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(Original Signature of Member)

106TH CONGRESS
2^D SESSION

H. R. _____

IN THE HOUSE OF REPRESENTATIVES

Mr. ARMEY introduced the following bill; which was referred to the Committee
on _____

A BILL

To amend the Internal Revenue Code of 1986 to provide
tax relief.

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

3 **SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE.**

4 (a) SHORT TITLE.—This Act may be cited as the “Tax-
5 payer Relief Act of 2000”.

6 (b) AMENDMENT OF 1986 CODE.—Except as otherwise ex-
7 pressly provided, whenever in this Act an amendment or repeal
8 is expressed in terms of an amendment to, or repeal of, a sec-
9 tion or other provision, the reference shall be considered to be

1 made to a section or other provision of the Internal Revenue
2 Code of 1986.

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1 **TITLE I—FSC REPEAL AND**
 2 **EXTRATERRITORIAL INCOME EX-**
 3 **CLUSION**

4 **SEC. 101. REPEAL OF FOREIGN SALES CORPORATION**
 5 **RULES.**

6 Subpart C of part III of subchapter N of chapter 1 (relat-
 7 ing to taxation of foreign sales corporations) is hereby repealed.

8 **SEC. 102. TREATMENT OF EXTRATERRITORIAL INCOME.**

9 (a) IN GENERAL.—Part III of subchapter B of chapter 1
 10 (relating to items specifically excluded from gross income) is
 11 amended by inserting before section 115 the following new sec-
 12 tion:

13 **“SEC. 114. EXTRATERRITORIAL INCOME.**

14 “(a) EXCLUSION.—Gross income does not include
 15 extraterritorial income.

16 “(b) EXCEPTION.—Subsection (a) shall not apply to
 17 extraterritorial income which is not qualifying foreign trade in-
 18 come as determined under subpart E of part III of subchapter
 19 N.

20 “(c) DISALLOWANCE OF DEDUCTIONS.—

21 “(1) IN GENERAL.—Any deduction of a taxpayer allo-
 22 cated under paragraph (2) to extraterritorial income of the

1 taxpayer excluded from gross income under subsection (a)
2 shall not be allowed.

3 “(2) ALLOCATION.—Any deduction of the taxpayer
4 properly apportioned and allocated to the extraterritorial
5 income derived by the taxpayer from any transaction shall
6 be allocated on a proportionate basis between—

7 “(A) the extraterritorial income derived from such
8 transaction which is excluded from gross income under
9 subsection (a), and

10 “(B) the extraterritorial income derived from such
11 transaction which is not so excluded.

12 “(d) DENIAL OF CREDITS FOR CERTAIN FOREIGN
13 TAXES.—Notwithstanding any other provision of this chapter,
14 no credit shall be allowed under this chapter for any income,
15 war profits, and excess profits taxes paid or accrued to any for-
16 eign country or possession of the United States with respect to
17 extraterritorial income which is excluded from gross income
18 under subsection (a).

19 “(e) EXTRATERRITORIAL INCOME.—For purposes of this
20 section, the term ‘extraterritorial income’ means the gross in-
21 come of the taxpayer attributable to foreign trading gross re-
22 ceipts (as defined in section 942) of the taxpayer.”

23 (b) QUALIFYING FOREIGN TRADE INCOME.—Part III of
24 subchapter N of chapter 1 is amended by inserting after sub-
25 part D the following new subpart:

26 **“Subpart E—Qualifying Foreign Trade Income**

“Sec. 941. Qualifying foreign trade income.

“Sec. 942. Foreign trading gross receipts.

“Sec. 943. Other definitions and special rules.

27 **“SEC. 941. QUALIFYING FOREIGN TRADE INCOME.**

28 “(a) QUALIFYING FOREIGN TRADE INCOME.—For pur-
29 poses of this subpart and section 114—

30 “(1) IN GENERAL.—The term ‘qualifying foreign trade
31 income’ means, with respect to any transaction, the amount
32 of gross income which, if excluded, will result in a reduc-
33 tion of the taxable income of the taxpayer from such trans-
34 action equal to the greatest of—

1 “(A) 30 percent of the foreign sale and leasing in-
2 come derived by the taxpayer from such transaction,

3 “(B) 1.2 percent of the foreign trading gross re-
4 ceipts derived by the taxpayer from the transaction, or

5 “(C) 15 percent of the foreign trade income de-
6 rived by the taxpayer from the transaction.

7 In no event shall the amount determined under subpara-
8 graph (B) exceed 200 percent of the amount determined
9 under subparagraph (C).

10 “(2) ALTERNATIVE COMPUTATION.—A taxpayer may
11 compute its qualifying foreign trade income under a sub-
12 paragraph of paragraph (1) other than the subparagraph
13 which results in the greatest amount of such income.

14 “(3) LIMITATION ON USE OF FOREIGN TRADING
15 GROSS RECEIPTS METHOD.—If any person computes its
16 qualifying foreign trade income from any transaction with
17 respect to any property under paragraph (1)(B), the quali-
18 fying foreign trade income of such person (or any related
19 person) with respect to any other transaction involving
20 such property shall be zero.

21 “(4) RULES FOR MARGINAL COSTING.—The Secretary
22 shall prescribe regulations setting forth rules for the alloca-
23 tion of expenditures in computing foreign trade income
24 under paragraph (1)(C) in those cases where a taxpayer is
25 seeking to establish or maintain a market for qualifying
26 foreign trade property.

27 “(5) PARTICIPATION IN INTERNATIONAL BOYCOTTS,
28 ETC.—Under regulations prescribed by the Secretary, the
29 qualifying foreign trade income of a taxpayer for any tax-
30 able year shall be reduced (but not below zero) by the sum
31 of—

32 “(A) an amount equal to such income multiplied
33 by the international boycott factor determined under
34 section 999, and

35 “(B) any illegal bribe, kickback, or other payment
36 (within the meaning of section 162(c)) paid by or on

1 behalf of the taxpayer directly or indirectly to an offi-
2 cial, employee, or agent in fact of a government.

3 “(b) FOREIGN TRADE INCOME.—For purposes of this
4 subpart—

5 “(1) IN GENERAL.—The term ‘foreign trade income’
6 means the taxable income of the taxpayer attributable to
7 foreign trading gross receipts of the taxpayer.

8 “(2) SPECIAL RULE FOR COOPERATIVES.—In any case
9 in which an organization to which part I of subchapter T
10 applies which is engaged in the marketing of agricultural
11 or horticultural products sells qualifying foreign trade prop-
12 erty, in computing the taxable income of such cooperative,
13 there shall not be taken into account any deduction allow-
14 able under subsection (b) or (c) of section 1382 (relating
15 to patronage dividends, per-unit retain allocations, and
16 nonpatronage distributions).

17 “(c) FOREIGN SALE AND LEASING INCOME.—For pur-
18 poses of this section—

19 “(1) IN GENERAL.—The term ‘foreign sale and leasing
20 income’ means, with respect to any transaction—

21 “(A) foreign trade income properly allocable to ac-
22 tivities which—

23 “(i) are described in paragraph (2)(A)(i) or
24 (3) of section 942(b), and

25 “(ii) are performed by the taxpayer (or any
26 person acting under a contract with such taxpayer)
27 outside the United States, or

28 “(B) foreign trade income derived by the taxpayer
29 in connection with the lease or rental of qualifying for-
30 eign trade property for use by the lessee outside the
31 United States.

32 “(2) SPECIAL RULES FOR LEASED PROPERTY.—

33 “(A) SALES INCOME.—The term ‘foreign sale and
34 leasing income’ includes any foreign trade income de-
35 rived by the taxpayer from the sale of property de-
36 scribed in paragraph (1)(B).

1 “(B) LIMITATION IN CERTAIN CASES.—Except as
2 provided in regulations, in the case of property which—

3 “(i) was manufactured, produced, grown, or
4 extracted by the taxpayer, or

5 “(ii) was acquired by the taxpayer from a re-
6 lated person for a price which was not determined
7 in accordance with the rules of section 482,

8 the amount of foreign trade income which may be
9 treated as foreign sale and leasing income under para-
10 graph (1)(B) or subparagraph (A) of this paragraph
11 with respect to any transaction involving such property
12 shall not exceed the amount which would have been de-
13 termined if the taxpayer had acquired such property for
14 the price determined in accordance with the rules of
15 section 482.

16 “(3) SPECIAL RULES.—

17 “(A) EXCLUDED PROPERTY.—Foreign sale and
18 leasing income shall not include any income properly al-
19 locable to excluded property described in subparagraph
20 (B) of section 943(a)(3) (relating to intangibles).

21 “(B) ONLY DIRECT EXPENSES TAKEN INTO AC-
22 COUNT.—For purposes of this subsection, any expense
23 other than a directly allocable expense shall not be
24 taken into account in computing foreign trade income.

25 **“SEC. 942. FOREIGN TRADING GROSS RECEIPTS.**

26 “(a) FOREIGN TRADING GROSS RECEIPTS.—

27 “(1) IN GENERAL.—Except as otherwise provided in
28 this section, for purposes of this subpart, the term ‘foreign
29 trading gross receipts’ means the gross receipts of the tax-
30 payer which are—

31 “(A) from the sale, exchange, or other disposition
32 of qualifying foreign trade property,

33 “(B) from the lease or rental of qualifying foreign
34 trade property for use by the lessee outside the United
35 States,

36 “(C) for services which are related and subsidiary
37 to—

1 “(i) any sale, exchange, or other disposition of
2 qualifying foreign trade property by such taxpayer,
3 or

4 “(ii) any lease or rental of qualifying foreign
5 trade property described in subparagraph (B) by
6 such taxpayer,

7 “(D) for engineering or architectural services for
8 construction projects located (or proposed for location)
9 outside the United States, or

10 “(E) for the performance of managerial services
11 for a person other than a related person in furtherance
12 of the production of foreign trading gross receipts de-
13 scribed in subparagraph (A), (B), or (C).

14 Subparagraph (E) shall not apply to a taxpayer for any
15 taxable year unless at least 50 percent of its foreign trad-
16 ing gross receipts (determined without regard to this sen-
17 tence) for such taxable year is derived from activities de-
18 scribed in subparagraph (A), (B), or (C).

19 “(2) CERTAIN RECEIPTS EXCLUDED ON BASIS OF USE;
20 SUBSIDIZED RECEIPTS EXCLUDED.—The term ‘foreign
21 trading gross receipts’ shall not include receipts of a tax-
22 payer from a transaction if—

23 “(A) the qualifying foreign trade property or
24 services—

25 “(i) are for ultimate use in the United States,
26 or

27 “(ii) are for use by the United States or any
28 instrumentality thereof and such use of qualifying
29 foreign trade property or services is required by law
30 or regulation, or

31 “(B) such transaction is accomplished by a sub-
32 sidy granted by the government (or any instrumentality
33 thereof) of the country or possession in which the prop-
34 erty is manufactured, produced, grown, or extracted.

35 “(3) ELECTION TO EXCLUDE CERTAIN RECEIPTS.—
36 The term ‘foreign trading gross receipts’ shall not include
37 gross receipts of a taxpayer from a transaction if the tax-

1 payer elects not to have such receipts taken into account
2 for purposes of this subpart.

3 “(b) FOREIGN ECONOMIC PROCESS REQUIREMENTS.—

4 “(1) IN GENERAL.—Except as provided in subsection
5 (c), a taxpayer shall be treated as having foreign trading
6 gross receipts from any transaction only if economic processes
7 with respect to such transaction take place outside
8 the United States as required by paragraph (2).

9 “(2) REQUIREMENT.—

10 “(A) IN GENERAL.—The requirements of this
11 paragraph are met with respect to the gross receipts of
12 a taxpayer derived from any transaction if—

13 “(i) such taxpayer (or any person acting under
14 a contract with such taxpayer) has participated
15 outside the United States in the solicitation (other
16 than advertising), the negotiation, or the making of
17 the contract relating to such transaction, and

18 “(ii) the foreign direct costs incurred by the
19 taxpayer attributable to the transaction equal or
20 exceed 50 percent of the total direct costs attrib-
21 utable to the transaction.

22 “(B) ALTERNATIVE 85-PERCENT TEST.—A tax-
23 payer shall be treated as satisfying the requirements of
24 subparagraph (A)(ii) with respect to any transaction if,
25 with respect to each of at least 2 subparagraphs of
26 paragraph (3), the foreign direct costs incurred by such
27 taxpayer attributable to activities described in such
28 subparagraph equal or exceed 85 percent of the total
29 direct costs attributable to activities described in such
30 subparagraph.

31 “(C) DEFINITIONS.—For purposes of this
32 paragraph—

33 “(i) TOTAL DIRECT COSTS.—The term ‘total
34 direct costs’ means, with respect to any trans-
35 action, the total direct costs incurred by the tax-
36 payer attributable to activities described in para-
37 graph (3) performed at any location by the tax-

1 payer or any person acting under a contract with
2 such taxpayer.

3 “(ii) FOREIGN DIRECT COSTS.—The term ‘for-
4 eign direct costs’ means, with respect to any trans-
5 action, the portion of the total direct costs which
6 are attributable to activities performed outside the
7 United States.

8 “(3) ACTIVITIES RELATING TO QUALIFYING FOREIGN
9 TRADE PROPERTY.—The activities described in this para-
10 graph are any of the following with respect to qualifying
11 foreign trade property—

12 “(A) advertising and sales promotion,

13 “(B) the processing of customer orders and the ar-
14 ranging for delivery,

15 “(C) transportation outside the United States in
16 connection with delivery to the customer,

17 “(D) the determination and transmittal of a final
18 invoice or statement of account or the receipt of pay-
19 ment, and

20 “(E) the assumption of credit risk.

21 “(4) ECONOMIC PROCESSES PERFORMED BY RELATED
22 PERSONS.—A taxpayer shall be treated as meeting the re-
23 quirements of this subsection with respect to any sales
24 transaction involving any property if any related person has
25 met such requirements in such transaction or any other
26 sales transaction involving such property.

27 “(c) EXCEPTION FROM FOREIGN ECONOMIC PROCESS RE-
28 QUIREMENT.—

29 “(1) IN GENERAL.—The requirements of subsection
30 (b) shall be treated as met for any taxable year if the for-
31 eign trading gross receipts of the taxpayer for such year do
32 not exceed \$5,000,000.

33 “(2) RECEIPTS OF RELATED PERSONS AGGRE-
34 GATED.—All related persons shall be treated as one person
35 for purposes of paragraph (1), and the limitation under
36 paragraph (1) shall be allocated among such persons in a
37 manner provided in regulations prescribed by the Secretary.

1 “(3) SPECIAL RULE FOR PASS-THRU ENTITIES.—In
2 the case of a partnership, S corporation, or other pass-thru
3 entity, the limitation under paragraph (1) shall apply with
4 respect to the partnership, S corporation, or entity and
5 with respect to each partner, shareholder, or other owner.

6 **“SEC. 943. OTHER DEFINITIONS AND SPECIAL RULES.**

7 “(a) QUALIFYING FOREIGN TRADE PROPERTY.—For pur-
8 poses of this subpart—

9 “(1) IN GENERAL.—The term ‘qualifying foreign trade
10 property’ means property—

11 “(A) manufactured, produced, grown, or extracted
12 within or outside the United States,

13 “(B) held primarily for sale, lease, or rental, in
14 the ordinary course of trade or business for direct use,
15 consumption, or disposition outside the United States,
16 and

17 “(C) not more than 50 percent of the fair market
18 value of which is attributable to—

19 “(i) articles manufactured, produced, grown,
20 or extracted outside the United States, and

21 “(ii) direct costs for labor (determined under
22 the principles of section 263A) performed outside
23 the United States.

24 For purposes of subparagraph (C), the fair market value
25 of any article imported into the United States shall be its
26 appraised value, as determined by the Secretary under sec-
27 tion 402 of the Tariff Act of 1930 (19 U.S.C. 1401a) in
28 connection with its importation, and the direct costs for
29 labor under clause (ii) do not include costs that would be
30 treated under the principles of section 263A as direct labor
31 costs attributable to articles described in clause (i).

32 “(2) U.S. TAXATION TO ENSURE CONSISTENT TREAT-
33 MENT.—Property which (without regard to this paragraph)
34 is qualifying foreign trade property and which is manufac-
35 tured, produced, grown, or extracted outside the United
36 States shall be treated as qualifying foreign trade property

1 only if it is manufactured, produced, grown, or extracted
2 by—

3 “(A) a domestic corporation,

4 “(B) an individual who is a citizen or resident of
5 the United States,

6 “(C) a foreign corporation with respect to which
7 an election under subsection (e) (relating to foreign
8 corporations electing to be subject to United States
9 taxation) is in effect, or

10 “(D) a partnership or other pass-thru entity all of
11 the partners or owners of which are described in sub-
12 paragraph (A), (B), or (C).

13 Except as otherwise provided by the Secretary, tiered part-
14 nerships or pass-thru entities shall be treated as described
15 in subparagraph (D) if each of the partnerships or entities
16 is directly or indirectly wholly owned by persons described
17 in subparagraph (A), (B), or (C).

18 “(3) EXCLUDED PROPERTY.—The term ‘qualifying
19 foreign trade property’ shall not include—

20 “(A) property leased or rented by the taxpayer for
21 use by any related person,

22 “(B) patents, inventions, models, designs, for-
23 mulas, or processes whether or not patented, copyrights
24 (other than films, tapes, records, or similar reproduc-
25 tions, and other than computer software (whether or
26 not patented), for commercial or home use), goodwill,
27 trademarks, trade brands, franchises, or other like
28 property,

29 “(C) oil or gas (or any primary product thereof),

30 “(D) products the transfer of which is prohibited
31 or curtailed to effectuate the policy set forth in para-
32 graph (2)(C) of section 3 of Public Law 96–72, or

33 “(E) any unprocessed timber which is a softwood.

34 For purposes of subparagraph (E), the term ‘unprocessed
35 timber’ means any log, cant, or similar form of timber.

36 “(4) PROPERTY IN SHORT SUPPLY.—If the President
37 determines that the supply of any property described in

1 paragraph (1) is insufficient to meet the requirements of
2 the domestic economy, the President may by Executive
3 order designate the property as in short supply. Any prop-
4 erty so designated shall not be treated as qualifying foreign
5 trade property during the period beginning with the date
6 specified in the Executive order and ending with the date
7 specified in an Executive order setting forth the President's
8 determination that the property is no longer in short sup-
9 ply.

10 “(b) OTHER DEFINITIONS AND RULES.—For purposes of
11 this subpart—

12 “(1) TRANSACTION.—

13 “(A) IN GENERAL.—The term ‘transaction’
14 means—

15 “(i) any sale, exchange, or other disposition,

16 “(ii) any lease or rental, and

17 “(iii) any furnishing of services.

18 “(B) GROUPING OF TRANSACTIONS.—To the ex-
19 tent provided in regulations, any provision of this sub-
20 part which, but for this subparagraph, would be applied
21 on a transaction-by-transaction basis may be applied by
22 the taxpayer on the basis of groups of transactions
23 based on product lines or recognized industry or trade
24 usage. Such regulations may permit different groupings
25 for different purposes.

26 “(2) UNITED STATES DEFINED.—The term ‘United
27 States’ includes the Commonwealth of Puerto Rico. The
28 preceding sentence shall not apply for purposes of deter-
29 mining whether a corporation is a domestic corporation.

30 “(3) RELATED PERSON.—A person shall be related to
31 another person if such persons are treated as a single em-
32 ployer under subsection (a) or (b) of section 52 or sub-
33 section (m) or (o) of section 414, except that determina-
34 tions under subsections (a) and (b) of section 52 shall be
35 made without regard to section 1563(b).

36 “(4) GROSS AND TAXABLE INCOME.—Section 114
37 shall not be taken into account in determining the amount

1 of gross income or foreign trade income from any trans-
2 action.

3 “(c) SOURCE RULE.—Under regulations, in the case of
4 qualifying foreign trade property manufactured, produced,
5 grown, or extracted within the United States, the amount of in-
6 come of a taxpayer from any sales transaction with respect to
7 such property which is treated as from sources without the
8 United States shall not exceed—

9 “(1) in the case of a taxpayer computing its qualifying
10 foreign trade income under section 941(a)(1)(B), the
11 amount of the taxpayer’s foreign trade income which would
12 (but for this subsection) be treated as from sources without
13 the United States if the foreign trade income were reduced
14 by an amount equal to 4 percent of the foreign trading
15 gross receipts with respect to the transaction, and

16 “(2) in the case of a taxpayer computing its qualifying
17 foreign trade income under section 941(a)(1)(C), 50 per-
18 cent of the amount of the taxpayer’s foreign trade income
19 which would (but for this subsection) be treated as from
20 sources without the United States.

21 “(d) TREATMENT OF WITHHOLDING TAXES.—

22 “(1) IN GENERAL.—For purposes of section 114(d),
23 any withholding tax shall not be treated as paid or accrued
24 with respect to extraterritorial income which is excluded
25 from gross income under section 114(a). For purposes of
26 this paragraph, the term ‘withholding tax’ means any tax
27 which is imposed on a basis other than residence and for
28 which credit is allowable under section 901 or 903.

29 “(2) EXCEPTION.—Paragraph (1) shall not apply to
30 any taxpayer with respect to extraterritorial income from
31 any transaction if the taxpayer computes its qualifying for-
32 eign trade income with respect to the transaction under
33 section 941(a)(1)(A).

34 “(e) ELECTION TO BE TREATED AS DOMESTIC CORPORA-
35 TION.—

36 “(1) IN GENERAL.—An applicable foreign corporation
37 may elect to be treated as a domestic corporation for all

1 purposes of this title if such corporation waives all benefits
2 to such corporation granted by the United States under
3 any treaty. No election under section 1362(a) may be made
4 with respect to such corporation.

5 “(2) APPLICABLE FOREIGN CORPORATION.—For pur-
6 poses of paragraph (1), the term ‘applicable foreign cor-
7 poration’ means any foreign corporation if—

8 “(A) such corporation manufactures, produces,
9 grows, or extracts property in the ordinary course of
10 such corporation’s trade or business, or

11 “(B) substantially all of the gross receipts of such
12 corporation are foreign trading gross receipts.

13 “(3) PERIOD OF ELECTION.—

14 “(A) IN GENERAL.—Except as otherwise provided
15 in this paragraph, an election under paragraph (1)
16 shall apply to the taxable year for which made and all
17 subsequent taxable years unless revoked by the tax-
18 payer. Any revocation of such election shall apply to
19 taxable years beginning after such revocation.

20 “(B) TERMINATION.—If a corporation which made
21 an election under paragraph (1) for any taxable year
22 fails to meet the requirements of subparagraph (A) or
23 (B) of paragraph (2) for any subsequent taxable year,
24 such election shall not apply to any taxable year begin-
25 ning after such subsequent taxable year.

26 “(C) EFFECT OF REVOCATION OR TERMI-
27 NATION.—If a corporation which made an election
28 under paragraph (1) revokes such election or such elec-
29 tion is terminated under subparagraph (B), such cor-
30 poration (and any successor corporation) may not make
31 such election for any of the 5 taxable years beginning
32 with the first taxable year for which such election is
33 not in effect as a result of such revocation or termi-
34 nation.

35 “(4) SPECIAL RULES.—

36 “(A) REQUIREMENTS.—This subsection shall not
37 apply to an applicable foreign corporation if such cor-

1 poration fails to meet the requirements (if any) which
2 the Secretary may prescribe to ensure that the taxes
3 imposed by this chapter on such corporation are paid.

4 “(B) EFFECT OF ELECTION, REVOCATION, AND
5 TERMINATION.—

6 “(i) ELECTION.—For purposes of section 367,
7 a foreign corporation making an election under this
8 subsection shall be treated as transferring (as of
9 the first day of the first taxable year to which the
10 election applies) all of its assets to a domestic cor-
11 poration in connection with an exchange to which
12 section 354 applies.

13 “(ii) REVOCATION AND TERMINATION.—For
14 purposes of section 367, if—

15 “(I) an election is made by a corporation
16 under paragraph (1) for any taxable year, and

17 “(II) such election ceases to apply for any
18 subsequent taxable year,

19 such corporation shall be treated as a domestic cor-
20 poration transferring (as of the 1st day of the first
21 such subsequent taxable year to which such election
22 ceases to apply) all of its property to a foreign corpora-
23 tion in connection with an exchange to which section
24 354 applies.

25 “(C) ELIGIBILITY FOR ELECTION.—The Secretary
26 may by regulation designate one or more classes of cor-
27 porations which may not make the election under this
28 subsection.

29 “(f) RULES RELATING TO ALLOCATIONS OF QUALIFYING
30 FOREIGN TRADE INCOME FROM SHARED PARTNERSHIPS.—

31 “(1) IN GENERAL.—If—

32 “(A) a partnership maintains a separate account
33 for transactions (to which this subpart applies) with
34 each partner,

35 “(B) distributions to each partner with respect to
36 such transactions are based on the amounts in the sep-

1 arate account maintained with respect to such partner,
2 and

3 “(C) such partnership meets such other require-
4 ments as the Secretary may by regulations prescribe,
5 then such partnership shall allocate to each partner items
6 of income, gain, loss, and deduction (including qualifying
7 foreign trade income) from any transaction to which this
8 subpart applies on the basis of such separate account.

9 “(2) SPECIAL RULES.—For purposes of this subpart,
10 in the case of a partnership to which paragraph (1)
11 applies—

12 “(A) any partner’s interest in the partnership
13 shall not be taken into account in determining whether
14 such partner is a related person with respect to any
15 other partner, and

16 “(B) the election under section 942(a)(3) shall be
17 made separately by each partner with respect to any
18 transaction for which the partnership maintains sepa-
19 rate accounts for each partner.

20 “(g) EXCLUSION FOR PATRONS OF AGRICULTURAL AND
21 HORTICULTURAL COOPERATIVES.—Any amount described in
22 paragraph (1) or (3) of section 1385(a)—

23 “(1) which is received by a person from an organiza-
24 tion to which part I of subchapter T applies which is en-
25 gaged in the marketing of agricultural or horticultural
26 products, and

27 “(2) which is allocable to qualifying foreign trade in-
28 come and designated as such by the organization in a writ-
29 ten notice mailed to its patrons during the payment period
30 described in section 1382(d),

31 shall be treated as qualifying foreign trade income of such per-
32 son for purposes of section 114. The taxable income of the or-
33 ganization shall not be reduced under section 1382 by reason
34 of any amount to which the preceding sentence applies.

35 “(h) SPECIAL RULE FOR DISCS.—Section 114 shall not
36 apply to any taxpayer for any taxable year if, at any time dur-
37 ing the taxable year, the taxpayer is a member of any con-

1 trolled group of corporations (as defined in section 927(d)(4),
2 as in effect before the date of the enactment of this subsection)
3 of which a DISC is a member.”

4 **SEC. 103. TECHNICAL AND CONFORMING AMENDMENTS.**

5 (1) The second sentence of section 56(g)(4)(B)(i) is
6 amended by inserting before the period “or under section
7 114”.

8 (2) Section 275(a) is amended—

9 (A) by striking “or” at the end of paragraph
10 (4)(A), by striking the period at the end of paragraph
11 (4)(B) and inserting “, or”, and by adding at the end
12 of paragraph (4) the following new subparagraph:

13 “(C) such taxes are paid or accrued with respect
14 to qualifying foreign trade income (as defined in section
15 941).”; and

16 (B) by adding at the end the following the fol-
17 lowing new sentence: “A rule similar to the rule of sec-
18 tion 943(d) shall apply for purposes of paragraph
19 (4)(C).”.

20 (3) Paragraph (3) of section 864(e) is amended—

21 (A) by striking “For purposes of” and inserting:

22 “(A) IN GENERAL.—For purposes of”; and

23 (B) by adding at the end the following new sub-
24 paragraph:

25 “(B) ASSETS PRODUCING EXEMPT
26 EXTRATERRITORIAL INCOME.—For purposes of allo-
27 cating and apportioning any interest expense, there
28 shall not be taken into account any qualifying foreign
29 trade property (as defined in section 943(a)) which is
30 held by the taxpayer for lease or rental in the ordinary
31 course of trade or business for use by the lessee outside
32 the United States (as defined in section 943(b)(2)).”.

33 (4) Section 903 is amended by striking “164(a)” and
34 inserting “114, 164(a),”.

35 (5) Section 999(c)(1) is amended by inserting
36 “941(a)(5),” after “908(a),”.

1 (6) The table of sections for part III of subchapter B
2 of chapter 1 is amended by inserting before the item relat-
3 ing to section 115 the following new item:

“Sec. 114. Extraterritorial income.”.

4 (7) The table of subparts for part III of subchapter
5 N of chapter 1 is amended by striking the item relating to
6 subpart E and inserting the following new item:

“Subpart E. Qualifying foreign trade income.”.

7 (8) The table of subparts for part III of subchapter
8 N of chapter 1 is amended by striking the item relating to
9 subpart C.

10 **SEC. 104. EFFECTIVE DATE.**

11 (a) IN GENERAL.—The amendments made by this title
12 shall apply to transactions after September 30, 2000.

13 (b) NO NEW FSCS; TERMINATION OF INACTIVE FSCS.—

14 (1) NO NEW FSCS.—No corporation may elect after
15 September 30, 2000, to be a FSC (as defined in section
16 922 of the Internal Revenue Code of 1986, as in effect be-
17 fore the amendments made by this Act).

18 (2) TERMINATION OF INACTIVE FSCS.—If a FSC has
19 no foreign trade income (as defined in section 923(b) of
20 such Code, as so in effect) for any period of 5 consecutive
21 taxable years beginning after December 31, 2001, such
22 FSC shall cease to be treated as a FSC for purposes of
23 such Code for any taxable year beginning after such period.

24 (c) TRANSITION PERIOD FOR EXISTING FOREIGN SALES
25 CORPORATIONS.—

26 (1) IN GENERAL.—In the case of a FSC (as so de-
27 fined) in existence on September 30, 2000, and at all times
28 thereafter, the amendments made by this Act shall not
29 apply to any transaction in the ordinary course of trade or
30 business involving a FSC which occurs—

31 (A) before January 1, 2002; or

32 (B) after December 31, 2001, pursuant to a bind-
33 ing contract—

23

1 (i) which is between the FSC (or any related
2 person) and any person which is not a related per-
3 son; and

4 (ii) which is in effect on September 30, 2000,
5 and at all times thereafter.

6 For purposes of this paragraph, a binding contract shall in-
7 clude a purchase option, renewal option, or replacement op-
8 tion which is included in such contract and which is en-
9 forceable against the seller or lessor.

10 (2) ELECTION TO HAVE AMENDMENTS APPLY EAR-
11 LIER.—A taxpayer may elect to have the amendments
12 made by this Act apply to any transaction by a FSC or any
13 related person to which such amendments would apply but
14 for the application of paragraph (1). Such election shall be
15 effective for the taxable year for which made and all subse-
16 quent taxable years, and, once made, may be revoked only
17 with the consent of the Secretary of the Treasury.

18 (3) EXCEPTION FOR OLD EARNINGS AND PROFITS OF
19 CERTAIN CORPORATIONS.—

20 (A) IN GENERAL.—In the case of a foreign cor-
21 poration to which this paragraph applies—

22 (i) earnings and profits of such corporation ac-
23 cumulated in taxable years ending before October
24 1, 2000, shall not be included in the gross income
25 of the persons holding stock in such corporation by
26 reason of section 943(e)(4)(B)(i), and

27 (ii) rules similar to the rules of clauses (ii),
28 (iii), and (iv) of section 953(d)(4)(B) shall apply
29 with respect to such earnings and profits.

30 The preceding sentence shall not apply to earnings and
31 profits acquired in a transaction after September 30,
32 2000, to which section 381 applies unless the dis-
33 tributor or transferor corporation was immediately be-
34 fore the transaction a foreign corporation to which this
35 paragraph applies.

1 (B) EXISTING FSCS.—This paragraph shall apply
2 to any controlled foreign corporation (as defined in sec-
3 tion 957) if—

4 (i) such corporation is a FSC (as so defined)
5 in existence on September 30, 2000,

6 (ii) such corporation is eligible to make the
7 election under section 943(e) by reason of being de-
8 scribed in paragraph (2)(B) of such section, and

9 (iii) such corporation makes such election not
10 later than for its first taxable year beginning after
11 December 31, 2001.

12 (C) OTHER CORPORATIONS.—This paragraph shall
13 apply to any controlled foreign corporation (as defined
14 in section 957), and such corporation shall (notwith-
15 standing any provision of section 943(e)) be treated as
16 an applicable foreign corporation for purposes of sec-
17 tion 943(e), if—

18 (i) such corporation is in existence on Sep-
19 tember 30, 2000,

20 (ii) as of such date, such corporation is wholly
21 owned (directly or indirectly) by a domestic cor-
22 poration (determined without regard to any election
23 under section 943(e)),

24 (iii) for each of the 3 taxable years preceding
25 the first taxable year to which the election under
26 section 943(e) by such controlled foreign corpora-
27 tion applies—

28 (I) all of the gross income of such corpora-
29 tion is subpart F income (as defined in section
30 952), including by reason of section
31 954(b)(3)(B), and

32 (II) in the ordinary course of such cor-
33 poration's trade or business, such corporation
34 regularly sold (or paid commissions) to a FSC
35 which on September 30, 2000, was a related
36 person to such corporation,

1 (iv) such corporation has never made an elec-
2 tion under section 922(a)(2) (as in effect before the
3 date of the enactment of this paragraph) to be
4 treated as a FSC, and

5 (v) such corporation makes the election under
6 section 943(e) not later than for its first taxable
7 year beginning after December 31, 2001.

8 The preceding sentence shall cease to apply as of the
9 date that the domestic corporation referred to in clause
10 (ii) ceases to wholly own (directly or indirectly) such
11 controlled foreign corporation.

12 (4) RELATED PERSON.—For purposes of this sub-
13 section, the term “related person” has the meaning given
14 to such term by section 943(b)(3).

15 (5) SECTION REFERENCES.—Except as otherwise ex-
16 pressly provided, any reference in this subsection to a sec-
17 tion or other provision shall be considered to be a reference
18 to a section or other provision of the Internal Revenue
19 Code of 1986, as amended by this title.

20 (d) SPECIAL RULES RELATING TO LEASING TRANS-
21 ACTIONS.—

22 (1) SALES INCOME.—If foreign trade income in con-
23 nection with the lease or rental of property described in
24 section 927(a)(1)(B) of such Code (as in effect before the
25 amendments made by this Act) is treated as exempt foreign
26 trade income for purposes of section 921(a) of such Code
27 (as so in effect), such property shall be treated as property
28 described in section 941(c)(1)(B) of such Code (as added
29 by this Act) for purposes of applying section 941(c)(2) of
30 such Code (as so added) to any subsequent transaction in-
31 volving such property to which the amendments made by
32 this Act apply.

33 (2) LIMITATION ON USE OF GROSS RECEIPTS METH-
34 OD.—If any person computed its foreign trade income from
35 any transaction with respect to any property on the basis
36 of a transfer price determined under the method described
37 in section 925(a)(1) of such Code (as in effect before the

1 amendments made by this Act), then the qualifying foreign
 2 trade income (as defined in section 941(a) of such Code,
 3 as in effect after such amendment) of such person (or any
 4 related person) with respect to any other transaction in-
 5 volving such property (and to which the amendments made
 6 by this Act apply) shall be zero.

7 **TITLE II—SMALL BUSINESS TAX**
 8 **RELIEF**

9 **SEC. 201. EXTENSION OF WORK OPPORTUNITY TAX**
 10 **CREDIT.**

11 (a) IN GENERAL.—Section 51(c)(4)(B) is amended by
 12 striking “December 31, 2001” and inserting “June 30, 2004”.

13 (b) EFFECTIVE DATE.—The amendment made by this sec-
 14 tion shall apply to individuals who begin work for the employer
 15 after December 31, 2001.

16 **SEC. 202. INCREASE IN AMORTIZABLE REFORESTATION**
 17 **EXPENDITURES, ETC.**

18 (a) INCREASE IN DOLLAR LIMITATION.—Paragraph (1) of
 19 section 194(b) (relating to amortization of reforestation ex-
 20 penditures) is amended by striking “\$10,000 (\$5,000” and in-
 21 serting “\$25,000 (\$12,500”.

22 (b) TEMPORARY SUSPENSION OF INCREASED DOLLAR
 23 LIMITATION.—

24 (1) IN GENERAL.—Subsection (b) of section 194 (re-
 25 lating to amortization of reforestation expenditures) is
 26 amended by adding at the end the following new para-
 27 graph:

28 “(5) SUSPENSION OF DOLLAR LIMITATION.—Para-
 29 graph (1) shall not apply to taxable years beginning after
 30 December 31, 2000, and before January 1, 2004.”.

31 (2) CONFORMING AMENDMENT.—Paragraph (1) of
 32 section 48(b) is amended by striking “section 194(b)(1)”
 33 and inserting “section 194(b)(1) and without regard to sec-
 34 tion 194(b)(5)”.

35 (c) CAPITAL GAIN TREATMENT UNDER SECTION 631(b)
 36 TO APPLY TO OUTRIGHT SALES BY LAND OWNER.—

1 (1) IN GENERAL.—The first sentence of section 631(b)
2 (relating to disposal of timber with a retained economic in-
3 terest) is amended by striking “retains an economic inter-
4 est in such timber” and inserting “either retains an eco-
5 nomic interest in such timber or makes an outright sale of
6 such timber”.

7 (2) CONFORMING AMENDMENT.—The third sentence
8 of section 631(b) is amended by striking “The date of dis-
9 posal” and inserting “In the case of disposal of timber with
10 a retained economic interest, the date of disposal”.

11 (d) EFFECTIVE DATES.—

12 (1) SUBSECTIONS (a) AND (b).—The amendments
13 made by subsections (a) and (b) shall apply to taxable
14 years beginning after December 31, 2000.

15 (2) SUBSECTION (c).—The amendment made by sub-
16 section (c) shall apply to sales after the date of the enact-
17 ment of this Act.

18 **SEC. 203. INCREASE IN EXPENSE TREATMENT FOR**
19 **SMALL BUSINESSES.**

20 (a) IN GENERAL.—Paragraph (1) of section 179(b) (relat-
21 ing to dollar limitation) is amended to read as follows:

22 “(1) DOLLAR LIMITATION.—The aggregate cost which
23 may be taken into account under subsection (a) for any
24 taxable year shall not exceed \$35,000.”.

25 (b) EFFECTIVE DATE.—The amendment made by this sec-
26 tion shall apply to taxable years beginning after December 31,
27 2000.

28 **SEC. 204. INCREASED DEDUCTION FOR MEAL EXPENSES.**

29 (a) IN GENERAL.—Paragraph (1) of section 274(n) (relat-
30 ing to only 50 percent of meal and entertainment expenses al-
31 lowed as deduction) is amended by striking “50 percent” in the
32 text and inserting “the allowable percentage”.

33 (b) ALLOWABLE PERCENTAGE.—Subsection (n) of section
34 274 is amended by redesignating paragraphs (2) and (3) as
35 paragraphs (3) and (4), respectively, and by inserting after
36 paragraph (1) the following new paragraph:

1 “(2) ALLOWABLE PERCENTAGE.—For purposes of
2 paragraph (1), the allowable percentage is—

3 “(A) in the case of amounts for items described in
4 paragraph (1)(B), 50 percent, and

5 “(B) in the case of expenses for food or beverages,
6 70 percent.”.

7 (c) CONFORMING AMENDMENT.—The heading for sub-
8 section (n) of section 274 is amended by striking “50 PER-
9 CENT” and inserting “LIMITED PERCENTAGES”.

10 (d) EFFECTIVE DATE.—The amendments made by this
11 section shall apply to taxable years beginning after December
12 31, 2000.

13 **SEC. 205. INCREASED DEDUCTIBILITY OF BUSINESS**
14 **MEAL EXPENSES FOR INDIVIDUALS SUBJECT**
15 **TO FEDERAL LIMITATIONS ON HOURS OF**
16 **SERVICE.**

17 (a) IN GENERAL.—Paragraph (4) of section 274(n) (relat-
18 ing to limited percentages of meal and entertainment expenses
19 allowed as deduction), as redesignated by section 204, is
20 amended to read as follows:

21 “(4) SPECIAL RULE FOR INDIVIDUALS SUBJECT TO
22 FEDERAL HOURS OF SERVICE.—In the case of any expenses
23 for food or beverages consumed while away from home
24 (within the meaning of section 162(a)(2)) by an individual
25 during, or incident to, the period of duty subject to the
26 hours of service limitations of the Department of Transpor-
27 tation, paragraph (2)(B) shall be applied by substituting
28 ‘80 percent’ for ‘70 percent’.”.

29 (b) EFFECTIVE DATE.—The amendment made by this sec-
30 tion shall apply to taxable years beginning after December 31,
31 2000.

32 **SEC. 206. REPEAL OF MODIFICATION OF INSTALLMENT**
33 **METHOD.**

34 (a) IN GENERAL.—Subsection (a) of section 536 of the
35 Ticket to Work and Work Incentives Improvement Act of 1999
36 (relating to modification of installment method and repeal of
37 installment method for accrual method taxpayers) is repealed

1 effective with respect to sales and other dispositions occurring
2 on or after the date of the enactment of such Act.

3 (b) APPLICABILITY.—The Internal Revenue Code of 1986
4 shall be applied and administered as if that subsection (and the
5 amendments made by that subsection) had not been enacted.

6 **SEC. 207. INCOME AVERAGING NOT TO INCREASE AL-**
7 **TERNATIVE MINIMUM TAX LIABILITY; IN-**
8 **COME AVERAGING FOR FISHERMEN.**

9 (a) IN GENERAL.—Section 55(c) (defining regular tax) is
10 amended by redesignating paragraph (2) as paragraph (3) and
11 by inserting after paragraph (1) the following:

12 “(2) COORDINATION WITH INCOME AVERAGING FOR
13 FARMERS AND FISHERMEN.—Solely for purposes of this
14 section, section 1301 (relating to averaging of farm and
15 fishing income) shall not apply in computing the regular
16 tax.”.

17 (b) ALLOWING INCOME AVERAGING FOR FISHERMEN.—

18 (1) IN GENERAL.—Section 1301(a) is amended by
19 striking “farming business” and inserting “farming busi-
20 ness or fishing business”.

21 (2) DEFINITION OF ELECTED FARM INCOME.—

22 (A) IN GENERAL.—Clause (i) of section
23 1301(b)(1)(A) is amended by inserting “or fishing
24 business” before the semicolon.

25 (B) CONFORMING AMENDMENT.—Subparagraph
26 (B) of section 1301(b)(1) is amended by inserting “or
27 fishing business” after “farming business” both places
28 it occurs.

29 (3) DEFINITION OF FISHING BUSINESS.—Section
30 1301(b) is amended by adding at the end the following new
31 paragraph:

32 “(4) FISHING BUSINESS.—The term ‘fishing business’
33 means the conduct of commercial fishing as defined in sec-
34 tion 3 of the Magnuson-Stevens Fishery Conservation and
35 Management Act (16 U.S.C. 1802).”.

1 (c) EFFECTIVE DATE.—The amendments made by this
2 section shall apply to taxable years beginning after December
3 31, 2000.

4 **SEC. 208. REPEAL OF OCCUPATIONAL TAXES RELATING**
5 **TO DISTILLED SPIRITS, WINE, AND BEER.**

6 (a) REPEAL OF OCCUPATIONAL TAXES.—

7 (1) IN GENERAL.—The following provisions of part II
8 of subchapter A of chapter 51 (relating to occupational
9 taxes) are hereby repealed:

10 (A) Subpart A (relating to proprietors of distilled
11 spirits plants, bonded wine cellars, etc.).

12 (B) Subpart B (relating to brewer).

13 (C) Subpart D (relating to wholesale dealers)
14 (other than sections 5114 and 5116).

15 (D) Subpart E (relating to retail dealers) (other
16 than section 5124).

17 (E) Subpart G (relating to general provisions)
18 (other than sections 5142, 5143, 5145, and 5146).

19 (2) NONBEVERAGE DOMESTIC DRAWBACK.—Section
20 5131 is amended by striking “, on payment of a special tax
21 per annum,”.

22 (3) INDUSTRIAL USE OF DISTILLED SPIRITS.—Section
23 5276 is hereby repealed.

24 (b) CONFORMING AMENDMENTS.—

25 (1)(A) The heading for part II of subchapter A of
26 chapter 51 and the table of subparts for such part are
27 amended to read as follows:

28 **“PART II—MISCELLANEOUS PROVISIONS**

“Subpart A. Manufacturers of stills.

“Subpart B. Nonbeverage domestic drawback claimants.

“Subpart C. Recordkeeping by dealers.

“Subpart D. Other provisions.”.

29 (B) The table of parts for such subchapter A is
30 amended by striking the item relating to part II and insert-
31 ing the following new item:

“Part II. Miscellaneous provisions.”.

32 (2) Subpart C of part II of such subchapter (relating
33 to manufacturers of stills) is redesignated as subpart A.

1 (3)(A) Subpart F of such part II (relating to nonbev-
 2 erage domestic drawback claimants), as amended by para-
 3 graph (5), is redesignated as subpart B and sections 5131
 4 through 5134 are redesignated as sections 5111 through
 5 5114, respectively.

6 (B) The table of sections for such subpart B, as so re-
 7 designated, is amended—

8 (i) by redesignating the items relating to sections
 9 5131 through 5134 as relating to sections 5111
 10 through 5114, respectively, and

11 (ii) by striking “and rate of tax” in the item relat-
 12 ing to section 5111, as so redesignated.

13 (C) Section 5111, as redesignated by subparagraph
 14 (A), is amended—

15 (i) by striking “**AND RATE OF TAX**” in the sec-
 16 tion heading,

17 (ii) by striking “(a) ELIGIBILITY FOR DRAW-
 18 BACK.—”, and

19 (iii) by striking subsection (b).

20 (4) Part II of subchapter A of chapter 51 is amended
 21 by adding after subpart B, as redesignated by paragraph
 22 (3), the following new subpart:

23 **“Subpart C—Recordkeeping by Dealers**

“Sec. 5121. Recordkeeping by wholesale dealers.

“Sec. 5122. Recordkeeping by retail dealers.

“Sec. 5123. Preservation and inspection of records, and entry
 of premises for inspection.”.

24 (5)(A) Section 5114 (relating to records) is moved to
 25 subpart C of such part II and inserted after the table of
 26 sections for such subpart.

27 (B) Section 5114 is amended—

28 (i) by striking the section heading and inserting
 29 the following new heading:

30 **“SEC. 5121. RECORDKEEPING BY WHOLESALE DEAL-**
 31 **ERS.”,**

32 and

1 (ii) by redesignating subsection (c) as subsection
2 (d) and by inserting after subsection (b) the following
3 new subsection:

4 “(c) WHOLESALE DEALERS.—For purposes of this part—

5 “(1) WHOLESALE DEALER IN LIQUORS.—The term
6 ‘wholesale dealer in liquors’ means any dealer (other than
7 a wholesale dealer in beer) who sells, or offers for sale, dis-
8 tilled spirits, wines, or beer, to another dealer.

9 “(2) WHOLESALE DEALER IN BEER.—The term
10 ‘wholesale dealer in beer’ means any dealer who sells, or of-
11 fers for sale, beer, but not distilled spirits or wines, to an-
12 other dealer.

13 “(3) DEALER.—The term ‘dealer’ means any person
14 who sells, or offers for sale, any distilled spirits, wines, or
15 beer.

16 “(4) PRESUMPTION IN CASE OF SALE OF 20 WINE
17 GALLONS OR MORE.—The sale, or offer for sale, of distilled
18 spirits, wines, or beer, in quantities of 20 wine gallons or
19 more to the same person at the same time, shall be pre-
20 sumptive evidence that the person making such sale, or
21 offer for sale, is engaged in or carrying on the business of
22 a wholesale dealer in liquors or a wholesale dealer in beer,
23 as the case may be. Such presumption may be overcome by
24 evidence satisfactorily showing that such sale, or offer for
25 sale, was made to a person other than a dealer.”.

26 (C) Paragraph (3) of section 5121(d), as so redesign-
27 ated, is amended by striking “section 5146” and inserting
28 “section 5123”.

29 (6)(A) Section 5124 (relating to records) is moved to
30 subpart C of part II of subchapter A of chapter 51 and in-
31 serted after section 5121.

32 (B) Section 5124 is amended—

33 (i) by striking the section heading and inserting
34 the following new heading:

35 **“SEC. 5122. RECORDKEEPING BY RETAIL DEALERS.”,**

36 (ii) by striking “section 5146” in subsection (c)
37 and inserting “section 5123”, and

1 (iii) by redesignating subsection (c) as subsection
2 (d) and inserting after subsection (b) the following new
3 subsection:

4 “(c) RETAIL DEALERS.—For purposes of this section—

5 “(1) RETAIL DEALER IN LIQUORS.—The term ‘retail
6 dealer in liquors’ means any dealer (other than a retail
7 dealer in beer) who sells, or offers for sale, distilled spirits,
8 wines, or beer, to any person other than a dealer.

9 “(2) RETAIL DEALER IN BEER.—The term ‘retail deal-
10 er in beer’ means any dealer who sells, or offers for sale,
11 beer, but not distilled spirits or wines, to any person other
12 than a dealer.

13 “(3) DEALER.—The term ‘dealer’ has the meaning
14 given such term by section 5121(c)(3).”.

15 (7) Section 5146 is moved to subpart C of part II of
16 subchapter A of chapter 51, inserted after section 5122,
17 and redesignated as section 5123.

18 (8) Part II of subchapter A of chapter 51 is amended
19 by inserting after subpart C the following new subpart:

20 **“Subpart D—Other Provisions**

“Sec. 5131. Packaging distilled spirits for industrial uses.

“Sec. 5132. Prohibited purchases by dealers.”.

21 (9) Section 5116 is moved to subpart D of part II of
22 subchapter A of chapter 51, inserted after the table of sec-
23 tions, redesignated as section 5131, and amended by insert-
24 ing “(as defined in section 5121(c))” after “dealer” in sub-
25 section (a).

26 (10) Subpart D of part II of subchapter A of chapter
27 51 is amended by adding at the end the following new sec-
28 tion:

29 **“SEC. 5132. PROHIBITED PURCHASES BY DEALERS.**

30 “(a) IN GENERAL.—Except as provided in regulations pre-
31 scribed by the Secretary, it shall be unlawful for a dealer to
32 purchase distilled spirits from any person other than a whole-
33 sale dealer in liquors who is required to keep the records pre-
34 scribed by section 5121.

1 “(b) PENALTY AND FORFEITURE.—

“**For penalty and forfeiture provisions applicable to violations of subsection (a), see sections 5687 and 7302.**”.

2 (11) Subsection (b) of section 5002 is amended—

3 (A) by striking “section 5112(a)” and inserting
4 “section 5121(c)(3)”,

5 (B) by striking “section 5112” and inserting “sec-
6 tion 5121(c)”, and

7 (C) by striking “section 5122” and inserting “sec-
8 tion 5122(c)”.

9 (12) Subparagraph (A) of section 5010(e)(2) is
10 amended by striking “section 5134” and inserting “section
11 5114”.

12 (13) Subsection (d) of section 5052 is amended to
13 read as follows:

14 “(d) BREWER.—For purposes of this chapter, the term
15 ‘brewer’ means any person who brews beer or produces beer for
16 sale. Such term shall not include any person who produces only
17 beer exempt from tax under section 5053(e).”.

18 (14) The text of section 5182 is amended to read as
19 follows:

“**For provisions requiring recordkeeping by
wholesale liquor dealers, see section 5112, and
by retail liquor dealers, see section 5122.**”.

20 (15) Subsection (b) of section 5402 is amended by
21 striking “section 5092” and inserting “section 5052(d)”.

22 (16) Section 5671 is amended by striking “or 5091”.

23 (17)(A) Part V of subchapter J of chapter 51 is here-
24 by repealed.

25 (B) The table of parts for such subchapter J is
26 amended by striking the item relating to part V.

27 (18)(A) Sections 5142, 5143, and 5145 are moved to
28 subchapter D of chapter 52, inserted after section 5731,
29 redesignated as sections 5732, 5733, and 5734, respec-
30 tively, and amended—

31 (i) by striking “this part” each place it appears
32 and inserting “this subchapter”, and

1 (ii) by striking “this subpart” in section
2 5732(c)(2) (as so redesignated) and inserting “this
3 subchapter”.

4 (B) Section 5732, as redesignated by subparagraph
5 (A), is amended by striking “(except the tax imposed by
6 section 5131)” each place it appears.

7 (C) Subsection (c) of section 5733, as redesignated by
8 subparagraph (A), is amended by striking paragraph (2)
9 and by redesignating paragraph (3) as paragraph (2).

10 (D) The table of sections for subchapter D of chapter
11 52 is amended by adding at the end thereof the following:

“Sec. 5732. Payment of tax.

“Sec. 5733. Provisions relating to liability for occupational
taxes.

“Sec. 5734. Application of State laws.”.

12 (E) Section 5731 is amended by striking subsection
13 (c) and by redesignating subsection (d) as subsection (e).

14 (19) Subsection (e) of section 6071 is amended by
15 striking “section 5142” and inserting “section 5732”.

16 (20) Paragraph (1) of section 7652(g) is amended—

17 (A) by striking “subpart F” and inserting “sub-
18 part B”, and

19 (B) by striking “section 5131(a)” and inserting
20 “section 5111(a)”.

21 (21) The table of sections for subchapter D of chapter
22 51 is amended by striking the item relating to section
23 5276.

24 (e) EFFECTIVE DATE.—The amendments made by this
25 section shall take effect on July 1, 2001, but shall not apply
26 to taxes imposed for periods before such date.

27 **SEC. 209. EXCLUSION FROM GROSS INCOME FOR CER-**
28 **TAIN FORGIVEN MORTGAGE OBLIGATIONS.**

29 (a) IN GENERAL.—Paragraph (1) of section 108(a) (relat-
30 ing to exclusion from gross income) is amended by striking
31 “or” at the end of both subparagraphs (A) and (C), by striking
32 the period at the end of subparagraph (D) and inserting “, or”,
33 and by inserting after subparagraph (D) the following new sub-
34 paragraph:

1 “(C) EXCEPTIONS.—Such term shall not include
2 qualified farm indebtedness or qualified real property
3 business indebtedness.”.

4 (c) CONFORMING AMENDMENTS.—

5 (1) Paragraph (2) of section 108(a) is amended—

6 (A) in subparagraph (A) by striking “and (D)”
7 and inserting “(D), and (E)”, and

8 (B) by amending subparagraph (B) to read as fol-
9 lows:

10 “(B) INSOLVENCY EXCLUSION TAKES PRECE-
11 DENCE OVER QUALIFIED FARM EXCLUSION, QUALIFIED
12 REAL PROPERTY BUSINESS EXCLUSION, AND QUALI-
13 FIED RESIDENTIAL INDEBTEDNESS EXCLUSION.—Sub-
14 paragraphs (C), (D), and (E) of paragraph (1) shall
15 not apply to a discharge to the extent the taxpayer is
16 insolvent.”.

17 (2) Paragraph (1) of section 108(b) is amended by
18 striking “or (C)” and inserting “(C), or (E)”.

19 (3) Subsection (c) of section 121 is amended by add-
20 ing at the end the following new paragraph:

21 “(3) SPECIAL RULE RELATING TO DISCHARGE OF IN-
22 DEBTEDNESS.—The amount of gain which (but for this
23 paragraph) would be excluded from gross income under
24 subsection (a) with respect to a principal residence shall be
25 reduced by the amount excluded from gross income under
26 section 108(a)(1)(E) with respect to such residence.”.

27 (d) EFFECTIVE DATE.—The amendments made by this
28 section shall apply to discharges after December 31, 2000.

29 **SEC. 210. CLARIFICATION OF CASH ACCOUNTING RULES**
30 **FOR SMALL BUSINESS.**

31 (a) CASH ACCOUNTING PERMITTED.—Section 446 (relat-
32 ing to general rule for methods of accounting) is amended by
33 adding at the end the following new subsection:

34 “(g) SMALL BUSINESS TAXPAYERS PERMITTED TO USE
35 CASH ACCOUNTING METHOD WITHOUT LIMITATION.—

36 “(1) IN GENERAL.—Notwithstanding any other provi-
37 sion of this title, an eligible taxpayer shall not be required

1 to use an accrual method of accounting for any taxable
2 year.

3 “(2) ELIGIBLE TAXPAYER.—For purposes of this
4 subsection—

5 “(A) IN GENERAL.—A taxpayer is an eligible tax-
6 payer with respect to any taxable year if, for all prior
7 taxable years beginning after October 31, 1999, the
8 taxpayer (or any predecessor) met the gross receipts
9 test of subparagraph (B).

10 “(B) GROSS RECEIPTS TEST.—A taxpayer meets
11 the gross receipts test of this subparagraph for any
12 prior taxable year if the average annual gross receipts
13 of the taxpayer (or any predecessor) for the 3-taxable-
14 year period ending with such prior taxable year does
15 not exceed \$2,500,000. The rules of paragraphs (2)
16 and (3) of section 448(c) shall apply for purposes of
17 the preceding sentence.”

18 (b) CLARIFICATION OF INVENTORY RULES FOR SMALL
19 BUSINESS.—Section 471 (relating to general rule for inven-
20 tories) is amended by redesignating subsection (c) as subsection
21 (d) and by inserting after subsection (b) the following new sub-
22 section:

23 “(c) SMALL BUSINESS TAXPAYERS NOT REQUIRED TO
24 USE INVENTORIES.—

25 “(1) IN GENERAL.—An eligible taxpayer shall not be
26 required to use inventories under this section for a taxable
27 year.

28 “(2) TREATMENT OF TAXPAYERS NOT USING INVEN-
29 TORIES.—If an eligible taxpayer elects not to use inven-
30 tories with respect to any property for any taxable year be-
31 ginning after the date of the enactment of this section,
32 such property shall be treated as a material or supply
33 which is not incidental.

34 “(3) ELIGIBLE TAXPAYER.—For purposes of this sub-
35 section, the term ‘eligible taxpayer’ has the meaning given
36 such term by section 446(g)(2).”.

37 (c) EFFECTIVE DATES.—

1 (1) IN GENERAL.—The amendments made by this sec-
2 tion shall apply to taxable years beginning after the date
3 of the enactment of this Act.

4 (2) CHANGE IN METHOD OF ACCOUNTING.—In the
5 case of any taxpayer required by the amendments made by
6 this section to change its method of accounting for any tax-
7 able year—

8 (A) such change shall be treated as initiated by
9 the taxpayer,

10 (B) such change shall be treated as made with the
11 consent of the Secretary of the Treasury, and

12 (C) the net amount of the adjustments required to
13 be taken into account by the taxpayer under section
14 481 of the Internal Revenue Code of 1986 shall be
15 taken into account over a period (not greater than 4
16 taxable years) beginning with such taxable year.

17 **SEC. 211. AMENDMENTS RELATING TO DEMAND DE-**
18 **POSIT ACCOUNTS AT DEPOSITORY INSTITU-**
19 **TIONS.**

20 (a) INTEREST-BEARING TRANSACTION ACCOUNTS AU-
21 THORIZED.—

22 (1) FEDERAL RESERVE ACT.—Section 19(i) of the
23 Federal Reserve Act (12 U.S.C. 371a) is amended by in-
24 serting at the end the following: “Notwithstanding any
25 other provision of this section, a member bank may permit
26 the owner of any deposit, any account which is a deposit,
27 or any account on which interest or dividends are paid to
28 make up to 24 transfers per month (or such greater num-
29 ber as the Board may determine by rule or order), for any
30 purpose, to a demand deposit account of the owner in the
31 same institution. With respect to an escrow account main-
32 tained in connection with a loan, a lender or servicer shall
33 pay interest on such account only if such payments are re-
34 quired by contract between the lender or servicer and the
35 borrower, or a specific statutory provision of the law of the
36 State in which the security property is located requires the
37 lender or servicer to make such payments. Nothing in this

1 subsection shall be construed to prevent an account offered
2 pursuant to this subsection from being considered a trans-
3 action account for purposes of this Act.”.

4 (2) HOME OWNERS’ LOAN ACT.—

5 (A) IN GENERAL.—Section 5(b)(1) of the Home
6 Owners’ Loan Act (12 U.S.C. 1464 (b)(1)) is amended
7 by adding at the end the following new subparagraph:

8 “(G) TRANSFERS.—Notwithstanding any other
9 provision of this paragraph, a Federal savings associa-
10 tion may permit the owner of any deposit or share, any
11 account which is a deposit or share, or any account on
12 which interest or dividends are paid to make up to 24
13 transfers per month (or such greater number as the
14 Board of Governors of the Federal Reserve System
15 may determine by rule or order under section 19(i) to
16 be permissible for member banks), for any purpose, to
17 a demand deposit account of the owner in the same in-
18 stitution. With respect to an escrow account main-
19 tained in connection with a loan, a lender or servicer
20 shall pay interest on such account only if such pay-
21 ments are required by contract between the lender or
22 servicer and the borrower, or a specific statutory provi-
23 sion of the law of the State in which the security prop-
24 erty is located requires the lender or servicer to make
25 such payments. Nothing in this subsection shall be con-
26 strued to prevent an account offered pursuant to this
27 subsection from being considered a transaction account
28 (as defined in section 19(b) of the Federal Reserve Act)
29 for purposes of the Federal Reserve Act.”.

30 (B) REPEAL.—Effective on at the end of the 2-
31 year period beginning on the date of enactment of this
32 Act, section 5(b)(1) of the Home Owners’ Loan Act
33 (12 U.S.C. 1464 (b)(1)) is amended by striking sub-
34 paragraph (G).

35 (3) FEDERAL DEPOSIT INSURANCE ACT.—Section
36 18(g) of the Federal Deposit Insurance Act (12 U.S.C.

1 1828(g)) is amended by adding at the end the following
2 new paragraph:

3 “(3) TRANSFERS.—Notwithstanding any other provi-
4 sion of this subsection, an insured nonmember bank or in-
5 sured State savings association may permit the owner of
6 any deposit or share, any account which is a deposit or
7 share, or any account on which interest or dividends are
8 paid to make up to 24 transfers per month (or such greater
9 number as the Board of Governors of the Federal Reserve
10 System may determine by rule or order under section 19(i)
11 to be permissible for member banks), for any purpose, to
12 a demand deposit account of the owner in the same institu-
13 tion. With respect to an escrow account maintained in con-
14 nection with a loan, a lender or servicer shall pay interest
15 on such account only if such payments are required by con-
16 tract between the lender or servicer and the borrower, or
17 a specific statutory provision of the law of the State in
18 which the security property is located requires the lender
19 or servicer to make such payments. Nothing in this sub-
20 section shall be construed to prevent an account offered
21 pursuant to this subsection from being considered a trans-
22 action account (as defined in section 19(b) of the Federal
23 Reserve Act) for purposes of the Federal Reserve Act.”

