressional action on the subject. Congress' silence on the subject has given the parties incentive to prolong litigation and pursue appeals until they receive a ruling which is beneficial to them.

To remedy this situation and prevent similar disputes in the future, we are introducing this legislation to limit FERC's ability to assign retroactivity in matters pertaining to the Quality Bank. This legislation is necessary to limit business uncertainty associated with the use of the Trans Alaska Pipeline System, and to ensure continued domestic refinery activity in order to protect national fuel supplies.

SUBMITTED RESOLUTIONS

S. RES. 111

Whereas on August 31, 1991, the Kyrgyz Republic declared independence from the Soviet Union;

Whereas the Kyrgyz Republic was ruled by President Askar Akayev from October 1991 to April 2005;

Whereas the Kyrgyz Republic held a first round of parliamentary elections on February 27, 2005;

Whereas the United States Government recognized several areas of improvement in the parliamentary elections in the Kyrgyz Republic, including competitive elections and the active participation of civil society, but it noted the elections fell short of the commitments of the Kyrgyz Republic to the Organization for Security and Cooperation in Europe (OSCE) and other international entities to fully meet the accepted criteria for democratic elections;

Whereas nation-wide demonstrations sparked by the flawed parliamentary elections in the Kyrgyz Republic led to the departure of President Akayev and the collapse of his government on March 22, 2005;

Whereas Askar Akayev officially resigned as President of the Kyrgyz Republic on April 4, 2005;

Whereas the Kyrgyz people, through their actions, have created an opportunity for a democratic and stable future for the Kyrgyz Republic;

Whereas the interim government in the Kyrgyz Republic can earn the confidence of the Kyrgyz people and the international community by abiding by its commitment to hold free and fair presidential elections on July 10, 2005, and by ensuring that the members of the new parliament in the Kyrgyz Republic represent the choice of the Kyrgyz people;

Whereas the interim government in the Kyrgyz Republic can move towards resolving the political crisis in the Kyrgyz Republic in a way that confirms the will of the Kyrgyz people by working closely with its immediate neighbors and with the OSCE;

Whereas the United States strongly supports efforts by the OSCE to work with the Kyrgyz people to strengthen democratic institutions in the Kyrgyz Republic, which will provide the foundation for political stability in the Kyrgyz Republic;

Whereas the United States and the Kyrgyz Republic value a good relationship;

Whereas the United States provides humanitarian assistance, nonlethal military assistance, and assistance to support economic and political reforms as part of the democratic transition process in the Kyrgyz Republic; and

Whereas security in the Kyrgyz Republic remains a top concern of the United States due to its strong support of the United States in the global war on terrorism: Now, therefore, be it

Resolved, That the Senate—

(1) welcomes the official resignation of Askar Akayev as President of the Kyrgyz Republic;

(2) acknowledges and welcomes the close relationship formed between the United States and the Kyrgyz Republic since it declared independence from the Soviet Union on August 31, 1991;

(3) supports the sovereignty, independence, and territorial integrity of the Kyrgyz Republic;

(4) urges the continuation of strong support for democratic reform, including respect for the rule of law and human rights, in the Kyrgyz Republic;

(5) urges the interim government in the Kyrgyz Republic to move swiftly toward the democratic government ratified by the Kyrgyz people by holding free, fair, and transparent presidential elections on July 10, 2005, and by ensuring that the new parliament in the Kyrgyz Republic represents the choice of the Kyrgyz people; and

(6) urges the people of the Kyrgyz Republic to take advantage of the readiness of the Organization for Security and Cooperation in Europe (OSCE) to expand its assistance in preparing for free and fair presidential elections in the Kyrgyz Republic as the foundation of political legitimacy and stability in the Kyrgyz Republic.

SENATE RESOLUTION 112—DESIGNATING THE THIRD WEEK OF APRIL IN 2005 AS ‘‘NATIONAL SHAKEN BABY SYNDROME AWARENESS WEEK’’

Mr. DODD (for himself, Mr. ALEXANDER, Mr. BAYH, Mr. BINGAMAN, Ms. CANTWELL, Mr. COLEMAN, Ms. COLLINS, Mr. DAYTON, Mr. DURBIN, Mr. INOUYE, Mr. JOHNSON, Ms. LANDRIEU, Mr. LEVIN, Mr. LIEBERMAN, Mrs. MURRAY, Mr. SALAZAR, Mr. SANTORUM, Mr. SCHUMER, and Ms. SNOWE) submitted the following resolution; which was considered and agreed to:

