AUTHENTICATED U.S. GOVERNMENT INFORMATION GPO

Congressional Record

United States of America

PROCEEDINGS AND DEBATES OF THE 106th CONGRESS, SECOND SESSION

Vol. 146 WASHINGTON, THURSDAY, JULY 13, 2000 *No. 90*

Senate

The Senate met at 8:30 a.m. and was called to order by the President pro tempore [Mr. THURMOND].

PRAYER

The guest Chaplain, Rev. Monsignor Peter J. Vaghi, St. Patrick's Catholic Church, Washington, DC, offered the following prayer:

Almighty God and Father, we call upon You this day in this year of Jubilee, in this year marking a new millennium of Your unique presence in our midst. Help us to recognize You in this Chamber—in the words that are spoken here and in every action which takes place here. Draw us close to You that we might know You all the more and come to love You as no other. Because of You, after all, ''we live and move and have our being''.—Acts 17:28.

This is a Chamber of law in a Nation under God. There is no greater law than the law of love which You continue to inscribe on our hearts. That law alone gives us peace. It is Your law. Lifting our hearts and voices to You, we pray on this July day that ancient Hebrew psalm: ''O Lord, great peace have they who love your law''.—Psalms 119:165.

We pray for that peace today. We pray for the wisdom to know and fashion concretely on Earth the law which You write on our hearts. Fill us each and every day, O Lord, with Your peace and love, a love which makes us ever more sensitive and vigilant to You. For You are alive in each and every person we are called to serve.

Finally, Almighty Father, we seek this day Your encouragement in all our humble efforts carried out in Your life-giving name. It is You we serve, You we love, and You who remain our peace forever. Amen.

PLEDGE OF ALLEGIANCE

The Honorable RICK SANTORUM, a Senator from the State of Pennsylvania, led the Pledge of Allegiance, as follows:

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

The PRESIDING OFFICER (Mr. SANTORUM). The Senator from New York.

GUEST CHAPLAIN, REV. MONSIGNOR VAGHI

Mr. MOYNIHAN. Mr. President, as those who were present will recognize, Monsignor Peter Vaghi is a member of the Senate family. He served here some years ago as the assistant to our esteemed and beloved brother, PETE DOMENICI. He is now the pastor of old St. Patrick's, or St. Patrick's Church on 10th Street, in the city, which is the oldest denominational church in the Federal city. It was founded in 1794 to provide for the religious needs, in the main, of Irish construction workers building the White House and the Capitol. Then came the Italians who were recruited for Jefferson's Marine Band, which was the principal source of culture and enthusiasm in the city in those days.

When the British arrived with their horrendous purposes—corresponding exactly, I have to say, as a New Yorker, to the New York forces, which rode across Lake Ontario and burned the city of York, then their capital, what we now know as Toronto—in the manner of the military of those days, they responded.

There were a sufficient number of British troops in town for a period that they, too, went to St. Patrick's. It has been a long relationship with the Nation's Government, as well as the parish—in no sense to make an issue of the matter, but simply to record a certain amount of patience. Monsignor Vaghi is, of course, a Roman Catholic. The Roman Catholic ministers are descendents of the one Roman Catholic Chaplain we have ever had in the Senate, Rev. Charles C. Pise, who served a year, as was the practice, from 1831 to 1832.

There descended on the Nation a spell of religious fanaticism—if you like that term, if you accept that term—which we associate with the ''know-nothings.'' When they were asked what they were doing about these matters, they would respond, ''I know nothing.'' And for a period of about 40 years—up to and including the Presidency, one regrets to say, of Ulysses S. Grant—the anti-Catholic forces in this country were quite alarmed and, if not ubiquitous, to be found in most places.

We have a curious debt to those people, which is the Washington Monument, as designed by Mills. It was to be the great obelisk, but it also was to be surrounded at the base with prancing stallions, such that we would never see the pristine statement that we now have. It was built with voluntary contributions by the Washington Monument Association. You can see them if you walk up; there are bas-reliefs inside saying who contributed.

In 1854, Pope Pius IX contributed a block of marble from the Temple of Concord in Rome, and a group of alert citizens learned that the installation of this block of marble was to be the signal for the Catholic uprising, and they broke into the stoneyard and dumped the block of marble somewhere in the Potomac. There was a measure of scandal, and the stump just stayed there indefinitely—until 1880. The Congress got nervous about the matter as the Centennial was coming, and the Corps of Engineers was dispatched to finish the job, which they did.

You can see a change in the color about a quarter of the way up. But also we were spared the prancing stallions, so there is some good that comes of all these things.

It is just such an honor to have the Monsignor with us. I speak as one of his parishioners. His family, Mr. and Mrs. Vaghi, are in the gallery today, as

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

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is Father Murphy and another parishioner. We welcome them. Although we are formally not supposed to acknowledge that anybody is up there, I think no one will mind on this occasion.

It is very fortunate for us to have him today. We thank him. We will spare him the debate that now commences with my dear friend, Senator ROTH, one long day of the death tax.

With that I thank him, I thank the Chair, and I yield the floor.

DEATH TAX ELIMINATION ACT

The PRESIDING OFFICER. The Senator from Nevada.

Mr. REID. Mr. President, what is the pending business?

The PRESIDING OFFICER. The clerk will report H.R. 8.

The legislative clerk read as follows:

A bill (H.R. 8) to amend the Internal Revenue Code of 1986 to phase out the estate and gift taxes over a 10-year period.

The Senate proceeded to consider the bill.

The PRESIDING OFFICER. The Senator from Nevada.

Mr. REID. As I conferred with the Chairman of the Finance Committee, the first amendment that the two leaders wish to be offered today is the Democratic alternative, which the senior Senator, the ranking member of the Finance Committee, will offer as soon as he completes his business with the guest Chaplain.

I indicate to all Senators listening, this matter has 2 hours evenly divided. Of course, we note at 9:30 we are in a break for 3 votes. So there is no need that we necessarily have to have the full 2 hours of debate on each side. Our leader has directed me—I am trying to think of a gracious way of saying this. I am going to be the one who distributes the time on the bill, and inasmuch as we have only 20 minutes after time is evenly divided, on each of the 20 amendments we have today, we have to watch everything and make sure we follow the time guidelines. The leaders are not sure when votes will occur, other than the 9:30 votes.

At this time I yield to the Senator from Delaware.

RECOGNITION OF THE ACTING MAJORITY LEADER

The PRESIDING OFFICER. The Senator from Delaware.

SCHEDULE

Mr. ROTH. Mr. President, I have a statement to make on behalf of the leader. I recall what my colleague said about today. I hope we can move as expeditiously as possible. It is not necessary that on each of these amendments we take the full time. Obviously, there should be full debate, but I hope, since we have 20 amendments, we can move, as I say, with dispatch.

Today the Senate will begin debate on the Death Tax Elimination Act. By previous consent, the Senate will proceed to the final votes on the Department of Defense authorization bill at approximately 9:30 a.m. Following the disposition of the DOD authorization bill, the Senate will resume the death tax legislation with amendments to be offered and voted on throughout the day.

As previously announced, the Senate will complete action on the death tax bill and the reconciliation legislation prior to adjournment this week. Therefore, Senators should be prepared for a late Friday session and a Saturday session if necessary.

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

RESERVATION OF LEADER TIME

The PRESIDING OFFICER. Under the previous order, leadership time is reserved.

DEATH TAX ELIMINATION ACT—Continued

Mr. REID. Mr. President, I yield the Senator from New York whatever time he may consume of the 2 hours.

The PRESIDING OFFICER. The Senator from New York.

AMENDMENT NO. 3821

Mr. MOYNIHAN. Mr. President, I rise for the purpose of offering an amendment in the nature of a substitute. I send the amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from New York [Mr. MOYNIHAN] proposes an amendment numbered 3821.

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

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

The amendment is as follows:

(Purpose: To amend the Internal Revenue Code of 1986 to increase the unified credit exemption and the qualified family-owned business interest deduction, and for other purposes)

Strike all after the first word and insert:

1. SHORT TITLE.

(a) SHORT TITLE.—This Act may be cited as the ''Estate Tax Relief Act of 2000''.

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

SEC. 2. INCREASE IN AMOUNT OF UNIFIED CREDIT AGAINST ESTATE AND GIFT TAXES.

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

''In the case of estates of decedents dying, and gifts made during:	The applicable amount is:
2001, 2002, 2003, 2004, and 2005	$1,000,000
2006 and 2007	$1,125,000
2008	$1,500,000
2009 or thereafter	$2,000,000.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

SEC. 3. INCREASE IN QUALIFIED FAMILY-OWNED BUSINESS INTEREST DEDUCTION AMOUNT.

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

''(2) MAXIMUM DEDUCTION.—

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

''(i) the applicable deduction amount, plus

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

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

''In the case of estates of decedents dying during:	The applicable deduction amount is:
2001, 2002, 2003, 2004, and 2005	$1,375,000
2006 and 2007	$1,625,000
2008	$2,375,000
2009 or thereafter	$3,375,000.

''(C) APPLICABLE UNUSED SPOUSAL DEDUCTION AMOUNT.—With respect to a decedent whose immediately predeceased spouse died after December 31, 2000, and the estate of such immediately predeceased spouse met the requirements of subsection (b)(1), the applicable unused spousal deduction amount for such decedent is equal to the excess of—

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

''(ii) the sum of—

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

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

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

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

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

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

SEC. 4. SENSE OF SENATE REGARDING SAVINGS.

It is the sense of the Senate that the reduced cost to the Federal Treasury resulting from the amendments made by this Act as compared to the cost to the Federal Treasury of H.R. 8 as received by the Senate from the House of Representatives on June 12, 2000, should be used exclusively to reduce the Federal debt held by the public.

Amend the title so as to read: ''An Act to amend the Internal Revenue Code of 1986 to increase the unified credit exemption and the qualified family-owned business interest deduction, and for other purposes.''

Mr. MOYNIHAN. Mr. President, a little background. In 1906, President Theodore Roosevelt sent a proposal to Congress to impose an estate tax. He justified the measure as follows. He said:

A heavy progressive tax upon a very large fortune is in no way a tax upon thrift or industry as a like tax would be on a small fortune. No advantage comes either to the country as a whole or to the individuals inheriting the money by permitting the transmission in their entirety of the enormous fortunes which would be affected by such a tax; and as an incident to its function of revenue raising, such a tax would help preserve a measurable equality of opportunity for the people of the generations growing to manhood.

That is why we have an estate tax today. Congress had imposed such taxes in the 1800s, generally to fund wars, and indeed we had an income tax during the Civil War. When the need for such revenues eased, why these taxes, including the estate tax, were put aside. Theodore Roosevelt championed the enactment, on a number of times, of the measure that is in the code today. Over the years, the number of taxable estates, estate returns as a percentage of total deaths, has fluctuated, but not very much, from under 1 percent in 1935—which is the very depths of the depression of that decade—to a high of almost 8 percent in 1977, when we changed the tax to bring it back down. And the number of taxable estates today ranges between 1 percent and 2 percent, a level not that different from that of the depths of the depression.

If we make no changes to the tax rules in 2006, the percentage of taxable estates is projected to be lower than today because we raised the limit. The Joint Tax Committee projects that 1.82 percent of estates will be subject to tax. We are still within that very low historic level, that was run up after World War II, and which we brought back down in 1977. It is not a principal source of Federal revenue. I think it generated $24 billion in 1998, which was 1.4 percent of Federal revenues. Absent change, it might rise to $42 billion in 2008—not even a doubling in 10 years.

The bill before the Senate, H.R. 8, the Death Tax Elimination Act, would repeal the tax in the year 2010. It moves about during the next 10 years, but then it stops altogether, at which point we deal with a revenue loss of $50 billion a year. Mr. President, $50 billion, even in this momentary glow of surpluses, is a large amount of money. That is half a trillion dollars in a decade. It is much more than we should ever give away before we see whether the surplus we are projecting will actually occur, and indeed for the social reasons that Theodore Roosevelt spoke about at the beginning of the century.

The Federal Government is not the only government that would be impacted by the legislation that has been sent us from the House. The estate tax provides revenue for our State governments as well. Under our Federal estate tax laws, States may enact an estate tax without increasing taxes on decedents' estates or their heirs. This is because the Internal Revenue Code provides a dollar-for-dollar reduction in Federal estate tax liability for each dollar collected by the State, up to certain limits. Almost every State has enacted such legislation, and States collect about one-quarter of all estate taxes. The Treasury Department reports that in 1997, the States collected $4.3 billion in estate taxes while the Federal Government collected $16.6 billion.

Repeal of the estate tax would eliminate this source of revenue for State governments. They have not been consulted in the matter, but I cannot imagine they would be enthusiastic.

Finally, we on the Senate Democratic side are concerned about the adverse effect the repeal could have on charitable contributions. We cannot be sure of it, but the Joint Tax Committee estimates that estates are expected to contribute $330 billion to charities over the next 10 years, a third of a trillion dollars.

The question of how much of these contributions would continue or what portion would disappear if we abolish this tax altogether cannot be stated with any confidence, but it is the large estates that contributed the bulk of the $330 billion; $190 billion comes from estates with values over $10 million. We know this as we look around us at the great foundations, some of which date from earlier in the century but others of which reflect the accumulation of wealth in new economic activities in our age, and the estate tax surely has an influence. It should not be the principal concern for us, but it is a fact of our society.

Accordingly, we propose a modification of the existing program whilst retaining the essential legislative measure. We can describe it in two numbers: $2 million and $4 million. Under our amendment, no estate with assets under $2 million would be subject to estate tax. No estate with a family-owned business or farm valued at less than $4 million would be subject to estate tax.

There are very few farms that could be described with even a measure of exaggeration as a family farm worth more than $4 million. New York State is a farming State. It always has been. Ray Christensen, the Special Assistant with the Department of Agriculture and Markets, estimates that our farms sell in the range of about $257,000. I cannot imagine those in Pennsylvania, just over our border, would be very different. They are nowhere near $4 million. I cannot imagine there is such a place, save a nominal farm kept for recreational purposes on the eastern end of Long Island or in the Hudson Valley.

Our proposal would increase the general exemption, which is applicable to all estates, to $1 million immediately—it is $675,000 today—and to $2 million by the year 2009. This would eliminate two-thirds of the approximately 50,000 estates currently subject to tax. In addition, our proposal would increase the exemption for family farms and family-owned businesses from $1.3 million to $2 million immediately and to $4 million by 2009. Our increase would eliminate the estate tax on virtually all family farms and 75 percent of the family-owned businesses.

The measure is costly but not extravagantly so. It costs $65 billion over 10 years, compared to $105 billion under the House proposal, which we have before us. This bill, as I said earlier this week—and I repeat to my esteemed friend, our chairman—should have been referred to the Finance Committee. It was not. The Senate will learn to its cost one day that the Finance Committee has jurisdiction over these matters because we have some competence in them, and not for nothing, for example, did we bring about the 1977 measures—I was then a member of the committee—to lower the estate tax which had commenced to reach almost 8 percent of estates, which is much higher than the historic average. We are back down to where we have been through the century.

I suggest, once again, that we ought to stay with a tax that has served us well. Nearly 100 years ago, Theodore Roosevelt urged adoption of a tax that would ''be aimed merely at the inheritance or transmission in their entirety of those fortunes swollen beyond all healthy limits.''

To conclude, I will ask permission to have printed in the RECORD the lead story in the New York Times business section, Business Day: ''Despite benefits, Democrats' Estate Tax Plan Gets Little Notice.'' It goes on, in a manner one is not accustomed to read in business sections, that:

> Small-business owners and farmers whose Washington lobbyists are ardent backers of a Republican-backed plan to repeal the estate tax seem largely unaware that—

The Democratic proposal—

> would exempt nearly all of them from the tax starting next year.

As against the measure we have from the House.

I will read one paragraph and then conclude:

> Two prominent experts on estate taxes said yesterday that the Democrats were offering a much better deal to small-business owners and farmers, because the relief under their bill would be immediate and the estate tax would be eliminated for nearly all of them.

That is a matter we might keep in mind. I ask unanimous consent that this article be printed in the RECORD.

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

[From the New York Times, July 13, 2000]

DESPITE BENEFITS, DEMOCRATS' ESTATE TAX PLAN GETS LITTLE NOTICE

(By David Cay Johnson)

Small-business owners and farmers whose Washington lobbyists are ardent backers of a Republican-backed plan to repeal the estate tax seem largely unaware what President Clinton—who has vowed to veto the Republican proposal—has said he would sign legislation that would exempt nearly all of them from the tax starting next year.

Business owners and farmers would be allowed to leave $2 million—$4 million for a couple—to their heirs without paying estate taxes under the plan favored by the President and the Democratic leadership in Congress. The Republican proposal, which passed the House last month with some Democrats' support and is being debated in the Senate this week, would be phased in slowly, with the tax eliminated in 2009.

Supporters of the Republican plan say the tax is so complicated that eliminating it is the only effective reform; they argue that the nation's growing wealth means more estates will steadily fall under the tax if it remains law on the Democratic proposal's terms.

Still, had the Democratic plan been law in 1997, the last year for which estate tax return data is available from the Internal Revenue Service, the estates of fewer than 1,300 owners of closely held businesses and 300 farmers would have owed the tax.

According to the data, 95 percent of the roughly 6,000 farmers who paid estate tax that year would have been exempted under terms of the Democrats' plan, as would 88 percent of the roughly 10,000 small-business owners who paid the tax.

Had the estate tax been repealed in 1997, as the Republicans now propose, more than half of the tax savings would have gone to the slightly more than 400 individuals who died that year leaving individual estates worth more than $20 million each.

Two prominent experts on estate taxes said yesterday that the Democrats were offering a much better deal to small-business owners and farmers, because the relief under their bill would be immediate and the estate tax would be eliminated for nearly all of them.

''The fact is that the Democrats are making the better offer—and I'm a Republican saying that,'' said Sanford J. Schlesinger of the law firm of Kaye, Scholer, Fierman, Hays & Handler in New York. With routine estate planning, he said, the $4 million exemption could effectively be raised to as much as $10 million in wealth that could be passed untaxed to heirs. Only 1,221 of the 2.3 million people who died in 1997 left a taxable estate of $10 million or more, I.R.S. data shows.

Neil Harl, an Iowa State University economist who is a leading estate tax adviser to Midwest farmers, said that only a handful of working family farms had a net worth of $4 million. ''Above that, with a very few exceptions, you are talking about the Ted Turners who own huge ranches and are not working farmers,'' he said.

Mr. Harl said he was surprised that farmers were not calling lawmakers to demand that they take the president up on his promise to sign the Democratic bill.

One reason for that may be that in leading the call for repeal of the tax, two organizations representing merchants and farmers—the National Federation of Independent Business and the American Farm Bureau Federation—have done little to tell members about the Democratic plan. Interviews this week with half a dozen people whom the two organizations offered as spokesmen on the estate tax showed that only one of them had any awareness of the Democratic proposal.

Officials of the business federation and the farm bureau said that in the event full repeal failed, they might push for approval of the Democratic plan. But both groups say outright repeal makes more sense.

''My concern is not over the Bill Gateses of the world,'' said Jim Hirni, a Senate lobbyist for the business federation. ''But we have to eliminate this tax, because it is too complicated to comply with the rules. Instead of further complicating the system, the best way is to eliminate the tax, period.''

A farm bureau spokesman, Christopher Noun, said that the Democrats' plan appeared to grant benefits that would erode over time. ''Farmers are not cash wealthy, they are asset wealthy,'' he said. ''And those assets are only going to continue to gain value over the years. So while some farmers may not be taxed now under the other plan—10 or 15 years out they will.''

Whether the proposal to repeal the tax dies in the Senate or is passed and then vetoed by the President, it will become a powerful tool for both parties in the fall elections. The Republicans will be able to paint themselves as tax cutters who would carry out their plans if they could just win the White House and more seats in Congress. The Democrats could try to paint the Republicans as the party that abandoned Main Street merchants and family farmers to serve the interests of billionaires.

A vote in the Senate could come as early as this evening.

At the grass roots, however, those who would benefit from any reduction in the scope of the estate tax take a much more pragmatic view of the matter.

''The whole reason I took up this cause is I do not want to see another small family business get into the situation we are in,'' said Mark Sincavage, a land developer in the Pocono Mountains of Pennsylvania whose family expects to sell some raw land soon to pay a $600,000 estate tax bill to the federal and state governments.

The independent business federation cited Mr. Sincavage's situation as an especially good example of problems the estate tax causes its members who are asset rich but short on cash. Facing similar circumstances is John H. Kearney, a Ford and Lincoln dealer in Ravena, N.Y., who said he ''got slammed pretty hard'' when his father died last year. Most of his father's $1.6 million estate was in land and the car dealership, said Mr. Kearney, who added that he dipped into savings intended for his children's education to pay the estate tax bill.

Neither Mr. Sincavage nor Mr. Kearney said he was aware of the Democrats' plan to roll back the tax.

But Mr. Kearney said his interest was in reasonable tax relief so that merchants and farmers could continue to nurture their businesses, not in helping billionaires.

''No part of me has any sympathy for people with more than $5 million,'' he said. ''Would I feel terrible if all they did was raise the exemption to $4 million or $5 million? I would say from my selfish standpoint that we have covered the small family farm and small business and thus we achieved what we wanted to achieve.

''But I would still be asking: Is it really a moral tax to begin with? And that's a point you can argue a hundred different ways.''

Carl Loop, 72, who owns a whole-sale decorative-plant nursery in Jacksonville, Fla., said he favored repeal, partly because estate tax planning was fraught with uncertainty.

''The complexity of it keeps a lot of people from doing estate planning because they don't understand it,'' Mr. Loop said. ''And they don't like the fact that they have to give up ownership of property while they are alive.''

Professor Harl, the Iowa State University estate tax expert, said that he had heard many horror stories about people having to sell farms to pay estate taxes. But in 35 years of conducting estate tax seminars for farmers, he added, ''I have pushed and pushed and hunted and probed and I have not been able to find a single cause where estate taxes caused the sale of a family farm; it's a myth.''

Mr. MOYNIHAN. Mr. President, I see that my esteemed chairman has risen. Accordingly, I yield the floor.

The PRESIDING OFFICER (Mr. CRAPO). The Senator from Delaware.

Mr. ROTH. Mr. President, the Senate Democrats have proposed an amendment as an alternative proposal to H.R. 8 known as the Death Tax Elimination Act of 2000.

In their alternative, my colleagues across the aisle continue to rely upon the concept of a ''unified credit'' against the death tax. Their $1 million unified credit does not equal H.R. 8's $1 million exemption. The math behind the Democratic alternative forces the families of the deceased to continue to pay the very high tax rate of 41 percent for even one dollar over their $1 million unified credit.

Now compare that to the reasonable 18 percent tax rate for the first dollar over our proposed $1 million exemption. H.R. 8's use of an exemption versus the Democratic alternative's use of a credit literally cuts the remaining tax rate in half or modest estates. In short, the Democratic alternative still has a ''cliff effect.'' If the total fair market value, based on the Internal Revenue's opinion as to the estate's highest and best use, happens to exceed the Democratic credit, then the family is immediately exposed to death tax rates 41 to 60 percent.

The Democratic alternative fails to take advantage of the lower estate tax rates currently provided in the tax code. Their increase in the unified credit to $1 million forces American families to still pay death taxes ranging from 41 to 60 percent.

While H.R. 8's use of the exemption would allow American families the benefit of the lower tax rates beginning at 18 percent until such time as all of the death taxes are eliminated.

I think through all of the debates, most if not all of my colleagues in the Senate would agree that the influences of a strong economy have created $1 million estates in American families who have never had to face these types of overwhelming tax burdens. Dozens of American cities continue to report that the average sales price for a single family home has climbed to more than $250,000. Their average homes are worth a quarter of a million dollars, by the time you add life insurance for husband and wife, 401(k)s and IRAs to the fair market value of their homes many American families could be facing the previously unknown burden of death tax.

Even though the Democratic alternative goes on to eventually increase the unified credit to $2 million by the year 2009, American families' life insurance, 401(k)s, IRAs, and other lifetime savings are exposed to death taxes beginning at 49 to 60 percent for every dollar above the credit.

In vast contrast, those same families would be shielded from all death taxes after 2009, under our proposed Death Tax Elimination Act, H.R. 8.

Additionally, the Democratic alternative attempts to target its proposed relief to family farms and small businesses by raising the family farm and small business deduction from $1.3 million per decedent to $2 million per decedent in the year 2001. Beginning in 2006 through 2009 the deduction would then be increased through a series of steps to $4 million per decedent.

First of all, I am concerned that under the Democratic alternative, only those estates with over 50 percent of the estate in small businesses would qualify for relief. Upon the detailed review of the 50 percent requirement it becomes obvious that their alternative has several complicated adjustments, which includes all gifts made to the spouse within 10 years of death. This fact alone makes this approach very limited.

In addition to the 50 percent requirement, the Democratic alternative requires that for ten years beyond the date of death, small business families shall have an additional estate tax imposed if the family must dispose of any portion of the family owned business interest for such reasons as bankruptcy or foreclosure. The additional tax is a portion of what would have been owed without the small business exemption and the accrued interest from the date of death.

Second, I am also concerned about the complexity of this approach. The Democratic alternative would require the use of business appraisals and also the preparing and filing of extensive paperwork for up to 10 years beyond death.

After a couple of years of this targeted modest relief having been in effect, I have heard about how it is working. Based on what family farmers and small business folks are telling me in Delaware, I have some misgivings about whether this approach is taking care of most or all of the cases.

Since this complex provision was originally passed in the Taxpayer Relief Act of 1997, 902 estates have elected the current $1.3 million deduction available under the code. Our experience in the area of estate tax provisions leads us to believe that if the Internal Revenue Service challenges as many of the estate valuations as they do under similar provision then only about one-third of the estates that could elect under this provision would benefit under the Democratic alternative.

There are other significant differences between H.R. 8 and the Democratic alternative. H.R. 8 has painstakingly attempted to address multiple concerns in the rules under the generation skipping transfer tax provisions, in a sincere effort to make those rules less burdensome and less complex. Those technical rules, if violated by accident or otherwise generate an additional tax for violating the restriction against generation skipping transfers, by levying 55 percent tax over and above the 41 to 60 percent death tax already due and owing on the total value of the estate. The Democratic alternative does not address the much needed technical changes to general skipping transfer taxes.

Additionally, H.R. 8 has expanded the geographical limitations to qualified conservation easements. This is in recognition of the opportunity to further ease existing pressures to develop or sell environmentally significant land when families must raise funds to pay death taxes.

The Democratic alternative has not even considered this important issue nor has it attempted to advance the preservation of such land.

Now the Democratic leadership has repeatedly complained as to the expense associated with the Death Tax Elimination Act of 2000. But their own alternative is expecting a revenue loss of $64 billion over 10 years, roughly 60 percent of the revenue loss of H.R. 8. This is a $64 billion revenue loss that does not even protect those American families with simple homes, savings, insurance, qualified plans, and investments that do not include a farm or a business.

H.R. 8 repeals the whole estate and gift tax regime in 2010. But, because there are billions of dollars of assets previously untaxed, if the heirs sell any portion of the estate, capital gains taxes are then due and owing. Taxes are then paid at the right time, when the heirs convert the asset to cash. The tax is not collected on an arbitrary and traumatic event such as death. Nor is tax collected on an arbitrary valuation based on paper equity that has never been realized.

Moderately sized estates would be safeguarded from this capital gains tax exposure. The step up in basis is retained for all estates in an amount of up to $1.3 million per estate. In addition, transfers to a surviving spouse would receive an additional step up in the amount of $3 million. So a family could cumulatively receive a step up in basis of $5.6 million at the death of both husband and wife. This effectively protects moderately sized estates from both death tax and capital gain tax exposure.

The House passed the bill on a bipartisan basis with 65 Democrats voting in favor of repeal of the estate and gift taxes. Now is the Senate's opportunity to pass this bill on a bipartisan basis and send it to the President. It is my understanding this will be the only chance this year that we will have to pass this bill and repeal estate and gift taxes. If we fail, the bill dies. If we come together and vote in favor of the House bill—estate tax repeal that the Congress passed last year—it will go directly to the President for his signature.

This should not be a partisan issue.

Unfortunately, the White House has indicated its opposition to repeal of estate and gift taxes and has promised to veto this bill. With roughly $2 trillion of estimated non-Social Security surpluses over the next 10 years, I believe the approximately $105 billion cost of repealing estate and gift taxes to be well within reason—it is only about 5 percent of the projected non-Social Security surplus.

Taxpayers are taxed on their earnings during their lives at least once. Our Nation has been built on the notion that anyone who works hard has the opportunity to succeed and create wealth. The estate and gift taxes are a disincentive to succeed and should be eliminated. It is the right thing to do.

It has been said that there are only two certainties: death and taxes. The two are bad enough, but leave it to the Federal Government to find a way to make them worse by adding them together. This is probably the worst example of adding insult to injury ever devised. Yet Washington perpetuates over and over again on hard working families who have already paid taxes every day they have worked.

The Democratic alternative fails to address the needs of the American people. Therefore I urge my colleagues to support the majority leader and vote for H.R. 8.

Mr. President, I yield the floor.

The PRESIDING OFFICER. The Senator from Nevada.

Mr. REID. Mr. President, I yield to Senator BAUCUS whatever time he may consume.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Mr. President, I will start by complimenting the two leaders. Yesterday at this time, we were facing a likely cloture petition which would have severely limited debate on different amendments. We finally reached agreement on a certain number of amendments. It is good we have crossed that bridge and are now on the bill.

Some of the amendments that are going to be offered today may be adopted—some may not—but at least they will all improve the bill. We will have an open debate on them, and that allows the American people to have a better opportunity to determine what makes sense and what does not. Again, I congratulate the leaders.

The House bill still raises many serious questions that deserve careful consideration. I will name a few.

One is the impact of the House bill across various income levels, something that has really not been discussed. How does it affect one income level versus another income level versus the highest income levels in America?

Another is the new rules that maintain the carryover basis of certain inherited assets. What is all that about? It is kind of technical. The fact is, under the House bill—remember, the House bill doesn't repeal the estate tax until 10 years after enactment—there is not much relief in the first 10 years. But after 10 years, after the estate tax is repealed, many assets will no longer have a stepped up basis but instead have a carryover basis.

What does someone who inherits an asset and wants to then dispose of that asset have to do? He or she cannot just figure out how much tax is owed by using the ordinary market value when it was inherited, which presumably is quite a bit higher than when it was bought. Rather, he or she has to use the carryover basis from when the asset was first acquired with whatever adjustments were made in the meantime. This is usually much lower. And it is awfully technical.

The net effect is twofold: One is that people who receive an inheritance, under the House bill, are going to suddenly face a much higher capital gains tax if and when they want to dispose of it than they would under current law. Under current law, again, it is called a stepped-up basis. The net effect is a much lower capital gains tax when the asset might otherwise be sold.

All you folks who think, boy, this House bill is going to repeal the estate tax, beware. It does not really repeal the estate tax. What it does is say that 10 years later, when you get that asset, if you want to do anything with it, if you want to sell it, want to realize the value of it, you will pay a whopping capital gains tax, much higher than you would otherwise pay under current law.

The second problem with that is the complexity of the paperwork. Let's assume the House bill passes. After 10 years —you are a person who receives inheritance from an estate. If you have to go back and figure out what the basis of all the assets are, some assets may have been acquired by the decedent 5 years earlier, 10 years earlier, maybe 20 years earlier, maybe 30 years earlier. The basis may have to be carried over for generations. If you have to stop and find the paperwork, find the data which determines what the cost was of that asset from who knows how many years ago, that is a huge change from current law. It will cause undue complexity.

A lot of people in this body correctly complain about the complexity of the Tax Code. That is a valid complaint. If the House bill passes, the additional complexity that this body will impose on taxpayers is going to be beyond imagination. When this Congress did the same thing about 24 years ago, in 1976, guess what happened. Our own constituents raised a huge outcry. What did we do in the Congress? We agreed with our folks.

We ended up repealing carryover basis before it even took effect. I don't think many people have focused on it, but that same provision is in the House bill right now, the bill we have before us.

Then there is the effect of the House bill on charitable giving, when the estate tax is totally repealed on down the road after 10 years. I have talked to a lot of estate tax attorneys—reasonable people, good, solid estate tax attorneys. They say: Max, if you pass a total repeal, I guarantee you there will be a huge drop in charitable contributions in America—huge. It stands to reason.

Think of some taxpayers who have been in the news a lot, some Americans who have huge estates. We see in the news that they are giving a lot to charity. I am sure a lot of those folks are giving to charity out of the goodness of their hearts, for good, solid altruistic reasons. I am also confident that a lot of people with wealth give to charity because under current law, it benefits them; those charitable contributions are deductible. They would far rather give to a charity than to Uncle Sam. They would rather give to their children first, but they would rather give to a charity than Uncle Sam.

I think you are going to see a huge drop in charitable contributions if this House-passed bill the majority party is pushing is enacted into law. At the very least, we never had hearings on this. We really don't know what effect it will have on charitable contributions. We really don't know what real effect repeal of the stepped-up basis and moving over to the carryover basis can have either. We can surmise. I don't hear the majority talking about those issues much, which leads me to the conclusion that there is probably more of a problem with these issues than they want people to believe. What our best guess of the effect? We could determine it best if we had hearings, but there have been no hearings on Federal estate taxes in this Congress—none in the Senate.

I won't belabor the point. I think it is just basic things we should be thinking about before we rush to passage of the House-passed bill. Let's move on to the substance. Remember, under current law, the estate tax applies to estates worth more than $675,000. That is the law. That amount is scheduled to rise to $1 million in the year 2006. In addition, we have special rules that increase the exemption for family-held businesses to $1.3 million. That is current law.

To put this in perspective, next year it is expected that about 2.5 million Americans will die. Of those 2.5 million, roughly 50,000 will have estates that will pay an estate tax under current law. That is 2 percent. I will repeat that because it is worth remembering. Of the number of people who will die this year, about 2 percent of those people will have estates subject to estate tax. So 98 percent of Americans who die will not have estates that are subject to the estate tax. That is current law.

With this basic picture in mind, today's debate presents two separate alternatives, two ways to reform the estate tax. There is the House-passed bill and there is the Democratic alternative.

Let's look at the House bill. What does it do? It works in two steps. Over the first 9 years, it gradually reduces estate tax rates down to a top rate of about 40 percent. How does it do it? Really, it doesn't reduce taxes very quickly during that 9 years because the first year the only things that are actually repealed are the top rate, which is 55 percent, and the surtax. During that time other modest cuts are made. Then the next year, the 53 percent rate is repealed, and then on down. Then in the final year, you get total repeal. The bill waits a full 10 years after enactment before it completely repeals the estate tax. That is when the real effect of the House bill is felt. It is not in the first 10 years but after total repeal, after 10 years.

At the same time, the House bill imposes a new requirement. When full repeal goes into effect, people who inherit estates worth more than certain amounts must maintain what tax lawyers call the ''carryover basis'' of inherited assets. I discussed that a few minutes ago. That, in a nutshell, is the House bill.

The Democratic alternative takes a different approach. It does two things—very simple but effective. First, we dramatically increase the amount that is exempt from estate tax. Currently, as I mentioned, it is $675,000. We increase the per person exemption to $1 million per spouse right away. A few years later, we begin to increase it again, until it reaches $2 million. For a couple, that is a $4 million exemption right across the board.

Second, we increase the family-owned business exclusion to $4 million per spouse. For a couple, it is $8 million.

Those are the two alternatives.

When you compare them, it should be pretty clear the Democratic alternative has two important virtues. First, the Democratic alternative provides dramatic relief, while the Republican bill does not. And it provides dramatic relief where it is needed the most—small businesses, family-held farms and ranches.

In the first year, we would exempt over 40 percent of the estates that are currently subject to an estate tax. Not the House bill, the majority proposed bill; it actually would affect very few people in the first year and it wouldn't exempt anyone from the tax. The Democratic alternative would exempt 40 percent. In fact, ours contains much more relief for estates in this range than the House bill would begin to provide.

Over the longer term, when the provisions take full effect, the Democratic alternative exempts more than two-thirds of all estates. Remember, of all the people who die in America, only 2 percent are subject to estate tax in the first place. The Democratic alternative exempts two-thirds of all those; that is, two-thirds of the 2 percent. It would also exempt three-quarters of all small businesses that might otherwise be paying tax, and 95 percent of all farms and ranches that would have to pay the estate tax under current law.

In contrast, the House-passed bill doesn't go nearly that far. It provides very little relief to these estates for the first 10 years. Granted, eventually it provides total relief, but that is 10 years from now, not in the interim. In 2010 the Republican bill repeals the tax completely, including estates worth not only $2 million or $3 million, or family businesses up to $8 million, but it also repeals the estate tax for huge estates—$100 million estates, $1 billion estates, $5 billion estates. It totally repeals any tax whatsoever on estates of that size.

Yesterday, I spoke in opposition to the House bill, and Senators THOMAS and INHOFE expressed a little surprise. They said when they talk to ordinary folks in their home States, they hear a lot about the estate tax, and people want reform. They wondered whether I was hearing the same in my State of Montana. I sure am, all the time—in coffee shops, in grocery stores, lots of people talk to me. They think it hits too hard on farms, ranches, and small businesses. That is precisely the point. The House bill responds to these with an abstraction—repeal, 10 years from now.

The Democratic alternative says, no, we are not going to wait 10 years; we are going to do it now. We respond with honest-to-goodness relief. I am sure there is somebody in Montana with an estate worth more than $8 million who will still have to pay some estate tax under the Democratic alternative. But there sure aren't many of them.

Remember, the vast majority of the estates are either not affected by the tax now or, if they are, would be completely exempt under the Democratic alternative. One other virtue of the Democratic alternative is it costs much less than the House bill, $40 billion less over 10 years. After that, the savings are even greater.

As a result, the Democratic alternative allows us not only to reform the estate tax in a way that helps where it is needed the most, but it also allows us to address other priorities that, frankly, are more important than total repeal of the estate tax, particularly for huge estates.

For example, what about the national debt? The Democratic alternative leaves an additional $40 billion available to pay down the national debt. Or we could use the savings to provide tax cuts to meet other important needs; help average families save for retirement or their kids' college education, or help people meet long-term medical care costs; protect Social Security and Medicare.

Believe me, these are good things that we hear about at home all the time. I believe that more people are more concerned about these matters than they are about total repeal of the estate tax, particularly for large estates.

NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 2001—Resumed

The PRESIDING OFFICER. Under the previous order, the time has arrived to proceed to the next order of business.

The Senator from Delaware.

Mr. ROTH. Mr. President, I ask unanimous consent that the next votes in the series be limited to 10 minutes each.

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

Mr. REID. The first vote will be 15 minutes and thereafter 10 minutes. We agree.

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

The clerk will report.

The assistant legislative clerk read as follows:

A bill (S. 2549) to authorize appropriations for fiscal year 2001 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes.

Pending:

Feingold pending amendment No. 3759, to terminate production under the D5 submarine-launched ballistic missile program.

Durbin Amendment No. 3732, to provide for operationally realistic testing of National Missile Defense systems against countermeasures; and to establish an independent panel to review the testing.

The PRESIDING OFFICER. The Senator from Virginia.

Mr. WARNER. Mr. President, it is my understanding that under the order we will now proceed to two votes. I recommend to the Senate that we proceed to the Feingold vote first.

The PRESIDING OFFICER. The Senator is correct.

Mr. WARNER. Second, to the vote on the amendment of the distinguished Senator from Illinois.

At this time, I believe we have 2 minutes for those in opposition. But in deference to the proponents, we are willing to hear from the proponents first.

They are not going to use it.

Then I yield 2 minutes to the distinguished chairman of the Subcommittee on Strategic Forces.

The PRESIDING OFFICER. The Senator from Colorado.

Mr. ALLARD. Mr. President, the Feingold amendment would undermine the U.S. sea-based deterrent force by killing the Trident D–5 missile program. Such a decision would cut the Navy's requirement short by 53 missiles resulting in the deployment of three fewer submarines that DOD currently believes are required.

I move to table the amendment.

I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The question is on agreeing to the motion. The clerk will call the roll.

Mr. BYRD. Mr. President, will the Chair kindly tap the gavel a little bit to clear the well?

The PRESIDING OFFICER. Senators will clear the well. The Senate will be in order. The clerk will not proceed until Senators clear the well.

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

The assistant legislative clerk called the roll.

Mr. REID. I announce that the Senator from Maryland (Ms. MIKULSKI) is necessarily absent.

The result was announced—yeas 81, nays 18, as follows:

[Rollcall Vote No. 177 Leg.]

YEAS—81

Abraham	Dodd	Lugar
Akaka	Domenici	Mack
Allard	Edwards	McCain
Ashcroft	Enzi	McConnell
Baucus	Feinstein	Moynihan
Bayh	Fitzgerald	Murkowski
Bennett	Frist	Nickles
Biden	Gorton	Reed
Bingaman	Graham	Robb
Bond	Gramm	Roberts
Breaux	Grams	Roth
Brownback	Gregg	Santorum
Bryan	Hagel	Sarbanes
Bunning	Hatch	Schumer
Burns	Helms	Sessions
Byrd	Hollings	Shelby
Campbell	Hutchinson	Smith (NH)
Chafee, L.	Hutchison	Smith (OR)
Cleland	Inhofe	Snowe
Cochran	Inouye	Specter
Collins	Kennedy	Stevens
Conrad	Kerry	Thomas
Coverdell	Kyl	Thompson
Craig	Landrieu	Thurmond
Crapo	Levin	Torricelli
Daschle	Lieberman	Voinovich
DeWine	Lott	Warner

NAYS—18

Boxer	Jeffords	Lincoln
Dorgan	Johnson	Murray
Durbin	Kerrey	Reid
Feingold	Kohl	Rockefeller
Grassley	Lautenberg	Wellstone
Harkin	Leahy	Wyden

NOT VOTING—1

Mikulski

The motion was agreed to.

Mr. WARNER. Mr. President, I move to reconsider the vote.

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

The motion to lay on the table was agreed to.

AMENDMENT NO. 3732

Mr. WARNER. Mr. President, under the previous order, we will now proceed to the amendment by the Senator from Illinois. At such time as he concludes his portion of the 2 minutes, I yield my time to the senior Senator from Mississippi, Mr. COCHRAN.

The PRESIDING OFFICER (Mr. BUNNING). The Senator from Illinois. The time is 2 minutes, equally divided.

The Senator from Illinois is recognized.

Mr. DURBIN. Mr. President, can I have order in the Chamber?

The PRESIDING OFFICER. The Senate will come to order.

Mr. DURBIN. Mr. President, this amendment which we offer is one that was debated last night on the floor of the Senate. It is very straightforward. If we are to go forward with a national missile defense system, we should have honest, realistic testing, including testing for countermeasures so we can say to the American people: Your money is being well spent; so we can say to them: If this is a source of security and defense for America, it is one that will work and function.

Some have looked at my amendment and said it must be critical of the system because DURBIN has questioned the system in the past. I presented, during the course of the debate last night, a letter from the Director of Testing and Evaluation in the Department of Defense, Mr. Philip Coyle, in which he writes to me and says:

This letter is to support your effort to reinforce the need for realistic testing of the National Missile Defense System.

It is very clear to the Pentagon, as it is to those who listened to the debate last night, that this is not a friendly amendment nor an amendment that sets out to end the national missile defense system. This is an amendment which asks for the facts and asks for the reality. I hope Senators will support it.

Mr. DASCHLE. Mr. President, I come to the floor this morning to voice my support for perhaps the most important amendment—on one of the most important bills—the Senate will consider this year.

National missile defense is one of the most critical defense issue facing this nation.

It is probably one of the more politically charged issues as well.

Despite political sensitivity and, frankly, political risk, Senator DURBIN has looked carefully at the facts, and at the arguments on all sides of this issue. His amendment reflects a balanced measured approach that I believe should be endorsed by both supporters and opponents of a missile defense system.

The Senate should adopt the Durbin amendment for two reasons: What it doesn't say. And what it does say.

What the amendment doesn't say is whether a missile defense system is a good idea, or a bad idea.

Frankly, I believe we do not have enough information yet to make that call. The Durbin amendment actually presumes a NMD system will be deployed. But it does not address the issue of whether it should be deployed.

What the Durbin amendment does say, it says well. Simply put, this amendment says that before we commit $60 billion—or more—to deploy a national missile defense system, we must be confident the system will work. Nothing more, nothing less. Americans have a right to know that their tax dollars aren't being wasted on a system that cannot work. And we have a responsibility to provide them with that assurance.

The Durbin amendment says that before a national missile defense system can be declared operational, the system must be tested against measures our enemies can be expected to take to defeat it, and the Secretary of Defense must prepare a report for Congress on the ability of the NMD system to defeat these countermeasures.

The amendment also reconvenes the Welch panel, an independent review panel chaired by General Welch, to assess countermeasure issues and deliver a report on findings to both the Defense Department and the Congress.

Why are such assurances needed?

Deployment of a national missile defense system would signal a dramatic change in the deterrent strategy this Nation has followed successfully for over 40 years. Moving to new strategy dependent on defenses is not without risks.

Missle defense deployment requires enormous public commitment—not unlike our effort to put a man on the Moon.

While success can never be guaranteed, American people have a right to know that success is possible—before we commit $60 billion, or more, to it.

The President must have confidence the system will work. Also, critically important, our adversaries must know a national defense system will work.

A deterrent is not effective if enemies can be confident it may not, or will not, work. If tests demonstrate for the world that the United States has a strong missile defense system, our adversaries are much less likely to want to test our defenses.

Another reason assurances are needed: Increasing number of studies that raise questions about whether current missile defense testing program can provide future leaders with adequate level of confidence.

Philip Coyle III, the Pentagon's Director of Operational Testing and Evaluation, issued a report to Congress earlier this year. The report concluded the pre-deployment tests will not be conducted ''in a realistic enough manner to support acquisition decisions.''

A recent report by MIT found that relatively simple countermeasures could defeat the planned NMD system—and that current testing is not capable of evaluating the operational effectiveness of the system against likely countermeasures. This is a critical deficiency.

Technical experts warn that any emerging ''missile state'' that is capable of deploying a long-range ballistic missile is also capable of building countermeasures that could defeat a NMD system.

The intelligence community released a report last year on ''Foreign Missile Development and the Ballistic Missile Threat to the United States through 2015.'' The report warned that emerging ''missile states'' could develop countermeasures such as decoy balloons by the time they flight test their first long-range missiles.

They could also acquire countermeasure technologies from Russia and China—both of whom possess such technologies, and both of whom strongly oppose a U.S. NMD system.

Reasons to oppose amendment? I can think of only one reason to oppose this amendment: Belief that we should deploy an NMD system at any cost. Regardless of whether the system can work. Regardless of the cost to American taxpayers. Regardless of the effects deployment could have on our relationships with our allies. Regardless of how it might escalate an international nuclear arms race. Regardless of everything.

I understand that there are some who feel this way. Frankly, I cannot understand this sort of thinking. They wouldn't buy a car before test-driving it. Why in the world would they buy a $60 billion defense system before knowing that it can work?

A missile defense system that undermines our Nation politically, economically, and strategically—without strengthening our defense—is no defense at all.

The American people have a right to know that—if we deploy a national missile defense system—it will work. The Durban amendment will take a big step toward providing them with that assurance. We should adopt it.

Mr. MOYNIHAN. Mr. President, 50 Nobel laureates signed an open letter to President Clinton on July 6, 2000, urging him to reject a proposed $60 billion missile defense system. I ask that the letter may be printed in the RECORD.

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

JULY 6, 2000.

PRESIDENT WILLIAM JEFFERSON CLINTON,
The White House, Washington, DC.

DEAR MR. PRESIDENT: We urge you not to make the decision to deploy an anti-ballistic missile system during the remaining months of your administration. The system would offer little protection and would do grave harm to this nation's core security interests.

We and other independent scientists have long argued that anti-ballistic missile systems, particularly those attempting to intercept reentry vehicles in space, will inevitably lose in an arms race of improvements to offensive missiles.

North Korea has taken dramatic steps toward reconciliation with South Korea. Other dangerous states will arise. But what would such a state gain by attacking the United States except its own destruction?

While the benefits of the proposed anti-ballistic missile system are dubious, the dangers created by a decision to deploy are clear. It would be difficult to persuade Russia or China that the United States is wasting tens of billions of dollars on an ineffective missile system against small states that are unlikely to launch a missile attack on the U.S. The Russians and Chinese must therefore conclude that the presently planned system is a stage in developing a bigger system directed against them. They may respond by restarting an arms race in ballistic missiles and having missiles in a dangerous ''launch-on-warning'' mode.

Even if the next planned test of the proposed anti-ballistic missile system works as planned, any movement toward deployment would be premature, wasteful and dangerous.

Respectfully,

Sidney Altman, Yale University, 1989 Nobel Prize in chemistry.

Philip W. Anderson, Princeton University, 1977 Nobel Prize in physics.

Kenneth J. Arrow, Stanford University, 1972 Nobel Prize in economics.

Julia Axelrod, NIH, 1970 Nobel Prize in medicine.

Baruj Benacerraf, Dana Farber Cancer Inst., 1980 Nobel Prize in medicine.

Hans A. Bethe, Cornell University, 1967 Nobel Prize in physics.

J. Michael Bishop, University of Calif., San Francisco, 1989 Nobel Prize in medicine.

Nicolaas Bloembergen, Harvard University, 1981 Nobel Prize in physics.

Paul D. Boyer, UCLA, 1997 Nobel Prize in chemistry.

Steven Chu, Stanford University, 1997 Nobel Prize in physics.

Stanley Cohen, Vanderbilt University, 1986 Nobel Prize in medicine.

Leon N. Cooper, Brown University, 1972 Nobel Prize in physics.

E. J. Corey, Harvard University, 1990 Nobel Prize in chemistry.

James W. Cronin, University of Chicago, 1980 Nobel Prize in physics.

Renato Dulbecco, The Salk Institute, 1975 Nobel Prize in medicine.

Edmond H. Fischer, Univ. of Washington, 1992 Nobel Prize in medicine.

Val L. Fitch, Princeton University, 1980 Nobel Prize in physics.

Robert F. Furchgott, Suny Health Science Ctr., 1998 Nobel Prize in medicine.

Murray Gell-Mann, Santa Fe Institute, 1969 Nobel Prize in physics.

Ivar Giaever, Rensselaer Polytechnic Institute, 1973 Nobel Prize in physics.

Walter Gilbert, Biological Laboratories, Cambridge, Mass., 1980 Nobel Prize in chemistry.

Sheldon L. Glashow, Boston University 1999 Nobel Prize in physics.

Roger C. L. Guillemin, The Salk Institute, 1977 Nobel Prize in medicine.

Herbert A. Hauptman, The Medical Foundation of Buffalo, 1985 Nobel Prize in chemistry.

Dudley R. Herschbach, Harvard University, 1986 Nobel Prize in chemistry.

Roald Hoffman, Cornell University, 1981 Nobel Prize in chemistry.

David H. Hubel, Harvard University, 1981 Nobel Prize in medicine.

Jerome Karle, Naval Research Laboratory, 1985 Nobel Prize in chemistry.

Arthur Kornberg, Stanford University, 1959 Nobel Prize in medicine.

Edwin G. Krebs, University of Washington, 1992 Nobel Prize in medicine.

Leon M. Lederman, Illinois Institute of Technology, 1988 Nobel Prize in physics.

Edward B. Lewis, Caltech, 1995 Nobel Prize in medicine.

Rudolph A. Marcus, Caltech, 1992 Nobel Prize in chemistry.

Franco Modigliani, MIT, Sloan School, 1985 Nobel Prize in economics.

Mario Molina, MIT, 1995 Nobel Prize in chemistry.

Marshall Nirenberg, NIH, 1968 Nobel Prize in medicine.

Douglas D. Osheroff, Stanford University, 1996 Nobel Prize in physics.

Arno A. Penzias, Bell Labs, 1978 Nobel Prize in physics.

Martin L. Perl, Stanford University, 1995 Nobel Prize in physics.

Norman F. Ramsey, Harvard University, 1989 Nobel Prize in physics.

Burton Richter, Stanford University, 1976 Nobel Prize in physics.

Richard J. Roberts, New England Biolabs, 1993 Nobel Prize in medicine.

Herbert A. Simon, Carnegie-Mellon Univ., 1978 Nobel Prize in economics.

Richard R. Smalley, Rice University, 1996 Nobel Prize in chemistry.

Jack Steinberger, CERN, 1988 Nobel Prize in physics.

James Tobin, Yale University, 1981 Nobel Prize in economics.

Daniel C. Tsui, Princeton University, 1998 Nobel Prize in physics.

Steven Weinberg, University of Texas, Austin, 1979 Nobel Prize in physics.

Robert W. Wilson, Harvard-Smithsonian, Ctr. for Astrophysics, 1978 Nobel Prize in physics.

Chen Ning Yang, Suny, Stony Brook, 1957 Nobel Prize in physics.

Owen Chamberlain*, University of California, Berkeley, 1959 Nobel Prize in physics.

Johann Diesenhofer*, University of Texas Southwestern Medical Center, 1988 Nobel Prize in chemistry.

Willis E. Lamb, Jr.*, Stanford University, 1955 Nobel Prize in physics.

*These laureates signed the letter within hours after the letter was delivered to the White House.

The PRESIDING OFFICER. The Senator from Mississippi.

Mr. COCHRAN. Mr. President, the Durbin amendment is unnecessary. It purports to direct the manner and details of a missile testing program that the Secretary of Defense is committed to conduct already.

This amendment is an unprecedented effort by the Senate to micromanage a weapons system testing program. In no other program has the Senate tried to legislate in this way to dictate to DOD how a classified national security testing program should be conducted.

The directions to DOD in this amendment are vague. They would inevitably lead to confusion and unnecessary delays in the development of this complex, but very important, capability to defend our Nation against a serious threat. I urge the Senate to reject this amendment.

I move to table the amendment and ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There appears to be a sufficient second.

The question is on agreeing to the motion. The clerk will call the roll.

The legislative clerk called the roll.

The result was announced—yeas 52, nays 48, as follows:

[Rollcall Vote No. 178 Leg.]

YEAS—52

Abraham	Frist	Murkowski
Allard	Gorton	Nickles
Ashcroft	Gramm	Roberts
Bennett	Grams	Roth
Bond	Grassley	Santorum
Brownback	Gregg	Sessions
Bunning	Hagel	Shelby
Burns	Hatch	Smith (NH)
Campbell	Helms	Smith (OR)
Chafee, L.	Hutchinson	Specter
Cochran	Hutchison	Stevens
Coverdell	Inhofe	Thomas
Craig	Kyl	Thompson
Crapo	Lott	Thurmond
DeWine	Lugar	Voinovich
Domenici	Mack	Warner
Enzi	McCain	
Fitzgerald	McConnell	

NAYS—48

Akaka	Edwards	Levin
Baucus	Feingold	Lieberman
Bayh	Feinstein	Lincoln
Biden	Graham	Mikulski
Bingaman	Harkin	Moynihan
Boxer	Hollings	Murray
Breaux	Inouye	Reed
Bryan	Jeffords	Reid
Byrd	Johnson	Robb
Cleland	Kennedy	Rockefeller
Collins	Kerrey	Sarbanes
Conrad	Kerry	Schumer
Daschle	Kohl	Snowe
Dodd	Landrieu	Torricelli
Dorgan	Lautenberg	Wellstone
Durbin	Leahy	Wyden

The motion was agreed to.

Mr. COCHRAN. I move to reconsider the vote.

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

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. S. 2549 is now considered read a third time.

The Senate will now proceed to H.R. 4205. The text of S. 2549 is substituted therefore, and the bill is considered read a third time.

AMENDMENT NO. 3753

Mr. ROCKEFELLER. Mr. President, I am pleased that the Senate has taken an important step toward protecting the lives and property of all Americans with the passage of the Firefighter Investment and Response Enhancement Act. I am proud today to join with Senators DODD and DEWINE as a cosponsor of this legislation. I wish to thank Senator DODD and Senator DEWINE for the leadership and effort they have shown on behalf of the men and women serving as firefighters across the nation. I would also like to commend the many other Senators who already have signed on as cosponsors of this important legislation.

The Firefighter Investment and Response Enhancement Act seeks to address the enormous amount of fiscal need faced by our nation's fire departments, both paid and volunteer, and does so with an eye to the human costs incurred by both firefighters and the general public these brave men and women protect every day. Every year, more than 4,000 people are killed and 24,000 are injured by fire in the United States. Sadly, about 660 of those killed each year are children. One hundred of the individuals who lose their lives to fire each year are firefighters, the very men and women who are fighting to protect others. Many of these deaths and injuries could be avoided by simply using the technology and equipment that while currently available, is often so expensive that fire departments are unable to purchase it. Similarly, many of the deaths and injuries could be avoided with increased efforts at fire prevention and training. Fire departments in many of our towns and cities spend the bulk of their entire budgets on administrative costs and compliance with existing safety regulations, and can simply not afford the available safety equipment and training. As a consequence, far too many volunteer firefighters and EMTs are forced to pay for their own training because their departments simply do not have enough money to have them trained.

West Virginia fire departments share in this enormous need for additional funding. There are about 16,000 firefighters in West Virginia serving in 437 fire departments. Virtually every one of those departments are underfunded. West Virginians were forced to cope with almost $73 million of property damage due to fires in 1999. More importantly, 45 civilians were killed and two firefighters were killed in the line of duty. Much of the loss of life and property, and many of these injuries could have been avoided if fire departments had the funds to deal with emergencies as effectively as possible and to establish prevention programs.

Over the past few months, my state has grieved the tragic loss of two firefighters whose deaths may well have been prevented if their departments had access to grants available under S. 1941. Angelo ''Wayne'' Shrader, a firefighter with the East River Volunteer

Fire Department, in Princeton, WV, who also worked as a Communicator with the Mercer County ''911'' service, died as a result of injuries incurred fighting a fire as part of an under-staffed local fire department. Similarly, Fire Lieutenant Robbie Brannon, of the City of Bluefield Fire Department, died as the result of injuries, including a heart attack, he suffered fighting a residential fire with a crew short two firefighters because of budget constraints. I humbly join with colleagues on both sides of the aisle today in honor of the bravery and sacrifice of Wayne Shrader and Robbie Brannon, and the many firefighters in West Virginia and across the nation who continue to protect us each day.

Like fire departments all across the country, West Virginia fire departments do receive support from State and local governments. Unfortunately, it is simply not enough. Indeed, fire departments in West Virginia are just like those in every other state, with equipment and personnel needs requiring substantial additional funding. Equipment such as thermal imaging cameras would be a tremendous aid to firefighters and could result in lives being saved, but such equipment is very expensive. Similarly, new and technologically advanced fire engines would be an enormous help to fire departments and the towns and cities they serve. Unfortunately, with current funding levels, most fire departments cannot upgrade their equipment and many must raise funds themselves just to fuel the antiquated vehicles many must still keep in service.

However, the greatest need fire departments in West Virginia have is the need for increased training. Additional training would be an invaluable resource to fire departments across the state. There simply is not enough money available. Three years ago, the projected five-year need for the fire departments in Raleigh County, West Virginia, alone was $14 million. While the Firefighter Investment and Response Enhancement Act would not cover that entire need, it would be a tremendous aid to fire departments as they attempt to meet their various needs.

For many years, fire departments and firefighters across the nation have simply dealt with funding shortfalls, and yet have managed to protect our communities despite the limited resources available to them. However, we cannot expect these miracles to be performed any longer. Bake sales and bingo can only pay for so much. It is vital that the federal government become involved. The men and women serving as firefighters play an important role in the quality of life in our communities, and it is high time Congress recognizes their contribution. It is our responsibility to provide adequate funding sources to keep firefighters from facing dangers that could be mitigated or eliminated though better training, the availability of state-of-the-art equipment, and the implementation of fire prevention programs.

The Firefighter Investment and Response Enhancement Act provides a portion of this much-needed relief. The legislation authorizes $1 billion to be distributed by FEMA to fire departments across the nation on a competitive basis. No more than ten percent of this money is to be used for administrative costs. This assures that the money is really getting to the fire departments that so desperately need help. Further, at least ten percent of the funds are to be used to establish vital fire prevention programs to stop fires before they start. The remaining appropriations will be available on a competitive basis to address a wide variety of needs faced by fire departments across the nation. This allows money to be used for the most desperate needs of individual departments.

It is past time that we provide some relief to our nation's brave firefighters who have managed to get by on far too little for far too long. Once again, I commend the Senate for taking this action on behalf of our nation's firefighters. I also wish to thank Senator DODD and Senator DEWINE for sponsoring this legislation to supply a portion of that much-needed aid. Little that we do may be as immediately important as the help we should act quickly to provide our fire departments. By helping our nation's fire departments, we are truly helping everyone.

Mr. LEVIN. Mr. President, I rise as an original co-sponsor of the Domenici Nuclear Cities amendment and to note that this important amendment was unanimously agreed to by the Senate.

The Russia nuclear weapons complex is a vast collection of highly secret closed cities. This complex is far larger and has significantly more capability to produce nuclear weapons than the US nuclear weapons complex. Just over two years ago, the Department of Energy was presented with a unique opportunity to help Russia significantly reduce this complex, including the opportunity to close 2 of the three Russian nuclear weapons assembly facilities.

The DOE through its nuclear cities initiative has been working closely with its Russian counterpart, the Russian Ministry of Atomic Energy, known as MinAtom, to reduce the size of the Russian nuclear complex by 50 percent. DOE started this effort just over two years ago, and while it took a while to get off the ground, the Nuclear Cities Program has begun to demonstrate real progress.

This amendment would direct the Secretary of Energy to expand and accelerate the activities under the Nuclear Cities Program and further assist Russia in downsizing its nuclear weapons complex. To help with this effort the amendment will provide an additional $12.5 million over the current $17 million authorized in the bill. Compared to the overall defense budget this is a small amount but an amount that can help reduce the Russian nuclear weapons complex.

This amendment directs the U.S. DOE and MinAtom, to enter into an agreement to establish a plan, with milestones, to consolidate the Russian nuclear weapons complex. In addition, MinAtom must agree, in writing, to close some of its nuclear weapons facilities, before the additional $12.5 million can be spent.

We have a unique opportunity to further U.S. national security interests by closing some of the Russian nuclear weapons facilities. While the full burden to downsize the Russian complex remains a Russian obligation we can and should help. It is important to improve and further our relationship with Russian at all levels. The Nuclear Cities program provides many benefits to the U.S. and to Russia. The U.S. should grab this opportunity. In the future, Mr. President, I would like to see the program expanded further; this amendment is a good first step.

Mr. MCCAIN. Mr. President, I rise today in support of S. 2549, the National Defense Authorization Act for FY2001. Included in the bill that passed today are several amendments that will significantly improve the lives of active duty members, reservists, military retirees, veterans, and their families.

These amendments greatly improved the version of the bill that came out of the Armed Services Committee. I had voted against reporting the bill out of the Committee because it did not include important measures for military personnel and neglected the issue of defense reform.

The critical amendments that were included in the legislation that passed today will: remove servicemembers from food stamps; increase pay for mid-grade Petty Officers and Non-Commissioned Officers; assist disabled veterans in claims processing; restore retirement pay for disabled military retirees; provide survivor benefit plan enhancements; authorize a low-cost life insurance plan for spouses and their children; enhance benefits and retirement pay for Reservists and National Guardsmen; authorize back-pay for certain WWII Navy and Marine Corps Prisoners of War; and provide for significant acquisition reform by eliminating domestic source restrictions on the procurement of shipyard cranes.

One of the areas of greatest concern among military retirees and their families is the ''broken promise'' of lifetime medical care, especially for those over-age 65. While the Committee had included some key health care provisions, it failed to meet the most important requirement, the restoration of this broken promise.

With severe recruitment and retention problems still looming, we must better compensate our mid-grade enlisted servicemembers who are critical to leading the junior enlisted force. We have significantly underpaid enlisted servicemembers since the beginning of the All-Volunteer Force. The value of the mid-grade NCO pay, compared to that of the most junior enlisted, has dropped 50 percent since the All-Volunteer Force was enacted by Congress in 1973. This pay provision for the mid-grade enlisted ranks, up to $700 per year, plus the food stamp pay provision of an additional $180 per month for junior enlisted servicemembers, provides a significant increase in pay for enlisted servicemembers.

The National Guard and Reserves have become a larger percentage of the Total Force and are essential partners in a wide range of military operations. Due to the higher deployment rates of the active duty forces, the Reserve Components are being called upon more frequently and for longer periods of time than ever before. We must stop treating them like a ''second-class'' force.

I would like to emphasize the importance of enacting meaningful improvements for our servicemembers, their families and their survivors. They risk their lives to protect our freedom and preserve democracy. We should compensate them adequately, improve the benefits to their families and survivors, and enhance the quality of life for the Reserves and National Guard in a similar manner as the active forces.

Each year the number of disabled veterans appealing their health care cases continues to increase. It is Congress' duty to ensure that the disability claims process is less complex, less burdensome, and more efficient. Likewise, we should restore retirement pay for disabled military retirees.

I would also like to point out that this year's defense authorization bill contained over $1.9 Billion in pork—unrequested add-ons to the defense budget that robs our military of vital funding on priority issues. While this year's total is less than previous years' it is still $1.9 Billion too much. We need to, and can do better. I ask that the detailed list of Pork on this bill be included in the CONGRESSIONAL RECORD following my remarks.

In conclusion, I would like to emphasize the importance of enacting meaningful improvements for active duty and Reserve members. They risked their lives to defend our shores and preserve democracy and we can not thank them enough for their service. But we can pay them more, improve the benefits for their families, and support the Reserve Components in a similar manner as the active forces.

We must ensure that the critical amendments that I have outlined survive the Conference process and are enacted into law. Our servicemembers past, present, and future need these improvements, and the bill that we passed today is just one step on the road to reform.

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

Defense Authorization Act (S. 2549) for FY 2001 add-ons, increases and earmarks

	Dollars (in millions)
TITLE I, PROCUREMENT	
Army Procurement (none)	
Navy Procurement:	
Airborne Low Frequency Sonar (ALFS)	6
Allegany Ballistics Lab GOCO	7.7
LHD–8 Advanced Procurement	46
Adv Procurement DDG 51	79
MSC Thermal Imaging Equipment	4
Integrated Condition Assessment System (ICAS)	5
Side-Scan Sonar	5
Joint Engineering Data Management & Info Control (JEDMICS)	4
AN/SPQ–9B Gun Fire Control Radar	4
NULKA Anti-Ship Missile Decoy	4.3
Marine Corps Procurement:	
Improved Night/Day Fire Control Observation Device (INOD)	2.7
Air Force Procurement:	
C–17 Cockpit System Simulation	14.9
C–17 A/C Maintenance System Trainer (AMST)	11.5
Combat Training Ranges	20
TITLE II, R, D, T, AND E	
Army R, D, T & E:	
Composite Materials	6
Advanced missile composite component	5
Ballistics Technology	3.5
Portable Hybrid Electric Power Research	1.5
Thermoelectric Power Generation for Military Applications	1
Operational Support	4
Equipment Readiness	8
Fuel Cell Auxiliary Power Units	4
Enabling Technologies for Future Combat Vehicle	46.3
Big Crow	7
Simulation Centers Upgrades	4.5
Family of Systems Simulators	3
Army Space Control	5
Acoustic Technology	4
Radar Power Technology	4
Scramjet Acoustic Combustion Enhance	2
Aero-Acoustic Instrumentation	4
Supercluster Distributed Memory	2
SMDC Battlelab	5
Anti-malaria Research	2
SIRFC/ATIRCM	38.5
Threat Virtual Mine Simulator	2.5
Threat Information Operations Attack Simulator	2.1
Cost Reduction Effort MLRS/HIMARS	16
Design and Manufacturing Program	2
Center for Communications and Networking	5
Navy R, D, T & E:	
Free Election Laser	5
Biodegradable Polymers	1.25
Bioenvironmental Hazards Research	3
Nontraditional Warfare Initiatives	2
Hyperspectral Research	3
Cognitive Research	3
Nanoscale Sensor Research	3
Ceramic and Carbon Based Composites	2
Littoral Area Acoustic Demo	3
Computational Engineering Design	2
Supply Chain Best Practices	2
Virtual Tested for Reconfigurable Ship	2
Modular Composite Hull	4
Composite Helo Hangar Door	5
Advanced Waterjet-21	4
Laser Welding and Cutting	2.8
Ocean Modeling for Mine and Expeditionary Warfare	3
USMC ATT Initiative	15
Minesweeper Integrated Combat Weapons Systems	5

Defense Authorization Act (S. 2549) for FY 2001 add-ons, increases and earmarks—Continued

	Dollars (in millions)
Electric Motor Brush Technology	2
Advanced Composite Sail Technology	2.5
Shipboard Simulation for Marine Corps Operations	20
Common Command and Decision Functions	10
Advanced Amphibious Assault Vehicles	27.5
High Mobility Artillery Rocket System	17.3
Extended Range Guided Munition	10
Nonlethal Research and Technology Development	8
NAVCIITI	4
Parametric Airborne Dipping Sonar	10
Advanced Threat Infrared Countermeasures	8
Power Node Control Center	3
Advanced Food Service Technology	2
SPY-3 and Volume Search Radar	8
Multi-purpose Processor	15
Antenna Technology Improvements	5
Submarine Common Architecture	5
Advanced Tactical Software Integration	4
CVN–77, CVN(X), and Nimitz Class Smart Product Model	10
NULKA Dual Band Spatially Distributed Infrared Signature	2.1
Single Integrated Human Resources Strategy	3
Marine Corps Research University	3
Reentry System Application Program	2
Joint Tactical Combat Training System	5
SAR Reconnaissance System Demonstrator	9
Interoperability Process Software Tools	2
SPAWAR SATCOM Systems Integration Initiative	2
Distributed Engineering Plant	5
Air Force R, D, T & E:	
Resin Systems for Engine Applications	2
Laser Processing Tools	4
Thermal Protection Systems	1.5
Aeronautical Research	6
Variable Displacement Vane Pump	3
PBO Membrane Fuel Cell	5
Aluminum Aerostructures	3
Space Survivability	5.6
HAARP	7
Integrated Demonstration & Applications Laboratory (IDAL)	6
Fiber Optic Control Technology	2
Miniature Satellite Threat Reporting System (MSTRS)	5
Upper Stage Flight Experiment	5
Scorpius	5
Space Maneuver Vehicle	15
Solar Orbital Transfer Vehicle (SOTV)	5
Micro-Satellite Technology (XSS–10)	12
Composite Payload Fairings and Shrouds	2
SBL Integrated Flight Experiment (IFX)	30
Airborne Laser Program	92.4
RSLP GPS Range Safety	19.2
SATCOM Connectivity	5
BOL Integration	7.6
Hyperspectral Technology	2
Extended Range Cruise Missile	86.1
Global Air Traffic Management	7.2
Lighthouse Cyber-Security	5
B–2 Connectivity	3
U–2 Syers	6
Improved Radar for Global Hawk	6
Global Hawk Air Surveillance Demonstration	12

Defense Authorization Act (S. 2549) for FY 2001 add-ons, increases and earmarks—Continued

	Dollars (in millions)
Defense Wide R, D, T & E:	
Personnel Research Institute	4
Infrasound Detection Basic Research	1.5
Program Increase	15
Chemical Agent Detection-Optical Computing	2
Thin Film Technology	3
Wide Band Gap	2
Bio-defense Research	2.1
Hybrid Sensor Suite	8
High Definition Systems	7
Three-Dimensional Structure Research	3
Chem-Bio Detectors	5
Blast Mitigation Testing	3
Facial Recognition Access Control Technology	2
Magdalena Ridge Observatory	9
Wide Band Gap	10
Excalibur	3
Atmospheric Interceptor Technology	15
Chem-Bio Individual Sampler	2.7
Consequence Management Information System	6.4
Chem-Bio Advanced Materials Research	3.5
Small Unit Bio Detector	8.5
Complex System Design	5
Competitive Sustainment Initiative	8
WMD Simulation Capability	5
HAARP	5
Integrated Data Environment (IDE)	2
Advanced Optical Data and Sensor Fusion	3
Advanced Research Center	6.5
KE–ASAT	20
WMD Response System	1.6
Information Operations Technology Center Alliance	5
Trust Rubix	1.8
Cyber Attack Sensing and Warning	20
Virtual Worlds Initiative	2
Smart Maps	2
NIMA Viewer	5
JCOATS–IO	5
Information Assurance Testbed	5
Advanced Lightweight Grenade Launcher	5.6
Operational Test & Evaluation, Defense, R, D, T & E:	
Central T & E Investment Development (CTEIP) Program Increase	20
Reality Fire-Fighting Training	1.5
TITLE III, OPERATIONS & MAINTENANCE	
Army O&M:	
Range Upgrade	50
Battlefield Mobility Enhancement System	10
Clara Barton Center for Domestic Preparedness	1.5
Navy O&M:	
Navy Call Center—Cutler, Maine	3
Operational Meteorology and Oceanography	7
Nulka Training	4.3
Range Upgrades	25
MTAPP	2
Information Technology Center—New Orleans, LA	5
Nansemond Ordnance Depot Site—Suffolk, VA	0.9
USMC O&M (none)	
USAF O&M (none)	
O&M Defense Wide:	
JCS Mobility Enhancements	50
Defense Acquisition University	2
DLA MOCAS Enhancements	1.2
Joint Spectrum Center Data Base Upgrade	25
Legacy Project, Nautical Historical Project—Lake Champlain, NY	6.1
Information Security Scholarship Program	20
Command Information Superiority Architecture	2
Information Protection Research Institute	10
Impact Aid	20
MISCELLANEOUS	
Defense Health Program	98
Kaho'olawe Island Conveyance	25
Alkali Silica Reactivity Study	5
Sec. 373. Reimbursement by Civil Air Carriers for Johnston Atoll Support	
Sec. 1041. Inst. for Defense Computer Sec. & Info. Protection	10
Sec. 2831. Land Conveyance, Price Support Center, Granite City, IL	
Sec. 2832. Land Conveyance, Hay Army Res. Center, Pittsburgh, PA	
Sec. 2833. Land Conveyance, Steele Army Res. Center, Pittsburgh, PA	
Sec. 2834. Land Conveyance, Fort Lawton, WA	
Sec. 2835. Land Conveyance, Vancouver Barracks, WA	
Sec. 2851. Land Conveyance, MCAS Miramar, CA	
Sec. 2852. Land Conveyance, Defense Fuel Supply Point, Casco Bay, ME	
Sec. 2853. Land Conveyance, Former NTC Bainbridge, Cecil County, MD	
Sec. 2854. Land Conveyance, Naval Computer & Telecomm. Station, Cutler, ME	
Sec. 2871. Land Conveyance, Army & Air Force Exchange, Farmers Branch, TX	
AMENDMENTS	
Amdt. 3219. To modify authority to carry out a fiscal year 1990 military construction project at Portsmouth Naval Hospital, VA	8.5
Amdt. 3235. To authorize a land conveyance, Ft. Riley, KS	
Amdt. 3242. To modify authority for use of certain Navy property by the Oxnard Harbor District, Port Hueneme, CA	
Amdt. 3383. To provide with an offset, $5 million for R, D, T, & E Defense-wide for strategic environment Research & Development Program for technologies for detection & transport of pollutants from live-fire activities	5
Amdt. 3385. To set aside for weather-proofing facilities at Keesler Air Force Base, MS, $2.8 million of amount authorized to be appropriated for USAF operation & maintenance	2.8
Amdt. 3389. To treat as veterans individuals who served in the Alaska Territorial Guard during W.W.II	
Amdt. 3400. To authorize a land conveyance, former National Ground Intelligence Center, Charlottesville, VA	
Amdt. 3401. To authorize a land conveyance, Army Reserve Center, Winona, MN	
Amdt. 3404. To authorize acceptance and use of gifts from Air Force Museum Foundation for the construction of a third building for the Museum at Wright-Patterson USAF Base, OH	
Amdt. 3407. To permit the lease of the Naval Computer Telecomm. Center, Cutler, ME, pending its conveyance	
Amdt. 3408. To modify the authorized conveyance of certain land at Ellsworth Air Force Base, SD	
Amdt. 3415. To provide for the development of a USMC Heritage Center at Marine Corps Base, Quantico, VA	
Amdt. 3423. To authorize SecNav to convey to the city of Jacksonville N.C., certain land for the purpose of permitting the development of a bike/green way trail	
Amdt. 3424. To authorize, with an offset, $1.45 million for a contribution by the Air National Guard, the construction of a new airport tower at Cheyenne Airport, WY	
Amdt. 3460. P–3/H–1/SH–60R Gun Modifications	30
Amdt. 3462. CIWS MODS	30
Amdt. 3465. Land Conveyance, Los Angeles AFB	
Amdt. 3466. Procurement of AV–8B aircraft	92
Amdt. 3467. Information Technology Center, LA	5
Amdt. 3468. USMC Trucks, tilting brackets and mobile electronic warfare support system	10
Amdt. 3477. Joint Technology Information Center Initiative	20
Amdt. 3481. Tethered Aerostat Radar System Sites	33
Amdt. 3482. Special Warfare Boat Integrated Bridge Systems	7
Amdt. 3483. R, D, T & E for Explosive Demilitarization Technology	5
Amdt. 3488. Procurement of AGM–65 Maverick missiles	2.1
Amdt. 3489. Procurement of Rapid Intravenous Infusion Pumps	6
Amdt. 3490. Training Range Upgrades, Fort Knox, KY	4
Amdt. 3490. (cont.) Overhaul of MK–45 5 inch guns	12
Amdt. 3770. National Labs Partnership Improvements	10
Amdt. 3801. National Energy Technology Lab, Fossil Energy R&D	4
Amdt. 3802. Florida Restoration Grant	2
Amdt. 3812. Indian Health Care for Diabetes	7.372
Amdt. 3807. Salmon restoration and conservation in Maine	5
Amdt. 3795. Forest System Land Review Committee	1
Total:	1,981,522,000

Mr. DOMENICI. Mr. President, I rise today to offer strong support of the National Defense Authorization Act for Fiscal Year 2001. This legislation contains many positive things for the state of New Mexico and the United

States—both in the programs funded and the changes made to enhance research and development efforts. Chairman WARNER should take pride in his committee's efforts to appropriately allocate defense funding.

For the second year in a row the committee was able to recommend a real increase in defense spending by adding $4.5 billion above the President's fiscal year 2001 request. The recommendation of $309.8 billion is not only consistent with the budget resolution it also allows for a 4.4-percent increase in real growth for defense from last year's appropriated level of funding.

The committee authorized $63.28 billion in procurement funding, a $3.0 billion increase over the President's budget. Operations and maintenance was funded at $109.2 billion with $1.5 billion added to the primary readiness accounts. Research, development, test and evaluation was budgeted at $39.31 billion, a $1.45 billion increase over the President's budget. These impressive funding levels mark the beginning of a challenging march toward a stronger, better, national defense.

Quality of life receives needed attention. I applaud the 3.7-percent pay raise for military personnel, the comprehensive retail and national mail order pharmacy benefit, the extension of the TRICARE Prime benefit to families of service members assigned to remote locations and the elimination of copayment for services received under TRICARE Prime.

Military construction is increased by $430 million. I am delighted that projects critical to the productivity and well being of the service members and their families residing in New Mexico have been included in this bill. These are not glamorous projects, they are projects that will replace critical crumbling infrastructure, such as the replacement of the Bonito pipeline between La Luz and Holloman Air Force Base.

Five additional Weapons of Mass Destruction Civil Support Teams were included at a cost of $25 million. This will provide us with a total of 32 Civil Support Teams by the end of fiscal year 2001. These teams are comprised of full-time National Guard personnel trained and equipped to deploy and assess suspected nuclear, biological, chemical, or radiological events in support of local first responders. One such team is currently being trained and fielded in New Mexico, ensuring that my constituents have better protection against such attacks.

Over $1.0 billion, an increase of $363 million over fiscal year 2000 funding, is authorized for Defense and Energy nonproliferation and threat reduction programs. These programs continue to make great strides in the critical process of securing weapons of mass destruction and retaining scientific expertise in the former Soviet Union. To further ensure that these threat reduction programs achieve their goals, the committee has also included several initiatives to obtain greater commitment and necessary access from Russia. I also will offer an amendment to increase funding and expedite our efforts in restructuring the Russian nuclear weapons complex.

Finally, $446.3 million is provided for the defense science and technology program—a 9 percent increase over the President's budget. This funding will focus on the revolutionary technologies to meet challenging emerging threats.

Several projects critical to New Mexico's contributions to our national defense are supported by this legislation. The Armed Services Committee approved an authorization of $60 million for the Warfighter Information Network program. Laguna Industries plays a key role in manufacturing and assembling these mobile command and control units needed by active and Guard units across the nation.

The committee also authorized $94.2 million to fully restore the Airborne Laser, ABL, program funding. The Air Force's ABL program is the only missile defense system currently contemplated that would strike and kill missiles in their boost phase.

The Tactical Higher Energy Laser, THEL, was authorized at $15 million for FY2001. THEL represents one of the first weapons systems being tested that utilizes high energy lasers for the purposes of missile defense. The THEL program has been funded through a cost-share arrangement between Israel and the United States, with TRW having also made substantial investments in the program.

I strongly believe that lasers will transform both our offensive and defensive military means in the years to come. We should fully support these programs and address shortfalls in the science and technology funding in these technologies to ensure more rapid development and fielding of high energy laser weapons.

The committee also authorized $49 million in additional funding for activities of the Air Force Research Laboratories at Kirtland Air Force Base, including $5 million for the Scorpius Low-Cost Launch program, $15 million for Military Space Plane, and $5 million for the Solar Orbit Transfer Vehicle Space Experiment.

The Big Crow Program Office was authorized at $7 million by the Senate Armed Services Committee. Big Crow represents a unique electronic warfare test and evaluation capability used by all of the services to ensure their weapons can perform as needed in realistic warfighting scenarios.

An authorization of an additional $3 million will ensure continuation of the important blast mitigation research at New Mexico's Institute of Mining and Technology. New Mexico Tech houses our Nation's experts in terrorist explosives and is developing innovative ways to protect against this threat.

While I appreciate the committee's attention to these and other important programs, I believe that more must be done to ensure the directed energy science and technology is better coordinated and sufficiently funded. These technologies can assist in our defense efforts against some of the most prevalent threats confronting us. I will also be offering an amendment to this legislation that I believe will go a long way in achieving these goals.

In 1998 I spoke before this body and stated the need to start the new millennium by stopping the ebbing tide and ending the lengthy decline in defense spending. This year I am grateful to see the chairman and his committee have made the crucial step of maintaining, and improving on, the FY 2000 increase in defense spending. We must not flag in our efforts to support a strong national defense. The committee has recognized, as do most of us concerned about our national defense, that combat readiness of our Armed Forces must not be at risk. Our soldiers, and our country, deserve a national defense budget that is in keeping with international uncertainty and growing threats. Our soldiers and U.S. citizens are counting on us.

The PRESIDING OFFICER. The question is on the passage of H.R. 4205, as amended.

The Senator from Virginia.

Mr. WARNER. Mr. President, I ask unanimous consent that the Senator from Virginia and the Senator from Michigan be able to proceed for not to exceed 5 minutes equally divided.

The PRESIDING OFFICER. The Chair hears, no objection, it is so ordered.

Mr. WARNER. Mr. President, since 1961, the Senate has passed an authorization bill for our military. We are about to pass another. I first thank the leadership of the Senate, and my distinguished ranking member, Mr. LEVIN, for hanging in as we had to move this bill under some difficult circumstances in the last 30 days.

I wish to pay a special respect to all members of the Senate Armed Services Committee. We conduct our affairs as best we can in the spirit of what is in the best interest of our Nation. The bill reflects those decisions.

I wish to thank our respective staffs, both majority and minority.

I yield to my distinguished colleague who has been with me some 22 years in the Senate on this committee. We have worked together as a team in the best interests of our country.

Mr. LEVIN. Mr. President, first, I thank our chairman for his extraordinary leadership. Since Congress, in 1959, said that we were required to pass an annual authorization bill for the Defense Department, we have never failed. We have succeeded again this year, despite some real odds. We passed a record number of amendments. We did it because of the work of all the members of the Armed Services Committee, our staffs, and our leadership on both sides.

If I can just single out one person, I want to single out, in the leadership, if

I may, Senator REID, for just sort of being here constantly to help us move the process forward.

Senator LOTT, Senator DASCHLE, all the leadership, our subcommittee chairmen, ranking members, our staffs really deserve credit for this. It is an extraordinary accomplishment, and it is a real feather in our chairman's cap.

Mr. WARNER. I thank my distinguished colleague.

Mr. THURMOND. Mr. President, I congratulate the chairman and ranking member for the fine job they have done.

Mr. WARNER. Mr. President, I wish to associate myself with the remarks on Mr. REID. He was very helpful to get some time agreements and other matters resolved.

Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The bill having been read the third time, the question is, Shall the bill, as amended, pass? The clerk will call the roll.

The assistant legislative clerk called the roll.

The PRESIDING OFFICER. Are there any other Senators in the Chamber desiring to vote?

The result was announced—yeas 97, nays 3, as follows:

[Rollcall Vote No. 179 Leg.]

YEAS—97

Abraham	Feinstein	Mack
Akaka	Fitzgerald	McCain
Allard	Frist	McConnell
Ashcroft	Gorton	Mikulski
Baucus	Graham	Moynihan
Bayh	Gramm	Murkowski
Bennett	Grams	Murray
Biden	Grassley	Nickles
Bingaman	Gregg	Reed
Bond	Hagel	Reid
Breaux	Harkin	Robb
Brownback	Hatch	Roberts
Bryan	Helms	Rockefeller
Bunning	Hollings	Roth
Burns	Hutchinson	Santorum
Byrd	Hutchison	Sarbanes
Campbell	Inhofe	Schumer
Chafee, L.	Inouye	Sessions
Cleland	Jeffords	Shelby
Cochran	Johnson	Smith (NH)
Collins	Kennedy	Smith (OR)
Conrad	Kerrey	Snowe
Coverdell	Kerry	Specter
Craig	Kohl	Stevens
Crapo	Kyl	Thomas
Daschle	Landrieu	Thompson
DeWine	Lautenberg	Thurmond
Dodd	Leahy	Torricelli
Domenici	Levin	Voinovich
Dorgan	Lieberman	Warner
Durbin	Lincoln	Wyden
Edwards	Lott	
Enzi	Lugar	

NAYS—3

Boxer	Feingold	Wellstone

The bill (H.R. 4205), as amended, was passed.

(The bill was not available for printing. It will appear in a future edition of the RECORD.)

Mr. WARNER. Mr. President, I move to reconsider the vote.

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

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. S. 2549 is returned to the calendar.

Mr. WARNER. Mr. President, I thank my colleagues for their work on this bill and for their overwhelming support. It sends the strongest of signals, first and foremost, to the men and women in the Armed Forces. This bill provides increased benefits, which they have so richly deserved and long been denied. This bill also initially starts the first balanced program to provide for more health care for the retirees who gave so much, together with their families, over the years. This bill sends a strong message throughout the world that America is committed to remain strong and lead in the cause of freedom and human rights.

I yield the floor.

The PRESIDING OFFICER. I move that the Senate insist on its amendment, request a conference with the House, and the Chair be authorized to appoint the conferees on the part of the Senate.

The motion was agreed to, and the Presiding Officer (Mr. BUNNING) appointed Mr. WARNER, Mr. THURMOND, Mr. MCCAIN, Mr. SMITH of New Hampshire, Mr. INHOFE, Mr. SANTORUM, Ms. SNOWE, Mr. ROBERTS, Mr. ALLARD, Mr. HUTCHINSON, Mr. SESSIONS, Mr. LEVIN, Mr. KENNEDY, Mr. BINGAMAN, Mr. BYRD, Mr. ROBB, Mr. LIEBERMAN, Mr. CLELAND, Ms. LANDRIEU, and Mr. REED conferees on the part of the Senate.

The PRESIDING OFFICER. S. 2550, S. 2551, and S. 2552 are now considered en bloc. Division A of S. 2549 is substituted for S. 2550; division B for S. 2551, and division C for S. 2552. The bills are considered read the third time and passed, and the motion to reconsider is laid upon the table.

The PRESIDING OFFICER. The Senator from Alaska is recognized.

Mr. STEVENS. Mr. President, I ask unanimous consent that Senator BYRD and I might address the Senate for not to exceed 5 minutes each to discuss the status of appropriations.

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

THE STATUS OF APPROPRIATIONS

Mr. STEVENS. Mr. President, today, we believe the President will sign the first of the 13 appropriations bills we must pass, the military construction bill. I can report to the Senate that we are in conference now on Defense, and we expect to report that bill this evening from conference, or no later than Monday. That could be easily taken up next week sometime.

The legislative appropriations bill is waiting for third reading now. It is held up by one amendment, and we are trying to work out an arrangement where we might be able to have that voted on. We are waiting for the House to appoint conferees on the foreign operations bill; the Labor, Health and Human Services Committee; and the Transportation Committee. Those are all the subject of negotiations with the various Departments and the President's advisers, to see if we might find a way to accommodate the desires of the administration regarding those matters.

The Interior bill is still on the floor and has a great many amendments. I believe, however, that can be finished easily next week. We have reported to the floor the Agriculture bill, which is a very important bill for us to consider, I believe, before we have the August recess. We have scheduled meetings now with the Appropriations Committee here in the Senate on Tuesday, July 18, for the Commerce-State-Justice bill and the energy and water bill. We believe those bills will be reported to the floor on that day, Tuesday, and could be scheduled sometime before the August recess. We believe we will be able to make the same statement regarding the Treasury and general government bill sometime next week. Hopefully, we will be able to get to that by at least Thursday.

What we are saying is that these bills can be acted upon if the Senate decides and commits to getting these bills to conference and, if possible, to the President, before the August recess. I have been speaking out now about the PNTR. I am a firm supporter of the goal there. Maybe there are some amendments that should be considered. But I believe we should get these bills done so that when we come back in September, we can take them from conference and pass them.

I call to the attention of the Senate the fact that we will finish our work for September on September 28. September 29 is a holiday, and September 30 comes on the weekend. We have a very short time when we come back to deal with appropriations bills and get them all to the President before the end of the fiscal year. It is my hope that, in the last year of this Presidency, we will avoid the kind of conflicts we have had in the past and try to work together with the President to finish up this term in the spirit of comity, particularly on appropriations bills. That is possible if we can get them up in August. It is not going to be possible if we have to wait until September and try to jam them all in for 2½ weeks in September.

I am taking the floor now with great respect for our leader and for our minority leader. I hope they will help us find the time on the floor between now and the August recess to consider these bills and ask for the commitment of the Senators to help us work to get this job done.

I think there is a way that we can wind up this period of 8 years of the Clinton administration without the rancor that we have had in the past, but it can only be done if we make up our minds now that we are going to work—and work some long nights, in fact—to get these bills considered and properly reported. I believe we are making progress.

It is my hope that at least the Defense bill and the Labor-Health and

Human Services bill will be sent to the President for signature prior to the August recess.

I am happy to yield to my good friend from West Virginia. Our committee works on a totally bipartisan basis. I have not done anything without consulting my good friend from West Virginia, the former chairman. I want the Senate to know he has given me good advice all along.

The PRESIDING OFFICER. The Senator from West Virginia.

Mr. BYRD. Mr. President, this is my 42nd year on the Appropriations Committee. I think I have served longer than any Member, past or present. The Appropriations Committee was first created in 1867. I don't have any doubt that I have served with the greatest chairmen who have served on that committee since its inception in 1867. That was 133 years ago. I have served with Senators such as Carl Hayden of Arizona, Dick Russell, John Stennis, John McClellan, Allen Ellender, and Senator Hatfield. These were great chairmen. They had long service in the Senate. I served with all of them. But I have never served with a better chairman on the Appropriations Committee than the current chairman, TED STEVENS. I think he is a better chairman than I was. I don't say that idly. He works at the job all the time. He works hard. I support him in this request to the leaders.

I don't happen to be a great fan of the treaty with China. I will have more to say about that later. But I am a great fan of getting these appropriations bills down to the President on time. When I was chairman, we were able to get all the appropriations bills passed before the beginning of the new fiscal year.

I join my chairman in pleading with the leadership—and the leadership has been most cooperative on both sides—to help get these bills moved and into conference and down to the President.

The chairman, Mr. STEVENS, hit the nail right on the head when he said we don't need to have another wrangle with the President over appropriations bills right at the end of the session. That plays into the President's hands. I think all Senators are aware of the fact that I believe the legislative branch is the predominant branch, and was meant to be the predominant branch among the three equal and coordinate branches. I think it has the upper hand, if Members of the Congress will but will stand up for the Senate and its constitutional powers.

I think it is important that we finish these bills because, when we wait until the end of the session, and we are left with an omnibus bill, the President wins every time. You may think you can beat the President in that deal. You can't do it. The President wins because he then has the upper hand. He has your back to the wall. Senators and House Members want to get out of here and go home. They have schedules to fill back in their districts and in their States. It plays into his hands if appropriation bills only reach him at the last minute. I don't like to play into any President's hands.

I think most Members are very aware that we need to work with the President. But it is highly important we get these bills passed. Let the PNTR wait. Why be in such a hurry on that treaty? Why be in such a hurry? It would be better if we were to take a little more time and examine that treaty more carefully and consider what the ramifications of its approval may be.

Last night we were able to get legislation adopted to create a national security commission. It will be a congressional commission. We will not have to depend upon the administration to tell us what impact that trade with China may have on our national security. We will have our own commission. It will be appointed by the joint leadership of both Houses. That commission will report to the Congress.

I have a somewhat jaundiced eye when it comes to moving in such a big hurry to take up the China treaty. As far as I am concerned, it ought to go over until next year. Let's take another look at it. That is just one Senator's opinion.

I plead with the leader—I say to this also to my own leader—to help us get these appropriations bills passed, to get them to conference, and then downtown. We can talk and wrangle and debate about the China treaty afterwards.

I thank my chairman.

Mr. LOTT. Mr. President, if the Senator from Alaska will yield briefly, first of all, I listened carefully to the comments of the two distinguished Senators who are the ranking member and the chairman of the Appropriations Committee. The service of these two Members surpasses all the rest of us, with the possible exception of the President pro tempore, Senator THURMOND. But beyond that, the wisdom and the sage advice they give all of us is greatly appreciated.

I certainly believe and will continue to believe that we should give the highest possible priority to these appropriations bills. We have an agreement now that will lead us to the conclusion of the Interior appropriations bill, I believe next Monday. I believe the votes could possibly be on Tuesday morning. I hope before we go out for the August recess that we do at least four more or all five of the remaining bills. I know clearly we could do four of the remaining bills: Agriculture, Energy and Water, Treasury-Postal Service, and Commerce-State-Justice. There may be some difficulty with HUD-VA that would cause it to go over until September.

But I appreciate their comments and their good advice. I will certainly weigh that very carefully. I appreciate the fact that they are willing to take to the floor and ask for this help in getting their work done. In fact, it is our work. It is the people's business.

I appreciate their comments.

I commend and thank the chairman of the Armed Services Committee, and also the ranking member, Senator LEVIN, for the work they did on the Department of Defense authorization bill. We got it finished. Hallelujah. The Senate has produced the final vote on one of the most important bills we will do all year, the Department of Defense authorization bill. There is a lot of important language in there. It is not only about the ships, the planes, and housing; It is also about health care. It is a big, important bill. Without the patience and the tenacity of the chairman, the Senator from Virginia, and the help he received from the Senator from Michigan, we wouldn't have it done.

I commend them; and, again, the senior leadership of the two Senators on the Appropriations Committee who spoke is admirable. I appreciate it very much. As a leader, you have to rely on the senior leaders, and the managers, the chairmen. In this case, I did, and they did it.

I thank Senator STEVENS for his comments and for yielding me this time.

The PRESIDING OFFICER. The Senator from Alaska has the floor.

Mr. WARNER. Mr. President, if I could have 1 minute to thank the distinguished leader.

I wish to acknowledge my deep appreciation to our distinguished majority leader, and, indeed, to Senator DASCHLE, Senator Harry REID, Senator NICKLES, and all. Yes, chairmen work hard and this posed some problems, but never once did I have any feeling that leadership was not determined on behalf of the whole Senate and this country to see that this bill was passed. There was never a flicker of doubt in my mind from the date we started some 3½ weeks ago. I thank this body for the leadership that we have to get these difficult tasks performed.

I yield the floor.

Mr. STEVENS. Mr. President, I yield to the Senator from Montana.

Mr. BAUCUS. Mr. President, I ask the majority leader, I heard him speak about the desire to get the appropriations bills passed, which I am in favor of, but did I hear the majority leader say not only is it his intention to bring up appropriations bills this month, but did I hear him include PNTR?

I think in the same spirit of compromise which we just passed the Defense authorization bill, as it has been referred to, we can work to get PNTR up this month and passed, along with the appropriations bills—as many as we can.

I say to the majority leader, I will do my part in helping with the estate tax reform bill to try to limit the amount of time on that bill and also work on other appropriations bills. I think it is necessary that PNTR also be included in the list of measures that we will bring up and pass this month.

Mr. STEVENS. Mr. President, I have the floor and I am happy to have that conversation somewhere else, but I understand what the Senator is saying.

Mr. President, I want to finish my comments. I think we have almost used our 10 minutes. I thank my good friend for his comments. I could never claim to be the chairman that Senator BYRD was, but in any event, I do hope the Members are listening to what we are saying. We have had over 100 amendments on the last two appropriations bills. If that continues, we will be on appropriations bills until the day we go off on recess for the conventions. There will be no time for PNTR. Let's get the bills up. I urge the Members to be considerate of what we are doing. If we can finish them, then we take up PNTR. I think we can't keep breaking up the concept of these bills. The synergy of getting a bill working and getting it to pass in the appropriations process is necessary to get these done by the time we go off on August recess.

I have every confidence we will get to the PNTR. The Senator from West Virginia is right; despite my support of PNTR, it is not our constitutional duty to finish it by the end of the fiscal year. The appropriations bills are. That is our point. We want to do our job on time. We urge the Senate to work with us to get that done.

I think our time has expired.

The PRESIDING OFFICER. The time has expired.

The Senator from Montana.

Mr. BAUCUS. Mr. President, I ask consent to speak for 2 minutes so I can ask the majority leader a question.

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

Mr. BAUCUS. Essentially, I am trying to move this ball along. It is a pretty large bill and includes lots of different items. Not only is it PNTR but appropriations bills.

I wonder if I could ask the majority leader if PNTR is included in the list of ''must-pass'' measures for July? We are all working together, particularly with the good meeting we had last evening in the majority leader's office with Senator THOMPSON and others, working out provisions of the Thompson amendment. There is a good chance we can move things along.

I ask the Senator his views on the subject.

Mr. LOTT. Mr. President, I certainly want to move this along. I want to have a vote on the Moynihan substitute on the death tax, and then have a vote on our alternative. That would be the best way to proceed. We would have two votes and Senators could cast their votes accordingly, and we would move on.

Instead, we have an agreement that will take all day and into the night. Instead of taking 2 or 3 hours, it will wind up taking probably 10 or 12 hours. I hope on the marriage penalty tax we could vote on the alternative. Senator MOYNIHAN has a reasonable alternative. We could vote on that, vote on our alternative, and be through with the marriage penalty tax and move on to the appropriations bills.

We do have a matter we are working through on both sides to try to deal with the question of nonproliferation of nuclear weapons, the language suggested by Senator THOMPSON. We are trying to find a way to get an agreement on the language and a way to consider that.

We must do the people's business. We have to do these appropriations bills. We have to do at least four appropriations bills beyond the Interior appropriations bill. When we get that done, I don't see any problem then in moving to China PNTR. I can't make days out of whole cloth, and I can't make commitments until we get our work done. But we are all working on that, I think, in good faith.

Senator REID worked assiduously on these appropriations bills. Energy and water we may be able to do in a day or two. Agriculture, I will be surprised if we don't have 80 or 100 amendments pop up. That bill could take a week. It is very important to our country. We all want the Agriculture appropriations bill completed. Commerce, State, and Justice—no matter what Members might think about Commerce or State or Justice, we need to get that bill done very badly. That bill quite often is like fly paper, it draws a lot of amendments. If we made a commitment, if we made up our minds on both sides of the aisle we will complete Interior and do three more appropriations or four more appropriations bills next week, we could do it. But it would take an extraordinary amount of heavy lifting to get that done.

I will work with Senator STEVENS and Senator BYRD. It is rare for these two Senators to take the floor and say what they have said today. I have to weigh that carefully.

Mr. BAUCUS. Thirty seconds. I very much appreciate the situation we are in, with very few days left and lots of business to conduct. As far as I am concerned, I will do my part. I know others on this side will try to help maintain that schedule. For example, on the estate tax bill, I think there are a couple of amendments on your side that will be accepted by voice vote or agreed to by voice vote to help move this along. In that spirit, I remind the leader it is critical that PNTR come up and be disposed of this month.

I thank the leader for his hard work.

The PRESIDING OFFICER. The Senator from Nevada.

Mr. REID. Mr. President, if I could bring everyone back to reality, the problem of the day—not next week or the week after—is that we have about 12½ hours of debate time, excluding voting, and the leader indicated he wants to do that today. So that means about 2:30 or 3 o'clock this morning unless something is done carrying this matter over or shortening the time.

I think it is great to talk about the future. That is important. But my concern is what we have here today and it is a tremendous burden. As I indicated, I think we have over 12 hours of debate time in the unanimous consent request alone.

DEATH TAX ELIMINATION ACT OF 2000—Continued

Mr. ROTH. What is the pending business?

The PRESIDING OFFICER. The Moynihan amendment.

Mr. ROTH. How much time do I have?

The PRESIDING OFFICER. The Senator from Delaware has 45 minutes and the Senator from New York has 30 minutes.

Mr. REID. Does the Senator from Delaware wish to use some of his time now?

Mr. ROTH. Yes, I do.

I yield 15 minutes to the distinguished Senator from Arkansas.

The PRESIDING OFFICER. The Senator from Arkansas is recognized for 15 minutes.

Mr. HUTCHINSON. I rise in opposition to the Democratic alternative and in strong support of H.R. 8. I listened with interest to the debate taking place earlier this morning on this bill. I have the utmost respect and admiration for Senator MOYNIHAN. However, I wrote down one phrase he used. He said: We should stay with a tax that has served us well.

I think that is the fundamental difference between the parties and those who differ on this issue. I don't believe the death tax has served our country well. I don't believe it has served the American dream well. I don't believe it serves the American people well.

The death tax basically says to the American people: Be successful but don't be too successful. The death tax says: Work hard but don't work too hard and make too much. The death tax says: Save your money but don't save too much. The death tax puts a ceiling on what the American dream can be. I think that is fundamentally wrong, and therein is the basic difference between the two philosophies, the two parties, the two approaches on the death tax.

There are those who say you can make too much and at that point the Government is going to step in and we are going to take what we think you have excessively made and earned and saved and invested, and we are going to redistribute that; we know better how to use that estate than your heirs, your family, your loved ones.

We believe that is wrong. The whole approach behind the death tax is fundamentally wrong and un-American. The amendments that are being offered, including the Democratic alternative basically say, let's tweak it a little bit; let's finesse the death tax a little bit; let's expand the exemption a little bit, let's tinker with it.

But that is not enough. This is a tax that is past its time —if it was ever justified, and it was not. It should be removed, eliminated, and that is why this alternative is insufficient.

It is no accident that the American Farm Bureau endorses H.R. 8. American farmers already have enough challenges growing crops, bringing them to market, making a living. Yet still our farmers see their land whittled away generation by generation, and not just by floods or storms or infestation but by the Federal Government and its tax policies. Death taxes can destroy family-owned farms and ranches when, after taxes, farmers do not have enough to keep their land, their buildings, or their equipment.

I want you to listen to the words of H. Jay Platt of the Arizona Farm Bureau Federation as he testified before the House Small Business Committee. This is what he said:

My grandfather started our ranch around the turn of the century with a couple of cows on a few acres of grazing land. For 100 years my family has worked hard to build our operation into a modern ranch that is the core of the financial base for three families. We paid taxes on everything we've earned and we don't understand why we have to pay again when we die. We can't comprehend why the government wants to penalize us for being successful by taking our ranch at death. We believe that our family, our community and the environment will all be better off if our ranch continues.

That is a powerful statement. That is farmers. But small businesses are in a similar trap. According to the NFIB, more than 70 percent of family businesses do not survive to even the second generation, and more than 87 percent of these small family-owned businesses never make it to the third generation. One in three small business families today have to sell their businesses outright or liquidate business assets just to pay the death tax.

The American dream can become an American nightmare because of the death tax. Democrats talk about the estate tax bill we are considering, the elimination bill, as being a tax break for the richest people in America. Let me tell you about some of the people who are really affected by the death tax.

One of my own staffer's husband and his siblings just experienced the deaths of both parents. Their mother died only 2 weeks ago. In addition to the intense emotion and grieving this family is currently going through, they are now faced with selling family farmland and other assets in order to pay estate inheritance taxes in an attempt to save the family home and the family business.

This is farmland that their parents and they have tilled and planted, farmland which paid for all four of the children's college education. Their small lumber and hardware store is located in a town of 1,400 people and has been in existence nearly 50 years. Not only will they have to pay estate taxes totaling almost half of the estate; they will have to pay capital gains taxes on the assets they sell in order to pay for the death tax. Talk about adding insult to injury. That surely does.

This is not about the wealthiest Americans. This is about a family who has put countless hours into rebuilding their family lumber business which burned to the ground a decade ago. This is about all 1,400 people who live in that small town, who are served by that family business, as well as the employees whose livelihoods depend upon that business. This is about handing down a legacy to their children who want to maintain the business which has served this rural community for five decades.