24 (b) REPEAL OF PROHIBITION ON PAYMENT OF INTEREST
25 ON DEMAND DEPOSITS.—

26 (1) FEDERAL RESERVE ACT.—Section 19(i) of the
27 Federal Reserve Act (12 U.S.C. 371a) is amended to read
28 as follows:

29 “(i) [Repealed]”.

30 (2) HOME OWNERS’ LOAN ACT.—The 1st sentence of
31 section 5(b)(1)(B) of the Home Owners’ Loan Act (12
32 U.S.C. 1464(b)(1)(B)) is amended by striking “savings as-
33 sociation may not—” and all that follows through “(ii) per-
34 mit any” and inserting “savings association may not permit
35 any”.

1 (3) FEDERAL DEPOSIT INSURANCE ACT.—Section
2 18(g) of the Federal Deposit Insurance Act (12 U.S.C.
3 1828(g)) is amended to read as follows:

4 “(g) [Repealed]”.

5 (c) EFFECTIVE DATE.—The amendments made by sub-
6 section (b) shall take effect at the end of the 2-year period be-
7 ginning on the date of the enactment of this Act.

8 **TITLE III—HEALTH INSURANCE**
9 **AND LONG-TERM CARE INSUR-**
10 **ANCE PROVISIONS**

11 **SEC. 301. DEDUCTION FOR 100 PERCENT OF HEALTH IN-**
12 **SURANCE COSTS OF SELF-EMPLOYED INDI-**
13 **VIDUALS.**

14 (a) IN GENERAL.—Paragraph (1) of section 162(l) is
15 amended to read as follows:

16 “(1) ALLOWANCE OF DEDUCTION.—In the case of an
17 individual who is an employee within the meaning of sec-
18 tion 401(c)(1), there shall be allowed as a deduction under
19 this section an amount equal to 100 percent of the amount
20 paid during the taxable year for insurance which con-
21 stitutes medical care for the taxpayer and the taxpayer’s
22 spouse and dependents.”.

23 (b) CLARIFICATION OF LIMITATIONS ON OTHER COV-
24 ERAGE.—The first sentence of section 162(l)(2)(B) is amended
25 to read as follows: “Paragraph (1) shall not apply to any tax-
26 payer for any calendar month for which the taxpayer partici-
27 pates in any subsidized health plan maintained by any employer
28 (other than an employer described in section 401(c)(4)) of the
29 taxpayer or the spouse of the taxpayer.”.

30 (c) EFFECTIVE DATE.—The amendments made by this
31 section shall apply to taxable years beginning after December
32 31, 2000.

1 **SEC. 302. DEDUCTION FOR HEALTH AND LONG-TERM**
 2 **CARE INSURANCE COSTS OF INDIVIDUALS**
 3 **NOT PARTICIPATING IN EMPLOYER-SUB-**
 4 **SIDIZED HEALTH PLANS.**

5 (a) IN GENERAL.—Part VII of subchapter B of chapter 1
 6 is amended by redesignating section 222 as section 223 and by
 7 inserting after section 221 the following new section:

8 **“SEC. 222. HEALTH AND LONG-TERM CARE INSURANCE**
 9 **COSTS.**

10 “(a) IN GENERAL.—In the case of an individual, there
 11 shall be allowed as a deduction an amount equal to the applica-
 12 ble percentage of the amount paid during the taxable year for
 13 insurance which constitutes medical care for the taxpayer and
 14 the taxpayer’s spouse and dependents.

15 “(b) APPLICABLE PERCENTAGE.—For purposes of sub-
 16 section (a), the applicable percentage shall be determined in ac-
 17 cordance with the following table:

“For taxable years beginning in calendar year—	The applicable percentage is—
2001, 2002, and 2003	25
2004	35
2005	65
2006 and thereafter	100.

18 “(c) LIMITATION BASED ON OTHER COVERAGE.—

19 “(1) COVERAGE UNDER CERTAIN SUBSIDIZED EM-
 20 PLOYER PLANS.—

21 “(A) IN GENERAL.—Subsection (a) shall not apply
 22 to any taxpayer for any calendar month for which the
 23 taxpayer participates in any health plan maintained by
 24 any employer of the taxpayer or of the spouse of the
 25 taxpayer if for such month 50 percent or more of the
 26 cost of coverage under such plan (determined under
 27 section 4980B and without regard to payments made
 28 with respect to any coverage described in subsection
 29 (e)) is paid or incurred by the employer.

30 “(B) EMPLOYER CONTRIBUTIONS TO CAFETERIA
 31 PLANS, FLEXIBLE SPENDING ARRANGEMENTS, AND
 32 MEDICAL SAVINGS ACCOUNTS.—Employer contributions
 33 to a cafeteria plan, a flexible spending or similar ar-

1 rangement, or a medical savings account which are ex-
2 cluded from gross income under section 106 shall be
3 treated for purposes of subparagraph (A) as paid by
4 the employer.

5 “(C) AGGREGATION OF PLANS OF EMPLOYER.—A
6 health plan which is not otherwise described in sub-
7 paragraph (A) shall be treated as described in such
8 subparagraph if such plan would be so described if all
9 health plans of persons treated as a single employer
10 under subsection (b), (c), (m), or (o) of section 414
11 were treated as one health plan.

12 “(D) SEPARATE APPLICATION TO HEALTH INSUR-
13 ANCE AND LONG-TERM CARE INSURANCE.—Subpara-
14 graphs (A) and (C) shall be applied separately with re-
15 spect to—

16 “(i) plans which include primarily coverage for
17 qualified long-term care services or are qualified
18 long-term care insurance contracts, and

19 “(ii) plans which do not include such coverage
20 and are not such contracts.

21 “(2) COVERAGE UNDER CERTAIN FEDERAL PRO-
22 GRAMS.—

23 “(A) IN GENERAL.—Subsection (a) shall not apply
24 to any amount paid for any coverage for an individual
25 for any calendar month if, as of the first day of such
26 month, the individual is covered under any medical care
27 program described in—

28 “(i) title XVIII, XIX, or XXI of the Social Se-
29 curity Act,

30 “(ii) chapter 55 of title 10, United States
31 Code,

32 “(iii) chapter 17 of title 38, United States
33 Code,

34 “(iv) chapter 89 of title 5, United States
35 Code, or

36 “(v) the Indian Health Care Improvement Act.

37 “(B) EXCEPTIONS.—

1 “(i) QUALIFIED LONG-TERM CARE.—Subpara-
2 graph (A) shall not apply to amounts paid for cov-
3 erage under a qualified long-term care insurance
4 contract.

5 “(ii) CONTINUATION COVERAGE OF FEHBP.—
6 Subparagraph (A)(iv) shall not apply to coverage
7 which is comparable to continuation coverage under
8 section 4980B.

9 “(d) LONG-TERM CARE DEDUCTION LIMITED TO QUALI-
10 FIED LONG-TERM CARE INSURANCE CONTRACTS.—In the case
11 of a qualified long-term care insurance contract, only eligible
12 long-term care premiums (as defined in section 213(d)(10))
13 may be taken into account under subsection (a).

14 “(e) DEDUCTION NOT AVAILABLE FOR PAYMENT OF AN-
15 CILLARY COVERAGE PREMIUMS.—Any amount paid as a pre-
16 mium for insurance which provides for—

17 “(1) coverage for accidents, disability, dental care, vi-
18 sion care, or a specified illness, or

19 “(2) making payments of a fixed amount per day (or
20 other period) by reason of being hospitalized,
21 shall not be taken into account under subsection (a).

22 “(f) SPECIAL RULES.—

23 “(1) COORDINATION WITH DEDUCTION FOR HEALTH
24 INSURANCE COSTS OF SELF-EMPLOYED INDIVIDUALS.—The
25 amount taken into account by the taxpayer in computing
26 the deduction under section 162(l) shall not be taken into
27 account under this section.

28 “(2) COORDINATION WITH MEDICAL EXPENSE DEDUC-
29 TION.—The amount taken into account by the taxpayer in
30 computing the deduction under this section shall not be
31 taken into account under section 213.

32 “(g) REGULATIONS.—The Secretary shall prescribe such
33 regulations as may be appropriate to carry out this section, in-
34 cluding regulations requiring employers to report to their em-
35 ployees and the Secretary such information as the Secretary
36 determines to be appropriate.”.

1 (b) DEDUCTION ALLOWED WHETHER OR NOT TAXPAYER
2 ITEMIZES OTHER DEDUCTIONS.—Subsection (a) of section 62
3 is amended by inserting after paragraph (17) the following new
4 item:

5 “(18) HEALTH AND LONG-TERM CARE INSURANCE
6 COSTS.—The deduction allowed by section 222.”.

7 (c) CLERICAL AMENDMENT.—The table of sections for
8 part VII of subchapter B of chapter 1 is amended by striking
9 the last item and inserting the following new items:

“Sec. 222. Health and long-term care insurance costs.
“Sec. 223. Cross reference.”.

10 (d) EFFECTIVE DATE.—The amendments made by this
11 section shall apply to taxable years beginning after December
12 31, 2000.

13 **SEC. 303. 2-YEAR EXTENSION OF AVAILABILITY OF MED-**
14 **ICAL SAVINGS ACCOUNTS.**

15 (a) IN GENERAL.—Paragraphs (2) and (3)(B) of section
16 220(i) (defining cut-off year) are each amended by striking
17 “2000” each place it appears and inserting “2002”.

18 (b) CONFORMING AMENDMENTS.—

19 (1) Paragraph (2) of section 220(j) is amended—

20 (A) by striking “1998 or 1999” each place it ap-
21 pears and inserting “1998, 1999, 2000, or 2001”, and

22 (B) by striking “600,000 (750,000 in the case of
23 1999)” and inserting “750,000 (600,000 in the case of
24 1998)”.

25 (2) Subparagraph (A) of section 220(j)(4) is amended
26 by striking “, 1998, and 1999” and inserting “and of each
27 calendar year after 1997 and before 2002”.

28 (c) EFFECTIVE DATE.—The amendments made by this
29 section shall take effect on the date of the enactment of this
30 Act.

31 **SEC. 304. ADDITIONAL CONSUMER PROTECTIONS FOR**
32 **LONG-TERM CARE INSURANCE.**

33 (a) ADDITIONAL PROTECTIONS APPLICABLE TO LONG-
34 TERM CARE INSURANCE.—Subparagraph (A) of section

1 7702B(g)(2) (relating to requirements of model regulation and
2 Act) is amended to read as follows:

3 “(A) IN GENERAL.—The requirements of this
4 paragraph are met with respect to any contract if such
5 contract meets—

6 “(i) MODEL REGULATION.—The following re-
7 quirements of the model regulation:

8 “(I) Section 6A (relating to guaranteed re-
9 newal or noncancellability), and the require-
10 ments of section 6B of the model Act relating
11 to such section 6A.

12 “(II) Section 6B (relating to prohibitions
13 on limitations and exclusions).

14 “(III) Section 6C (relating to extension of
15 benefits).

16 “(IV) Section 6D (relating to continuation
17 or conversion of coverage).

18 “(V) Section 6E (relating to discontinu-
19 ance and replacement of policies).

20 “(VI) Section 7 (relating to unintentional
21 lapse).

22 “(VII) Section 8 (relating to disclosure),
23 other than section 8F thereof.

24 “(VIII) Section 11 (relating to prohibi-
25 tions against post-claims underwriting).

26 “(IX) Section 12 (relating to minimum
27 standards).

28 “(X) Section 13 (relating to requirement
29 to offer inflation protection), except that any
30 requirement for a signature on a rejection of
31 inflation protection shall permit the signature
32 to be on an application or on a separate form.

33 “(XI) Section 25 (relating to prohibition
34 against preexisting conditions and probationary
35 periods in replacement policies or certificates).

36 “(XII) The provisions of section 26 relat-
37 ing to contingent nonforfeiture benefits, if the

1 policyholder declines the offer of a nonfor-
2 feiture provision described in paragraph (4).

3 “(ii) MODEL ACT.—The following require-
4 ments of the model Act:

5 “(I) Section 6C (relating to preexisting
6 conditions).

7 “(II) Section 6D (relating to prior hos-
8 pitalization).

9 “(III) The provisions of section 8 relating
10 to contingent nonforfeiture benefits, if the pol-
11 icyholder declines the offer of a nonforfeiture
12 provision described in paragraph (4).

13 “(B) DEFINITIONS.—For purposes of this
14 paragraph—

15 “(i) MODEL PROVISIONS.—The terms ‘model
16 regulation’ and ‘model Act’ mean the long-term
17 care insurance model regulation, and the long-term
18 care insurance model Act, respectively, promulgated
19 by the National Association of Insurance Commis-
20 sioners (as adopted as of September 2000).

21 “(ii) COORDINATION.—Any provision of the
22 model regulation or model Act listed under clause
23 (i) or (ii) of subparagraph (A) shall be treated as
24 including any other provision of such regulation or
25 Act necessary to implement the provision.

26 “(iii) DETERMINATION.—For purposes of this
27 section and section 4980C, the determination of
28 whether any requirement of a model regulation or
29 the model Act has been met shall be made by the
30 Secretary.”

31 (b) EXCISE TAX.—Paragraph (1) of section 4980C(c) (re-
32 lating to requirements of model provisions) is amended to read
33 as follows:

34 “(1) REQUIREMENTS OF MODEL PROVISIONS.—

35 “(A) MODEL REGULATION.—The following re-
36 quirements of the model regulation must be met:

1 “(i) Section 9 (relating to required disclosure
2 of rating practices to consumer).”

3 “(ii) Section 14 (relating to application forms
4 and replacement coverage).

5 “(iii) Section 15 (relating to reporting require-
6 ments), except that the issuer shall also report at
7 least annually the number of claims denied during
8 the reporting period for each class of business (ex-
9 pressed as a percentage of claims denied), other
10 than claims denied for failure to meet the waiting
11 period or because of any applicable preexisting con-
12 dition.

13 “(iv) Section 22 (relating to filing require-
14 ments for marketing).

15 “(v) Section 23 (relating to standards for mar-
16 keting), including inaccurate completion of medical
17 histories, other than paragraphs (1), (6), and (9)
18 of section 23C, except that—

19 “(I) in addition to such requirements, no
20 person shall, in selling or offering to sell a
21 qualified long-term care insurance contract,
22 misrepresent a material fact; and

23 “(II) no such requirements shall include a
24 requirement to inquire or identify whether a
25 prospective applicant or enrollee for long-term
26 care insurance has accident and sickness insur-
27 ance.

28 “(vi) Section 24 (relating to suitability).

29 “(vii) Section 29 (relating to standard format
30 outline of coverage).

31 “(viii) Section 30 (relating to requirement to
32 deliver shopper’s guide).

33 The requirements referred to in clause (vi) shall not in-
34 clude those portions of the personal worksheet de-
35 scribed in Appendix B relating to consumer protection
36 requirements not imposed by section 4980C or 7702B.

1 “(B) MODEL ACT.—The following requirements of
2 the model Act must be met:

3 “(i) Section 6F (relating to right to return),
4 except that such section shall also apply to denials
5 of applications and any refund shall be made within
6 30 days of the return or denial.

7 “(ii) Section 6G (relating to outline of cov-
8 erage).

9 “(iii) Section 6H (relating to requirements for
10 certificates under group plans).

11 “(iv) Section 6I (relating to policy summary).

12 “(v) Section 6J (relating to monthly reports
13 on accelerated death benefits).

14 “(vi) Section 7 (relating to incontestability pe-
15 riod).

16 “(C) DEFINITIONS.—For purposes of this para-
17 graph, the terms ‘model regulation’ and ‘model Act’
18 have the meanings given such terms by section
19 7702B(g)(2)(B).”

20 (c) EFFECTIVE DATE.—The amendments made by this
21 section shall apply to policies issued more than 1 year after the
22 date of the enactment of this Act.

23 **SEC. 305. DEDUCTION FOR PROVIDING LONG-TERM**
24 **CARE IN THE HOME TO HOUSEHOLD MEM-**
25 **BERS.**

26 (a) IN GENERAL.—Part VII of subchapter B of chapter 1
27 is amended by redesignating section 223 as section 224 and by
28 inserting after section 222 the following new section:

29 **“SEC. 223. PROVISION OF LONG-TERM CARE IN THE**
30 **HOME TO HOUSEHOLD MEMBERS.**

31 “(a) DEDUCTION ALLOWED.—

32 “(1) IN GENERAL.—There shall be allowed as a deduc-
33 tion for the taxable year an amount equal to the applicable
34 amount multiplied by the number of qualified family mem-
35 bers of the taxpayer for the taxable year.

36 “(2) APPLICABLE AMOUNT.—For purposes of para-
37 graph (1), the applicable amount for a taxable year shall

1 be the amount determined in accordance with the following
2 table:

“For taxable years beginning in:	The applicable amount is:
2001	\$3,000
2002	\$4,000
2003	\$5,000
2004	\$6,000
2005	\$7,000
2006	\$8,000
2007	\$9,000
2008 and thereafter	\$10,000.

3 “(b) LIMITATIONS.—

4 “(1) REDUCTION FOR AMOUNTS RECEIVED UNDER
5 LONG-TERM CARE INSURANCE POLICY.—The amount of the
6 deduction allowable under subsection (a) with respect to a
7 qualified family member shall be reduced (but not below
8 zero) by the amount received for the taxable year under a
9 long-term care insurance policy (whether or not such policy
10 is a qualified long-term care insurance contract under sec-
11 tion 7702B) with respect to which the insured is the quali-
12 fied family member.

13 “(2) PHASEOUT.—The amount of the deduction allow-
14 able under subsection (a) (after the application of para-
15 graph (1)) shall be reduced in the same manner as the ex-
16 emption amount is reduced under section 151(d)(3).

17 “(c) QUALIFIED FAMILY MEMBER.—For purposes of this
18 section—

19 “(1) IN GENERAL.—The term ‘qualified family mem-
20 ber’ means, with respect to any taxable year, any
21 individual—

22 “(A) who is—

23 “(i) the taxpayer’s spouse, or

24 “(ii) an individual who bears a relationship to
25 the taxpayer described in any of paragraphs (1)
26 through (8) of section 152(a),

27 “(B) who is a member for the entire taxable year
28 of the household maintained by the taxpayer,

1 “(C) whose gross income for the calendar year in
2 which the taxable year of the taxpayer begins is less
3 than the sum of—

4 “(i) the exemption amount (as defined in sec-
5 tion 151(d)), and

6 “(ii) the standard deduction, and

7 “(D) who has been certified, before the due date
8 for filing the return of tax for the taxable year (without
9 extensions), by a physician (as defined in section
10 1861(r)(1) of the Social Security Act) as being an indi-
11 vidual described in paragraph (3) for a period—

12 “(i) which is at least 180 consecutive days,
13 and

14 “(ii) a portion of which occurs within the tax-
15 able year.

16 “(2) SPECIAL RULES.—

17 “(A) FREQUENCY OF CERTIFICATION.—The term
18 ‘qualified family member’ shall not include any indi-
19 vidual otherwise meeting the requirements of para-
20 graph (1)(D) unless the certification is made within the
21 39½ month period ending on the due date (or such
22 other period as the Secretary prescribes).

23 “(B) GROSS INCOME TEST NOT TO APPLY TO CER-
24 TAIN INDIVIDUALS.—Paragraph (1)(C) shall not apply
25 to—

26 “(i) the spouse of the taxpayer,

27 “(ii) any child of the taxpayer described in
28 section 151(c)(1)(B), and

29 “(iii) any gross income which is not taken into
30 account under paragraph (1)(B) of section 151(c)
31 by reason of paragraph (5) thereof.

32 “(3) INDIVIDUALS WITH LONG-TERM CARE NEEDS.—
33 An individual is described in this paragraph if the indi-
34 vidual meets any of the following requirements:

35 “(A) The individual is at least 6 years of age
36 and—

1 “(i) is unable to perform (without substantial
2 assistance from another individual) at least 3 ac-
3 tivities of daily living (as defined in section
4 7702B(c)(2)(B)) due to a loss of functional capac-
5 ity, or

6 “(ii) requires substantial supervision to protect
7 such individual from threats to health and safety
8 due to severe cognitive impairment, and

9 “(I) is unable to perform, without remind-
10 ing or cuing assistance, at least 1 activity of
11 daily living (as so defined), or

12 “(II) to the extent provided in regulations
13 prescribed by the Secretary (in consultation
14 with the Secretary of Health and Human Serv-
15 ices), is unable to engage in age appropriate
16 activities.

17 “(B) The individual is at least 2 but not 6 years
18 of age and is unable due to a loss of functional capacity
19 to perform (without substantial assistance from an-
20 other individual) at least 2 of the following activities:
21 eating, transferring, or mobility.

22 “(C) The individual is under 2 years of age and
23 requires specific durable medical equipment by reason
24 of a severe health condition or requires a skilled practi-
25 tioner trained to address the individual’s condition to
26 be available if the individual’s parents or guardians are
27 absent.

28 “(d) SPECIAL RULES.—

29 “(1) IDENTIFICATION REQUIREMENT.—No deduction
30 shall be allowed under this section to a taxpayer with re-
31 spect to any qualified family member unless the taxpayer
32 includes the name and taxpayer identification number of
33 such member, and the identification number of the physi-
34 cian certifying such member, on the return of tax for the
35 taxable year.

36 “(2) TAXABLE YEAR MUST BE FULL TAXABLE
37 YEAR.—No deduction shall be allowable under this section

1 in the case of a taxable year covering a period of less than
2 12 months, except that in the case of a taxable year closed
3 by the death of a taxpayer a ratable portion of the deduc-
4 tion shall be allowable.

5 “(3) SPECIAL RULES.—Rules similar to the rules of
6 paragraphs (1), (2), (3), (4), and (5) of section 21(e) shall
7 apply for purposes of this subsection.”

8 (b) DEDUCTION ALLOWABLE WHETHER OR NOT TAX-
9 PAYER ITEMIZES OTHER DEDUCTIONS.—

10 (1) Subsection (b) of section 63 is amended by strik-
11 ing “and” at the end of paragraph (1), by striking the pe-
12 riod at the end of paragraph (2) and inserting “, and”, and
13 by adding at the end the following new paragraph:

14 “(3) the deduction allowed by section 223.”

15 (2) Subsection (d) of section 63 is amended by strik-
16 ing “and” at the end of paragraph (1), by striking the pe-
17 riod at the end of paragraph (2) and inserting “, and”, and
18 by adding at the end the following new paragraph:

19 “(3) the deduction allowed by section 223.”

20 (c) CONFORMING AMENDMENTS.—

21 (1) Section 6213(g)(2) is amended by striking “and”
22 at the end of subparagraph (K), by striking the period at
23 the end of subparagraph (L) and inserting “, and”, and by
24 inserting after subparagraph (L) the following new sub-
25 paragraph:

26 “(M) an omission of a correct TIN or physician
27 identification number required under section 223(d)(1)
28 (relating to deduction for provision of long-term care in
29 the home to household members) to be included on a
30 return.”

31 (2) The table of sections for part VII of subchapter
32 B of chapter 1 is amended by striking the last item and
33 inserting the following new items:

“Sec. 223. Provision of long-term care in the home to house-
hold members.

“Sec. 224. Cross reference.”

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

TITLE IV—PENSION AND INDIVIDUAL RETIREMENT ARRANGEMENT PROVISIONS

SEC. 400. SHORT TITLE.

This title may be cited as the “Retirement Savings and Pension Coverage Act of 2000”.

Subtitle A—Individual Retirement Accounts

SEC. 401. MODIFICATION OF IRA CONTRIBUTION LIMITS.

(a) INCREASE IN CONTRIBUTION LIMIT.—

(1) IN GENERAL.—Paragraph (1)(A) of section 219(b) (relating to maximum amount of deduction) is amended by striking “\$2,000” and inserting “the deductible amount”.

(2) DEDUCTIBLE AMOUNT.—Section 219(b) is amended by adding at the end the following new paragraph:

“(5) DEDUCTIBLE AMOUNT.—For purposes of paragraph (1)(A)—

“(A) IN GENERAL.—The deductible amount shall be determined in accordance with the following table:

“For taxable years beginning in:	The deductible amount is:
2001	\$3,000
2002	\$4,000
2003 and thereafter	\$5,000.

“(B) CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS 50 OR OLDER.—

“(i) IN GENERAL.—In the case of an individual who has attained the age of 50 before the close of the taxable year, the deductible amount for such taxable year (determined without regard to this subparagraph) shall be increased by the applicable catch-up amount.

“(ii) APPLICABLE CATCH-UP AMOUNT.—For purposes of clause (i), the applicable catch-up

1 amount shall be the amount determined in accord-
 2 ance with the following table:

“For taxable years beginning in:	The applicable catch-up amount is:
2001	\$500
2002	\$1,000
2003 and thereafter	\$1,500.

3 “(C) COST-OF-LIVING ADJUSTMENT.—

4 “(i) IN GENERAL.—In the case of any taxable
 5 year beginning in a calendar year after 2003, the
 6 \$5,000 amount under subparagraph (A) and the
 7 \$1,500 amount under subparagraph (B) shall each
 8 be increased by an amount equal to—

9 “(I) such dollar amount, multiplied by

10 “(II) the cost-of-living adjustment deter-
 11 mined under section 1(f)(3) for the calendar
 12 year in which the taxable year begins, deter-
 13 mined by substituting ‘calendar year 2002’ for
 14 ‘calendar year 1992’ in subparagraph (B)
 15 thereof.

16 “(ii) ROUNDING RULES.—If any amount after
 17 adjustment under clause (i) is not a multiple of
 18 \$500, such amount shall be rounded to the next
 19 lower multiple of \$500.”.

20 (b) INCREASE IN AGI LIMITS FOR ACTIVE PARTICI-
 21 PANTS.—

22 (1) JOINT RETURNS.—The table in clause (i) of sec-
 23 tion 219(g)(3)(B) (relating to applicable dollar amount) is
 24 amended to read as follows:

“For taxable years beginning in calendar year:	The applicable dollar amount:
2001	\$56,000
2002	\$60,000
2003	\$64,000
2004	\$68,000
2005	\$72,000
2006	\$76,000
2007 or thereafter	\$80,000.”.

1 (2) OTHER TAXPAYERS.—Section 219(g)(3)(B) (relat-
 2 ing to applicable dollar amount) is amended by striking
 3 clauses (ii) and (iii) and inserting the following:

4 “(ii) In the case of any other taxpayer:

“For taxable years beginning in calendar year:	The applicable dollar amount:
2001	\$36,000
2002	\$40,000
2003	\$44,000
2004	\$48,000
2005 or thereafter	\$50,000.”.

5 (e) CONFORMING AMENDMENTS.—

6 (1) Section 408(a)(1) is amended by striking “in ex-
 7 cess of \$2,000 on behalf of any individual” and inserting
 8 “on behalf of any individual in excess of the amount in ef-
 9 fect for such taxable year under section 219(b)(1)(A)”.

10 (2) Section 408(b)(2)(B) is amended by striking
 11 “\$2,000” and inserting “the dollar amount in effect under
 12 section 219(b)(1)(A)”.

13 (3) Section 408(b) is amended by striking “\$2,000” in
 14 the matter following paragraph (4) and inserting “the dol-
 15 lar amount in effect under section 219(b)(1)(A)”.

16 (4) Section 408(j) is amended by striking “\$2,000”.

17 (5) Section 408(p)(8) is amended by striking
 18 “\$2,000” and inserting “the dollar amount in effect under
 19 section 219(b)(1)(A)”.

20 (d) EFFECTIVE DATE.—The amendments made by this
 21 section shall apply to taxable years beginning after December
 22 31, 2000.

23 **SEC. 402. DEEMED IRAS UNDER EMPLOYER PLANS.**

24 (a) IN GENERAL.—Section 408 (relating to individual re-
 25 tirement accounts) is amended by redesignating subsection (q)
 26 as subsection (r) and by inserting after subsection (p) the fol-
 27 lowing new subsection:

28 “(q) DEEMED IRAS UNDER QUALIFIED EMPLOYER
 29 PLANS.—

30 “(1) GENERAL RULE.—If—

1 “(A) a qualified employer plan elects to allow em-
2 ployees to make voluntary employee contributions to a
3 separate account or annuity established under the plan,
4 and

5 “(B) under the terms of the qualified employer
6 plan, such account or annuity meets the applicable re-
7 quirements of this section or section 408A for an indi-
8 vidual retirement account or annuity,

9 then such account or annuity shall be treated for purposes
10 of this title in the same manner as an individual retirement
11 plan and not as a qualified employer plan (and contribu-
12 tions to such account or annuity as contributions to an in-
13 dividual retirement plan and not to the qualified employer
14 plan). For purposes of subparagraph (B), the requirements
15 of subsection (a)(5) shall not apply.

16 “(2) SPECIAL RULES FOR QUALIFIED EMPLOYER
17 PLANS.—For purposes of this title, a qualified employer
18 plan shall not fail to meet any requirement of this title
19 solely by reason of establishing and maintaining a program
20 described in paragraph (1).

21 “(3) DEFINITIONS.—For purposes of this
22 subsection—

23 “(A) QUALIFIED EMPLOYER PLAN.—The term
24 ‘qualified employer plan’ has the meaning given such
25 term by section 72(p)(4); except such term shall only
26 include an eligible deferred compensation plan (as de-
27 fined in section 457(b)) which is maintained by an eli-
28 gible employer described in section 457(e)(1)(A).

29 “(B) VOLUNTARY EMPLOYEE CONTRIBUTION.—
30 The term ‘voluntary employee contribution’ means any
31 contribution (other than a mandatory contribution
32 within the meaning of section 411(c)(2)(C))—

33 “(i) which is made by an individual as an em-
34 ployee under a qualified employer plan which allows
35 employees to elect to make contributions described
36 in paragraph (1), and

1 “(ii) with respect to which the individual has
2 designated the contribution as a contribution to
3 which this subsection applies.”.

4 (b) AMENDMENT OF ERISA.—

5 (1) IN GENERAL.—Section 4 of the Employee Retirement
6 Income Security Act of 1974 (29 U.S.C. 1003) is
7 amended by adding at the end the following new sub-
8 section:

9 “(c) If a pension plan allows an employee to elect to make
10 voluntary employee contributions to accounts and annuities as
11 provided in section 408(q) of the Internal Revenue Code of
12 1986, such accounts and annuities (and contributions thereto)
13 shall not be treated as part of such plan (or as a separate pen-
14 sion plan) for purposes of any provision of this title other than
15 section 403(c), 404, or 405 (relating to exclusive benefit, and
16 fiduciary and co-fiduciary responsibilities).”.

17 (2) CONFORMING AMENDMENT.—Section 4(a) of such
18 Act (29 U.S.C. 1003(a)) is amended by inserting “or (c)”
19 after “subsection (b)”.

20 (c) EFFECTIVE DATE.—The amendments made by this
21 section shall apply to plan years beginning after December 31,
22 2001.

23 **SEC. 403. TAX-FREE DISTRIBUTIONS FROM INDIVIDUAL**
24 **RETIREMENT ACCOUNTS FOR CHARITABLE**
25 **PURPOSES.**

26 (a) IN GENERAL.—Subsection (d) of section 408 (relating
27 to individual retirement accounts) is amended by adding at the
28 end the following new paragraph:

29 “(8) DISTRIBUTIONS FOR CHARITABLE PURPOSES.—

30 “(A) IN GENERAL.—In the case of a qualified
31 charitable distribution, no amount shall be includible in
32 the gross income of the account holder or beneficiary.

33 “(B) QUALIFIED CHARITABLE DISTRIBUTION.—
34 For purposes of this paragraph, the term ‘qualified
35 charitable distribution’ means any distribution from an
36 individual retirement account—

1 “(i) which is made on or after the date that
2 the individual for whose benefit the account is
3 maintained has attained age 70½, and

4 “(ii) which is a charitable contribution (as de-
5 fined in section 170(c)) made directly from the ac-
6 count to an organization or entity described in sec-
7 tion 170(c).

8 “(C) DENIAL OF DEDUCTION.—The amount allow-
9 able as a deduction to the taxpayer for the taxable year
10 under section 170 (before the application of section
11 170(b)) for qualified charitable distributions shall be
12 reduced (but not below zero) by the sum of the
13 amounts of the qualified charitable distributions during
14 such year which (but for this paragraph) would have
15 been includible in the gross income of the taxpayer for
16 such year.”.

17 (b) EFFECTIVE DATE.—The amendment made by sub-
18 section (a) shall apply to taxable years beginning after Decem-
19 ber 31, 2000.

20 **SEC. 404. MODIFICATION OF AGI LIMITS FOR ROTH**
21 **IRAS.**

22 (a) INCREASE IN AGI LIMIT FOR ROTH IRA CONTRIBU-
23 TIONS.—

24 (1) IN GENERAL.—Section 408A(c)(3)(C)(ii) (relating
25 to limits based on modified adjusted gross income) is
26 amended to read as follows:

27 “(ii) the applicable dollar amount is—

28 “(I) in the case of a taxpayer filing a joint
29 return, \$190,000, and

30 “(II) in the case of any other taxpayer,
31 \$95,000.”.

32 (2) PHASEOUT AMOUNT.—Clause (ii) of section
33 408A(c)(3)(A) is amended to read as follows:

34 “(ii) \$15,000 (\$30,000 in the case of a joint
35 return).”.

36 (b) INCREASE IN AGI LIMIT FOR ROTH IRA CONVER-
37 SIONS.—Section 408A(c)(3)(B) (relating to rollover from IRA)

1 is amended by striking “relates” and all that follows and in-
2 serting “relates, the taxpayer’s adjusted gross income exceeds
3 \$100,000 (\$200,000 in the case of a joint return).”.

4 (c) CONFORMING AMENDMENT.—Section 408A(c)(3) is
5 amended by striking subparagraph (D).

6 (d) EFFECTIVE DATE.—The amendments made by this
7 section shall apply to taxable years beginning after December
8 31, 2000.

9 **Subtitle B—Expanding Coverage**

10 **SEC. 411. INCREASE IN BENEFIT AND CONTRIBUTION** 11 **LIMITS.**

12 (a) DEFINED BENEFIT PLANS.—

13 (1) DOLLAR LIMIT.—

14 (A) Subparagraph (A) of section 415(b)(1) (relat-
15 ing to limitation for defined benefit plans) is amended
16 by striking “\$90,000” and inserting “\$160,000”.

17 (B) Subparagraphs (C) and (D) of section
18 415(b)(2) are each amended by striking “\$90,000”
19 each place it appears in the headings and the text and
20 inserting “\$160,000”.

21 (C) Paragraph (7) of section 415(b) (relating to
22 benefits under certain collectively bargained plans) is
23 amended by striking “the greater of \$68,212 or one-
24 half the amount otherwise applicable for such year
25 under paragraph (1)(A) for ‘\$90,000’” and inserting
26 “one-half the amount otherwise applicable for such
27 year under paragraph (1)(A) for ‘\$160,000’”.

28 (2) LIMIT REDUCED WHEN BENEFIT BEGINS BEFORE
29 AGE 62.—Subparagraph (C) of section 415(b)(2) is amend-
30 ed by striking “the social security retirement age” each
31 place it appears in the heading and text and inserting “age
32 62” and by striking the second sentence.

33 (3) LIMIT INCREASED WHEN BENEFIT BEGINS AFTER
34 AGE 65.—Subparagraph (D) of section 415(b)(2) is amend-
35 ed by striking “the social security retirement age” each
36 place it appears in the heading and text and inserting “age
37 65”.

1 (4) COST-OF-LIVING ADJUSTMENTS.—Subsection (d)
2 of section 415 (related to cost-of-living adjustments) is
3 amended—

4 (A) by striking “\$90,000” in paragraph (1)(A)
5 and inserting “\$160,000”; and

6 (B) in paragraph (3)(A)—

7 (i) by striking “\$90,000” in the heading and
8 inserting “\$160,000”; and

9 (ii) by striking “October 1, 1986” and insert-
10 ing “July 1, 2000”.

11 (5) CONFORMING AMENDMENTS.—

12 (A) Section 415(b)(2) is amended by striking sub-
13 paragraph (F).

14 (B) Section 415(b)(9) is amended to read as fol-
15 lows:

16 “(9) SPECIAL RULE FOR COMMERCIAL AIRLINE PI-
17 LOTS.—In the case of any participant who is a com-
18 mercial airline pilot, if, as of the time of the partici-
19 pant’s retirement, regulations prescribed by the Federal
20 Aviation Administration require an individual to sepa-
21 rate from service as a commercial airline pilot after at-
22 taining any age occurring on or after age 60 and before
23 age 62, paragraph (2)(C) shall be applied by sub-
24 stituting such age for age 62.”.

25 (C) Section 415(b)(10)(C)(i) is amended by strik-
26 ing “applied without regard to paragraph (2)(F)”.

27 (b) DEFINED CONTRIBUTION PLANS.—

28 (1) DOLLAR LIMIT.—Subparagraph (A) of section
29 415(c)(1) (relating to limitation for defined contribution
30 plans) is amended by striking “\$30,000” and inserting
31 “\$40,000”.

32 (2) COST-OF-LIVING ADJUSTMENTS.—Subsection (d)
33 of section 415 (related to cost-of-living adjustments) is
34 amended—

35 (A) by striking “\$30,000” in paragraph (1)(C)
36 and inserting “\$40,000”; and

37 (B) in paragraph (3)(D)—

1 (i) by striking “\$30,000” in the heading and
2 inserting “\$40,000”; and

3 (ii) by striking “October 1, 1993” and insert-
4 ing “July 1, 2000”.

5 (3) CONFORMING AMENDMENTS.—

6 (A) IN GENERAL.—Section 664(g)(3)(E) (relating
7 to plan requirements) is amended by striking “limita-
8 tions under section 415(c)(1)“ and inserting “applica-
9 ble limitation under paragraph (7)”.

10 (B) APPLICABLE LIMITATION.—Section 664(g)
11 (relating to qualified gratuitous transfer of qualified
12 employer securities) is amended by adding at the end
13 the following new paragraph:

14 “(7) APPLICABLE LIMITATION.—

15 “(A) IN GENERAL.—For purposes of paragraph
16 (3)(E), the applicable limitation under this paragraph
17 with respect to a participant is an amount equal to the
18 lesser of—

19 “(i) \$30,000, or

20 “(ii) 25 percent of the participant’s compensa-
21 tion (as defined in section 415(c)(3)).

22 “(B) COST-OF-LIVING ADJUSTMENT.—The Sec-
23 retary shall adjust annually the \$30,000 amount under
24 subparagraph (A)(i) at the same time and in the same
25 manner as under section 415(d), except that the base
26 period shall be the calendar quarter beginning October
27 1, 1993, and any increase under this subparagraph
28 which is not a multiple of \$5,000 shall be rounded to
29 the next lowest multiple of \$5,000.”.

30 (c) QUALIFIED TRUSTS.—

31 (1) COMPENSATION LIMIT.—Sections 401(a)(17),
32 404(l), 408(k), and 505(b)(7) are each amended by strik-
33 ing “\$150,000” each place it appears and inserting
34 “\$200,000”.

35 (2) BASE PERIOD AND ROUNDING OF COST-OF-LIVING
36 ADJUSTMENT.—Subparagraph (B) of section 401(a)(17) is
37 amended—

1 (A) by striking “October 1, 1993” and inserting
2 “July 1, 2000”; and

3 (B) by striking “\$10,000” both places it appears
4 and inserting “\$5,000”.

5 (d) ELECTIVE DEFERRALS.—

6 (1) IN GENERAL.—Paragraph (1) of section 402(g)
7 (relating to limitation on exclusion for elective deferrals) is
8 amended to read as follows:

9 “(1) IN GENERAL.—

10 “(A) LIMITATION.—Notwithstanding subsections
11 (e)(3) and (h)(1)(B), the elective deferrals of any indi-
12 vidual for any taxable year shall be included in such in-
13 dividual’s gross income to the extent the amount of
14 such deferrals for the taxable year exceeds the applica-
15 ble dollar amount.

16 “(B) APPLICABLE DOLLAR AMOUNT.—For pur-
17 poses of subparagraph (A), the applicable dollar
18 amount shall be the amount determined in accordance
19 with the following table:

“For taxable years beginning in calendar year:	The applicable dollar amount:
2001	\$11,000
2002	\$12,000
2003	\$13,000
2004	\$14,000
2005 or thereafter	\$15,000.”.

20 (2) COST-OF-LIVING ADJUSTMENT.—Paragraph (5) of
21 section 402(g) is amended to read as follows:

22 “(5) COST-OF-LIVING ADJUSTMENT.—In the case of
23 taxable years beginning after December 31, 2005, the Sec-
24 retary shall adjust the \$15,000 amount under paragraph
25 (1)(B) at the same time and in the same manner as under
26 section 415(d), except that the base period shall be the cal-
27 endar quarter beginning July 1, 2004, and any increase
28 under this paragraph which is not a multiple of \$500 shall
29 be rounded to the next lowest multiple of \$500.”.

30 (3) CONFORMING AMENDMENTS.—

1 (A) Section 402(g) (relating to limitation on exclu-
 2 sion for elective deferrals), as amended by paragraphs
 3 (1) and (2), is further amended by striking paragraph
 4 (4) and redesignating paragraphs (5), (6), (7), (8), and
 5 (9) as paragraphs (4), (5), (6), (7), and (8), respec-
 6 tively.

7 (B) Paragraph (2) of section 457(c) is amended
 8 by striking “402(g)(8)(A)(iii)” and inserting
 9 “402(g)(7)(A)(iii)”.

10 (C) Clause (iii) of section 501(c)(18)(D) is amend-
 11 ed by striking “(other than paragraph (4) thereof)”.

12 (e) DEFERRED COMPENSATION PLANS OF STATE AND
 13 LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.—

14 (1) IN GENERAL.—Section 457 (relating to deferred
 15 compensation plans of State and local governments and
 16 tax-exempt organizations) is amended—

17 (A) in subsections (b)(2)(A) and (c)(1) by striking
 18 “\$7,500” each place it appears and inserting “the ap-
 19 plicable dollar amount”; and

20 (B) in subsection (b)(3)(A) by striking “\$15,000”
 21 and inserting “twice the dollar amount in effect under
 22 subsection (b)(2)(A)”.

23 (2) APPLICABLE DOLLAR AMOUNT; COST-OF-LIVING
 24 ADJUSTMENT.—Paragraph (15) of section 457(e) is
 25 amended to read as follows:

26 “(15) APPLICABLE DOLLAR AMOUNT.—

27 “(A) IN GENERAL.—The applicable dollar amount
 28 shall be the amount determined in accordance with the
 29 following table:

“For taxable years beginning in calendar year:	The applicable dollar amount:
2001	\$11,000
2002	\$12,000
2003	\$13,000
2004	\$14,000
2005 or thereafter	\$15,000.

30 “(B) COST-OF-LIVING ADJUSTMENTS.—In the case
 31 of taxable years beginning after December 31, 2005,

1 the Secretary shall adjust the \$15,000 amount under
 2 subparagraph (A) at the same time and in the same
 3 manner as under section 415(d), except that the base
 4 period shall be the calendar quarter beginning July 1,
 5 2004, and any increase under this paragraph which is
 6 not a multiple of \$500 shall be rounded to the next
 7 lowest multiple of \$500.”.

8 (f) SIMPLE RETIREMENT ACCOUNTS.—

9 (1) LIMITATION.—Clause (ii) of section 408(p)(2)(A)
 10 (relating to general rule for qualified salary reduction ar-
 11 rangement) is amended by striking “\$6,000” and inserting
 12 “the applicable dollar amount”.

13 (2) APPLICABLE DOLLAR AMOUNT.—Subparagraph
 14 (E) of 408(p)(2) is amended to read as follows:

15 “(E) APPLICABLE DOLLAR AMOUNT; COST-OF-LIV-
 16 ING ADJUSTMENT.—

17 “(i) IN GENERAL.—For purposes of subpara-
 18 graph (A)(ii), the applicable dollar amount shall be
 19 the amount determined in accordance with the fol-
 20 lowing table:

“For taxable years beginning in calendar year:	The applicable dollar amount:
2001	\$7,000
2002	\$8,000
2003	\$9,000
2004 or thereafter	\$10,000.

21 “(ii) COST-OF-LIVING ADJUSTMENT.—In the
 22 case of a year beginning after December 31, 2004,
 23 the Secretary shall adjust the \$10,000 amount
 24 under clause (i) at the same time and in the same
 25 manner as under section 415(d), except that the
 26 base period taken into account shall be the cal-
 27 endar quarter beginning July 1, 2003, and any in-
 28 crease under this subparagraph which is not a mul-
 29 tiple of \$500 shall be rounded to the next lower
 30 multiple of \$500.”.

31 (3) CONFORMING AMENDMENTS.—

1 (A) Subclause (I) of section 401(k)(11)(B)(i) is
2 amended by striking “\$6,000” and inserting “the
3 amount in effect under section 408(p)(2)(A)(ii)”.

4 (B) Section 401(k)(11) is amended by striking
5 subparagraph (E).

6 (g) ROUNDING RULE RELATING TO DEFINED BENEFIT
7 PLANS AND DEFINED CONTRIBUTION PLANS.—Paragraph (4)
8 of section 415(d) is amended to read as follows:

9 “(4) ROUNDING.—

10 “(A) \$160,000 AMOUNT.—Any increase under
11 subparagraph (A) of paragraph (1) which is not a mul-
12 tiple of \$5,000 shall be rounded to the next lowest mul-
13 tiple of \$5,000.

14 “(B) \$40,000 AMOUNT.—Any increase under sub-
15 paragraph (C) of paragraph (1) which is not a multiple
16 of \$1,000 shall be rounded to the next lowest multiple
17 of \$1,000.”.

18 (h) EFFECTIVE DATE.—The amendments made by this
19 section shall apply to years beginning after December 31, 2000.

20 **SEC. 412. PLAN LOANS FOR SUBCHAPTER S OWNERS,**
21 **PARTNERS, AND SOLE PROPRIETORS.**

22 (a) IN GENERAL.—Subparagraph (B) of section
23 4975(f)(6) (relating to exemptions not to apply to certain
24 transactions) is amended by adding at the end the following
25 new clause:

26 “(iii) LOAN EXCEPTION.—For purposes of
27 subparagraph (A)(i), the term ‘owner-employee’
28 shall only include a person described in subclause
29 (II) or (III) of clause (i).”.

30 (b) AMENDMENT OF ERISA.—Section 408(d)(2) of the
31 Employee Retirement Income Security Act of 1974 (29 U.S.C.
32 1108(d)(2)) is amended by adding at the end the following new
33 subparagraph:

34 “(C) For purposes of paragraph (1)(A), the term ‘owner-
35 employee’ shall only include a person described in clause (ii) or
36 (iii) of subparagraph (A).”.

1 (c) EFFECTIVE DATE.—The amendment made by this sec-
2 tion shall apply to years beginning after December 31, 2000.

3 **SEC. 413. MODIFICATION OF TOP-HEAVY RULES.**

4 (a) SIMPLIFICATION OF DEFINITION OF KEY EM-
5 PLOYEE.—

6 (1) IN GENERAL.—Section 416(i)(1)(A) (defining key
7 employee) is amended—

8 (A) by striking “or any of the 4 preceding plan
9 years” in the matter preceding clause (i);

10 (B) by striking clause (i) and inserting the fol-
11 lowing:

12 “(i) an officer of the employer having an an-
13 nual compensation greater than \$115,000,”;

14 (C) by striking clause (ii) and redesignating
15 clauses (iii) and (iv) as clauses (ii) and (iii), respec-
16 tively; and

17 (D) by striking the second sentence in the matter
18 following clause (iii), as redesignated by subparagraph
19 (C).

20 (2) COST-OF-LIVING ADJUSTMENT.—Section 416(i)(1)
21 is amended by adding at the end the following new sub-
22 paragraph:

23 “(E) COST-OF-LIVING ADJUSTMENT.—In the case
24 of a year beginning after December 31, 2001, the Sec-
25 retary shall adjust the \$115,000 amount under sub-
26 paragraph (A)(i) at the same time and in the same
27 manner as under section 415(d), except that the base
28 period taken into account shall be the calendar quarter
29 beginning July 1, 2000, and any increase under this
30 subparagraph which is not a multiple of \$5,000 shall
31 be rounded to the next lower multiple of \$5,000.”.

32 (3) CONFORMING AMENDMENT.—Section
33 416(i)(1)(B)(iii) is amended by striking “and subparagraph
34 (A)(ii)”.

35 (b) MATCHING CONTRIBUTIONS TAKEN INTO ACCOUNT
36 FOR MINIMUM CONTRIBUTION REQUIREMENTS.—Section
37 416(c)(2)(A) (relating to defined contribution plans) is amend-

1 ed by adding at the end the following: “Employer matching
2 contributions (as defined in section 401(m)(4)(A)) shall be
3 taken into account for purposes of this subparagraph.”.

4 (c) DISTRIBUTIONS DURING LAST YEAR BEFORE DETER-
5 MINATION DATE TAKEN INTO ACCOUNT.—

6 (1) IN GENERAL.—Paragraph (3) of section 416(g) is
7 amended to read as follows:

8 “(3) DISTRIBUTIONS DURING LAST YEAR BEFORE DE-
9 TERMINATION DATE TAKEN INTO ACCOUNT.—

10 “(A) IN GENERAL.—For purposes of
11 determining—

12 “(i) the present value of the cumulative ac-
13 crued benefit for any employee, or

14 “(ii) the amount of the account of any em-
15 ployee,

16 such present value or amount shall be increased by the
17 aggregate distributions made with respect to such em-
18 ployee under the plan during the 1-year period ending
19 on the determination date. The preceding sentence
20 shall also apply to distributions under a terminated
21 plan which if it had not been terminated would have
22 been required to be included in an aggregation group.

23 “(B) 5-YEAR PERIOD IN CASE OF IN-SERVICE DIS-
24 TRIBUTION.—In the case of any distribution made for
25 a reason other than separation from service, death, or
26 disability, subparagraph (A) shall be applied by sub-
27 stituting ‘5-year period’ for ‘1-year period’.”.

28 (2) BENEFITS NOT TAKEN INTO ACCOUNT.—Subpara-
29 graph (E) of section 416(g)(4) is amended—

30 (A) by striking “LAST 5 YEARS” in the heading
31 and inserting “LAST YEAR BEFORE DETERMINATION
32 DATE”; and

33 (B) by striking “5-year period” and inserting “1-
34 year period”.

35 (d) DEFINITION OF TOP-HEAVY PLANS.—Paragraph (4)
36 of section 416(g) (relating to other special rules for top-heavy

1 plans) is amended by adding at the end the following new sub-
2 paragraph:

3 “(H) CASH OR DEFERRED ARRANGEMENTS USING
4 ALTERNATIVE METHODS OF MEETING NONDISCRIMINA-
5 TION REQUIREMENTS.—The term ‘top-heavy plan’ shall
6 not include a plan which consists solely of—

7 “(i) a cash or deferred arrangement which
8 meets the requirements of section 401(k)(12), and

9 “(ii) matching contributions with respect to
10 which the requirements of section 401(m)(11) are
11 met.

12 If, but for this subparagraph, a plan would be treated
13 as a top-heavy plan because it is a member of an ag-
14 gregation group which is a top-heavy group, contribu-
15 tions under the plan may be taken into account in de-
16 termining whether any other plan in the group meets
17 the requirements of subsection (c)(2).”.

18 (e) FROZEN PLAN EXEMPT FROM MINIMUM BENEFIT RE-
19 QUIREMENT.—Subparagraph (C) of section 416(c)(1) (relating
20 to defined benefit plans) is amended—

21 (A) by striking “clause (ii)” in clause (i) and in-
22 serting “clause (ii) or (iii)”; and

23 (B) by adding at the end the following:

24 “(iii) EXCEPTION FOR FROZEN PLAN.—For
25 purposes of determining an employee’s years of
26 service with the employer, any service with the em-
27 ployer shall be disregarded to the extent that such
28 service occurs during a plan year when the plan
29 benefits (within the meaning of section 410(b)) no
30 key employee or former key employee.”.

31 (f) ELIMINATION OF FAMILY ATTRIBUTION.—Section
32 416(i)(1)(B) (defining 5-percent owner) is amended by adding
33 at the end the following new clause:

34 “(iv) FAMILY ATTRIBUTION DISREGARDED.—
35 Solely for purposes of applying this paragraph (and
36 not for purposes of any provision of this title which
37 incorporates by reference the definition of a key

1 employee or 5-percent owner under this para-
2 graph), section 318 shall be applied without regard
3 to subsection (a)(1) thereof in determining whether
4 any person is a 5-percent owner.”.

5 (g) EFFECTIVE DATE.—The amendments made by this
6 section shall apply to years beginning after December 31, 2000.

7 **SEC. 414. ELECTIVE DEFERRALS NOT TAKEN INTO AC-**
8 **COUNT FOR PURPOSES OF DEDUCTION LIM-**
9 **ITS.**

10 (a) IN GENERAL.—Section 404 (relating to deduction for
11 contributions of an employer to an employees’ trust or annuity
12 plan and compensation under a deferred payment plan) is
13 amended by adding at the end the following new subsection:

14 “(n) ELECTIVE DEFERRALS NOT TAKEN INTO ACCOUNT
15 FOR PURPOSES OF DEDUCTION LIMITS.—Elective deferrals (as
16 defined in section 402(g)(3)) shall not be subject to any limita-
17 tion contained in paragraph (3), (7), or (9) of subsection (a),
18 and such elective deferrals shall not be taken into account in
19 applying any such limitation to any other contributions.”.

20 (b) EFFECTIVE DATE.—The amendment made by this sec-
21 tion shall apply to years beginning after December 31, 2000.

22 **SEC. 415. REPEAL OF COORDINATION REQUIREMENTS**
23 **FOR DEFERRED COMPENSATION PLANS OF**
24 **STATE AND LOCAL GOVERNMENTS AND TAX-**
25 **EXEMPT ORGANIZATIONS.**

26 (a) IN GENERAL.—Subsection (c) of section 457 (relating
27 to deferred compensation plans of State and local governments
28 and tax-exempt organizations), as amended by section 411, is
29 amended to read as follows:

30 “(c) LIMITATION.—The maximum amount of the com-
31 pensation of any one individual which may be deferred under
32 subsection (a) during any taxable year shall not exceed the
33 amount in effect under subsection (b)(2)(A) (as modified by
34 any adjustment provided under subsection (b)(3)).”.

35 (b) EFFECTIVE DATE.—The amendment made by sub-
36 section (a) shall apply to years beginning after December 31,
37 2000.

1 **SEC. 416. ELIMINATION OF USER FEE FOR REQUESTS TO**
2 **IRS REGARDING PENSION PLANS.**

3 (a) **ELIMINATION OF CERTAIN USER FEES.**—The Sec-
4 retary of the Treasury or the Secretary’s delegate shall not re-
5 quire payment of user fees under the program established
6 under section 10511 of the Revenue Act of 1987 for requests
7 to the Internal Revenue Service for determination letters with
8 respect to the qualified status of a pension benefit plan main-
9 tained solely by one or more eligible employers or any trust
10 which is part of the plan. The preceding sentence shall not
11 apply to any request—

12 (1) made after the later of—

13 (A) the fifth plan year the pension benefit plan is
14 in existence; or

15 (B) the end of any remedial amendment period
16 with respect to the plan beginning within the first 5
17 plan years; or

18 (2) made by the sponsor of any prototype or similar
19 plan which the sponsor intends to market to participating
20 employers.

21 (b) **PENSION BENEFIT PLAN.**—For purposes of this sec-
22 tion, the term “pension benefit plan” means a pension, profit-
23 sharing, stock bonus, annuity, or employee stock ownership
24 plan.

25 (c) **ELIGIBLE EMPLOYER.**—For purposes of this section,
26 the term “eligible employer” has the same meaning given such
27 term in section 408(p)(2)(C)(i)(I) of the Internal Revenue Code
28 of 1986. The determination of whether an employer is an eligi-
29 ble employer under this section shall be made as of the date
30 of the request described in subsection (a).

31 (d) **DETERMINATION OF AVERAGE FEES CHARGED.**—For
32 purposes of any determination of average fees charged, any re-
33 quest to which subsection (a) applies shall not be taken into
34 account.

35 (e) **EFFECTIVE DATE.**—The provisions of this section
36 shall apply with respect to requests made after December 31,
37 2000.

1 **SEC. 417. DEDUCTION LIMITS.**

2 (a) MODIFICATION OF LIMITS.—

3 (1) STOCK BONUS AND PROFIT SHARING TRUSTS.—

4 (A) IN GENERAL.—Subclause (I) of section
5 404(a)(3)(A)(i) (relating to stock bonus and profit
6 sharing trusts) is amended by striking “15 percent”
7 and inserting “25 percent”.

8 (B) CONFORMING AMENDMENT.—Subparagraph
9 (C) of section 404(h)(1) is amended by striking “15
10 percent” each place it appears and inserting “25 per-
11 cent”.

12 (2) DEFINED CONTRIBUTION PLANS.—

13 (A) IN GENERAL.—Clause (v) of section
14 404(a)(3)(A) (relating to stock bonus and profit shar-
15 ing trusts) is amended to read as follows:

16 “(v) DEFINED CONTRIBUTION PLANS SUBJECT
17 TO THE FUNDING STANDARDS.—Except as pro-
18 vided by the Secretary, a defined contribution plan
19 which is subject to the funding standards of section
20 412 shall be treated in the same manner as a stock
21 bonus or profit-sharing plan for purposes of this
22 subparagraph.”.

23 (B) CONFORMING AMENDMENTS.—

24 (i) Section 404(a)(1)(A) is amended by insert-
25 ing “(other than a trust to which paragraph (3)
26 applies)” after “pension trust”.

27 (ii) Section 404(h)(2) is amended by striking
28 “stock bonus or profit-sharing trust” and inserting
29 “trust subject to subsection (a)(3)(A)”.

30 (iii) The heading of section 404(h)(2) is
31 amended by striking “STOCK BONUS AND PROFIT-
32 SHARING TRUST” and inserting “CERTAIN
33 TRUSTS”.

34 (b) COMPENSATION.—

35 (1) IN GENERAL.—Section 404(a) (relating to general
36 rule) is amended by adding at the end the following:

1 “(12) DEFINITION OF COMPENSATION.—For purposes
2 of paragraphs (3), (7), (8), and (9), the term ‘compensa-
3 tion’ shall include amounts treated as participant’s com-
4 pensation under subparagraph (C) or (D) of section
5 415(c)(3).”.

6 (2) CONFORMING AMENDMENTS.—

7 (A) Subparagraph (B) of section 404(a)(3) is
8 amended by striking the last sentence thereof.

9 (B) Clause (i) of section 4972(c)(6)(B) is amend-
10 ed by striking “(within the meaning of section 404(a))”
11 and inserting “(within the meaning of section 404(a)
12 and as adjusted under section 404(a)(12))”.

13 (c) EFFECTIVE DATE.—The amendments made by this
14 section shall apply to years beginning after December 31, 2000.

15 **SEC. 418. OPTION TO TREAT ELECTIVE DEFERRALS AS**
16 **AFTER-TAX ROTH CONTRIBUTIONS.**

17 (a) IN GENERAL.—Subpart A of part I of subchapter D
18 of chapter 1 (relating to deferred compensation, etc.) is amend-
19 ed by inserting after section 402 the following new section:

20 **“SEC. 402A. OPTIONAL TREATMENT OF ELECTIVE DE-**
21 **FERRALS AS ROTH CONTRIBUTIONS.**

22 “(a) GENERAL RULE.—If an applicable retirement plan
23 includes a qualified Roth contribution program—

24 “(1) any designated Roth contribution made by an em-
25 ployee pursuant to the program shall be treated as an elec-
26 tive deferral for purposes of this chapter, except that such
27 contribution shall not be excludable from gross income, and

28 “(2) such plan (and any arrangement which is part of
29 such plan) shall not be treated as failing to meet any re-
30 quirement of this chapter solely by reason of including such
31 program.

32 “(b) QUALIFIED ROTH CONTRIBUTION PROGRAM.—For
33 purposes of this section—

34 “(1) IN GENERAL.—The term ‘qualified Roth con-
35 tribution program’ means a program under which an em-
36 ployee may elect to make designated Roth contributions in
37 lieu of all or a portion of elective deferrals the employee is

1 otherwise eligible to make under the applicable retirement
2 plan.

3 “(2) SEPARATE ACCOUNTING REQUIRED.—A program
4 shall not be treated as a qualified Roth contribution pro-
5 gram unless the applicable retirement plan—

6 “(A) establishes separate accounts (‘designated
7 Roth accounts’) for the designated Roth contributions
8 of each employee and any earnings properly allocable to
9 the contributions, and

10 “(B) maintains separate recordkeeping with re-
11 spect to each account.

12 “(c) DEFINITIONS AND RULES RELATING TO DES-
13 IGNATED ROTH CONTRIBUTIONS.—For purposes of this
14 section—

15 “(1) DESIGNATED ROTH CONTRIBUTION.—The term
16 ‘designated Roth contribution’ means any elective deferral
17 which—

18 “(A) is excludable from gross income of an em-
19 ployee without regard to this section, and

20 “(B) the employee designates (at such time and in
21 such manner as the Secretary may prescribe) as not
22 being so excludable.

23 “(2) DESIGNATION LIMITS.—The amount of elective
24 deferrals which an employee may designate under para-
25 graph (1) shall not exceed the excess (if any) of—

26 “(A) the maximum amount of elective deferrals ex-
27 cludable from gross income of the employee for the tax-
28 able year (without regard to this section), over

29 “(B) the aggregate amount of elective deferrals of
30 the employee for the taxable year which the employee
31 does not designate under paragraph (1).

32 “(3) ROLLOVER CONTRIBUTIONS.—

33 “(A) IN GENERAL.—A rollover contribution of any
34 payment or distribution from a designated Roth ac-
35 count which is otherwise allowable under this chapter
36 may be made only if the contribution is to—

1 “(i) another designated Roth account of the
2 individual from whose account the payment or dis-
3 tribution was made, or

4 “(ii) a Roth IRA of such individual.

5 “(B) COORDINATION WITH LIMIT.—Any rollover
6 contribution to a designated Roth account under sub-
7 paragraph (A) shall not be taken into account for pur-
8 poses of paragraph (1).

9 “(d) DISTRIBUTION RULES.—For purposes of this title—

10 “(1) EXCLUSION.—Any qualified distribution from a
11 designated Roth account shall not be includible in gross in-
12 come.

13 “(2) QUALIFIED DISTRIBUTION.—For purposes of this
14 subsection—

15 “(A) IN GENERAL.—The term ‘qualified distribu-
16 tion’ has the meaning given such term by section
17 408A(d)(2)(A) (without regard to clause (iv) thereof).