S. RES. 112

Whereas the month of April has been designated ‘‘National Child Abuse Prevention Month’’ as an annual tradition that was initiated in 1979 by former President Jimmy Carter;

Whereas the most recent National Child Abuse and Neglect Data System (NCANDS) figures show that almost 900,000 children were victims of abuse and neglect in the United States in 2002, causing unspeakable pain and suffering to our most vulnerable citizens;

Whereas among the children who are victims of abuse and neglect, nearly 4 children die each day in this country;

Whereas children age 1 and younger accounted for 41.2 percent of child abuse and neglect fatalities in 2002, and children age 4 and younger accounted for 76.1 percent of all child abuse and neglect fatalities in 2002;

Whereas abusive head trauma, including the trauma known as Shaken Baby Syndrome, is recognized as the leading cause of death of physically abused children;

Whereas Shaken Baby Syndrome is a totally preventable form of child abuse, caused by a caregiver losing control and shaking a baby that is usually less than 1 year in age;

Whereas Shaken Baby Syndrome can result in loss of vision, brain damage, paralysis, seizures, or death;

Whereas a 2003 report in the Journal of the American Medical Association estimates that, in the United States, an average of 300 children will die each year, and 600 to 1,200 more will be injured, of whom ⅔ will be babies or infants under 1 year in age, as a result of Shaken Baby Syndrome, with many cases resulting in severe and permanent disabilities;

Whereas medical professionals believe that thousands of additional cases of Shaken Baby Syndrome are being misdiagnosed or not detected;

Whereas Shaken Baby Syndrome often results in permanent, irreparable brain damage or death to an infant and may result in more than $1,000,000 in medical costs to care for a single, disabled child in just the first few years of life;

Whereas the most effective solution for ending Shaken Baby Syndrome is to prevent such abuse, and it is clear that the minimal costs of education and prevention programs may prevent enormous medical and disability costs and untold grief for many families;

Whereas prevention programs have demonstrated that educating new parents about the danger of shaking young children and how they can help protect their child from injury can bring about a significant reduction in the number of cases of Shaken Baby Syndrome;

Whereas education programs have been shown to raise awareness and provide critically important information about Shaken Baby Syndrome to parents, caregivers, daycare workers, child protection employees, law enforcement personnel, health care professionals, and legal representatives;

Whereas efforts to prevent Shaken Baby Syndrome are supported by advocacy groups across the United States that were formed by parents and relatives of children who have been killed or injured by shaking, such as the National Shaken Baby Coalition, the Shaken Baby Association, the SKIPPER (Shaking Kills: Instead Parents Please Educate and Remember) Initiative, the Shaken Baby Alliance, Shaken Baby Prevention, Inc., A Voice for Gabbi, Don’t Shake Jake, and the Kierra Harrison Foundation, whose mission is to educate the general public and professionals about Shaken Baby Syndrome and to increase support for victims and victim’s families in the health care and criminal justice systems;

Whereas child abuse prevention programs and ‘‘National Shaken Baby Syndrome Awareness Week’’ are supported by the National Shaken Baby Coalition, the National Center on Shaken Baby Syndrome, the Children’s Defense Fund, the American Academy of Pediatrics, the Child Welfare League of America, Prevent Child Abuse America, the National Child Abuse Coalition, the National Exchange Club Foundation, the American Humane Association, the American Professional Society on the Abuse of Children, the Arc of the United States, the Association of University Centers on Disabilities, Children’s Healthcare is a Legal Duty, Family Partnership, Family Voices, National Alliance of Children’s Trust and Prevention Funds, United Cerebral Palsy, the National Association of Children’s Hospitals and related institutions, Never Shake a Baby Arizona/Prevent Child Abuse Arizona, the Center for Child Protection and Family Support, and many other organizations;

Whereas a 2000 survey by Prevent Child Abuse America shows that half of all Americans believe that of all the public health issues facing this country, child abuse and neglect is the most important;

Whereas Congress previously designated the third week of April 2001 as ‘‘National Shaken Baby Syndrome Awareness Week 2001’’; and

Whereas Congress strongly supports efforts to protect children from abuse and neglect: Now, therefore, be it

Resolved, That the Senate—

(1) designates the third week of April in 2005 as ‘‘National Shaken Baby Syndrome Awareness Week’’; and

(2) encourages the people of the United States to remember the victims of Shaken Baby Syndrome and to participate in educational programs to help prevent Shaken Baby Syndrome.

AMENDMENTS SUBMITTED AND PROPOSED

SA 447. Mr. WYDEN (for himself, Mr. SMITH, and Mrs. MURRAY) submitted an