The Federal estate tax, the death tax, punishes families for the deaths of their loved ones. The Federal estate tax takes its toll irrespective of the fact that any sale of inherited assets is subject to capital gains taxes. It is clear and, to me, it is simple: This is double taxation. It runs contrary to this country's work ethic and to family values.

I have a stack of letters that have come in in the last month from people in the State of Arkansas who are not wealthy Americans but who see the deadly impact of the death tax. Let me share with you one letter from Haskell Dickinson:

DEAR SENATOR HUTCHINSON: My father has grown gray worrying about his estate. He and his family members have paid exorbitant life insurance fees. He has been under intense pressure from large corporations who, he knows will consolidate his company and destroy local business relationships. He has been disillusioned that having to sell will mean a valuable Arkansas asset will be owned by an out-of-state firm. Arkansas stands to lose a lot from such a sale because of lost ''local'' business relations and community support and leadership.

The estate tax is a cruel, grinding tax on people like my dad, and his family, and it's terrible for communities to lose good businesses and relationships to bigger, ''out of town,'' corporations.

Or this letter from Jack Kinnaman of Kinco, Incorporated.

DEAR SENATOR HUTCHINSON: Since I've been in business, my company and I have paid in income tax ranging from 25–75%. I have worked hard all my life and worked those 60–100 hr. weeks building a company. I am 66 yrs. old and still work 50–60 hrs. a week. When I die, in all probability, the family will not be able to afford to keep the business going because of the Death Tax (opponents call it estate tax). Some relief was given because so many family farms were being lost. Small businesses like mine should not be lost because of a ''wealth distribution mandate''. We should have some feeling of comfort and pride that we can leave a successful business to our children.

I urge you to support the Death Tax Repeal Proposal approved by the House.

Mr. Kinnaman, I agree with you. I agree with you.

Richard Posner put it this way:

Since the accumulation of a substantial estate is one of the motivations that drive people to work hard, a death tax on saving is indirectly a tax on work.

It is a fundamental difference. Do you think you ought to tax the products and the fruits of somebody's labor or do you believe you should not? It is a basic difference of philosophy. You can tweak it. You can finesse it. You can expand the exemption. But you are still saying, if you make too much, we are going to penalize you because we are going to tax you at 55 percent. We are going to take half of everything you earned, worked a lifetime to make. That is wrong. You can make all the rationalization and justifications, we should not penalize success in America. We should not say: you worked too hard; you did too well; you succeeded too much. That ought to be exactly the kind of thing we reward in this country.

These hard-working—not wealthy but hard-working—and successful Americans are right when they say this tax should be repealed. It takes from Americans an incentive to save, a will to work. The National Federation of Independent Business, the American Farm Bureau, the Black Chamber of Commerce, the Hispanic Chamber of Commerce, the National Indian Business Association, the Pan-American Chamber of Commerce, and on and on, all support H.R. 8, and so should my colleagues on the other side of the aisle.

The death tax has been repealed in 20 States since 1980, including that of Senator KENNEDY of Massachusetts, Oregon, Vermont. The nation of Canada repealed it, Israel repealed it, Australia abolished it, and so should we. It is past time. It is time to make friends of logic and taxation by repealing the death tax. Let's clear the way for parents to bequeath to their children, not bequeath to the Federal Government.

I yield the floor.

The PRESIDING OFFICER (Mr. ALLARD). The Senator from Nevada.

Mr. REID. The minority yields 15 minutes to the Senator from North Dakota, Mr. CONRAD.

The PRESIDING OFFICER. The Senator from North Dakota.

Mr. CONRAD. Mr. President, perhaps it is useful to this debate and discussion to put in perspective what we are talking about in budget terms, and then to go to the specifics of the proposals that are before us. I think it is useful, first, to review where we are in terms of the projected surplus over the next 10 years because those numbers have just changed. We are now told we will have a total surplus, a projection of a surplus, of $4.2 trillion over that 10-year period.

I think it is also important to remember that two-thirds of that money is from Social Security and Medicare; $2.3 trillion represents surpluses from Social Security, $400 billion represents surpluses from Medicare.

Between those two, over $2.7 trillion of the $4.2 trillion projected surplus is from Social Security and Medicare. That leaves us over the next 10 years $1.470 trillion of non-Social Security, non-Medicare surplus. This is money that I argue is available for tax relief, is available for additional debt paydown, and is available for high priority domestic needs such as education, prescription drug coverage, additional expenditures on defense, and other high priorities that we might have in this country. I also argue that Agriculture ought to be given additional resources to confront the Europeans, our major competitors, who are outspending us dramatically as they attempt to buy markets that were once ours. That is the money we have available over the next 10 years

The other day in the Washington Post, Secretary Summers, the Secretary of the Treasury, warned us that the proposal that has come out of the House, which is before us now as the Republican proposal, explodes in cost in the second 10 years.

I just reviewed our budget circumstance in the next 10 years according to the latest estimates. In the second 10 years, the Republican tax proposal on estate tax explodes in cost. It goes from $105 billion to $750 billion. Here is the Secretary of the Treasury alerting us that the tax cut will cost too much. He points out that the estate tax repeal measure passed by the House and now before the Senate would cost about $750 billion in the second 10 years, more than 7 times its cost in the first 10 years. He points out:

> If it were to be enacted, it might be the most backloaded piece of tax legislation ever.

That is the Secretary of the Treasury.

The respected columnist, David Broder, wrote in the Washington Post the day before the Summers' column, Sunday, July 9, a recommendation to the President that he veto the Republican estate tax proposal. He points out that 98 percent of the inheritors in 1998 paid nothing in estate tax—nothing. The $28 billion in inheritance taxes came from 2 percent of very large estates.

He goes on to point out that under a 1997 law, a couple with a farm or business worth up to $2.6 million can give it to their heirs tax free. The Democrats raise that to $4 million for a couple, which means that only 1 of every 100 estates would face any inheritance tax. In fact, our proposal is to raise it to $4 million for a couple, and $8 million for those who own small businesses or farms. We are talking about a fraction of 1 percent that would have any liability under the plan we are offering.

These charts tell the story. The Republican plan explodes in cost in the second 10 years. It goes from $105 billion over that period in the first 10 years to $750 billion in the second 10 years.

There is also something very interesting about the estate tax proposal of our Republican colleagues. They talk a lot about eliminating estate taxes, but really what they do in the first 10 years is not eliminate the estate tax at all. In the first 10 years, they reduce the rates at the top end so the people they are helping are the people who are the very wealthiest in the country. Those are the people to whom they are providing the first relief.

It is, frankly, very odd. I have to ask my Republican colleagues why they would choose to provide estate tax relief in this way. Why don't they begin by helping the small business owners and the farmers and the couples who just qualify for paying estate tax? Why not?

Mr. KYL. Will the Senator yield?

Mr. CONRAD. If I can continue.

Mr. KYL. For a question.

Mr. CONRAD. I will be happy to yield for that purpose after I have gone a little further. I then will be happy to engage my colleague. Why do they have an estate tax plan that gives the first relief to the very wealthiest among us? Why not provide the first help to those who really need it: small business owners, the farmers who we think ought to be exempted from the estate tax because the estate tax structure, as it is, is out of date.

That is not what the Republican plan does. The blue line on this chart shows current law. The red line shows the GOP estate tax proposal. They reduce the rate starting at the top rate first. They reduce that and then create this incredible cliff effect when it goes into full effect supposedly 10 years from now. Frankly, because of the exploding cost, I doubt their plan would ever go into full effect. We would have the worst of all worlds. We would have the top rates reduced, nobody relieved from estate tax liability for the first 10 years, and then I believe because of the exploding costs, this cliff effect would never occur, and we would have the worst of all worlds. We would have lost the ability to plan, to manage estates; we would have lost the opportunity to take people off the rolls who really ought to be off the rolls, and we would have, as I say, the worst of all worlds.

If we look at the underlying facts, 98 percent of estates currently are exempt; 98 percent of estates pay no estate tax because of current law which provides substantial credits to exempt the vast majority of estates. Only 2 percent have some requirement to pay under current law. The Democratic proposal in the first year relieves 42 percent of those 2 percent of any liability. That is the Democratic plan. The Republican plan relieves 0 percent of estates from taxation in the first year. Let's go back and review what I have said.

Under current law, 98 percent of estates are exempt. Only 2 percent pay any estate tax. Under the Democratic plan, of those 2 percent who have some estate tax liability, in the first year we take 42 percent of them off the rolls completely, entirely. The Republicans take none of them off the rolls—none.

At the end of the 10-year period, the Democratic plan takes 67 percent of those 2 percent of estates that have a liability now off the rolls. We take two-thirds of them off the rolls entirely. The Republicans, by the year 2009, takes none of them off the rolls of liability.

There is an enormous difference between these plans, and the Democratic plan is far superior in the next 10 years to the Republican plan—far superior for couples, far superior for small business, far superior for farmers.

In this morning's New York Times on the front page of the business section, it says:

> Two prominent experts on estate taxes said yesterday that the Democrats were offering a much better deal to small-business owners and farmers, because the relief under their bill would be immediate and the estate tax would be eliminated on nearly all of them. ''The fact is that the Democrats are making the better offer—and I'm a Republican saying that,'' said Sanford J. Schlesinger of the law firm of Kaye, Scholer, Fierman, Hays & Handler in New York. With routine estate planning, he said, the $4 million exemption could effectively be raised to as much as $10 million in wealth that could be passed untaxed to heirs. Only 1,221 of the 2.3 million people who died in 1997 left a taxable estate of $10 million or more, I.R.S. data shows.
>
> Neil Harl, an Iowa State University economist who is a leading estate tax adviser to Midwest farmers, said that only a handful of working family farms had a net worth of $4 million.

Of course, we would permit $8 million by a couple to be passed untaxed to heirs.

> Above that—

Above the $4 million he is referencing—

> with very few exceptions, you are talking about the Ted Turners who own huge ranches and are not working farmers,'' he said.
>
> Mr. Harl said he was surprised that farmers were not calling lawmakers to demand that they take the president up on his promise to sign the Democratic bill.

The Democratic plan, even according to Republican tax analysts, is far superior to the Republican plan in providing relief to taxpayers.

It is also true our proposal costs less—$64 billion over the next 10 years, instead of the $105 billion of the Republican plan. That means we could use that other money for other priorities.

We could use it for an additional paydown of the debt. That happens to be my favorite priority. I would like to have an even more rapid paydown of the debt because of the enormous benefits that flow from that policy.

But there are other things we could do. We could provide tax incentives for health care with the additional money. We could provide for college tuition deductibility, which would help millions of American families who are sending their kids to college. We could have retirement savings proposals. Those cost in the range of $30 to $40 billion. We could have a long-term care tax credit. That costs $32 billion.

As I say, we could have additional debt reduction of $40 billion under the Democratic plan, in addition to dramatic estate tax relief that would immediately remove people from the rolls of having to pay estate tax. We could have a paydown on a prescription drug benefit.

This is a question of priorities. Our priority has been to give real relief, immediate relief, to those estates that ought not be taxed, in our judgment, to give real relief to thousands of families who would pay no estate tax under our plan and have that relief immediate, starting this coming year, allowing 40 percent of the small number of estates that are currently taxable —only 2 percent of the estates are currently taxable, and we take 40 percent of them off the first year. They owe nothing. The Republican plan takes none of them off the rolls. It gives their relief at the top end, top down, rather than bottom up. That is the fundamental difference between our plan and their plan.

We have, as I say, in the New York Times this morning prominent tax experts saying the Democratic plan is better for small business owners. It is better for farmers. There is really no question about it.

In the first 10 years, people are much better off under the plan we have offered. I go back to the point I made earlier. Under the Republican plan, you get to the second 10 years and the cost explodes, right at the time the baby boomers start to retire, and put additional pressure on the budget of the United States.

I believe the Republican plan will never go into effect. They will find some other way to circle back and impose a tax on those assets because the cost of their plan explodes in the second 10 years to $750 billion right at the time the baby boomers start to retire.

I tell you, this is the time to have estate tax relief that is real, not to wait 10 years but to start now, taking people who should not be there off the rolls, giving relief to small business owners and farmers. That is what the Democratic plan does.

Mr. President, I would be happy to yield to the Senator from Arizona who had an answer to a question. I yield on his time.

The PRESIDING OFFICER. The time of the Senator from North Dakota has expired.

Who seeks recognition?

Mr. ROTH. Mr. President, I ask the Senator from Arizona, how much time does the Senator wish to have?

Mr. KYL. If I could have 15 minutes, I think that would do it.

Mr. ROTH. I yield the Senator 15 minutes.

Mr. KYL. I thank Senator ROTH for yielding me the time.

I appreciate the Senator from North Dakota at least attempting to yield for an answer to his question. Here is, I think, the simplest explanation. I will give two. If the Democratic plan is better for small businesses and farms, then why is it that every small business organization and every farm organization support the Republican plan?

I am responding to the Senator's question. We have politicians on both sides of aisle saying: Our plan is better. No, our plan is better.

Why is it that all of the organizations that we are concerned about—the farmers and the small business folks—all support the Republican plan?

Let me read into the RECORD a few of these organizations. The American Farm Bureau supports the Republican plan. There are a whole number of organizations such as the Soybean Association, the Sheep Association, and others. Let me list a few of them: the National Association of Wheat Growers, the National Association of State Departments of Agriculture, the National Cattleman's Beef Association, the National Corn Growers Association, the National Cotton Council of America, the National Milk Producers Federation, and with regard to small business, the umbrella organization, the National Federation of Independent Business.

And back to the farm groups: the Pork Producers Council, the Small Business Legislative Council, the United Fresh Fruits and Vegetables Association.

I could go on and on reading from this list. This is a three-paged, single-spaced list of small business organizations and farm organizations, and every one of them support the Republican plan, not the Democratic alternative.

So I think that is the answer to the question: Which one of these plans is better for small businesses and farms? It is the Republican plan. Why is that? There is actually a fairly simple answer, and then an answer that takes a little more explanation.

Mr. BAUCUS. Will the Senator yield for a question?

Mr. KYL. Not right now. Let me finish my point.

The reason why the Democratic alternative is not supported by any of these organizations is because no one can qualify for the benefit it purports to grant. It does not matter whether you raise the exemption from $600,000 to $1 million or $2 million if people can't qualify for it. The fact is, it is very difficult, if not impossible, for most small businesses and farms to qualify.

I will cite some experts who make that point, but, first of all, the statistics: Only 3 to 5 percent of affected estates qualify under these sections. In today's Wall Street Journal, there is a reference to this fact. The lead editorial ''Death Tax Revolt,'' reads:

> But Senate Democrats also offer to expand a small-business and farm exception that is a tax-lawyer's dream. The loophole, known as IRS Code section 2057, is so complicated and onerous that few estates qualify. That's why even House Democrats offered the cleaner alternative of a 20 percent cut in estate-tax rates.

It then goes on to note that Senate Democrats have offered this instead.

Let me quote from a couple of memos from tax experts that make this point:

> The requirements to qualify for the new exclusion provided by 2057—

Which is the section we are talking about here—

> are virtually identical to the requirements to qualify for special use valuation for farms under section 2032A. . . . The 2032A nexus is very important since most estate tax analysts agree that section 2032A is a flawed section of the Code that is virtually unworkable.

Let me just go on here:

> The frustration of farmers with 2032A and its enforcement has resulted in virtually no farm families structuring their estates to take advantage of this so-called relief in the Code. . . . Quite simply, these provisions, while well-intentioned, are flawed and represent ''broken'' sections of the Code. Tinkering with the Code—

I will just interject: As the Democratic alternative purports to do—

> and trying to engineer and mandate the circumstances for running a business or farm 10 years into the future is a gross violation of a family's right for self-determination for the business or farm and against the spirit of allowing an individual's hard-earned, after-tax life's work to be shared and enjoyed by his/her loved ones.

Here is what one of the experts in estate tax has noted:

> The current Qualified Family-Owned Business Interest is 4 pages of statute as Code Section 2057. Its predecessor 2033A was condemned by the Real Property and Probate Section of the American Bar Association which urged its repeal.

Why? Because it is malpractice waiting to happen. All of the lawyers getting together can't figure out how to make this code work for small businesses and farms. They can't qualify.

Reading on:

> The reason for this condemnation by this respected organization and others was extreme complexity and limited application, plus little practical help in preserving family farms and businesses from forced sale or liquidation to pay the 55 percent estate tax.
>
> Although 2057 is only 4 pages of law, it incorporates by reference 14 sections from 2032A—valuation of certain farms, etc., real property.

Section 2032A, which is itself 11 pages, ''was considered the most dangerous section of the estate tax law because of the risk of malpractice claims against estate planning lawyers and accountants. Currently, there are 149 tax cases which have been decided and reported involving 2032A issues.'' The IRS has challenged the validity of the estate planning under this section and has won approximately 67 percent of the cases.

So what kind of great relief do we have in the Democratic package? Relief which is based upon attempting to qualify under a section that only 3 to 5 percent of the eligible estates can qualify under, where lawyers are frequently committing malpractice if they try to gain this qualification, and where the IRS is succeeding in over two-thirds of the challenges which they are making to attempts to qualify under this section.

The point is, you can make this exemption as high as you want to, but it is unworkable. That is the fatal flaw in the Democratic plan. As the Wall Street Journal editorial noted, House Democrats who sought to have an alternative recognized this and went at it in a different way—not our colleagues in the Senate.

There are additional memoranda from tax experts who make this very same point.

I will move on to another point. My colleague, Senator CONRAD, quoted the Larry Summers article which is grossly in error. The Secretary of the Treasury forgot two important points when he estimated the cost of the Republican plan.

First, remember that the Republican plan is not just a repeal of the estate tax. It is essentially a substitution of the capital gains tax for the estate tax. That is an important point. When somebody such as Secretary Summers or Senator CONRAD says, here is how much the repeal of the estate tax is going to cost, and then doesn't take into account the revenue that is brought in by the application of the capital gains tax, they are presenting a distorted picture.

The first point is that while the capital gains tax rate is lower at 20 percent, lower than the estate tax rate, it will nevertheless produce revenue when the property of the heirs is sold, at least it is their decision as to when to sell their property. It does not have to be sold at the time of death of the decedent in order to pay the tax. They can wait and hold it forever if they want to maintain the small business or keep on the family farm. If they would like to sell those assets sometime, they do so knowing that there is going to be a capital gains tax. Granted, at a rate lower than the estate tax, but it is still a tax they are going to have to pay.

The second thing Secretary Summers did not take into account—and it has not been taken into account by our friends on the other side—is the step up in basis. Under the existing law, the basis is stepped up at the time of death. So let's take one of these billionaires they are fond of talking about. If the widow of a billionaire sells all of the estate the day after the death of the decedent, there is no gain. As a result, the step up in basis results in a payment of zero capital gains tax, none whatsoever. They have to pay the estate tax but zero capital gains tax. By removing this step up in basis, we take death out of the equation. If and when the assets are ever sold, they are sold knowing that the capital gains tax applies and that it is calculated on the basis of the original cost to the owner of the property.

So the decedent bought the property 10 years before at $10 a share, and it is up to $100 a share now. The basis is the $10. The gain is calculated based upon that. Then you pay the capital gains tax. That is why all of these wild estimates of how much this is going to cost are off the mark. They don't take into account the fact that we substitute the capital gains tax and that we repeal the step up in basis.

There is another point I will make. Given the fact that we are talking about a budget surplus of trillions of dollars over a 10-year period, obviously any ''cost to the Treasury'' is irrelevant. It is, A, a drop in the bucket and, B, not needed because we are running a huge surplus. Why are they so worried about this loss in revenue to the Federal Government? By definition we are running a surplus, and we don't need the revenue.

One of the comments the Senator from North Dakota made was that our proposal costs less. Yes, it costs less because it provides less benefit. If it is so good for the family farms and small businesses that they seem to care so much about, why would they then want to stress the fact that their plan costs less, when in fact that means it provides fewer benefits.

The bottom line is, the Republican alternative, which is supported by the agricultural and small business groups, is the better plan for them. It is a better plan because it doesn't rely upon a fatally flawed provision of the Tax Code to make it work. It repeals the estate tax, but it provides an important substitute. That substitute is that the estates would be subject to a capital gains tax to the extent that the property of those estates is ever sold.

We believe that is a very fair way to approach this issue. It takes death out of the equation. It removes that horrible Hobson's choice that a family must make at the worst possible time for them to have to deal with it, at a time when the head of the family has died; he is the person perhaps most responsible for making this farm or small business a success. They are then faced with the difficult choice of having to figure out how to pay the estate tax and, in many cases, having to sell this business in order to do so.

One more important point. There is a recent Gallup poll that points out that 60 percent of American people favor outright repeal. Only 35 percent oppose that. Yet 43 percent of the people who favor repeal say they know they would never benefit from the repeal. That demonstrates to me that they understand this is a very unfair tax. Only 17 percent believe they will benefit by a repeal of the tax. That may be a fairly representative number. But it is an unfair tax.

Another one of the reasons why it is so unfair is because a great deal of the expense associated with this is not the payment of the tax, but it is the payment of all of these lawyers and accountants and estate planners and the purchase of insurance and other products which are designed to avoid the payment of the tax. The very wealthy, these billionaires the other side likes to talk about, can well afford all of the lawyers. They end up shielding the bulk of their income as a result of the estate planning they do. It is the smaller estates that end up having to pay the tax because they haven't been able to afford these expensive products to try to avoid the tax.

Besides simply being jobmakers for lawyers, which I don't think we are in the business of being, this is a very expensive proposition. It is interesting that the bulk of the people who pay the taxes are the smaller estates.

I ask unanimous consent to print in the RECORD a brief explanation from an article by Bruce Bartlett of why the larger estates pay only 20 percent of the total taxes.

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

[From the Washington Times, June 19, 2000]

THE REAL RAP ON DEATH AND TAXES

(By Bruce Bartlett)

On June 9, the U.S. House of Representatives voted to abolish the estate and gift tax in the year 2010. Predictably, liberals denounced the action in the strongest possible terms. Bill Clinton called it ''costly, irresponsible and regressive.'' The New York Times said, ''Seldom have so many voted for a gargantuan tax cut for so few.'' Robert McIntyre of the far-left Citizens for Tax Justice told CBS News that supporters of repeal have done nothing but lie about their plan, which he views as nothing but a giveaway to the ultra-wealthy.

The truth is that the burden of the estate tax falls primarily on modest estates, not those of the Bill Gates and Warren Buffetts of the world. The latest data from the Internal Revenue Service tell the story. In 1997, more than 50 percent of all estate and gift taxes were collected from estates under $5 million. Only 20 percent came from the very wealthy, those with estates of more than $20 million.

Furthermore, the effective tax rate (net tax as a share of gross estate) is significantly higher for estates between $5 million and $20 million than on those of more than $20 million. An estate between $2.5 million and $5 million actually pays a higher rate than that paid by estates of more than $20 million—15 percent for the former and 11.8 percent for the latter.

How can this be the case when estate tax rates are steeply progressive, taxing estates of more than $3 million at a 55 percent rate? The answer is that estate planning can eliminate the tax if someone wants to spend sufficient time and money setting up trusts and organizing one's affairs for that purpose. Those with great wealth are far more likely to engage in estate planning than a farmer, small businessman or someone with a modest stock portfolio. Hence, the heaviest burden of the estate tax falls not on the very wealthy, but the slightly well-to-do.

The government gets more than two-thirds of all estate tax revenue from estates under $10 million. The idea that taxing the stuffing out of such estates does anything to equalize the distribution of wealth in America is ludicrous. All it does is prevent those with modest assets from becoming wealthy. Academic research has shown that estate taxes squeeze vital liquidity out of small businesses, often forcing them to sell out to large competitors. Thus the estate tax makes it more difficult for small firms to grow and become large.

Of course, the same people who support high estate taxes also support aggressive use of the antitrust laws to break up big businesses like Microsoft because they lack competition. Yet the estate tax destroys many potential competitors in their cribs, before they are strong enough to challenge entrenched corporate elites.

One could, perhaps, make a case for a heavy estate tax if there were evidence a large share of the nation's wealthiest families got that way through inheritances. But this, in fact, is not the case in America and never has been. A 1961 study by the Brookings Institution found that only 6 percent of the wealthy acquired most of their assets through inheritance. Sixty-two percent reported no inheritances whatsoever.

A 1995 study by the Rand Corp. got similar results. It found that among the top 5 percent of households, ranked by wealth, inheritances accounted for just 8 percent of assets. A 1998 study by U.S. Trust Corp. found that among the wealthiest 1 percent of Americans, inheritances were a significant source of wealth for just 10 percent of them.

The truth is that most of the wealthy in America—even the billionaires—made it themselves. They weren't born with silver spoons in their mouths, living off the industry of their parents or grandparents. Most of the very wealthy got that way because they started businesses and took enormous risks that paid off. According to the latest Forbes 400 list of American's wealthiest people, 251 were self-made.

And among the modestly wealthy, with fortunes in the low seven digits, many got that way simply because they saved and invested for retirement the way all financial advisers say people should. The T. Rowe Price website, for example, advises that people need $20 in saving for every $1 they will need in retirement over and above Social Security. This means that to have $50,000 per year in retirement income a couple will need $1 million in assets.

It simply defies logic to tell people they need to save for retirement and then punish them for doing so by threatening to confiscate their estates after death. And it is absurd to tell such people they are the unworthy rich, who merely won life's lottery, when every penny they have came from their own hard work and investment. Yet that is what those fighting estate tax repeal are doing.

If it were only the very wealthy supporting estate tax repeal, there is no way estate tax repeal would have garnered 279 votes, including 65 Democrats. It is precisely because the estate tax is more of a tax on the middle class than the left believes it to be that the repeal effort has gotten so far. It is not Bill Gates and Warren Buffett out there pushing for repeal, but ordinary Americans who just don't want the Internal Revenue Service to be their estate's primary beneficiary.

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

The PRESIDING OFFICER. The Senator has 1 minute.

Mr. KYL. A good opportunity to summarize:

I support what Senator ROTH said earlier this morning. The Democratic alternative is no alternative at all because it relies upon a definition in the code that virtually no one can meet.

Only 3 to 5 percent of the estates qualify. That is why the Democratic alternative is no alternative at all. Is this only me speaking? No. All of the farm and small business organizations agree. They support the Republican alternative, not the Democratic alternative. I think the best test of which one of these plans best meets their needs is to ask the people who are most affected. They answer resoundingly that it is the Republican plan that best meets our needs; it is the Republican plan that we support.

For that reason, when it comes to choosing between the alternative—you have to make a choice here—the Republican alternative, which passed the House of Representatives with strong bipartisan support, is the one that should be supported and the Democratic should be rejected.

Mr. REID. I yield 5 minutes to the Senator from North Dakota.

Mr. MOYNIHAN. Will the Senator defer to me for just 3 minutes?

Mr. DORGAN. Yes.

Mr. MOYNIHAN. Mr. President, it is with some potential embarrassment that I stand here and say I may be the only person in the Senate who lives on a farm and has done so for 36 years. It is a dairy farm, with cows in the pasture and in the barn. The neighbors are all dairy farmers—not all, but most.

Meaning no disrespect, if anyone presumes to think that the American Farm Bureau speaks for the farmers of Delaware County, they have not been in Delaware County. An insurance firm looks after a very small number of very well-to-do people. In New York State, according to Ray Christensen, who was the Delaware County Republican supervisor before he became assistant commissioner of the Department of Agriculture and Markets, the average sale price of a farm is about $257,000.

Here—quite unexpected, but very welcome—in this morning's New York Times, the lead article of the business section talks about the Democratic estate tax plan. It cites Neil Harl, an Iowa State University economist who is a leading estate tax adviser to Midwestern farmers. He says that only a handful of working family farms have a net worth of $4 million.

> Above that, with very few exceptions, you are talking about the Ted Turners who own huge ranches and are not working farmers.

Mr. Harl said he was surprised that farmers were not calling lawmakers to demand that they take the President up on his promise—which the President has promised—to sign the Democratic bill. The article concludes:

> Professor Harl, the Iowa State University estate tax expert, said that he had heard many horror stories about people having to sell farms to pay estate taxes. But in 35 years of conducting estate tax seminars for farmers, he added, "I have pushed and pushed and hunted and probed and have not been able to find a single case where estate taxes caused the sale of a family farm; it is a myth."

I yield the floor.

The PRESIDING OFFICER. The Senator from North Dakota is recognized for 5 minutes.

Mr. DORGAN. Mr. President, I sat here in wonder at the description just offered by a couple of Senators about this proposal to repeal the estate tax. It is a proposal that is dressed with language saying that this is to help family farmers and small businesses. Yet when you remove the disguise, what you have are people pulling uphill a bag of goodies for the largest estates and the wealthiest people in this country. Clarence Darrow, at the end of his life and long career in law, once said, "I have long suffered from being misunderstood." Then he said, "I may have suffered more had I been understood." This proposal by the Republicans is going to suffer by being understood in this debate and by the American people. Let's understand what it is. First of all, we all agree that we ought to essentially repeal the estate tax for small businesses and family farms. We all agree on that. In fact, as the Senator from New York said, the New York Times article today says:

> Two prominent experts in estate taxes said yesterday that the Democrats were offering a much better deal to small business owners and farmers, because the relief under their bill would be immediate and the estate tax would be eliminated for nearly all of them.
>
> "The fact is that the Democrats are making the better offer"—and I am a Republican saying that—"said Sanford Schlesinger of the law firm of Kaye, Scholer, Fierman, Hays, and Handler of New York."

What the Democrats offer is a much better deal. It repeals the estate tax for all family farms and small businesses. Put that offer on the table. We repeal it more quickly. What is left is that the Republicans have decided they insist on repealing the estate tax for the wealthiest families in this country—$300 billion to $400 billion for additional tax relief for the wealthiest estates here in America. That is what they insist upon.

What else could we do with this? They insist that money be used to give tax relief to the wealthiest in this country. Well, we could probably reduce the Federal debt. Would that be better than giving tax relief to somebody who dies and leaves a $1 billion estate? The heirs will only get $700 million or $800 million, and there will be money paid on an estate tax on the estate. Perhaps that money could be used to reduce the Federal debt. Would that be a gift to America's children? I think so.

Perhaps it can go to the prescription drug benefit in the Medicare program. How about using the money for that? Would that be more important than easing the tax burdens on the largest estates in the country? I believe so.

A series of things that would be a better use of those funds ought to be debated today. A USA Today editorial says:

> But behind the caterwauling about the death tax, the truth is quite different. Most people will never be affected by inheritance taxes: 98 percent of all estates aren't big enough to be liable. Even among the elite 2 percent, very few are farmers and small business folks. But there are better ways to spend $50 million a year than handing it to the heirs of the wealthiest people in the country. Take your pick: Middle class tax cut, improved health benefits for seniors, or paying down the national debt, for starters.

Those are the choices. The Republican side of the aisle says, no, let's not just repeal the estate tax on small business and family farms, let's repeal it on the wealthiest estates in America and claim that what we are trying to do is protect farmers and small business people.

Well, I don't think they appreciate being used that way. Farmers and small business people don't appreciate being used by someone who wants to take the $300 billion or $400 billion in tax relief that will accrue to the wealthiest American families and be told that somehow this is really for farmers and small businesses.

The New York Times article today says something else:

There is one reason that the American Farm Bureau Federation and the NFIB, National Federation of Independent Business, are not supporting the Democratic plan. Despite the fact that it is better for family farmers and small business, one reason may be that leading the call for the repeal of the tax, the two organizations representing merchants and farmers have done little to tell their members about the Democratic plan. Interviews this week with a half dozen people whom the two organizations offered as spokespeople on the estate tax showed that only one of them had any awareness or understanding of the Democratic plan.

Here you have two organizations—the American Farm Bureau Federation and the NFIB—running around Washington saying they represent farmers and family businesses, and they are supporting the wrong program. They are supporting a repeal proposal that is less advantageous for family farmers and small businesses. And they tell their folks back home that they are doing their business. Nonsense. You have two competing plans. Both of them would repeal the estate tax for family farms and small businesses. But the Republican plan says we must go further and we must give $300 billion to $400 billion in additional tax cuts in the next 10 years and make sure those tax cuts go to the wealthiest estates in America.

We say that is not the right set of priorities for this country. I have heard this out-of-breath discussion. The folks who talk about disguising public policy and debate around here are absolutely correct. You can't disguise what you are doing here in terms of a large tax cut for the wealthiest American estates by saying this goes to family farmers and small business. It doesn't.

The proposal we offer is the one that will exempt family farms and small business.

The proposal they offer is the one that will give hundreds of billions of dollars to the largest estates in America—$250 billion in tax benefits to the 400 wealthiest families in America.

Is that the priority? It is for them. It is not for us.

There are other needs and interests: prescription drugs for Medicare; as I have mentioned, paying down the Federal debt; tax relief for middle-income families. There are so many things that are so important that we could do in public policy here today. Instead, we are debating a plan that says, let us at this time and in this place provide the largest tax cut in history to the wealthiest estates in America.

That doesn't make sense, no matter how you debate it.

The PRESIDING OFFICER. The Senator from Oklahoma.

Mr. NICKLES. Mr. President, I yield myself 10 minutes from leader time.

Mr. President, I wish to make a few comments concerning the proposal, but also on the issue. I, for one, am disappointed that we had to file cloture on a motion to proceed to take up this bill. That took a long time. I am disappointed to see that now we may have a list of 10 amendments on each side, most of which have very little, if anything, to do with the underlying issue of estate tax repeal or reduction.

In other words, it is unfortunate, but a lot of people want to play politics, or they want to have a lot of different amendments that have nothing to do with this issue.

The American people want tax relief. They want to eliminate one of the most unfair taxes in America. Some people ask: Why are you doing this? Doesn't it only apply to 2 percent of the American people? The tax applies to a lot more than 2 percent of the American people. A lot of people aren't aware of the fact that they may well have to pay the tax. It is a very punitive tax.

Again, I have heard my Democrat colleagues say they are willing to increase the exemptions so we can increase the number of people who pay zero and, therefore, make the problem go away. The tax doesn't go away.

We are dealing with this tax on death. The Federal Government is saying, if you die and you happen to have an estate right now above the exemption amount, the Federal Government is going to come in and take at least 37 percent of what you have left if you have a taxable estate. If you have a taxable estate of $1 million, the Government wants 39 percent; if it is $3 million, 55 percent. That is pretty high. If you have a taxable estate of between $10 million and $17 million, the rate is 60 percent.

What is fair about that, whether it is 1 percent or 10 percent of the American people paying it? What is fair about the Government taking 60 percent of somebody's business or their property, for which they worked their entire life. For the Government to come in and say, ''We want over half of it''? Absolutely nothing is right about that. Where is the justice in society, even if it is only one person? Shouldn't we have a Tax Code that is fair for all? Is it fair to say 1 percent or 2 percent or 5 percent, we are going to take half of your property? Is that justified?

I thought Government was supposed to protect our property not confiscate it. An individual should not be subject to extra burden because they have been successful. Maybe you start a small business and it grows, and you have no interest in taking the money out of the business. You want it to grow. You want your kids to take over or maybe your grandkids to take it over.

There are millions of businesses in America today where the second or third generations want to grow, build, and expand. They are not trying to sell it so they can hand their kids a lot of wealth. They want their kids to have a business where they can continue to grow it, employ more people, and provide a product and a service. Then Uncle Sam comes in and says: Sorry you are too successful. We want 50 percent or 60 percent of what you have.

That is currently the law. If we adopt the Democrats' substitute, it will stay that way.

Last year, only 902 out of 47,000 estates, as pointed out by Chairman ROTH, qualified as small businesses or as family farms. A whole lot of farms and a whole lot of businesses that think they would qualify for the exemption will find out that the IRS has written these regulations pretty tight, and they don't qualify. All of a sudden, their business is hit with a very high tax. Let's say a restaurant business is bigger than $5 million. Say you have a couple of restaurants in Denver or maybe in Delaware and you build a nice restaurant worth a couple million dollars. You work hard every night. Maybe you have two restaurants, and the net value of the estate is $6 million. Uncle Sam is going to come in and say, under the Democrats' proposal, maybe we will give you a $2 million exemption, but for $4 million of it, you are going to be taxed.

Do you start the tax rate at 18 percent? No. Under the Democrats' proposal, you start at the taxable rate of 37 percent. By the third million dollars, you are at 55 percent. The tax that you are going to owe is $1.5 million. The restaurant doesn't have it. How do you pay? You have to sell it. Instead of somebody being able to keep that restaurant and pass it on to the third generation, you have to sell it because you do not have the $1.5 million you owe in taxes. It may be worth $3 million, but you do not have $1.5 million in cash. Now you have to sell it, and the Government is responsible for destroying a business. Maybe someone else will pick it up; maybe not. Maybe the person who picks it up doesn't have the same interest in the employees or the same real interest in the business. Who knows?

My point is that Government shouldn't be confiscating property because somebody dies.

The proposal that passed with overwhelming bipartisanship in the House, by a two-thirds majority, two to one, said eliminates the death tax. Let's make it taxable when the property is sold. When someone dies, his or her children should be able to inherit the restaurant. If their kids want to keep operating the restaurant, they should not be taxed. The tax should be incurred when the restaurant is sold. It should be taxed at a capital gains rate of 20 percent instead of 55 or 60 percent.

That makes more sense. When they sell it, guess what? They have the cash. They can pay the tax. The tax rate is reasonable. It makes sense. It is 20 percent, not 55.

So the idea that we are going to exempt this greater percentage of the estate doesn't eliminate the unfairness of the tax. It doesn't even do what President Clinton said that he may be willing to do. The President, spoke to the

Governors on July 10, just a couple of days ago, and said: ''We provided some estate tax relief in 1997. I really didn't think it was enough. I think there should be more.''

I was involved in the conference in 1997. I will tell you that Secretary Rubin totally opposed this measure in estate tax relief throughout the entire process. Assistant Secretary Summers was also completely opposed to it. For the President to say he really wanted to do more is factually incorrect, or maybe his Treasury Secretary was not representing his interests. Maybe his Assistant Secretary of Treasury, Larry Summers, who at that time in 1997 said, ''In terms of substantive arguments, the evidence is about as bad as it gets. When it comes to the estate tax, there is no case other than selfishness.''

That was Larry Summers position in 1997. That was when we were negotiating the tax bill in 1997, on which the President now says he wanted to do more. I find that to be very interesting.

The President also said to the Governors—''I mean, you could argue the rates are too high because they are higher than the maximum income rates now, and that is something that didn't used to be the case.''

That is right. The maximum estate tax rates that I just mentioned go up to 55 percent and 60 percent for the biggest estates, because we phased out the gradual phasing in of the rates. For a taxable estate between $10 million and $17 million, the rate is 55 percent; above $17 million, it is 60 percent.

The maximum personal income tax rate is 39.6 percent—actually it is higher than that because the President eliminates other deductions and exemptions and has no limit on Medicare tax—he is implying he would be willing to reduce the maximum estate tax from 55 to 39.6. That is a step in the right direction, because rates are the problem.

The Democratic proposal does not effect the rates. It only increases exemption. If we have an estate beyond that exemption—and there are millions of farms and ranches and businesses above it; they are $2 million, $4 million, $6 million—they are hit with the rate. Because of the unified credit, you are taxed at 37 percent.

What we did in the Republican proposal that passed the House, was change the unified credit to an exemption. Once a person is above the exemption amount, they begin paying estate taxes at 18 percent, not 37 percent. The bipartisan proposal that passed the House, that we will vote on, that Chairman ROTH has been pushing, gives tax relief for people who pay estate taxes; they start paying at 18 percent instead of 37 percent. We changed the credit to an exemption and that benefits the lower value of estates that are taxable.

This rhetoric that we are exempting the big estates is hogwash. Big estates pay capital gains when those properties are sold. They will pay when that property is sold—not when someone dies. That rate will be 20 percent. That makes sense. The tax is paid when the property is sold, not when someone dies.

Too many people are faced with the very unfortunate circumstance which I faced when my dad died. I was young. My father passed away, and we had a manufacturing company. The book value of that manufacturing company was zero. The Government claimed it was worth a lot. We fought the IRS for 7 years over the value of the company. We ended up writing a big check and settling with the IRS. The Government wanted a big chunk of the Nickles Machine Corporation. They said it was worth much more than we did. How do we know what the value is unless we sell it? The Government was trying to force us to sell the company.

I am afraid this is happening today in millions of cases all across the country. People are aware that this may happen, so they start planning: What shall I do? Maybe I will start giving stock to my kids. Maybe the kids want to be in the business, maybe they don't want to be in the business. There are schemes. People who have big estates create foundations. They do all kinds of things to avoid the tax.

There are millions of Americans who don't know the tax is coming. If they do, they are worried about it, or they contain their plans, or they don't grow their businesses. That is yet another negative consequence of the death tax. They say: Why should I grow this business? I will pass away, and the Government will get over half. Why should we ''grow it'' if the Government is going to take half of it?

As a result many new jobs are not created. Many economic transactions do not take place because of the Government's heavy hand coming in. That is in addition to the fact that they taxed the property when it was originally received or as it earned income year by year.

This is one of the most unfair taxes on the books—maybe the most unfair tax we have on the books today. It needs to be repealed. An exemption will not cure the problem. It may garner support from some groups, but it is not adequate. Anybody who reads the definition of ''farm'' and ''business'' will realize they do not qualify for the exemption.

The Democrat substitute is not feasible and it should not pass. I urge my colleagues to vote against the Democrat substitute and vote in favor of the Roth amendment.

I hope we will be voting on both before too long and I hope those are the only two votes we have on this bill. I understand we may be voting on twenty amendments regarding taxes in general. I think we should be considering amendments relevant to estate taxes only. These extraneous amendments do not help the process, they just slow it down.

I yield the floor.

The PRESIDING OFFICER (Mr. FITZGERALD). The Senator from Nevada.

Mr. REID. I yield 5 minutes to the Senator from Massachusetts.

Mr. KENNEDY. I yield myself 4 minutes.

Mr. President, with all due respect to the Senator from Oklahoma, I think the two Senators from North Dakota spelled out very clearly and convincingly the differences between the position taken by the Republican majority, and the alternative proposed by Democrats. The Democratic proposal basically and fairly addresses legitimate concerns in the estate tax by essentially removing the estate tax from small farms and businesses. That presentation has been made effectively by the Democrats. I don't think anything that has been said in the recent moments undermines the credibility of the Democratic position. I think the Democratic alternative proposal reflects the views of the overwhelming majority of the Democrats on this issue.

I am somewhat amazed as we come into the final days of this period of the Congress that we are talking about how we are going to reduce the taxes for the wealthiest 2,400 Americans. These people pay half of all current estate taxes. In the outer years, the second decade after a repeal, the 400 wealthiest families in this country would save $250 billion in taxes under the Republican plan. That explains why some of our colleagues on the other side insist that we spend the Senate's limited time addressing only the concerns of the wealthy.

The fact is, we have 10 million Americans today who would benefit from an increase in the minimum wage. We know the minimum wage has fallen substantially behind in its purchasing power. Why isn't the Senate of the United States debating what we will do for the 10 million hard-working Americans, working 40 hours a week, 52 weeks of the year, in some of the most challenging jobs in our society? What is it about the priorities of the Republicans trying to protect the interests of the very wealthiest individuals in our society, rather than trying to deal with the hard-working Americans who are at lower levels of the economic ladder—in this case, hard-working Americans making minimum wage? Many of these workers are women, including women who have children; and a significant number are men and women of color. This is a family issue. It is a children's issue. It is basically a fairness issue.

No, the Republicans with this issue want to reduce taxes on the wealthiest individuals, $250 billion additional for the 400 wealthiest families in this country. Should that surprise Members? No. I look back to the debate from the mid-1990s. Perhaps some Members remember the famous tax loophole called the Benedict Arnold tax loophole that permits Americans to accumulate billions and billions of dollars in this great land. And then what does a citizen do? He basically renounces his citizenship and takes those billions of dollars out of the country, tax free. It is the Benedict Arnold tax loophole.

I went over the various votes we had to end this deplorable practice. We voted at least seven times on that. Every time we had a sense-of-the-Senate resolution that was non-binding, our Republican friends voted with us to eliminate this Billionaire tax loophole, but when had substantive votes to actually do something about it, they voted against us.

Just about a month ago, in May the Wall Street Journal reported that the loopholes enabling the super-rich to renounce their citizenship and avoid tax remain. The loopholes in the expatriate tax law are so big that you could fly a jumbo jet through them. The basic Benedict Arnold loophole remains alive and well—costing the Treasury billions and billions of dollars.

President Clinton has joined Democrats in repeatedly proposing to end all of the loopholes. His February 2000 budget includes repeal. But we see no action from the Republicans. We only see them wanting to add more escape hatches for the super-rich.

Why is it that the Republicans are so prepared to protect the financial interests of the wealthiest individuals? We ought to be taking these resources and investing them in our schools. We need significant investments in education so that our children can attend modern schools, schools that are worthwhile for their attendance, schools with small class sizes, and schools with trained teachers. Many Republicans talk about these needs, but when it comes to action, they want to focus on adding to the riches of the rich. The nation deserves much better than this estate tax repeal plan.

We ought to be debating here this afternoon the interest in a prescription drug program that will look after 40 million Americans, instead of 2,400.

It is very clear what the priorities are. The other side, the Republicans, are looking after the financial interests of the wealthiest individuals in this country, and many of us believe that we, at this time, ought to be debating what we are going to do to protect the hard-working Americans who are making the minimum wage, those senior citizens who need a prescription drug coverage, or the children of this country who need new, modern schools. That is what the issue ought to be.

The PRESIDING OFFICER. Who yields time?

Mr. MOYNIHAN. Mr. President, I congratulate the Senator from Massachusetts on his remarks. They were precise. They were telling. It is a baffling matter. Forty million Americans need a minimum wage increase and we are here on the floor talking about 2,400, who wish to avoid all the estate taxes which Theodore Roosevelt began in this Nation. At the end of the century in which he started it, we want to get rid of it. It is baffling.

I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. MOYNIHAN. Mr. President, the Senator from Montana would like to speak for, I believe, 5 minutes.

Mr. REID. Mr. President, the Senator from Montana is yielded—there is 1 minute left on the bill, and 4 minutes from the 90 minutes.

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

Mr. BAUCUS. Mr. President, a lot has been said about this issue on both sides, the bill offered by the majority and the Democratic alternative, how best to deal with estate taxes. As often is the case, there is a lot of rhetoric flying around here, a lot of claims, a lot of words. It is, I am sure, difficult for the American public who may be listening to this debate to try to ascertain the facts. Most people would like to know which bill does make more sense, after hearing all the debate and all the rhetoric. I would like to do what I can to give some honest facts and let the people decide for themselves.

One is the statement made by the Senator from Arizona, Mr. KYL, that the Treasury Department, in estimating the cost of their bill, did not look at the capital gains effect. That is just not true. The fact is the Treasury Department did look at the capital gains effect in the second 10 years of the bill. That figure, $750 billion in cost, is an accurate figure. That is a fact.

Second, the point was made—and by other Senators—that the small business exemption in the Democratic bill is too complicated; farmers, ranchers, and small businesses just cannot qualify. The fact is, No. 1, there has to be some provision in the code which indicates who does and who does not qualify for an exemption. There has to be some set of guidelines. There are guidelines which were modified in 1997 on a bipartisan basis by both Republicans and Democrats. That is in the law today.

I might say, too, we, in our bill, by raising the small business exemption for small businesses and family farms—and also, I might add, unified credit—do give great relief to farmers and ranchers, not only in the first year but the second year and all the years that are contained in this bill; whereas, in the House-passed bill, even though they might complain about the provision of the law which gives exemption, there is nothing advocated by the majority side which deals with anything that would help farmers and ranchers in the family-held exemption.

Basically, the fact is, if you are a farmer or rancher or if you are a small business person and you are trying to decide which of these two bills is going to help you the most, it is clear; it is black and white. The Democratic alternative is going to help farmers and ranchers, small business people—family-held businesses—dramatically more in the first year, the second year, the third year, the fourth year, and forever; whereas, in the House-passed bill, there is virtually no help to farmers and ranchers and business people until the 10th year, when it is automatically repealed.

I might also add, the cost is a matter of concern. Here we are in Congress, trying to give estimates as to what the budget surplus will be in the next 10 years, the next 20 years. That is a hard thing to do, but we do our best. Ironically, because we did not want the measures to be backloaded too much the second 5 years, we have now asked for 10-year estimates instead of 5-year estimates. The net effect of that is it blows up the surpluses so they look so large.

The difficulty is those are only projections. That is all they are; they are just projections. At the same time, we are here today talking about law. We are discussing what a new law should be and how much taxes should be reduced. On the one hand, it is projections; on the other hand, it is the cold reality of law.

I do not know if this is going to happen; nobody knows, but it could well be that 5 years from now, 10 years from now, the economy might not be doing so well; the projections might be off. I do not know if it is wise—I am only talking about wisdom here—to pass a tax reduction bill which does not take effect, in a sense, for another 10 years, which is so dramatic in its reduction of taxes at a time when we really do not know what the economic picture of the country will be.

Mr. MOYNIHAN. Will the Senator yield for a question?

Mr. BAUCUS. I would love to yield, yes.

Mr. MOYNIHAN. Does he not recall that in 1980 the Office of Management and Budget projected a large surplus for the Federal budget in the coming 5 years?

Mr. BAUCUS. I recall it very well.

Mr. MOYNIHAN. Just as we were plunging into the deepest deficits?

Mr. BAUCUS. It is vivid in my mind.

The PRESIDING OFFICER. The 4 minutes of the Senator have expired.

Mr. BAUCUS. I think I had 1 minute more.

The PRESIDING OFFICER. The additional minute has also expired.

Mr. REID. The Senator is yielded another 2 minutes.

Mr. BAUCUS. I thank my friend from Nevada.

I will sum up because these are the facts. We have a choice: It is the House-passed bill or the Democratic alternative. The House-passed bill gives no relief, no estate is exempted under the House-passed bill, none, for 10 years—none. On the Democratic alternative, the vast majority of farmers and ranchers and small business people—family held—are exempt from paying estate taxes. That is a fact.

Fact No. 2: The Democratic alternative is less expensive. Why? Because it does not totally repeal the estate tax, the effect being for the very wealthy taxpayers. That is a fact.

Do we want to repeal the estate tax for the most wealthy taxpayers? I submit, because we are dealing with budget estimates, we do not know what the outyears are going to be. Because the House bill does not take effect for 10 years anyway, it makes sense to pass measures which do not repeal for the most wealthy, but, rather, save some of that for debt reduction, for education tax credits, or for other matters that, really, more American people really care more about than total tax relief for the most wealthy. That is really the question here.

I think most Americans, when they look at the facts of the bill and ask themselves which of those two choices makes the more sense, would think discretion is the better part of valor here. We cannot have everything. There is moderation in everything. The most moderate, balanced way is to say: OK, let's address the problem we are most concerned with—small businesses, farmers, and ranchers—because that is what is most important; but let's not do everything because we live in a society where we have to work things out on a fair, balanced basis and take things a step at a time.

Most Americans are very balanced, have common sense and lots of wisdom. That is the way we should go.

Mr. MOYNIHAN. Well said.

The PRESIDING OFFICER. The time of the Senators has expired.

Mr. ROTH. Mr. President, I yield myself such time as I may use.

Too often in our debates on the Senate floor, we lose touch with what really is at issue. What we do here, the decisions we make, affect real people. For that reason I want to take a moment and read a letter I recently received.

DEAR SENATOR ROTH: I am a 14 year old boy, living in New York, and though my knowledge of the law is very minuscule, I know one thing, the Estate Tax is wrong. I have considered myself a Democrat for all of my life, volunteering for Bill Bradley for President and my local Congresswoman from New York's 14th District, Carolyn Maloney, but on this issue I must side with the opposition.

I shall explain to you why I am so opposed. My Grandfather on my mother's side bought his house in 1945 in Winnetka, Illinois for $10,000. He was a doctor. Back then, Winnetka was a ''dry'' town, alcohol was prohibited. Today, Winnetka is one of the rich suburbs of Chicago and my Grandmother, 86 years old, lives alone in the same home without my Grandfather who passed away in 1982. The house today, not a thing changed since 1945, is worth around $2 to 3 million. It pains me to say this, but my Grandmother could pass any day and her house, her belongings, everything my Grandfather worked for 50 years as Doctor, helping others, could be gone. She is not rich, in fact, she has nothing except for her house and her furniture.

I hope that you understand my staunch opposition to the Estate Tax and I hope that you will vote to repeal the Estate Tax. Thank you for reading this, could you please respond to my inquiry:

Thank you.

ALEXANDER LEVENTHAL.

I hope young Mr. Leventhal, and his grandmother, do not mind that I read his letter before the Senate. I hope that they will accept a verbal response to his letter, and I hope that this Senate will vote to give them the response they and millions others deserve: repeal of the death tax.

This family, separated by hundreds of miles and generations, should not have to worry about the fate of their grandfather's house. No family, no farmer, and no small business person should have to worry about this sort of thing. It is bad enough that they have to lose sleep over the worry, but the loss, as young Mr. Leventhal so accurately points out, can be so much greater. It is a house, it is a farm, it is a business, it is savings, that a family has worked for throughout a lifetime. One lifetime comes to an end, and suddenly the entire family's memories of the past and dreams for the future can come to an end as well.

As we all know, no one individual creates a farm or a business by themselves. The whole family sacrifices to it. They sacrifice by having a parent, or both parents, away when they could have been home. They contribute by seeing money that could have been taken out of the farm or business and spent, instead reinvested into growing the farm or business for the family, and, of course, the family contributes their work. Family members do not punch a time card when they work on their family's farm or in their family's business. Their work is part of being a member of the family. They do not see all they worked for just in earnings—they see much of it in a growing family enterprise.

Yet when one member of that family dies, they see a tax bill for income they never received. For income they never wanted—at least not as much as they wanted to grow their family's farm or business. But because the tax bill is so big and their earnings went back into the family's enterprise, they have to sell the family's farm or small business. Not because they need the money, or even because they want the money, but because the Federal Government in Washington does, and the Federal Government demands they sell it in order to pay those who never worked a day on their farm or a minute in their business or, as in the case of Alexander Leventhal, never lived a day in his grandfather's house in Winnetka.

Where is the justice in this? I am sure Mr. Leventhal would like to hear it.

I have heard some say that taxing at death is the only way some income will ever be taxed. Of course, this is not true. It will be taxed when it is realized—when a farm, a business, a house is sold—when it actually exists for a family. These are not people who dodge taxes, as the apologists for a confiscatory death tax try to make them. It is nothing less than a desperate attempt to defend the indefensible.

These are people who never saw the income because it never existed for them. It was in their farms and businesses. They should not be taxed on some make-believe basis at a time to be decided by the Government. When they sell their farms and businesses, they will pay tax on it. Until the family decides to, when it is right for the family, what place is it for the Government to come in and tell them that they have to sell what often is the very purpose for which that family worked and wants to continue to work?

I see no justice in that. I cannot believe anyone on this Senate floor could see any justice in that. But most important, no one outside this Chamber—certainly not Alexander Leventhal, his grandmother or any one of millions upon millions of hardworking Americans—see any justice in that.

It is time to repeal the death tax. It has always been unfair. Today, in a time of growing surpluses, it is no longer even necessary. I hope my colleagues will take to heart not my admonition, but that of my letter writer: ''I hope that you understand my staunch opposition to the Estate Tax and I hope that you will vote to repeal the Estate Tax.''

Alexander, I will and I hope my colleagues will as well.

I believe time has run out. Mr. President, I yield back the remainder of my time.

Mr. MOYNIHAN. Mr. President, I believe our time has expired.

The PRESIDING OFFICER. The Senator is correct.

Mr. REID. I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There appears to be a sufficient second.

The question is on agreeing to amendment No. 3821. The clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. REID. I announce that the Senator from Connecticut (Mr. DODD) is necessarily absent.

The PRESIDING OFFICER. Are there any other Senators in the Chamber desiring to vote?

The result was announced—yeas 46, nays 53, as follows:

[Rollcall Vote No. 180 Leg.]

YEAS—46

Akaka	Durbin	Landrieu
Baucus	Edwards	Lautenberg
Bayh	Feingold	Leahy
Biden	Feinstein	Levin
Bingaman	Graham	Lieberman
Boxer	Harkin	Lincoln
Breaux	Hollings	Mikulski
Bryan	Inouye	Moynihan
Byrd	Jeffords	Murray
Chafee, L.	Johnson	Reed
Cleland	Kennedy	Reid
Conrad	Kerrey	Robb
Daschle	Kerry	
Dorgan	Kohl	

Rockefeller	Schumer	Torricelli
Sarbanes	Specter	Wyden

NAYS—53

Abraham	Frist	Murkowski
Allard	Gorton	Nickles
Ashcroft	Gramm	Roberts
Bennett	Grams	Roth
Bond	Grassley	Santorum
Brownback	Gregg	Sessions
Bunning	Hagel	Shelby
Burns	Hatch	Smith (NH)
Campbell	Helms	Smith (OR)
Cochran	Hutchinson	Snowe
Collins	Hutchison	Stevens
Coverdell	Inhofe	Thomas
Craig	Kyl	Thompson
Crapo	Lott	Thurmond
DeWine	Lugar	Voinovich
Domenici	Mack	Warner
Enzi	McCain	Wellstone
Fitzgerald	McConnell	

NOT VOTING—1

Dodd

The amendment (No. 3821) was rejected.

Mr. MOYNIHAN. Mr. President, I move to reconsider the vote.

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

The motion to lay on the table was agreed to.

Mr. MOYNIHAN. Mr. President, I believe it is the majority's opportunity to offer an amendment.

The PRESIDING OFFICER. The Senator from Utah is recognized.

AMENDMENT NO. 3823

Mr. HATCH. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Utah [Mr. HATCH] proposes an amendment numbered 3823.

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

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

The amendment is as follows:

(Purpose: To amend the Internal Revenue Code of 1986 to provide a permanent extension of the credit for increasing research activities)

At the end, add the following:

TITLE VI—PERMANENT EXTENSION OF RESEARCH CREDIT

SEC. 601. PERMANENT EXTENSION OF RESEARCH CREDIT.

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

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

Mr. HATCH. Mr. President, this amendment is a simple one. It would permanently extend the research and experimentation tax credit—a tax provision that has been instrumental in helping to keep our economic growth robust over the past decade.

Let me explain why this amendment is necessary.

Last July, this body voted to extend the research credit permanently. Unfortunately, the House version of last year's tax bill included only a five-year extension of the credit. The five-year extension prevailed in conference. Of course, last summer's tax bill was vetoed by the President.

Fortunately, however, last November, Congress passed and the President signed the Ticket to Work and Work Incentives Improvement Act, which included the five-year extension of the research credit. Therefore, the credit has been extended to June 30, 2004.

And, in 2004, corporate America will have to go through this rigmarole again. This tax credit has been on and off, extended and expired, a legislative certainty or a legislative football almost more times than anyone can count.

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

Our treatment of the R&E tax credit—that is, allowing it to run to the brink of expiration and reviving it at the 11th hour—is a disservice to our research entities and, yes, our whole country.

It is time to get serious about our commitment to a tax credit that is widely believed by economists and business leaders to be one of the most effective provisions in creating economic growth and keeping this country on the leading edge of high technology in the world.

This amendment gives us an opportunity to reaffirm our commitment.

A large number of the Members of this body, on both sides of the aisle, are on record in support of a permanent research credit. Indeed, S. 680, the research credit permanence bill that my colleague from Montana, Senator BAUCUS, and I introduced last year, enjoys the support of 26 Democrats and 20 Republicans. In addition, a permanent research credit was included in Democratic alternative to last summer's tax bill, which was supported by 39 Democrats. Moreover, both Governor Bush and Vice President GORE support a permanent research credit.

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

These short-term extensions have occurred ten times since 1981, Mr. President. Ten short-term extensions for a tax credit that most members of this body strongly support. I am not sure if we realize how the lack of permanence of the credit damages the effectiveness of the research credit.

Research and development projects typically take a number of years and may even last longer than a decade. As our business leaders plan these projects, they need to know whether or not they can count on this tax credit.

The current uncertainty surrounding the credit has induced businesses to allocate significantly less to research than they otherwise would if they knew the tax credit would be available. This uncertainty undermines the entire purpose of the credit. For the government and the American people to maximize the return on their investment in U.S. based research and development, this credit must be made permanent. And now is the time to do so.

During the ten times in the past 19 years that Congress has extended the research credit for a short time, the ostensible reason has been a lack of revenue. The excuse we give to constituents is that we didn't have the money to extend the bill permanently. Ironically, it costs at least as much in terms of lost revenue, in the long run, to enact short-term extensions as it does to extend it permanently.

With the latest projections of the on-budget surplus, for one year, for five years, and for ten years, this excuse is gone. There is simply no valid reason that the research credit should not be extended on a permanent basis.

Moreover, now is the time to extend the provision permanently. By making the research credit permanent now, we will send a strong signal to the business community that a new era of stronger support for research has dawned.

The timing could not be better because, as I mentioned, many research projects, especially those in pharmaceuticals and biotechnology, must be planned and budgeted for months and even years in advance. The more uncertain the long-term future of the research credit is, the smaller the potential of the credit to stimulate increased research. Simply knowing of the reliability of a permanent research credit will give a boost to the amount of research performed, even before the current credit expires in 2004.

My home state of Utah is a good example of how state economies benefit from the research tax credit. Utah is home to a large number of firms who invest a high percentage of their revenue on research and development.

For example, between Salt Lake City and Provo lies one of the world's biggest stretches of software and computer engineering firms. This area, which was named ''Software Valley'' by Business Week, is a significant example of one of a growing number of thriving high tech commercial regions outside California's Silicon Valley. Newsweek magazine included Utah among the top ten information technology centers in the world. The Utah Information Technologies Association estimates that Utah's IT industry consists of 2,427 enterprises, employing 42,328 with revenue of over $7 billion.

In addition, Utah is home to about 700 biotechnology and biomedical firms that employ nearly 9,000 workers. Research and development are the reasons these companies exist. Not only do these companies need to continue conducting a high quality level of research, but this research feeds other industries and, ultimately, consumers.

Just ask the patients who have benefited from new drugs or therapies.

In all, there are more than 80,000 employees working in Utah's thousands of technology based companies. Many other states have experienced similar growth in high technology businesses. Research and development is the lifeblood of these firms and hundreds of thousands like them throughout the nation.

Findings from a study conducted by Coopers & Lybrand show that workers in every state will benefit from higher wages if the research credit is made permanent. Payroll increases as a result of gains in productivity stemming from the credit have been estimated to exceed $60 billion over the next 12 years. Furthermore, greater productivity from additional research and development will increase overall economic growth in every state in the Union.

Research and development is essential for long-term economic growth. Innovations in science and technology have fueled the massive economic expansion we have witnessed over the course of the 20th century. These advancements have improved the standard of living for nearly every American. Simply put, the research tax credit is an investment in economic growth, new jobs, and important new products and processes.

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

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

Simply put, the costs of not making the research credit permanent are far greater than the costs of making it permanent. As we enter the new millennium, we cannot afford to let the American economy slow down. Now is the time to send a strong message to the world that America intends to retain its position as the world's foremost innovator.

I urge my colleagues to support this amendment.

The PRESIDING OFFICER. The Senator from New York.

Mr. MOYNIHAN. Mr. President, I would simply like to say that there is not a word in the remarks of my close friend from Utah with which I would disagree. I have now served 24 years on the Finance Committee, and the last 20 years has been a continued frustration in our disinclination and refusal to make the research and development credit permanent.

It is elemental that research projects go beyond 2, 4, or 20 years. It is elemental and in the interest of society that these projects should take place. We allow the credit to be taken but only in 2-year intervals, as it were, such that there will obviously be some decisions made that it is too risky and maybe they won't do it next time. We always renew it, but at a cost. There is an efficiency cost which is clear.

I, for one, will happily vote in support of the Senator's proposal.

Mr. HATCH. Mr. President, I thank my colleague, who together with Senator ABRAHAM and Senator ROBB, is a cosponsor of this amendment.

The PRESIDING OFFICER. The Senator from Montana is recognized.

Mr. BAUCUS. Mr. President, I thank my very good friend from Utah for offering this amendment. It is high time that we make the R&D tax credit permanent. It is almost impossible to come up with a reason why it is not permanent. It is like a yo-yo—on for a year and off. Then they have to make it retroactive. It is nuts.

Business abhors uncertainty. If we can make this permanent, that is one uncertainty that can be dispensed with.

Obviously, the United States is going to remain the powerful economic engine in research and development, and the tax credit should be made permanent. It is a key part of that.

I thank my good friend. I am proud to be a cosponsor of his amendment. I hope it passes. Unfortunately, it is on a bill that the President says he will veto. I hope some time between now and then we can find a vehicle and some way to pass this measure.

Mr. HATCH. I am prepared to yield back the balance of our time.

Mr. ROTH. I congratulate the Senator from Utah for raising this very important piece of legislation. As Senator MOYNIHAN said, the two of us have been working continually to try to make this permanent. It is long overdue. I am grateful for initiative on the Senator's part.

Mr. REID. The Senator from Massachusetts desires 3 minutes.

Mr. KENNEDY. Mr. President, I join in commending my friend from Utah on this proposal. We are moving into the life science century with absolutely extraordinary breakthroughs in so many areas.

We want to see a continuation of the R&D from the private sector, with an element of the public sector, as well. I think this Congress has wisely doubled the NIH budget, for example, and also seen an expanded research in other areas of the agencies that we have witnessed in recent times. That has not always been the case in recent times where we have a combination of the opportunity for creativity and expansion in terms of our economy in many fields, particularly the areas of health, are virtually unlimited.

This will make an enormous difference. I congratulate the Senator from Utah. Seeing my friend and colleague, the ranking minority member, I am mindful of the fact during the height of the Japanese recession, when they were hard pressed in terms of their economic future, what did the Japanese Government do? They tripled the R&D budget. We have seen similar examples in Europe. As a result of these incentives in trying to bring more research and development, we have seen the restoration of important economies of the world.

We have a strong economy and we want to keep it this way. Having this permanent will be a very important contribution in ensuring that. I congratulate the Senator. I ask unanimous consent to be a cosponsor of the amendment.

The PRESIDING OFFICER (Mr. HATCH). Without objection, it is so ordered.

Mr. ROTH. I yield 10 minutes to the Senator from Illinois.

Mr. FITZGERALD. Mr. President, I ask consent to use my 10 minutes to speak on the underlying bill, the estate tax measure.

I think there are a couple of issues that need greater attention in this debate over the Federal estate tax. We have an underlying bill sponsored by Senator KYL that will gradually abolish the tax over the next 10 years. The Democrats offered a substitute that was just defeated. The Democrat substitute purported to raise an exemption that is now available in the code for family businesses and for family farms.

There are two points I want to make. One goes to the issue of exactly how much revenue would be lost by abolishing the Federal death tax, or the inheritance tax as it is sometimes called. Last year, the Federal Government took in $24.8 billion in death taxes. If we were to abolish that amount, if we were to abolish that estate tax altogether, we would lose that $24.8 billion. What this debate has been ignoring is that right now when an estate is taxed, the assets passed to the next generation are given, for capital gains purposes, what tax lawyers call ''a stepped-up basis.'' That means any assets your heirs take after the estate tax has been assessed, if they were to sell those assets, they would pay zero in capital gains taxes. When the Federal Government takes in $24.8 billion in estate taxes, it is actually giving up a whole lot in Federal capital gains taxes.

Senator KYL's proposal abolishes the Federal inheritance tax, or the estate tax, over 10 years, but after the estate tax is gone, heirs who take assets inherited from a previous generation will still have to pay capital gains taxes. They will no longer get that so-called stepped-up basis for capital gains purposes. In other words, if you have a grandfather or a father or mother who bought a farm in 1960 for $100,000 and that farm is passed along to the next generation and the heirs take that farm and after their parents have died they decide to sell that farm, they will have to pay capital gains taxes on the difference between the sale price and the original purchase price of their parents. If in the year 2000 they sell that farm that cost $100,000 in 1960 for $1 million, they pay $180,000 in capital gains taxes—20 percent of their capital gain of $900,000.

If they inherited that farm today and, say, their parents' estate had paid the estate tax, without Senator KYL's bill, if they sold that farm for $1 million, they would pay zero in capital gains taxes. Senator KYL's bill is switching from an estate tax rate to a capital gains tax rate. There isn't all this loss of revenue that the other side is talking about.

Somebody on the other side of the aisle brought up the example of the Forbes 400 list and said this would be a $250 billion windfall for them. That ignores that once Senator KYL's bill passes, heirs of the Forbes 400 would all have to pay gigantic capital gains taxes.

I think actually when all is said and done, considering the jobs we will save, the family farms that will be allowed to stay in the families once we have abolished the death tax, family farmers are six times as likely as ordinary Americans to incur the Federal estate tax. That is because they have the classic ill-liquid estate. They may have huge assets in the value of that farmland. They worked all their lives, sweating and paying taxes on every year's income, and buying that farm with aftertax dollars. It may have taken their entire career in farming to finally pay off the mortgage on their farm and then when they die, the Federal Government is going to take 55 percent of that farm, taking away the fruits of their life labor. They cannot hand it down to the next generation; or the next generation, if they want to keep it, has to incur a huge amount of debt to pay off those Federal estate taxes.

What Senator KYL's bill does is change it so what activates the tax is no longer death. What will activate the tax is when somebody decides to sell a capital asset, such as a family farm or a family business. Then they will pay capital gains taxes. As in ordinary circumstances, when you sell a capital asset, you pay capital gains taxes. Selling would activate the tax. Death would no longer be a taxable event. Wouldn't that be better for everyone if that was the case?

Now, the Democrats made very much of their counterproposal to expand the exemption available under 2057 of the Tax Code. There is a larger exemption for family farms and small businesses that is already in the Tax Code. The Democrats' proposal was to expand that to $4 million for a husband and $4 million for a wife so that potentially a couple could hand down an $8 million farm or $8 million family business. That sounds like a great idea. The only problem is, you have to look at section 2057. When you look at 2057, you realize it is 6 pages long. To be a qualifying family farm or a qualifying small business under section 2057, you have to go through 13 pages worth of hoops. There are innumerable cross-references to other sections in the code, some 64 cross-references just to section 2032A. That is why, as Senator KYL pointed out, only 3 percent to 4 percent of family farms and small businesses in this country can actually qualify for this section 2057 exemption. It is very hard to qualify for it.

In fact, recently, the tax section of the American Bar Association urged Congress to repeal section 2057 because it leaves too great a potential for lawyer malpractice. It is a very complicated provision of the code. It really only offers false hope. It is a mirage. The counterproposal on the other side of the aisle was really a sham. It offered no relief, no safe harbor. No small business, no family farm could have staked much hope on their counterproposal.

Finally, I think it is important that we adopt Senator KYL's measure because it would get rid of the Federal death tax. If you identify cancer in somebody's body, you don't go in and only take out part of it. You have to get it all so it does not grow back again. If we do not get it all, if we do not get this cancer in our Tax Code, there is always the possibility that a future Congress or administration will come back and try to grow it again. In fact, it was only a few years ago that President Clinton was talking about lowering the estate tax threshold so families who had over $200,000 would start incurring the estate tax.

I compliment my colleague, Senator KYL, and others who have worked so hard on this provision. For the State of Illinois, which is a major agricultural producer, the third largest ag State in the country, with some of the highest yielding land in the country, we have thousands of family farms and businesses that revolve around farms—all of rural Illinois outside the Chicago area. Nothing has contributed more to the sale of family farms than the estate tax. When the estate tax went in, back in 1916, keep in mind, we were just developing an income tax in this country. We were just developing a corporate system of taxation in this country. It was all different. The exemption in 1916, to keep pace with inflation, would have to be a $9 million exemption today.

I think it is high time Congress act on this matter. We are simply switching, trading estate tax rates for less onerous capital gains tax rates, and giving the American people, the small businesses and the family farmers, the options to keep their family farms and their businesses within their families for another generation, to continue employing people and keeping our economy productive.

Mr. KENNEDY. Mr. President, I support this amendment to permanently extend the R&D tax credit. I presented a similar amendment last year, and I commend Senator HATCH's leadership on this important issue.

Many have called this the century of life sciences. We are witnessing extraordinary breakthroughs which are both transforming our quality of life and fueling our economy. The R&D tax credit is a proven effective means to generate increased research and development in the life sciences, and it is a key ingredient in the continued success and growth of the nation's economy.

Much of America's technological leadership today and in the past has been stimulated by federal support for private investment in R&D. The Congress has wisely decided to double the NIH budget. We need to continue to strengthen these investments as a top national priority.

A main virtue of the credit is that it encourages investments in the kind of research that ensures long-term competitiveness. Often, private sector research focuses on closer horizons, and the credit is important in encouraging a longer-term focus as well.

Research and development now generate about 5,000 new jobs a year, and significant amounts in taxes for the federal treasury. Federal Reserve Chairman Greenspan has cited increased productivity as the source of our current record breaking economy. It accounts for 70% of our economic growth.

This record-breaking economy provides an unprecedented opportunity for increased creativity and expansion. Particularly in the health field, our ability to increase our R&D investment will make an enormous difference in our fight against disease and in our efforts to improve the quality of life for so many.

Making the R&D tax credit permanent is essential for encouraging continued investment by private industry. Without a permanent credit, industry lacks the certainty needed to make decisions about continuing investments.

A permanent R&D credit will do more to encourage investment in the long-term research projects needed to keep our companies—and our nation—at the cutting edge of competition in the world economy. In the last session of Congress we were able to extend the credit temporarily again. I am hopeful that this year, with bipartisan support, we can make the credit permanent.

The credit has been extended 10 times since 1981. But this on-again off-again pattern makes the credit less reliable, and diminishes the important incentives that the credit can provide.

I am mindful that at the height of the Japanese recession, Japan has managed to triple its R&D budget. European countries are increasing their budgets as well.

Congress should do all it can to give R&D the top priority it deserves. Stable and substantial federal funding is essential for fundamental scientific research. We must also support private investment in fundamental research across a wide spectrum of disciplines.

In failing to do so, we run the risk of slowing the nation's economic engines.

I am proud of the leadership of Massachusetts on these issues. According to a study by the Massachusetts Technology Collaborative, the state received $3.45 billion in federal research and development funds in 1997, amounting to 37% of total research and development spending in the state and received the sixth-largest share of federal R&D funding in the nation.

A large number of Massachusetts firms have joined in a letter emphasizing the importance of the R&D credit and I ask unanimous consent that the letter may be printed in the record at the conclusion of my remarks.

The Joint Economic Committee, in two sets of Congressional hearings this year and last year, focused on the important role of science and technology in our society and our economy. Witness after witness testified about the importance of making this credit permanent.

I look forward to continuing work with all of my colleagues to see that R&D receives the top priority it deserves. The current partnership between the government, the academic world, and the private sector is affected, and it deserves to be strengthened.

I congratulate my colleague on this important amendment, I urge my colleagues on both sides of the aisle to support it. Our economic future deserves no less.

Mr. President, I ask unanimous consent that this letter be printed in the RECORD.

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

R&D CREDIT COALITION,
Washington, DC, October 18, 1999.

Hon. WILLIAM JEFFERSON CLINTON,
The President of the United States, The White House, Washington, DC.

DEAR MR. PRESIDENT: While legislators continue the national debate on tax relief, one of the few issues upon which legislators across the political spectrum agree is the importance of a long-term seamless extension of the research and experimentation tax credit (the ''R&D credit''). The Senate version of the tax bill, and the Democratic alternatives in the House and the Senate all would have made the R&D tax credit permanent, while the House bill and the House/Senate Conference Report provided for a seamless five year extension of the R&D credit. In testimony before the Joint Economic Committee in June, Federal Reserve Chairman Alan Greenspan stated that if Congress were going to have a research tax credit, it shouldn't be intermittent because companies ''can't operate in an efficient manner with government policies incapable of being understood or projected.''

the R&D Credit Coalition, representing 87 professional and trade associations and more than 1,000 U.S. companies, applauds this unanimity of purpose and urges you to approve legislation seamlessly extending the R&D credit and increasing the alternative incremental research credit rates by a modest one percentage point, before the end of the first session of the 106th Congress. Expiration of the R&D tax credit on June 30th has caused uncertainty for domestic businesses for purposes of short and long-term planning as well as preparation of financial statements and other reports to shareholders. For these reasons, we believe the seamless extension of the R&D tax credit is critical.

The R&D credit has benefited from broad, bipartisan and bicameral support (including nine legislative extensions) since its inception in 1981. The credit provides U.S. companies with a proven incentive to increase their investment in U.S.-based research and development creating thousands of high wage, high skilled jobs for U.S. workers. A January 1998 study of the economic benefits of the R&D credit by the independent accounting firm of Coopers and Lybrand, LLP (now PricewaterhouseCoopers), shows the credit's significant positive stimulus to U.S. investment, innovation, wage growth, consumption, and exports, all contributing to a stronger domestic economy and a higher standard of living for all Americans. The failure to enact a seamless extension of the R&D credit prior to Congressional adjournment will continue to disrupt R&D planning, and the resulting uncertainty in the business community can only reduce the economic benefits all U.S. businesses and workers receive as a result of the credit.

We thank you for your support of the R&D tax credit, and respectfully request you to make every possible effort to permanently extend the R&D tax credit, and increase the alternative incremental research credit rates, as soon as possible.

Sincerely,
(Signed by 146 Massachusetts companies.)

The PRESIDING OFFICER. The Senator from Nevada.

Mr. REID. Mr. President, I say to the distinguished manager of this legislation, the Senator from Delaware, what we, the minority, would like to do. Everybody over here thinks the amendment of the Senator from Utah is well taken for a lot of different reasons. This legislation was developed in 1981 to spur the economy. It certainly has done that. It has expanded for 5 years. Since then, Congress has extended the tax credit every year or so, leaving terrible uncertainty in the community. This is important. It is good legislation. It is too bad it is not made permanent.

But I do say we will be willing to take this amendment and move on to the amendment of the Senator from New York. If a vote is required on that, we could vote around 2 o'clock. It is my understanding, though, the majority wants a vote on this amendment.

The uncertainty of whether or not this tax will be extended disrupts the marketplace and decreases the amount of revenue spent on research and development. Some companies with long-term research budgets have been forced to delay studies. The research and development credit benefits the entire community, the entire economy. Gains in productivity are not limited to sectors where investments in R&D take place. The gains which spill over are to all sectors of the economy—to agriculture, to mining, basic manufacturing, and high-tech services. Technological innovations improve productivity in industries that make innovations and in industries that make use of these innovations.

This credit would pay for itself and pay for itself very quickly. A permanent research and development credit would be an excellent investment for the Government to make because it would raise taxable incomes enough to more than pay for itself. In the long run, the $1.75 of additional revenue on a present value basis would be generated for each $1 the Government spends on the credit, creating a win-win situation for both taxpayers and the Government.

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

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

The legislative clerk proceeded to call the roll.

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

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

Mr. REID. Mr. President, we would be willing to yield back our time on this amendment. As I understand it, the Senator from Delaware and the Senator from Utah would. Following that, I ask unanimous consent the vote on this amendment offered by the distinguished Senator from Utah occur at 1:45. During the next 15 minutes, the Senator from New York and the Senator from Delaware, who are offering the next amendment, I ask that they speak for the next 15 minutes, and after the vote they would be able to continue the discussion of their amendment.

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

The Senator from New York.

Mr. SCHUMER. Mr. President, I assume I have 20 minutes. What I would like to do is yield 10 of those minutes to the Senator from Delaware, my copartner in this, and we will each divide up our 10 minutes as other people come to speak.

Mr. REID. If I could say to the distinguished Senator, I will control the time. You have 20 minutes and you want 10; the Senator from Delaware wants 10?

Mr. SCHUMER. And then we will yield to some others who wish to speak.

Mr. REID. I yield 10 minutes upon the reporting of the amendment to the Senator from New York.

AMENDMENT NO. 3822

(Purpose: To amend the Internal Revenue Code of 1986 to increase the unified credit exemption and the qualified family-owned business interest deduction, to make higher education more affordable, to provide incentives for advanced teacher certification, and for other purposes)

Mr. SCHUMER. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from New York [Mr. SCHUMER], for himself, Mr. BIDEN, Mr. BAYH, Ms. LANDRIEU, Mr. DURBIN, Mr. BINGAMAN, and Mr. KOHL, proposes an amendment numbered 3822.

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

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

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

Mr. SCHUMER. Mr. President, I will then take 5 minutes. I would like to take 5 minutes of my time and save the rest for yielding to others.

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

Mr. SCHUMER. Mr. President, this amendment, the Schumer-Biden amendment, cosponsored by Senators BAYH and LANDRIEU, boils down to a simple question.

The simple question is this: Would you rather give tax relief to those whose incomes is above $8 million as they pass down their estates or would you like to give tax relief to people who make $40,000, $50,000, $60,000, $70,000 a year and are struggling to send their children to college? That is the amendment. It is plain and simple. It will determine which side people are on.

This estate tax debate is not in a vacuum. There are very simple choices, and this choice is a simple one.

Tuition costs, as this chart shows, have gone up more than any other cost—more than health care and certainly more than double the Consumer Price Index. Average families who are very poor get help, as they should, to send their kids to college. Families who are wealthy do not need it. But the middle class struggles. They know that a college education these days is a necessity, but they also know that it is harder and harder to afford.

The Schumer-Biden amendment is simple. It says if a family is struggling to send their child to college, the Federal Government ought not take its cut on top of that struggle. The amendment is simple. It says it is more important for America to educate its young people in the best institution available than it is to give tax relief to people who are multimillionaires as they pass on their estates.

The Schumer-Biden amendment is simple. It says every time a young man or a young woman does not go to college because they cannot afford it or goes to a college that is not up to their intellectual capabilities simply because they do not have the money to afford tuition, not only does that child lose, not only does that family lose, but America loses as well.

This is a crucial amendment. It is about middle-class tax relief. It is about targeted tax cuts for the middle class in what is perhaps their greatest struggle: affording tuition.

I make a good salary as a Senator. My wife works as well. We have two beautiful daughters, the rocks of our life, age 15 and 11. We are up late at night trying to figure out how we are going to afford our daughters' college education. Imagine those millions of middle-class Americans who are in a worse predicament. If you make, say, $60,000 because husband and wife work, and you have $20,000 or $25,000 in tuition bills, you are, in effect, poor because after you pay your taxes and your mortgage and all the other expenses, you just cannot afford that college tuition.

This amendment is simple. It says which side you are on because we do not have unlimited money. Are you on the side of those multimillionaires who make over $8 million a year as they pass their estates down, or are you on the side of middle-class Americans who are doing what we tell them to do, struggling to send their children to college?

From one end of my State to the other, the public is asking us to do something to help them. We know that tax relief should be targeted to the big financial nuts that middle-class people face because they are the ones who struggle the most. The Schumer-Biden amendment does just that. I urge my colleagues on both sides of the aisle to support it, and I reserve the remainder of my time.

The PRESIDING OFFICER. The Senator from Delaware.

Mr. BIDEN. Mr. President, as I understand it, the Senator from New York has yielded me 10 minutes. I will not use the 10 minutes because there will be others who wish to speak. I yield myself 5 minutes.

Mr. President, the headlines in today's papers say that we are here today discussing estate tax relief, an issue that affects a little less than 2 percent of Americans.

The issue before us is much bigger than that. We are debating the fundamental principles that should guide us in the new era of budget surpluses.

We cannot, we must not, lose sight of that larger picture. If we focus on the narrow picture of a tax cut here, a spending program there, we run the risk of wasting all the hard work and sacrifice that has brought us to the best economic and budget era in our history.

The real task before us today is to set the priorities for this era. This debate over the estate tax is just one part of that debate, but it is an important part.

Let's be clear about this—the amendment I am offering right now, with my friends from New York and Indiana and Louisiana, would repeal the estate tax for all families with estates up to $4 million, and for all family farms and businesses up to $8 million. And, it would leave room for a tuition tax credit to help middle class Americans pay for the rising cost of a college education.

Our proposal, the Democratic alternative proposal that Senator MOYNIHAN introduced earlier today, would eliminate those taxes sooner than the Republican plan, and would remove virtually all of the cases from the estate tax roles that have been employed as examples by the majority in this debate.

The majority would rather send their plan to the certain fate of a Presidential veto than cut the taxes of the family farmers and family businesses they claim to care about.

They would rather have an issue than a tax cut. Their proposal would cut the top tax rates for the richest of the rich first, and delay for 10 years the tax relief for family farms and businesses.

By the time any tax relief gets to those farmers and small businessmen, the Republican plan will cost at least $50 billion a year—half a trillion over 10 years—effectively squeezing out any hope for deficit reduction, strengthening Social Security, other tax cuts, or any other priorities we will face.

The plan I am offering with my colleagues today offers relief for family farms and businesses up front—and leaves room for other priorities.

The priority I want to stress is the need to help with the spiraling cost of college tuition.

Mr. President, I am glad to join the Senator from New York in offering this amendment to make higher education more affordable for America's families.

As a college degree becomes increasingly vital in today's global economy, the costs associated with obtaining this degree continue to skyrocket. At the same time, the annual income of the average American family is not keeping pace with these soaring costs. Since 1980, college costs have been rising at an average of 2 to 3 times the Consumer Price Index.

Now, in the most prosperous time in our history, it is simply unacceptable that the key to our children's future success has become a crippling burden for middle-class families.

According to the U.S. Department of Education National Center for Education Statistics, the average annual costs associated with attending a public 4-year college during the 1998–1999 school year, including tuition, fees, room, and board were $8,018. For a private 4-year school these costs rose to an astonishing $19,970.

And these are only the average costs, Mr. President. The price tag for just one year at the nation's most prestigious universities is fast approaching the $35,000 range.

In 1996, and again in 1997, I introduced the ''GET AHEAD'' Act, Growing the Economy for Tomorrow: Assuring Higher Education is Affordable and Dependable. My main goal in introducing this legislation was to help the average American family afford to send their children to college.

Although this legislation never came before the full Senate for a vote, I was extremely pleased that a number of the provisions of the GET AHEAD Act—including the student loan interest deduction and the establishment of education savings accounts—were included as part of the 1997 tax bill.

Additionally, two other provisions of that bill—the Hope Scholarship and the

Lifetime Learning Credit—were based upon the core proposal of my GET AHEAD Act—a $10,000 tuition deduction.

I have been advocating tuition deduction since I first announced my candidacy for the Senate 28 years ago. Earlier this year, I was pleased that the President made a proposal in his State of the Union Address which would finally fully enact this proposal.

The amendment Senators SCHUMER, BAYH, LANDRIEU, and I are offering today will provide America's middle class families with a tax deduction of up to $12,000 for the costs of college tuition and fees.

Middle-class families who struggle to send their kids to college should get some tax relief. We should not be giving tax cuts to those who need them least.

The proposal Senator SCHUMER and I are offering is a tax cut that makes sense. It is a tax cut that benefits the middle class, and it is a tax cut that is an investment in America's future.

Mr. President, the dream of every American is to provide for their child a better life than they themselves had. A key component in attaining that dream is ensuring that their children have the education necessary to successfully compete in the expanding global economy.

It is my hope that the proposal we are offering today will help many American families move a step closer in achieving this dream and be able to better afford to send their children to college.

I am proud to join Senator SCHUMER. He and I, together and separately, have been pushing for this relief for middle-class taxpayers to send their kids to college for a long time. I apologize to my colleague, BILL ROTH, for whom I have great respect. He has heard me on this hobby horse about tuition tax credit longer than he cares. I am not suggesting he does not share the same concern, but I apologize. He has heard me make this speech since 1973 when I was a freshman Senator.

As one of the folks in Delaware said to me: BIDEN, when are you going to get off that hobby horse? I am not going to get off the hobby horse because, as the Senator from New York indicated, as a matter of public policy, we should be making it easier, not harder, for children to go to college. We should not make these false distinctions between you are able, maybe, to get to a community college or to a junior college or maybe your State college, but you are not going to be able to get to a private institution.

If a child has the intellectual capacity, interest, and drive and they are able to go to Harvard or the University of Chicago or one of the great institutions in America where we all know you get a little leg up—I had one son graduate from Syracuse Law School and did just as well as the son who graduated from Yale Law School, but the marks of the kid who went to Yale Law School were no different than the one who went to Syracuse Law School. He got his ticket punched, a ticket to ride. We all know it makes a difference to what school you have access.

We have essentially priced middle-class kids out of the finer institutions. They may not learn any more coming out of those institutions, but they get a heck of a lot more opportunities, which I can say as a graduate of my State university, of which I am proud.

Since 1980, college costs have been rising on average two to three times the Consumer Price Index. Now in the most prosperous time in our history, people still have trouble. Let me give my colleagues a little idea.

According to the U.S. Department of Education, National Center for Education Statistics, the average annual costs with attending a public 4-year college during the 1998–1999 school year, including tuition, fees, room, and board were $8,018. For a private university, that average cost was $19,000. If you decide to send your child or your child decides they wish to go to a private university—I had one go to Georgetown, one go to Penn, and one go to Tulane. That is a total of over $100,000 a year in tuition, which is the reason I have the dubious distinction of being rated as one of the poorest men in the U.S. Congress. I am not poor. I live in a beautiful home in a beautiful neighborhood. I do not think I am poor, but I have $125,000 in debts for college tuition.

The good news is, as the Senator said, I was able to borrow it because I had a nice enough house to borrow against on a second mortgage. What happens to the average American who has a good income, they have a decent income—the wife is making $30,000 or $40,000, and the husband is making $30,000 or $40,000. That is 70,000, 80,000, 90,000 bucks a year. After taxes, what do they have? Maybe somewhere between $40,000 and $50,000. After they write that first semester tuition check for 15 grand, like I am about to do for Tulane University, they are in pretty deep trouble. Every middle-class American knows that. What I am a little concerned about is we are paying very little attention to this. This is about priorities.

I had a different bill than my friend from New York. Mine was $10,000 up to $120,000. His is $12,000. His has some better features than mine, but we joined forces to make the case. My dad always said to me: Champ, I tell you what, if everything is equally important to you, nothing is important to you, unless you have priorities.

This is about priorities. If the Senator from New York and I had our way and we could make this country as great as it is now without any taxes, we, like everybody else here, would vote against any tax for anything. I am all for no taxes, but what are our choices? Our choices are we cannot cut all taxes. So the question comes: What are we going to do in cutting taxes? Are we going to spend $134 billion over the next 10 years to deal with the ''death tax'' and $750 billion over the next 10 after that, or are we going to spend $40 billion over 10 years, as the Senator from New York——

The PRESIDING OFFICER. The Senator's 5 minutes have expired.

Mr. BIDEN. I yield myself 30 more seconds. Are we going to spend $40 billion to provide for the opportunity for this to truly be an egalitarian system, a meritocracy?

When we graduated from school in the early 1960s and late 1960s, and when our parents did in the 1930s, you needed a high school education to make it, and a college education was nice. Now you need a college education just to make it.

So I think people should be able to deduct at least this $12,000 and get a tax credit. This is a matter of priorities. The priorities should be to take care of the middle class first.

I reserve the remainder of the time.

The PRESIDING OFFICER. The Senator from New York.

Mr. SCHUMER. Mr. President, I yield 2 minutes to one of the cosponsors of the amendment and the author of the provision on teacher certification, the Senator from Louisiana.

Ms. LANDRIEU. Mr. President, I am very pleased to join my colleagues, the Senator from Delaware and the Senator from New York, in cosponsoring this amendment. The part I particularly want to speak about for the 2 minutes that I have is the teacher tax credit.

We have spent much time talking this year about the ways we could improve education in this Nation. We have talked about the important components of improving education, which is a State and local partnership with the Federal Government. But we all agree, even across party lines, that one of the key components of improving education in the Nation is to provide quality teacher training, incentives for teachers to be the very best they can be.

Many studies have shown that the single most important factor in a child learning, in terms of at school in the classroom—families have a great input into that, obviously, but the single most important factor in a child learning at school in the classroom is the quality of the teacher.

This amendment will provide a tax credit for teachers who get a national certification, as we work with our Governors and with our mayors and with our local school boards to help bring excellence in education across this Nation.

So I am pleased to have authored the part of this amendment which would provide this tax credit because if we are going to give tax relief to America, and if we are going to give back a share of the surplus in this way, let's give a tax credit that will help not only teachers but education and our children.

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

The PRESIDING OFFICER. The Senator from Delaware.

Mr. BIDEN. Mr. President, I suggest that the Senator from New York control the time from here on out and distribute it among those who wish to speak.

The PRESIDING OFFICER. The Senator from New York.

Mr. SCHUMER. I thank the Senator from Delaware.

Mr. President, I now yield 2 minutes to the distinguished Senator from Indiana, a cosponsor of this amendment, who has worked long and hard on seeing that college tuition be made deductible.

The PRESIDING OFFICER. The Senator from Indiana.

Mr. BAYH. I thank Senator SCHUMER.

Mr. President, I express my profound appreciation to the Senator from New York, Mr. SCHUMER, for his leadership on this critical issue. It is important to the families and the children of this country that we adopt this important amendment to make college tuition more affordable for all families across my State and the other States that constitute our great country.

A college education today is no longer a luxury, it is a necessity. Helping to make college tuition more affordable, by providing for the deduction of the first $10,000 of college tuition, will help ease the burdens on many middle-class families across Indiana and elsewhere in our country. It will open up the doors of economic opportunity to the middle class and help to make our Nation a more decent, just, and honorable place as well.

As we move to adopt this important amendment today, we will not only do what is right for our economy but we will also do what is right for our families and for our children. This is an example of cutting taxes in ways that help middle-class families deal with the challenges they face in their daily lives. It is an important issue, one that surely we can accomplish within the context of also moving to ease the burdens of estate taxes upon businessmen, farmers, and others across our State.

I say to my colleague from New York, I again thank him for his leadership. This is a critically important issue. It is one whose time has come. I say to Senator SCHUMER, I cannot think of anything that would be more popular across the State of Indiana than acting today to help make the costs of college more affordable for middle-class families, for students and children across our State, by passing this important amendment. It has been my honor and privilege to work with the Senator on this important issue.

I thank the Chair.

VOTE ON AMENDMENT NO. 3823

The PRESIDING OFFICER. Under the previous order, the hour of 1:45 p.m. having arrived, the Senate will proceed to vote on the Hatch amendment.

Mr. ROTH. Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The question is on agreeing to Hatch amendment No. 3823. The clerk will call the roll.

The legislative clerk called the roll.

Mr. REID. I announce that the Senator from Connecticut (Mr. DODD) is necessarily absent.

The PRESIDING OFFICER (Mr. VOINOVICH). Are there any other Senators in the Chamber desiring to vote?

The result was announced—yeas 98, nays 1, as follows:

[Rollcall Vote No. 181 Leg.]

YEAS—98

Abraham	Feingold	Lugar
Akaka	Feinstein	Mack
Allard	Fitzgerald	McCain
Ashcroft	Frist	McConnell
Baucus	Gorton	Mikulski
Bayh	Graham	Moynihan
Bennett	Gramm	Murkowski
Biden	Grams	Murray
Bingaman	Grassley	Nickles
Bond	Gregg	Reed
Boxer	Hagel	Reid
Breaux	Harkin	Robb
Brownback	Hatch	Roberts
Bryan	Helms	Rockefeller
Bunning	Hollings	Roth
Burns	Hutchinson	Santorum
Byrd	Hutchison	Sarbanes
Campbell	Inhofe	Schumer
Chafee, L.	Inouye	Sessions
Cleland	Jeffords	Shelby
Cochran	Johnson	Smith (NH)
Collins	Kennedy	Smith (OR)
Conrad	Kerrey	Snowe
Coverdell	Kerry	Specter
Craig	Kohl	Stevens
Crapo	Kyl	Thomas
Daschle	Landrieu	Thompson
DeWine	Lautenberg	Thurmond
Domenici	Leahy	Torricelli
Dorgan	Levin	Warner
Durbin	Lieberman	Wellstone
Edwards	Lincoln	Wyden
Enzi	Lott	

NAYS—1

Voinovich

NOT VOTING—1

Dodd

The amendment (No. 3823) was agreed to.

AMENDMENT NO. 3822

The PRESIDING OFFICER. The Senator from New York is recognized.

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

The PRESIDING OFFICER. Five minutes.

Mr. SCHUMER. I yield two minutes to the Senator from Illinois.

Mr. DURBIN. Mr. President, this amendment by Senator SCHUMER, and others, is a test as to whether this Senate is in touch with the reality of life for American families. The Schumer amendment will allow families across America, worried about paying their kids' college education expenses, a tax deduction of $12,000 a year. It will say to those paying off students loans that we will give you a tax credit of up to $1,500 a year on the interest on your student loan, and if you are a teacher who wants to go for extra training to be certified, we will give you a $5,000 tax credit so you can be the very best in the classroom. Families across America understand the Schumer amendment.

What they don't understand is the alternative on the Republican side, which says we don't need it, that our highest priority is helping the wealthiest people in America be absolved from paying any kind of estate tax.

When we start forming a line to come in the Senate for help, the Republicans put the wealthiest people in America first. The Schumer amendment puts American families first.

Watch for this vote.

The PRESIDING OFFICER. The Senator from Delaware.

Mr. ROTH. Mr. President, the amendment before us has a fundamental deficiency. It is built on the Democratic alternative to the House tax repeal bill. In other words, this amendment strikes the House death tax repeal and replaces it with the Democratic alternative which was just rejected by a rollcall vote a few minutes ago.

Let me reemphasize once again that the Democratic alternative fails to correct the fatal flaws of the family-owned business deduction. According to well-known members of the American Bar Association, those fatal flaws make it virtually impossible to qualify for the tax deduction.

What I am saying is that those of you who voted against the Democratic alternative should vote against this amendment because this amendment, once again, seeks to substitute the Democratic alternative.

The amendment also contains some interesting ideas on education. But they should be looked at in the context of our other education incentives. One proposal, for instance, is that we allow a tax deduction for higher education costs. If a taxpayer takes that deduction, then he or she will not be allowed to take the lifetime learning credit at the same time. Families are already confused and troubled by the complexity of these educational incentives. So adding a new one with a different tax would further confuse the situation.

Again, we are anxious to move on to a vote. I emphasize to those on my side that this amendment would substitute the Democratic alternative for the repeal of death taxes in substitution of the House repeal.

I urge everyone to vote against this amendment.

I yield my time, and I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The Senator from New York.

Mr. SCHUMER. Mr. President, I will sum up. I believe I still have 3 minutes left.

The PRESIDING OFFICER. The Senator is correct.

Mr. SCHUMER. Thank you, Mr. President.

I beg to differ with my friend from Delaware.

This amendment is a simple one. He said the flaw in this amendment is that the estate tax relief doesn't go up high enough.

This amendment is an amendment of choice: Very simply, do you prefer to give the very few wealthy in our society even more tax relief or with those same dollars do you want to help middle-class families pay for the ever-increasing costs of tuition? It is that simple. Does someone making $40,000 or $50,000 a year, who is struggling to send their son and daughter to college, deserve relief first or does someone who has an estate over $8 million deserve relief first? It is that simple.

We are in an idea society. We are in a place where a college education is a key to the future. Yet millions and millions of American families cannot afford to send their children to college or they have to send their child to a college that is not up to that child's intellectual ability because the cost is so expensive. The Schumer-Biden amendment says that is the group that needs relief more than those whose estates are over $8 million.

The choice is stark and clear. Which side are you on? We don't have unlimited money. Do you support middle-class families sending their kids to college or do you support the wealthy in tax relief?

I yield the remainder of my time.

The PRESIDING OFFICER. The question is on agreeing to the amendment. The yeas and nays have been ordered. The clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. NICKLES. I announce that the Senator from Florida (Mr. MACK) is necessarily absent.

Mr. REID. I announce that the Senator from Connecticut (Mr. DODD) is necessarily absent.

The PRESIDING OFFICER. Are there any other Senators in the Chamber who desire to vote?

The result was announced—yeas 46, nays 52, as follows:

[Rollcall Vote No. 182 Leg.]

YEAS—46

Akaka	Feingold	Lincoln
Baucus	Feinstein	Mikulski
Bayh	Graham	Moynihan
Biden	Harkin	Murray
Bingaman	Hollings	Reed
Boxer	Inouye	Reid
Breaux	Johnson	Robb
Bryan	Kennedy	Rockefeller
Byrd	Kerrey	Sarbanes
Chafee, L.	Kerry	Schumer
Cleland	Kohl	Specter
Conrad	Landrieu	Torricelli
Daschle	Lautenberg	Wellstone
Dorgan	Leahy	Wyden
Durbin	Levin	
Edwards	Lieberman	

NAYS—52

Abraham	Craig	Hagel
Allard	Crapo	Hatch
Ashcroft	DeWine	Helms
Bennett	Domenici	Hutchinson
Bond	Enzi	Hutchison
Brownback	Fitzgerald	Inhofe
Bunning	Frist	Jeffords
Burns	Gorton	Kyl
Campbell	Gramm	Lott
Cochran	Grams	Lugar
Collins	Grassley	McCain
Coverdell	Gregg	McConnell
Murkowski	Shelby	Thompson
Nickles	Smith (NH)	Thurmond
Roberts	Smith (OR)	Voinovich
Roth	Snowe	Warner
Santorum	Stevens	
Sessions	Thomas	

NOT VOTING—2

Dodd	Mack

The amendment (No. 322) was rejected.

Mr. REID. Mr. President, I move to reconsider the vote.

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

The motion to lay on the table was agreed to.

Mr. REID. Can the Chair inform the Senate how long that last vote took?

The PRESIDING OFFICER. The vote required 29 minutes.

Mr. REID. Mr. President, we need to do better than that. We have, as I see it, about 18 more votes today, and if each one requires 30 minutes, that is 9 hours right there. I hope we can shorten the time of the votes in the future.

The PRESIDING OFFICER. The Senator from Michigan.

AMENDMENT NO. 3827

(Purpose: To amend the Internal Revenue Code of 1986 to temporarily reduce the Federal fuels tax to zero)

Mr. ABRAHAM. Mr. President, I send an amendment to the desk on behalf of myself, Senators FITZGERALD, HUTCHISON, and GRAMS.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Michigan [Mr. ABRAHAM], for himself, Mr. FITZGERALD, Mrs. HUTCHISON, and Mr. GRAMS, proposes an amendment numbered 3827.

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

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

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

The PRESIDING OFFICER. The Senator from Michigan.

Mr. ABRAHAM. Mr. President, this amendment, which I described briefly yesterday, embodies the principles of our legislation, S. 2808, which has been introduced by the Senators I mentioned and myself, to temporarily suspend the Federal gasoline tax for 150 days, while holding harmless the highway trust fund and protecting the Social Security trust fund.

America is facing a crisis, and we have to take action now. Yesterday I spoke before the Senate about how, during my travels over the Fourth of July recess, I was struck that people in my State had one thing on their minds, and that was the price of gasoline. It was the most important issue on virtually everybody's mind. It was the second most important issue, and it was the third most important issue.

As I talked with the citizens in my State, I asked them to join me in making sure this issue to suspend the Federal gasoline tax received more attention in the Congress. I am proud of how they have already responded.

Over the last 10 days, we have had a web site through which people could sign a petition online urging Congress to suspend the gas tax. Literally over 100,000 people have logged on to the site and thousands have already joined this petition drive.

On behalf of these thousands of Michigan citizens—and I know there are millions more across the country who are feeling the pinch at the pump—I am here today to fight for relief on behalf of our consumers, our minivan parents, our farmers, and others for a bill that would suspend the Federal gasoline tax for 150 days.

Yesterday I told this body how citizens throughout Michigan were demanding quick relief from these high gas prices. People from all walks of life have talked with me about this:

Farmers who, according to our Farm Bureau, are likely to see their net family farm income decrease by 35 percent;

A minivan mom with seven kids who now has to give up her minivan because it costs her $70 to fill up the tank;

Every day men and women who banged on gas cans during a parade in Traverse City, MI, demanding immediate relief from high gas prices;

A Southfield, MI, Amoco dealer who lowered prices by 18 cents a gallon for 2 hours in support of this proposal and found himself surrounded by a quarter mile of cars in every direction waiting to buy his cheaper gas.

This crisis is very real. If we do not take action now to provide some relief for the economy, we will face some very serious economic consequences soon because so many of the important sectors of our economy are being hurt by these high prices.

According to Lundberg Survey, a nationwide survey of gas prices, the city of Detroit suffers under the highest gas prices in the country. These prices are 40 cents a gallon higher than they were at the end of May. That is a 27-percent increase in only 2 months; 63 percent higher than in June of last year. These are unconscionably high gas prices.

Yesterday I discussed several factors that contributed to the rising costs of gasoline in the past months: OPEC's decision to lower production levels; lack of a sustainable and long-term energy policy to lower our dependency on foreign oil; regulations which have required the development of reformulated fuels; and a variety of other things, such as pipeline breakdowns.

Solving those problems will take a lot of time. The solutions to these issues will not bring down the price overnight or in the short term. People across Michigan want to see gas prices lowered. They want them lowered sooner, not later, and that is what this amendment will do. It is the one thing we can do in the Congress to bring down the price of gasoline and to bring it down immediately. So it is my hope that we will support this amendment today.

Let me quickly cover some of its key ingredients, and then I know there are others who want to speak to this issue.

First, as I said, it will provide suspension of the Federal gas tax for 150 days. We estimate this will provide real relief for motorists and consumers, averaging over $150 of savings for a typical one-car or one-minivan family.

Let me make one thing very clear about what this legislation also will do. It will not threaten the highway trust fund. Yesterday we revised this language again to strengthen even further the elements that will hold the highway trust fund and the road-building money distributed to the States absolutely harmless. I urge my colleagues to examine the legislation to satisfy themselves that that will happen.

First, every penny of the gas tax revenue that would have come into the highway trust fund from the collection of gas taxes will be made up with deposits of non-Social Security surplus funds. This will allow us to ensure that the building projects, the road repair projects, in the States will continue unabated and unharmed by this suspension.