18 “(B) DISTRIBUTIONS WITHIN NONEXCLUSION PE-
19 RIOD.—A payment or distribution from a designated
20 Roth account shall not be treated as a qualified dis-
21 tribution if such payment or distribution is made with-
22 in the 5-taxable-year period beginning with the earlier
23 of—

24 “(i) the first taxable year for which the indi-
25 vidual made a designated Roth contribution to any
26 designated Roth account established for such indi-
27 vidual under the same applicable retirement plan,
28 or

29 “(ii) if a rollover contribution was made to
30 such designated Roth account from a designated
31 Roth account previously established for such indi-
32 vidual under another applicable retirement plan,
33 the first taxable year for which the individual made
34 a designated Roth contribution to such previously
35 established account.

36 “(C) DISTRIBUTIONS OF EXCESS DEFERRALS AND
37 CONTRIBUTIONS AND EARNINGS THEREON.—The term

1 ‘qualified distribution’ shall not include any distribution
2 of any excess deferral under section 402(g)(2) or any
3 excess contribution under section 401(k)(8), and any
4 income on the excess deferral or contribution.

5 “(3) TREATMENT OF DISTRIBUTIONS OF CERTAIN EX-
6 CESS DEFERRALS.—Notwithstanding section 72, if any ex-
7 cess deferral under section 402(g)(2) attributable to a des-
8 ignated Roth contribution is not distributed on or before
9 the 1st April 15 following the close of the taxable year in
10 which such excess deferral is made, the amount of such ex-
11 cess deferral shall—

12 “(A) not be treated as investment in the contract,
13 and

14 “(B) be included in gross income for the taxable
15 year in which such excess is distributed.

16 “(4) AGGREGATION RULES.—Section 72 shall be ap-
17 plied separately with respect to distributions and payments
18 from a designated Roth account and other distributions
19 and payments from the plan.

20 “(e) OTHER DEFINITIONS.—For purposes of this
21 section—

22 “(1) APPLICABLE RETIREMENT PLAN.—The term ‘ap-
23 plicable retirement plan’ means—

24 “(A) an employees’ trust described in section
25 401(a) which is exempt from tax under section 501(a),
26 and

27 “(B) a plan under which amounts are contributed
28 by an individual’s employer for an annuity contract de-
29 scribed in section 403(b).

30 “(2) ELECTIVE DEFERRAL.—The term ‘elective deferr-
31 al’ means any elective deferral described in subparagraph
32 (A) or (C) of section 402(g)(3).”.

33 (b) EXCESS DEFERRALS.—Section 402(g) (relating to lim-
34 itation on exclusion for elective deferrals) is amended—

35 (1) by adding at the end of paragraph (1)(A) (as
36 added by section 201(d)(1)) the following new sentence:

37 “The preceding sentence shall not apply to the portion of

1 such excess as does not exceed the designated Roth con-
2 tributions of the individual for the taxable year.”; and

3 (2) by inserting “(or would be included but for the last
4 sentence thereof)” after “paragraph (1)” in paragraph
5 (2)(A).

6 (c) ROLLOVERS.—Subparagraph (B) of section 402(c)(8)
7 is amended by adding at the end the following:

8 “If any portion of an eligible rollover distribution is at-
9 tributable to payments or distributions from a des-
10 ignated Roth account (as defined in section 402A), an
11 eligible retirement plan with respect to such portion
12 shall include only another designated Roth account and
13 a Roth IRA.”.

14 (d) REPORTING REQUIREMENTS.—

15 (1) W-2 INFORMATION.—Section 6051(a)(8) is
16 amended by inserting “, including the amount of des-
17 ignated Roth contributions (as defined in section 402A)”
18 before the comma at the end.

19 (2) INFORMATION.—Section 6047 is amended by re-
20 designating subsection (f) as subsection (g) and by insert-
21 ing after subsection (e) the following new subsection:

22 “(f) DESIGNATED ROTH CONTRIBUTIONS.—The Secretary
23 shall require the plan administrator of each applicable retire-
24 ment plan (as defined in section 402A) to make such returns
25 and reports regarding designated Roth contributions (as de-
26 fined in section 402A) to the Secretary, participants and bene-
27 ficiaries of the plan, and such other persons as the Secretary
28 may prescribe.”.

29 (e) CONFORMING AMENDMENTS.—

30 (1) Section 408A(e) is amended by adding after the
31 first sentence the following new sentence: “Such term in-
32 cludes a rollover contribution described in section
33 402A(c)(3)(A).”.

34 (2) The table of sections for subpart A of part I of
35 subchapter D of chapter 1 is amended by inserting after
36 the item relating to section 402 the following new item:

“Sec. 402A. Optional treatment of elective deferrals as Roth contributions.”.

1 (f) EFFECTIVE DATE.—The amendments made by this
2 section shall apply to taxable years beginning after December
3 31, 2000.

4 **Subtitle C—Enhancing Fairness For**
5 **Women**

6 **SEC. 421. CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS**
7 **AGE 50 OR OVER.**

8 (a) IN GENERAL.—Section 414 (relating to definitions and
9 special rules) is amended by adding at the end the following
10 new subsection:

11 “(v) CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS AGE
12 50 OR OVER.—

13 “(1) IN GENERAL.—An applicable employer plan shall
14 not be treated as failing to meet any requirement of this
15 title solely because the plan permits an eligible participant
16 to make additional elective deferrals in any plan year.

17 “(2) LIMITATION ON AMOUNT OF ADDITIONAL DEFER-
18 RALS.—

19 “(A) IN GENERAL.—A plan shall not permit addi-
20 tional elective deferrals under paragraph (1) for any
21 year in an amount greater than the lesser of—

22 “(i) the applicable deferral amount, or

23 “(ii) the excess (if any) of—

24 “(I) the participant’s compensation for the
25 year, over

26 “(II) any other elective deferrals of the
27 participant for such year which are made with-
28 out regard to this subsection.

29 “(B) APPLICABLE DEFERRAL AMOUNT; COST-OF-
30 LIVING ADJUSTMENT.—

31 “(i) IN GENERAL.—For purposes of subpara-
32 graph (A)(i), the applicable deferral amount shall
33 be the amount determined in accordance with the
34 following table:

“For taxable years beginning in calendar year:	The applicable deferral amount:
2001	\$1,000
2002	\$2,000
2003	\$3,000
2004	\$4,000
2005 or thereafter	\$5,000.

1 “(ii) COST-OF-LIVING ADJUSTMENT.—In the
2 case of a year beginning after December 31, 2005,
3 the Secretary shall adjust the \$5,000 amount
4 under clause (i) at the same time and in the same
5 manner as under section 415(d), except that the
6 base period taken into account shall be the cal-
7 endar quarter beginning July 1, 2004, and any in-
8 crease under this subparagraph which is not a mul-
9 tiple of \$500 shall be rounded to the next lower
10 multiple of \$500.

11 “(3) TREATMENT OF CONTRIBUTIONS.—In the case of
12 any contribution to a plan under paragraph (1), such con-
13 tribution shall not, with respect to the year in which the
14 contribution is made—

15 “(A) be subject to any otherwise applicable limita-
16 tion contained in section 402(g), 402(h)(2), 404(a),
17 404(h), 408(p)(2)(A)(ii), 415, or 457, or

18 “(B) be taken into account in applying such limi-
19 tations to other contributions or benefits under such
20 plan or any other such plan.

21 “(4) APPLICATION OF NONDISCRIMINATION RULES.—

22 “(A) IN GENERAL.—An applicable employer plan
23 shall not be treated as failing to meet the non-
24 discrimination requirements under section 401(a)(4)
25 with respect to benefits, rights, and features if the plan
26 allows all eligible participants to make the same elec-
27 tion with respect to the additional elective deferrals
28 under this subsection.

29 “(B) AGGREGATION.—For purposes of subpara-
30 graph (A), all plans maintained by employers who are

1 treated as a single employer under subsection (b), (c),
2 (m), or (o) of section 414 shall be treated as 1 plan.

3 “(5) ELIGIBLE PARTICIPANT.—For purposes of this
4 subsection, the term ‘eligible participant’ means, with re-
5 spect to any plan year, a participant in a plan—

6 “(A) who has attained the age of 50 before the
7 close of the plan year, and

8 “(B) with respect to whom no other elective deferr-
9 als may (without regard to this subsection) be made
10 to the plan for the plan year by reason of the applica-
11 tion of any limitation or other restriction described in
12 paragraph (3) or any comparable limitation contained
13 in the terms of the plan.

14 “(6) OTHER DEFINITIONS AND RULES.—For purposes
15 of this subsection—

16 “(A) APPLICABLE EMPLOYER PLAN.—The term
17 ‘applicable employer plan’ means—

18 “(i) an employees’ trust described in section
19 401(a) which is exempt from tax under section
20 501(a),

21 “(ii) a plan under which amounts are contrib-
22 uted by an individual’s employer for an annuity
23 contract described in section 403(b),

24 “(iii) an eligible deferred compensation plan
25 under section 457 of an eligible employer as de-
26 fined in section 457(e)(1)(A), and

27 “(iv) an arrangement meeting the require-
28 ments of section 408 (k) or (p).

29 “(B) ELECTIVE DEFERRAL.—The term ‘elective
30 deferral’ has the meaning given such term by sub-
31 section (u)(2)(C).

32 “(C) EXCEPTION FOR SECTION 457 PLANS.—This
33 subsection shall not apply to an applicable employer
34 plan described in subparagraph (A)(iii) for any year to
35 which section 457(b)(3) applies.”

1 (b) EFFECTIVE DATE.—The amendment made by this sec-
2 tion shall apply to contributions in taxable years beginning
3 after December 31, 2000.

4 **SEC. 422. EQUITABLE TREATMENT FOR CONTRIBUTIONS**
5 **OF EMPLOYEES TO DEFINED CONTRIBUTION**
6 **PLANS.**

7 (a) EQUITABLE TREATMENT.—

8 (1) IN GENERAL.—Subparagraph (B) of section
9 415(c)(1) (relating to limitation for defined contribution
10 plans) is amended by striking “25 percent” and inserting
11 “100 percent”.

12 (2) APPLICATION TO SECTION 403(b).—Section 403(b)
13 is amended—

14 (A) by striking “the exclusion allowance for such
15 taxable year” in paragraph (1) and inserting “the ap-
16 plicable limit under section 415”;

17 (B) by striking paragraph (2); and

18 (C) by inserting “or any amount received by a
19 former employee after the fifth taxable year following
20 the taxable year in which such employee was termi-
21 nated” before the period at the end of the second sen-
22 tence of paragraph (3).

23 (3) CONFORMING AMENDMENTS.—

24 (A) Subsection (f) of section 72 is amended by
25 striking “section 403(b)(2)(D)(iii)” and inserting
26 “section 403(b)(2)(D)(iii), as in effect before the enact-
27 ment of the Retirement Savings and Pension Coverage
28 Act of 2000”.

29 (B) Section 404(a)(10)(B) is amended by striking
30 “, the exclusion allowance under section 403(b)(2),”.

31 (C) Section 415(a)(2) is amended by striking “,
32 and the amount of the contribution for such portion
33 shall reduce the exclusion allowance as provided in sec-
34 tion 403(b)(2)”.

35 (D) Section 415(e)(3) is amended by adding at the
36 end the following new subparagraph:

1 “(E) ANNUITY CONTRACTS.—In the case of an an-
2 nuity contract described in section 403(b), the term
3 ‘participant’s compensation’ means the participant’s in-
4 cludible compensation determined under section
5 403(b)(3).”.

6 (E) Section 415(c) is amended by striking para-
7 graph (4).

8 (F) Section 415(c)(7) is amended to read as fol-
9 lows:

10 “(7) CERTAIN CONTRIBUTIONS BY CHURCH PLANS
11 NOT TREATED AS EXCEEDING LIMIT.—

12 “(A) IN GENERAL.—Notwithstanding any other
13 provision of this subsection, at the election of a partici-
14 pant who is an employee of a church or a convention
15 or association of churches, including an organization
16 described in section 414(e)(3)(B)(ii), contributions and
17 other additions for an annuity contract or retirement
18 income account described in section 403(b) with respect
19 to such participant, when expressed as an annual addi-
20 tion to such participant’s account, shall be treated as
21 not exceeding the limitation of paragraph (1) if such
22 annual addition is not in excess of \$10,000.

23 “(B) \$40,000 AGGREGATE LIMITATION.—The total
24 amount of additions with respect to any participant
25 which may be taken into account for purposes of this
26 subparagraph for all years may not exceed \$40,000.

27 “(C) ANNUAL ADDITION.—For purposes of this
28 paragraph, the term ‘annual addition’ has the meaning
29 given such term by paragraph (2).”.

30 (G) Subparagraph (B) of section 402(g)(7) (as re-
31 designated by section 201(d)(3)(A)) is amended by in-
32 serting before the period at the end the following: “(as
33 in effect before the enactment of the Retirement Sav-
34 ings and Pension Coverage Act of 2000)”.

35 (3) EFFECTIVE DATE.—The amendments made by
36 this subsection shall apply to years beginning after Decem-
37 ber 31, 2000.

1 (b) SPECIAL RULES FOR SECTIONS 403(b) AND 408.—

2 (1) IN GENERAL.—Subsection (k) of section 415 is
3 amended by adding at the end the following new para-
4 graph:

5 “(4) SPECIAL RULES FOR SECTIONS 403(b) AND 408.—
6 For purposes of this section, any annuity contract de-
7 scribed in section 403(b) for the benefit of a participant
8 shall be treated as a defined contribution plan maintained
9 by each employer with respect to which the participant has
10 the control required under subsection (b) or (c) of section
11 414 (as modified by subsection (h)). For purposes of this
12 section, any contribution by an employer to a simplified
13 employee pension plan for an individual for a taxable year
14 shall be treated as an employer contribution to a defined
15 contribution plan for such individual for such year.”.

16 (2) EFFECTIVE DATE.—

17 (A) IN GENERAL.—The amendment made by para-
18 graph (1) shall apply to limitation years beginning
19 after December 31, 1999.

20 (B) EXCLUSION ALLOWANCE.—Effective for limi-
21 tation years beginning in 2000, in the case of any an-
22 nuity contract described in section 403(b) of the Inter-
23 nal Revenue Code of 1986, the amount of the contribu-
24 tion disqualified by reason of section 415(g) of such
25 Code shall reduce the exclusion allowance as provided
26 in section 403(b)(2) of such Code.

27 (3) MODIFICATION OF 403(b) EXCLUSION ALLOWANCE
28 TO CONFORM TO 415 MODIFICATION.—The Secretary of the
29 Treasury shall modify the regulations regarding the exclu-
30 sion allowance under section 403(b)(2) of the Internal Rev-
31 enue Code of 1986 to render void the requirement that con-
32 tributions to a defined benefit pension plan be treated as
33 previously excluded amounts for purposes of the exclusion
34 allowance. For taxable years beginning after December 31,
35 1999, such regulations shall be applied as if such require-
36 ment were void.

1 (c) DEFERRED COMPENSATION PLANS OF STATE AND
2 LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.—

3 (1) IN GENERAL.—Subparagraph (B) of section
4 457(b)(2) (relating to salary limitation on eligible deferred
5 compensation plans) is amended by striking “33⅓ per-
6 cent” and inserting “100 percent”.

7 (2) EFFECTIVE DATE.—The amendment made by this
8 subsection shall apply to years beginning after December
9 31, 2000.

10 **SEC. 423. FASTER VESTING OF CERTAIN EMPLOYER**
11 **MATCHING CONTRIBUTIONS.**

12 (a) IN GENERAL.—Section 411(a) (relating to minimum
13 vesting standards) is amended—

14 (1) in paragraph (2), by striking “A plan” and insert-
15 ing “Except as provided in paragraph (12), a plan”; and
16 (2) by adding at the end the following:

17 “(12) FASTER VESTING FOR MATCHING CONTRIBU-
18 TIONS.—In the case of matching contributions (as defined
19 in section 401(m)(4)(A)), paragraph (2) shall be applied—

20 “(A) by substituting ‘3 years’ for ‘5 years’ in sub-
21 paragraph (A), and

22 “(B) by substituting the following table for the
23 table contained in subparagraph (B):

“Years of service:	The nonforfeitable percentage is:
2	20
3	40
4	60
5	80
6	100.”.

24 (b) AMENDMENT OF ERISA.—Section 203(a) of the Em-
25 ployee Retirement Income Security Act of 1974 (29 U.S.C.
26 1053(a)) is amended—

27 (1) in paragraph (2), by striking “A plan” and insert-
28 ing “Except as provided in paragraph (4), a plan”, and

29 (2) by adding at the end the following:

30 “(4) In the case of matching contributions (as defined
31 in section 401(m)(4)(A) of the Internal Revenue Code of
32 1986), paragraph (2) shall be applied—

1 “(A) by substituting ‘3 years’ for ‘5 years’ in sub-
 2 paragraph (A), and

3 “(B) by substituting the following table for the
 4 table contained in subparagraph (B):

“Years of service:	The nonforfeitable percentage is:
2	20
3	40
4	60
5	80
6	100.”.

5 (c) EFFECTIVE DATES.—

6 (1) IN GENERAL.—Except as provided in paragraph
 7 (2), the amendments made by this section shall apply to
 8 contributions for plan years beginning after December 31,
 9 2000.

10 (2) COLLECTIVE BARGAINING AGREEMENTS.—In the
 11 case of a plan maintained pursuant to one or more collec-
 12 tive bargaining agreements between employee representa-
 13 tives and one or more employers ratified by the date of the
 14 enactment of this Act, the amendments made by this sec-
 15 tion shall not apply to contributions on behalf of employees
 16 covered by any such agreement for plan years beginning be-
 17 fore the earlier of—

18 (A) the later of—

19 (i) the date on which the last of such collective
 20 bargaining agreements terminates (determined
 21 without regard to any extension thereof on or after
 22 such date of the enactment); or

23 (ii) January 1, 2001; or

24 (B) January 1, 2005.

25 (3) SERVICE REQUIRED.—With respect to any plan,
 26 the amendments made by this section shall not apply to
 27 any employee before the date that such employee has 1
 28 hour of service under such plan in any plan year to which
 29 the amendments made by this section apply.

1 **SEC. 424. SIMPLIFY AND UPDATE THE MINIMUM DIS-**
2 **TRIBUTION RULES.**

3 (a) SIMPLIFICATION AND FINALIZATION OF MINIMUM
4 DISTRIBUTION REQUIREMENTS.—

5 (1) IN GENERAL.—The Secretary of the Treasury
6 shall—

7 (A) simplify and finalize the regulations relating to
8 minimum distribution requirements under sections
9 401(a)(9), 408(a)(6) and (b)(3), 403(b)(10), and
10 457(d)(2) of the Internal Revenue Code of 1986; and

11 (B) modify such regulations to—

12 (i) reflect current life expectancy; and

13 (ii) revise the required distribution methods so
14 that, under reasonable assumptions, the amount of
15 the required minimum distribution does not de-
16 crease over a participant's life expectancy.

17 (2) FRESH START.—Notwithstanding subparagraph
18 (D) of section 401(a)(9) of such Code, during the first year
19 that regulations are in effect under this subsection, re-
20 quired distributions for future years may be redetermined
21 to reflect changes under such regulations. Such redeter-
22 mination shall include the opportunity to choose a new des-
23 ignated beneficiary and to elect a new method of calcu-
24 lating life expectancy.

25 (3) DATE FOR REGULATIONS.—Not later than Decem-
26 ber 31, 2001, the Secretary shall issue final regulations de-
27 scribed in paragraph (1) and such regulations shall apply
28 without regard to whether an individual had previously
29 begun receiving minimum distributions.

30 (b) REPEAL OF RULE WHERE DISTRIBUTIONS HAD
31 BEGUN BEFORE DEATH OCCURS.—

32 (1) IN GENERAL.—Subparagraph (B) of section
33 401(a)(9) is amended by striking clause (i) and redesign-
34 ating clauses (ii), (iii), and (iv) as clauses (i), (ii), and
35 (iii), respectively.

36 (2) CONFORMING CHANGES.—

1 (A) Clause (i) of section 401(a)(9)(B) (as so re-
2 designated) is amended—

3 (i) by striking “FOR OTHER CASES” in the
4 heading; and

5 (ii) by striking “the distribution of the employ-
6 ee’s interest has begun in accordance with subpara-
7 graph (A)(ii)” and inserting “his entire interest
8 has been distributed to him”.

9 (B) Clause (ii) of section 401(a)(9)(B) (as so re-
10 designated) is amended by striking “clause (ii)” and in-
11 serting “clause (i)”.

12 (C) Clause (iii) of section 401(a)(9)(B) (as so re-
13 designated) is amended—

14 (i) by striking “clause (iii)(I)” and inserting
15 “clause (ii)(I)”;

16 (ii) by striking “clause (iii)(III)” in subclause
17 (I) and inserting “clause (ii)(III)”;

18 (iii) by striking “the date on which the em-
19 ployee would have attained age 70½,” in subclause
20 (I) and inserting “April 1 of the calendar year fol-
21 lowing the calendar year in which the spouse at-
22 tains 70½,”; and

23 (iv) by striking “the distributions to such
24 spouse begin,” in subclause (II) and inserting “his
25 entire interest has been distributed to him,”.

26 (3) EFFECTIVE DATE.—

27 (A) IN GENERAL.—Except as provided in subpara-
28 graph (B), the amendments made by this subsection
29 shall apply to years beginning after December 31,
30 2000.

31 (B) DISTRIBUTIONS TO SURVIVING SPOUSE.—

32 (i) IN GENERAL.—In the case of an employee
33 described in clause (ii), distributions to the sur-
34 viving spouse of the employee shall not be required
35 to commence prior to the date on which such dis-
36 tributions would have been required to begin under
37 section 401(a)(9)(B) of the Internal Revenue Code

1 of 1986 (as in effect on the day before the date of
2 the enactment of this Act).

3 (ii) CERTAIN EMPLOYEES.—An employee is
4 described in this clause if such employee dies
5 before—

6 (I) the date of the enactment of this Act,
7 and

8 (II) the required beginning date (within
9 the meaning of section 401(a)(9)(C) of the In-
10 ternal Revenue Code of 1986) of the employee.

11 (c) REDUCTION IN EXCISE TAX.—

12 (1) IN GENERAL.—Subsection (a) of section 4974 is
13 amended by striking “50 percent” and inserting “10 per-
14 cent”.

15 (2) EFFECTIVE DATE.—The amendment made by this
16 subsection shall apply to years beginning after December
17 31, 2000.

18 **SEC. 425. CLARIFICATION OF TAX TREATMENT OF DIVI-**
19 **SION OF SECTION 457 PLAN BENEFITS UPON**
20 **DIVORCE.**

21 (a) IN GENERAL.—Section 414(p)(11) (relating to applica-
22 tion of rules to governmental and church plans) is amended—

23 (1) by inserting “or an eligible deferred compensation
24 plan (within the meaning of section 457(b))” after “sub-
25 section (e)”; and

26 (2) in the heading, by striking “GOVERNMENTAL AND
27 CHURCH PLANS” and inserting “CERTAIN OTHER PLANS”.

28 (b) WAIVER OF CERTAIN DISTRIBUTION REQUIRE-
29 MENTS.—Paragraph (10) of section 414(p) is amended by
30 striking “and section 409(d)” and inserting “section 409(d),
31 and section 457(d)”.

32 (c) TAX TREATMENT OF PAYMENTS FROM A SECTION 457
33 PLAN.—Subsection (p) of section 414 is amended by redesign-
34 ating paragraph (12) as paragraph (13) and inserting after
35 paragraph (11) the following new paragraph:

36 “(12) TAX TREATMENT OF PAYMENTS FROM A SEC-
37 TION 457 PLAN.—If a distribution or payment from an eli-

1 gible deferred compensation plan described in section
2 457(b) is made pursuant to a qualified domestic relations
3 order, rules similar to the rules of section 402(e)(1)(A)
4 shall apply to such distribution or payment.”.

5 (d) EFFECTIVE DATE.—The amendments made by this
6 section shall apply to transfers, distributions, and payments
7 made after December 31, 2000.

8 **SEC. 426. PROVISIONS RELATING TO HARDSHIP DIS-**
9 **TRIBUTIONS.**

10 (a) SAFE HARBOR RELIEF.—

11 (1) IN GENERAL.—The Secretary of the Treasury
12 shall revise the regulations relating to hardship distribu-
13 tions under section 401(k)(2)(B)(i)(IV) of the Internal
14 Revenue Code of 1986 to provide that the period an em-
15 ployee is prohibited from making elective and employee con-
16 tributions in order for a distribution to be deemed nec-
17 essary to satisfy financial need shall be equal to 6 months.

18 (2) EFFECTIVE DATE.—The revised regulations under
19 this subsection shall apply to years beginning after Decem-
20 ber 31, 2000.

21 (b) HARDSHIP DISTRIBUTIONS NOT TREATED AS ELIGI-
22 BLE ROLLOVER DISTRIBUTIONS.—

23 (1) MODIFICATION OF DEFINITION OF ELIGIBLE
24 ROLLOVER.—Section 402(c)(4)(C) (relating to eligible roll-
25 over distribution) is amended by striking “described in sec-
26 tion 401(k)(2)(B)(i)(IV)” and inserting “under the terms
27 of the plan”.

28 (2) EFFECTIVE DATE.—The amendment made by this
29 subsection shall apply to distributions made after December
30 31, 2001, unless a plan administrator elects to apply such
31 amendment to distributions made after December 31,
32 2000.

33 **SEC. 427. WAIVER OF TAX ON NONDEDUCTIBLE CON-**
34 **TRIBUTIONS FOR DOMESTIC OR SIMILAR**
35 **WORKERS.**

36 (a) IN GENERAL.—Section 4972(c)(6) (relating to excep-
37 tions to nondeductible contributions), as amended by section

1 442(b), is amended by striking “or” at the end of subpara-
 2 graph (A), by striking the period and inserting “, or” at the
 3 end of subparagraph (B), and by inserting after subparagraph
 4 (B) the following new subparagraph:

5 “(C) so much of the contributions to a qualified
 6 employer plan which are not deductible when contrib-
 7 uted solely because such contributions are not made in
 8 connection with a trade or business of the employer.”.

9 (b) EXCLUSION OF CERTAIN CONTRIBUTIONS.—Section
 10 4972(c)(6), as amended by subsection (a), is amended by add-
 11 ing at the end the following new sentence: “Subparagraph (C)
 12 shall not apply to contributions made on behalf of the employer
 13 or a member of the employer’s family (as defined in section
 14 447(e)(1)).”.

15 (c) NO INFERENCE.—Nothing in the amendments made
 16 by this section shall be construed to infer the proper treatment
 17 of nondeductible contributions under the laws in effect before
 18 such amendments.

19 (d) EFFECTIVE DATE.—The amendments made by this
 20 section shall apply to taxable years beginning after December
 21 31, 2000.

22 **Subtitle D—Increasing Portability** 23 **For Participants**

24 **SEC. 431. ROLLOVERS ALLOWED AMONG VARIOUS** 25 **TYPES OF PLANS.**

26 (a) ROLLOVERS FROM AND TO SECTION 457 PLANS.—

27 (1) ROLLOVERS FROM SECTION 457 PLANS.—

28 (A) IN GENERAL.—Section 457(e) (relating to
 29 other definitions and special rules) is amended by add-
 30 ing at the end the following:

31 “(16) ROLLOVER AMOUNTS.—

32 “(A) GENERAL RULE.—In the case of an eligible
 33 deferred compensation plan established and maintained
 34 by an employer described in subsection (e)(1)(A), if—

35 “(i) any portion of the balance to the credit of
 36 an employee in such plan is paid to such employee
 37 in an eligible rollover distribution (within the mean-

1 ing of section 402(c)(4) without regard to subpara-
2 graph (C) thereof),

3 “(ii) the employee transfers any portion of the
4 property such employee receives in such distribu-
5 tion to an eligible retirement plan described in sec-
6 tion 402(c)(8)(B), and

7 “(iii) in the case of a distribution of property
8 other than money, the amount so transferred con-
9 sists of the property distributed,

10 then such distribution (to the extent so transferred)
11 shall not be includible in gross income for the taxable
12 year in which paid.

13 “(B) CERTAIN RULES MADE APPLICABLE.—The
14 rules of paragraphs (2) through (7) and (9) of section
15 402(c) and section 402(f) shall apply for purposes of
16 subparagraph (A).

17 “(C) REPORTING.—Rollovers under this para-
18 graph shall be reported to the Secretary in the same
19 manner as rollovers from qualified retirement plans (as
20 defined in section 4974(c)).”.

21 (B) DEFERRAL LIMIT DETERMINED WITHOUT RE-
22 GARD TO ROLLOVER AMOUNTS.—Section 457(b)(2) (de-
23 fining eligible deferred compensation plan) is amended
24 by inserting “(other than rollover amounts)” after
25 “taxable year”.

26 (C) DIRECT ROLLOVER.—Paragraph (1) of section
27 457(d) is amended by striking “and” at the end of sub-
28 paragraph (A), by striking the period at the end of
29 subparagraph (B) and inserting “, and”, and by insert-
30 ing after subparagraph (B) the following:

31 “(C) in the case of a plan maintained by an em-
32 ployer described in subsection (e)(1)(A), the plan meets
33 requirements similar to the requirements of section
34 401(a)(31).

35 Any amount transferred in a direct trustee-to-trustee trans-
36 fer in accordance with section 401(a)(31) shall not be in-
37 cludible in gross income for the taxable year of transfer.”.

93

1 (D) WITHHOLDING.—

2 (i) Paragraph (12) of section 3401(a) is
3 amended by adding at the end the following:

4 “(E) under or to an eligible deferred compensation
5 plan which, at the time of such payment, is a plan de-
6 scribed in section 457(b) maintained by an employer
7 described in section 457(e)(1)(A), or”.

8 (ii) Paragraph (3) of section 3405(c) is
9 amended to read as follows:

10 “(3) ELIGIBLE ROLLOVER DISTRIBUTION.—For pur-
11 poses of this subsection, the term ‘eligible rollover distribu-
12 tion’ has the meaning given such term by section
13 402(f)(2)(A).”.

14 (iii) LIABILITY FOR WITHHOLDING.—Subpara-
15 graph (B) of section 3405(d)(2) is amended by
16 striking “or” at the end of clause (ii), by striking
17 the period at the end of clause (iii) and inserting
18 “, or”, and by adding at the end the following:

19 “(iv) section 457(b) and which is maintained
20 by an eligible employer described in section
21 457(e)(1)(A).”.

22 (2) ROLLOVERS TO SECTION 457 PLANS.—

23 (A) IN GENERAL.—Section 402(c)(8)(B) (defining
24 eligible retirement plan) is amended by striking “and”
25 at the end of clause (iii), by striking the period at the
26 end of clause (iv) and inserting “, and”, and by insert-
27 ing after clause (iv) the following new clause:

28 “(v) an eligible deferred compensation plan de-
29 scribed in section 457(b) which is maintained by an
30 eligible employer described in section
31 457(e)(1)(A).”.

32 (B) SEPARATE ACCOUNTING.—Section 402(c) is
33 amended by adding at the end the following new para-
34 graph:

35 “(11) SEPARATE ACCOUNTING.—Unless a plan de-
36 scribed in clause (v) of paragraph (8)(B) agrees to sepa-
37 rately account for amounts rolled into such plan from eligi-

1 ble retirement plans not described in such clause, the plan
2 described in such clause may not accept transfers or roll-
3 overs from such retirement plans.”.

4 (C) 10 PERCENT ADDITIONAL TAX.—Subsection
5 (t) of section 72 (relating to 10-percent additional tax
6 on early distributions from qualified retirement plans)
7 is amended by adding at the end the following new
8 paragraph:

9 “(9) SPECIAL RULE FOR ROLLOVERS TO SECTION 457
10 PLANS.—For purposes of this subsection, a distribution
11 from an eligible deferred compensation plan (as defined in
12 section 457(b)) of an eligible employer described in section
13 457(e)(1)(A) shall be treated as a distribution from a
14 qualified retirement plan described in 4974(c)(1) to the ex-
15 tent that such distribution is attributable to an amount
16 transferred to an eligible deferred compensation plan from
17 a qualified retirement plan (as defined in section
18 4974(c)).”.

19 (b) ALLOWANCE OF ROLLOVERS FROM AND TO 403(b)
20 PLANS.—

21 (1) ROLLOVERS FROM SECTION 403(b) PLANS.—Sec-
22 tion 403(b)(8)(A)(ii) (relating to rollover amounts) is
23 amended by striking “such distribution” and all that fol-
24 lows and inserting “such distribution to an eligible retire-
25 ment plan described in section 402(c)(8)(B), and”.

26 (2) ROLLOVERS TO SECTION 403(b) PLANS.—Section
27 402(c)(8)(B) (defining eligible retirement plan), as amend-
28 ed by subsection (a), is amended by striking “and” at the
29 end of clause (iv), by striking the period at the end of
30 clause (v) and inserting “, and”, and by inserting after
31 clause (v) the following new clause:

32 “(vi) an annuity contract described in section
33 403(b).”.

34 (c) EXPANDED EXPLANATION TO RECIPIENTS OF ROLL-
35 OVER DISTRIBUTIONS.—Paragraph (1) of section 402(f) (relat-
36 ing to written explanation to recipients of distributions eligible
37 for rollover treatment) is amended by striking “and” at the end

1 of subparagraph (C), by striking the period at the end of sub-
2 paragraph (D) and inserting “, and”, and by adding at the end
3 the following new subparagraph:

4 “(E) of the provisions under which distributions
5 from the eligible retirement plan receiving the distribu-
6 tion may be subject to restrictions and tax con-
7 sequences which are different from those applicable to
8 distributions from the plan making such distribution.”.

9 (d) SPOUSAL ROLLOVERS.—Section 402(c)(9) (relating to
10 rollover where spouse receives distribution after death of em-
11 ployee) is amended by striking “; except that” and all that fol-
12 lows up to the end period.

13 (e) CONFORMING AMENDMENTS.—

14 (1) Section 72(o)(4) is amended by striking “and
15 408(d)(3)” and inserting “403(b)(8), 408(d)(3), and
16 457(e)(16)”.

17 (2) Section 219(d)(2) is amended by striking “or
18 408(d)(3)” and inserting “408(d)(3), or 457(e)(16)”.

19 (3) Section 401(a)(31)(B) is amended by striking
20 “and 403(a)(4)” and inserting “, 403(a)(4), 403(b)(8), and
21 457(e)(16)”.

22 (4) Subparagraph (A) of section 402(f)(2) is amended
23 by striking “or paragraph (4) of section 403(a)” and in-
24 serting “, paragraph (4) of section 403(a), subparagraph
25 (A) of section 403(b)(8), or subparagraph (A) of section
26 457(e)(16)”.

27 (5) Paragraph (1) of section 402(f) is amended by
28 striking “from an eligible retirement plan”.

29 (6) Subparagraphs (A) and (B) of section 402(f)(1)
30 are amended by striking “another eligible retirement plan”
31 and inserting “an eligible retirement plan”.

32 (7) Subparagraph (B) of section 403(b)(8) is amended
33 to read as follows:

34 “(B) CERTAIN RULES MADE APPLICABLE.—The
35 rules of paragraphs (2) through (7) and (9) of section
36 402(c) and section 402(f) shall apply for purposes of

1 subparagraph (A), except that section 402(f) shall be
2 applied to the payor in lieu of the plan administrator.”.

3 (8) Section 408(a)(1) is amended by striking “or
4 403(b)(8),” and inserting “403(b)(8), or 457(e)(16)”.

5 (9) Subparagraphs (A) and (B) of section 415(b)(2)
6 are each amended by striking “and 408(d)(3)” and insert-
7 ing “403(b)(8), 408(d)(3), and 457(e)(16)”.

8 (10) Section 415(c)(2) is amended by striking “and
9 408(d)(3)” and inserting “408(d)(3), and 457(e)(16)”.

10 (11) Section 4973(b)(1)(A) is amended by striking “or
11 408(d)(3)” and inserting “408(d)(3), or 457(e)(16)”.

12 (f) EFFECTIVE DATE; SPECIAL RULES.—

13 (1) EFFECTIVE DATE.—Except as provided in para-
14 graph (2), the amendments made by this section shall
15 apply to distributions after December 31, 2000.

16 (2) REASONABLE NOTICE.—No penalty shall be im-
17 posed on a plan for the failure to provide the information
18 required by the amendment made by subsection (c) with re-
19 spect to any distribution made before January 1, 2002, if
20 the administrator of such plan makes a reasonable attempt
21 to comply with such requirement.

22 (3) SPECIAL RULE.—Notwithstanding any other provi-
23 sion of law, subsections (h)(3) and (h)(5) of section 1122
24 of the Tax Reform Act of 1986 shall not apply to any dis-
25 tribution from an eligible retirement plan (as defined in
26 clause (iii) or (iv) of section 402(c)(8)(B) of the Internal
27 Revenue Code of 1986) on behalf of an individual if there
28 was a rollover to such plan on behalf of such individual
29 which is permitted solely by reason of any amendment
30 made by this section.

31 **SEC. 432. ROLLOVERS OF IRAS INTO WORKPLACE RE-**
32 **TIREMENT PLANS.**

33 (a) IN GENERAL.—Subparagraph (A) of section 408(d)(3)
34 (relating to rollover amounts) is amended by adding “or” at
35 the end of clause (i), by striking clauses (ii) and (iii), and by
36 adding at the end the following:

1 “(ii) the entire amount received (including
2 money and any other property) is paid into an eli-
3 gible retirement plan for the benefit of such indi-
4 vidual not later than the 60th day after the date
5 on which the payment or distribution is received,
6 except that the maximum amount which may be
7 paid into such plan may not exceed the portion of
8 the amount received which is includible in gross in-
9 come (determined without regard to this para-
10 graph).

11 For purposes of clause (ii), the term ‘eligible retirement
12 plan’ means an eligible retirement plan described in
13 clause (iii), (iv), (v), or (vi) of section 402(c)(8)(B).”.

14 (b) CONFORMING AMENDMENTS.—

15 (1) Paragraph (1) of section 403(b) is amended by
16 striking “section 408(d)(3)(A)(iii)” and inserting “section
17 408(d)(3)(A)(ii)”.

18 (2) Clause (i) of section 408(d)(3)(D) is amended by
19 striking “(i), (ii), or (iii)” and inserting “(i) or (ii)”.

20 (3) Subparagraph (G) of section 408(d)(3) is amended
21 to read as follows:

22 “(G) SIMPLE RETIREMENT ACCOUNTS.—In the
23 case of any payment or distribution out of a simple re-
24 tirement account (as defined in subsection (p)) to
25 which section 72(t)(6) applies, this paragraph shall not
26 apply unless such payment or distribution is paid into
27 another simple retirement account.”.

28 (c) EFFECTIVE DATE; SPECIAL RULE.—

29 (1) EFFECTIVE DATE.—The amendments made by
30 this section shall apply to distributions after December 31,
31 2000.

32 (2) SPECIAL RULE.—Notwithstanding any other provi-
33 sion of law, subsections (h)(3) and (h)(5) of section 1122
34 of the Tax Reform Act of 1986 shall not apply to any dis-
35 tribution from an eligible retirement plan (as defined in
36 clause (iii) or (iv) of section 402(c)(8)(B) of the Internal
37 Revenue Code of 1986) on behalf of an individual if there

1 was a rollover to such plan on behalf of such individual
2 which is permitted solely by reason of the amendments
3 made by this section.

4 **SEC. 433. ROLLOVERS OF AFTER-TAX CONTRIBUTIONS.**

5 (a) ROLLOVERS FROM EXEMPT TRUSTS.—Paragraph (2)
6 of section 402(c) (relating to maximum amount which may be
7 rolled over) is amended by adding at the end the following:
8 “The preceding sentence shall not apply to such distribution to
9 the extent—

10 “(A) such portion is transferred in a direct trust-
11 ee-to-trustee transfer to a qualified trust which is part
12 of a plan which is a defined contribution plan and
13 which agrees to separately account for amounts so
14 transferred, including separately accounting for the
15 portion of such distribution which is includible in gross
16 income and the portion of such distribution which is
17 not so includible, or

18 “(B) such portion is transferred to an eligible re-
19 irement plan described in clause (i) or (ii) of para-
20 graph (8)(B).”.

21 (b) OPTIONAL DIRECT TRANSFER OF ELIGIBLE ROLL-
22 OVER DISTRIBUTIONS.—Subparagraph (B) of section
23 401(a)(31) (relating to limitation) is amended by adding at the
24 end the following: “The preceding sentence shall not apply to
25 such distribution if the plan to which such distribution is
26 transferred—

27 “(i) agrees to separately account for amounts
28 so transferred, including separately accounting for
29 the portion of such distribution which is includible
30 in gross income and the portion of such distribu-
31 tion which is not so includible, or

32 “(ii) is an eligible retirement plan described in
33 clause (i) or (ii) of section 402(c)(8)(B).”.

34 (c) RULES FOR APPLYING SECTION 72 TO IRAS.—Para-
35 graph (3) of section 408(d) (relating to special rules for apply-
36 ing section 72) is amended by inserting at the end the fol-
37 lowing:

1 “(H) APPLICATION OF SECTION 72.—
2 “(i) IN GENERAL.—If—
3 “(I) a distribution is made from an indi-
4 vidual retirement plan, and
5 “(II) a rollover contribution is made to an
6 eligible retirement plan described in section
7 402(c)(8)(B)(iii), (iv), (v), or (vi) with respect
8 to all or part of such distribution,
9 then, notwithstanding paragraph (2), the rules of
10 clause (ii) shall apply for purposes of applying sec-
11 tion 72.
12 “(ii) APPLICABLE RULES.—In the case of a
13 distribution described in clause (i)—
14 “(I) section 72 shall be applied separately
15 to such distribution,
16 “(II) notwithstanding the pro rata alloca-
17 tion of income on, and investment in, the con-
18 tract to distributions under section 72, the por-
19 tion of such distribution rolled over to an eligi-
20 ble retirement plan described in clause (i) shall
21 be treated as from income on the contract (to
22 the extent of the aggregate income on the con-
23 tract from all individual retirement plans of the
24 distributee), and
25 “(III) appropriate adjustments shall be
26 made in applying section 72 to other distribu-
27 tions in such taxable year and subsequent tax-
28 able years.”.

29 (d) EFFECTIVE DATE.—The amendments made by this
30 section shall apply to distributions made after December 31,
31 2001.

32 **SEC. 434. HARDSHIP EXCEPTION TO 60-DAY RULE.**

33 (a) EXEMPT TRUSTS.—Paragraph (3) of section 402(c)
34 (relating to transfer must be made within 60 days of receipt)
35 is amended to read as follows:

36 “(3) TRANSFER MUST BE MADE WITHIN 60 DAYS OF
37 RECEIPT.—

1 “(A) IN GENERAL.—Except as provided in sub-
2 paragraph (B), paragraph (1) shall not apply to any
3 transfer of a distribution made after the 60th day fol-
4 lowing the day on which the distributee received the
5 property distributed.

6 “(B) HARDSHIP EXCEPTION.—The Secretary may
7 waive the 60-day requirement under subparagraph (A)
8 where the failure to waive such requirement would be
9 against equity or good conscience, including casualty,
10 disaster, or other events beyond the reasonable control
11 of the individual subject to such requirement.”.

12 (b) IRAS.—Paragraph (3) of section 408(d) (relating to
13 rollover contributions), as amended by section 433, is amended
14 by adding after subparagraph (H) the following new subpara-
15 graph:

16 “(I) WAIVER OF 60-DAY REQUIREMENT.—The Sec-
17 retary may waive the 60-day requirement under sub-
18 paragraphs (A) and (D) where the failure to waive such
19 requirement would be against equity or good con-
20 science, including casualty, disaster, or other events be-
21 yond the reasonable control of the individual subject to
22 such requirement.”.

23 (c) EFFECTIVE DATE.—The amendments made by this
24 section shall apply to distributions after December 31, 2000.

25 **SEC. 435. TREATMENT OF FORMS OF DISTRIBUTION.**

26 (a) PLAN TRANSFERS.—

27 (1) AMENDMENT OF INTERNAL REVENUE CODE.—
28 Paragraph (6) of section 411(d) (relating to accrued ben-
29 efit not to be decreased by amendment) is amended by add-
30 ing at the end the following:

31 “(D) PLAN TRANSFERS.—

32 “(i) IN GENERAL.—A defined contribution
33 plan (in this subparagraph referred to as the
34 ‘transferee plan’) shall not be treated as failing to
35 meet the requirements of this subsection merely be-
36 cause the transferee plan does not provide some or
37 all of the forms of distribution previously available

1 under another defined contribution plan (in this
2 subparagraph referred to as the ‘transferor plan’)
3 to the extent that—

4 “(I) the forms of distribution previously
5 available under the transferor plan applied to
6 the account of a participant or beneficiary
7 under the transferor plan that was transferred
8 from the transferor plan to the transferee plan
9 pursuant to a direct transfer rather than pur-
10 suant to a distribution from the transferor
11 plan,

12 “(II) the terms of both the transferor plan
13 and the transferee plan authorize the transfer
14 described in subclause (I),

15 “(III) the transfer described in subclause
16 (I) was made pursuant to a voluntary election
17 by the participant or beneficiary whose account
18 was transferred to the transferee plan,

19 “(IV) the election described in subclause
20 (III) was made after the participant or bene-
21 ficiary received a notice describing the con-
22 sequences of making the election, and

23 “(V) the transferee plan allows the partici-
24 pant or beneficiary described in subclause (III)
25 to receive any distribution to which the partici-
26 pant or beneficiary is entitled under the trans-
27 feree plan in the form of a single sum distribu-
28 tion.

29 “(ii) SPECIAL RULE FOR MERGERS; ETC.—
30 Clause (i) shall apply to plan mergers and other
31 transactions having the effect of a direct transfer,
32 including consolidations of benefits attributable to
33 different employers within a multiple employer
34 plan.

35 “(E) ELIMINATION OF FORM OF DISTRIBUTION.—
36 Except to the extent provided in regulations, a defined
37 contribution plan shall not be treated as failing to meet

1 the requirements of this section merely because of the
2 elimination of a form of distribution previously avail-
3 able thereunder. This subparagraph shall not apply to
4 the elimination of a form of distribution with respect
5 to any participant unless—

6 “(i) a single sum payment is available to such
7 participant at the same time or times as the form
8 of distribution being eliminated, and

9 “(ii) such single sum payment is based on the
10 same or greater portion of the participant’s account
11 as the form of distribution being eliminated.”.

12 (2) AMENDMENT OF ERISA.—Section 204(g) of the
13 Employee Retirement Income Security Act of 1974 (29
14 U.S.C. 1054(g)) is amended by adding at the end the fol-
15 lowing:

16 “(4)(A) A defined contribution plan (in this subparagraph
17 referred to as the ‘transferee plan’) shall not be treated as fail-
18 ing to meet the requirements of this subsection merely because
19 the transferee plan does not provide some or all of the forms
20 of distribution previously available under another defined con-
21 tribution plan (in this subparagraph referred to as the ‘trans-
22 feror plan’) to the extent that—

23 “(i) the forms of distribution previously available
24 under the transferor plan applied to the account of a par-
25 ticipant or beneficiary under the transferor plan that was
26 transferred from the transferor plan to the transferee plan
27 pursuant to a direct transfer rather than pursuant to a dis-
28 tribution from the transferor plan;

29 “(ii) the terms of both the transferor plan and the
30 transferee plan authorize the transfer described in clause
31 (i);

32 “(iii) the transfer described in clause (i) was made
33 pursuant to a voluntary election by the participant or bene-
34 ficiary whose account was transferred to the transferee
35 plan;

1 “(iv) the election described in clause (iii) was made
2 after the participant or beneficiary received a notice de-
3 scribing the consequences of making the election; and

4 “(v) the transferee plan allows the participant or bene-
5 ficiary described in clause (iii) to receive any distribution
6 to which the participant or beneficiary is entitled under the
7 transferee plan in the form of a single sum distribution.

8 “(B) Subparagraph (A) shall apply to plan mergers and
9 other transactions having the effect of a direct transfer, includ-
10 ing consolidations of benefits attributable to different employers
11 within a multiple employer plan.

12 “(5) Except to the extent provided in regulations promul-
13 gated by the Secretary of the Treasury, a defined contribution
14 plan shall not be treated as failing to meet the requirements
15 of this subsection merely because of the elimination of a form
16 of distribution previously available thereunder. This paragraph
17 shall not apply to the elimination of a form of distribution with
18 respect to any participant unless—

19 “(A) a single sum payment is available to such partici-
20 pant at the same time or times as the form of distribution
21 being eliminated; and

22 “(B) such single sum payment is based on the same
23 or greater portion of the participant’s account as the form
24 of distribution being eliminated.”.

25 (3) EFFECTIVE DATE.—The amendments made by
26 this subsection shall apply to years beginning after Decem-
27 ber 31, 2000.

28 (b) REGULATIONS.—

29 (1) AMENDMENT OF INTERNAL REVENUE CODE.—
30 Paragraph (6)(B) of section 411(d) (relating to accrued
31 benefit not to be decreased by amendment) is amended by
32 inserting after the second sentence the following new sen-
33 tence: “The Secretary shall by regulations provide that this
34 subparagraph shall not apply to any plan amendment
35 which reduces or eliminates benefits or subsidies which cre-
36 ate significant burdens or complexities for the plan and

1 plan participants and does not adversely affect the rights
2 of any participant in a more than de minimis manner.”.

3 (2) AMENDMENT OF ERISA.—Section 204(g)(2) of the
4 Employee Retirement Income Security Act of 1974 (29
5 U.S.C. 1054(g)(2)) is amended by inserting before the last
6 sentence the following new sentence: “The Secretary of the
7 Treasury shall by regulations provide that this paragraph
8 shall not apply to any plan amendment which reduces or
9 eliminates benefits or subsidies which create significant
10 burdens or complexities for the plan and plan participants
11 and does not adversely affect the rights of any participant
12 in a more than de minimis manner.”.

13 (3) SECRETARY DIRECTED.—Not later than December
14 31, 2002, the Secretary of the Treasury is directed to issue
15 regulations under section 411(d)(6) of the Internal Re-
16 venue Code of 1986 and section 204(g) of the Employee Re-
17 tirement Income Security Act of 1974, including the regu-
18 lations required by the amendment made by this sub-
19 section. Such regulations shall apply to plan years begin-
20 ning after December 31, 2002, or such earlier date as is
21 specified by the Secretary of the Treasury.

22 **SEC. 436. RATIONALIZATION OF RESTRICTIONS ON DIS-**
23 **TRIBUTIONS.**

24 (a) MODIFICATION OF SAME DESK EXCEPTION.—

25 (1) SECTION 401(k).—

26 (A) Section 401(k)(2)(B)(i)(I) (relating to quali-
27 fied cash or deferred arrangements) is amended by
28 striking “separation from service” and inserting “sever-
29 ance from employment”.

30 (B) Subparagraph (A) of section 401(k)(10) (re-
31 lating to distributions upon termination of plan or dis-
32 position of assets or subsidiary) is amended to read as
33 follows:

34 “(A) IN GENERAL.—An event described in this
35 subparagraph is the termination of the plan without es-
36 tablishment or maintenance of another defined con-

1 tribution plan (other than an employee stock ownership
2 plan as defined in section 4975(e)(7)).”.

3 (C) Section 401(k)(10) is amended—

4 (i) in subparagraph (B)—

5 (I) by striking “An event” in clause (i)
6 and inserting “A termination”; and

7 (II) by striking “the event” in clause (i)
8 and inserting “the termination”;

9 (ii) by striking subparagraph (C); and

10 (iii) by striking “OR DISPOSITION OF ASSETS
11 OR SUBSIDIARY” in the heading.

12 (2) SECTION 403(b).—

13 (A) Paragraphs (7)(A)(ii) and (11)(A) of section
14 403(b) are each amended by striking “separates from
15 service” and inserting “has a severance from employ-
16 ment”.

17 (B) The heading for paragraph (11) of section
18 403(b) is amended by striking “SEPARATION FROM
19 SERVICE” and inserting “SEVERANCE FROM EMPLOY-
20 MENT”.

21 (3) SECTION 457.—Clause (ii) of section 457(d)(1)(A)
22 is amended by striking “is separated from service” and in-
23 serting “has a severance from employment”.

24 (b) EFFECTIVE DATE.—The amendments made by this
25 section shall apply to distributions after December 31, 2000.

26 **SEC. 437. PURCHASE OF SERVICE CREDIT IN GOVERN-**
27 **MENTAL DEFINED BENEFIT PLANS.**

28 (a) 403(b) PLANS.—Subsection (b) of section 403 is
29 amended by adding at the end the following new paragraph:

30 “(13) TRUSTEE-TO-TRUSTEE TRANSFERS TO PUR-
31 CHASE PERMISSIVE SERVICE CREDIT.—No amount shall be
32 includible in gross income by reason of a direct trustee-to-
33 trustee transfer to a defined benefit governmental plan (as
34 defined in section 414(d)) if such transfer is—

35 “(A) for the purchase of permissive service credit
36 (as defined in section 415(n)(3)(A)) under such plan,

37 or

1 “(B) a repayment to which section 415 does not
2 apply by reason of subsection (k)(3) thereof.”.

3 (b) 457 PLANS.—Subsection (e) of section 457 is amended
4 by adding after paragraph (16) the following new paragraph:

5 “(17) TRUSTEE-TO-TRUSTEE TRANSFERS TO PUR-
6 CHASE PERMISSIVE SERVICE CREDIT.—No amount shall be
7 includible in gross income by reason of a direct trustee-to-
8 trustee transfer to a defined benefit governmental plan (as
9 defined in section 414(d)) if such transfer is—

10 “(A) for the purchase of permissive service credit
11 (as defined in section 415(n)(3)(A)) under such plan,
12 or

13 “(B) a repayment to which section 415 does not
14 apply by reason of subsection (k)(3) thereof.”.

15 (c) EFFECTIVE DATE.—The amendments made by this
16 section shall apply to trustee-to-trustee transfers after Decem-
17 ber 31, 2000.

18 **SEC. 438. EMPLOYERS MAY DISREGARD ROLLOVERS**
19 **FOR PURPOSES OF CASH-OUT AMOUNTS.**

20 (a) QUALIFIED PLANS.—

21 (1) AMENDMENT OF INTERNAL REVENUE CODE.—Sec-
22 tion 411(a)(11) (relating to restrictions on certain manda-
23 tory distributions) is amended by adding at the end the fol-
24 lowing:

25 “(D) SPECIAL RULE FOR ROLLOVER CONTRIBU-
26 TIONS.—A plan shall not fail to meet the requirements
27 of this paragraph if, under the terms of the plan, the
28 present value of the nonforfeitable accrued benefit is
29 determined without regard to that portion of such ben-
30 efit which is attributable to rollover contributions (and
31 earnings allocable thereto). For purposes of this sub-
32 paragraph, the term ‘rollover contributions’ means any
33 rollover contribution under sections 402(c), 403(a)(4),
34 403(b)(8), 408(d)(3)(A)(ii), and 457(e)(16).”.

35 (2) AMENDMENT OF ERISA.—Section 203(e) of the
36 Employee Retirement Income Security Act of 1974 (29

1 U.S.C. 1053(c)) is amended by adding at the end the fol-
2 lowing:

3 “(4) A plan shall not fail to meet the requirements of this
4 subsection if, under the terms of the plan, the present value of
5 the nonforfeitable accrued benefit is determined without regard
6 to that portion of such benefit which is attributable to rollover
7 contributions (and earnings allocable thereto). For purposes of
8 this subparagraph, the term ‘rollover contributions’ means any
9 rollover contribution under sections 402(c), 403(a)(4),
10 403(b)(8), 408(d)(3)(A)(ii), and 457(e)(16) of the Internal
11 Revenue Code of 1986.”.

12 (b) ELIGIBLE DEFERRED COMPENSATION PLANS.—Clause
13 (i) of section 457(e)(9)(A) is amended by striking “such
14 amount” and inserting “the portion of such amount which is
15 not attributable to rollover contributions (as defined in section
16 411(a)(11)(D))”.

17 (c) EFFECTIVE DATE.—The amendments made by this
18 section shall apply to distributions after December 31, 2000.

19 **SEC. 439. MINIMUM DISTRIBUTION AND INCLUSION RE-**
20 **QUIREMENTS FOR SECTION 457 PLANS.**

21 (a) MINIMUM DISTRIBUTION REQUIREMENTS.—Paragraph
22 (2) of section 457(d) (relating to distribution requirements) is
23 amended to read as follows:

24 “(2) MINIMUM DISTRIBUTION REQUIREMENTS.—A
25 plan meets the minimum distribution requirements of this
26 paragraph if such plan meets the requirements of section
27 401(a)(9).”.

28 (b) INCLUSION IN GROSS INCOME.—

29 (1) YEAR OF INCLUSION.—Subsection (a) of section
30 457 (relating to year of inclusion in gross income) is
31 amended to read as follows:

32 “(a) YEAR OF INCLUSION IN GROSS INCOME.—

33 “(1) IN GENERAL.—Any amount of compensation de-
34 ferred under an eligible deferred compensation plan, and
35 any income attributable to the amounts so deferred, shall
36 be includible in gross income only for the taxable year in
37 which such compensation or other income—

1 “(A) is paid to the participant or other bene-
2 fiary, in the case of a plan of an eligible employer de-
3 scribed in subsection (e)(1)(A), and

4 “(B) is paid or otherwise made available to the
5 participant or other beneficiary, in the case of a plan
6 of an eligible employer described in subsection
7 (e)(1)(B).

8 “(2) SPECIAL RULE FOR ROLLOVER AMOUNTS.—To
9 the extent provided in section 72(t)(9), section 72(t) shall
10 apply to any amount includible in gross income under this
11 subsection.”.

12 (2) CONFORMING AMENDMENTS.—

13 (A) So much of paragraph (9) of section 457(e) as
14 precedes subparagraph (A) is amended to read as fol-
15 lows:

16 “(9) BENEFITS OF TAX EXEMPT ORGANIZATION PLANS
17 NOT TREATED AS MADE AVAILABLE BY REASON OF CER-
18 TAIN ELECTIONS, ETC.—In the case of an eligible deferred
19 compensation plan of an employer described in subsection
20 (e)(1)(B)—”.

21 (B) Section 457(d) is amended by adding at the
22 end the following new paragraph:

23 “(3) SPECIAL RULE FOR GOVERNMENT PLAN.—An eli-
24 gible deferred compensation plan of an employer described
25 in subsection (e)(1)(A) shall not be treated as failing to
26 meet the requirements of this subsection solely by reason
27 of making a distribution described in subsection
28 (e)(9)(A).”.

29 (c) EFFECTIVE DATE.—The amendments made by this
30 section shall apply to distributions after December 31, 2000.

31 **Subtitle E—Strengthening Pension** 32 **Security and Enforcement**

33 **SEC. 441. REPEAL OF 155 PERCENT OF CURRENT LIABIL-** 34 **ITY FUNDING LIMIT.**

35 (a) AMENDMENTS OF INTERNAL REVENUE CODE.—Sec-
36 tion 412(c)(7) (relating to full-funding limitation) is
37 amended—

1 (1) by striking “the applicable percentage” in subpara-
2 graph (A)(i)(I) and inserting “in the case of plan years be-
3 ginning before January 1, 2004, the applicable percent-
4 age”; and

5 (2) by amending subparagraph (F) to read as follows:

6 “(F) APPLICABLE PERCENTAGE.—For purposes of
7 subparagraph (A)(i)(I), the applicable percentage shall
8 be determined in accordance with the following table:

“In the case of any plan year beginning in—	The applicable percentage is—
2001	160
2002	165
2003	170.”.

9 (b) AMENDMENT OF ERISA.—Section 302(c)(7) of the
10 Employee Retirement Income Security Act of 1974 (29 U.S.C.
11 1082(c)(7)) is amended—

12 (1) by striking “the applicable percentage” in subpara-
13 graph (A)(i)(I) and inserting “in the case of plan years be-
14 ginning before January 1, 2004, the applicable percent-
15 age”; and

16 (2) by amending subparagraph (F) to read as follows:

17 “(F) APPLICABLE PERCENTAGE.—For purposes of
18 subparagraph (A)(i)(I), the applicable percentage shall
19 be determined in accordance with the following table:

“In the case of any plan year beginning in—	The applicable percentage is—
2001	160
2002	165
2003	170.”.

20 (c) EFFECTIVE DATE.—The amendments made by this
21 section shall apply to plan years beginning after December 31,
22 2000.

23 **SEC. 442. MAXIMUM CONTRIBUTION DEDUCTION RULES**
24 **MODIFIED AND APPLIED TO ALL DEFINED**
25 **BENEFIT PLANS.**

26 (a) IN GENERAL.—Subparagraph (D) of section 404(a)(1)
27 (relating to special rule in case of certain plans) is amended to
28 read as follows:

1 “(D) SPECIAL RULE IN CASE OF CERTAIN
2 PLANS.—

3 “(i) IN GENERAL.—In the case of any defined
4 benefit plan, except as provided in regulations, the
5 maximum amount deductible under the limitations
6 of this paragraph shall not be less than the un-
7 funded termination liability (determined as if the
8 proposed termination date referred to in section
9 4041(b)(2)(A)(i)(II) of the Employee Retirement
10 Income Security Act of 1974 were the last day of
11 the plan year).

12 “(ii) PLANS WITH LESS THAN 100 PARTICI-
13 PANTS.—For purposes of this subparagraph, in the
14 case of a plan which has less than 100 participants
15 for the plan year, termination liability shall not in-
16 clude the liability attributable to benefit increases
17 for highly compensated employees (as defined in
18 section 414(q)) resulting from a plan amendment
19 which is made or becomes effective, whichever is
20 later, within the last 2 years before the termination
21 date.

22 “(iii) RULE FOR DETERMINING NUMBER OF
23 PARTICIPANTS.—For purposes of determining
24 whether a plan has more than 100 participants, all
25 defined benefit plans maintained by the same em-
26 ployer (or any member of such employer’s con-
27 trolled group (within the meaning of section
28 412(l)(8)(C))) shall be treated as one plan, but
29 only employees of such member or employer shall
30 be taken into account.

31 “(iv) PLANS MAINTAINED BY PROFESSIONAL
32 SERVICE EMPLOYERS.—Clause (i) shall not apply
33 to a plan described in section 4021(b)(13) of the
34 Employee Retirement Income Security Act of
35 1974.”.

36 (b) CONFORMING AMENDMENT.—Paragraph (6) of section
37 4972(c) is amended to read as follows:

1 “(6) EXCEPTIONS.—In determining the amount of
2 nondeductible contributions for any taxable year, there
3 shall not be taken into account so much of the contribu-
4 tions to one or more defined contribution plans which are
5 not deductible when contributed solely because of section
6 404(a)(7) as does not exceed the greater of—

7 “(A) the amount of contributions not in excess of
8 6 percent of compensation (within the meaning of sec-
9 tion 404(a)) paid or accrued (during the taxable year
10 for which the contributions were made) to beneficiaries
11 under the plans, or

12 “(B) the sum of—

13 “(i) the amount of contributions described in
14 section 401(m)(4)(A), plus

15 “(ii) the amount of contributions described in
16 section 402(g)(3)(A).

17 For purposes of this paragraph, the deductible limits under
18 section 404(a)(7) shall first be applied to amounts contrib-
19 uted to a defined benefit plan and then to amounts de-
20 scribed in subparagraph (B).”.

21 (c) EFFECTIVE DATE.—The amendments made by this
22 section shall apply to plan years beginning after December 31,
23 2000.

24 **SEC. 443. EXCISE TAX RELIEF FOR SOUND PENSION**
25 **FUNDING.**

26 (a) IN GENERAL.—Subsection (c) of section 4972 (relating
27 to nondeductible contributions) is amended by adding at the
28 end the following new paragraph:

29 “(7) DEFINED BENEFIT PLAN EXCEPTION.—In deter-
30 mining the amount of nondeductible contributions for any
31 taxable year, an employer may elect for such year not to
32 take into account any contributions to a defined benefit
33 plan except to the extent that such contributions exceed the
34 full-funding limitation (as defined in section 412(c)(7), de-
35 termined without regard to subparagraph (A)(i)(I) thereof).
36 For purposes of this paragraph, the deductible limits under
37 section 404(a)(7) shall first be applied to amounts contrib-

1 uted to defined contribution plans and then to amounts de-
2 scribed in this paragraph. If an employer makes an election
3 under this paragraph for a taxable year, paragraph (6)
4 shall not apply to such employer for such taxable year.”.

5 (b) EFFECTIVE DATE.—The amendment made by this sec-
6 tion shall apply to years beginning after December 31, 2000.

7 **SEC. 444. EXCISE TAX ON FAILURE TO PROVIDE NOTICE**
8 **BY DEFINED BENEFIT PLANS SIGNIFI-**
9 **CANTLY REDUCING FUTURE BENEFIT AC-**
10 **CRUALS.**

11 (a) AMENDMENT OF INTERNAL REVENUE CODE.—

12 (1) IN GENERAL.—Chapter 43 (relating to qualified
13 pension, etc., plans) is amended by adding at the end the
14 following new section:

15 **“SEC. 4980F. FAILURE OF APPLICABLE PLANS REDUC-**
16 **ING BENEFIT ACCRUALS TO SATISFY NOTICE**
17 **REQUIREMENTS.**

18 “(a) IMPOSITION OF TAX.—There is hereby imposed a tax
19 on the failure of any applicable pension plan to meet the re-
20 quirements of subsection (e) with respect to any applicable in-
21 dividual.

22 “(b) AMOUNT OF TAX.—

23 “(1) IN GENERAL.—The amount of the tax imposed by
24 subsection (a) on any failure with respect to any applicable
25 individual shall be \$100 for each day in the noncompliance
26 period with respect to such failure.

27 “(2) NONCOMPLIANCE PERIOD.—For purposes of this
28 section, the term ‘noncompliance period’ means, with re-
29 spect to any failure, the period beginning on the date the
30 failure first occurs and ending on the date the notice to
31 which the failure relates is provided or the failure is other-
32 wise corrected.

33 “(c) LIMITATIONS ON AMOUNT OF TAX.—

34 “(1) TAX NOT TO APPLY WHERE FAILURE NOT DIS-
35 COVERED AND REASONABLE DILIGENCE EXERCISED.—No
36 tax shall be imposed by subsection (a) on any failure dur-
37 ing any period for which it is established to the satisfaction
38 of the Secretary that any person subject to liability for the

1 tax under subsection (d) did not know that the failure ex-
2 isted and exercised reasonable diligence to meet the re-
3 quirements of subsection (e).

4 “(2) TAX NOT TO APPLY TO FAILURES CORRECTED
5 WITHIN 30 DAYS.—No tax shall be imposed by subsection
6 (a) on any failure if—

7 “(A) any person subject to liability for the tax
8 under subsection (d) exercised reasonable diligence to
9 meet the requirements of subsection (e), and

10 “(B) such person provides the notice described in
11 subsection (e) during the 30-day period beginning on
12 the first date such person knew, or exercising reason-
13 able diligence would have known, that such failure ex-
14 isted.

15 “(3) OVERALL LIMITATION FOR UNINTENTIONAL
16 FAILURES.—

17 “(A) IN GENERAL.—If the person subject to liabil-
18 ity for tax under subsection (d) exercised reasonable
19 diligence to meet the requirements of subsection (e),
20 the tax imposed by subsection (a) for failures during
21 the taxable year of the employer (or, in the case of a
22 multiemployer plan, the taxable year of the trust form-
23 ing part of the plan) shall not exceed \$500,000. For
24 purposes of the preceding sentence, all multiemployer
25 plans of which the same trust forms a part shall be
26 treated as 1 plan.

27 “(B) TAXABLE YEARS IN THE CASE OF CERTAIN
28 CONTROLLED GROUPS.—For purposes of this para-
29 graph, if all persons who are treated as a single em-
30 ployer for purposes of this section do not have the same
31 taxable year, the taxable years taken into account shall
32 be determined under principles similar to the principles
33 of section 1561.

34 “(4) WAIVER BY SECRETARY.—In the case of a failure
35 which is due to reasonable cause and not to willful neglect,
36 the Secretary may waive part or all of the tax imposed by
37 subsection (a) to the extent that the payment of such tax

1 would be excessive or otherwise inequitable relative to the
2 failure involved.

3 “(d) LIABILITY FOR TAX.—The following shall be liable
4 for the tax imposed by subsection (a):

5 “(1) In the case of a plan other than a multiemployer
6 plan, the employer.

7 “(2) In the case of a multiemployer plan, the plan.

8 “(e) NOTICE REQUIREMENTS FOR PLANS SIGNIFICANTLY
9 REDUCING BENEFIT ACCRUALS.—

10 “(1) IN GENERAL.—If an applicable pension plan is
11 amended to provide for a significant reduction in the rate
12 of future benefit accrual, the plan administrator shall pro-
13 vide written notice to each applicable individual (and to
14 each employee organization representing applicable individ-
15 uals).

16 “(2) NOTICE.—The notice required by paragraph (1)
17 shall be written in a manner calculated to be understood
18 by the average plan participant and shall provide sufficient
19 information (as determined in accordance with regulations
20 prescribed by the Secretary) to allow applicable individuals
21 to understand the effect of the plan amendment. The Sec-
22 retary may provide a simplified form of notice for, or ex-
23 empt from any notice requirement, a plan—

24 “(A) which has fewer than 100 participants who
25 have accrued a benefit under the plan, or

26 “(B) which offers participants the option to choose
27 between the new benefit formula and the old benefit
28 formula.

29 “(3) TIMING OF NOTICE.—Except as provided in regu-
30 lations, the notice required by paragraph (1) shall be pro-
31 vided within a reasonable time before the effective date of
32 the plan amendment.

33 “(4) DESIGNEES.—Any notice under paragraph (1)
34 may be provided to a person designated, in writing, by the
35 person to which it would otherwise be provided.

36 “(5) NOTICE BEFORE ADOPTION OF AMENDMENT.—A
37 plan shall not be treated as failing to meet the require-

1 ments of paragraph (1) merely because notice is provided
2 before the adoption of the plan amendment if no material
3 modification of the amendment occurs before the amend-
4 ment is adopted.

5 “(f) DEFINITIONS AND SPECIAL RULES.—For purposes of
6 this section—

7 “(1) APPLICABLE INDIVIDUAL.—The term ‘applicable
8 individual’ means, with respect to any plan amendment—

9 “(A) each participant in the plan, and

10 “(B) any beneficiary who is an alternate payee
11 (within the meaning of section 414(p)(8)) under an ap-
12 plicable qualified domestic relations order (within the
13 meaning of section 414(p)(1)(A)),

14 whose rate of future benefit accrual under the plan
15 may reasonably be expected to be significantly reduced
16 by such plan amendment.

17 “(2) APPLICABLE PENSION PLAN.—The term ‘applica-
18 ble pension plan’ means—

19 “(A) any defined benefit plan, or

20 “(B) an individual account plan which is subject
21 to the funding standards of section 412.

22 Such term shall not include a governmental plan (within
23 the meaning of section 414(d)) or a church plan (within the
24 meaning of section 414(e)) with respect to which the elec-
25 tion provided by section 410(d) has not been made.

26 “(3) EARLY RETIREMENT.—A plan amendment which
27 eliminates or significantly reduces any early retirement
28 benefit or retirement-type subsidy (within the meaning of
29 section 411(d)(6)(B)(i)) shall be treated as having the ef-
30 fect of significantly reducing the rate of future benefit ac-
31 crual.

32 “(g) NEW TECHNOLOGIES.—The Secretary may by regula-
33 tions allow any notice under paragraph (1) or (2) of subsection
34 (e) to be provided by using new technologies.”

35 “(2) CLERICAL AMENDMENT.—The table of sections for
36 chapter 43 is amended by adding at the end the following
37 new item:

“Sec. 4980F. Failure of applicable plans reducing benefit accruals to satisfy notice requirements.”.

1 (b) AMENDMENT OF ERISA.—Section 204(h) of the Em-
2 ployee Retirement Income Security Act of 1974 (29 U.S.C.
3 1054(h)) is amended by adding at the end the following new
4 paragraphs:

5 “(3)(A) An applicable pension plan to which paragraph (1)
6 applies shall not be treated as meeting the requirements of
7 such paragraph unless, in addition to any notice required to be
8 provided to an individual or organization under such para-
9 graph, the plan administrator provides the notice described in
10 subparagraph (B) to each applicable individual (and to each
11 employee organization representing applicable individuals).

12 “(B) The notice required by subparagraph (A) shall be
13 written in a manner calculated to be understood by the average
14 plan participant and shall provide sufficient information (as de-
15 termined in accordance with regulations prescribed by the Sec-
16 retary of the Treasury) to allow applicable individuals to under-
17 stand the effect of the plan amendment. The Secretary of the
18 Treasury may provide a simplified form of notice for, or exempt
19 from any notice requirement, a plan—

20 “(i) which has fewer than 100 participants who have
21 accrued a benefit under the plan, or

22 “(ii) which offers participants the option to choose be-
23 tween the new benefit formula and the old benefit formula.

24 “(C) Except as provided in regulations prescribed by the
25 Secretary of the Treasury, the notice required by subparagraph
26 (A) shall be provided within a reasonable time before the effec-
27 tive date of the plan amendment.

28 “(D) Any notice under subparagraph (A) may be provided
29 to a person designated, in writing, by the person to which it
30 would otherwise be provided.

31 “(E) A plan shall not be treated as failing to meet the re-
32 quirements of subparagraph (A) merely because notice is pro-
33 vided before the adoption of the plan amendment if no material
34 modification of the amendment occurs before the amendment is
35 adopted.

1 “(F) The Secretary of the Treasury may by regulations
2 allow any notice under subparagraph (A) or (B) to be provided
3 by using new technologies.

4 “(4) For purposes of paragraph (3)—

5 “(A) The term ‘applicable individual’ means, with re-
6 spect to any plan amendment—

7 “(i) each participant in the plan; and

8 “(ii) any beneficiary who is an alternate payee
9 (within the meaning of section 206(d)(3)(K)) under an
10 applicable qualified domestic relations order (within the
11 meaning of section 206(d)(3)(B)(i)),

12 whose rate of future benefit accrual under the plan may
13 reasonably be expected to be significantly reduced by such
14 plan amendment.

15 “(B) The term ‘applicable pension plan’ means—

16 “(i) any defined benefit plan; or

17 “(ii) an individual account plan which is subject to
18 the funding standards of section 412 of the Internal
19 Revenue Code of 1986.

20 “(C) A plan amendment which eliminates or signifi-
21 cantly reduces any early retirement benefit or retirement-
22 type subsidy (within the meaning of subsection (g)(2)(A))
23 shall be treated as having the effect of significantly reduc-
24 ing the rate of future benefit accrual.”.

25 (c) EFFECTIVE DATES.—

26 (1) IN GENERAL.—The amendments made by this sec-
27 tion shall apply to plan amendments taking effect on or
28 after the date of the enactment of this Act.

29 (2) TRANSITION.—Until such time as the Secretary of
30 the Treasury issues regulations under sections 4980F(e)(2)
31 and (3) of the Internal Revenue Code of 1986 and section
32 204(h)(3) of the Employee Retirement Income Security Act
33 of 1974 (as added by the amendments made by this sec-
34 tion), a plan shall be treated as meeting the requirements
35 of such sections if it makes a good faith effort to comply
36 with such requirements.

37 (3) SPECIAL NOTICE RULES.—

1 (A) IN GENERAL.—The period for providing any
2 notice required by the amendments made by this sec-
3 tion shall not end before the date which is 3 months
4 after the date of the enactment of this Act.

5 (B) REASONABLE NOTICE.—The amendments
6 made by this section shall not apply to any plan
7 amendment taking effect on or after the date of the en-
8 actment of this Act if, before October 25, 2000, notice
9 was provided to participants and beneficiaries adversely
10 affected by the plan amendment (or their representa-
11 tives) which was reasonably expected to notify them of
12 the nature and effective date of the plan amendment.

13 (d) STUDY.—The Secretary of the Treasury shall prepare
14 a report on the effects of conversions of traditional defined ben-
15 efit plans to cash balance or hybrid formula plans. Such study
16 shall examine the effect of such conversions on longer service
17 participants, including the incidence and effects of “wear
18 away” provisions under which participants earn no additional
19 benefits for a period of time after the conversion. As soon as
20 practicable, but not later than 60 days after the date of the
21 enactment of this Act, the Secretary shall submit such report,
22 together with recommendations thereon, to the Committee on
23 Ways and Means and the Committee on Education and the
24 Workforce of the House of Representatives and the Committee
25 on Finance and the Committee on Health, Education, Labor,
26 and Pensions of the Senate.

27 **SEC. 445. TREATMENT OF MULTIEMPLOYER PLANS**
28 **UNDER SECTION 415.**

29 (a) COMPENSATION LIMIT.—

30 (1) IN GENERAL.—Paragraph (11) of section 415(b)
31 (relating to limitation for defined benefit plans) is amended
32 to read as follows:

33 “(11) SPECIAL LIMITATION RULE FOR GOVERN-
34 MENTAL AND MULTIEMPLOYER PLANS.—In the case of a
35 governmental plan (as defined in section 414(d)) or a mul-
36 tiemployer plan (as defined in section 414(f)), subpara-
37 graph (B) of paragraph (1) shall not apply.”.

1 (2) CONFORMING AMENDMENT.—Section 415(b)(7)
2 (relating to benefits under certain collectively bargained
3 plans) is amended by inserting “(other than a multiem-
4 ployer plan)” after “defined benefit plan” in the matter
5 preceding subparagraph (A).

6 (b) COMBINING AND AGGREGATION OF PLANS.—

7 (1) COMBINING OF PLANS.—Subsection (f) of section
8 415 (relating to combining of plans) is amended by adding
9 at the end the following:

10 “(3) EXCEPTION FOR MULTIEMPLOYER PLANS.—Not-
11 withstanding paragraph (1) and subsection (g), a multiem-
12 ployer plan (as defined in section 414(f)) shall not be com-
13 bined or aggregated—

14 “(A) with any other plan which is not a multiem-
15 ployer plan for purposes of applying subsection
16 (b)(1)(B) to such other plan, or

17 “(B) with any other multiemployer plan for pur-
18 poses of applying the limitations established in this sec-
19 tion.”.

20 (2) CONFORMING AMENDMENT FOR AGGREGATION OF
21 PLANS.—Subsection (g) of section 415 (relating to aggre-
22 gation of plans) is amended by striking “The Secretary”
23 and inserting “Except as provided in subsection (f)(3), the
24 Secretary”.

25 (c) EFFECTIVE DATE.—The amendments made by this
26 section shall apply to years beginning after December 31, 2000.

27 **SEC. 446. PROTECTION OF INVESTMENT OF EMPLOYEE**
28 **CONTRIBUTIONS TO 401(K) PLANS.**

29 (a) IN GENERAL.—Section 1524(b) of the Taxpayer Relief
30 Act of 1997 is amended to read as follows:

31 “(b) EFFECTIVE DATE.—

32 “(1) IN GENERAL.—Except as provided in paragraph
33 (2), the amendments made by this section shall apply to
34 elective deferrals for plan years beginning after December
35 31, 1998.

36 “(2) NONAPPLICATION TO PREVIOUSLY ACQUIRED
37 PROPERTY.—The amendments made by this section shall

1 not apply to any elective deferral which is invested in assets
2 consisting of qualifying employer securities, qualifying em-
3 ployer real property, or both, if such assets were acquired
4 before January 1, 1999.”.

5 (b) EFFECTIVE DATE.—The amendment made by this sec-
6 tion shall apply as if included in the provision of the Taxpayer
7 Relief Act of 1997 to which it relates.

8 **SEC. 447. PERIODIC PENSION BENEFITS STATEMENTS.**

9 (a) IN GENERAL.—Section 105(a) of the Employee Retirement
10 Income Security Act of 1974 (29 U.S.C. 1025 (a)) is
11 amended to read as follows:

12 “(a)(1) Except as provided in paragraph (2)—

13 “(A) the administrator of an individual account plan
14 shall furnish a pension benefit statement—

15 “(i) to a plan participant at least once annually,
16 and

17 “(ii) to a plan beneficiary upon written request,
18 and

19 “(B) the administrator of a defined benefit plan shall
20 furnish a pension benefit statement—

21 “(i) at least once every 3 years to each participant
22 with a nonforfeitable accrued benefit who is employed
23 by the employer maintaining the plan at the time the
24 statement is furnished to participants, and

25 “(ii) to a plan participant or plan beneficiary of
26 the plan upon written request.

27 “(2) Notwithstanding paragraph (1), the administrator of
28 a plan to which more than 1 unaffiliated employer is required
29 to contribute shall only be required to furnish a pension benefit
30 statement under paragraph (1) upon the written request of a
31 participant or beneficiary of the plan.

32 “(3) A pension benefit statement under paragraph (1)—

33 “(A) shall indicate, on the basis of the latest available
34 information—

35 “(i) the total benefits accrued, and

1 “(ii) the nonforfeitable pension benefits, if any,
2 which have accrued, or the earliest date on which bene-
3 fits will become nonforfeitable,

4 “(B) shall be written in a manner calculated to be un-
5 derstood by the average plan participant, and

6 “(C) may be provided in written, electronic, telephonic,
7 or other appropriate form.

8 “(4)(A) In the case of a defined benefit plan, the require-
9 ments of paragraph (1)(B)(i) shall be treated as met with re-
10 spect to a participant if the administrator provides the partici-
11 pant at least once each year with notice of the availability of
12 the pension benefit statement and the ways in which the partici-
13 pant may obtain such statement. Such notice shall be provided
14 in written, electronic, telephonic, or other appropriate form,
15 and may be included with other communications to the partici-
16 pant if done in a manner reasonably designed to attract the at-
17 tention of the participant.

18 “(B) The Secretary may provide that years in which no
19 employee or former employee benefits (within the meaning of
20 section 410(b) of the Internal Revenue Code of 1986) under
21 the plan need not be taken into account in determining the 3-
22 year period under paragraph (1)(B)(i).”.

23 (b) CONFORMING AMENDMENTS.—

24 (1) Section 105 of the Employee Retirement Income
25 Security Act of 1974 (29 U.S.C. 1025) is amended by
26 striking subsection (d).

27 (2) Section 105(b) of such Act (29 U.S.C. 1025(b)) is
28 amended to read as follows:

29 “(b) In no case shall a participant or beneficiary of a plan
30 be entitled to more than one statement described in subsection
31 (a)(1)(A) or (a)(1)(B)(ii), whichever is applicable, in any 12-
32 month period.”.

33 (c) EFFECTIVE DATE.—The amendments made by this
34 section shall apply to plan years beginning after December 31,
35 2001.

1 **SEC. 448. PROHIBITED ALLOCATIONS OF STOCK IN S**
2 **CORPORATION ESOP.**

3 (a) IN GENERAL.—Section 409 (relating to qualifications
4 for tax credit employee stock ownership plans) is amended by
5 redesignating subsection (p) as subsection (q) and by inserting
6 after subsection (o) the following new subsection:

7 “(p) PROHIBITED ALLOCATIONS OF SECURITIES IN AN S
8 CORPORATION.—

9 “(1) IN GENERAL.—An employee stock ownership plan
10 holding employer securities consisting of stock in an S cor-
11 poration shall provide that no portion of the assets of the
12 plan attributable to (or allocable in lieu of) such employer
13 securities may, during a nonallocation year, accrue (or be
14 allocated directly or indirectly under any plan of the em-
15 ployer meeting the requirements of section 401(a)) for the
16 benefit of any disqualified person.

17 “(2) FAILURE TO MEET REQUIREMENTS.—

18 “(A) IN GENERAL.—If a plan fails to meet the re-
19 quirements of paragraph (1), the plan shall be treated
20 as having distributed to any disqualified person the
21 amount allocated to the account of such person in vio-
22 lation of paragraph (1) at the time of such allocation.

23 “(B) CROSS REFERENCE.—

**“For excise tax relating to violations of para-
graph (1) and ownership of synthetic equity, see
section 4979A.**

24 “(3) NONALLOCATION YEAR.—For purposes of this
25 subsection—

26 “(A) IN GENERAL.—The term ‘nonallocation year’
27 means any plan year of an employee stock ownership
28 plan if, at any time during such plan year—

29 “(i) such plan holds employer securities con-
30 sisting of stock in an S corporation, and

31 “(ii) disqualified persons own at least 50 per-
32 cent of the number of shares of stock in the S cor-
33 poration.

1 “(B) CONTRIBUTION RULES.—For purposes of sub-
2 paragraph (A)—

3 “(i) IN GENERAL.—The rules of section
4 318(a) shall apply for purposes of determining
5 ownership, except that—

6 “(I) in applying paragraph (1) thereof, the
7 members of an individual’s family shall include
8 members of the family described in paragraph
9 (4)(D), and

10 “(II) paragraph (4) thereof shall not
11 apply.

12 “(ii) DEEMED-OWNED SHARES.—Notwith-
13 standing the employee trust exception in section
14 318(a)(2)(B)(i), an individual shall be treated as
15 owning deemed-owned shares of the individual.

16 Solely for purposes of applying paragraph (5), this sub-
17 paragraph shall be applied after the attribution rules of
18 paragraph (5) have been applied.

19 “(4) DISQUALIFIED PERSON.—For purposes of this
20 subsection—

21 “(A) IN GENERAL.—The term ‘disqualified person’
22 means any person if—

23 “(i) the aggregate number of deemed-owned
24 shares of such person and the members of such
25 person’s family is at least 20 percent of the number
26 of deemed-owned shares of stock in the S corpora-
27 tion, or

28 “(ii) in the case of a person not described in
29 clause (i), the number of deemed-owned shares of
30 such person is at least 10 percent of the number
31 of deemed-owned shares of stock in such corpora-
32 tion.

33 “(B) TREATMENT OF FAMILY MEMBERS.—In the
34 case of a disqualified person described in subparagraph
35 (A)(i), any member of such person’s family with
36 deemed-owned shares shall be treated as a disqualified

1 person if not otherwise treated as a disqualified person
2 under subparagraph (A).

3 “(C) DEEMED-OWNED SHARES.—

4 “(i) IN GENERAL.—The term ‘deemed-owned
5 shares’ means, with respect to any person—

6 “(I) the stock in the S corporation consti-
7 tuting employer securities of an employee stock
8 ownership plan which is allocated to such per-
9 son under the plan, and

10 “(II) such person’s share of the stock in
11 such corporation which is held by such plan but
12 which is not allocated under the plan to partici-
13 pants.

14 “(ii) PERSON’S SHARE OF UNALLOCATED
15 STOCK.—For purposes of clause (i)(II), a person’s
16 share of unallocated S corporation stock held by
17 such plan is the amount of the unallocated stock
18 which would be allocated to such person if the
19 unallocated stock were allocated to all participants
20 in the same proportions as the most recent stock
21 allocation under the plan.

22 “(D) MEMBER OF FAMILY.—For purposes of this
23 paragraph, the term ‘member of the family’ means,
24 with respect to any individual—

25 “(i) the spouse of the individual,

26 “(ii) an ancestor or lineal descendant of the
27 individual or the individual’s spouse,

28 “(iii) a brother or sister of the individual or
29 the individual’s spouse and any lineal descendant of
30 the brother or sister, and

31 “(iv) the spouse of any individual described in
32 clause (ii) or (iii).

33 A spouse of an individual who is legally separated from
34 such individual under a decree of divorce or separate
35 maintenance shall not be treated as such individual’s
36 spouse for purposes of this subparagraph.

1 “(5) TREATMENT OF SYNTHETIC EQUITY.—For pur-
2 poses of paragraphs (3) and (4), in the case of a person
3 who owns synthetic equity in the S corporation, except to
4 the extent provided in regulations, the shares of stock in
5 such corporation on which such synthetic equity is based
6 shall be treated as outstanding stock in such corporation
7 and deemed-owned shares of such person if such treatment
8 of synthetic equity of 1 or more such persons results in—

9 “(A) the treatment of any person as a disqualified
10 person, or

11 “(B) the treatment of any year as a nonallocation
12 year.

13 For purposes of this paragraph, synthetic equity shall be
14 treated as owned by a person in the same manner as stock
15 is treated as owned by a person under the rules of para-
16 graphs (2) and (3) of section 318(a). If, without regard to
17 this paragraph, a person is treated as a disqualified person
18 or a year is treated as a nonallocation year, this paragraph
19 shall not be construed to result in the person or year not
20 being so treated.

21 “(6) DEFINITIONS.—For purposes of this
22 subsection—

23 “(A) EMPLOYEE STOCK OWNERSHIP PLAN.—The
24 term ‘employee stock ownership plan’ has the meaning
25 given such term by section 4975(e)(7).

26 “(B) EMPLOYER SECURITIES.—The term ‘em-
27 ployer security’ has the meaning given such term by
28 section 409(l).

29 “(C) SYNTHETIC EQUITY.—The term ‘synthetic
30 equity’ means any stock option, warrant, restricted
31 stock, deferred issuance stock right, or similar interest
32 or right that gives the holder the right to acquire or
33 receive stock of the S corporation in the future. Except
34 to the extent provided in regulations, synthetic equity
35 also includes a stock appreciation right, phantom stock
36 unit, or similar right to a future cash payment based

1 on the value of such stock or appreciation in such
2 value.

3 “(7) REGULATIONS.—The Secretary shall prescribe
4 such regulations as may be necessary to carry out the pur-
5 poses of this subsection.”

6 (b) COORDINATION WITH SECTION 4975(e)(7).—The last
7 sentence of section 4975(e)(7) (defining employee stock owner-
8 ship plan) is amended by inserting “, section 409(p),” after
9 “409(n)”.

10 (c) EXCISE TAX.—

11 (1) APPLICATION OF TAX.—Subsection (a) of section
12 4979A (relating to tax on certain prohibited allocations of
13 employer securities) is amended—

14 (A) by striking “or” at the end of paragraph (1);

15 and

16 (B) by striking all that follows paragraph (2) and
17 inserting the following:

18 “(3) there is any allocation of employer securities
19 which violates the provisions of section 409(p), or a non-
20 allocation year described in subsection (e)(2)(C) with re-
21 spect to an employee stock ownership plan, or

22 “(4) any synthetic equity is owned by a disqualified
23 person in any nonallocation year,

24 there is hereby imposed a tax on such allocation or ownership
25 equal to 50 percent of the amount involved.”

26 (2) LIABILITY.—Section 4979A(c) (defining liability
27 for tax) is amended to read as follows:

28 “(c) LIABILITY FOR TAX.—The tax imposed by this sec-
29 tion shall be paid—

30 “(1) in the case of an allocation referred to in para-
31 graph (1) or (2) of subsection (a), by—

32 “(A) the employer sponsoring such plan, or

33 “(B) the eligible worker-owned cooperative,

34 which made the written statement described in section
35 664(g)(1)(E) or in section 1042(b)(3)(B) (as the case may
36 be), and

1 “(2) in the case of an allocation or ownership referred
2 to in paragraph (3) or (4) of subsection (a), by the S cor-
3 poration the stock in which was so allocated or owned.”.

4 (3) DEFINITIONS.—Section 4979A(e) (relating to defi-
5 nitions) is amended to read as follows:

6 “(e) DEFINITIONS AND SPECIAL RULES.—For purposes of
7 this section—

8 “(1) DEFINITIONS.—Except as provided in paragraph
9 (2), terms used in this section have the same respective
10 meanings as when used in sections 409 and 4978.

11 “(2) SPECIAL RULES RELATING TO TAX IMPOSED BY
12 REASON OF PARAGRAPH (3) OR (4) OF SUBSECTION (a).—

13 “(A) PROHIBITED ALLOCATIONS.—The amount in-
14 volved with respect to any tax imposed by reason of
15 subsection (a)(3) is the amount allocated to the ac-
16 count of any person in violation of section 409(p)(1).

17 “(B) SYNTHETIC EQUITY.—The amount involved
18 with respect to any tax imposed by reason of subsection
19 (a)(4) is the value of the shares on which the synthetic
20 equity is based.

21 “(C) SPECIAL RULE DURING FIRST NONALLOCA-
22 TION YEAR.—For purposes of subparagraph (A), the
23 amount involved for the first nonallocation year of any
24 employee stock ownership plan shall be determined by
25 taking into account the total value of all the deemed-
26 owned shares of all disqualified persons with respect to
27 such plan.

28 “(D) STATUTE OF LIMITATIONS.—The statutory
29 period for the assessment of any tax imposed by this
30 section by reason of paragraph (3) or (4) of subsection
31 (a) shall not expire before the date which is 3 years
32 from the later of—

33 “(i) the allocation or ownership referred to in
34 such paragraph giving rise to such tax, or

35 “(ii) the date on which the Secretary is noti-
36 fied of such allocation or ownership.”.

37 (d) EFFECTIVE DATES.—

1 (1) IN GENERAL.—The amendments made by this sec-
2 tion shall apply to plan years beginning after December 31,
3 2001.

4 (2) EXCEPTION FOR CERTAIN PLANS.—In the case of
5 any—

6 (A) employee stock ownership plan established
7 after July 11, 2000; or

8 (B) employee stock ownership plan established on
9 or before such date if employer securities held by the
10 plan consist of stock in a corporation with respect to
11 which an election under section 1362(a) of the Internal
12 Revenue Code of 1986 is not in effect on such date,
13 the amendments made by this section shall apply to plan
14 years ending after July 11, 2000.

15 **Subtitle F—Reducing Regulatory** 16 **Burdens**

17 **SEC. 451. MODIFICATION OF TIMING OF PLAN VALU-** 18 **ATIONS.**

19 (a) IN GENERAL.—Paragraph (9) of section 412(c) (relat-
20 ing to annual valuation) is amended to read as follows:

21 “(9) ANNUAL VALUATION.—

22 “(A) IN GENERAL.—For purposes of this section,
23 a determination of experience gains and losses and a
24 valuation of the plan’s liability shall be made not less
25 frequently than once every year, except that such deter-
26 mination shall be made more frequently to the extent
27 required in particular cases under regulations pre-
28 scribed by the Secretary.

29 “(B) VALUATION DATE.—

30 “(i) CURRENT YEAR.—Except as provided in
31 clause (ii), the valuation referred to in subpara-
32 graph (A) shall be made as of a date within the
33 plan year to which the valuation refers or within
34 one month prior to the beginning of such year.

35 “(ii) ELECTION TO USE PRIOR YEAR VALU-
36 ATION.—The valuation referred to in subparagraph

1 (A) may be made as of a date within the plan year
2 prior to the year to which the valuation refers if—

3 “(I) an election is in effect under this
4 clause with respect to the plan, and

5 “(II) as of such date, the value of the as-
6 sets of the plan are not less than 125 percent
7 of the plan’s current liability (as defined in
8 paragraph (7)(B)).

9 “(iii) ADJUSTMENTS.—Information under
10 clause (ii) shall, in accordance with regulations, be
11 actuarially adjusted to reflect significant dif-
12 ferences in participants.

13 “(iv) ELECTION.—An election under clause
14 (ii), once made, shall be irrevocable without the
15 consent of the Secretary.”.

16 (b) AMENDMENT OF ERISA.—Paragraph (9) of section
17 302(c) of the Employee Retirement Income Security Act of
18 1974 (29 U.S.C. 1053(c)) is amended—

19 (1) by inserting “(A)” after “(9)”; and

20 (2) by adding at the end the following:

21 “(B)(i) Except as provided in clause (ii), the valuation re-
22 ferred to in subparagraph (A) shall be made as of a date within
23 the plan year to which the valuation refers or within one month
24 prior to the beginning of such year.

25 “(ii) The valuation referred to in subparagraph (A) may
26 be made as of a date within the plan year prior to the year
27 to which the valuation refers if—

28 “(I) an election is in effect under this clause with re-
29 spect to the plan; and

30 “(II) as of such date, the value of the assets of the
31 plan are not less than 125 percent of the plan’s current li-
32 ability (as defined in paragraph (7)(B)).

33 “(iii) Information under clause (ii) shall, in accordance
34 with regulations, be actuarially adjusted to reflect significant
35 differences in participants.

1 “(iv) An election under clause (ii), once made, shall be ir-
2 revocable without the consent of the Secretary of the Treas-
3 ury.”.

4 (c) EFFECTIVE DATE.—The amendments made by this
5 section shall apply to plan years beginning after December 31,
6 2000.

7 **SEC. 452. ESOP DIVIDENDS MAY BE REINVESTED WITH-**
8 **OUT LOSS OF DIVIDEND DEDUCTION.**

9 (a) IN GENERAL.—Section 404(k)(2)(A) (defining applica-
10 ble dividends) is amended by striking “or” at the end of clause
11 (ii), by redesignating clause (iii) as clause (iv), and by inserting
12 after clause (ii) the following new clause:

13 “(iii) is, at the election of such participants or
14 their beneficiaries—

15 “(I) payable as provided in clause (i) or
16 (ii), or

17 “(II) paid to the plan and reinvested in
18 qualifying employer securities, or”.

19 (b) STANDARD FOR DISALLOWANCE.—Section
20 404(k)(5)(A) (relating to disallowance of deduction) is amended
21 by inserting “avoidance or” before “evasion”.

22 (c) EFFECTIVE DATE.—The amendments made by this
23 section shall apply to taxable years beginning after December
24 31, 2000.

25 **SEC. 453. REPEAL OF TRANSITION RULE RELATING TO**
26 **CERTAIN HIGHLY COMPENSATED EMPLOY-**
27 **EES.**

28 (a) IN GENERAL.—Paragraph (4) of section 1114(c) of
29 the Tax Reform Act of 1986 is hereby repealed.

30 (b) EFFECTIVE DATE.—The repeal made by subsection
31 (a) shall apply to plan years beginning after December 31,
32 2000.

33 **SEC. 454. EMPLOYEES OF TAX-EXEMPT ENTITIES.**

34 (a) IN GENERAL.—The Secretary of the Treasury shall
35 modify Treasury Regulations section 1.410(b)–6(g) to provide
36 that employees of an organization described in section
37 403(b)(1)(A)(i) of the Internal Revenue Code of 1986 who are

1 eligible to make contributions under section 403(b) of such
2 Code pursuant to a salary reduction agreement may be treated
3 as excludable with respect to a plan under section 401(k) or
4 (m) of such Code that is provided under the same general ar-
5 rangement as a plan under such section 401(k), if—

6 (1) no employee of an organization described in sec-
7 tion 403(b)(1)(A)(i) of such Code is eligible to participate
8 in such section 401(k) plan or section 401(m) plan; and

9 (2) 95 percent of the employees who are not employees
10 of an organization described in section 403(b)(1)(A)(i) of
11 such Code are eligible to participate in such plan under
12 such section 401(k) or (m).

13 (b) EFFECTIVE DATE.—The modification required by sub-
14 section (a) shall apply as of the same date set forth in section
15 1426(b) of the Small Business Job Protection Act of 1996.

16 **SEC. 455. CLARIFICATION OF TREATMENT OF EM-**
17 **PLOYER-PROVIDED RETIREMENT ADVICE.**

18 (a) IN GENERAL.—Subsection (a) of section 132 (relating
19 to exclusion from gross income) is amended by striking “or”
20 at the end of paragraph (5), by striking the period at the end
21 of paragraph (6) and inserting “, or”, and by adding at the
22 end the following new paragraph:

23 “(7) qualified retirement planning services.”.

24 (b) QUALIFIED RETIREMENT PLANNING SERVICES DE-
25 FINED.—Section 132 is amended by redesignating subsection
26 (m) as subsection (n) and by inserting after subsection (l) the
27 following:

28 “(m) QUALIFIED RETIREMENT PLANNING SERVICES.—

29 “(1) IN GENERAL.—For purposes of this section, the
30 term ‘qualified retirement planning services’ means any re-
31 tirement planning advice or information provided to an em-
32 ployee and his spouse by an employer maintaining a quali-
33 fied employer plan.

34 “(2) NONDISCRIMINATION RULE.—Subsection (a)(7)
35 shall apply in the case of highly compensated employees
36 only if such services are available on substantially the same
37 terms to each member of the group of employees normally

1 provided education and information regarding the employ-
2 er's qualified employer plan.

3 “(3) QUALIFIED EMPLOYER PLAN.—For purposes of
4 this subsection, the term ‘qualified employer plan’ means a
5 plan, contract, pension, or account described in section
6 219(g)(5).”.

7 (c) EFFECTIVE DATE.—The amendments made by this
8 section shall apply to years beginning after December 31, 2000.

9 **SEC. 456. REPORTING SIMPLIFICATION.**

10 (a) SIMPLIFIED ANNUAL FILING REQUIREMENT FOR
11 OWNERS AND THEIR SPOUSES.—

12 (1) IN GENERAL.—The Secretary of the Treasury
13 shall modify the requirements for filing annual returns with
14 respect to one-participant retirement plans to ensure that
15 such plans with assets of \$250,000 or less as of the close
16 of the plan year need not file a return for that year.

17 (2) ONE-PARTICIPANT RETIREMENT PLAN DEFINED.—
18 For purposes of this subsection, the term “one-participant
19 retirement plan” means a retirement plan that—

20 (A) on the first day of the plan year—

21 (i) covered only the employer (and the employ-
22 er's spouse) and the employer owned the entire
23 business (whether or not incorporated); or

24 (ii) covered only one or more partners (and
25 their spouses) in a business partnership (including
26 partners in an S or C corporation);

27 (B) meets the minimum coverage requirements of
28 section 410(b) of the Internal Revenue Code of 1986
29 without being combined with any other plan of the
30 business that covers the employees of the business;

31 (C) does not provide benefits to anyone except the
32 employer (and the employer's spouse) or the partners
33 (and their spouses);

34 (D) does not cover a business that is a member of
35 an affiliated service group, a controlled group of cor-
36 porations, or a group of businesses under common con-
37 trol; and

1 (E) does not cover a business that leases employ-
2 ees.

3 (3) OTHER DEFINITIONS.—Terms used in paragraph
4 (2) which are also used in section 414 of the Internal Rev-
5 enue Code of 1986 shall have the respective meanings given
6 such terms by such section.

7 (b) SIMPLIFIED ANNUAL FILING REQUIREMENT FOR
8 PLANS WITH FEWER THAN 25 EMPLOYEES.—In the case of
9 plan years beginning after December 31, 2001, the Secretary
10 of the Treasury shall provide for the filing of a simplified an-
11 nual return for any retirement plan which covers less than 25
12 employees on the first day of a plan year and meets the re-
13 quirements described in subparagraphs (B), (D), and (E) of
14 subsection (a)(2).

15 (c) EFFECTIVE DATE.—The provisions of this section
16 shall take effect on January 1, 2001.

17 **SEC. 457. IMPROVEMENT OF EMPLOYEE PLANS COMPLI-**
18 **ANCE RESOLUTION SYSTEM.**

19 The Secretary of the Treasury shall continue to update
20 and improve the Employee Plans Compliance Resolution Sys-
21 tem (or any successor program) giving special attention to—

22 (1) increasing the awareness and knowledge of small
23 employers concerning the availability and use of the pro-
24 gram;

25 (2) taking into account special concerns and cir-
26 cumstances that small employers face with respect to com-
27 pliance and correction of compliance failures;

28 (3) extending the duration of the self-correction period
29 under the Administrative Policy Regarding Self-Correction
30 for significant compliance failures;

31 (4) expanding the availability to correct insignificant
32 compliance failures under the Administrative Policy Re-
33 garding Self-Correction during audit; and

34 (5) assuring that any tax, penalty, or sanction that is
35 imposed by reason of a compliance failure is not excessive
36 and bears a reasonable relationship to the nature, extent,
37 and severity of the failure.

1 **SEC. 458. REPEAL OF THE MULTIPLE USE TEST.**

2 (a) IN GENERAL.—Paragraph (9) of section 401(m) is
3 amended to read as follows:

4 “(9) REGULATIONS.—The Secretary shall prescribe
5 such regulations as may be necessary to carry out the pur-
6 poses of this subsection and subsection (k), including regu-
7 lations permitting appropriate aggregation of plans and
8 contributions.”.

9 (b) EFFECTIVE DATE.—The amendment made by this sec-
10 tion shall apply to years beginning after December 31, 2000.

11 **SEC. 459. FLEXIBILITY IN NONDISCRIMINATION, COV-**
12 **ERAGE, AND LINE OF BUSINESS RULES.**

13 (a) NONDISCRIMINATION.—

14 (1) IN GENERAL.—The Secretary of the Treasury
15 shall, by regulation, provide that a plan shall be deemed to
16 satisfy the requirements of section 401(a)(4) of the Inter-
17 nal Revenue Code of 1986 if such plan satisfies the facts
18 and circumstances test under section 401(a)(4) of such
19 Code, as in effect before January 1, 1994, but only if—

20 (A) the plan satisfies conditions prescribed by the
21 Secretary to appropriately limit the availability of such
22 test; and

23 (B) the plan is submitted to the Secretary for a
24 determination of whether it satisfies such test.

25 Subparagraph (B) shall only apply to the extent provided
26 by the Secretary.

27 (2) EFFECTIVE DATES.—

28 (A) REGULATIONS.—The regulation required by
29 paragraph (1) shall apply to years beginning after De-
30 cember 31, 2002.

31 (B) CONDITIONS OF AVAILABILITY.—Any condi-
32 tion of availability prescribed by the Secretary under
33 paragraph (1)(A) shall not apply before the first year
34 beginning not less than 120 days after the date on
35 which such condition is prescribed.

36 (b) COVERAGE TEST.—

1 (1) IN GENERAL.—Section 410(b)(1) (relating to min-
2 imum coverage requirements) is amended by adding at the
3 end the following:

4 “(D) In the case that the plan fails to meet the
5 requirements of subparagraphs (A), (B) and (C), the
6 plan—

7 “(i) satisfies subparagraph (B), as in effect
8 immediately before the enactment of the Tax Re-
9 form Act of 1986,

10 “(ii) is submitted to the Secretary for a deter-
11 mination of whether it satisfies the requirement de-
12 scribed in clause (i), and

13 “(iii) satisfies conditions prescribed by the
14 Secretary by regulation that appropriately limit the
15 availability of this subparagraph.

16 Clause (ii) shall apply only to the extent provided by
17 the Secretary.”.

18 (2) EFFECTIVE DATES.—

19 (A) IN GENERAL.—The amendment made by para-
20 graph (1) shall apply to years beginning after Decem-
21 ber 31, 2002.

22 (B) CONDITIONS OF AVAILABILITY.—Any condi-
23 tion of availability prescribed by the Secretary under
24 regulations prescribed by the Secretary under section
25 410(b)(1)(D) of the Internal Revenue Code of 1986
26 shall not apply before the first year beginning not less
27 than 120 days after the date on which such condition
28 is prescribed.

29 (c) LINE OF BUSINESS RULES.—The Secretary of the
30 Treasury shall, on or before December 31, 2002, modify the ex-
31 isting regulations issued under section 414(r) of the Internal
32 Revenue Code of 1986 in order to expand (to the extent that
33 the Secretary determines appropriate) the ability of a pension
34 plan to demonstrate compliance with the line of business re-
35 quirements based upon the facts and circumstances sur-
36 rounding the design and operation of the plan, even though the

1 plan is unable to satisfy the mechanical tests currently used to
2 determine compliance.

3 **SEC. 460. EXTENSION TO ALL GOVERNMENTAL PLANS**
4 **OF MORATORIUM ON APPLICATION OF CER-**
5 **TAIN NONDISCRIMINATION RULES APPLICA-**
6 **BLE TO STATE AND LOCAL PLANS.**

7 (a) IN GENERAL.—

8 (1) Subparagraph (G) of section 401(a)(5) and sub-
9 paragraph (H) of section 401(a)(26) are each amended by
10 striking “section 414(d)” and all that follows and insert-
11 ing “section 414(d).”.

12 (2) Subparagraph (G) of section 401(k)(3) and para-
13 graph (2) of section 1505(d) of the Taxpayer Relief Act of
14 1997 are each amended by striking “maintained by a State
15 or local government or political subdivision thereof (or
16 agency or instrumentality thereof”).

17 (b) CONFORMING AMENDMENTS.—

18 (1) The heading for subparagraph (G) of section
19 401(a)(5) is amended to read as follows: “GOVERNMENTAL
20 PLANS”.

21 (2) The heading for subparagraph (H) of section
22 401(a)(26) is amended to read as follows: “EXCEPTION
23 FOR GOVERNMENTAL PLANS”.

24 (3) Subparagraph (G) of section 401(k)(3) is amended
25 by inserting “GOVERNMENTAL PLANS.—” after “(G)”.

26 (c) EFFECTIVE DATE.—The amendments made by this
27 section shall apply to years beginning after December 31, 2000.

28 **SEC. 461. NOTICE AND CONSENT PERIOD REGARDING**
29 **DISTRIBUTIONS.**

30 (a) EXPANSION OF PERIOD.—

31 (1) AMENDMENT OF INTERNAL REVENUE CODE.—

32 (A) IN GENERAL.—Subparagraph (A) of section
33 417(a)(6) is amended by striking “90-day” and insert-
34 ing “180-day”.

35 (B) MODIFICATION OF REGULATIONS.—The Sec-
36 retary of the Treasury shall modify the regulations
37 under sections 402(f), 411(a)(11), and 417 of the In-
38 ternal Revenue Code of 1986 to substitute “180 days”

1 for “90 days” each place it appears in Treasury Regu-
2 lations sections 1.402(f)–1, 1.411(a)–11(c), and
3 1.417(e)–1(b).

4 (2) AMENDMENT OF ERISA.—Section 205(c)(7)(A) of
5 the Employee Retirement Income Security Act of 1974 (29
6 U.S.C. 1055(c)(7)(A)) is amended by striking “90-day”
7 and inserting “180-day”.

8 (3) EFFECTIVE DATE.—The amendments made by
9 paragraph (1)(A) and (2) and the modifications required by
10 paragraph (1)(B) shall apply to years beginning after De-
11 cember 31, 2000.

12 (b) CONSENT REGULATION INAPPLICABLE TO CERTAIN
13 DISTRIBUTIONS.—

14 (1) IN GENERAL.—The Secretary of the Treasury
15 shall modify the regulations under section 411(a)(11) of
16 the Internal Revenue Code of 1986 to provide that the de-
17 scription of a participant’s right, if any, to defer receipt of
18 a distribution shall also describe the consequences of failing
19 to defer such receipt.

20 (2) EFFECTIVE DATE.—The modifications required by
21 paragraph (1) shall apply to years beginning after Decem-
22 ber 31, 2000.

23 (c) DISCLOSURE OF OPTIONAL FORMS OF BENEFITS.—

24 (1) REGULATIONS.—

25 (A) IN GENERAL.—The Secretary of the Treasury
26 shall, not later than December 31, 2001, issue final
27 regulations under section 417(a)(3) of the Internal
28 Revenue Code of 1986 which provide that if—

29 (i) a defined benefit plan offers both a quali-
30 fied joint and survivor annuity and a single sum
31 optional form of benefit, and

32 (ii) the distributable amount under such single
33 sum option is less than the present value (deter-
34 mined in accordance with section 417(e) of such
35 Code) of the qualified joint and survivor annuity
36 commencing as of the same annuity starting date,

1 the written explanation required by section
2 417(a)(3)(A) of such Code shall include sufficient in-
3 formation to allow the participant to understand the
4 difference between the amount of the single sum and
5 such present value.

6 (B) UNMARRIED PARTICIPANTS.—If the plan of-
7 fers an unmarried participant one or more annuity op-
8 tions that are substantially more valuable than the
9 qualified joint and survivor annuity offered by the plan,
10 the comparison required under subparagraph (A) shall
11 be made between the single sum option and the most
12 valuable of the other annuity options offered by the
13 plan.

14 (C) FORM.—Any information required under this
15 paragraph shall be provided in a manner calculated to
16 be reasonably understood by the average plan partici-
17 pant.

18 (2) EFFECTIVE DATE.—Regulations issued under
19 paragraph (1) shall only apply to distributions made not
20 earlier than 6 months after the date such regulations are
21 issued.

22 **SEC. 462. ANNUAL REPORT DISSEMINATION.**

23 (a) REPORT AVAILABLE THROUGH ELECTRONIC
24 MEANS.—Section 104(b)(3) of the Employee Retirement In-
25 come Security Act of 1974 (29 U.S.C. 1024(b)(3)) is amended
26 by adding at the end the following new sentence: “The require-
27 ment to furnish information under the previous sentence shall
28 be satisfied if the administrator makes such information rea-
29 sonably available through electronic means or other new tech-
30 nology.”.

31 (b) EFFECTIVE DATE.—The amendment made by this sec-
32 tion shall apply to reports for years beginning after December
33 31, 1999.

34 **SEC. 463. TECHNICAL CORRECTIONS TO SAVER ACT.**

35 Section 517 of the Employee Retirement Income Security
36 Act of 1974 (29 U.S.C. 1147) is amended—

1 (1) in subsection (a), by striking “2001 and 2005 on
2 or after September 1 of each year involved” and inserting
3 “2001, 2005, and 2009 in the month of September of each
4 year involved”;

5 (2) in subsection (b), by adding at the end the fol-
6 lowing new sentence: “To effectuate the purposes of this
7 paragraph, the Secretary may enter into a cooperative
8 agreement, pursuant to the Federal Grant and Cooperative
9 Agreement Act of 1977 (31 U.S.C. 6301 et seq.), with the
10 American Savings Education Council.”;

11 (3) in subsection (e)(2)—

12 (A) by striking “Committee on Labor and Human
13 Resources” in subparagraph (D) and inserting “Com-
14 mittee on Health, Education, Labor, and Pensions”;

15 (B) by striking subparagraph (F) and inserting
16 the following:

17 “(F) the Chairman and Ranking Member of the
18 Subcommittee on Labor, Health and Human Services,
19 and Education of the Committee on Appropriations of
20 the House of Representatives and the Chairman and
21 Ranking Member of the Subcommittee on Labor,
22 Health and Human Services, and Education of the
23 Committee on Appropriations of the Senate;”;

24 (C) by redesignating subparagraph (G) as sub-
25 paragraph (J); and

26 (D) by inserting after subparagraph (F) the fol-
27 lowing new subparagraphs:

28 “(G) the Chairman and Ranking Member of the
29 Committee on Finance of the Senate;

30 “(H) the Chairman and Ranking Member of the
31 Committee on Ways and Means of the House of Rep-
32 resentatives;

33 “(I) the Chairman and Ranking Member of the
34 Subcommittee on Employer-Employee Relations of the
35 Committee on Education and the Workforce of the
36 House of Representatives; and”;

37 (4) in subsection (e)(3)(A)—

1 (A) by striking “There shall be no more than 200
2 additional participants.” and inserting “The partici-
3 pants in the National Summit shall also include addi-
4 tional participants appointed under this subpara-
5 graph.”;

6 (B) by striking “one-half shall be appointed by the
7 President,” in clause (i) and inserting “not more than
8 100 participants shall be appointed under this clause
9 by the President,”, and by striking “and” at the end
10 of clause (i);

11 (C) by striking “one-half shall be appointed by the
12 elected leaders of Congress” in clause (ii) and inserting
13 “not more than 100 participants shall be appointed
14 under this clause by the elected leaders of Congress”,
15 and by striking the period at the end of clause (ii) and
16 inserting “; and”;

17 (D) by adding at the end the following new clause:

18 “(iii) The President, in consultation with the
19 elected leaders of Congress referred to in sub-
20 section (a), may appoint under this clause addi-
21 tional participants to the National Summit. The
22 number of such additional participants appointed
23 under this clause may not exceed the lesser of 3
24 percent of the total number of all additional par-
25 ticipants appointed under this paragraph, or 10.
26 Such additional participants shall be appointed
27 from persons nominated by the organization re-
28 ferred to in subsection (b)(2) which is made up of
29 private sector businesses and associations
30 partnered with Government entities to promote
31 long term financial security in retirement through
32 savings and with which the Secretary is required
33 thereunder to consult and cooperate and shall not
34 be Federal, State, or local government employees.”;

35 (5) in subsection (e)(3)(B), by striking “January 31,
36 1998” in subparagraph (B) and inserting “May 1, 2001,

1 May 1, 2005, and May 1, 2009, for each of the subsequent
2 summits, respectively”;

3 (6) in subsection (f)(1)(C), by inserting “, no later
4 than 90 days prior to the date of the commencement of the
5 National Summit,” after “comment” in paragraph (1)(C);

6 (7) in subsection (g), by inserting “, in consultation
7 with the congressional leaders specified in subsection
8 (e)(2),” after “report”;

9 (8) in subsection (i)—

10 (A) by striking “beginning on or after October 1,
11 1997” in paragraph (1) and inserting “2001, 2005,
12 and 2009”; and

13 (B) by adding at the end the following new para-
14 graph:

15 “(3) RECEPTION AND REPRESENTATION AUTHOR-
16 ITY.—The Secretary is hereby granted reception and rep-
17 resentation authority limited specifically to the events at
18 the National Summit. The Secretary shall use any private
19 contributions accepted in connection with the National
20 Summit prior to using funds appropriated for purposes of
21 the National Summit pursuant to this paragraph.”; and

22 (9) in subsection (k)—

23 (A) by striking “shall enter into a contract on a
24 sole-source basis” and inserting “may enter into a con-
25 tract on a sole-source basis”; and

26 (B) by striking “fiscal year 1998” and inserting
27 “fiscal years 2001, 2005, and 2009”.

28 **SEC. 464. STUDY OF PENSION COVERAGE.**

29 Not later than 5 years after the date of the enactment of
30 this Act, the Secretary of the Treasury shall submit a report
31 to the Committee on Ways and Means of the House of Rep-
32 resentatives and the Committee on Finance of the Senate a re-
33 port on the effect of the provisions of the Retirement Savings
34 and Pension Coverage Act of 2000 on pension coverage,
35 including—

36 (1) any expansion of coverage for low- and middle-in-
37 come workers;

- 1 (2) levels of pension benefits;
2 (3) quality of pension coverage;
3 (4) worker’s access to and participation in plans; and
4 (5) retirement security.

5 **Subtitle G—Other ERISA Provisions**

6 **SEC. 471. MISSING PARTICIPANTS.**

7 (a) IN GENERAL.—Section 4050 of the Employee Retirement
8 Income Security Act of 1974 (29 U.S.C. 1350) is amend-
9 ed by redesignating subsection (c) as subsection (e) and by in-
10 serting after subsection (b) the following new subsection:

11 “(c) MULTIEMPLOYER PLANS.—The corporation shall pre-
12 scribe rules similar to the rules in subsection (a) for multiem-
13 ployer plans covered by this title that terminate under section
14 4041A.

15 “(d) PLANS NOT OTHERWISE SUBJECT TO TITLE.—

16 “(1) TRANSFER TO CORPORATION.—The plan adminis-
17 trator of a plan described in paragraph (4) may elect to
18 transfer a missing participant’s benefits to the corporation
19 upon termination of the plan.

20 “(2) INFORMATION TO THE CORPORATION.—To the
21 extent provided in regulations, the plan administrator of a
22 plan described in paragraph (4) shall, upon termination of
23 the plan, provide the corporation information with respect
24 to benefits of a missing participant if the plan transfers
25 such benefits—

26 “(A) to the corporation, or

27 “(B) to an entity other than the corporation or a
28 plan described in paragraph (4)(B)(ii).

29 “(3) PAYMENT BY THE CORPORATION.—If benefits of
30 a missing participant were transferred to the corporation
31 under paragraph (1), the corporation shall, upon location
32 of the participant or beneficiary, pay to the participant or
33 beneficiary the amount transferred (or the appropriate sur-
34 vivor benefit) either—

35 “(A) in a single sum (plus interest), or

1 “(B) in such other form as is specified in regula-
2 tions of the corporation.

3 “(4) PLANS DESCRIBED.—A plan is described in this
4 paragraph if—

5 “(A) the plan is a pension plan (within the mean-
6 ing of section 3(2))—

7 “(i) to which the provisions of this section do
8 not apply (without regard to this subsection), and

9 “(ii) which is not a plan described in para-
10 graphs (2) through (11) of section 4021(b), and

11 “(B) at the time the assets are to be distributed
12 upon termination, the plan—

13 “(i) has missing participants, and

14 “(ii) has not provided for the transfer of as-
15 sets to pay the benefits of all missing participants
16 to another pension plan (within the meaning of sec-
17 tion 3(2)).

18 “(5) CERTAIN PROVISIONS NOT TO APPLY.—Sub-
19 sections (a)(1) and (a)(3) shall not apply to a plan de-
20 scribed in paragraph (4).”.

21 (b) EFFECTIVE DATE.—The amendment made by this sec-
22 tion shall apply to distributions made after final regulations im-
23 plementing subsections (c) and (d) of section 4050 of the Em-
24 ployee Retirement Income Security Act of 1974 (as added by
25 subsection (a)), respectively, are prescribed.

26 **SEC. 472. REDUCED PBGC PREMIUM FOR NEW PLANS OF**
27 **SMALL EMPLOYERS.**

28 (a) IN GENERAL.—Subparagraph (A) of section
29 4006(a)(3) of the Employee Retirement Income Security Act of
30 1974 (29 U.S.C. 1306(a)(3)(A)) is amended—

31 (1) in clause (i), by inserting “other than a new sin-
32 gle-employer plan (as defined in subparagraph (F)) main-
33 tained by a small employer (as so defined),” after “single-
34 employer plan,”,

35 (2) in clause (iii), by striking the period at the end
36 and inserting “, and”, and

37 (3) by adding at the end the following new clause:

1 “(iv) in the case of a new single-employer plan (as de-
2 fined in subparagraph (F)) maintained by a small employer
3 (as so defined) for the plan year, \$5 for each individual
4 who is a participant in such plan during the plan year.”.

5 (b) DEFINITION OF NEW SINGLE-EMPLOYER PLAN.—Sec-
6 tion 4006(a)(3) of the Employee Retirement Income Security
7 Act of 1974 (29 U.S.C. 1306(a)(3)) is amended by adding at
8 the end the following new subparagraph:

9 “(F)(i) For purposes of this paragraph, a single-employer
10 plan maintained by a contributing sponsor shall be treated as
11 a new single-employer plan for each of its first 5 plan years
12 if, during the 36-month period ending on the date of the adop-
13 tion of such plan, the sponsor or any member of such sponsor’s
14 controlled group (or any predecessor of either) did not establish
15 or maintain a plan to which this title applies with respect to
16 which benefits were accrued for substantially the same employ-
17 ees as are in the new single-employer plan.

18 “(ii)(I) For purposes of this paragraph, the term ‘small
19 employer’ means an employer which on the first day of any
20 plan year has, in aggregation with all members of the con-
21 trolled group of such employer, 100 or fewer employees.

22 “(II) In the case of a plan maintained by two or more con-
23 tributing sponsors that are not part of the same controlled
24 group, the employees of all contributing sponsors and controlled
25 groups of such sponsors shall be aggregated for purposes of de-
26 termining whether any contributing sponsor is a small em-
27 ployer.”.

28 (c) EFFECTIVE DATE.—The amendments made by this
29 section shall apply to plans established after December 31,
30 2000.

31 **SEC. 473. REDUCTION OF ADDITIONAL PBGC PREMIUM**
32 **FOR NEW AND SMALL PLANS.**

33 (a) NEW PLANS.—Subparagraph (E) of section
34 4006(a)(3) of the Employee Retirement Income Security Act of
35 1974 (29 U.S.C. 1306(a)(3)(E)) is amended by adding at the
36 end the following new clause:

1 “(v) In the case of a new defined benefit plan, the amount
2 determined under clause (ii) for any plan year shall be an
3 amount equal to the product of the amount determined under
4 clause (ii) and the applicable percentage. For purposes of this
5 clause, the term ‘applicable percentage’ means—

6 “(I) 0 percent, for the first plan year.

7 “(II) 20 percent, for the second plan year.

8 “(III) 40 percent, for the third plan year.

9 “(IV) 60 percent, for the fourth plan year.

10 “(V) 80 percent, for the fifth plan year.

11 For purposes of this clause, a defined benefit plan (as defined
12 in section 3(35)) maintained by a contributing sponsor shall be
13 treated as a new defined benefit plan for each of its first 5 plan
14 years if, during the 36-month period ending on the date of the
15 adoption of the plan, the sponsor and each member of any con-
16 trolled group including the sponsor (or any predecessor of ei-
17 ther) did not establish or maintain a plan to which this title
18 applies with respect to which benefits were accrued for substan-
19 tially the same employees as are in the new plan.”.

20 (b) SMALL PLANS.—Paragraph (3) of section 4006(a) of
21 the Employee Retirement Income Security Act of 1974 (29
22 U.S.C. 1306(a)), as amended by section 472(b), is amended—

23 (1) by striking “The” in subparagraph (E)(i) and in-
24 serting “Except as provided in subparagraph (G), the”,
25 and

26 (2) by inserting after subparagraph (F) the following
27 new subparagraph:

28 “(G)(i) In the case of an employer who has 25 or fewer
29 employees on the first day of the plan year, the additional pre-
30 mium determined under subparagraph (E) for each participant
31 shall not exceed \$5 multiplied by the number of participants in
32 the plan as of the close of the preceding plan year.

33 “(ii) For purposes of clause (i), whether an employer has
34 25 or fewer employees on the first day of the plan year is de-
35 termined taking into consideration all of the employees of all
36 members of the contributing sponsor’s controlled group. In the
37 case of a plan maintained by two or more contributing spon-

1 sors, the employees of all contributing sponsors and their con-
2 trolled groups shall be aggregated for purposes of determining
3 whether the 25-or-fewer-employees limitation has been satis-
4 fied.”.