To make sure everyone understands that this is an ironclad guarantee that the States will not lose one penny of highway funds, we have strengthened the hold harmless provisions even more from that which I detailed yesterday by adding additional language which I will enter into the RECORD at the end of my comments.

In short, this accomplishes two things. It keeps the highway trust fund intact by supplementing any lost revenue with surplus dollars, and it simultaneously gives the average working men and women, the consumers of this country, who are paying too much for gasoline today, a 5-month break in paying the Federal gas tax. That will be 18 cents a gallon in every service station in America. It will make a difference for our consumers. It will make a difference for our farmers. It will make a difference for people in the tourism industry. It will be, I think, a timely action on our part.

Back in April of this year, gas prices were 40 to 50 cents a gallon less than they are now. At that time, when we last considered this legislation, we could not pass a proposal that would have lowered the gas taxes. But things have changed. We have seen that that was not a short-lived crisis. We have also seen that OPEC has not responded in a fashion to bring prices more into line with what the American public deserves. For those reasons, I hope our colleagues who voted differently the last go-around will reconsider their vote and join us on this vote today.

Let me close by saying that this legislation is a serious attempt to provide relief to the millions of Americans forced to dig deeper into the family budget for gas to take their kids to school or to get to work at any automobile plant in Michigan—in Flint or Sterling Heights. Michigan consumers are rightfully outraged by the high price of gasoline. They need relief and they need it now.

If any of my colleagues have any ideas how the highway trust fund hold harmless provisions can be improved and strengthened, I would be more than happy to entertain them and, if necessary, modify this amendment. But the time has come for us to take action and to take it now. In my judgment, this is the only way we can do something that will have an immediate impact on the lives of the working citizens of this country. I hope we will join together to adopt the amendment.

Mr. President, I yield the floor and reserve the remainder of our time. We have several other speakers who are prepared to address the issue.

The PRESIDING OFFICER. The Senator from Illinois.

Mr. FITZGERALD. Mr. President, I join the efforts of my colleague from Michigan, Senator ABRAHAM. I am a cosponsor of this amendment which would temporarily roll back or suspend the 18.3-cent-per-gallon Federal gas tax.

When I was back home during the Fourth of July recess and was marching in all those parades, I had the exact same experience that Senator ABRAHAM had. I was hearing from my constituents about the high price of gasoline.

After returning to the Nation's Capitol, where we talk about so many other issues, from foreign policy to domestic concerns, we have heard very little discussion about what Washington can do to bring down the price of gasoline at the pumps. That is the issue on the minds of most American citizens.

In the Midwest, in particular—in my State of Illinois, Senator ABRAHAM's State of Michigan, other Midwestern States such as Ohio—the price has been much higher than the national average. Fortunately, in the last few weeks, in Illinois, it has begun to come down. But part of the reason it has begun to come down in the State of Illinois is because the Illinois Legislature took action.

At the end of last month, the Illinois Legislature went into a special session and rolled back their approximately 10-cent-per-gallon, or 5-percent, sales tax on gasoline. They suspended it until the end of the year. That immediately brought a price reduction of 10 cents per gallon at the pump.

But prices are still too high in Illinois. The average price in the city of Chicago is around $1.80 per gallon. That is, thankfully, down from the $2.13 a gallon that it was a few weeks back.

But if Senators take the time to go back and look at their legislative correspondence to see what kind of mail they are receiving on this issue from their constituents from around their States, and talk to their constituents, they will see the amount and the type of suffering that people are enduring.

When we introduced this amendment earlier as a freestanding bill, I read several letters from constituents in Illinois that explained the problems they are confronting now with the high cost of gasoline.

We have letters from small business owners. I remember one business owner in particular from McHenry County, IL, who had 10 to 20 employees, depending on the time of the year. His small business was very dependent on transportation, and he was going broke with this high cost of gasoline.

I had a community college student from Shelbyville, down in southern Illinois, write to me and say he was regretting the fact he had turned down offers from several of our State's 4-year universities because he thought that tuition was too high. Instead, he had decided to go to a community college. He thought he would save money and do 2 years at the community college.

But now, because he had a long commute to his community college, it was making that community college unaffordable; he wished he had instead decided to go to one of the 4-year universities. He thinks it might have been cheaper for him.

I read a letter from a family outside the Peoria area where the wife commuted 100 miles a day, round trip, to work, and the husband 55 miles. They estimated they had to drive the kids another 15 miles a day to their soccer games, their baseball games, their band events, and other school extracurricular activities. They were suffering greatly as a result of the high cost of gasoline.

We have talked much in this Senate this past year about the high price of prescription drugs. We are trying to do something about that. I had a senior citizen write me and say: Because of the high cost of gasoline, I now can't afford to drive to the pharmacy to buy the prescription drugs I already can't afford.

There is a lot of real suffering going on out there. We can sit around and wait and do nothing. I do believe eventually those prices will come down. They may not go back down to where they were a year and a half or 2 years ago, but they will come down because production is getting ramped up domestically.

I visited an oil well in southern Illinois last week—in fact, several oil wells. All of a sudden some of these small stripper wells in southern Illinois, many of which were dormant 2 years ago when the price for a barrel of oil was between $8 and $10 a barrel; and they could not make money so many of those wells shut down—in fact, there are 32,000 oil wells in Illinois and 9,000 of them were shut down 2 years ago. And now, of those 9,000 wells, 7,000 have come back into production.

That suggests to me, with that kind of activity, eventually that supply is going to be felt across the country, and it will lower prices at the pump. But it is going to take some time. In fact, it is going to take months.

We do need to have a long-term policy to ensure an adequate national supply of oil and of gasoline. In the meantime, we need to provide some temporary relief. Senator ABRAHAM and I and others, Senator HUTCHISON of Texas, have crafted this bill to provide temporary relief for the people who need it most: the small business owners who are going broke, the people who have long commutes to work, the senior citizens who cannot afford to drive to the pharmacy, the community college students who cannot afford the commute to their community college.

There may be some arguments against this bill. I know there are some on the other side of the aisle who get up and vote against any tax relief. On the current measure, on the death tax, many have argued that we should not be giving that relief to higher income individuals, people with large estates. At least there is a colorable claim; that argument has some merit to it. I think it is rebuttable. But that same argument cannot be made with respect to the Federal gas tax. Of all the taxes in our enormous Tax Code, this tax is one of the most regressive and one of the most onerous for low- and middle-income people. They can least afford the high cost of gasoline.

There are not a lot of other things the Federal Government can do to bring down the price of gasoline at the pump. In fact, the only direct instrument we have to affect prices at the pump is to lower or reduce that Federal gas tax. There are no other instruments. We don't have price controls in this country. We had them for a while in the 1970s. That created shortages and rationing, and Ronald Reagan ended the oil crisis by eliminating those price controls. We have a free market system.

What happened is, the price of a barrel of oil got down to $8 to $10 a barrel. Production was cut back. Ultimately, we are now suffering from lack of an oil supply. It will come back in this country, but we need to provide relief for people. The argument cannot be made that this most benefits high-income individuals.

I strongly emphasize that Senator ABRAHAM has written this bill so that there is not one cent of revenue lost to the highway trust fund. That is a very important point. We should not hear objections that this is going to hurt road funding in this country. It will have no effect on it. The amount will be charged to the general fund.

I thank my colleague from Michigan, Mr. ABRAHAM, and I yield the floor so other of my colleagues may address this matter.

Mr. ABRAHAM. Mr. President, the cosponsors of this amendment and I are not alone in our support for the suspension of the gas tax. A number of taxpayer groups also believe suspending the tax is good policy, and have endorsed such a suspension. Among these groups are the National Federation of Independent Business, the National Taxpayers Union, Americans for Tax Reform, and Citizens Against Government Waste.

Let me read from the NFIB letter that states:

> For a small company that consumes 50,000 gallons of diesel fuel in a month, the increase in prices in the past year will cost that company an additional $40,000 per month.

By suspending the gas tax for 150 days, we could save that small business over $60,000! I ask unanimous consent to print in the RECORD the letters of support from each of these organizations to highlight the board based support for this suspension.

There being no objection, the letters were ordered to be printed in the RECORD, as follows:

AMERICANS FOR TAX REFORM,
Washington, DC, July 13, 2000.

Hon. SPENCER ABRAHAM,
U.S. Senate,
Washington, DC.

DEAR SENATOR ABRAHAM: Americans for Tax Reform would like to thank you for your efforts to suspend the Federal fuels tax. At a time of rising gas prices and increasing concern at all levels of government, your approach represents a reasoned common sense solution.

Unlike the Clinton-Gore investigations into anti-trust violations by gas companies and other big government efforts, your approach guarantees that all Americans will see lower prices at the gas pumps.

We can certainly investigate all these other concerns, but working families across the country need lower gas prices today. Suspending federal gas taxes is the quickest and surest way to bring down rising gasoline prices. At Americans for Tax Reform we commend your common sense approach to this very serious problem and look forward to working with you to reduce Al Gore's tax burden on working Americans.

Onward,

GROVER G. NORQUIST.

NFIB,
Washington, DC, July 12, 2000.

Hon. SPENCER ABRAHAM,
U.S. Senate, Washington, DC.

DEAR SENATOR ABRAHAM: On behalf of the 600,000 members of the National Federation of Independent Business (NFIB), I want to express our support for the Abraham gas tax suspension amendment to H.R. 8, the Death Tax Elimination Act. The Abraham proposal would temporarily repeal the 18.3-cent federal fuels tax, providing small business owners quick, short-term relief from soaring fuel prices.

Gas prices have been soaring. According to the U.S. Department of Energy, gas prices, which have increased by as much as 50 percent in the past year, are likely to continue to remain high in many areas of the country.

These high fuel prices are hitting many Americans, especially small businesses, extremely hard. For a small company that consumes 50,000 gallons of diesel fuel in a month, the increase in prices in the past year will cost that company an additional $40,000 per month. If fuel prices remain high, these costs could eventually be passed on to consumers in the form of higher prices for many goods and services. A 18.3-cent reduction in the cost of fuel would save the company thousands per month.

Your proposal goes a long way towards providing America's small business owners valuable relief from rising fuel costs. We applaud your proactive efforts to reduce this tax burden on small business while at the same time providing a hold harmless provision for the Highway Trust Fund. This will guarantee that full funding will continue to flow to states and local communities for planned infrastructure projects.

Sincerely,

DAN DANNER,
Sr. Vice President.

COUNCIL FOR CITIZENS
AGAINST GOVERNMENT WASTE,
Washington, DC, July 12, 2000.

UNITED STATES SENATE,
Washington, DC.

DEAR SENATOR: On behalf of the 600,000 members of the Council for Citizens Against Government (CCAGW), I urge you to support Abraham-Fitzgerald federal gas tax suspension amendment to H.R. 8, the Death Tax Elimination Act. The amendment will suspend the gas tax for 150 days.

Americans today are struggling with the dramatically high price of fuel. These prices are a result of several factors, many of which have been created by Washington. The federal government imposes 18.4 cents in tax for every gallon of gas and 24.4 cents for every gallon of diesel fuel. In addition to acting as a drag on our entire economy and raising the cost of everything that is shipped by truck, it is especially burdensome on the poor, who pay a larger percentage of their income for fuel.

Several other shortsighted policies have contributed to the current high price of fuel throughout the country. Burdensome regulations on the production and distribution of oil products have driven gas, diesel, home heating oil, and other prices to artificially high levels. These policies have made America more dependent on foreign oil and more vulnerable to price-fixing by the international oil cartel. Imports of foreign petroleum climbed to a record high of $7.87 billion in January, more than double the level of January, 1999.

One solution to this crisis is to increase domestic production. Since 1992, 36 refineries have closed and there have been no new refineries built since 1976. Despite a 14 percent increase in consumption, U.S. oil production is down 17 percent since 1992. The oil is there, but the policies of our own government have forced us to rely on foreign nations.

Regarding U.S. planning to deal with the high cost of oil, Energy Secretary Bill Richardson stated, ''It is obvious that the federal government was not prepared. We were caught napping. We got complacent.'' Vice President Gore has advocated even higher taxes on fossil fuels.

Please provide temporary relief from the administration's misguided policies. We urge you to take immediate action to reduce this burden on American families and businesses by supporting the Abraham-Fitzgerald gas tax suspension amendment. This vote will be among those considered for CCAGW's 2000 Congressional Ratings.

Sincerely,

THOMAS SCHATZ,
President.

NATIONAL TAXPAYER UNION,
Alexandria, VA, July 13, 2000.

Cesar Condra Senator Abraham.

DEAR SENATOR: On behalf of the 300,000-member National Taxpayers Union, America's largest and oldest taxpayer organization, we urge you to support Senator Abraham's amendment to H.R. 8, the Death Tax Elimination Act, that would repeal the 18.4 cent federal fuels tax for 150 days. This vote will be heavily weighted in our annual Rating of Congress.

As you know, the recent rise in fuel prices has concerned many, from citizens who commute every day to truck drivers and small business people whose livelihoods depend upon stable transportation costs. Although some say that OPEC policies are solely to blame for this problem, an equally if not more responsible culprit has actually been tax hikes. Pre-tax fuel prices often fluctuate up or down during a given period, but historically, post-tax prices have been moving steadily upward for at least two decades.

Consider:

From 1990 through 1999, the pre-tax pump price of gasoline barely changed—from 88 cents per gallon in 1990 to 86 cents as of last November. Over that same period, state and federal gasoline taxes rose by more than half, from 27 cents per gallon to 43 cents.

The 1993 Omnibus Budget Reconciliation Act created a new 4.3-cent-per-gallon fuel surtax for ''deficit reduction.'' This tax has continued, despite the fact that the federal budget is now in surplus.

The Congressional Budget Office estimates that the FY 2000 ''on-budget'' surplus (not counting the so-called ''Social Security surplus'') will total $23 billion. With $34.3 billion in fuel taxes allocated to the Highway Trust Fund this year, suspending the 18.4-cent tax won't imperil any current programs and won't consume any funds set aside for Social Security reform.

A recent study by the Tax Foundation showed that excise taxes are five times more burdensome for lower-income households than they are for wealthy households. Cutting fuel taxes will allow you to deliver on your longstanding promise to enact policies that particularly help beleaguered low- and middle-income Americans.

While we believe the repeal should be permanent, the Abraham amendment is a badly needed step in the right direction. In doing so, you can also demonstrate to the entire world that our leaders need not rely on the whims of a distant pricing cartel to protect their citizens from economic harm.

Sincerely

ERIC V. SCHLECHT,
Director, Congressional Relations.

The PRESIDING OFFICER (Mr. SMITH of Oregon). Who yields time?

Mr. CRAIG. May I inquire how much time remains on this side of the issue?

The PRESIDING OFFICER. Four minutes 20 seconds.

Mr. CRAIG. This side will retain its time.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Mr. President, I yield 7 minutes to the distinguished Senator from West Virginia, Mr. BYRD.

The PRESIDING OFFICER. The Senator from West Virginia.

Mr. BYRD. I thank the distinguished Senator from Montana.

Mr. President, I rise in strong opposition to the amendment offered by my colleague, Senator ABRAHAM. This amendment would repeal the entire 18.4-cent Federal excise tax on gasoline for a five-month period. In my view, this amendment represents bad transportation policy, bad energy policy, and bad tax policy. The amendment would play political games with the American driving public by eliminating the Federal gasoline tax and reinstating it five months later, after the people have gone to the polls in November. The amendment would violate the trust that we restored to the Highway Trust Fund when we enacted the Transportation Equity Act for the 21st Century. It would, over the long run, put at risk billions of dollars of necessary investment in our Nation's highway infrastructure, while providing absolutely no guarantee that the consumer will see even one penny of this tax reduction at the gas pump.

This will be the third time in four months that the Senate will vote on repealing some, or all, of the Federal excise tax on gasoline. Back on April 6th, the Senate adopted my amendment expressing the Sense of the Senate that the Federal excise tax on gasoline should not be repealed on either a permanent or temporary basis. That amendment was adopted by a broad bipartisan vote of 65–35. That amendment stated explicitly that ''. . . any effort to reduce the federal gasoline tax or de-link the relationship between highway user fees and highway spending poses a great danger to the integrity of the Highway Trust Fund and the ability of the states to invest adequately in our transportation infrastructure.'' Just five days later, the Senate voted against the Motion to Invoke Cloture on S. 2285, again on a bipartisan basis, by a vote of 43–56. That bill would have repealed 4.3 cents of the 18.4-cent gasoline excise tax.

The Senate did the right thing back in April, when it rejected these dangerous proposals to take 4.3 cents of gas tax revenue out of the Highway Trust Fund. This amendment by Senator ABRAHAM, however, is far more dangerous. Indeed, it is four times more dangerous than those proposals because this amendment would repeal the entire 18.4-cent gasoline tax for a five-month period and would deprive the Highway Trust Fund of more than $10 billion.

I have heard it said that this amendment would in no way endanger the level of spending for our nation's highways. Indeed, some very odd language is included in this amendment. It is basically the same language that was included in S. 2285, which the Senate rejected back in April. That language sought to mandate that spending from the Highway Trust Fund be maintained at the level authorized in TEA–21, even though the revenue is not there to support those funding levels. This is a very neat sleight of hand indeed. But, does anyone truly believe that this is a workable approach over the long term? The chairman of the Surface Transportation Subcommittee, Senator VOINOVICH, clearly does not, I don't believe. My colleague, Senator WARNER, who chaired the Surface Transportation Subcommittee during the debate on TEA–21, certainly does not. Together, Senator WARNER, Senator GRAMM, Senator BAUCUS, and I fought tirelessly for many months to restore the ''trust'' to the Highway Trust Fund. So, I implore all Members on both sides of the aisle to reject this plan that will compromise that trust.

Mr. President, I believe this amendment is not just reckless transportation policy, it is reckless energy policy as well. These short-term, feel-good tax cuts cannot substitute for a comprehensive energy policy that decreases our dependence on foreign oil. The American people are not naive. They will see right through any proposal to eliminate a tax temporarily until after Election Day, the effect of which they may not even see, only to be followed by reimposition of the 18.4-cent gas tax a few months hence.

Even the ''triple A''— the association that represents no one but the people who pay the gas tax at the pump—opposes this amendment.

I ask unanimous consent that a letter from Susan Pikrallidas, vice president for public affairs of the American Automobile Association, in opposition to the Abraham amendment be printed in the RECORD.

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

AAA,
Washington, DC, July 12, 2000.

Hon. ROBERT C. BYRD,
U.S. Senate, Hart Senate Office Building, Washington, DC.

DEAR SENATOR BYRD: When the Senate considers H.R. 8, the Death Tax Elimination Act, an amendment will be offered by Senator Abraham to repeal for 150 days the 18.4 cents federal gasoline tax. AAA encourages you to *oppose* this amendment.

While attractive at first glance, this course of action will do little to address the root cause of our gasoline price problem today, which is a complex combination of many factors. AAA recognizes that many motorists are suffering because of high gas prices. However, any benefits to motorists from reducing the gas tax are offset by the substantial risk that general fund revenues will not cover all losses to the Highway Trust Fund.

Reducing the federal gasoline tax will do nothing to increase fuel supply.That is where Congress and the Administration should focus their attention. To focus legislative efforts on the federal gas tax, rather than the real problem—supply—is a shortsighted, expedient response to the problem.

Despite assurances that revenues lost to the Highway Trust Fund will be replaced with revenues from the budget surplus, suspending the federal gasoline tax fundamentally alters the basic principal governing surface transportation funding. The federal excise tax is a user fee. Motorists are paying for road and bridge repairs and safety programs through the fees paid at the pump.

The Senate has already gone on record in opposition to repealing the federal gas tax. AAA encourages the Senate to do so again by voting no on the Abraham amendment.

Thank you for your consideration of AAA's views.

SUSAN G. PIKRALLIDAS,
Vice President, Public Affairs.

Mr. BYRD. In closing, the Senate has already rejected this policy twice this year. I ask Members to join in driving a stake right through the heart of this ill-conceived, politically motivated vampire of an amendment that would suck the lifeblood out of the highway trust fund.

I yield the floor.

The PRESIDING OFFICER. The Senator from Montana is recognized.

Mr. BAUCUS. Mr. President, I thank my good friend, Senator BYRD, for getting to the heart of the matter and explaining how devastating this amendment would be.

I yield to my good friend from Ohio for 2 minutes.

The PRESIDING OFFICER. The Senator from Ohio is recognized.

Mr. VOINOVICH. Mr. President, I also thank the Senator from West Virginia. He has done a good job of explaining why this amendment is not well taken and not good public policy. As Governor of the State of Ohio, I worked to increase our share of highway funding from 79 cents to 87 cents in ISTEA to 90.5 cents in TEA–21. As Chairman of the National Governors' Association, I helped negotiate TEA–21, which provides some substantial support for highway construction and maintenance in this country. It gave us a predictable, reliable source of revenue to get the job done. That's why this proposal really doesn't make sense: it jeopardizes that funding.

If this Senate rejected the proposal earlier this year to reduce the gas tax by 4.3 cents, certainly we should reject any proposal that would reduce it by 18.4 cents.

One point I would like to make is that the real problem we have in this country is that we do not, as Senator BYRD pointed out, have an energy policy. That is the problem. Reducing this gas tax by 18.4 cents really is not going to do anything to correct that problem in the long-term, and it would take the attention of the Senate away from the real issue here, which is, this country does not have an energy policy.

I want to point out one other thing. Under this amendment, we would reduce the gas tax and make it up by using the general revenue fund, the surplus. If I am not mistaken, some of my colleagues would like to use that surplus for proposed tax reductions and some would like to increase spending on various programs. It has been the tradition in this country that people who use the highways pay for them through the gas tax and not with the general fund of the United States of America. It seems to me that those of my colleagues who propose to use the on-budget surplus for health care or for other things, including tax relief, would be offended by that. I think this amendment is bad public policy and I hope it will be defeated overwhelmingly. I thank the Chair.

The PRESIDING OFFICER. The Senator from Montana is recognized.

Mr. BAUCUS. Mr. President, I yield 5 minutes to Senator LAUTENBERG. I urge him to be brief.

Mr. LAUTENBERG. I thank my friend from Montana. Five minutes, or fewer, will be OK. If we talk about it long enough right now, we won't have any time left to talk.

Mr. President, I hope the American public is looking at this because this is kind of ''inside baseball.'' This is what helps people get from place to place, get to work on time, get to the hospital on time, get to church on time. We are terribly short of funds altogether for highway repair and development. Everybody knows that. We have about a $30 billion highway bill. This 5-month hiatus will take $10 billion away. The worst part of it is that the benefits are not going to go to the public because all of us need to remember that the taxes are remitted by the oil companies—by the companies that, in many cases, are gouging the public this very day. So they can hold on to that and that will make the year-end profit statement look even better. Stock prices will be higher.

The public will not get what they thought they were getting. They are going to get stuck; that is what will happen. They will be stuck in traffic because we won't be able to continue the highway work. Once you stop it, it is very hard to get it started again. Is that what we are going to say to the public? People in this country who want to go someplace may see a nice yellow barrier saying ''work halted'' on the highway, or an interchange, or at access to factories, their jobs, or other places where the community gathers, including schools, clinics—you name it. Sorry, the work has stopped. We have run out of money. We are certainly not going to take it from the General Treasury, since we are all so fully committed to paying down the debt and keeping this country out of debt. If we are going to give targeted tax cuts, then we ought to talk about those specifically. But to suggest that we want to give the oil companies, the oil producers, an 18-cent-a-gallon tax cut, I think, is really unfair to the public at large. They ought to see through the fog and the smog being created by this.

It is not going to happen, Mr. and Mrs. America. You may feel that you are getting a bargain now, and the distinguished Senator from Michigan—who is my friend—talked about people who responded to a price cut at a gas station. But sometimes you put away money for a later day to pay off a mortgage, or to try to accumulate money for a college education for your child, or to assure there is enough there to pay doctor bills that may fall your way. It may feel good at this moment, but when that highway is all backed up, and smog envelopes the place, and the air quality turns sour, then people will be saying: Now what happens? We didn't get what we paid that money for.

I know this amendment is offered with all good intentions, but if the public is listening, hear what is being said. You get an 18 cent cut in the gas tax so you can give it to the gasoline company. That is hardly the way we want to see things done. America has to pull together and we have to stand against those on the outside of our borders who are drilling oil, and just enough to keep the prices up. When they dial 911, they want America there immediately. That is why we sent over 400,000 of our best to the Persian Gulf. That is why we did it. So we need help there. I hope they hear the alarm go off here. That will get prices down. I thank the Chair. I thank my friend from Montana for giving me this time.

The PRESIDING OFFICER. The Senator from Montana is recognized.

Mr. BAUCUS. Mr. President, how much time remains on both sides?

The PRESIDING OFFICER. The Senator from Montana has 6 minutes 2 seconds. The Senator from Michigan has 4 minutes 20 seconds.

Mr. BAUCUS. I thank the Chair. Mr. President, for all the reasons indicated, I very strongly oppose this amendment. I point out that the opposition to this amendment is very strongly bipartisan. Senator VOINOVICH from Ohio spoke against the amendment and, in a few minutes, Senator WARNER from Virginia, one of the key Senators in writing the TEA–21 program, will strongly oppose this amendment. There is very strong bipartisan opposition.

The second point I want to make is that this is really, in some sense, kind of a disingenuous amendment. It would make Tammany Hall blush. This is an amendment that would lower taxes just before an election, to the effect that it would increase taxes right after election. I tell you, is that what the American public likes us to do? Lower taxes before an election and pop up automatically and increase it after election? Merry Christmas, a new tax. This goes back into effect in 150 days. Thank you, but I don't think that is something we want to do.

In addition, I have heard it said that there is an ironclad guarantee that nothing comes out of the highway trust fund and the dollars will go for highways. Not true. If Congress meets today, tomorrow, or next week, Congress can always change this provision if it is adopted. There is no guarantee that dollars won't go to the States—none whatsoever, to be clear.

Number 3, I find it ironic that here we are on an estate tax bill trying to help farmers and ranchers, and if this 18-cent Federal gasoline tax actually is passed on—I doubt it will be because the oil industry will take advantage—but if it is, what will be the effect? It will hurt farmers and ranchers. Why? It is going to make gasohol comparatively uncompetitive.

Corn producers, wheat producers, and those who need current law to give them a competitive break to produce gasohol and ethanol from corn and from wheat will be severely disadvantaged if this amendment were to have the effect it purports to have. I don't think it is going to have that effect anyway. If it does, that means there is no help to our motorists. Rather, it all goes into the pockets of the oil companies or the jobbers and marketers. There are tons of reasons why this is a bad idea. I haven't the time to go into all of them. But I wanted to give a flavor of some of the problems that this causes. I hope Senators realize what the consequences would be.

I yield whatever time I have remaining to my good friend from Virginia, Senator WARNER.

The PRESIDING OFFICER. The Senator from Virginia.

Mr. WARNER. Mr. President, I thank my colleague.

Mr. President, may I inquire of the time remaining?

The PRESIDING OFFICER. Three minutes fifty seconds.

Mr. WARNER. Mr. President, it is like the Four Horsemen of the great Notre Dame team—Mr. BYRD, Mr. BAUCUS, Mr. VOINOVICH, and Mr. WARNER—that time and time again comes out on this issue. But it requires the strength of the famous Four Horsemen on the football team because this tax is one that probably—I hesitate to say this, but I am going to say it anyway—is more acceptable to the public than any that I know of because they see this tax translated into things they desperately need by way of road improvements, by way of other improvements, and safety improvements.

How many times do they drive up and down the highways in my State and we see the projects going on. It delays the traffic and they are irritated. But when they go by, they say: When that is fixed it will be better.

These are those dollars that go directly from the gas pump to the project to employment in their States.

Mr. President, I ask unanimous consent to have printed in the RECORD following my remarks a letter from the National League of Cities, National Association of Counties, Council of State Governments, and the International City/County Management Association dated July 12 of this year. It is addressed to our distinguished leaders, Mr. LOTT and Mr. DASCHLE.

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

(See Exhibit I.)

Mr. WARNER. Mr. President, it says in part the following:

On behalf of the Nation's elected State and local government officials, we would like to express our strong opposition to this legislation or any other proposals before Congress to repeal or suspend any portion of the Federal gasoline tax.

Further down in the letter:

It is our understanding that the amendment being proposed . . . would suspend the 18.4 cents Federal gasoline tax for 150 days. As a result of this loss of revenue, States and localities could face significant reductions in spending for transportation planning, highway and bridge repairs, public transit, bike and pedestrian facilities, clean air programs, and most importantly highway safety. Also, without a predictable flow of Federal highway, transit, and aviation funding, States and localities may face more difficulty in long-term transportation planning which will cause projects to be more costly and result in safety concerns.

We learned through the many years that I have been associated with this issue on the Environment and Public Works Committee that planning goes forward years in advance. Contracts are let based on a source of these funds guaranteed by Congress and Federal law. These contractors are not going to risk their working capital. Employers are not going to risk trying to hire additional people if there remains this constant uncertainty around this tax.

I hope the Senate stands with the Four Horsemen, and that we will be able to protect, once again, the interests of the people with the tax which probably is the least objectionable of all taxes.

I yield the floor.

EXHIBIT I

National League of Cities, National Association of Counties, Council of State Governments, International City/County Management Association

July 12, 2000.

Hon. TRENT LOTT,
Majority Leader, U.S. Senate,
Washington, DC.
Hon. TOM DASCHLE,
Minority Leader, U.S. Senate,
Washington, DC.

DEAR SENATORS LOTT AND DASCHLE: It is our understanding that the Senate may consider an amendment this week which would temporarily suspend the 18.4 cents federal excise tax on gasoline. On behalf of the nation's elected state and local government officials, we would like to express our strong opposition to this legislation or any other proposals before Congress to repeal or suspend any portion of the federal gasoline tax.

We believe such proposals would jeopardize funding for critical transportation improvements. We also oppose the proposal to hold the highway trust fund harmless by paying for the loss of gasoline tax revenue with projected non-social security budget surplus monies from the general fund of the U.S. Treasury. This type of shift could endanger funding for vital state and local priorities such as education, public safety, and healthcare.

We recognize that the rise in gasoline prices is a very important issue facing the nation, but temporarily repealing the 18.4 cents federal gasoline tax will not provide long-term solutions to the problem. It will, however, detrimentally affect our ability to continue vitally needed transportation improvements which will directly benefit our shared constituents.

It is our understanding that the amendment being proposed by Senator Abraham would suspend the 18.4 cents federal gasoline tax for 150 days. As a result of this loss of revenue, states and localities could face significant reductions in spending for transportation planning, highway and bridge repairs, public transit, bike and pedestrian facilities, clean air programs, and most importantly highway safety. Also, without a predictable flow of federal highway, transit, and aviation funding, states and localities may face more difficulty in long-term transportation planning which will cause projects to be more costly and result in safety concerns.

In 1998, we supported the funding guarantees created in the landmark Transportation Equity Act for the 21st Century (TEA 21). TEA 21 not only established a record level of investment in surface transportation, it also established a direct link between the collection of transportation user fees and transportation spending. Any reduction in the current federal gas tax will put this carefully crafted, bipartisan agreement at risk.

Thank your for your consideration in this matter. If you have any questions concerning our views on this issue, please feel free to contact us.

Sincerely,

DONALD J. BORUT,
Executive Director, National League of Cities.
LARRY E. NAAKE,
Executive Director, National Association of Counties.
DANIEL M. SPRAGUE,
Executive Director, Council of State Governments.
WILLIAM H. HANSEL, Jr.,
Executive Director, International City/County Management Association.

Mr. MOYNIHAN. Mr. President, if the distinguished Senator from Virginia will yield for a question, I am sure he knows as he invokes the image of the Four Horsemen that at this very moment the Congressional Gold Medal has been bestowed on Rev. Theodore Hesburgh, the president of the Notre Dame football team, which embodies the spirit of the Four Horsemen.

Mr. WARNER. Mr. President, let's fetch him to the floor if possible. Perhaps he can join us and bless this body.

Mr. REID. Mr. President, on the time under my control, I have a question that I would like to ask Senator BAUCUS, the ranking member of the Environment and Public Works Committee.

The one thing that we haven't discussed at length regarding this amendment is that it would cause unemployment in the country.

Mr. BAUCUS. Mr. President, the rule of thumb is that for every $10 billion in highway funds 42,000 jobs are created. Those are good paying jobs. These are not service industry jobs. Those are highway jobs.

The effect of this amendment would be to cut the funding of the highway trust fund by $13 billion over 150 days—roughly 5 months. That is going to mean upwards of at least 50,000 American jobs cut—not there.

Mr. REID. Mr. President, Montana is a very large State. It is a huge State. It is bigger than Nevada. But in addition to Montana being a very large State, we have States such as Nevada which are growing very rapidly. For example, we have one project which is the largest highway project in the history of the State of Nevada costing $100 million. That money came from this fund.

Is that not true?

Mr. BAUCUS. That is exactly right.

Mr. REID. Had we not been able to complete what we refer to as the ''spaghetti bowl,'' the highway would be locked down for not only the people who permanently live there, but it is on the freeway carrying people all over this country. I–15 is one of the major freeways in this country.

What the Senator is telling me, if I understand it, is if this amendment passes, construction projects such as the one I just referred to in the State of Nevada and the renovations and repairs which go on all of the time on those large segments of highway in the State of Montana would basically be shut down.

Mr. BAUCUS. Not only in Montana, but all across the country because this will cost $13 billion. I know the proponents like to claim that the $13 billion would be spent because we take it from other programs. But I point out that $13 billion translates per 150 days into about $30 billion a year.

I ask my good friends rhetorically: Where are we going to cut $30 billion for other programs? I don't think that is going to happen.

Second, even though, if this amendment were to pass—I pray that it does not, but if it were to pass—Congress would probably go into a big scramble. I know my good friend on the Appropriations Committee, Senator BYRD, and Senator STEVENS would say: Where in the world are we going to find $30 billion in one year? It just isn't there.

Mr. REID. Mr. President, I yield up to 5 minutes to the Senator from New York, the ranking member on the Finance Committee, the manager of this bill.

The PRESIDING OFFICER. The Senator from New York.

Mr. MOYNIHAN. Mr. President, I would first like to respond to the minority leader and my friend from Montana.

I once served as chairman of the Committee on Environment and Public Works. I managed major transportation legislation.

I can say to you that absent this revenue from the gasoline tax, which we imposed under President Eisenhower in 1956, and which built the Interstate Highway System and transformed American society, the transportation programs will just stop. There is no other revenue for it. It is a dedicated revenue. They are planned on. This would be the first time they have been interrupted. A whole industry would be interrupted, not to mention the urban and State planning that goes on; not to mention measures such as the Woodrow Wilson Bridge, which is hugely important to Virginia and to the District of Columbia.

Another point on the matter of the price of gasoline: Over the past two decades the price of a gallon of gasoline, adjusted for inflation, has fallen by exactly a third—from $1.49 in 1981 to, in those dollars, $1 in June of this year.

We are not paying more for gasoline. We are paying less for it.

There can be an argument made that the price is too low, but not that we should lower it further and deprive ourselves of the essentials of the transportation infrastructure and construction in this Nation.

Our faithful friend, Dr. Podoff, brought along, as he feels he should, Marshall's Principles of Economics.

In Marshall's ''Principles of Economics,'' the great text at the end of the 19th century, Marshall taught Keynes, who has taught the world, made it very clear, that in situations of shortage such as we are temporarily facing—he was talking about fish, meat; he was not talking about gasoline—the price to the consumer will not be reduced. This is a proposition that drives from theory and is confirmed now by a century of observation in the aftermath of Marshall's principles.

Consumers will get nothing, transportation departments will get nothing, and the public will get a serious disruption in its basic transportation infrastructure, which is not simply highways, but all the other related modes of transit. This is what we have at issue here. I cannot imagine we will do other than continue a program we have had in place since 1956, a third of a century, with extraordinary results. To stop it now would be, in my view, irresponsible.

Based on what Marshall taught us, repealing the gasoline tax, even temporarily, represents a futile attempt to repeal the laws of supply and demand. This is a somewhat curious activity for my colleagues on the other side of the aisle who often express a strong commitment for market economies both at home and abroad.

Let me add a few other facts about the market for gasoline and other fuel products—facts that are obvious even to those with no formal training in economics.

The increase in the price of a gallon of gas from an average of $1.15 in June 1999 to a peak of $1.71 in June 2000—a 56 cent increase—has nothing to do with a 4.3 cent per gallon tax increase, enacted in 1993, or the total federal tax on a gallon of gas of 18.3 cents, neither of which have increased over the past 12 months.

The price of a gallon of gas peaked at about $1.71 in mid-June and has already declined by about 8 cents. The change in the prices has nothing to do with tax policy and is mostly related to OPEC's production decisions.

In September, 1993, the month before the 4.3 cent tax increase went into effect, the price of a gallon of gasoline was $1.15. Three months later, after the tax increase, the price was $1.14.

In 1996, the cost of gasoline increased rapidly from $1.19 in January to $1.39 in May—following roughly the same pattern that we are now observing. The Senate debated repeal of the 4.3 cent tax, but fortunately took no action as two attempts at cloture failed. By January, 1998 the price of a gallon of gasoline was back to $1.19—and in real terms had actually declined a few pennies.

And, as I noted earlier, over almost two decades, the price of a gallon of gasoline in constant (inflation adjusted) dollars has fallen by about a third, from $1.49 in 1981 to about $1.00 in June of this year. The reduction in gasoline prices occurred even as the economy expanded almost continuously—92 months in the 1980s and a record setting 112 months in the current expansion, which shows no signs of ending. Over the past two decades the economy, in real terms, has almost doubled, while the unemployment rate has been cut by half.

True, over the past two decades the price of fuel products has fluctuated, often somewhat unpredictably. For example, in 1986 the price of a gallon of gasoline decreased by 36 cents from the beginning to the end of the year. The next year the price increased by 11 cents. While economists often cannot predict, or even explain, energy price volatility, they can tell us the effect, in the short-run, of reducing fuel taxes. The price to the consumer will not be reduced. This is something we know; or it can be said as much as things like this are knowable. For a century, it has been the clearest understanding of the economics profession that under short-run supply conditions, a change, such as a reduction in an excise tax, does not affect the price paid by the consumer.

During a similar debate on gas tax repeal in May of 1996, I also referred to the theories of Marshall and attempted to summarize his wisdom. Here is what I said then:

Marshall took the example—to illustrate short-term supply, a fascinating thing—he took the example of fish. He said, what happens if there is a sudden change in the situation? Weather makes fish more or less available—a nice point—or if there is an increased demand for fish caused by the scarcity of meat during the year or two following a cattle plague. Mad cow disease in the late 19th century. A scarcity of fish caused by uncertainties of the weather . . . . These things come. Would outside intervention change the price of fish to the consumer in that circumstance, when there was a fixed supply? The answer from Alfred Marshall is emphatically ''no.'' Students of economics my age will remember this book. It is a very heavy book, but it is still around and it works. What it propounded is very clear.

And now let me state the conclusion as simply as possible. Market values are determined by the relationship between supply and demand.

This is something businessmen know. In 1996, Mr. Mike Bowlin, Chairman of ARCO, had this to say about the matter when he appeared on ABC's ''Nightline'':

> My concern is that there are other market forces that clearly will overwhelm the relatively small decrease in the price of gasoline, and that alarms me, that people's expectations will be that the minute the tax is removed, they want to see gasoline prices go down . . . and that won't happen.

At about the same time—May 1996—I noted, on the Floor of the Senate, the comments of Dr. Philip Verleger, a well-known energy economist. The author of several books on the subject, including Adjusting to Volatile Energy Prices, Dr. Verleger was, at that time, quoted in The Washington Post:

> The Republican-sponsored solution to the current fuels problem . . . is nothing more and nothing less than a refiner's benefit bill. . . . It will transfer upwards of $3 billion from the U.S. Treasury to the pockets of refiners and gasoline marketers.

In March of this year, when the Senate was considering a change in gas tax policy, I wrote the following to Dr. Verleger:

I assume that since the economics of a gas tax reduction has not changed—something we have known since at least Alfred Marshall—neither have your views.

He replied the very same day:

In my view, the US petroleum industry is operating at or close to capacity. Thus refiners will be unable to boost gasoline production if the tax [repeal] becomes law. Further, inventories of gasoline are currently very low due to the destabilizing actions taken by OPEC. This means that the supply of gasoline has been essentially determined—totally inelastic in technical terms—through the summer. Under these circumstances, consumers are not likely to see any benefit from suspension or repeal of the gasoline tax.

Dr. Krugman said much the same thing in a March 15, 2000, New York Times op-ed. For Professor Krugman there simply is no getting around the fact that we face a supply problem:

Now suppose that we were to cut gasoline taxes. If the price of gas at the pump were to fall, motorists would buy more gas. But there isn't any more gas, so the price at the pump, inclusive of the lowered tax, would quickly be bid right back up to the pre-tax-cut level. And that means that any cut in taxes would show up not in a lower price at the pump, but in a higher price paid to distributors [emphasis added]. In other words, the benefits of the tax cut would flow not to consumers but to other parties, mainly the domestic oil refining industry. (As the textbooks will tell you, reducing the tax on an inelastically supplied good benefits the sellers, not the buyers.)

It is worth repeating Krugman's conclusion—''benefits of the tax cut would flow not to the consumers but to other parties, mainly the domestic oil refining industry.''

We here in Congress know this too, and I suspect that is why the legislation we have before us contains a ''Sense of the Congress'' section that ''consumers immediately receive the benefit of the reduction in taxes.'' We surely want the consumer to realize some savings, but doubt that they will. The question for this body is whether we should approve legislation that contains what amounts to a concession of failure within its very text. Discouraging.

Finally, I would point out to my colleagues that the Transportation Equity Act for the 21st Century was signed into law less than two years ago. TEA–21 as it is known, is a six-year Federal surface transportation bill that consumed nearly two years of committee action and Floor debate. In the end, the bill passed 88–5 based on the agreement that Federal motor fuel excise taxes would be collected at least through Fiscal Year 2003—the last year of TEA–21's authorization. During the debate on TEA–21, the Senate was afforded the opportunity to repeal 4.3 cents per gallon of the Federal motor fuel excise taxes. By an 80–18 vote, we rejected repeal and instead opted to invest that revenue in our Nation's transportation infrastructure.

Just this past April, the Senate went on record again to reject any type of suspension of the motor fuel excise tax by a 56–43 vote on the Majority Leader's bill S. 2285, which would have called for a fuel tax holiday of the 4.3 cents for a six month period.

According to figures from the Federal Department of Transportation, if the entire 18.3 cents gas tax were to be suspended for six months, the Federal-aid Highway program could lose an estimated $9.6 billion in fuel tax revenues.

Mr. President, suspending the Federal taxes on motor fuels will do little or nothing to lower fuel costs. But it will cause considerable disruption to our Federal transportation program, even with a ''hold harmless'' provision. We ought not set precedents of this kind. They will come back to haunt us another day.

I would caution my colleagues to exercise caution when they propose to undo agreements made by such overwhelming majorities.

Mr. President, suspending portions of the Federal excise taxes on motor fuels will do little or nothing to lower fuel costs. To my mind, that is reason enough to reject this measure.

OPEC's decision last year to restrict supply was the primary reason fuel costs increased. OPEC's future production decisions will be the primary reason gas prices go up or down in the future.

Mr. ABRAHAM. In light of the time situation, I ask unanimous consent to be granted 10 minutes of our leader's time to continue this debate.

Mr. MCCAIN. I object.

The PRESIDING OFFICER. The objection is heard.

Mr. ABRAHAM. I yield the remaining time to the Senator from Texas.

Mrs. HUTCHISON. Mr. President, how much time remains for Senator ABRAHAM?

The PRESIDING OFFICER. Four minutes 15 seconds.

Mrs. HUTCHISON. I ask to be notified at 2 minutes because Senator CRAIG from Idaho also desires to speak.

Mr. President, if the highway trust fund were going to be affected at all, I could not be a sponsor of this amendment. But the highway trust fund is specifically held harmless.

We passed a budget resolution in this Senate that said we would give $150 billion in tax relief for this Nation over the next 5 years. We are talking about roughly $12 billion of that money that we have already allocated for tax relief for hard-working Americans. That is what will keep the highway trust fund totally whole.

The highway trust fund will not lose one penny. There will be no safety crisis. There will be no stoppage of money going into the flow for the highway trust fund. In fact, this is a tax relief measure because we have had a crisis that was not expected. We have had a crisis with families going on vacation, consumers, people who have to drive to work every day. What about the independent trucker who is now paying $150 to $200 a tank more than they have ever paid before because the price of gas is so high?

We must give this temporary relief, as we take longer term measures to try to take our dependence on foreign oil down to a level that is acceptable. Until we do that, we need to give this immediate relief. We have it in the budget to do it. We will not touch the highway trust fund.

The leaders in this effort—Senator ABRAHAM, Senator FITZGERALD, Senator GRAMS—come from States that are particularly hard hit. They are States where truckers are saying they can't meet their contract requirements. They may even lose their trucks.

Mr. President, I urge support for the Abraham amendment.

Mr. ABRAHAM. Mr. President, I seek unanimous consent to be granted 5 minutes of leader time to summarize our amendment.

The PRESIDING OFFICER. Is there objection?

Mr. REID. Reserving the right to object, we need a ruling from the Chair. I am certainly not going to object, but I want to make sure we understand this.

Under the bill, there is 90 minutes given to each leader. Senator DASCHLE has delegated that time for me to control. When we talk about the ''leader's time,'' that is the time about which we speak; is that right?

The PRESIDING OFFICER. The Chair understands in this context that term refers to the 90 minutes granted to each leader.

Mr. REID. The leader's time would be in addition to that; is that right? Each day that we come before the body, there is an agreement that the leader's time is reserved for some future time.

Mr. ABRAHAM. Perhaps I could clarify.

Mr. REID. Let's let the Chair rule.

The PRESIDING OFFICER. Each leader does have 10 minutes under the standing order every day, and that time is referred to also as leader's time.

Mr. REID. The question I ask the Chair: Do we therefore have 90 minutes, plus 10 minutes, or is it just 90 minutes today?

The PRESIDING OFFICER. Ninety minutes plus 10.

Mr. REID. I make sure that the time my friend from Michigan wishes to use is off the 90 minutes, not the 10 minutes.

Mr. ABRAHAM. That is what I sought to clarify a moment ago. I recognize that the two separate time-frames can be confused, and I will modify my unanimous consent request to request 5 additional minutes off the 90 minutes accorded to the leader on my side for debate on this legislation.

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

Mr. ABRAHAM. Mr. President, I appreciate the debate we have had today. The bottom line remains the same: People in America are paying too much for gasoline. Congress must do something about it. I have heard an array of objections raised by people as to why this can't be done.

Given the actions this Congress regularly takes on appropriations legislation, on budget legislation, on tax legislation, moving gigantic packages in short periods of time when we do our omnibus spending bills, the notion that this legislation somehow doesn't accomplish the mission of protecting the highway fund from diminution is, to me, an inaccurate statement.

The road projects will continue. The legislation ensures that the money will be there. We are aware that we have on-budget surpluses, not touching Social Security, adequate to meet the cost of suspending the gas tax. I believe those claims just simply are off the mark.

This will be a stake through the heart, if this is defeated, of the consumers of America who are paying way too much right now in gasoline prices. They deserve a break. Consumers in my State, for whom I come to the Senate floor and fight every day, deserve that break.

We are paying the highest gas prices in America. Whether consumers drive a minivan back and forth to children's activities, or drive a car to their job, regardless of their needs, in Michigan and across America, I find it hard to believe there is anyplace in America today where Members of this body are not hearing from constituents that the price of gasoline is too high.

We selected 5 months as the duration of this action for a simple reason. That is what we have been told by the spokesperson at the Department of Energy and in this administration is the approximate duration of time it will take for the various efforts they are engaged in to try to bring down the price of gasoline.

I am happy to modify this amendment to a shorter timeframe if we have assurances from anybody that would, in fact, be an adequate period of time for the supply issues to be addressed. That is not what we have heard. We heard it will take longer. We cannot wait longer in Michigan. We want relief now. The one thing we can do as a body is to suspend the Federal gas tax for 150 days.

I believe this is a clear-cut choice. We are here to try to help the men and women, the hard-working families of this country. This is something we can do in a concrete way to help them. It can be done in a fashion that does not undermine the road projects going on.

I believe this price, as a result of the suspension of the gas tax, will translate into prices at the pump. We saw it in our State the other day. As soon as the station brought down prices 18 cents, everybody went to that station for gas. In any station, any oil company that does not bring down its prices in accordance with the passage of this legislation will lose business to the stations that do. That is the way of supply and demand. That is the way price will work. It will create the competitive market in which the people who abide by the terms of this legislation quickly benefit because they will be the ones with the customers.

It will help the farmers in my State who are right now screaming because of high gasoline prices. It will help the tourism industry in my State which is deeply concerned that the price of gasoline is so high. It will help the automotive industry which is worried that we will once again see a recession caused by a shift from American-made products to foreign imports.

For those reasons, I urge my colleagues to support this legislation. I assure them, look at it yourself; you will see the language is explicit. The highway trust fund moneys will not be diminished if we do this but consumers will gain the benefit with which we sought to protect them in the suspension of this gas tax.

Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

Mr. REID. Mr. President, for the closing debate on the minority side, I yield 2 minutes to the Senator from Montana.

Mr. BAUCUS. Mr. President, to summarize, obviously motorists do not like paying higher gasoline prices. As has been pointed out, it is a product, essentially, of supply and demand—in this case, short supply. That is what has happened.

I must also point out the price of gasoline is starting to come down significantly. According to figures as of July 10, the national average price of gasoline has fallen 3 cents since last week, 8 cents since the recent high on July 12. That is not a lot, but it is better. In the Midwest, prices have fallen by 28 cents since their high on June 19, settling just below the national average, I might add. And for areas in the Midwest using reformulated gasoline, prices have fallen more than 34 cents since their high on June 19, settling just 4 cents above the national average. So prices are already coming down.

No. 2, in real terms we are paying less, one-third less than we were in 1981. That is not an unimportant point. That is very important.

In addition, this is an off-again, on-again tax. This is a yo-yo tax. On again, off again, that is no way for the Congress to conduct fiscal policy. It just is not. Pretty soon, if we do this, we will have off-again, on-again taxes on everything under the Sun. What in the world is going on here? The American people want stability. They don't like the charades, the sleights of hand. Here is a tax that is going to go off just before an election, go right back on right after the election. Come on, give me a break. Is that what we want to do here?

I might add, this is expensive. The Senator says it is not going to come out of the highway trust fund. Let's put it this way: There is going to be at least $13 billion lost to revenue, and the Appropriations Committee has the authority to set the ceilings that are spent under the highway program. So it could lower those ceilings. It could come out of the highway trust fund, in effect. When we are out here trying to balance the budgets and figure out how to keep spending underneath the caps, there is a very good chance these dollars will come out of the highway trust fund and not go to the States. It is going to happen.

Finally, this is a program that has the trust of the American people. When they go to the pump and pay that 18.4 cents, they know it goes to the highway trust fund and they know the dollars come back to their States for highway construction, bridges, urban programs, and so forth.

Let's keep a little sanity around here and resoundingly reject this amendment.

Mr. ABRAHAM. Mr. President, I ask unanimous consent that a letter dated July 13, 2000, from Andrew Quinlan of CapitolWatch to Senator LOTT be printed in the RECORD.

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

CAPITOLWATCH,
Washington, DC, July 13, 2000.

Hon. TRENT LOTT,
Majority Leader, U.S. Senate,
Washington, DC.

DEAR MAJORITY LEADER LOTT: On behalf of CapitolWatch and its 250,000 citizen lobbyists, I urge you to support an amendment sponsored by Senator Spencer Abraham (R–MI) to H.R. 8—the Death Tax Elimination Act. Sen. Abraham's amendment would suspend the 18.4 cents federal fuels tax for 150 days. With people in our nation's heartland paying over $2 a gallon coupled with a record budget surplus, the need has never been greater to suspend such a burdensome tax nor has the means to pay for it been more readily available.

Those who defend the federal gas tax do so on the basis that these taxes go to the Highway Trust Fund and presumably to the safety of our nation's highways. However, Abraham's amendment specifically addresses this concern by stating that it would replenish the Highway Trust Fund with some of the non-Social Security Surplus. The cost of this amendment would be $6.5 million, or only a little over 12 percent of the current budget surplus minus the Social Security and Medicare Trust Funds.

With record surpluses, a gas tax suspension would be an excellent way to immediately give part of that surplus back to overtaxed Americans. Sen. Abraham's amendment will accomplish two important goals of CapitolWatch. It would return a tax dividend back to hard-working Americans who created our historic economic growth and would keep Washington from spending the surplus on additional pork barrel projects instead of tax relief or debt reduction.

CapitolWatch's 250,000 supporters urge every member of the Senate to support Abraham's gas tax amendment and suspend the gas tax. If you would like more information, please contact CapitolWatch at (202) 544–2600 or visit our Web page at www.CapitolWatch.org.

Sincerely,

ANDREW F. QUINLAN,
Executive Director.

Mrs. FEINSTEIN. Mr. President, I am as upset by the gasoline price spikes as anyone else. I believe they are still very high in California, though prices have come down in my State from the highs they reached in March.

Having said that, I feel obliged to oppose this amendment despite understanding the sentiment behind it. The problem with the amendment is that there is no way to guarantee that a reduction in the federal gasoline tax will be passed on to consumers.

At least that's what the chief executive officers of the three major California refiners told me. Collectively, they produce 70 percent of California's gasoline. Earlier in the year, I called them. None could guarantee that a decrease in the gasoline tax would cause the same drop at the pump. They cited the fundamental problem with supply, and also pointed out that they have no control over other entities in the supply chain.

Price is a function of supply and demand, not taxes and right now, world oil markets are extremely tight, so prices are high. The way to relieve the pressure on the market is to boost supply and reduce demand.

With regard to supply, 14 nations sell oil to the U.S. under a cartel known as the Organization of Petroleum Exporting Countries, OPEC. Like any monopoly, OPEC controls the price of oil by limiting supply. Decreased production in non-OPEC countries like Venezuela, Mexico, and Norway has also contributed to the squeeze.

Since OPEC is not bound by U.S. law, there are only a few things the U.S. can do to encourage the cartel to increase supply. The preferred alternative is diplomacy.

It takes several weeks for production increases to be felt at the pump in lower prices, and California has unique problems affecting its supply. No other State requires the kind of reformulated gasoline that California does. So the gasoline has to be refined in California, and California refiners have had problems—including two fires—operating their plants at full capacity. They are at full capacity now.

As I said a moment ago, this amendment does not solve the problem of high gasoline prices. Under California law, if the federal gasoline tax drops by 9 cents per gallon or more, then the State tax automatically rises to off-set the federal decrease. The law is designed to protect the Highway Trust Fund. I have spoken with members of the California Legislature about this. They do not seem inclined to change the law.

What are our options?

The fact is, we have limited control over supply. Too much of the world's oil is produced elsewhere. The one thing we can control is demand.

The best way to reduce demand is to require that sports utility vehicles, SUVs, and light duty trucks get the same fuel efficiency that passenger vehicles do. If SUVs and light duty trucks had the same fuel efficiency standards as passenger cars, the U.S. would use one million fewer barrels of oil each day.

This is roughly equal to the U.S. shortfall before OPEC increased production.

The Department of Transportation is responsible for setting fuel efficiency requirements under the Corporate Average Fuel Economy, CAFE, program. About two-thirds of all petroleum used goes to transportation, so boosting fuel efficiency is an important way to wean ourselves off OPEC oil and reduce the price motorists pay for gasoline. Consider, too, the significant environmental and health benefits of higher fuel efficiency.

But CAFE standards have not increased since the mid-1980s. And the situation is made worse by a loophole in the CAFE regulations. SUVs and light duty trucks—which are as much passenger vehicles as station wagons and sedans—are only required to average 20.7 miles per gallon per fleet versus 27.5 miles per gallon for automobiles.

Since half of all new vehicles sold in this country are fuel-thirsty SUVs and light duty trucks, this stranglehold on energy efficiency has produced an American fleet with the worst fuel efficiency since 1980. We are going backwards!

According to the non-partisan American Council for an Energy Efficient Economy, the U.S. saves 3 million barrels of oil a day because of CAFE standards. Close the SUV loophole, as I said a moment ago, and save another million barrels each day.

Overall, SUV and light duty truck owners spend an extra $25 billion a year at the pump because of the ''SUV loophole.'' Making SUVs and light duty trucks get better gas mileage would save their owners some $640 at the pump each year when the price of gasoline averages $2 per gallon.

The bottom line is that eliminating some or all of the federal gasoline tax will not lower prices at the pump. The best way to do that is to reduce our demand. The best way to reduce demand is to increase the gas mileage requirements for SUVs and light duty trucks.

Mr. KOHL. Mr. President, I want to take a moment to discuss my opposition to this legislation repealing the federal gas tax of 18.4 cents.

The rising gas prices of this past spring and summer have been a great concern to many of us across the country, and nowhere has the burden been greater than in my State of Wisconsin where gas prices at some locations peaked over $2.00 per gallon. Families and businesses have been hard hit by this unexpected strain on their budgets. Everyday activities of work and recreation and summer travel plans have been altered. Fortunately, prices have begun to decline, and we are hopeful that that trend will only continue in the approaching months. This decline is in no small part the result of the bipartisan efforts of our Congressional delegation to provide relief to our constituents. With many forces at play, we worked strenuously to get to the root of the rising gas price problem.

First, we requested an EPA waiver from the reformulated gas requirements, which many considered to be a minor, yet still contributing, factor to the price increases. We also took the oil companies to task for gouging the consumer at the pump, while enjoying huge increases in profits. We called for a Federal Trade Commission investigation into the causes of spiking prices in Wisconsin and the Upper Midwest and now await the preliminary report. Lastly, we have attacked the main cause of the problem—the coordinated underproduction of oil on the part of OPEC, the organization of oil-producing nations. Fortunately, under pressure from Congress and the Administration, the OPEC nations have agreed to increase their oil output. All these efforts taken together have yielded positive results, with prices dropping by 30 to 40 cents, and certainly we will continue to be vigilant to ensure this trend continues.

Clearly I am very sympathetic to the amendment sponsor's stated goals of providing relief at the pump. But I am convinced that repealing the gas tax is the wrong way to achieve this important goal. Repealing the tax will drastically reduce the funds available for critically needed highway safety and maintenance programs, jeopardizing highway safety and putting other local services at risk by creating budget shortfalls. Moreover, repealing the tax does not guarantee that prices will go down for consumers. In fact, there is a strong likelihood that repealing the gas tax would only deliver more profits to the oil companies without delivering any relief to the consumer.

With the TEA–21 highway bill, we worked hard to guarantee that gas tax revenues would go to states for infrastructure improvements and to make the distribution of those monies fair for Wisconsin. We went from a 92 percent to 99 percent return on the dollar for Wisconsin, and those funds are desperately needed for road, bridge and transit improvements. It would be disastrous to lose transportation money just as Wisconsin, with our short construction season, is poised to start a number of road improvement and expansion projects.

Mr. BOND. Mr. President, I commend my good friend from Michigan on his attempt to address the issue of high gas prices. However, I must oppose his amendment.

The problem with the high gas prices we are experiencing is not the result of the gas taxes, but with the fact that the Clinton/Gore Administration has pursued a long-term consistent energy policy discouraging domestic production of oil, coal, nuclear, gas, hydropower, etc. The result of this cartel policy has been to put us over a barrel—an OPEC barrel of oil with resulting high gas prices.

My colleagues offering this amendment have stated that this amendment would hold the trust fund harmless. Once again, I applaud their desire to help the consumers, but violating the ''trust'' in the highway trust fund is not holding the trust fund harmless.

We cannot risk the tremendous gains we made to ensure that the gas tax was a dedicated tax for a dedicated purpose. This is a true user fee. This is a user fee that works. I urge my colleagues to oppose the Abraham amendment.

The PRESIDING OFFICER. The time of the Senator has expired.

The Democrat whip.

Mr. REID. Mr. President, I raise the point of order that the pending amendment violates section 311(a)(2)(B) of the Congressional Budget Act of 1974.

The PRESIDING OFFICER. If the Senator will withhold, the Senator from Michigan still has time remaining.

Mr. REID. He yielded back his time previously.

Mr. ABRAHAM. I yielded the floor, but I will yield back the remainder of my time.

Mr. REID. I apologize.

Mr. ABRAHAM. May I respond, then, to his motion—or his point of order?

Mr. REID. It is not in order.

Mr. ABRAHAM. Mr. President, I move to waive section 311 of the Budget Act with respect to this amendment.

I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The question is on agreeing to the motion.

The clerk will call the roll.

The legislative clerk called the roll.

Mr. REID. I announce that the Senator from Connecticut (Mr. DODD) is necessarily absent.

The PRESIDING OFFICER (Mr. GORTON). Are there any other Senators in the Chamber who desire to vote?

The yeas and nays resulted—yeas 40, nays 59, as follows:

[Rollcall Vote No. 183 Leg.]

YEAS—40

Abraham	Grams	Nickles
Allard	Grassley	Roth
Ashcroft	Gregg	Santorum
Bennett	Hatch	Sessions
Brownback	Helms	Shelby
Bunning	Hutchison	Smith (NH)
Campbell	Inhofe	Smith (OR)
Coverdell	Kyl	Snowe
Craig	Lott	Specter
Crapo	Lugar	Stevens
Fitzgerald	Mack	Thompson
Frist	McCain	Thurmond
Gorton	McConnell	
Gramm	Murkowski	

NAYS—59

Akaka	Burns	Domenici
Baucus	Byrd	Dorgan
Bayh	Chafee, L.	Durbin
Biden	Cleland	Edwards
Bingaman	Cochran	Enzi
Bond	Collins	Feingold
Boxer	Conrad	Feinstein
Breaux	Daschle	Graham
Bryan	DeWine	Hagel
Harkin	Lautenberg	Roberts
Hollings	Leahy	Rockefeller
Hutchinson	Levin	Sarbanes
Inouye	Lieberman	Schumer
Jeffords	Lincoln	Thomas
Johnson	Mikulski	Torricelli
Kennedy	Moynihan	Voinovich
Kerrey	Murray	Warner
Kerry	Reed	Wellstone
Kohl	Reid	Wyden
Landrieu	Robb	

NOT VOTING—1

Dodd

The PRESIDING OFFICER. On this vote, the yeas are 40, the nays are 59.

Three-fifths of the Senators duly chosen and sworn not having voted in the affirmative, the motion is rejected. The point of order is sustained and the amendment falls.

Mr. MOYNIHAN. Mr. President, I move to reconsider the vote and move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. DODD. Mr. President, I was necessarily absent while attending to a family member's medical condition during Senate action on roll call votes 180 through 183.

Had I been present for the votes, I would have voted as follows: On roll call vote number 180, Senator MOYNIHAN's Amendment No. 3821, to amend the Internal Revenue Code of 1986 to increase the unified credit exemption and the qualified family-owned business interest deduction, and for other purposes, I would have voted ''aye.'' On roll call vote number 181, Senator HATCH's Amendment No. 3823, to amend the Internal Revenue Code of 1986, to provide a permanent extension of the credit for increasing research activities, I would have voted ''aye.'' On roll call vote number 182, Senator SCHUMER's Amendment. No. 3822, to amend the Internal Revenue Code of 1986 to increase the unified credit exemption and the qualified family-owned business interest deduction, to make higher education more affordable, to provide incentives for advanced teacher certification, and for other purposes, I would have voted ''aye.'' On roll call vote number 183, the motion to waive the budget act with respect to Senator ABRAHAM's amendment 3827, to amend the Internal Revenue Code of 1986 to temporarily reduce the Federal fuel tax to zero, I would have voted ''no.''

The PRESIDING OFFICER. The Senator from New Mexico.

AMENDMENT NO. 3828

Mr. BINGAMAN. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from New Mexico [Mr. BINGAMAN], for himself, Mr. KENNEDY, Mrs. MURRAY, Mr. DODD, Mr. KERRY, Mr. SCHUMER, and Mr. DORGAN, proposes an amendment numbered 3828.

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

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

The amendment is as follows:

(Purpose: To amend the Internal Revenue Code of 1986 to increase the unified credit exemption and the qualified family-owned business interest deduction and expand education initiatives, and for other purposes)

Strike all after the first word and insert:

1. SHORT TITLE.

(a) SHORT TITLE.—This Act may be cited as the ''Estate Tax Relief Act of 2000''.

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

SEC. 2. INCREASE IN AMOUNT OF UNIFIED CREDIT AGAINST ESTATE AND GIFT TAXES.

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

“In the case of estates of decedents dying, and gifts made, during:	The applicable exclusion amount is:
2001, 2002, 2003, 2004, and 2005	$1,000,000
2006 and 2007	$1,125,000
2008	$1,500,000
2009 or thereafter	$2,000,000.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

SEC. 3. INCREASE IN QUALIFIED FAMILY-OWNED BUSINESS INTEREST DEDUCTION AMOUNT.

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

''(2) MAXIMUM DEDUCTION.—

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

''(i) the applicable deduction amount, plus

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

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

“In the case of estates of decedents dying during:	The applicable deduction amount is:
2001, 2002, 2003, 2004, and 2005	$1,375,000
2006 and 2007	$1,625,000
2008	$2,375,000
2009 or thereafter	$3,375,000.

''(C) APPLICABLE UNUSED SPOUSAL DEDUCTION AMOUNT.—With respect to a decedent whose immediately predeceased spouse died after December 31, 2000, and the estate of such immediately predeceased spouse met the requirements of subsection (b)(1), the applicable unused spousal deduction amount for such decedent is equal to the excess of—

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

''(ii) the sum of—

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

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

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

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

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

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

SEC. 4. APPROPRIATIONS.

There are appropriated, out of any money in the Treasury not otherwise appropriated, the following amounts:

(1) $1,750,000,000 to carry out class size reduction activities in the same manner as such activities are carried out under section 310 of the Department of Education Appropriations Act, 2000.

(2) $2,200,000,000 to carry out title II of the Elementary and Secondary Education Act of 1965 and title II of the Higher Education Act of 1965.

(3) $250,000,000 to carry out sections 1116 and 1117 of the Elementary and Secondary Education Act of 1965.

(4) $1,000,000,000 to carry out part I of title X of the Elementary and Secondary Education Act of 1965.

(5) $325,000,000 to carry out chapter 2 of subpart 2 of part A of title IV of the Higher Education Act of 1965.

(6) $1,000,000,000 to carry out part B of the Individuals with Disabilities Education Act.

(7) $3,000,000,000 to enable the Secretary of Education to carry out a College Completion Grant Program.

(8) $150,000,000 to carry out part D of title I of the Elementary and Secondary Education Act of 1965.

(9) $1,300,000,000 to carry out title XII of the Elementary and Secondary Education Act of 1965.

Mr. BINGAMAN. Mr. President, this is an amendment I offer on behalf of myself, Senators KENNEDY, MURRAY, DODD, KERRY, SCHUMER, and DORGAN.

It will do a fairly simple thing. It will provide for the relief from estate tax that is proposed as the Democratic alternative on which we voted earlier today so that there will be a substantial reduction in the amount of estate tax over a period of time. It would, however, take some of the additional revenue that would not be going to estate tax relief under the Republican plan and would dedicate that instead to education.

This is an important issue. This is an amendment, as were several others we voted on already, that relates to our priorities and what we would like to do with revenue over the next several years, how much of it should be returned, to which group of taxpayers, how much should be spent on needs we have here in the country.

Those of us who are proposing this amendment believe it should be a higher priority for us to improve our schools and the future of all of the children in this country—rich and poor, black and white, metropolitan and rural—than it is to assist inordinately a relatively small group of people beyond the $8 million that is provided for as an exemption from the estate tax under the Democratic plan.

The amendment makes a commitment to invest some of the savings from the elimination of the Republican estate tax proposal into our public schools. The amendment would guarantee that parents and communities have the support they need to provide every child with a good public education, to send every qualified student to college.

I was reading the paper yesterday. I noticed that the first day of the Republican National Convention has the theme of ‘‘leave no child behind.’’ That is a worthy theme. I commend them for adopting it. I believe this amendment could be characterized as the ‘‘leave no child behind’’ amendment. Instead of dedicating huge resources toward providing very wealthy individuals with a tax break—I think it has been discussed several times and is agreed to by all, the Republican plan does provide over $100 billion of tax relief over the next 10 years, $750 billion over the following 10 years—instead of providing that much in the way of tax relief for the very wealthiest in our society, the amendment ensures that small businesses and family farms receive a significant tax break. It also provides funds for programs that have been proven to improve student achievement in public schools, to assist students seeking postsecondary education.

Let me clear up one misconception I have uncovered in my home State of New Mexico. I spoke to one of my good friends there this last week. He said: I don’t see why you object to repeal of the estate tax. It does not involve a significant amount of Federal revenue. It is mainly an irritant to people to have an estate tax or to pay an estate tax.

What we have been talking about with the Republican proposal is $100 billion over the next 10 years, $750 billion over the following 10 years. We are spending in this current fiscal year $14.4 billion total on elementary and secondary education in this country. That is Federal money. We are talking about tax cuts in the Republican plan which are substantially greater than the amount the Federal Government is spending on education each year. It is an important item. In my view, it is very much a statement about our priorities.

One of the critical elements in this amendment is school construction. We would fund a program to increase safety and decrease overcrowding in our schools. We would provide $1.3 billion in grants and loans for urgent repair of 5,000 public elementary and secondary schools in very high-need areas. These programs would provide over $200 million to my home State of New Mexico where current estimates for school repair and modernization approach $2 billion.

Accountability: We would support tough accountability for results by setting aside $250 million for title I accountability grants. That is something we have been trying to do at several points in this session of Congress. We still have not succeeded. That would be accomplished if we adopted this amendment.

Dropout prevention: The amendment provides crucial support for programs designed to prevent students from dropping out of school. This is a vital issue in my State, particularly for the Hispanic community. Many of our Hispanic young people do not complete high school. The percentage of people who do complete high school is appallingly low. We need to deal with that. It is a crisis situation.

Teacher quality: Senator KENNEDY has led the way on trying to improve teacher quality in this session of the Congress. This amendment would provide $2.2 billion for teacher quality programs so we can ensure that every child is taught by a qualified instructor.

Class size: We would continue progress in achieving smaller classes by providing $1.75 billion to fulfill our commitment to hire 1 million teachers to reduce class size in the early grades.

Afterschool programs: Again, we would try to expand those by adding $1 billion to that funding.

Meeting our commitments to special education: Again, we would try to add a billion dollars in this amendment for the IDEA funding, which I know many Members of this body, both Democrats and Republicans, support.

Affordable college opportunities: Higher education makes a huge difference in earnings and general mobility, even more in subsequent generations of a family. This amendment provides $3 billion for college opportunity tax credits. It would increase funding for the GEAR UP program by $325 million.

I know some critics say this amendment is not related to the underlying tax reduction. I point out that exactly the opposite is true. The real issue for us is, what are our national priorities? Are we going to reduce the revenue coming into the Government by enormous amounts here in order to assist those who are wealthiest in our society, at the expense of adequately funding these education programs that I believe are desperately needed?

The truth of the matter is that Americans want better educational outcomes for their children, not more tax cuts for the wealthy. I challenge anyone to pose the option before us to the voters: Should Congress exercise its leadership by providing $50 billion in tax cuts to the wealthiest 2 percent of the population each year? Or should Congress, instead, exercise its leadership by using some of that revenue to improve the educational outcomes in our public schools? I believe the American public is clear in their answer on that.

I urge my colleagues to support this amendment.

I will yield the remainder of my time to the Senator from Massachusetts.

The PRESIDING OFFICER. The Senator from Massachusetts is recognized.

Mr. KENNEDY. Mr. President I yield myself 5 minutes.

Earlier today, we had an excellent presentation made by the two Senators from North Dakota about the Democratic alternative. In those presentations, they pointed out that the arguments made on the other side about the importance of changing the estate tax so it addressed the needs of family farms and small businesses would be addressed in the Democratic alternative.

The basic Republican position is to hold those small family farmers hostage until they get what is the ''big apple,'' which will provide some $700 billion to the wealthiest individuals in this country; 2,400 taxpayers will get $300 billion in tax relief. The Forbes 400 families will get, effectively, $250 billion.

As the Senator from New Mexico has pointed out, this is an issue of our priorities. What his amendment says is that we can address the particular needs of the family farms and small businesses, and rather than use all the other kinds of revenues, out of the difference between the $64 billion and the $104 billion of the Republicans, we can take $11 billion of that this year and use those scarce funds in order to try to meet the educational needs of the children of this country. That is what this is about.

As was pointed out by the Senator from New Mexico, this is really a choice about priorities. Are we interested in providing tax breaks for the wealthiest individuals in our society, or are we interested in investing in the children of our country? We will have an opportunity to address that in just a few moments.

What we have seen in the past decade is an explosion in the number of children who are attending grades K through 12—going from 46.4 million in 1990 all the way up to 53.4 million in the year 2000. At the same time, we have seen a rather dramatic reduction in Federal support for elementary and secondary education from the 1980s; in 1980, 11.9 percent out of every dollar spent came from the Federal Government, and this was down to 7.7 percent in fiscal year 1999. We have also seen this lowering in higher education. We addressed this issue in the Schumer amendment earlier—unsuccessfully. But we had a debate on it. This measure addresses this differential in elementary and secondary education.

It is fair enough to ask whether the substance of this amendment will make very much of a difference to the children in this country. Once again, we have the most recent reports and the most recent studies that have been done by the Congressional Research Service that point out, as of the very end of June of this year, their evaluation of what has happened with smaller class sizes in California.

California's class size reduction shows that reducing class size improves student achievement. A study of the first 3 years of class size reduction in California shows that smaller classes have boosted student achievement in communities across the State for the second year in a row. It says the evaluation shows that though students in the most disadvantaged schools were more likely to be in larger classes and have less qualified teachers, students in smaller classes still outperform their peers in larger classes, even with less-qualified teachers. These students could be performing even better if all the children in those schools have fully qualified teachers and smaller class sizes.

That is exactly what this amendment does. I don't know how often we have to bring in the latest evidence. Here is the latest evidence, which shows students will perform better with smaller class sizes and better trained teachers. This amendment also provides afterschool programs with tutorial, tough accountability standards, dropout prevention programs, a billion dollars for special needs in IDEA, and a modest program to try to address the $112 billion necessary for school construction—you make a difference when you invest in the children of this country. We are here to say that we believe one of the priorities of American families ought to be in using this money to invest in the children and not to provide a windfall tax break for 2,400 of the wealthiest individuals in this country. That is what this vote is about.

I reserve the remainder of my time.

The PRESIDING OFFICER. The majority leader is recognized.

Mr. LOTT. Mr. President, I will submit a unanimous consent request, and I make the request that the time already used on this amendment would not count against the time we are fixing to ask for in this unanimous consent.

I ask unanimous consent that the time between now and 6:30 p.m. be equally divided in the usual form between the two leaders and the following amendments be debated for up to 20 minutes, equally divided, in the following order:

BINGAMAN, on education; ROTH, on phone tax; GRAHAM, on Medicare; GRASSLEY, on farmers; BAUCUS and KERREY, regarding the KidSave matter; GRAMS, on Social Security.

I further ask unanimous consent that at 6:30 the Senate proceed to a series of votes in relation to the above-listed amendments in the order offered, with 2 minutes of debate equally divided for each amendment prior to each vote.

Mr. REID. May we add that after the first vote, each vote be 10 minutes?

Mr. LOTT. Yes.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

Mr. LOTT. I thank my colleagues for their cooperation. This is the only way we are going to be able to get through this list. This is a good way to do it. In light of the agreement, the next votes will be in a stacked sequence at 6:30. We will try another stacked sequence of six at that time. If we can proceed on this basis, we can get this work completed at a reasonable time tonight.

I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. GRAMM. Mr. President, I yield myself 10 minutes, and I will yield 10 minutes to the distinguished Senator from Arkansas.

The PRESIDING OFFICER. The Senator's time is limited to a total of 10 minutes under the agreement just reached.

Mr. GRAMM. I can live with that. The world won't come to an end if I don't speak for 10 minutes. As I understand it, the agreement on the time would not include this amendment.

The PRESIDING OFFICER. The time already used.

Mr. GRAMM. Then I will take 5 minutes, and I will yield 5 minutes to my colleague.

Mr. President, I could not help but hear Senator KENNEDY talking about the need for education. I would like to remind my colleagues that we and a Republican Congress spent more on education last year than the President asked for.

Our colleague from New Mexico talks about priorities. Bill Clinton, in his budget, calls for over a trillion dollars of new spending over the next 10 years. Not one Democrat raises any concern about spending the surplus. We propose $100 billion to eliminate the death tax, one-tenth the amount Bill Clinton wants to spend on new programs, and they are up in arms, outraged.

Now, this is about priorities. What are we trying to do? We are trying to eliminate a situation where, every day, working Americans build up farms and build up businesses with sweat equity. They save and sacrifice, and they work long hours. They pay taxes on every dollar they earn. And then, when they die, the Government comes in and forces their children to sell the business or sell the family farm, and we think it is wrong. We think it is un-American, we think it is immoral, and we are going to eliminate it.

When you get down to the bottom line, there are two reasons our Democrat colleagues disagree. Number one, our Democrat colleagues exactly within the context of this amendment say: Look. Force people to sell the family farm when papa dies. Force people to sell their business because by them giving that money to the Government, the Government can spend it better. We don't agree. We think families can spend it better—not the Government.

The second argument is an argument we often hear from the Democrat side: We are talking about rich people. These are rich people.

I don't understand our Democrat colleagues. They profess to love capitalism but they hate capitalists. Many of them are rich but they hate rich people.

Let me try to boil this down to its basic point because I only have a couple of minutes. The only thing I was ever bequeathed in my life and ever will be was when my great-uncle Bill, my grandma's brother, left me a cardboard suitcase full of yellow sports clippings. If it had been baseball cards, I would be a rich man today.

Our agriculture commissioner in Texas owns a ranch that her family worked for four generations. When her dad died, she had to sell a third of that ranch to pay a death tax.

How does that help me? How did forcing her to sell off her family's ranch that had been in her family for four generations help me or help my family? How does tearing down one family build up another? We don't think it does.

That is what this issue comes down to. We believe when people work, build up a business, or build up a farm, or build up assets, and they pay taxes on it, that it ought then to belong to them and to their children, whether they are rich or whether they are not rich.

I think it is important to note that our colleagues, when they use all of those little examples, leave out one important thing. Over the next 10 years, the revenues collected on this tax are going to quadruple. Why? Because of all of those teacher retirement programs. Many college professors are going to retire with $1 million in their investment accounts. I thank God for it. If they die before they can spend it, under current law, their children are going to end up having to give part of that retirement program to the Government. I think it is absolutely wrong and outrageous.

We are down to making a choice. They say don't eliminate the death tax—just raise the cap a little. Why do we need to eliminate it? When you have a cancer, you don't cut out half of it. You cut out the whole thing.

Have we forgotten that when Bill Clinton was writing the 1993 tax bill he floated trial balloons about lowering the deduction from $600,000 to $200,000?

Does anyone doubt, if we don't repeal the death tax and if we ever have a Democrat President and a Democrat Congress again, that the first thing they are going to do is lower the deduction back down to the point where ordinary working families, farmers, ranchers, and small business people will pay this tax? I don't doubt it. I want to cut it out by the roots.

That is what this vote is about.

The PRESIDING OFFICER. The Senator from Arkansas.

Mr. HUTCHINSON. Mr. President, I request the Chair to notify me when I have 1 minute remaining of my 5 minutes.

This BINGAMAN amendment is a diversion from an important debate on the elimination of the death tax. If you can't change people's minds, sometimes you want to change the subject. That is what the Democrats seek to do by this list of amendments.

We had an education debate. We spent 8 days on the Elementary and Secondary Education Act. I am ready to return to that. I think we should. The majority leader has offered the opportunity to return to the ESEA debate just as we did on DOD authorization. Let's do it next week. But let's limit it to germane amendments.

The reason we are not on the Elementary and Secondary Education Act is because the Democrat side offered amendment after amendment that had nothing to do with education. I suggest if you want an education debate, let's do it on ESEA. Let's not do it on the elimination of the death tax.

The death tax is growing increasingly unpopular with the American people. It is for obvious reasons. They realize it is fundamentally wrong. They know double taxation when they see it. They know if they paid income tax, if they paid capital gains tax, and if they paid sales tax, that it is absolutely, fundamentally, inherently wrong to make death another taxable event.

That is what we are wanting to do with this legislation, eliminate it—not refine it, not tinker with it, not raise the cap but eliminate the death tax once and for all because it is wrong.

The American people are increasingly opposed to the death tax because they realize that it penalizes success; that the American way is to reward success. The death tax penalizes hard work. It penalizes savings, and it penalizes investment.

Senator BINGAMAN, the distinguished Senator from New Mexico, who I have the greatest respect for, says: Let's not eliminate it; let's just tinker with it, and take the savings—the so-called savings—and put it into education.

We have increased spending on education.

But it would seem to me the logic is rather ironic; by putting it on the elimination of the death tax and saying we want children to be better educated because we want them to use that better education so they can be successful, but don't be too successful because, if you are, we are going to punish you when you die for the success you have achieved.

The Bingaman amendment says to young Americans that it is OK to dream but don't dream too big because when you die we will punish you.

The turn of the century was a period appropriately dubbed ''the age of innocence.'' Millions of immigrants came to this country. They came so fast that we couldn't build ships enough to bring them into this country. They came with a dream. Some stayed in New York, others went to Detroit, Pittsburgh, and other industrial cities. But they came with one goal in mind: to succeed with no limits, no caps, no punishing economic thresholds, and, most importantly, no charade.

That is why they came here. They knew that life was too short and their families too precious to continue living under oppressive governments.

I ask my colleagues: Do you think we are fostering the same dream that existed 100 years ago by keeping the status quo?

My esteemed colleague from New York, Senator MOYNIHAN, said this morning that it is a tax that has served us well. That is the basis of this debate. If you believe that the death tax has served this country well, then you certainly don't want to eliminate it. If you believe, as I believe, as Senator GRAMM believes, and as I believe most Americans believe, that it is fundamentally un-American, then you want to eliminate it.

Senator GRAMM is absolutely right. It is a cancer. It is the cancer that you don't just trim back. It is a cancer that must be removed from the body politic and from our public policy.

The PRESIDING OFFICER. The Senator has 1 minute.

Mr. BROWNBACK. Mr. President, I would like to reserve that last minute, if I might.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. BINGAMAN. Mr. President, I yield myself 3 minutes and then the remainder of the time to the Senator from Massachusetts.

Let me respond to a couple of statements that were made.

First of all, this amendment was referred to as a diversion because it tries to bring into this debate the discussion about education and what we ought to be investing in education. Hopefully, we can persuade the Senate to take some of the revenue that the Republican estate tax repeal proposal contemplates eliminating and put it into education.

I do not see it as a diversion at all. I would love to have us back on the Elementary and Secondary Education Act. We had that act before us. We offered some amendments. Those amendments were Democrat amendments. One was for class size reduction. We talked about teacher quality. We had an amendment on that. It was pending, in fact, at the time the bill was taken down by the majority leader.

I hope very much that next week we can go back to ESEA and have more debate on that. But regardless of whether we are able to do that, I think it is important that we consider and adopt this amendment as a statement about what we think the priorities of this Nation are.

I do not shy from discussing the estate tax repeal proposal that is before us. In my State, frankly, the Democratic alternative, in my view, is a very enlightened and generous proposal which would substantially reduce the estate tax.

It would reduce to fewer than 100 estate tax returns that would be filed in my State each year. That is the estimate I have received. It is something I think I can be proud to cosponsor and support.

I do not see why we have to go the full route the Republicans are proposing, as the Senator from Massachusetts said, and eliminate this tax entirely for those 2,400 wealthiest Americans. I do not think we are visiting any hardship upon them by maintaining in place some estate tax.

Let me get back to the subject of my amendment, which is education. People of this country support more investment in teacher quality, more investment in reducing the class sizes, more investment in eliminating or reducing the number of students who drop out of our schools before they graduate, more investment in accountability of our schools so we can be sure the schools are performing to standard, and more investment in school construction. There are enormous needs in all these areas. This is an opportunity to address those enormous needs.

I urge my colleagues to support this amendment. I think it would be a major statement of our priorities. We would not, in fact, leave one child behind if we do this.

I yield the remainder of my time to the Senator from Massachusetts.

Mr. KENNEDY. Mr. President, as I understand, I have 8 minutes; is that correct?

The PRESIDING OFFICER. The Senator has 3 minutes 30 seconds.

Mr. KENNEDY. Mr. President, I yield myself 2½ minutes.

As the Joint Tax Committee pointed out, as printed in the New York Times today, according to the data, 95 percent of the roughly 6,000 farmers who paid estate taxes that year would have been exempted under the terms of the Democratic plan, as would 88 percent of the roughly 10,000 small business owners who paid the tax. That responds to my good friends from Texas and Arkansas.

I understand they want to protect any tax loophole that is in there. We have a billionaire tax loophole that has permitted billionaires to leave the country, renounce their citizenship, and pay no tax at all. They have defended that in the past. The fact is, the wealthiest individuals are still going to get $150 billion in tax breaks.

All we are saying is that it is more valuable to invest in the education of the children of this country than to give the 400 richest families in this country $250 billion. That is what this amendment does. The 400 richest families, according to Forbes magazine, get $250 billion; 2,400 families get $300 billion. We are saying, $150 billion for them.

We need to get to what is essential to our national interest, and that is children. It is a matter of priorities. They want to protect the billionaires' tax loophole; they want to protect the 400 wealthiest families in this country. We want to be debating the minimum wage this afternoon. We want to debate education and education funding.

This chart shows where the Republican Party has been in the last 7 years on education. I ask unanimous consent to have it printed in the RECORD.

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

REPUBLICAN HISTORY OF CUTTING EDUCATION FUNDING IN APPROPRIATIONS BILLS

Fiscal year 1995 rescission (House bill): −$1.7 billion (below enacted FY 1995)

Fiscal year 1996 (House bill): −$3.9 billion (below FY 1995)

Fiscal year 1997 (Senate bill): −$3.1 billion (below President's request)

Fiscal year 1998 (House and Senate bill): −$200 million (below President's request)

Fiscal year 1999 (House bill): −$2 billion (below President's request)

Fiscal year 2000 (House bill): −$2.8 billion (below President's request)

Fiscal year 2001 (House bill): −$2.9 billion (below President's request)

Mr. KENNEDY. It shows they have effectively cut education every single year in either the House appropriations committee or in the Senate. The only one who has saved the education budget is President Clinton. Do you hear that? President Clinton. Respond to these facts.

We ought to be debating the elementary and secondary education bill this afternoon. That is what Senator BINGAMAN wants to do. That is what I want to do. But, no; Republicans want to debate a $250 billion cut for 400 of the wealthiest families. That is what we are spending time doing.

These are the wrong priorities for America. If we want to get back to the right priorities that are in the BINGAMAN amendment, Senators will vote with him when the time comes.

The PRESIDING OFFICER. There are 30 seconds remaining.

The Senator from Arkansas.

Mr. HUTCHINSON. It seems ironic to me when we had the education bill on the floor of the Senate for 8 days, the amendments offered by the other side of the aisle were on health care and campaign finance reform. They had nothing to do with education.

Now we have elimination of the estate tax bill on the floor of the Senate and they want to talk about education. The majority leader has done everything in his power to give an opportunity for legitimate education debate and to pass reauthorizing of ESEA. This is a diversion, and all the protests will not change that fact.

The death tax has been repealed in 20 States since 1980. I say to Senator KENNEDY, I believe the Senate ought to do what his home State of Massachusetts did; we ought to abolish it. We ought to eliminate it as Oregon, as Vermont, as Canada, as Israel, as Australia. We should abolish it—not tinker with it, not play with it, not raise the cap. We need to eliminate it.

Senator KENNEDY called it the millionaire tax loophole. That is why the Black Chamber of Commerce has endorsed this bill, the Hispanic Chamber of Commerce, the National Indian Association, and the Pan American Chamber of Commerce have endorsed it. We need to abolish the death tax.

Mr. BINGAMAN. Mr. President, this amendment is focused on education. It is an effort to put our priorities straight, to get our priorities in line with the priorities of the American people, to get back to talking about how do we improve the lot of the average American, instead of talking about the lot of the 400 wealthiest families in the country.

I believe this will put funds where they are needed the most, where the American people want to see them spent. I urge my colleagues to support this amendment.

The PRESIDING OFFICER. All time on the amendment has expired.

Mr. HUTCHINSON. The pending amendment offered by the Senator from New Mexico, Mr. BINGAMAN, will increase the spending by $11 billion. This additional spending would cause the underlying bill to exceed the finance committee section 302(b) allocation. Therefore, I raise a point of order pursuant to section 302(f) of the Budget Act.

Mr. BINGAMAN. Pursuant to section 904 of the Budget Act, I move to waive the applicable sections of the act for consideration of the pending amendment.

I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

AMENDMENT NO. 3829

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

Mr. ROTH. Mr. President, I send an amendment to the desk and I ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Delaware [Mr. ROTH], for himself, Mr. BREAUX, Mr. NICKLES, Mr. ROBB, Mr. MURKOWSKI, and Ms. COLLINS, proposes an amendment numbered 3829.

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

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

The amendment is as follows:

(Purpose: To amend the Internal Revenue Code of 1986 to repeal the excise tax on telephone and other communication services)

At the end, add the following:

TITLE VI—REPEAL OF EXCISE TAX ON TELEPHONE AND OTHER COMMUNICATIONS SERVICES

SEC. 601. REPEAL OF EXCISE TAX ON TELEPHONE AND OTHER COMMUNICATIONS SERVICES.

(a) IN GENERAL.—Chapter 33 (relating to facilities and services) is amended by striking subchapter B.

(b) CONFORMING AMENDMENTS.—

(1) Section 4293 is amended by striking ''chapter 32 (other than the taxes imposed by sections 4064 and 4121) and subchapter B of chapter 33,'' and inserting ''and chapter 32 (other than the taxes imposed by sections 4064 and 4121),''.

(2)(A) Paragraph (1) of section 6302(e) is amended by striking ''section 4251 or''.

(B) Paragraph (2) of section 6302(e) is amended by striking ''imposed by—'' and all that follows through ''with respect to'' and inserting ''imposed by section 4261 or 4271 with respect to''.

(C) The subsection heading for section 6302(e) is amended by striking ''COMMUNICATIONS SERVICES AND''.

(3) Section 6415 is amended by striking ''4251, 4261, or 4271'' each place it appears and inserting ''4261 or 4271''.

(4) Paragraph (2) of section 7871(a) is amended by inserting ''or'' at the end of subparagraph (B), by striking subparagraph (C),

and by redesignating subparagraph (D) as subparagraph (C).

(5) The table of subchapters for chapter 33 is amended by striking the item relating to subchapter B.

(c) STUDY REGARDING CONTINUING ECONOMIC BENEFIT OF REPEAL.—

(1) STUDY.—The Comptroller General of the United States, after consultation with the Chairman of the Federal Communications Commission, shall study and identify—

(A) the extent to which the benefits of the repeal of the excise tax on telephone and other communication services under subsection (a) are passed through to individual and business consumers, and

(B) any actions taken by communication service providers or others that diminish such benefits, including increases in any regulated or unregulated communication service provider charges or increases in other Federal or State fees or taxes related to such service occurring since the date of such repeal.

(2) REPORT.—By not later than September 1, 2001, the Comptroller General of the United States shall submit a report regarding the study described in paragraph (1) to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid pursuant to bills first rendered after August 31, 2000.

The PRESIDING OFFICER. The Senator is reminded there are now 20 minutes equally, divided, 10 minutes on a side.

Mr. ROTH. Mr. President, the amendment I offer today would repeal the telephone excise tax. My amendment is the same as the bill that was recently approved by the Finance Committee on a bipartisan basis.

The phone tax repeal bill that Senator BREAUX and I introduced earlier this year now has 43 cosponsors—members on both sides of the aisle. The House of Representatives has already voted to repeal the tax by a vote of 420 to 2.

Mr. President, all of us who support repeal have recognized that the telephone excise tax is outdated, unfair, and complex for both consumers to understand and for the collectors to administer. It cannot be justified on any tax policy grounds.

The federal government has had the American consumer on ''hold'' for too long when it comes to this tax. The telephone excise tax has been around for over 102 years. In fact, it was first imposed in 1898—just 22 years after the telephone itself was invented.

This tax on talking—as it is known—currently stands at 3 percent. Today, about 94 percent of all American families have telephone service. That means that virtually every family in the United States must tack an additional 3 percent on their monthly phone bill. The Federal tax applies to local phone service; it applies to long distance service; and it even applies in some cases to the extra amounts paid for State and local taxes. It is estimated that this tax costs the American public more than $5 billion per year.

The telephone excise tax is a classic story of a tax that has been severed from its original justifications, but lives on solely to collect money.

This tax is a pure money grab by the Federal Government—it does not pass any of the traditional criteria used for evaluating tax policy. First, this phone tax is outmoded. Once upon a time, it could have been argued that telephone service was a luxury item and that only the rich would be affected. As we all know, there is nothing further from the truth today.

Second, the Federal phone tax is unfair. Because this tax is a flat 3 percent, it applies disproportionately to low and middle income people. For example, studies show that an American family making less than $50,000 per year spends at least 2 percent of its income on telephone service. These families also pay almost 60 percent of the total communications excise tax in the U.S. Families with incomes of under $20,000 earn less than 9 percent of the total income in the U.S.; yet they shoulder almost one-quarter of the total communications tax burden. A family earning less than $10,000 per year spends over 9 percent of its income on telephone service. Imposing a tax on those families for a service that is a necessity in a modern society is simply not fair.

Third, the Federal phone tax is complex. Once upon a time, phone service was simple—there was one company who provided it. It was an easy tax to administer. Now, however, phone service is intertwined with data services and Internet access, and it brings about a whole new set of complexities. For instance, a common way to provide high speed Internet access is through a digital subscriber line. This DSL line allows a user to have simultaneous access to the Internet and to telephone communications. How should it be taxed? Should the tax be apportioned? Should the whole line be tax free? And what will we do when cable, wireless, and satellite companies provide voice and data communications over the same system? The burdensome complexity of today will only become more difficult tomorrow.

As these questions are answered, we run the risk of distorting the market by favoring certain technologies. There are already numerous exceptions and carve-outs to the phone tax. For instance, private communications services are exempt from the tax. That allows large, sophisticated companies to establish communications networks and avoid paying any Federal phone tax. It goes without saying that American families do not have that same option.

With new technology, we also may exacerbate the inequities of the tax and contribute to the digital divide. For example, consider two families that decide it's time to connect their homes to the Internet. The first family installs another phone line for regular Internet access. The second family decides to buy a more expensive, dedicated high speed line for Internet access. The first family definitely gets hit with the phone tax, while the second family may end up paying no tax at all on their connection. I can't see any policy rationale for that result.

It is time to end the Federal phone tax. For too long while America has been listening to a dial tone, Washington has been hearing a dollar tone. This tax is outmoded. It has been here since Alexander Graham Bell himself was alive. It is unfair. We are today taxing a poor family with a tax that was originally meant for a luxury item. It is complex. Only a communications engineer can today understand the myriad taxes levied on a common phone bill and only the Federal Government has the wherewithal to keep track of who and what will be taxed. It is time we hung up the phone tax once and for all.

Ninety-three million households and 23 million business service companies are waiting for us to act. I urge my colleagues to join me in supporting its repeal.

I yield the floor.

The PRESIDING OFFICER. Who yields time? The Senator from Nevada.

Mr. REID. Mr. President, the Senator from Florida just arrived on the floor. He wishes to speak on this bill. When he is ready, I will yield him the time.

Mr. ROTH. Mr. President, I ask unanimous consent that Senator BAUCUS of Montana be added as a cosponsor of the amendment.

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

Mr. ROTH. I make a point of order a quorum is not present.

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

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

The PRESIDING OFFICER (Mr. L. CHAFEE). Without objection, it is so ordered.

AMENDMENT NO. 3824

Mr. GRAHAM. Mr. President, I understand we are now debating the amendment as offered by Senator ROTH relative to repeal of the telephone tax. In the absence of anyone wishing to speak further on that issue, I want to offer the next amendment which relates to prescription medication.

I rise today for myself and Senators KENNEDY, ROBB, BRYAN, LINCOLN, ROCKEFELLER, DASCHLE, WELLSTONE, JOHN KERRY, and DORGAN to offer an amendment which will couple the estate tax, as presented by Senator DASCHLE, with an amendment to the budget resolution which dedicates an additional $40 billion of the new surplus dollars towards a Medicare prescription drug benefit.

To put this in context, in the budget resolution, $40 billion with conditions was inserted for purposes of a Medicare prescription drug benefit. I believe that no one will argue with the description of that $40 billion as being an arbitrary number; that is, it was not a number which was derived by some analysis of what was going to be required to fund an effective prescription medication benefit for the first 5 years of its availability.

I am here with a sense of disappointment. I am disappointed because I do not think the issue of the prominence that is being given to the estate tax repeal should be what we are debating on July 13 of the year 2000. I do not believe the issue of estate tax repeal, whatever absolute value one places upon it, is among the highest priorities of the American people and deserves the kind of time and attention it is receiving today.

I am also disappointed that this discussion of the estate tax has, frankly, become a charade. What is happening is that, on each side of the aisle, we are hurling a grenade at the other side on the issue we think is the most popular or politically difficult to vote upon, such as the issue of repealing the telephone tax. We ought to be discussing what is a first priority to Americans, and I happen to believe that in that first tier is the issue of modernization of the Medicare program which just yesterday celebrated its 35th birthday. Unlike a human being who, after 35 years of life, would have largely grown and matured into adulthood, the Medicare program at 35 years of life is still very much as it was on the day it was born in 1965.

One of the areas in which it is still as it was when it was born in 1965 is the absence of a prescription medication benefit. Virtually every program today which finances the health care of Americans, from the Medicaid program, which is available to indigent Americans, to private health care financing programs, includes a prescription medication benefit. Medicare stands out as the exception to that rule.

What is especially ironic to that exception is that some significant things have happened in the 35 years we have had the Medicare program. One of those things is that the characteristics of the American Medicare-eligible population have changed. When Social Security was established in the 1930s, the average American would only live a few years, generally 7 years or fewer, after they had reached the age of 65. Today the average American male will live 15 years after he reaches the age of 65, and the average American female will live to be 85. Those numbers will dramatically increase during the 21st century as new medical breakthroughs extend the age of life.

The significance of that aging process on the Medicare program is that it makes services through Medicare which were irrelevant or unnecessary when the program commenced now a center part of American health care, programs such as prevention of illness, those things we now know how to do to intervene and to avoid a condition degenerating into a fatality.

It also fails to adequately cover chronic condition management, which is a very typical circumstance for persons who live into their eighties or nineties. Both of those, prevention and chronic condition management, almost always involve prescription medication as an important part of the treatment regime, and yet our Medicare program fails to provide a prescription medication benefit.

I believe if we are going to have a prescription medication benefit—and it is critical that we do so—that we also be realistic. Part of that realism is a recognition that this is not going to be an inexpensive additional benefit if it is to be meaningful.

As an example, the typical private sector health care plan today is spending between 15 and 20 percent of its total outlays on prescription drugs. For those programs that focus on persons over the age of 65, the percentage for prescription drugs is in excess of 25 percent of all expenditures. Yet with the structure of the program that was adopted in the budget resolution—that is, $40 billion for the first 5 years of the program—this would result in a prescription medication benefit that would represent less than 10 percent of the cost of what we are spending on prescription medication.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. GRAHAM. Therefore, I urge we adopt this amendment which will allow us to have a more reasonable allocation of what has become a gush of new surplus funds to provide a prescription medication benefit that will be affordable, adequate, humane, and medically appropriate for America's older citizens.

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

The PRESIDING OFFICER. If the Senator will withhold, the Senator from Delaware still has time remaining on his amendment.

Mr. REID. Mr. President, the Senator from Delaware told me he was not going to use the time. In the meantime, the Senator from Montana has shown up. There is about a minute prior to the amendment being offered. The Senator from Montana is going to speak.

AMENDMENT NO. 3829

Mr. BURNS. Mr. President, I rise today to express my support for this amendment to repeal federal excise taxes on telephone services.

This tax was first introduced as a ''temporary'' luxury tax in 1898 to fund the Spanish-American War. However, over 100 years later this tax remains in effect. The definition of temporary should not span an entire century.

This tax is imposed on telephone and other services at a rate of 3 percent. Furthermore, these taxes are not applied to a specific purpose that enhances telephone service in our nation—rather these taxes are directed to the general revenue account. In other words, there is no reason we should not repeal this tax. Not doing so means only one thing—Montanans end up paying one more tax to encourage Government spending.

As I said a moment ago, this tax was enacted to fund the Spanish-American War. Considering that war was ended a mere six months after it began, I feel it's time to repeal this tax. Instead, Montana consumers continue to pay this tax on all their telephone services—local, long distance, and wireless.

It is time to eliminate this excise tax. At the time of enactment, this tax was considered a luxury tax on the few who owned telephones in 1898—this tax has now become an unnecessary burden on virtually every American taxpayer. Repealing this excise tax on communications services will save consumers over $5 billion annually.

Furthermore, this tax is regressive in nature. It disproportionately hurts the poor, particularly those households on either fixed or limited incomes. Even the U.S. Treasury Department has concluded in a 1987 study that the tax ''causes economic distortions and inequities among households'' and ''there is no policy rationale for retaining the communications excise tax.''

Rural customers in States like Montana are also disproportionately impacted. This tax is even more of a burden on rural customers due to the fact that they are forced to make more long distance calling comparative to urban customers.

This tax also impacts Internet service. The leading reason why households with incomes under $25,000 do not have home Internet access is cost. If consumers are very price sensitive, the government should not create disincentives to accessing the Internet. Eliminating this burdensome tax can help to narrow the digital divide.

This is a tax on talking—a tax on communicating—a tax on our Nation's economy. I encourage my colleagues to join me in support of this amendment to repeal this unnecessary and burdensome general revenue tax.

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

The PRESIDING OFFICER. The Senator from Florida is recognized.

Mr. REID. Mr. President, we still have time. We have to yield back all our time—it is only a few seconds—and then the Senator can send his amendment to the desk.

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

The PRESIDING OFFICER. The Senator from Florida.

AMENDMENT NO. 3824

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

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Florida [Mr. GRAHAM] proposes an amendment numbered 3824.

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

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

The amendment is as follows:

(Purpose: To provide additional budget resources for a medicare prescription drug benefit program.)

Strike all after the first word and insert:

1. SHORT TITLE.

(a) SHORT TITLE.—This Act may be cited as the ''Estate Tax Relief Act of 2000''.

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

TITLE I—ESTATE TAX RELIEF

SEC. 101. INCREASE IN AMOUNT OF UNIFIED CREDIT AGAINST ESTATE AND GIFT TAXES.

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

"In the case of estates of decedents dying, and gifts made, during:	The applicable exclusion amount is:
2001, 2002, 2003, 2004, and 2005	$1,000,000
2006 and 2007	$1,125,000
2008	$1,500,000
2009 or thereafter	$2,000,000.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

SEC. 102. INCREASE IN QUALIFIED FAMILY-OWNED BUSINESS INTEREST DEDUCTION AMOUNT.

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

''(2) MAXIMUM DEDUCTION.—

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

''(i) the applicable deduction amount, plus

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

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

"In the case of estates of decedents dying during:	The applicable deduction amount is:
2001, 2002, 2003, 2004, and 2005	$1,375,000
2006 and 2007	$1,625,000
2008	$2,375,000
2009 or thereafter	$3,375,000.

''(C) APPLICABLE UNUSED SPOUSAL DEDUCTION AMOUNT.—With respect to a decedent whose immediately predeceased spouse died after December 31, 2000, and the estate of such immediately predeceased spouse met the requirements of subsection (b)(1), the applicable unused spousal deduction amount for such decedent is equal to the excess of—

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

''(ii) the sum of—

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

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

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

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

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

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

TITLE II—ADDTIONAL BUDGET RESOURCES FOR A MEDICARE PRESCRIPTION DRUG BENEFIT PROGRAM

SEC. 201. ADDTIONAL BUDGET RESOURCES FOR A MEDICARE PRESCRIPTION DRUG BENEFIT PROGRAM.

(a) FINDINGS.—The Senate makes the following findings:

(1) Beneficiaries under the medicare program under title XVIII of the Social Security Act (42 U.S.C. 1395 et seq.) are the only group of insured Americans without prescription drug coverage.

(2) At any point in time, approximately 13,000,000 medicare beneficiaries are without prescription drug coverage.

(3) Over the course of a year, nearly 20,000,000 medicare beneficiaries are without prescription drug coverage for all or part of the year.

(4) The options available to medicare beneficiaries for obtaining prescription drug coverage are declining since—

(A) the number of employers providing employer-sponsored retiree coverage is declining at a dramatic rate;

(B) Medicare+Choice plans that might otherwise provide prescription drug coverage are pulling out of counties throughout the Nation; and

(C) medicare supplemental policies (medigap policies) that offer prescription drug coverage are so prohibitively expensive that only 8 percent of medicare beneficiaries have the means to purchase such policies.

(5) An elderly individual without prescription drug coverage living on $12,525 a year (150 percent of the Federal poverty line), who has diabetes, hypertension, and high cholesterol, pays more than 18.3 percent of their total income on the prescription drugs most commonly prescribed to treat their medical conditions.

(6) Medicare beneficiaries should never have to make the choice between having a roof over their head, having food in their mouth, or having necessary prescription drugs.

(7) Congress must provide medicare beneficiaries with a meaningful medicare prescription drug benefit that—

(A) is universal and affordable;

(B) guarantees stable coverage for medicare beneficiaries receiving benefits through the original fee-for-service program or through enrollment in a Medicare+Choice plan; and

(C) provides real low-income and stop-loss protections.

(8) Meaningful prescription drug coverage includes stop-loss protection above $4,000 of out-of-pocket expenses for prescription drugs.

(9) In March 2000, the Congressional Budget Office estimated the on-budget surplus for the 5-year period of fiscal year 2001 through fiscal year 2005 to be $148,000,000,000, assuming that discretionary spending was allowed to increase with inflation.

(10) Relying on the March 2000 estimate of the Congressional Budget Office, on April 12, 2000, Congress passed the concurrent resolution on the budget for fiscal year 2001 which allocated $40,000,000,000 of the estimated on-budget surplus for the 5-year period described in paragraph (9) to provide a prescription drug benefit for medicare beneficiaries.

(11) Forty billion dollars over 5 years cannot ensure access to a meaningful medicare prescription drug benefit that—

(A) is universal and affordable;

(B) guarantees stable coverage for medicare beneficiaries receiving benefits through the original fee-for-service program or through enrollment in a Medicare+Choice plan; and

(C) provides real low-income and stop-loss protections.

(12) Congress should not be bound to an arbitrarily low and inadequate allocation for providing a medicare prescription drug benefit when the estimated on-budget surplus for the 5-year period described in paragraph (9) has increased dramatically since March 2000.

(13) The Office of Management and Budget recently has revised its estimates for the on-budget surplus for the 5-year period described in paragraph (9) and now estimates that the on-budget surplus will be $360,000,000,000 for such period.

(14) The Congressional Budget Office will issue its revised budget estimates in the next few days and those estimates are widely expected to reflect a significant increase in the on-budget surplus for the 5-year period described in paragraph (9) as compared to the on-budget surplus that was estimated for such period in March 2000.

(b) 2001 BUDGET RESOLUTION AMENDMENT.—Section 213(b) of H. Con. Res. 290 (106th Congress) is amended to read as follows:

''(b) ADJUSTMENTS.—The chairman of the Committee on the Budget of the House or Senate, as applicable—

''(1) shall revise committee allocations and other appropriate budgetary levels and limits to accommodate legislation described in section 215(a) which improves access to prescription drugs for Medicare beneficiaries in an additional amount of $40,000,000,000 or the difference between the on-budget surpluses in the reports referred to in subsection (a), whichever is less; and

''(2) may, after the adjustment in paragraph (1), make the following adjustments in an amount not to exceed the difference between the on-budget surpluses in the reports referred to in subsection (a) minus the adjustment made pursuant to paragraph (1):

''(A) Reduce the on-budget revenue aggregate by that amount for such fiscal year.

''(B) Adjust the instruction in section 103 or 104 to—

''(i) increase the reduction in revenues by that amount for fiscal year 2001;

''(ii) increase the reduction in revenues by the sum of the amounts for the period of fiscal years 2001 through 2005; and

''(iii) in the House only, increase the amount of debt reduction by that amount for fiscal year 2001.

''(C) Adjust such other levels in this resolution, as appropriate and the Senate pay-as-you-go scorecard.''.

Mr. GRAHAM. Mr. President, what we are about is to authorize that $40 billion of the new surplus which has come into the Federal Government and is projected to come over the next 5 years to be dedicated to the prescription medication benefit. This would allow for a total of $80 billion to be committed to this program.

The result of that will be to bring the scale of the prescription medication benefit, as a totality of the Medicare program, somewhat into line with what other health care programs are spending on prescription medications today.

The reality is that prescription medications have been the fastest growing sector of American health care, increasing at a rate of 15 to 20 percent a year. The fact is, with the new breakthroughs in prescription medication, there is likely to be further escalation of prescription medication costs.

We have incorporated in the bill that has been introduced, and which would be supported by this allocation of additional funds, that annual increase in the expected rate of prescription medication costs. It is our hope that through some of the procedures in this legislation—such as the encouragement for the use of generic drugs, the use of an intermediary called a pharmacy benefits manager, and multiple managers so that there will be competition between the pharmaceutical company and the Medicare beneficiary who is using those drugs—there will be efforts to restrain the enormous explosion in cost of prescription medication.

But I would have to honestly say to my colleagues that there is every indication the prescription medication will continue to be a rapidly growing source of medical expenditures.

I take this occasion to commend Senator ROTH, the chairman of the Finance Committee, for the legislation which he has, this week, outlined to the committee and to the American people. I think it is a very constructive contribution toward the goal of arriving at a prescription medication benefit that will serve the almost 40 million Americans who depend upon Medicare for their health care financing.

I suggest that if we had a more realistic allocation for the purpose of prescription medication, the proposal that Senator ROTH made would be even more advantageous to Medicare beneficiaries. Thus, I hope this amendment will be adopted and will give us the basis for a continuing dialog and discussion, leading to a prescription medication benefit that will serve America's needs.

One of the things that Senator ROTH has done in his proposal, which I think is especially significant, is to recognize that prescription drugs are a central part of a modern health care system. Some other proposals, particularly those emanating from the other Chamber, have treated prescription drugs as if they were the red-headed third cousin at the family picnic —something that is still outside the main circle of appropriate health care.

The fact is, in modern medicine, prescription drugs are a centerpiece, particularly as we make what I think is the most significant reform in the 35-year history of Medicare, and that is to move it from a program which was exclusively acute care—one that would provide extensive and very effective medical services if you had a dramatic incidence, such as a disease or an accident, but had almost no orientation towards trying to keep you healthy through effective prevention measures —to me it is that movement from essentially a sickness plan to a wellness plan that is the most fundamental reform which Medicare must make now in its 35th year. And key to being able to do that is the inclusion of prescription medication.

Is this $40 billion that we are discussing an unrealistic number? Well, let me just give you these numbers. When we started this budget year, the assumption was that we would be dealing with a non-Social Security surplus, over the next 5 years, of $95 billion. We allocated $40 billion of that $95 billion to prescription drugs, or roughly 42 percent of the total non-Social Security surplus, for 5 years, was committed to this single purpose of financing a prescription drug benefit.

It is now estimated that when the next non-Social Security surplus, for 5 years, is calculated, it will be more in the range of $350 to $400 billion. We have had approximately a quadrupling of the non-Social Security surplus as a result of the strong economy from which we all so benefit.

Is it not appropriate, out of that additional $300 billion, to take another $40 billion and use it so that we can finance a prescription medication benefit at approximately the same level that private sector health care plans are financing prescription medication in terms of a percentage of total health care expenditures?

We are expending, this year, about $280 billion on Medicare. This benefit will add about $25 billion a year—half of which is the Federal component, half of which is the beneficiary's monthly payment. So we now will have a program with slightly over $300 billion. If we stay with that $25 billion number, we will have less than 10 percent of the total Medicare program to be in prescription drugs, while private health insurance for persons over 65 are spending 25 percent or more.

By adding this additional $40 billion, we will double that percentage to approximately 18 to 19 percent of total Medicare expenditures, which I think is the range that is going to be required in order to finance a reasonable, affordable, medically appropriate prescription medication benefit for America's older citizens.

Mr. President, I offer this amendment and urge its adoption.

The PRESIDING OFFICER. Who yields time in opposition?

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

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

Mr. ROBB. Mr. President, I will speak for a minute—the time remaining allocated to the Senator from Florida—in support of his amendment.

The resources that were allocated to the Budget Committee were simply insufficient to deal with the problem of providing adequate prescription drug coverage under Medicare. This particular amendment will make it possible to provide adequate, affordable, available prescription drug coverage to our seniors. We cannot do it under the constraints of the current amendment.

The chairman of the Finance Committee has offered a good faith effort to try to resolve that problem but is constrained by taking away from Part A and Part B, causing beneficiaries to have to make a choice. They should not have to make that choice. They should not have to make the choice between food and medicine.

This will give us an opportunity to solve a problem that is long overdue. With the robust condition of the economy, we finally have an opportunity to do it. I urge my colleagues to vote in support of the amendment offered by the Senator from Florida.

I yield the floor.

The PRESIDING OFFICER. The Senator from Delaware has 7 minutes 3 seconds remaining.

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

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

The legislative clerk proceeded to call the roll.

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

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

Mr. BURNS. Mr. President, I urge my colleagues on both sides of the aisle to support this amendment that would provide tax relief for farmers, ranchers, and other small business owners.

This amendment contains several provisions that are very popular among the Nation's farming and small business communities. Among those provisions is a bill I introduced in January along with over 40 of my Senate colleagues on both sides of the aisle. This bill, S. 2005, the Installment Tax Correction Act of 2000, would allow small businesses to pay the capital gains on the sale of their business over the term of the sale rather than in one lump sum at the time of the sale.

Without this provision, the sales of small businesses will be disrupted or scrapped altogether. Many sales of small businesses use the installment sales method. This amendment will allow small business owners the opportunity to defer over the period of payments the capital gains tax on the sale of their business. We're not talking about major corporations—rather, we are talking about small businesses that support a community.

This amendment will ensure that action is taken on this issue this year and also ensure that the present or future sales of small businesses are not adversely affected by this legislation.

This amendment also contains several other tax relief measures for our Nation's farmers and ranchers. The amendment will not only create savings for farmers but also encourage savings for farmers to be used for future.

The agricultural community is in a crisis. These are the men and women that produce our Nation's food products. It is important that we do all we can to help relieve these families of the burdens based on the unique fluctuations in agriculture. While a farmer may have a banner year, his next may be devastated by hail, disease or price.

Mr. President, I can tell you that prices for agricultural products have hit rock bottom and there is no sign of improvement.

I encourage my colleagues to support the small business owner by supporting this amendment.

Mr. ROTH. I yield the remainder of my time to the Senator from New Mexico.

Mr. DOMENICI. Mr. President, I am going to make a point of order very shortly. I think the Parliamentarian will agree that it will be granted unless a motion is made. They are going to have to have 60 votes to waive it. It is good on the part of the Senate to have such rules.

To give a little history, in the Budget Committee we were talking about $20 billion for Medicare over the next 5 years. My recollection is that the distinguished Senator from New Jersey, Mr. LAUTENBERG, offered an amendment and they took it all the way to $35 billion. A little while later in the process, with Senator WYDEN helping, a bipartisan approach was taken in the committee and we said $40 billion—$20 billion if you don't get any reform and $40 billion if you get some reform—in the first 5 years.

Everybody should know that the President asked for $31 billion. The budget resolution provides $20 billion plus $20 billion, which is $40 billion. And then, everybody should know that the President's proposal doesn't take effect for 3 years, until 2003. All of a sudden, when the year is about over, we have somebody proposing not to spend the $35 billion that Senator LAUTENBERG wanted, not the $40 billion that the bipartisan Senators did in a budget resolution, which everybody thought was a very wonderful idea—in fact, Senator SNOWE and Senator WYDEN led that in the committee, as I recall; is that correct, I ask Senator NICKLES?

Mr. NICKLES. Yes.

Mr. DOMENICI. It was their proposal. Now they say forget about all that; they want $80 billion. We want to rewrite a budget resolution in July of the year, instead of months ago when we were writing budget resolutions. All of a sudden, they want $80 billion set aside for Medicare and prescription drugs.

If ever a point of order was not only correct under the law, but, substantively speaking, right, so that we don't spend the whole Medicare fund and end up with more burdens on the fund than we can pay for, and have some prescription drug program that starts 3 years from now, it is now.

I feel very comfortable in saying to the Senate that you ought to stick with the Budget Act and the budget process. In the end, the seniors will be glad you did because their children will be protected. There will be a Medicare program around for an awful long time, and we will reform it in a way that can be sustained, that we can afford, and of which everybody will be proud.

If I have any time before I make the point of order, I yield it to Senator NICKLES.

The PRESIDING OFFICER. The Senator from Oklahoma.

Mr. NICKLES. Mr. President, I compliment the chairman of the Budget Committee. He is exactly right. The President's original proposal requested $15 billion. Then he came back and said $31 billion. The Budget Committee started at $20 billion and ended up at $40 billion. Now people are saying we need $80 billion. We don't know what the program is. We have no idea how much it costs. We have no idea if it is duplicating coverage already in the private sector. It makes no sense where a program is not going to be effective for 3 years. That may be good politics, but it is fiscally irresponsible. I join my colleague in his point of order.

The PRESIDING OFFICER. The time has expired.

Mr. DOMENICI. Mr. President, I make a point of order that this violates section 306 of the Budget Act because it tries to rewrite the budget resolution on a tax bill.

Mr. GRAHAM. Mr. President, pursuant to section 904 of the Congressional Budget Act of 1974, I move to waive the applicable section of the act for the consideration of the pending amendment and ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays are ordered, and the vote will be placed in the sequence.

Mr. GRAHAM. Mr. President, was the Senator from New Mexico speaking on the opposition's time on our amendment?

Mr. DOMENICI. I assume so.

The PRESIDING OFFICER. All time on the amendment has expired.

The Senator from Iowa is recognized.

AMENDMENT NO. 3834

(Purpose: To provide tax relief for farmers, and for other purposes)

Mr. GRASSLEY. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Iowa [Mr. GRASSLEY], for himself, Mr. CRAIG, Mr. BURNS, Mr. LUGAR, Mr. BROWNBACK, and Mr. GRAMS, proposes an amendment numbered 3834.

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

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

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

Mr. GRASSLEY. Mr. President, I yield myself 6 minutes. I want to reserve 4 minutes for other people who want to speak on my amendment.

Mr. President, the amendment I'm offering on behalf of myself and others will assist millions of farmers across the Nation. In the midst of one of the worst farming crises we've seen, in addition to the estate tax repeal, it seems to me we ought to be doing everything we can to help farmers survive.

The package of measures included in this tax relief amendment include the following:

FARRM accounts. These farmer savings accounts would allow farmers to contribute up to 20 percent of their income in an account, and deduct it in the same year. FARRM accounts would be a very important "risk management" tool that will help farmers put away money when there's actual income, so that, in the really bad times, there will be a safety net.

This measure has strong bipartisan support and was actually sent to the President last year as part of the Taxpayer Relief Act that the President vetoed.

Reversing the unfair IRS decisions on self-employment tax for farmers. Farmers who participate in the Conservation Reserve Program are unnecessarily struggling during tax season because of a recent case pushed by the IRS. The latest 6th Circuit Court's ruling treats CRP as farm income subject to the additional self employment tax rate of 15 percent. Senator BROWNBACK has taken the lead on fixing this problem. This unfair tax not only ignores the intent of Congress in creating the CRP, it discourages farmers from using environmentally pro-active measures. At a time when farmers are struggling to regain their footing economically and do the right thing environmentally, it's important that Congress support them by upholding its promise on CRP.

In addition, this amendment includes an effort I've been leading to reverse an IRS attempt to apply the self-employment tax on farmer's cash rental income.

A tax deduction for farmers to donate to food banks. Senator LUGAR has led the effort to expand the current program where companies can donate to food banks, so that farmers can donate surplus food directly to needy food banks. This will be a win for the farmers and a big win for people who depend on food bank assistance.

Income averaging for farmers who are caught in the alternative minimum tax. This was also part of last year's vetoed bill. When we passed income averaging for farmers a few years ago, we neglected to take into account the problem of running into the alternative minimum tax, which many farmers are facing now. Our amendment will fix this growing problem.

Expansion of first-time farmer loans, or Aggie bonds. Our amendment expands opportunities for beginning farmers who are in need of low interest rate loans for capital purchases of farmland and equipment. Current law permits state authorities to issue tax exempt bonds and to loan the proceeds from the sale of the bonds to beginning farmers and ranchers to finance the cost of acquring land, buildings and equipment used in a farm or ranch operation.

Unfortunately, Aggie bonds are subjected to a volume cap and must compete with big industrial projects for bond allocation. Aggie bonds share few similarities to industrial revenue bonds and should not be subjected to the volume cap established for IRBs. Insufficient allocation of funding due to the volume cap limits the effectiveness of this program. We can't stand by and allow the next generation of farmers to lose an opportunity to participate in farming because of competition with industry for reduced interest loan rates.

Repeal of the installment method for certain small businesses. Our amendment would repeal a law that was passed at the end of last year that's had a very negative effect on the small business community. Repeal of this draconian installment sales method is one of small business's biggest priorities.

Farmer co-op initiatives. Recently the IRS determined that some cooperatives should be exposed to a regular corporate tax due to the fact that they are using organic value-added practices rather than manufactured value-added practices. This is unfair, and needs to be fixed.

In addition, we want to allow small cooperative producers of ethanol to be able to receive the same tax benefits as large companies. Our amendment addresses these problems.

So, Mr. President, our amendment would do more for the American farmer regarding taxes than any measure in recent memory. I know others want to speak, so I would urge Members to strongly support this measure. It is an amendment that should have unanimous support.

I yield to the Senator from Minnesota 1⅕ minutes.

The PRESIDING OFFICER. The Senator from Minnesota.

Mr. GRAMS. Mr. President, current law provides for an income tax credit of 10 cents per gallon for up to 15 million gallons of annual ethanol production by a small ethanol producer. A small ethanol producer is one defined as having a production capacity of less than 30 million gallons per year. The credit was enacted as part of the Omnibus Budget Reconciliation Act of 1990 and championed by our former colleague, Senator Bob Dole. Unfortunately, the credit was enacted at a time when the growth and shape of the ethanol industry was still difficult to predict.

This situation has led to an unfortunate situation in my state and in other areas where farmer-owned cooperatives have been unable to access the credit due to the way in which the original legislation was drafted. The original legislation certainly envisioned these small, farmer-owned cooperatives as being eligible for the tax credit, but the realities of the tax code have made it impossible for them to do so.

There are currently 22 cooperative ethanol plants in the United States. Twelve of them are located in Minnesota. Eleven of these Minnesota cooperatives involve over 5,000 farmers and their families. Minnesota cooperatives are able to produce roughly 189 million gallons of ethanol per year.

My language would simply correct the provision of the law that shuts out these farmer-owned cooperatives from the complete benefit of the small ethanol producer tax credit.

I want to again stress that this language is consistent with the original intent of the 1990 law that created the small ethanol producer tax credit. Farmer-owned cooperatives were never intended to be excluded from receiving the benefits of the tax credit if they produce less than 30 million gallons and I believe it's time the Congress stepped in and clarified the law.

The ethanol industry in Minnesota and across the country is one we should promote. Ethanol is a crucial product for rural America, for our nation as a whole, and especially for Minnesota. I'd like to point out just a few of ethanol's impressive benefits—environmentally and economically. According to the Minnesota Corn Growers, ethanol production boosts nationwide employment by over 195,000 jobs. Ethanol improves our trade balance by $2 billion and adds $450 million to state tax receipts. It reduces emissions from gasoline use and therefore helps us clean up the environment.

According to the American Coalition for Ethanol, more than $3 billion has been invested in 43 ethanol facilities in 20 states. Those investments have directly created 40,000 jobs and more than $12.6 billion in increased income over the next five years.

Minnesota is now home to over a dozen operating ethanol plants with a capacity of over 200 million gallons annually. These plants mean new jobs with good wages and good benefits for people living in rural areas where these plants are built. According to a report by the Minnesota Legislative Auditor, those plants, and the resulting economic activity, are expected to create as many as 5,000 new, high-wage jobs—including jobs in production, construction, and support industries.

In addition to its positive economic impacts, ethanol production allows our nation to move away from our dependence on foreign energy sources. The United States Department of Agriculture estimates that for every gallon of ethanol produced domestically, we displace seven gallons of imported oil. Ethanol plays a role in increasing our national energy security by providing a stable, homegrown, renewable energy supply. Ethanol is estimated to reduce our demand for foreign oil by 98,000 barrels per day.

Those are just some of the reasons why I urge my colleagues to join Senator GRASSLEY and me in allowing small, farmer-owned cooperatives to enjoy the full benefits of the small ethanol producer tax credit.

I thank Senator GRASSLEY for including this provision, which I had planned to introduce separately, in his package of important tax relief for farmers. As one who has sponsored similar legislation providing tax relief for farmers, I strongly support his amendment and have asked to be a cosponsor. I appreciate the Senator from Iowa's efforts in support of our nation's farmers and all of rural America.

Mr. GRASSLEY. Mr. President, I yield 1⅕ minutes to Senator LUGAR.

The PRESIDING OFFICER. The Senator from Indiana.

Mr. LUGAR. Mr. President, I rise in strong support of this amendment aimed at providing tax relief to America's farmers.

I want to highlight and share my strong enthusiasm for one provision contained as part of this amendment aimed at encouraging farmers, ranchers and other small businesses to donate food to hunger relief organizations. This language is taken from bipartisan legislation I introduced earlier this year—S. 2084, the Hunger Relief Tax Incentive Act.

Current law provides corporations with a special deduction for donations to food banks, but it excludes farmers, ranchers and restaurant owners from donating food under the same tax incentive. This language would address this inequity by extending the deduction to all business taxpayers and by increasing the deduction to the fair market value of the donation.

While recently visiting food banks in Indiana, I met a Hoosier apple farmer who donates several hundred bushels of apples annually, despite the lack of a tax deduction for his actions. Because of labor and transportation costs, it would have been more cost effective to throw the food away. This should not be the case. Our tax laws should reward charitable giving, not discourage it.

Citizens have moved off of welfare, but not out of poverty. A December 1999 study by the U.S. Conference of Mayors found that requests for emergency food assistance increased by an average of 18 percent in American cities over the previous year and that 21 percent of emergency food requests could not be met. I can personally attest to this increased need after recently visiting the Tri-State Food Bank in Evansville, Gleaners Food Bank in Indianapolis, and Community Harvest Food Bank in Ft. Wayne.

This language, which enjoys broad support in the Senate, would be an effective private sector approach to addressing hunger. It has the endorsement of several hunger relief, food, and agricultural organizations, including the American Farm Bureau, the National Farmers Union, the National Restaurant Association, America's Second Harvest Food Banks, and the Salvation Army.

I encourage my colleagues on both sides of the aisle to vote in support of this amendment that benefits our farmers and our food banks.

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

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

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

Mr. KERREY. Mr. President, I am here, along with Senator BAUCUS, as well as Senator DORGAN, Senator BREAUX, and Senator ROBB, to talk about rescission of the estate tax that we think needs to be addressed. I believe the estate tax is unfair.

I worked with Senator KYL of Arizona to write a bill to eliminate the estate tax, along with a stepped-up basis for capital gains which I think is reasonable.

Unfortunately, there are two problems I have with the legislation. One is that I see many other provisions in the Tax Code that I also don't think are fair. I think the payroll tax is too high.

If you ask me what the No. 1 item is in terms of eliminating, I would like to see the payroll tax reduced. I think it is too high. It is a barrier to savings. It especially falls very hard on those Americans to whom we are trying to give the most opportunity. I would like to see full deductibility of health insurance.

There are a lot of things that I would like to see done. But I have to measure the cost of those against the budget itself to try to maintain the fiscal discipline we have had since 1993.

As a consequence, I think what Senator DASCHLE has proposed as an alternative is reasonable.

In addition to that, if we are going to help 2 percent of Americans, it is very important for us to pay attention and try to help the 98 percent of Americans who do not have any estate. Senator BAUCUS has a proposal that will do just that.

The proposal that I want to talk about a bit is a proposal called KidSave that will similarly help 98 percent of the population of American citizens who head toward old age and have no estate beyond $650,000 that can be taxed under any circumstances, which is rather shocking when you consider how easy it is to accumulate $650,000.

The proposal I have, and I have talked about it before—in fact, I worked with Republicans as well to refine and improve it—is called KidSave. It is based on a very simple mathematical certainty; that is, if you want to accumulate wealth, the most important variable is the length of time over which you save. KidSave opens an account, administered by the Social Security Administration, but very similar to what we have with the Thrift Savings Plan. It opens an account of $1,000 at birth. If you contribute $500 in the first 5 years, you have $3,500 at age 5; and over the next 55 years, that $3,500 is using compounding interest rates.

The investment strategy is similar to the Thrift Savings Plan. Members have not only invested in it ourselves, we have employees invested in it. We become very excited about what it can do for individuals. For example, the C Fund we have available, over the last 12 years, has averaged an 18-percent compounded rate of return. It is lower if you pick a bond fund, lower than that if you pick a Treasury bond fund. The idea it is unsafe is an idea that doesn't make any sense to our employees who operate and live under that program. It gives them a chance to have something when they head towards retirement that provides them with real security—and that is wealth.

Members will find, talking to people who are concerned about the estate tax, as I have—and I think the estate tax is unfair; you can't justify 55-percent taxation especially when you bring the stepped-up basis in—when we talk to people, it provides them with a sense of security. It is not Social Security, but the wealth that accumulates provides them with a sense of security.

I say to my colleagues on the other side of the aisle, I know the debate is not heading in that direction, unfortunately. We are basically going to have a series of amendments which will go to the President, and he will veto the darn thing and we have our political issues.

I say to my colleagues on the other side of the aisle who are concerned about the impact on 2 percent of the population, what Senator BAUCUS and Senator DORGAN and Senator BREAUX and myself are trying to say is, let's express simultaneously a concern for that 98 percent of American people who are working and have no prospect right now of accumulating an estate in excess of $650,000. It is not a gamble. It is a mathematical certainty. If these accounts are opened early enough and continued over a course of a working life, every single individual in America could head towards retirement knowing that they, too, are going to have a sufficient estate to pass on to their heirs. Not only is it respectable, but it will give them security, as well.

I understand there are concerns with KidSave. We worked with Republicans to try to improve it, try to make certain that it accommodates some ideological concerns. I am willing to continue doing that effort. If we are going to be concerned that 2 percent of the population would have to pay estate taxes on estates in excess of $650,000, I believe this Senate should be similarly concerned about 98 percent of the population that heads towards retirement in older age with estates that are under $650,000.

I yield the floor.

The PRESIDING OFFICER. The Senator from New York.

Mr. MOYNIHAN. Mr. President, might I make the point that the provision that the Senator from Nebraska is offering is part of S. 21, a bill that we introduced in the first session of the 106th Congress almost 2 years ago. It was a bill to reduce Social Security payroll taxes, provide KidSave, and provide for those who wish to take the option, a 2-percent thrift savings plan equivalent throughout their working years to provide wealth.

The Senator has a powerful idea. We have provided security in the course of a long century, beginning with workman's compensation, widows' pension, and then Social Security and Medicare and Medicaid. But we have never been able to provide a great portion of our population, that which distinguishes this Nation, with a measure of wealth, an estate. Not an estate which would be much affected by the underlying bill we are talking about today. Not many $4 million estates would be acquired in the process, but there would be a measure of wealth.

It would be the first American initiative in the area of social welfare. This starts right here in this Chamber, S. 21. The first 20 numbers are reserved for the majority and minority leaders; the first bill otherwise in this Senate is this provision. We have not got to it in committee, but we have a part here on the floor. I welcome it.

Mr. KERREY. Mr. President, I appreciate that. When I talk of the estate tax, understanding there could be genuine differences of opinion—and the distinguished Senator from New York likes the estate tax. I look at it and I think it is unfair. I hear people say it only affects 2 percent of the population. I say 2 percent are getting the shaft. We ought to still try to help them, whether they are wealthy or not. I don't like the tax.

What is more startling to me is 98 percent of the population do not have an estate over $650,000. Think about that, if $1,000 at birth, compounded at 10 percent, produces $650,000.

I am not arguing that will happen over 60 years, but if you look at the Thrift Savings Plan, it has compounded at 18 percent in the C fund over the last 12 years. It is a remarkable rate of return. It is absolutely certain. If we want to help the 98 percent that don't have estates over $650,000, it is absolutely a mathematical certainty that we can do it. One cannot wait until 55. One cannot wait until 65. One cannot wait even until 45. Start early. The earliest possible moment is at birth. Open these accounts at birth and contribute early.

One objection I heard on the other side is it ought to be an ''earned'' entitlement. We worked with heritage to make it earned entitlement. I am willing to do that. If you understand compounding interest rates, and if you are startled not by the fact that only 2 percent have estates over $650,000 but that 98 percent haven't reached $650,000—that is a startling number; it is not good. Inside of a liberal democracy in a free market system such as ours, it is not good because we have the rich getting richer and the poor getting poorer. Not because the rich are doing anything bad. I am not saying they are at fault.

What is happening relative to the wealth being generated in America, people without wealth are getting poorer. Raising the minimum wage and expanding the EATC—both of which I favor—do not address the problem of wealth. That is income. In order to address wealth, we have to do it in a different fashion.

I hope during this estate tax debate we not only notice that only 2 percent have estates over $650,000, but 98 percent don't, and we begin in an urgent and serious fashion to address that problem.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. I yield 30 seconds to the Senator from Kansas for speaking on his portion of my amendment.

Mr. BROWNBACK. Mr. President, I thank my colleague from Iowa for recognizing me for this portion of the bill. The portion of the bill I have is a bill that I, along with Senator DASCHLE, have introduced, with 32 other cosponsors, called the Conservation Reserve Program Tax Fairness Act. What it would do is keep conservation reserve program payments from being subject to self-employment tax.

Unfortunately, a circuit court in this country determined that these CRP payments are subject to that. This removes that. That is in the bill. That is why I support my colleague from Iowa and urge my colleagues to support this amendment.

Mr. GRASSLEY. Mr. President, I yield myself a final 30 seconds to ask unanimous consent to have printed in the RECORD a letter in support of the amendment from the American Farm Bureau Federation.

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

AMERICAN FARM BUREAU FEDERATION,
Washington, DC. July 13, 2000.

Hon. CHARLES E. GRASSLEY,
U.S. Senate, Washington, DC.

DEAR SENATOR GRASSLEY: Farm Bureau supports a proposed amendment to add several key agricultural tax provisions to H.R. 8, the Death Tax Elimination Act of 2000. Included in this amendment is the creation of Farm and Ranch Risk Management Accounts (FARRM accounts), repeal of self-employment taxes on farmland rental, and clarification that farm income averaging does not trigger the Alternative Minimum Tax (AMT).

Using a FARRM Account, producers would be able to save up to 20 percent of net farm income in a tax-deferred account where the funds could be held in reserve for up to five years for financial emergencies. Unpredictable weather and uncontrollable markets impact supply and demand making farm income difficult to predict. Serious financial problems can arise when agricultural producers are unable to cover expenses with current income. Farmers and ranchers need financial management tools that encourage savings as a means of stabilizing their incomes.

Recent Internal Revenue Service (IRS) activities have wrongly broadened the application of the self-employment tax. Until 1996, farmers and ranchers paid the 15.3 percent self-employment tax on income from labor and employment as intended by Congress. In that year, a tax court case expanded the tax to include income from the cash rental of farmland. This was done even though the tax code does not generally require non-agricultural property owners to pay self-employment tax on cash rental receipts.

Congress enacted three-year averaging for farm and ranch income in 1997 to protect agriculture producers from excessively high tax rates in profitable year. The intended benefits of income averaging, however, are being eroded by the imposition of the Alternative Minimum Tax (AMT) which limits tax savings for farmers and ranchers. Producers most at risk, those whose incomes vary greatly from year to year, are hurt most by AMT-imposed limits on farm and ranch income averaging.

Farm Bureau urges your support for the agricultural tax amendment to H.R. 8. Thank you for your consideration.

BOB STALLMAN,
President.

Mr. GRASSLEY. Mr. President, No. 2, I remind people the farmer savings accounts give the farmers an opportunity to level out years of high income versus years of low income. Very seldom, because of nature, can the farmers control their productivity to any great extent, so they have these peaks and valleys. This gives the family farmer an opportunity to manage his income to a greater extent.

I yield the floor.

AMENDMENT NO. 3835

(Purpose: To amend the Internal Revenue Code of 1986 to increase the unified credit exemption and the qualified family-owned business interest deduction, to provide a refundable credit to certain individuals for elective deferrals and IRA contributions, and to provide an incentive to small business to establish and maintain qualified pension plans, to amend the Social Security Act to provide each American child with a KidSave Account, and for other purposes)

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Mr. President I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Montana [Mr. BAUCUS], for himself, Mr. KERREY, Mr. DORGAN, and Mr. ROBB, proposes an amendment numbered 3835.

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

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

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

Mr. BAUCUS. Mr. President, this is an amendment to help people who are not now putting aside money for their retirement. It is combined with measures previously addressed by the Senator from Nebraska, Mr. KERREY, with respect to KidSave. It is a combined amendment along with the Democratic estate tax alternative. So, like other Democratic amendments, this replaces the estate tax provisions in the House bill with the estate tax relief in the Democratic alternative.

As I said before, there are two reasons we have our Democratic alternative. One, it provides more relief more quickly to the folks who really need it; that is, our family businesses, small businesses, ranchers and farmers; and the second part of the basic Democratic alternative amendment is it puts the $40 billion that is saved, compared with the House-passed bill, to better use. Instead of providing further estate tax relief for the few individuals who, by any measure, are very well off—that is, the top portion of the 2 percent—we decided to encourage middle-class families to do more to provide for their own retirement.

We give every child a stake in the American dream. Senator KERREY mentioned the phenomenon of compounding interest. The rule of thumb is that, if you earn 7 percent interest, your money will double every 10 years, at 10 percent interest, your money doubles every 7 years. You can imagine the magic of compounding over a child's lifetime. Senator KERREY has eloquently described that portion of the amendment.

I will explain the portion that is the incentive for retirement saving. Why do we need an incentive? Let me start by pointing out that Social Security is the primary source of income for two-thirds of elderly Americans. We have to stop and think about that just a second. Social Security is the primary source of income for two-thirds of elderly Americans. That is, they do not have other sources of income that amount to very much. In fact, it is the only source of income for about 16 percent of the elderly. For 16 percent, it is the only source.

Those of us who offer this amendment believe, of course, we must protect Social Security. I think everyone in this Chamber agrees with that statement. But I also believe that is not enough. We must complement Social Security by helping people set additional savings aside because Social Security is not enough. Otherwise, there are far too many Americans who will spend their retirement years just one step away from poverty.

So our goal is to increase pension savings, retirement savings, in addition to the Social Security program. That is partly because America is not a nation of savers. We have seen all the statistics. Personal savings rates have continually declined in this country. One-half of all Americans have less than $10,000 set aside for retirement. Let me repeat that. One-half of all Americans have less than $10,000 set aside for retirement. Obviously, we need more.

Part of the solution is pension and IRA reform. Senator ROTH of Delaware has done wonderful work helping this Nation develop better IRA programs. In fact, we have an IRA program named after him, the ROTH IRA. And I have worked with Senators GRAHAM and GRASSLEY on reform for employer-sponsored pension plans. But pension and IRA reform are not the complete solution. After all, pension reform encourages people who are already saving to save a little more. We also need to give people who are not saving anything now—middle- and lower-income people, an incentive to save as well. That is people who are working hard, playing by the rules, but still struggling to make ends meet—which is most Americans, if truth were known—those folks with less than $10,000 set aside for retirement.

That is what our retirement savings amendment would do. It would help in two separate ways: First, it provides a refundable tax credit to match the savings of middle-income workers and spouses. It phases out once the income gets higher, but it is focused on lower and middle income—and I mean middle income, because it phases out with incomes about $75,000. Second, we provide tax incentives to encourage small business owners to start new pension plans for themselves and their employees.

My State of Montana is a small business State. About 20 percent of employees have access to pension plans because it is very hard for a small business person to set up a pension plan. If you stop and think about it, when a person sets up his business or her business, that first day that business owner must meet a payroll tax, and it is big. It may take a while before the business starts making money, and even then, there is only so much money to go around. So the business owner has to prioritize. And most lower income workers are much more interested in getting health care coverage or other benefits than they are in a pension plan. Our amendment provides an incentive to help make it a good business decision for that small business person to offer a pension plan to his or her employees.

I believe this amendment gets our priorities pretty right. In estate tax reform, it provides dramatic tax relief for 90 percent of the farmers and ranchers who are hit by an estate tax; three-quarters of family-held businesses who are otherwise paying estate tax, and about two-thirds of people overall who now pay tax. At the same time, it sets aside $40 billion to give incentives to small businessmen to start pension plans, and help them and their employees keep their pension plan going. It will help millions of Americans, particularly middle-income Americans, increase their wealth so they can have their stake in the economy and encourage them to save for retirement to supplement Social Security.

Mr. President, I reserve the remainder of my time. Senator KERREY spoke earlier on the KidSave portion of this amendment.

I don't see anyone else wishing to speak, so I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. BENNETT). Without objection, the clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

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

Mr. ROTH. Mr. President, I will be very brief in my comment on this amendment. This amendment has the same fundamental defect that the other Democratic amendments have. It is built on the Democratic alternative to the House death tax repeal bill. For that reason, I must oppose the amendment, as the Democratic alternative fails to achieve the termination of the death tax.

Second, I want to raise a procedural point. While I agree and support the concept of encouraging savings, I regret that this amendment would cause the Finance Committee to violate its outlay allocation under the budget resolution. As a result, I raise a section 302(f) point of order against this amendment.

The PRESIDING OFFICER. Does the Senator from Delaware yield at this time?

Mr. ROTH. I yield the remainder of my time.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Mr. President, I move to waive the Budget Act.

I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. All time having been yielded back, the vote will occur in the sequence in which it has been stacked.

The Senator from Minnesota.

AMENDMENT NO. 3836

Mr. GRAMS. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Minnesota [Mr. GRAMS], for himself and Mr. ABRAHAM, proposes an amendment numbered 3836.

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

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

The amendment is as follows:

(Purpose: To repeal the increase in tax on Social Security benefits.)

At the end of the bill, add the following:

TITLE VI—MISCELLANEOUS PROVISIONS

SEC. 601. REPEAL OF INCREASE IN TAX ON SOCIAL SECURITY BENEFITS.

(a) REPEAL OF INCREASE IN TAX ON SOCIAL SECURITY BENEFITS.—

(1) IN GENERAL.—Paragraph (2) of section 86(a) (relating to social security and tier 1 railroad retirement benefits) is amended by adding at the end the following new flush sentence:

''This paragraph shall not apply to any taxable year beginning after December 31, 2000.''

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to taxable years beginning after December 31, 2000.

(b) REVENUE OFFSET.—The Secretary of the Treasury shall transfer, for each fiscal year, from the general fund in the Treasury to the Federal Hospital Insurance Trust Fund established under section 1817 of the Social Security Act (42 U.S.C. 1395i) an amount equal to the decrease in revenues to the Treasury for such fiscal year by reason of the amendment made by this section.

Mr. GRAMS. Mr. President, this is a very simple amendment. The amendment repeals the 1993 tax increase that was imposed as part of the Clinton tax package in 1993, but this was an additional increase in taxes on seniors' Social Security benefits. While we should repeal all of the taxes on seniors' Social Security benefits, as it was when Social Security began, as I have proposed in my legislation, S. 488, I believe this amendment is at least a move in the right direction, and that is to restore some fairness for our senior citizens.

This amendment, as I said, repeals completely President Clinton's 1993 tax increase on seniors' Social Security benefits. The repeal does not affect Medicare because the revenue loss is offset by the non-Social Security surplus. We are holding the Medicare trust fund harmless while correcting what I believe, and I think the majority in Congress believe, is the injustice of the 1993 tax increase on Social Security benefits for our senior citizens.

There are many compelling reasons to repeal this unfair tax increase. When Congress established the Social Security program, the benefits that were then paid to senior citizens were exempt from all Federal income tax. In fact, Social Security benefits were not taxed at all by the Federal Government for nearly half a century. However, when Social Security encountered a financial crisis in the early 1980s, Congress began taxing the benefits. Half—50 percent—of Social Security benefits were subjected to taxation if a single senior citizen earned an annual income of over $25,000 a year and where a couple earned more than $32,000 a year. With the couples and the singles, this is almost a marriage penalty on senior citizens in their retirement benefits.

In 1993, when President Clinton needed even more money to fund his new spending programs, he increased the taxable portion of Social Security benefits from the 50-percent level to 85 percent of income for our seniors. These tax increases have been an unfair tax burden on a number of our senior citizens. In fact, 25 percent of our retirees are affected by this provision.

I believe taxation on Social Security benefits is wrong and it is unfair because Social Security benefits are already earned benefits for senior citizens. By that I mean that Federal income tax has already been paid on Social Security contributions. I do not know if a lot of people realize this, but before they take Social Security out of your check, the Government taxes it. So for your whole life, all of your Social Security earnings have already been taxed before the Government takes it and puts it into the system. What they are saying now is they want to tax you again as you bring it out not at 50 percent, but as high as 85 percent for up to 25 percent of our seniors. This is a very unfair tax. Yet the Government is now taxing them again on the benefits they are collecting. Clearly, taxing Social Security benefits is a double taxation.

Millions of senior citizens planned for their retirement based on the expectation that their benefits would not be taxed. As the tax rate continues to grow and health care costs are also increasing, the income of more and more senior citizens is falling along with their standard of living.

Social Security has become the primary source of retirement income for most Americans, and as I said, as the health care costs go up and the Government is taking more money from them in taxes, it leaves them less to pay for health care and to pay for prescription drugs if they need it. It all, again, goes back because the Government wants a bigger part of their income.

Six out of 10 recipients today get more than half of their income from Social Security. For some families, Social Security benefits are the only source of their retirement income, and research shows American seniors will depend even more on just Social Security income in the future. That is because a lot of our citizens today do not have money left at the end of the month to put into a savings account for their retirement. They are left with only one choice, and that is Social Security. Again, they have less left at the end of the month to put into a savings account because Government taxes are going up. In fact, they are 15 times higher on a household today than they were at the turn of the century in 1900.

Although Social Security has helped many American seniors, the income that is derived from Social Security is often insufficient to maintain a decent retirement today. For example, 1995 data shows that male retirees received on average $810 a month in benefits. Women received only $621 a month from Social Security. I repeat, data from 1995 shows on average $810 a month for men when they retire, and only $621 on average for women when they retire.

In fact, Social Security benefits are paltry, which is one reason why the poverty rate among widows is nearly 20 percent, two times greater the rate than widowers, and poverty rates are higher among retired minority women. Twenty-nine percent of African American women and 28 percent of Hispanic women retire into poverty.

I believe it is unconscionable for Washington to tax Americans' Social Security retirement benefits.

In addition, over the past 15 years, goods purchased by seniors have increased 6 percentage points more than goods purchased by the general public. Again, their dollars are not stretching as far as they used to stretch. Their medical costs skyrocketed by 156 percent, and they have less of their retirement benefits because the Government is taxing more.

My concern is as inflation on medical and pharmaceutical goods continues to rise, without repeal of this unfair tax increase, older Americans' hard-earned Social Security benefits will be worth less and less, and that means their purchasing power will continue to diminish and so will their standard of living.

This tax hurts seniors who choose to work or must work after retirement in order to maintain their standard of living or to pay for health insurance premiums, medical care, prescriptions, and many other expenses.

This tax increase is nothing but a reduction in seniors' benefits that Washington has promised. Unlike welfare where need determines the level of benefits, Social Security is an earned right for our seniors. Taxing their benefits—again, double taxation—is simply an indirect means test on those benefits.

I bet millions of American seniors would agree with me. In fact, repeal of the 1993 tax increase has strong support in the Congress. It was part of the Republican Contract With America and was approved by the House as part of the omnibus reconciliation bill in 1995. In the 106th Congress, 14 bills have been introduced calling for the repeal of this unjust increase in taxation. Some will argue that Medicare will be hurt through this amendment, but, in fact, Medicare funding will be left untouched. Social Security tax dollars going to Medicare will be supplanted by general revenue funds. I believe all of us recognize the need to preserve the integrity of the Medicare program. Therefore, I have ensured through this amendment that it will not harm Medicare.

Many seniors across the country strongly support the repeal of this unfair tax increase. Seniors' organizations such as United Seniors and the Council for Government Reform strongly favor its repeal. The National Committee to Preserve Social Security and Medicare has also stated that it favors the repeal of this 1993 tax increase that was imposed by President Clinton on our senior citizens.

The American Association of Retired Persons originally opposed the 1993 tax increase and has not changed its position. In this era of budget surplus, there is absolutely no reason at all for the Government to continue taxing our seniors' retirement income in order for the Government to subsidize excessive spending from Washington.

I believe seniors deserve tax relief so they can keep a little more of their own money in their pockets, again, so they can help pay for their own medical bills, their prescriptions, and other expenses.

I urge my colleagues to support this amendment.

Mr. President, I yield the floor and reserve the remainder of my time.

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

The PRESIDING OFFICER. The Senator has 48 seconds.

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

Mr. KYL. Mr. President, I thank my colleague from Minnesota for offering this amendment.

This has been a long time in coming. Just about 7 years ago, on August 6, 1993, the Vice President cast the deciding vote in this Chamber to raise taxes on Social Security benefits. That same day, in the House of Representatives, I introduced legislation to roll back that Clinton-Gore tax hike for seniors. I was proud to have my colleague from Minnesota as a cosponsor of that bill, and I am pleased to offer my support for his amendment today.

Millions of Americans depend on Social Security as a critical part of their retirement income. Having paid into the program throughout their working lives, older Americans plan their retirement budgets very carefully assuming that expected benefits will be there.

The 1993 Clinton-Gore Social Security tax hike upset the carefully laid plans of millions of retirees by subjecting to federal taxation 85% of the benefits earned by seniors above $34,000—or $44,000 for a couple. For affected seniors, this constituted an increase of as much as 70 percent in the marginal tax rate.

The result is that seniors who had planned to continue building their nest eggs after retirement found themselves facing an overwhelming disincentive to continue earning.

This is not just counterproductive—it is blatantly unfair. Younger investors face no such disincentives to save and invest. And yet investment income is much more important to seniors than it is younger citizens. Sixty percent of seniors' income is derived from their investments.

It is simply not credible to dismiss the millions of Americans who must pay this unfair tax hike as ''the rich.'' Last year, 4.6 million American households had to pay more in taxes than they would have had the Clinton-Gore increase not been in effect. That is more than a quarter of all households that include at least one Social Security beneficiary.

Earlier this year, we came together on a bipartisan basis to repeal the Social Security earnings limit. At that time, I wondered if the unanimous vote to put an end to that relic of the Depression Era indicated a new willingness to remove the barriers that discourage older Americans from supplementing government assistance with self-help.

Our vote on the Grams amendment will demonstrate which Members of this body are prepared to follow through on that principle. I certainly hope that this vote will be just as overwhelming as the vote on the earnings limit.

The PRESIDING OFFICER. Who yields time?

The Senator from Nevada.

Mr. REID. Mr. President, as soon as the time expires on the majority side, we will yield back the remainder of our time. The respective Cloakrooms have hotlined all Senators. I ask unanimous consent that the vote start when the time is yielded back rather than at 6:30.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

Does the Senator from Minnesota yield back the remainder of his time?

Mr. GRAMS. Mr. President, I reiterate this is an unfair tax. This is double taxation on senior citizens, raising it from 50 to 85 percent on their income, and at a time when we are talking about seniors needing additional dollars to help pay their medical bills, and especially to help them meet their prescription drug bills. So I think this would be one way to enable our seniors to have a little more say in their income and be able to provide for themselves a little better.

I urge my colleagues to support this amendment to repeal the President's 1993 tax on Social Security earnings for our retired Americans.

I yield back the remainder of our time.

The PRESIDING OFFICER. The Senator from New York.

Mr. MOYNIHAN. Mr. President, I simply point out that this amendment would move us backward in our efforts to produce a stable and continuous Social Security and Medicare systems.

In 1993, I was chairman of the Finance Committee. We expanded provisions with respect to the normal taxation of benefits received from Social Security, just as all other pension benefits, are taxed, which is to say, taxes on that part which is not taxed as employee income at the time the contribution is made. This obviously only affects persons with substantial income who are subject to the income tax. I think a quarter of Social Security recipients will pay no tax of any kind, they having low incomes generally and are below the income tax thresholds.

We did this as part of a general program to secure the Social Security system for the next 75 years. We have not completed this work. We have to adjust the Consumer Price Index. We have to bring in State and local employees, almost a quarter of whom pay no Social Security tax on their regular job but pick up Social Security on the side and get a much higher return than the persons who pay through their regular employee.

The exemption for State and local employees is an anachronism that we inherited from 1935 when it was not clear that the Federal Government could tax a State government, and the issue was just not joined. It is now clear. Most State governments do it; some do not.

There are another few corrections that could be made. And then we have an actuarially sound program for 75 years. To go back now on this one step we have made is to go back to a prospect that in 15 years' time the Social Security system will not be bringing in the amount of revenues it needs to pay benefits and we will start drawing out of general revenues, and very quickly the insurance system will cease to be that, it will be a transfer of payments subject to all of the difficulties we have seen with such payments. And we will do the same to the solvency of Medicare as this change would accelerate the date of the Medicare Hospital Insurance Trust Fund from 2025 to 2020.

I remind the distinguished Presiding Officer that the one change we have seriously made in the Social Security system in this decade is to abolish the provision for children, title IV-A, which was a direct transfer.

I hope we do not accept this amendment.

Mr. President, I yield the floor.

Mr. GRAMS. Mr. President, I ask unanimous consent that I have at least 30 seconds to respond.

Mr. REID. I object.

Mr. GRAMS. I thought all time had been yielded back.

Mr. DASCHLE. Mr. President, I ask unanimous consent the Senator be recognized for 30 seconds.

The PRESIDING OFFICER. Is there objection?

Without objection, the Senator is recognized for 30 seconds.

Mr. GRAMS. Mr. President, all I want to say is that if it is justifiable to increase taxes on our senior citizens to help supplement the Social Security system, it would be like increasing taxes on our farmers so we could give them a better farm bill. It would be like taking more taxes from the farmers so we can give them more back in the farm program. It is saying: Let's tax our seniors at a higher rate—which is unfair—so we can give them more back to stabilize the Social Security system. It is a basic double taxation.

I urge my colleagues to support the amendment.

Mr. MOYNIHAN. Mr. President, I say to the Senator, this is not, sir, double taxation. This is the normal taxation of retirement benefits.

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

Mr. MOYNIHAN. I yield back.

AMENDMENT NO. 3828

The PRESIDING OFFICER. All time having been yielded back, under the previous order, the Senate will now address the BINGAMAN amendment No. 3828. The question is on agreeing to the motion to waive the Budget Act.

There are 2 minutes equally divided.

Who yields time?

Is all time to be yielded back?

Mr. REID. All time has been yielded back on all these amendments.

The PRESIDING OFFICER. All time having been yielded back, the question is on agreeing to the motion to waive the Budget Act. The yeas and nays have been ordered. The clerk will call the roll.

The yeas and nays resulted—yeas 47, nays 53, as follows:

[Rollcall Vote No. 184 Leg.]

YEAS—47

Akaka	Edwards	Lieberman
Baucus	Feingold	Lincoln
Bayh	Feinstein	Mikulski
Biden	Graham	Moynihan
Bingaman	Harkin	Murray
Boxer	Hollings	Reed
Breaux	Inouye	Reid
Bryan	Johnson	Robb
Byrd	Kennedy	Rockefeller
Chafee, L.	Kerrey	Sarbanes
Cleland	Kerry	Schumer
Conrad	Kohl	Specter
Daschle	Landrieu	Torricelli
Dodd	Lautenberg	Wellstone
Dorgan	Leahy	Wyden
Durbin	Levin	

NAYS—53

Abraham	Frist	McConnell
Allard	Gorton	Murkowski
Ashcroft	Gramm	Nickles
Bennett	Grams	Roberts
Bond	Grassley	Roth
Brownback	Gregg	Santorum
Bunning	Hagel	Sessions
Burns	Hatch	Shelby
Campbell	Helms	Smith (NH)
Cochran	Hutchinson	Smith (OR)
Collins	Hutchison	Snowe
Coverdell	Inhofe	Stevens
Craig	Jeffords	Thomas
Crapo	Kyl	Thompson
DeWine	Lott	Thurmond
Domenici	Lugar	Voinovich
Enzi	Mack	Warner
Fitzgerald	McCain	

The PRESIDING OFFICER. On this vote, the yeas are 47, the nays are 53. Three-fifths of the Senators duly chosen and sworn not having voted in the affirmative, the motion is rejected. The point of order is sustained and the amendment falls.

AMENDMENT NO. 3829

The PRESIDING OFFICER. Under the previous order, we now deal with the Roth amendment numbered 3829 with 2 minutes equally divided.

Who yields time?

Mr. ROTH. Mr. President, I will be very brief in the interest of saving time.

My amendment will eliminate the telephone tax. I think this has broad bipartisan support.

I urge everyone to comport with the amendment.

The PRESIDING OFFICER. The Senator from Nevada.

Mr. REID. Mr. President, this amendment has bipartisan support. I wonder if we can have a voice vote on it.

The PRESIDING OFFICER. The yeas and nays have not been ordered.

Mr. ROTH. We ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The question is on agreeing to the amendment. The clerk will call the roll.

The legislative clerk called the roll.

The result was announced—yeas 97, nays 3, as follows:

[Rollcall Vote No. 185 Leg.]

YEAS—97

Abraham	Enzi	Mack
Akaka	Feingold	McCain
Allard	Feinstein	McConnell
Ashcroft	Fitzgerald	Mikulski
Baucus	Frist	Moynihan
Bayh	Gorton	Murkowski
Bennett	Gramm	Murray
Biden	Grams	Nickles
Bingaman	Grassley	Reed
Bond	Gregg	Reid
Boxer	Hagel	Robb
Breaux	Harkin	Roberts
Brownback	Hatch	Rockefeller
Bryan	Helms	Roth
Bunning	Hutchinson	Santorum
Burns	Hutchison	Sarbanes
Byrd	Inhofe	Schumer
Campbell	Inouye	Sessions
Chafee, L.	Jeffords	Shelby
Cleland	Johnson	Smith (NH)
Cochran	Kennedy	Smith (OR)
Collins	Kerrey	Snowe
Conrad	Kerry	Specter
Coverdell	Kohl	Stevens
Craig	Kyl	Thomas
Crapo	Landrieu	Thompson
Daschle	Lautenberg	Thurmond
DeWine	Leahy	Torricelli
Dodd	Levin	Warner
Domenici	Lieberman	Wellstone
Dorgan	Lincoln	Wyden
Durbin	Lott	
Edwards	Lugar	

NAYS—3

Graham	Hollings	Voinovich

The amendment (No. 3829) was agreed to.

Mr. ROTH. Mr. President, I move to reconsider the vote.

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

The motion to lay on the table was agreed to.

AMENDMENT NO. 3824

The PRESIDING OFFICER. The question now is on the motion to waive the Budget Act with respect to the Graham amendment, No. 3824. The yeas and nays have been ordered.

There is 2 minutes of debate equally divided. Who yields time?

Mr. GRAHAM. Mr. President, when we adopted the budget resolution, we allocated $40 billion over 5 years to finance a prescription medication benefit. Two things have happened since then, and a third is about to happen.

The first thing that happened is we have recognized that $40 billion over 5, which is actually over 3 years that the prescription benefit will be available, would result in a prescription medication benefit that would be less than a third of the prescription medication benefit which most health insurance programs for over-65-year-olds provide. So we are about to propose going in with a grossly deficient prescription medication benefit if we restrict ourselves to the $40 billion.

The second thing that happened is we have new revenue estimates which have quadrupled the amount of surplus we are going to have.

The third thing is we have just made a series of decisions already tonight, which will be confirmed by final passage, to spend some $100 billion over 5 years for tax cuts, from the estate tax to the R&D tax to the phone tax cut we just passed, and if we pass the Social Security cut of Senator GRAMS.

How can we go home and say we can pass $100 billion over 5 years in these tax cuts but cannot add $40 billion which will allow us to finance a decent prescription benefit for 40 million American elderly?

The PRESIDING OFFICER (Mr. SESSIONS). The time of the Senator has expired. Who yields time? The Senator from New Mexico.

Mr. DOMENICI. Mr. President, I have raised the point of order on this amendment. Let me just recap for you.

Not too many months ago, we produced a budget resolution. There was debate in committee. We started at $20 billion as a good starting point to reform Medicare and provide some prescription drugs. Just to show the sequence, the ranking member, Senator LAUTENBERG, thought we ought to have $35 billion. Before we finished, a bipartisan solution was crafted by the distinguished Senator from Maine, as I recall, and the distinguished Senator from Oregon. It was heralded as the solution. It was $20 billion to reform, $20 billion for prescriptions. Everybody said, ''Good.''

That is in effect. When somebody comes to the floor tonight, with a few days left in the session, and wants to rewrite the budget and change that to $80 billion, I say the seniors know we just cannot continue to have this kind of bidding. We will bankrupt Medicare ultimately and we will not get the kind of reform we need and we will be holding out to them a bankrupt system, but we got prescription drugs. Incidentally, the President thought we could do it with $31 billion, and he would not start it for 3 full years. How do you like that?

All of a sudden, we have the solution to all the problems, and the solution is, not $20 billion, not $35 billion that Senator LAUTENBERG wanted, not even $40 billion. It is $80 billion.

The point of order is real substance in this case. Seniors know we should not be doing this because of their future and the children's future. We should not be trying to raise the ante on the floor.

The PRESIDING OFFICER. The time of the Senator has expired. The question is on agreeing to the motion. The yeas and nays have been ordered.

The clerk will call the roll.

The legislative clerk called the roll.

Mr. REID. I announce that the Senator from New Jersey (Mr. TORRICELLI) is necessarily absent.

The yeas and nays resulted—yeas 46, nays 53, as follows:

[Rollcall Vote No. 186 Leg.]

YEAS—46

Akaka	Feingold	Lieberman
Baucus	Feinstein	Lincoln
Bayh	Graham	Mikulski
Biden	Harkin	Moynihan
Bingaman	Hollings	Murray
Boxer	Inouye	Reed
Breaux	Jeffords	Reid
Bryan	Johnson	Robb
Byrd	Kennedy	Rockefeller
Chafee, L.	Kerrey	Sarbanes
Conrad	Kerry	Schumer
Daschle	Kohl	Snowe
Dodd	Landrieu	Wellstone
Dorgan	Lautenberg	Wyden
Durbin	Leahy	
Edwards	Levin	

NAYS—53

Abraham	Fitzgerald	McConnell
Allard	Frist	Murkowski
Ashcroft	Gorton	Nickles
Bennett	Gramm	Roberts
Bond	Grams	Roth
Brownback	Grassley	Santorum
Bunning	Gregg	Sessions
Burns	Hagel	Shelby
Campbell	Hatch	Smith (NH)
Cleland	Helms	Smith (OR)
Cochran	Hutchinson	Specter
Collins	Hutchison	Stevens
Coverdell	Inhofe	Thomas
Craig	Kyl	Thompson
Crapo	Lott	Thurmond
DeWine	Lugar	Voinovich
Domenici	Mack	Warner
Enzi	McCain	

NOT VOTING—1

Torricelli

The PRESIDING OFFICER. On this vote, the yeas are 46, the nays are 53. Three-fifths of the Senators duly chosen and sworn not having voted in the affirmative, the motion is rejected. The point of order is sustained and the amendment falls.

AMENDMENT NO. 3834

The PRESIDING OFFICER. The question occurs on amendment No. 3834. There are 2 minutes for debate. Who seeks time?

The Senator from Iowa.

Mr. GRASSLEY. Mr. President, with this amendment we are making very certain that farmers are a high priority with this bill and with this body.

This amendment is a major package of tax benefits for farmers: No. 1, the farmers savings account; No. 2, fixing a number of misguided IRS decisions that are very detrimental to farming and not within the intent of Congress; No. 3, repealing the draconian installment sales provision which is a No. 1 provision that small business seeks; No. 4, to increase bonding for beginning farmers.

I thank Senators ROTH, ROBERTS, BROWNBACK, LUGAR, and GRAMS for their contributions. I urge its adoption.

The PRESIDING OFFICER. The Senator from Nevada.

Mr. REID. Mr. President, is the Senator from Iowa going to require a recorded vote on this?

Mr. GRASSLEY. No.

Mr. REID. Mr. President, while everybody is here, we can finish quickly tonight if everybody adheres to the 10 minutes. The votes are running over 10 minutes considerably. I hope we can all vote on time and move this bill along a little more quickly.

The PRESIDING OFFICER. The Senator is correct. It will move faster.

If there is no further debate, the question is on agreeing to amendment No. 3834.

The amendment (No. 3834) was agreed to.

AMENDMENT NO. 3835

The PRESIDING OFFICER. The question is on the adoption of the motion to waive the Budget Act with regard to the Baucus amendment No. 3835. There are 2 minutes for debate.

Who seeks time?

The Senator from Montana.

Mr. BAUCUS. Mr. President, this is a good amendment which includes the best two-thirds of the estate tax relief in the House bill, which is the bill promoted by the majority side. It combines this estate tax relief with important incentives for middle-income persons to save for their retirement. Retirement security is known as a stool with three legs—Social Security, employer-sponsored pension plans and personal savings. This amendment goes a long way toward strengthening those last two legs for middle and lower-income America. By giving a tax credit to those under $75,000 in income to encourage them to save for retirement, and tax credits to small businesspeople who set up new plans for their workers, we can truly help average Americans save for the future.

The PRESIDING OFFICER. The Senator's 1 minute has expired.

The Senator from Delaware.

Mr. ROTH. Mr. President, this amendment includes the Democratic substitute that fails to sunset the death tax. Moreover, the amendment includes two additional provisions which cause the Finance Committee to exceed its 301 spending allocation.

I urge a ''no'' vote on waiving the point of order.

The PRESIDING OFFICER. The question is on agreeing to the motion to waive the Budget Act. The yeas and nays have been ordered. The clerk will call the roll.

The legislative clerk called the roll.

Mr. REID. I announce that the Senator from New Jersey (Mr. TORRICELLI) is necessarily absent.

The yeas and nays resulted—yeas 44, nays 55, as follows:

[Rollcall Vote No. 187 Leg.]

YEAS—44

Akaka	Edwards	Levin
Baucus	Feingold	Lieberman
Bayh	Feinstein	Lincoln
Biden	Graham	Mikulski
Bingaman	Harkin	Moynihan
Boxer	Hollings	Murray
Breaux	Inouye	Reed
Bryan	Johnson	Reid
Chafee, L.	Kennedy	Robb
Cleland	Kerrey	Rockefeller
Conrad	Kerry	Sarbanes
Daschle	Kohl	Schumer
Dodd	Landrieu	Wellstone
Dorgan	Lautenberg	Wyden
Durbin	Leahy	

NAYS—55

Abraham	Brownback	Cochran
Allard	Bunning	Collins
Ashcroft	Burns	Coverdell
Bennett	Byrd	Craig
Bond	Campbell	Crapo
DeWine	Hutchison	Sessions
Domenici	Inhofe	Shelby
Enzi	Jeffords	Smith (NH)
Fitzgerald	Kyl	Smith (OR)
Frist	Lott	Snowe
Gorton	Lugar	Specter
Gramm	Mack	Stevens
Grams	McCain	Thomas
Grassley	McConnell	Thompson
Gregg	Murkowski	Thurmond
Hagel	Nickles	Voinovich
Hatch	Roberts	Warner
Helms	Roth	
Hutchinson	Santorum	

NOT VOTING—1

Torricelli

The PRESIDING OFFICER. On this vote, the yeas are 44, the nays are 55.

Three-fifths of the Senators duly chosen and sworn not having voted in the affirmative, the motion is rejected. The point of order is sustained and the amendment falls.

AMENDMENT NO. 3836

The PRESIDING OFFICER. The question now is on the Grams amendment No. 3836. There will be 2 minutes equally divided.

Who seeks recognition?

Mr. GRAMS. Mr. President, this is a very simple amendment. It asks for the repeal of the 1993 tax increase that was placed on Social Security benefits. By the way, that does not affect Medicare because we have provided offsets to do that in this amendment.

For the first 50 years of Social Security, there was no Federal tax on the benefits our seniors received from Social Security. You were taxed on those benefits before it was taken out of your check and not when you received the benefits. But in the 1980s, they put on a tax and exposed 50 percent of the benefits. Then in 1993, under President Clinton's tax increase plan, it increased to 85 percent. Social Security is taxed before being taken from your checks. Now it is taxed up to 85 percent when you receive the benefits. That is double dipping, and, at a time when health care costs are going up and we are debating prescription drug benefits, we need to leave more dollars in our seniors' pockets.

Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

Mr. MOYNIHAN. Mr. President, I repeat, sir, that the 1993 measure was part of a long-range effort to restore actuarial balance to the Social Security and Medicare systems. It treats Social Security income, retirement income, as all other retirement income is treated. That part for which taxes have been paid is exempted. The rest is taxed normally for others. Low-income beneficiaries of Social Security would pay no tax. This money goes into the Medicare trust fund and is part of the long-term solvency we seek.

I thank the Chair.

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

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

Mr. DASCHLE. Mr. President, we can proceed to the vote now.

The PRESIDING OFFICER. The question is on agreeing to the Grams amendment No. 3836. The yeas and nays have been ordered.

The clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. REID. I announce that the Senator from New Jersey (Mr. TORRICELLI) is necessarily absent.

The PRESIDING OFFICER (Mr. HUTCHINSON). Are there any other Senators in the Chamber desiring to vote?

The result was announced—yeas 58, nays 41, as follows:

[Rollcall Vote No. 188 Leg.]

YEAS—58

Abraham	Feinstein	McCain
Allard	Fitzgerald	McConnell
Ashcroft	Frist	Murkowski
Bennett	Gorton	Nickles
Bond	Gramm	Roberts
Brownback	Grams	Roth
Bunning	Grassley	Santorum
Burns	Gregg	Sessions
Campbell	Hagel	Shelby
Chafee, L.	Hatch	Smith (NH)
Cochran	Helms	Smith (OR)
Collins	Hutchinson	Snowe
Conrad	Hutchison	Specter
Coverdell	Inhofe	Stevens
Craig	Jeffords	Thomas
Crapo	Johnson	Thompson
DeWine	Kyl	Thurmond
Domenici	Lott	Warner
Dorgan	Lugar	
Enzi	Mack	

NAYS—41

Akaka	Feingold	Lincoln
Baucus	Graham	Mikulski
Bayh	Harkin	Moynihan
Biden	Hollings	Murray
Bingaman	Inouye	Reed
Boxer	Kennedy	Reid
Breaux	Kerrey	Robb
Bryan	Kerry	Rockefeller
Byrd	Kohl	Sarbanes
Cleland	Landrieu	Schumer
Daschle	Lautenberg	Voinovich
Dodd	Leahy	Wellstone
Durbin	Levin	Wyden
Edwards	Lieberman	

NOT VOTING—1

Torricelli

The amendment (No. 3836) was agreed to.

Mr. LOTT. I move to reconsider the vote.

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

The motion to lay on the table was agreed to.

Mr. LOTT. Mr. President, I know Senators are anxious to get an agreement on how we proceed at this point. Once again, I thank the Democratic leader for his work with us as we develop these unanimous consents. It is next to impossible to accommodate every Senator's wishes. My goal is to try to find a way to get this work completed in as reasonable a time as possible. I think this will help us get that done.

With regard to the legislation before the Senate, I ask consent that the time between now and 10 p.m. be equally divided in the usual form between the two leaders, and the following amendments be debated for up to 10 minutes, equally divided, in the following order: the Kerry amendment regarding housing; Santorum regarding community renewal; Harkin on Social Security; Roth on retirement; Wellstone-Dodd on child care adoption tax credit; Bayh on long-term care, self-employed health care; Lott on ESAs, et cetera; Feingold amendment on $100 million cap; and the final motion to recommit by myself.

I further ask consent at 9 a.m. on Friday the Senate proceed to a series of votes in relation to the above-listed amendments in the order offered, with 2 minutes of debate equally divided for each amendment prior to each vote.

Mr. DASCHLE. Reserving the right to object, I suggest to the majority leader, we have been consulting on the order. On our side, Senators DODD and WELLSTONE would like to switch the order with Senator HARKIN. I make that modification.

We have a number of Senators who are hopeful they can catch planes. It is so tight that if we have the 2 minutes of debate, in a couple of cases they may miss their planes. I ask that we delete that for this time only. I know it is a very important matter, and oftentimes it is essential for Members to understand the amendments. We will have tonight and tomorrow morning to look at these amendments. I ask that we delete the reference to the 2 minutes.

Mr. LOTT. I think those are reasonable requests, so I modify my request, No. 1, to move the Wellstone-Dodd amendment in order after Santorum and before the Harkin amendment; and that the 2 minutes of debate equally divided be deleted.

Mr. KERRY. Reserving the right to object, I don't know whether I misheard the majority leader or whether he said 10 minutes equally divided; I think he means 20 minutes equally divided.

Mr. LOTT. It is 10 minutes equally divided, not 20 minutes.

Mr. DASCHLE. If I could respond to the Senator's inquiry, if it could accommodate some of those Senators who need more time, we still have more time on the bill. I am happy to authorize the use of whatever additional time allocated to me to those Senators who may require some additional time to further explain their amendment, keeping, therefore, the 10 minutes in the unanimous consent request if that accommodates the Senators.

Mr. LOTT. I, too, make the point that brevity, succinctness, and targeted debate is very persuasive.

Mr. KERRY. Does that mean if I speak for 1 minute the Senator will vote with me?

Mr. LOTT. It would be much more likely.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

Mr. LOTT. Mr. President, with regard to reconciliation and the marriage penalty tax issue, there is an awful lot of interest in that matter in how we proceed tomorrow. We will have a series of stacked votes tomorrow morning, possibly as many as nine.

But I believe we can get through it in a reasonably short period of time—hopefully 2 hours. If Senators will come to the floor for the first vote and stay on the floor, we can move much more quickly and we will be able to be completed with that series, I hope, by 11 o'clock, on the marriage penalty.

UNANIMOUS CONSENT AGREEMENT H.R. 4810

I now ask unanimous consent, notwithstanding any provisions governing the reconciliation budget process, that immediately following the passage of H.R. 8 on Friday, July 14, the Senate turn to consideration of H.R. 4810, the reconciliation bill, and the Senate bill be offered as an amendment and immediately be agreed to and considered as original text for the purpose of further amendments, and the following amendments be the only first-degree amendments in order, and limited to all the restraints outlined in the budget resolution, except that each amendment be limited to up to 30 minutes each with 20 minutes for any second-degree amendment.

Those amendments are as follows. I send to the desk the amendments that have been requested by Republican Members and Democratic Members.

The list is as follows:

Grams—Social Security.
B. Smith—Internet Tax.
B. Smith—Marriage penalty.
B. Smith—Relevant.
B. Smith—Relevant to anything on the list.
Coverdell—Relevant.
Murkoswki—Relevant.
Stevens—Sec. 415.
Stevens—Income averaging fishermen.
Stevens—Empty seat.
Stevens—Whaling captains deductions.
Stevens—Permanent diesel dye exemptions.
Stevens—Settlement trust.
Lott—Relevant to anything on the list.
Lott—Relevant to anything on the list.
Gramm—Relevant.
Gramm—Relevant.
Burns—Installment sales.
Roth—Sunset.
Abraham—Relevant.
Cleland—Savings Bond exemption long term care.
Cleland—Extend deduction computer donations.
Conrad—Medicare Social Security lockbox.
Daschle—Pay equity.
Daschle—Pay equity.
Daschle—Pay equity.
Daschle—Relevant.
Daschle—Relevant to anything.
Daschle—Relevant to anything.
Dodd—Child care.
Dorgan—Tax related.
Durbin—100% deductibility—self employed.
Durbin—Tax credit for small business.
Feingold—Medicare and Social Security solvency.
Feingold—Expansion of standard deduction.
Feingold—COBRO and percentage depletion allowance.
Feinstein—Paycheck fairness.
Hollings—Relevant.
Kennedy—Prescription drugs.
Kennedy—Health care—marriage penalty.
Kennedy—Equal pay.
Kohl—Child care tax credit.
Lautenberg—High speed rail tax credit.
Moynihan—Substitute.
Robb—Relevant.
Schumer—Tuition tax (with Biden and Snowe).
Torricelli—ALS.
Torricelli—Lead (with Reed).
Torricelli—Incresing deduction for casualty losses.
Torricelli—Marriage penalty for individuals suffering casualty losses.
Wellstone—Moratorium on Medicare cuts.
Wellstone—EITC expansion.
Reid—Relevant to anything.
Reid—Relevant.
Harkin—Relevant.
Harkin—Medicare.

Mr. LOTT. I further ask unanimous consent that all amendments be debated during Friday or Saturday's session of the Senate, and those amendments, both first- and second-degree amendments, may be laid aside for other amendments to be offered as deemed necessary by either leader.

I further ask consent that the votes ordered with respect to the amendments occur in a stacked sequence beginning at 6:15 p.m. on Monday, July 17, with 2 minutes prior to each vote for explanation, if it is requested of course, and all votes after the first vote in the sequence be limited to 10 minutes each.

The PRESIDING OFFICER. Is there objection?

Mr. DASCHLE. Reserving the right to object, I ask for one minor modification. With reference to either of the leaders, I suggest we add ''or designee,'' or ''a leader designee.''

Mr. LOTT. I think that is a reasonable request, Mr. President. I modify my request to that effect.

The PRESIDING OFFICER. Is there objection?

Mr. ABRAHAM. Mr. President, I noted I did not have an amendment on the list. I was wondering if I might add an Abraham relevant amendment on the list.

Mr. LOTT. I ask unanimous consent that, to the list of Republican amendments, a relevant amendment by Senator ABRAHAM be added.

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

Mr. LOTT. In light of this agreement then, Mr. President, there will be no further votes tonight. The next votes will occur at 9 a.m. on Friday in stacked sequence, with 9 or 10 back-to-back votes that could be required. I hope Senators will consider the possibility of not offering their amendments or agreeing to a voice vote, if there is any way possible to accommodate other Senators, so the sequence won't go on longer than a couple of hours.

Following those stacked votes on Friday, Members who have amendments to reconciliation and marriage penalty tax will have to stay around to offer and debate them. It can take up to as long as 20 hours. Senators who have amendments on these lists, if they want to offer them, need to be here to offer them and they need to make their case because there will not be an opportunity, other than the 2 minutes equally divided, to talk about the specifics on Monday night. So these votes will be stacked in sequence at 6:15 on Monday, July 17.

I thank again all my colleagues for their cooperation. I know this does not meet everybody's scheduling desires. I had actually hoped to be able to finish the marriage penalty tax tomorrow night or Saturday, but this agreement allows us to get it done, I think, in an efficient way, have it completed on Monday night, complete the Interior appropriations bill on Tuesday morning, and be prepared to go to the next appropriations bill after that.

I thank all Senators for their willingness to help us work through this. I yield the floor.

The PRESIDING OFFICER. The Democratic leader.

Mr. DASCHLE. Mr. President, I allocate 5 minutes of my time under the previous agreement to the following Senators: Senator DODD, Senator KERRY, Senator HARKIN, Senator WELLSTONE, Senator BAYH, and Senator FEINGOLD. That will be 5 minutes each.

The PRESIDING OFFICER. The Senator from Massachusetts is recognized.

Mr. KERRY. Mr. President, I ask unanimous consent that Senators INOUYE, SARBANES, DODD, and WELLSTONE be added as original cosponsors.

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

Mr. DASCHLE. Will the Senator from Massachusetts yield?

The PRESIDING OFFICER. The Democratic leader.

Mr. DASCHLE. Mr. President, I add to that request 5 minutes for Senator LIEBERMAN.

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

The Senator from Massachusetts.

AMENDMENT NO. 3839

(Purpose: To establish a National Housing Trust Fund in the Treasury of the United States to provide for the development of decent, safe, and affordable housing for low-income families)

Mr. KERRY. Mr. President, I call up my amendment.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Massachusetts [Mr. KERRY], for himself and Mr. SARBANES, Mr. INOUYE, Mr. DODD and Mr. WELLSTONE, proposes an amendment numbered 3839.

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

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

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

Mr. KERRY. Mr. President, I come to the floor today to offer an amendment to the estate tax repeal bill. This amendment would establish a National Affordable Housing Trust Fund to fill the growing gap in our ability to provide affordable housing in this country.

Over the past two decades, income and wealth disparities in our country have increased. The gap between the rich and the poor has widened. Even our robust economy has not been able to bridge the great divide between the haves and have-nots.

This great divide remains impassable for millions of Americans who struggle to survive on the minimum wage. This divide remains impassable for millions of Americans who have no health insurance, no prescription drug coverage. This divide remains impassable for millions of Americans who cannot afford housing, child care, or a college education, who cannot afford to even finish high school because they must drop out and work in order to support their family.

Despite the economic boom that heralded in the new millennium, poverty rates in our country have dropped only marginally. Today, 1 out of ever 5 children still lives in poverty, compared with 1 out of every 7 in the 1970s. The number of families living in extreme poverty—on less than $6,750 a year for a family of 3—has increased from 13.9 million in 1995 to 14.6 million in 1997. Over the 1990's, the average real income of high-income families grew by 15 percent, while average income grew by less than 2 percent for middle-income families and remained the same for the lowest-income families.

I ask, with the futures of so many lower- and middle-income Americans hanging in the balance, what is the majority in Congress doing? What is the majority in Congress defining as a top priority?

Would you believe a tax cut for the richest of the rich? Indeed they have. It is before us today. A tax break for the highest income earners in our country. A fiscally irresponsible tax cut which stands to threaten our non-Social Security surplus and undercut the critical investments we should be making in the future of all Americans.

According to the Joint Committee on Taxation, the Republican proposal to repeal the estate tax will cost $105 billion over the first 10 years, as it slowly phases in. Once the repeal has been fully implemented, it will cost an additional $50 billion each year. That comes out to roughly three-quarters of a trillion dollars over 20 years.

Three-quarters of a trillion dollars is a generous hand-out, Mr. President. But into exactly whose hands does it fall? Does it go to the senior citizen who has survived one heart attack only to find that she cannot afford her cholesterol lowering medication? Does it go to the decorated homeless veteran who cannot afford to put a roof over his head? Does it go to the graduating high school senior who cannot afford to pay tuition and be the first generation of his family to go to college?

The simple answer is no. The estate tax repeal would give the Forbes 400 richest Americans a windfall of $250 billion—that is enough to pay for prescription drug coverage, housing costs, and college scholarships for millions of Americans.

The majority's priorities are misguided, irresponsible, and an affront to the American public. Don't get me wrong; I support targeted estate tax relief for small businesses and family farms. Owners of small businesses and farms should neither be penalized for their success nor denied the opportunity to pass their family businesses on to future generations. And the Democratic alternative which I support would increase the exemption for family-owned small businesses and farms from $1.3 million to $4 million by 2001, and to $8 million by 2010. But the outright repeal proposed by the majority goes far beyond what is necessary to save family businesses and family farms.

Let's be clear: The majority is serious about one thing—unwise, unrealistic, and untenable tax cuts for the wealthiest Americans at a time when the Federal tax burden has shrunk to its lowest level in four decades; at a time when low- and middle-income Americans are struggling to afford decent health care, housing, and education.

I ask my colleagues, does anyone really believe that Donald Trump, Bill Gates, or Steve Forbes needs a tax cut? Does anyone really believe that before doing anything to strengthen Social Security and Medicare, we should provide a tax break to the wealthiest 2 percent of Americans who control 40 percent of the wealth in this Nation? Apparently, the majority believes it. That is their idea of tax fairness: millions for the rich, not a penny for the middle class.

The bottom line is: the Republican proposal mortgages America's future. It threatens our ability to reduce interest rates and protect the economy, to help secure a strong Social Security system for our nation's retirees, to modernize Medicare by establishing a prescription drug benefit for seniors and the disabled, and to provide educational assistance for those that want to climb up the ladder.

There are many more worthwhile investments we could be making with the $750 billion this bill hands out to the extremely wealthy. I am offering an amendment to ensure that we make at least one of these critical investments—an investment in housing.

The booming economy is fueling rising housing costs. While housing prices and costs skyrocket at record pace, many families are unable to keep up. Even during this time of great economic expansion, the housing crisis in this country worsens, quickly becoming a national disgrace.

HUD estimates that 5.4 million low-income households have ''worst case'' housing needs. This means they are paying over half their income towards housing costs or living in severely substandard housing. In the past decade, the number of families who have ''worst case'' housing needs has increased by 12 percent—that's 600,000 more American families who cannot afford a decent and safe place to live. For these families living paycheck to paycheck, one unforseen circumstance, a sick child, a car repair bill, can send them into homelessness.

Another recent study actually estimates that 13.7 million households have critical housing needs, including 6 million working and 3.7 million elderly households.

Moreover, there is not one metropolitan area in the country where a person making minimum wage can afford to pay the rent for a two-bedroom apartment. A person needs to earn over $11 an hour to afford the median rent for a two bedroom apartment in this country. This figure rises dramatically in many metropolitan areas: an hourly wage of $22 is needed in San Francisco; $21 on Long Island; $17 in Boston; $16 in the D.C. area; $14 in Seattle and Chicago; and $13 in Atlanta.

We have to remember that there are real people behind these numbers—real people who are struggling to keep their families housed each month. The stories are a testament to the need for increased affordable housing. Let me give you a few.

On Cape Cod, Susan O'Donnell a mother of three, earns $21,000 a year working full-time. Nonetheless, she is forced to live in a campground because she can not find affordable housing. The campground she is living at has time limits, so the only way she is able to stay for a prolonged period of time is through cleaning the campground's toilets. When her time runs out at the campground, she will again be forced to move with her three children, though it is not clear where she will be able to afford to move. Skyrocketing housing costs have pushed her, and other full-time workers on the Cape out of their housing and into homelessness.

Janitors who work at high-tech companies in Silicon Valley are living in egregious conditions, including several large families living in single-family homes and others renting out garages for families to live in—garages which can cost $750 a month. Maria Godinez, of San Jose, works full time for Sun Microsystems making $8 an hour. She shares one bedroom of a single-family house with her husband and five children; 22 people live in that house.

Not too far from where we are today, in Fairfax County, VA, Anita Salathe and her two children live in a shelter despite her having a job and a voucher for assisted housing—there just are not enough affordable housing units. The homelessness rate in Fairfax County has increased by 21 percent in the last two years. Full-time workers are living in shelters because their paychecks are not rising fast enough to keep pace with their growing housing costs.

These stories are all too common. As housing costs rise around America, more working families are being pushed closer to homelessness.

Despite these abysmal stories, we have decreased Federal spending on critical housing programs over time. From fiscal year 1995 to fiscal year 1999, we engaged in what I call the ''Great HUDway Robbery,'' diverting or rescinding over $20 billion from Federal housing programs for other uses. With a few exceptions, the funding increases of this past year have gone primarily to cover the rising costs of serving existing assisted families.

Affordable housing units are being lost. Between 1993 and 1995, a loss of 900,000 rental units affordable to very low-income families occurred. From 1996 to 1998, there was a 19 percent reduction in the number of affordable housing units. This amounted to a dramatic reduction of 1.3 million affordable housing units available to low-income Americans.

We need to bring our levels of housing spending back up to where they belong. Between 1978 and 1995, the Government increased the number of households receiving housing assistance by almost 3 million. From 1978 through 1984, we provided an additional 230,000 families with housing assistance each year. This number dropped significantly to 126,000 additional households each year from 1985 to 1995.

If we hoped things could not get worse, in 1996 this nations' housing policy hit a brick wall. Not only was there no increase in families receive housing assistance, but the number of assisted units actually decreased. From 1996 to 1998, the number of HUD assisted households dropped by 51,000. In this time of rising rents and housing costs, and the loss of affordable housing units, it is incomprehensible that we are not doing more to bring the levels of housing assistance back from the dead.

It is high time that we focused on housing policies in Congress and around the country. Housing is an anchor for families. When we focus our efforts on other social issues like education and health care, it is beyond comprehension that housing does not take a front seat in these discussions.

It is no secret that neighborhood and living environment play enormous roles in shaping young lives. It should not be news that housing assistance, which helps a family maintain a stable home, is positive for low-income children. We know that a child can not learn if he has to attend 3 or 4 schools in a single year, if his family moves from relative to relative to friend to friend because his parents can't afford the rent.

A recent study conducted by Johns Hopkins University helps to show that housing assistance is beneficial. Housing assistance makes it easier to get and retain a job by providing stability. We need to ensure that every American family has these same opportunities. We need to address the lack of opportunity, the lack of affordable housing.

I am proposing to address this severe shortage of affordable housing by establishing a National Affordable Housing Trust Fund. While we are considering a bill which allows the wealthy to pass on large estates and homes to their families, let's ensure that all Americans can afford a place to live.

My proposal would create an affordable housing production program, ensuring that new rental units are built for those who most need assistance—extremely low-income families, including working families. In addition, Trust Fund assistance will be used to promote homeownership for low-income families, those families whose incomes are below 80 percent of the area median income.

The Trust Fund aims to create long-term affordable, mixed-income developments in areas with the greatest opportunities for low-income families.

A majority of assistance from the Trust Fund will be given out as matching grants to the States which will distribute funds on a competitive basis like the low-income housing tax credit. Localities, non-profits, developers and other entities will be eligible to apply for funds. The remaining 25 percent of the Trust Fund assistance will be distributed through a national competition to intermediaries, such as large, national non-profits which will be required to leverage private funds.

This proposal will bring Federal, State and private resources together to create needed affordable housing opportunities for American families.

When we allow families in this country to live in severely distressed housing, or in situations where they are forced to move from place to place, American children suffer—they have behavioral problems, they suffer from more health problems, and they do worse in school. I think the American people understand that helping children escape these problems today will pay us back tenfold in the years to come. I think the American people understand how we can measure what actually counts in America. I think they know that housing is more than a word or a government program—it is the quality of life—it is how we measure our lives and it is how we ought to take the measure of our nation.

I urge you to support this amendment which restores our commitment to providing affordable housing for all families. We should not vote to ensure that the wealthiest Americans can retain more of their incomes and estates, while turning our back on those families who struggle each month just to put a roof over their heads.

Mr. KENNEDY. Mr. President, I strongly support Senator KERRY's proposal to create a housing trust fund. In this period of strong economic growth and record expansion, the lack of affordable housing is an increasingly serious problem for millions of families across the country, especially low income families struggling to lift themselves out of poverty. Our national prosperity means less if firefighers, teachers, police officers, nurses, and many other hard-working Americans cannot afford to live in the communities where they work.

As long ago as 1949, the nation pledged safe, clean, decent housing for all Americans. As we begin a new century, this promise is still unfulfilled. Even worse we are not making even modest progress to achieve this goal.

The rising cost of housing is one of the most difficult challenges for many families. It is particularly serious for the elderly, many of whom also face the skyrocketing cost of prescription drugs as well.

In a period of economic prosperity such as the one we now enjoy, it is wrong that we have one of the lowest housing production levels in history. Affordable housing must be a higher priority for the Congress.

Over the past five years, more than $20 billion has either been rescinded or diverted by Congress from federal housing programs for other uses, while the number of Americans who cannot afford a decent place to live continues to rise.

The problem is particularly acute in Massachusetts. The average time on waiting lists for public housing and housing vouchers is over 3 years, and more than 13,000 families are on those waiting lists.

In the Greater Boston area, affordable housing is not only a problem for many families, it is becoming a problem for businesses. Many of the most successful companies report difficulties in their efforts to attract and retain employees because of the high cost of housing. Without an ability to retain a strong workforce, unaffordable housing threatens to undermine prosperity at every level, federal, state, and local.

The costs of new construction and rehabilitation of existing housing are very high. The price of owning a home is increasing faster in Massachusetts than in any other state in the country.

I support the Clinton's Administration's budget request of $32.5 billion for the Department of Housing and Urban Development for FY 2001, a 25 percent increase over FY 2000. By contrast, the budget adopted by the Republican Congress in April proposed a $400 million reduction in the HUD budget.

The Trust Fund proposed by this amendment is an important start to ending this period of disinvestment.

Senator KERRY's amendment will provide funds for new units and for the renovation of existing units, along with increases in ownership. It channels money through local and state governments, primarily to already established programs with a track record of success. The majority of Trust Fund assistance will be used for the neediest families, including the working poor.

As we debate the misguided priority of massive tax relief for the wealthiest 2 percent of estates, I urge my colleagues instead to consider the needs of millions of families who are working hard, but who find it increasingly difficult to afford housing for their families.

I urge the Senate to support this amendment. Housing must be a higher priority for Congress. The time to act is now.

The PRESIDING OFFICER. The time of the Senator has expired.

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

The PRESIDING OFFICER. Five minutes in opposition.

Mr. GRAMM. Mr. President, I will be brief in my 5 minutes.

First, I know the Senator from Massachusetts is sincere about this amendment, but I remind my colleagues of a few key points. We are here to repeal the death tax. All over America, families work, sacrifice, save, and through sweat equity build up businesses, farms, and assets. Then they die, and the Government, because they die, taxes their life's work even though they paid taxes on every dollar they earned. Too often in America, their children have to sell the farm or sell the business to give the Government up to 55 cents out of every dollar they earn. Republicans believe that is unfair, that is un-American, and that is immoral.

Our colleague from Massachusetts calls getting rid of this tax a windfall. If your parents worked a lifetime to build up a farm, and they were there when it was dry and they had droughts, they were there when there were floods and when the hail killed the crops, and they saved and sacrificed, and they did it so their children could some day run that farm, I do not call that a windfall. That is just a fundamental difference in philosophy.

There are two big-time problems with this amendment. No. 1, it sets up this new trust fund not out of taxes that were raised to pay for this activity but basically by requiring people to sell off the family farm or sell off the family business to fund this trust fund.

The second problem is, there is no point of order against it. One might ask why is that true of amendments that have been offered that spend money. It is true because this amendment takes $5 billion that the Finance Committee was allocated to do something else with. For what were they allocated the money? They were allocated the money to repeal the marriage penalty for people who receive the earned-income tax credit. That is what this $5 billion was for.

A janitor with three children meets a waitress with two children. They fall in love, and they find the solution to their problems. Only, under the marriage penalty, they both end up losing the earned-income tax credit, and they end up in the 28-percent tax bracket if they get married.

We are planning to use the $5 billion that Senator KERRY would use to fund this trust fund to repeal the marriage penalty for the lowest income individuals to be sure they do not lose their earned-income tax credit if they meet, fall in love, and get married.

Senator KERRY is trying to do a very good thing, but unfortunately there is something I think is of a higher order: repealing the marriage penalty for poor people and not taking away their earned-income tax credit. Senator KERRY is inadvertently taking this money from that purpose.

So ultimately you come down to choices. The choice he would make is: Sell the family farm, sell the family business, and let the Government have that money; and, secondly, the money you were going to take—that $5 billion that we gave the Finance Committee in the budget to repeal the marriage penalty for low-income people, by changing the earned-income tax credit, where they do not lose it if they get married to somebody who also works—the net result of this is, sell the farm, sell the business, and take away the earned-income tax credit from the janitor and the waitress who have a total of five children, who met, fell in love, wanted to get married, and who saw it as a solution to their problem. But Senator KERRY will be sure they get subsidized housing. I do not think it is a good swap. I do not think it is a good trade. So on another day, on another issue maybe, but not today.

Finally, let me remind my colleagues, if they are worried about housing—and we would be if we did not have a house—that we have a $1.9 billion increase in the 2000 budget for housing, $25.9 billion for the Department of Housing and Urban Development—and that is a 7-percent increase. Very few families in America had a 7-percent increase in their income last year.

So it is a good amendment—well-intended—but we should reject it.

The PRESIDING OFFICER (Mr. ASHCROFT). The time of the Senator has expired.

Mr. KERRY. Does the Senator from Texas have any time left?

The PRESIDING OFFICER. All time has expired.

AMENDMENT NO. 3838

(Purpose: To provide for the designation of renewal communities and to provide tax incentives relating to such communities, to provide a tax credit to taxpayers investing in entities seeking to provide capital to create new markets in low-income communities, and to provide for the establishment of Individual Development Accounts (IDAs), and for other purposes)

The PRESIDING OFFICER. Under the previous order, the Senator from Pennsylvania is recognized.

Mr. SANTORUM. Mr. President, I call up amendment No. 3838.

The PRESIDING OFFICER. The clerk will report the amendment.

The legislative clerk read as follows:

The Senator from Pennsylvania [Mr. SANTORUM], for himself, Mr. LIEBERMAN, Mr. ABRAHAM, Mr. HUTCHINSON, Mr. TORRICELLI, Mr. DEWINE, Mr. KOHL, Ms. LANDRIEU, and Mr. KERRY, proposes an amendment numbered 3838.

Mr. SANTORUM. I ask unanimous consent reading of the amendment be dispensed with.

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

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

Mr. SANTORUM. Mr. President, the amendment that we have now before us is a package of legislation that I have been working on with my colleague from Connecticut, Senator LIEBERMAN, as well as Senator KERRY from Massachusetts, and Senator ABRAHAM, Senator KOHL, Senator HUTCHINSON, Senator TORRICELLI, and Senator DEWINE.

Mr. President, I ask unanimous consent to add Senators ASHCROFT and COLLINS as cosponsors to the amendment.

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

Mr. SANTORUM. This is a bipartisan attempt in the Senate to match the bipartisan effort that has been ongoing in the House of Representatives with the President of the United States on what is called the Community Renewal New Markets Initiative. Basically, we have taken the House-passed legislation and added a couple of very important provisions to that House-passed legislation, and we are now offering it to this death tax repeal legislation in the Senate.

The two major additions to the House-passed legislation—there are several, but the two major additions are the low-income housing tax credit, which is something that has passed this body before, and again has broad bipartisan support, raising the per capita number or allotment for the low-income housing tax credit per State; and the second is something that Senator LIEBERMAN and I have been working on now for quite some time called individual development accounts.

I think these two key provisions are very important to the idea of empowering individuals, not only in their communities, which the community renewal package does, but also in providing the opportunity for wealth accumulation through individual development accounts, and providing that incentive to save for a home, to save for a college education, to save for the startup of a new business.

In addition, there are some other very important provisions. Earlier this year, Senator ABRAHAM offered the New Millennium Classroom Act, another addition to the House-passed bill, which provides incentives for businesses to donate money to poorer schools, so we can have computer equipment in those poorer schools to bridge the digital divide.

We have a charitable choice provision, which is broader than the House provision, which was introduced by Senator ASHCROFT, the Presiding Officer, that is in line, frankly.

I was reading Vice President GORE's speech that he gave last year where he talked about a ''New Partnership.'' He talked about the 1996 welfare reform bill. He said:

> [This provision states] that states can enlist faith-based organizations to provide basic welfare services, and help move people from welfare to work.

He goes on to say:

> They can do so with public funds—and without having to alter the religious character that is so often the key to their effectiveness.

I go on to quote:

> I believe we should extend this carefully tailored approach to other vital services where faith-based organizations can play a role—such as drug treatment, homelessness, and youth violence prevention.

That is just to name a few.

So what we see is that the Vice President has embraced this charitable choice provision and an expansion of that, which I think is vitally important.

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

Mr. ABRAHAM. Mr. President. I rise to support the American Community Renewal and New Markets Empowerment Amendment offered by Senators SANTORUM, LIEBERMAN, KERREY, myself and others.

This amendment represents a bipartisan effort designed to address the social and economic ills which are preventing our poorest areas from participating in the current economic boom. I strongly believe that it will go a long way toward bringing the economic growth and sense of community necessary to maintain, safe streets, strong families, and thriving neighborhoods.

Under this legislation, 50 new Renewal Communities—one for each state—would be created. Characterized by pervasive poverty, Renewal Communities provide financial incentives to promote economic growth and social health in distressed areas.

Incentives include: a zero capital gains rate, increased expensing of equipment costs for small businesses, employment wage credit for hiring Renewal Community Residents and an extension of the Brownfields provision.

In addition, our amendment would increase housing opportunities nationwide for poorer families by increasing and indexing for inflation the Low Income Housing Tax Credit and the volume caps on Private Activity Bonds.

Since implemented in 1986, thanks to the Low Income Housing Tax Credit, in Michigan, 27,000 housing units have gone up. Nationally, the credit is responsible for one million apartments dedicated to low-income tenants at restricted rents.

Mr. President, increasing the volume cap on private activity bonds will help finance thousands of single and multifamily mortgages and property improvement loans.

The legislation also calls for the establishment of Individual Development Accounts to help the working poor build financial assets.

The IDAs in this bill apply this concept nationally, giving all families the opportunity to buy a home, further their education or start up a new business.

The amendment also includes the faith-based treatment and charitable choice provisions will continue the work started in the 1996 Welfare Reform bill.

Religious-based organizations will be able to compete on equal grounds with non-religious organizations. This will allow them to provide drug and alcohol treatment and other welfare-related services without compromising the religious nature of their treatment or organization.

The creation of privately managed, for-profit companies and the New Markets tax credit will provide the financial security necessary to bring investment to communities which would otherwise be considered too high-risk.

Finally, Mr. President, this amendment includes the New Millennium Classrooms Act, which would help address the issue of the digital divide, providing tax incentives to companies to increase the amount of computer and related technology donations to qualified recipients in designated poor areas.

To increase the amount of technology donated to schools, libraries, senior centers and vocational education centers in economically disadvantaged areas, the New Millennium Classrooms Act would expand the parameters of the current tax deduction and add a tax credit.

Introduced as the New Millennium Classrooms Act in March, 1999, this legislation has the support of 32 cosponsors and most recently passed as an amendment to the Affordable Education Act, on a vote of 96–2.

Despite the recent gains made in increasing the level of computers and technology in schools, unacceptable disparities still exist.

Schools with greater numbers of poor and minority students simply do not have the same access to the Internet and computer technology as wealthier schools and schools with lower minority enrollment.

If our poorer communities are to truly experience a complete and long-term economic rejuvenation, their residents must have access and instruction in information technologies.

Many Americans—particularly those with less income and education—are still missing out on the digital age. More and more, everyday activities migrate to the Internet. Unless we act now, the gap in opportunities available to those on the other side of the digital divide will continue to increase.

I hope that my colleagues will support this amendment to provide real hope and opportunity for all Americans.

Mr. KERRY. Mr. President, I want to speak briefly about the Santorum/Lieberman amendment being offered to the Estate Tax bill. This amendment gives the Senate the opportunity to vote on broad economic development policies originally introduced a few weeks ago as S. 2779, the American Community Renewal and New Markets Empowerment Act.

Of the many important and innovative provisions in this legislation, I would like to focus on the community development and venture capital initiative and full funding for Round II of Empowerment Zones. Mr. President, as my colleagues may remember last year I introduced the Community Development and Venture Capital Act. The purpose of community development and venture capital is to stimulate economic development through public-private partnerships that invest venture capital in smaller businesses. Not just any small businesses, but those that are located in impoverished rural and urban areas, known as new markets, or that employ low-income people. We call these areas new markets because of the overlooked business opportunities. According to Michael Porter, a respected professor at Harvard and business analyst who has written extensively on competitiveness, ''. . . inner cities are the largest underserved market in America, with many tens of billions of dollars of unmet consumer and business demand.''

Both innovative and fiscally sound, my new markets initiative is financially structured similar to Small Business Administration (SBA)'s successful Small Business Investment Company (SBIC) program, and incorporates a technical assistance component similar to that successfully used in SBA's microloan program. However, unlike the SBIC program which focuses solely on small businesses with high-growth potential and claims successes such as Staples and Calaway Golf, the New Markets Venture Capital program will focus on smaller businesses that show promise of financial and social returns, such as jobs—what we call a ''double bottomline.''

To get at the complex and deep-rooted economic problems in new market areas, my initiative has three parts: a venture capital program to funnel investment money into our poorest communities, a program to expand the number of venture capital firms that are devoted to investing in such communities, and a mentoring program to link established, successful businesses with businesses and entrepreneurs in stagnant or deteriorating communities in order to facilitate the learning curve.

What I'm trying to do as Ranking Member of the Small Business Committee, and have been working with the SBA to achieve, is expand investment in our neediest communities by building on the economic activity created by loans. I think one of the most effective ways to do that is to spur venture capital investment in our neediest communities.

Building on part of the President's and Speaker HASTERT's agreement, this amendment secures full, mandatory funding for Round II empowerment zones. In Massachusetts—specifically Boston—this amounts to a little more than $93 million. Now, I know many of my colleagues are in the same boat because they have empowerment zones in their states—Ohio, South Carolina, Florida, California—but let me just give you the history of why this funding is so important. Funding for Round II empowerment zones started in 1998. So far, however, the money has dribbled in—only $6.6 million of the $100 million authorized over ten years—and made it impossible for Boston, and other empowerment zones, to implement its plan for economic self-sufficiency. In Boston, 80 public and private entities, from universities to technology companies to banks to local government, showed incredible community spirit and committed to matching the EZ money, eight to one. Let me say it another way—these groups agreed to match the $100 million in Federal Empowerment Zone money with $800 million. Yet, and regrettably so, in spite of this incredible alliance, the city of Boston has not been able to tap into that leveraged money and implement the strategic plan because Congress hasn't held its part of the bargain. I am extremely pleased that we were able to find a way to provide full, steady funding to these zones. That money means education, daycare, transportation and basic health care in areas—in Massachusetts that includes 57,000 residents who live in Roxbury, Dorchester and Mattipan—where almost 50 percent of the children are living in poverty and nearly half the residents over 25 don't even have a high school diploma.

Mr. President, this bill goes further than funding empowerment zones and establishing incentives to attract venture capital into distressed communities. It enhances education opportunities, creates individual development accounts to help low-income families save and invest in their future, increases affordable housing, improves access to technology in our classrooms and creates incentives to help communities remediate brownfields.

I thank my colleagues for their work on this legislation.

The PRESIDING OFFICER. The Senator from Connecticut.

Mr. LIEBERMAN. Mr. President, I rise to speak in support of the amendment which I have cosponsored with the Senator from Pennsylvania, using the 5 minutes that have been generously allocated to me by the Democratic leader.

I am proud today to join with a distinguished and diverse coalition of Senators—Senators SANTORUM, ABRAHAM, HUTCHINSON, and DEWINE; and my fellow Democrats, Senators KOHL, KERRY, TORRICELLI, and LANDRIEU—in offering this amendment which we believe is a groundbreaking package to help low-income Americans into the economic mainstream. This is a truly bipartisan approach to bring economic revitalization to American communities and families.

The truth is that we could not have broken this ground if we did not first find common ground. For that we are grateful for the leadership of President Clinton and Speaker HASTERT, who reached across the partisan divide to make this project a top priority.

I think the amendment that we offer today is a model of cooperation and innovation. It combines much of the President's new markets initiative with the Republican-initiated American Community Renewal Act, and blends them into a progressive new synthesis for stimulating investment, entrepreneurship, and economic opportunity in poorer parts of our country.

This bill encompasses the range of the Clinton-Hastert plan with a few key additions which we think will make an outstanding package even better.

One important addition is aimed at fixing America's asset liability or, to be more precise, closing the growing gap in asset ownership in this country which separates millions of low-income Americans from their fair shot at the American dream.

We believe that one of the best ways to help close this gap is to promote the use of individual development accounts, known as IDAs. Banks and credit unions that offer these special savings accounts match the deposits dollar-for-dollar, and in return account holders commit to use the proceeds to buy a home, upgrade their education, or start a business, in other words, to build assets.

The only problem with IDA programs that I see is that there are not enough of them. This addition to the Clinton-Hastert proposal will now provide the support to make that happen.

Another important addition to this package, that, again, reflects bipartisan cooperation in support of economically distressed communities, is the full funding of the existing 20 second round empowerment zones.

We believe this amendment reaffirms and reinforces some old American ideals, including strengthening communities, rewarding work, and encouraging responsibility.

I would say, in developing this package, and in offering it as an amendment today, it is our primary objective to continue working in a bipartisan manner. To that end, Senator SANTORUM, and I, along with the other cosponsors, recognize the need to continue a dialog on the charitable choice expansion provisions in this package.

Specifically, we are prepared to work to narrow the scope of the expansion to a limited number of appropriate programs, building on the charitable choice precedent that Congress established in TANF, the welfare-to-work programs, in welfare reform.

I also understand that some of my colleagues, and others, have expressed concern about the provision that would allow groups receiving Federal money to require their employees to adhere to the ''religious tenets and teachings of the organizations'' provisions. I understand their concerns and look forward to working with them as this bill, hopefully, receives independent consideration.

There is too much good in this proposal that has broad bipartisan support that will be fundamentally helpful to poor people in communities in America to have the proposal fail for one or two relatively small parts of it.

So I say to my colleagues that we are committed to working with Members from both sides of the aisle, with the administration, and with those community-based and faith-based organizations in the field, working in these communities, to come up with an agreement that can be passed and signed into law by the President this year.

I thank the Chair and yield the floor.

The PRESIDING OFFICER. The Senator from Virginia.

Mr. ROBB. Mr. President, I thank my friend and colleague from Connecticut for his words. I regret to say that I rise in opposition to the new markets initiative as it is currently structured. I agree with the Senator from Connecticut. With additional work, we can find common ground. It is critically important that we pass a new markets initiative. My staff has been working for some time with several other offices on a bill that reflects the compromise the President and the Speaker entered into. This bill is going to be dropped next week, and I welcome input from all offices on both sides of the aisle.

This is complicated tax policy, and it ought to go through the Finance Committee. We ought to have a hearing. In the House, the Committee on Ways and Means is working a bill to mark up, and we ought to be doing the same thing.

I regret that the characterization of this bill is one that I cannot agree with at this particular moment. It seems to me it adds too much to the renewal communities at the expense of the already established empowerment zones.

Most importantly, the legislation as it is currently drafted would allow every recipient of Federal grant funds to discriminate against those they hire based on the applicant's religion. This Chamber has fought for the last 40 years to eliminate discrimination. I simply cannot support legislation that turns back the clock.

With that, I yield such time as I have remaining to the distinguished Senator from New Jersey.

The PRESIDING OFFICER. The Senator from New Jersey.

Mr. LAUTENBERG. Mr. President, I rise to join Senator ROBB in opposing the Santorum-Lieberman amendment. I support the new markets initiative promoted by the President and Speaker HASTERT, but I think it is important for my colleagues to understand that this amendment is not the President's initiative. No one is arguing against reform, not at all. But to introduce a factor that permits religious discrimination—it does do that—to enter into these evaluations as to who can participate, will we see a sign that says ''no people of this faith allowed'' or ''only people of that faith allowed.'' I hardly think that is an improvement, regardless of the fact that there may be some modest, or perhaps more than that, improvements made in the way the new markets initiative operates.