5 (c) EFFECTIVE DATES.—

6 (1) SUBSECTION (a).—The amendments made by sub-
7 section (a) shall apply to plans established after December
8 31, 2000.

9 (2) SUBSECTION (b).—The amendments made by sub-
10 section (b) shall apply to plan years beginning after Decem-
11 ber 31, 2000.

12 **SEC. 474. AUTHORIZATION FOR PBGC TO PAY INTEREST**
13 **ON PREMIUM OVERPAYMENT REFUNDS.**

14 (a) IN GENERAL.—Section 4007(b) of the Employment
15 Retirement Income Security Act of 1974 (29 U.S.C. 1307(b))
16 is amended—

17 (1) by striking “(b)” and inserting “(b)(1)”, and

18 (2) by inserting at the end the following new para-
19 graph:

20 “(2) The corporation is authorized to pay, subject to regu-
21 lations prescribed by the corporation, interest on the amount
22 of any overpayment of premium refunded to a designated
23 payor. Interest under this paragraph shall be calculated at the
24 same rate and in the same manner as interest is calculated for
25 underpayments under paragraph (1).”.

26 (b) EFFECTIVE DATE.—The amendment made by sub-
27 section (a) shall apply to interest accruing for periods begin-
28 ning not earlier than the date of the enactment of this Act.

29 **SEC. 475. SUBSTANTIAL OWNER BENEFITS IN TERMI-**
30 **NATED PLANS.**

31 (a) MODIFICATION OF PHASE-IN OF GUARANTEE.—Sec-
32 tion 4022(b)(5) of the Employee Retirement Income Security
33 Act of 1974 (29 U.S.C. 1322(b)(5)) is amended to read as fol-
34 lows:

35 “(5)(A) For purposes of this paragraph, the term ‘major-
36 ity owner’ means an individual who, at any time during the 60-

1 month period ending on the date the determination is being
2 made—

3 “(i) owns the entire interest in an unincorporated
4 trade or business,

5 “(ii) in the case of a partnership, is a partner who
6 owns, directly or indirectly, 50 percent or more of either
7 the capital interest or the profits interest in such partner-
8 ship, or

9 “(iii) in the case of a corporation, owns, directly or in-
10 directly, 50 percent or more in value of either the voting
11 stock of that corporation or all the stock of that corpora-
12 tion.

13 For purposes of clause (iii), the constructive ownership rules of
14 section 1563(e) of the Internal Revenue Code of 1986 shall
15 apply (determined without regard to section 1563(e)(3)(C)).

16 “(B) In the case of a participant who is a majority owner,
17 the amount of benefits guaranteed under this section shall
18 equal the product of—

19 “(i) a fraction (not to exceed 1) the numerator of
20 which is the number of years from the later of the effective
21 date or the adoption date of the plan to the termination
22 date, and the denominator of which is 10, and

23 “(ii) the amount of benefits that would be guaranteed
24 under this section if the participant were not a majority
25 owner.”.

26 (b) MODIFICATION OF ALLOCATION OF ASSETS.—

27 (1) Section 4044(a)(4)(B) of the Employee Retirement
28 Income Security Act of 1974 (29 U.S.C. 1344(a)(4)(B)) is
29 amended by striking “section 4022(b)(5)” and inserting
30 “section 4022(b)(5)(B)”.

31 (2) Section 4044(b) of such Act (29 U.S.C. 1344(b))
32 is amended—

33 (A) by striking “(5)” in paragraph (2) and insert-
34 ing “(4), (5),”, and

35 (B) by redesignating paragraphs (3) through (6)
36 as paragraphs (4) through (7), respectively, and by in-

1 serting after paragraph (2) the following new para-
2 graph:

3 “(3) If assets available for allocation under paragraph
4 (4) of subsection (a) are insufficient to satisfy in full the
5 benefits of all individuals who are described in that para-
6 graph, the assets shall be allocated first to benefits de-
7 scribed in subparagraph (A) of that paragraph. Any re-
8 maining assets shall then be allocated to benefits described
9 in subparagraph (B) of that paragraph. If assets allocated
10 to such subparagraph (B) are insufficient to satisfy in full
11 the benefits described in that subparagraph, the assets
12 shall be allocated pro rata among individuals on the basis
13 of the present value (as of the termination date) of their
14 respective benefits described in that subparagraph.”.

15 (c) CONFORMING AMENDMENTS.—

16 (1) Section 4021 of the Employee Retirement Income
17 Security Act of 1974 (29 U.S.C. 1321) is amended—

18 (A) in subsection (b)(9), by striking “as defined in
19 section 4022(b)(6)”, and

20 (B) by adding at the end the following new sub-
21 section:

22 “(d) For purposes of subsection (b)(9), the term ‘substan-
23 tial owner’ means an individual who, at any time during the
24 60-month period ending on the date the determination is being
25 made—

26 “(1) owns the entire interest in an unincorporated
27 trade or business,

28 “(2) in the case of a partnership, is a partner who
29 owns, directly or indirectly, more than 10 percent of either
30 the capital interest or the profits interest in such partner-
31 ship, or

32 “(3) in the case of a corporation, owns, directly or in-
33 directly, more than 10 percent in value of either the voting
34 stock of that corporation or all the stock of that corpora-
35 tion.

36 For purposes of paragraph (3), the constructive ownership
37 rules of section 1563(e) of the Internal Revenue Code of 1986

1 shall apply (determined without regard to section
2 1563(e)(3)(C)).”.

3 (2) Section 4043(c)(7) of such Act (29 U.S.C. 1343(c)(7))
4 is amended by striking “section 4022(b)(6)” and inserting
5 “section 4021(d)”.

6 (d) EFFECTIVE DATES.—

7 (1) IN GENERAL.—Except as provided in paragraph
8 (2), the amendments made by this section shall apply to
9 plan terminations—

10 (A) under section 4041(c) of the Employee Retirement
11 Income Security Act of 1974 (29 U.S.C. 1341(c))
12 with respect to which notices of intent to terminate are
13 provided under section 4041(a)(2) of such Act (29
14 U.S.C. 1341(a)(2)) after December 31, 2000, and

15 (B) under section 4042 of such Act (29 U.S.C.
16 1342) with respect to which proceedings are instituted
17 by the corporation after such date.

18 (2) CONFORMING AMENDMENTS.—The amendments
19 made by subsection (c) shall take effect on January 1,
20 2001.

21 **SEC. 476. MULTIEMPLOYER PLAN BENEFITS GUAR-**
22 **ANTEE.**

23 (a) IN GENERAL.—Section 4022A(c) of the Employee Re-
24 tirement Income Security Act of 1974 (29 U.S.C. 1322A(c)) is
25 amended—

26 (1) by striking “\$5” each place it appears in para-
27 graph (1) and inserting “\$11”,

28 (2) by striking “\$15” in paragraph (1) and inserting
29 “\$33”, and

30 (3) by striking paragraphs (2), (5), and (6) and by re-
31 designating paragraphs (3) and (4) as paragraphs (2) and
32 (3), respectively.

33 (b) CONFORMING AMENDMENT.—Section 4244(e)(4) of
34 such Act (29 U.S.C. 1424(e)(4)) is amended by striking “and
35 without regard to section 4022A(c)(2)”.

36 (c) EFFECTIVE DATE.—The amendments made by this
37 section shall apply to benefits payable after the date of the en-

1 actment of this Act, except that such amendments shall not
2 apply to any multiemployer plan that has received financial as-
3 sistance (within the meaning of section 4261 of the Employee
4 Retirement Income Security Act of 1974) within the 1-year pe-
5 riod ending on the date of the enactment of this Act.

6 **SEC. 477. CIVIL PENALTIES FOR BREACH OF FIDUCIARY**
7 **RESPONSIBILITY.**

8 (a) IMPOSITION AND AMOUNT OF PENALTY MADE DIS-
9 CRETIONARY.—Section 502(l)(1) of the Employee Retirement
10 Income Security Act of 1974 (29 U.S.C. 1132(l)(1)) is
11 amended—

- 12 (1) by striking “shall” and inserting “may”, and
13 (2) by striking “equal to” and inserting “not greater
14 than”.

15 (b) APPLICABLE RECOVERY AMOUNT.—Section 502(l)(2)
16 of such Act (29 U.S.C. 1132(l)(2)) is amended to read as fol-
17 lows:

18 “(2) For purposes of paragraph (1), the term ‘applicable
19 recovery amount’ means any amount which is recovered from
20 any fiduciary or other person (or from any other person on be-
21 half of any such fiduciary or other person) with respect to a
22 breach or violation described in paragraph (1) on or after the
23 30th day following receipt by such fiduciary or other person of
24 written notice from the Secretary of the violation, whether paid
25 voluntarily or by order of a court in a judicial proceeding insti-
26 tuted by the Secretary under subsection (a)(2) or (a)(5). The
27 Secretary may, in the Secretary’s sole discretion, extend the
28 30-day period described in the preceding sentence.”.

29 (c) OTHER RULES.—Section 502(l) of the Employee Re-
30 tirement Income Security Act of 1974 (29 U.S.C. 1132(l)) is
31 amended by adding at the end the following new paragraph:

32 “(5) A person shall be jointly and severally liable for the
33 penalty described in paragraph (1) to the same extent that
34 such person is jointly and severally liable for the applicable re-
35 covery amount on which the penalty is based.

36 “(6) No penalty shall be assessed under this subsection
37 unless the person against whom the penalty is assessed is given

1 notice and opportunity for a hearing with respect to the viola-
2 tion and applicable recovery amount.”.

3 (d) EFFECTIVE DATES.—

4 (1) IN GENERAL.—The amendments made by this sec-
5 tion shall apply to any breach of fiduciary responsibility or
6 other violation of part 4 of subtitle B of title I of the Em-
7 ployee Retirement Income Security Act of 1974 occurring
8 on or after the date of enactment of this Act.

9 (2) TRANSITION RULE.—In applying the amendment
10 made by subsection (b) (relating to applicable recovery
11 amount), a breach or other violation occurring before the
12 date of enactment of this Act which continues after the
13 180th day after such date (and which may have been dis-
14 continued at any time during its existence) shall be treated
15 as having occurred after such date of enactment.

16 **SEC. 478. BENEFIT SUSPENSION NOTICE.**

17 (a) MODIFICATION OF REGULATION.—The Secretary of
18 Labor shall modify the regulation under section 203(a)(3)(B)
19 of the Employee Retirement Income Security Act of 1974 (29
20 U.S.C. 1053(a)(3)(B)) to provide that the notification required
21 by such regulation—

22 (1) in the case of an employee who returns to work
23 for a former employer after commencement of payment of
24 benefits under the plan shall—

25 (A) be made during the first calendar month or
26 payroll period in which the plan withholds payments,
27 and

28 (B) if a reduced rate of future benefit accruals will
29 apply to the returning employee (as of the first date of
30 participation in the plan by the employee after return-
31 ing to work), include a statement that the rate of fu-
32 ture benefit accruals will be reduced, and

33 (2) in the case of any employee who is not described
34 in paragraph (1)—

35 (A) may be included in the summary plan descrip-
36 tion for the plan furnished in accordance with section

1 104(b) of such Act (29 U.S.C. 1024(b)), rather than
2 in a separate notice, and

3 (B) need not include a copy of the relevant plan
4 provisions.

5 (b) EFFECTIVE DATE.—The modification made under this
6 section shall apply to plan years beginning after December 31,
7 2000.

8 **Subtitle H—Plan Amendments**

9 **SEC. 481. PROVISIONS RELATING TO PLAN AMEND-** 10 **MENTS.**

11 (a) IN GENERAL.—If this section applies to any plan or
12 contract amendment—

13 (1) such plan or contract shall be treated as being op-
14 erated in accordance with the terms of the plan during the
15 period described in subsection (b)(2)(A); and

16 (2) except as provided by the Secretary of the Treas-
17 ury, such plan shall not fail to meet the requirements of
18 section 411(d)(6) of the Internal Revenue Code of 1986 or
19 section 204(g) of the Employee Retirement Income Secu-
20 rity Act of 1974 by reason of such amendment.

21 (b) AMENDMENTS TO WHICH SECTION APPLIES.—

22 (1) IN GENERAL.—This section shall apply to any
23 amendment to any plan or annuity contract which is
24 made—

25 (A) pursuant to any amendment made by this
26 title, or pursuant to any regulation issued under this
27 title; and

28 (B) on or before the last day of the first plan year
29 beginning on or after January 1, 2003.

30 In the case of a governmental plan (as defined in section
31 414(d) of the Internal Revenue Code of 1986), this para-
32 graph shall be applied by substituting “2005” for “2003”.

33 (2) CONDITIONS.—This section shall not apply to any
34 amendment unless—

35 (A) during the period—

36 (i) beginning on the date the legislative or reg-
37 ulatory amendment described in paragraph (1)(A)

1 takes effect (or in the case of a plan or contract
2 amendment not required by such legislative or reg-
3 ulatory amendment, the effective date specified by
4 the plan); and

5 (ii) ending on the date described in paragraph
6 (1)(B) (or, if earlier, the date the plan or contract
7 amendment is adopted),

8 the plan or contract is operated as if such plan or con-
9 tract amendment were in effect; and

10 (B) such plan or contract amendment applies
11 retroactively for such period.

12 **TITLE V—SCHOOL CONSTRUCTION** 13 **PROVISIONS**

14 **SEC. 501. ADDITIONAL INCREASE IN ARBITRAGE RE-** 15 **BATE EXCEPTION FOR GOVERNMENTAL** 16 **BONDS USED TO FINANCE EDUCATIONAL FA-** 17 **CILITIES.**

18 (a) IN GENERAL.—Section 148(f)(4)(D)(vii) (relating to
19 increase in exception for bonds financing public school capital
20 expenditures) is amended by striking “\$5,000,000” the second
21 place it appears and inserting “\$10,000,000”.

22 (b) EFFECTIVE DATE.—The amendment made by sub-
23 section (a) shall apply to obligations issued after December 31,
24 2000.

25 **SEC. 502. MODIFICATION OF ARBITRAGE REBATE RULES** 26 **APPLICABLE TO PUBLIC SCHOOL CON-** 27 **STRUCTION BONDS.**

28 (a) IN GENERAL.—Subparagraph (C) of section 148(f)(4)
29 is amended by adding at the end the following new clause:

30 “(xviii) 4-YEAR SPENDING REQUIREMENT FOR
31 PUBLIC SCHOOL CONSTRUCTION ISSUE.—

32 “(I) IN GENERAL.—In the case of a public
33 school construction issue, the spending require-
34 ments of clause (ii) shall be treated as met if
35 at least 10 percent of the available construction
36 proceeds of the construction issue are spent for
37 the governmental purposes of the issue within

1 the 1-year period beginning on the date the
2 bonds are issued, 30 percent of such proceeds
3 are spent for such purposes within the 2-year
4 period beginning on such date, 60 percent of
5 such proceeds are spent for such purposes
6 within the 3-year period beginning on such
7 date, and 100 percent of such proceeds are
8 spent for such purposes within the 4-year pe-
9 riod beginning on such date.

10 “(II) PUBLIC SCHOOL CONSTRUCTION
11 ISSUE.—For purposes of this clause, the term
12 ‘public school construction issue’ means any
13 construction issue if no bond which is part of
14 such issue is a private activity bond and all of
15 the available construction proceeds of such
16 issue are to be used for the construction (as de-
17 fined in clause (iv)) of public school facilities to
18 provide education or training below the postsec-
19 ondary level or for the acquisition of land that
20 is functionally related and subordinate to such
21 facilities.

22 “(III) OTHER RULES TO APPLY.—Rules
23 similar to the rules of the preceding provisions
24 of this subparagraph which apply to clause (ii)
25 also apply to this clause.”.

26 (b) EFFECTIVE DATE.—The amendment made by this sec-
27 tion shall apply to obligations issued after December 31, 2000.

28 **SEC. 503. MODIFICATION OF SPECIAL ARBITRAGE RULE**
29 **FOR CERTAIN FUNDS.**

30 (a) IN GENERAL.—Paragraph (1) of section 648 of the
31 Tax Reform Act of 1984 is amended to read as follows:

32 “(1) such securities or obligations are held in a fund—

33 “(A) which, except to the extent of the investment
34 earnings on such securities or obligations, cannot be
35 used, under State constitutional or statutory restric-
36 tions continuously in effect since October 9, 1969,
37 through the date of issue of the bond issue, to pay debt

1 service on the bond issue or to finance the facilities
2 that are to be financed with the proceeds of the bonds,
3 or

4 “(B) the annual distributions from which cannot
5 exceed 7 percent of the average fair market value of
6 the assets held in such fund except to the extent dis-
7 tributions are necessary to pay debt service on the bond
8 issue,”.

9 (b) CONFORMING AMENDMENT.—Paragraph (3) of such
10 section is amended by striking “the investment earnings of”
11 and inserting “distributions from”.

12 (c) EFFECTIVE DATE.—The amendments made by this
13 section shall take effect on January 1, 2001.

14 **SEC. 504. TREATMENT OF QUALIFIED PUBLIC EDU-**
15 **CATIONAL FACILITY BONDS AS EXEMPT FA-**
16 **CILITY BONDS.**

17 (a) TREATMENT AS EXEMPT FACILITY BOND.—Sub-
18 section (a) of section 142 (relating to exempt facility bond) is
19 amended by striking “or” at the end of paragraph (11), by
20 striking the period at the end of paragraph (12) and inserting
21 “, or”, and by adding at the end the following:

22 “(13) qualified public educational facilities.”

23 (b) QUALIFIED PUBLIC EDUCATIONAL FACILITIES.—Sec-
24 tion 142 (relating to exempt facility bond) is amended by add-
25 ing at the end the following subsection:

26 “(k) QUALIFIED PUBLIC EDUCATIONAL FACILITIES.—

27 “(1) IN GENERAL.—For purposes of subsection
28 (a)(13), the term ‘qualified public educational facility’
29 means any school facility which is—

30 “(A) part of a public elementary school or a public
31 secondary school, and

32 “(B) owned by a private, for-profit corporation
33 pursuant to a public-private partnership agreement
34 with a State or local educational agency described in
35 paragraph (2).

1 “(2) PUBLIC-PRIVATE PARTNERSHIP AGREEMENT DE-
2 SCRIBED.—A public-private partnership agreement is de-
3 scribed in this paragraph if it is an agreement—

4 “(A) under which the corporation agrees—

5 “(i) to do 1 or more of the following: con-
6 struct, rehabilitate, refurbish, or equip a school fa-
7 cility, and

8 “(ii) at the end of the term of the agreement,
9 to transfer the school facility to such agency for no
10 additional consideration, and

11 “(B) the term of which does not exceed the term
12 of the issue to be used to provide the school facility.

13 “(3) SCHOOL FACILITY.—For purposes of this sub-
14 section, the term ‘school facility’ means—

15 “(A) school buildings,

16 “(B) functionally related and subordinate facilities
17 and land with respect to such buildings, including any
18 stadium or other facility primarily used for school
19 events, and

20 “(C) any property, to which section 168 applies
21 (or would apply but for section 179), for use in the fa-
22 cility.

23 “(4) PUBLIC SCHOOLS.—For purposes of this sub-
24 section, the terms ‘elementary school’ and ‘secondary
25 school’ have the meanings given such terms by section
26 14101 of the Elementary and Secondary Education Act of
27 1965 (20 U.S.C. 8801), as in effect on the date of the en-
28 actment of this subsection.

29 “(5) ANNUAL AGGREGATE FACE AMOUNT OF TAX-EX-
30 EMPT FINANCING.—

31 “(A) IN GENERAL.—An issue shall not be treated
32 as an issue described in subsection (a)(13) if the aggre-
33 gate face amount of bonds issued by the State pursu-
34 ant thereto (when added to the aggregate face amount
35 of bonds previously so issued during the calendar year)
36 exceeds an amount equal to the greater of—

37 “(i) \$10 multiplied by the State population, or

1 “(ii) \$5,000,000.

2 “(B) ALLOCATION RULES.—

3 “(i) IN GENERAL.—Except as otherwise pro-
4 vided in this subparagraph, the State may allocate
5 in a calendar year the amount described in sub-
6 paragraph (A) for such year in such manner as the
7 State determines appropriate.

8 “(ii) RULES FOR CARRYFORWARD OF UNUSED
9 AMOUNT.—With respect to any calendar year, a
10 State may make an election under rules similar to
11 the rules of section 146(f), except that the sole
12 carryforward purpose with respect to such election
13 is the issuance of exempt facility bonds described in
14 section 142(a)(13).”

15 (c) EXEMPTION FROM GENERAL STATE VOLUME CAPS.—
16 Paragraph (3) of section 146(g) (relating to exception for cer-
17 tain bonds) is amended—

18 (1) by striking “or (12)” and inserting “(12), or
19 (13)”, and

20 (2) by striking “and environmental enhancements of
21 hydroelectric generating facilities” and inserting “environ-
22 mental enhancements of hydroelectric generating facilities,
23 and qualified public educational facilities”.

24 (d) EXEMPTION FROM LIMITATION ON USE FOR LAND
25 ACQUISITION.—Section 147(h) (relating to certain rules not to
26 apply to mortgage revenue bonds, qualified student loan bonds,
27 and qualified 501(c)(3) bonds) is amended by adding at the
28 end the following new paragraph:

29 “(3) EXEMPT FACILITY BONDS FOR QUALIFIED PUB-
30 LIC-PRIVATE SCHOOLS.—Subsection (c) shall not apply to
31 any exempt facility bond issued as part of an issue de-
32 scribed in section 142(a)(13) (relating to qualified public-
33 private schools).”

34 (e) CONFORMING AMENDMENT.—The heading of section
35 147(h) is amended by striking “MORTGAGE REVENUE BONDS,
36 QUALIFIED STUDENT LOAN BONDS, AND QUALIFIED 501(c)(3)
37 BONDS” in the heading and inserting “CERTAIN BONDS”.

1 (f) EFFECTIVE DATE.—The amendments made by this
 2 section shall apply to obligations issued after December 31,
 3 2000.

4 **SEC. 505. EXPANSION OF QUALIFIED ZONE ACADEMY**
 5 **BOND PROGRAM.**

6 (a) IN GENERAL.—So much of part IV of subchapter U
 7 of chapter 1 (relating to incentives for education zones) as pre-
 8 ceedes subsection (d) of section 1397E is amended to read as
 9 follows:

10 **“PART IV—EDUCATION BOND PROVISIONS**

“Sec. 1397E. Credit to holders of qualified zone academy
 bonds.

“Sec. 1397F. Qualified zone academy bond defined.

“Sec. 1397G. Authorization of additional qualified zone acad-
 emy bonds without targeting and private part-
 nership requirements.

11 **“SEC. 1397E. CREDIT TO HOLDERS OF QUALIFIED ZONE**
 12 **ACADEMY BONDS.**

13 “(a) ALLOWANCE OF CREDIT.—In the case of an eligible
 14 taxpayer who holds a qualified zone academy bond on a credit
 15 allowance date of such bond which occurs during the taxable
 16 year, there shall be allowed as a credit against the tax imposed
 17 by this chapter for such taxable year an amount equal to the
 18 sum of the credits determined under subsection (b) with respect
 19 to credit allowance dates during such year on which the tax-
 20 payer holds such bond.

21 “(b) AMOUNT OF CREDIT.—

22 “(1) IN GENERAL.—The amount of the credit deter-
 23 mined under this subsection with respect to any credit al-
 24 lowance date for a qualified zone academy bond is 25 per-
 25 cent of the annual credit determined with respect to such
 26 bond.

27 “(2) ANNUAL CREDIT.—The annual credit determined
 28 with respect to any qualified zone academy bond is the
 29 product of—

30 “(A) the applicable credit rate, multiplied by

31 “(B) the outstanding face amount of the bond.

1 “(3) APPLICABLE CREDIT RATE.—For purposes of
2 paragraph (1), the applicable credit rate with respect to an
3 issue is the rate equal to an average market yield (as of
4 the day before the day that the issue is sold) on out-
5 standing long-term corporate debt obligations (determined
6 under regulations prescribed by the Secretary).

7 “(4) SPECIAL RULE FOR ISSUANCE AND REDEMP-
8 TION.—In the case of a bond which is issued during the 3-
9 month period ending on a credit allowance date, the
10 amount of the credit determined under this subsection with
11 respect to such credit allowance date shall be a ratable por-
12 tion of the credit otherwise determined based on the por-
13 tion of the 3-month period during which the bond is out-
14 standing. A similar rule shall apply when the bond is re-
15 deemed.

16 “(c) LIMITATION BASED ON AMOUNT OF TAX.—

17 “(1) IN GENERAL.—The credit allowed under sub-
18 section (a) for any taxable year shall not exceed the excess
19 of—

20 “(A) the sum of the regular tax liability (as de-
21 fined in section 26(b)) plus the tax imposed by section
22 55, over

23 “(B) the sum of the credits allowable under part
24 IV of subchapter A (other than subpart C thereof, re-
25 lating to refundable credits).

26 “(2) CARRYOVER OF UNUSED CREDIT.—If the credit
27 allowable under subsection (a) exceeds the limitation im-
28 posed by paragraph (1) for such taxable year, such excess
29 shall be carried to the succeeding taxable year and added
30 to the credit allowable under subsection (a) for such tax-
31 able year.

32 “(d) DEFINITIONS.—For purposes of this section—

33 “(1) QUALIFIED ZONE ACADEMY BOND.—The term
34 ‘qualified zone academy bond’ has the meaning given to
35 such term by section 1397F; except that such term shall
36 also include any bond treated as a qualified zone academy
37 bond under section 1397G. Such term shall not include any

1 bond which is part of an issue unless such issue meets the
2 requirements of subsection (g).

3 “(2) CREDIT ALLOWANCE DATE.—The term ‘credit al-
4 lowance date’ means—

5 “(A) March 15,

6 “(B) June 15,

7 “(C) September 15, and

8 “(D) December 15.

9 Such term includes the last day on which the bond is out-
10 standing.

11 “(3) ELIGIBLE TAXPAYER.—The term ‘eligible tax-
12 payer’ means—

13 “(A) a bank (within the meaning of section 581),

14 “(B) an insurance company to which subchapter L
15 applies,

16 “(C) a corporation actively engaged in the busi-
17 ness of lending money, and

18 “(D) any other C corporation.

19 “(e) OTHER DEFINITIONS.—For purposes of this
20 subchapter—

21 “(1) LOCAL EDUCATIONAL AGENCY.—The term ‘local
22 educational agency’ has the meaning given to such term by
23 section 14101 of the Elementary and Secondary Education
24 Act of 1965. Such term includes the local educational agen-
25 cy that serves the District of Columbia, but does not in-
26 clude any other State agency.

27 “(2) BOND.—The term ‘bond’ includes any obligation.

28 “(3) STATE.—The term ‘State’ includes the District of
29 Columbia and any possession of the United States.

30 “(4) PUBLIC SCHOOL FACILITY.—The term ‘public
31 school facility’ shall not include—

32 “(A) any stadium or other facility primarily used
33 for athletic contests or exhibitions or other events for
34 which admission is charged to the general public, or

35 “(B) any facility which is not owned by a State or
36 local government or any agency or instrumentality of a
37 State or local government.

1 “(5) PERMITTED PURPOSE.—The term ‘permitted
2 purpose’ means—

3 “(A) in the case of a bond which is a qualified
4 zone academy bond without regard to section 1397G,
5 any qualified purpose (as defined in section
6 1397F(a)(4)), and

7 “(B) in the case of a bond which is a qualified
8 zone academy bond solely by reason of section 1397G,
9 the purpose described in section 1397G(a)(2).

10 “(f) SPECIAL RULES.—

11 “(1) ONLY CERTAIN REFINANCINGS PERMITTED.—A
12 refinancing of indebtedness (other than a qualified zone
13 academy bond) shall be treated as a qualified zone academy
14 bond only if such indebtedness was originally incurred by
15 the issuer—

16 “(A) after the date of the enactment of this sec-
17 tion,

18 “(B) for a term of not more than 1 year,

19 “(C) to finance an expenditure which is a per-
20 mitted purpose to be financed by a qualified zone acad-
21 emy bond, and

22 “(D) in anticipation of being refinanced with pro-
23 ceeds of a qualified zone academy bond.

24 “(2) SINKING FUNDS.—Rules similar to the rules
25 under section 148 on replacement proceeds shall apply for
26 purposes of this section. Such replacement proceeds shall
27 be invested in noninterest-bearing State and Local Govern-
28 ment Series obligations issued by the Secretary.

29 “(g) SPECIAL RULES RELATING TO ARBITRAGE.—

30 “(1) IN GENERAL.—Except as otherwise provided in
31 this subsection, an issue shall be treated as meeting the re-
32 quirements of this subsection if the issue meets the spend-
33 ing requirements of subclause (I) of section
34 148(f)(4)(C)(xviii).

35 “(2) RULES REGARDING COMPLIANCE DURING 4-YEAR
36 PERIOD.—If an issue fails to meet such spending require-
37 ments during the 4-year period beginning on the date of

1 issuance, the issuer shall pay to the United States amounts
2 which would be required to be paid to the United States
3 under section 148(f)(2) were such issue required to meet
4 the requirements of such section. Rules similar to the rules
5 of clause (iii) of section 148(f)(4)(C) shall apply for pur-
6 poses of the preceding sentence.

7 “(3) RULES REGARDING CONTINUING COMPLIANCE
8 AFTER 4-YEAR DETERMINATION.—If at least 95 percent of
9 the proceeds of the issue is not expended for 1 or more per-
10 mitted purposes within the 4-year period beginning on the
11 date of issuance, an issue shall be treated as continuing to
12 meet the requirements of this subsection if the issuer uses
13 all unspent proceeds of the issue to redeem bonds of the
14 issue within 90 days after the end of such 4-year period.

15 “(4) SMALL ISSUER EXCEPTION.—Paragraph (1) shall
16 not apply to an issue issued by a governmental unit with
17 general taxing powers if the requirements of paragraphs
18 (2) and (3) of section 148(f) would be treated as met by
19 reason of subparagraph (D) of section 148(f)(4) if such
20 issue were treated as a tax-exempt bond and taken into ac-
21 count under such subparagraph, and such issue shall be so
22 treated for purposes of determining whether such require-
23 ments are met with respect to tax-exempt bonds.

24 “(h) RECAPTURE OF PORTION OF CREDIT WHERE CES-
25 SATION OF COMPLIANCE.—

26 “(1) IN GENERAL.—If any bond which when issued
27 purported to be a qualified zone academy bond ceases to
28 be a qualified zone academy bond, the issuer shall pay to
29 the United States (at the time required by the Secretary)
30 an amount equal to the sum of—

31 “(A) the aggregate of the credits allowable under
32 this section with respect to such bond (determined
33 without regard to subsection (c)) for taxable years end-
34 ing during the calendar year in which such cessation
35 occurs and the 2 preceding calendar years, and

36 “(B) interest at the underpayment rate under sec-
37 tion 6621 on the amount determined under subpara-

1 graph (A) for each calendar year for the period begin-
2 ning on the first day of such calendar year.

3 “(2) FAILURE TO PAY.—If the issuer fails to timely
4 pay the amount required by paragraph (1) with respect to
5 such bond, the tax imposed by this chapter on each holder
6 of any such bond which is part of such issue shall be in-
7 creased (for the taxable year of the holder in which such
8 cessation occurs) by the aggregate decrease in the credits
9 allowed under this section to such holder for taxable years
10 beginning in such 3 calendar years which would have re-
11 sulted solely from denying any credit under this section
12 with respect to such issue for such taxable years.

13 “(3) SPECIAL RULES.—

14 “(A) TAX BENEFIT RULE.—The tax for the tax-
15 able year shall be increased under paragraph (2) only
16 with respect to credits allowed by reason of this section
17 which were used to reduce tax liability. In the case of
18 credits not so used to reduce tax liability, the
19 carryforwards and carrybacks under section 39 shall be
20 appropriately adjusted.

21 “(B) NO CREDITS AGAINST TAX.—Any increase in
22 tax under paragraph (2) shall not be treated as a tax
23 imposed by this chapter for purposes of determining —

24 “(i) the amount of any credit allowable under
25 this part, or

26 “(ii) the amount of the tax imposed by section
27 55.

28 “(i) CREDIT INCLUDED IN GROSS INCOME.—Gross income
29 includes the amount of the credit allowed to the taxpayer under
30 this section (determined without regard to subsection (c)) and
31 the amount so included shall be treated as interest income.

32 “(j) TREATMENT FOR ESTIMATED TAX PURPOSES.—Sole-
33 ly for purposes of sections 6654 and 6655, the credit allowed
34 by this section to a taxpayer by reason of holding a qualified
35 zone academy bond on a credit allowance date shall be treated
36 as if it were a payment of estimated tax made by the taxpayer
37 on such date.

1 “(k) REPORTING.—Issuers of qualified zone academy
2 bonds shall submit reports similar to the reports required
3 under section 149(e).

4 “(l) TERMINATION.—This section shall not apply to any
5 bond issued after December 31, 2005.

6 **“SEC. 1397F. QUALIFIED ZONE ACADEMY BONDS.”**

7 (b) EXTENSION OF QUALIFIED ZONE ACADEMY BOND
8 PROVISIONS.—

9 (1) Subsections (d) and (e) of section 1397E (as in ef-
10 fect on the day before the date of the enactment of this
11 Act) are hereby moved and inserted after the section head-
12 ing for section 1397F (as added by subsection (a)) and re-
13 designated as subsections (a) and (b).

14 (2) Subsection (b) of section 1397F (as so redesign-
15 ated) is amended to read as follows:

16 “(b) LIMITATIONS ON AMOUNT OF BONDS DES-
17 IGNATED.—

18 “(1) IN GENERAL.—There is a national zone academy
19 bond limitation for each calendar year. Such limitation is—

20 “(A) \$400,000,000 for 1998,

21 “(B) \$400,000,000 for 1999,

22 “(C) \$400,000,000 for 2000,

23 “(D) \$400,000,000 for 2001,

24 “(E) \$400,000,000 for 2002,

25 “(F) \$400,000,000 for 2003, and

26 “(G) except as provided in paragraph (3), zero
27 after 2003.

28 “(2) ALLOCATION OF LIMITATION.—

29 “(A) IN GENERAL.—The national zone academy
30 bond limitation for a calendar year shall be allocated by
31 the Secretary among the States on the basis of their
32 respective populations of individuals below the poverty
33 line (as defined by the Office of Management and
34 Budget). The limitation amount allocated to a State
35 under the preceding sentence shall be allocated by the
36 State to qualified zone academies within such State.

1 “(B) DESIGNATION SUBJECT TO LIMITATION
2 AMOUNT.—The maximum aggregate face amount of
3 bonds issued during any calendar year which may be
4 designated under subsection (a) with respect to any
5 qualified zone academy shall not exceed the limitation
6 amount allocated to such academy under subparagraph
7 (A) for such calendar year.

8 “(3) CARRYOVER OF UNUSED LIMITATION.—If for any
9 calendar year—

10 “(A) the limitation amount under this subsection
11 for any State, exceeds

12 “(B) the amount of bonds issued during such year
13 which are designated under subsection (a) (or the cor-
14 responding provisions of prior law) with respect to
15 qualified zone academies within such State,

16 the limitation amount under this subsection for such State
17 for the following calendar year shall be increased by the
18 amount of such excess. Any carryforward of a limitation
19 amount may be carried only to the first 2 years (3 years
20 for carryforwards from 1998 or 1999) following the unused
21 limitation year. For purposes of the preceding sentence, a
22 limitation amount shall be treated as used on a first-in
23 first-out basis.”

24 (3) Subsection (a) of section 1397F (as so redesign-
25 ated) is amended—

26 (A) by striking “For purposes of this section—”
27 in the material preceding paragraph (1) and inserting
28 “For purposes of this part—”,

29 (B) by striking “an eligible local” in paragraphs
30 (1)(A) and (3)(A) (as redesignated by this paragraph)
31 and inserting “a local”,

32 (C) by striking “the maximum term permitted
33 under paragraph (3)” in paragraph (1)(D) and insert-
34 ing “15 years”, and

35 (D) by striking paragraphs (3) and (6) and by re-
36 designating paragraphs (4) and (5) as paragraphs (3)
37 and (4), respectively.

1 (4) Paragraph (3) of section 1397F(a) (as so redesign-
2 nated) is amended—

3 (A) by striking “(4)” and all that follows through
4 “The term” and inserting the following:

5 “(4) QUALIFIED ZONE ACADEMY.—The term”,

6 (B) by striking subparagraph (B),

7 (C) by redesignating clauses (i) through (iv) as
8 subparagraphs (A) through (D), respectively, and

9 (D) by redesignating subclauses (I) and (II) of
10 subparagraph (D) (as so redesignated) as clauses (i)
11 and (ii), respectively.

12 (c) AUTHORIZATION OF ADDITIONAL QUALIFIED ZONE
13 ACADEMY BONDS WITHOUT TARGETING AND PRIVATE PART-
14 NERSHIP REQUIREMENTS.—Part IV of subchapter U of chap-
15 ter 1 is amended by adding at the end the following new sec-
16 tion:

17 **“SEC. 1397G. AUTHORIZATION OF ADDITIONAL QUALI-**
18 **FIED ZONE ACADEMY BONDS WITHOUT TAR-**
19 **GETING AND PRIVATE PARTNERSHIP RE-**
20 **QUIREMENTS.**

21 “(a) IN GENERAL.—For purposes of this part, the term
22 ‘qualified zone academy bond’ also includes any bond issued by
23 a State or local government as part of an issue if—

24 “(1) the issuer designates such bond for purpose of
25 this section, and

26 “(2) the requirements of subparagraphs (A), (B), and
27 (D) of paragraph (1) of section 1397F(a) are met with re-
28 spect to such issue, determined—

29 “(A) by treating any public school facility as being
30 a qualified zone academy ,and

31 “(B) by applying paragraph (4) thereof as if the
32 only qualified purpose were constructing, rehabilitating,
33 or repairing a public school facility or acquiring the
34 land which is functionally related and subordinate to
35 the public school facility which is to be constructed
36 with part of the proceeds of such issue.

1 “(b) LIMITATION ON AMOUNT OF BONDS DESIGNATED.—
2 The maximum aggregate face amount of bonds issued during
3 any calendar year which may be designated under subsection
4 (a) by any issuer shall not exceed the limitation amount allo-
5 cated under subsection (d) for such calendar year to such
6 issuer.

7 “(c) NATIONAL LIMITATION ON AMOUNT OF BONDS DES-
8 IGNATED.—There is a national additional qualified zone acad-
9 emy bond limitation for each calendar year. Such limitation
10 is—

11 “(1) \$5,000,000,000 for 2001,
12 “(2) \$5,000,000,000 for 2002, and
13 “(3) \$5,000,000,000 for 2003,
14 “(4) except as provided in subsection (e), zero after
15 2003.

16 “(d) LIMITATION ALLOCATED AMONG STATES.—

17 “(1) IN GENERAL.—

18 “(A) ALLOCATION ON THE BASIS OF POPU-
19 LATION.—50 percent of the limitation applicable under
20 subsection (c) for any calendar year shall be allocated
21 before such calendar year by the Secretary among the
22 States on the basis of their respective populations.

23 “(B) ALLOCATION ON THE BASIS OF POVERTY.—
24 50 percent of the limitation applicable under subsection
25 (c) for any calendar year shall be allocated before such
26 calendar year by the Secretary among the States on the
27 basis of their respective populations of individuals
28 below the poverty line (as defined by the Office of Man-
29 agement and Budget).

30 “(C) MINIMUM ALLOCATIONS TO SMALL
31 STATES.—The Secretary shall adjust the allocations
32 under this subsection for any calendar year for each
33 State to the extent necessary to ensure that the
34 amount allocated to such State under this subsection
35 for such year is not less than \$25,000,000.

1 “(D) USE OF CENSUS DATA.—Determinations
2 under this subsection shall be made on the basis of the
3 most recently available census data.

4 “(2) ALLOCATION WITHIN THE STATE.—

5 “(A) IN GENERAL.—Except as otherwise provided
6 in subparagraph (B), the limitation allocated to any
7 State may be allocated among governmental units in
8 such State having authority to issue such bonds as pro-
9 vided by State law (or, in absence of State law, by the
10 Governor of such State).

11 “(B) MINIMUM ALLOCATIONS TO LARGE LOCAL
12 EDUCATIONAL AGENCIES.—In no event may the limita-
13 tion for any calendar year allocated to any large local
14 educational agency in a State be less than the sum
15 of—

16 “(i) an amount which bears the same ratio to
17 50 percent of such limitation as the population
18 within the area under the jurisdiction of such agen-
19 cy bears to the population of the entire State, and

20 “(ii) an amount which bears the same ratio to
21 50 percent of such limitation as the population
22 within the area under the jurisdiction of such agen-
23 cy below the poverty line (as defined by the Office
24 of Management and Budget) bears to such popu-
25 lation of the entire State.

26 “(3) ALLOCATIONS FOR INDIAN SCHOOLS.—In addi-
27 tion to the amounts otherwise allocated under this sub-
28 section, \$200,000,000 (in the aggregate for calendar years
29 2001, 2002, and 2003) shall be allocated by the Secretary
30 (after consultation with the Secretary of the Interior) for
31 purposes of the construction, rehabilitation, and repair of
32 schools operated by or on behalf of an Indian tribal govern-
33 ment (within the meaning of section 7871). In the case of
34 amounts allocated under the preceding sentence, Indian
35 tribal governments (as so defined) shall be treated as quali-
36 fied issuers for purposes of this part.

37 “(4) REQUIRED STATE ALLOCATION PLANS.—

1 “(A) IN GENERAL.—Notwithstanding any other
2 provision of this section, the limitation for any State
3 shall be zero unless the limitation is allocated within
4 such State pursuant to a qualified allocation plan.

5 “(B) QUALIFIED ALLOCATION PLAN.—For pur-
6 poses of subparagraph (A), the term ‘qualified alloca-
7 tion plan’ means any plan which—

8 “(i) identifies the State’s needs for public
9 school facilities (including descriptions of the ca-
10 pacity of public schools in the State to house pro-
11 jected enrollments), particular financing difficulties
12 being encountered by local school districts in the
13 State, and health and safety problems at existing
14 facilities, and

15 “(ii) describes how the State will allocate to
16 local educational agencies, or otherwise use, its al-
17 location under this section to address the needs
18 identified under clause (i), including a description
19 of how it will—

20 “(I) ensure that the needs of rural, urban,
21 and suburban areas will be recognized,

22 “(II) ensure that the needs of localities
23 with the greatest needs, as demonstrated by in-
24 adequate school facilities coupled with low level
25 of resources, will be met, and

26 “(III) give priority to the role of charter
27 schools in achieving State educational objec-
28 tives.

29 “(C) APPLICATION OF PARAGRAPH.—This para-
30 graph shall apply to allocations after more than 6
31 months after the date of the enactment of this para-
32 graph.

33 “(5) LARGE LOCAL EDUCATIONAL AGENCY.—For pur-
34 poses of this section, the term ‘large local educational agen-
35 cy’ means, with respect to a calendar year, any local edu-
36 cational agency with at least 40,000 children who have at-

1 tained age 5 but not age 18 for the most recent fiscal year
2 ending before such calendar year.

3 “(e) CARRYOVER OF UNUSED LIMITATION.—

4 “(1) IN GENERAL.—If for any calendar year—

5 “(A) the amount allocated under subsection (d) to
6 any State, exceeds

7 “(B) the amount of bonds issued during such year
8 which are designated under subsection (a) pursuant to
9 such allocation,

10 the limitation amount under such subsection for such State
11 for the following calendar year shall be increased by the
12 amount of such excess.

13 “(2) 2-YEAR CARRYFORWARD.—Any carryforward of a
14 limitation amount may be carried only to the first 2 years
15 following the unused limitation year. For purposes of the
16 preceding sentence, a limitation amount shall be treated as
17 used on a first-in first-out basis.

18 “(3) ALLOCATIONS FOR INDIAN SCHOOLS.—Rules
19 similar to paragraphs (1) and (2) shall apply to the
20 amounts allocated under subsection (d)(3); except that
21 2003 shall be treated as the unused limitation year.”

22 (d) REPORTING.—Subsection (d) of section 6049 (relating
23 to returns regarding payments of interest) is amended by add-
24 ing at the end the following new paragraph:

25 “(8) REPORTING OF CREDIT ON QUALIFIED ZONE
26 ACADEMY BONDS.—

27 “(A) IN GENERAL.—For purposes of subsection
28 (a), the term ‘interest’ includes amounts includible in
29 gross income under section 1397E(i) and such amounts
30 shall be treated as paid on the credit allowance date (as
31 defined in section 1397E(d)(2)).

32 “(B) REPORTING TO CORPORATIONS, ETC.—Ex-
33 cept as otherwise provided in regulations, in the case
34 of any interest described in subparagraph (A) of this
35 paragraph, subsection (b)(4) of this section shall be ap-
36 plied without regard to subparagraphs (A), (H), (I),
37 (J), (K), and (L)(i).

1 “(C) REGULATORY AUTHORITY.—The Secretary
2 may prescribe such regulations as are necessary or ap-
3 propriate to carry out the purposes of this paragraph,
4 including regulations which require more frequent or
5 more detailed reporting.”

6 (e) CONFORMING AMENDMENTS.—

7 (1) Subsections (f), (g), and (h) of section 1397E (as
8 in effect on the day before the date of the enactment of
9 this Act) are hereby repealed.

10 (2) Subchapter U of chapter 1 of such Code is amend-
11 ed by redesignating section 1397F (as in effect on the day
12 before the date of the enactment of this Act) as section
13 1397H.

14 (3) The table of parts of subchapter U of chapter 1
15 of such Code is amended by striking the item relating to
16 part IV and inserting the following item:

 “Part IV. Education bond provisions.”

17 (f) EFFECTIVE DATES.—

18 (1) IN GENERAL.—Except as otherwise provided in
19 this subsection, the amendments made by this section shall
20 apply to obligations issued after December 31, 2000.

21 (2) MODIFICATION OF RESTRICTION ON ZONE ACAD-
22 EMY BOND HOLDERS.—In the case of bonds to which sec-
23 tion 1397E of the Internal Revenue Code of 1986 (as in
24 effect before the date of the enactment of this Act) applies,
25 the limitation of such section to corporations actively en-
26 gaged in the business of lending money shall not apply
27 after the date of the enactment of this Act.

28 **TITLE VI—COMMUNITY**
29 **REVITALIZATION**
30 **Subtitle A—Tax Incentives for**
31 **Renewal Communities**

32 **SEC. 601. DESIGNATION OF AND TAX INCENTIVES FOR**
33 **RENEWAL COMMUNITIES.**

34 (a) IN GENERAL.—Chapter 1 is amended by adding at the
35 end the following new subchapter:

1 **“Subchapter X—Renewal Communities**

 “Part I. Designation.

 “Part II. Renewal community capital gain; renewal community business.

 “Part III. Additional incentives.

2 **“PART I—DESIGNATION**

 “Sec. 1400E. Designation of renewal communities.

3 **“SEC. 1400E. DESIGNATION OF RENEWAL COMMUNITIES.**

4 “(a) DESIGNATION.—

5 “(1) DEFINITIONS.—For purposes of this title, the
6 term ‘renewal community’ means any area—

7 “(A) which is nominated by 1 or more local gov-
8 ernments and the State or States in which it is located
9 for designation as a renewal community (hereafter in
10 this section referred to as a ‘nominated area’), and

11 “(B) which the Secretary of Housing and Urban
12 Development designates as a renewal community, after
13 consultation with—

14 “(i) the Secretaries of Agriculture, Commerce,
15 Labor, and the Treasury; the Director of the Office
16 of Management and Budget, and the Administrator
17 of the Small Business Administration, and

18 “(ii) in the case of an area on an Indian res-
19 ervation, the Secretary of the Interior.

20 “(2) NUMBER OF DESIGNATIONS.—

21 “(A) IN GENERAL.—Not more than 40 nominated
22 areas may be designated as renewal communities.

23 “(B) MINIMUM DESIGNATION IN RURAL AREAS.—
24 Of the areas designated under paragraph (1), at least
25 12 must be areas—

26 “(i) which are within a local government juris-
27 diction or jurisdictions with a population of less
28 than 50,000,

29 “(ii) which are outside of a metropolitan sta-
30 tistical area (within the meaning of section
31 143(k)(2)(B)), or

32 “(iii) which are determined by the Secretary of
33 Housing and Urban Development, after consulta-

1 tion with the Secretary of Commerce, to be rural
2 areas.

3 One of such 12 areas shall be an area within Mis-
4 sissippi, to be designated by the State of Mississippi,
5 that includes at least 1 census tract within Madison
6 County, Mississippi.

7 “(3) AREAS DESIGNATED BASED ON DEGREE OF POV-
8 ERTY, ETC.—

9 “(A) IN GENERAL.—Except as otherwise provided
10 in this section, the nominated areas designated as re-
11 newal communities under this subsection shall be those
12 nominated areas with the highest average ranking with
13 respect to the criteria described in subparagraphs (B),
14 (C), and (D) of subsection (c)(3). For purposes of the
15 preceding sentence, an area shall be ranked within each
16 such criterion on the basis of the amount by which the
17 area exceeds such criterion, with the area which ex-
18 ceeds such criterion by the greatest amount given the
19 highest ranking.

20 “(B) EXCEPTION WHERE INADEQUATE COURSE OF
21 ACTION, ETC.—An area shall not be designated under
22 subparagraph (A) if the Secretary of Housing and
23 Urban Development determines that the course of ac-
24 tion described in subsection (d)(2) with respect to such
25 area is inadequate.

26 “(C) PREFERENCE FOR ENTERPRISE COMMU-
27 NITIES AND EMPOWERMENT ZONES.—With respect to
28 the first 20 designations made under this section, a
29 preference shall be provided to those nominated areas
30 which are enterprise communities or empowerment
31 zones (and are otherwise eligible for designation under
32 this section).

33 “(4) LIMITATION ON DESIGNATIONS.—

34 “(A) PUBLICATION OF REGULATIONS.—The Sec-
35 retary of Housing and Urban Development shall pre-
36 scribe by regulation no later than 4 months after the

1 date of the enactment of this section, after consultation
2 with the officials described in paragraph (1)(B)—

3 “(i) the procedures for nominating an area
4 under paragraph (1)(A),

5 “(ii) the parameters relating to the size and
6 population characteristics of a renewal community,
7 and

8 “(iii) the manner in which nominated areas
9 will be evaluated based on the criteria specified in
10 subsection (d).

11 “(B) TIME LIMITATIONS.—The Secretary of Hous-
12 ing and Urban Development may designate nominated
13 areas as renewal communities only during the period
14 beginning on the first day of the first month following
15 the month in which the regulations described in sub-
16 paragraph (A) are prescribed and ending on December
17 31, 2001.

18 “(C) PROCEDURAL RULES.—The Secretary of
19 Housing and Urban Development shall not make any
20 designation of a nominated area as a renewal commu-
21 nity under paragraph (2) unless—

22 “(i) the local governments and the States in
23 which the nominated area is located have the
24 authority—

25 “(I) to nominate such area for designation
26 as a renewal community,

27 “(II) to make the State and local commit-
28 ments described in subsection (d), and

29 “(III) to provide assurances satisfactory to
30 the Secretary of Housing and Urban Develop-
31 ment that such commitments will be fulfilled,

32 “(ii) a nomination regarding such area is sub-
33 mitted in such a manner and in such form, and
34 contains such information, as the Secretary of
35 Housing and Urban Development shall by regula-
36 tion prescribe, and

1 “(1) IN GENERAL.—The Secretary of Housing and
2 Urban Development may designate a nominated area as a
3 renewal community under subsection (a) only if the area
4 meets the requirements of paragraphs (2) and (3) of this
5 subsection.

6 “(2) AREA REQUIREMENTS.—A nominated area meets
7 the requirements of this paragraph if—

8 “(A) the area is within the jurisdiction of one or
9 more local governments,

10 “(B) the boundary of the area is continuous, and

11 “(C) the area—

12 “(i) has a population of not more than
13 200,000 and at least—

14 “(I) 4,000 if any portion of such area
15 (other than a rural area described in subsection
16 (a)(2)(B)(i)) is located within a metropolitan
17 statistical area (within the meaning of section
18 143(k)(2)(B)) which has a population of
19 50,000 or greater, or

20 “(II) 1,000 in any other case, or

21 “(ii) is entirely within an Indian reservation
22 (as determined by the Secretary of the Interior).

23 “(3) ELIGIBILITY REQUIREMENTS.—A nominated area
24 meets the requirements of this paragraph if the State and
25 the local governments in which it is located certify in writ-
26 ing (and the Secretary of Housing and Urban Develop-
27 ment, after such review of supporting data as he deems ap-
28 propriate, accepts such certification) that—

29 “(A) the area is one of pervasive poverty, unem-
30 ployment, and general distress;

31 “(B) the unemployment rate in the area, as deter-
32 mined by the most recent available data, was at least
33 1½ times the national unemployment rate for the pe-
34 riod to which such data relate;

35 “(C) the poverty rate for each population census
36 tract within the nominated area is at least 20 percent;
37 and

1 “(D) in the case of an urban area, at least 70 per-
2 cent of the households living in the area have incomes
3 below 80 percent of the median income of households
4 within the jurisdiction of the local government (deter-
5 mined in the same manner as under section 119(b)(2)
6 of the Housing and Community Development Act of
7 1974).

8 “(4) CONSIDERATION OF OTHER FACTORS.—The Sec-
9 retary of Housing and Urban Development, in selecting any
10 nominated area for designation as a renewal community
11 under this section—

12 “(A) shall take into account—

13 “(i) the extent to which such area has a high
14 incidence of crime, or

15 “(ii) if such area has census tracts identified
16 in the May 12, 1998, report of the General Ac-
17 counting Office regarding the identification of eco-
18 nomically distressed areas, and

19 “(B) with respect to 1 of the areas to be des-
20 ignated under subsection (a)(2)(B), may, in lieu of any
21 criteria described in paragraph (3), take into account
22 the existence of outmigration from the area.

23 “(d) REQUIRED STATE AND LOCAL COMMITMENTS.—

24 “(1) IN GENERAL.—The Secretary of Housing and
25 Urban Development may designate any nominated area as
26 a renewal community under subsection (a) only if—

27 “(A) the local government and the State in which
28 the area is located agree in writing that, during any pe-
29 riod during which the area is a renewal community,
30 such governments will follow a specified course of ac-
31 tion which meets the requirements of paragraph (2)
32 and is designed to reduce the various burdens borne by
33 employers or employees in such area, and

34 “(B) the economic growth promotion requirements
35 of paragraph (3) are met.

36 “(2) COURSE OF ACTION.—

1 “(A) IN GENERAL.—A course of action meets the
2 requirements of this paragraph if such course of action
3 is a written document, signed by a State (or local gov-
4 ernment) and neighborhood organizations, which evi-
5 dences a partnership between such State or government
6 and community-based organizations and which commits
7 each signatory to specific and measurable goals, ac-
8 tions, and timetables. Such course of action shall in-
9 clude at least 4 of the following:

10 “(i) A reduction of tax rates or fees applying
11 within the renewal community.

12 “(ii) An increase in the level of efficiency of
13 local services within the renewal community.

14 “(iii) Crime reduction strategies, such as
15 crime prevention (including the provision of crime
16 prevention services by nongovernmental entities).

17 “(iv) Actions to reduce, remove, simplify, or
18 streamline governmental requirements applying
19 within the renewal community.

20 “(v) Involvement in the program by private
21 entities, organizations, neighborhood organizations,
22 and community groups, particularly those in the re-
23 newal community, including a commitment from
24 such private entities to provide jobs and job train-
25 ing for, and technical, financial, or other assistance
26 to, employers, employees, and residents from the
27 renewal community.

28 “(vi) The gift (or sale at below fair market
29 value) of surplus real property (such as land,
30 homes, and commercial or industrial structures) in
31 the renewal community to neighborhood organiza-
32 tions, community development corporations, or pri-
33 vate companies.

34 “(B) RECOGNITION OF PAST EFFORTS.—For pur-
35 poses of this section, in evaluating the course of action
36 agreed to by any State or local government, the Sec-
37 retary of Housing and Urban Development shall take

1 into account the past efforts of such State or local gov-
2 ernment in reducing the various burdens borne by em-
3 ployers and employees in the area involved.

4 “(3) ECONOMIC GROWTH PROMOTION REQUIRE-
5 MENTS.—The economic growth promotion requirements of
6 this paragraph are met with respect to a nominated area
7 if the local government and the State in which such area
8 is located certify in writing that such government and State
9 (respectively) have repealed or reduced, will not enforce, or
10 will reduce within the nominated area at least 4 of the fol-
11 lowing:

12 “(A) Licensing requirements for occupations that
13 do not ordinarily require a professional degree.

14 “(B) Zoning restrictions on home-based businesses
15 which do not create a public nuisance.

16 “(C) Permit requirements for street vendors who
17 do not create a public nuisance.

18 “(D) Zoning or other restrictions that impede the
19 formation of schools or child care centers.

20 “(E) Franchises or other restrictions on competi-
21 tion for businesses providing public services, including
22 taxicabs, jitneys, cable television, or trash hauling.

23 This paragraph shall not apply to the extent that such reg-
24 ulation of businesses and occupations is necessary for and
25 well-tailored to the protection of health and safety.

26 “(e) COORDINATION WITH TREATMENT OF EMPOWER-
27 MENT ZONES AND ENTERPRISE COMMUNITIES.—For purposes
28 of this title, the designation under section 1391 of any area as
29 an empowerment zone or enterprise community shall cease to
30 be in effect as of the date that the designation of any portion
31 of such area as a renewal community takes effect.

32 “(f) DEFINITIONS AND SPECIAL RULES.—For purposes of
33 this subchapter—

34 “(1) GOVERNMENTS.—If more than one government
35 seeks to nominate an area as a renewal community, any
36 reference to, or requirement of, this section shall apply to
37 all such governments.

1 “(2) LOCAL GOVERNMENT.—The term ‘local govern-
2 ment’ means—

3 “(A) any county, city, town, township, parish, vil-
4 lage, or other general purpose political subdivision of a
5 State, and

6 “(B) any combination of political subdivisions de-
7 scribed in subparagraph (A) recognized by the Sec-
8 retary of Housing and Urban Development.

9 “(3) APPLICATION OF RULES RELATING TO CENSUS
10 TRACTS.—The rules of section 1392(b)(4) shall apply.

11 “(4) CENSUS DATA.—Population and poverty rate
12 shall be determined by using 1990 census data.

13 “(g) PRIORITY FOR DISTRICT OF COLUMBIA NOMINATED
14 AREA.—For purposes of this subchapter—

15 “(1) IN GENERAL.—One nominated area within the
16 District of Columbia shall be treated for purposes of sub-
17 section (a)(3) as having the highest average with respect to
18 the criteria described in subparagraphs (B), (C), and (D)
19 of subsection (c)(3).

20 “(2) DATE OF DESIGNATION.—Notwithstanding sub-
21 section (b)(1), the designation of a nominated area within
22 the District of Columbia as a renewal community shall take
23 effect on January 1, 2003.

24 “(3) NOMINATION.—The District of Columbia shall be
25 treated as being both a State and local government with re-
26 spect to such area.

27 **“PART II—RENEWAL COMMUNITY CAPITAL**
28 **GAIN; RENEWAL COMMUNITY BUSINESS**

 “Sec. 1400F. Renewal community capital gain.

 “Sec. 1400G. Renewal community business defined.

29 **“SEC. 1400F. RENEWAL COMMUNITY CAPITAL GAIN.**

30 “(a) GENERAL RULE.—Gross income does not include any
31 qualified capital gain from the sale or exchange of a qualified
32 community asset held for more than 5 years.

33 “(b) QUALIFIED COMMUNITY ASSET.—For purposes of
34 this section—

1 “(1) IN GENERAL.—The term ‘qualified community
2 asset’ means—

3 “(A) any qualified community stock,

4 “(B) any qualified community partnership inter-
5 est, and

6 “(C) any qualified community business property.

7 “(2) QUALIFIED COMMUNITY STOCK.—

8 “(A) IN GENERAL.—Except as provided in sub-
9 paragraph (B), the term ‘qualified community stock’
10 means any stock in a domestic corporation if—

11 “(i) such stock is acquired by the taxpayer
12 after December 31, 2001, and before January 1,
13 2010, at its original issue (directly or through an
14 underwriter) from the corporation solely in ex-
15 change for cash,

16 “(ii) as of the time such stock was issued,
17 such corporation was a renewal community busi-
18 ness (or, in the case of a new corporation, such cor-
19 poration was being organized for purposes of being
20 a renewal community business), and

21 “(iii) during substantially all of the taxpayer’s
22 holding period for such stock, such corporation
23 qualified as a renewal community business.

24 “(B) REDEMPTIONS.—A rule similar to the rule of
25 section 1202(c)(3) shall apply for purposes of this
26 paragraph.

27 “(3) QUALIFIED COMMUNITY PARTNERSHIP INTER-
28 EST.—The term ‘qualified community partnership interest’
29 means any capital or profits interest in a domestic partner-
30 ship if—

31 “(A) such interest is acquired by the taxpayer
32 after December 31, 2001, and before January 1, 2010,
33 from the partnership solely in exchange for cash,

34 “(B) as of the time such interest was acquired,
35 such partnership was a renewal community business
36 (or, in the case of a new partnership, such partnership

1 was being organized for purposes of being a renewal
2 community business), and

3 “(C) during substantially all of the taxpayer’s
4 holding period for such interest, such partnership quali-
5 fied as a renewal community business.

6 A rule similar to the rule of paragraph (2)(B) shall apply
7 for purposes of this paragraph.

8 “(4) QUALIFIED COMMUNITY BUSINESS PROPERTY.—

9 “(A) IN GENERAL.—The term ‘qualified commu-
10 nity business property’ means tangible property if—

11 “(i) such property was acquired by the tax-
12 payer by purchase (as defined in section 179(d)(2))
13 after December 31, 2001, and before January 1,
14 2010,

15 “(ii) the original use of such property in the
16 renewal community commences with the taxpayer,
17 and

18 “(iii) during substantially all of the taxpayer’s
19 holding period for such property, substantially all
20 of the use of such property was in a renewal com-
21 munity business of the taxpayer.

22 “(B) SPECIAL RULE FOR SUBSTANTIAL IMPROVE-
23 MENTS.—The requirements of clauses (i) and (ii) of
24 subparagraph (A) shall be treated as satisfied with re-
25 spect to—

26 “(i) property which is substantially improved
27 by the taxpayer before January 1, 2010, and

28 “(ii) any land on which such property is lo-
29 cated.

30 The determination of whether a property is substan-
31 tially improved shall be made under clause (ii) of sec-
32 tion 1400B(b)(4)(B), except that ‘December 31, 2001’
33 shall be substituted for ‘December 31, 1997’ in such
34 clause.

35 “(c) QUALIFIED CAPITAL GAIN.—For purposes of this
36 section—

1 “(1) IN GENERAL.—Except as otherwise provided in
2 this subsection, the term ‘qualified capital gain’ means any
3 gain recognized on the sale or exchange of—

4 “(A) a capital asset, or

5 “(B) property used in the trade or business (as
6 defined in section 1231(b)).

7 “(2) GAIN BEFORE 2002 OR AFTER 2014 NOT QUALI-
8 FIED.—The term ‘qualified capital gain’ shall not include
9 any gain attributable to periods before January 1, 2002, or
10 after December 31, 2014.

11 “(3) CERTAIN RULES TO APPLY.—Rules similar to the
12 rules of paragraphs (3), (4), and (5) of section 1400B(e)
13 shall apply for purposes of this subsection.

14 “(d) CERTAIN RULES TO APPLY.—For purposes of this
15 section, rules similar to the rules of paragraphs (5), (6), and
16 (7) of subsection (b), and subsections (f) and (g), of section
17 1400B shall apply; except that for such purposes section
18 1400B(g)(2) shall be applied by substituting ‘January 1, 2002’
19 for ‘January 1, 1998’ and ‘December 31, 2014’ for ‘December
20 31, 2007’.

21 “(e) REGULATIONS.—The Secretary shall prescribe such
22 regulations as may be appropriate to carry out the purposes of
23 this section, including regulations to prevent the avoidance of
24 the purposes of this section.

25 **“SEC. 1400G. RENEWAL COMMUNITY BUSINESS DE-**
26 **FINED.**

27 “For purposes of this subchapter, the term ‘renewal com-
28 munity business’ means any entity or proprietorship which
29 would be a qualified business entity or qualified proprietorship
30 under section 1397C if references to renewal communities were
31 substituted for references to empowerment zones in such sec-
32 tion.

33 **“PART III—ADDITIONAL INCENTIVES**

 “Sec. 1400H. Renewal community employment credit.

 “Sec. 1400I. Commercial revitalization deduction.

 “Sec. 1400J. Increase in expensing under section 179.

1 **“SEC. 1400H. RENEWAL COMMUNITY EMPLOYMENT**
2 **CREDIT.**

3 “(a) IN GENERAL.—Subject to the modification in sub-
4 section (b), a renewal community shall be treated as an em-
5 powerment zone for purposes of section 1396 with respect to
6 wages paid or incurred after December 31, 2001.

7 “(b) MODIFICATION.—In applying section 1396 with re-
8 spect to renewal communities—

9 “(1) the applicable percentage shall be 15 percent, and

10 “(2) subsection (c) thereof shall be applied by sub-
11 stituting ‘\$10,000’ for ‘\$15,000’ each place it appears.

12 **“SEC. 1400I. COMMERCIAL REVITALIZATION DEDUC-**
13 **TION.**

14 “(a) GENERAL RULE.—At the election of the taxpayer,
15 either—

16 “(1) one-half of any qualified revitalization expendi-
17 tures chargeable to capital account with respect to any
18 qualified revitalization building shall be allowable as a de-
19 duction for the taxable year in which the building is placed
20 in service, or

21 “(2) a deduction for all such expenditures shall be al-
22 lowable ratably over the 120-month period beginning with
23 the month in which the building is placed in service.

24 “(b) QUALIFIED REVITALIZATION BUILDINGS AND EX-
25 PENDITURES.—For purposes of this section—

26 “(1) QUALIFIED REVITALIZATION BUILDING.—The
27 term ‘qualified revitalization building’ means any building
28 (and its structural components) if—

29 “(A) the building is placed in service by the tax-
30 payer in a renewal community and the original use of
31 the building begins with the taxpayer, or

32 “(B) in the case of such building not described in
33 subparagraph (A), such building—

34 “(i) is substantially rehabilitated (within the
35 meaning of section 47(c)(1)(C)) by the taxpayer,
36 and

1 “(ii) is placed in service by the taxpayer after
2 the rehabilitation in a renewal community.

3 “(2) QUALIFIED REVITALIZATION EXPENDITURE.—

4 “(A) IN GENERAL.—The term ‘qualified revitaliza-
5 tion expenditure’ means any amount properly charge-
6 able to capital account for property for which depreci-
7 ation is allowable under section 168 (without regard to
8 this section) and which is—

9 “(i) nonresidential real property (as defined in
10 section 168(e)), or

11 “(ii) section 1250 property (as defined in sec-
12 tion 1250(c)) which is functionally related and sub-
13 ordinate to property described in clause (i).

14 “(B) CERTAIN EXPENDITURES NOT INCLUDED.—

15 “(i) ACQUISITION COST.—In the case of a
16 building described in paragraph (1)(B), the cost of
17 acquiring the building or interest therein shall be
18 treated as a qualified revitalization expenditure
19 only to the extent that such cost does not exceed
20 30 percent of the aggregate qualified revitalization
21 expenditures (determined without regard to such
22 cost) with respect to such building.

23 “(ii) CREDITS.—The term ‘qualified revitaliza-
24 tion expenditure’ does not include any expenditure
25 which the taxpayer may take into account in com-
26 puting any credit allowable under this title unless
27 the taxpayer elects to take the expenditure into ac-
28 count only for purposes of this section.

29 “(c) DOLLAR LIMITATION.—The aggregate amount which
30 may be treated as qualified revitalization expenditures with re-
31 spect to any qualified revitalization building shall not exceed
32 the lesser of—

33 “(1) \$10,000,000, or

34 “(2) the commercial revitalization expenditure amount
35 allocated to such building under this section by the com-
36 mercial revitalization agency for the State in which the
37 building is located.

1 “(d) COMMERCIAL REVITALIZATION EXPENDITURE
2 AMOUNT.—

3 “(1) IN GENERAL.—The aggregate commercial revital-
4 ization expenditure amount which a commercial revitaliza-
5 tion agency may allocate for any calendar year is the
6 amount of the State commercial revitalization expenditure
7 ceiling determined under this paragraph for such calendar
8 year for such agency.

9 “(2) STATE COMMERCIAL REVITALIZATION EXPENDI-
10 TURE CEILING.—The State commercial revitalization ex-
11 penditure ceiling applicable to any State—

12 “(A) for each calendar year after 2001 and before
13 2010 is \$12,000,000 for each renewal community in
14 the State, and

15 “(B) for each calendar year thereafter is zero.

16 “(3) COMMERCIAL REVITALIZATION AGENCY.—For
17 purposes of this section, the term ‘commercial revitalization
18 agency’ means any agency authorized by a State to carry
19 out this section.

20 “(4) TIME AND MANNER OF ALLOCATIONS.—Alloca-
21 tions under this section shall be made at the same time and
22 in the same manner as under paragraphs (1) and (7) of
23 section 42(h).

24 “(e) RESPONSIBILITIES OF COMMERCIAL REVITALIZATION
25 AGENCIES.—

26 “(1) PLANS FOR ALLOCATION.—Notwithstanding any
27 other provision of this section, the commercial revitalization
28 expenditure amount with respect to any building shall be
29 zero unless—

30 “(A) such amount was allocated pursuant to a
31 qualified allocation plan of the commercial revitaliza-
32 tion agency which is approved (in accordance with rules
33 similar to the rules of section 147(f)(2) (other than
34 subparagraph (B)(ii) thereof)) by the governmental
35 unit of which such agency is a part; and

36 “(B) such agency notifies the chief executive offi-
37 cer (or its equivalent) of the local jurisdiction within

1 which the building is located of such allocation and pro-
2 vides such individual a reasonable opportunity to com-
3 ment on the allocation.

4 “(2) QUALIFIED ALLOCATION PLAN.—For purposes of
5 this subsection, the term ‘qualified allocation plan’ means
6 any plan—

7 “(A) which sets forth selection criteria to be used
8 to determine priorities of the commercial revitalization
9 agency which are appropriate to local conditions,

10 “(B) which considers—

11 “(i) the degree to which a project contributes
12 to the implementation of a strategic plan that is
13 devised for a renewal community through a citizen
14 participation process,

15 “(ii) the amount of any increase in permanent,
16 full-time employment by reason of any project, and

17 “(iii) the active involvement of residents and
18 nonprofit groups within the renewal community,
19 and

20 “(C) which provides a procedure that the agency
21 (or its agent) will follow in monitoring compliance with
22 this section.

23 “(f) SPECIAL RULES.—

24 “(1) DEDUCTION IN LIEU OF DEPRECIATION.—The
25 deduction provided by this section for qualified revitaliza-
26 tion expenditures shall—

27 “(A) with respect to the deduction determined
28 under subsection (a)(1), be in lieu of any depreciation
29 deduction otherwise allowable on account of one-half of
30 such expenditures, and

31 “(B) with respect to the deduction determined
32 under subsection (a)(2), be in lieu of any depreciation
33 deduction otherwise allowable on account of all of such
34 expenditures.

35 “(2) BASIS ADJUSTMENT, ETC.—For purposes of sec-
36 tions 1016 and 1250, the deduction under this section shall
37 be treated in the same manner as a depreciation deduction.

1 For purposes of section 1250(b)(5), the straight line meth-
2 od of adjustment shall be determined without regard to this
3 section.

4 “(3) SUBSTANTIAL REHABILITATIONS TREATED AS
5 SEPARATE BUILDINGS.—A substantial rehabilitation (with-
6 in the meaning of section 47(c)(1)(C)) of a building shall
7 be treated as a separate building for purposes of subsection
8 (a).

9 “(4) CLARIFICATION OF ALLOWANCE OF DEDUCTION
10 UNDER MINIMUM TAX.—Notwithstanding section 56(a)(1),
11 the deduction under this section shall be allowed in deter-
12 mining alternative minimum taxable income under section
13 55.

14 “(g) TERMINATION.—This section shall not apply to any
15 building placed in service after December 31, 2009.

16 **“SEC. 1400J. INCREASE IN EXPENSING UNDER SECTION**
17 **179.**

18 “(a) IN GENERAL.—For purposes of section 1397A—

19 “(1) a renewal community shall be treated as an em-
20 powerment zone,

21 “(2) a renewal community business shall be treated as
22 an enterprise zone business, and

23 “(3) qualified renewal property shall be treated as
24 qualified zone property.

25 “(b) QUALIFIED RENEWAL PROPERTY.—For purposes of
26 this section—

27 “(1) IN GENERAL.—The term ‘qualified renewal prop-
28 erty’ means any property to which section 168 applies (or
29 would apply but for section 179) if—

30 “(A) such property was acquired by the taxpayer
31 by purchase (as defined in section 179(d)(2)) after De-
32 cember 31, 2001, and before January 1, 2010, and

33 “(B) such property would be qualified zone prop-
34 erty (as defined in section 1397D) if references to re-
35 newal communities were substituted for references to
36 empowerment zones in section 1397D.

1 “(2) CERTAIN RULES TO APPLY.—The rules of sub-
2 sections (a)(2) and (b) of section 1397D shall apply for
3 purposes of this section.”

4 (b) EXCEPTION FOR COMMERCIAL REVITALIZATION DE-
5 DUCTION FROM PASSIVE LOSS RULES.—

6 (1) Paragraph (3) of section 469(i) is amended by re-
7 designating subparagraphs (C), (D), and (E) as subpara-
8 graphs (D), (E), and (F), respectively, and by inserting
9 after subparagraph (B) the following new subparagraph:

10 “(C) EXCEPTION FOR COMMERCIAL REVITALIZA-
11 TION DEDUCTION.—Subparagraph (A) shall not apply
12 to any portion of the passive activity loss for any tax-
13 able year which is attributable to the commercial revi-
14 talization deduction under section 1400I.”

15 (2) Subparagraph (E) of section 469(i)(3), as redesi-
16 gnated by subparagraph (A), is amended to read as follows:

17 “(E) ORDERING RULES TO REFLECT EXCEPTIONS
18 AND SEPARATE PHASE-OUTS.—If subparagraph (B),
19 (C), or (D) applies for a taxable year, paragraph (1)
20 shall be applied—

21 “(i) first to the portion of the passive activity
22 loss to which subparagraph (C) does not apply,

23 “(ii) second to the portion of the passive activ-
24 ity credit to which subparagraph (B) or (D) does
25 not apply,

26 “(iii) third to the portion of such credit to
27 which subparagraph (B) applies,

28 “(iv) fourth to the portion of such loss to
29 which subparagraph (C) applies, and

30 “(v) then to the portion of such credit to
31 which subparagraph (D) applies.”

32 (3)(A) Subparagraph (B) of section 469(i)(6) is
33 amended by striking “or” at the end of clause (i), by strik-
34 ing the period at the end of clause (ii) and inserting “, or”,
35 and by adding at the end the following new clause:

36 “(iii) any deduction under section 1400I (re-
37 lating to commercial revitalization deduction).”

1 (B) The heading for such subparagraph (B) is amend-
2 ed by striking “OR REHABILITATION CREDIT” and inserting
3 “, REHABILITATION CREDIT, OR COMMERCIAL REVITALIZA-
4 TION DEDUCTION”.

5 (c) AUDIT AND REPORT.—Not later than January 31 of
6 2004, 2007, and 2010, the Comptroller General of the United
7 States shall, pursuant to an audit of the renewal community
8 program established under section 1400E of the Internal Rev-
9 enue Code of 1986 (as added by subsection (a)) and the em-
10 powerment zone and enterprise community program under sub-
11 chapter U of chapter 1 of such Code, report to Congress on
12 such program and its effect on poverty, unemployment, and
13 economic growth within the designated renewal communities,
14 empowerment zones, and enterprise communities.

15 (d) CLERICAL AMENDMENT.—The table of subchapters for
16 chapter 1 is amended by adding at the end the following new
17 item:

“Subchapter X. Renewal Communities.”.

18 **SEC. 602. WORK OPPORTUNITY CREDIT FOR HIRING**
19 **YOUTH RESIDING IN RENEWAL COMMU-**
20 **NITIES.**

21 (a) HIGH-RISK YOUTH.—Subparagraphs (A)(ii) and (B)
22 of section 51(d)(5) are each amended by striking “empower-
23 ment zone or enterprise community” and inserting “empower-
24 ment zone, enterprise community, or renewal community”.

25 (b) QUALIFIED SUMMER YOUTH EMPLOYEE.—Clause (iv)
26 of section 51(d)(7)(A) is amended by striking “empowerment
27 zone or enterprise community” and inserting “empowerment
28 zone, enterprise community, or renewal community”.

29 (c) HEADINGS.—Paragraphs (5)(B) and (7)(C) of section
30 51(d) are each amended by inserting “OR COMMUNITY” in the
31 heading after “ZONE”.

32 (d) EFFECTIVE DATE.—The amendments made by this
33 section shall apply to individuals who begin work for the em-
34 ployer after December 31, 2001.

1 **Subtitle B—Extension and Expansion**
2 **of Empowerment Zone Incentives**

3 **SEC. 611. AUTHORITY TO DESIGNATE 9 ADDITIONAL EM-**
4 **POWERMENT ZONES.**

5 Section 1391 is amended by adding at the end the fol-
6 lowing new subsection:

7 “(h) ADDITIONAL DESIGNATIONS PERMITTED.—

8 “(1) IN GENERAL.—In addition to the areas des-
9 ignated under subsections (a) and (g), the appropriate Sec-
10 retaries may designate in the aggregate an additional 9
11 nominated areas as empowerment zones under this section,
12 subject to the availability of eligible nominated areas. Of
13 that number, not more than seven may be designated in
14 urban areas and not more than 2 may be designated in
15 rural areas.

16 “(2) PERIOD DESIGNATIONS MAY BE MADE AND TAKE
17 EFFECT.—A designation may be made under this sub-
18 section after the date of the enactment of this subsection
19 and before January 1, 2002. Subject to subparagraphs (B)
20 and (C) of subsection (d)(1), such designations shall re-
21 main in effect during the period beginning on January 1,
22 2002, and ending on December 31, 2009.

23 “(3) MODIFICATIONS TO ELIGIBILITY CRITERIA,
24 ETC.—The rules of subsection (g)(3) shall apply to designa-
25 tions under this subsection.”.

26 **SEC. 612. EXTENSION OF EMPOWERMENT ZONE TREAT-**
27 **MENT THROUGH 2009.**

28 Subparagraph (A) of section 1391(d)(1) (relating to pe-
29 riod for which designation is in effect) is amended to read as
30 follows:

31 “(A)(i) in the case of an empowerment zone, De-
32 cember 31, 2009, or

33 “(ii) in the case of an enterprise community, the
34 close of the 10th calendar year beginning on or after
35 such date of designation,”.

1 **SEC. 613. 20 PERCENT EMPLOYMENT CREDIT FOR ALL**
2 **EMPOWERMENT ZONES**

3 (a) 20 PERCENT CREDIT.—Subsection (b) of section 1396
4 (relating to empowerment zone employment credit) is amended
5 to read as follows:

6 “(b) APPLICABLE PERCENTAGE.—For purposes of this
7 section, the applicable percentage is 20 percent.”.

8 (b) ALL EMPOWERMENT ZONES ELIGIBLE FOR CREDIT.—
9 Section 1396 is amended by striking subsection (e).

10 (c) CONFORMING AMENDMENT.—Subsection (d) of section
11 1400 is amended to read as follows:

12 “(d) SPECIAL RULE FOR APPLICATION OF EMPLOYMENT
13 CREDIT.—With respect to the DC Zone, section 1396(d)(1)(B)
14 (relating to empowerment zone employment credit) shall be ap-
15 plied by substituting ‘the District of Columbia’ for ‘such em-
16 powerment zone’.”.

17 (d) EFFECTIVE DATE.—The amendments made by this
18 section shall apply to wages paid or incurred after December
19 31, 2001.

20 **SEC. 614. INCREASED EXPENSING UNDER SECTION 179.**

21 (a) IN GENERAL.—Subparagraph (A) of section
22 1397A(a)(1) is amended by striking “\$20,000” and inserting
23 “\$35,000”.

24 (b) EXPENSING FOR PROPERTY USED IN DEVELOPABLE
25 SITES.—Section 1397A is amended by striking subsection (c).

26 (c) EFFECTIVE DATE.—The amendments made by this
27 section shall apply to taxable years beginning after December
28 31, 2001.

29 **SEC. 615. HIGHER LIMITS ON TAX-EXEMPT EMPOWER-**
30 **MENT ZONE FACILITY BONDS.**

31 (a) IN GENERAL.—Paragraph (3) of section 1394(f) (re-
32 lating to bonds for empowerment zones designated under sec-
33 tion 1391(g)) is amended to read as follows:

34 “(3) EMPOWERMENT ZONE FACILITY BOND.—For pur-
35 poses of this subsection, the term ‘empowerment zone facil-
36 ity bond’ means any bond which would be described in sub-
37 section (a) if—

1 “(A) in the case of obligations issued before Janu-
2 ary 1, 2002, only empowerment zones designated under
3 section 1391(g) were taken into account under sections
4 1397C and 1397D, and

5 “(B) in the case of obligations issued after Decem-
6 ber 31, 2001, all empowerment zones (other than the
7 District of Columbia) were taken into account under
8 sections 1397C and 1397D.”.

9 (b) EFFECTIVE DATE.—The amendments made by this
10 section shall apply to obligations issued after December 31,
11 2001.

12 **SEC. 616. NONRECOGNITION OF GAIN ON ROLLOVER OF**
13 **EMPOWERMENT ZONE INVESTMENTS.**

14 (a) IN GENERAL.—Part III of subchapter U of chapter 1
15 is amended—

- 16 (1) by redesignating subpart C as subpart D;
17 (2) by redesignating sections 1397B and 1397C as
18 sections 1397C and 1397D, respectively; and
19 (3) by inserting after subpart B the following new sub-
20 part:

21 **“Subpart C—Nonrecognition of Gain on Rollover**
22 **of Empowerment Zone Investments**

 “Sec. 1397B. Nonrecognition of Gain on Rollover of Em-
 powerment Zone Investments.

23 **“SEC. 1397B. NONRECOGNITION OF GAIN ON ROLLOVER**
24 **OF EMPOWERMENT ZONE INVESTMENTS.**

25 “(a) NONRECOGNITION OF GAIN.—In the case of any sale
26 of a qualified empowerment zone asset held by the taxpayer for
27 more than 1 year and with respect to which such taxpayer
28 elects the application of this section, gain from such sale shall
29 be recognized only to the extent that the amount realized on
30 such sale exceeds—

- 31 “(1) the cost of any qualified empowerment zone asset
32 (with respect to the same zone as the asset sold) purchased
33 by the taxpayer during the 60-day period beginning on the
34 date of such sale, reduced by

1 “(2) any portion of such cost previously taken into ac-
2 count under this section.

3 “(b) DEFINITIONS AND SPECIAL RULES.—For purposes of
4 this section—

5 “(1) QUALIFIED EMPOWERMENT ZONE ASSET.—

6 “(A) IN GENERAL.—The term ‘qualified empower-
7 ment zone asset’ means any property which would be
8 a qualified community asset (as defined in section
9 1400F) if in section 1400F—

10 “(i) references to empowerment zones were
11 substituted for references to renewal communities,

12 “(ii) references to enterprise zone businesses
13 (as defined in section 1397C) were substituted for
14 references to renewal community businesses, and

15 “(iii) the date of the enactment of this para-
16 graph were substituted for ‘December 31, 2001’
17 each place it appears.

18 “(B) TREATMENT OF DC ZONE.—The District of
19 Columbia Enterprise Zone shall not be treated as an
20 empowerment zone for purposes of this section.

21 “(2) CERTAIN GAIN NOT ELIGIBLE FOR ROLLOVER.—
22 This section shall not apply to—

23 “(A) any gain which is treated as ordinary income
24 for purposes of this subtitle, and

25 “(B) any gain which is attributable to real prop-
26 erty, or an intangible asset, which is not an integral
27 part of an enterprise zone business.

28 “(3) PURCHASE.—A taxpayer shall be treated as hav-
29 ing purchased any property if, but for paragraph (4), the
30 unadjusted basis of such property in the hands of the tax-
31 payer would be its cost (within the meaning of section
32 1012).

33 “(4) BASIS ADJUSTMENTS.—If gain from any sale is
34 not recognized by reason of subsection (a), such gain shall
35 be applied to reduce (in the order acquired) the basis for
36 determining gain or loss of any qualified empowerment
37 zone asset which is purchased by the taxpayer during the

1 60-day period described in subsection (a). This paragraph
2 shall not apply for purposes of section 1202.

3 “(5) HOLDING PERIOD.—For purposes of determining
4 whether the nonrecognition of gain under subsection (a)
5 applies to any qualified empowerment zone asset which is
6 sold—

7 “(A) the taxpayer’s holding period for such asset
8 and the asset referred to in subsection (a)(1) shall be
9 determined without regard to section 1223, and

10 “(B) only the first year of the taxpayer’s holding
11 period for the asset referred to in subsection (a)(1)
12 shall be taken into account for purposes of paragraphs
13 (2)(A)(iii), (3)(C), and (4)(A)(iii) of section
14 1400F(b).”.

15 (b) CONFORMING AMENDMENTS.—

16 (1) Paragraph (23) of section 1016(a) is amended—

17 (A) by striking “or 1045” and inserting “1045, or
18 1397B”, and

19 (B) by striking “or 1045(b)(4)” and inserting
20 “1045(b)(4), or 1397B(b)(4)”.

21 (2) Paragraph (15) of section 1223 is amended to
22 read as follows:

23 “(15) Except for purposes of sections 1202(a)(2),
24 1202(c)(2)(A), 1400B(b), and 1400F(b), in determining
25 the period for which the taxpayer has held property the ac-
26 quisition of which resulted under section 1045 or 1397B in
27 the nonrecognition of any part of the gain realized on the
28 sale of other property, there shall be included the period for
29 which such other property has been held as of the date of
30 such sale.”.

31 (3) Paragraph (2) of section 1394(b) is amended—

32 (A) by striking “section 1397C” and inserting
33 “section 1397D”, and

34 (B) by striking “section 1397C(a)(2)” and insert-
35 ing “section 1397D(a)(2)”.

36 (4) Paragraph (3) of section 1394(b) is amended—

1 (A) by striking “section 1397B” each place it ap-
2 pears and inserting “section 1397C”, and

3 (B) by striking “section 1397B(d)” and inserting
4 “section 1397C(d)”.

5 (5) Sections 1400(e) and 1400B(c) are each amended
6 by striking “section 1397B” each place it appears and in-
7 serting “section 1397C”.

8 (6) The table of subparts for part III of subchapter
9 U of chapter 1 is amended by striking the last item and
10 inserting the following new items:

“Subpart C. Nonrecognition of gain on rollover of empower-
ment zone investments.

“Subpart D. General provisions.”.

11 (7) The table of sections for subpart D of such part
12 III is amended to read as follows:

“Sec. 1397C. Enterprise zone business defined.

“Sec. 1397D. Qualified zone property defined.”.

13 (c) EFFECTIVE DATE.—The amendments made by this
14 section shall apply to qualified empowerment zone assets ac-
15 quired after the date of the enactment of this Act.

16 **SEC. 617. INCREASED EXCLUSION OF GAIN ON SALE OF**
17 **EMPOWERMENT ZONE STOCK.**

18 (a) IN GENERAL.—Subsection (a) of section 1202 is
19 amended to read as follows:

20 “(a) EXCLUSION.—

21 “(1) IN GENERAL.—In the case of a taxpayer other
22 than a corporation, gross income shall not include 50 per-
23 cent of any gain from the sale or exchange of qualified
24 small business stock held for more than 5 years.

25 “(2) EMPOWERMENT ZONE BUSINESSES.—

26 “(A) IN GENERAL.—In the case of qualified small
27 business stock acquired after the date of the enactment
28 of this paragraph in a corporation which is a qualified
29 business entity (as defined in section 1397C(b)) during
30 substantially all of the taxpayer’s holding period for
31 such stock, paragraph (1) shall be applied by sub-
32 stituting ‘60 percent’ for ‘50 percent’.

1 “(2) APPLICABLE PERCENTAGE.—For purposes of
2 paragraph (1), the applicable percentage is—

3 “(A) 5 percent with respect to the first 3 credit
4 allowance dates, and

5 “(B) 6 percent with respect to the remainder of
6 the credit allowance dates.

7 “(3) CREDIT ALLOWANCE DATE.—For purposes of
8 paragraph (1), the term ‘credit allowance date’ means, with
9 respect to any qualified equity investment—

10 “(A) the date on which such investment is initially
11 made, and

12 “(B) each of the 6 anniversary dates of such date
13 thereafter.

14 “(b) QUALIFIED EQUITY INVESTMENT.—For purposes of
15 this section—

16 “(1) IN GENERAL.—The term ‘qualified equity invest-
17 ment’ means any equity investment in a qualified commu-
18 nity development entity if—

19 “(A) such investment is acquired by the taxpayer
20 at its original issue (directly or through an under-
21 writer) solely in exchange for cash,

22 “(B) substantially all of such cash is used by the
23 qualified community development entity to make quali-
24 fied low-income community investments, and

25 “(C) such investment is designated for purposes of
26 this section by the qualified community development
27 entity.

28 Such term shall not include any equity investment issued
29 by a qualified community development entity more than 5
30 years after the date that such entity receives an allocation
31 under subsection (f). Any allocation not used within such
32 5-year period may be reallocated by the Secretary under
33 subsection (f).

34 “(2) LIMITATION.—The maximum amount of equity
35 investments issued by a qualified community development
36 entity which may be designated under paragraph (1)(C) by

1 such entity shall not exceed the portion of the limitation
2 amount allocated under subsection (f) to such entity.

3 “(3) SAFE HARBOR FOR DETERMINING USE OF
4 CASH.—The requirement of paragraph (1)(B) shall be
5 treated as met if at least 85 percent of the aggregate gross
6 assets of the qualified community development entity are
7 invested in qualified low-income community investments.

8 “(4) TREATMENT OF SUBSEQUENT PURCHASERS.—
9 The term ‘qualified equity investment’ includes any equity
10 investment which would (but for paragraph (1)(A)) be a
11 qualified equity investment in the hands of the taxpayer if
12 such investment was a qualified equity investment in the
13 hands of a prior holder.

14 “(5) REDEMPTIONS.—A rule similar to the rule of sec-
15 tion 1202(c)(3) shall apply for purposes of this subsection.

16 “(6) EQUITY INVESTMENT.—The term ‘equity invest-
17 ment’ means—

18 “(A) any stock (other than nonqualified preferred
19 stock as defined in section 351(g)(2)) in an entity
20 which is a corporation, and

21 “(B) any capital interest in an entity which is a
22 partnership.

23 “(c) QUALIFIED COMMUNITY DEVELOPMENT ENTITY.—
24 For purposes of this section—

25 “(1) IN GENERAL.—The term ‘qualified community
26 development entity’ means any domestic corporation or
27 partnership if—

28 “(A) the primary mission of the entity is serving,
29 or providing investment capital for, low-income commu-
30 nities or low-income persons,

31 “(B) the entity maintains accountability to resi-
32 dents of low-income communities through their rep-
33 resentation on any governing board of the entity or on
34 any advisory board to the entity, and

35 “(C) the entity is certified by the Secretary for
36 purposes of this section as being a qualified community
37 development entity.

1 “(2) SPECIAL RULES FOR CERTAIN ORGANIZATIONS.—
2 The requirements of paragraph (1) shall be treated as met
3 by—

4 “(A) any specialized small business investment
5 company (as defined in section 1044(c)(3)), and

6 “(B) any community development financial institu-
7 tion (as defined in section 103 of the Community De-
8 velopment Banking and Financial Institutions Act of
9 1994 (12 U.S.C. 4702)).

10 “(d) QUALIFIED LOW-INCOME COMMUNITY INVEST-
11 MENTS.—For purposes of this section—

12 “(1) IN GENERAL.—The term ‘qualified low-income
13 community investment’ means—

14 “(A) any equity investment in, or loan to, any
15 qualified active low-income community business,

16 “(B) the purchase from another community devel-
17 opment entity of any loan made by such entity which
18 is a qualified low-income community investment,

19 “(C) financial counseling and other services speci-
20 fied in regulations prescribed by the Secretary to busi-
21 nesses located in, and residents of, low-income commu-
22 nities, and

23 “(D) any equity investment in, or loan to, any
24 qualified community development entity.

25 “(2) QUALIFIED ACTIVE LOW-INCOME COMMUNITY
26 BUSINESS.—

27 “(A) IN GENERAL.—For purposes of paragraph
28 (1), the term ‘qualified active low-income community
29 business’ means, with respect to any taxable year, any
30 corporation (including a nonprofit corporation) or part-
31 nership if for such year—

32 “(i) at least 50 percent of the total gross in-
33 come of such entity is derived from the active con-
34 duct of a qualified business within any low-income
35 community,

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1 “(ii) a substantial portion of the use of the
2 tangible property of such entity (whether owned or
3 leased) is within any low-income community,

4 “(iii) a substantial portion of the services per-
5 formed for such entity by its employees are per-
6 formed in any low-income community,

7 “(iv) less than 5 percent of the average of the
8 aggregate unadjusted bases of the property of such
9 entity is attributable to collectibles (as defined in
10 section 408(m)(2)) other than collectibles that are
11 held primarily for sale to customers in the ordinary
12 course of such business, and

13 “(v) less than 5 percent of the average of the
14 aggregate unadjusted bases of the property of such
15 entity is attributable to nonqualified financial prop-
16 erty (as defined in section 1397C(e)).

17 “(B) PROPRIETORSHIP.—Such term shall include
18 any business carried on by an individual as a proprietor
19 if such business would meet the requirements of sub-
20 paragraph (A) were it incorporated.

21 “(C) PORTIONS OF BUSINESS MAY BE QUALIFIED
22 ACTIVE LOW-INCOME COMMUNITY BUSINESS.—The
23 term ‘qualified active low-income community business’
24 includes any trades or businesses which would qualify
25 as a qualified active low-income community business if
26 such trades or businesses were separately incorporated.

27 “(3) QUALIFIED BUSINESS.—For purposes of this sub-
28 section, the term ‘qualified business’ has the meaning given
29 to such term by section 1397C(d); except that—

30 “(A) in lieu of applying paragraph (2)(B) thereof,
31 the rental to others of real property located in any low-
32 income community shall be treated as a qualified busi-
33 ness if there are substantial improvements located on
34 such property, and

35 “(B) paragraph (3) thereof shall not apply.

36 “(e) LOW-INCOME COMMUNITY.—For purposes of this
37 section—

1 “(1) IN GENERAL.—The term ‘low-income community’
2 means any population census tract if—

3 “(A) the poverty rate for such tract is at least 20
4 percent, or

5 “(B)(i) in the case of a tract not located within a
6 metropolitan area, the median family income for such
7 tract does not exceed 80 percent of statewide median
8 family income, or

9 “(ii) in the case of a tract located within a metro-
10 politan area, the median family income for such tract
11 does not exceed 80 percent of the greater of statewide
12 median family income or the metropolitan area median
13 family income.

14 “(2) TARGETED AREAS.—The Secretary may des-
15 ignate any area within any census tract as a low-income
16 community if—

17 “(A) the boundary of such area is continuous,

18 “(B) the area would satisfy the requirements of
19 paragraph (1) if it were a census tract, and

20 “(C) an inadequate access to investment capital
21 exists in such area.

22 “(3) AREAS NOT WITHIN CENSUS TRACTS.—In the
23 case of an area which is not tracted for population census
24 tracts, the equivalent county divisions (as defined by the
25 Bureau of the Census for purposes of defining poverty
26 areas) shall be used for purposes of determining poverty
27 rates and median family income.

28 “(f) NATIONAL LIMITATION ON AMOUNT OF INVEST-
29 MENTS DESIGNATED.—

30 “(1) IN GENERAL.—There is a new markets tax credit
31 limitation for each calendar year. Such limitation is—

32 “(A) \$1,000,000,000 for 2001,

33 “(B) \$1,500,000,000 for 2002 and 2003,

34 “(C) \$2,000,000,000 for 2004 and 2005, and

35 “(D) \$3,500,000,000 for 2006 and 2007.

36 “(2) ALLOCATION OF LIMITATION.—The limitation
37 under paragraph (1) shall be allocated by the Secretary

1 among qualified community development entities selected
2 by the Secretary. In making allocations under the pre-
3 ceding sentence, the Secretary shall give priority to any
4 entity—

5 “(A) with a record of having successfully provided
6 capital or technical assistance to disadvantaged busi-
7 nesses or communities, or

8 “(B) which intends to satisfy the requirement
9 under subsection (b)(1)(B) by making qualified low-in-
10 come community investments in 1 or more businesses
11 in which persons unrelated to such entity (within the
12 meaning of section 267(b) or 707(b)(1)) hold the ma-
13 jority equity interest.

14 “(3) CARRYOVER OF UNUSED LIMITATION.—If the
15 new markets tax credit limitation for any calendar year ex-
16 ceeds the aggregate amount allocated under paragraph (2)
17 for such year, such limitation for the succeeding calendar
18 year shall be increased by the amount of such excess. No
19 amount may be carried under the preceding sentence to
20 any calendar year after 2014.

21 “(g) RECAPTURE OF CREDIT IN CERTAIN CASES.—

22 “(1) IN GENERAL.—If, at any time during the 7-year
23 period beginning on the date of the original issue of a
24 qualified equity investment in a qualified community devel-
25 opment entity, there is a recapture event with respect to
26 such investment, then the tax imposed by this chapter for
27 the taxable year in which such event occurs shall be in-
28 creased by the credit recapture amount.

29 “(2) CREDIT RECAPTURE AMOUNT.—For purposes of
30 paragraph (1), the credit recapture amount is an amount
31 equal to the sum of—

32 “(A) the aggregate decrease in the credits allowed
33 to the taxpayer under section 38 for all prior taxable
34 years which would have resulted if no credit had been
35 determined under this section with respect to such in-
36 vestment, plus

1 “(B) interest at the underpayment rate established
2 under section 6621 on the amount determined under
3 subparagraph (A) for each prior taxable year for the
4 period beginning on the due date for filing the return
5 for the prior taxable year involved.

6 No deduction shall be allowed under this chapter for inter-
7 est described in subparagraph (B).

8 “(3) RECAPTURE EVENT.—For purposes of paragraph
9 (1), there is a recapture event with respect to an equity in-
10 vestment in a qualified community development entity if—

11 “(A) such entity ceases to be a qualified commu-
12 nity development entity,

13 “(B) the proceeds of the investment cease to be
14 used as required of subsection (b)(1)(B), or

15 “(C) such investment is redeemed by such entity.

16 “(4) SPECIAL RULES.—

17 “(A) TAX BENEFIT RULE.—The tax for the tax-
18 able year shall be increased under paragraph (1) only
19 with respect to credits allowed by reason of this section
20 which were used to reduce tax liability. In the case of
21 credits not so used to reduce tax liability, the
22 carryforwards and carrybacks under section 39 shall be
23 appropriately adjusted.

24 “(B) NO CREDITS AGAINST TAX.—Any increase in
25 tax under this subsection shall not be treated as a tax
26 imposed by this chapter for purposes of determining
27 the amount of any credit under this chapter or for pur-
28 poses of section 55.

29 “(h) BASIS REDUCTION.—The basis of any qualified eq-
30 uity investment shall be reduced by the amount of any credit
31 determined under this section with respect to such investment.
32 This subsection shall not apply for purposes of sections 1202,
33 1400B, and 1400F.

34 “(i) REGULATIONS.—The Secretary shall prescribe such
35 regulations as may be appropriate to carry out this section, in-
36 cluding regulations—

1 “(1) which limit the credit for investments which are
2 directly or indirectly subsidized by other Federal tax bene-
3 fits (including the credit under section 42 and the exclusion
4 from gross income under section 103),

5 “(2) which prevent the abuse of the purposes of this
6 section,

7 “(3) which provide rules for determining whether the
8 requirement of subsection (b)(1)(B) is treated as met,

9 “(4) which impose appropriate reporting requirements,
10 and

11 “(5) which apply the provisions of this section to
12 newly formed entities.”.

13 (b) CREDIT MADE PART OF GENERAL BUSINESS CRED-
14 IT.—

15 (1) IN GENERAL.—Subsection (b) of section 38 is
16 amended by striking “plus” at the end of paragraph (11),
17 by striking the period at the end of paragraph (12) and in-
18 serting “, plus”, and by adding at the end the following
19 new paragraph:

20 “(13) the new markets tax credit determined under
21 section 45D(a).”.

22 (2) LIMITATION ON CARRYBACK.—Subsection (d) of
23 section 39 is amended by adding at the end the following
24 new paragraph:

25 “(9) NO CARRYBACK OF NEW MARKETS TAX CREDIT
26 BEFORE JANUARY 1, 2001.—No portion of the unused busi-
27 ness credit for any taxable year which is attributable to the
28 credit under section 45D may be carried back to a taxable
29 year ending before January 1, 2001.”.

30 (c) DEDUCTION FOR UNUSED CREDIT.—Subsection (c) of
31 section 196 is amended by striking “and” at the end of para-
32 graph (7), by striking the period at the end of paragraph (8)
33 and inserting “, and”, and by adding at the end the following
34 new paragraph:

35 “(9) the new markets tax credit determined under sec-
36 tion 45D(a).”.

1 (d) CLERICAL AMENDMENT.—The table of sections for
2 subpart D of part IV of subchapter A of chapter 1 is amended
3 by adding at the end the following new item:

“Sec. 45D. New markets tax credit.”.

4 (e) EFFECTIVE DATE.—The amendments made by this
5 section shall apply to investments made after December 31,
6 2000.

7 (f) GUIDANCE ON ALLOCATION OF NATIONAL LIMITA-
8 TION.—Not later than 120 days after the date of the enact-
9 ment of this Act, the Secretary of the Treasury or the Sec-
10 retary’s delegate shall issue guidance which specifies—

11 (1) how entities shall apply for an allocation under
12 section 45D(f)(2) of the Internal Revenue Code of 1986, as
13 added by this section;

14 (2) the competitive procedure through which such allo-
15 cations are made; and

16 (3) the actions that such Secretary or delegate shall
17 take to ensure that such allocations are properly made to
18 appropriate entities.

19 (g) AUDIT AND REPORT.—Not later than January 31 of
20 2004, 2007, and 2010, the Comptroller General of the United
21 States shall, pursuant to an audit of the new markets tax cred-
22 it program established under section 45D of the Internal Rev-
23 enue Code of 1986 (as added by subsection (a)), report to Con-
24 gress on such program, including all qualified community devel-
25 opment entities that receive an allocation under the new mar-
26 kets credit under such section.

27 **Subtitle D—Improvements in Low-** 28 **Income Housing Credit**

29 **SEC. 631. MODIFICATION OF STATE CEILING ON LOW-IN-** 30 **COME HOUSING CREDIT.**

31 (a) IN GENERAL.—Clauses (i) and (ii) of section
32 42(h)(3)(C) (relating to State housing credit ceiling) are
33 amended to read as follows:

34 “(i) the unused State housing credit ceiling (if
35 any) of such State for the preceding calendar year,

1 “(ii) the greater of—
2 “(I) \$1.75 (\$1.50 for 2001) multiplied by
3 the State population, or
4 “(II) \$2,000,000.”.

5 (b) ADJUSTMENT OF STATE CEILING FOR INCREASES IN
6 COST-OF-LIVING.—Paragraph (3) of section 42(h) (relating to
7 housing credit dollar amount for agencies) is amended by add-
8 ing at the end the following new subparagraph:

9 “(H) COST-OF-LIVING ADJUSTMENT.—
10 “(i) IN GENERAL.—In the case of a calendar
11 year after 2002, the \$2,000,000 and \$1.75
12 amounts in subparagraph (C) shall each be in-
13 creased by an amount equal to—

14 “(I) such dollar amount, multiplied by
15 “(II) the cost-of-living adjustment deter-
16 mined under section 1(f)(3) for such calendar
17 year by substituting ‘calendar year 2001’ for
18 ‘calendar year 1992’ in subparagraph (B)
19 thereof.

20 “(ii) ROUNDING.—
21 “(I) In the case of the \$2,000,000
22 amount, any increase under clause (i) which is
23 not a multiple of \$5,000 shall be rounded to
24 the next lowest multiple of \$5,000.

25 “(II) In the case of the \$1.75 amount, any
26 increase under clause (i) which is not a mul-
27 tiple of 5 cents shall be rounded to the next
28 lowest multiple of 5 cents.”.

29 (c) CONFORMING AMENDMENTS.—
30 (1) Section 42(h)(3)(C), as amended by subsection (a),
31 is amended—

32 (A) by striking “clause (ii)” in the matter fol-
33 lowing clause (iv) and inserting “clause (i)”; and

34 (B) by striking “clauses (i)” in the matter fol-
35 lowing clause (iv) and inserting “clauses (ii)”.

36 (2) Section 42(h)(3)(D)(ii) is amended—

1 (A) by striking “subparagraph (C)(ii)” and insert-
2 ing “subparagraph (C)(i)”; and

3 (B) by striking “clauses (i)” in subclause (II) and
4 inserting “clauses (ii)”.

5 (d) EFFECTIVE DATE.—The amendments made by this
6 section shall apply to calendar years after 2000.

7 **SEC. 632. MODIFICATION OF CRITERIA FOR ALLO-**
8 **CATING HOUSING CREDITS AMONG**
9 **PROJECTS.**

10 (a) SELECTION CRITERIA.—Subparagraph (C) of section
11 42(m)(1) (relating to certain selection criteria must be used) is
12 amended—

13 (1) by inserting “, including whether the project in-
14 cludes the use of existing housing as part of a community
15 revitalization plan” before the comma at the end of clause
16 (iii); and

17 (2) by striking clauses (v), (vi), and (vii) and inserting
18 the following new clauses:

19 “(v) tenant populations with special housing
20 needs,

21 “(vi) public housing waiting lists,

22 “(vii) tenant populations of individuals with
23 children, and

24 “(viii) projects intended for eventual tenant
25 ownership.”.

26 (b) PREFERENCE FOR COMMUNITY REVITALIZATION
27 PROJECTS LOCATED IN QUALIFIED CENSUS TRACTS.—Clause
28 (ii) of section 42(m)(1)(B) is amended by striking “and” at the
29 end of subclause (I), by adding “and” at the end of subclause
30 (II), and by inserting after subclause (II) the following new
31 subclause:

32 “(III) projects which are located in quali-
33 fied census tracts (as defined in subsection
34 (d)(5)(C)) and the development of which con-
35 tributes to a concerted community revitaliza-
36 tion plan,”.

1 **SEC. 633. ADDITIONAL RESPONSIBILITIES OF HOUSING**
2 **CREDIT AGENCIES.**

3 (a) MARKET STUDY; PUBLIC DISCLOSURE OF RATIONALE
4 FOR NOT FOLLOWING CREDIT ALLOCATION PRIORITIES.—
5 Subparagraph (A) of section 42(m)(1) (relating to responsibil-
6 ities of housing credit agencies) is amended by striking “and”
7 at the end of clause (i), by striking the period at the end of
8 clause (ii) and inserting a comma, and by adding at the end
9 the following new clauses:

10 “(iii) a comprehensive market study of the
11 housing needs of low-income individuals in the area
12 to be served by the project is conducted before the
13 credit allocation is made and at the developer’s ex-
14 pense by a disinterested party who is approved by
15 such agency, and

16 “(iv) a written explanation is available to the
17 general public for any allocation of a housing credit
18 dollar amount which is not made in accordance
19 with established priorities and selection criteria of
20 the housing credit agency.”.

21 (b) SITE VISITS.—Clause (iii) of section 42(m)(1)(B) (re-
22 lating to qualified allocation plan) is amended by inserting be-
23 fore the period “and in monitoring for noncompliance with hab-
24 itability standards through regular site visits”.

25 **SEC. 634. MODIFICATIONS TO RULES RELATING TO**
26 **BASIS OF BUILDING WHICH IS ELIGIBLE FOR**
27 **CREDIT.**

28 (a) ADJUSTED BASIS TO INCLUDE PORTION OF CERTAIN
29 BUILDINGS USED BY LOW-INCOME INDIVIDUALS WHO ARE
30 NOT TENANTS AND BY PROJECT EMPLOYEES.—Paragraph (4)
31 of section 42(d) (relating to special rules relating to determina-
32 tion of adjusted basis) is amended—

33 (1) by striking “subparagraph (B)” in subparagraph
34 (A) and inserting “subparagraphs (B) and (C)”;

35 (2) by redesignating subparagraph (C) as subpara-
36 graph (D); and

1 (3) by inserting after subparagraph (B) the following
2 new subparagraph:

3 “(C) INCLUSION OF BASIS OF PROPERTY USED TO
4 PROVIDE SERVICES FOR CERTAIN NONTENANTS.—

5 “(i) IN GENERAL.—The adjusted basis of any
6 building located in a qualified census tract (as de-
7 fined in paragraph (5)(C)) shall be determined by
8 taking into account the adjusted basis of property
9 (of a character subject to the allowance for depre-
10 ciation and not otherwise taken into account) used
11 throughout the taxable year in providing any com-
12 munity service facility.

13 “(ii) LIMITATION.—The increase in the ad-
14 justed basis of any building which is taken into ac-
15 count by reason of clause (i) shall not exceed 10
16 percent of the eligible basis of the qualified low-in-
17 come housing project of which it is a part. For pur-
18 poses of the preceding sentence, all community
19 service facilities which are part of the same quali-
20 fied low-income housing project shall be treated as
21 one facility.

22 “(iii) COMMUNITY SERVICE FACILITY.—For
23 purposes of this subparagraph, the term ‘commu-
24 nity service facility’ means any facility designed to
25 serve primarily individuals whose income is 60 per-
26 cent or less of area median income (within the
27 meaning of subsection (g)(1)(B)).”.

28 (b) CERTAIN NATIVE AMERICAN HOUSING ASSISTANCE
29 DISREGARDED IN DETERMINING WHETHER BUILDING IS FED-
30 ERALLY SUBSIDIZED FOR PURPOSES OF THE LOW-INCOME
31 HOUSING CREDIT.—Subparagraph (E) of section 42(i)(2) (re-
32 lating to determination of whether building is federally sub-
33 sidized) is amended—

34 (1) in clause (i), by inserting “or the Native American
35 Housing Assistance and Self-Determination Act of 1996
36 (25 U.S.C. 4101 et seq.) (as in effect on October 1, 1997)”
37 after “this subparagraph”; and

1 (2) in the subparagraph heading, by inserting “OR NA-
2 TIVE AMERICAN HOUSING ASSISTANCE” after “HOME AS-
3 SISTANCE”.

4 **SEC. 635. OTHER MODIFICATIONS.**

5 (a) ALLOCATION OF CREDIT LIMIT TO CERTAIN BUILD-
6 INGS.—

7 (1) The first sentence of section 42(h)(1)(E)(ii) is
8 amended by striking “(as of” the first place it appears and
9 inserting “(as of the later of the date which is 6 months
10 after the date that the allocation was made or”.

11 (2) The last sentence of section 42(h)(3)(C) is amend-
12 ed by striking “project which” and inserting “project which
13 fails to meet the 10 percent test under paragraph (1)(E)(ii)
14 on a date after the close of the calendar year in which the
15 allocation was made or which”.

16 (b) DETERMINATION OF WHETHER BUILDINGS ARE LO-
17 CATED IN HIGH COST AREAS.—The first sentence of section
18 42(d)(5)(C)(ii)(I) is amended—

19 (1) by inserting “either” before “in which 50 percent”;
20 and

21 (2) by inserting before the period “or which has a pov-
22 erty rate of at least 25 percent”.

23 **SEC. 636. CARRYFORWARD RULES.**

24 (a) IN GENERAL.—Clause (ii) of section 42(h)(3)(D) (re-
25 lating to unused housing credit carryovers allocated among cer-
26 tain States) is amended by striking “the excess” and all that
27 follows and inserting “the excess (if any) of—

28 “(I) the unused State housing credit ceil-
29 ing for the year preceding such year, over

30 “(II) the aggregate housing credit dollar
31 amount allocated for such year.”.

32 (b) CONFORMING AMENDMENT.—The second sentence of
33 section 42(h)(3)(C) (relating to State housing credit ceiling) is
34 amended by striking “clauses (i) and (iii)” and inserting
35 “clauses (i) through (iv)”.

1 **SEC. 637. EFFECTIVE DATE.**

2 Except as otherwise provided in this title, the amendments
3 made by this title shall apply to—

4 (1) housing credit dollar amounts allocated after De-
5 cember 31, 2000; and

6 (2) buildings placed in service after such date to the
7 extent paragraph (1) of section 42(h) of the Internal Rev-
8 enue Code of 1986 does not apply to any building by rea-
9 son of paragraph (4) thereof, but only with respect to
10 bonds issued after such date.

11 **Subtitle E—Other Community**
12 **Renewal and New Markets Assistance**

13 **SEC. 641. TRANSFER OF UNOCCUPIED AND SUB-**
14 **STANDARD HUD-HELD HOUSING TO LOCAL**
15 **GOVERNMENTS AND COMMUNITY DEVELOP-**
16 **MENT CORPORATIONS.**

17 Section 204 of the Departments of Veterans Affairs and
18 Housing and Urban Development, and Independent Agencies
19 Appropriations Act, 1997 (12 U.S.C. 1715z–11a) is amended—

20 (1) by striking “FLEXIBLE AUTHORITY.—” and in-
21 serting “DISPOSITION OF HUD-OWNED PROPERTIES. (a)
22 FLEXIBLE AUTHORITY FOR MULTIFAMILY PROJECTS.—”;
23 and

24 (2) by adding at the end the following new subsection:
25 “(b) TRANSFER OF UNOCCUPIED AND SUBSTANDARD
26 HOUSING TO LOCAL GOVERNMENTS AND COMMUNITY DEVEL-
27 OPMENT CORPORATIONS.—

28 “(1) TRANSFER AUTHORITY.—Notwithstanding the
29 authority under subsection (a) and the last sentence of sec-
30 tion 204(g) of the National Housing Act (12 U.S.C.
31 1710(g)), the Secretary of Housing and Urban Develop-
32 ment shall transfer ownership of any qualified HUD prop-
33 erty, subject to the requirements of this section, to a unit
34 of general local government having jurisdiction for the area
35 in which the property is located or to a community develop-
36 ment corporation which operates within such a unit of gen-
37 eral local government in accordance with this subsection,

1 but only to the extent that units of general local govern-
2 ment and community development corporations consent to
3 transfer and the Secretary determines that such transfer is
4 practicable.

5 “(2) QUALIFIED HUD PROPERTIES.—For purposes of
6 this subsection, the term ‘qualified HUD property’ means
7 any property for which, as of the date that notification of
8 the property is first made under paragraph (3)(B), not less
9 than 6 months have elapsed since the later of the date that
10 the property was acquired by the Secretary or the date that
11 the property was determined to be unoccupied or sub-
12 standard, that is owned by the Secretary and is—

13 “(A) an unoccupied multifamily housing project;

14 “(B) a substandard multifamily housing project;

15 or

16 “(C) an unoccupied single family property that—

17 “(i) has been determined by the Secretary not
18 to be an eligible asset under section 204(h) of the
19 National Housing Act (12 U.S.C. 1710(h)); or

20 “(ii) is an eligible asset under such section
21 204(h), but—

22 “(I) is not subject to a specific sale agree-
23 ment under such section; and

24 “(II) has been determined by the Sec-
25 retary to be inappropriate for continued inclu-
26 sion in the program under such section 204(h)
27 pursuant to paragraph (10) of such section.

28 “(3) TIMING.—The Secretary shall establish proce-
29 dures that provide for—

30 “(A) time deadlines for transfers under this sub-
31 section;

32 “(B) notification to units of general local govern-
33 ment and community development corporations of
34 qualified HUD properties in their jurisdictions;

35 “(C) such units and corporations to express inter-
36 est in the transfer under this subsection of such prop-
37 erties;

1 “(D) a right of first refusal for transfer of quali-
2 fied HUD properties to units of general local govern-
3 ment and community development corporations, under
4 which—

5 “(i) the Secretary shall establish a period dur-
6 ing which the Secretary may not transfer such
7 properties except to such units and corporations;

8 “(ii) the Secretary shall offer qualified HUD
9 properties that are single family properties for pur-
10 chase by units of general local government at a cost
11 of \$1 for each property, but only to the extent that
12 the costs to the Federal Government of disposal at
13 such price do not exceed the costs to the Federal
14 Government of disposing of property subject to the
15 procedures for single family property established by
16 the Secretary pursuant to the authority under the
17 last sentence of section 204(g) of the National
18 Housing Act (12 U.S.C. 1710(g));

19 “(iii) the Secretary may accept an offer to
20 purchase a property made by a community develop-
21 ment corporation only if the offer provides for pur-
22 chase on a cost recovery basis; and

23 “(iv) the Secretary shall accept an offer to
24 purchase such a property that is made during such
25 period by such a unit or corporation and that com-
26 plies with the requirements of this paragraph;

27 “(E) a written explanation, to any unit of general
28 local government or community development corpora-
29 tion making an offer to purchase a qualified HUD
30 property under this subsection that is not accepted, of
31 the reason that such offer was not acceptable.

32 “(4) OTHER DISPOSITION.—With respect to any quali-
33 fied HUD property, if the Secretary does not receive an ac-
34 ceptable offer to purchase the property pursuant to the
35 procedure established under paragraph (3), the Secretary
36 shall dispose of the property to the unit of general local
37 government in which property is located or to community

1 development corporations located in such unit of general
2 local government on a negotiated, competitive bid, or other
3 basis, on such terms as the Secretary deems appropriate.

4 “(5) SATISFACTION OF INDEBTEDNESS.—Before
5 transferring ownership of any qualified HUD property pur-
6 suant to this subsection, the Secretary shall satisfy any in-
7 debtedness incurred in connection with the property to be
8 transferred, by canceling the indebtedness.

9 “(6) DETERMINATION OF STATUS OF PROPERTIES.—
10 To ensure compliance with the requirements of this sub-
11 section, the Secretary shall take the following actions:

12 “(A) UPON ENACTMENT.—Upon the enactment of
13 this subsection, the Secretary shall promptly assess
14 each residential property owned by the Secretary to de-
15 termine whether such property is a qualified HUD
16 property.

17 “(B) UPON ACQUISITION.—Upon acquiring any
18 residential property, the Secretary shall promptly deter-
19 mine whether the property is a qualified HUD prop-
20 erty.

21 “(C) UPDATES.—The Secretary shall periodically
22 reassess the residential properties owned by the Sec-
23 retary to determine whether any such properties have
24 become qualified HUD properties.

25 “(7) TENANT LEASES.—This subsection shall not af-
26 fect the terms or the enforceability of any contract or lease
27 entered into with respect to any residential property before
28 the date that such property becomes a qualified HUD prop-
29 erty.

30 “(8) USE OF PROPERTY.—Property transferred under
31 this subsection shall be used only for appropriate neighbor-
32 hood revitalization efforts, including homeownership, rental
33 units, commercial space, and parks, consistent with local
34 zoning regulations, local building codes, and subdivision
35 regulations and restrictions of record.

36 “(9) INAPPLICABILITY TO PROPERTIES MADE AVAIL-
37 ABLE FOR HOMELESS.—Notwithstanding any other provi-

1 sion of this subsection, this subsection shall not apply to
2 any properties that the Secretary determines are to be
3 made available for use by the homeless pursuant to subpart
4 E of part 291 of title 24, Code of Federal Regulations,
5 during the period that the properties are so available.

6 “(10) PROTECTION OF EXISTING CONTRACTS.—This
7 subsection may not be construed to alter, affect, or annul
8 any legally binding obligations entered into with respect to
9 a qualified HUD property before the property becomes a
10 qualified HUD property.

11 “(11) DEFINITIONS.—For purposes of this subsection,
12 the following definitions shall apply:

13 “(A) COMMUNITY DEVELOPMENT CORPORATION.—
14 The term ‘community development corporation’ means
15 a nonprofit organization whose primary purpose is to
16 promote community development by providing housing
17 opportunities for low-income families.

18 “(B) COST RECOVERY BASIS.—The term ‘cost re-
19 covery basis’ means, with respect to any sale of a resi-
20 dential property by the Secretary, that the purchase
21 price paid by the purchaser is equal to or greater than
22 the sum of: (i) the appraised value of the property, as
23 determined in accordance with such requirements as
24 the Secretary shall establish; and (ii) the costs incurred
25 by the Secretary in connection with such property dur-
26 ing the period beginning on the date on which the Sec-
27 retary acquires title to the property and ending on the
28 date on which the sale is consummated.

29 “(C) MULTIFAMILY HOUSING PROJECT.—The
30 term ‘multifamily housing project’ has the meaning
31 given the term in section 203 of the Housing and Com-
32 munity Development Amendments of 1978.

33 “(D) RESIDENTIAL PROPERTY.—The term ‘resi-
34 dential property’ means a property that is a multi-
35 family housing project or a single family property.

36 “(E) SECRETARY.—The term ‘Secretary’ means
37 the Secretary of Housing and Urban Development.

1 “(F) SEVERE PHYSICAL PROBLEMS.—The term
2 ‘severe physical problems’ means, with respect to a
3 dwelling unit, that the unit—

4 “(i) lacks hot or cold piped water, a flush toi-
5 let, or both a bathtub and a shower in the unit, for
6 the exclusive use of that unit;

7 “(ii) on not less than three separate occasions
8 during the preceding winter months, was uncom-
9 fortably cold for a period of more than 6 consecu-
10 tive hours due to a malfunction of the heating sys-
11 tem for the unit;

12 “(iii) has no functioning electrical service, ex-
13 posed wiring, any room in which there is not a
14 functioning electrical outlet, or has experienced
15 three or more blown fuses or tripped circuit break-
16 ers during the preceding 90-day period;

17 “(iv) is accessible through a public hallway in
18 which there are no working light fixtures, loose or
19 missing steps or railings, and no elevator; or

20 “(v) has severe maintenance problems, includ-
21 ing water leaks involving the roof, windows, doors,
22 basement, or pipes or plumbing fixtures, holes or
23 open cracks in walls or ceilings, severe paint peel-
24 ing or broken plaster, and signs of rodent infesta-
25 tion.

26 “(G) SINGLE FAMILY PROPERTY.—The term ‘sin-
27 gle family property’ means a 1- to 4-family residence.

28 “(H) SUBSTANDARD.—The term ‘substandard’
29 means, with respect to a multifamily housing project,
30 that 25 percent or more of the dwelling units in the
31 project have severe physical problems.

32 “(I) UNIT OF GENERAL LOCAL GOVERNMENT.—
33 The term ‘unit of general local government’ has the
34 meaning given such term in section 102(a) of the
35 Housing and Community Development Act of 1974.

36 “(J) UNOCCUPIED.—The term ‘unoccupied’
37 means, with respect to a residential property, that the

1 unit of general local government having jurisdiction
2 over the area in which the project is located has cer-
3 tified in writing that the property is not inhabited.

4 “(12) REGULATIONS.—

5 “(A) INTERIM.—Not later than 30 days after the
6 date of the enactment of this subsection, the Secretary
7 shall issue such interim regulations as are necessary to
8 carry out this subsection.

9 “(B) FINAL.—Not later than 60 days after the
10 date of the enactment of this subsection, the Secretary
11 shall issue such final regulations as are necessary to
12 carry out this subsection.”.

13 **SEC. 642. TRANSFER OF HUD ASSETS IN REVITALIZA-**
14 **TION AREAS.**

15 In carrying out the program under section 204(h) of the
16 National Housing Act (12 U.S.C. 1710(h)), upon the request
17 of the chief executive officer of a county or the government of
18 appropriate jurisdiction and not later than 60 days after such
19 request is made, the Secretary of Housing and Urban Develop-
20 ment shall designate as a revitalization area all portions of
21 such county that meet the criteria for such designation under
22 paragraph (3) of such section.