The fact is, we should not be introducing an opportunity to discriminate against one group or another, not to set religious boundaries on how an organization performs these services, how they encourage people to strike out for themselves and to be able to make a living on their own.

I hope our colleagues will examine this amendment seriously. Hidden in the good that it is doing is some, I would call, possible serious evil. We ought not to be, in this Chamber, saluting the ability of organizations to discriminate against one person or another based on their religious preferences.

With that, I hope we will not support this amendment.

The PRESIDING OFFICER. The Senator from Virginia is recognized.

Mr. ROBB. Mr. President, all time having been yielded back on this particular amendment, I raise a point of order that the pending amendment would decrease Social Security surpluses.

The PRESIDING OFFICER. The Chair informs the Senator from Virginia that the Senator from Pennsylvania has time remaining.

Mr. ROBB. I apologize. I thought the Senator from Pennsylvania had completed his presentation. I will withhold until he has completed his presentation.

Mr. SANTORUM. Mr. President, I yield 45 seconds to the Senator from Michigan.

The PRESIDING OFFICER. The Senator from Michigan.

Mr. ABRAHAM. I thank the Chair.

Mr. President, I rise in support of this amendment. I am a cosponsor of the legislation that it embodies. I believe this is the kind of direction we should pursue to try to revitalize parts of this country which require assistance to be completed on parts of our overall economic progress and growth as a Nation.

I am particularly pleased that included in this is our new millenniums classroom component which will make it far easier for schools in this country to gain access to the computer technology they need to make sure that the digital divide, as we call it, is closed, so that opportunities for people to gain the training and skills they need with respect to our new high-tech world will be available to them.

I compliment the Senator from Pennsylvania and the Senator from Connecticut for their work on this and look forward to working with them to secure its ultimate passage and enactment.

The PRESIDING OFFICER. The Senator from Pennsylvania.

Mr. SANTORUM. Mr. President, I have two final comments. I want to mention some of the people who today let us know that they are supporting this amendment: The National Association of Home Builders, the Chamber of Commerce, the Credit Union National Association, American Bar Association, the Corporation for Enterprise Development, to name a few.

With regard to the charitable choice language, I certainly understand the concerns. The Vice President, the nominee of the Democratic Party, does not share the concerns voiced by many Members on the other side. I understand the White House has some concerns about the breadth of programs covered.

I said to Secretary Sperling, I am very willing to negotiate those and put a list together and limit those covered, but the charitable choice provisions are very broadly supported, I must say.

The PRESIDING OFFICER. The time of the Senator has expired.

The Senator from Virginia.

Mr. ROBB. Mr. President, all time now having expired, I raise a point of order that the pending amendment would decrease Social Security surpluses and therefore violates section 311(a)(2)(B) of the Congressional Budget Act of 1974.

The PRESIDING OFFICER. The Senator from Pennsylvania.

Mr. SANTORUM. Mr. President, I move to waive the Budget Act.

The PRESIDING OFFICER. The question will be placed in the stacked votes for tomorrow.

Mr. SANTORUM. Mr. President, I ask for the yeas and nays on that.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The Senator from Connecticut is recognized.

AMENDMENT NO. 3837

(Purpose: To amend the Internal Revenue Code of 1986 to increase the unified credit exemption and the qualified family-owned business interest deduction, to increase, expand, and simplify the child and dependent care tax credit, to expand the adoption credit for special needs children, to provide incentives for employer-provided child care, and for other purposes)

Mr. DODD. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Connecticut [Mr. DODD], for himself, Mr. WELLSTONE, Ms. LANDRIEU, Mr. KOHL, and Mr. KENNEDY, proposes an amendment numbered 3837.

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

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

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

Mr. DODD. Mr. President, this is the child care tax credit and related issues amendment. I offer this amendment on behalf of myself, my colleague from Minnesota, Senator WELLSTONE, my colleague from Louisiana, Senator LANDRIEU, Senator KOHL of Wisconsin, Senator KENNEDY, and others who may be interested in supporting this.

This is an amendment we have discussed and debated in the past. It would expand the current dependent care tax credit to allow parents to claim credit for a greater percentage of their child care expenses. The amendment would also make this credit refundable so that low-income families who have child care bills but little or no tax liability can benefit. The amendment also extends the refundable tax credit to stay-at-home parents.

This amendment reaches across the entire spectrum of family situations, recognizing the tremendous burdens that parents today are facing.

I ask unanimous consent that an article that appeared on July 6 in the Washington Post, entitled ''A Cost Squeeze in Child Care; Families Wonder Where the Aid Is,'' be printed in the RECORD.

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

A COST SQUEEZE IN CHILD CARE: FAMILIS WONDER WHERE THE AID IS

(By Dale Russakoff)

Debra Harris, a single mother, quit her $34,000-a-year job as an occupational therapist for the summer because she can't afford full-time care for her two children.

Kathy Popino, a receptionist, and her electrician husband have gone into debt to keep their toddler and 8-year-old in child care at the YMCA, after a bad experience with a lower-priced home caregiver.

Mary O'Mara, a computer network administrator, and her husband, a factory worker, have junked the conventional wisdom of ''pay your mortgage first.'' They sometimes pay a late fee on their home loan to cover child care first, lest they lose coveted spaces in a center they trust.

Child care is in slow-motion crisis for middle-income families, and Middlesex County, N.J., is in the thick of it. With three of four mothers working outside the home-near the national average—this swath of suburbs dramatizes the cost of working families of the national political consensus that child care is a private, not public, responsibility.

For 30 years, politicians have promised to shift the burden for families in the middle, and with little result. Vice President Gore recently called for tens of billions of dollars in spending and tax breaks over a decade to improve care from infancy through adolescence—a proposal advocates called impressive in its reach, but short on resources and details.

Texas Gov. George W. Bush has proposed initiatives only for the poor, saying working families can apply his proposed income tax cut to child care bills.

Would-be beneficiaries here had a feeling they'd heard that before. ''I was so hopeful when the Clintons came in,'' said Popino, 34. ''I saw Hillary as a working mom's best friend. I remember she said, 'It takes a village.' Okay, it's been eight years. When are they going to get to my village?''

The politics of welfare reform has focused national attention and money on the vast child care needs of women in poverty, which remain unmet. And the economic boom is helping affluent families pay full-time nannies or the $800- to $1,000-a-month fees at new, high-quality centers.

But with a record 64 percent of mothers of preschoolers now employed, and day care ranked by the Census Bureau as the biggest expense of young families after food and housing, officials say middle-income families routinely are priced out of licensed centers and homes. The median income for families with two children is $45,500 annually, according to the Census Bureau.

''Basically, we have a market that isn't working,'' said Lynn White, executive director of the National Child Care Association, which represents 7,000 providers.

In a booming economy in which almost any job pays better, day care centers now lose a third to more than half of their staffs each year, and licensed home caregivers have quit in droves, according to national surveys.

The average starting wage for assistant day care teachers nationally rose 1 cent in eight years—to $6 an hour. Weekly tuition at centers in six cities rose 19 percent to 83 percent in the same period, as states tightened regulations.

Most industrialized countries invested heavily in early-childhood care as women surged into the work force in the 1970s, but Congress and a succession of presidents left the system here mostly to the marketplace, directly subsidizing only the poorest of the poor.

A federal child care tax credit, enacted in 1976, saves working families $3 billion, but advocates say it has fallen far behind inflation. (It saved Debra Harris $980 last year, leaving her cost at more than $7,000.)

When the military faced the same crisis of quality, affordability and supply a decade ago, Congress took a strikingly different approach. It financed a multibillion-dollar reform in the name of retaining top recruits and investing in future ones.

The result was a system of tightly enforced, high-quality standards for day care, home care and before- and after-school care. It included continual training of workers and more generous pay and benefits.

Advocates hail the system as a model. With 200,000 children in care, it costs an average of $7,200 a child, which the government subsidizes by income.

''The best chance a family has to be guaranteed affordable and high-quality care in this country is to join the military,'' concluded an analysis by the National Women's Law Center.

Debra Harris used to drop her kids at Pumpkin Patch Child Development Center in working-class Avenel every morning at 7 in a weathered Ford Escort. She popped buttered bagels in the center's microwave for their breakfasts before heading to Jersey City, where she was a school occupational therapist.

A bus took, Whitney, 9, and Frankie, 7, to school and brought them back at day's end to Pumpkin Patch, which they complained was cramped and a bit boring. Their mother considered it the safest and best care she could afford.

This summer, though, Whitney and Frankie's needs would have grown from before- and after-school care (total: $440 a month) to full-day care at Pumpkin Patch's camp (total: $1,400 a month). Harris recently went back over the math, incredulous at the results.

''I can make $25 an hour on a per-diem basis,'' she said. ''If I work 40 hours a week, that's $4,000 a month, $3,200 after taxes. If I take out $1,400 for my mortgage and $1,400 for full-time day care, that leaves $400—$100 a week to buy food and gas, pay bills, go to the shore on the weekend. This is crazy!''

So Harris decided to quit her job for the summer, find part-time work and draw down her savings.

At 30, Harris prides herself on providing for her children ''without ever using the welfare system, thank God,'' despite difficulties that include an ex-husband who is more than $6,000 behind in child support, according to her records.

Child care was easier when she was married, and not just because of her husband's paycheck, Harris said. Early in their marriage, they were stationed in Germany with the Air Force and had access to German-subsidized child care. They paid $40 a month per child for full-time care in a stately, 19th-century building within walking distance of their home.

''I find it really discouraging that my own government says I shouldn't need help with child care,'' Harris said. ''Now is when I really need some help.''

The first time Washington tried to help—and failed—was 1971. Congress passed a $2 billion program to help communities develop child care for working families, but President Richard M. Nixon vetoed it as ill-conceived, writing in his veto message that it would ''commit the vast moral authority of the National Government to the side of communal approaches to child-rearing over . . . the family-centered approach.''

Mothers of school-age children kept going to work anyway. In 1947, 27 percent were employed at least part time; in 1960, it was 43 percent; in 1980, 64 percent; in 1998, 78 percent. State governments took the lead in setting child care standards, which vary dramatically, as do fees and quality.

In the late 1980s, with the number of children in care surging, Congress again took up the cause of middle-income as well as poor families. The resulting Act for Better Childcare, signed by then-President George Bush in 1990, vastly increased aid to the poor, whose needs were the most urgent. But middle-income families were left out.

Poor families' needs became even more pressing in 1996 with the passage of welfare reform, which sent women from assistance rolls to the work force. A federal child care block grant aimed at families making up to 85 percent of a state's median income is going overwhelmingly to families in or near poverty, reaching only 1 in 10 eligible children, according to the U.S. Department of Health and Human Services.

In 1998, President Clinton moved to expand the child care tax credit but was blocked by Republicans who said it slighted mothers who stayed home with their children.

This election year could be different, several analysts said. Although most voters care less about child care than Social Security and taxes, the issue rates highest with women younger than 50, particularly those under 30, a crucial voting bloc for both Bush and Gore.

Unlike 1996, when these women were solidly for Clinton, their concerns now have political cachet, according to Andrew Kohut of the Pew Research Center for the People and the Press.

At the same time, advocates are linking quality child care to school readiness, hoping to tap into the national focus on education. They emphasize that the government subsidizes higher education for all families, but not ''early ed,'' as they call child care, which hits young families, who have fewer resources.

Another political impetus comes from recen reports of the U.S. military program's success. Newspaper editorials in almost every region of the country asked why the civilian world can't have the same quality child care.

Kathy Popino has been asking for years. Her husband, Warren, was in the Coast Guard when their son, Matthew, was born, and they paid $75 a month—subsidized by the Department of Defense—to a home caregiver trained by the DOD. ''She was wonderful. The military inspected all the time,'' Popino said.

When Warren left the Coast Guard to become an electrican, they moved to Metuchen, N.J., but couldn't find licensed care at even twice that price. They opted for an unlicensed home caregiver who cared for Matthew for $80 a month, along with two other children.

But Matthew, then 2, began crying nights, and ''his personality did a 180,'' Kathy said. Unable to sleep herself or concentrate at work, Kathy moved him to a state-of-the-art KinderCare Learning Center they couldn't afford. ''Visa became our best friend,'' she said.

Ultimately, they moved him to the YMCA, where they now pay about $800 a month for high-quality, full-time care for Gillian, 1½, and after-school care for Matthew, 8. The program there includes weekly swim lessons, daily sports and homework help in spacious, sun-filled rooms.

In the process, Popino has developed a keen class consciousness. ''When summer camp starts, you pay every Monday, and everybody who pays with credit cards walks out to our used cars we owe money on. The people paying by check walk out and get in their new Lexus,'' she said.

The Y's fees are lower than prices at similar, for-profit centers, but cost pressures are rising as the labor market tightens. Child care director Rose Cushing said turnover rates are well over 30 percent, even with the agency paying health benefits to its teachers.

Twenty minutes south on U.S. Route 1, at Pumpkin Patch, where fees, teacher pay and the facilities are more modest, proprietor Michelle Alling has held on to four of her head teachers for five years, mainly because of their loyalty to the children.

On a recent morning, as one teacher baked chocolate-chip cookies with flour-blotched 3- and 4-year-olds, Alling acknowledged that they all desperately needed higher wages.

But ''then you have families literally handing you their entire paycheck,'' she said, ''and where does it come from?''

Mary O'Mara, the mother who sometimes makes ends meet by paying late fees on her mortgage, said politicians who look past this issue must live in a different world than hers. She wishes she could show them what she showed her mother, who used to tell her to relax and stay home with her children.

''I sat her down with a calculator, and I gave her a month's worth of bills—food, mortgage, child care, gasoline,'' O'Mara said. ''There was almost nothing left, and that's with two middle-class incomes.

''She looked at me like she didn't believe it. She said, 'I didn't realize how tough it was out there.' ''

Mr. DODD. I won't read the entire article, but it cites case after case after case of middle and lower-income families being squeezed every single day to trying to handle the cost of child care, particularly for infants.

One mother says: I could make $25 dollars an hour on a per diem basis. If I worked 40 hours a week, that is $4,000 a month, $3,200 after taxes.

If I take out $1,400 for my mortgage and $1,400 for full-time day care, that leaves $400—$100 a week to buy food, gas, and pay bills for my family. Most families simply can not get by on that. I will put up a quick chart for colleagues to peruse. It lays out the costs of child care in various cities in the country. For example, infant care in Boston is over $11,000 a year. If you are a parent earning $30,000 a year and have a 1-year-old and a 3-year-old, you are spending from a third to a half of your income on child care. That is before you try to pay the rent and put food on the table.

The current child care tax credit helps, but not as much as it could for the reality of the child care market. The maximum a family can claim is $720 a year for one child. Double that for two. That is not an insignificant amount, but it is not enough to make up the $8,000 child care bill that a middle-income family can be paying.

By making this credit refundable, families with incomes around $20,000 or less can benefit. If you are in that income level, you have little or no tax liability—making the tax credit refundable is the only way you can help these families.

I emphasize again that under this amendment, stay-at-home parents with children under the age of 1 could claim a credit of up to $500. This new credit would also be refundable. So here we are dealing with stay-at-home parents, working parents, and, as my colleague from Louisiana will shortly point out, dealing also with adoption issues. Also, Senator KOHL has included in this amendment a provision to deal with employers and incentives for them to offer better child care for employees.

Here we are in the midst of this bill which will provide help to 44,000 Americans. That is the universe that is going to be benefited by this. In contrast, this amendment would help 8 million families. Choose up sides: 44,000 people who will pay an estate tax, or 8 million working people who have incomes in that $20,000 $30,000, $40,000, $50,000 range—the expansion of the credit goes to families under $60,000. These are middle-income families in America, with young kids, trying to pay child care.

I will end on this note. I was at a hospital in Baltimore today. I took a family member there. A woman was talking to a fellow employee, and I overheard the conversation. She thought she got the best break in the world. She figured out that for one of her two children—she couldn't afford to send both—child care would be $100 a week. That is $400 a month for that one child. But she can't send both, not as a working mother who earns around $20,000.

We ought to be able to do better. If we are going to provide tax relief for 44,000 of the wealthiest Americans, why don't we try to do something good here for the working families, as Senator SNOWE and other Members have proposed in the past? The Expanding and making the dependent care tax credit refundable would really make a difference for the 8 million working families who have true child care needs. I have raised this issue on countless occasions. This is an opportunity to do something about it.

I yield to my colleagues.

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

The PRESIDING OFFICER. The Senator from Minnesota is recognized, and there are 4 minutes 15 seconds remaining.

Mr. WELLSTONE. Mr. President, one thing about this god-awful process is there is not enough time to talk about this legislation. I will take less than 2 minutes, and my colleague from Louisiana will have 2 minutes.

Senator DODD outlined this amendment. Both of us have worked in this area. I think making this tax credit refundable is hugely important. I think the fact that some of the money applies to parents who are at home is hugely important. I think going up from $10,000 to $30,000 and then up from $30,000 to $60,000 cuts across a broad section of the population.

I have no doubt that 99.9 percent of the people in Minnesota, if given the choice between the tax break our Republican colleagues are talking about, the estate tax break that goes to the wealthiest 2 or 3 percent of the population, versus a focus on helping families with child care expenses, working families and low-income families—I want to use that label as well—would say let's put the money into child care. That is what this amendment calls for.

This is just a matter of priorities. It is just crazy to be talking about this giveaway to the wealthiest 2 or 3 percent and not making the investment in affordable child care for families in our States.

I yield the floor.

The PRESIDING OFFICER. The Senator from Louisiana is recognized.

Ms. LANDRIEU. Mr. President, I am proud to join my colleague tonight to discuss an important amendment. Let me just talk about the underlying amendment for just a moment.

There were 523 families in Louisiana who paid the estate tax last year. I am one of the nine Democrats who are willing to talk about some significant relief because some parts of the tax are clearly unfair, and the Democratic alternative we have offered, I am convinced, would help bring relief to many of those families who have small businesses and family farms.

To go where the Republican leadership in the House wants to take us would lead us to a place where we can't provide any help to many other families—as my colleague pointed out, the 8 million middle-income families who need help with child care—and we could not provide for the businesses across this Nation. Small business is struggling. Tax relief for health insurance is something which our colleague from Illinois has championed on many occasions. We could not expand the earned-income tax credit.

So let's try to be fair in this debate and give some estate tax relief and give us some opportunities to do other things.

In my last minute, that brings me to my point on the adoption tax credit. Americans, in record numbers, are opening their hearts and homes to more children. Last year, 100,000 American families opened their hearts and homes to children throughout the United States and from abroad.

Several years ago, Congress gave an important tax credit of $5,000. This amendment will extend that tax credit but will almost double it for families who adopt children with special needs. There are over 500,000 children in foster care in America. We need to promote adoption and permanency. This will be a great incentive for families to do that. So I am happy to join my colleagues on this. It costs so little, but it would mean so much and would go such a long way in helping to strengthen families, relieve tax burdens on the general public, and give these children an opportunity to be raised in a loving home.

I will soon yield back the remainder of my time. It will be just a small amount. If we do this estate tax relief right, we could do the adoption tax credit, the child care credit, and the health insurance for businesses. I hope we will, in the end, accomplish that goal.

I yield back the remainder of my time.

Mr. DODD. Mr. President, I thank my colleague from Iowa, who graciously allowed us to step ahead of him in line this evening.

The PRESIDING OFFICER. The Senator from Texas is recognized.

Mr. GRAMM. Mr. President, first of all, I note the incredible paradox that this wonderful amendment offered by our dear colleague from Connecticut was in the Republican tax bill that Bill Clinton vetoed last year. I wish our colleagues had supported that bill, and I wish they had helped us override the President's veto.

I have two simple responses here. One, it is true that if you count up the number of people affected by his amendment, Senator DODD has more numbers. But the point is, he is asking us to forgo repealing the death tax so that families will continue to work a lifetime to build up a business or a family farm, pay taxes on every dollar they earn; yet, when they die, their children have to sell off the farm or the business in order to give this tax to the Government. We would repeal the tax. He would take funds from it for another purpose.

So when we talk about somebody's home, somebody's farm, somebody's business, and the fact that there are a larger number of people who would like to have their home or business, I am not surprised by that, nor am I overwhelmed by it. Almost any robber anywhere would say, ''I had six children and he had two; I had a gun and he had a wallet.''

That is my first point.

My second point is that the $5 billion they spend here is $5 billion that was allocated to the Finance Committee to allow us to repeal the marriage penalty for people who get the earned-income tax credit.

There was no point of order against this amendment because it has taken the $5 billion that we were going to use in repealing the marriage penalty to see that people who get the earned-income tax credit don't lose that earned-income tax credit when they get married.

Let me give you an example. A janitor with three children meets a waitress with two children. They are both working. They are both low income. They both get the earned-income tax credit. They meet and they fall in love. They have the answers to their prayers—a father for the children and a mother for the children. They get married. What happens? They both lose their earned-income tax credit. They are in the 28-percent tax bracket. So, as a result, they decide not to get married.

It is a crazy policy. We want to repeal it. We are going to repeal it tomorrow.

But our ability to fund the earned-income tax credit so they can keep the earned-income tax credit and not move into the 28-percent bracket is made possible by the $5 billion that this amendment will take away from the Finance Committee.

The question you have to ask is not does the Senator's amendment do any good. It does good. But the question is, Is it worth taking away the earned-income tax credit from working poor people who are trying to better their lives? Is it worth forcing people to sell their farm and sell their business that their parents spent a lifetime building up as a way of funding it?

I think this is a proposal that has merit. We wrote it into the Republican tax package last year that the President vetoed. But I don't think we ought to eliminate EITC relief for working people who get married to fund this proposal, which is what it does.

Second, the amendment also keeps part of the death tax in place. Why is that dangerous? They argue that at least we are reducing it. They are. But do you remember in 1993 when the President was putting together his tax increase, and one of the ideas he floated was lowering the deduction from $600,000 to $200,000?

Does anybody doubt that unless we kill the death tax, get rid of it and pull it out by the roots, that the next time we have a Democrat President and a Democrat Congress we are going to end up as we were in 1993 with this deduction back down to $600,000, $400,000, or $200,000?

Mr. DODD. Will my colleague yield?

Mr. GRAMM. I believe this is an amendment that should be defeated.

If I have any time, I would love to yield to my dear friend.

Mr. DODD. My point is, I am for making clear changes in the estate tax proposal. I think all of us are.

Could I ask for 30 additional seconds?

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

Mr. DODD. You have proposed a tax break that costs $750 billion in the second 10 years. It seems to me that we ought to be able to find some room for child care for which 8 million people will benefit.

People should remember what my colleague and friend from Texas says—help out those 43,000 richest Americans.

Mr. GRAMM. There is one difference. No matter how many of them there are, it is their home. It is their business. It is their farm. They built it up. It belongs to them. You are taking it away from them to give it to somebody else that it doesn't belong to. I don't care how many there are.

Mr. DODD. We can help them and we can also carve $5 billion out of a $750,000 billion tax break to help 8 million Americans?

The PRESIDING OFFICER. All time has expired.

The Senator from Oklahoma is recognized.

Mr. NICKLES. Mr. President, I yield myself 5 minutes under leader time.

For the information of my colleague from Connecticut, I think that a point of order lies against the bill. That will be made again by the chairman of the Budget Committee tomorrow after it has been checked. We haven't had enough time to review the amendment. For example, we are talking about changing child care tax credits.

I ask my colleagues from Connecticut: Is this a refundable tax credit as proposed?

Mr. DODD. It is refundable, and covers those who stay at home as well.

Mr. NICKLES. Mr. President, if it is a refundable credit, we have now turned a tax cut into a spending bill, I would assume spending billions of dollars.

Again, we haven't had a chance to review the amendment. We haven't had it scored. We will review it. We will find out if a point of order lies against it. I happen to think that one does. We will find out when the chairman of the Budget Committee makes that decision tomorrow. If it is a refundable tax credit, it is a spending bill.

This is a way for Uncle Sam to be writing checks. This is a way for us to be spending more money. I question the wisdom of doing that, especially without a chance to review it and consider it.

Mr. DODD. If my colleague will yield.

Mr. NICKLES. I will, but not right now. I want to move on and finish this bill tonight.

Again, I compliment my colleague from Delaware and my colleague from New York. I personally haven't agreed with the process under which we are considering this bill. I compliment the managers for their patience. The hour is late. I think we still have two or three other amendments to consider. I hope we can finish those. We can vote on these tomorrow. We can pass this bill tomorrow, and I hope lay the predicate and foundation for passing the elimination of the marriage penalty as well. If so, we will have done a couple of days of good work.

I yield the floor.

The PRESIDING OFFICER. Under the previous order, the next amendment is the amendment of the Senator from Delaware.

Mr. MOYNIHAN. Mr. President, might I ask unanimous consent that the Senator from Connecticut be given 2 minutes to respond?

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

Mr. DODD. Mr. President, I will not take 2 minutes.

As my colleague notes, this amendment would make the child care tax credit refundable—that's one of its strongest points. My friend from Texas said we adopted a similar provision in the tax proposal offered by the Republicans a year or so ago. That's not true. It was not refundable and would not have benefited lower-income families. There is a significant difference.

Refundability is important because as it stands now the tax break we are talking about is not terribly meaningful for families earning less than $20–$25,000. Refundability is the only way to help people in that income level.

I mentioned earlier that I was listening to a woman today who was saying how happy she was that she found child care for one of her two children for $100 a week. That is $5,200 a year. She makes, according to her, about $25,000 or $30,000 a year. That is a quarter of her gross income going to care for one child. Without refundability, the current tax credit really doesn't mean much to her. It is simply inequitable to deny her a tax credit that families at higher incomes with the same type of child care expenses enjoy.

If we can find the time, as we have for a day and a half, to debate a bill that would assist 43,000 or 44,000 people, can't we carve out a place in a $750 billion tax break for 8 million working people in this country who are trying to raise their children under very difficult circumstances. That is the purpose of the amendment.

I suspect it does suffer a potential point of order. We will make our motion at the time. But I hope my colleagues will be supportive.

Mr. NICKLES. Mr. President, will the Senator yield for a question?

Mr. DODD. I would be happy to yield.

Mr. NICKLES. If you are making it a refundable credit, you are making this more of a priority than health care. You are saying this is a more important item than food, in some cases, because you are having the Federal Government write a check to pay for it. We don't do that with health care.

I understand your desire to do some things for child health care. We happen to agree with much of that because we passed it last year in the bill the President vetoed. But now you are trying to make it refundable by having Uncle Sam write a check for it. I personally think you are going too far with that amendment.

Mr. DODD. Mr. President, I ask for an 15 additional seconds.

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

Mr. DODD. My point is this: Raising children in this country in affordable, decent circumstances is about as basic as it gets. Eight million Americans can benefit from this amendment. This is a good investment for our country. With a $750 billion tax break for 43,000 people, I think we ought to be able to do something for 8 million working families with young children.

Thank you, Mr. President.

Mr. GRAMM. Mr. President, did not our Democrat colleague from New York ask that both sides get 2 minutes?

Mr. MOYNIHAN. Mr. President, I surely wish to do so.

The PRESIDING OFFICER. Is there objection?

Mr. GRAMM. Give me 30 seconds.

The PRESIDING OFFICER. Without objection, 30 seconds.

Mr. GRAMM. Mr. President, what we are talking about here is basically a setting of priorities. Do we want to take money away from eliminating the marriage penalty in the earned-income tax credit for working families to give a tax credit for a noble purpose? In fact, a purpose that we had written into our tax bill last year that the President vetoed. That is what we are debating: priorities.

We set aside the $5 billion in the budget to fund earned-income tax credit for the elimination of the marriage penalty. If we spend it here, we cannot do it tomorrow.

AMENDMENT NO. 3841

(Purpose: To provide for pension reform, and for other purposes)

The PRESIDING OFFICER. Under the previous order, the Senator from Delaware is recognized.

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

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Delaware [Mr. ROTH] proposes an amendment numbered 3841.

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

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

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

Mr. ROTH. Mr. President, I rise to offer an amendment which addresses a very important topic for many Americans—retirement savings.

Many Americans, especially Boomers, increasingly worry: Will I have enough to live on when I retire? According to recent studies, one third of Americans are not confident that they will have enough to live on in their retirement years, and for others that optimism about retirement income may not be well founded.

Savings—whether through employer retirement plans or as personal savings—are necessary for a comfortable retirement.

Overall savings by Americans are at an all time low. The U.S. Department of Commerce stated that Americans' personal savings rate for the first half of 1999 fell below zero.

I believe, and many economists agree, that increasing tax incentives for savings will result in more savings.

The amendment I offer provides many tax incentives which will result in greater savings. Let me outline just a few of them.

The maximum contribution limit for IRAs both traditional IRAs and Roth IRAs is $2,000. This limit, which has been in place since 1982, has never been indexed for inflation. According to the Joint Committee on Taxation, If the IRA limit were indexed for inflation it would be over $5,000.

This amendment increases the contribution limit for all IRAs (both traditional IRAs and Roth IRAs) to $5,000 per year and under that amount for inflation.

It is important to remember that people at all income levels make IRA contributions.

An estimated 26 percent of American households now own a traditional IRA. In 1993 (the most recent year for which comprehensive aggregate data is available) 52 percent of all IRA owners earned less than $50,000.

We know that people at all income levels are limited by the $2,000 cap on contributions. For example, IRS statistics show that the average contribution level in 1993 for people with less than $20,000 in income was $1,500.

Lower income people clearly want to make contributions of more than the $2,000 limit.

This amendment also increases other benefit limitations. Currently, the maximum pre-tax contribution to a 401(k) plan or a 403(b) annuity is $10,000.

In addition, the maximum contribution to a 457(b) plan, a plan for employees of government and tax exempt organizations is $8,000.

Finally, the maximum contribution to a simple plan, a simplified defined contribution plan available only to small employers, is $6,000.

This amendment increases limits for 401(k), 403(b) and 457 plans to $15,000 and for simple plans to $10,000.

This does not mean that business executives can automatically take advantage of these higher contribution limits; lower income employees must benefit in order for the executive to benefit.

Consequently, business owners and high paid employees cannot benefit with this new higher contribution limits unless the amount of savings that low paid people make—either on their own or with the help of the employer—increases.

This amendment adds a new type of employer savings plan.

We heard testimony before the Finance Committee that the first year of the Roth IRA was a success. And we have all seen the television and print ads touting the benefits of the Roth IRA. The opportunity for tax-free investment returns has clearly caught the fancy of the American people.

In less than five months after the Roth IRA became available, approximately 3 percent of American households owned a Roth IRA.

In addition, the survey found that the typical Roth IRA owner was 37 years old, significantly younger than the traditional IRA owner who is about 50 years old, and that 30 percent of Roth IRA owners indicated that the Roth IRA was the first IRA they had ever owned.

This amendment intends to harness the power of the Roth IRA and give it to participants in 401(k) plans and 403(b) plans.

We will give companies the opportunity to give participants in 401(k) plans and 403(b) plans the ability to contribute to these plans on an after-tax basis, with the earnings on such contributions being tax-free when distributed, like the Roth IRA.

This amendment will also provide an additional savings opportunity to those individuals who are close to retirement.

We all know that there can be other pressing financial needs earlier in life—school loans, home loans, taking time off to raise the kids—which limit the amount that we may have available to save for retirement.

The closer that we get to retirement, the more we want to put away for those years when we are not working.

However, the current law limitations on how much may be contributed to tax qualified savings vehicles may restrict people's ability to save at this time in their lives.

This amendment will give those who are near retirement—age 50—the opportunity to contribute an additional amount in excess of the annual limits equal to an additional 50% of the annual limit.

Catch-up contributions will be allowed in 401(k) plans, 403(b) plans, 457(b) plans and IRAs.

For IRAs, this will mean that someone age 50 could contribute $7,500 each year rather than $5,000.

Never before have Americans had better opportunities to provide for a comfortable retirement—with a strong economy together with increasing opportunities for saving and investment.

The result of this amendment will be more personal savings to assist people in providing for a comfortable retirement.

I urge my colleagues to support this amendment.

I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

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

Mr. HARKIN. I yield back all time on this side on the Roth amendment.

The PRESIDING OFFICER. All time is yielded back.

Under the previous order, the Senator from Iowa is to be recognized.

Mr. HARKIN. How much time am I recognized for?

The PRESIDING OFFICER. The Senator has 10 minutes.

AMENDMENT NO. 3840

(Purpose: To protect and provide resources for the Social Security System, to amend title II of the Social Security Act to eliminate the ''motherhood penalty,'' increase the widow's and widower's benefit and to amend the Internal Revenue Code of 1986 to increase the unified credit exemption and the qualified family-owned business interest deduction, and for other purposes)

Mr. HARKIN. I call up amendment 3840 and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Iowa [Mr. HARKIN], for himself, and Mr. FEINGOLD, Ms. MIKULSKI, and Mr. LEAHY, proposes an amendment numbered 3840.

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

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

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

Mr. HARKIN. Mr. President, women in America have made significant strides for equality and fair treatment. They have more opportunities and face less discrimination. However, there are still gross inequities, and this is particularly true in Social Security.

The average Social Security benefit received by a man is modest, about $10,508 on average in 1998. But for the 21 million American women who depend on Social Security, their average benefit is over 25 percent less, just $7,836 a year. That is 25 percent less to pay for prescription drugs; 25 percent less to pay for food; and 25 percent less to pay for the rent and utilities.

Largely as a result of these lower Social Security benefits, elderly women are twice as likely to be poor than older men. Fully, 19 percent of single older women—those who have been widowed, divorced, or never married—live in poverty.

There are a number of reasons for this. Women live longer than men. Women earn less during their working years due to wage discrimination and other factors. And women reach retirement with smaller pensions and other assets than men.

Parts of the problem lie with the Social Security itself. Our amendment that I have offered on behalf of myself, Senator FEINGOLD, Senator MIKULSKI, Senator LEAHY, and Senator MURRAY, tries to fix two of these problems in Social Security.

First, under current law, when a man dies, his widow sees only 50 to 66 percent of the couple's previous combined Social Security benefit. In one day, her basic income is cut by as much as half. However, the official poverty rate for a single person is 79 percent of that for a couple. That means that experts have determined it takes about 79 percent of a couple's income for a single person to maintain a minimum standard of living.

So the current widow's benefit forces many older women into poverty upon the death of their spouse. Our amendment would change that by increasing the Social Security survivors' benefit to at least 75 percent of the combined benefits of the husband and wife. This simple change will provide a greatly needed boost to more than 3 million low- and moderate-income widows and widowers.

The second part of our amendment addresses the Social Security motherhood penalty. The motherhood penalty is just this. In Social Security, it provides lower benefits for women who take time off their jobs to raise their children or to care for a sick parent. Our amendment would eliminate this penalty by allowing people to take time out of the workforce to raise a child or to care for a dependent relative, and to eliminate up to 5 years of zero or very low earnings from those used to calculate their future Social Security benefits.

Social Security benefits are based on your average earnings over 35 years. This generally works for men who spend an average of 39 years in the workforce. When Social Security was established in 1935, most women stayed at home. It was assumed most women would get benefits through their husbands. The 35-year average formula fails to recognize that today an increasing number of women work but also take time off to raise children. Thus, the average woman is in the workforce 27 years today. The other 8 years are counted as earning zero dollars, resulting in lower benefits. Our amendment recognizes the importance of care giving, of women taking time out of the workforce to have children, and allows up to 5 years of zero or lower earnings to be exempted when calculating future retirement benefits.

I will just give a brief example. Suppose you have a woman who worked throughout her life but took time off to raise three children. She worked for a total of 30 years, retired at age 65. In those 30 years she averaged $20,000 a year in earnings.

But since she had 5 years with no earnings while caring for her children, her lifetime average earnings calculated on a 35-year formula is $17,142.

This entitles her to an annual Social Security benefit of $9,369. Under our amendment she would be allowed to erase those 5 zero-earning years, bringing her lifetime average back up to $20,000. As a result, her annual benefits would be increased by about $800, a significant and needed boost.

The motherhood penalty will become increasingly important as more women receive benefits based on their own earnings. Today, about 37 percent of women receive Social Security benefits based on their own earnings rather than getting the spousal benefit. But this is expected to rise to 60 percent over the next two generations, by 2060.

Finally, the third part of our amendment makes a major contribution to shoring up Social Security for the future. What we do is dedicate the interest savings from paying off the national debt to Social Security. By doing this, we are using good economic times to prepare for the future. These interest savings are substantial, totaling about $120 billion this decade, and growing to $250 billion a year by 2015. This simple step of locking away these savings for Social Security would assure Social Security's fiscal health for the next 50 years. What we are saying is when we buy down the national debt, the savings in the interest payments on that, which would normally go to general revenues, will go to Social Security and not to general revenues.

Again, our amendment offers a clear choice. If you want to make Social Security sound and secure for the next 50 years, you should vote for this amendment. If you want to do away with the motherhood penalty and make sure that women have their proper years counted so we do not discriminate against them for raising children, then I think you should vote for this amendment. If you think millions of moderate-income women deserve a financial boost, making sure they get at least 75 percent of their spouse's benefits rather than the 50 to 66 percent they get now, and get a lot of women over that poverty line, I think you should vote for this amendment.

There are three parts to this amendment: Do away with the motherhood penalty; second, make sure the spousal benefits are at least 75 percent of their spouse's upon death; third, use the savings from the interest payments to put into Social Security rather than general revenues.

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

The PRESIDING OFFICER. The Senator has 2 minutes 55 seconds remaining.

Mr. HARKIN. I yield the remainder of the time to the cosponsor of the amendment, the Senator from Wisconsin.

The PRESIDING OFFICER. The Senator from Wisconsin is recognized.

Mr. FEINGOLD. Mr. President, as we on this side of the aisle have made clear, this debate is about priorities. The majority has made clear that its highest priority is to expand tax breaks for the wealthiest 2 percent of the population.

Yes some sensible reforms are in order to the estate tax, and the Democratic alternative, which our amendment incorporates, would make those.

But shouldn't our first and highest priority for using our surplus be extending the life of Social Security? Our amendment would do that, as well.

Thirdly, our amendment would make much-needed improvements in Social Security benefits for widows and those who take time out of the workforce to raise their children.

As President Kennedy said in his 1962 state of the Union address, ''[T]he time to repair the roof is when the sun is shining,'' This year, the Social Security Trust Fund is taking in nearly $100 billion more in payroll tax revenues that it pays out in Social Security benefits, building up assets. It will continue to do so for pretty much the entire decade.

But then, in the next decade, as the baby boom generation begins to retire in numbers, that cash surplus will shrink. Starting in 2015, the cost of Social Security benefits is projected to exceed payroll tax revenues. Under current projections, this annual cash deficit will grow so that by 2036, Social Security will pay out a trillion dollars more in benefits that it takes in in payroll taxes. By 2037, the Trust Fund will have consumed all of its assets.

We as a Nation have made a promise to workers that Social Security will be there for them when they retire. Our Nation's commitment to Social Security will not go away. We should start planning for that future.

The Social Security Trustees released their last annual actuarial report at the end of March. That report indicated that to maintain solvency of the Social Security Trust Fund for 75 years, we need to take actions equivalent to raising payroll tax receipts by 1.89 percent of payroll or making equivalent cuts in benefits. In 2037, annual Social Security tax revenues will be sufficient to cover 72 percent of annual expenditures.

The Trustees' report sounds a warning: We can fix the Social Security program so that it will remain solvent for 75 years if we make changes now in either taxes or benefits equivalent to less than 2 percent of our payroll taxes. But if we wait until 2037, we would need the equivalent of a 28 percent cut in benefits to set the program right. Put another way, if we wait until the trust funds run out of assets in 2037, we will need to make changes equal to an increase in the payroll tax rate of 5.4 percentage points, to set the program right.

The choice is clear: Small changes now or big changes later. That's why Social Security reform is important, and why it is important now.

And that's why President Clinton was right when in his 1998 State of the Union Address, he said, ''What should we do with this projected surplus? I have a simple four-word answer; Save Social Security first.''

That's why it doesn't make sense to enact either tax cuts or spending measures that would spend the non-Social Security surplus before we've addressed Social Security for the long run. Before we enter into new obligations, we need to make sure that we have the resources to meet the commitments we already have.

The complete repeal of the estate tax before us today would head in the opposite direction. It could cost $750 billion a decade, when it if fully phased in. These costs would begin to hit most heavily in the decade after 2011, just when the baby boom generation will begin to retire in large numbers, just when the financial pressures on Social Security will begin to mount.

It would be irresponsible to enact a tax cut of this size before doing anything about Social Security. Before the Senate passes major tax cuts like the one pending today, the Senate should do first things first. And that's what this amendment does. I urge my colleagues to support it.

The PRESIDING OFFICER. The Senator from Texas is recognized.

Mr. GRAMM. Mr. President, our colleagues have just introduced the Gore plan to extend Social Security by giving the Social Security Administration a bunch of new IOUs. Of course, the IOUs are from the same Government that is going to have to pay the Social Security benefits in the future.

We currently have $800 billion of paper IOUs in a steel filing cabinet in West Virginia. They represent the trust fund of Social Security. When Social Security takes in more taxes than it spends, this computer in West Virginia prints out this IOU, and the Government goes on about its business and spends the money on something else. That something else can be any other Government program, or buying down the debt of the Treasury. But the Social Security Administration gets the IOUs.

What we are hearing here is a new gimmick, where you give them the IOU and then maybe you buy down debt, maybe not, but you still give them another IOU. Then that IOU earns interest and you get another IOU.

Let me go back and start at the beginning. Let me quote President Clinton in his year 2000 budget. I know it is late, but I hope my colleagues will listen to this quote.

> These Social Security trust fund balances are available to finance future benefit payments and other trust fund expenditures—but only in a bookkeeping sense. These funds are not set up to be pension funds, like the funds of private pension plans. They do not consist of real economic assets that can be drawn down in the future to fund benefits. Instead, they are claims on the Treasury that, when redeemed, will have to be financed by raising taxes, borrowing from the public, or reducing the benefits—

Which means cutting Social Security benefits—

or other expenditures. The existence of large trust fund balances, therefore, does not, by itself, have any impact on the Government's ability to pay benefits.

That is not me talking. That is President Bill Clinton from his fiscal year 2000 budget. What is he saying? This $800 billion of Government IOUs we have represents a debt of Government. So when the Government has to pay Social Security benefits in the future, they have an IOU and they can collect it. But who has to pay it? The same Government that collects it.

It is why I cannot write an IOU and put it on my balance sheet. The Senator from Oklahoma, when he was running Nickles Machine Corporation, could not inflate his balance sheet by simply adding another IOU. President Clinton clearly explains that.

Our Vice President is saying: OK, I want to make Social Security solvent for 50 more years—I do not know why he did not do 100 or 500—and the way I am going to do it is I am going to print up these IOUs that say the Government owes the Government money, and they are going to put the IOUs in that filing cabinet in West Virginia.

Here is the problem. When they get them out to cash and they say: OK, this IOU is for $100 billion; we will pay benefits with this. Who is going to pay the $100 billion? The Government has to pay the $100 billion. To quote Bill Clinton, they have to raise taxes, borrow from the public, they have to reduce benefits, which is cut Social Security benefits, or they have to cut other expenditures. The point being this is a totally fraudulent proposal. It simply acts as if you can pay benefits that the Government owes with an IOU that the Government owes.

The problem is there is no way the Government, with its own debt, can pay anybody benefits because it has to pay its own debt first. All the Vice President is proposing is that we commit future income taxes to pay benefits in the future. How does that in any way improve the solvency of Social Security? It does not, and this whole proposal should be rejected.

Mr. CRAIG. Mr. President, I rise in opposition to the Harkin amendment.

The Harkin amendment would make changes to Social Security benefits. It would: increase benefits to widows; and increase benefits for stay-at-home parents by attributing earnings to them while they stay home.

Mr. President, everyone wants to help moms and widows, especially during election years, but Social Security is exactly the wrong tool for the job.

The Harkin amendment would fail to provide meaningful assistance to the people they are targeted to aid.

Worse, it would increase Social Security's unfunded liabilities by almost a third, reduce Social Security trust fund balances by hundreds of billions, and accelerate the system cash-flow crisis.

Social Security is one of the few federal programs that already takes stay-at-home parents into account.

Under the current system, married spouses generally receive about the same Social Security benefit regardless of whether they worked full-time, part-time, took a break for child-rearing, or did not work at all.

For example, in 1996 women who receive Social Security benefits based upon their own work record received an average benefit of $657, while women whose benefits are based upon their husband's work record received $596, just a 10-percent difference [Social Security Administration].

In other words, there is no motherhood penalty in Social Security.

If Senator HARKIN wants to help mothers, why doesn't he embrace tax relief like the Senate Marriage Tax Relief Act, which would allow parents to keep more of their income before it gets sent to Washington?

Instead, his proposal would take a program already under financial distress and make it go broke faster.

Moreover, under the Harkin amendment, years after you've incurred the expense and raised your children, you get a few more benefits from the Federal Government. Who pays for those benefits? You guessed it, your children. Not much of a deal.

The Harkin amendment is exactly the wrong solution to help stay-home parents.

Senator HARKIN estimates this proposal would cost just a few billion over the next 10 years. That is a gross underestimate.

While the Social Security Administration has not estimated the ''motherhood'' proposal, economist Henry Aaron offered a ''seat-of-the-pants'' estimate in Slate Magazine [4/5/00] of .25 percent of taxable wages.

That's about $150 billion over 10 years.

Meanwhile, Senator HARKIN's proposal to increase widow's benefits would cost about .32 percent of taxable wages [Report of the 1994–1996 Advisory Council on Social Security, Volume I: Findings and Recommendations, January 1997].

That translates into $166 billion over the next 10 years. Now the Senator has put a limit on his benefit, so it won't cost quite that much, but it is still substantial.

The Harkin amendment claims to pay for these new benefits by transferring money from general funds to the Social Security trust fund.

The amount of the suggested transfers is staggering. Including interest, it literally amounts to over 60 trillion dollars over the life of the transfers—over sixty trillion dollars!

What do general fund transfers accomplish to help ease the burden taxpayers face in coming years? Nothing.

What do the experts have to say about general fund transfers? President Clinton's Budget: ''These [trust fund] balances are available to finance future benefit payments and other trust fund expenditures but only in a bookkeeping sense. These funds are not set up to be pension funds, like the funds of private pension plans. They do not consist of real economic assets that can be drawn down in the future to fund benefits. Instead, they are claims on the Treasury that, when redeemed, will have to be financed by raising taxes, borrowing from the public, or reducing benefits or other expenditures. The existence of large trust fund balances, therefore, does not, by itself, have any impact on the Government's ability to pay benefits.''

Congressional Budget Office: ''The Administration's proposals would create transactions between government accounts, but such intra-governmental transfers do not by themselves increase the resources available to the government.''

Dan Crippen—Director of the Congressional Budget Office: ''Too many of us—from the President to members of Congress to my high school classmates—believe the current balances in the Social Security trust funds will help ease the burden on the children of the baby boomers. That is, unfortunately, not true.''

Henry Aaron—Brookings Institute: ''The president proposes to deposit government bonds to defray part of this unfunded liability, thereby putting a call on future general revenues—personal and corporation income taxes—to pay for this unfunded liability,'' according to testimony before the Ways and Means Committee, 2/2/99.

Mr. President, Senator HARKIN's trust fund transfers are a fraud.

Whether the system is financed through payroll taxes or from general funds, the Social Security system is poised to claim an increasing share of future worker income. By 2075, that share is one-fifth of taxable payroll—20 cents of every dollar a worker earns.

That 20 cents is taken before the other income taxes, sales taxes, and property taxes are collected to pay for national defense, policing the streets, educating children, and other government services.

It also is assessed before the worker can purchase housing, clothing, food, education, and transportation. All for a program that—in many cases—offers the worker less money than he or she contributed.

Meanwhile, expanding Social Security benefits when the program is already going broke is wholly irresponsible.

As Robert Reischauer, former Congressional Budget Office Director, observed about similar proposals. ''We still have a program that is going to face difficulties. Compounding those difficulties is not responsible policy.''

The Harkin amendment is the worst sort of pandering. It pits one generation against another. Younger workers against older retirees. It should be defeated.

The PRESIDING OFFICER. The Senator from Oklahoma.

Mr. NICKLES. Mr. President, I yield myself 5 minutes of leader time to speak on this amendment.

The PRESIDING OFFICER. The Senator is recognized.

Mr. NICKLES. Mr. President, I mention to my colleagues, I think everyone is aware the minority leader yielded 5 minutes to his colleagues on each of these minutes. I do not like to do it, but it is important to point out some of the facts. I appreciate my colleague from Texas pointing them out.

This amendment and the Vice President's proposal is one of the riskiest, maybe one of the most deceitful I have seen in my years in Congress. It basically says we should have double accounting of interest. It says we are going to take the interest savings from debt reduction and apply that to Social Security, as if we are going to make Social Security more solvent. It would not do that.

I will give some quotes from people who studied the proposal. One is from David Walker, Comptroller General of GAO:

[The Clinton-Gore proposal] does not come close to saving Social Security.

The proposal he is referring to is the Clinton-Gore proposal.

Under the President's proposal, the changes to the Social Security program will be more perceived than real: although the trust funds will appear to have more resources as a result of the proposal, nothing about the program has changed.

Dan Crippen, Director of CBO:

Those transfers would have no effect on the ability of the Federal Government to meet the obligations of those programs. The transfer would not, as some have asserted, strengthen Medicare or Social Security. At most, they might have the opposite effect of imparting a false sense of security.

It is double accounting.

I have a statement from CBO's ''An Analysis of the President's Budgetary Proposals for Fiscal Year 2001.'' On page 67, it talks about the interest savings transfers to Social Security. It says:

The Social Security trust funds already receive credits for interest on their accumulated balances under current law.

They already get interest on the surpluses. That is already current law.

It continues:

The proposed transfers would simply add extra interest credits on top of those that would be provided anyway. . . . The transfers themselves would have no economic significance because they would flow out of one government fund and into another.

If we want to say we are making the Social Security fund more solvent by adding more IOUs, we should do what the Senator from Texas did. Why stop at $100 billion?

I read that the Senator's amendment will add $250 billion annually after 2015. Why not right now? Let's just add $5 trillion. We have about $10 trillion of unfunded liability in Social Security. Let's just say we have a Government IOU, $10 trillion. It is fully funded. In the year 2012 or 2015, there is going to be a shortage. There is going to be more money going out than coming in, and those IOUs will not be able to pay one check—not one.

At that point in time, the Government is going to have to borrow more money, raise taxes, or cut benefits. In other words, we have not changed the program, and putting in more IOUs will not pay one benefit, will not pay one Social Security check. If my colleagues are interested in the solvency—my colleague is saying let's also increase benefits; let's increase retirement benefits; let's increase survivor benefits; let's increase benefits for people not paying into the system and increase survivor benefits, none of which had hearings before the Finance Committee.

Talk about being irresponsible and playing politics with Social Security. This amendment does it in the worst way. This amendment needs to fail and, frankly, the Vice President should be ashamed of this proposal. I hope our colleagues will vote against it, and I urge our colleagues to vote against it tomorrow morning.

Mr. President, I yield the floor.

The PRESIDING OFFICER. The Senator from Texas.

Mr. GRAMM. If all time has expired on that amendment, I would like to be recognized——

The PRESIDING OFFICER. The Senator from Iowa has 1 minute remaining.

Mr. HARKIN. Mr. President, I will use it for a small rebuttal. I noticed my friends on the other side going after the Social Security trust funds. The Senator from Minnesota, Mr. GRAMS, had an amendment to put money into the Social Security trust fund, and they all voted for it. So much for being consistent around here.

Quite frankly, I listen to the arguments on the other side, and I think my friends from the other side want to privatize Social Security. On top of that, they want to say you do not get Social Security until you are 70. They want to raise the retirement age.

Don't let all that fog over there cloud what we are trying to do. We are trying to change the motherhood penalty so women are not penalized raising children and getting Social Security.

Secondly, our amendment says widows ought to get at least 75 percent of their spousal benefit, rather than the 50 to 60 percent now.

Lastly, when we pay down the national debt, you are right, take the savings from that and stick it into Social Security so that money will be there for future generations.

The PRESIDING OFFICER. The Senator from Oklahoma.

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

The PRESIDING OFFICER. The Senator has 1 minute 25 seconds remaining.

Mr. NICKLES. Mr. President, maybe my colleague from Iowa did not understand what we voted on earlier. Earlier we voted on repeal of the tax on Social Security which was passed by the Clinton-Gore administration, passed by Vice President GORE because he broke the tie, passed by every Democrat, but not one Republican voted for it. We had 58 votes, I believe, in the Senate to repeal it today. Those are the facts.

There was a tax increase on Social Security that passed in 1993, and it was passed by every Democrat. Today we had an overwhelming majority who voted to repeal it. Those are the facts.

Now we have an amendment before us that says let's double count interest savings even though we count the interest on Social Security surpluses. Let's double count and let's pretend that is going to make Social Security more solvent and, in the process, let's add a whole bunch of new benefits and see if we can't buy more votes and tell people we are going to give them something even though they know it is not going to happen. It has not been considered in the Finance Committee and Ways and Means Committee. Even though they know it is irresponsible and Social Security has big problems coming up in 13, 14 years, they say: Let's put more IOUs in and pretend it will make it more solvent. The budget experts say it will not work. The President in his own budget statement said it will not work.

Mr. President, I yield the floor.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. HARKIN. Mr. President, I do not have any time left.

The PRESIDING OFFICER. The Senator has no time left on this amendment.

Mr. HARKIN. I ask unanimous consent for 30 seconds to respond.

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

The Senator from Iowa is recognized.

Mr. HARKIN. Mr. President, let me read the exact language of the Grams amendment.

Revenue offset.—The Secretary of the Treasury shall transfer, for each fiscal year, from the general fund in the Treasury to the Federal Hospital Insurance Trust Fund established under section 1817 of the Social Security Act . . . an amount equal to the decrease in revenues to the Treasury for such fiscal year by reason of the amendment made by this section.

I rest my case. They all voted for it transferring money from General Treasury to Social Security. That is the Grams amendment. They all voted for it.

The PRESIDING OFFICER. The Senator's time has expired.

The Senator from Texas.

Mr. GRAMM. Mr. President, I ask unanimous consent that it be in order for me to offer the Lott amendment on the list at this time and that I be allowed to yield back all the time and that the vote occur in the sequence to follow the Bayh amendment as previously ordered.

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

AMENDMENT NO. 3842

(Purpose: To provide tax relief)

Mr. GRAMM. Mr. President, I send the amendment to the desk and yield back all time that is allotted.

The PRESIDING OFFICER. The clerk will report the amendment.

The assistant legislative clerk read as follows:

The Senator from Texas [Mr. GRAMM], for Mr. LOTT, proposes an amendment numbered 3842.

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

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

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

The PRESIDING OFFICER. The Senator from Iowa.

Mr. HARKIN. I want to ask for the yeas and nays on my amendment.

The PRESIDING OFFICER. Is there a sufficient second?

There appears to be a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. Under the previous order, the Senator from Indiana is recognized.

AMENDMENT NO. 3843

(Purpose: To amend the Internal Revenue Code of 1986 to increase the unified credit exemption and the qualified family-owned business interest deduction and provide a long-term care credit, and for other purposes)

Mr. BAYH. Mr. President, I send an amendment to the desk on behalf of myself, and Senators DURBIN, FEINGOLD, MIKULSKI, KOHL, BIDEN and GRAHAM, and I ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report the amendment.

The assistant legislative clerk read as follows:

The Senator from Indiana [Mr. BAYH] for himself, Mr. DURBIN, Ms. MIKULSKI, Mr. FEINGOLD, Mr. KOHL, Mr. BIDEN, and Mr. GRAHAM, proposes an amendment numbered 3843.

Mr. BAYH. I ask unanimous consent reading of the amendment be dispensed with.

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

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

Mr. BAYH. Mr. President, I yield myself 4 minutes.

The PRESIDING OFFICER. The Senator from Indiana.

Mr. BAYH. Mr. President, I rise to support our amendment because it not only provides for substantial estate tax relief, but it also provides for substantial tax cuts for millions of American families, in providing for long-term care for sick and elderly dependents, and also provides for important tax relief for millions of American families who work hard, play by the rules, are self-employed, but struggle to meet the costs of health insurance.

I express my appreciation to my colleagues, Senator DURBIN, Senator FEINGOLD, and others, for their leadership in bringing us to this point, and for their support of these critical and important steps.

I want to make clear that I strongly support the cause of providing for estate tax relief. That is why I am delighted to say that our approach provides, when fully implemented, that 99.3 percent of the American people—99.3 percent—will be entirely exempt from any estate taxes in our country.

This means that fully 95 percent of farms that would currently be subject to the estate tax have their estate tax liability eliminated entirely, and 75 percent of small businesses currently subject to the estate tax will have their estate tax liability eliminated entirely.

In a perfect world, I would also support the elimination of the other one-tenth of 1 percent of families in our country who will still be subject to the estate tax. But we have other priorities which must also be met.

One of the foremost among these is the fact that currently 2.6 million families across our country struggle to provide care for a sick, elderly parent in their home. This figure is expected to skyrocket in the coming years because, among other facts, those in our country over the age of 65 will more than double during that period of time.

We find too many families today caught in what we refer to as the ''sandwich generation,'' struggling not only to provide for their children, pay the mortgage, put food on the table, but also to care for a sick, elderly parent or grandparent. It is not right in our country that families must be forced to choose between caring for a child or caring for a parent. They deserve tax relief, too.

That is exactly what our bill would do, providing up to a $3,000 tax credit every year, once fully phased in, to help alleviate those burdens, allowing families to meet all of their priorities, and particularly to provide for long-term care for a sick, elderly parent or other dependent.

Likewise, it is not right that so many of our families currently work and struggle to provide for the cost of health insurance. Just last year, one million fewer Americans had health insurance, and many of these are self-employed. Under our approach, we would accelerate the full deductibility for the cost of health insurance for those who are self-employed to next year, providing an additional 2 years of tax relief for hard-working Americans.

In conclusion, let me say this. It has been eloquently stated by our colleagues on the other side of the aisle that death should not be a taxable event, and they are right. But it is equally true no family in our country should face the painful dilemma of providing care for their children or care for their parents. That is not right. They deserve our help. They deserve tax cuts, too.

It is not right that hard-working Americans, who play by the rules, pay their taxes, and get up and go to work every day, struggle to make ends meet, and provide for health care. They deserve tax cuts. They deserve our help, too.

That is exactly what our bill would provide. It meets our priorities, it is financially responsible, and it is true to our enduring values. That is why I encourage my colleagues to adopt this important amendment.

I now yield 3 minutes to the Senator from Illinois, my friend and colleague, Mr. DURBIN.

The PRESIDING OFFICER. The Senator from Illinois is recognized.

Mr. DURBIN. Mr. President, I thank the Senator from Indiana for his leadership. I fully support his amendment.

For those who are trying to understand what is happening on the floor of the Senate, allow me to give a summary of the game to this point.

The Republican leadership has come forward with a basic proposal to eliminate the estate tax. They have suggested that we should take $850 billion over the next 20 years and dedicate it to eliminating the tax liability for 44,000 of the wealthiest Americans in our Nation. They believe that is our highest priority. When they look at our Tax Code, the Republicans have concluded the greatest inequity in America's taxes is the tax paid by less than 2 percent of our population.

They have decided that the most deserving group for tax relief in America today are 44,000 of the wealthiest people in our Nation. That is their decision. That is their priority. They have made it clear with every single vote.

We have come forward and said we can reform the estate tax so that virtually two-thirds of those currently paying will not have any liability and still have money left to do important things.

We said to the Republican side of the aisle: Will you join us in allowing families to deduct college education expenses for their kids as part of it?

No, they said, we are not interested.

Will you join us in a prescription drug benefit for seniors as part of the relief that we are going to offer in this?

No, they are not interested.

Will you join us in child care relief so that families can afford to have safe and quality child care?

No, they are not interested. Their only interest is in protecting the 44,000 wealthiest people in this country.

What Senator BAYH is offering in this amendment is a long-term care tax assistance package which every family with an aging parent can understand, which every family that faces that responsibility will clearly understand. This is family oriented. It will affect literally millions.

My portion of this amendment will affect 13 percent of the workforce. It will allow the self-employed businesses across America—those are farmers and small businesses, by and large —to deduct immediately next year their health insurance premiums paid for their employees instead of waiting an additional 2 years.

Right now, the big corporations deduct all the expenses for the health insurance of their employees. Self-employed people cannot. When you ask small businesses across America: What is your highest priority? it is not the elimination of the estate tax. The highest priority is the cost of health insurance. And the second highest, I noticed this morning, happens to be education and finding skilled and trained workers.

So this amendment addresses not only an inequity in the Tax Code that affects literally millions in America—21 million self-employed people—but it is also going to provide for those truly deserving, so they can afford health insurance.

The PRESIDING OFFICER. The Senator's time has expired.

The Senator from Indiana.

Mr. BAYH. I thank the Senator from Illinois and I yield 3 minutes to my colleague and friend, the Senator from Wisconsin, Mr. FEINGOLD.

Mr. FEINGOLD. Mr. President, I certainly thank the Senator from Indiana and the Senator from Illinois. I am delighted to be part of this effort, as three States in the Midwest link together to fight for this long-term care issue.

As the Senator from Illinois indicated, this debate all day and throughout this week has been about priorities.

By moving this bill, the majority has made clear that its highest priority is to grant tax breaks to the wealthiest 2 percent of the population. But there are other priorities that I think are more important than that.

Yes, some sensible reforms are in order to the estate tax for middle-income Americans and to address the special needs of small businesses and farmers. But we can do that and, by cutting back on the Republican plans tax cuts for the very wealthiest, still have money left over for other pressing needs.

One of our Nation's most pressing unmet needs is the acute and growing demand for help with long-term care. As our country's population ages and as Americans live longer lives, we face a major long-term care challenge in the decades to come. And I do not think we are meeting it as a country. I think we talk about Medicare, we talk about Social Security—and those are critical—but this is really the third major piece that we are not adequately addressing.

Today, one in eight Americans are over the age of 65. By 2030, one in five will be.

Today, 4 million Americans are over 85 years old. By 2030, more than twice as many—9 million Americans—will be.

And already today, 54 million Americans—one in five—live with some kind of disability. One in ten copes with a severe disability.

The job of helping people with disabilities to deal the life falls heavily on the family. Four out of five primary helpers are relatives, and nearly half of these primary helpers live with the person with a disability.

And the burden on the family is not just emotional, but also financial. More than three-quarters of Americans age 22 to 64 with disabilities receive no public assistance.

The fact is, our Nation has no comprehensive long-term care system. Rather, patients and their families struggle through a fragmented, uncoordinated, and costly labyrinth.

Millions of vulnerable Americans cannot get the care they need. They cannot afford it, they do not qualify for the limited public funding available, or they simply cannot find the services they need.

Whenever people have a choice, they would rather get the long-term care they need in their own homes. If they can't get care at home, people want care as much like home as possible, in places like assisted living facilities. Nearly 4 out of 5 older Americans who need long-term care live in the community, and most receive no paid services.

This amendment would take one small, concrete step to help them out. Much more than this step is needed. But let us at least take this step. I urge my Colleagues to support the amendment.

What the Bayh-Durbin-Feingold amendment and the other cosponsors are trying to do and say is that instead of having this very narrow priority for the very wealthiest Americans, what we have to do is address a true crisis that will only get worse and to do something to assist people with these very difficult costs.

I thank the Senator from Indiana for the time and especially for his leadership on this issue.

Mr. BAYH. Mr. President, I thank Senator FEINGOLD and Senator DURBIN for their eloquent advocacy of this important issue.

How much time do I have remaining?

The PRESIDING OFFICER (Mr. CRAPO). The Senator has 25 seconds remaining.

Mr. BAYH. I yield back the remainder of my time, and I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There appears to be a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The Senator from Delaware is recognized.

Mr. ROTH. Mr. President, providing for America's long-term care needs is an important priority. An important way to help Americans provide for their long-term care needs is by providing various tax incentives.

We have already addressed many of these long-term care tax incentives in other tax bills the Senate has voted on. More recently, the Senate approved the various tax incentives for long-term care insurance and provided for an additional tax exemption for those who are caring for their parents who have long-term care needs.

Last year, the Senate approved a bill which would have provided tax incentives for long-term care insurance. Unfortunately, the President vetoed that bill. When we added these tax provisions to the managed care bill, my friends on the other side opposed these incentives.

I think it is fair to say the Senate has shown its concern towards helping Americans provide for long-term care. However, I must oppose this legislation for it contains a basic defect. It is built on the Democratic alternative to the House death tax repeal bill. In other words, it strikes the House death tax repeal and replaces it with the Democratic alternative.

For this reason, I oppose the amendment and urge my colleagues to vote against it.

The PRESIDING OFFICER. The Senator from Oklahoma.

Mr. NICKLES. Mr. President, a few comments. Our colleagues are proposing a tax credit for long-term health care. The Senate has passed that in a couple of bills. We passed it on minimum wage. We passed it on the Patients' Bill of Rights, giving an above-the-line deduction.

There is a difference between a deduction and a credit. By a credit, they are saying: You should pay no taxes whatsoever. We are saying: You should get a deduction. There is a difference. With a credit, you are saying that is a better priority. The Federal Government has decided that is a better priority than your health care because people don't get a credit for their health care deductions. We are going to say this is more important.

I think it is equally important. As a matter of fact, the bill we passed said we should have an above-the-line deduction for health care and for long-term health care costs. We want to encourage both. But to say that one is more important than the other, as this bill does, by saying that long-term health care is more important than health care insurance, is a mistake. Most people would say they would rather have health care.

I noticed my colleague added expensing for self-employed. I am sure my friends are aware that I am very much a proponent of that. We have led the fight to make that happen. Incidentally, we have already passed that as well. We passed that on the minimum wage bill. We passed it on the Patients' Bill of Rights. I assure my colleagues, before any minimum wage bill passes, this is going to be part of it.

What my colleagues are not telling people is, they are including with it an amendment that basically guts the estate tax provision that we have in this bill. You go in and tell employers: We want to make sure that you pay estate taxes. And if you pay estate taxes, your minimum rate, the beginning rate, under the Democrat proposal, is 37 percent. If you have a taxable estate of $2 million, you will be paying 37 percent. I don't think they would think that is a very good deal. Small businesspeople would say: You didn't do me any favors.

I urge my colleagues, at the appropriate time tomorrow, to vote against this amendment.

I yield back the remainder of our time.

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

AMENDMENT NO. 3844

Mr. FEINGOLD. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Wisconsin [Mr. FEINGOLD] proposes an amendment numbered 3844.

The amendment is as follows:

(Purpose: To preserve budget surplus funds so that they might be available to extend the life of Social Security and Medicare)

On page 2, line 16, after ''is hereby repealed'', insert the following: ''for estates up to $100,000,000 in size''.

Mr. FEINGOLD. Mr. President, this is a very simple amendment. It limits the estate tax repeal for estates over $100 million.

As I mentioned earlier on the floor, this debate is about priorities. In particular, it is a debate about where we should devote our resources. This amendment provides a clear, easily definable choice.

Many Members have indicated that reforming the estate tax, especially for small businesses and farms, should be a priority of the body. I am sympathetic to that goal. Let's face it, Mr. President. This bill goes much further than addressing that targeted concern. As it rests now, the bill leaps far beyond any commonsense definition of modest estates and provides massive tax relief to the extremely wealthy, even to multimillionaires.

How can anyone suggest that providing such massive tax relief to multimillionaires should be among our highest priorities? They seem to be doing very well. There are millions of Americans who have more pressing needs.

Fiscal prudence dictates that we exercise restraint in considering the disposition of projected budget surpluses. First and foremost, of course, these surpluses may never materialize. But even granting or assuming they do, there are many competing needs for this limited pot of money. Providing a massive tax cut to estates of over $100 million is not the best, highest use of the projected surplus.

When we increase spending, we are implementing policies that benefit some while increasing the fiscal burden on everyone else. We are engaged, of course, in a zero sum enterprise. There is limited money. Milton Friedman's famous quote is: Of course, there is no free lunch. This is true of tax cuts as well.

Every time we lower our tax rate or create a new tax loophole, the tax burden on everyone else increases. Specific tax cuts or spending increases come with a price. They come at the expense of other tax cuts or spending increases or they come at the expense of a higher national debt.

Way too often, as we do our work, the choices we weigh are heartbreakingly difficult. They truly are. This is not one of those cases though. It may make some sense to increase the current exemption on estates, but it makes no sense at all to repeal the estate tax for the handful of estates over $100 million.

Mr. President, surely the supporters of estate tax cuts must agree that eliminating the estate tax on the handful of estates of over $100 million is not our highest priority, or anywhere close to it. It is not even in the ballpark. When I first ran for the Senate back in 1992, the central issue of my campaign was reducing and, hopefully, eliminating the Federal budget deficit —the result of a decade-long binge of self-indulgent fiscal policies. When I came into office, the deficit stood at about $340 billion. Today, we hope to have a balanced budget for the second year in a row. That, of course, is a remarkable achievement. It came, in large part, because of the tough choices we made in 1993 and, to a lesser extent, in 1997. Nobody can credibly argue that our greatly improved budget position, as well as the sustained economic growth we have experienced, are not, in part, the result of the tough choices we made.

I think it would be tragic if Congress now squandered all that has been achieved to appease a handful of enormously wealthy interests—interests, it should be noted, that have been the greatest beneficiaries of our strong economy and, thus, of the fiscal responsibility shown in 1993.

This last point bears some emphasis because so often the tax cuts we have seen proposed by the majority have the immediate effect of benefiting the very well off in our society, while in fact the policy that most benefits the well-to-do is fiscal restraint, not politically appealing tax policies.

Let's exercise just a little bit of restraint. It is a very modest proposal that we just cut this thing off at a $100 million estate. I hope my colleagues will consider adopting this amendment.

I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

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

The PRESIDING OFFICER. The Senator from Oklahoma is recognized.

Mr. NICKLES. Mr. President, the way I look at the Tax Code, I think it should be fair; it should be uniform. It is interesting to hear people say: This tax only applies to 2 percent, so let's sock it to them. They have been enormously successful. So what is the right rate? Is it 55 percent or 60 percent, as it is on Americans today? Are my colleagues aware of the fact that if you have a $10 million taxable estate, the death tax is 60 percent?

I know my colleague says he picked a higher figure, $100 million, and that is only 55 percent. Incidentally, he didn't mention it in his comments, but he also eliminates the stepped-up basis. That means you will have a much greater capital gains tax. So you have a 55-percent rate and you have capital gains. It is a really heavy hit. Uncle Sam will get over half.

What is fair? It is easy to demagog and say those guys are supporting tax cuts for the wealthy. That is hogwash. What is fair? If somebody works their entire life and has enormous success and builds up a company—and say it is worth $100 million, which is great—and the principal dies and their kids want to operate that plant, they don't want to sell it. Uncle Sam is entitled to 55 percent of it? I don't think so. What is fair about that or uniform about it? I don't think it makes sense. Maybe they want to continue that.

I can think of a lot of businesses—for example, Bechtel Construction is one of the world's premier construction companies; it happens to be a private business. I am sure it is worth a lot more than this. If the principal owner dies and his kids want to run it, the Government can say, no, we want half. What is right about that? Maybe I shouldn't mention anybody by name. They have never contacted me on this issue.

My point is, where is the Government's right to say that? He said we are squandering ''our'' resources. How is that the Federal Government's resources? They are the ones who built up these companies, but the Federal Government is entitled to take over half of it when somebody dies? Don't say, well, those estates are getting away from taxes because, under our proposal, when the property is sold, they pay capital gains. That rate is 20 percent; it is not 55 percent. To me, it is a lot more manageable. That is a taxable event just as it would be on any American. But it is basically when the property is sold, not when somebody dies.

We want to eliminate the death tax for all Americans, not just wealthy Americans. They should not have to pay a tax on death. The taxable event would be on the sale of the property—when and if they sell the property. The kids would receive the property and keep running the business; there is no tax. If they sell the business, there is a tax. They pay capital gains.

Under my colleague's proposal, they pay a whole lot more tax because he eliminates the stepped-up basis as well. You keep the extra high rates, and you also have no stepped-up basis and capital gain. So you hit them really hard.

Why don't we just make it 100 percent? Let's just eliminate anybody who accumulates wealth that happens to be over $100 million. Then we won't have the entrepreneurs; we won't have the Microsofts; we won't have the Oracles or the other high-tech companies; we won't have the young entrepreneurs who are building and expanding these businesses in our country.

You can go to a lot of countries that don't have taxes on estates. It is pretty easy today to start a new business in high technology. You can go to other countries easily because they want the entrepreneurs; they will welcome them in because they realize that is the engine of a growing economy, and it is fantastic, so they will give great benefits.

We have one of the highest estate taxes in the world. Some of my colleagues say: Let's only have it on the wealthy, successful people; we will really sock it to them. I think that is really unfair. The Tax Code should be uniform and fair. As a matter of fact, I think of the Constitution where I read that the Tax Code should be uniform. Now when people say we have to increase the exemption so much that we will sock it to the wealthy, the rates already at 55 percent—60 percent for some Americans—that is way too high. We say, wait a minute, the Tax Code should be uniform. Let's eliminate the tax on death on all Americans—not just wealthy Americans but on all Americans—and have the taxable event when the property is sold on wealthy Americans as well. They can pay 20 percent just as any other American does.

To me, that is fair, uniform and, frankly, would probably raise more money because wealthy people have figured out lots of ways to get around estate taxes—through foundations and other little gimmicks. They hire lots of attorneys and successful people and pay them lots of money every year to make sure they pay no tax.

It would be very interesting to know how much money is utilized—some say wasted—but generated to avoid this tax or how many businesses aren't expanded to avoid this tax.

If my colleague's amendment would pass, how many successful people would flee to another country to expand their business and grow their business so they would not be faced with the situation where they worked their entire life for success, and they happen to die, and Uncle Sam says: Thank you very much; we want 55 percent. Thank you for your efforts, but those are ''our'' resources. Ours? The Government didn't build that company, but the Government is entitled to over half of the estate. The power to tax is the power to destroy.

I urge my colleagues to vote no on this amendment at the appropriate time tomorrow.

The PRESIDING OFFICER. The Senator from Wisconsin has 5 minutes 26 seconds.

Mr. FEINGOLD. Mr. President, in listening to the Senator from Oklahoma, you would think I were up here proposing for the first time in American history that we implement an estate tax or that perhaps it was something created in the heart of the 1960s as an extreme, liberal idea, and that finally the Republican majority were going to eliminate it.

That isn't the truth at all. The fact is, as I understand it, this kind of tax has been around for about a hundred years. When the Senator from Oklahoma condemns the idea of having some kind of limitation on a tax that has been there for decades and decades, in fact, I voted for it, and I assume the Senator from Oklahoma, on a number of occasions, voted for increasing the exemption. He has not taken the position in the past that it must be completely eliminated; otherwise, it is not worth increasing the exemption.

That is all this amendment does. It goes awfully high. My amendment says we are going to completely eliminate the estate tax in estates of up to $100 million. In other words, this gentleman that the Senator from Oklahoma is concerned about leaving the United States, under my proposal, would have the first $100 million of his estate exempted. If he is going to take off after the first $100 million is exempted, I really question his business judgment. He has to leave the United States because somehow he is going to be taxed over $100 million?

Let's face it—and I hate to use this term—but when you start talking about over $100 million and having to pay some kind of tax, just as people have always had to pay in this country, the word ''greed'' comes to mind rather than ''business judgment.'' There is no need in the pressure of this society to provide an exemption to the estate tax on over $100 million. It would be absolutely clear. Under my amendment, up to $100 million is still covered.

Why in the world can't people at that level at least help us out a little bit? Under current law, they are not getting this break anywhere near this level. But I am suggesting once we hit this extreme level, the real extreme idea here is to have no estate tax at all. That is the point.

The question is, What should the exemption level be? I am suggesting there is number up in the stratosphere. It is just absurd to provide this kind of benefit.

I would suggest that almost any average American you would ask would say, sure, if somebody is at that level, it is reasonable and fair to say they ought to pay some estate tax.

That is all this amendment tries to do.

I reserve the remainder of my time.

The PRESIDING OFFICER. The Senator from Oklahoma.

Mr. NICKLES. Mr. President, again, I want to be very clear. I can think of a female entrepreneur in Oklahoma building a business. It has been very successful. She built it basically from scratch. I am going to guess it is worth $100 million. For this hypothetical example, it is worth $100 million. I bet it is. This business has worldwide sales in pies. She will know who I am talking about. They have had great success.

The value of that company probably 20 years ago was probably less than $1 million. Today, for this purpose, it is worth $100 million.

Let's say she is the sole owner of the company and she dies. Under the Democrat proposal of my colleague from Wisconsin, the tax would be 55 percent. Once you get to the higher levels, you don't get to phase in. That is $55 million—55 percent.

Under his proposal, also you would lose the stepped-up basis, which is kind of complicated. Basically, it means you go back to the zero basis of what it was.

Since the value was almost $1 million, or nothing, 20 years ago, you are going to have to pay another 20 percent on top of that. For this $100 million corporation, say, her sole survivor who wants to inherit this company and keep it running has to pay a tax bill in the neighborhood of about $75 million out of a $100 million company.

What is right about that? What is fair about that? Nothing, zero.

Again, taxes should be uniform. They should be fair.

This amendment is written to demagog. This amendment says: Yes. These tax cuts are really going to benefit people making even over $100 million.

My point is that the Tax Code should be fair and uniform. If we are not going to have death taxes, they should not apply to anybody. Conversely, if we eliminate the tax on death for everybody, including the people over $100 million and under $100 million, all would pay capital gains. So when and if that business is sold there would be a capital gains tax. It would be 20 percent. If you have a $100 million business, or gain in property, and they sell it, the Federal Government would get $20 million.

Isn't that enough? Why in the world would my colleague think the Federal Government under present law and under my colleague's proposal should get over 50 percent? Why would the Federal Government be entitled to 60 percent or 75 percent of that business under his proposal? He taxes them twice.

Under the proposal of my colleague from Wisconsin, the estate would pay twice: once at the death based on the appraised value, and again when the asset is sold without a stepped-up basis.

You couldn't be more unfair. If you are going to go to 75 percent, why don't you make it 100 percent?

This idea of it being the resource of the Government when somebody dies belongs in the Kremlin. It doesn't belong in the United States.

I urge my colleagues to vote no on this amendment.

Mr. ROTH. Mr. President, on behalf of the leader, I move to commit the bill to the Finance Committee to report back forthwith with the text of H.R. 8.

I send the motion to the desk.

The PRESIDING OFFICER. The motion will be received.

Mr. ROTH. Mr. President, this motion, if adopted, sends the death tax repeal directly to the President for signature. This avoids the uncertainty of a conference, expedites our tight floor schedule, and removes the possibility that floor consideration of a conference report could be delayed and blocked altogether.

I ask unanimous consent that all time on both sides be yielded.

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

Mr. INOUYE. Mr. President, my colleague, Senator AKAKA, and I wish to engage the floor managers of the bill—the chairman of the Finance Committee, Senator ROTH, and the ranking member, Senator MOYNIHAN—in a discussion on the eventual compromise for estate tax relief.

As the distinguished floor managers and all Senators are well aware, the present strategy in this election year is for the Senate to pass H.R. 8 without any change. The majority will vote down all amendments and pass the bill in the exact form as received from the House. the Senate can thus avoid a conference with the House and send the bill immediately to the President to be vetoed.

The President repeatedly has said that he will veto H.R. 8 in its present form. But the President has added that he is willing to work with the Congress on a bipartisan basis to enact appropriate estate tax relief for small businesses and family farms. So, if any estate tax relief is to be enacted this year, it will occur as part of an eventual compromise on an omnibus legislative, tax, and spending package in September.

Senator AKAKA and I have raised with the distinguished floor managers the need to expand eligibility for deferral and installment payment of the estate tax.

Current law allows qualifying estates a 4-year deferral followed by 10-year installment payment of the estate tax liability arising from certain qualified interests in closely held businesses. The estate tax is not avoided or reduced but only deferred. The Treasury will receive the same amount of tax with a discounted rate of interest, but the family gets a longer period to pay the tax. This relief has proven successful in that closely held and family businesses can continue to operate and keep their workers employed while using business earnings to pay off the estate taxes.

The present deferral and installment payment relief was part of the Subchapter S Act of 1958. Congress in that Act used the same eligibility requirement for Subchapter S tax treatment of closely held businesses and for estate tax relief. Years later, eligibility was broadened for qualification under Subchapter S, but not for estate tax relief. Current eligibility for estate tax relief is too narrowly restricted.

When the expected year-end negotiations between Congress and the President turn to estate tax relief, would the distinguished bill managers seek to widen eligibility for deferral and installment payment for closely held businesses?

Mr. AKAKA. If the senior Senator from Hawaii would allow me to interject before the distinguished floor managers respond to his question, I wish to explain the need for this relief measure.

According to witnesses who have testified before Congress and tax experts, the estate tax poses a dire problem for family-owned and closely held businesses. The owners typically have all their assets tied up in the business, and they have re-invested all their profits to make the business grow. When the owners die, the estate tax must be paid within 9 months and in many cases the families will have to sell the businesses to pay the tax. With only 9 months to pay off the estate tax, the families are often forced to settle for whatever price they can get. Now, rather than face such a fire sale, many business owners will sell their businesses while they are still alive so that their families can get a fair price. Many family-owned and closely held businesses do not show up on estate tax returns, because they have already been sold off in anticipation of having to pay the tax.

Recognizing the liquidity problem that the estate tax imposes on closely held businesses, the Treasury Department has suggested that the number of owners permissible in a qualifying business should be raised from 15 to 75 so that eligibility for estate tax deferral and installment payment can be consistent with Subchapter S qualification. In the House, Representative CAROLYN MCCARTHY, together with various members of the Small Business Committee and Representative NEIL ABERCROMBIE, have advocated this proposal as H.R. 4512. This is the proposal that Senator INOUYE and I have raised with the distinguished floor managers. Am I correct in my understanding that the senior Senator from Delaware and the senior Senator from New York will favorably consider this proposal for inclusion in the eventual package of estate tax relief measures?

Mr. ROTH. The two Senators are correct in their understanding. I personally do not believe that the federal estate tax should force the sale of closely held and family-owned businesses.

Mr. MOYNIHAN. The Senators from Hawaii have identified a true problem with the estate tax, and they have proposed a very meritorious solution. Let me assure the two Senators that I will do all I can to include this proposal in any estate tax relief measure.

Mr. INOUYE. I thank the Senator from Delaware and the Senator from New York for their kind response.

Mr. AKAKA. I, too, join in expressing my appreciation for the distinguished floor managers' support.

Mr. DEWINE. Mr. President, I rise today in support of the ''Death Tax Elimination Act.'' This bill would reduce federal estate and gift tax collections over the next nine years, followed by full repeal in the tenth year.

Many of my colleagues have come to the floor and made compelling arguments for the elimination of the death tax. Many have argued that the death tax is unfair and even immoral in a sense. The death tax penalizes the most productive in our society and discourages savings and investment.

Mr. President, I agree with all of these arguments. Each of these arguments supply ample warrants for eliminating the death tax. And ultimately, I have concluded the estate tax stunts continued economic growth and provides only very limited federal revenues. Simply put, the negative economic and societal consequences of the death tax, coupled with— at best—very limited contributions to federal revenues simply do not justify its continued existence.

So, what exactly does the collection of this tax mean to federal revenues? In Fiscal Year 1999, the estate tax amounted to just 1.5 percent of all federal revenues, or $28 billion. While $28 billion sure sounds like a lot of money, when put in the context of overall federal revenue, it is difficult to comprehend just how inconsequential this amount really is. Given that, how can anyone make the argument that the estate tax is an essential part of our nation's tax code?

Mr. President, I said before that the limited benefits of the death tax do not justify its negative economic and societal consequences. What are these negative consequences? Studies indicate that the death tax results in lower savings, reduced capital accumulation, slower economic growth, and fewer new jobs. These studies simply confirm what our own common sense should have already made plain: Confiscatory taxes, such as the death tax, discourage industry and hurt the overall economy.

Throughout this debate, I have heard my colleagues quote seemingly contradictory statistics gleaned from different studies or economic experts. I am not going to engage in that sort of discussion. Instead, I am going to focus on the stories of some of my constituents in Ohio to help confirm the facts that many studies and my own common sense tell me are true.

Like many of my colleagues, my office has received hundreds of letters from constituents and their families who have been or will be affected by the death tax. One farmer from a small town in Fulton County, Ohio wrote: ''. . . the 'Death Tax' wrecks havoc on family farms when parcels have to be sold to pay estate taxes to the government. . . . We have paid our taxes on property, on our equipment, on our income and when its time to transfer our properties to our children, we do not want them to have the added burden of having to sell off assets to pay Uncle Sam.'' My staff followed up with this constituent to find out more about his story. This particular farmer, who is shy about having his name used, has been involved with agriculture his whole life. He grew up on a farm owned by his father. In 1969, he purchased land of his own for about $700 per acre. Since then, he continually has added land, and he now farms approximately 425 acres. In his words, he and his wife have sacrificed and ''skimped to make sure it works.'' He is now 53 years-old, with three sons, all of whom farm. When the time comes, he'd like to pass his farm on to his children. Unfortunately, his land and equipment are now too expensive to escape the death tax. Rather than become more efficient and perhaps grow his farm further, this farmer has begun the process of estate planning. If we do not eliminate this tax, it is quite likely that his sons will be forced to sell land and/or equipment to meet the tax bill. This just isn't right.

A second story comes from Jerry Boes, of Antwerp, Ohio. Mr. Boes wrote: ''I have worked hard all my life and paid all my taxes on everything I own. Why does the government take away 50 percent of whatever might remain upon my death?'' Again, my staff followed up with Mr. Boes, who is now 62 years-old. It seems that around 15 years ago, he saw an ad in the local newspaper for opportunities to own a ''Subway'' sandwich shop franchise. He took a chance and almost lost his home in the process. Mr. Boes now says this: ''I took chances, stuck my neck out and paid my taxes.'' It has indeed paid off for him. He now owns six ''Subway'' stores and employs around 75 people on average. I am happy to report that he was able to keep his house, too.

Mr. Boes' story is representative of our American entrepreneurial spirit. It is a fantastic example of many Americans' struggle to own their own businesses. Unfortunately, he may have done too well. When he passes away, he'd like to hand the business down to his children. But, because most of his assets are tied up in land and buildings, his children will be forced to sell about 50% of his assets to pay the death tax. He has tried to do some estate planning on at least two different occasions to no avail. He has become so frustrated that he, and I quote, ''Just threw up my hands and gave up.'' Upon his death, I wonder what will become of his 75 employees?

Finally, there is a story of Erin Nyrop Glasgow from Dublin, Ohio. In 1952, her parents started an electrical contracting business out of the trunk of their car. They worked hard over the years to build up that business. The Sterling Electric Company currently employs 40 people. Again, this is another great story of our American entrepreneurial spirit—and one that we, as a nation, should be encouraging. In the early 1990's, Erin's parents convinced her to take over the company. They wanted to keep it in the family upon their passing. The death of Erin's father and the fact that another local family-owned business was forced to sell upon the death of its founder, really caused her to become aware of the perils of the death tax.

Now, she spends thousands of dollars, practically on an annual basis, in estate planning. These dollars could be used to grow the business, become more efficient, or hire new employees. She views monthly finance reports with trepidation. She is happy to find out that Sterling Electric is profitable. But, it is, in her own words, ''A double-edged sword.'' The more profitable she is, the more she'll lose upon her mother's death. Again, this is just wrong. The federal government should not, on the one hand, encourage businesses to grow and be more and more profitable, while on the other hand, threaten the loss of a family business for becoming too successful.

Mr. President, these stories tell more about the regressiveness and the simply unfair nature of the death tax better than any think tank study. Right now, we have an opportunity to eliminate this burdensome tax. This is an opportunity we simply should not miss. I urge my colleagues to support this bill, and I thank the Chair and yield the floor.

Mr. GRASSLEY. Mr. President, I want to make a few comments regarding the need to repeal the estate tax. The United States has had an estate or death tax of some form since 1916. The current version of the death tax came into existence after the Tax Reform act of 1976. This change combined the estate and gift tax structures in one gift and estate tax system, which is essentially a wealth transfer tax. Of course, that's what many on the other side stand for—they want to transfer your money to the federal government so they can decide how your money will be spent.

The Public Interest Institute at Iowa Wesleyan College has recently released a Policy Study entitled, ''A Declaration of Independence from Death Taxation: A Bipartisan Appeal.'' The director of the Institute is Dr. Don Racheter, who I know and respect very much. I'd like to thank Dr. Don Racheter for his help with providing this information. The study was written by Edward McCaffery of the University of Southern California Law School and Richard Wagner of George Mason University. I'd like to just mention three points made by the study. These three points show from both a liberal and conservative perspective that the death tax should be repealed.

First, we've heard the other side argue that this repeal really only affects the wealthiest of taxpayers. So, once again, the other side has rolled out the old, tired class warfare argument. The fact is the death tax affects nearly everyone, not just the wealthy. In fact, a 1999 poll showed that 84 percent of the people surveyed believe the estate tax affects other groups of Americans besides the wealthy. Anyone who owns a family business knows that the estate tax creates major hurdles for small and large family-owned enterprises, which in turn negatively affects local communities. While only about 2 percent of inherited estates are large enough to actually fall under the death tax, millions of more people have to spend substantial amounts of time and money planning their way around it.

All of society loses opportunities by these avoidance procedures. Such tactics are costly, inefficient, and they monopolize many professionals who could be spending their time on more productive endeavors.

The study also shows the death tax damages the patterns of work, savings, and capital information by encouraging taxpayers to slow their work and savings, give money away whenever possible, and spend the rest so they can die broke. By encouraging people to avoid this tax, we are damaging the entire system.

A second point the study makes is that the death tax does not provide the government with extra funds for social purposes, which our friends on the other side have been advocating. It only generates .01 to .0125% of the federal budget. More importantly, the amount of revenue collected from death tax filings has a negative impact on other forms of tax revenue and cash flow. This includes restricted savings and capital formation, hindered creation and growth of private family enterprises, lower amount of jobs, and a lower personal income. These effects lead to the loss of revenue from income taxes which is equal to or greater than that collected from the death tax.

So, when you add up the cost of collecting for the death tax, we do not gain much, if anything for our efforts.

I've heard these Treasury numbers of a $750 billion cost over 20 years or so from the other side. The Minority Leader mentioned the $750 billion number. Then, the senator from Minnesota, Senator WELLSTONE, upped it to $850 billion. Then, we heard Senator BOXER come up with a trillion dollar number. Among the three of them, they've already lost $250 billion!

And, of course, this close to the election, the Treasury Department is acting like an arm of the Democratic Party throwing numbers out of thin air to justify their cause. These estimates are about as believable as a Treasury three dollar bill. It's important to remember that many estates will lose their stepped-up basis under this repeal bill. Then, once the assets are sold, there will be a sizable capital gains tax on the entire appreciated value of the estate.

So, the government will still get a substantial amount of money from these estates over the long run, despite what the Treasury Department and the other side would have you believe.

Third, finally, we hear the argument that if the estate tax didn't exist, taxpayers would give less to charity since they wouldn't have to avoid the tax. I hope no one took seriously the so-called estimates that the senator from California alluded to, citing some ambiguous Finance Committee estimates that charities would lose $250 billion if the estate tax is repealed. I assume these estimates were created by the other side. So, once again, we have the Democrats conjuring up their own facts to make their arguments.

Beyond the cynicism of this charitable giving argument, the study argues that the tax exemption for charitable giving does not necessarily benefit private philanthropy. If encouraging charitable giving is going to be the goal of a tax, more specific income tax laws need to be made.

The study makes the point that this charitable giving claim is based on the assumption that the tax works as a subsidy to charitable bequests. In reality, the cost of one dollar of giving, no matter the tax rate, is one dollar. The death tax is neutral towards charitable bequests as long as these bequests are exempt from tax.

Keeping a complicated death tax to encourage charitable giving is not worth the economic and social costs to the government and the taxpayers.

Mr. President, the estate tax does not accomplish any of the goals it's supposed to. It doesn't raise money overall, or promote well-being. It stands in the way of human progress and encourages wasteful and time-consuming financial planning. I hope we repeal this complicated and inefficient tax and I urge everyone to support this effort.

Mr. GORTON. Mr. President, I strongly support elimination of the federal Death Tax. The Death Tax is an injustice that should be removed from the tax code. The bill the Senate is considering, which passed the House of Representatives with a large, bipartisan majority, takes a responsible approach to ending the Death Tax by phasing-out the tax rate over a decade, and at the end of that decade eliminating the capital gains step-up in basis and creating a carryover basis to treat families with fairness upon the death of a loved one.

It is simply wrong for the Tax Collector to knock on a grieving family's door to collect taxes on the life's work and earnings of the recently deceased. There are those who charge that the Death Tax affects only the richest Americans. Apparently, they have never met the Revesz family from Battle Ground, Washington. Peter and Jane Revesz are family tree farmers, and they recently wrote to me to express their fear that the federal Death Tax may mean their farm will have to be sold and the forestland lost to development. To those who claim ending the Death Tax affects only the rich, I challenge you to listen to their words. Peter and Jane wrote to me that the Death Tax could cause the ''loss of so much of our farm and timber to taxes when we die that our children and grandchildren will lose the farm. . . . For us to have sustainable, productive timber on a family farm means that every year or two we need to have a small harvest and that the profits go to the family. To accomplish this in a 60 or more year cycle it is necessary to have a considerable value in the timber so that there can be small but steady harvest and reforestation over a long growth cycle. If much of this long-term crop is lost with each generation to estate taxes, it is impossible to continue a sustainable income for the family or a sustainable annual supply of wood products for the public. Often if a family loses a tree farm, that land becomes something other than forestland. If one family cannot make it, probably the next one cannot make it.''

These are not the words of the greedy rich, they are the honest words of hard-working Americans who simply question why part of the farm they have built-up must be sold to pay the government because they die. Uncle Sam did not maintain and care for the farm, why is the government due a portion of it upon the death of its owners?

I have heard from many constituents who share this very real fear that the Death Tax will cause their children to have to sell the family farm or business to be able to pay the Internal Revenue Service.

Oak Harbor Freight Lines is a family owned business in Auburn, Washington, about 15 miles outside Seattle. Ed Vander Pol and his brother David began working at the business in the early 1970s when Oak Harbor had around 100 employees. As the years went by, Ed and David bought the business from their father and grew it to where it is today: a thriving regional trucking line with over 1100 employees. Out of those 1100, over 700 are union workers; Teamsters, mainly, driving the freight trucks and doing other jobs within the company. Naturally, Ed and David would like to keep this business in the family, and not have to sell the company to a larger, national carrier when they die.

But for all their hard work, the Vander Pol's have been rewarded with uncertainty about their company's future. They must pay a yearly life insurance bill of over $150,000—dedicated solely to helping their children pay the onerous Death Tax bill that will be due, in cash, nine months after Ed or David dies. If not for the Death Tax, this money would be re-invested in the business and its people, growing the company and providing additional well paying jobs to people in the Seattle area.

Why should Ed and David's children have to pay a tax to the federal government upon the death of their father? Those who fight elimination of the death tax refuse to answer this basic question; they refuse to justify its existence. Instead of directly telling the American people why they oppose ending this disgraceful tax, they choose to dust-off tired ''tax cuts for the rich'' rhetoric. The American people deserve honest, straight-forward answers: Those who oppose elimination of the Death Tax simply believe they know better how to spend your money than you and your children. They want to control your pocketbook both when you are alive and when you are dead. They oppose tax reform and tax cuts, whether it is ending the death tax or fixing the marriage penalty, because it means less money for them to spend from Washington, DC.

Ending the Death Tax is about protecting hard work, honoring responsible saving and investment, and protecting family farms and small businesses. The federal government should stop punishing those who pursue the American dream and restore some fairness to the tax code by eliminating the federal Death Tax.

Mrs. FEINSTEIN. Mr. President, I rise today in support of the repeal of the estate tax.

I support the repeal of the estate tax because, on a very basic and fundamental level, I believe that the estate tax is unfair.

In some respects, for example, the estate tax amounts to double taxation, taxing, at times at a confiscatory rate in excess of 50 percent, assets which were already taxed when the income was earned. Regardless of how much or how little, if you have earned money, and paid taxes on it, you ought to be able to pass it on to your children without it being taxed yet again.

I also believe that it is critical to our continued economic growth and prosperity that small business owners and family farmers be given every incentive to work and grow their business, and to be able to pass those businesses on to their children to run and grow.

If a family works for years to establish and grow a business, an heir should not find that they are forced to sell the business simply to pay taxes on it, or that they must assume a crushing debt burden—which may well make the continued survival of the business untenable—simply to pay the taxes.

That is not fair, not right, and not what the American dream is all about.

In addition, because of soaring real estate prices, the estate tax is unfair to many middle class residents of my state who never thought, planned, or expected to find themselves subject to the estate tax. And the simple fact of the matter is that they should not be subject to the estate tax.

As I am sure many of my colleagues are aware, in recent years housing prices in California have gone through the roof. Modest two and three bedroom houses in many parts of California now sell for close to three-quarters of a million dollars.

These are not mansions, but simple and straightforward middle class houses—two or three bedrooms, perhaps a small back yard—in modest neighborhoods.

But because of the soaring value of their homes, many middle class families with modest incomes now find that they would be faced with having to pay estate taxes simply because of the value of their family home.

With few other assets other than their primary residences, a parent who wanted to pass on the family home to his or her children would find that their children would be forced to sell the family house simply to pay the estate taxes on the house itself.

That is not fair and that is not right.

Mr. President, I can think of few things that this Congress can do in addressing tax reform this year that are more important than repealing the estate tax. I urge my colleagues on both sides of the aisle to join me in support of estate tax repeal.

Mr. MACK. Mr. President, I urge all of my colleagues to vote to bury the death tax once and for all. This tax is anti-family and anti-capitalist, smothers the American Dream, and is rationalized only by the greed of government and envy of success.

The debate over death tax repeal highlights, as much as any issue that we will consider, a fundamental difference in philosophy among members of this body, and between the Republican Congress and the current Administration. We in the majority believe that the federal government has no right to claims the lion's share of any person's wealth just because that person had the misfortune of dying. The proponents of the death tax think otherwise.

At the root of this philosophical difference are two vastly different views of the nature of wealth creation and its role in society. The supporters of the death tax seem to harbor a pessimistic, zero-sum view of wealth—the belief that every dollar saved by one person is one less dollar for the rest of us. This belief makes it easier to argue that a ceiling be placed on the level of wealth attained by any individual or family in America—people justify the confiscation of wealth above this level by attacking as greedy any family that seeks to accumulate more at the expenses of the rest of society.

But this view is flawed. There is no finite limit to the amount of wealth that can be created in a society. People become wealthy in a market economy by satisfying the wants of others. Wealth is not a windfall to people with natural intelligence or ability, or who happen to stumble across valuable resources; it is created by providing consumers the goods, materials, and services that they desire at a price that does not exceed their estimate of its value.

When one understands this concept, the death tax cannot be justified. If Bill Gates had chosen a career as a government bureaucrat instead of being a software entrepreneur, the tens of billions of dollars he has amassed in wealth would not have been distributed to others in society—instead, this fortune would never have been generated. It came about because Mr. Gates has provided goods and services to the public that they valued as much or more than the price he charged. Every voluntary exchange between that free individuals in a market economy creates wealth, and the businesses that provide the most consumer satisfaction will create the most wealth. When those goods and services are not offered, this wealth is not created, and everyone in society is poorer because their preferred choice does not exist.

Proponents of the death tax argue that the heirs and legatees of an individual's fortune did nothing to deserve this bounty. Since it is a windfall to these individuals, why shouldn't the government get a piece of the action? Some death tax supporters go one step further, and have argued on this very floor that, unlikely the heirs, the government has a claim to this wealth because it is responsible for the prosperous American economic environment. This argument amounts to the claim that, since government refrains from confiscating property while people are alive, the government is entitled to confiscate upon death.

It makes no sense to terminate property rights at death as the price to pay for their protection while living. The inheritors of property have a right to the property not because of anything they have done, but because it is the will of the decedent. If people cannot leave to their family and friends the wealth they create, they lose the incentive to create it. The higher the rate of death tax falling on their estate, the smaller, the motive to invest in and build a business. The inheritors of property have earned the right to receive it, because they served as the motivation behind the creation of wealth beyond what decedents would consume in their respective lifetimes.

It has been estimated that the death tax will cost the economy almost one trillion dollars over the next decade and almost 275,000 jobs in large part because it robs people of the incentive to invest. I regularly receive letters from older constituents explaining that they have no desire to reinvest profits in their business only to have the government claim 55 percent of the business's increase in value. I am sure all of my colleagues receive similar letters.

The death tax robs people of the incentive to build up their businesses, smothering the American Dream. The death tax eliminates the jobs that these discouraged entrepreneurs would have created. The death tax reduces the savings pool, reducing capital investments and reducing future productivity. The death tax reduces the choices of goods and services available to consumers. And, perhaps worst of all, the death tax places the interest of government over that of families.

Why do we have to impose a tax upon death? Every person spends a lifetime paying taxes on the earnings from which their life savings comes. The income from inherited assets, such as stock dividends or business profits, will be taxed as it is earned. And, under our death tax repeal bill, any capital gain above the exemption amount will result in capital gains taxes when the asset is actually sold. Why the hurry to impose a tax at the time of death, a tax which forces families to sell land, personal property, and business interests that had been in the family for generations?

The only reasons are the greed of the government and the death tax supporters' disapproval of inherited wealth. Under current law, the federal government will be collecting over $4 trillion more in taxes than it is budgeted to spend in the next decade alone. It is the federal government that needs a limit to its ability to enjoy the fruits of the hard work of our taxpayers, not the families of these taxpayers.

The supporters of the death tax seem genuinely puzzled that the American people, in poll after poll, overwhelmingly support repeal of the death tax. They cannot understand why do many people would oppose a tax that directly affects so few. But the American people understand economics much better than the death taxers. They recognize the loss of jobs and opportunity. They also harbor in their hearts the dream that one day they, too, might be so successful as to amass the wealth that is subject to the confiscatory rates of the death tax. But, most of all, they recognize that a tax may be unfair even though it targets a small segment of the population—indeed, a tax may be unfair because it does so. This part of the American spirit does not seem to be appreciated by the death taxers.

Mr. President, the specter of the federal death tax should no longer hover over our citizens, waiting to swoop down and confiscate the savings that has taken a lifetime to build. I urge all of my colleagues to vote for the Death Tax Elimination Act.

Mr. JOHNSON. Mr. President, I rise to talk about the estate tax repeal bill which is currently pending before this body. Like all of my colleagues, I deplore conditions that lead to families losing their family businesses and farms. The family farm is at dire risk of becoming extinct. Some of my colleagues want to attribute this to the estate tax which they claim prevents succeeding generations from carrying on their heritage. Rightfully, that blame belongs to a failed farm policy more than a progressive tax policy. The failed Freedom to Farm policy has driven more farmers out of business than any inheritance tax.

In my state of South Dakota, 102 estates had to pay federal estate tax in 1997. That figure amounts to .2 percent of all estates for that year. I support bringing more relief to the bulk of these estates that are trying to pass down family businesses and farms to their children, but the proposal before us does nothing for these families for ten years while bringing immediate help to the elite of the wealthy.

The House passed plan essentially does nothing for most estates that pay the estate tax over the next decade. The benefits go only to the super-rich worth almost $4 million. Only after ten years will the family farmer and small business owner see any benefit. At that point, the entire estate tax is eliminated, exploding a $50 billion annual hole in the budget.

I support some estate tax relief aimed at preserving family farms and small businesses. Under current law, a couple with a farm or business worth up to $2.6 million can give it to their heirs tax-free. Our approach would raise that to $4 million, which would mean that only 1 out of every 100 estates would face any federal estate tax.

But it would not help the super-rich, as the Republican proposal would. The federal estate tax is a progressive tax. In 1998 more than half the money collected came from estates of $5 million or more. There were exactly 2,898 such estates nationwide. In other words, the Republican plan is aimed predominantly at helping the richest of the rich in our country. Fewer than three thousand estates would get the bulk of this tax break. Three thousand of the richest families in America would benefit.

I do not begrudge the wealthy their position. Wealth is often accumulated through hard work, serendipity and more hard work. However, there is no compelling public policy reason to give the largest single tax break in American history to those fortunate enough to be born into the right families, and expend so much revenue doing so that nothing is left for tax relief for the middle class, paying down accumulated national debt, improving schools, Medicare or veterans health care. Especially when we have such critical needs elsewhere in our society. The majority wants to give a tax break to fewer than three thousand families that will cost over $50 billion annually. The Democrats want to help families maintain their small businesses and family farms, and we can do that for $20 billion per year. With the remainder of that money, we can help millions of Americans meet their basic needs such as helping with extraordinarily high prescription drug costs, child care or education related expenses.

Why is it that the Senate can somehow find all this time to debate tax bills, which I agree are legitimate and important issues, but we can't find the time in this body to debate the number one issue facing the elderly and disabled in this country—rising prescription drug expenses?

Not only should we be here today questioning why it is not good policy to only give enormous federal tax breaks to the super rich but maybe we should also be questioning the huge tax breaks that go to the multi-million dollar drug companies. As reported by Fortune 500 magazine earlier this year, the pharmaceutical companies once again represent the most profitable industry in this country with profits three times that of other industries. These are the same companies that are price gouging millions of elderly senior citizens throughout America, many of whom can't afford their daily medications. Millions of individuals who Congress thus far has said "no we can't help you this year because we don't have the time to debate prescription drug proposals". Instead, we are saying to the American public that we can find the time and money to pass a fiscally irresponsible estate tax bill that will probably not help any of the millions of Medicare beneficiaries who struggle between paying for their prescription drugs and groceries.