23 **SEC. 643. RISK-SHARING DEMONSTRATION.**

24 Section 249 of the National Housing Act (12 U.S.C.
25 1715z-14) is amended—

26 (1) by striking the section heading and inserting the
27 following:

28 “RISK-SHARING DEMONSTRATION”;

29 (2) by striking “reinsurance” each place such term ap-
30 pears and insert “risk-sharing”;

31 (3) in subsection (a)—

32 (A) in the first sentence, by inserting “and with
33 insured community development financial institutions”
34 after “private mortgage insurers”;

35 (B) in the second sentence—

36 (i) by striking “two” and inserting “four”;

37 and

1 (ii) by striking “March 15, 1988” and insert-
2 ing “the expiration of the 5-year period beginning
3 on the date of the enactment of the Taxpayer Re-
4 lief Act of 2000”; and

5 (C) in the third sentence—

6 (i) by striking “insured” and inserting “for
7 which risk of nonpayment is shared”; and

8 (ii) by striking “10 percent” and inserting “20
9 percent”;

10 (4) in subsection (b)—

11 (A) in the first sentence—

12 (i) by striking “to provide” and inserting “, in
13 providing”;

14 (ii) by striking “through” and inserting “, to
15 enter into”; and

16 (iii) by inserting “and with insured community
17 development financial institutions” before the pe-
18 riod at the end;

19 (B) in the second sentence, by inserting “and in-
20 sured community development financial institutions”
21 after “private mortgage insurance companies”;

22 (C) by striking paragraph (1) and inserting the
23 following new paragraph:

24 “(1) assume a secondary percentage of loss on any
25 mortgage insured pursuant to section 203(b), 234, or 245
26 covering a one- to four-family dwelling, which percentage of
27 loss shall be set forth in the risk-sharing contract, with the
28 first percentage of loss to be borne by the Secretary;”; and

29 (D) in paragraph (2)—

30 (i) by striking “carry out (under appropriate
31 delegation) such” and inserting “perform or dele-
32 gate underwriting,”;

33 (ii) by striking “function as the Secretary pur-
34 suant to regulations,” and inserting “functions as
35 the Secretary”; and

1 (iii) by inserting before the period at the end
2 the following: “and shall set forth in the risk-shar-
3 ing contract”;

4 (5) in subsection (c)—

5 (A) in the first sentence—

6 (i) by striking “of” the first place it appears
7 and inserting “for”;

8 (ii) by inserting “received by the Secretary
9 with a private mortgage insurer or insured commu-
10 nity development financial institution” after “shar-
11 ing of premiums”

12 (iii) by striking “insurance reserves” and in-
13 sserting “loss reserves”;

14 (iv) by striking “such insurance” and inserting
15 “such risk-sharing contract”; and

16 (v) by striking “right” and inserting “rights”;

17 and

18 (B) in the second sentence—

19 (i) by inserting “or insured community devel-
20 opment financial institution” after “private mort-
21 gage insurance company”; and

22 (ii) by striking “for insurance” and inserting
23 “for risk-sharing”;

24 (6) in subsection (d), by inserting “or insured commu-
25 nity development financial institution” after “private mort-
26 gage insurance company”; and

27 (7) by adding at the end the following new subsection:

28 “(e) INSURED COMMUNITY DEVELOPMENT FINANCIAL IN-
29 STITUTION.—For purposes of this section, the term ‘insured
30 community development financial institution’ means a commu-
31 nity development financial institution, as such term is defined
32 in section 103 of Reigle Community Development and Regu-
33 latory Improvement Act of 1994 (12 U.S.C. 4702) that is an
34 insured depository institution (as such term is defined in sec-
35 tion 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813))
36 or an insured credit union (as such term is defined in section
37 101 of the Federal Credit Union Act (12 U.S.C. 1752)).”

1 **SEC. 644. PREVENTION AND TREATMENT OF SUB-**
2 **STANCE ABUSE; SERVICES PROVIDED**
3 **THROUGH RELIGIOUS ORGANIZATIONS.**

4 Title V of the Public Health Service Act (42 U.S.C. 290aa
5 et seq.) is amended by adding at the end the following part:

6 “PART G—SERVICES PROVIDED THROUGH RELIGIOUS
7 ORGANIZATIONS

8 **“SEC. 581. APPLICABILITY TO DESIGNATED PROGRAMS.**

9 “(a) DESIGNATED PROGRAMS.—Subject to subsection (b),
10 this part applies to discretionary and formula grant programs
11 administered by the Substance Abuse and Mental Health Serv-
12 ices Administration that make awards of financial assistance to
13 public or private entities for the purpose of carrying out activi-
14 ties to prevent or treat substance abuse (in this part referred
15 to as a ‘designated program’). Designated programs include the
16 program under subpart II of part B of title XIX (relating to
17 formula grants to the States).

18 “(b) LIMITATION.—This part does not apply to any award
19 of financial assistance under a designated program for a pur-
20 pose other than the purpose specified in subsection (a).

21 “(c) DEFINITIONS.—For purposes of this part (and sub-
22 ject to subsection (b)):

23 “(1) The term ‘designated program’ has the meaning
24 given such term in subsection (a).

25 “(2) The term ‘financial assistance’ means a grant, co-
26 operative agreement, or contract.

27 “(3) The term ‘program beneficiary’ means an indi-
28 vidual who receives program services.

29 “(4) The term ‘program participant’ means a public or
30 private entity that has received financial assistance under
31 a designated program.

32 “(5) The term ‘program services’ means treatment for
33 substance abuse, or preventive services regarding such
34 abuse, provided pursuant to an award of financial assist-
35 ance under a designated program.

36 “(6) The term ‘religious organization’ means a non-
37 profit religious organization.

1 **“SEC. 582. RELIGIOUS ORGANIZATIONS AS PROGRAM**
2 **PARTICIPANTS.**

3 “(a) IN GENERAL.—Notwithstanding any other provision
4 of law, a religious organization, on the same basis as any other
5 nonprofit private provider—

6 “(1) may receive financial assistance under a des-
7 igned program; and

8 “(2) may be a provider of services under a designated
9 program.

10 “(b) RELIGIOUS ORGANIZATIONS.—The purpose of this
11 section is to allow religious organizations to be program partici-
12 pants on the same basis as any other nonprofit private provider
13 without impairing the religious character of such organizations,
14 and without diminishing the religious freedom of program bene-
15 ficiaries.

16 “(c) NONDISCRIMINATION AGAINST RELIGIOUS ORGANIZA-
17 TIONS.—

18 “(1) ELIGIBILITY AS PROGRAM PARTICIPANTS.—Reli-
19 gious organizations are eligible to be program participants
20 on the same basis as any other nonprofit private organiza-
21 tion as long as the programs are implemented consistent
22 with the Establishment Clause and Free Exercise Clause of
23 the First Amendment to the United States Constitution.
24 Nothing in this Act shall be construed to restrict the ability
25 of the Federal Government, or a State or local government
26 receiving funds under such programs, to apply to religious
27 organizations the same eligibility conditions in designated
28 programs as are applied to any other nonprofit private or-
29 ganization.

30 “(2) NONDISCRIMINATION.—Neither the Federal Gov-
31 ernment nor a State or local government receiving funds
32 under designated programs shall discriminate against an
33 organization that is or applies to be a program participant
34 on the basis that the organization has a religious character.

35 “(d) RELIGIOUS CHARACTER AND FREEDOM.—

36 “(1) RELIGIOUS ORGANIZATIONS.—Except as provided
37 in this section, any religious organization that is a program

1 participant shall retain its independence from Federal,
2 State, and local government, including such organization's
3 control over the definition, development, practice, and ex-
4 pression of its religious beliefs.

5 “(2) ADDITIONAL SAFEGUARDS.—Neither the Federal
6 Government nor a State shall require a religious organiza-
7 tion to—

8 “(A) alter its form of internal governance; or

9 “(B) remove religious art, icons, scripture, or
10 other symbols,

11 in order to be a program participant.

12 “(e) EMPLOYMENT PRACTICES.—Nothing in this section
13 shall be construed to modify or affect the provisions of any
14 other Federal or State law or regulation that relates to dis-
15 crimination in employment. A religious organization's exemp-
16 tion provided under section 702 of the Civil Rights Act of 1964
17 regarding employment practices shall not be affected by its par-
18 ticipation in, or receipt of funds from, a designated program.

19 “(f) RIGHTS OF PROGRAM BENEFICIARIES.—

20 “(1) IN GENERAL.—If an individual who is a program
21 beneficiary or a prospective program beneficiary objects to
22 the religious character of a program participant, within a
23 reasonable period of time after the date of such objection
24 such program participant shall refer such individual to, and
25 the appropriate Federal, State, or local government that
26 administers a designated program or is a program partici-
27 pant shall provide to such individual (if otherwise eligible
28 for such services), program services that—

29 “(A) are from an alternative provider that is ac-
30 cessible to, and has the capacity to provide such serv-
31 ices to, such individual; and

32 “(B) have a value that is not less than the value
33 of the services that the individual would have received
34 from the program participant to which the individual
35 had such objection.

36 Upon referring a program beneficiary to an alternative pro-
37 vider, the program participant shall notify the appropriate

1 Federal, State, or local government agency that admin-
2 isters the program of such referral.

3 “(2) NOTICES.—Program participants, public agencies
4 that refer individuals to designated programs, and the ap-
5 propriate Federal, State, or local governments that admin-
6 ister designated programs or are program participants shall
7 ensure that notice is provided to program beneficiaries or
8 prospective program beneficiaries of their rights under this
9 section.

10 “(3) ADDITIONAL REQUIREMENTS.—A program parti-
11 cipant making a referral pursuant to paragraph (1)
12 shall—

13 “(A) prior to making such referral, consider any
14 list that the State or local government makes available
15 of entities in the geographic area that provide program
16 services; and

17 “(B) ensure that the individual makes contact
18 with the alternative provider to which the individual is
19 referred.

20 “(4) NONDISCRIMINATION.—A religious organization
21 that is a program participant shall not in providing pro-
22 gram services or engaging in outreach activities under des-
23 ignated programs discriminate against a program bene-
24 ficiary or prospective program beneficiary on the basis of
25 religion or religious belief.

26 “(g) FISCAL ACCOUNTABILITY.—

27 “(1) IN GENERAL.—Except as provided in paragraph
28 (2), any religious organization that is a program partici-
29 pant shall be subject to the same regulations as other re-
30 cipients of awards of Federal financial assistance to ac-
31 count, in accordance with generally accepted auditing prin-
32 ciples, for the use of the funds provided under such awards.

33 “(2) LIMITED AUDIT.—With respect to the award in-
34 volved, a religious organization that is a program partici-
35 pant shall segregate Federal amounts provided under
36 award into a separate account from non-Federal funds.

1 Only the award funds shall be subject to audit by the gov-
2 ernment.

3 “(h) COMPLIANCE.—With respect to compliance with this
4 section by an agency, a religious organization may obtain judi-
5 cial review of agency action in accordance with chapter 7 of
6 title 5, United States Code.

7 **“SEC. 583. LIMITATIONS ON USE OF FUNDS FOR CER-**
8 **TAIN PURPOSES.**

9 “No funds provided under a designated program shall be
10 expended for sectarian worship, instruction, or proselytization.

11 **“SEC. 584. EDUCATIONAL REQUIREMENTS FOR PER-**
12 **SONNEL IN DRUG TREATMENT PROGRAMS.**

13 “(a) FINDINGS.—The Congress finds that—

14 “(1) establishing unduly rigid or uniform educational
15 qualification for counselors and other personnel in drug
16 treatment programs may undermine the effectiveness of
17 such programs; and

18 “(2) such educational requirements for counselors and
19 other personnel may hinder or prevent the provision of
20 needed drug treatment services.

21 “(b) NONDISCRIMINATION.—In determining whether per-
22 sonnel of a program participant that has a record of successful
23 drug treatment for the preceding three years have satisfied
24 State or local requirements for education and training, a State
25 or local government shall not discriminate against education
26 and training provided to such personnel by a religious organiza-
27 tion, so long as such education and training includes basic con-
28 tent substantially equivalent to the content provided by nonreli-
29 gious organizations that the State or local government would
30 credit for purposes of determining whether the relevant require-
31 ments have been satisfied.”.

32 **Subtitle F—Other Provisions**

33 **SEC. 651. ACCELERATION OF PHASE-IN OF INCREASE IN**
34 **VOLUME CAP ON PRIVATE ACTIVITY BONDS.**

35 (a) IN GENERAL.—Paragraphs (1) and (2) of section
36 146(d) (relating to State ceiling) are amended to read as fol-
37 lows:

1 “(1) IN GENERAL.—The State ceiling applicable to
2 any State for any calendar year shall be the greater of—

3 “(A) an amount equal to \$75 (\$62.50 in the case
4 of calendar year 2001) multiplied by the State popu-
5 lation, or

6 “(B) \$225,000,000 (\$187,500,000 in the case of
7 calendar year 2001).

8 “(2) COST-OF-LIVING ADJUSTMENT.—In the case of a
9 calendar year after 2002, each of the dollar amounts con-
10 tained in paragraph (1) shall be increased by an amount
11 equal to—

12 “(A) such dollar amount, multiplied by

13 “(B) the cost-of-living adjustment determined
14 under section 1(f)(3) for such calendar year by sub-
15 stituting ‘calendar year 2001’ for ‘calendar year 1992’
16 in subparagraph (B) thereof.

17 If any increase determined under the preceding sentence is
18 not a multiple of \$5 (\$5,000 in the case of the dollar
19 amount in paragraph (1)(B)), such increase shall be round-
20 ed to the nearest multiple thereof.”.

21 (b) EFFECTIVE DATE.—The amendment made by this sec-
22 tion shall apply to calendar years after 2000.

23 **SEC. 652. MODIFICATIONS TO EXPENSING OF ENVIRON-**
24 **MENTAL REMEDIATION COSTS.**

25 (a) EXPENSING NOT LIMITED TO SITES IN TARGETED
26 AREAS.—Subsection (c) of section 198 is amended to read as
27 follows:

28 “(c) QUALIFIED CONTAMINATED SITE.—For purposes of
29 this section—

30 “(1) IN GENERAL.—The term ‘qualified contaminated
31 site’ means any area—

32 “(A) which is held by the taxpayer for use in a
33 trade or business or for the production of income, or
34 which is property described in section 1221(a)(1) in the
35 hands of the taxpayer, and

1 “(B) at or on which there has been a release (or
2 threat of release) or disposal of any hazardous sub-
3 stance.

4 “(2) NATIONAL PRIORITIES LISTED SITES NOT IN-
5 CLUDED.—Such term shall not include any site which is on,
6 or proposed for, the national priorities list under section
7 105(a)(8)(B) of the Comprehensive Environmental Re-
8 sponse, Compensation, and Liability Act of 1980 (as in ef-
9 fect on the date of the enactment of this section).

10 “(3) TAXPAYER MUST RECEIVE STATEMENT FROM
11 STATE ENVIRONMENTAL AGENCY.—An area shall be treat-
12 ed as a qualified contaminated site with respect to expendi-
13 tures paid or incurred during any taxable year only if the
14 taxpayer receives a statement from the appropriate agency
15 of the State in which such area is located that such area
16 meets the requirement of paragraph (1)(B).

17 “(4) APPROPRIATE STATE AGENCY.—For purposes of
18 paragraph (3), the chief executive officer of each State
19 may, in consultation with the Administrator of the Envi-
20 ronmental Protection Agency, designate the appropriate
21 State environmental agency within 60 days of the date of
22 the enactment of this section. If the chief executive officer
23 of a State has not designated an appropriate environmental
24 agency within such 60-day period, the appropriate environ-
25 mental agency for such State shall be designated by the
26 Administrator of the Environmental Protection Agency.”.

27 (b) EXTENSION OF TERMINATION DATE.—Subsection (h)
28 of section 198 is amended by striking “2001” and inserting
29 “2003”.

30 (c) EFFECTIVE DATE.—The amendments made by this
31 section shall apply to expenditures paid or incurred after the
32 date of the enactment of this Act.

33 **SEC. 653. EXTENSION OF DC HOMEBUYER TAX CREDIT.**

34 Section 1400C(i) (relating to application of section) is
35 amended by striking “2002” and inserting “2004”.

1 **TITLE VII—ADMINISTRATIVE, MIS-**
2 **CELLANEOUS, AND TECHNICAL**
3 **PROVISIONS**

4 **Subtitle A—Administrative**
5 **Provisions**

6 **SEC. 701. EXEMPTION OF CERTAIN REPORTING RE-**
7 **QUIREMENTS.**

8 Section 3003(a)(1) of the Federal Reports Elimination
9 and Sunset Act of 1995 (31 U.S.C. 1113 note) shall not apply
10 to any report required to be submitted under any of the fol-
11 lowing provisions of law:

12 (1) Section 13031(f) of the Consolidated Omnibus
13 Budget Reconciliation Act of 1985 (19 U.S.C. 58c(f)).

14 (2) Section 16(c) of the Foreign Trade Zones Act (19
15 U.S.C. 81p(c)).

16 (3) The following provisions of the Tariff Act of 1930:

17 (A) Section 330(c)(1) (19 U.S.C. 1330(c)(1)).

18 (B) Section 607(c) (19 U.S.C. 1607(c)).

19 (4) Section 5 of the International Coffee Agreement
20 Act of 1980 (19 U.S.C. 1356n).

21 (5) Section 351(a)(2) of the Trade Expansion Act of
22 1962 (19 U.S.C. 1981(a)(2)).

23 (6) Section 502 of the Automotive Products Trade Act
24 of 1965 (19 U.S.C. 2032).

25 (7) Section 3131 of the Customs Enforcement Act of
26 1986 (19 U.S.C. 2081).

27 (8) The following provisions of the Trade Act of 1974
28 (19 U.S.C. 2101 et seq.):

29 (A) Section 102(b)(4)(A)(ii)(I) (19 U.S.C.
30 2112(b)(4)(A)(ii)(I)).

31 (B) Section 102(e)(1) (19 U.S.C. 2112(e)(1)).

32 (C) Section 102(e)(2) (19 U.S.C. 2112(e)(2)).

33 (D) Section 104(d) (19 U.S.C. 2114(d)).

34 (E) Section 125(e) (19 U.S.C. 2135(e)).

35 (F) Section 135(e)(1) (19 U.S.C. 2155(e)(1)).

36 (G) Section 141(c) (19 U.S.C. 2171(c)).

- 1 (H) Section 162 (19 U.S.C. 2212).
- 2 (I) Section 163(b) (19 U.S.C. 2213(b)).
- 3 (J) Section 163(c) (19 U.S.C. 2213(c)).
- 4 (K) Section 203(b) (19 U.S.C. 2253(b)).
- 5 (L) Section 302(b)(2)(C) (19 U.S.C.
- 6 2412(b)(2)(C)).
- 7 (M) Section 303 (19 U.S.C. 2413).
- 8 (N) Section 309 (19 U.S.C. 2419).
- 9 (O) Section 407(a) (19 U.S.C. 2437(a)).
- 10 (P) Section 502(f) (19 U.S.C. 2462(f)).
- 11 (Q) Section 504 (19 U.S.C. 2464).
- 12 (9) The following provisions of the Trade Agreements
- 13 Act of 1979 (19 U.S.C. 2501 et seq.):
- 14 (A) Section 2(b) (19 U.S.C. 2503(b)).
- 15 (B) Section 3(c) (19 U.S.C. 2504(c)).
- 16 (C) Section 305(c) (19 U.S.C. 2515(c)).
- 17 (10) Section 303(g)(1) of the Convention on Cultural
- 18 Property Implementation Act (19 U.S.C. 2602(g)(1)).
- 19 (11) The following provisions of the Caribbean Basin
- 20 Economic Recovery Act (19 U.S.C. 2701 et seq.):
- 21 (A) Section 212(a)(1)(A) (19 U.S.C.
- 22 2702(a)(1)(A)).
- 23 (B) Section 212(a)(2) (19 U.S.C. 2702(a)(2)).
- 24 (12) The following provisions of the Omnibus Trade
- 25 and Competitiveness Act of 1988 (19 U.S.C. 2901 et seq.):
- 26 (A) Section 1102 (19 U.S.C. 2902).
- 27 (B) Section 1103 (19 U.S.C. 2903).
- 28 (C) Section 1206(b) (19 U.S.C. 3006(b)).
- 29 (13) Section 123(a) of the Customs and Trade Act of
- 30 1990 (Public Law 101-382) (19 U.S.C. 2083).
- 31 (14) Section 243(b)(2) of the Caribbean Basin Eco-
- 32 nomic Recovery Expansion Act of 1990 (Public Law 101-
- 33 382).
- 34 (15) The following provisions of the Internal Revenue
- 35 Code of 1986:
- 36 (A) Section 6103(p)(5).
- 37 (B) Section 7608.

1 (C) Section 7802(f)(3).

2 (D) Section 8022(3).

3 (E) Section 9602(a).

4 (16) The following provisions relating to the revenue
5 laws of the United States:

6 (A) Section 1552(c) of the Tax Reform Act of
7 1986 (100 Stat. 2753).

8 (B) Section 231 of the Deficit Reduction Act of
9 1984 (26 U.S.C. 801 note).

10 (C) Section 208 of the Tax Treatment Extension
11 Act of 1977 (26 U.S.C. 911 note).

12 (D) Section 7105 of the Technical and Miscella-
13 neous Revenue Act of 1988 (45 U.S.C. 369).

14 (17) Section 4008 of the Employee Retirement Income
15 Security Act of 1974 (29 U.S.C. 1308).

16 (18) Section 426 of the Black Lung Benefits Act (30
17 U.S.C. 936(b)).

18 (19) Section 7502(g) of title 31, United States Code.

19 (20) The following provisions of the Social Security
20 Act:

21 (A) Section 215(i)(2)(C)(i) (42 U.S.C.
22 415(i)(2)(C)(i)).

23 (B) Section 221(i)(2) (42 U.S.C. 421(i)(2)).

24 (C) Section 221(i)(3) (42 U.S.C. 421(i)(3)).

25 (D) Section 233(e)(1) (42 U.S.C. 433(e)(1)).

26 (E) Section 452(a)(10) (42 U.S.C. 652(a)(10)).

27 (F) Section 452(g)(3)(B) (42 U.S.C.
28 652(g)(3)(B)).

29 (G) Section 506(a)(1) (42 U.S.C. 706(a)).

30 (H) Section 908 (42 U.S.C. 1108).

31 (I) Section 1114(f) (42 U.S.C. 1314(f)).

32 (J) Section 1120 (42 U.S.C. 1320).

33 (K) Section 1161 (42 U.S.C. 1320c-10).

34 (L) Section 1875(b) (42 U.S.C. 1395ll(b)).

35 (M) Section 1881 (42 U.S.C. 1395rr).

36 (N) Section 1882 (42 U.S.C. 1395ss(f)(2)).

1 (21) Section 104(b) of the Social Security Independ-
2 ence and Program Improvements Act of 1994 (42 USC
3 904 note).

4 (22) Section 10 of the Railroad Retirement Act of
5 1937 (45 U.S.C. 231f).

6 (23) The following provisions of the Railroad Retire-
7 ment Act of 1974:

8 (A) Section 22(a)(1) (45 U.S.C. 231u(a)(1)).

9 (B) Section 22(b)(1) (45 U.S.C. 231u(b)(1)).

10 (24) Section 502 of the Railroad Retirement Solvency
11 Act of 1983 (45 U.S.C. 231f-1).

12 (25) Section 47121(c) of title 49, United States Code.

13 (26) The following provisions of the Omnibus Budget
14 Reconciliation Act of 1987 (Public Law 100-203; 101 Stat.
15 1330-182):

16 (A) Section 4007(c)(4) (42 U.S.C. 1395ww note).

17 (B) Section 4079 (42 U.S.C. 1395mm note).

18 (C) Section 4205 (42 U.S.C. 1395i-3 note).

19 (D) Section 4215 (42 U.S.C. 1396r note).

20 (27) The following provisions of the Inspector General
21 Act of 1978 (Public Law 95-452):

22 (A) Section 5(b).

23 (B) Section 5(d).

24 (28) The following provisions of the Public Health
25 Service Act:

26 (A) In section 308(a) (42 U.S.C. 242m(a)), sub-
27 paragraphs (A), (B), (C), and (D) of paragraph (1).

28 (B) Section 403 (42 U.S.C. 283).

29 (29) Section 404 of the Health Services and Centers
30 Amendments of 1978 (42 U.S.C. 242p) (Public Law 95-
31 626).

32 (30) The following provisions of the Older Americans
33 Act of 1965:

34 (A) Section 206(d) (42 U.S.C. 3017(d)).

35 (B) Section 207 (42 U.S.C. 3018).

36 (31) Section 308 of the Age Discrimination Act of
37 1975 (42 U.S.C. 6106a(b)).

1 (32) Section 509(c)(3) of the Americans with Disabil-
2 ities Act of 1990 (42 U.S.C. 12209(c)(3)).

3 (33) Section 4207(f) of the Omnibus Budget Rec-
4 onciliation Act of 1990 (42 U.S.C. 1395b-1 note).

5 **SEC. 702. EXTENSION OF DEADLINES FOR IRS COMPLI-**
6 **ANCE WITH CERTAIN NOTICE REQUIRE-**
7 **MENTS.**

8 (a) ANNUAL INSTALLMENT AGREEMENT NOTICE.—Sec-
9 tion 3506 of the Internal Revenue Service Restructuring and
10 Reform Act of 1998 is amended by striking “July 1, 2000”
11 and inserting “September 1, 2001”.

12 (b) NOTICE REQUIREMENTS RELATING TO COMPUTATION
13 OF PENALTY.—Subsection (c) of section 3306 of the Internal
14 Revenue Service Restructuring and Reform Act of 1998 is
15 amended—

16 (1) by striking “December 31, 2000” and inserting
17 “June 30, 2001”, and

18 (2) by adding at the end the following: “In the case
19 of any notice of penalty issued after June 30, 2001, and
20 before July 1, 2003, the requirements of section 6751(a)
21 of the Internal Revenue Code of 1986 shall be treated as
22 met if such notice contains a telephone number at which
23 the taxpayer can request a copy of the taxpayer’s assess-
24 ment and payment history with respect to such penalty.”.

25 (c) NOTICE REQUIREMENTS RELATING TO INTEREST IM-
26 POSED.—Subsection (c) of section 3308 of the Internal Rev-
27 enue Service Restructuring and Reform Act of 1998 is
28 amended—

29 (1) by striking “December 31, 2000” and inserting
30 “June 30, 2001”, and

31 (2) by adding at the end the following: “In the case
32 of any notice issued after June 30, 2001, and before July
33 1, 2003, to which section 6631 of the Internal Revenue
34 Code of 1986 applies, the requirements of section 6631 of
35 such Code shall be treated as met if such notice contains
36 a telephone number at which the taxpayer can request a

1 copy of the taxpayer's payment history relating to interest
2 amounts included in such notice.”.

3 **SEC. 703. EXTENSION OF AUTHORITY FOR UNDERCOVER**
4 **OPERATIONS.**

5 Paragraph (6), and the last sentence, of section 7608(c)
6 are each amended by striking “January 1, 2001” and inserting
7 “January 1, 2006”.

8 **SEC. 704. CONFIDENTIALITY OF CERTAIN DOCUMENTS**
9 **RELATING TO CLOSING AND SIMILAR**
10 **AGREEMENTS AND TO AGREEMENTS WITH**
11 **FOREIGN GOVERNMENTS.**

12 (a) CLOSING AND SIMILAR AGREEMENTS TREATED AS
13 RETURN INFORMATION.—Paragraph (2) of section 6103(b)
14 (defining return information) is amended by striking “and” at
15 the end of subparagraph (B), by inserting “and” at the end of
16 subparagraph (C), and by inserting after subparagraph (C) the
17 following new subparagraph:

18 “(D) any agreement under section 7121, and any
19 similar agreement, and any background information re-
20 lated to such an agreement or request for such an
21 agreement,”.

22 (b) AGREEMENTS WITH FOREIGN GOVERNMENTS.—

23 (1) IN GENERAL.—Subchapter B of chapter 61 (relat-
24 ing to miscellaneous provisions) is amended by inserting
25 after section 6104 the following new section:

26 **“SEC. 6105. CONFIDENTIALITY OF INFORMATION ARISING**
27 **UNDER TREATY OBLIGATIONS.**

28 “(a) IN GENERAL.—Tax convention information shall not
29 be disclosed.

30 “(b) EXCEPTIONS.—Subsection (a) shall not apply—

31 “(1) to the disclosure of tax convention information to
32 persons or authorities (including courts and administrative
33 bodies) which are entitled to such disclosure pursuant to a
34 tax convention,

35 “(2) to any generally applicable procedural rules re-
36 garding applications for relief under a tax convention, or

37 “(3) in any case not described in paragraphs (1) or
38 (2), to the disclosure of any tax convention information not

1 relating to a particular taxpayer if the Secretary deter-
 2 mines, after consultation with each other party to the tax
 3 convention, that such disclosure would not impair tax ad-
 4 ministration.

5 “(c) DEFINITIONS.—For purposes of this section—

6 “(1) TAX CONVENTION INFORMATION.—The term ‘tax
 7 convention information’ means any—

8 “(A) agreement entered into with the competent
 9 authority of one or more foreign governments pursuant
 10 to a tax convention,

11 “(B) application for relief under a tax convention,

12 “(C) any background information related to such
 13 agreement or application,

14 “(D) document implementing such agreement, and

15 “(E) any other information exchanged pursuant to
 16 a tax convention which is treated as confidential or se-
 17 cret under the tax convention.

18 “(2) TAX CONVENTION.—The term ‘tax convention’
 19 means—

20 “(A) any income tax or gift and estate tax conven-
 21 tion, or

22 “(B) any other convention or bilateral agreement
 23 (including multilateral conventions and agreements and
 24 any agreement with a possession of the United States)
 25 providing for the avoidance of double taxation, the pre-
 26 ventions of fiscal evasion, nondiscrimination with respect
 27 to taxes, the exchange of tax relevant information with
 28 the United States, or mutual assistance in tax matters.

29 “(d) CROSS REFERENCES.—

**“For penalties for the unauthorized disclosure
 of tax convention information which is return or
 return information, see sections 7213, 7213A, and
 7431.”.**

30 (2) CLERICAL AMENDMENT.—The table of sections for
 31 subchapter B of chapter 61 is amended by inserting after
 32 the item relating to section 6104 the following new item:

“Sec. 6105. Confidentiality of information arising under
 treaty obligations.”.

1 (c) EXCEPTION FROM PUBLIC INSPECTION AS WRITTEN
2 DETERMINATION.—

3 (1) CLOSING AND SIMILAR AGREEMENTS.—Paragraph
4 (1) of section 6110(b) is amended to read as follows:

5 “(1) WRITTEN DETERMINATION.—

6 “(A) IN GENERAL.—The term ‘written determina-
7 tion’ means a ruling, determination letter, technical ad-
8 vice memorandum, or Chief Counsel advice.

9 “(B) EXCEPTIONS.—Such term shall not include
10 any matter referred to in subparagraph (C) or (D) of
11 section 6103(b)(2).”.

12 (2) AGREEMENTS WITH FOREIGN GOVERNMENTS.—
13 Paragraph (1) of section 6110(l) is amended by inserting
14 “or 6105” after “6104”.

15 (d) EFFECTIVE DATE.—The amendments made by this
16 section shall take effect on the date of the enactment of this
17 Act.

18 **SEC. 705. INCREASE IN THRESHOLD FOR JOINT COM-**
19 **MITTEE REPORTS ON REFUNDS AND CRED-**
20 **ITS.**

21 (a) GENERAL RULE.—Subsections (a) and (b) of section
22 6405 are each amended by striking “\$1,000,000” and inserting
23 “\$2,000,000”.

24 (b) EFFECTIVE DATE.—The amendment made by sub-
25 section (a) shall take effect on the date of the enactment of this
26 Act, except that such amendment shall not apply with respect
27 to any refund or credit with respect to a report that has been
28 made before such date of the enactment under section 6405 of
29 the Internal Revenue Code of 1986.

30 **SEC. 706. TREATMENT OF MISSING CHILDREN WITH RE-**
31 **SPECT TO CERTAIN TAX BENEFITS.**

32 (a) IN GENERAL.—Subsection (c) of section 151 (relating
33 to additional exemption for dependents) is amended by adding
34 at the end the following new paragraph:

35 “(6) TREATMENT OF MISSING CHILDREN.—

1 “(A) IN GENERAL.—Solely for the purposes re-
2 ferred to in subparagraph (B), a child of the
3 taxpayer—

4 “(i) who is presumed by law enforcement au-
5 thorities to have been kidnapped by someone who
6 is not a member of the family of such child or the
7 taxpayer, and

8 “(ii) who was (without regard to this para-
9 graph) the dependent of the taxpayer for the por-
10 tion of the taxable year before the date of the kid-
11 napping,

12 shall be treated as a dependent of the taxpayer for all
13 taxable years ending during the period that the child
14 is kidnapped.

15 “(B) PURPOSES.—Subparagraph (A) shall apply
16 solely for purposes of determining—

17 “(i) the deduction under this section,

18 “(ii) the credit under section 24 (relating to
19 child tax credit), and

20 “(iii) whether an individual is a surviving
21 spouse or a head of a household (such terms are
22 defined in section 2).

23 “(C) COMPARABLE TREATMENT FOR EARNED IN-
24 COME CREDIT.—For purposes of section 32, an
25 individual—

26 “(i) who is presumed by law enforcement au-
27 thorities to have been kidnapped by someone who
28 is not a member of the family of such individual or
29 the taxpayer, and

30 “(ii) who had, for the taxable year in which
31 the kidnapping occurred, the same principal place
32 of abode as the taxpayer for more than one-half of
33 the portion of such year before the date of the kid-
34 napping,

35 shall be treated as meeting the requirement of section
36 32(c)(3)(A)(ii) with respect to a taxpayer for all tax-

1 able years ending during the period that the individual
2 is kidnapped.

3 “(D) TERMINATION OF TREATMENT.—Subpara-
4 graphs (A) and (C) shall cease to apply as of the first
5 taxable year of the taxpayer beginning after the cal-
6 endar year in which there is a determination that the
7 child is dead (or, if earlier, in which the child would
8 have attained age 18).”

9 (b) EFFECTIVE DATE.—The amendment made by this sec-
10 tion shall apply to taxable years ending after the date of the
11 enactment of this Act.

12 **SEC. 707. AMENDMENTS TO STATUTES REFERENCING**
13 **YIELD ON 52-WEEK TREASURY BILLS.**

14 (a) AMENDMENT TO THE ACT OF FEBRUARY 26, 1931.—
15 Section 6 of the Act of February 26, 1931 (40 U.S.C. 258e-
16 1) (relating to the interest rate on compensation owed for
17 takings of property) is amended—

18 (1) in paragraph (1), by striking “the coupon issue
19 yield equivalent (as determined by the Secretary of the
20 Treasury) of the average accepted auction price for the last
21 auction of 52 week United States Treasury bills settled im-
22 mediately before” and inserting “the weekly average 1-year
23 constant maturity Treasury yield, as published by the
24 Board of Governors of the Federal Reserve System, for the
25 calendar week preceding”; and

26 (2) in paragraph (2), by striking “the coupon issue
27 yield equivalent (as determined by the Secretary of the
28 Treasury) of the average accepted auction price for the last
29 auction of 52 week United States Treasury bills settled im-
30 mediately before” and inserting “the weekly average 1-year
31 constant maturity Treasury yield, as published by the
32 Board of Governors of the Federal Reserve System, for the
33 calendar week preceding”.

34 (b) AMENDMENT TO TITLE 18, UNITED STATES CODE.—
35 Section 3612(f)(2)(B) of title 18, United States Code (relating
36 to the interest rate on unpaid criminal fines and penalties of
37 more than \$2,500) is amended by striking “the coupon issue

1 yield equivalent (as determined by the Secretary of the Treas-
2 ury) of the average accepted auction price for the last auction
3 of fifty-two week United States Treasury bills settled before”
4 and inserting “the weekly average 1-year constant maturity
5 Treasury yield, as published by the Board of Governors of the
6 Federal Reserve System, for the calendar week preceding.”.

7 (c) AMENDMENT TO THE INTERNAL REVENUE CODE.—
8 Section 995(f)(4) (relating to the interest rate on tax-deferred
9 liability of shareholders of domestic international sales corpora-
10 tions) is amended by striking “the average investment yield of
11 United States Treasury bills with maturities of 52 weeks which
12 were auctioned during the 1-year period” and inserting “the
13 average of the 1-year constant maturity Treasury yields, as
14 published by the Board of Governors of the Federal Reserve
15 System, for the 1-year period”.

16 (d) AMENDMENTS TO TITLE 28, UNITED STATES
17 CODE.—

18 (1) AMENDMENT TO SECTION 1961.—Section 1961(a)
19 of title 28, United States Code (relating to the interest rate
20 on money judgments in civil cases recovered in Federal dis-
21 trict court) is amended by striking “the coupon issue yield
22 equivalent (as determined by the Secretary of the Treas-
23 ury) of the average accepted auction price for the last auc-
24 tion of fifty-two week United States Treasury bills settled
25 immediately prior to” and inserting “the weekly average 1-
26 year constant maturity Treasury yield, as published by the
27 Board of Governors of the Federal Reserve System, for the
28 calendar week preceding.”.

29 (2) AMENDMENT TO SECTION 2516.—Section 2516(b)
30 of title 28, United States Code (relating to the interest rate
31 on a judgment against the United States affirmed by the
32 Supreme Court after review on petition of the United
33 States) is amended by striking “the coupon issue yield
34 equivalent (as determined by the Secretary of the Treas-
35 ury) of the average accepted auction price for the last auc-
36 tion of fifty-two week United States Treasury bills settled
37 immediately before” and inserting “the weekly average 1-

1 year constant maturity Treasury yield, as published by the
2 Board of Governors of the Federal Reserve System, for the
3 calendar week preceding”.

4 **SEC. 708. ADJUSTMENTS FOR CONSUMER PRICE INDEX**
5 **ERROR.**

6 (a) DETERMINATIONS BY OMB.—As soon as practicable
7 after the date of the enactment of this Act, the Director of the
8 Office of Management and Budget shall determine with respect
9 to each applicable Federal benefit program whether the CPI
10 computation error for 1999 has or will result in a shortfall in
11 payments to beneficiaries under such program (as compared to
12 payments that would have been made if the error had not oc-
13 curred). As soon as practicable after the date of the enactment
14 of this Act, but not later than 60 days after such date, the Di-
15 rector shall direct the head of the Federal agency which admin-
16 isters such program to make a payment or payments that, inso-
17 far as the Director finds practicable and feasible—

18 (1) are targeted to the amount of the shortfall experi-
19 enced by individual beneficiaries, and

20 (2) compensate for the shortfall.

21 (b) COORDINATION WITH FEDERAL AGENCIES.—As soon
22 as practicable after the date of the enactment of this Act, each
23 Federal agency that administers an applicable Federal benefit
24 program shall, in accordance with such guidelines as are issued
25 by the Director pursuant to this section, make an initial deter-
26 mination of whether, and the extent to which, the CPI com-
27 putation error for 1999 has or will result in a shortfall in pay-
28 ments to beneficiaries of an applicable Federal benefit program
29 administered by such agency. Not later than 30 days after such
30 date, the head of such agency shall submit a report to the Di-
31 rector and to each House of the Congress of such determina-
32 tion, together with a complete description of the nature of the
33 shortfall.

34 (c) IMPLEMENTATION PURSUANT TO AGENCY REPORTS.—
35 Upon receipt of the report submitted by a Federal agency pur-
36 suant to subsection (b), the Director shall review the initial de-
37 termination of the agency, the agency’s description of the na-

1 ture of the shortfall, and the compensation payments proposed
2 by the agency. Prior to directing payment of such payments
3 pursuant to subsection (a), the Director shall make appropriate
4 adjustments (if any) in the compensation payments proposed
5 by the agency that the Director determines are necessary to
6 comply with the requirements of subsection (a) and transmit to
7 the agency a summary report of the review, indicating any ad-
8 justments made by the Director. The agency shall make the
9 compensation payments as directed by the Director pursuant to
10 subsection (a) in accordance with the Director's summary re-
11 port.

12 (d) INCOME DISREGARD UNDER FEDERAL MEANS-TEST-
13 ED BENEFIT PROGRAMS.—A payment made under this section
14 to compensate for a shortfall in benefits shall, in accordance
15 with guidelines issued by the Director pursuant to this section,
16 be disregarded in determining income under title VIII of the
17 Social Security Act or any applicable Federal benefit program
18 that is means-tested.

19 (e) FUNDING.—Funds otherwise available under each ap-
20 plicable Federal benefit program for making benefit payments
21 under such program are hereby made available for making
22 compensation payments under this section in connection with
23 such program.

24 (f) NO JUDICIAL REVIEW.—No action taken pursuant to
25 this section shall be subject to judicial review.

26 (g) DIRECTOR'S REPORT.—Not later than April 1, 2001,
27 the Director shall submit to each House of the Congress a re-
28 port on the activities performed by the Director pursuant to
29 this section.

30 (h) DEFINITIONS.—For purposes of this section:

31 (1) APPLICABLE FEDERAL BENEFIT PROGRAM.—The
32 term “applicable Federal benefit program” means any pro-
33 gram of the Government of the United States providing for
34 regular or periodic payments or cash assistance paid di-
35 rectly to individual beneficiaries, as determined by the Di-
36 rector of the Office of Management and Budget.

1 (2) FEDERAL AGENCY.—The term “Federal agency”
2 means a department, agency, or instrumentality of the Gov-
3 ernment of the United States.

4 (3) CPI COMPUTATION ERROR FOR 1999.—The term
5 “CPI computation error for 1999” means the error in the
6 computation of the Consumer Price Index announced by
7 the Bureau of Labor Statistics on September 28, 2000.

8 (i) TAX PROVISIONS.—If any Consumer Price Index (as
9 defined in section 1(f)(5) of the Internal Revenue Code of
10 1986) reflects the CPI computation error for 1999—

11 (1) the correct amount of such Index shall (in such
12 manner and to such extent as the Secretary of the Treas-
13 ury determines to be appropriate) be taken into account for
14 purposes of such Code, and

15 (2) tables prescribed under section 1(f) of such Code
16 to reflect such correct amount shall apply in lieu of any ta-
17 bles that were prescribed based on the erroneous amount.

18 **SEC. 709. PREVENTION OF DUPLICATION OF LOSS**
19 **THROUGH ASSUMPTION OF LIABILITIES GIV-**
20 **ING RISE TO A DEDUCTION.**

21 (a) IN GENERAL.—Section 358 (relating to basis to
22 distributees) is amended by adding at the end the following new
23 subsection:

24 “(h) SPECIAL RULES FOR ASSUMPTION OF LIABILITIES
25 TO WHICH SUBSECTION (d) DOES NOT APPLY.—

26 “(1) IN GENERAL.—If, after application of the other
27 provisions of this section to an exchange or series of ex-
28 changes, the basis of property to which subsection (a)(1)
29 applies exceeds the fair market value of such property, then
30 such basis shall be reduced (but not below such fair market
31 value) by the amount (determined as of the date of the ex-
32 change) of any liability—

33 “(A) which is assumed in exchange for such prop-
34 erty, and

35 “(B) with respect to which subsection (d)(1) does
36 not apply to the assumption.

1 “(2) EXCEPTIONS.—Except as provided by the Sec-
2 retary, paragraph (1) shall not apply to any liability if—

3 “(A) the trade or business with which the liability
4 is associated is transferred to the person assuming the
5 liability as part of the exchange, or

6 “(B) substantially all of the assets with which the
7 liability is associated are transferred to the person as-
8 suming the liability as part of the exchange.

9 “(3) LIABILITY.—For purposes of this subsection, the
10 term ‘liability’ shall include any fixed or contingent obliga-
11 tion to make payment, without regard to whether the obli-
12 gation is otherwise taken into account for purposes of this
13 title.”

14 (b) DETERMINATION OF AMOUNT OF LIABILITY AS-
15 SUMED.—Section 357(d)(1) is amended by inserting “section
16 358(h),” after “section 358(d),”.

17 (c) APPLICATION OF COMPARABLE RULES TO PARTNER-
18 SHIPS AND S CORPORATIONS.—The Secretary of the Treasury
19 or his delegate—

20 (1) shall prescribe rules which provide appropriate ad-
21 justments under subchapter K of chapter 1 of the Internal
22 Revenue Code of 1986 to prevent the acceleration or dupli-
23 cation of losses through the assumption of (or transfer of
24 assets subject to) liabilities described in section 358(h)(3)
25 of such Code (as added by subsection (a)) in transactions
26 involving partnerships, and

27 (2) may prescribe rules which provide appropriate ad-
28 justments under subchapter S of chapter 1 of such Code
29 in transactions described in paragraph (1) involving S cor-
30 porations rather than partnerships.

31 (d) EFFECTIVE DATES.—

32 (1) IN GENERAL.—The amendments made by this sec-
33 tion shall apply to assumptions of liability after October 18,
34 1999.

35 (2) RULES.—The rules prescribed under subsection (c)
36 shall apply to assumptions of liability after October 18,

1 1999, or such later date as may be prescribed in such
2 rules.

3 **Subtitle B—Miscellaneous Provisions**

4 **SEC. 710. REPEAL OF 4.3-CENT MOTOR FUEL EXCISE** 5 **TAXES ON RAILROADS AND INLAND WATER-** 6 **WAY TRANSPORTATION WHICH REMAIN IN** 7 **GENERAL FUND.**

8 (a) TAXES ON TRAINS.—

9 (1) IN GENERAL.—Subparagraph (A) of section
10 4041(a)(1) is amended by striking “or a diesel-powered
11 train” each place it appears and by striking “or train”.

12 (2) CONFORMING AMENDMENTS.—

13 (A) Subparagraph (C) of section 4041(a)(1) is
14 amended by striking clause (ii) and by redesignating
15 clause (iii) as clause (ii).

16 (B) Subparagraph (C) of section 4041(b)(1) is
17 amended by striking all that follows “section
18 6421(e)(2)” and inserting a period.

19 (C) Subsection (d) of section 4041 is amended by
20 redesignating paragraph (3) as paragraph (4) and by
21 inserting after paragraph (2) the following new para-
22 graph:

23 “(3) DIESEL FUEL USED IN TRAINS.—There is hereby
24 imposed a tax of 0.1 cent per gallon on any liquid other
25 than gasoline (as defined in section 4083)—

26 “(A) sold by any person to an owner, lessee, or
27 other operator of a diesel-powered train for use as a
28 fuel in such train, or

29 “(B) used by any person as a fuel in a diesel-pow-
30 ered train unless there was a taxable sale of such fuel
31 under subparagraph (A).

32 No tax shall be imposed by this paragraph on the sale or
33 use of any liquid if tax was imposed on such liquid under
34 section 4081.”

35 (D) Subsection (e) of section 4082 is amended by
36 striking “section 4041(a)(1)” and inserting “sub-

1 sections (d)(3) and (a)(1) of section 4041, respec-
2 tively”.

3 (E) Paragraph (3) of section 4083(a) is amended
4 by striking “or a diesel-powered train”.

5 (F) Paragraph (3) of section 6421(f) is amended
6 to read as follows:

7 “(3) GASOLINE USED IN TRAINS.—In the case of gaso-
8 line used as a fuel in a train, this section shall not apply
9 with respect to the Leaking Underground Storage Tank
10 Trust Fund financing rate under section 4081.”

11 (G) Paragraph (3) of section 6427(l) is amended
12 to read as follows:

13 “(3) REFUND OF CERTAIN TAXES ON FUEL USED IN
14 DIESEL-POWERED TRAINS.—For purposes of this sub-
15 section, the term ‘nontaxable use’ includes fuel used in a
16 diesel-powered train. The preceding sentence shall not
17 apply to the tax imposed by section 4041(d) and the Leak-
18 ing Underground Storage Tank Trust Fund financing rate
19 under section 4081 except with respect to fuel sold for ex-
20 clusive use by a State or any political subdivision thereof.”

21 (b) FUEL USED ON INLAND WATERWAYS.—

22 (1) IN GENERAL.—Paragraph (1) of section 4042(b) is
23 amended by adding “and” at the end of subparagraph (A),
24 by striking “, and” at the end of subparagraph (B) and in-
25 serting a period, and by striking subparagraph (C).

26 (2) CONFORMING AMENDMENT.—Paragraph (2) of
27 section 4042(b) is amended by striking subparagraph (C).

28 (c) EFFECTIVE DATE.—The amendments made by this
29 section shall take effect on January 1, 2001.

30 **SEC. 711. REPEAL OF REDUCTION OF DEDUCTIONS FOR**
31 **MUTUAL LIFE INSURANCE COMPANIES.**

32 (a) IN GENERAL.—Section 809 (relating to reductions in
33 certain deductions of mutual life insurance companies) is here-
34 by repealed.

35 (b) CONFORMING AMENDMENTS RELATED TO REPEAL OF
36 SECTION 809.—

1 (1) Subsections (a)(2)(B) and (b)(1)(B) of section 807
2 are each amended by striking “the sum of (i)” and by
3 striking “plus (ii) any excess described in section 809(a)(2)
4 for the taxable year.”.

5 (2)(A) The last sentence of section 807(d)(1) is
6 amended by striking “(as defined in section
7 809(b)(4)(B))”.

8 (B) Subsection (d) of section 807 is amended by add-
9 ing at the end the following new paragraph:

10 “(6) STATUTORY RESERVES.—For purposes of this
11 subsection, the term ‘statutory reserves’ means the aggre-
12 gate amount set forth in the annual statement with respect
13 to items described in subsection (c). Such term shall not
14 include any reserve attributable to a deferred and uncol-
15 lected premium if the establishment of such reserve is not
16 permitted under section 811(c).”

17 (3) Subsection (c) of section 808 is amended to read
18 as follows:

19 “(c) AMOUNT OF DEDUCTION.—The deduction for policy-
20 holder dividends for any taxable year shall be an amount equal
21 to the policyholder dividends paid or accrued during the taxable
22 year.”

23 (4) Subparagraph (A) of section 812(b)(3) is amended
24 by striking “sections 808 and 809” and inserting “section
25 808”.

26 (5) Subsection (c) of section 817 is amended by strik-
27 ing “(other than section 809)”.

28 (6) Subsection (c) of section 842 is amended by strik-
29 ing paragraph (3) and by redesignating paragraph (4) as
30 paragraph (3).

31 (7) The table of sections for subpart C of part I of
32 subchapter L of chapter 1 is amended by striking the item
33 relating to section 809.

34 (c) EFFECTIVE DATE.—The amendments made by this
35 section shall apply to taxable years beginning after December
36 31, 2000.

1 **SEC. 712. REPEAL OF POLICYHOLDERS SURPLUS AC-**
2 **ACCOUNT PROVISIONS.**

3 (a) REPEAL.—Section 815 (relating to distributions to
4 shareholders from pre-1984 policyholders surplus accounts) is
5 hereby repealed.

6 (b) CONFORMING AMENDMENTS.—

7 (1) Section 801 is amended by striking subsection (c).

8 (2) The table of sections for subpart D of part I of
9 subchapter L of chapter 1 is amended by striking the item
10 relating to section 815.

11 (c) EFFECTIVE DATE.—The amendments made by this
12 section shall apply to taxable years beginning after December
13 31, 2000.

14 **SEC. 713. CREDIT TO HOLDERS OF QUALIFIED AMTRAK**
15 **BONDS.**

16 (a) IN GENERAL.—Part IV of subchapter A of chapter 1
17 (relating to credits against tax) is amended by adding at the
18 end the following new subpart:

19 **“Subpart H—Nonrefundable Credit for Holders of**
20 **Qualified Amtrak Bonds**

 “Sec. 54. Credit to holders of qualified Amtrak bonds.

21 **“SEC. 54. CREDIT TO HOLDERS OF QUALIFIED AMTRAK**
22 **BONDS.**

23 “(a) ALLOWANCE OF CREDIT.—In the case of a taxpayer
24 who holds a qualified Amtrak bond on a credit allowance date
25 of such bond which occurs during the taxable year, there shall
26 be allowed as a credit against the tax imposed by this chapter
27 for such taxable year an amount equal to the sum of the credits
28 determined under subsection (b) with respect to credit allow-
29 ance dates during such year on which the taxpayer holds such
30 bond.

31 “(b) AMOUNT OF CREDIT.—

32 “(1) IN GENERAL.—The amount of the credit deter-
33 mined under this subsection with respect to any credit al-
34 lowance date for a qualified Amtrak bond is 25 percent of
35 the annual credit determined with respect to such bond.

1 “(2) ANNUAL CREDIT.—The annual credit determined
2 with respect to any qualified Amtrak bond is the product
3 of—

4 “(A) the applicable credit rate, multiplied by

5 “(B) the outstanding face amount of the bond.

6 “(3) APPLICABLE CREDIT RATE.—For purposes of
7 paragraph (2), the applicable credit rate with respect to an
8 issue is the rate equal to an average market yield (as of
9 the day before the date of sale of the issue) on outstanding
10 long-term corporate debt obligations (determined under
11 regulations prescribed by the Secretary).

12 “(4) SPECIAL RULE FOR ISSUANCE AND REDEMP-
13 TION.—In the case of a bond which is issued during the 3-
14 month period ending on a credit allowance date, the
15 amount of the credit determined under this subsection with
16 respect to such credit allowance date shall be a ratable por-
17 tion of the credit otherwise determined based on the por-
18 tion of the 3-month period during which the bond is out-
19 standing. A similar rule shall apply when the bond is re-
20 deemed.

21 “(c) LIMITATION BASED ON AMOUNT OF TAX.—

22 “(1) IN GENERAL.—The credit allowed under sub-
23 section (a) for any taxable year shall not exceed the excess
24 of—

25 “(A) the sum of the regular tax liability (as de-
26 fined in section 26(b)) plus the tax imposed by section
27 55, over

28 “(B) the sum of the credits allowable under this
29 part (other than this subpart and subpart C).

30 “(2) CARRYOVER OF UNUSED CREDIT.—If the credit
31 allowable under subsection (a) exceeds the limitation im-
32 posed by paragraph (1) for such taxable year, such excess
33 shall be carried to the succeeding taxable year and added
34 to the credit allowable under subsection (a) for such tax-
35 able year.

36 “(d) QUALIFIED AMTRAK BOND.—For purposes of this
37 part—

1 “(1) IN GENERAL.—The term ‘qualified Amtrak bond’
2 means any bond issued as part of an issue if—

3 “(A) 95 percent or more of the proceeds of such
4 issue are to be used for any qualified project,

5 “(B) the bond is issued by the National Railroad
6 Passenger Corporation,

7 “(C) the issuer—

8 “(i) designates such bond for purposes of this
9 section,

10 “(ii) certifies that it meets the State contribu-
11 tion requirement of paragraph (3) with respect to
12 such project and that it has received the required
13 State contribution payment before the issuance of
14 such bond, and

15 “(iii) certifies that it has obtained the written
16 approval of the Secretary of Transportation for
17 such project, including a finding by the Inspector
18 General of the Department of Transportation that
19 there is a reasonable likelihood that the proposed
20 program will result in a positive incremental finan-
21 cial contribution to the National Railroad Pas-
22 senger Corporation and that the investment evalua-
23 tion process includes a return on investment,
24 leveraging of funds (including State capital and op-
25 erating contributions), cost effectiveness, safety im-
26 provement, mobility improvement, and feasibility,

27 “(D) the term of each bond which is part of such
28 issue does not exceed 20 years,

29 “(E) the payment of principal with respect to such
30 bond is the obligation of the National Railroad Pas-
31 senger Corporation (regardless of the establishment of
32 the trust account under subsection (j)), and

33 “(F) the issue meets the requirements of sub-
34 section (h).

35 “(2) TREATMENT OF CHANGES IN USE.—For purposes
36 of paragraph (1)(A), the proceeds of an issue shall not be
37 treated as used for a qualified project to the extent that

1 the issuer takes any action within its control which causes
2 such proceeds not to be used for a qualified project. The
3 Secretary shall prescribe regulations specifying remedial ac-
4 tions that may be taken (including conditions to taking
5 such remedial actions) to prevent an action described in the
6 preceding sentence from causing a bond to fail to be a
7 qualified Amtrak bond.

8 “(3) STATE CONTRIBUTION REQUIREMENT.—

9 “(A) IN GENERAL.—For purposes of paragraph
10 (1)(C)(ii), the State contribution requirement of this
11 paragraph is met with respect to any qualified project
12 if the National Railroad Passenger Corporation has a
13 written binding commitment from 1 or more States to
14 make matching contributions not later than the date of
15 issuance of the issue of not less than 20 percent of the
16 cost of the qualified project.

17 “(B) USE OF STATE MATCHING CONTRIBU-
18 TIONS.—The matching contributions described in sub-
19 paragraph (A) with respect to each qualified project
20 shall be used—

21 “(i) as necessary to redeem bonds which are a
22 part of the issue with respect to such project, and

23 “(ii) in the case of any remaining amount, at
24 the election of the National Railroad Passenger
25 Corporation and the contributing State—

26 “(I) to fund a qualified project,

27 “(II) to redeem other qualified Amtrak
28 bonds, or

29 “(III) for the purposes of subclauses (I)
30 and (II).

31 “(C) STATE MATCHING CONTRIBUTIONS MAY NOT
32 INCLUDE FEDERAL FUNDS.—For purposes of this
33 paragraph, State matching contributions shall not be
34 derived, directly or indirectly, from Federal funds, in-
35 cluding any transfers from the Highway Trust Fund
36 under section 9503.

1 “(D) NO STATE CONTRIBUTION REQUIREMENT
2 FOR CERTAIN QUALIFIED PROJECTS.—With respect to
3 any qualified project described in paragraph (2)(B) or
4 (4) of subsection (e), the State contribution require-
5 ment of this paragraph is zero.

6 “(4) QUALIFIED PROJECT.—

7 “(A) IN GENERAL.—The term ‘qualified project’
8 means—

9 “(i) the acquisition, financing, or refinancing
10 of equipment, rolling stock, and other capital im-
11 provements for the northeast rail corridor between
12 Washington, D.C. and Boston, Massachusetts (in-
13 cluding the project described in subsection
14 (e)(2)(B)),

15 “(ii) the acquisition, financing, or refinancing
16 of equipment, rolling stock, and other capital im-
17 provements for the improvement of train speeds or
18 safety (or both) on the high-speed rail corridors
19 designated under section 104(d)(2) of title 23,
20 United States Code, and

21 “(iii) the acquisition, financing, or refinancing
22 of equipment, rolling stock, and other capital im-
23 provements for other intercity passenger rail cor-
24 ridors, including station rehabilitation or construc-
25 tion, track or signal improvements, or the elimi-
26 nation of grade crossings.

27 “(B) REFINANCING RULES.—For purposes of sub-
28 paragraph (A), a refinancing shall constitute a quali-
29 fied project only if the indebtedness being refinanced
30 (including any obligation directly or indirectly refi-
31 nanced by such indebtedness) was originally incurred
32 by the National Railroad Passenger Corporation—

33 “(i) after the date of the enactment of this
34 section,

35 “(ii) for a term of not more than 3 years,

36 “(iii) to finance or acquire capital improve-
37 ments described in subparagraph (A), and

1 “(iv) in anticipation of being refinanced with
2 proceeds of a qualified Amtrak bond.

3 “(e) LIMITATIONS ON AMOUNT OF BONDS DES-
4 IGNATED.—

5 “(1) IN GENERAL.—There is a qualified Amtrak bond
6 limitation for each fiscal year. Such limitation is—

7 “(A) \$1,000,000,000 for each of the fiscal years
8 2001 through 2010, and

9 “(B) except as provided in paragraph (5), zero
10 after fiscal year 2010.

11 “(2) BONDS FOR RAIL CORRIDORS.—

12 “(A) IN GENERAL.—Not more than
13 \$3,000,000,000 of the limitation under paragraph (1)
14 may be designated for any 1 rail corridor described in
15 clause (i) or (ii) of subsection (d)(4)(A).

16 “(B) SPECIFIC QUALIFIED PROJECT ALLOCA-
17 TION.—Of the amount described in subparagraph (A),
18 the Secretary of Transportation shall allocate
19 \$92,000,000 for the acquisition and installation of plat-
20 form facilities, performance of railroad force account
21 work necessary to complete improvements below street
22 grade, and any other necessary improvements related
23 to construction at the railroad station at the James A.
24 Farley Post Office Building in New York City, New
25 York.

26 “(3) BONDS FOR OTHER PROJECTS.—Not more than
27 10 percent of the limitation under paragraph (1) for any
28 fiscal year may be allocated to qualified projects described
29 in subsection (d)(4)(A)(iii).

30 “(4) BONDS FOR ALASKA RAILROAD.—The Secretary
31 of Transportation may allocate to the Alaska Railroad a
32 portion of the qualified Amtrak limitation for any fiscal
33 year in order to allow the Alaska Railroad to issue bonds
34 which meet the requirements of this section for use in fi-
35 nancing any project described in subsection (d)(4)(A)(iii).
36 For purposes of this section, the Alaska Railroad shall be

1 treated in the same manner as the National Railroad Pas-
2 senger Corporation.

3 “(5) CARRYOVER OF UNUSED LIMITATION.—If for any
4 fiscal year—

5 “(A) the limitation amount under paragraph (1),
6 exceeds

7 “(B) the amount of bonds issued during such year
8 which are designated under subsection (d)(1)(C)(i),
9 the limitation amount under paragraph (1) for the fol-
10 lowing fiscal year (through fiscal year 2014) shall be in-
11 creased by the amount of such excess.

12 “(6) PREFERENCE FOR GREATER STATE PARTICIPA-
13 TION.—In selecting qualified projects for allocation of the
14 qualified Amtrak bond limitation under this subsection, the
15 Secretary of Transportation shall give preference to any
16 project with a State matching contribution rate exceeding
17 20 percent.

18 “(f) OTHER DEFINITIONS.—For purposes of this
19 subpart—

20 “(1) BOND.—The term ‘bond’ includes any obligation.

21 “(2) CREDIT ALLOWANCE DATE.—The term ‘credit al-
22 lowance date’ means—

23 “(A) March 15,

24 “(B) June 15,

25 “(C) September 15, and

26 “(D) December 15.

27 Such term includes the last day on which the bond is out-
28 standing.

29 “(3) STATE.—The term ‘State’ means the several
30 States and the District of Columbia, and any subdivision
31 thereof.

32 “(4) PROGRAM.—The term ‘program’ means 1 or
33 more projects implemented over 1 or more years to support
34 the development of intercity passenger rail corridors.

35 “(g) CREDIT INCLUDED IN GROSS INCOME.—Gross in-
36 come includes the amount of the credit allowed to the taxpayer
37 under this section (determined without regard to subsection

1 (c) and the amount so included shall be treated as interest in-
2 come.

3 “(h) SPECIAL RULES RELATING TO ARBITRAGE.—

4 “(1) IN GENERAL.—Subject to paragraph (2), an issue
5 shall be treated as meeting the requirements of this sub-
6 section if as of the date of issuance, the issuer reasonably
7 expects—

8 “(A) to spend at least 95 percent of the proceeds
9 of the issue for 1 or more qualified projects within the
10 3-year period beginning on such date,

11 “(B) to incur a binding commitment with a third
12 party to spend at least 10 percent of the proceeds of
13 the issue, or to commence construction, with respect to
14 such projects within the 6-month period beginning on
15 such date, and

16 “(C) to proceed with due diligence to complete
17 such projects and to spend the proceeds of the issue.