I think we should do both. I believe we could pass a meaningful and fiscally responsible estate tax bill and still have resources available for addressing critically important priorities such as prescription drugs. Instead, my colleagues on the other side of the aisle want to use all of these resources solely for a bloated estate tax bill that will benefit only three thousand families.

Prescription drug prices are skyrocketing at unfathomable levels and drug expenditures have grown at double-digit rates during almost every year since 1980 and more than twice the rate of all other health care expenses. Not surprising, the elderly and in particular elderly women, see the largest increases. Combine this crisis with the fact that the Senate has less than eight working weeks left this year and held only one floor debate on a prescription drug bill thus far, which was forced by members on this side of the aisle, and you find the picture for the American senior looking very bleak. If we cannot address the prescription drug issue now, then when?

I am committed to helping seniors and those disabled on Medicare afford their prescription drugs. Equally, I am not going to stop fighting for lower prescription drug prices for Americans who pay by far more for prescription drugs than people in other countries.

Several bills that I have sponsored this Congress aim to address the problem of escalating prescription drug prices. However, these and other prescription drug bills have been the target of an aggressive multi million dollar advertising campaign, operated by the pharmaceutical industry and their so called front group called Citizens For Better Medicare, aimed to kill any hopes of prescription drug legislation this year. In fact, I question just how many "real citizens" are behind that name? According to Public Citizen the drug industry is on pace to spend nearly $14 million every election and another $150 million every two years lobbying Congress to protect its incredibly high profit rates. This is the classic case of the role of big money in politics: the industry takes in billions in profits from high prices and gives out millions in campaign contributions to make sure Congress protects those profits.

The time for Congress to act on providing an affordable, accessible prescription drug bill, while at the same time addressing skyrocketing drug prices, is now. Congress cannot be bullied by the big drug companies pocketbook any longer. Better yet, the American public cannot wait any longer. In the next couple of days the Senate may take up yet another tax bill and we will again be faced with an opportunity to address such critical priorities as prescription drugs. But I guess the American public will have to stay tuned as to whether or not we will even be given the opportunity to debate one of the greatest issues facing our nation.

ESTATE TAX ELIMINATION ACT

Mr. CAMPBELL. Mr. President, I intend to vote for H.R. 8, the Death Tax Elimination Act, as amended. On January 19, 1999, I introduced the companion bill, S. 38, to the original House bill, along with my colleagues, Senators MACK and HUTCHISON. I felt then, as I do now, this legislation is of vital importance to farmers and family business owners.

Since the time that I introduced the original companion to H.R. 8, I have heard from hundreds of Coloradans and numerous national organizations about the need to eliminate this burdensome and overreaching tax. I believe that eliminating this tax is a fundamental issue of fairness. Death should not be an event government prospers from.

Estate and gift taxes continue to be an enormous burden on American families, particularly those who pursue the American dream of owning their own business. It is often the family-owned businesses and farms that are hit with the highest tax rate when they are handed down to descendants—often immediately following the death of a loved one. Families ought to be encouraged, not discouraged, from building successful farms, ranches and businesses and keeping the ownership of those enterprises within the families that worked to make them successful.

These taxes, and the financial burdens and difficulties they create come at the worst possible time. Making a terrible situation worse is the fact that the rate of this estate tax is crushing, reaching as high as 55 percent for the highest bracket. That's higher than even the highest income tax rate bracket of 39 percent. Furthermore, the tax is due as soon as the business is turned over to the heir, allowing no time for financial planning or the setting aside of money to pay the tax bills. Estate and gift taxes right now are one of the leading reasons why the number of family-owned farms and businesses are declining; the burden of this tax is simply too much for many American families to bear.

This tax sends the troubling message that families should either sell the business while they are still alive in order to spare their descendants this huge tax after their passing, or run-down the value of the business, so that it won't make it into their higher tax brackets. This is not how America was built. Private investment and initiative has historically been a strong part of our American heritage and we should encourage those values, not tax successful family businesses into submission.

That is why I will vote for this important legislation. We need to change the message we are sending to farmers and family business owners. The Death-tax repeal has been endorsed by numerous organizations that represent family farms and businesses such as the National Federation of Independent Business, the Farm Bureau, the Family Business Estate Tax Coalition, National Association of Women Business Owners, the National Black Chamber of Commerce, the National Indian Business Association, the U.S. Hispanic Chamber of Commerce, and the National Association of Neighborhoods.

Mr. President, if there is one thing Congress absolutely ought to do while we are trusted with our jobs it should be to protect American families and their interests. This tax is fundamentally unfair and would never survive if it were being proposed today. I urge my colleagues to support the repeal of the Death-tax and help restore a small degree of integrity to the tax structure imposed on America's families.

Thank you, Mr. President. I yield the floor.

Mr. BUNNING. Mr. President, I rise in support of H.R. 8, the Death Tax Elimination Act of 2000.

This is a sound, sensible approach to providing death tax relief. It phases out the tax over a ten-year period by gradually reducing the marginal rates that apply to estates. And it includes a so-called ''step-up'' in basis for the first $1.3 million in assets ($3 million for spouses) that applies if assets are ever sold by heirs.

Right now the marginal rates assessed against estates are the highest in our tax code—55 percent for estates larger than $3 million plus a 5 percent surcharge assessed against larger estates. In fact, the United States has the dubious honor of imposing the most onerous estate tax in the developed world. This comes on the heels of recent moves by China, Canada and other developed countries to repeal their death taxes.

It is pitiful that in the U.S. we have worse death taxes than Communist China.

The estate tax was originally passed in 1916 to help fund our efforts in World War I. The last time I checked, that war was over. By the way, for my friends in the Senate who are still living in the early 20th century and oppose death tax repeal, I should point out that we won World War I.

Mr. President, these are a number of sound reasons to repeal the death tax. The best of these is the awful effect it has on small business and family farms. For years and years Congress has heard the sad stories about how small business owners and farm families have to sell family enterprises just to pay the taxes on estates that are passed down from generation to generation.

Additionally, a number of recent analyses make the case for death tax repeal. Studies by the Joint Economic Committee, the National Center for Policy Analysis, the Heritage Foundation, the American Council for Capital Formation, the Institute for Policy Innovation, the Cato Institute, and others all indicate the federal estate tax imposes significant costs on the economy and family-owned businesses, resulting in lower economic growth, job creation, and the destruction of family businesses.

The death tax hurts the ability of small businesses to vie against larger competitors. For instance, in testimony before the House Ways and Means Committee, a lumberyard owner from New Jersey spoke of incurring up to $1 million in costs associated with preserving the family business pending the death of his grandmother. At the same time the family was incurring these costs, the business was also competing against a new Home Depot store that had moved into the area. Remember that Home Depot and other big business is not subject to the estate tax.

In fact, a recent survey of 365 businesses in upstate New York found an estimated 14 jobs per business were lost in direct consequence of the costs associated with estate tax planning and payment. That amounts to more than 5,000 jobs lost in a limited geographical area. Nationally, the Wall Street Journal reported that an estimated 200,000 jobs would be created or preserved if the estate tax were eliminated.

The liberals who oppose death tax repeal claim this is a red herring, and that the bill will really only would help the super-rich and multi-billionaires. In fact, 50 percent of the revenue the federal government derives from the death tax comes from estates worth less than $5 million.

Additionally, the death tax provides less than 2 percent of the federal government's total tax revenues. To hear the Chicken Little liberals talk about it, repealing this tax would cause the sky to fall and the government to collapse for lack of funding. These are only crocodile tears from the big government addicts who cannot bear the thought of hard-working Americans not being forced to send more of their money to Washington to fund big government programs.

Although this bill passed the House by a veto-proof margin, and enjoys bipartisan support here in the Senate, the President has still promised to veto it. Well, I think we should still pass it and let him explain to the American people why he favors ''death'' taxes that hurt our small business and rural communities.

To his credit, the President did sign into law some death tax relief in 1997 as part of the Taxpayer Relief Act. Of course, we had to lead him kicking and screaming to the signing ceremony. And this came on the heels of his vetoing stronger death tax relief in the 1995 balanced budget bill. Then later he vetoed death tax relief in last year's tax bill.

So who knows what he will actually do in the end. We should give him the chance to decide once and for all if he wants to help us repeal the death tax. Maybe, like Paul on the road to Damascus, he wills see the light. After all, as one senior House Democrat noted several years ago: ''We've learned that if you don't like the President's position on the issue, all you have to do is to wait for a few days for him to change his mind.'

Mr. President, surveys have consistently shown that death tax repeal is popular with Americans—70 to 80 percent usually favor it in opinion polls. It is popular for the reasons I have laid out, but the most compelling reason is a moral one. After the death of a loved one, when families are grieving, Americans just do not believe that they, or anyone else, should have to talk to the undertaker and tax man on the same day. It's just not right.

Since 1980, over 20 states have repealed their state death taxes, and it's time the federal government followed suit and learned a lesson from the states. It's time to kill the death tax, and I urge my colleagues to support this important legislation.

MORNING BUSINESS

Mr. ROTH. Mr. President, I ask unanimous consent that the Senate proceed to a period of morning business with Senators permitted to speak for up to 10 minutes each.

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

IN HONOR AND REMEMBRANCE OF GERALD CLIFFORD

Mr. DASCHLE. Mr. President, I would like to take a moment to reflect on the life and work of Gerald Clifford, an important and influential South Dakotan and Oglala Sioux tribal member who recently passed away after courageously battling a debilitating illness.

Gerald Clifford, with whom I worked for many years, was a leader and a driving force for change among Native Americans in South Dakota and across the country. He was a champion for rural water development in southwestern South Dakota and a strong advocate for Indian education and Indian self-determination. Earlier this week, Mr. Clifford began his journey to the spirit world at the young age of sixty. I express my heartfelt condolences to Gerald's family and relatives during this difficult time. My prayers and thoughts are with them.

The void left by Gerald's passing was felt especially deeply today, as his life was celebrated at a funeral service in

Manderson, South Dakota, on the Pine Ridge Indian reservation. While the work of this body required my presence in Washington today, I do want to honor and remember Gerald here in the Senate for his many outstanding contributions to his community and state.

Over the years, Gerald and I worked together on a number of projects. And I can tell you for a fact: he is a tenacious advocate for his causes and never gives up. Never.

I had the honor and pleasure of working closely with Gerald on the construction of the Mini Wiconi Rural Water System. In his role as director of the Mini Wiconi project, Gerald accepted the daunting challenge of bringing the state of South Dakota, three South Dakota tribes and local non-Indian communities together to achieve a common vision. The project bridged historically-vast political and cultural gaps to bring the precious resources of clean water to rural communities and remote reservations areas.

Even after many South Dakotans had lost hope of ever seeing the Mini Wiconi water project finished, Gerald kept working at it. He shepherded the Mini Wiconi project during the last several years, a critical period in its construction, fulfilled the promise of clean water for many, and laid a strong foundation for completing the project in the foreseeable future.

Gerald managed this project with skill and with diplomacy, and I am proud to have been able to work with him to accomplish our mutual goal. His contribution will be felt for decades to come.

Gerald made many other contributions to his people and his state in addition to Mini Wiconi. I would like to highlight just a few examples that provide a snapshot of the magnitude of this involvement in efforts to benefit the people of South Dakota and our nation.

Gerald Clifford was first and foremost an articulate and impassioned advocate for justice for his people. No one who knew Gerald could ever question the intensity or sincerity of his commitment to this overriding goal.

Gerald also understood the critical importance of education as a means of improving the quality of life for Indian people, working hard to promote tribally-controlled education, particularly tribal colleges and universities, and contributing to the initiation and development in the early 1970's of the American Indian Higher Education Consortium (AIHEC) and the tribal college movement. He was also among the first to have assisted in the creation of tribally-controlled entities, such as the Coalition of Indian-Controlled School Boards. Through this work, he helped provide educational opportunities for 26,000 students at the nation's thirty-three tribal colleges and universities, and opened a major educational pathway for many generations to come.

Gerald Clifford was a highly respected leader of the American Indian people. He was elected by Great Plains tribal leaders and tribal peers to serve as the National Congress of American Indians (NCAI) Aberdeen area Vice-President. As their voice on Capital Hill, Gerald helped many tribes in South Dakota, North Dakota, Nebraska and throughout the mid-West.

Gerald was a dominant presence at the forefront of the many struggles that the Aberdeen area tribes faced over the past four decades. It was through his focused dedication and skilled advocacy that Indian people have prevailed in the face of numerous adversities placed in their way. Gerald served as an elder, mentor, colleague and friend to so many young Indian men and women, imparting many of his outstanding qualities to this and future generations of tribal leaders.

Earlier this year, I addressed the National Congress of American Indians general assembly while Gerald was in Washington fighting hard on issues that meant so much to him. Later, I learned that he was forced to return to South Dakota prematurely because he was struggling with his health. As a result, I was unable to see him. I will always regret that I did not get to visit with Gerald during his last visit here.

Gerald fought illness with courage, determination and indomitable spirit. Even as he was ailing, he was not deterred from the pursuit of his work. He continued to fight for Indian people and for the causes that cared so much about. He never gave up.

In passing, Gerald Clifford left a large, significant and important legacy. He truly will be missed, but his work will live on, enriching the lives of South Dakotans for generations

BORDER DRUG PROSECUTIONS

Mrs. HUTCHISON. Mr. President, shortly before the July 4th recess, the Senate passed an Emergency Supplemental spending measure as part of the Military Construction Appropriations Bill. This measure dealt with a number of critical needs, including aid for fire victims in New Mexico and funds to continue the war on drugs in Colombia. I am pleased that this legislation also included $12 million to reimburse county and municipal governments along the U.S.-Mexico border for the high costs that they have incurred in handling drug prosecutions and incarcerations for the federal government.

Dramatic increases in manpower and resources for the Border Patrol and Customs Service has meant dramatic increases in drug and alien smuggling and illegal crossing apprehensions. Our border counties, which have handled these cases for the federal government for many years, have borne heavy costs of these prosecutions with no reimbursement from the federal government. These are some of the poorest counties and communities in the nation, and they can no longer afford to pay the costs associated with an expanded caseload they are handling for the federal government.

Specifically, this provision will enable the United States Attorneys to assist border county and municipal governments in the Southwest Border states of Texas, New Mexico, Arizona, and California with their court costs, courtroom technology needs, the building of prisoner holding spaces, administrative staff, and indigent defense costs that are associated with the handling and processing of drug cases that would otherwise fall under the jurisdiction of the Federal government.

I appreciate the help and commitment of Senator GREGG, Chairman of the Commerce-Justice-State Appropriations Subcommittee, and Senator STEVENS, the Chairman of the Appropriations Committee, for working so closely with me to address the needs of the Southwest border. I also want to thank Jim Morhard, Staff Director of the Commerce-Justice-State panel, and Kevin Linskey, for their hard work on this matter. Jim and Kevin serve both the Committee and Senator GREGG very well, and their efforts on the staff level are making a difference in improving the lives of people living along the U.S.-Mexico border.

GUNRUNNING IN THE STATES

Mr. LEVIN. Mr. President, two new studies just released show that states with a high concentration of gun industry activity and weak gun laws tend to be the major suppliers of crime guns in other states.

On June 28, 2000, the Violence Policy Center (VPC) released Gunland USA, a study which ranks states by their level of gun industry activity. For each state VPC reported the number of gun shows, licensed firearms retailers (including pawnshops), manufacturers producing firearms, and licensed machine gun dealers as well as the number of registered machine guns. In each of these categories, Texas ranks number one. Other states that showed a very high level of gun industry presence were California, Florida, Illinois, Georgia and Ohio.

People in my state of Michigan may wonder how activity in other states like Illinois or Georgia affects them at home. A study released by Senator SCHUMER entitled War Between the States explains that many of the crime guns used in Michigan come from out of state. Interstate gunrunners acquire guns in states with weak laws and flood the markets in specific states and regions that have stricter gun laws. According to this report, states such as Texas, California, Florida, Georgia, and Ohio—the same states with high levels of gun industry activity—are the major suppliers of guns used to commit crimes in other states with tougher gun laws. The study cites Michigan as a state ''with strict gun laws'' and as one with 41% of guns traced to crime coming from other states such as Ohio and Georgia.

These findings demonstrate the need to tighten our national gun laws. Without national standards, states with a high level of gun industry presence and weak gun laws will continue to serve as major suppliers for gunrunners who traffic guns to states with tougher gun laws—states like Michigan. We must close the loopholes in our national framework for firearms distribution by among other things closing the gun show loophole.

TRIBUTE TO THE SHANIN FAMILY

Mr. SPECTER. Mr. President, the 20th century story of the Shanin Family portrays the success of immigrants in America and the success of America itself.

The naturalization papers of Freda Mermorvich Shanin show that she traveled from Lugansk, Russia and arrived at Ellis Island on October 31, 1906, with her two children, Lilli and Max, enroute to joining her husband, Mordecai Shanin, in St. Joe, MO. The Shanin Family grew with the addition of five more children: Annie, Louie, Rose, Albert, and Margaret. Mordecai Shanin struggled to earn a living with a variety of occupations including selling Singer sewing machines.

Lilli Shanin, later to become my mother, told me about her father dying in her arms form a heart attack in 1916 on the backstairs of the Shanin home at 922 South Ninth Street. My grandmother, Bubbie Freda, told me she was left a widow with seven children and seven dollars. Deeply religious, proud and independent, Freda Shanin raised her children with the help of Lilli, who left school to work in a tablet factory, and the other siblings pitching in when they became old enough to contribute to the family's support.

In 1917 Freda Shanin met a young immigrant, Harry Specter, who was buying dry goods and blankets at the wholesale house for sales in his travels to farms in Nebraska, Kansas, and Missouri. Harry Specter asked Freda Shanin if she had a daughter. ''Yes I do'' said the protective mother, ''But she's too young for you.''

Harry Specter courted Lilli Shanin, won her heart, went off to World War I, was wounded in the Argonne Forest, and returned in uniform to St. Joe to marry the beautiful 19-year-old redhead in her resplendent white gown carrying a large bouquet of roses. That union produced Morton, Hilda, Shirley, and ARLEN SPECTER, who in turn brought Mordecai and Freda Shanin 10 great grandchildren, 25 great-great grandchildren and 6 great-great-great grandchildren.

The three sons, Max, Louie, and Albert grew up in hard times in St. Joe with Albert, who added a granddaughter to the family tree, becoming a prosperous pharmacy owner who spent much of his time and drugstore medicines devoted to his ailing mother. Annie, who wrote a book of Hebrew poetry in 1945, married a distinguished chemist, Dr. Morton Kleiman, and they in turn had Dr. Adina Kleiman, a noted psychologist, and Dr. Jay Kleiman, an eminent cardiologist, who added two more great grandchildren to the Shanin family. Margaret ''Mashie'' Shanin married handsome Leslie Hoffman, who brought a truckload of watermelons from the family produce business in Waco, TX, to St. Joe. Mashie added to the family tree with four grandchildren and two great-grandchildren.

Rose Shanin left St. Joe at the age of 18 to live with her sister, Lilli, in Wichita, where Rose became a high-powered executive secretary for the Beyer Grain Company. In 1930, at my birth, Tante Rose intervened to save me from the name ''Abraham'' with the suggested ''Arlen'' after the famous movie star, Richard Arlen. Rose would later start my brother Morton and me in the development of our work ethics as messengers riding our bicycles all over Wichita delivering bills of lading for Beyer and other grain companies. Rose married Julius Isenberg and added a daughter and son to the growing family tree.

Judaism has continued to be the mainstay of the Shanin Family with many, albeit not all, maintaining strictly kosher homes, with a few emigrants to Jerusalem and Tel Aviv to strengthen the State of Israel. The 70 descendants of Mordecai and Freda Shanin have contributed to the values, prosperity, and success of the United States. Interspersed in the family tree are Ph.Ds, LL.Ds, MDs, a Federal judge, businesspeople, professionals, and elected public officials.

Today, members of the Shanin Family have assembled in Washington for a Shanin Family reunion led by the matriarchs of the family, Annie Kleiman and Rose Isenberg and Joyce Specter, who were privileged to meet with the President today. The entire family visited the White House, the Senate, the Washington Monument, the Jefferson Memorial, the Lincoln Monument, President Kennedy's gravesite, and the Secret Service headquarters.

America is the spectacular story of immigrants who have come in search of freedom and opportunity who have contributed so much. The Shanin Family is typical of the great contributions by immigrants, who, along with native Americans, have made the United States the greatest country in the history of the world.

Mr. REID. Mr. President, I wanted to say this to the Senator from Pennsylvania. Not only is he proud of his family, but certainly they should be proud of him. He has rendered great service to the State of Pennsylvania and to this country. Even though we are in a real quandary for time here, every word he said I appreciate very much. I understand the pride he expresses in his family, as they should in him.

Mr. MOYNIHAN. Mr. President, I believe it is probably the case, although we are not supposed to mention such things on the floor, that the family may be present. I welcome them and congratulate the Senator on such a fine progeny.

Mr. SPECTER. I thank my colleagues for their very kind remarks.

Mr. ROTH. Mr. President, I join my colleagues and say to the Senator's family what pride they should take in you. I know of no Senator that has had a more positive affect on the work of the Senator than Senator SPECTER. I am proud of him.

Mr. SPECTER. I thank my colleagues from Delaware for those very generous comments.

FUNDING FOR THE ARTS IN SOUTH DAKOTA

Mr. JOHNSON. Mr. President, I would like to briefly express my full support for the funding contained in the fiscal year 2001 Interior Appropriations bill for the National Endowment for the Arts (NEA). Yesterday, I joined 72 of my Senate colleagues—Republicans and Democrats alike—in defeating an effort to cut the NEA's budget. The funding level approved in the Senate version of the Interior Appropriations bill is $7 million above that approved by the House of Representatives and represents a modest increase from last year's budget.

Opponents of the NEA claim that it simply subsidizes a small number of wealthy people in the big cities. The truth is that the NEA supports public-private art projects that benefit millions of people across our country; young and old, rich and poor, rural and urban. One needs to simply look at the NEA's role in South Dakota to see how a small percentage of our tax dollars improve the lives of entire communities in our state.

Last year, South Dakota received over $630,000 in grants from the NEA. That equates to nearly one dollar for every resident of our state. NEA grants are coordinated by the South Dakota Arts Council, and this successful federal-local-private relationship supports programs like the L. Frank Baum Oz Festival in Aberdeen. NEA funds were instrumental in getting the Washington Pavilion of Arts and Sciences constructed in Sioux Falls. In fact, the Black Hills Community Theatre and the Black Hills Symphony Orchestra provide year-long entertainment as a direct result of NEA funds. Residents of Brookings benefitted from NEA funding of the Brookings Chamber Music Society, the SDSU-Civic Symphony, and the Prairie Repertory Theatre. Restoration of the Historic Homestake Opera House in Lead has been supported through the NEA. In Pierre, NEA funds have allowed the Capital City Children's Chorus to entertain area residents. Vermillion's historic Shrine to Music Museum receives NEA support for its annual programs, and Watertown's Symphony Orchestra and Town Players theater group also received NEA funds this past year. I just returned from attending a performance of ''Spiritscapes'', a South Dakota cantata, at the Sioux Falls Washington Pavilion which was financed in part by the NEA.

However, it isn't just the larger cities in South Dakota that benefit from NEA funding. Last year, the South Dakota Arts Council funded over 220 weeks of Artists-In-Schools residencies conducted by professional artists at schools and other educational institutions throughout our state. Some of the communities that benefitted from the annual Artists-In-Schools program include: Arlington, Batesland, Belle Fourche, Beresford, Box Elder, Brandon, Buffalo, Canton, Castlewood, Cavour, Centerville, Chester, Clark, Doland, Emery, Fairfax, Faulkton, Garretson, Gettysburg, Harrold, Hartford, Hitchcock, Huron, Kadoka, Kimball, Leola, Madison, Martin, Mission, Mobridge, North Sioux City, Piedmont, Pollock, Porcupine, Revillo, Sisseton, Tyndall, Valley Springs, Wakonda, Waubay, Webster, White River, Wilmot, Woonsocket, and Worthing.

I am pleased to note that NEA funds have been essential in helping to cultivate art on South Dakota's Native American Reservations. Federal funds have supported arts education at the Tiospa Zina Tribal School, the St. Joseph Indian School, the HVJ Lakota Cultural Center, Lower Brule Elementary School, and throughout the Wounded Knee School District. The Northern Plains Tribal Arts festival has also grown into the region's premiere Native American art show and market, in large part to NEA funding.

The total NEA budget amounts to one one-thousandth of one percent of the federal budget. I believe that this extremely modest investment in the NEA is overwhelmingly well spent, thanks to the leadership and creativity of those within the South Dakota arts community. While I am pleased that the Senate was able to once again fight off an attack on the NEA, I hope that we will soon be debating expansion of this federal-local-private partnership with a proven record of success in South Dakota.

FOREIGN DEVELOPMENT AID

Mr. FRIST. Mr. President, since the end of the Second World War, the United States has provided billions of dollars in development assistance worldwide—foreign aid. The goal of that aid has been to bring recipient countries out of poverty.

That is an admirable goal, but in those 40 years, aid has failed to even come close to meeting it.

The most telling regional example is sub-Saharan Africa, home to the greatest number of aid recipients. The countries of the region have received over $200 billion in aid from donors since 1980 and $27 billion from the United States alone in the past 40 years.

As a percentage of Gross Domestic Product, the average of current aid recipient countries in the region far exceeds that of the beneficiaries under the Marshall Plan—the intellectual basis for modern development aid programs and a resounding success for recipients and donors alike. Those percentages are 13.2 percent to 2.5 percent, respectively.

Yet almost every country in Africa that has received aid—some of them since the early 1960s—are no better off now than when they began an aid program. Some are considerably worse off than at any time since their independence. Clearly, no positive link exists between foreign aid—even massive amounts of foreign aid—and bringing recipient countries out of poverty and off dependence on foreign donations.

We must come to the uncomfortable but obvious conclusion that, although very well intentioned in most cases, aid has neither ended poverty on a reasonable scale nor has it supported our policy goals.

But why such a difference in results? The World Bank itself has concluded that development aid can be effective only in an environment of sound economic policies and good economic management. Economic freedoms, rule of law, and governmental and regulatory transparency are essential elements in providing an environment in which aid can reasonably be expected to promote economic growth.

While many internal and external factors contribute to poverty and quality of life for the people in recipient countries, the governments of those recipient countries determine the degree of economic freedom, economic management, and regulatory and transparency which dictate whether development assistance can reasonably be expected to help promote sustained economic growth.

Foreign assistance can improve the lives of individual recipients and institutions to which it is directly applied, unless it brings about necessary changes in the bigger picture, the economy and welfare of the recipients will not change on a nationwide scale to any meaningful degree.

Recipient countries which do not provide economic freedom, sound management, and regulatory transparency do not provide an environment where development assistance can be expected to eliminate poverty and promote economic growth. In some cases, it can even constitute a ''moral hazard,'' where it weakens pressures for necessary changes by supporting institutions or governments that should otherwise be allowed to collapse and clear the way for real reform.

Thus, the provision of development assistance into unreceptive environments does not promote United States' interests nor the people of recipient countries' welfare. Those efforts and funding would thus be more effectively committed elsewhere, or to programs which, over time, will help the intended beneficiaries (the citizens of the countries) change their governments and other factors that contribute to the perpetuation of poverty and support American goals of democracy, economic development and peaceful coexistence.

Congress must be frank and recognize that well-intentioned aid has not worked, and that special interests and those who depend on aid programs for contracts and employment are a great barrier to necessary change.

In recognition of the fact that foreign development aid has not reduced poverty and has not made reasonable progress toward America's goals overseas, I will today introduce legislation which aims to end our spending on programs which, over 40 years, have achieved too little.

The legislation directs the Secretary of State to establish an index of recipient countries which evaluates their degree of economic freedom. The index will be based on trade policy, including the level of tariffs and other barriers to foreign goods and services as well as the extent of corruption in their customs service; taxation policy, including individual and corporate earnings tax rates; the degree of government intervention in the economy; the country's monetary policy; the degree to which the recipient country allows foreign investment, including foreign ownership of business, land, etc., and the extent to which it allows the investor to use the earnings outside the country; the recipient country's banking policies; whether the country has price controls; the degree of property rights and rule of law and whether the government retains ''rights'' to seize property without just cause and due process; the regulatory environment and whether it is just and truly designed to protect consumers, the environment, and economic freedom; and the state of the black market and the response by the recipient government.

The index will rate economic freedom for each country and sets a timetable to phase out or terminate accordingly to governments who do not provide a free environment for economic development. It is constructed to provide incentives for reform and ends support for the undemocratic and predatory governments which often benefit from our assistance.

In addition, Mr. President, the Secretary will also have to provide a description of the total amount of assistance the country receives from all foreign sources; the total revenues from all sources; the total of its own revenues each recipient government spends on eliminating poverty; and the total they spend on military expenditures and whether a legitimate security threat warrants them. From this and the index, Congress will be able to clearly judge the viability of countries as recipients and the degree to which the recipients share our priorities in combating poverty.

This legislation will allow for a degree of honesty about heavily defended aid programs. It will allow Americans to use those resources for other national priorities we know to be effective, or to simply relieve the burden on taxpayers overall. It will set the stage for testing new strategies to combat poverty and pursue American interests across the globe. After 40 years, it's an idea whose time has come.

VICTIMS OF GUN VIOLENCE

Mr. KENNEDY. Mr. President, it has been more than a year since the Columbine tragedy, but still this Republican Congress refuses to act on sensible gun legislation.

Since Columbine, thousands of Americans have been killed by gunfire. Until we act, Democrats in the Senate will read some of the names of those who lost their lives to gun violence in the past year, and we will continue to do so every day that the Senate is session.

In the name of those who died, we will continue this fight. Following are the names of some of the people who were killed by gunfire one year ago today.

July 13, 1999: Debbie Ahl, 39, Nashville, TN; Desiree Battle, Detroit, MI; Antonio Darias, 49, Miami-Dade County, FL; Leonardo Duran, 18, Houston, TX; Doug Harris, 31, Cincinnati, OH; Stefanie Harris, 29, Cincinnati, OH; Romero Jones, 19, St. Louis, MO; Sigmund Linberger, 34, Akron, OH; Michael McKinnon, 18, Nashville, TN; Rodolfo Recendez, 32, Fort Worth, TX; Dylan Sertich, 22, Toledo, OH; Unidentified male, 16, Long Beach, CA; Unidentified male, 35, Nashville, TN.

One of the victims of gun violence I mentioned, 19-year-old Romero Jones from Missouri, grew up in tough circumstances and turned his life around after a troublesome childhood. Romero worked with his city's ''Cease Fire Program'' to reach out to young people to encourage them to give up their involvement with gangs and pursue job training and careers. Romero sat on the stage with President Clinton during the President's 1995 visit to St. Louis to discuss the city's successes in addressing crime.

Romero was shot and killed in what police say was a case of mistaken identity—no drugs or money were found in Romero's home following his tragic death.

We cannot sit back and allow such senseless gun violence to continue. The time has come to enact sensible gun legislation. Our country cannot afford to lose more of its promising young leaders like Romero Jones. His death is a reminder to all of us that we need to act now.

THE VERY BAD DEBT BOXSCORE

Mr. HELMS. Mr. President, at the close of business yesterday, Wednesday, July 12, 2000, the Federal debt stood at $5,664,141,886,637.91 (Five trillion, six hundred sixty-four billion, one hundred forty-one million, eight hundred eighty-six thousand, six hundred thirty-seven dollars and ninety-one cents).

One year ago, July 12, 1999, the Federal debt stood at $5,621,471,000,000 (Five trillion, six hundred twenty-one billion, four hundred seventy-one million).

Five years ago, July 12, 1995, the Federal debt stood at $4,927,811,000,000 (Four trillion, nine hundred twenty-seven billion, eight hundred eleven million).

Ten years ago, July 12, 1990, the Federal debt stood at $3,152,770,000,000 (Three trillion, one hundred fifty-two billion, seven hundred seventy million).

Fifteen years ago, July 12, 1985, the Federal debt stood at $1,792,949,000,000 (One trillion, seven hundred ninety-two billion, nine hundred forty-nine million) which reflects a debt increase of almost $4 trillion—$3,871,192,886,637.91 (Three trillion, eight hundred seventy-one billion, one hundred ninety-two million, eight hundred eighty-six thousand, six hundred thirty-seven dollars and ninety-one cents) during the past 15 years.

ADDITIONAL STATEMENTS

WILLIAM J. BECKHAM, JR. MEMORIAL TRIBUTE

• Mr. LEVIN. Mr. President, I want to pay tribute to the life of one of Michigan's great civic leaders, William J. Beckham, Jr. After living a remarkably accomplished life, sadly, Bill passed away April 27 while on vacation with his beloved wife, Mattie Maynard Beckham. This week, Bill's friends and colleagues and members of the Senate and the House will come together in our Nation's capital to celebrate his memory and his legacy.

Bill loved life and all the important things in it—his family, his friends, school kids, and his African American heritage. Bill loved the difference that he was making in Michigan through his work on school reform—enhancing and expanding the quality of education for all students in the Detroit public school system. Behind Bill's dignified, gentle yet deliberate manner was a fierce determination to help improve the everyday lives of families. Multitudes were beneficiaries of his visionary efforts. He showed that character and the principles of hard work, integrity and perseverance can transform one's dreams into reality. He has left a mark of great achievement in civil rights, education, economic and political reform.

Bill had a distinguished career of public service in Michigan, which included positions as Vice Chair of the School Board for the Detroit Public Schools, Chairman of the Schools of the 21st Century Corporation, President and Trustee of The Skillman Foundation, the first Deputy Mayor of Detroit, and President of New Detroit, Inc. His successful career in the private sector included key leadership positions at Burroughs/Unisys Corporation, Envirotest Systems Corporation in Phoenix and the Ford Motor Company.

Bill also enjoyed a long and noteworthy career in federal service from 1967 through the early 1980s. Over a period of eight years, he served Senator Phil Hart in several capacities including Policy Adviser in his Washington office for four years, Chief of Staff of the Senator's office in Detroit for three years, and Campaign Assistant for one year. Bill subsequently served as Staff Director to the House Education and Labor Subcommittee on Equal Opportunity, chaired by Representative Gus Hawkins. Sought out by President Jimmy Carter, Bill was nominated and confirmed first as Assistant Secretary of the U.S. Department of the Treasury and later as Deputy Secretary of the U.S. Department of Transportation.

During his tenure on Capitol Hill, Bill joined with several of his staff colleagues to establish the first minority congressional staff group to study and act on the political and legislative demands of minority communities nationwide. The group's pioneering efforts in Quitman and Cohoma Counties in Mississippi, along with civil rights leader JOHN LEWIS and, my brother, SANDER LEVIN (both of whom now serve in the House) helped to mark a new and powerful political and participatory direction for the people of the Mississippi Delta. Wise and loyal colleagues—Gordon Alexander, Jackie Parker, Judy Jackson, Willa Rawls Dumas, Alan Boyd, Dora Jean Malachi, Mattie Barrow and Bob Parker—declared Bill their leader. The group moved ahead and soon designed the legendary mission to the Mississippi Delta; and, under the direction of Julian Bond of the then-Southern Elections Fund, pursued other worthy political initiatives, during a time when there was only a handful of minority elected officials nationwide.

Mr. President, I include for the RECORD the names of the members of the William J. Beckham, Jr. Memorial Committee, all of whom were former staff colleagues of Bill's during his tenure of federal service, including my current Deputy Legislative Director Jackie Parker. These devoted friends and former colleagues organized this week's great tribute to Bill and will be attesting, along with others, to the truly incredible life that Bill led and the impact he had on their lives. They are as follows:

WILLIAM J. BECKHAM, JR. MEMORIAL COMMITTEE

Gordon Alexander, Legislative Assistant, former Senator Birch Bayh

*President, 40+ Parenting, Inc.

Robert Bates, former Special Assistant, Senator Edward Kennedy

Alan Boyd, Senior Aide, former Senator Clifford Case

*Charitable Games Control Board

George Dalley, former Chief of Staff, Rep. Charles Rangel

Winifred Donaldson, Chief of Staff, former Rep. Andy Jacobs

Willa Rawls Dumas, Office Manager, former Rep. Silvio Conti

*Vice President for Administration, Directions Data, Inc.

Ernestine Hunter, Senior Aide, former Senator John Glenn

Judy Jackson, Senior Aide, former Rep. Bob Eckhardt and Ex Assistant,

Senate Finance Committee
*Executive Assistant, TRESP Associates
Carolyn Jordan, Legislative Assistant, former Senator Alan Cranston and Counsel, Senate Banking Committee
*Executive Director, National Credit Union Administration
Dora Jean Malachi, Senior Aide to former Senator Walter Huddleston and Senate Budget Committee
Mary Maynard, Clerk, House Subcommittee on Equal Opportunity
*AFL–CIO Legislative Division
Jackie B. Parker, Legislative Assistant, former Rep. James A. Burke
*Deputy Legislative Director, Senator Carl Levin
Annette C. Wilson, *U.S. Department of Transportation
*Currently

Mr. President, Bill leaves his beloved mother, Gertrude; his wife Mattie, their two children, Monica and Jeffrey; Bill's three older sons, William, III, Jonathan, and Reverend Eric Beckham; his two sisters Connie Evans and Elaine Beckham of Florida; his brother Charles of Detroit; seven grandchildren, and enumerable friends. Together we will celebrate his life and cherish his memory.●

TRIBUTE TO ADMIRAL JAY L. JOHNSON

● Mr. WARNER. Mr. President, I rise today to recognize and honor Admiral Jay L. Johnson, United States Navy, our 26th Chief of Naval Operations, as he prepares to turn over the helm of the United States Navy to his successor.

As former Secretary of the Navy and a member of the Armed Services Committee for 22 years, I have worked closely with every Chief of Naval Operations since 1969. Admiral Johnson, in my view, ranks with the finest of this long line of great Chiefs.

Thirty-six years ago, on the 30th of June, 1964, a young Midshipmen Johnson raised his hand on Tecumseh Court at the United States Naval Academy and took his oath of office to support and defend the Constitution. In the years since that day he has devoted indeed all of his great energy and talent to that task. Oceans of water have passed beneath the keels of the ships he has commanded and many men and women have stood proudly on their decks. He has been steadfast in his covenant to this nation and his devotion to those with whom he has served. An illustrious career gives eloquent testimony to his service to our country and his leadership of its Navy.

He was commissioned an Ensign upon his graduation in 1968 and, demonstrating exceptional tactical and technical acumen, he soloed in both propeller and jet aircraft within six months, setting the pace for a most impressive future.

His first sea duty tour was aboard U.S.S. *Oriskany* (CVA 34), where he made two combat cruises flying and fighting the F–8J Crusader over Vietnam with the Hellcats of VF–191. He flew the F–14 Tomcat as a Ghostrider of VF–142, a Grim Reaper of VF–101, and as Commanding Officer of the Jolly Rogers of VF–84.

Admiral Johnson's follow-on sea tours demonstrated the tactical brilliance and the consensus-building skills that would characterize his tenure as CNO. As Commander, Carrier Air Wing ONE, he planned and coordinated the joint Navy and Air Force air strikes against Libya in response to terrorist acts in Europe. In this same carrier airwing, he successfully integrated the F/A–18C with the F–14, providing a superior day-night combat capability to our forward-deployed carrier battle groups.

Admiral Johnson's early shore assignments reinforced his commitment to our Sailors as he served in the Bureau of Naval Personnel, detailing junior aviation officers. His selection to the prestigious Chief of Naval Operations' Strategic Studies Group further cemented his reputation as a Naval Warfare visionary, and marked him as a future leader of our nation's Navy.

As a new Flag Officer, Admiral Johnson went back to the Bureau of Naval Personnel, where his profound concern for the well being of our Sailors resulted in dramatic improvements in retention and support of our Fleet Sailors. It is particularly noteworthy that these institutional changes were orchestrated at the same time he was coordinating the Navy's activation and call-up of Reserve Sailors in support of Operation Desert Shield and Desert Storm.

Back to sea in command of U.S.S. *Theodore Roosevelt* Battle Group, his tactical acumen and diplomatic skills proved key to a more efficient and combat-ready coalition of forces in Bosnian Theater operations.

But nowhere was Admiral Johnson's leadership, focus on mission execution, and consensus-building skill more brilliantly demonstrated than in his next assignment as Commander, Second Fleet: Striking Fleet Atlantic and Joint Task Force 120. He simultaneously guided the *Eisenhower* Battle Group through preparations for its deployment to the Sixth Fleet while serving as the Deputy Commander for Operation Uphold Democracy, which restored the democratically elected government to Haiti.

After serving as the Vice-Chief of Naval Operations, Admiral Johnson took the helm of our Navy as its 26th Chief. He has exemplified the quiet dignity and honor of that office, ably and wisely counseling leaders at the highest echelons of our Government. His leadership, integrity and foresight have set a true and steady course for the Navy as it transitions into the 21st century. It has been written in ancient annals that ''anyone can hold the helm when the sea is calm.'' This man took the helm of our Navy in heavy seas. Steering by a constellation of four guide stars—Operational Primacy, Leadership, Teamwork, and Pride—Admiral Johnson guided the Navy through the shoals of four tempestuous years, balancing mandated reductions in forces with dramatically increased operational tasking. The Fleet's mission accomplishment in our forward operating areas overseas—at the tip of the spear—was never placed in doubt. And never for a moment did he loose sight of the interests of the men and women of our Navy.

Admiral Johnson empowered the Navy's commanding officers by removing unnecessary inspections and burdensome paperwork, and gave these skippers the opportunity to lead and truly command their ships, submarines, squadrons, and SEAL teams. He also led the Joint Chiefs of Staff in calling for much-needed increases in the Navy's budget: Pay Table Reform and the reform of the Retirement Program are resulting in dramatic increases in retention of the Navy's most valuable asset—our Sailors.

Admiral Johnson's legacy for the future of Naval Warfare is embodied in his vision of the Navy at sea and ashore. At sea, he has boldly committed his service to build upon the Navy's strategy laid down in ''Forward From the Sea'' and the Marine Corps' ''Operational Maneuver From the Sea.'' He has championed the creation of a Navy and Marine Corps team that will directly and decisively influence events ashore—anytime, anywhere. He has focused the Navy's research, development and investment capital upon improving the Fleet's ability to conduct Land Attack Warfare, Theater Air and Missile Defense, and Organic Mine Warfare. Admiral Johnson has prepared the Sailors and the Fleet to defeat future threats and he has created an information technology revolution at sea, which is dramatically and irreversibly changing the way we employ our Navy in peacetime, crisis, and war.

Ashore, Admiral Johnson has re-invigorated the Naval War College, reminding us of the years prior to World War II, when the Navy's war games anticipated nearly every enemy operation. He has conducted Battle Experiments with cutting-edge technology and brought together the best minds of government, academia, business, and the military to create new rule sets for an international security environment characterized by an Internet-driven, global economy.

Standing beside this officer throughout his superb career has been his wife Garland, a lady to whom he owes much. She has been his key supporter, devoting her life to her husband, to her family and to the men and women of the Navy family. She has traveled by his side for these many years visiting the Fleet. Her sacrifice and devotion have served as an example and inspiration for others. This team has served our Navy well and we will miss them both.

With these words before the Senate, I seek to recognize Admiral Johnson for his unswerving loyalty to the Navy and the Nation. From the beginning, he has been a model Naval officer who has always done his duty to God and to Country. It has been my personal good fortune, and the Senate's good fortune as a whole, to witness Admiral Johnson's leadership of the finest Navy in the world.

The Department of the Navy and the American people have been served well on his watch. The men and women of the United States Navy will not forget the leadership, service and dedication of Admiral Johnson as he has left the Navy better prepared to face the challenges and opportunities of the 21st century.

We thank him and wish Jay, and his lovely wife Garland, fair winds and following seas as they continue forward in what will most assuredly remain lives of service to this Great Nation.●

NORTHAMPTON COUNTY CELEBRATES ITS 250TH ANNIVERSARY

● Mr. SANTORUM. Mr. President, I rise today to recognize Northampton County, Pennsylvania as it begins preparation for its 250th anniversary. Northampton County was established in 1752, thus its official celebration will not occur until March 11, 2002. However, on June 26, 2000, Northampton County kicked off this celebration with a lunch designed to draw support and preparation for the events in 2002.

Jerry Seyfried, former county executive and current court administrator, is coordinating the celebration preparations. He mentioned some of the events that are in the works, including a parade on September 23, 2001, a historic family treasure hunt, a black-tie gala, and a sports showcase. Most importantly, the celebrations will be geared toward local schools, churches and ethnic groups. This celebration is expected to be the largest event that Northampton County has ever undertaken.

Northampton County has served as a crucial part of Pennsylvania's history, and I commend the area for initiating such a tremendous celebration for this most historic event. I look forward to the upcoming festivities in 2002 and hope to participate in them.●

MESSAGES FROM THE PRESIDENT

Messages from the President of the United States were communicated to the Senate by Ms. Evans, one of his secretaries.

EXECUTIVE MESSAGES REFERRED

As in executive session the Presiding Officer laid before the Senate messages from the President of the United States submitting two treaties and sundry nominations which were referred to the appropriate committees.

(The nominations received today are printed at the end of the Senate proceedings.)

MESSAGE FROM THE HOUSE

At 12:26 p.m., a message from the House of Representatives, delivered by Ms. Niland, one of its reading clerks, announced that the House has passed the following bills, in which it requests the concurrence of the Senate:

H.R. 4169. An act to designate the facility of the United States Postal Service located at 2000 Vassar Street in Reno, Nevada, as the ''Barbara F. Vucanovich Post Office Building.''

H.R. 4447. An act to designate the facility of the United States Postal Service located at 919 West 34th Street in Baltimore, Maryland, as the ''Samuel H. Lacy, Sr. Post Office Building.''

At 5:16 p.m., a message from the House of Representatives, delivered by Mr. Hays, one of its reading clerks, announced that the House has passed the following bill, in which it requests the concurrence of the Senate:

H.R. 4811. An act making appropriations for foreign operations, export financing, and related programs for the fiscal year ending September 30, 2001, and for other purposes.

ENROLLED BILLS SIGNED

At 6:15 p.m., a message from the House of Representatives, delivered by Ms. Niland, one of its reading clerks, announced that the Speaker has signed the following enrolled bills:

S. 986. An act to direct the Secretary of the Interior to convey the Griffith Project to the Southern Nevada Water Authority.

S. 1892. An act to authorize the acquisition of the Valles Caldera, to provide for an effective land and wildlife management program for this resource within the Department of Agriculture, and for other purposes.

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

MEASURES REFERRED

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

H.R. 4169. An act to designate the facility of the United States Postal Service located at 2000 Vassar Street in Reno, Nevada, as the ''Barbara F. Vucanovich Post Office Building''; to the Committee on Government Affairs.

H.R. 4447. An act to designate the facility of the United States Postal Service located at 919 West 34th Street in Baltimore, Maryland, as the ''Samuel H. Lacy, Sr. Post Office Building''; to the Committee on Government Affairs.

MEASURES PLACED ON THE CALENDAR

The following bill was read the second time, and placed on the calendar:

H.R. 894. An act to encourage States to incarcerate individuals convicted of murder, rape, or child molestation.

EXECUTIVE AND OTHER COMMUNICATIONS

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

EC–9682. A communication from the Acting Director of the Office of Surface Mining, Department of the Interior, transmitting, pursuant to law, the report of a rule entitled ''Pennsylvania Regulatory Program'' (SPATS No. PA-129-FOR) received on June 21, 2000; to the Committee on Energy and Natural Resources.

EC–9683. A communication from the Assistant General Counsel for Regulatory Law, Office of Environment, Safety and Health, Department of Energy, transmitting, pursuant to law, the report of a rule entitled ''DOE Standard; Design Criteria Standard for Electronic Records Management Software Applications'' (DOE-STD-4001-2000) received on June 29, 2000; to the Committee on Energy and Natural Resources.

EC–9684. A communication from the Assistant General Counsel for Regulatory Law, Office of Energy Efficiency and Renewable Energy, Department of Energy, transmitting, pursuant to law, the report of a rule entitled ''Extension of DOE O 430.2, In-House Energy Management'' (DOE N 430 .2) received on June 29, 2000; to the Committee on Energy and Natural Resources.

EC–9685. A communication from the Assistant General Counsel for Regulatory Law, Office of the Chief Financial Officer, Department of Energy, transmitting, pursuant to law, the report of a rule entitled ''Extension of DOE O 430.2, In-House Energy Management'' (DOE N 430.2) received on June 29, 2000; to the Committee on Energy and Natural Resources.

EC–9686. A communication from the Assistant General Counsel for Regulatory Law, Office of Environment, Safety and Health, Department of Energy, transmitting, pursuant to law, the report of a rule entitled ''DOE Standard; Guide to Good Practices for Lockouts and Tagouts'' (DOE-STD-1030-96) received on June 29, 2000; to the Committee on Energy and Natural Resources.

EC–9687. A communication from the Assistant General Counsel for Regulatory Law, Office of Environment, Safety, and Health, Department of Energy, transmitting, pursuant to law, the report of a rule entitled ''DOE Standard; Specifications for HEPA Filters Used by DOE Contractors'' (DOE-STD-3020-97) received on June 29, 2000; to the Committee on Energy and Natural Resources.

EC–9688. A communication from the Assistant General Counsel for Regulatory Law, Office of the Environment, Safety and Health, Department of Energy, transmitting, pursuant to law, the report of a rule entitled ''DOE Standard; Safety of Magnetic Fusion Facilities: Requirements'' (DOE-STD-6002-96) received on June 29, 2000; to the Committee on Energy and Natural Resources.

EC–9689. A communication from the Assistant General Counsel for Regulatory Law, Office of Security and Emergency Operations, Department of Energy, transmitting, pursuant to law, the report of a rule entitled ''Standardization of Chemical Protective Equipment for Protective Forces and Special Agents'' (DOE N 473.3) received on June 29, 2000; to the Committee on Energy and Natural Resources.

EC–9690. A communication from the Assistant General Counsel for Regulatory Law, Office of Security and Emergency Operations, Department of Energy, transmitting, pursuant to law, the report of a rule entitled ''Security Area Vouching and Piggybacking'' (DOE N 473.5) received on June 29, 2000; to the Committee on Energy and Natural Resources.

EC–9691. A communication from the Secretary of the Interior, transmitting, pursuant to law, a report relative to the Missouri National Recreational River; to the Committee on Energy and Natural Resources.

EC–9692. A communication from the Comptroller General, General Accounting Office transmitting, pursuant to law, a report relative to the Trans-Alaska Pipeline Liability

Fund; to the Committee on Energy and Natural Resources.

EC–9693. A communication from the Assistant Secretary of Land and Minerals Management, Department of the Interior, transmitting, pursuant to law, the report of a rule entitled ''Alaska Native Veterans Allotments'' (RIN 1004-AD34) received on June 29, 2000; to the Committee on Energy and Natural Resources.

EC–9694. A communication from the Secretary of Energy, transmitting, pursuant to law, a report relative to the strategic petroleum reserve plan; to the Committee on Energy and Natural Resources.

EC–9695. A communication from the Secretary of Energy, transmitting, pursuant to law, the report relative to the fleet alternative fuel vehicle acquisition for fiscal year 1999; to the Committee on Energy and Natural Resources.

EC–9696. A communication from the Assistant Secretary for Fish and Wildlife and Parks, Department of the Interior, transmitting, a draft of proposed legislation entitled to amend the Cache La Poudre River Corridor Act to make technical corrections, and for other purposes; to the Committee on Energy and Natural Resources.

EC–9697. A communication from the Assistant Legal Adviser for treaty Affairs, Department of State, the report of the texts of international agreements, other than treaties, and background statements; to the Committee on Foreign Relations.

EC–9698. A communication from the Director of the Office of Management and Budget, Executive Office of the President, transmitting, pursuant to law, the report of the pay-as-you-go calculations dated June 30, 2000; to the Committee on the Budget.

EC–9699. A communication from the Secretary of Defense, transmitting, pursuant to law, the report relative to the Cooperative Threat Reduction Program; to the Committee on Armed Services.

EC–9700. A communication from the Chief of the Regulations Branch, U.S. Customs Service, Department of the Treasury, transmitting, pursuant to law, the report a rule entitled ''Export Certificates for Sugar-Containing Products Subject to Tariff-Rate Quota'' (RIN1515-AC55) received on July 11, 2000; to the Committee on Finance.

EC–9701. A communication from the Assistant General Counsel for Regulatory Law, Office of the Environment, Safety and Health, Department of Energy, transmitting, pursuant to law, the report of a rule entitled ''State Child Health; State Children's Health Insurance Program Allotments and Payments to States (HCFA-2114-F)'' (RIN0938-AH64) received on July 12, 2000; to the Committee on Energy and Natural Resources.

EC–9702. A communication from the Deputy Executive Secretary, Administration for Children and Families, Department of Health and Human Services, transmitting, pursuant to law, the report a rule entitled ''Methodology for Determining Whether an Increase in a State or Territory's Child Poverty Rate is the Result of the TANF Program'' (RIN0970-AB65) received on July 12, 2000; to the Committee on Finance.

EC–9703. A communication from the Commissioners of the National Commission on Terrorism, transmitting, pursuant to law, the report entitled ''Countering The Changing Threat Of International Terrorism''; to the Committee on the Judiciary.

EC–9704. A communication from the Deputy Executive Secretary to the Department of Health and Human Services (Office of Public Health and Science), transmitting, pursuant to law, the report of a rule entitled ''Standards of Compliance of Abortion-Related Services in Family Planning Services Projects'' (RIN0940-AA00) received on July 12, 2000; to the Committee on Health, Education, Labor, and Pensions.

EC–9705. A communication from the Secretary of Health and Human Services, transmitting, pursuant to law, the report entitled ''Tenth Special Report on Alcohol and Health''; to the Committee on Health, Education, Labor , and Pensions.

EC–9706. A communication from the Secretary of Defense, transmitting, pursuant to law, a notice relative to the National Missile Defense system report; to the Committee on Armed Services.

EC–9707. A communication from the Under Secretary of Defense for Acquisition, Technology and Logistics, transmitting, pursuant to law, the report entitled ''Integrated Chemical and Biological Research, Development and Acquisition Plan for the Departments of Defense and Energy''; to the Committee on Armed Services.

EC–9708. A communication from the Assistant Secretary for Legislative Affairs, Department of State, transmitting, pursuant to law, the report of the status of the exercise of rights and responsibilities of the United States under the Panama Canal Treaty for fiscal year 1999; to the Committee on Armed Services.

EC–9709. A communication from the Under Secretary of Defense (Acquisition and Technology), transmitting, pursuant to law, the report on the Defense Environmental Quality Program for fiscal year 1999; to the Committee on Armed Services.

EC–9710. A communication from the Secretary of Energy, transmitting, the report of a revised fiscal year 2001 budget request regarding weapons activities; to the Committee on Armed Services.

EC–9711. A communication from the Secretary of Defense, transmitting, a notice relative to a retirement; to the Committee on Armed Services.

EC–9712. A communication from the Under Secretary of the Defense (Acquisition and Technology), transmitting, pursuant to law, the report entitled ''Activities and Programs for Countering Proliferation and NBC Terrorism''; to the Committee on Armed Services.

EC–9713. A communication from the Chairman and Chief Executive Officer of the Farm Credit Administration, transmitting, pursuant to law, the report of a rule entitled ''12 C.F.R. Part 612-Standards of Conduct'' (RIN3052-AB95) received on June 21, 2000; to the Committee on Agriculture, Nutrition, and Forestry.

EC–9714. A communication from the Director of the Office of the Regulatory Management and Information, Environmental Protection Agency, transmitting, pursuant to law, the report of a rule entitled ''Prallethrin; Pesticide Tolerance'' (FRL6499-5) received on June 21, 2000; to the Committee on Agriculture, Nutrition, and Forestry.

EC–9715. A communication from the Associate Administrator, Agricultural Marketing Service, Fruit and Vegetable Programs, Department of Agriculture, transmitting, pursuant to law, the report of a rule entitled ''Almonds Grown in California; Release of the Reserve Established for the 1999-2000 Crop Year'' (FV00-981-1 FIR) received on June 28, 2000; to the Committee on Agriculture, Nutrition, and Forestry.

EC–9716. A communication from the Congressional Review Coordinator, Animal and Plant Health Inspection Service, Department of Agriculture, transmitting, pursuant to law, the report of a rule entitled ''Scrapie Pilot Projects'' received on June 28, 2000; to the Committee on Agriculture, Nutrition, and Forestry.

EC–9717. A communication from the Associate Administrator, Agricultural Marketing Service, Fruit and Vegetable Programs, Department of Agriculture, transmitting, pursuant to law, the report of a rule entitled ''Walnuts Grown in California; Report Regarding Interhandler Transfers of Walnuts'' (FV00984-1-FR) received on June 28, 2000; to the Committee on Agriculture, Nutrition, and Forestry.

EC–9718. A communication from the Administrator of the Food Safety and Inspection Service, Department of Agriculture, transmitting, pursuant to law, the report of a rule entitled ''Elimination of Requirements for Partial Quality Control Programs'' (RIN0583-AC35) received on June 29, 2000; to the Committee on Agriculture, Nutrition, and Forestry.

EC–9719. A communication from the Administrator & Executive Vice President, Commodity Credit Corporation, Farm Service Agency, Department of Agriculture, transmitting, pursuant to law, a report of a rule entitled ''1999 Marketing Quotas and Price Support Levels for Fire-Cured (Type 21), Fire-Cured (Type-22), Dark Air-Cured (Types 35-36), Virginia Sun-Cured (Type 37), and Cigar-Filler and Binder (Types 42-44 and 53-55) tobaccos'' (RIN0560-AF51) received on June 30, 2000; to the Committee on Agriculture, Nutrition, and Forestry.

EC–9720. A communication from the Acting Administrator for the Farm Service Agency, Department of Agriculture, transmitting, pursuant to law, the report of a rule entitled ''Lamb Meat Adjustment Assistance Program'' (RIN0560-AG17) received on June 20, 2000; to the Committee on Agriculture, Nutrition, and Forestry.

EC–9721. A communication from the Congressional Review Coordinator of the Animal and Plant Health Inspection Service, Department of Agriculture, transmitting, pursuant to law, the report of a rule entitled ''Importation of Gypsy Moth Host Material From Canada'' received on June 20, 2000; to the Committee on Agriculture, Nutrition, and Forestry.

EC–9722. A communication from the Congressional Review Coordinator of the Animal and Plant Health Inspection Service, Department of Agriculture, transmitting, pursuant to law, the report of a rule entitled ''Hawaii Animal Import Center'' received on June 20, 2000; to the Committee on Agriculture, Nutrition, and Forestry.

EC–9723. A communication from the Inspector General, Department of Agriculture, transmitting, pursuant to law, a report relative to the Food Safety Initiative; to the Committee on Agriculture, Nutrition, and Forestry.

EC–9724. A communication from the Congressional Review Coordinator of the Animal and Plant Health Inspection Service, Department of Agriculture, transmitting, pursuant to law, the report of a rule entitled ''Melon Fruit Fly; Removal of Quarantined Area'' received on June 26, 2000; to the Committee on Agriculture, Nutrition, and Forestry.

EC–9725. A communication from the Director of the Office of Regulatory Management and Information, Environmental Protection Agency, transmitting, pursuant to law, the report of two rules entitled ''Fludioxonil; Extension of Tolerance for Emergency Exemption'' (FRL6590-3) and ''Tebufenenozide; Pesticide Tolerances for Emergency Exemptions'' (FRL6590-1) received on July 5, 2000; to the Committee on Agriculture, Nutrition, and Forestry.

EC–9726. A communication from the Associate Administrator, Agricultural Marketing Service, Fruit and Vegetable Programs, Department of Agriculture, transmitting, pursuant to law, the report of a rule entitled ''Onions Grown in Certain Designated Counties in Idaho, and Malheur County, Oregon; Decreased Assessment Rate'' (FV00-958-1-FR) received on July 5, 2000; to the Committee on Agriculture, Nutrition, and Forestry.

EC–9727. A communication from the Associate Administrator, Agricultural Marketing Service, Fruit and Vegetable Programs, Department of Agriculture, transmitting, pursuant to law, the report of a rule entitled ''Hazelnuts Grown in Oregon and Washington; Establishment of Interim and Final Free and Restricted Percentages for the 1999-2 Marketing Year'' (FV00-982-1 FIR) received on July 5, 2000; to the Committee on Agriculture, Nutrition, and Forestry.

EC–9728. A communication from the Associate Administrator, Agricultural Marketing Service, Fruit and Vegetable Programs, Department of Agriculture, transmitting, pursuant to law, the report of a rule entitled ''Marketing Order Regulating the Handling of Spearmint Oil Produced in the Far West; Decreased Assessment Rate'' received on July 5, 2000; to the Committee on Agriculture, Nutrition, and Forestry.

EC–9729. A communication from the Associate Administrator, Agricultural Marketing Service, Fruit and Vegetable Programs, Department of Agriculture, transmitting, pursuant to law, the report of a rule entitled ''Raisins Produced From Grapes Grown In California; Final Free and Reserve Percentages for 1999-2000 Crop Natural (Sun-Dried) Seedless and Zante Currant Raisins'' received on July 5, 2000; to the Committee on Agriculture, Nutrition, and Forestry.

EC–9730. A communication from the Administrator, Food and Nutrition Service, Department of Agriculture, transmitting, pursuant to law, the report of a rule entitled ''Food Stamp Program: Electronic Benefit Transfer Benefit Adjustments'' (RIN0584-AC61) received on July 10, 2000; to the Committee on Agriculture, Nutrition, and Forestry.

EC–9731. A communication from the Associate Administrator, Agricultural Marketing Service, Fruit and Vegetable Programs, Department of Agriculture, transmitting, pursuant to law, the report of a rule entitled ''Fresh Bartlett Pears Grown in Oregon and Washington; Decreased Assessment Rate'' FV00931-1-IFR) received on July 10, 2000; to the Committee on Agriculture, Nutrition, and Forestry.

EC–9732. A communication from the Associate Administrator, Agricultural Marketing Service, Fruit and Vegetable Programs, Department of Agriculture, transmitting, pursuant to law, the report of a rule entitled ''Cranberries Grown in States of Massachusetts, Rhode Island, Connecticut, New Jersey, Wisconsin, Michigan, Minnesota, Oregon, Washington, and Long Island in the State of New York; Establishment of Marketable Quantity and Allotment Percentage and Other Modifications Under the Cranberry Marketing Order'' (FV00929-2FR) received on July 11, 2000; to the Committee on Agriculture, Nutrition, and Forestry.

EC–9733. A communication from the Associate Administrator, Agricultural Marketing Service, Fruit and Vegetable Programs, Department of Agriculture, transmitting, pursuant to law, the report of a rule entitled ''Irish Potatoes Grown in Modoc and Siskiyou Counties, California, and in all Counties in Oregon, except Malheur County; Suspension of Handling, Reporting, and Assessment Collection Regulations'' (FV00-947-1 IFR) received on July 11, 2000; to the Committee on Agriculture, Nutrition, and Forestry.

EC–9734. A communication from the Director of the Office of Regulatory Management and Information, Environmental Protection Agency, transmitting, pursuant to law, the report of three items entitled ''Health Effects Test Guidelines: OPPTS 870.3050 Repeated Dose 28-Day Oral Toxicity Study in Rodents'', ''Health Effects Test Guidelines: OPPTS 870.3550 Reproduction/Developmental Toxicity Screening Test'', ''Health Effects Test Guidelines: OPPTS 870.3650 Combined Repeated Dose Toxicity Study with the Reproduction/Development Toxicity Screening Test''; to the Committee on Agriculture, Nutrition, and Forestry.

EC–9735. A communication from the Congressional Review Coordinator of the Animal and Plant Health Inspection Service, Department of Agriculture, transmitting, pursuant to law, the report of a rule entitled ''Change in Disease Status of Japan Because of Rinderpest and Foot-and-Mouth Disease'' received on July 12, 2000; to the Committee on Agriculture, Nutrition, and Forestry.

EC–9736. A communication from the Congressional Review Coordinator of the Animal and Plant Health Inspection Service, Department of Agriculture, transmitting, pursuant to law, the report of a rule entitled ''Change in Disease Status of the Republic of Korea Because of Rinderpest and Foot-and-Mouth Disease'' received on July 12, 2000; to the Committee on Agriculture, Nutrition, and Forestry.

EC–9737. A communication from the Administrator of the Risk Management Agency, Department of Agriculture, transmitting, pursuant to law, the report of a rule entitled ''Catastrophic Risk Protection Endorsement; Regulations for the 1999 and Subsequent Reinsurance Years; Group Risk Plan of Insurance Regulations for the 2000 and Succeeding Crop Years, and the Common Crop Insurance Regulations; Basic Provisions'' (RIN0563-AB81) received on July 12, 2000; to the Committee on Agriculture, Nutrition, and Forestry.

EC–9738. A communication from the Director of the Office of Personnel Management (Insurance Policy and Information Division), transmitting, pursuant to law, the report of a rule entitled ''Federal Employees Health Benefits Program and Department of Defense Demonstration Project Amendment to 48 CFR, Chapter 16'' (RIN3206-AI67) received on June 5, 2000; to the Committee on Governmental Affairs.

EC–9739. A communication from the Director of the Office of Personnel Management (Insurance Policy and Information Division), transmitting, pursuant to law, the report of the Inspector General for the period of October 1, 1999 through March 31, 2000; to the Committee on Governmental Affairs.

EC–9740. A communication from the Secretary of the Interior, transmitting, the report entitled ''Partners in Stewardship'' for fiscal year 1999; to the Committee on Governmental Affairs.

EC–9741. A communication from the Director of the Office of Personnel Management, transmitting, pursuant to law, the report of the Inspector General for the period of of October 1, 1999 through March 31, 2000; to the Committee on Governmental Affairs.

EC–9742. A communication from the Director of the Census Bureau, Department of Commerce, transmitting, pursuant to law, the report of the rule entitled ''Foreign Trade Statistics Regulations: Amendment to clarify exporters' and forwarding agents' responsibilities in preparing the Shipper's Export Declaration or filing the information electronically using the Automated Export System and related provisions'' (RIN0607-AA20) received on July 10, 2000; to the Committee on Governmental Affairs.

EC–9743. A communication from the Director of the Office of Personnel Management, Workforce Compensation and Performance, transmitting, pursuant to law, the report of a rule entitled ''Pay Administration; Payments During Evacuation'' (RIN3206-AI76) received on July 10, 2000; to the Committee on Governmental Affairs.

EC–9744. A communication from the Director of the Office of Personnel Management (Employment Service), transmitting, pursuant to law, the report of a rule entitled ''Appointments of Persons with Psychiatric Disabilities'' (RIN3206-AI94) received on July 10, 2000; to the Committee on Governmental Affairs.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. THOMPSON, from the Committee on Governmental Affairs, with amendments:

H.R. 208: A bill to amend title 5, United States Code, to allow for the contribution of certain rollover distributions to accounts in the Thrift Savings Plan, to eliminate certain waiting-period requirements for participating in the Thrift Savings Plan, and for other purposes (Rept. No. 106–343).

INTRODUCTION OF BILLS AND JOINT RESOLUTIONS

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

By Mr. GRAMS:

S. 2858. A bill to amend title XVIII of the Social Security Act to ensure adequate payment rates for ambulance services, to apply a prudent layperson standard to the determination of medical necessity for emergency ambulance services, and to recognize the additional costs of providing ambulance services in rural areas; to the Committee on Finance.

By Mr. SCHUMER:

S. 2859. A bill to provide assistance to States in reducing the backlog of casework files awaiting DNA analysis and to make DNA testing available in appropriate cases to convicted Federal and States offenders; to the Committee on the Judiciary.

By Mr. ENZI:

S. 2860. A bill for the relief of Sammie Martine Orr; to the Committee on the Judiciary.

By Mr. FRIST:

S. 2861. A bill to establish a biannual certification of eligibility for development assistance based on the level of economic freedom of countries receiving United States development assistance and to provide for a phase-out of that assistance based on the certification, and for other purposes; to the Committee on Foreign Relations.

By Mr. SANTORUM:

S. 2862. A bill to suspend temporarily the duty on Exisulind; to the Committee on Finance.

By Mr. SMITH of New Hampshire:

S. 2863. A bill to prohibit use or sharing of medical health records or information by financial institutions and their affiliates, and for other purposes; to the Committee on Banking, Housing, and Urban Affairs.

By Mr. SCHUMER:

S. 2864. A bill to authorize the Secretary of Transportation to issue a certificate of documentation with appropriate endorsement for employment in the coastwise trade for the vessel R'ADVENTURE II; to the Committee on Commerce, Science, and Transportation.

By Mr. ROBB (for himself and Mr. WARNER):

S. 2865. A bill to designate certain land of the National Forest System located in the State of Virginia as wilderness; to the Committee on Energy and Natural Resources.

By Mr. STEVENS (for himself, Mr. JEFFORDS, Mr. KENNEDY, Mr. DODD, Mr. DOMENICI, Mr. KERRY, Mr. BOND, Mr. VOINOVICH, Mr. LAUTENBERG, Mr. COCHRAN, Mrs. MURRAY, Mr. SMITH of Oregon, Mr. BINGAMAN, Mr. L. CHAFEE, Mr. DURBIN, Mr. MURKOWSKI, Mr. ROBERTS, Mr . ROBB, Mr. ROCKEFELLER, Mr. WELLSTONE, Mrs. FEINSTEIN, Ms. MIKULSKI, Ms. SNOWE, Mrs. BOXER, Mr. KERREY, and Mr. WARNER):

S. 2866. A bill to provide for early learning programs, and for other purposes; to the Committee on Health, Education, Labor, and Pensions.

By Mr. DEWINE:

S. 2867. A bill to provide for the funding and administration of a Veterans Mission for Youth Initiative within the Troops-to-Teachers Program; to the Committee on Health, Education, Labor, and Pensions.

By Mr. FRIST (for himself, Mr. JEFFORDS, Mr. KENNEDY, Mr. DODD, Mr. DEWINE, Mr. REED, Mrs. MURRAY, Mr. BOND, Mr. HATCH, Mr. GORTON, Mr. ABRAHAM, and Mr. DURBIN):

S. 2868. A bill to amend the Public Health Service Act with respect to children's health; to the Committee on Health, Education, Labor, and Pensions.

By Mr. HATCH (for himself, Mr. KENNEDY, Mr. HUTCHINSON, Mr. DASCHLE, Mr. BENNETT, Mr. LIEBERMAN, and Mr. SCHUMER):

S. 2869. A bill to protect religious liberty, and for other purposes; read the first time.

SUBMISSION OF CONCURRENT AND SENATE RESOLUTIONS

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

By Mr. HELMS (for himself, Mr. LOTT, Mr. BIDEN, Mr. L. CHAFEE, Mr. DODD, Mr. LUGAR, Mr. COVERDELL, Mr. DOMENICI, Mr. LEAHY, Mr. GRASSLEY, Mr. BINGAMAN, Mr. GRAMM, Mr. MCCAIN, Mr. SMITH of New Hampshire, Mr. CRAIG, Mrs. FEINSTEIN, Mrs. BOXER, Mr. FEINGOLD, Mrs. HUTCHISON, Mr. ASHCROFT, Mr. FRIST, Mr. GRAMS, Mr. DEWINE, Mr. KYL, and Mr. BROWNBACK):

S. Res. 335. A resolution congratulating the people of Mexico on the occasion of the democratic elections held in that country; considered and agreed to.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. ENZI:

S. 2860. A bill for the relief of Sammie Martine Orr; to the Committee on the Judiciary.

THE RELIEF OF SAMMIE MARTINE ORR

Mr. ENZI. Mr. President, I ask unanimous consent that the text of the bill be printed in the RECORD.

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

S. 2860

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

SECTION 1. CLASSIFICATION AS A CHILD UNDER THE IMMIGRATION AND NATIONALITY ACT.

(a) IN GENERAL.—In the administration of the Immigration and Nationality Act, Sammie Martine Orr shall be classified as a child within the meaning of section 101(b)(1)(F) of such Act, upon approval of a petition filed on his behalf by the alien's adopting parents, citizens of the United States, pursuant to section 204 of such Act.

(b) LIMITATION.—No natural parent, brother, or sister, if any, of Sammie Martine Orr shall, by virtue of such relationship, be accorded any right, privilege, or status under the Immigration and Nationality Act.

By Mr. ROBB (for himself and Mr. WARNER):

S. 2865. A bill to designate certain land of the National Forest System located in the State of Virginia as wilderness; to the Committee on Energy and Natural Resources.

VIRGINIA WILDERNESS ACT OF 2000

Mr. ROBB. Mr. President, I come to the floor today to introduce a bill that will protect one of the most beautiful areas of Virginia. Today, with my colleague JOHN WARNER, I am introducing the Virginia Wilderness Act of 2000. This Act will provide wilderness status to two exceptional areas of Virginia. These areas, the ''Three Ridges'' and ''The Priest'' have long been recognized for their outstanding vistas, deep valleys and rugged beauty.

After receiving wilderness designation these areas will remain available for hunting, fishing, hiking, picnicking, and other traditional uses. Wilderness protections will ensure that ''The Three Ridges'' and ''The Priest'' remain available for the full enjoyment of our children, grandchildren and great-grandchildren.

This action is now fully supported by the Virginia delegation, and the communities closest to the proposed wilderness areas. I hope we will see quick action on this bill through the committee and that we can move it to floor and complete action on the bill this year.

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

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

S. 2865

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

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Virginia Wilderness Act of 2000''.

SEC. 2. DESIGNATION OF WILDERNESS AREAS.

Section 1 of the Act entitled ''An Act to designate certain National Forest System lands in the States of Virginia and West Virginia as wilderness areas'' (Public Law 100–326; 102 Stat. 584) is amended—

(1) in paragraph (5), by striking ''and'' at the end;

(2) in paragraph (6), by striking the period and inserting a semicolon; and

(3) by adding at the end the following:

''(7) certain land in the George Washington National Forest, comprising approximately 6,500 acres, as generally depicted on a map entitled 'The Priest Wilderness Study Area', dated June 6, 2000, to be known as the 'Priest Wilderness Area'; and

''(8) certain land in the George Washington National Forest, comprising approximately 4,800 acres, as generally depicted on a map entitled 'The Three Ridges Wilderness Study Area', dated June 6, 2000, to be known as the 'Three Ridges Wilderness Area.''.

Mr. WARNER. Mr. President, I rise today in support of legislation to add two areas in my State to the National Wilderness Preservation System. These areas, known as The Priest and the Three Ridges, are located in the George Washington National Forest and comprise approximately 10,500 acres.

The Commonwealth of Virginia is blessed with rich geographic diversity. From the Chesapeake Bay in the East to the Appalachian Mountains in the West, residents of the state and visitors alike are able to participate in a broad range of activities not often found in other areas of the country.

The Priest and the Three Ridges, in particular, offer unique opportunities for visitors to enjoy scenic views, interaction with wildlife, hiking, fishing, and other types of outdoor recreation. These areas need to be protected from development, and this legislation would ensure that they remain pristine for the use and enjoyment of present and future generations.

Mr. President, I look forward to the designation of The Priest and Three Ridges as wilderness through the swift passage of this bill.

By Mr. STEVENS (for himself, Mr. JEFFORDS, Mr. KENNEDY, Mr. DODD, Mr. DOMENICI, Mr. KERRY, Mr. BOND, Mr. VOINOVICH, Mr. LAUTENBERG, Mr. COCHRAN, Mrs. MURRAY, Mr. SMITH of Oregon, Mr. BINGAMAN, Mr. L. CHAFEE, Mr. DURBIN, Mr. MURKOWSKI, Mr. ROBERTS, Mr. ROBB, Mr. ROCKEFELLER, Mr. WELLSTONE, Mrs. FEINSTEIN, Ms. MIKULSKI, Ms. SNOWE, Mrs. BOXER, Mr. KERREY, and Mr. WARNER):

S. 2866. A bill to provide for early learning programs, and for other purposes; to the Committee on Health, Education, Labor, and Pensions.

EARLY LEARNING OPPORTUNITIES ACT

Mr. JEFFORDS. Mr. President, I am pleased to join my colleagues from both sides of the aisle in the introduction of the ''Early Learning Opportunities Act of 2000''. We first brought this legislation to the floor of the Senate as an amendment to the reauthorization of the Elementary and Secondary Education Act. In fact, it is the pending amendment when we return to consideration of S.2.

Simply stated, this bill is designed to help parents and others who care for young children acquire the resources and tools that they need to do their most important job—-nurturing and teaching our children. There is broad, bi-partisan support for this legislation because many of my colleagues recognize the importance of learning in the first few years of life.

Science has taught us that the most explosive time of learning for humans is during the first few years of life. Parents and others who provide care for our children need some help and support to make the most of these early years. Changes in family structures, the weakening of the role of the extended family, and the rise in the number of working mothers have increased the need for communities to provide additional support for parents.

The Early Learning Opportunities Act builds on existing state and federal efforts by expanding the range of programs, the types of activities, and the populations served by other early learning initiatives. Current federal efforts focused on early childhood learning promote programs that provide full- or part-day out of home care and education. Rather than duplicate these programs, the Early Learning Opportunities Act places its emphasis on helping parents and other caretakers increase their abilities to support positive child development.

The Early Learning Opportunities Act will provide funding for parent support programs. Parents are their child's most important teachers. Before anyone thinks about kindergarten, teaching the alphabet, or counting the number of blocks in a tower, children are learning from their parents. When a parent talks and sings to an infant, the baby is learning about sounds and words as a method of communication. When children are fed and then rocked to sleep, they learn about security and love, which will contribute to their sense of self and autonomy. Long before they walk through the schoolhouse door, children have learned important lessons from their parents and others who have taken care of them during the first few years of life.

Funding for the Early Learning Opportunities Act can be used to promote effective parenting and family literacy through a variety of community-based programs, services and activities. If parents are actively engaged in their child's early learning, their children will see greater cognitive and non-cognitive benefits. While all parents want their children to grow up happy and healthy, few are fully prepared for the demands of parenthood. Many parents have difficulty finding the information and support they seek to help their children grow to their full potential. Making that information and support available and accessible to parents is a key component of the Early Learning Opportunities Act.

Early Learning Opportunities Act funds can be used to provide training for child care providers on early childhood development, child safety, and other skills that improve the quality of child care. For many families it is not possible for a parent to remain home to care for their children. Their employment is not a choice, but an essential part of their family's economic survival. And for most of these families, child care is not an option, but a requirement, as parents struggle to meet the competing demands of work and family. Just as it is essential that we provide parents with the tools they need to help their children grow and develop, we also must help the people who care for our nation's children while parents are at work.

States can use a portion of the funds made available for the Early Learning Opportunities Act for statewide initiatives, such as wage and benefit subsidies which encourage child care staff recruitment and incentives to increase staff retention Today, more than 13 million young children—including half of all infants—spend at least part of their day being cared for by someone other than their parents. In Vermont alone, there are about 22,000 children, under the age of six, in state-regulated child care.

The Early Learning Opportunities Act will improve local collaboration and coordination among child care providers, parents, libraries, community centers, schools, and other community service providers. By assessing existing resources and identifying local needs, the community organizations receiving funds will serve as a catalyst for the more effective use of early learning dollars and the removal of barriers that prevent more children, parents and caretakers from participating in good programs. Parents and child care providers will be able to access more services, activities and programs that help them care for children.

An investment in early learning today will save money tomorrow. Many of America's children enter school without the necessary abilities and maturity. Without successful remediation efforts, these children continue to lag behind for their entire academic career. We spend billions of dollars on efforts to help these children catch up. Research has demonstrated that for each dollar invested in quality early learning programs, the federal government can save over five dollars. These savings result from future reductions in the number of children and families who participate in federal government programs like Title I, special education, and welfare.

The Early Learning Opportunities Act is designed to be locally controlled and driven by the unique needs of each community. The legislation authorizes $3.25 billion in discretionary funding over three years for early learning block grants to states. The bill ensures that the majority of the funds will channeled through the states to local councils. The councils are charged with assessing the early learning needs of the community, and distributing the funds to a broad variety of local resources to meet those needs. In Vermont, the Success by Six initiative has demonstrated the importance of placing the resources and responsibilities at the local community level.

The Early Learning Opportunities Act will serve as a catalyst to engage diverse sectors of the community in increasing programs, services, and activities that promote the healthy development of our youngest citizens. Funds may be used by the local councils in a variety of ways: to support reading readiness programs in libraries, parenting classes at the local health center, parent-child recreation programs in the park, and child development classes at the school. Access to existing early learning programs can be increased by expanding the days or times that young children are served, by increasing the number of children served, or by improving the affordability of programs for low-income children. Transportation can be provided to increase participation in early learning programs, activities and services. By keeping the use of the funds flexible, local councils can work with parents, health care professionals, educators, child care providers, recreation specialists, and other groups and individuals in the community to create an affordable, accessible network of early learning activities.

The Early Learning Opportunities Act will help parents and care givers who are looking for better ways to integrate positive learning experiences into the daily lives of our youngest children. When children enter school ready to learn, all of the advantages of their school experiences are opened to them—their opportunities are unlimited. I urge my colleagues to support and co-sponsor the ''Early Learning Opportunities Act of 2000''. I urge you to give our nation's children every opportunity to succeed in school and in life.

Mr. KENNEDY. Mr. President, our bipartisan goal in introducing The Early Learning Opportunities Act is to provide greater support for parents across the country in preparing their children for a lifetime of learning, beginning at the earliest age.

I commend Senators STEVENS, JEFFORDS, DODD, DOMENICI, and KERRY for their support and leadership in developing this legislation and in seeing to it that children's voices are heard and their needs are a priority in this Congress. Senator KERRY and I have worked together to improve early learning opportunities in Massachusetts, and this national initiative is based in part on successful models in our state. Senator DODD has been an outstanding leader on children's issues for many years. Senator JEFFORDS, the chairman of our Senate committee, has shown great skill and determination in shaping this legislation, and in keeping our committee focused on the important issue of early learning. Senator DOMENICI has been an essential ally throughout the development of this bill, as has the senior Senator from Alaska. Senator STEVENS and I introduced the Early Learning Trust Fund Act as a predecessor to this legislation, and he was a leader in obtaining approval of $8.5 billion for early learning in this year's Senate budget resolution.

Clearly, the need for this legislation is urgent. Today's families are legitimately worried about the quality of care provided to their infants and toddlers while the parents are at work. Of mothers with children aged zero to five, a record 64 percent worked outside the home in 1999. The average cost of care for each of these children is four to ten thousand dollars a year. This is their highest expense besides food and shelter, consuming a quarter to half of their wages. Too often, even this level of sacrifice isn't enough. Many families simply cannot find quality care for their children. Facilities are dangerous, crowded, or closed at the non-traditional times that many mothers work. Low wages attract the least skilled care givers, over a third of whom quit each year. Enforcement of quality standards is rare. Elementary and Secondary education fully deserve to be a priority for the nation, but so does early learning—and it is needed at a time when many young families are least able to bear the full cost.

In Massachusetts, the Community Partnerships for Children Program currently provides quality full-day early learning for 15,300 young children from low-income families. Yet today, over 14,000 additional eligible children in the state are waiting for the early learning services they need—and some have been on the waiting list for 18 months. A 1999 report by the Congressional General Accounting Office on early learning services for low-income families was unequivocal—''infant toddler care [is] still difficult to obtain.''

Even as the need to provide early learning opportunities increases, it is clear that many current facilities are unsafe. The average early learning provider is paid under seven dollars an hour—less than the average parking lot attendant or pet sitter. These low wages result in high turnover, poor quality of care, and little trust and bonding with the children.

The Nation's military faced these same problems in the 1980's, and because of the threat that the poor quality of care posed to children, to morale, and to retention of personnel, the armed forces worked long and well to create a model program. The Defense Department now provides quality care to 200,000 children. Many European nations have followed the same path as the U.S. military, building a broad array of quality early learning models that prepare children to reach their full potential.

Head Start is one example of the kind of quality program that has already proved effective throughout the United States. A recent survey found that more parents are satisfied with Head Start than any other federal program. But only two in five eligible 3- and 4-year-olds are enrolled in Head Start—and only one in 100 eligible infants and toddlers are enrolled in Early Head Start. As a result, literally millions of young children never have the chance to reach their full potential. We must do better, and we can do better.

It is time to act to make early learning a top education priority for the nation, just as governors urged us to do a full decade ago. All preschool children should have access to the kind of care and brain stimulation necessary to enable them to enter school ready to learn. We cannot rest until all children have the opportunity to develop to their full potential.

Academic studies have confirmed what parents have long understood—education occurs over a continuum that begins at birth and extends throughout life. Study after study proves that positive brain stimulation very early in life significantly improves a child's later ability to learn, to interact successfully with teachers and peers, and to develop crucial skills like curiosity, trust, and perseverance. Two years ago, the Rand Corporation reported that ''after critically reviewing the literature and discounting claims that are not rigorously demonstrated, we conclude that these [early learning] programs can provide significant benefits.'' Governors, state legislatures, local governments, and educators have all supported these studies and called for increased investments in early learning as the most effective way to promote healthy and constructive behavior.

The goal of this legislation is to enable all children to enter school ready to learn, and to maximize the impact of federal, state, and local investments in education. We must do more to ensure that children have access to the experiences they need during the five or six years before they walk through their first schoolhouse door. Education begins at birth. It is not a process that occurs only in a school building during a school day. When our policies respond to this reality, we will reduce delinquency, improve productivity, and become a stronger and better nation. Early learning programs are good for children, good for parents and good for society as a whole.

The Committee for Economic Development reports that the nation can save over five dollars in the future for every dollar invested in early learning today. The investment significantly reduces the number of families on welfare, the number of children in special education, and the number of children in the juvenile justice system. Investment in early learning is not only morally right—it is economically right.

Two months ago, Fight Crime: Invest in Kids, a bipartisan coalition including hundreds of police chiefs, sheriffs, and crime victims, released another convincing report. It finds that children who receive quality early learning are half as likely to commit crimes and be arrested later in life. Our greatest opportunity to reach at-risk children is in their youngest years.

It is especially important for low-income parents who accept the responsibility of work under welfare reform to have access to quality early learning opportunities for their children. The central idea of welfare reform is that families caught in a cycle of dependence can be shown that work pays. But children's development must not be sacrificed as families move from welfare to work.

We must expand access to Head Start and Early Head Start. We must make parenting assistance available to all who want it. We must support model state efforts that have already proved successful, such as Community Partnerships for Children in Massachusetts and Smart Start in North Carolina, which rely on local councils to identify early learning needs in each community and allocate new resources to meet them. We must give higher priority to early childhood literacy. In ways such as these, we can take bolder action to strengthen early learning opportunities in communities across the nation.

The legislation that we introduce today will move us closer to all of these goals. It includes $3.25 billion over the next three years to enable local communities to fill the gaps that limit current early learning efforts. Local councils will direct the funds to the most urgent needs in each community. These needs include parenting support and education—improving child care quality through professional development and retention initiatives—expanding the times and the days that parents can obtain these services—enhancing childhood literacy—and greater early learning opportunities for children with special needs. These priorities are designed to strengthen early learning programs in all communities across the country, and give each community the opportunity to invest the funds in ways that will meet its most urgent needs.

Much more needs to be done to improve early learning throughout America. But we know from our experience in improving the military's early learning program that with small steps, over time we can go a long way. I urge the Senate to approve this important bill, and I look forward to its enactment and to the significant differences it will make.

By Mr. DEWINE:

S. 2867. A bill to provide for the funding and administration of a Veterans Mission for Youth Initiative within the Troops-to-Teachers Program; to the Committee on Health, Education, Labor, and Pensions.

VETERANS MISSION FOR YOUTH INITIATIVE

Mr. DEWINE. Mr. President, I am pleased to introduce a bill today—the ''Veterans Mission for Youth Initiative''—that would expand the current mission of the successful Troops to Teachers program. As many of my colleagues know, Troops to Teachers is a practical and sensible teacher recruitment program—a program that helps our veterans and retired military personnel gain the necessary certification to teach in our children's classrooms.

The bill I am introducing today would build on the current program's success by expanding its mission to help veterans who want to volunteer in our schools and be role models, but do not necessarily want to become certified teachers. This bill not only will help children benefit from the knowledge and experiences of veterans, but it also will help our veterans get more involved and active in their own local communities. I am pleased that Governor George W. Bush is proposing this same idea today in Pittsburgh.

Specifically, the ''Veterans Mission for Youth Initiative,'' would authorize $75 million to be used for matching federal grants to community organizations that help train and then link veterans and retired military personnel with local school volunteer opportunities to mentor and tutor students. The grant program will be administered through the Defense Department's Defense Activity for Non-Traditional Education Support division, which runs the Troops-to-Teachers program.

Mr. President, the sad reality is that our schools are in crisis—especially in the inner cities and in places like Appalachia. And, I am frustrated and saddened that far too many children simply are not getting the quality education they deserve. The current Troops to Teachers program is helping to improve educational quality in America by providing mature, motivated, experienced, and dedicated personnel for our nation's classrooms. In fact, when administrators were asked to rate Troops to Teachers participants in their schools, 54 percent of the administrators said that the former military personnel turned teachers were among the best teachers at the schools. I am pleased to say that since 1994, 3,720 retired members of the U.S. military have been hired as teachers in all 50 states.

Additionally, a 1999 alternative teacher certification study found that participants in the Troops to Teachers program broaden the make-up and skills of our current teacher pool. For example, 30 percent of participants are minorities, compared to 10 percent of all teachers; 30 percent of participants are teaching math, compared to 13 percent of all teachers; 39 percent are willing to teach in inner cities compared to the current 16 percent urban teaching force; and 90 percent are male, compared to the overall current teaching force which is 26 percent male.

By expanding the current mission of the Troops to Teachers program by helping to link veterans with community volunteer opportunities to tutor and mentor school children, we can strengthen our education system overall. By linking students and America's retired military personnel—men and women who have exhibited the ideals of discipline, order, courage, and civic responsibility—we can teach our children valuable lessons outside the classroom.

Sadly, Mr. President, a recent survey of American youth, called the ''New Millennium Project,'' found that students chose as their three lowest-ranking priorities in life: 1. Being a good citizen who cares about the good of the country; 2. Being involved in democracy and voting; and 3. Being involved in helping make one's community a better place. Furthermore, a recent survey by the Horatio Alger Society found that 21 percent of students had no heroes.

We need to change this, Mr. President. We need to change these apathetic and aimless attitudes. We need to give American youth some direction—the right direction. After all, these children are our future—we need to equip them with an arsenal of lessons—lessons they can learn in the classroom and out of the classroom by interacting with our country's heroes—our veterans.

The bottom line is this: As a nation, we need to do all we can to get the best teachers available into our public schools. We are trying to do just that through the current Troops to Teachers program. Now, the ''Veteran's Mission for Youth Initiative'' is another step in that direction. I urge my colleagues to support this effort and to join me in taking an important step toward improving education in this country. We owe it to our children; we it to our veterans; and we owe it to our nation.

Mr. President, I ask unanimous consent that the text of the bill be printed in the RECORD.

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

S. 2867

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

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Veterans Mission for Youth Act''.

SEC. 2. FINDINGS.

Congress makes the following findings:

(1) Since 1994, 17,148 retired members of the United States Armed Forces have applied to participate in the Troops-to-Teachers program and 3,720 such members have been hired as teachers in 50 States.

(2) The mission of the Troops-to-Teachers program is to help improve American Education by providing mature, motivated, experienced, and dedicated personnel for the nation's classrooms.

(3) The Troops-to-Teachers program provides positive role models for the nation's public school students.

(4) Ninety percent of Troops-to-Teachers participants are male, compared to 26 percent of the existing teaching force.

(5) Nearly 30 percent of Troops-to-Teachers participants are minorities compared to 10 percent in the existing teaching force.

(6) The Troops-to-Teachers program helps relieve teacher shortages, especially in the subjects of math and science.

(7) School administrators who work with Troops-to-Teachers participants were asked to rate such participants in their schools, 54 percent of such administrators said that the former military personnel turned teachers were well above average or were among the best teachers at the schools.

(8) The 1999 Alternative Teacher Certification study by C, Emily Feistritzer found that 30 percent of Troops-to-Teachers participants are minorities compared to 10 percent of all teachers, 30 percent are teaching math compared to 13 percent of all teachers, 25 percent teach in urban schools, and 90 percent are male compared to the current teaching force which is 74 percent female.

(9) America's 25,000,000 veterans have exhibited the ideals of discipline, order, courage, and civic responsibility that are important lessons for America's children.

(10) The recent survey of American youth, the ''New Millennium Project'' found that students chose as their 3 lowest-ranking priorities in life—being a good citizen who cares about the good of the country, being involved in democracy and voting, and being involved in helping make one's community a better place.

(11) A recent survey by the Horatio Alger Society found that 21 percent of students had no heroes.

SEC. 3. ESTABLISHMENT OF A VETERANS MISSION FOR YOUTH INITIATIVE.

Title XVII of the National Defense Authorization Act of Fiscal Year 2000 (commonly known as the Troops-to-Teachers Program Act of 1999 (20 U.S.C. 9301 et seq.)) is amended by adding at the end the following:

''SEC. 1710. VETERANS MISSION FOR YOUTH INITIATIVE.

''(a) ESTABLISHMENT.—The Secretary of Defense, acting through the Defense Activity for Non-Traditional Education Support Division of the Department of Defense, shall establish an initiative to be known as the 'Veterans Mission for Youth Initiative' to award grants to eligible organizations to provide mentoring, tutoring, after-school and other programs for youth.

''(b) ELIGIBILITY.—

''(1) IN GENERAL.—To be eligible to receive a grant under subsection (a), an organization shall—

''(A) be a community organization that provides, or intends to provide, services to link individuals described in paragraph (2) with youth;

''(B) prepare and submit to the Secretary an application at such time, in such manner, and containing such information as the Secretary may require;

''(C) provides assurances to the Secretary that the organization with provide matching funds as required under paragraph (3); and

''(D) meet such other requirements as the Secretary may prescribe.

''(2) INDIVIDUALS ELIGIBLE TO PROVIDE SERVICES.—An individual described in this paragraph is any member of the Armed Forces—

''(A) who was—

''(i) discharged or released from active duty after 6 or more years of continuous active duty immediately before the discharge or release; or

''(ii) involuntarily discharged or released from active duty for purposes of a reduction of force after 6 or more years of continuous active duty immediately before the discharge or release; and

''(B) who's last period of service in the Armed Forces was characterized as honorable; and

''(C) who satisfies such other criteria for selection as the Secretary may prescribe.

''(3) MATCHING REQUIREMENT.—To be eligible to receive a grant under this section an eligible organization shall agree to make available (directly or through donations from public or private entities) non-Federal contributions toward the cost of carrying out the program established under the grant in an amount equal to the amount provided under the grant.

''(c) USE OF FUNDS.—An organization shall use amounts provided under a grant under this section to carry out a program to facilitate linkages between individuals described in subsection (b)(2) and youth through the provision by such individuals of mentoring, tutoring, after-school and other services.

''(d) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section, $75,000,000 for fiscal year 2001, and such sums as may be necessary for each subsequent fiscal year.''.

By Mr. FRIST (for himself, Mr. JEFFORDS, Mr. KENNEDY, Mr. DODD, Mr. DEWINE, Mr. REED, Mrs. MURRAY, Mr. BOND, Mr. HATCH, Mr. GORTON, Mr. ABRAHAM, and Mr. DURBIN):

S. 2868. A bill to amend the Public Health Service Act with respect to children's health; to the Committee on Health, Education, Labor, and Pensions.

CHILDREN'S PUBLIC HEALTH ACT OF 2000

Mr. FRIST. Mr. President, I am pleased to be joined by Senators JEFFORDS, KENNEDY, DODD, DEWINE, REED, MURRAY, BOND, HATCH, GORTON, ABRAHAM, and DURBIN to introduce the Children's Public Health Act of 2000.

This bill is the result of months of close collaboration begun last fall between members of the Health, Education, Labor and Pensions Committee, and in discussion with Congressmen BLILEY and BILIRAKIS to begin an effort to address children's health issues this Congress.

I am pleased that the House has already passed a companion bill to the one which we introduce today, and I look forward to working with the House to ensure that we enact this needed bill by the end of the year.

The Children's Public Health Act of 2000 has four overriding themes represented in its four titles: Injury Prevention, Maternal and Infant Health, Pediatric Health Promotion, and Pediatric Research. I view these four themes as critical to ensuring that we are able to promote the health of our Nation's children.

In the first title we address the critical problem of unintentional injuries. According to the CDC, unintentional injuries are the leading cause of death for every age group between 1 and 19 years of age. Unintentional injuries comprise 26 deaths per 100,000 children aged 1–14 and 62 deaths per 100,000 children aged 15–19. In addition, more than 1,500,000 children in the United States sustain a brain injury each year. To help address this problem, the bill would reauthorize and strengthen the Traumatic Brain Injury programs at the Centers for Disease Control (CDC) and Prevention, the National Institutes of Health (NIH) and the Health Resources and Services Administration (HRSA).

The bill also includes a provision which I originally introduced with Senator DODD in March of this year, to address the issue of child care health and safety. In my own state of Tennessee, there have been 4 deaths in the past 3 years in child care settings, and 1 in 15 child-care programs in the Nashville area were found by state inspectors to have potentially put the health and safety of children at risk during 1999. In addition, in 1997, 31,000 children aged 4 and younger were treated in hospital emergency rooms for injuries sustained in child care or school settings across this nation. Therefore, the bill contains child care safety and health grants to assist states to fund specific activities to increase safety and health in child care settings.

To address the tragic fact that birth defects are the leading cause of infant mortality and are responsible for about 30 percent of all pediatric hospital admissions, the second title of the bill focuses on maternal and infant health. According to the CDC, an estimated 3,000 birth defects have been identified, of which 70 percent have no known cause. To provide national leadership to combat birth defects, the bill would establish a National Center for Birth Defects and Developmental Disabilities at the CDC, which is strongly supported by the March of Dimes and other birth defects groups, to collect, analyze, and distribute data on birth defects. In addition, the bill authorizes the Healthy Start program for the first time, which is designed to reduce the rate of infant mortality and improve perinatal outcomes by providing grants to areas with a high incidence of infant mortality and low birth weight. This bill also contains folic acid education programs to spread the knowledge of the positive health effects of folic acid in the diet of pregnant women.

To address the fact that over 3,000 women experience serious complications due to pregnancy and that 2 to 3 of these women will die from pregnancy complications, the bill would develop a national monitoring and surveillance program to better understand the burden of material complications and mortality and to decrease the disparities among populations at risk of death and complications from pregnancy.

The third title addresses the promotion of pediatric health by focusing on screening and prevention programs to combat some of the most common childhood diseases and conditions. This bill helps to combat asthma, the most common chronic disease of childhood, affecting nearly 5 million children under the age of 18 in the United States, by providing comprehensive asthma services to children and to coordinate the wide range of asthma prevention programs in the federal government.

We also focus on childhood obesity, which has increased by 100% among children in just the past 15 years, and has resulted in 4.7 million children and adolescents ages 6–19 years becoming seriously overweight. To address this obesity epidemic, the bill provides programs to support the development, implementation, and evaluation of state and community-based programs to promote good nutrition and increased physical activity among American youth.

In examining the problems affecting children across the nation and in Tennessee, I was very concerned to learn that in Memphis, Tennessee, over 12 percent of children under the of age of 6 have screened positive for lead poisoning. At high levels, lead can cause a variety of debilitating health problems, including seizure, coma, and even death. At lower levels, lead can contribute to learning disabilities, loss of intelligence, hyperactivity, and behavioral problems. This bill includes physician education and training programs on current lead screening policies, tracks the percentage of children in the Health Centers program who are screened for lead poisoning, and conducts outreach and education for families at risk of lead poisoning.

This bill also targets pediatric oral health, which was recently highlighted by the May 2000, Surgeon General report which focused on the fact that oral health is inseparable from overall health, and that while there have been great improvements in oral health for a majority of the population, there are disparities that primarily affect poor children and those who live in underserved areas of our country, with 80 percent of all dental cavities found in 20 percent of children. This bill would support community-based research and training to improve the understanding of etiology, pathogenesis, diagnoses, prevention, and treatment of pediatric oral, dental, and craniofacial diseases. In addition, the bill would provide state grants to increase community water fluoridation and to provide school-based dental sealant services to children in low income areas.

The last title of this bill is a focus on strengthening pediatric research efforts in the country. To give us a fuller understanding of how we can help promote the health of our children we establish a Pediatric Research Initiative within the National Institutes of Health to enhance collaborative efforts, provide increased support for pediatric biomedical research, and ensure that opportunities for advancement in scientific investigations and care for children are realized. The bill would also expand research into autism, which affects 1 in 500 children, establish a long term Child Development Study at the NIH to evaluate the effects of both chronic and intermittent exposures on human development.

Mr. President, this bill is comprehensive; it systematically addresses several critical childhood health issues and I am committed to ensure that it will be enacted before the end of this Congress. I would like to thank Senator JEFFORDS, the chairman of the Senate Health, Education, Labor and Pensions Committee and Senator KENNEDY and their staffs for their critical collaboration which has led to the development of a strong bipartisan bill. I would also like to thank Senators DODD, DEWINE, REED, MURRAY, BOND, HATCH, GORTON, ABRAHAM, and DURBIN, for their work on selected provision's in this bill and to their commitment to children's health issues. I would also like to thank Mr. Bill Baird, from the Office of Senate Legislative Counsel, for his great work in drafting this bill. I ask unanimous consent that a full summary of the bill appear in the RECORD following my remarks.

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

THE CHILDREN'S PUBLIC HEALTH ACT OF 2000—SUMMARY

In an effort to address the health and well being of our most precious resource, the Children's Public Health Act of 2000 amends the Public Health Service Act to revise, extend, and establish programs with respect to children's health research, health promotion and disease prevention activities conducted through Federal public health agencies. The Act contains four titles to address critical issues in the areas of children's health; including Injury Prevention, Maternal and Infant Health, Pediatric Public Health Promotion, and Pediatric Research.

TITLE I—INJURY PREVENTION

Subtitle A—Traumatic Brain Injury

Traumatic Brain Injury (TBI) is a term descriptive of injury occurring to the brain as a result of external forces. These injuries may include intracranial (inside the skull) or intraparenchymal (inside the brain tissue) hemorrhage, parenchymal edema, or shear injury. The CDC Center for Injury Prevention estimates that more than 1,500,000 children in the US sustain a brain injury each year, and many more are living with the consequences. According to the CDC National Center for Health Statistics, unintentional injuries including TBI are the leading cause of death for every age group from 1 to 19 years of age, comprising 26 deaths per 100,000 children aged 1–14 and 62 deaths per 100,000 children aged 15–19. Younger children and infants are at an increased risk of brain injury because the size and weight of their heads is greater in proportion to their body size. Young children also lack mature muscle control, which contributes to an increased risk of head injury.

This provision would reauthorize the Traumatic Brain Injury Act of 1996 to extent the authority for CDC to support research into strategies for the prevention of TBI and implementing public information and education programs for the prevention of TBI. NIH research is expanded to cognitive disorders and neurobehavioral consequences arising from TBI. The bill authorizes HRSA to make grants for community support services to develop, change, or enhance service delivery systems. Grants may be used to educate consumers and families, train professionals, improve case management, develop best practices in the areas of family support, return to work, and housing for people with traumatic brain injury.

Subtitle B—Child Care Safety and Health Grants

Of the 21 million children under the age of 6 in the United States, almost 13 million spend some part of their day in child care. There is alarming evidence to suggest that more must be done to improve the health and safety of children in child care settings. For example, a 1998 Consumer Product Safety Commission Study revealed that two-thirds of the 200 licensed child care settings investigated exhibited safety hazards, such as insufficient child safety gates, cribs with soft bedding, and unsafe playgrounds. In 1997 alone, 31,000 children age 4 and younger were treated in hospital emergency rooms for injuries sustained in child care school settings. Even more tragically, since 1990 more than 56 children have died in child care settings.

To address the need for increased safety of child care facilities, this provision would give the Secretary of Health and Human Services the authority to provide grants to states to carry out activities related to the improvement of the health and safety of children in child care settings. Grants may be used for two or more of the following activities: train and educate child care provides to prevent injuries and illnesses and to promote health-related practices; strengthen and enforce child care provider licensing, regulation, and registration; rehabilitate child care facilities to meet health and safety standards; provide health consultants to give health and safety advice to child care providers; enhance child care providers' ability to serve children with disabilities; conduct criminal background checks on child care providers; provide information to parents on choosing a safe and healthy setting for their children; or improve the safety of transportation of children in child care.

TITLE II—MATERNAL AND INFANT HEALTH

Subtitle A—Safe Motherhood and Infant Health Prevention

Every day, 2–3 women die from pregnancy complications and over 3,000 women experience serious complications due to pregnancy. Despite nearly 4 million deliveries in the United States each year, we have little information about unintended health consequences related to pregnancy and childbirth. The nation's infant mortality rate has steadily declined over the last decade, but the percentage of women who die in childbirth has remained unchanged. Maternal mortality rates reveal significant disparities between African American and white women, but the reasons for those differences are not well understood. When compared with white women, black women continue to have four times the risk for dying from complications of pregnancy and childbirth.

The provision would authorize the Secretary of HHS to develop a national monitoring and surveillance program to better understand the burden of maternal complications and mortality and to decrease the disparities among populations at risk of death and complications from pregnancy. The provision would also allow the Secretary to expand the Pregnancy Risk Assessment Monitoring System program to provide surveillance and data collection in each of the 50 States. Furthermore, the provision would expand research concerning risk factors, prevention strategies, and the roles of the family, health care providers, and the community in safe motherhood. The provision also authorizes public education campaigns on healthy pregnancies, education programs for health care providers, and activities to promote community support services for pregnant women. Finally, the provision provides grant funding for research initiatives and prevention programs on drug, alcohol, and smoking prevention and cessation for pregnant women.

Subtitle B—Healthy Start Initiative

The Healthy Start initiative began as a demonstration project in 1991 to help mothers from disadvantaged neighborhoods improve their chances of having a healthy pregnancy and, ultimately, a healthy baby. This provision authorizes the Healthy Start program for the first time. Healthy Start is designed to reduce the rate of infant mortality and improve perinatal outcomes by providing grants to areas with a high rate of infant mortality and low birth weight. Newly authorized services include expanding access to surgical services to the fetus, pregnant woman, and infant during the first year after birth.

Subtitle C—National Center for Birth Defects and Developmental Disabilities

Birth defects are the leading cause of infant mortality and are responsible for about 30% of all pediatric hospital admissions. According to the CDC, of the estimated 3,000 different birth defects that have been identified, up to 70% without a known cause. Of the four million babies born each year in the United States, approximately 150,000 are born with one or more serious birth defects. About 17% of U.S. children under 18 years of age have a developmental disability. In the United States, 12 out of every 1,000 school children have mental retardation, approximately 10,000 infants born each year develop cerebral palsy, and as many as 1 in every 500 children under 15 years of age may have one of the autism spectrum disorders.

This provision would create a National Center for Birth Defects and Developmental Disabilities within the CDC. The purpose of this Center would be to collect, analyze, and distribute data on birth defects including information on causes, incidence, and prevalence; conduct applied epidemiological research on the prevention of such defects; and provide information to the public on proven prevention activities.

Subtitle D—Folic Acid Education Programs

Each year, an estimated 2,500 infants are born in the United States with serious birth defects of the brain and spine, called neural tube defects. The most common neural tube defects are spina bifida, which is due to an incomplete closure of the spinal column, and anencephaly, a fatal condition where an infant is born with a severely underdeveloped brain and skull. Spina bifida is the leading cause of childhood paralysis. As many as 70 percent of all neural tube birth defects could be prevented if all women of childbearing age consumed 400 micrograms of folic acid daily, beginning before pregnancy. Folic acid is a B vitamin found naturally in leafy green vegetables, beans, citrus fruits, and juices. Since January 1998, the Food and Drug Administration has required that all foods containing enriched flour, such as breads, pasta, and breakfast cereal, be fortified with folic acid. In addition to consuming a diet high in folate-rich foods, a daily multivitamin is one of the most reliable sources of folic acid. A majority of women are not aware of this prevention opportunity, nor are they consuming the recommended daily amount. A national folic campaign is needed to urge women to take this simple step to prevent neural tube defects.

This provision would establish a national folic acid education program to prevent birth defects. CDC, in partnership with the States and local, public, and private entities, is authorized to launch an education and public awareness campaign; conduct research to identify effective strategies for increasing folic acid consumption by women of reproductive capacity; and evaluate the effectiveness of these strategies.

TITLE III—PEDIATRIC PUBLIC HEALTH PROMOTION

Subtitle A—Asthma

Asthma is the most common chronic disease of childhood. It affects nearly five million children under the age of 18 in the United States, and the incidence is dramatically increasing. Several studies suggest that between 1980 and 1994, asthma increased 160% among children under age 4, and 74% among children aged 5–14. According to the National Center for Health Statistics, children under 18 years of age miss nearly 72 out of every 1,000 school days due to asthma. This is more than three times the number of missed school days than their unaffected peers accounting for almost 10 million missed days each year.

This provision would authorize the Secretary to award grants to provide comprehensive asthma services to children, equip mobile care clinics, conduct patient and family education on asthma management, and identify children eligible for Medicaid, the State Children's Health Insurance Program, and other children's health programs. This provision amends the Preventive Health and Health Services Block Grant program to provide for the establishment, operation, and coordination of effective and cost-efficient systems to reduce the prevalence of asthma and asthma-related illnesses among urban populations, especially children, by reducing the level of exposure to cockroach allergen through the use of integrated pest management. This provision also requires HHS to establish a coordinating committee to identify all Federal programs that carry out asthma-related activities; develop, in consultation with appropriate Federal agencies, professional and voluntary health organizations, a Federal plan for responding to asthma; and submit recommendations to Congress within 12 months after enactment regarding ways to strengthen and improve the coordination of asthma-related Federal activities.

Subtitle B—Childhood Obesity Prevention

Obesity has increased by more than 50 percent among adults and 100 percent among children in just the past 15 years. Approximately 4.7 million children, or 11% of youths ages 6–19 years are seriously overweight. Obesity is associated with many of the leading causes of death and disability, including heart disease, diabetes, certain forms of arthritis, and cancer. Research shows that 60% of overweight 5 to 10 year old children already have at least one risk factor for heart disease (hyperlipidemia, hypertension, or altered insulin levels). Almost 25 percent of young people ages 6–17 are overweight, and the percentage who are seriously overweight has doubled in the last 30 years. Part of the reason for youth inactivity is the reduction of daily participation in high school physical education classes has declined from 42 percent in 1991 to 27 percent in 1997.

This provision would authorize the CDC to administer a competitive grant program to support the development, implementation, and evaluation of state and community-based programs to promote good nutrition and increased physical activity among American children and adolescents. States would be required to develop comprehensive, inter-agency school- and community-based approaches to encourage and promote nutrition and physical activity in local communities. The proposal would allow CDC to provide states with technical support as well as disseminate information about effective prevention strategies and interventions in treating obesity.

The CDC will coordinate and conduct research to improve our understanding of the relationship between physical activity, diet, health, and other factors that contribute to obesity. Research will also focus on developing and evaluating effective strategies for the prevention and treatment of obesity and eating disorders, as well as study the prevalence and cost of childhood obesity and its effects into adulthood.

The CDC in collaboration with State and local health, nutrition, and physical activity experts, will develop a nationwide public education campaign regarding the health risks associated with poor nutrition and physical inactivity, and will promote information on effective ways to incorporate good eating habits and regular physical activity into daily living.

The CDC, in collaboration with HRSA, will develop and carry out a program to train health professionals in effective strategies to better identify, assess, and counsel (or refer) patients with obesity, an eating disorder, or who are at risk of becoming obese or developing an eating disorder. They will also develop and carry out a program to educate and train educators and child care professionals in effective strategies to teach children and their families about ways to improve dietary habits and levels of physical activity.

Subtitle C—Childhood Lead Prevention

At high levels, lead can cause a variety of debilitating health problems, including seizure, coma, and even death. At lower levels, lead can contribute to learning disabilities, loss of intelligence, hyperactivity, and behavioral problems. Screening is a critical element in eliminating childhood lead poisoning because in most cases there are no distinctive or obvious symptoms. Children with elevated blood lead levels are seven times more likely to drop out of high school and six times more likely to have reading disabilities. It costs an average of $10,000 more a year to educate a lead-poisoned child.

This provision requires HRSA to report annually to the Congress on the percentage of children in the Health Centers program who are screened for lead poisoning. Requires HRSA to work with the CDC and HCFA to conduct physician education and training programs on current lead screening policies along with the scientific, medical, and public health basis for such policies.

This provision requires CDC to issue recommendations and establish requirements for its grantees to ensure uniform and complete reporting of blood lead levels from laboratories to State and local health departments and to improve data linkages between health departments, CDC, WIC, Early Head Start, and other federally funded means-tested public benefit programs.

This provision authorizes new funding through the Maternal and Child Health Block Grant to states with a demonstrated need (based on local surveillance data) to conduct outreach and education for families at risk of lead poisoning, provide individual family education designed to reduce exposures to children with elevated blood lead levels, implement community environmental interventions, and ensure continuous quality measurement and improvement plans for communities committed to comprehensive lead poisoning prevention.

Subtitle D—Oral Health

In May 2000, the Surgeon General of the United States published the landmark report, Oral Health in America: A Report of the Surgeon General. The report focuses on the fact that oral health is inseparable from overall health. However, tooth decay is the most prevalent preventable chronic disease of childhood and only the common cold, the flu and onitis media occur more often among young children. And while there have been great improvements in oral health for a majority of the population, there are disparities that primarily affect poor children and those who live in underserved areas of our country, with 80 percent of all dental cavities found in 20 percent of the children. ''The devastating consequences of untreated disease can affect children's health and well being, causing pain and suffering, time lost from school, loss of permanent teeth, self-consciousness and loss of self-esteem, and even more complications in children with coexisting medical conditions.'' The United States must improve and enhance the training of dental health professionals to meet the increasing need for dental services for children .

This provision would require the Secretary of HHS to support community-based research and training to improve the understanding of etiology, pathogenesis, diagnoses, prevention and treatment of pediatric oral, dental and craniofacial diseases and conditions. The Secretary of HHS is authorized to provide grants to States to increase community water fluoridation and to provide school-based dental sealant services to children in low income areas.

TITLE VI—PEDIATRIC RESEARCH

Subtitle A—Pediatric Research Initiative

The rapidly expanding knowledge base in genetics and biomedicine affords an unparalleled opportunity to understand gene-environment interactions and to apply this knowledge to the benefit of children and society. Findings in pediatric research not only promote and maintain health throughout a child's lifespan, but also contribute significantly to new insights and discoveries that will aid in the prevention and treatment of illnesses and conditions among adults. A growing body of evidence shows that risk factors for diseases such as coronary artery disease and stroke begin in childhood and persist through adulthood.

This provision would establish a Pediatric Research Initiative within the National Institutes of Health (NIH) to enhance collaborative efforts, provide increased support for pediatric biomedical research, and ensure that expanding opportunities for advancement in scientific investigations and care for children are realized.

The Secretary of Health and Human Services (HHS) will make available enhanced support for activities relating to the training and career development of pediatric researchers, including general authority for loan repayment of a portion of education loans.

Subtitle B—Autism

Autism and autism spectrum disorders are biologically-based neurodevelopment diseases that cause severe impairments in language and communication. These disorders often manifest in young child sometime during the first two years of life. Estimates indicate that 1 in 500 children born today will be diagnosed with an autism spectrum disorder and that 400,000 Americans have autism or an autism spectrum disorder.

Under this provision, the Director of NIH shall expand, intensify, and coordinate the activities of the NIH with respect to research on autism. The Director of NIH will carry out through NIMH and other agencies that may be appropriate, and establish not less than five Centers of Excellence on autism research. Each center will conduct basic and clinical research into the cause, diagnosis, early detection, prevention, control and treatment of autism, including research in the fields of developmental neurobiology, genetics and psychopharmacology. The Director shall provide for the coordination of information among centers. A center may provide individuals referrals for health and other services and patient care services as required for research. The Director shall provide for a program under which samples of tissues and genetic materials that are of use in research on autism are made available for this research.

The proposal also establishes through the CDC, at least three regional centers of excellence in autism and pervasive developmental disabilities epidemiology to collect and analyze information on the number, incidence, and causes of autism and related developmental disabilities would be established. The Secretary shall establish a program to provide information on autism to health professionals and the general public, and establish an Autism Coordinating Committee to coordinate all efforts within HHS on autism.

Subtitle B—Child Development Study

Findings in pediatric research not only promote and maintain health throughout a child's lifespan, but also contribute significantly to new insights and discoveries that will aid in the prevention and treatment of illnesses and conditions among adults. A growing body of evidence shows that risk factors for diseases such as coronary artery disease and stroke begin in childhood and persist through adulthood. Children are more vulnerable to physical, chemical, biological, safety, and psychosocial exposures than adults. Evidence-based policies and effective prevention and health promotion strategies to achieve a healthy and safe environment for children and families, are best derived from a federal multi-agency longitudinal study.

Authorizes NICHD to convene and direct a consortium of federal agencies, including CDC and EPA, to plan, develop and implement a prospective cohort study to evaluate the effects of both chronic and intermittent exposures on human development, and to investigate basic mechanisms of developmental disorders and environmental factors, both risk and protective, that influence growth and development processes. The study will incorporate behavioral, emotional, educational, and contextual consequences to enable a complete assessment of the physical, chemical, biological and psychosocial environmental influences on children's well-being.

The study shall include diverse populations, before birth, to gather data on environmental influences and outcomes until at least age 21, and shall consider health disparities.

Subtitle D—Research on Rare Diseases

This Provision would require the NIH Director to report to Congress within 180 days of enactment regarding activities conducted and supported by the NIH during Fiscal Year 2000 with respect to rare diseases in children and the activities that are planned to be conducted and supported by the NIH with respect to such diseases during the Fiscal Years 2001 through 2005.

Subtitle E—GME in Children's Hospitals

The health of the nation's children depends upon a steady supply of well-trained pediatricians and pediatric specialists. Independent children's hospitals train about half of all pediatric specialists, and 30 percent of pediatricians. Graduate medical education (GME) activities have historically been supported by Medicare, but, because these hospitals serve very few Medicare patients, they receive very little financial support for this important and costly activity. Children's hospitals are an important resource for all children. The training, pediatric research, and primary and specialty care services that occur in these facilities should be preserved and strengthened. Unfortunately, however, many of these hospitals are struggling to maintain their missions. Last year, a new program was authorized to provide discretionary support for pediatric GME activities in free-standing children's hospitals. This provision extends the authorization to 2005.

Mr. JEFFORDS. Mr. President, it gives me great pleasure to join my colleagues today in introducing the Children's Health Act of 2000. This bill authorizes a variety of programs and initiatives that promise to significantly improve the health of children in this nation. I want to commend Senators FRIST, KENNEDY, DODD, GREGG, DEWINE, REED, BOND, GORTON, ABRAHAM, and DURBIN for their work and commitment to protecting and improving the health of our children.

This bill takes a multifaceted approach in addressing the most pressing healthcare problems facing our children today, such as brain injury, birth defects, asthma, and obesity. The bill authorizes prevention programs, educational programs, clinical research, and direct clinical care services. It also enhances the training and knowledge base of pediatric healthcare researchers through training and loan repayment programs. In the face of so many dangerous diseases and conditions, the holistic approach taken by this bill offers the best hope for protecting and improving our children's health.

This bill provides funding for critical research on children's heath. The Pediatric Research Initiative, based in the National Institutes of Health, will lay the foundation for comprehensive, cross cutting pediatric biomedical research. Such a center has the potential to yield valuable new information on child growth and development.

The Child Development Study, a long term study of environmental influences on children's health, will also yield important insights into the environmental factors that influence the growth and development of our children. This understanding will play a critical role in shaping future policy and programs for children's health. This research, in addition to other research opportunities provided in this bill promises to significantly improve our ability to protect the health of our children.

In addition to research, this bill provides resources for care and prevention programs. For example, this bill authorizes aggressive programs to prevent and treat one of the most challenging childhood health problems, traumatic brain injury. The Centers for Disease Control and Prevention is directed to conduct research on prevention and to implement public education and information programs. The Health Research and Services Administration is authorized to fund community support services to develop support or enhance care systems for individuals with brain injuries. These programs, coupled with research at NIH, address both the causes and the consequences of traumatic brain injury.

This bill authorizes the creation of a National Center for Birth Defects and Developmental Disabilities to collect, analyze, and distribute data on birth defects. This provision will allow for important data to be developed to guide the development of programs and policies to assist children and families coping with disabilities. Having worked for many years to improve the quality of life of people living with disabilities, I strongly support this effort to address the challenges of disabilities at the earliest age possible. This center will help to coordinate and focus our approach, and serve as a clearinghouse for information that will improve both healthcare and quality of life for children with disabilities.

By targeting asthma, the most common chronic disease of childhood, this bill will make a difference in the lives of thousands of children and young people who suffer with this disease across the nation. Asthma jumped by 75 percent in the general population between 1980 and 1994. Among children under four there was a rise of 160 percent. It is estimated that this condition debilitates about 33,000 Vermonters (22,000 adults and 11,000 children). Grant programs authorized under this bill will fund comprehensive asthma services, mobile health care clinics, and patient and family education to reduce the impact of this dangerous disease. As this disease continues to strike more and more of our youth, it is critical that programs to reduce asthma have priority.

Oral health is also improved under this legislation, which targets the disparities in access to dental care and preventive therapies among poor children. In addition to direct care services, this provision enhances community based research and training to improve our knowledge of effective clinical and preventive measures. With 20 percent of children experiencing 80 percent of the dental cavities, it is time we focus on this neglected population and make a difference in their health.

An investment in the health of the nation's children will undoubtedly have long term rewards, as we move our understanding of and ability to treat childhood diseases far beyond current capabilities. Clearly, the time has come to comprehensively and aggressively tackle the primary causes of poor health for our children. I strongly support this legislation. The health of the nation rests on the health of our children, and we must do all we can to prevent and treat diseases that strike at the most vulnerable members of society.

Mr. KENNEDY. Mr. President, it is a privilege to join Senator FRIST and our other colleagues in introducing the Children's Public Health Act of 2000. This bipartisan legislation will help millions of children in the years ahead. It takes needed action to improve children's health by expanding pediatric research and calling for specific steps to deal with a wide range of childhood illness, disorders, and injuries. Coordinated action in these areas can lead to significant benefits for all children.

Senator FRIST and I have worked closely with many of our Democratic and Republican colleagues on this legislation. We have talked with experts and advocates in the children's health community. We believe this legislation will lead to significant progress in addressing some of today's most pressing pediatric public health problems.

The legislation includes a variety of new and reauthorized children's health provisions that are organized under four broad categories—injury prevention, maternal and infant health promotion, public health promotion, and research.

Traumatic brain injury is the leading cause of death and disability in young Americans. The Centers for Disease Control and Prevention has estimated that 5.3 million Americans are living with long-term, severe disability as a result of brain injuries, and each year 50,000 people die as a result of such injuries. The Children's Public Health Act revises and extends the authorization for the important programs enacted in 1996 to deal with these injuries. This reauthorization will assure continued progress toward our understanding, treating and preventing them.

Improving and protecting the safety of child care environments should also be a high priority for Congress. This legislation creates a new program to improve the safety of children in child care settings, and to encourage child care providers to take steps to prevent illness and injuries and protect the health of the children they serve.

In addition, this legislation includes programs to improve the health of pregnant women and prenatal outcomes, including prevention of birth defects and low birth weight. It establishes a new Center for Birth Defects and Developmental Disabilities at the Centers for Disease Control and Prevention in order to focus the nation's activities more effectively in these important areas. The new center will be especially helpful for children and families affected by these conditions.

The bill also takes a number of steps to address other prevalent childhood conditions. Asthma is the most common chronic childhood illness, affecting more than seven percent of all American children. The death rate for children with asthma increased by 78 percent between 1980 and 1993, and asthma-related costs total nearly $2 billion annually in direct health care for children. The nation is handicapped by a lack of basic information on where and how asthma strikes, what triggers it, and how effectively our current health care system is responding to those who suffer from this chronic disease. Our bill will provide greater asthma services to children, including mobile clinics, and patent and family education, and it will help to reduce allergens in housing and public facilities.

Poor nutrition and lack of physical activity are also hurting many American children and contributing to lifelong health problems. The nation spends $39 billion a year—equal to six percent of overall U.S. health care expenditures—on direct health care related to obesity. Twenty percent of American children—one in five—are overweight. Unhealthy eating habits and physical inactivity in childhood can lead to heart disease, cancer and other serious illnesses decades later. Children and adolescents who suffer from eating disorders, such as anorexia nervosa and bulimia, can have wide-ranging physical and mental health impairments. Our legislation establishes new grant programs to reduce childhood obesity and earing disorders, promote better nutritional habits among children, and encourage an appropriate level of physical activity for children and adolescents.

Last May, the Surgeon General published a landmark report on oral health in America, emphasizing the need to consider oral health as an essential part of total health. There is no question that oral and dental health care should be included in our primary care. Tooth decay is the most common childhood infectious disease, and it can lead to devastating consequences, including problems with eating, learning and speech. Twenty-five percent of children in the United States suffer 80 percent of the tooth decay, with significant racial and age disparities. The number of dentists in the country has been declining since 1990, and is projected to continue to decline through the year 2020.

According to a 1995 report by the Inspector General, only one in five Medicaid-eligible children receive dental services annually, and the shortage of dentists exacerbates the problem of unmet needs. Yet tooth decay is largely preventable. More effective efforts to educate parents and children about the causes of tooth decay, and initiatives to prevent and treat it can lead to lasting public health improvements. Our legislation includes a variety of approaches to deal with this silent epidemic.

Research has long shown that childhood lead poisoning can have devastating effects on children, causing reduced IQ and attention span, stunted growth, behavior problems, and reading and learning disabilities. Yet too children remain unscreened and untreated, and adequate services often are not available for children with elevated levels of lead in their blood. There is no excuse for not taking greater steps to eliminate childhood lead poisoning. Our bill includes screening for early detection and treatment, professional education and training programs, and outreach and education activities for at-risk children.

Pediatic research discoveries promote and maintain health throughout a child's life span, and also contribute significantly to new insights that aid in the prevention and treatment of illnesses and conditions among adults. A growing body of evidence shows that risk factors for conditions such as coronary artery disease and stroke begin in childhood and persist through adulthood. Congress has a strong history of promoting basis and clinical research, and the steps taken in this legislation continue that priority.

The legislation establishes a pediatric research initiative, authorized at $50 million annually, that will increase support for pediatric biomedical research at the National Institutes of Health, including an increase in collaborative efforts among multidisciplinary fields in areas that are promising for children. The legislation also requires coordination with the Food and Drug Administration to increase the number of pediatric clinical trails, and to provide greater information on safer and more effective use of prescription drugs in children.

Children have unique health care needs. They are not simply small adults. Nothing is more important to the future health of America's children than maintaining a steady supply of pediatricians, pediatric specialists and pediatric-focused scientists.

Our legislation takes two important steps to improve the growth and development of a pediatric-focused medical community. First, it enhances support by the National Institute for Child Health and Human Development expressly for training and career development activities of pediatric researchers, and it establishes a loan repayment program for pediatricians who conduct research.

Second, it extends the authorization of a new program that supports graduate medical education activities at independent children's hospitals. These hospitals train half of all pediatric specialists, and 30 percent of all pediatricians. However, because GME activities have historically been supported by Medicare and because these hospitals serve very few Medicare patients, they receive very little financial support for this important and costly activity. As a result, children's hospitals are struggling to maintain the important training, pediatric research, and primary and specialty care services that they provide. Children's hospitals should be treated like all other teaching hospitals when it comes to support for their GME activities. I have sponsored another legislative proposal to guarantee full funding each year, without being subject to the appropriations process. That proposal is awaiting consideration in the Finance Committee. Until it is enacted, we owe it to America's children to invest in their future health care by improving our support for pediatric GME activities.

The bill also authorizes a new study to monitor and evaluate development of children through adulthood. The kind of information that will be obtained by this study is long-overdue. Children are more vulnerable to physical, chemical, biological, and other risks than adults, and we must make a major commitment to learning more about the influences and effects of the environment.

Finally, this legislation also includes a program to address the unique needs of children with autism and related disorders. I look forward to working with Chairman FRIST, members of the Committee and others to assure that the needs of children with Fragile X are met in the final legislation.

This legislation deserves to be a major public health priority for the nation. Congress should send the President a strong bill on these issues before the end of this year.

Mr. DEWINE. Mr. President, I rise today as a co-author of the ''Children's Public Health Act of 2000.'' The sad fact is that far too many children never realize success as adults or even reach adulthood because of debilitating or life-threatening disease. That is why we must build a health care system that is responsive to the unique needs of children. The ''Children's Public Health Act of 2000'' is a big step in the right direction, and I commend my colleagues, Senators FRIST, JEFFORDS, and KENNEDY for their efforts to construct a bill that can really make a positive difference in the health and the lives of children.

Mr. President, I am especially pleased that the ''Children's Public Health Act'' contains several important initiatives that my colleagues and I had already introduced as separate bills. One such initiative—the Pediatric Research Initiative—would help ensure that more of the increased research funding at the National Institutes of Health (NIH) is invested specifically in children's health research.

While children represent close to 30 percent of the population of this country, NIH devotes only about 12 percent of its budget to children, and, in recent years, that proportion has been declining even further. We must reverse this disturbing trend. It simply makes no sense to conduct health research for adults and hope that those findings also will apply to children. A ''one-size-fits-all'' research approach just doesn't work. The fact is that children have medical conditions and health care needs that differ significantly from adults. Children's health deserves more attention from the research community. That's why the Pediatric Research Initiative is such an important part of the ''Children's Public Health Act.'' It would provide the federal support for pediatric research that is so vital to ensuring that children receive the appropriate and best health care possible.

The Pediatric Research Initiative would authorize $50 million annually for the next five years for the Office of the Director of NIH to conduct, coordinate, support, develop, and recognize pediatric research. By doing so, we will be able to ensure that researchers target and study child-specific diseases. With more than 20 Institutes and Centers and Offices within NIH that conduct, support, or develop pediatric research in some way, this investment would promote greater coordination and focus in children's health research and should encourage new initiatives and areas of research.

The ''Children's Public Health Act'' also would authorize funding through the National Institutes of Child Health and Human Development (NICHD)—for pediatric research training grants to support training for additional pediatric research scientists and would provide funding for loan forgiveness programs. Trained researchers are essential if we are to make significant advances in the study of pediatric health care, especially in light of the new and improved Food and Drug Administration (FDA) policies that encourage the testing of medications for use by children.

Additionally, the ''Children's Public Health Act'' includes the ''Children's Asthma Relief Act,'' which Senator DURBIN and I introduced last year. The sad reality for children is that asthma is becoming a far too common and chronic childhood illness. From 1979 to 1992, the hospitalization rates among children due to asthma increased 74 percent. Today, estimates show that more than seven percent of children now suffer from asthma. Nationwide, the most substantial prevalence rate increase for asthma occurred among children aged four and younger. Those four and younger also were hospitalized at the highest rate among all individuals with asthma.

According to 1998 data from the Centers for Disease Control (CDC), my home state of Ohio ranks about 17th in the estimated prevalence rates for asthma. Based on a 1994 CDC National Health Interview Survey, an estimated 197,226 children under 18 years of age in Ohio suffer from asthma. This is a serious health concern among children—and we must address it.

The ''Children's Public Health Act'' would help ensure that children with asthma receive the care they need to live healthy lives. The bill would authorize $50 million annually for five years for the Secretary of Health and Human Services (HHS) to award grants to eligible entities to develop and expand projects that would provide asthma services to children. These grants also may be used to equip mobile health care clinics that provide asthma diagnosis and asthma-related health care services; educate families on asthma management; and identify and enroll uninsured children who are eligible for, but are not receiving health coverage under Medicaid or the State Children's Health Insurance Program (SCHIP). The ability to identify and enroll children in these programs will ensure that children with asthma receive the care they need.

Since research shows that children living in urban areas suffer from asthma at such alarming rates and that allergens, such as cockroach waste, contribute to the onset of asthma, this bill also adds urban cockroach management to the current preventive health services block grant which currently can be used for rodent control.

To better coordinate federal activities related to asthma, the Secretary of HHS would be required to identify all federal programs that carry out asthma research and develop a federal plan for responding to asthma. To better monitor the prevalence of pediatric asthma and to determine which areas have the greatest incidences of children with asthma, this bill would require the CDC to conduct local asthma surveillance activities to collect data on the prevalence and severity of asthma and to publish data annually on the prevalence rates of asthma among children and on the childhood mortality rate. This surveillance data will help us better detect asthmatic conditions, so that we can treat more children and ensure that we are targeting our resources in an effective and efficient way to reverse the disturbing trend in the hospitalization and death rates of asthmatic children.

Finally, Mr. President, the bill we are introducing today includes language that I strongly support to re-authorize funding for children's hospitals' Graduate Medical Education (GME) programs for four additional years. Last year, as part of the ''Health Care Research and Quality Act,'' which was signed into law, we authorized funding for two years for children's hospitals' GME programs. The teaching mission of these hospitals is essential. Children's hospitals comprise less than one percent of all hospitals, yet they train five percent of all physicians, nearly 30 percent of all pediatricians, and almost 50 percent of all pediatric specialists. By providing our nation with highly qualified pediatricians, children's hospitals can offer children the best possible care and offer parents peace of mind. They serve as the health care safety net for low-income children in their respective communities and are often the sole regional providers of many critical pediatric services. These institutions also serve as centers of excellence for very sick children across the nation. Federal funding for GME in children's hospitals is a sound investment in children's health and provides stability for the future of the pediatric workforce.

Mr. President, as the father of eight children and the grandfather of five, I firmly believe that we must move forward to protect the interests—and especially the health—of all children. The ''Children's Public Health Act of 2000'' makes crucial investments in our country's future—investments that will yield great returns. If we focus on improving health care for all children today, we will have a generation of healthy adults tomorrow.

I urge my colleagues to support this vital children's health care bill.

By Mr. HATCH (for himself, Mr. KENNEDY, Mr. HUTCHINSON, Mr. DASCHLE, Mr. BENNETT, Mr. LIEBERMAN, and Mr. SCHUMER):

S. 2869. A bill to protect religious liberty, and for other purposes; read the first time.

RELIGIOUS LAND USE AND INSTITUTIONALIZED PERSONS ACT OF 2000

Mr. HATCH. Mr. President, I rise today to introduce a narrowly focused bill that protects religious liberty from unnecessary governmental interference. It will provide protection for houses of worship and other religious assemblies from restrictive land use regulation that often prevents the practice of faith. This legislation also allows institutionalized persons to exercise their religion to the extent that it does not undermine the security, discipline, and order of their institutions.

Seven years ago, recognizing the need to strengthen the fundamental right of religious liberty, Congress overwhelmingly passed the Religious Freedom Restoration Act (RFRA). Unfortunately, in 1997, in the case of City of Boerne v. Flores, the Supreme Court held that Congress lacked the authority to enact RFRA as applied to state and local governments. In an attempt to respond to the Boerne decision, I introduced S. 2081 earlier this year. Legislation similar to S. 2081 passed the

House of Representatives. Yet, concerns were raised by some regarding the scope of S. 2081, and I undertook an effort to seek out a consensus approach. The legislation I am introducing today, which maintains certain provisions of S. 2081, is a tailored version which represents the product of our efforts.

The Religious Land Use and Institutionalized Persons Act of 2000 provides limited federal remedies for violations of religious liberty in: (1) the land use regulation of churches and synagogues; and (2) prisons and mental hospitals.

LAND USE REGULATION

At the core of religious freedom is the ability for assemblies to gather and worship together. Finding a location to do so, however, can be quite difficult when faced with pervasive land use regulations. As was seen during congressional hearings in both the House and Senate, land use regulations, either by design or neutral application, often prevent religious assemblies and institutions from obtaining access to a place of worship. Under current law, an assembly whose religious practice is burdened by an otherwise ''generally applicable'' and ''neutral'' law can obtain relief only by carrying the heavy burden of proving that there is an unconstitutional motivation behind a law, and thus, that it is not truly neutral or generally applicable. Such a standard places a seemingly insurmountable barrier between the religious assemblies of our country and their right to worship freely.

An example of this was seen recently when a city refused to allow the LDS Church to construct a temple simply because it was not in the ''aesthetic'' interests of the community as set forth in a ''generally applicable'' statute. Another example includes an effort to suspend the operation of a religious mission for the homeless operated by the late Mother Teresa's order because it was located on the second floor of a building without an elevator.

The land use section of the bill prohibits discrimination against religious assemblies and institutions, and prohibits the total exclusion of religious assemblies from a jurisdiction. The section also prohibits unreasonable limits on religious assemblies and institutions and requires that land use regulations that substantially burden the exercise of religion be justified by a compelling governmental interest.

It is important to note that this legislation does not provide a religious assembly with immunity from zoning regulation. If the religious claimant cannot demonstrate that the regulation places a substantial burden on sincere religious exercise, then the claim fails without further consideration. If the claimant is successful in demonstrating a substantial burden, the government will still prevail if it can show that the burden is an unavoidable result of its pursuit of a compelling governmental objective.

INSTITUTIONALIZED PERSONS

Our bill also provides that substantial burdens on the religious exercise of institutionalized persons must be justified by a compelling interest. Congressional witnesses have testified that institutionalized persons have been prevented from practicing their faith. For example, some Jewish prisoners have been denied matzo, the unleavened bread Jews are required to consume during Passover, even though Jewish organizations have offered to provide it to inmates at no cost to the government. While this legislation seeks to improve the ability of institutionalized persons to practice their religion, it remains under the complete application of the Prison Litigation Reform Act of 1995.

Both sections are based firmly on constitutional principles that grant Congress its authority. Thus, today's legislation should withstand the scrutiny that has thwarted our efforts in the past.

As we begin in this effort, it is worth pondering just why America is, worldwide, the most successful multi-faith country in all recorded history. The answer is to be found, I submit, in both components of the phase ''religious liberty.'' Surely, it is because of our Constitution's zealous protection of liberty that so many religions have flourished and so many faiths have worshiped on our soil.

Our country has achieved its greatness because, with its respectful distance from our private lives, our government has allowed all its citizens their own forms of ''internal governance,'' that is, those religious and moral tenets that make a free society possible. Our country has allowed people to answer for themselves, and without interference, those questions that are most fundamental to humankind. And it is in the way that religion informs our answers to these questions, that we not only survive, but thrive as human beings.

While this bill provides much needed preservation of our religious liberty, I personally would have preferred a broader approach. I recognize, however, in this shortened legislative year, the long list of items before the congressional leadership that require their attention. In order to ensure enactment of a measure this year, I think all advocates of a broader approach took a prudent step in embracing a more targeted, consensus bill.

With the help of Senator KENNEDY, Congressman CANADY, and others, I hope this legislation will move swiftly through the Congress. We look forward to welcoming others to our modest, yet important, effort to enact this legislation.

Mr. KENNEDY. Religious freedom is a bedrock principle in our nation. The bill we are introducing today reflects our commitment to protect religious freedom and our belief that Congress still has the power to enact legislation to enhance that freedom, even after the Supreme Court's decision in 1997 to strike down the broader Religious Freedom Restoration Act that 97 Senators joined in passing in 1993.

In striking down the Religious Freedom Restoration Act on constitutional grounds, the Court clearly made the task of passing effective legislation to protect religious liberties more difficult. But too often in our society today, thoughtless and insensitive actions by governments at every level interferes with individual religious freedoms, even though no valid public purpose is served by the governmental action.

Our goal in proposing this legislation is to reach a reasonable and constitutionally sound balance between respecting the compelling interests of government and protecting the ability of people freely to exercise their religion. We believe that the legislation being introduced today accomplishes this goal in two areas where infringement of this right has frequently occurred—the application of land use laws, and treatment of persons who are institutionalized. In both of these areas, our bill will protect the Constitutional right to worship, free from unnecessary government interference.

After numerous Congressional hearings on religious liberties, the evidence is clear that local land use laws often have the discriminatory effect of burdening the free exercise of religion. It is also clear that institutionalized persons are often unreasonably denied the opportunity to practice their religion, even when their observance would not undermine discipline, order, or safety in the facilities.

Relying upon the findings from Congressional hearings, we have developed a bill—based upon well-established constitutional authority—that will protect the free exercise of religion in these two important areas. Our bill has the support of the Free Exercise Coalition, which represents over 50 diverse and respected groups, including the Family Research Council, Christian Legal Society, American Civil Liberties Union, and People for the American Way. The bill also has the endorsement of the Leadership Conference for Civil Rights.

The broad support that this bill enjoys among religious groups and the civil rights community is the result of many months of difficult, but important negotiations. We carefully considered ways to strengthen religious liberties in other ways in the wake of the Supreme Court's decision. We were mindful of not undermining existing laws intended to protect other important civil rights and civil liberties. It would have been counterproductive if this effort to protect religious liberties led to confrontation and conflict between the civil rights community and the religious community, or to a further court decision striking down the new law. We believe that our bill succeeds in avoiding these difficulties by addressing the most obvious threats to religious liberty and by leaving open the question of what future Congressional action, if any, will be needed to protect religious freedom in America.

The land use provision covers regulations defined as ''zoning and landmarking'' laws. Under this provision, if a zoning or landmarking law substantially burdens a person's free exercise of religion, the government involved must demonstrate that the particular law is the least restrictive means of furthering a compelling governmental interest. This provision is based upon the constitutional authority of Congress under Section 5 of the 14th Amendment, as well as the Commerce and Spending powers of Congress. The institutionalized persons section applies the strict scrutiny standard to cases in which the free exercise rights of such persons are substantially burdened. This provision is based upon Congress's constitutional authority under the Spending and Commerce powers.

Applying a strict scrutiny standard to prison regulations would not lead, as some have suggested, to a flood of frivolous lawsuits by prisoners, and it will not undermine safety, order, or discipline in correctional facilities. Arguments opposing this provision have been made in the past, but they were based on speculation. Now, the arguments can be proven demonstrably false by the facts.

Since the Religious Freedom Restoration Act was enacted in 1993, strict scrutiny has been the applicable standard in religious liberties case brought by inmates in federal prisons. Yet, according to the Department of Justice, among the 96 federally run facilities, housing over 140,000 inmates, less than 75 cases have ever been brought under the Act—most of which have never gone to trial. On average, over seven years, that's less than 1 case in each federal facility. It's hardly a flood of litigation or a reason to deny this protection to prisoners.

Following the enactment of the 1993 Act, Congress also passed the Prison Litigation Reform Act, which includes a number of procedural rules to limit frivolous prisoner litigation. Those procedural rules will apply in cases brought under the bill we are introducing today. Based upon these protections and the data on prison litigation, it is clear that this provision in our bill will not lead to a flood of frivolous lawsuits or threaten the safety, order, or discipline in correctional facilities. Sincere faith and worship can be an indispensable part of rehabilitation, and these protections should be an important part of that process.

In sum, our bill is an important step forward in protecting religious liberty in America. It reflects the Senate's long tradition of bipartisan support for the Constitution and the nation's fundamental freedoms, and I urge the Senate to approve it.

EXAMPLES OF LAND USE RESTRICTIONS ON RELIGIOUS LIBERTY

In February 2000, a city official in Portland, Oregon ordered a local United Methodist Church to limit attendance at its services to 70 worshipers and shut down a meals program for the homeless and the working poor that the church had been operating for sixteen years. The church can hold up to 500 persons. The land use official announced that her job was ''quasi-judicial,'' and that ''she was not required to explain decisions.'' After a public outcry, the Portland City Council unanimously rejected the attendance cap and voted to allow church programs to continue, contingent on an agreement being reached among neighbors, neighborhood businesses and the city about the management of the church programs. (''Church ordered to limit attendance,'' Washington Times, February 18, 2000: ''Church wins on attendance,'' The Oregonian, March 2, 2000).

Officials in Arapahoe County, Colorado imposed numerical limits on the number of students who could enroll in religious schools and on the size of congregations of various churches, as a way of limiting their growth. These limits directly conflicted with the mission of evangelical churches, whose fundamental goal is to attract new believers.

In Douglas County, Colorado, administrative officials proposed limiting the operational hours of a church in much the same way as they limit commercial facilities. As Mark Chopko noted in his Congressional testimony, limiting a church's operational hours means that a church may not lawfully engage in certain acts of service and devotion or overnight spiritual retreats. (Testimony of Mark Chopko before the House Subcommittee on the Constitution, March 26, 1998).

Congregation Etz Chaim, an Orthodox Jewish congregation in Los Angeles, was meeting in a rented house, or ''shul'', in Hancock Park, a residential zone. The rabbi of the congregation, Chaim Baruch Rubin, testified that ten to fifteen men would typically visit the house for daily meetings, and forty or fifty people (many elderly and disabled) would attend on the Sabbath or holidays to engage in quiet prayer and study. Orthodox Jews must walk to services on the Sabbath and on most holidays, because their religion does not permit them to use mechanical modes of transportation on those days. When neighbors complained about the effect on property values, the congregation requested a special use permit from the City Council to remain in the residential zone. The Council unanimously rejected the request, putting the neighborhood effectively off-limits for Orthodox Jews. The same Council, however, allowed other places of assembly in Hancock Park, including schools, book clubs, recreational uses and embassy parties. Rabbi Rubin testified that 84,000 cars traveled through this part of the neighborhood daily, and yet somehow the Council deemed a prayer meeting of a few who traveled by foot as harmful to the neighborhood. Rabbi Rubin concluded his testimony by stating, what do I tell my congregants—what do I tell an 84 year old survivor of Auschwitz, a man who used to risk his life in the concentration camp whenever possible to gather together to pray? (Testimony of Rabbi Chaim Baruch Rubin before the House Subcommittee on the Constitution, February 26, 1998).

In the process of creating a new zoning plan covering development in the city, the City of Forest Hills, Tennessee set up an ''educational and religious zone'' called an ''ER'' for schools and churches, but limited that designation to schools and churches that already existed within the city. No other land was zoned ''ER'' under the plan, so no other property was available for the construction of a new religious building. The City also established strict requirements for changing any zone. The Church of Jesus Christ of Latter-day Saints determined a need for a temple in Forest Hills, and sought a zone change for property that it owned within city limits. Forest Hills rejected the church's request. The church then bought another piece of property that had previously been home to a church. Churches of other denominations were nearby. Forest Hills nevertheless rejected the church's second request citing concern about traffic, and a court upheld this determination, effectively precluding Mormons from temple worship within city limits. (Testimony of Von G. Keetch before the House Subcommittee on the Constitution, March 26, 1998; Report of the House Judiciary Committee on the Religious Liberty Protection Act of 1999, 106th Congress).

In 1997, the City of Richmond passed an ordinance which required places of worship wishing to feed more than thirty hungry and homeless people to apply for a conditional use permit at a cost of $1,000, plus $100 dollars per acre of affected property. The ordinance regulated only places of worship, not other institutions, and only eating by persons who are hungry and homeless. The ordinance also limited to seven days, and to the period between October 1 and April 1, the times when places of worship may feed the hungry and homeless. The City had complete discretion over the granting of conditional use permits based on its assessment of a number of subjective factors. The Rev. Patrick Wilson of Richmond, Virginia stated in his testimony: ''A $1,000 fee is beyond the means of most churches, which operate with memberships of less than 100 persons and is therefore prohibitive. Imagine that—a statutorily imposed fee for the exercise of a basic and fundamental tenet of the Christian faith! . . . Health and safety issues can be and are addressed in less odious ways.'' (Testimony of Rev. Patrick J. Wilson III before the House Subcommittee on the Constitution, February 26, 1998; Preliminary and Jurisdictional Statement in Trinity Baptist Church v. City of Richmond, (E.D.Va. filed August 20, 1997.)

Twenty-two of the twenty-nine zoning codes in the northern suburbs of Chicago effectively exclude churches, unless they have a special use permit. Zoning authorities hold almost wholly discretionary power over whether a house of worship may locate in these areas. John Mauck, a Chicago attorney who serves many churches in this area, handled the case of a church, His Word Ministries to All Nations, interested in buying property after it outgrew its space in the basement of a home. When it sought a special use permit in 1992, an alderman delayed the request three times, resulting in months of delay in the purchase of the building. After the third postponement of the hearing, the alderman had the church's property rezoned as a manufacturing district. Because churches cannot locate in a manufacturing district, the church was forced to withdraw its application for special use after paying filing, attorney and appraiser fees. The church spent approximately $5,000 and wasted an entire year seeking the special use permit. (Testimony of John Mauck before the House Subcommittee on the Constitution, March 26, 1998; Affidavit of Virginia Kantor in Civil Liberties for Urban Believers v. City of Chicago (N.D. Ill. 1994); Testimony of Douglas Laycock before the House Subcommittee on the Constitution, July 14, 1998).

In his testimony, Marc Stern stated that orthodox synagogues are often required to have a specific number of parking spaces, based on the number of seats in the sanctuary—even though the sanctuary will be filled with worshipers who do not drive. (Testimony of Marc Stern before the House Subcommittee on the Constitution, March 26, 1998).

Chicago attorney John Mauck testified about several cases of racially motivated opposition to black churches, and about a case in which the mayor told his city manager that they didn't want Hispanics in the town. He also testified about other statements of bigotry. Marc Stern testified about a case in which a small congregation sought permission to convert a private home into a small synagogue. One council member considering the converted use ''warned that if the application was granted, this nearly all white suburb would begin to resemble an adjoining city which was largely minority and full of storefront churches.'' (Testimony of John Mauck before the House Subcommittee on the Constitution, March 26, 1998; Testimony of Douglas Laycock before the House Subcommittee on the Constitution, July 14, 1998; Testimony of Marc Stern before the House Subcommittee on the Constitution, March 26, 1998).

ADDITIONAL COSPONSORS

S. 818

At the request of Mr. DEWINE, the name of the Senator from Vermont (Mr. JEFFORDS) was added as a cosponsor of S. 818, a bill to require the Secretary of Health and Human Services to conduct a study of the mortality and adverse outcome rates of medicare patients related to the provision of anesthesia services.

S. 922

At the request of Mr. ABRAHAM, the name of the Senator from Georgia (Mr. CLELAND) was added as a cosponsor of S. 922, a bill to prohibit the use of the ''Made in the USA'' label on products of the Commonwealth of the Northern Mariana Islands and to deny such products duty-free and quota-free treatment.

S. 1200

At the request of Ms. SNOWE, the name of the Senator from Maine (Ms. COLLINS) was added as a cosponsor of S. 1200, a bill to require equitable coverage of prescription contraceptive drugs and devices, and contraceptive services under health plans.

S. 2023

At the request of Mr. KENNEDY, his name was added as a cosponsor of S. 2023, a bill to provide for the establishment of Individual Development Accounts (IDAs) that will allow individuals and families with limited means an opportunity to accumulate assets, to access education, to own their own homes and businesses, and ultimately to achieve economic self-sufficiency, and for other purposes.

S. 2084

At the request of Mr. LUGAR, the name of the Senator from South Dakota (Mr. JOHNSON) was added as a cosponsor of S. 2084, a bill to amend the Internal Revenue Code of 1986 to increase the amount of the charitable deduction allowable for contributions of food inventory, and for other purposes.

S. 2106

At the request of Mr. ASHCROFT, the name of the Senator from Nebraska (Mr. HAGEL) was added as a cosponsor of S. 2106, a bill to increase internationally the exchange and availability of information regarding biotechnology and to coordinate a federal strategy in order to advance the benefits of biotechnology, particularly in agriculture.

S. 2217

At the request of Mr. ABRAHAM, the names of the Senator from Hawaii (Mr. AKAKA), the Senator from Missouri (Mr. ASHCROFT), the Senator from Montana (Mr. BAUCUS), the Senator from Kentucky (Mr. BUNNING), the Senator from Louisiana (Mr. BREAUX), the Senator from Nevada (Mr. BRYAN), the Senator from Ohio (Mr. DEWINE), the Senator from Connecticut (Mr. DODD), the Senator from California (Mrs. FEINSTEIN), the Senator from Florida (Mr. GRAHAM), the Senator from Iowa (Mr. GRASSLEY), the Senator from New Hampshire (Mr. GREGG), the Senator from North Carolina (Mr. HELMS), the Senator from South Carolina (Mr. HOLLINGS), the Senator from Oklahoma (Mr. INHOFE), the Senator from Massachusetts (Mr. KENNEDY), the Senator from Kentucky (Mr. MCCONNELL), the Senator from Alaska (Mr. MURKOWSKI), the Senator from Washington (Mrs. MURRAY), the Senator from New Hampshire (Mr. SMITH), the Senator from South Carolina (Mr. THURMOND), and the Senator from Minnesota (Mr. WELLSTONE) were added as cosponsors of S. 2217, a bill to require the Secretary of the Treasury to mint coins in commemoration of the National Museum of the American Indian of the Smithsonian Institution, and for other purposes.

S. 2299

At the request of Mr. L. CHAFEE, the name of the Senator from Indiana (Mr. LUGAR) was added as a cosponsor of S. 2299, a bill to amend title XIX of the Social Security Act to continue State Medicaid disproportionate share hospital (DSH) allotments for fiscal year 2001 at the levels for fiscal year 2000.

S. 2463

At the request of Mr. FEINGOLD, the name of the Senator from California (Mrs. BOXER) was added as a cosponsor of S. 2463, a bill to institute a moratorium on the imposition of the death penalty at the Federal and State level until a National Commission on the Death Penalty studies its use and policies ensuring justice, fairness, and due process are implemented.

S. 2504

At the request of Mr. CRAIG, the name of the Senator from Georgia (Mr. COVERDELL) was added as a cosponsor of S. 2504, a bill to amend title VI of the Clean Air Act with respect to the phaseout schedule for methyl bromide.

S. 2615

At the request of Mr. KENNEDY, the name of the Senator from Maryland (Mr. SARBANES) was added as a cosponsor of S. 2615, a bill to establish a program to promote child literacy by making books available through early learning and other child care programs, and for other purposes.

S. 2698

At the request of Mr. MOYNIHAN, the name of the Senator from North Dakota (Mr. CONRAD) was added as a cosponsor of S. 2698, a bill to amend the Internal Revenue Code of 1986 to provide an incentive to ensure that all Americans gain timely and equitable access to the Internet over current and future generations of broadband capability.

S. 2700

At the request of Mr. L. CHAFEE, the name of the Senator from Missouri (Mr. ASHCROFT) was added as a cosponsor of S. 2700, a bill to amend the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 to promote the cleanup and reuse of brownfields, to provide financial assistance for brownfields revitalization, to enhance State response programs, and for other purposes.

S. 2703

At the request of Mr. AKAKA, the name of the Senator from Arkansas (Mrs. LINCOLN) was added as a cosponsor of S. 2703, a bill to amend the provisions of title 39, United States Code, relating to the manner in which pay policies and schedules and fringe benefit programs for postmasters are established.

S. 2725

At the request of Mr. SMITH of New Hampshire, the name of the Senator from Hawaii (Mr. AKAKA) was added as a cosponsor of S. 2725, a bill to provide for a system of sanctuaries for chimpanzees that have been designated as being no longer needed in research conducted or supported by the Public Health Service, and for other purposes.

S. 2739

At the request of Mr. LAUTENBERG, the names of the Senator from Louisiana (Mr. BREAUX) and the Senator from Maine (Ms. SNOWE) were added as cosponsors of S. 2739, a bill to amend title 39, United States Code, to provide for the issuance of a semipostal stamp in order to afford the public a convenient way to contribute to funding for the establishment of the World War II Memorial.

S. 2769

At the request of Mr. LEAHY, the name of the Senator from Florida (Mr. GRAHAM) was added as a cosponsor of S. 2769, a bill to authorize funding for National Instant Criminal Background Check System improvements.

S. 2787

At the request of Mr. BIDEN, the name of the Senator from New York (Mr. MOYNIHAN) was added as a cosponsor of S. 2787, a bill to reauthorize the Federal programs to prevent violence against women, and for other purposes.

S. 2807

At the request of Mr. FRIST, the name of the Senator from Arkansas (Mr. HUTCHINSON) was added as a cosponsor of S. 2807, a bill to amend the Social Security Act to establish a Medicare Prescription Drug and Supplemental Benefit Program and to stabilize and improve the Medicare+Choice program, and for other purposes.

S. 2815

At the request of Mr. CLELAND, the name of the Senator from Utah (Mr. BENNETT) was added as a cosponsor of S. 2815, a bill to provide for the nationwide designation of 2–1–1 as a toll-free telephone number for access to information and referrals on human services, to encourage the deployment of the toll-free telephone number, and for other purposes.

S. 2851

At the request of Mr. CLELAND, the name of the Senator from Kansas (Mr. ROBERTS) was added as a cosponsor of S. 2851, a bill to require certain information from the President before certain deployments of the Armed Forces, and for other purposes.

S.CON.RES. 2

At the request of Mr. DURBIN, the name of the Senator from Washington (Mr. GORTON) was added as a cosponsor of S.Con.Res. 2, a concurrent resolution recommending the integration of Lithuania, Latvia, and Estonia into the North Atlantic Treaty Organization (NATO).

S.CON.RES. 111

At the request of Mr. NICKLES, the name of the Senator from Illinois (Mr. FITZGERALD) was added as a cosponsor of S.Con.Res. 111, a concurrent resolution expressing the sense of the Congress regarding ensuring a competitive North American market for softwood lumber.

S.RES. 294

At the request of Mr. ABRAHAM, the name of the Senator from Alabama (Mr. SESSIONS) was added as a cosponsor of S.Res. 294, a resolution designating the month of October 2000 as ''Children's Internet Safety Month''.

S.RES. 301

At the request of Mr. THURMOND, the names of the Senator from Kentucky (Mr. BUNNING), the Senator from Idaho (Mr. CRAPO), the Senator from South Carolina (Mr. HOLLINGS), the Senator from Wisconsin (Mr. KOHL), the Senator from New Mexico (Mr. BINGAMAN), the Senator from New Hampshire (Mr. SMITH), and the Senator from Connecticut (Mr. DODD) were added as cosponsors of S.Res. 301, a resolution designating August 16, 2000, as ''National Airborne Day''.

S.RES. 304

At the request of Mr. BIDEN, the name of the Senator from South Dakota (Mr. DASCHLE) was added as a cosponsor of S.Res. 304, a resolution expressing the sense of the Senate regarding the development of educational programs on veterans' contributions to the country and the designation of the week that includes Veterans Day as ''National Veterans Awareness Week'' for the presentation of such educational programs.

AMENDMENT NO. 3767

At the request of Mr. ASHCROFT, his name was added as a cosponsor of amendment No. 3767 proposed to S. 2549, an original bill to authorize appropriations for fiscal year 2001 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes.

AMENDMENT NO. 3794

At the request of Mr. ASHCROFT, his name was added as a cosponsor of amendment No. 3794 proposed to S. 2549, an original bill to authorize appropriations for fiscal year 2001 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes.

AMENDMENT NO. 3817

At the request of Mr. GORTON, his name was added as a cosponsor of amendment No. 3817 proposed to S. 2549, an original bill to authorize appropriations for fiscal year 2001 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes.

SENATE RESOLUTION 335—CONGRATULATING THE PEOPLE OF MEXICO ON THE OCCASION OF THE DEMOCRATIC ELECTIONS HELD IN THAT COUNTRY

Mr. HELMS (for himself, Mr. LOTT, Mr. BIDEN, Mr. L. CHAFEE, Mr. DODD, Mr. LUGAR, Mr. COVERDELL, Mr. DOMENICI, Mr. LEAHY, Mr. GRASSLEY, Mr. BINGAMAN, Mr. GRAMM, Mr. MCCAIN, Mr. SMITH of New Hampshire, Mr. CRAIG, Mrs. FEINSTEIN, Mrs. BOXER, Mr. FEINGOLD, Mrs. HUTCHISON, Mr. ASHCROFT, Mr. FRIST, Mr. GRAMS, Mr. DEWINE, Mr. KYL, and Mr. BROWNBACK) submitted the following resolution; which was considered and agreed to:

S. RES. 335

Whereas the United States and Mexico share a border of more than 2,000 miles;

Whereas Mexico is the second largest trade partner of the United States, with a two-way trade of $174,000,000,000;

Whereas United States companies have invested more than $25,000,000,000 in Mexico from 1994–1999;

Whereas more than 20,000,000 people now in the United States are of Mexican descent, a fact that in and of itself forges profound and permanent cultural ties between our 2 countries;

Whereas the well-being and security of the United States and Mexico require governments willing and able to cooperate fully to confront common threats, including organized crime, corruption, and trafficking in illicit narcotics;

Whereas the people of Mexico have struggled for decades for a true representative democracy, accountability, and the rule of law and, in recent years, they have sought and obtained significant political and electoral reforms in pursuit of those objectives;

Whereas the Federal Electoral Institute and its regional councils, now genuinely independent and representative bodies, were responsible for organizing the federal elections on July 2, 2000, in which nearly 1,000,000 citizens participated directly in conducting the balloting for a new president, a new national congress, and state or local officials in Mexico City as well as 10 states;

Whereas the July 2nd elections were observed by approximately 2,500,000 domestic monitors and 850 foreign visitors, including delegations of the United States-based International Republican Institute for International Affairs and the National Democratic Institute;

Whereas in the July 2nd elections, Vicente Fox Quesada of the Alliance for Change (consisting of the National Action Party and the Mexican Green Party) was elected President of the United Mexican States, receiving 42.5 percent of the 37,600,000 votes cast, according to preliminary results released by the Federal Electoral Institute; and

Whereas, according to the Federal Electoral Institute and domestic and international observers, the July 2nd elections were unprecedented in their degree of fairness and transparency, forming the foundation for a genuinely democratic and pluralistic government that represents the will and sovereignty of the people of Mexico: Now, therefore, be it

Resolved,

SECTION 1. CONGRATULATING THE PEOPLE OF MEXICO ON THE OCCASION OF THE DEMOCRATIC ELECTIONS HELD IN MEXICO.

(a) CONGRATULATING THE PEOPLE OF MEXICO.—The Senate, on behalf of the people of the United States, hereby—

(1) congratulates the people of Mexico for their long, courageous, and fruitful struggle for representative democracy and the rule of law;

(2) congratulates Vicente Fox Quesada for his electoral triumph and extends to him genuine best wishes for great success in his formation of a new government; and

(3) congratulates Ernesto Zedillo Ponce de Leon, current President of the United Mexican States, for his historic commitment to ensure the peaceful and stable transition of power.

(b) SENSE OF THE SENATE.—It is the sense of the Senate that the United States should seek to—

(1) expand and intensify its cooperation with the newly elected Government of Mexico to promote economic development and to reduce poverty to achieve an improved quality of life for citizens of both countries;

(2) confront common threats such as the trafficking in illicit narcotics; and

(3) act in solidarity to actively promote representative democracy and the rule of law throughout the world.

SEC. 2. TRANSMITTAL OF RESOLUTION.

The Secretary of the Senate shall transmit a copy of this resolution to—

(1) Vicente Fox Quesada, President-elect of the United Mexican States;

(2) Luis Felipe Bravo Mena, president of the National Action Party of Mexico;

(3) the International Republican Institute for International Affairs and the National Democratic Institute; and

(4) the Secretary of State with the request that the Secretary further transmit such copy to Ernesto Zedillo Ponce de Leon, President of the United Mexican States.

AMENDMENTS SUBMITTED

DEATH TAX ELIMINATION ACT

MOYNIHAN AMENDMENT NO. 3821

Mr. MOYNIHAN proposed an amendment to the bill (H.R. 8) to amend the Internal Revenue Code of 1986 to phase-out the estate and gift taxes over a 10-year period; as follows:

Strike all after the first word and insert:

1. SHORT TITLE.

(a) SHORT TITLE.—This Act may be cited as the ‘‘Estate Tax Relief Act of 2000’’.

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

SEC. 2. INCREASE IN AMOUNT OF UNIFIED CREDIT AGAINST ESTATE AND GIFT TAXES.

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

“In the case of estates of decedents dying, and gifts made, during:	The applicable exclusion amount is:
2001, 2002, 2003, 2004, and 2005	$1,000,000
2006 and 2007	$1,125,000
2008	$1,500,000
2009 or thereafter	$2,000,000.’’

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

SEC. 3. INCREASE IN QUALIFIED FAMILY-OWNED BUSINESS INTEREST DEDUCTION AMOUNT.

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

‘‘(2) MAXIMUM DEDUCTION.—

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

‘‘(i) the applicable deduction amount, plus

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

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

“In the case of estates of decedents dying during:	The applicable deduction amount is:
2001, 2002, 2003, 2004, and 2005	$1,375,000
2006 and 2007	$1,625,000
2008	$2,375,000
2009 or thereafter	$3,375,000.

‘‘(C) APPLICABLE UNUSED SPOUSAL DEDUCTION AMOUNT.—With respect to a decedent whose immediately predeceased spouse died after December 31, 2000, and the estate of such immediately predeceased spouse met the requirements of subsection (b)(1), the applicable unused spousal deduction amount for such decedent is equal to the excess of—

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

‘‘(ii) the sum of—

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

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

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

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

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

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

SEC. 4. SENSE OF SENATE REGARDING SAVINGS.

It is the sense of the Senate that the reduced cost to the Federal Treasury resulting from the amendments made by this Act as compared to the cost to the Federal Treasury of H.R. 8 as received by the Senate from the House of Representatives on June 12, 2000, should be used exclusively to reduce the Federal debt held by the public.

Amend the title so as to read: ‘‘An Act to amend the Internal Revenue Code of 1986 to increase the unified credit exemption and the qualified family-owned business interest deduction, and for other purposes.’’

SCHUMER (AND OTHERS) AMENDMENT NO. 3822

Mr. SCHUMER (for himself, Mr. BIDEN, Mr. BAYH, Ms. LANDRIEU, Mr. DURBIN, and Mr. ROBB) proposed an amendment to the bill, H.R. 8, supra; as follows:

Strike all after the first word and insert:

1. SHORT TITLE.

(a) SHORT TITLE.—This Act may be cited as the ‘‘Estate Tax Relief Act of 2000’’.

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

TITLE I—ESTATE TAX RELIEF

SEC. 101. INCREASE IN AMOUNT OF UNIFIED CREDIT AGAINST ESTATE AND GIFT TAXES.

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

“In the case of estates of decedents dying, and gifts made, during:	The applicable exclusion amount is:
2001, 2002, 2003, 2004, and 2005	$1,000,000
2006 and 2007	$1,125,000
2008	$1,500,000
2009 or thereafter	$2,000,000.’’

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

SEC. 102. INCREASE IN QUALIFIED FAMILY-OWNED BUSINESS INTEREST DEDUCTION AMOUNT.

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

‘‘(2) MAXIMUM DEDUCTION.—

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

‘‘(i) the applicable deduction amount, plus

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

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

“In the case of estates of decedents dying, and gifts made, during:	The applicable exclusion amount is:
2001, 2002, 2003, 2004, and 2005	$1,375,000
2006 and 2007	$1,625,000
2008	$2,375,000
2009 or thereafter	$3,375,000.

‘‘(C) APPLICABLE UNUSED SPOUSAL DEDUCTION AMOUNT.—With respect to a decedent whose immediately predeceased spouse died after December 31, 2000, and the estate of such immediately predeceased spouse met the requirements of subsection (b)(1), the applicable unused spousal deduction amount for such decedent is equal to the excess of—

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

‘‘(ii) the sum of—

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

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

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

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

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

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

TITLE II—MAKE COLLEGE AFFORDABLE

SEC. 201. DEDUCTION FOR HIGHER EDUCATION EXPENSES.

(a) DEDUCTION ALLOWED.—Part VII of subchapter B of chapter 1 (relating to additional itemized deductions for individuals) is amended by redesignating section 222 as section 223 and by inserting after section 221 the following:

''SEC. 222. HIGHER EDUCATION EXPENSES.

''(a) ALLOWANCE OF DEDUCTION.—

''(1) IN GENERAL.—In the case of an individual, there shall be allowed as a deduction an amount equal to the applicable dollar amount of the qualified higher education expenses paid by the taxpayer during the taxable year.

''(2) APPLICABLE DOLLAR AMOUNT.—The applicable dollar amount for any taxable year shall be determined as follows:

''Taxable year:	Applicable dollar amount:
2002	$4,000
2003	$8,000
2004 and thereafter	$12,000.

''(b) LIMITATION BASED ON MODIFIED ADJUSTED GROSS INCOME.—

''(1) IN GENERAL.—The amount which would (but for this subsection) be taken into account under subsection (a) shall be reduced (but not below zero) by the amount determined under paragraph (2).

''(2) AMOUNT OF REDUCTION.—The amount determined under this paragraph equals the amount which bears the same ratio to the amount which would be so taken into account as—

''(A) the excess of—

''(i) the taxpayer's modified adjusted gross income for such taxable year, over

''(ii) $62,450 ($104,050 in the case of a joint return, $89,150 in the case of a return filed by a head of household, and $52,025 in the case of a return by a married individual filing separately), bears to

''(B) $15,000.

''(3) MODIFIED ADJUSTED GROSS INCOME.—For purposes of this subsection, the term 'modified adjusted gross income' means the adjusted gross income of the taxpayer for the taxable year determined—

''(A) without regard to this section and sections 911, 931, and 933, and

''(B) after the application of sections 86, 135, 219, 220, and 469.

For purposes of the sections referred to in subparagraph (B), adjusted gross income shall be determined without regard to the deduction allowed under this section.

''(c) QUALIFIED HIGHER EDUCATION EXPENSES.—For purposes of this section—

''(1) QUALIFIED HIGHER EDUCATION EXPENSES.—

''(A) IN GENERAL.—The term 'qualified higher education expenses' means tuition and fees charged by an educational institution and required for the enrollment or attendance of—

''(i) the taxpayer,

''(ii) the taxpayer's spouse,

''(iii) any dependent of the taxpayer with respect to whom the taxpayer is allowed a deduction under section 151, or

''(iv) any grandchild of the taxpayer,

as an eligible student at an institution of higher education.

''(B) ELIGIBLE COURSES.—Amounts paid for qualified higher education expenses of any individual shall be taken into account under subsection (a) only to the extent such expenses—

''(i) are attributable to courses of instruction for which credit is allowed toward a baccalaureate degree by an institution of higher education or toward a certificate of required course work at a vocational school, and

''(ii) are not attributable to any graduate program of such individual.

''(C) EXCEPTION FOR NONACADEMIC FEES.—Such term does not include any student activity fees, athletic fees, insurance expenses, or other expenses unrelated to a student's academic course of instruction.

''(D) ELIGIBLE STUDENT.—For purposes of subparagraph (A), the term 'eligible student' means a student who—

''(i) meets the requirements of section 484(a)(1) of the Higher Education Act of 1965 (20 U.S.C. 1091(a)(1)), as in effect on the date of the enactment of this section, and

''(ii) is carrying at least one-half the normal full-time work load for the course of study the student is pursuing, as determined by the institution of higher education.

''(E) IDENTIFICATION REQUIREMENT.—No deduction shall be allowed under subsection (a) to a taxpayer with respect to an eligible student unless the taxpayer includes the name, age, and taxpayer identification number of such eligible student on the return of tax for the taxable year.

''(2) INSTITUTION OF HIGHER EDUCATION.—The term 'institution of higher education' means an institution which—

''(A) is described in section 481 of the Higher Education Act of 1965 (20 U.S.C. 1088), as in effect on the date of the enactment of this section, and

''(B) is eligible to participate in programs under title IV of such Act.

''(d) SPECIAL RULES.—

''(1) NO DOUBLE BENEFIT.—

''(A) IN GENERAL.—No deduction shall be allowed under subsection (a) for any expense for which a deduction is allowable to the taxpayer under any other provision of this chapter unless the taxpayer irrevocably waives his right to the deduction of such expense under such other provision.

''(B) DENIAL OF DEDUCTION IF CREDIT ELECTED.—No deduction shall be allowed under subsection (a) for a taxable year with respect to the qualified higher education expenses of an individual if the taxpayer elects to have section 25A apply with respect to such individual for such year.

''(C) DEPENDENTS.—No deduction shall be allowed under subsection (a) to any individual with respect to whom a deduction under section 151 is allowable to another taxpayer for a taxable year beginning in the calendar year in which such individual's taxable year begins.

''(D) COORDINATION WITH EXCLUSIONS.—A deduction shall be allowed under subsection (a) for qualified higher education expenses only to the extent the amount of such expenses exceeds the amount excludable under section 135 or 530(d)(2) for the taxable year.

''(2) LIMITATION ON TAXABLE YEAR OF DEDUCTION.—

''(A) IN GENERAL.—A deduction shall be allowed under subsection (a) for qualified higher education expenses for any taxable year only to the extent such expenses are in connection with enrollment at an institution of higher education during the taxable year.

''(B) CERTAIN PREPAYMENTS ALLOWED.—Subparagraph (A) shall not apply to qualified higher education expenses paid during a taxable year if such expenses are in connection with an academic term beginning during such taxable year or during the first 3 months of the next taxable year.

''(3) ADJUSTMENT FOR CERTAIN SCHOLARSHIPS AND VETERANS BENEFITS.—The amount of qualified higher education expenses otherwise taken into account under subsection (a) with respect to the education of an individual shall be reduced (before the application of subsection (b)) by the sum of the amounts received with respect to such individual for the taxable year as—

''(A) a qualified scholarship which under section 117 is not includable in gross income,

''(B) an educational assistance allowance under chapter 30, 31, 32, 34, or 35 of title 38, United States Code, or

''(C) a payment (other than a gift, bequest, devise, or inheritance within the meaning of section 102(a)) for educational expenses, or attributable to enrollment at an eligible educational institution, which is exempt from income taxation by any law of the United States.

''(4) NO DEDUCTION FOR MARRIED INDIVIDUALS FILING SEPARATE RETURNS.—If the taxpayer is a married individual (within the meaning of section 7703), this section shall apply only if the taxpayer and the taxpayer's spouse file a joint return for the taxable year.

''(5) NONRESIDENT ALIENS.—If the taxpayer is a nonresident alien individual for any portion of the taxable year, this section shall apply only if such individual is treated as a resident alien of the United States for purposes of this chapter by reason of an election under subsection (g) or (h) of section 6013.

''(6) REGULATIONS.—The Secretary may prescribe such regulations as may be necessary or appropriate to carry out this section, including regulations requiring recordkeeping and information reporting.''

(b) DEDUCTION ALLOWED IN COMPUTING ADJUSTED GROSS INCOME.—Section 62(a) is amended by inserting after paragraph (17) the following:

''(18) HIGHER EDUCATION EXPENSES.—The deduction allowed by section 222.''

(c) CONFORMING AMENDMENT.—The table of sections for part VII of subchapter B of chapter 1 is amended by striking the item relating to section 222 and inserting the following:

''Sec. 222. Higher education expenses.

''Sec. 223. Cross reference.''

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

SEC. 202. CREDIT FOR INTEREST ON HIGHER EDUCATION LOANS.

(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 (relating to nonrefundable personal credits) is amended by inserting after section 25A the following new section:

''SEC. 25B. INTEREST ON HIGHER EDUCATION LOANS.

''(a) ALLOWANCE OF CREDIT.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the interest paid by the taxpayer during the taxable year on any qualified education loan.

''(b) MAXIMUM CREDIT.—

''(1) IN GENERAL.—Except as provided in paragraph (2), the credit allowed by subsection (a) for the taxable year shall not exceed $1,500.

''(2) LIMITATION BASED ON MODIFIED ADJUSTED GROSS INCOME.—

''(A) IN GENERAL.—If the modified adjusted gross income of the taxpayer for the taxable year exceeds $50,000 ($80,000 in the case of a joint return), the amount which would (but for this paragraph) be allowable as a credit under this section shall be reduced (but not below zero) by the amount which bears the same ratio to the amount which would be so allowable as such excess bears to $20,000.

''(B) MODIFIED ADJUSTED GROSS INCOME.—The term 'modified adjusted gross income' means adjusted gross income determined without regard to sections 911, 931, and 933.

''(C) INFLATION ADJUSTMENT.—In the case of any taxable year beginning after 2003, the $50,000 and $80,000 amounts referred to in subparagraph (A) shall be increased by an amount equal to—

''(i) such dollar amount, multiplied by

''(ii) the cost-of-living adjustment determined under section (1)(f)(3) for the calendar year in which the taxable year begins, by substituting '2002' for '1992'.

''(D) ROUNDING.—If any amount as adjusted under subparagraph (C) is not a multiple of $50, such amount shall be rounded to the nearest multiple of $50.

''(c) DEPENDENTS NOT ELIGIBLE FOR CREDIT.—No credit shall be allowed by this section to an individual for the taxable year if a deduction under section 151 with respect to such individual is allowed to another taxpayer for the taxable year beginning in the calendar year in which such individual's taxable year begins.

''(d) LIMIT ON PERIOD CREDIT ALLOWED.—A credit shall be allowed under this section only with respect to interest paid on any qualified education loan during the first 60 months (whether or not consecutive) in which interest payments are required. For purposes of this paragraph, any loan and all refinancings of such loan shall be treated as 1 loan.

''(e) DEFINITIONS.—For purposes of this section—

''(1) QUALIFIED EDUCATION LOAN.—The term 'qualified education loan' has the meaning given such term by section 221(e)(1).

''(2) DEPENDENT.—The term 'dependent' has the meaning given such term by section 152.

''(f) SPECIAL RULES.—

''(1) DENIAL OF DOUBLE BENEFIT.—No credit shall be allowed under this section for any amount taken into account for any deduction under any other provision of this chapter.

''(2) MARRIED COUPLES MUST FILE JOINT RETURN.—If the taxpayer is married at the close of the taxable year, the credit shall be allowed under subsection (a) only if the taxpayer and the taxpayer's spouse file a joint return for the taxable year.

''(3) MARITAL STATUS.—Marital status shall be determined in accordance with section 7703.''

(b) CONFORMING AMENDMENT.—The table of sections for subpart A of part IV of subchapter A of chapter 1 is amended by inserting after the item relating to section 25A the following new item:

''Sec. 25B. Interest on higher education loans.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to any qualified education loan (as defined in section 25B(e)(1) of the Internal Revenue Code of 1986, as added by this section) incurred on, before, or after the date of the enactment of this Act, but only with respect to any loan interest payment due after December 31, 2001.

TITLE III—ADVANCED TEACHER CERTIFICATION INCENTIVES

SEC. 301. CERTIFIED TEACHER CREDIT.

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

(1) Studies have shown that the greatest single in-school factor affecting student achievement is teacher quality.

(2) Most accomplished teachers do not get the rewards they deserve.

(3) After adjusting amounts for inflation, the average teacher salary for 1997–1998 of $39,347 is just $2 above what it was in 1993. Such salary is also just $1,924 more than the average salary recorded in 1972, a real increase of only $75 per year.

(4) While K–12 enrollments are steadily increasing, the teacher population is aging. There is a need, now more than ever, to attract competent, capable, and bright college graduates or mid-career professionals to the teaching profession.

(5) The Department of Education projects that 2,000,000 new teachers will have to be hired in the next decade. Shortages, if they occur, will most likely be felt in urban or rural regions of the country where working conditions may be difficult or compensation low.

(6) If students are to receive a high quality education and remain competitive in the global market the United States must attract talented and motivated people to the teaching profession in large numbers.

(b) ALLOWANCE OF CREDIT.—Subpart C of part IV of subchapter A of chapter 1 (relating to refundable credits) is amended by redesignating section 35 as section 36 and by inserting after section 34 the following new section:

''SEC. 35. CERTIFIED TEACHER CREDIT.

''(a) ALLOWANCE OF CREDIT.—

''(1) IN GENERAL.—In the case of an eligible teacher, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year $5,000.

''(2) YEAR CREDIT ALLOWED.—The credit under paragraph (1) shall be allowed in the taxable year in which the taxpayer becomes a certified individual.

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

''(1) ELIGIBLE TEACHER.—

''(A) IN GENERAL.—The term 'eligible teacher' means a certified individual who is a pre-kindergarten or early childhood educator, or a kindergarten through grade 12 classroom teacher, instructor, counselor, aide, or principal in an elementary or secondary school on a full-time basis for an academic year ending during a taxable year.

''(B) CERTIFIED INDIVIDUAL.—The term 'certified individual' means an individual who has successfully completed the requirements for advanced certification provided by the National Board for Professional Teaching Standards.

''(2) ELEMENTARY OR SECONDARY SCHOOL.—The term 'elementary or secondary school' means a public elementary or secondary school which—

''(A) is located in a school district of a local educational agency which is eligible, during the taxable year, for assistance under part A of title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6311 et seq.), and

''(B) during the taxable year, the Secretary of Education determines to have an enrollment of children counted under section 1124(c) of such Act (20 U.S.C. 6333(c)) in an amount in excess of an amount equal to 40 percent of the total enrollment of such school.

''(c) VERIFICATION.—The credit allowed under subsection (a) shall be allowed with respect to any certified individual only if the certification is verified in such manner as the Secretary shall prescribe by regulation.

''(d) ELECTION TO HAVE CREDIT NOT APPLY.—A taxpayer may elect to have this section not apply for any taxable year.''.

(c) EXCLUSION FROM INCOME FOR CERTAIN AMOUNTS.—Part III of subchapter B of chapter 1 (relating to items specifically excluded from gross income) is amended by redesignating section 139 as section 140 and inserting after section 138 the following new section:

''SEC. 139. CERTAIN AMOUNTS RECEIVED BY CERTIFIED TEACHERS.

''(a) IN GENERAL.—In the case of a certified teacher, gross income shall not include the value of anything received during the taxable year solely by reason of such teacher having successfully completed the requirements for advanced certification provided by the National Board for Professional Teaching Standards (such as an incentive payment).

''(b) CERTIFIED TEACHER.—For purposes of this section, the term 'certified teacher' has the meaning given the term 'eligible teacher' under section 35(b)(1).

''(c) VERIFICATION.—The exclusion under subsection (a) shall be allowed with respect to any certified teacher only if the certification is verified in such manner as the Secretary shall prescribe by regulation.

''(d) AMOUNTS MUST BE REASONABLE.—Amounts excluded under subsection (a) shall include only amounts which are reasonable.''.

(d) CONFORMING AMENDMENTS.—

(1) Section 1324(b)(2) of title 31, United States Code, is amended by striking ''or'' before ''enacted'' and by inserting before the period at the end '', or from section 35 of such Code''.

(2) The table of sections for subpart C of part IV of subchapter A of chapter 1 is amended by striking the item relating to section 35 and inserting the following:

''Sec. 35. Certified teacher credit.

''Sec. 36. Overpayments of tax.''

(3) The table of sections for part III of subchapter B of chapter 1 is amended by striking the item relating to section 139 and inserting the following new items:

''Sec. 139. Certain amounts received by certified teachers.

''Sec. 140. Cross references to other Acts.''

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

HATCH (AND OTHERS) AMENDMENT NO. 3823

Mr. HATCH (for himself, Mr. ROBB, and Mr. KENNEDY) proposed an amendment to the bill, H.R. 8, supra; as follows:

At the end, add the following:

TITLE VI—PERMANENT EXTENSION OF RESEARCH CREDIT

SEC. 601. PERMANENT EXTENSION OF RESEARCH CREDIT.

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

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

GRAHAM (AND OTHERS) AMENDMENT NO. 3824

(Ordered to lie on the table.)

Mr. GRAHAM (for himself, Mr. KENNEDY, Mr. ROBB, Mr. BRYAN, Mrs. LINCOLN, Mr. ROCKEFELLER, Mr. DASCHLE, Mr. WELLSTONE, Mr. KERRY, and Mr. DORGAN) submitted an amendment intended to be proposed by them to the bill, H.R. 8, supra; as follows:

Strike all after the first word and insert:

SECTION 1. SHORT TITLE.

(a) SHORT TITLE.—This Act may be cited as the ''Estate Tax Relief Act of 2000''.

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

TITLE I—ESTATE TAX RELIEF

SEC. 101. INCREASE IN AMOUNT OF UNIFIED CREDIT AGAINST ESTATE AND GIFT TAXES.

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

"In the case of estates of decedents dying, and gifts made, during:	The applicable exclusion amount is:
2001, 2002, 2003, 2004, and 2005	$1,000,000
2006 and 2007	$1,125,000
2008	$1,500,000
2009 or thereafter	$2,000,000.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

SEC. 102. INCREASE IN QUALIFIED FAMILY-OWNED BUSINESS INTEREST DEDUCTION AMOUNT.

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

''(2) MAXIMUM DEDUCTION.—

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

''(i) the applicable deduction amount, plus

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

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

"In the case of estates of decedents dying during:	The applicable deduction amount is:
2001, 2002, 2003, 2004, and 2005	$1,375,000
2006 and 2007	$1,625,000
2008	$2,375,000
2009 or thereafter	$3,375,000.''

''(C) APPLICABLE UNUSED SPOUSAL DEDUCTION AMOUNT.—With respect to a decedent whose immediately predeceased spouse died after December 31, 2000, and the estate of such immediately predeceased spouse met the requirements of subsection (b)(1), the applicable unused spousal deduction amount for such decedent is equal to the excess of—

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

''(ii) the sum of—

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

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

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

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

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

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

TITLE II—ADDTIONAL BUDGET RESOURCES FOR A MEDICARE PRESCRIPTION DRUG BENEFIT PROGRAM

SEC. 201. ADDTIONAL BUDGET RESOURCES FOR A MEDICARE PRESCRIPTION DRUG BENEFIT PROGRAM.

(a) FINDINGS.—The Senate makes the following findings:

(1) Beneficiaries under the medicare program under title XVIII of the Social Security Act (42 U.S.C. 1395 et seq.) are the only group of insured Americans without prescription drug coverage.

(2) At any point in time, approximately 13,000,000 medicare beneficiaries are without prescription drug coverage.

(3) Over the course of a year, nearly 20,000,000 medicare beneficiaries are without prescription drug coverage for all or part of the year.

(4) The options available to medicare beneficiaries for obtaining prescription drug coverage are declining since—

(A) the number of employers providing employer-sponsored retiree coverage is declining at a dramatic rate;

(B) Medicare+Choice plans that might otherwise provide prescription drug coverage are pulling out of counties throughout the Nation; and

(C) medicare supplemental policies (medigap policies) that offer prescription drug coverage are so prohibitively expensive that only 8 percent of medicare beneficiaries have the means to purchase such policies.

(5) An elderly individual without prescription drug coverage living on $12,525 a year (150 percent of the Federal poverty line), who has diabetes, hypertension, and high cholesterol, pays more than 18.3 percent of their total income on the prescription drugs most commonly prescribed to treat their medical conditions.

(6) Medicare beneficiaries should never have to make the choice between having a roof over their head, having food in their mouth, or having necessary prescription drugs.

(7) Congress must provide medicare beneficiaries with a meaningful medicare prescription drug benefit that—

(A) is universal and affordable;

(B) guarantees stable coverage for medicare beneficiaries receiving benefits through the original fee-for-service program or through enrollment in a Medicare+Choice plan; and

(C) provides real low-income and stop-loss protections.

(8) Meaningful prescription drug coverage includes stop-loss protection above $4,000 of out-of-pocket expenses for prescription drugs.

(9) In March 2000, the Congressional Budget Office estimated the on-budget surplus for the 5-year period of fiscal year 2001 through fiscal year 2005 to be $148,000,000,000, assuming that discretionary spending was allowed to increase with inflation.

(10) Relying on the March 2000 estimate of the Congressional Budget Office, on April 12, 2000, Congress passed the concurrent resolution on the budget for fiscal year 2001 which allocated $40,000,000,000 of the estimated on-budget surplus for the 5-year period described in paragraph (9) to provide a prescription drug benefit for medicare beneficiaries.

(11) Forty billion dollars over 5 years cannot ensure access to a meaningful medicare prescription drug benefit that—

(A) is universal and affordable;

(B) guarantees stable coverage for medicare beneficiaries receiving benefits through the original fee-for-service program or through enrollment in a Medicare+Choice plan; and

(C) provides real low-income and stop-loss protections.

(12) Congress should not be bound to an arbitrarily low and inadequate allocation for providing a medicare prescription drug benefit when the estimated on-budget surplus for the 5-year period described in paragraph (9) has increased dramatically since March 2000.

(13) The Office of Management and Budget recently has revised its estimates for the on-budget surplus for the 5-year period described in paragraph (9) and now estimates that the on-budget surplus will be $360,000,000,000 for such period.

(14) The Congressional Budget Office will issue its revised budget estimates in the next few days and those estimates are widely expected to reflect a significant increase in the on-budget surplus for the 5-year period described in paragraph (9) as compared to the on-budget surplus that was estimated for such period in March 2000.

(b) 2001 BUDGET RESOLUTION AMENDMENT.—Section 213(b) of H. Con. Res. 290 (106th Congress) is amended to read as follows:

''(b) ADJUSTMENTS.—The chairman of the Committee on the Budget of the House or Senate, as applicable—

''(1) shall revise committee allocations and other appropriate budgetary levels and limits to accommodate legislation described in section 215(a) which improves access to prescription drugs for Medicare beneficiaries in an additional amount not to exceed $40,000,000,000 or the difference between the on-budget surpluses in the reports referred to in subsection (a), whichever is less; and

''(2) may, after the adjustment in paragraph (1), make the following adjustments in an amount not to exceed the difference between the on-budget surpluses in the reports referred to in subsection (a) minus the adjustment made pursuant to paragraph (1):

''(A) Reduce the on-budget revenue aggregate by that amount for such fiscal year.

''(B) Adjust the instruction in section 103 or 104 to—

''(i) increase the reduction in revenues by that amount for fiscal year 2001;

''(ii) increase the reduction in revenues by the sum of the amounts for the period of fiscal years 2001 through 2005; and

''(iii) in the House only, increase the amount of debt reduction by that amount for fiscal year 2001.

''(C) Adjust such other levels in this resolution, as appropriate and the Senate pay-as-you-go scorecard.''.

Strike all after the first word and insert:

1. SHORT TITLE.

(a) SHORT TITLE.—This Act may be cited as the ''Estate Tax Relief Act of 2000''.

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

TITLE I—ESTATE TAX RELIEF

SEC. 101. INCREASE IN AMOUNT OF UNIFIED CREDIT AGAINST ESTATE AND GIFT TAXES.

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

"In the case of estates of decedents dying, and gifts made, during:	The applicable exclusion amount is:
2001, 2002, 2003, 2004, and 2005	$1,000,000
2006 and 2007	$1,125,000
2008	$1,500,000
2009 or thereafter	$2,000,000.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

SEC. 102. INCREASE IN QUALIFIED FAMILY-OWNED BUSINESS INTEREST DEDUCTION AMOUNT.

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

''(2) MAXIMUM DEDUCTION.—

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

''(i) the applicable deduction amount, plus

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

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

"In the case of estates of decedents dying during:	The applicable deduction amount is:
2001, 2002, 2003, 2004, and 2005	$1,375,000
2006 and 2007	$1,625,000
2008	$2,375,000
2009 or thereafter	$3,375,000.

''(C) APPLICABLE UNUSED SPOUSAL DEDUCTION AMOUNT.—With respect to a decedent whose immediately predeceased spouse died after December 31, 2000, and the estate of such immediately predeceased spouse met the requirements of subsection (b)(1), the applicable unused spousal deduction amount for such decedent is equal to the excess of—

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

''(ii) the sum of—

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

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

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

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

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

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

TITLE II—HEALTH PROVISIONS

SEC. 201. LONG-TERM CARE TAX CREDIT.

(a) ALLOWANCE OF CREDIT.—

(1) IN GENERAL.—Section 24(a) (relating to allowance of child tax credit) is amended to read as follows:

''(a) ALLOWANCE OF CREDIT.—

''(1) IN GENERAL.—There shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the sum of—

''(A) $500 multiplied by the number of qualifying children of the taxpayer, plus

''(B) the applicable dollar amount multiplied by the number of applicable individuals with respect to whom the taxpayer is an eligible caregiver for the taxable year.

''(2) APPLICABLE DOLLAR AMOUNT.—For purposes of paragraph (1)(B), the applicable dollar amount for taxable years beginning in any calendar year shall be determined in accordance with the following table:

''Calendar year:	Applicable Dollar amount:
2001	$1,000
2002	$1,500
2003	$2,000
2004	$2,500
2005 and thereafter	$3,000.''

(2) ADDITIONAL CREDIT FOR TAXPAYER WITH 3 OR MORE SEPARATE CREDIT AMOUNTS.—So much of section 24(d) as precedes paragraph (1)(A) thereof is amended to read as follows:

''(d) ADDITIONAL CREDIT FOR TAXPAYERS WITH 3 OR MORE SEPARATE CREDIT AMOUNTS.—

''(1) IN GENERAL.—If the sum of the number of qualifying children of the taxpayer and the number of applicable individuals with respect to which the taxpayer is an eligible caregiver is 3 or more for any taxable year, the aggregate credits allowed under subpart C shall be increased by the lesser of—''.

(3) CONFORMING AMENDMENTS.—

(A) The heading for section 32(n) is amended by striking ''CHILD'' and inserting ''FAMILY CARE''.

(B) The heading for section 24 is amended to read as follows:

''SEC. 24. FAMILY CARE CREDIT.''

(C) The table of sections for subpart A of part IV of subchapter A of chapter 1 is amended by striking the item relating to section 24 and inserting the following new item:

''Sec. 24. Family care credit.''

(b) DEFINITIONS.—Section 24(c) (defining qualifying child) is amended to read as follows:

''(c) DEFINITIONS.—For purposes of this section—

''(1) QUALIFYING CHILD.—

''(A) IN GENERAL.—The term 'qualifying child' means any individual if—

''(i) the taxpayer is allowed a deduction under section 151 with respect to such individual for the taxable year,

''(ii) such individual has not attained the age of 17 as of the close of the calendar year in which the taxable year of the taxpayer begins, and

''(iii) such individual bears a relationship to the taxpayer described in section 32(c)(3)(B).

''(B) EXCEPTION FOR CERTAIN NONCITIZENS.—The term 'qualifying child' shall not include any individual who would not be a dependent if the first sentence of section 152(b)(3) were applied without regard to all that follows 'resident of the United States'.

''(2) APPLICABLE INDIVIDUAL.—

''(A) IN GENERAL.—The term 'applicable individual' means, with respect to any taxable year, any individual who has been certified, before the due date for filing the return of tax for the taxable year (without extensions), by a physician (as defined in section 1861(r)(1) of the Social Security Act) as being an individual with long-term care needs described in subparagraph (B) for a period—

''(i) which is at least 180 consecutive days, and

''(ii) a portion of which occurs within the taxable year.

Such term shall not include any individual otherwise meeting the requirements of the preceding sentence unless within the 39½ month period ending on such due date (or such other period as the Secretary prescribes) a physician (as so defined) has certified that such individual meets such requirements.

''(B) INDIVIDUALS WITH LONG-TERM CARE NEEDS.—An individual is described in this subparagraph if the individual meets any of the following requirements:

''(i) The individual is at least 6 years of age and—

''(I) is unable to perform (without substantial assistance from another individual) at least 3 activities of daily living (as defined in section 7702B(c)(2)(B)) due to a loss of functional capacity, or

''(II) requires substantial supervision to protect such individual from threats to health and safety due to severe cognitive impairment and is unable to perform at least 1 activity of daily living (as so defined) or to the extent provided in regulations prescribed by the Secretary (in consultation with the Secretary of Health and Human Services), is unable to engage in age appropriate activities.

''(ii) The individual is at least 2 but not 6 years of age and is unable due to a loss of functional capacity to perform (without substantial assistance from another individual) at least 2 of the following activities: eating, transferring, or mobility.

''(iii) The individual is under 2 years of age and requires specific durable medical equipment by reason of a severe health condition or requires a skilled practitioner trained to address the individual's condition to be available if the individual's parents or guardians are absent.

''(3) ELIGIBLE CAREGIVER.—

''(A) IN GENERAL.—A taxpayer shall be treated as an eligible caregiver for any taxable year with respect to the following individuals:

''(i) The taxpayer.

''(ii) The taxpayer's spouse.

''(iii) An individual with respect to whom the taxpayer is allowed a deduction under section 151 for the taxable year.

''(iv) An individual who would be described in clause (iii) for the taxable year if section 151(c)(1)(A) were applied by substituting for the exemption amount an amount equal to the sum of the exemption amount, the standard deduction under section 63(c)(2)(C), and any additional standard deduction under section 63(c)(3) which would be applicable to the individual if clause (iii) applied.

''(v) An individual who would be described in clause (iii) for the taxable year if—

''(I) the requirements of clause (iv) are met with respect to the individual, and

''(II) the requirements of subparagraph (B) are met with respect to the individual in lieu of the support test of section 152(a).

''(B) RESIDENCY TEST.—The requirements of this subparagraph are met if an individual has as his principal place of abode the home of the taxpayer and—

''(i) in the case of an individual who is an ancestor or descendant of the taxpayer or the taxpayer's spouse, is a member of the taxpayer's household for over half the taxable year, or

''(ii) in the case of any other individual, is a member of the taxpayer's household for the entire taxable year.

''(C) SPECIAL RULES WHERE MORE THAN 1 ELIGIBLE CAREGIVER.—

''(i) IN GENERAL.—If more than 1 individual is an eligible caregiver with respect to the same applicable individual for taxable years ending with or within the same calendar year, a taxpayer shall be treated as the eligible caregiver if each such individual (other than the taxpayer) files a written declaration (in such form and manner as the Secretary may prescribe) that such individual will not claim such applicable individual for the credit under this section.

''(ii) NO AGREEMENT.—If each individual required under clause (i) to file a written declaration under clause (i) does not do so, the individual with the highest modified adjusted gross income (as defined in section 32(c)(5)) shall be treated as the eligible caregiver.

''(iii) MARRIED INDIVIDUALS FILING SEPARATELY.—In the case of married individuals filing separately, the determination under this subparagraph as to whether the husband or wife is the eligible caregiver shall be made under the rules of clause (ii) (whether or not one of them has filed a written declaration under clause (i)).''

(c) IDENTIFICATION REQUIREMENTS.—

(1) IN GENERAL.—Section 24(e) is amended by adding at the end the following new sentence: ''No credit shall be allowed under this section to a taxpayer with respect to any applicable individual unless the taxpayer includes the name and taxpayer identification number of such individual, and the identification number of the physician certifying such individual, on the return of tax for the taxable year.''

(2) ASSESSMENT.—Section 6213(g)(2)(I) of such Code is amended—

(A) by inserting ''or physician identification'' after ''correct TIN'', and

(B) by striking ''child'' and inserting ''family care''.

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

SEC. 202. FULL DEDUCTION FOR HEALTH INSURANCE COSTS OF SELF-EMPLOYED INDIVIDUALS.

(a) IN GENERAL.—Section 162(*l*)(1) (relating to special rules for health insurance costs of self-employed individuals) is amended to read as follows:

''(1) ALLOWANCE OF DEDUCTION.—In the case of an individual who is an employee within the meaning of section 401(c)(1), there shall be allowed as a deduction under this section an amount equal to the amount paid during the taxable year for insurance which constitutes medical care for the taxpayer, the taxpayer's spouse, and dependents.''.

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

WELLSTONE (AND OTHERS) AMENDMENT NO. 3826

(Ordered to lie on the table.)

Mr. WELLSTONE (for himself, Mr. DODD, Mr. LANDRIEU, and Mr. KOHL), submitted an amendment intended to be proposed by them to the bill, H.R. 8, supra; as follows:

Strike all after the first word and insert:

1. SHORT TITLE.

(a) SHORT TITLE.—This Act may be cited as the ''Estate Tax Relief Act of 2000''.

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

TITLE I—ESTATE TAX RELIEF

SEC. 101. INCREASE IN AMOUNT OF UNIFIED CREDIT AGAINST ESTATE AND GIFT TAXES.

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

''In the case of estates of decedents dying, and gifts made, during:	The applicable exclusion amount is:
2001, 2002, 2003, 2004, and 2005	$1,000,000
2006 and 2007	$1,125,000
2008	$1,500,000
2009 or thereafter	$2,000,000.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

SEC. 102. INCREASE IN QUALIFIED FAMILY-OWNED BUSINESS INTEREST DEDUCTION AMOUNT.

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

''(2) MAXIMUM DEDUCTION.—

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

''(i) the applicable deduction amount, plus

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

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

''In the case of estates of decedents dying during:	The applicable deduction amount is:
2001, 2002, 2003, 2004, and 2005	$1,375,000
2006 and 2007	$1,625,000
2008	$2,375,000
2009 or thereafter	$3,375,000.

''(C) APPLICABLE UNUSED SPOUSAL DEDUCTION AMOUNT.—With respect to a decedent whose immediately predeceased spouse died after December 31, 2000, and the estate of such immediately predeceased spouse met the requirements of subsection (b)(1), the applicable unused spousal deduction amount for such decedent is equal to the excess of—

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

''(ii) the sum of—

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

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

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

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

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

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

TITLE II—DEPENDENT CARE TAX CREDIT

SEC. 201. EXPANSION OF DEPENDENT CARE TAX CREDIT.

(a) IN GENERAL.—Paragraph (2) of section 21(a) (relating to expenses for household and dependent care services necessary for gainful employment) is amended to read as follows:

''(2) APPLICABLE PERCENTAGE DEFINED.—For purposes of paragraph (1), the term 'applicable percentage' means 50 percent (40 percent for taxable years beginning after December 31, 2002, and before January 1, 2005) reduced (but not below 20 percent) by 1 percentage point for each $1,000 (or fraction thereof) by which the taxpayer's adjusted gross income for the taxable year exceeds $30,000.''

(b) MINIMUM CREDIT ALLOWED FOR STAY-AT-HOME PARENTS.—Section 21(e) (relating to special rules) is amended by adding at the end the following:

''(11) MINIMUM CREDIT ALLOWED FOR STAY-AT-HOME PARENTS.—Notwithstanding subsection (d), in the case of any taxpayer with one or more qualifying individuals described in subsection (b)(1)(A) under the age of 1 at any time during the taxable year, such taxpayer shall be deemed to have employment-related expenses with respect to not more than 2 of such qualifying individuals in an amount equal to the greater of—

''(A) the amount of employment-related expenses incurred for such qualifying individuals for the taxable year (determined under this section without regard to this paragraph), or

''(B) $41.67 for each month in such taxable year during which each such qualifying individual is under the age of 1.''.

(c) INFLATION ADJUSTMENT OF DOLLAR AMOUNTS.—

(1) Section 21 is amended by redesignating subsection (f) as subsection (g) and by inserting after subsection (e) the following new subsection:

''(f) INFLATION ADJUSTMENT.—In the case of any taxable year beginning in a calendar year after 2001, the $30,000 amount contained in subsection (a), the $2,400 amount in subsection (c), and the $41.67 amount in subsection (e)(11) shall be increased by an amount equal to—

''(1) such dollar amount, multiplied by

''(2) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year by substituting 'calendar year 2000' for 'calendar year 1992' in subparagraph (B) thereof.

If the increase determined under the preceding sentence is not a multiple of $50 ($5 in the case of the amount in subsection (e)(11)), such amount shall be rounded to the next lowest multiple thereof.''

(2) Paragraph (2) of section 21(c) is amended by striking ''$4,800'' and inserting ''twice the dollar amount applicable under paragraph (1)''.

(3) Paragraph (2) of section 21(d) is amended by striking ''less than—'' and all that follows through the end of the first sentence and inserting ''less than 1⁄12 of the amount which applies under subsection (c) to the taxpayer for the taxable year.''

(d) CREDIT ALLOWED BASED ON RESIDENCY IN CERTAIN CASES.—Subsection (e) of section 21 is amended by adding at the end the following new paragraph:

''(12) CREDIT ALLOWED BASED ON RESIDENCY IN CERTAIN CASES.—In the case of a taxpayer—

''(A) who does not satisfy the household maintenance test of subsection (a) for any period, but

''(B) whose principal place of abode for such period is also the principal place of abode of any qualifying individual,

then such taxpayer shall be treated as satisfying such test for such period but the amount of credit allowable under this section with respect to such individual shall be determined by allowing only 1⁄12 of the limitation under subsection (c) for each full month that the requirement of subparagraph (B) is met.''

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

SEC. 202. DEPENDENT CARE TAX CREDIT MADE REFUNDABLE.

(a) IN GENERAL.—Part IV of subchapter A of chapter 1 (relating to credits against tax) is amended—

(1) by redesignating section 35 as section 36, and

(2) by redesignating section 21 as section 35.

(b) ADVANCE PAYMENT OF CREDIT.—Chapter 25 (relating to general provisions relating to employment taxes) is amended by inserting after section 3507 the following:

''SEC. 3507A. ADVANCE PAYMENT OF DEPENDENT CARE CREDIT.

''(a) GENERAL RULE.—Except as otherwise provided in this section, every employer making payment of wages with respect to whom a dependent care eligibility certificate is in effect shall, at the time of paying such wages, make an additional payment equal to such employee's dependent care advance amount.

''(b) DEPENDENT CARE ELIGIBILITY CERTIFICATE.—For purposes of this title, a dependent care eligibility certificate is a statement furnished by an employee to the employer which—

''(1) certifies that the employee will be eligible to receive the credit provided by section 35 for the taxable year, ''(2) certifies that the employee reasonably expects to be an applicable taxpayer for the taxable year,

''(3) certifies that the employee does not have a dependent care eligibility certificate in effect for the calendar year with respect to the payment of wages by another employer,

''(4) states whether or not the employee's spouse has a dependent care eligibility certificate in effect,

''(5) states the number of qualifying individuals in the household maintained by the employee, and

''(6) estimates the amount of employment-related expenses for the calendar year.

''(c) DEPENDENT CARE ADVANCE AMOUNT.—

''(1) IN GENERAL.—For purposes of this title, the term 'dependent care advance amount' means, with respect to any payroll period, the amount determined—

''(A) on the basis of the employee's wages from the employer for such period,

''(B) on the basis of the employee's estimated employment-related expenses included in the dependent care eligibility certificate, and

''(C) in accordance with tables provided by the Secretary.

''(2) ADVANCE AMOUNT TABLES.—The tables referred to in paragraph (1)(C) shall be similar in form to the tables prescribed under section 3402 and, to the maximum extent feasible, shall be coordinated with such tables and the tables prescribed under section 3507(c).

''(d) OTHER RULES.—For purposes of this section, rules similar to the rules of subsections (d) and (e) of section 3507 shall apply.

''(e) DEFINITIONS.—For purposes of this section, terms used in this section which are defined in section 35 shall have the respective meanings given such terms by section 35.''.

(c) CONFORMING AMENDMENTS.—

(1) Section 35(a)(1), as redesignated by paragraph (1), is amended by striking ''chapter'' and inserting ''subtitle''.

(2) Section 35(e), as so redesignated and amended by subsection (c), is amended by adding at the end the following:

''(13) COORDINATION WITH ADVANCE PAYMENTS AND MINIMUM TAX.—Rules similar to the rules of subsections (g) and (h) of section 32 shall apply for purposes of this section.''.

(3) Sections 23(f)(1) and 129(a)(2)(C) are each amended by striking ''section 21(e)'' and inserting ''section 35(e)''.

(4) Section 129(b)(2) is amended by striking ''section 21(d)(2)'' and inserting ''section 35(d)(2)''.

(5) Section 129(e)(1) is amended by striking ''section 21(b)(2)'' and inserting ''section 35(b)(2)''.

(6) Section 213(e) is amended by striking ''section 21'' and inserting ''section 35''.

(7) Section 995(f)(2)(C) is amended by striking ''and 34'' and inserting ''34, and 35''.

(8) Section 6211(b)(4)(A) is amended by striking ''and 34'' and inserting '', 34, and 35''.

(9) Section 6213(g)(2)(H) is amended by striking ''section 21'' and inserting ''section 35''.

(10) Section 6213(g)(2)(L) is amended by striking ''section 21, 24, or 32'' and inserting ''section 24, 32, or 35''.

(11) The table of sections for subpart C of part IV of subchapter A of chapter 1 is amended by striking the item relating to section 35 and inserting the following:

''Sec. 35. Dependent care services.

''Sec. 36. Overpayments of tax.''.

(12) The table of sections for subpart A of such part IV is amended by striking the item relating to section 21.

(13) The table of sections for chapter 25 is amended by adding after the item relating to section 3507 the following:

''Sec. 3507A. Advance payment of dependent care credit.''.

(14) Section 1324(b)(2) of title 31, United States Code, is amended by inserting before the period '', or enacted by the Death Tax Elimination Act of 2000''.

(d) EFFECTIVE DATE.—The amendments made by this section apply to taxable years beginning after December 31, 2002.

TITLE III—EXPANSION OF ADOPTION CREDIT

SEC. 301. EXPANSION OF ADOPTION CREDIT.

(a) SPECIAL NEEDS ADOPTION.—

(1) CREDIT AMOUNT.—Paragraph (1) of section 23(a) (relating to allowance of credit) is amended to read as follows:

''(1) IN GENERAL.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter—

''(A) in the case of a special needs adoption, $10,000, or

''(B) in the case of any other adoption, the amount of the qualified adoption expenses paid or incurred by the taxpayer.''.

(2) YEAR CREDIT ALLOWED.—Section 23(a)(2) (relating to year credit allowed) is amended by adding at the end the following new flush sentence:

''In the case of a special needs adoption, the credit allowed under paragraph (1) shall be allowed for the taxable year in which the adoption becomes final.''.

(3) DOLLAR LIMITATION.—Section 23(b)(1) is amended—

(A) by striking ''subsection (a)'' and inserting ''subsection (a)(1)(B)'', and

(B) by striking ''($6,000, in the case of a child with special needs)''.

(4) DEFINITION OF SPECIAL NEEDS ADOPTION.—Section 23(d) (relating to definitions) is amended by adding at the end the following new paragraph:

''(4) SPECIAL NEEDS ADOPTION.—The term 'special needs adoption' means the final adoption of an individual during the taxable year who is an eligible child and who is a child with special needs.''.

(5) DEFINITION OF CHILD WITH SPECIAL NEEDS.—Section 23(d)(3) (defining child with special needs) is amended to read as follows:

''(3) CHILD WITH SPECIAL NEEDS.—The term 'child with special needs' means any child if a State has determined that the child's ethnic background, age, membership in a minority or sibling groups, medical condition or physical impairment, or emotional handicap makes some form of adoption assistance necessary.''.

(b) INCREASE IN INCOME LIMITATIONS.—Section 23(b)(2) (relating to income limitation) is amended—

(1) in subparagraph (A)—

(A) by striking ''$75,000'' and inserting ''$63,550 ($105,950 in the case of a joint return)'', and

(B) by striking ''$40,000'' and inserting ''the applicable amount'', and

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

''(C) APPLICABLE AMOUNT.—For purposes of subparagraph (A), the applicable amount, with respect to any taxpayer, for the taxable year shall be an amount equal to the excess of—

''(i) the maximum taxable income amount for the 31 percent bracket under the table contained in section 1 relating to such taxpayer and in effect for the taxable year, over

''(ii) the dollar amount in effect with respect to the taxpayer for the taxable year under subparagraph (A)(i).