18 “(2) RULES REGARDING CONTINUING COMPLIANCE
19 AFTER 3-YEAR DETERMINATION.—If at least 95 percent of
20 the proceeds of the issue is not expended for 1 or more
21 qualified projects within the 3-year period beginning on the
22 date of issuance, an issue shall be treated as continuing to
23 meet the requirements of this subsection if either—

24 “(A) the issuer uses all unspent proceeds of the
25 issue to redeem bonds of the issue within 90 days after
26 the end of such 3-year period, or

27 “(B) the following requirements are met:

28 “(i) The issuer spends at least 75 percent of
29 the proceeds of the issue for 1 or more qualified
30 projects within the 3-year period beginning on the
31 date of issuance.

32 “(ii) The issuer has proceeded with due dili-
33 gence to spend the proceeds of the issue within
34 such 3-year period and continues to proceed with
35 due diligence to spend such proceeds.

1 “(iii) The issuer pays to the Federal Govern-
2 ment any earnings on the proceeds of the issue
3 that accrue after the end of such 3-year period.

4 “(iv) Either—

5 “(I) at least 95 percent of the proceeds of
6 the issue is expended for 1 or more qualified
7 projects within the 4-year period beginning on
8 the date of issuance, or

9 “(II) the issuer uses all unspent proceeds
10 of the issue to redeem bonds of the issue within
11 90 days after the end of such 4-year period.

12 “(i) RECAPTURE OF PORTION OF CREDIT WHERE CES-
13 SATION OF COMPLIANCE.—

14 “(1) IN GENERAL.—If any bond which when issued
15 purported to be a qualified Amtrak bond ceases to be a
16 qualified Amtrak bond, the issuer shall pay to the United
17 States (at the time required by the Secretary) an amount
18 equal to the sum of—

19 “(A) the aggregate of the credits allowable under
20 this section with respect to such bond (determined
21 without regard to subsection (c)) for taxable years end-
22 ing during the calendar year in which such cessation
23 occurs and the 2 preceding calendar years, and

24 “(B) interest at the underpayment rate under sec-
25 tion 6621 on the amount determined under subpara-
26 graph (A) for each calendar year for the period begin-
27 ning on the first day of such calendar year.

28 “(2) FAILURE TO PAY.—If the issuer fails to timely
29 pay the amount required by paragraph (1) with respect to
30 such bond, the tax imposed by this chapter on each holder
31 of any such bond which is part of such issue shall be in-
32 creased (for the taxable year of the holder in which such
33 cessation occurs) by the aggregate decrease in the credits
34 allowed under this section to such holder for taxable years
35 beginning in such 3 calendar years which would have re-
36 sulted solely from denying any credit under this section
37 with respect to such issue for such taxable years.

1 “(3) SPECIAL RULES.—

2 “(A) TAX BENEFIT RULE.—The tax for the tax-
3 able year shall be increased under paragraph (2) only
4 with respect to credits allowed by reason of this section
5 which were used to reduce tax liability. In the case of
6 credits not so used to reduce tax liability, the
7 carryforwards and carrybacks under section 39 shall be
8 appropriately adjusted.

9 “(B) NO CREDITS AGAINST TAX.—Any increase in
10 tax under paragraph (2) shall not be treated as a tax
11 imposed by this chapter for purposes of determining —

12 “(i) the amount of any credit allowable under
13 this part, or

14 “(ii) the amount of the tax imposed by section
15 55.

16 “(j) USE OF TRUST ACCOUNT.—

17 “(1) IN GENERAL.—The amount of any matching con-
18 tribution with respect to a qualified project described in
19 subsection (d)(3)(B)(i) or (d)(3)(B)(ii)(II) and the tem-
20 porary period investment earnings on proceeds of the issue
21 with respect to such project, and any earnings thereon,
22 shall be held in a trust account by a trustee independent
23 of the National Railroad Passenger Corporation to be used
24 to the extent necessary to redeem bonds which are part of
25 such issue.

26 “(2) USE OF REMAINING FUNDS IN TRUST AC-
27 COUNT.—Upon the repayment of the principal of all quali-
28 fied Amtrak bonds issued under this section, any remaining
29 funds in the trust account described in paragraph (1) shall
30 be available—

31 “(A) to the trustee described in paragraph (1), to
32 meet any remaining obligations under any guaranteed
33 investment contract used to secure earnings sufficient
34 to repay the principal of such bonds, and

35 “(B) to the issuer, for any qualified project.

36 “(k) OTHER SPECIAL RULES.—

1 “(1) PARTNERSHIP; S CORPORATION; AND OTHER
2 PASS-THRU ENTITIES.—Under regulations prescribed by
3 the Secretary, in the case of a partnership, trust, S cor-
4 poration, or other pass-thru entity, rules similar to the
5 rules of section 41(g) shall apply with respect to the credit
6 allowable under subsection (a).

7 “(2) BONDS HELD BY REGULATED INVESTMENT COM-
8 PANIES.—If any qualified Amtrak bond is held by a regu-
9 lated investment company, the credit determined under
10 subsection (a) shall be allowed to shareholders of such com-
11 pany under procedures prescribed by the Secretary.

12 “(3) CREDITS MAY BE STRIPPED.—Under regulations
13 prescribed by the Secretary—

14 “(A) IN GENERAL.—There may be a separation
15 (including at issuance) of the ownership of a qualified
16 Amtrak bond and the entitlement to the credit under
17 this section with respect to such bond. In case of any
18 such separation, the credit under this section shall be
19 allowed to the person who on the credit allowance date
20 holds the instrument evidencing the entitlement to the
21 credit and not to the holder of the bond.

22 “(B) CERTAIN RULES TO APPLY.—In the case of
23 a separation described in subparagraph (A), the rules
24 of section 1286 shall apply to the qualified Amtrak
25 bond as if it were a stripped bond and to the credit
26 under this section as if it were a stripped coupon.

27 “(4) TREATMENT FOR ESTIMATED TAX PURPOSES.—
28 Solely for purposes of sections 6654 and 6655, the credit
29 allowed by this section to a taxpayer by reason of holding
30 a qualified Amtrak bond on a credit allowance date shall
31 be treated as if it were a payment of estimated tax made
32 by the taxpayer on such date.

33 “(5) CREDIT MAY BE TRANSFERRED.—Nothing in any
34 law or rule of law shall be construed to limit the transfer-
35 ability of the credit allowed by this section through sale and
36 repurchase agreements.

1 “(6) REPORTING.—Issuers of qualified Amtrak bonds
2 shall submit reports similar to the reports required under
3 section 149(e).”.

4 (b) REPORTING.—Subsection (d) of section 6049 (relating
5 to returns regarding payments of interest), as amended by sec-
6 tion 505(d), is amended by adding at the end the following new
7 paragraph:

8 “(9) REPORTING OF CREDIT ON QUALIFIED AMTRAK
9 BONDS.—

10 “(A) IN GENERAL.—For purposes of subsection
11 (a), the term ‘interest’ includes amounts includible in
12 gross income under section 54(g) and such amounts
13 shall be treated as paid on the credit allowance date (as
14 defined in section 54(f)(2)).

15 “(B) REPORTING TO CORPORATIONS, ETC.—EX-
16 cept as otherwise provided in regulations, in the case
17 of any interest described in subparagraph (A) of this
18 paragraph, subsection (b)(4) of this section shall be ap-
19 plied without regard to subparagraphs (A), (H), (I),
20 (J), (K), and (L)(i).

21 “(C) REGULATORY AUTHORITY.—The Secretary
22 may prescribe such regulations as are necessary or ap-
23 propriate to carry out the purposes of this paragraph,
24 including regulations which require more frequent or
25 more detailed reporting.”.

26 (c) CLERICAL AMENDMENTS.—

27 (1) The table of subparts for part IV of subchapter A
28 of chapter 1 is amended by adding at the end the following
29 new item:

 “Subpart H. Nonrefundable Credit for Holders of Qualified
 Amtrak Bonds.”.

30 (2) Section 6401(b)(1) is amended by striking “and
31 G” and inserting “G, and H”.

32 (d) EFFECTIVE DATE.—The amendments made by this
33 section shall apply to obligations issued after September 30,
34 2000.

1 (e) MULTI-YEAR CAPITAL SPENDING PLAN AND OVER-
2 SIGHT.—

3 (1) AMTRAK CAPITAL SPENDING PLAN.—

4 (A) IN GENERAL.—The National Railroad Pas-
5 senger Corporation shall annually submit to the Presi-
6 dent and Congress a multi-year capital spending plan,
7 as approved by the Board of Directors of the Corpora-
8 tion.

9 (B) CONTENTS OF PLAN.—Such plan shall iden-
10 tify the capital investment needs of the Corporation
11 over a period of not less than 5 years and the funding
12 sources available to finance such needs and shall
13 prioritize such needs according to corporate goals and
14 strategies.

15 (C) INITIAL SUBMISSION DATE.—The first plan
16 shall be submitted before the issuance of any qualified
17 Amtrak bonds by the National Railroad Passenger Cor-
18 poration pursuant to section 54 of the Internal Rev-
19 enue Code of 1986 (as added by this section).

20 (2) OVERSIGHT OF AMTRAK TRUST ACCOUNT AND
21 QUALIFIED PROJECTS.—

22 (A) TRUST ACCOUNT OVERSIGHT.—The Secretary
23 of the Treasury shall annually report to Congress as to
24 whether the amount deposited in the trust account es-
25 tablished by the National Railroad Passenger Corpora-
26 tion under section 54(i) of such Code (as so added) is
27 sufficient to fully repay at maturity the principal of any
28 outstanding qualified Amtrak bonds issued pursuant to
29 section 54 of such Code (as so added), together with
30 amounts expected to be deposited into such account, as
31 certified by the National Railroad Passenger Corpora-
32 tion in accordance with procedures prescribed by the
33 Secretary of the Treasury.

34 (B) PROJECT OVERSIGHT.—The National Railroad
35 Passenger Corporation shall contract for an annual
36 independent assessment of the costs and benefits of the
37 qualified projects financed by such qualified Amtrak

1 bonds, including an assessment of the investment eval-
2 uation process of the Corporation. The annual assess-
3 ment shall be included in the plan submitted under
4 paragraph (1).

5 (C) OVERSIGHT FUNDING.—Not more than 0.5
6 percent of the amounts made available through the
7 issuance of qualified Amtrak bonds by the National
8 Railroad Passenger Corporation pursuant to section 54
9 of such Code (as so added) may be used by the Na-
10 tional Railroad Passenger Corporation for assessments
11 described in subparagraph (B).

12 (f) PROTECTION OF HIGHWAY TRUST FUND.—

13 (1) CERTIFICATION BY THE SECRETARY OF THE
14 TREASURY.—The issuance of any qualified Amtrak bonds
15 by the National Railroad Passenger Corporation or the
16 Alaska Railroad pursuant to section 54 of the Internal Rev-
17 enue Code of 1986 (as added by this section) is conditioned
18 on certification by the Secretary of the Treasury, after con-
19 sultation with the Secretary of Transportation, within 30
20 days of a request by the issuer, that with respect to funds
21 of the Highway Trust Fund described under paragraph (2),
22 the issuer either—

23 (A) has not received such funds during fiscal years
24 commencing with fiscal year 2001 and ending before
25 the fiscal year the bonds are issued, or

26 (B) has repaid to the Highway Trust Fund any
27 such funds which were received during such fiscal
28 years.

29 (2) APPLICABILITY.—This subsection shall apply to
30 funds received directly, or indirectly from a State or local
31 transit authority, from the Highway Trust Fund estab-
32 lished under section 9503 of the Internal Revenue Code of
33 1986, except for funds authorized to be expended under
34 section 9503(c) of such Code, as in effect on the date of
35 the enactment of this Act.

36 (3) NO RETROACTIVE EFFECT.—Nothing in this sub-
37 section shall adversely affect the entitlement of the holders

1 of qualified Amtrak bonds to the tax credit allowed pursu-
2 ant to section 54 of the Internal Revenue Code of 1986 (as
3 so added) or to repayment of principal upon maturity.

4 **SEC. 714. FARM, FISHING, AND RANCH RISK MANAGE-**
5 **MENT ACCOUNTS.**

6 (a) IN GENERAL.—Subpart C of part II of subchapter E
7 of chapter 1 (relating to taxable year for which deductions
8 taken) is amended by inserting after section 468B the following
9 new section:

10 **“SEC. 468C. FARM, FISHING, AND RANCH RISK MANAGE-**
11 **MENT ACCOUNTS.**

12 “(a) DEDUCTION ALLOWED.—In the case of an individual
13 engaged in an eligible farming business or commercial fishing,
14 there shall be allowed as a deduction for any taxable year the
15 amount paid in cash by the taxpayer during the taxable year
16 to a Farm, Fishing, and Ranch Risk Management Account
17 (hereinafter referred to as the ‘FFARRM Account’).

18 “(b) LIMITATION.—

19 “(1) CONTRIBUTIONS.—The amount which a taxpayer
20 may pay into the FFARRM Account for any taxable year
21 shall not exceed 20 percent of so much of the taxable in-
22 come of the taxpayer (determined without regard to this
23 section) which is attributable (determined in the manner
24 applicable under section 1301) to any eligible farming busi-
25 ness or commercial fishing.

26 “(2) DISTRIBUTIONS.—Distributions from a
27 FFARRM Account may not be used to purchase, lease, or
28 finance any new fishing vessel, add capacity to any fishery,
29 or otherwise contribute to the overcapitalization of any fish-
30 ery. The Secretary of Commerce shall implement regula-
31 tions to enforce this paragraph.

32 “(c) ELIGIBLE BUSINESSES.—For purposes of this
33 section—

34 “(1) ELIGIBLE FARMING BUSINESS.—The term ‘eligi-
35 ble farming business’ means any farming business (as de-
36 fined in section 263A(e)(4)) which is not a passive activity
37 (within the meaning of section 469(e)) of the taxpayer.

1 “(2) COMMERCIAL FISHING.—The term ‘commercial
2 fishing’ has the meaning given such term by section (3) of
3 the Magnuson-Stevens Fishery Conservation and Manage-
4 ment Act (16 U.S.C. 1802) but only if such fishing is not
5 a passive activity (within the meaning of section 469(c)) of
6 the taxpayer.

7 “(d) FFARRM ACCOUNT.—For purposes of this section—

8 “(1) IN GENERAL.—The term ‘FFARRM Account’
9 means a trust created or organized in the United States for
10 the exclusive benefit of the taxpayer, but only if the written
11 governing instrument creating the trust meets the following
12 requirements:

13 “(A) No contribution will be accepted for any tax-
14 able year in excess of the amount allowed as a deduc-
15 tion under subsection (a) for such year.

16 “(B) The trustee is a bank (as defined in section
17 408(n)) or another person who demonstrates to the sat-
18 isfaction of the Secretary that the manner in which
19 such person will administer the trust will be consistent
20 with the requirements of this section.

21 “(C) The assets of the trust consist entirely of
22 cash or of obligations which have adequate stated inter-
23 est (as defined in section 1274(c)(2)) and which pay
24 such interest not less often than annually.

25 “(D) All income of the trust is distributed cur-
26 rently to the grantor.

27 “(E) The assets of the trust will not be commin-
28 gled with other property except in a common trust fund
29 or common investment fund.

30 “(2) ACCOUNT TAXED AS GRANTOR TRUST.—The
31 grantor of a FFARRM Account shall be treated for pur-
32 poses of this title as the owner of such Account and shall
33 be subject to tax thereon in accordance with subpart E of
34 part I of subchapter J of this chapter (relating to grantors
35 and others treated as substantial owners).

36 “(e) INCLUSION OF AMOUNTS DISTRIBUTED.—

1 “(1) IN GENERAL.—Except as provided in paragraph
2 (2), there shall be includible in the gross income of the tax-
3 payer for any taxable year—

4 “(A) any amount distributed from a FFARRM
5 Account of the taxpayer during such taxable year, and

6 “(B) any deemed distribution under—

7 “(i) subsection (f)(1) (relating to deposits not
8 distributed within 5 years),

9 “(ii) subsection (f)(2) (relating to cessation in
10 eligible farming business), and

11 “(iii) subparagraph (B) or (C) of subsection
12 (f)(3) (relating to prohibited transactions and
13 pledging account as security).

14 “(2) EXCEPTIONS.—Paragraph (1)(A) shall not apply
15 to—

16 “(A) any distribution to the extent attributable to
17 income of the Account, and

18 “(B) the distribution of any contribution paid dur-
19 ing a taxable year to a FFARRM Account to the extent
20 that such contribution exceeds the limitation applicable
21 under subsection (b) if requirements similar to the re-
22 quirements of section 408(d)(4) are met.

23 For purposes of subparagraph (A), distributions shall be
24 treated as first attributable to income and then to other
25 amounts.

26 “(f) SPECIAL RULES.—

27 “(1) TAX ON DEPOSITS IN ACCOUNT WHICH ARE NOT
28 DISTRIBUTED WITHIN 5 YEARS.—

29 “(A) IN GENERAL.—If, at the close of any taxable
30 year, there is a nonqualified balance in any FFARRM
31 Account—

32 “(i) there shall be deemed distributed from
33 such Account during such taxable year an amount
34 equal to such balance, and

35 “(ii) the taxpayer’s tax imposed by this chap-
36 ter for such taxable year shall be increased by 10
37 percent of such deemed distribution.

1 The preceding sentence shall not apply if an amount
2 equal to such nonqualified balance is distributed from
3 such Account to the taxpayer before the due date (in-
4 cluding extensions) for filing the return of tax imposed
5 by this chapter for such year (or, if earlier, the date
6 the taxpayer files such return for such year).

7 “(B) NONQUALIFIED BALANCE.—For purposes of
8 subparagraph (A), the term ‘nonqualified balance’
9 means any balance in the Account on the last day of
10 the taxable year which is attributable to amounts de-
11 posited in such Account before the 4th preceding tax-
12 able year.

13 “(C) ORDERING RULE.—For purposes of this
14 paragraph, distributions from a FFARRM Account
15 (other than distributions of current income) shall be
16 treated as made from deposits in the order in which
17 such deposits were made, beginning with the earliest
18 deposits.

19 “(2) CESSATION IN ELIGIBLE BUSINESS.—At the close
20 of the first disqualification period after a period for which
21 the taxpayer was engaged in an eligible farming business
22 or commercial fishing, there shall be deemed distributed
23 from the FFARRM Account of the taxpayer an amount
24 equal to the balance in such Account (if any) at the close
25 of such disqualification period. For purposes of the pre-
26 ceding sentence, the term ‘disqualification period’ means
27 any period of 2 consecutive taxable years for which the tax-
28 payer is not engaged in an eligible farming business or
29 commercial fishing.

30 “(3) CERTAIN RULES TO APPLY.—Rules similar to the
31 following rules shall apply for purposes of this section:

32 “(A) Section 220(f)(8) (relating to treatment on
33 death).

34 “(B) Section 408(e)(2) (relating to loss of exemp-
35 tion of account where individual engages in prohibited
36 transaction).

1 “(C) Section 408(e)(4) (relating to effect of pledg-
2 ing account as security).

3 “(D) Section 408(g) (relating to community prop-
4 erty laws).

5 “(E) Section 408(h) (relating to custodial ac-
6 counts).

7 “(4) TIME WHEN PAYMENTS DEEMED MADE.—For
8 purposes of this section, a taxpayer shall be deemed to have
9 made a payment to a FFARRM Account on the last day
10 of a taxable year if such payment is made on account of
11 such taxable year and is made on or before the due date
12 (without regard to extensions) for filing the return of tax
13 for such taxable year.

14 “(5) INDIVIDUAL.—For purposes of this section, the
15 term ‘individual’ shall not include an estate or trust.

16 “(6) DEDUCTION NOT ALLOWED FOR SELF-EMPLOY-
17 MENT TAX.—The deduction allowable by reason of sub-
18 section (a) shall not be taken into account in determining
19 an individual’s net earnings from self-employment (within
20 the meaning of section 1402(a)) for purposes of chapter 2.

21 “(g) REPORTS.—The trustee of a FFARRM Account shall
22 make such reports regarding such Account to the Secretary
23 and to the person for whose benefit the Account is maintained
24 with respect to contributions, distributions, and such other
25 matters as the Secretary may require under regulations. The
26 reports required by this subsection shall be filed at such time
27 and in such manner and furnished to such persons at such time
28 and in such manner as may be required by such regulations.”.

29 (b) TAX ON EXCESS CONTRIBUTIONS.—

30 (1) Subsection (a) of section 4973 (relating to tax on
31 excess contributions to certain tax-favored accounts and an-
32 nuities) is amended by striking “or” at the end of para-
33 graph (3), by redesignating paragraph (4) as paragraph
34 (5), and by inserting after paragraph (3) the following new
35 paragraph:

36 “(4) a FFARRM Account (within the meaning of sec-
37 tion 468C(d)), or”.

1 (2) Section 4973 is amended by adding at the end the
2 following new subsection:

3 “(g) EXCESS CONTRIBUTIONS TO FFARRM ACCOUNTS.—
4 For purposes of this section, in the case of a FFARRM Ac-
5 count (within the meaning of section 468C(d)), the term ‘excess
6 contributions’ means the amount by which the amount contrib-
7 uted for the taxable year to the Account exceeds the amount
8 which may be contributed to the Account under section
9 468C(b) for such taxable year. For purposes of this subsection,
10 any contribution which is distributed out of the FFARRM Ac-
11 count in a distribution to which section 468C(e)(2)(B) applies
12 shall be treated as an amount not contributed.”.

13 (3) The section heading for section 4973 is amended
14 to read as follows:

15 **“SEC. 4973. EXCESS CONTRIBUTIONS TO CERTAIN AC-
16 COUNTS, ANNUITIES, ETC.”.**

17 (4) The table of sections for chapter 43 is amended
18 by striking the item relating to section 4973 and inserting
19 the following new item:

 “Sec. 4973. Excess contributions to certain accounts, annu-
 ities, etc.”.

20 (c) TAX ON PROHIBITED TRANSACTIONS.—

21 (1) Subsection (c) of section 4975 (relating to tax on
22 prohibited transactions) is amended by adding at the end
23 the following new paragraph:

24 “(6) SPECIAL RULE FOR FFARRM ACCOUNTS.—A per-
25 son for whose benefit a FFARRM Account (within the
26 meaning of section 468C(d)) is established shall be exempt
27 from the tax imposed by this section with respect to any
28 transaction concerning such account (which would other-
29 wise be taxable under this section) if, with respect to such
30 transaction, the account ceases to be a FFARRM Account
31 by reason of the application of section 468C(f)(3)(A) to
32 such account.”.

33 (2) Paragraph (1) of section 4975(e) is amended by
34 redesignating subparagraphs (E) and (F) as subparagraphs

1 (F) and (G), respectively, and by inserting after subpara-
2 graph (D) the following new subparagraph:

3 “(E) a FFARRM Account described in section
4 468C(d),”.

5 (d) FAILURE TO PROVIDE REPORTS ON FFARRM AC-
6 COUNTS.—Paragraph (2) of section 6693(a) (relating to failure
7 to provide reports on certain tax-favored accounts or annuities)
8 is amended by redesignating subparagraphs (C) and (D) as
9 subparagraphs (D) and (E), respectively, and by inserting after
10 subparagraph (B) the following new subparagraph:

11 “(C) section 468C(g) (relating to FFARRM Ac-
12 counts),”.

13 (e) CLERICAL AMENDMENT.—The table of sections for
14 subpart C of part II of subchapter E of chapter 1 is amended
15 by inserting after the item relating to section 468B the fol-
16 lowing new item:

“Sec. 468C. Farm, Fishing and Ranch Risk Management Ac-
counts.”.

17 (f) EFFECTIVE DATE.—The amendments made by this
18 section shall apply to taxable years beginning after December
19 31, 2000.

20 **SEC. 715. EXTENSION OF ENHANCED DEDUCTION FOR**
21 **CORPORATE DONATIONS OF COMPUTER**
22 **TECHNOLOGY.**

23 (a) EXPANSION OF COMPUTER TECHNOLOGY DONATIONS
24 TO PUBLIC LIBRARIES.—

25 (1) IN GENERAL.—Paragraph (6) of section 170(e)
26 (relating to special rule for contributions of computer tech-
27 nology and equipment for elementary or secondary school
28 purposes) is amended by striking “qualified elementary or
29 secondary educational contribution” each place it occurs in
30 the headings and text and inserting “qualified computer
31 contribution”.

32 (2) EXPANSION OF ELIGIBLE DONEES.—Clause (i) of
33 section 170(e)(6)(B) (relating to qualified elementary or
34 secondary educational contribution) is amended by striking
35 “or” at the end of subclause (I), by adding “or” at the end

1 of subclause (II), and by inserting after subclause (II) the
2 following new subclause:

3 “(III) a public library (within the meaning
4 of section 213(2)(A) of the Library Services
5 and Technology Act (20 U.S.C. 9122(2)(A)),
6 as in effect on the date of the enactment of the
7 Community Renewal and New Markets Act of
8 2000, established and maintained by an entity
9 described in subsection (c)(1),”.

10 (3) EXTENSION OF DONATION PERIOD.—Clause (ii) of
11 section 170(e)(6)(B) is amended by striking “2 years” and
12 inserting “3 years”.

13 (b) CONFORMING AMENDMENTS.—

14 (1) Section 170(e)(6)(B)(iv) is amended by striking
15 “in any grades of the K–12”.

16 (2) The heading of paragraph (6) of section 170(e) is
17 amended by striking “ELEMENTARY OR SECONDARY
18 SCHOOL PURPOSES” and inserting “EDUCATIONAL PUR-
19 POSES”.

20 (c) EXTENSION OF DEDUCTION.—Section 170(e)(6)(F)
21 (relating to termination) is amended by striking “December 31,
22 2000” and inserting “December 31, 2003”.

23 (d) EFFECTIVE DATE.—The amendments made by this
24 section shall apply to contributions made after December 31,
25 2000.

26 **SEC. 716. RELIEF FROM FEDERAL TAX LIABILITY ARISING**
27 **WITH RESPECT TO CERTAIN CLAIMS**
28 **AGAINST THE DEPARTMENT OF AGRICULTURE FOR DISCRIMINATION IN FARM**
29 **CREDIT AND BENEFIT PROGRAMS.**
30

31 Notwithstanding any provision of the Internal Revenue
32 Code of 1986, in the case of a person who is certified to be
33 a member of the plaintiff class in the settlement of the consoli-
34 dated actions entitled “Pigford, et al. v. Glickman”, No. 97–
35 1978 (D.D.C.) (PLF), and “Brewington et al. v. Glickman”,
36 No. 98–1693 (D.D.C.) (PLF), gross income for purposes of
37 subtitle A of such Code shall not include—

1 (1) any cash payment received before, on, or after the
 2 date of the enactment of this Act by, or made on behalf
 3 of, a person under such settlement, and

4 (2) any amount which (but for this section) would be
 5 includible in gross income by reason of the discharge of in-
 6 debtedness pursuant to such settlement.

7 **SEC. 717. EXPANSION OF CREDIT FOR ADOPTION EX-**
 8 **PENSES.**

9 (a) INCREASE IN EXPENSES ALLOWABLE FOR ADOP-
 10 TION.—Paragraph (1) of section 23(b) (relating to dollar limi-
 11 tation) is amended to read as follows:

12 “(1) DOLLAR LIMITATION.—

13 “(A) IN GENERAL.—The aggregate amount of
 14 qualified adoption expenses which may be taken into
 15 account under subsection (a) for all taxable years with
 16 respect to the adoption of a child by the taxpayer shall
 17 not exceed the applicable amount.

18 “(B) APPLICABLE AMOUNT.—For purposes of sub-
 19 paragraph (A)—

20 “(i) CHILD WITH SPECIAL NEEDS.—In the
 21 case of a child with special needs, the applicable
 22 amount for a taxable year shall be the amount de-
 23 termined in accordance with the following table:

“For taxable years beginning in:	The applicable amount is:
2001	\$8,000
2002	\$10,000
2003 and thereafter	\$12,000.

24 “(ii) OTHER CHILDREN.—In the case of a
 25 child who is not a child with special needs, the ap-
 26 plicable amount for a taxable year shall be the
 27 amount determined in accordance with the fol-
 28 lowing table:

“For taxable years beginning in:	The applicable amount is:
2001	\$6,000
2002	\$7,000
2003	\$8,000
2004	\$9,000
2005 and thereafter	\$10,000.”.

1 (b) INCREASE IN INCOME LIMITATION.—Clause (i) of sec-
2 tion 23(b)(2)(A) (relating to income limitation) is amended by
3 striking “\$75,000” and inserting “\$150,000”.

4 (c) EXTENSION OF SUNSET.—Subparagraph (B) of sec-
5 tion 23(d)(2) (relating to eligible child) is amended by striking
6 “2001” and inserting “2005”.

7 (d) EFFECTIVE DATE.—The amendments made by this
8 section shall apply to taxable years beginning after December
9 31, 2000.

10 **SEC. 718. STUDY CONCERNING UNITED STATES INSUR-**
11 **ANCE COMPANIES WITH CERTAIN OFF-**
12 **SHORE REINSURANCE AFFILIATES.**

13 (a) STUDY.—The Secretary of the Treasury shall conduct
14 a study on the extent to which United States tax on investment
15 income of United States insurance companies is being avoided
16 through the use of affiliated corporations in Bermuda or other
17 offshore locations. In conducting such study, the Secretary
18 shall—

19 (1) address issues concerning the application of cur-
20 rent United States tax law in preventing such avoidance,

21 (2) examine changes to United States tax law which
22 may be needed to prevent such avoidance, and

23 (3) make such recommendations as the Secretary con-
24 siders appropriate.

25 (b) SUBMISSION OF STUDY TO CONGRESS.—Not later
26 than December 31, 2001, the Secretary shall submit the study
27 conducted under subsection (a), together with recommendations
28 thereon, to the Committee on Ways and Means of the House
29 of Representatives and the Committee on Finance of the Sen-
30 ate.

31 **SEC. 719. TREATMENT OF INDIAN TRIBAL GOVERN-**
32 **MENTS UNDER FEDERAL UNEMPLOYMENT**
33 **TAX ACT.**

34 (a) IN GENERAL.—Section 3306(c)(7) (defining employ-
35 ment) is amended—

36 (1) by inserting “or in the employ of an Indian tribe,”
37 after “service performed in the employ of a State, or any
38 political subdivision thereof,”; and

1 (2) by inserting “or Indian tribes” after “wholly
2 owned by one or more States or political subdivisions”.

3 (b) PAYMENTS IN LIEU OF CONTRIBUTIONS.—Section
4 3309 (relating to State law coverage of services performed for
5 nonprofit organizations or governmental entities) is amended—

6 (1) in subsection (a)(2) by inserting “, including an
7 Indian tribe,” after “the State law shall provide that a gov-
8 ernmental entity”;

9 (2) in subsection (b)(3)(B) by inserting “, or of an In-
10 dian tribe” after “of a State or political subdivision there-
11 of”;

12 (3) in subsection (b)(3)(E) by inserting “or tribal”
13 after “the State”; and

14 (4) in subsection (b)(5) by inserting “or of an Indian
15 tribe” after “an agency of a State or political subdivision
16 thereof”.

17 (c) STATE LAW COVERAGE.—Section 3309 (relating to
18 State law coverage of services performed for nonprofit organi-
19 zations or governmental entities) is amended by adding at the
20 end the following new subsection:

21 “(d) ELECTION BY INDIAN TRIBE.—The State law shall
22 provide that an Indian tribe may make contributions for em-
23 ployment as if the employment is within the meaning of section
24 3306 or make payments in lieu of contributions under this sec-
25 tion, and shall provide that an Indian tribe may make separate
26 elections for itself and each subdivision, subsidiary, or business
27 enterprise wholly owned by such Indian tribe. State law may
28 require a tribe to post a payment bond or take other reasonable
29 measures to assure the making of payments in lieu of contribu-
30 tions under this section. Notwithstanding the requirements of
31 section 3306(a)(6), if, within 90 days of having received a no-
32 tice of delinquency, a tribe fails to make contributions, pay-
33 ments in lieu of contributions, or payment of penalties or inter-
34 est (at amounts or rates comparable to those applied to all
35 other employers covered under the State law) assessed with re-
36 spect to such failure, or if the tribe fails to post a required pay-
37 ment bond, then service for the tribe shall not be excepted from

1 employment under section 3306(c)(7) until any such failure is
2 corrected. This subsection shall apply to an Indian tribe within
3 the meaning of section 4(e) of the Indian Self-Determination
4 and Education Assistance Act (25 U.S.C. 450b(e)).”.

5 (d) DEFINITIONS.—Section 3306 (relating to definitions)
6 is amended by adding at the end the following new subsection:

7 “(u) INDIAN TRIBE.—For purposes of this chapter, the
8 term ‘Indian tribe’ has the meaning given to such term by sec-
9 tion 4(e) of the Indian Self-Determination and Education As-
10 sistance Act (25 U.S.C. 450b(e)), and includes any subdivision,
11 subsidiary, or business enterprise wholly owned by such an In-
12 dian tribe.”.

13 (e) EFFECTIVE DATE; TRANSITION RULE.—

14 (1) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to service performed on or after the
16 date of the enactment of this Act.

17 (2) TRANSITION RULE.—For purposes of the Federal
18 Unemployment Tax Act, service performed in the employ of
19 an Indian tribe (as defined in section 3306(u) of the Inter-
20 nal Revenue Code of 1986 (as added by this section)) shall
21 not be treated as employment (within the meaning of sec-
22 tion 3306 of such Code) if—

23 (A) it is service which is performed before the date
24 of the enactment of this Act and with respect to which
25 the tax imposed under the Federal Unemployment Tax
26 Act has not been paid, and

27 (B) such Indian tribe reimburses a State unem-
28 ployment fund for unemployment benefits paid for serv-
29 ice attributable to such tribe for such period.

30 **Subtitle C—Technical Corrections**

31 **SEC. 721. AMENDMENTS RELATED TO TICKET TO WORK** 32 **AND WORK INCENTIVES IMPROVEMENT ACT** 33 **OF 1999.**

34 (a) AMENDMENTS RELATED TO SECTION 502 OF THE
35 ACT.—

1 (1) Section 280C(c)(1) is amended by striking “or
2 credit” after “deduction” each place it appears.

3 (2) Section 30A is amended by redesignating sub-
4 sections (f) and (g) as subsections (g) and (h), respectively,
5 and by inserting after subsection (e) the following new sub-
6 section:

7 “(f) DENIAL OF DOUBLE BENEFIT.—Any wages or other
8 expenses taken into account in determining the credit under
9 this section may not be taken into account in determining the
10 credit under section 41.”

11 (b) AMENDMENT RELATED TO SECTION 545 OF THE
12 ACT.—Clause (ii) of section 857(b)(7)(B) is amended to read
13 as follows:

14 “(ii) EXCEPTION FOR CERTAIN AMOUNTS.—
15 Clause (i) shall not apply to amounts received di-
16 rectly or indirectly by a real estate investment
17 trust—

18 “(I) for services furnished or rendered by
19 a taxable REIT subsidiary that are described
20 in paragraph (1)(B) of section 856(d), or

21 “(II) from a taxable REIT subsidiary that
22 are described in paragraph (7)(C)(ii) of such
23 section.”

24 (c) CLARIFICATION RELATED TO SECTION 538 OF THE
25 ACT.—The reference to section 332(b)(1) of the Internal Re-
26 venue Code of 1986 in Treasury Regulation section 1.1502-34
27 shall be deemed to include a reference to section 732(f) of such
28 Code.

29 (d) EFFECTIVE DATE.—Subsection (c) and the amend-
30 ments made by this section shall take effect as if included in
31 the provisions of the Ticket to Work and Work Incentives Im-
32 provement Act of 1999 to which they relate.

33 **SEC. 722. AMENDMENTS RELATED TO TAX AND TRADE**
34 **RELIEF EXTENSION ACT OF 1998.**

35 (a) AMENDMENT RELATED TO SECTION 1004(b) OF THE
36 ACT.—Subsection (d) of section 6104 is amended by adding at
37 the end the following new paragraph:

1 “(6) APPLICATION TO NONEXEMPT CHARITABLE
2 TRUSTS AND NONEXEMPT PRIVATE FOUNDATIONS.—The
3 organizations referred to in paragraphs (1) and (2) of sec-
4 tion 6033(d) shall comply with the requirements of this
5 subsection relating to annual returns filed under section
6 6033 in the same manner as the organizations referred to
7 in paragraph (1).”.

8 (b) AMENDMENT RELATED TO SECTION 4003 OF THE
9 ACT.—Subsection (b) of section 4003 of the Tax and Trade
10 Relief Extension Act of 1998 is amended by inserting
11 “(7)(A)(i)(II),” after “(5)(A)(ii)(I),”.

12 (c) EFFECTIVE DATE.—The amendments made by this
13 section shall take effect as if included in the provisions of the
14 Tax and Trade Relief Extension Act of 1998 to which they re-
15 late.

16 **SEC. 723. AMENDMENTS RELATED TO INTERNAL REV-**
17 **ENUE SERVICE RESTRUCTURING AND RE-**
18 **FORM ACT OF 1998.**

19 (a) AMENDMENTS RELATED TO INNOCENT SPOUSE RE-
20 LIEF.—

21 (1) ELECTION MAY BE MADE ANY TIME AFTER DEFICI-
22 CIENCY ASSERTED.—Subparagraph (B) of section
23 6015(c)(3) is amended by striking “shall be made” and in-
24 serting “may be made at any time after a deficiency for
25 such year is asserted but”.

26 (2) CLARIFICATION REGARDING DISALLOWANCE OF
27 REFUNDS AND CREDITS UNDER SECTION 6015(c).—

28 (A) IN GENERAL.—Section 6015 is amended by
29 redesignating subsection (g) as subsection (h) and by
30 inserting after subsection (f) the following new sub-
31 section:

32 “(g) CREDITS AND REFUNDS.—

33 “(1) IN GENERAL.—Except as provided in paragraphs
34 (2) and (3), notwithstanding any other law or rule of law
35 (other than section 6511, 6512(b), 7121, or 7122), credit
36 or refund shall be allowed or made to the extent attrib-
37 utable to the application of this section.

1 “(2) RES JUDICATA.—In the case of any election
2 under subsection (b) or (c), if a decision of a court in any
3 prior proceeding for the same taxable year has become
4 final, such decision shall be conclusive except with respect
5 to the qualification of the individual for relief which was
6 not an issue in such proceeding. The exception contained
7 in the preceding sentence shall not apply if the court deter-
8 mines that the individual participated meaningfully in such
9 prior proceeding.

10 “(3) CREDIT AND REFUND NOT ALLOWED UNDER
11 SUBSECTION (c).—No credit or refund shall be allowed as
12 a result of an election under subsection (c).”.

13 (B) CONFORMING AMENDMENT.—Paragraph (3)
14 of section 6015(e) is amended to read as follows:

15 “(3) LIMITATION ON TAX COURT JURISDICTION.—If a
16 suit for refund is begun by either individual filing the joint
17 return pursuant to section 6532—

18 “(A) the Tax Court shall lose jurisdiction of the
19 individual’s action under this section to whatever extent
20 jurisdiction is acquired by the district court or the
21 United States Court of Federal Claims over the taxable
22 years that are the subject of the suit for refund, and

23 “(B) the court acquiring jurisdiction shall have ju-
24 risdiction over the petition filed under this subsection.”.

25 (3) CLARIFICATIONS REGARDING REVIEW BY TAX
26 COURT.—

27 (A) Paragraph (1) of section 6015(e) is amended
28 in the matter preceding subparagraph (A) by inserting
29 after “individual” the following: “against whom a defi-
30 ciency has been asserted and”.

31 (B) Subparagraph (A) of section 6015(e)(1) is
32 amended to read as follows:

33 “(A) IN GENERAL.—In addition to any other rem-
34 edy provided by law, the individual may petition the
35 Tax Court (and the Tax Court shall have jurisdiction)
36 to determine the appropriate relief available to the indi-
37 vidual under this section if such petition is filed—

1 “(i) at any time after the earlier of—

2 “(I) the date the Secretary mails, by cer-
3 tified or registered mail to the taxpayer’s last
4 known address, notice of the Secretary’s final
5 determination of relief available to the indi-
6 vidual, or

7 “(II) the date which is 6 months after the
8 date such election is filed with the Secretary,
9 and

10 “(ii) not later than the close of the 90th day
11 after the date described in clause (i)(I).”.

12 (C) Subparagraph (B)(i) of section 6015(e)(1) is
13 amended—

14 (i) by striking “until the expiration of the 90-
15 day period described in subparagraph (A)” and in-
16 serting “until the close of the 90th day referred to
17 in subparagraph (A)(ii)”, and

18 (ii) by inserting “under subparagraph (A)”
19 after “filed with the Tax Court”.

20 (D)(i) Subsection (e) of section 6015 is amended
21 by adding at the end the following new paragraph:

22 “(5) WAIVER.—An individual who elects the applica-
23 tion of subsection (b) or (c) (and who agrees with the Sec-
24 retary’s determination of relief) may waive in writing at
25 any time the restrictions in paragraph (1)(B) with respect
26 to collection of the outstanding assessment (whether or not
27 a notice of the Secretary’s final determination of relief has
28 been mailed).”.

29 (ii) Paragraph (2) of section 6015(e) is amended
30 to read as follows:

31 “(2) SUSPENSION OF RUNNING OF PERIOD OF LIMITA-
32 TIONS.—The running of the period of limitations in section
33 6502 on the collection of the assessment to which the peti-
34 tion under paragraph (1)(A) relates shall be suspended—

35 “(A) for the period during which the Secretary is
36 prohibited by paragraph (1)(B) from collecting by levy

1 or a proceeding in court and for 60 days thereafter,
2 and

3 “(B) if a waiver under paragraph (5) is made,
4 from the date the claim for relief was filed until 60
5 days after the waiver is filed with the Secretary.”.

6 (b) AMENDMENTS RELATED TO PROCEDURE AND ADMIN-
7 ISTRATION.—

8 (1) DISPUTES INVOLVING \$50,000 OR LESS.—Section
9 7463 is amended by adding at the end the following new
10 subsection:

11 “(f) ADDITIONAL CASES IN WHICH PROCEEDINGS MAY
12 BE CONDUCTED UNDER THIS SECTION.—At the option of the
13 taxpayer concurred in by the Tax Court or a division thereof
14 before the hearing of the case, proceedings may be conducted
15 under this section (in the same manner as a case described in
16 subsection (a)) in the case of—

17 “(1) a petition to the Tax Court under section 6015(e)
18 in which the amount of relief sought does not exceed
19 \$50,000, and

20 “(2) an appeal under section 6330(d)(1)(A) to the Tax
21 Court of a determination in which the unpaid tax does not
22 exceed \$50,000.”.

23 (2) AUTHORITY TO ENJOIN COLLECTION ACTIONS.—

24 (A) Section 6330(e)(1) is amended by adding at
25 the end the following: “Notwithstanding the provisions
26 of section 7421(a), the beginning of a levy or pro-
27 ceeding during the time the suspension under this
28 paragraph is in force may be enjoined by a proceeding
29 in the proper court, including the Tax Court. The Tax
30 Court shall have no jurisdiction under this paragraph
31 to enjoin any action or proceeding unless a timely ap-
32 peal has been filed under subsection (d)(1) and then
33 only in respect of the unpaid tax or proposed levy to
34 which the determination being appealed relates.”.

35 (B) Section 7421(a) is amended by inserting
36 “6330(e)(1),” after “6246(b),”.

1 (3) CLARIFICATION.—Paragraph (3) of section
2 6331(k) is amended by striking “(3), (4), and (5)” and in-
3 serting “(3) and (4)”.

4 (c) AMENDMENT RELATED TO SECTION 1103 OF THE
5 ACT.—Paragraph (6) of section 6103(k) is amended—

6 (1) by inserting “and an officer or employee of the Of-
7 fice of Treasury Inspector General for Tax Administration”
8 after “internal revenue officer or employee”, and

9 (2) by striking “INTERNAL REVENUE” in the heading
10 and inserting “CERTAIN”.

11 (d) AMENDMENT RELATED TO SECTION 3401 OF THE
12 ACT.—Section 6330(d)(1)(A) is amended by striking “to hear”
13 and inserting “with respect to”.

14 (e) AMENDMENT RELATED TO SECTION 3509 OF THE
15 ACT.—Subparagraph (A) of section 6110(g)(5) is amended by
16 inserting “, any Chief Counsel advice,” after “technical advice
17 memorandum”.

18 (f) EFFECTIVE DATES.—The amendments made by sub-
19 sections (a) and (b) shall take effect on the date of the enact-
20 ment of this Act. The amendments made by subsections (c),
21 (d), and (e) shall take effect as if included in the provisions of
22 the Internal Revenue Service Restructuring and Reform Act of
23 1998 to which they relate.

24 **SEC. 724. AMENDMENTS RELATED TO TAXPAYER RELIEF**
25 **ACT OF 1997.**

26 (a) AMENDMENT RELATED TO SECTION 101 OF THE
27 ACT.—Paragraph (4) of section 6211(b) is amended by striking
28 “sections 32 and 34” and inserting “sections 24(d), 32, and
29 34”.

30 (b) AMENDMENT RELATED TO SECTION 302 OF THE
31 ACT.—The last sentence of section 3405(e)(1)(B) is amended
32 by inserting “(other than a Roth IRA)” after “individual re-
33 tirement plan”.

34 (c) AMENDMENT TO SECTION 311 OF THE ACT.—Para-
35 graph (3) of section 311(e) of the Taxpayer Relief Act of 1997
36 (relating to election to recognize gain on assets held on Janu-
37 ary 1, 2001) is amended by adding at the end the following

1 new sentence: “Such an election shall not apply to any asset
2 which is disposed of (in a transaction in which gain or loss is
3 recognized in whole or in part) before the close of the 1-year
4 period beginning on the date that the asset would have been
5 treated as sold under such election.”

6 (d) AMENDMENT RELATED TO SECTION 402 OF THE
7 ACT.—The flush sentence at the end of clause (ii) of section
8 56(a)(1)(A) is amended by inserting before “or to any other
9 property” the following: “(and the straight line method shall be
10 used for such 1250 property)”.

11 (e) AMENDMENTS RELATED TO SECTION 1072 OF THE
12 ACT.—

13 (1) Clause (ii) of section 415(c)(3)(D) and subpara-
14 graph (B) of section 403(b)(3) are each amended by strik-
15 ing “section 125 or” and inserting “section 125, 132(f)(4),
16 or”.

17 (2) Paragraph (2) of section 414(s) is amended by
18 striking “section 125, 402(e)(3)” and inserting “section
19 125, 132(f)(4), 402(e)(3)”.

20 (f) AMENDMENT RELATED TO SECTION 1454 OF THE
21 ACT.—Subsection (a) of section 7436 is amended by inserting
22 before the period at the end of the first sentence “and the
23 proper amount of employment tax under such determination”.

24 (g) EFFECTIVE DATE.—The amendments made by this
25 section shall take effect as if included in the provisions of the
26 Taxpayer Relief of 1997 to which they relate.

27 **SEC. 725. AMENDMENTS RELATED TO BALANCED BUDG-**
28 **ET ACT OF 1997.**

29 (a) AMENDMENTS RELATED TO SECTION 9302 OF THE
30 ACT.—

31 (1) Paragraph (1) of section 9302(j) of the Balanced
32 Budget Act of 1997 is amended by striking “tobacco prod-
33 ucts and cigarette papers and tubes” and inserting “ciga-
34 rettes”.

35 (2)(A) Subsection (h) of section 5702 is amended to
36 read as follows:

1 “(h) MANUFACTURER OF CIGARETTE PAPERS AND
2 TUBES.—‘Manufacturer of cigarette papers and tubes’ means
3 any person who manufactures cigarette paper, or makes up cig-
4 arette paper into tubes, except for his own personal use or con-
5 sumption.”

6 (B) Section 5702, as amended by subparagraph (A),
7 is amended by striking subsection (f) and by redesignating
8 subsections (g) through (p) as subsections (f) through (o),
9 respectively.

10 (3) Subsection (c) of section 5761 is amended by add-
11 ing at the end the following: “This subsection and section
12 5754 shall not apply to any person who relands or receives
13 tobacco products in the quantity allowed entry free of tax
14 and duty under chapter 98 of the Harmonized Tariff
15 Schedule of the United States, and such person may volun-
16 tarily relinquish to the Secretary at the time of entry any
17 excess of such quantity without incurring the penalty under
18 this subsection. No quantity of tobacco products other than
19 the quantity referred to in the preceding sentence may be
20 relanded or received as a personal use quantity.”

21 (b) EFFECTIVE DATE.—The amendments made by this
22 section shall take effect as if included in section 9302 of the
23 Balanced Budget Act of 1997.

24 **SEC. 726. AMENDMENTS RELATED TO SMALL BUSINESS**
25 **JOB PROTECTION ACT OF 1996.**

26 (a) AMENDMENT RELATED TO SECTION 1201 OF THE
27 ACT.—Subparagraph (B) of section 51(d)(2) is amended—

28 (1) by striking “plan approved” and inserting “pro-
29 gram funded”, and

30 (2) by striking “(relating to assistance for needy fami-
31 lies with minor children)”.

32 (b) AMENDMENT RELATED TO SECTION 1302 OF THE
33 ACT.—Clause (i) of section 1361(e)(1)(A) is amended by strik-
34 ing “or” before “(III)” and by adding at the end the following:
35 “or (IV) an organization described in section 170(c)(1) which
36 holds a contingent interest in such trust and is not a potential
37 current beneficiary.”

1 (c) AMENDMENT RELATED TO SECTION 1401 OF THE
2 ACT.—Clause (ii) of section 401(k)(10)(B) is amended by add-
3 ing at the end the following new sentence: “Such term includes
4 a distribution of an annuity contract from—

5 “(I) a trust which forms a part of a plan
6 described in section 401(a) and which is ex-
7 empt from tax under section 501(a), or

8 “(II) an annuity plan described in section
9 403(a).”.

10 (d) AMENDMENT RELATED TO SECTION 1427 OF THE
11 ACT.—Clause (ii) of section 219(e)(1)(B) is amended by strik-
12 ing “and” at the end of subclause (I), by redesignating sub-
13 clause (II) as subclause (III), and by inserting after subclause
14 (I) the following new subclause:

15 “(II) the amount of any designated non-
16 deductible contribution (as defined in section
17 408(o)) on behalf of such spouse for such tax-
18 able year, and”.

19 (e) EFFECTIVE DATE.—The amendments made by this
20 section shall take effect as if included in the provisions of the
21 Small Business Job Protection Act of 1996 to which they re-
22 late.

23 **SEC. 727. AMENDMENT RELATED TO REVENUE REC-**
24 **ONCILIATION ACT OF 1990.**

25 (a) AMENDMENT RELATED TO SECTION 11511 OF THE
26 ACT.—Subparagraph (C) of section 43(c)(1) is amended—

27 (1) by inserting “(as defined in section 193(b))” after
28 “expenses”, and

29 (2) by striking “under section 193”.

30 (b) EFFECTIVE DATE.—The amendment made by this sec-
31 tion shall take effect as if included in section 11511 of the Rev-
32 enue Reconciliation Act of 1990.

33 **SEC. 728. OTHER TECHNICAL CORRECTIONS.**

34 (a) MODIFIED ENDOWMENT CONTRACTS.—

35 (1) Paragraph (2) of section 7702A(a) is amended by
36 inserting “or this paragraph” before the period.

1 (2) Clause (ii) of section 7702A(c)(3)(A) is amended
2 by striking “under the contract” and inserting “under the
3 old contract”.

4 (3) The amendments made by this subsection shall
5 take effect as if included in the amendments made by sec-
6 tion 5012 of the Technical and Miscellaneous Revenue Act
7 of 1988.

8 (b) AFFILIATED CORPORATIONS IN CONTEXT OF WORTH-
9 LESS SECURITIES.—

10 (1) Subparagraph (A) of section 165(g)(3) is amended
11 to read as follows:

12 “(A) the taxpayer owns directly stock in such cor-
13 poration meeting the requirements of section
14 1504(a)(2), and”.

15 (2) Paragraph (3) of section 165(g) is amended by
16 striking the last sentence.

17 (3) The amendments made by this subsection shall
18 apply to taxable years beginning after December 31, 1984.

19 (c) CERTAIN ANNUITIES ISSUED BY TAX-EXEMPT ORGA-
20 NIZATIONS NOT TREATED AS DEBT INSTRUMENTS UNDER
21 ORIGINAL ISSUE DISCOUNT RULES.—

22 (1) Clause (ii) of section 1275(a)(1)(B) is amended by
23 striking “subchapter L” and inserting “subchapter L (or
24 by an entity described in section 501(c) and exempt from
25 tax under section 501(a) which would be subject to tax
26 under subchapter L were it not so exempt)”.

27 (2) The amendment made by this subsection shall take
28 effect as if included in the amendments made by section 41
29 of the Tax Reform Act of 1984.

30 (d) TENTATIVE CARRYBACK ADJUSTMENTS OF LOSSES
31 FROM SECTION 1256 CONTRACTS.—

32 (1) Subsection (a) of section 6411 is amended by
33 striking “section 1212(a)(1)” and inserting “subsection
34 (a)(1) or (c) of section 1212”.

35 (2) The amendment made by paragraph (1) shall take
36 effect as if included in the amendments made by section
37 504 of the Economic Recovery Tax Act of 1981.

1 (e) CORRECTION OF CALCULATION OF AMOUNTS TO BE
2 DEPOSITED IN HIGHWAY TRUST FUND.—

3 (1) Subsection (b) of section 9503 is amended by
4 striking paragraph (5) and redesignating paragraph (6) as
5 paragraph (5).

6 (2) The amendment made by paragraph (1) shall
7 apply with respect to taxes received in the Treasury after
8 the date of the enactment of this Act.

9 (f) EXPENDITURES FROM VACCINE INJURY COMPENSA-
10 TION TRUST FUND.—Section 9510(c)(1)(A) is amended by
11 striking “December 31, 1999” and inserting “October 18,
12 2000”.

13 **SEC. 729. CLERICAL CHANGES.**

14 (1) Clause (i) of section 45(d)(7)(A) is amended by
15 striking “paragraph (3)(A)” and inserting “subsection
16 (c)(3)(A)”.

17 (2) Subsection (f) of section 67 is amended by striking
18 “the last sentence” and inserting “the second sentence”.

19 (3) The heading for paragraph (5) of section 408(d)
20 is amended to read as follows:

21 “(5) DISTRIBUTIONS OF EXCESS CONTRIBUTIONS
22 AFTER DUE DATE FOR TAXABLE YEAR AND CERTAIN EX-
23 CESS ROLLOVER CONTRIBUTIONS.—”.

24 (4) Paragraph (3) of section 475(g) is amended by
25 striking “267(b) of” and inserting “267(b) or”.

26 (5) The heading for subparagraph (B) of section
27 529(e)(3) is amended by striking “UNDER GUARANTEED
28 PLANS”.

29 (6) Clause (iii) of section 530(d)(4)(B) is amended by
30 striking “; or” at the end and inserting “, or”.

31 (7) Paragraphs (1)(C) and (2)(C) of section 664(d)
32 are each amended by striking the period after “subsection
33 (g)”.

34 (8)(A) Subsection (e) of section 678 is amended by
35 striking “an electing small business corporation” and in-
36 serting “an S corporation”.

1 (B) Clause (v) of section 6103(e)(1)(D) is amended to
2 read as follows:

3 “(v) if the corporation was an S corporation,
4 any person who was a shareholder during any part
5 of the period covered by such return during which
6 an election under section 1362(a) was in effect,
7 or”.

8 (9) Paragraph (7) of section 856(c) is amended by
9 striking “paragraph (4)(B)(ii)(III)” and inserting “para-
10 graph (4)(B)(iii)(III)”

11 (10) Subparagraph (A) of section 856(l)(4) is amend-
12 ed by striking “paragraph (9)(D)(ii)” and inserting “sub-
13 section (d)(9)(D)(ii)”.

14 (11) Subparagraph (B) of section 871(f)(2) is amend-
15 ed by striking “19 U.S.C.” and inserting “(19 U.S.C.)”.

16 (12) Subparagraph (B) of section 995(b)(3) is amend-
17 ed by striking “the Military Security Act of 1954 (22
18 U.S.C. 1934)” and inserting “section 38 of the Inter-
19 national Security Assistance and Arms Export Control Act
20 of 1976 (22 U.S.C. 2778)”.

21 (13) Section 1391(g)(3)(C) is amended by striking
22 “paragraph (1)(B)” and inserting “paragraph (1)”.

23 (14)(A) Paragraph (2) of section 2035(c) is amended
24 by striking “paragraph (1)” and inserting “subsection (a)”.

25 (B) Subsection (d) of section 2035 is amended by in-
26 serting “and paragraph (1) of subsection (c)” after “Sub-
27 section (a)”.

28 (15) Paragraph (5) of section 3121(a) is amended by
29 striking the semicolon at the end of subparagraph (G) and
30 inserting a comma.

31 (16) Subparagraph (B) of section 4946(e)(3) is
32 amended by striking “the lowest rate of compensation pre-
33 scribed for GS-16 of the General Schedule under section
34 5332” and inserting “the lowest rate of basic pay for the
35 Senior Executive Service under section 5382”.

36 (17) Subsection (p) of section 6103 is amended—

1 (A) in paragraph (4), in the matter preceding sub-
2 paragraph (A)—

3 (i) by striking the second comma after “(13)”,

4 and

5 (ii) by striking “(7)” and all that follows
6 through “shall, as a condition” and inserting “(7),
7 (8), (9), (12), (15), or (16) or any other person de-
8 scribed in subsection (l)(16) shall, as a condition”,

9 and

10 (B) in paragraph (4)(F)(ii), by striking the second
11 comma after “(14)”.

12 (18) Paragraph (5) of section 6166(k) is amended by
13 striking “2035(d)(4)” and inserting “2035(c)(2)”.

14 (19) Subsection (a) of section 6512 is amended by
15 striking “; and” at the end of paragraphs (1), (2), and (5)
16 and inserting “, and”.

17 (20) Paragraph (1) of section 6611(g) is amended by
18 striking the comma after “(b)(3)”.

19 (21) Subparagraphs (A) and (B) of section 6655(e)(5)
20 are amended by striking “subsections (d)(5) and (l)(3)(B)”
21 and inserting “subsection (d)(5)”.

22 (22) The subchapter heading for subchapter D of
23 chapter 67 is amended by capitalizing the first letter of the
24 second word.

25 (23)(A) Section 6724(d)(1)(B) is amended by striking
26 clauses (xiv) through (xvii) and inserting the following:

27 “(xiv) subparagraph (A) or (C) of subsection
28 (c)(4) of section 4093 (relating to information re-
29 porting with respect to tax on diesel and aviation
30 fuels),

31 “(xv) section 4101(d) (relating to information
32 reporting with respect to fuels taxes),

33 “(xvi) subparagraph (C) of section 338(h)(10)
34 (relating to information required to be furnished to
35 the Secretary in case of elective recognition of gain
36 or loss), or

1 “(xvii) section 264(f)(5)(A)(iv) (relating to re-
2 porting with respect to certain life insurance and
3 annuity contracts), and”.

4 (B) Section 6010(o)(4)(C) of the Internal Revenue
5 Service Restructuring and Reform Act of 1998 is amended
6 by striking “inserting ‘or’, and by adding at the end” and
7 inserting “inserting ‘, or’, and by adding after subpara-
8 graph (Z)”.

9 (24) Subsection (a) of section 7421 is amended by
10 striking “6672(b)” and inserting “6672(c)”.

11 (25) Paragraph (3) of section 7430(c) is amended—

12 (A) in the paragraph heading, by striking “AT-
13 TORNEYS” and inserting “ATTORNEYS’”, and

14 (B) in subparagraph (B), by striking “attorneys
15 fees” each place it appears and inserting “attorneys’
16 fees”.

17 (26) Paragraph (2) of section 7603(b) is amended by
18 striking the semicolon at the end of subparagraphs (A),
19 (B), (C), (D), (E), (F), and (G) and inserting a comma.

20 (27) Clause (ii) of section 7802(b)(2)(B) is amended
21 by striking “; and” at the end and inserting “, and”.

22 (28) Paragraph (3) of section 7811(a) is amended by
23 striking “taxpayer assistance order” and inserting “Tax-
24 payer Assistance Order”.

25 (29) Paragraph (1) of section 7811(d) is amended by
26 striking “Ombudsman’s” and inserting “National Taxpayer
27 Advocate’s”.

28 (30) Paragraph (3) of section 7872(f) is amended by
29 striking “foregoing” and inserting “forgoing”.

30 **Subtitle D—Pay-Go Adjustment**

31 **SEC. 731. AVOIDANCE OF A PAY-GO SEQUESTRATION** 32 **FOR FISCAL YEAR 2001.**

33 (a) PAY-GO ADJUSTMENTS.—(1) In preparing the final se-
34 questration report required by section 254(f)(3) of the Bal-
35 anced Budget and Emergency Deficit Control Act of 1985 for
36 fiscal year 2001, in addition to the information required by
37 that section, the Director of the Office of Management and

1 Budget shall change any balance of direct spending and re-
2 cepts legislation for fiscal year 2001 under section 252 of that
3 Act to zero.

4 (2) Notwithstanding Rule 3 of the Budget Scorekeeping
5 Guidelines set forth in the joint explanatory statement of the
6 committee of conference accompanying the conference report on
7 the bill H.R. 2015 of the 105th Congress (House Report No.
8 105-217, filed July 30, 1997), the legislation enacted in sec-
9 tions 504 and 505 of the Department of Transportation and
10 Related Agencies Appropriations Act, 2001, section 312 of the
11 Legislative Branch Appropriations Act, 2001, and section 1003
12 of division B of H.R. 4516 (106th Congress), as enacted, that
13 would have been estimated by the Office of Management and
14 Budget as changing direct spending or receipts under section
15 252 of the Balanced Budget and Emergency Deficit Control
16 Act of 1985 were it included in an Act other than an appro-
17 priations Act shall be treated as direct spending or receipts leg-
18 islation, as appropriate, under section 252 of the Balanced
19 Budget and Emergency Deficit Control Act of 1985.

20 (b) EXEMPTION OF CERTAIN BUDGETARY REPORTS FROM
21 TERMINATION.—Section 3003(a)(1) of the Federal Reports
22 Elimination and Sunset Act of 1995 (31 U.S.C. 1113 note)
23 does not apply to any report required to be submitted under
24 any of the following provisions of law:

25 (1) Sections 1105(a), 1106(a) and (b), and 1109(a) of
26 title 31, United States Code, and any other law relating to
27 the budget of the United States Government.

28 (2) The Balanced Budget and Emergency Deficit Con-
29 trol Act of 1985 (2 U.S.C. 900 et seq.).

30 (3) Sections 202(e)(1) and (3) of the Congressional
31 Budget Act of 1974 (2 U.S.C. 602(e)(1) and (3)).

32 (4) Section 1014(e) of the Congressional Budget and
33 Impoundment Control Act of 1974 (2 U.S.C. 685(e)).