''(D) COST-OF-LIVING ADJUSTMENT.—

''(i) IN GENERAL.—In the case of a taxable year beginning after 2001, each dollar amount under subparagraph (A)(i) shall be increased by an amount equal to—

''(I) such dollar amount, multiplied by

''(II) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2000' for 'calendar year 1992' in subparagraph (B) thereof.

''(ii) ROUNDING RULES.—If any amount after adjustment under clause (i) is not a multiple of $1,000, such amount shall be rounded to the next lower multiple of $1,000.''.

(c) ADOPTION CREDIT MADE PERMANENT.—Subclauses (A) and (B) of section 23(d)(2) (defining eligible child) are amended to read as follows:

''(A) who has not attained age 18, or

''(B) who is physically or mentally incapable of caring for himself.''.

(d) CONFORMING AMENDMENTS.—

(1) Section 23(a)(2) is amended by striking ''(1)'' and inserting ''(1)(B)''.

(2) Section 23(b)(3) is amended by striking ''(a)'' each place it appears and inserting ''(a)(1)(B)''.

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

TITLE IV—INCENTIVES FOR EMPLOYER-PROVIDED CHILD CARE

SEC. 401. ALLOWANCE OF CREDIT FOR EMPLOYER EXPENSES FOR CHILD CARE ASSISTANCE.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits) is amended by adding at the end the following new section:

''SEC. 45D. EMPLOYER-PROVIDED CHILD CARE CREDIT.

''(a) ALLOWANCE OF CREDIT.—For purposes of section 38, the employer-provided child care credit determined under this section for the taxable year is an amount equal to the sum of—

''(1) 25 percent of the qualified child care expenditures, and

''(2) 10 percent of the qualified child care resource and referral expenditures,

of the taxpayer for such taxable year.

''(b) DOLLAR LIMITATION.—The credit allowable under subsection (a) for any taxable year shall not exceed $150,000.

''(c) DEFINITIONS.—For purposes of this section—

''(1) QUALIFIED CHILD CARE EXPENDITURE.—

''(A) IN GENERAL.—The term 'qualified child care expenditure' means any amount paid or incurred—

''(i) to acquire, construct, rehabilitate, or expand property—

''(I) which is to be used as part of an eligible qualified child care facility of the taxpayer,

''(II) with respect to which a deduction for depreciation (or amortization in lieu of depreciation) is allowable, and

''(III) which does not constitute part of the principal residence (within the meaning of section 121) of the taxpayer or any employee of the taxpayer,

''(ii) for the operating costs of an eligible qualified child care facility of the taxpayer, including costs related to the training of employees of the child care facility, to scholarship programs, to the providing of differential compensation to employees based on level of child care training, and to expenses associated with achieving accreditation, or

''(iii) under a contract with a qualified child care facility to provide child care services to employees of the taxpayer.

''(B) EXCLUSION FOR AMOUNTS FUNDED BY GRANTS, ETC.—The term 'qualified child care expenditure' shall not include any amount to the extent such amount is funded by any grant, contract, or otherwise by another person (or any governmental entity).

''(C) NONDISCRIMINATION.—The term 'qualified child care expenditure' shall not include any amount expended in relation to any child care services unless the providing of such services to employees of the taxpayer does not discriminate in favor of highly compensated employees (within the meaning of section 404(q)).

''(2) QUALIFIED CHILD CARE FACILITY.—

''(A) IN GENERAL.—The term 'qualified child care facility' means a facility—

''(i) the principal use of which is to provide child care assistance, and

''(ii) which meets the requirements of all applicable laws and regulations of the State or local government in which it is located, including, but not limited to, the licensing of the facility as a child care facility.

Clause (i) shall not apply to a facility which is the principal residence (within the meaning of section 121) of the operator of the facility.

''(B) ELIGIBLE QUALIFIED CHILD CARE FACILITY.—A qualified child care facility shall be treated as an eligible qualified child care facility with respect to the taxpayer if—

''(i) enrollment in the facility is open to employees of the taxpayer during the taxable year,

''(ii) the facility is not the principal trade or business of the taxpayer, and

''(iii) at least 30 percent of the enrollees of such facility are dependents of employees of the taxpayer.

''(C) APPLICATION OF SUBPARAGRAPH (B).—In the case of a new facility, the facility shall be treated as meeting the requirement of subparagraph (B)(iii) if not later than 2 years after placing such facility in service at least 30 percent of the enrollees of such facility are dependents of employees of the taxpayer.

''(3) QUALIFIED CHILD CARE RESOURCE AND REFERRAL EXPENDITURE.—

''(A) IN GENERAL.—The term 'qualified child care resource and referral expenditure' means any amount paid or incurred under a contract to provide child care resource and referral services to employees of the taxpayer.

''(B) EXCLUSION FOR AMOUNTS FUNDED BY GRANTS, ETC.—The term 'qualified child care resource and referral expenditure' shall not include any amount to the extent such amount is funded by any grant, contract, or otherwise by another person (or any governmental entity).

''(C) NONDISCRIMINATION.—The term 'qualified child care resource and referral expenditure' shall not include any amount expended in relation to any child care resource and referral services unless the providing of such services to employees of the taxpayer does not discriminate in favor of highly compensated employees (within the meaning of section 404(q)).

''(d) RECAPTURE OF ACQUISITION AND CONSTRUCTION CREDIT.—

''(1) IN GENERAL.—If, as of the close of any taxable year, there is a recapture event with respect to any eligible qualified child care facility of the taxpayer, then the tax of the taxpayer under this chapter for such taxable year shall be increased by an amount equal to the product of—

''(A) the applicable recapture percentage, and

''(B) the aggregate decrease in the credits allowed under section 38 for all prior taxable years which would have resulted if the qualified child care expenditures of the taxpayer described in subsection (c)(1)(A) with respect to such facility had been zero.

''(2) APPLICABLE RECAPTURE PERCENTAGE.—

''(A) IN GENERAL.—For purposes of this subsection, the applicable recapture percentage shall be determined from the following table:

''If the recapture event occurs in:	The applicable recapture percentage is:
Year 1	100
Year 2	80
Year 3	60
Year 4	40
Year 5	20
Years 6 and thereafter	0.

''(B) YEARS.—For purposes of subparagraph (A), year 1 shall begin on the first day of the taxable year in which the eligible qualified child care facility is placed in service by the taxpayer.

''(3) RECAPTURE EVENT DEFINED.—For purposes of this subsection, the term 'recapture event' means—

''(A) CESSATION OF OPERATION.—The cessation of the operation of the facility as an eligible qualified child care facility.

''(B) CHANGE IN OWNERSHIP.—

''(i) IN GENERAL.—Except as provided in clause (ii), the disposition of a taxpayer's interest in an eligible qualified child care facility with respect to which the credit described in subsection (a) was allowable.

''(ii) AGREEMENT TO ASSUME RECAPTURE LIABILITY.—Clause (i) shall not apply if the person acquiring such interest in the facility agrees in writing to assume the recapture liability of the person disposing of such interest in effect immediately before such disposition. In the event of such an assumption, the person acquiring the interest in the facility shall be treated as the taxpayer for purposes of assessing any recapture liability (computed as if there had been no change in ownership).

''(4) SPECIAL RULES.—

''(A) TAX BENEFIT RULE.—The tax for the taxable year shall be increased under paragraph (1) only with respect to credits allowed by reason of this section which were used to reduce tax liability. In the case of credits not so used to reduce tax liability, the carryforwards and carrybacks under section 39 shall be appropriately adjusted.

''(B) NO CREDITS AGAINST TAX.—Any increase in tax under this subsection shall not be treated as a tax imposed by this chapter for purposes of determining the amount of any credit under subpart A, B, or D of this part.

''(C) NO RECAPTURE BY REASON OF CASUALTY LOSS.—The increase in tax under this subsection shall not apply to a cessation of operation of the facility as a qualified child care facility by reason of a casualty loss to the extent such loss is restored by reconstruction or replacement within a reasonable period established by the Secretary.

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

''(1) AGGREGATION RULES.—All persons which are treated as a single employer under subsections (a) and (b) of section 52 shall be treated as a single taxpayer.

''(2) PASS-THRU IN THE CASE OF ESTATES AND TRUSTS.—Under regulations prescribed by the Secretary, rules similar to the rules of subsection (d) of section 52 shall apply.

''(3) ALLOCATION IN THE CASE OF PARTNERSHIPS.—In the case of partnerships, the credit shall be allocated among partners under regulations prescribed by the Secretary.

''(f) NO DOUBLE BENEFIT.—

''(1) REDUCTION IN BASIS.—For purposes of this subtitle—

''(A) IN GENERAL.—If a credit is determined under this section with respect to any property by reason of expenditures described in subsection (c)(1)(A), the basis of such property shall be reduced by the amount of the credit so determined.

''(B) CERTAIN DISPOSITIONS.—If during any taxable year there is a recapture amount determined with respect to any property the basis of which was reduced under subparagraph (A), the basis of such property (immediately before the event resulting in such recapture) shall be increased by an amount equal to such recapture amount. For purposes of the preceding sentence, the term 'recapture amount' means any increase in tax (or adjustment in carrybacks or carryovers) determined under subsection (d).

''(2) OTHER DEDUCTIONS AND CREDITS.—No deduction or credit shall be allowed under any other provision of this chapter with respect to the amount of the credit determined under this section.''

(b) CONFORMING AMENDMENTS.—

(1) Section 38(b) is amended—

(A) by striking out ''plus'' at the end of paragraph (11),

(B) by striking out the period at the end of paragraph (12), and inserting a comma and ''plus'', and

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

''(13) the employer-provided child care credit determined under section 45D.''.

(2) The table of sections for subpart D of part IV of subchapter A of chapter 1 is amended by adding at the end the following new item:

''Sec. 45D. Employer-provided child care credit.''.

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

ABRAHAM (AND OTHERS) AMENDMENT NO. 3827

Mr. ABRAHAM (for himself, Mr. FITZGERALD, Mrs. HUTCHISON, and Mr. GRAMS) proposed an amendment to the bill, H.R. 8, supra; as follows:

At the end, add the following:

TITLE VI—TEMPORARY FEDERAL FUELS TAX REDUCTION

SEC. 601. SHORT TITLE.

This title may be cited as the ''Motorists Relief Act of 2000''.

SEC. 602. TEMPORARY REDUCTION IN HIGHWAY FUEL TAXES ON GASOLINE, DIESEL FUEL, KEROSENE, AND SPECIAL FUELS TO ZERO.

(a) IN GENERAL.—Section 4081 of the Internal Revenue Code of 1986 (relating to imposition of tax on gasoline, diesel fuel, and kerosene) is amended by adding at the end the following new subsection:

''(f) TEMPORARY REDUCTION IN TAXES ON GASOLINE, DIESEL FUEL, KEROSENE, AND SPECIAL FUELS.—

''(1) HOLDING HARMLESS HIGHWAY TRUST FUND AND APPORTIONMENTS.—In determining the amounts to be appropriated or transferred to the Highway Trust Fund under section 9503 an amount equal to the reduction in revenues to the Treasury by reason of a reduction in any rate of tax under paragraph (3) shall be treated for purposes of chapter 98 as taxes received in the Treasury at such rate. Amounts appropriated or transferred by reason of the preceding sentence shall be transferred from the general fund at such times and in such manner as to replicate to the extent possible the transfers which would have occurred to the Highway Trust Fund had this subsection not been enacted. Nothing in this subsection may be construed as authorizing a reduction in the apportionments of such Trust Fund to the States as a result of the temporary reduction in rates of tax under paragraph (3), except as otherwise provided by law.

''(2) PROTECTING SOCIAL SECURITY TRUST FUND.—If the Secretary, after consultation with the Director of the Office of Management and Budget, and based on the most recent available estimate of the Federal on-budget surplus for fiscal years 2000 and 2001, determines that such reduction would result in an aggregate reduction in revenues to the Treasury exceeding such surplus during the remainder of the applicable period, the Secretary shall modify such reduction such that each rate of tax referred to in paragraph (4) is reduced in a pro rata manner and such aggregate reduction does not exceed such surplus.

''(3) TEMPORARY REDUCTION IN RATES OF CERTAIN TAXES.—During the applicable period, each rate of tax referred to in paragraph (4) shall be reduced to zero.

''(4) RATES OF TAX.—The rates of tax referred to in this paragraph are the rates of tax otherwise applicable under—

''(A) clauses (i) and (iii) of subsection (a)(2)(A) (relating to gasoline, diesel fuel, and kerosene), and

''(B) paragraphs (1), (2), and (3) of section 4041(a) (relating to diesel fuel and special fuels) and section 4041(m) (relating to certain alcohol fuels) with respect to fuel sold for use or used in a highway vehicle.

''(5) SPECIAL REDUCTION RULES.—In the case of a reduction under paragraph (3)—

''(A) subsection (c) shall be applied without regard to paragraph (6) thereof,

''(B) section 40(e)(1) shall be applied without regard to subparagraph (B) thereof,

''(C) section 4041(d)(1) shall be applied by disregarding 'if tax is imposed by subsection (a)(1) or (2) on such sale or use', and

''(D) section 6427(b) shall be applied without regard to paragraph (2) thereof.

''(6) APPLICABLE PERIOD.—For purposes of this subsection, the term 'applicable period' means the 150-day period beginning after the date of the enactment of the Motorists Relief Act of 2000.

''(7) PREEMPTION OF STATE LAW.—No State tax may be increased by reason of any suspension of tax under this subsection.

''(8) RETURN REQUIREMENTS CONTINUE IN EFFECT.—Requirements for filing returns relating to any tax reduced under this subsection, and penalties for failing to file such returns, shall continue in effect as if this subsection had not been enacted. Such returns shall identify the amount of tax that would have been paid but for the enactment of this subsection.''.

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

SEC. 603. FLOOR STOCK REFUNDS.

(a) IN GENERAL.—If—

(1) before the tax reduction date, tax has been imposed under section 4041 or 4081 of the Internal Revenue Code of 1986 on any liquid, and

(2) on such date such liquid is held by a dealer and has not been used and is intended for sale,

there shall be credited or refunded (without interest) to the person who paid such tax (hereafter in this section referred to as the ''taxpayer'') an amount equal to the excess of the tax paid by the taxpayer over the amount of such tax which would be imposed on such liquid had the taxable event occurred on the tax reduction date.

(b) TIME FOR FILING CLAIMS.—No credit or refund shall be allowed or made under this section unless—

(1) claim therefor is filed with the Secretary of the Treasury before the date which is 6 months after the tax reduction date, and

(2) in any case where liquid is held by a dealer (other than the taxpayer) on the tax reduction date—

(A) the dealer submits a request for refund or credit to the taxpayer before the date which is 3 months after the tax reduction date, and

(B) the taxpayer files with the Secretary—

(i) a certification that the taxpayer has given, subsequent to receipt of the request for refund or credit from such dealer under subparagraph (A), a credit to such dealer with respect to such liquid against the dealer's first purchase of liquid from the taxpayer, and

(ii) a certification by such dealer that such dealer has given, subsequent to the tax suspension date, a credit to a succeeding dealer (if any) with respect to such liquid against the succeeding dealer's first purchase of liquid from such dealer.

(c) REASONABLENESS OF CLAIMS CERTIFIED.—Any certification made under subsection (b)(1)(B) shall include an additional certification that the claim for credit was reasonably based on the taxpayer's or dealer's past business relationship with the succeeding dealer.

(d) DEFINITIONS.—For purposes of this section—

(1) the terms ''dealer'' and ''held by a dealer'' have the respective meanings given to such terms by section 6412 of such Code; except that the term ''dealer'' includes a producer, and

(2) the term ''tax reduction date'' means the day after the date of the enactment of this Act.

(e) CERTAIN RULES TO APPLY.—Rules similar to the rules of subsections (b) and (c) of section 6412 of such Code shall apply for purposes of this section.

SEC. 604. FLOOR STOCKS TAX.

(a) IMPOSITION OF TAX.—In the case of any liquid on which tax would have been imposed under section 4041 or 4081 of the Internal Revenue Code of 1986 during the applicable period but for the amendments made by this Act, and which is held on the floor stocks tax date by any person, there is hereby imposed a floor stocks tax equal to the excess of the tax which would be imposed on such liquid had the taxable event occurred on such date over the tax previously paid (if any) on such liquid.

(b) LIABILITY FOR TAX AND METHOD OF PAYMENT.—

(1) LIABILITY FOR TAX.—A person holding a liquid on the floor stocks tax date to which the tax imposed by subsection (a) applies shall be liable for such tax.

(2) METHOD OF PAYMENT.—The tax imposed by subsection (a) shall be paid in such manner as the Secretary of the Treasury shall prescribe.

(3) TIME FOR PAYMENT.—The tax imposed by subsection (a) shall be paid on or before the date which is 45 days after the floor stocks tax date.

(c) DEFINITIONS.—For purposes of this section—

(1) HELD BY A PERSON.—A liquid shall be considered as ''held by a person'' if title thereto has passed to such person (whether or not delivery to the person has been made).

(2) FLOOR STOCKS TAX DATE.—The term ''floor stocks tax date'' means the day after the date which is 150 days after the date of the enactment of this Act.

(3) APPLICABLE PERIOD.—The term ''applicable period'' means the 150-day period beginning after the date of the enactment of this Act.

(d) EXCEPTION FOR EXEMPT USES.—The tax imposed by subsection (a) shall not apply to any liquid held by any person exclusively for any use to the extent a credit or refund of the tax referred to in section 4081(f)(4) of the Internal Revenue Code of 1986 (as added by section 602) is allowable for such use.

(e) EXCEPTION FOR CERTAIN AMOUNTS OF FUEL.—

(1) IN GENERAL.—No tax shall be imposed by subsection (a) on any liquid held on the floor stocks tax date by any person if the aggregate amount of such liquid held by such person on such date does not exceed 2,000 gallons. The preceding sentence shall apply only if such person submits to the Secretary (at the time and in the manner required by the Secretary) such information as the Secretary shall require for purposes of this paragraph.

(2) EXEMPT FUEL.—For purposes of paragraph (1), there shall not be taken into account any liquid held by any person which is exempt from the tax imposed by subsection (a) by reason of subsection (d).

(3) CONTROLLED GROUPS.—For purposes of this subsection—

(A) CORPORATIONS.—

(i) IN GENERAL.—All persons treated as a controlled group shall be treated as 1 person.

(ii) CONTROLLED GROUP.—The term ''controlled group'' has the meaning given to such term by subsection (a) of section 1563 of such Code; except that for such purposes the phrase ''more than 50 percent'' shall be substituted for the phrase ''at least 80 percent'' each place it appears in such subsection.

(B) NONINCORPORATED PERSONS UNDER COMMON CONTROL.—Under regulations prescribed by the Secretary, principles similar to the principles of subparagraph (A) shall apply to a group of persons under common control where 1 or more of such persons is not a corporation.

(g) OTHER LAW APPLICABLE.—All provisions of law, including penalties, applicable with respect to the taxes imposed by section 4041 or 4081 of such Code shall, insofar as applicable and not inconsistent with the provisions of this subsection, apply with respect to the floor stock taxes imposed by subsection (a) to the same extent as if such taxes were imposed by such section 4041 or 4081.

SEC. 605. BENEFITS OF TAX REDUCTION SHOULD BE PASSED ON TO CONSUMERS.

(a) PASSTHROUGH TO CONSUMERS.—

(1) SENSE OF CONGRESS.—It is the sense of Congress that—

(A) consumers immediately receive the benefit of the reduction in taxes under this Act, and

(B) transportation motor fuels producers and other dealers take such actions as necessary to reduce transportation motor fuels prices to reflect such reduction, including immediate credits to customer accounts representing tax credits or refunds under 604.

(2) STUDY.—

(A) IN GENERAL.—The Comptroller General of the United States shall conduct a study of the reduction of taxes under this Act to determine whether there has been a passthrough of such reduction.

(B) REPORT.—Not later than 90 days after the date of the enactment of this Act, the Comptroller General of the United States shall report to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives the results of the study conducted under subparagraph (A).

BINGAMAN (AND OTHERS) AMENDMENT NO. 3828

Mr. BINGAMAN (for himself, Mr. KENNEDY, Mrs. MURRAY, Mr. DODD, Mr. KERRY, Mr. SCHUMER, and Mr. DORGAN) proposed an amendment to the bill, H.R. 8, supra; as follows:

Strike all after the first word and insert:

1. SHORT TITLE.

(a) SHORT TITLE.—This Act may be cited as the ''Estate Tax Relief Act of 2000''.

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

SEC. 2. INCREASE IN AMOUNT OF UNIFIED CREDIT AGAINST ESTATE AND GIFT TAXES.

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

"In the case of estates of decedents dying, and gifts made, during:	The applicable exclusion amount is:
2001, 2002, 2003, 2004, and 2005	$1,000,000
2006 and 2007	$1,125,000
2008	$1,500,000
2009 or thereafter	$2,000,000."

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

SEC. 3. INCREASE IN QUALIFIED FAMILY-OWNED BUSINESS INTEREST DEDUCTION AMOUNT.

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

''(2) MAXIMUM DEDUCTION.—

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

''(i) the applicable deduction amount, plus

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

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

"In the case of estates of decedents dying during:	The applicable deduction amount is:
2001, 2002, 2003, 2004, and 2005	$1,375,000
2006 and 2007	$1,625,000
2008	$2,375,000
2009 or thereafter	$3,375,000.

''(C) APPLICABLE UNUSED SPOUSAL DEDUCTION AMOUNT.—With respect to a decedent whose immediately predeceased spouse died after December 31, 2000, and the estate of such immediately predeceased spouse met the requirements of subsection (b)(1), the applicable unused spousal deduction amount for such decedent is equal to the excess of—

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

''(ii) the sum of—

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

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

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

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

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

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

SEC. 4. APPROPRIATIONS.

There are appropriated, out of any money in the Treasury not otherwise appropriated, the following amounts:

(1) $1,750,000,000 to carry out class size reduction activities in the same manner as such activities are carried out under section 310 of the Department of Education Appropriations Act, 2000.

(2) $2,200,000,000 to carry out title II of the Elementary and Secondary Education Act of 1965 and title II of the Higher Education Act of 1965.

(3) $250,000,000 to carry out sections 1116 and 1117 of the Elementary and Secondary Education Act of 1965.

(4) $1,000,000,000 to carry out part I of title X of the Elementary and Secondary Education Act of 1965.

(5) $325,000,000 to carry out chapter 2 of subpart 2 of part A of title IV of the Higher Education Act of 1965.

(6) $1,000,000,000 to carry out part B of the Individuals with Disabilities Education Act.

(7) $3,000,000,000 to enable the Secretary of Education to carry out a College Completion Grant Program.

(8) $150,000,000 to carry out part D of title I of the Elementary and Secondary Education Act of 1965.

(9) $1,300,000,000 to carry out title XII of the Elementary and Secondary Education Act of 1965.

ROTH (AND OTHERS) AMENDMENT NO. 3829

Mr. ROTH (for himself, Mr. BREAUX, Mr. NICKLES, Mr. ROBB, Mr. MURKOWSKI, Ms. COLLINS, and Mr. BAUCUS) proposed an amendment to the bill, H.R. 8, supra; as follows:

At the end, add the following:

TITLE VI—REPEAL OF EXCISE TAX ON TELEPHONE AND OTHER COMMUNICATIONS SERVICES

SEC. 601. REPEAL OF EXCISE TAX ON TELEPHONE AND OTHER COMMUNICATIONS SERVICES.

(a) IN GENERAL.—Chapter 33 (relating to facilities and services) is amended by striking subchapter B.

(b) CONFORMING AMENDMENTS.—

(1) Section 4293 is amended by striking ''chapter 32 (other than the taxes imposed by sections 4064 and 4121) and subchapter B of chapter 33,'' and inserting ''and chapter 32 (other than the taxes imposed by sections 4064 and 4121),''.

(2)(A) Paragraph (1) of section 6302(e) is amended by striking ''section 4251 or''.

(B) Paragraph (2) of section 6302(e) is amended by striking ''imposed by—'' and all that follows through ''with respect to'' and inserting ''imposed by section 4261 or 4271 with respect to''.

(C) The subsection heading for section 6302(e) is amended by striking ''COMMUNICATIONS SERVICES AND''.

(3) Section 6415 is amended by striking ''4251, 4261, or 4271'' each place it appears and inserting ''4261 or 4271''.

(4) Paragraph (2) of section 7871(a) is amended by inserting ''or'' at the end of subparagraph (B), by striking subparagraph (C), and by redesignating subparagraph (D) as subparagraph (C).

(5) The table of subchapters for chapter 33 is amended by striking the item relating to subchapter B.

(c) STUDY REGARDING CONTINUING ECONOMIC BENEFIT OF REPEAL.—

(1) STUDY.—The Comptroller General of the United States, after consultation with the Chairman of the Federal Communications Commission, shall study and identify—

(A) the extent to which the benefits of the repeal of the excise tax on telephone and other communication services under subsection (a) are passed through to individual and business consumers, and

(B) any actions taken by communication service providers or others that diminish such benefits, including increases in any regulated or unregulated communication service provider charges or increases in other Federal or State fees or taxes related to such service occurring since the date of such repeal.

(2) REPORT.—By not later than September 1, 2001, the Comptroller General of the United States shall submit a report regarding the study described in paragraph (1) to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid pursuant to bills first rendered after August 31, 2000.

PROVIDING MARRIAGE TAX RELIEF

TORRICELLI AMENDMENT NO. 3830

(Ordered to lie on the table.)

Mr. TORRICELLI submitted an amendment intended to be proposed by him to the bill (S. 2839) to amend the Internal Revenue Code of 1986 to provide marriage tax relief by adjusting the standard deduction, 15-percent and 28-percent rate brackets, and earned income credit, and for other purposes; as follows:

At the end, add the following:

SEC. . MODIFICATIONS TO DISASTER CASUALTY LOSS DEDUCTION.

(a) LOWER ADJUSTED GROSS INCOME THRESHOLD.—Paragraph (2) of section 165(h) of the Internal Revenue Code of 1986 (relating to treatment of casualty gains and losses) is amended—

(1) by striking subparagraph (A) and inserting the following:

''(A) IN GENERAL.—If the personal casualty losses for any taxable year exceed the personal casualty gains for such taxable year, such losses shall be allowed for the taxable year only to the extent of the sum of—

''(i) the amount of the personal casualty gains for the taxable year, plus

''(ii) so much of such excess attributable to losses described in subsection (i) as exceeds 5 percent of the adjusted gross income of the individual (determined without regard to any deduction allowable under subsection (c)(3))'', plus

''(iii) so much of such excess attributable to losses not described in subsection (i) as exceeds 10 percent of the adjusted gross income of the individual.

For purposes of this subparagraph, personal casualty losses attributable to losses not described in subsection (i) shall be considered before such losses attributable to losses described in subsection (i).'', and

(2) by striking ''10 PERCENT'' in the heading and inserting ''PERCENTAGE''.

(b) ABOVE-THE-LINE DEDUCTION.—Section 62(a) of the Internal Revenue Code of 1986 (defining adjusted gross income) is amended by inserting after paragraph (17) the following:

''(18) CERTAIN DISASTER LOSSES.—The deduction allowed by section 165(c)(3) to the extent attributable to losses described in section 165(i).''

(c) ELECTION TO TAKE DISASTER LOSS DEDUCTION FOR PRECEDING OR SUCCEEDING 2 YEARS.—Paragraph (1) of section 165(i) of the Internal Revenue Code of 1986 (relating to disaster losses) is amended—

(1) by inserting ''or succeeding'' after ''preceding'', and

(2) by inserting ''OR SUCCEEDING'' after ''PRECEDING'' in the heading.

(d) ELIMINATION OF MARRIAGE PENALTY FOR INDIVIDUALS SUFFERING CASUALTY LOSSES.—Subparagraph (B) of section 165(h)(4) of the Internal Revenue Code of 1986 (relating to special rules) is amended to read as follows:

''(B) JOINT RETURNS.—For purposes of this subsection—

''(i) IN GENERAL.—Except as provided in clause (ii), a husband and wife making a joint return for the taxable year shall be treated as 1 individual.

''(ii) ELECTION.—A husband and wife may elect to have each be treated as a single individual for purposes of applying this section. If an election is made under this clause, the adjusted gross income of each individual shall be determined on the basis of the items of income and deduction properly allocable to the individual, as determined under rules prescribed by the Secretary.''

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

TORRICELLI AMENDMENT NO. 3834

(Ordered to lie on the table.)

Mr. TORRICELLI submitted an amendment intended to be proposed by him to the bill, S. 2839, supra; as follows:

At the end of the bill, add the following:

SEC. 7. INCREASED LEAD POISONING SCREENINGS AND TREATMENTS UNDER THE MEDICAID PROGRAM.

(a) REPORTING REQUIREMENT.—Section 1902(a)(43)(D) of the Social Security Act (42 U.S.C. 1396a(a)(43)(D)) is amended—

(1) in clause (iii), by striking ''and'' at the end;

(2) in clause (iv), by striking the semicolon and inserting '', and''; and

(3) by adding at the end the following:

''(v) the number of children who are under the age of 3 and enrolled in the State plan and the number of those children who have received a blood lead screening test;''.

(b) MANDATORY SCREENING REQUIREMENTS.—Section 1902(a) of the Social Security Act (42 U.S.C. 1396a(a)) is amended—

(1) in paragraph (64), by striking ''and'' at the end;

(2) in paragraph (65), by striking the period and inserting ''; and''; and

(3) by inserting after paragraph (65) the following:

''(66) provide that each contract entered into between the State and an entity (including a health insuring organization and a medicaid managed care organization) that is responsible for the provision (directly or through arrangements with providers of services) of medical assistance under the State plan shall provide for—

''(A) compliance with mandatory blood lead screening requirements that are consistent with prevailing guidelines of the Centers for Disease Control and Prevention for such screening; and

''(B) coverage of qualified lead treatment services described in section 1905(x) including diagnosis, treatment, and follow-up furnished for children with elevated blood lead levels in accordance with prevailing guidelines of the Centers for Disease Control and Prevention.''.

(c) REIMBURSEMENT FOR TREATMENT OF CHILDREN WITH ELEVATED BLOOD LEAD LEVELS.—Section 1905 of the Social Security Act (42 U.S.C. 1396d) is amended—

(1) in subsection (a)—

(A) in paragraph (26), by striking ''and'' at the end;

(B) by redesignating paragraph (27) as paragraph (28); and

(C) by inserting after paragraph (26) the following:

''(27) qualified lead treatment services (as defined in subsection (x)); and''; and

(2) by adding at the end the following:

''(x)(1) In this subsection:

''(A) The term 'qualified lead treatment services' means the following:

''(i) Lead-related medical management, as defined in subparagraph (B).

''(ii) Lead-related case management, as defined in subparagraph (C), for a child described in paragraph (2).

''(iii) Lead-related anticipatory guidance, as defined in subparagraph (D), provided as part of—

''(I) prenatal services;

''(II) early and periodic screening, diagnostic, and treatment services (EPSDT) services described in subsection (r) and available under subsection (a)(4)(B) (including as described and available under implementing regulations and guidelines) to individuals enrolled in the State plan under this title who have not attained age 21; and

''(III) routine pediatric preventive services.

''(B) The term 'lead-related medical management' means the provision and coordination of the diagnostic, treatment, and follow-up services provided for a child diagnosed with an elevated blood lead level (EBLL) that includes—

''(i) a clinical assessment, including a physical examination and medically indicated tests (in addition to diagnostic blood lead level tests) and other diagnostic procedures to determine the child's developmental, neurological, nutritional, and hearing status, and the extent, duration, and possible source of the child's exposure to lead;

''(ii) repeat blood lead level tests furnished when medically indicated for purposes of monitoring the blood lead concentrations in the child;

''(iii) pharmaceutical services, including chelation agents and other drugs, vitamins, and minerals prescribed for treatment of an EBLL;

''(iv) medically indicated inpatient services including pediatric intensive care and emergency services;

''(v) medical nutrition therapy when medically indicated by a nutritional assessment, that shall be furnished by a dietitian or other nutrition specialist who is authorized to provide such services under State law;

''(vi) referral—

''(I) when indicated by a nutritional assessment, to the State agency or contractor administering the program of assistance under the special supplemental food program for women, infants and children (WIC) under section 17 of the Child Nutrition Act of 1966 (42 U.S.C. 1786) and coordination of clinical management with that program; and

''(II) when indicated by a clinical or developmental assessment, to the State agency responsible for early intervention and special education programs under the Individuals with Disabilities Education Act (20 U.S.C. 1400 et seq.); and

''(vii) environmental investigation, as defined in subparagraph (E).

''(C) The term 'lead-related case management' means the coordination, provision, and oversight of the nonmedical services for a child with an EBLL necessary to achieve reductions in the child's blood lead levels, improve the child's nutrition, and secure needed resources and services to protect the child by a case manager trained to develop and oversee a multi-disciplinary plan for a child with an EBLL or by a childhood lead poisoning prevention program, as defined by the Secretary. Such services include—

''(i) assessing the child's environmental, nutritional, housing, family, and insurance status and identifying the family's immediate needs to reduce lead exposure through an initial home visit;

''(ii) developing a multidisciplinary case management plan of action that addresses the provision and coordination of each of the following classes of services as appropriate—

''(I) whether or not such services are covered under the State plan under this title;

''(II) lead-related medical management of an EBLL (including environmental investigation);

''(III) nutrition services;

''(IV) family lead education;

''(V) housing;

''(VI) early intervention services;

''(VII) social services; and

''(VIII) other services or programs that are indicated by the child's clinical status and environmental, social, educational, housing, and other needs;

''(iii) assisting the child (and the child's family) in gaining access to covered and noncovered services in the case management plan developed under clause (ii);

''(iv) providing technical assistance to the provider that is furnishing lead-related medical management for the child; and

''(v) implementation and coordination of the case management plan developed under clause (ii) through home visits, family lead education, and referrals.

''(D) The term 'lead-related anticipatory guidance' means education and information for families of children and pregnant women enrolled in the State plan under this title about prevention of childhood lead poisoning that addresses the following topics:

''(i) The importance of lead screening tests and where and how to obtain such tests.

''(ii) Identifying lead hazards in the home.

''(iii) Specialized cleaning, home maintenance, nutritional, and other measures to minimize the risk of childhood lead poisoning.

''(iv) The rights of families under the Residential Lead-Based Paint Hazard Reduction Act of 1992 (42 U.S.C. 4851 et seq.).

''(E) The term 'environmental investigation' means the process of determining the source of a child's exposure to lead by an individual that is certified or registered to perform such investigations under State or local law, including the collection and analysis of information and environmental samples from a child's living environment. For purposes of this subparagraph, a child's living environment includes the child's residence or residences, residences of frequently visited caretakers, relatives, and playmates, and the child's day care site. Such investigations shall be conducted in accordance with the standards of the Department of Housing and Urban Development for the evaluation and control of lead-based paint hazards in housing and in compliance with State and local health agency standards for environmental investigation and reporting.

''(2) For purposes of paragraph (1)(A)(ii), a child described in this paragraph is a child who—

''(A) has attained 6 months but has not attained 6 years of age; and

''(B) has been identified as having a blood lead level that equals or exceeds 20 micrograms per deciliter (or after 2 consecutive tests, equals or exceeds 15 micrograms per deciliter, or the applicable number of micrograms designated for such tests under prevailing guidelines of the Centers for Disease Control and Prevention).''.

(d) ENHANCED MATCH FOR DATA COMMUNICATIONS SYSTEM.—Section 1903(a)(3) of the Social Security Act (42 U.S.C. 1396b(a)(3)) is amended—

(1) in subparagraph (D), by striking ''plus'' at the end and inserting ''and''; and

(2) by inserting after subparagraph (D), the following:

''(E)(i) 90 percent of so much of the sums expended during such quarter as are attributable to the design, development, or installation of an information retrieval system that may be easily accessed and used by other federally-funded means-tested public benefit programs to determine whether a child is enrolled in the State plan under this title and whether an enrolled child has received mandatory early and periodic screening, diagnostic, and treatment services, as described in section 1905(r); and

''(ii) 75 percent of so much of the sums expended during such quarter as are attributable to the operation of a system (whether such system is operated directly by the State or by another person under a contract with the State) of the type described in clause (i); plus''.

(e) REPORT.—The Secretary of Health and Human Services, acting through the Administrator of the Health Care Financing Administration, annually shall report to Congress on the number of children enrolled in the medicaid program under title XIX of the Social Security Act (42 U.S.C. 1396 et seq.) who have received a blood lead screening test during the prior fiscal year, noting the percentage that such children represent as compared to all children enrolled in that program.

(f) RULE OF CONSTRUCTION.—Nothing in this section or in any amendment made by this section shall be construed as prohibiting the Secretary of Health and Human Services or the State agency administering the State plan under title XIX of the Social Security Act (42 U.S.C. 1396 et seq.) from using funds provided under title XIX of that Act to reimburse a State or entity for expenditures for medically necessary activities in the home of a lead-poisoned child to prevent additional exposure to lead, including specialized cleaning of lead-contaminated dust, emergency relocation, safe repair of peeling paint, dust control, and other activities that reduce lead exposure.

TORRICELLI AMENDMENTS NOS. 3832–3833

(Ordered to lie on the table.)

Mr. TORRICELLI submitted two amendments intended to be proposed by him to the bill, S. 2839, supra; as follows:

AMENDMENT NO. 3832

At the end of the bill, add the following:

SEC. 7. WAIVER OF 24-MONTH WAITING PERIOD FOR MEDICARE COVERAGE OF INDIVIDUALS DISABLED WITH AMYOTROPHIC LATERAL SCLEROSIS (ALS).

(a) IN GENERAL.—Section 226 of the Social Security Act (42 U.S.C. 426) is amended—

(1) by redesignating subsection (h) as subsection (j) and by moving such subsection to the end of the section; and

(2) by inserting after subsection (g) the following:

''(h) For purposes of applying this section in the case of an individual medically determined to have amyotrophic lateral sclerosis (ALS), the following special rules apply:

''(1) Subsection (b) shall be applied as if there were no requirement for any entitlement to benefits, or status, for a period longer than 1 month.

''(2) The entitlement under such subsection shall begin with the first month (rather than twenty-fifth month) of entitlement or status.

''(3) Subsection (f) shall not be applied.''.

(b) CONFORMING AMENDMENT.—Section 1837 of such Act (42 U.S.C. 1395p) is amended by adding at the end the following:

''(j) In applying this section in the case of an individual who is entitled to benefits under part A pursuant to the operation of section 226(h), the following special rules apply:

''(1) The initial enrollment period under subsection (d) shall begin on the first day of the first month in which the individual satisfies the requirement of section 1836(1).

''(2) In applying subsection (g)(1), the initial enrollment period shall begin on the first day of the first month of entitlement to disability insurance benefits referred to in such subsection.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to benefits for months beginning after the date of the enactment of this Act.

DEATH TAX ELIMINATION ACT

GRASSLEY (AND OTHERS) AMENDMENT NO. 3834

Mr. GRASSLEY (for himself, Mr. CRAIG, Mr. BURNS, Mr. LUGAR, Mr. BROWNBACK, Mr. GRAMS, and Mr. HARKIN) proposed an amendment to the bill, H.R. 8, supra; as follows:

AMENDMENT NO. 3833

At the end, add the following:

SEC. . ELIMINATION OF MARRIAGE PENALTY FOR INDIVIDUALS SUFFERING CASUALTY LOSSES.

(a) IN GENERAL.—Subparagraph (B) of section 165(h)(4) of the Internal Revenue Code of 1986 (relating to special rules) is amended to read as follows:

''(B) JOINT RETURNS.—For purposes of this subsection—

''(i) IN GENERAL.—Except as provided in clause (ii), a husband and wife making a joint return for the taxable year shall be treated as 1 individual.

''(ii) ELECTION.—A husband and wife may elect to have each be treated as a single individual for purposes of applying this section. If an election is made under this clause, the adjusted gross income of each individual shall be determined on the basis of the items of income and deduction properly allocable to the individual, as determined under rules prescribed by the Secretary.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to losses sustained in taxable years beginning after December 31, 2000.

At the end of the bill, add the following:

TITLE VI—TAX RELIEF FOR FARMERS

SEC. 601. FARM, FISHING, AND RANCH RISK MANAGEMENT ACCOUNTS.

(a) IN GENERAL.—Subpart C of part II of subchapter E of chapter 1 (relating to taxable year for which deductions taken) is amended by inserting after section 468B the following:

''SEC. 468C. FARM, FISHING, AND RANCH RISK MANAGEMENT ACCOUNTS.

''(a) DEDUCTION ALLOWED.—In the case of an individual engaged in an eligible farming business or commercial fishing, there shall be allowed as a deduction for any taxable year the amount paid in cash by the taxpayer during the taxable year to a Farm, Fishing, and Ranch Risk Management Account (hereinafter referred to as the 'FFARRM Account').

''(b) LIMITATION.—

''(1) CONTRIBUTIONS.—The amount which a taxpayer may pay into the FFARRM Account for any taxable year shall not exceed 20 percent of so much of the taxable income of the taxpayer (determined without regard to this section) which is attributable (determined in the manner applicable under section 1301) to any eligible farming business or commercial fishing.

''(2) DISTRIBUTIONS.—Distributions from a FFARRM Account may not be used to purchase, lease, or finance any new fishing vessel, add capacity to any fishery, or otherwise contribute to the overcapitalization of any fishery. The Secretary of Commerce shall implement regulations to enforce this paragraph.

''(c) ELIGIBLE BUSINESSES.—For purposes of this section—

''(1) ELIGIBLE FARMING BUSINESS.—The term 'eligible farming business' means any farming business (as defined in section 263A(e)(4)) which is not a passive activity (within the meaning of section 469(c)) of the taxpayer.

''(2) COMMERCIAL FISHING.—The term 'commercial fishing' has the meaning given such term by section (3) of the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1802) but only if such fishing is not a passive activity (within the meaning of section 469(c)) of the taxpayer.

''(d) FFARRM ACCOUNT.—For purposes of this section—

''(1) IN GENERAL.—The term 'FFARRM Account' means a trust created or organized in the United States for the exclusive benefit of the taxpayer, but only if the written governing instrument creating the trust meets the following requirements:

''(A) No contribution will be accepted for any taxable year in excess of the amount allowed as a deduction under subsection (a) for such year.

''(B) The trustee is a bank (as defined in section 408(n)) or another person who demonstrates to the satisfaction of the Secretary that the manner in which such person will administer the trust will be consistent with the requirements of this section.

''(C) The assets of the trust consist entirely of cash or of obligations which have adequate stated interest (as defined in section 1274(c)(2)) and which pay such interest not less often than annually.

''(D) All income of the trust is distributed currently to the grantor.

''(E) The assets of the trust will not be commingled with other property except in a common trust fund or common investment fund.

''(2) ACCOUNT TAXED AS GRANTOR TRUST.—The grantor of a FFARRM Account shall be treated for purposes of this title as the owner of such Account and shall be subject to tax thereon in accordance with subpart E of part I of subchapter J of this chapter (relating to grantors and others treated as substantial owners).

''(e) INCLUSION OF AMOUNTS DISTRIBUTED.—

''(1) IN GENERAL.—Except as provided in paragraph (2), there shall be includible in the gross income of the taxpayer for any taxable year—

''(A) any amount distributed from a FFARRM Account of the taxpayer during such taxable year, and

''(B) any deemed distribution under—

''(i) subsection (f)(1) (relating to deposits not distributed within 5 years),

''(ii) subsection (f)(2) (relating to cessation in eligible farming business), and

''(iii) subparagraph (A) or (B) of subsection (f)(3) (relating to prohibited transactions and pledging account as security).

''(2) EXCEPTIONS.—Paragraph (1)(A) shall not apply to—

''(A) any distribution to the extent attributable to income of the Account, and

''(B) the distribution of any contribution paid during a taxable year to a FFARRM Account to the extent that such contribution exceeds the limitation applicable under subsection (b) if requirements similar to the requirements of section 408(d)(4) are met.

For purposes of subparagraph (A), distributions shall be treated as first attributable to income and then to other amounts.

''(f) SPECIAL RULES.—

''(1) TAX ON DEPOSITS IN ACCOUNT WHICH ARE NOT DISTRIBUTED WITHIN 5 YEARS.—

''(A) IN GENERAL.—If, at the close of any taxable year, there is a nonqualified balance in any FFARRM Account—

''(i) there shall be deemed distributed from such Account during such taxable year an amount equal to such balance, and

''(ii) the taxpayer's tax imposed by this chapter for such taxable year shall be increased by 10 percent of such deemed distribution.

The preceding sentence shall not apply if an amount equal to such nonqualified balance is distributed from such Account to the taxpayer before the due date (including extensions) for filing the return of tax imposed by this chapter for such year (or, if earlier, the date the taxpayer files such return for such year).

''(B) NONQUALIFIED BALANCE.—For purposes of subparagraph (A), the term 'nonqualified balance' means any balance in the Account on the last day of the taxable year which is attributable to amounts deposited in such Account before the 4th preceding taxable year.

''(C) ORDERING RULE.—For purposes of this paragraph, distributions from a FFARRM Account (other than distributions of current income) shall be treated as made from deposits in the order in which such deposits were made, beginning with the earliest deposits.

''(2) CESSATION IN ELIGIBLE BUSINESS.—At the close of the first disqualification period after a period for which the taxpayer was engaged in an eligible farming business or commercial fishing, there shall be deemed distributed from the FFARRM Account of the taxpayer an amount equal to the balance in such Account (if any) at the close of such disqualification period. For purposes of the preceding sentence, the term 'disqualification period' means any period of 2 consecutive taxable years for which the taxpayer is not engaged in an eligible farming business or commercial fishing.

''(3) CERTAIN RULES TO APPLY.—Rules similar to the following rules shall apply for purposes of this section:

''(A) Section 220(f)(8) (relating to treatment on death).

''(B) Section 408(e)(2) (relating to loss of exemption of account where individual engages in prohibited transaction).

''(C) Section 408(e)(4) (relating to effect of pledging account as security).

''(D) Section 408(g) (relating to community property laws).

''(E) Section 408(h) (relating to custodial accounts).

''(4) TIME WHEN PAYMENTS DEEMED MADE.—For purposes of this section, a taxpayer shall be deemed to have made a payment to a FFARRM Account on the last day of a taxable year if such payment is made on account of such taxable year and is made on or before the due date (without regard to extensions) for filing the return of tax for such taxable year.

''(5) INDIVIDUAL.—For purposes of this section, the term 'individual' shall not include an estate or trust.

''(6) DEDUCTION NOT ALLOWED FOR SELF-EMPLOYMENT TAX.—The deduction allowable by reason of subsection (a) shall not be taken into account in determining an individual's net earnings from self-employment (within the meaning of section 1402(a)) for purposes of chapter 2.

''(g) REPORTS.—The trustee of a FFARRM Account shall make such reports regarding such Account to the Secretary and to the person for whose benefit the Account is maintained with respect to contributions, distributions, and such other matters as the Secretary may require under regulations. The reports required by this subsection shall be filed at such time and in such manner and furnished to such persons at such time and in such manner as may be required by such regulations.''.

(b) TAX ON EXCESS CONTRIBUTIONS.—

(1) Subsection (a) of section 4973 (relating to tax on excess contributions to certain tax-favored accounts and annuities) is amended by striking ''or'' at the end of paragraph (3), by redesignating paragraph (4) as paragraph (5), and by inserting after paragraph (3) the following:

''(4) a FFARRM Account (within the meaning of section 468C(d)), or''.

(2) Section 4973 is amended by adding at the end the following:

''(g) EXCESS CONTRIBUTIONS TO FFARRM ACCOUNTS.—For purposes of this section, in the case of a FFARRM Account (within the meaning of section 468C(d)), the term 'excess contributions' means the amount by which the amount contributed for the taxable year to the Account exceeds the amount which may be contributed to the Account under section 468C(b) for such taxable year. For purposes of this subsection, any contribution which is distributed out of the FFARRM Account in a distribution to which section 468C(e)(2)(B) applies shall be treated as an amount not contributed.''.

(3) The section heading for section 4973 is amended to read as follows:

''SEC. 4973. EXCESS CONTRIBUTIONS TO CERTAIN ACCOUNTS, ANNUITIES, ETC.''.

(4) The table of sections for chapter 43 is amended by striking the item relating to section 4973 and inserting the following:

''Sec. 4973. Excess contributions to certain accounts, annuities, etc.''.

(c) TAX ON PROHIBITED TRANSACTIONS.—

(1) Subsection (c) of section 4975 (relating to tax on prohibited transactions) is amended by adding at the end the following:

''(6) SPECIAL RULE FOR FFARRM ACCOUNTS.—A person for whose benefit a FFARRM Account (within the meaning of section 468C(d)) is established shall be exempt from the tax imposed by this section with respect to any transaction concerning such account (which would otherwise be taxable under this section) if, with respect to such transaction, the account ceases to be a FFARRM Account by reason of the application of section 468C(f)(3)(A) to such account.''.

(2) Paragraph (1) of section 4975(e) is amended by redesignating subparagraphs (E) and (F) as subparagraphs (F) and (G), respectively, and by inserting after subparagraph (D) the following:

''(E) a FFARRM Account described in section 468C(d),''.

(d) FAILURE TO PROVIDE REPORTS ON FFARRM ACCOUNTS.—Paragraph (2) of section 6693(a) (relating to failure to provide reports on certain tax-favored accounts or annuities) is amended by redesignating subparagraphs (C) and (D) as subparagraphs (D) and (E), respectively, and by inserting after subparagraph (B) the following:

''(C) section 468C(g) (relating to FFARRM Accounts),''.

(e) CLERICAL AMENDMENT.—The table of sections for subpart C of part II of subchapter E of chapter 1 is amended by inserting after the item relating to section 468B the following:

''Sec. 468C. Farm, Fishing and Ranch Risk Management Accounts.''.

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

SEC. 602. WRITTEN AGREEMENT RELATING TO EXCLUSION OF CERTAIN FARM RENTAL INCOME FROM NET EARNINGS FROM SELF-EMPLOYMENT.

(a) INTERNAL REVENUE CODE.—Section 1402(a)(1)(A) (relating to net earnings from self-employment) is amended by striking ''an arrangement'' and inserting ''a lease agreement''.

(b) SOCIAL SECURITY ACT.—Section 211(a)(1)(A) of the Social Security Act is amended by striking ''an arrangement'' and inserting ''a lease agreement''.

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

SEC. 603. TREATMENT OF CONSERVATION RESERVE PROGRAM PAYMENTS AS RENTALS FROM REAL ESTATE.

(a) IN GENERAL.—Section 1402(a)(1) (defining net earnings from self-employment) is amended by inserting ''and including payments under section 1233(2) of the Food Security Act of 1985 (16 U.S.C. 3833(2))'' after ''crop shares''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to payments made before, on, or after the date of the enactment of this Act.

SEC. 604. EXEMPTION OF AGRICULTURAL BONDS FROM STATE VOLUME CAP.

(a) IN GENERAL.—Section 146(g) (relating to exception for certain bonds) is amended by striking ''and'' at the end of paragraph (3), by striking the period at the end of paragraph (4) and inserting '', and'', and by inserting after paragraph (4) the following:

''(5) any qualified small issue bond described in section 144(a)(12)(B)(ii).''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to bonds issued after the date of enactment of this Act.

SEC. 605. MODIFICATIONS TO SECTION 512(b)(13).

(a) IN GENERAL.—Paragraph (13) of section 512(b) is amended by redesignating subparagraph (E) as subparagraph (F) and by inserting after subparagraph (D) the following new paragraph:

''(E) PARAGRAPH TO APPLY ONLY TO EXCESS PAYMENTS.—

''(i) IN GENERAL.—Subparagraph (A) shall apply only to the portion of a specified payment received by the controlling organization that exceeds the amount which would have been paid if such payment met the requirements prescribed under section 482.

''(ii) ADDITION TO TAX FOR VALUATION MISSTATEMENTS.—The tax imposed by this chapter on the controlling organization shall be increased by an amount equal to 20 percent of such excess.''.

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendment made by this section shall apply to payments received or accrued after December 31, 2000.

(2) PAYMENTS SUBJECT TO BINDING CONTRACT TRANSITION RULE.—If the amendments made by section 1041 of the Taxpayer Relief Act of 1997 do not apply to any amount received or accrued after the date of the enactment of this Act under any contract described in subsection (b)(2) of such section, such amendments also shall not apply to amounts received or accrued under such contract before January 1, 2001.

SEC. 606. CHARITABLE DEDUCTION FOR CONTRIBUTIONS OF FOOD INVENTORY.

(a) IN GENERAL.—Subsection (e) of section 170 (relating to certain contributions of ordinary income and capital gain property) is amended by adding at the end the following new paragraph:

''(7) SPECIAL RULE FOR CONTRIBUTIONS OF FOOD INVENTORY.—For purposes of this section—

''(A) CONTRIBUTIONS BY NON-CORPORATE TAXPAYERS.—In the case of a charitable contribution of food, paragraph (3)(A) shall be applied without regard to whether or not the contribution is made by a corporation.

''(B) LIMIT ON REDUCTION.—In the case of a charitable contribution of food which is a qualified contribution (within the meaning of paragraph (3)(A), as modified by subparagraph (A) of this paragraph)—

''(i) paragraph (3)(B) shall not apply, and

''(ii) the reduction under paragraph (1)(A) for such contribution shall be no greater than the amount (if any) by which the amount of such contribution exceeds twice the basis of such food.

''(C) DETERMINATION OF BASIS.—For purposes of this paragraph, if a taxpayer uses the cash method of accounting, the basis of any qualified contribution of such taxpayer shall be deemed to be 50 percent of the fair market value of such contribution.

''(D) DETERMINATION OF FAIR MARKET VALUE.—In the case of a charitable contribution of food which is a qualified contribution (within the meaning of paragraph (3), as modified by subparagraphs (A) and (B) of this paragraph) and which, solely by reason of internal standards of the taxpayer, lack of market, or similar circumstances, or which is produced by the taxpayer exclusively for the purposes of transferring the food to an organization described in paragraph (3)(A), cannot or will not be sold, the fair market value of such contribution shall be determined—

''(i) without regard to such internal standards, such lack of market, such circumstances, or such exclusive purpose, and

''(ii) if applicable, by taking into account the price at which the same or similar food items are sold by the taxpayer at the time of the contribution (or, if not so sold at such time, in the recent past).''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2000.

SEC. 607. INCOME AVERAGING FOR FARMERS AND FISHERMEN NOT TO INCREASE ALTERNATIVE MINIMUM TAX LIABILITY.

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

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

(b) ALLOWING INCOME AVERAGING FOR FISHERMEN.—

(1) IN GENERAL.—Section 1301(a) is amended by striking ''farming business'' and inserting ''farming business or fishing business,''.

(2) DEFINITION OF ELECTED FARM INCOME.—

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

(B) CONFORMING AMENDMENT.—Subparagraph (B) of section 1301(b)(1) is amended by inserting ''or fishing business'' after ''farming business'' both places it occurs.

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

''(4) FISHING BUSINESS.—The term 'fishing business' means the conduct of commercial fishing as defined in section 3 of the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1802).''.

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

SEC. 608. REPEAL OF MODIFICATION OF INSTALLMENT METHOD.

(a) IN GENERAL.—Subsection (a) of section 536 of the Ticket to Work and Work Incentives Improvement Act of 1999 (relating to modification of installment method and repeal of installment method for accrual method taxpayers) is repealed effective with respect to sales and other dispositions occurring on or after the date of the enactment of such Act.

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

SEC. 609. COOPERATIVE MARKETING INCLUDES VALUE-ADDED PROCESSING THROUGH ANIMALS.

(a) IN GENERAL.—Section 1388 (relating to definitions and special rules) is amended by adding at the end the following:

''(k) COOPERATIVE MARKETING INCLUDES VALUE-ADDED PROCESSING THROUGH ANIMALS.—For purposes of section 521 and this subchapter, 'marketing the products of members or other producers' includes feeding the products of members or other producers to cattle, hogs, fish, chickens, or other animals and selling the resulting animals or animal products.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

SEC. 610. DECLARATORY JUDGMENT RELIEF FOR SECTION 521 COOPERATIVES.

(a) IN GENERAL.—Section 7428(a)(1) (relating to declaratory judgments of tax exempt organizations) is amended by striking ''or'' at the end of subparagraph (B) and by adding at the end the following:

''(D) with respect to the initial qualification or continuing qualification of a cooperative as described in section 521(b) which is exempt from tax under section 521(a), or''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to pleadings filed after the date of the enactment of this Act but only with respect to determinations (or requests for determinations) made after January 1, 2000.

SEC. 611. SMALL ETHANOL PRODUCER CREDIT.

(a) ALLOCATION OF ALCOHOL FUELS CREDIT TO PATRONS OF A COOPERATIVE.—Section 40(g) (relating to alcohol used as fuel) is amended by adding at the end the following:

''(6) ALLOCATION OF SMALL ETHANOL PRODUCER CREDIT TO PATRONS OF COOPERATIVE.—

''(A) ELECTION TO ALLOCATE.—

''(i) IN GENERAL.—In the case of a cooperative organization described in section 1381(a), any portion of the credit determined under subsection (a)(3) for the taxable year may, at the election of the organization, be apportioned pro rata among patrons of the organization on the basis of the quantity or value of business done with or for such patrons for the taxable year.

''(ii) FORM AND EFFECT OF ELECTION.—An election under clause (i) for any taxable year shall be made on a timely filed return for such year. Such election, once made, shall be irrevocable for such taxable year.

''(iii) SPECIAL RULE FOR 1998 AND 1999.—Notwithstanding clause (ii), an election for any taxable year ending prior to the date of the enactment of the Death Tax Elimination Act of 2000 may be made at any time before the expiration of the 3-year period beginning on the last date prescribed by law for filing the return of the taxpayer for such taxable year (determined without regard to extensions) by filing an amended return for such year.

''(B) TREATMENT OF ORGANIZATIONS AND PATRONS.—The amount of the credit apportioned to patrons under subparagraph (A)—

''(i) shall not be included in the amount determined under subsection (a) with respect to the organization for the taxable year,

''(ii) shall be included in the amount determined under subsection (a) for the taxable year of each patron for which the patronage dividends for the taxable year described in subparagraph (A) are included in gross income, and

''(iii) shall be included in gross income of such patrons for the taxable year in the manner and to the extent provided in section 87.

''(C) SPECIAL RULES FOR DECREASE IN CREDITS FOR TAXABLE YEAR.—If the amount of the credit of a cooperative organization determined under subsection (a)(3) for a taxable year is less than the amount of such credit shown on the return of the cooperative organization for such year, an amount equal to the excess of—

''(i) such reduction, over

''(ii) the amount not apportioned to such patrons under subparagraph (A) for the taxable year,

shall be treated as an increase in tax imposed by this chapter on the organization. Such increase shall not be treated as tax imposed by this chapter for purposes of determining the amount of any credit under this subpart or subpart A, B, E, or G.''.

(b) IMPROVEMENTS TO SMALL ETHANOL PRODUCER CREDIT.—

(1) SMALL ETHANOL PRODUCER CREDIT NOT A PASSIVE ACTIVITY CREDIT.—Clause (i) of section 469(d)(2)(A) is amended by striking ''subpart D'' and inserting ''subpart D, other than section 40(a)(3),''.

(2) ALLOWING CREDIT AGAINST MINIMUM TAX.—

(A) IN GENERAL.—Subsection (c) of section 38 (relating to limitation based on amount of tax) is amended by redesignating paragraph (3) as paragraph (4) and by inserting after paragraph (2) the following new paragraph:

''(3) SPECIAL RULES FOR SMALL ETHANOL PRODUCER CREDIT.—

''(A) IN GENERAL.—In the case of the small ethanol producer credit—

''(i) this section and section 39 shall be applied separately with respect to the credit, and

''(ii) in applying paragraph (1) to the credit—

''(I) subparagraphs (A) and (B) thereof shall not apply, and

''(II) the limitation under paragraph (1) (as modified by subclause (I)) shall be reduced by the credit allowed under subsection (a) for the taxable year (other than the small ethanol producer credit).

''(B) SMALL ETHANOL PRODUCER CREDIT.—For purposes of this subsection, the term 'small ethanol producer credit' means the credit allowable under subsection (a) by reason of section 40(a)(3).''.

(B) CONFORMING AMENDMENT.—Subclause (II) of section 38(c)(2)(A)(ii) is amended by inserting ''or the small ethanol producer credit'' after ''employment credit''.

(3) SMALL ETHANOL PRODUCER CREDIT NOT ADDED BACK TO INCOME UNDER SECTION 87.—Section 87 (relating to income inclusion of alcohol fuel credit) is amended to read as follows:

''SEC. 87. ALCOHOL FUEL CREDIT.

''Gross income includes an amount equal to the sum of—

''(1) the amount of the alcohol mixture credit determined with respect to the taxpayer for the taxable year under section 40(a)(1), and

''(2) the alcohol credit determined with respect to the taxpayer for the taxable year under section 40(a)(2).''.

(c) CONFORMING AMENDMENT.—Section 1388 (relating to definitions and special rules for cooperative organizations) is amended by adding at the end the following:

''(k) CROSS REFERENCE.—For provisions relating to the apportionment of the alcohol fuels credit between cooperative organizations and their patrons, see section 40(d) (6).''

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by subsection (b) of this section shall apply to taxable years ending after the date of enactment.

(2) PROVISIONS AFFECTING COOPERATIVES AND THEIR PATRONS.—The amendments made

by subsections (a) and (c), and the amendments made by paragraphs (2) and (3) of subsection (b), shall apply to taxable years beginning after December 31, 1997.

BAUCUS (AND OTHERS) AMENDMENT NO. 3835

Mr. BAUCUS (for himself, Mr. KERREY, Mr. DORGAN, and Mr. ROBB) proposed an amendment to the bill, H.R. 8, supra; as follows:

Strike all after the first word and insert:

1. SHORT TITLE.

(a) SHORT TITLE.—This Act may be cited as the ''Estate Tax Relief Act of 2000''.

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

TITLE I—ESTATE TAX RELIEF

SEC. 101. INCREASE IN AMOUNT OF UNIFIED CREDIT AGAINST ESTATE AND GIFT TAXES.

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

''In the case of estates of decedents dying, and gifts made, during:	The applicable exclusion amount is:
2001, 2002, 2003, 2004, and 2005	$1,000,000
2006 and 2007	$1,125,000
2008	$1,500,000
2009 or thereafter	$2,000,000.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

SEC. 102. INCREASE IN QUALIFIED FAMILY-OWNED BUSINESS INTEREST DEDUCTION AMOUNT.

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

''(2) MAXIMUM DEDUCTION.—

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

''(i) the applicable deduction amount, plus

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

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

''In the case of estates of decedents dying during:	The applicable deduction amount is:
2001, 2002, 2003, 2004, and 2005	$1,375,000
2006 and 2007	$1,625,000
2008	$2,375,000
2009 or thereafter	$3,375,000.

''(C) APPLICABLE UNUSED SPOUSAL DEDUCTION AMOUNT.—With respect to a decedent whose immediately predeceased spouse died after December 31, 2000, and the estate of such immediately predeceased spouse met the requirements of subsection (b)(1), the applicable unused spousal deduction amount for such decedent is equal to the excess of—

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

''(ii) the sum of—

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

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

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

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

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

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

TITLE II—PENSION INCENTIVES

SEC. 201. REFUNDABLE CREDIT TO CERTAIN INDIVIDUALS FOR ELECTIVE DEFERRALS AND IRA CONTRIBUTIONS.

(a) IN GENERAL.—Subpart C of part IV of subchapter A of chapter 1 (relating to refundable credits) is amended by redesignating section 35 as section 36 and by inserting after section 34 the following new section:

''SEC. 35. ELECTIVE DEFERRALS AND IRA CONTRIBUTIONS BY CERTAIN INDIVIDUALS.

''(a) ALLOWANCE OF CREDIT.—In the case of an eligible individual, there shall be allowed as a credit against the tax imposed by this subtitle for the taxable year an amount equal to the applicable percentage of so much of the qualified retirement savings contributions of the eligible individual for the taxable year as do not exceed $1,000.

''(b) APPLICABLE PERCENTAGE.—For purposes of this section, the applicable percentage is the percentage determined in accordance with the following table:

Adjusted Gross Income						Applicable percentage
Joint return		Head of a household		All other cases		
Over	Not over	Over	Not over	Over	Not over	
$0	$25,000	$0	$18,750	$0	$12,500	50
25,000	35,000	18,750	26,250	12,500	17,500	45
35,000	45,000	26,250	33,750	17,500	22,500	35
45,000	55,000	33,750	41,250	22,500	27,500	25
55,000	75,000	41,250	56,250	27,500	37,500	15
75,000	80,000	56,250	60,000	37,500	40,000	5
80,000	....	60,000	....	40,000	....	0

''(c) ELIGIBLE INDIVIDUAL.—For purposes of this section—

''(1) IN GENERAL.—The term 'eligible individual' means any individual if—

''(A) such individual has attained the age of 18, but has not attained the age of 61, as of the close of the taxable year, and

''(B) the compensation (as defined in section 219(f)(1)) includible in the gross income of the individual (or, in the case of a joint return, of the taxpayer) for such taxable year is at least $5,000.

''(2) DEPENDENTS AND FULL-TIME STUDENTS NOT ELIGIBLE.—The term 'eligible individual' shall not include—

''(A) any individual with respect to whom a deduction under section 151 is allowable to another taxpayer for a taxable year beginning in the calendar year in which such individual's taxable year begins, and

''(B) any individual who is a student (as defined in section 151(c)(4)).

''(3) INDIVIDUALS RECEIVING CERTAIN RETIREMENT DISTRIBUTIONS NOT ELIGIBLE.—

''(A) IN GENERAL.—The term 'eligible individual' shall not include, with respect to a taxable year, any individual who received during the testing period—

''(i) any distribution from a qualified retirement plan (as defined in section 4974(c)), or from an eligible deferred compensation plan (as defined in section 457(b)), which is includible in gross income, or

''(ii) any distribution from a Roth IRA which is not a qualified rollover contribution (as defined in section 408A(e)) to a Roth IRA.

''(B) TESTING PERIOD.—For purposes of subparagraph (A), the testing period, with respect to a taxable year, is the period which includes—

''(i) such taxable year,

''(ii) the 2 preceding taxable years, and

''(iii) the period after such taxable year and before the due date (without extensions) for filing the return of tax for such taxable year.

''(C) EXCEPTED DISTRIBUTIONS.—There shall not be taken into account under subparagraph (A)—

''(i) any distribution referred to in section 72(p), 401(k)(8), 401(m)(6), 402(g)(2), 404(k), or 408(d)(4),

''(ii) any distribution to which section 408A(d)(3) applies, and

''(iii) any distribution before January 1, 2002.

''(D) TREATMENT OF DISTRIBUTIONS RECEIVED BY SPOUSE OF INDIVIDUAL.—For purposes of determining whether an individual is an eligible individual for any taxable year, any distribution received by the spouse of such individual shall be treated as received by such individual if such individual and spouse file a joint return for such taxable year and for the taxable year during which the spouse receives the distribution.

''(d) QUALIFIED RETIREMENT SAVINGS CONTRIBUTIONS.—For purposes of this section, the term 'qualified retirement savings contributions' means the sum of—

''(1) the amount of the qualified retirement contributions (as defined in section 219(e)) for the benefit of the eligible individual,

''(2) the amount of the elective deferrals (as defined in section 414(u)(2)(C)) of such individual, and

''(3) the amount of voluntary employee contributions by such individual to any qualified retirement plan (as defined in section 4974(c)).

''(e) INVESTMENT IN THE CONTRACT.—Notwithstanding any other provision of law, a qualified retirement savings contribution shall not fail to be included in determining the investment in the contract for purposes of section 72 by reason of the credit under this section.''

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (2) of section 1324(b) of title 31, United States Code, is amended by inserting before the period '', or from section 35 of such Code''.

(2) The table of sections for subpart C of part IV of subchapter A of chapter 1 is amended by striking the last item and inserting the following new items:

''Sec. 35. Elective deferrals and IRA contributions by certain individuals.

''Sec. 36. Overpayments of tax.''

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

SEC. 202. CREDIT FOR SMALL EMPLOYER PENSION PLAN CONTRIBUTIONS AND START-UP COSTS.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits) is amended by adding at the end the following new section:

''SEC. 45D. SMALL EMPLOYER PENSION PLAN CREDIT.

''(a) GENERAL RULE.—For purposes of section 38, in the case of an eligible employer, the small employer pension plan credit determined under this section for any taxable year is an amount equal to the sum of—

''(1) 25 percent of the qualified employer contributions of the taxpayer for the taxable year, and

''(2) the qualified start-up costs paid or incurred by the taxpayer during the taxable year.

''(b) LIMITATIONS.—

''(1) LIMITS ON CONTRIBUTIONS.—For purposes of subsection (a)(1)—

''(A) qualified employer contributions may only be taken into account for each of the first 3 taxable years ending after the date the employer establishes the qualified employer plan to which the contribution is made, and

''(B) the amount of the qualified employer contributions taken into account with respect to any qualified employee for any such taxable year shall not exceed 3 percent of the compensation (as defined in section 414(s)) of the qualified employee for such taxable year.

''(2) LIMITS ON START-UP COSTS.—The amount of the credit determined under subsection (a)(2) for any taxable year shall not exceed—

''(A) $500 for each of the first, second, and third taxable years ending after the date the employer established the qualified employer plan to which such costs relate, and

''(B) zero for each taxable year thereafter.

''(c) DEFINITIONS.—For purposes of this section—

''(1) ELIGIBLE EMPLOYER.—

''(A) IN GENERAL.—The term 'eligible employer' means, with respect to any year, an employer which has no more than—

''(i) for purposes of subsection (a)(1), 25 employees, and

''(ii) for purposes of subsection (a)(2), 100 employees,

who received at least $5,000 of compensation from the employer for the preceding year.

''(B) 2-YEAR GRACE PERIOD.—An eligible employer who establishes and maintains a qualified employer plan for 1 or more years and who fails to be an eligible employer for any subsequent year shall be treated as an eligible employer for the 2 years following the last year the employer was an eligible employer.

''(C) REQUIREMENT FOR NEW QUALIFIED EMPLOYER PLANS.—Such term shall not include an employer if the employer (or any predecessor employer) established or maintained a qualified employer plan with respect to which contributions were made, or benefits were accrued, for service in the 3 taxable years ending prior to the first taxable year in which the credit under this section is allowed.

''(2) QUALIFIED EMPLOYER CONTRIBUTIONS.—

''(A) IN GENERAL.—The term 'qualified employer contributions' means, with respect to any taxable year, any employer contributions made on behalf of a qualified employee to a qualified employer plan for a plan year ending with or within the taxable year.

''(B) EMPLOYER CONTRIBUTIONS.—The term 'employer contributions' shall not include any elective deferral (within the meaning of section 402(g)(3)).

''(3) QUALIFIED EMPLOYEE.—The term 'qualified employee' means an individual who—

''(A) is eligible to participate in the qualified employer plan to which the employer contributions are made, and

''(B) is not a highly compensated employee (within the meaning of section 414(q)) for the year for which the contribution is made.

''(4) QUALIFIED START-UP COSTS.—The term 'qualified start-up costs' means any ordinary and necessary expenses of an eligible employer which are paid or incurred in connection with—

''(A) the establishment or maintenance of a qualified employer plan in which qualified employees are eligible to participate, and

''(B) providing educational information to employees regarding participation in such plan and the benefits of establishing an investment plan.

''(5) QUALIFIED EMPLOYER PLAN.—The term 'qualified employer plan' has the meaning given such term in section 4972(d).

''(d) SPECIAL RULES.—

''(1) AGGREGATION RULES.—All persons treated as a single employer under subsection (a) or (b) of section 52, or subsection (n) or (o) of section 414, shall be treated as one person. All qualified employer plans of an employer shall be treated as 1 qualified employer plan.

''(2) DISALLOWANCE OF DEDUCTION.—No deduction shall be allowable under this chapter for any qualified start-up costs or qualified employer contributions for which a credit is determined under subsection (a).

''(3) ELECTION NOT TO CLAIM CREDIT.—This section shall not apply to a taxpayer for any taxable year if such taxpayer elects to have this section not apply for such taxable year.''.

(b) CREDIT ALLOWED AS PART OF GENERAL BUSINESS CREDIT.—Section 38(b) (defining current year business credit) is amended by striking ''plus'' at the end of paragraph (11), by striking the period at the end of paragraph (12) and inserting '', plus'', and by adding at the end the following new paragraph:

''(13) in the case of an eligible employer (as defined in section 45D(c)), the small employer pension plan credit determined under section 45D(a).''.

(c) CONFORMING AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1 is amended by adding at the end the following new item:

''Sec. 45D. Small employer pension plan credit.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to costs paid or incurred or contributions made in connection with qualified employer plans established after December 31, 2000.

TITLE III—SOCIAL SECURITY KIDSAVE ACCOUNTS

SEC. 301. SHORT TITLE.

This title may be cited as the ''Social Security KidSave Accounts Act''.

SEC. 302. SOCIAL SECURITY KIDSAVE ACCOUNTS.

Title II of the Social Security Act (42 U.S.C. 401 et seq.) is amended—

(1) by inserting before section 201 the following:

''PART A—INSURANCE BENEFITS'';

and

(2) by adding at the end the following:

''PART B—KIDSAVE ACCOUNTS

''KIDSAVE ACCOUNTS

''SEC. 251. (a) ESTABLISHMENT.—The Commissioner of Social Security shall establish in the name of each individual born on or after January 1, 2006, a KidSave Account upon the later of—

''(1) the date of enactment of this part, or

''(2) the date of the issuance of a Social Security account number under section 205(c)(2) to such individual.

The KidSave Account shall be identified to the account holder by means of the account holder's Social Security account number.

''(b) CONTRIBUTIONS.—

''(1) IN GENERAL.—There are authorized to be appropriated and are appropriated such sums as are necessary in order for the Secretary of the Treasury to transfer from the general fund of the Treasury for crediting by the Commissioner to each account holder's KidSave Account under subsection (a), an amount equal to $1000.00, on the date of the establishment of such individual's KidSave Account.

''(2) ADJUSTMENT FOR INFLATION.—For any calendar year after 2010, the dollar amount under paragraph (1) shall be increased by the cost-of-living adjustment determined under section 215(i) for the calendar year.

''(c) DESIGNATIONS REGARDING KIDSAVE ACCOUNTS.—

''(1) INITIAL DESIGNATIONS OF INVESTMENT VEHICLE.—A person described in subsection (d) shall, on behalf of the individual described in subsection (a), designate the investment vehicle for the KidSave Account to which contributions on behalf of such individual are to be deposited. Such designation shall be made on the application for such individual's Social Security account number.

''(2) CHANGES IN INVESTMENT VEHICLES OR TYPES OF KIDSAVE ACCOUNTS.—The Commissioner shall by regulation provide the time and manner by which an individual or a person described in subsection (d) on behalf of such individual may change 1 or more investment vehicles for a KidSave Account.

''(d) TREATMENT OF MINORS AND INCOMPETENT INDIVIDUALS.—Any designation under subsection (c) to be made by a minor, or an individual mentally incompetent or under other legal disability, may be made by the person who is constituted guardian or other fiduciary by the law of the State of residence of the individual or is otherwise legally vested with the care of the individual or his estate. Payment under this part due a minor, or an individual mentally incompetent or under other legal disability, may be made to the person who is constituted guardian or other fiduciary by the law of the State of residence of the claimant or is otherwise legally vested with the care of the claimant or his estate. In any case in which a guardian or other fiduciary of the individual under legal disability has not been appointed under the law of the State of residence of the individual, if any other person, in the judgment of the Commissioner, is responsible for the care of such individual, any designation under subsection (c) which may otherwise be made by such individual may be made by such person, any payment under this part which is otherwise payable to such individual may be made to such person, and the payment of an annuity payment under this part to such person bars recovery by any other person.

''DEFINITIONS AND SPECIAL RULES

''SEC. 252. For purposes of this part—

''(1) KIDSAVE ACCOUNT.—The term 'KidSave Account' means an account in the KidSave Investment Fund (established under section 253) which is administered by the KidSave Investment Fund Board.

''(2) TREATMENT OF ACCOUNT.—

''(A) IN GENERAL.—Except as otherwise provided in this part and in section 531 of the Internal Revenue Code of 1986, any KidSave Account shall be treated in the same manner as an individual account in the Thrift Savings Fund under subchapter III of chapter 84 of title 5, United States Code.

''(B) EXCEPTIONS.—

''(i) CONTRIBUTION LIMIT.—The aggregate amount of contributions for any taxable year to all KidSave Accounts of an individual shall not exceed the contribution made pursuant to section 251(b) for such year on behalf of such individual.

''(ii) ROLLOVER CONTRIBUTIONS.—No rollover contribution may be made to a KidSave Account unless it is from another KidSave Account. A rollover described in the preceding sentence shall not be taken into account for purposes of clause (i).

''(iii) DISTRIBUTIONS.—Notwithstanding any other provision of law, distributions may only be made from a KidSave Account of an individual on or after the earlier of—

''(I) the date on which the individual begins receiving benefits under this title, or

''(II) the date of the individual's death.

''KIDSAVE INVESTMENT FUND

''SEC. 253. (a) ESTABLISHMENT.—There is established and maintained in the Treasury of the United States a KidSave Investment

Fund in the same manner as the Thrift Savings Fund under sections 8437, 8438, and 8439 of title 5, United States Code.

''(b) KIDSAVE INVESTMENT FUND BOARD.—

''(1) IN GENERAL.—There is established and operated in the Social Security Administration a Kidsave Investment Fund Board in the same manner as the Federal Retirement Thrift Investment Board under subchapter VII of chapter 84 of title 5, United States Code.

''(2) SPECIFIC INVESTMENT DUTIES.—The Kidsave Investment Fund shall be managed by the Kidsave Investment Fund Board in the same manner as the Thrift Savings Fund is managed under subchapter VIII of chapter 84 of title 5, United States Code.''.

GRAMS (AND ABRAHAM) AMENDMENT NO. 3836

Mr. GRAMS (for himself and Mr. ABRAHAM) proposed an amendment to the bill, H.R. 8, supra; as follows:

At the end of the bill, add the following:

TITLE VI—MISCELLANEOUS PROVISIONS

SEC. 601. REPEAL OF INCREASE IN TAX ON SOCIAL SECURITY BENEFITS.

(a) REPEAL OF INCREASE IN TAX ON SOCIAL SECURITY BENEFITS.—

(1) IN GENERAL.—Paragraph (2) of section 86(a) (relating to social security and tier 1 railroad retirement benefits) is amended by adding at the end the following new flush sentence:

''This paragraph shall not apply to any taxable year beginning after December 31, 2000.''

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to taxable years beginning after December 31, 2000.

(b) REVENUE OFFSET.—The Secretary of the Treasury shall transfer, for each fiscal year, from the general fund in the Treasury to the Federal Hospital Insurance Trust Fund established under section 1817 of the Social Security Act (42 U.S.C. 1395i) an amount equal to the decrease in revenues to the Treasury for such fiscal year by reason of the amendment made by this section.

DODD (AND OTHERS) AMENDMENT NO. 3837

(Ordered to lie on the table.)

Mr. DODD (for himself, Mr. WELLSTONE, Ms. LANDRIEU, and Mr. KOHL) submitted an amendment to be proposed by them to the bill, H.R. 8, supra; as follows:

Strike all after the first word and insert:

1. SHORT TITLE.

(a) SHORT TITLE.—This Act may be cited as the ''Estate Tax Relief Act of 2000''.

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

TITLE I—ESTATE TAX RELIEF

SEC. 101. INCREASE IN AMOUNT OF UNIFIED CREDIT AGAINST ESTATE AND GIFT TAXES.

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

''In the case of estates of decedents dying, and gifts made, during:	The applicable exclusion amount is:
2001, 2002, 2003, 2004, and 2005	$1,000,000
2006 and 2007	$1,125,000
2008	$1,500,000
2009 or thereafter	$2,000,000.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

SEC. 102. INCREASE IN QUALIFIED FAMILY-OWNED BUSINESS INTEREST DEDUCTION AMOUNT.

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

''(2) MAXIMUM DEDUCTION.—

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

''(i) the applicable deduction amount, plus

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

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

''In the case of estates of decedents dying during:	The applicable deduction amount is:
2001, 2002, 2003, 2004, and 2005	$1,375,000
2006 and 2007	$1,625,000
2008	$2,375,000
2009 or thereafter	$3,375,000.

''(C) APPLICABLE UNUSED SPOUSAL DEDUCTION AMOUNT.—With respect to a decedent whose immediately predeceased spouse died after December 31, 2000, and the estate of such immediately predeceased spouse met the requirements of subsection (b)(1), the applicable unused spousal deduction amount for such decedent is equal to the excess of—

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

''(ii) the sum of—

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

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

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

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

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

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

TITLE II—DEPENDENT CARE TAX CREDIT

SEC. 201. EXPANSION OF DEPENDENT CARE TAX CREDIT.

(a) IN GENERAL.—Paragraph (2) of section 21(a) (relating to expenses for household and dependent care services necessary for gainful employment) is amended to read as follows:

''(2) APPLICABLE PERCENTAGE DEFINED.—For purposes of paragraph (1), the term 'applicable percentage' means 50 percent (40 percent for taxable years beginning after December 31, 2002, and before January 1, 2005) reduced (but not below 20 percent) by 1 percentage point for each $1,000 (or fraction thereof) by which the taxpayer's adjusted gross income for the taxable year exceeds $30,000.''

(b) MINIMUM CREDIT ALLOWED FOR STAY-AT-HOME PARENTS.—Section 21(e) (relating to special rules) is amended by adding at the end the following:

''(11) MINIMUM CREDIT ALLOWED FOR STAY-AT-HOME PARENTS.—Notwithstanding subsection (d), in the case of any taxpayer with one or more qualifying individuals described in subsection (b)(1)(A) under the age of 1 at any time during the taxable year, such taxpayer shall be deemed to have employment-related expenses with respect to not more than 2 of such qualifying individuals in an amount equal to the greater of—

''(A) the amount of employment-related expenses incurred for such qualifying individuals for the taxable year (determined under this section without regard to this paragraph), or

''(B) $41.67 for each month in such taxable year during which each such qualifying individual is under the age of 1.''.

(c) INFLATION ADJUSTMENT OF DOLLAR AMOUNTS.—

(1) Section 21 is amended by redesignating subsection (f) as subsection (g) and by inserting after subsection (e) the following new subsection:

''(f) INFLATION ADJUSTMENT.—In the case of any taxable year beginning in a calendar year after 2001, the $30,000 amount contained in subsection (a), the $2,400 amount in subsection (c), and the $41.67 amount in subsection (e)(11) shall be increased by an amount equal to—

''(1) such dollar amount, multiplied by

''(2) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year by substituting 'calendar year 2000' for 'calendar year 1992' in subparagraph (B) thereof.

If the increase determined under the preceding sentence is not a multiple of $50 ($5 in the case of the amount in subsection (e)(11)), such amount shall be rounded to the next lowest multiple thereof.''

(2) Paragraph (2) of section 21(c) is amended by striking ''$4,800'' and inserting ''twice the dollar amount applicable under paragraph (1)''.

(3) Paragraph (2) of section 21(d) is amended by striking ''less than—'' and all that follows through the end of the first sentence and inserting ''less than 1/12 of the amount which applies under subsection (c) to the taxpayer for the taxable year.''

(d) CREDIT ALLOWED BASED ON RESIDENCY IN CERTAIN CASES.—Subsection (e) of section 21 is amended by adding at the end the following new paragraph:

''(12) CREDIT ALLOWED BASED ON RESIDENCY IN CERTAIN CASES.—In the case of a taxpayer—

''(A) who does not satisfy the household maintenance test of subsection (a) for any period, but

''(B) whose principal place of abode for such period is also the principal place of abode of any qualifying individual,

then such taxpayer shall be treated as satisfying such test for such period but the amount of credit allowable under this section with respect to such individual shall be determined by allowing only 1/12 of the limitation under subsection (c) for each full month that the requirement of subparagraph (B) is met.''

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

SEC. 202. DEPENDENT CARE TAX CREDIT MADE REFUNDABLE.

(a) IN GENERAL.—Part IV of subchapter A of chapter 1 (relating to credits against tax) is amended—

(1) by redesignating section 35 as section 36, and

(2) by redesignating section 21 as section 35.

(b) ADVANCE PAYMENT OF CREDIT.—Chapter 25 (relating to general provisions relating to employment taxes) is amended by inserting after section 3507 the following:

''SEC. 3507A. ADVANCE PAYMENT OF DEPENDENT CARE CREDIT.

''(a) GENERAL RULE.—Except as otherwise provided in this section, every employer making payment of wages with respect to whom a dependent care eligibility certificate is in effect shall, at the time of paying such wages, make an additional payment equal to such employee's dependent care advance amount.

''(b) DEPENDENT CARE ELIGIBILITY CERTIFICATE.—For purposes of this title, a dependent care eligibility certificate is a statement furnished by an employee to the employer which—

''(1) certifies that the employee will be eligible to receive the credit provided by section 35 for the taxable year,

''(2) certifies that the employee reasonably expects to be an applicable taxpayer for the taxable year,

''(3) certifies that the employee does not have a dependent care eligibility certificate in effect for the calendar year with respect to the payment of wages by another employer,

''(4) states whether or not the employee's spouse has a dependent care eligibility certificate in effect,

''(5) states the number of qualifying individuals in the household maintained by the employee, and

''(6) estimates the amount of employment-related expenses for the calendar year.

''(c) DEPENDENT CARE ADVANCE AMOUNT.—

''(1) IN GENERAL.—For purposes of this title, the term 'dependent care advance amount' means, with respect to any payroll period, the amount determined—

''(A) on the basis of the employee's wages from the employer for such period,

''(B) on the basis of the employee's estimated employment-related expenses included in the dependent care eligibility certificate, and

''(C) in accordance with tables provided by the Secretary.

''(2) ADVANCE AMOUNT TABLES.—The tables referred to in paragraph (1)(C) shall be similar in form to the tables prescribed under section 3402 and, to the maximum extent feasible, shall be coordinated with such tables and the tables prescribed under section 3507(c).

''(d) OTHER RULES.—For purposes of this section, rules similar to the rules of subsections (d) and (e) of section 3507 shall apply.

''(e) DEFINITIONS.—For purposes of this section, terms used in this section which are defined in section 35 shall have the respective meanings given such terms by section 35.''.

(c) CONFORMING AMENDMENTS.—

(1) Section 35(a)(1), as redesignated by paragraph (1), is amended by striking ''chapter'' and inserting ''subtitle''.

(2) Section 35(e), as so redesignated and amended by subsection (c), is amended by adding at the end the following:

''(13) COORDINATION WITH ADVANCE PAYMENTS AND MINIMUM TAX.—Rules similar to the rules of subsections (g) and (h) of section 32 shall apply for purposes of this section.''.

(3) Sections 23(f)(1) and 129(a)(2)(C) are each amended by striking ''section 21(e)'' and inserting ''section 35(e)''.

(4) Section 129(b)(2) is amended by striking ''section 21(d)(2)'' and inserting ''section 35(d)(2)''.

(5) Section 129(e)(1) is amended by striking ''section 21(b)(2)'' and inserting ''section 35(b)(2)''.

(6) Section 213(e) is amended by striking ''section 21'' and inserting ''section 35''.

(7) Section 995(f)(2)(C) is amended by striking ''and 34'' and inserting ''34, and 35''.

(8) Section 6211(b)(4)(A) is amended by striking ''and 34'' and inserting '', 34, and 35''.

(9) Section 6213(g)(2)(H) is amended by striking ''section 21'' and inserting ''section 35''.

(10) Section 6213(g)(2)(L) is amended by striking ''section 21, 24, or 32'' and inserting ''section 24, 32, or 35''.

(11) The table of sections for subpart C of part IV of subchapter A of chapter 1 is amended by striking the item relating to section 35 and inserting the following:

''Sec. 35. Dependent care services.

''Sec. 36. Overpayments of tax.''.

(12) The table of sections for subpart A of such part IV is amended by striking the item relating to section 21.

(13) The table of sections for chapter 25 is amended by adding after the item relating to section 3507 the following:

''Sec. 3507A. Advance payment of dependent care credit.''.

(14) Section 1324(b)(2) of title 31, United States Code, is amended by inserting before the period '', or enacted by the Death Tax Elimination Act of 2000''.

(d) EFFECTIVE DATE.—The amendments made by this section apply to taxable years beginning after December 31, 2002.

TITLE III—EXPANSION OF ADOPTION CREDIT

SEC. 301. EXPANSION OF ADOPTION CREDIT.

(a) SPECIAL NEEDS ADOPTION.—

(1) CREDIT AMOUNT.—Paragraph (1) of section 23(a) (relating to allowance of credit) is amended to read as follows:

''(1) IN GENERAL.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter—

''(A) in the case of a special needs adoption, $10,000, or

''(B) in the case of any other adoption, the amount of the qualified adoption expenses paid or incurred by the taxpayer.''.

(2) YEAR CREDIT ALLOWED.—Section 23(a)(2) (relating to year credit allowed) is amended by adding at the end the following new flush sentence:

''In the case of a special needs adoption, the credit allowed under paragraph (1) shall be allowed for the taxable year in which the adoption becomes final.''.

(3) DOLLAR LIMITATION.—Section 23(b)(1) is amended—

(A) by striking ''subsection (a)'' and inserting ''subsection (a)(1)(B)'', and

(B) by striking ''($6,000, in the case of a child with special needs)''.

(4) DEFINITION OF SPECIAL NEEDS ADOPTION.—Section 23(d) (relating to definitions) is amended by adding at the end the following new paragraph:

''(4) SPECIAL NEEDS ADOPTION.—The term 'special needs adoption' means the final adoption of an individual during the taxable year who is an eligible child and who is a child with special needs.''.

(5) DEFINITION OF CHILD WITH SPECIAL NEEDS.—Section 23(d)(3) (defining child with special needs) is amended to read as follows:

''(3) CHILD WITH SPECIAL NEEDS.—The term 'child with special needs' means any child if a State has determined that the child's ethnic background, age, membership in a minority or sibling groups, medical condition or physical impairment, or emotional handicap makes some form of adoption assistance necessary.''.

(b) INCREASE IN INCOME LIMITATIONS.—Section 23(b)(2) (relating to income limitation) is amended—

(1) in subparagraph (A)—

(A) by striking ''$75,000'' and inserting ''$63,550 ($105,950 in the case of a joint return)'', and

(B) by striking ''$40,000'' and inserting ''the applicable amount'', and

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

''(C) APPLICABLE AMOUNT.—For purposes of subparagraph (A), the applicable amount, with respect to any taxpayer, for the taxable year shall be an amount equal to the excess of—

''(i) the maximum taxable income amount for the 31 percent bracket under the table contained in section 1 relating to such taxpayer and in effect for the taxable year, over

''(ii) the dollar amount in effect with respect to the taxpayer for the taxable year under subparagraph (A)(i).

''(D) COST-OF-LIVING ADJUSTMENT.—

''(i) IN GENERAL.—In the case of a taxable year beginning after 2001, each dollar amount under subparagraph (A)(i) shall be increased by an amount equal to—

''(I) such dollar amount, multiplied by

''(II) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2000' for 'calendar year 1992' in subparagraph (B) thereof.

''(ii) ROUNDING RULES.—If any amount after adjustment under clause (i) is not a multiple of $1,000, such amount shall be rounded to the next lower multiple of $1,000.''.

(c) ADOPTION CREDIT MADE PERMANENT.—Subclauses (A) and (B) of section 23(d)(2) (defining eligible child) are amended to read as follows:

''(A) who has not attained age 18, or

''(B) who is physically or mentally incapable of caring for himself.''.

(d) CONFORMING AMENDMENTS.—

(1) Section 23(a)(2) is amended by striking ''(1)'' and inserting ''(1)(B)''.

(2) Section 23(b)(3) is amended by striking ''(a)'' each place it appears and inserting ''(a)(1)(B)''.

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

TITLE IV—INCENTIVES FOR EMPLOYER-PROVIDED CHILD CARE

SEC. 401. ALLOWANCE OF CREDIT FOR EMPLOYER EXPENSES FOR CHILD CARE ASSISTANCE.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits) is amended by adding at the end the following new section:

''SEC. 45D. EMPLOYER-PROVIDED CHILD CARE CREDIT.

''(a) ALLOWANCE OF CREDIT.—For purposes of section 38, the employer-provided child care credit determined under this section for the taxable year is an amount equal to the sum of—

''(1) 25 percent of the qualified child care expenditures, and

''(2) 10 percent of the qualified child care resource and referral expenditures,

of the taxpayer for such taxable year.

''(b) DOLLAR LIMITATION.—The credit allowable under subsection (a) for any taxable year shall not exceed $150,000.

''(c) DEFINITIONS.—For purposes of this section—

''(1) QUALIFIED CHILD CARE EXPENDITURE.—

''(A) IN GENERAL.—The term 'qualified child care expenditure' means any amount paid or incurred—

''(i) to acquire, construct, rehabilitate, or expand property—

''(I) which is to be used as part of an eligible qualified child care facility of the taxpayer,

''(II) with respect to which a deduction for depreciation (or amortization in lieu of depreciation) is allowable, and

''(III) which does not constitute part of the principal residence (within the meaning of section 121) of the taxpayer or any employee of the taxpayer,

''(ii) for the operating costs of an eligible qualified child care facility of the taxpayer, including costs related to the training of employees of the child care facility, to scholarship programs, to the providing of differential compensation to employees based on level of child care training, and to expenses associated with achieving accreditation, or

''(iii) under a contract with a qualified child care facility to provide child care services to employees of the taxpayer.

''(B) EXCLUSION FOR AMOUNTS FUNDED BY GRANTS, ETC.—The term 'qualified child care expenditure' shall not include any amount to the extent such amount is funded by any grant, contract, or otherwise by another person (or any governmental entity).

''(C) NONDISCRIMINATION.—The term 'qualified child care expenditure' shall not include any amount expended in relation to any child care services unless the providing of such services to employees of the taxpayer does not discriminate in favor of highly compensated employees (within the meaning of section 404(q)).

''(2) QUALIFIED CHILD CARE FACILITY.—

''(A) IN GENERAL.—The term 'qualified child care facility' means a facility—

''(i) the principal use of which is to provide child care assistance, and

''(ii) which meets the requirements of all applicable laws and regulations of the State or local government in which it is located, including, but not limited to, the licensing of the facility as a child care facility.

Clause (i) shall not apply to a facility which is the principal residence (within the meaning of section 121) of the operator of the facility.

''(B) ELIGIBLE QUALIFIED CHILD CARE FACILITY.—A qualified child care facility shall be treated as an eligible qualified child care facility with respect to the taxpayer if—

''(i) enrollment in the facility is open to employees of the taxpayer during the taxable year,

''(ii) the facility is not the principal trade or business of the taxpayer, and

''(iii) at least 30 percent of the enrollees of such facility are dependents of employees of the taxpayer.

''(C) APPLICATION OF SUBPARAGRAPH (B).—In the case of a new facility, the facility shall be treated as meeting the requirement of subparagraph (B)(iii) if not later than 2 years after placing such facility in service at least 30 percent of the enrollees of such facility are dependents of employees of the taxpayer.

''(3) QUALIFIED CHILD CARE RESOURCE AND REFERRAL EXPENDITURE.—

''(A) IN GENERAL.—The term 'qualified child care resource and referral expenditure' means any amount paid or incurred under a contract to provide child care resource and referral services to employees of the taxpayer.

''(B) EXCLUSION FOR AMOUNTS FUNDED BY GRANTS, ETC.—The term 'qualified child care resource and referral expenditure' shall not include any amount to the extent such amount is funded by any grant, contract, or otherwise by another person (or any governmental entity).

''(C) NONDISCRIMINATION.—The term 'qualified child care resource and referral expenditure' shall not include any amount expended in relation to any child care resource and referral services unless the providing of such services to employees of the taxpayer does not discriminate in favor of highly compensated employees (within the meaning of section 404(q)).

''(d) RECAPTURE OF ACQUISITION AND CONSTRUCTION CREDIT.—

''(1) IN GENERAL.—If, as of the close of any taxable year, there is a recapture event with respect to any eligible qualified child care facility of the taxpayer, then the tax of the taxpayer under this chapter for such taxable year shall be increased by an amount equal to the product of—

''(A) the applicable recapture percentage, and

''(B) the aggregate decrease in the credits allowed under section 38 for all prior taxable years which would have resulted if the qualified child care expenditures of the taxpayer described in subsection (c)(1)(A) with respect to such facility had been zero.

''(2) APPLICABLE RECAPTURE PERCENTAGE.—

''(A) IN GENERAL.—For purposes of this subsection, the applicable recapture percentage shall be determined from the following table:

''If the recapture event occurs in:	The applicable recapture percentage is:
Year 1	100
Year 2	80
Year 3	60
Year 4	40
Year 5	20
Years 6 and thereafter	0.

''(B) YEARS.—For purposes of subparagraph (A), year 1 shall begin on the first day of the taxable year in which the eligible qualified child care facility is placed in service by the taxpayer.

''(3) RECAPTURE EVENT DEFINED.—For purposes of this subsection, the term 'recapture event' means—

''(A) CESSATION OF OPERATION.—The cessation of the operation of the facility as an eligible qualified child care facility.

''(B) CHANGE IN OWNERSHIP.—

''(i) IN GENERAL.—Except as provided in clause (ii), the disposition of a taxpayer's interest in an eligible qualified child care facility with respect to which the credit described in subsection (a) was allowable.

''(ii) AGREEMENT TO ASSUME RECAPTURE LIABILITY.—Clause (i) shall not apply if the person acquiring such interest in the facility agrees in writing to assume the recapture liability of the person disposing of such interest in effect immediately before such disposition. In the event of such an assumption, the person acquiring the interest in the facility shall be treated as the taxpayer for purposes of assessing any recapture liability (computed as if there had been no change in ownership).

''(4) SPECIAL RULES.—

''(A) TAX BENEFIT RULE.—The tax for the taxable year shall be increased under paragraph (1) only with respect to credits allowed by reason of this section which were used to reduce tax liability. In the case of credits not so used to reduce tax liability, the carryforwards and carrybacks under section 39 shall be appropriately adjusted.

''(B) NO CREDITS AGAINST TAX.—Any increase in tax under this subsection shall not be treated as a tax imposed by this chapter for purposes of determining the amount of any credit under subpart A, B, or D of this part.

''(C) NO RECAPTURE BY REASON OF CASUALTY LOSS.—The increase in tax under this subsection shall not apply to a cessation of operation of the facility as a qualified child care facility by reason of a casualty loss to the extent such loss is restored by reconstruction or replacement within a reasonable period established by the Secretary.

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

''(1) AGGREGATION RULES.—All persons which are treated as a single employer under subsections (a) and (b) of section 52 shall be treated as a single taxpayer.

''(2) PASS-THRU IN THE CASE OF ESTATES AND TRUSTS.—Under regulations prescribed by the Secretary, rules similar to the rules of subsection (d) of section 52 shall apply.

''(3) ALLOCATION IN THE CASE OF PARTNERSHIPS.—In the case of partnerships, the credit shall be allocated among partners under regulations prescribed by the Secretary.

''(f) NO DOUBLE BENEFIT.—

''(1) REDUCTION IN BASIS.—For purposes of this subtitle—

''(A) IN GENERAL.—If a credit is determined under this section with respect to any property by reason of expenditures described in subsection (c)(1)(A), the basis of such property shall be reduced by the amount of the credit so determined.

''(B) CERTAIN DISPOSITIONS.—If during any taxable year there is a recapture amount determined with respect to any property the basis of which was reduced under subparagraph (A), the basis of such property (immediately before the event resulting in such recapture) shall be increased by an amount equal to such recapture amount. For purposes of the preceding sentence, the term 'recapture amount' means any increase in tax (or adjustment in carrybacks or carryovers) determined under subsection (d).

''(2) OTHER DEDUCTIONS AND CREDITS.—No deduction or credit shall be allowed under any other provision of this chapter with respect to the amount of the credit determined under this section.''

(b) CONFORMING AMENDMENTS.—

(1) Section 38(b) is amended—

(A) by striking out ''plus'' at the end of paragraph (11),

(B) by striking out the period at the end of paragraph (12), and inserting a comma and ''plus'', and

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

''(13) the employer-provided child care credit determined under section 45D.''.

(2) The table of sections for subpart D of part IV of subchapter A of chapter 1 is amended by adding at the end the following new item:

''Sec. 45D. Employer-provided child care credit.''.

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

SANTORUM (AND OTHERS) AMENDMENT NO. 3838

(Ordered to lie on the table.)

Mr. SANTORUM (for himself, Mr. LIEBERMAN, Mr. ABRAHAM, Mr. HUTCHINSON, Mr. TORRICELLI, Mr. DEWINE, Mr. KOHL, Ms. LANDRIEU, and Mr. KERRY) submitted an amendment intended to be proposed by them to the bill, H.R. 8, supra; as follows:

At the end, add the following:

DIVISION B—AMERICAN COMMUNITY RENEWAL AND NEW MARKETS EMPOWERMENT

SECTION 1. SHORT TITLE; ETC.

(a) SHORT TITLE.—This division may be cited as the ''American Community Renewal and New Markets Empowerment Act''.

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this division an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

(c) TABLE OF CONTENTS.—

TITLE I—AMERICAN COMMUNITY RENEWAL

SEC. 101. DESIGNATION OF AND TAX INCENTIVES FOR RENEWAL COMMUNITIES.

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

"Subchapter X—Renewal Communities

"Part I. Designation.
"Part II. Renewal community capital gain; renewal community business.
"Part III. Additional incentives.

"PART I—DESIGNATION

"Sec. 1400E. Designation of renewal communities.

"SEC. 1400E. DESIGNATION OF RENEWAL COMMUNITIES.

"(a) DESIGNATION.—

"(1) DEFINITIONS.—For purposes of this title, the term 'renewal community' means any area—

"(A) which is nominated by one or more local governments and the State or States in which it is located for designation as a renewal community (hereinafter in this section referred to as a 'nominated area'), and

"(B) which the Secretary of Housing and Urban Development designates as a renewal community, after consultation with—

"(i) the Secretaries of Agriculture, Commerce, Labor, and the Treasury; the Director of the Office of Management and Budget, and the Administrator of the Small Business Administration, and

"(ii) in the case of an area on an Indian reservation, the Secretary of the Interior.

"(2) NUMBER OF DESIGNATIONS.—

"(A) IN GENERAL.—The Secretary of Housing and Urban Development may designate not more than 1 nominated area as a renewal community in each State.

"(B) MINIMUM DESIGNATION IN RURAL AREAS.—Of the areas designated under paragraph (1), at least 20 percent must be areas—

"(i) which are within a local government jurisdiction or jurisdictions with a population of less than 50,000,

"(ii) which are outside of a metropolitan statistical area (within the meaning of section 143(k)(2)(B)), or

"(iii) which are determined by the Secretary of Housing and Urban Development, after consultation with the Secretary of Commerce, to be rural areas.

"(3) AREAS DESIGNATED BASED ON DEGREE OF POVERTY, ETC.—

"(A) IN GENERAL.—Except as otherwise provided in this section, the nominated areas designated as renewal communities under this subsection shall be those nominated areas with the highest average ranking with respect to the criteria described in subparagraphs (B), (C), and (D) of subsection (c)(3). For purposes of the preceding sentence, an area shall be ranked within each such criterion on the basis of the amount by which the area exceeds such criterion, with the area which exceeds such criterion by the greatest amount given the highest ranking.

"(B) EXCEPTION WHERE INADEQUATE COURSE OF ACTION, ETC.—An area shall not be designated under subparagraph (A) if the Secretary of Housing and Urban Development determines that the course of action described in subsection (d)(2) with respect to such area is inadequate.

"(4) LIMITATION ON DESIGNATIONS.—

"(A) PUBLICATION OF REGULATIONS.—The Secretary of Housing and Urban Development shall prescribe by regulation no later than 4 months after the date of the enactment of this section, after consultation with the officials described in paragraph (1)(B)—

"(i) the procedures for nominating an area under paragraph (1)(A),

"(ii) the parameters relating to the size and population characteristics of a renewal community, and

"(iii) the manner in which nominated areas will be evaluated based on the criteria specified in subsection (d).

"(B) TIME LIMITATIONS.—The Secretary of Housing and Urban Development may designate nominated areas as renewal communities only during the 24-month period beginning on the first day of the first month following the month in which the regulations described in subparagraph (A) are prescribed.

"(C) PROCEDURAL RULES.—The Secretary of Housing and Urban Development shall not make any designation of a nominated area as a renewal community under paragraph (2) unless—

"(i) the local governments and the States in which the nominated area is located have the authority—

''(I) to nominate such area for designation as a renewal community,

''(II) to make the State and local commitments described in subsection (d), and

''(III) to provide assurances satisfactory to the Secretary of Housing and Urban Development that such commitments will be fulfilled,

''(ii) a nomination regarding such area is submitted in such a manner and in such form, and contains such information, as the Secretary of Housing and Urban Development shall by regulation prescribe, and

''(iii) the Secretary of Housing and Urban Development determines that any information furnished is reasonably accurate.

''(5) NOMINATION PROCESS FOR INDIAN RESERVATIONS.—For purposes of this subchapter, in the case of a nominated area on an Indian reservation, the reservation governing body (as determined by the Secretary of the Interior) shall be treated as being both the State and local governments with respect to such area.

''(b) PERIOD FOR WHICH DESIGNATION IS IN EFFECT.—

''(1) IN GENERAL.—Any designation of an area as a renewal community shall remain in effect during the period beginning on January 1, 2001, and ending on the earliest of—

''(A) December 31, 2009,

''(B) the termination date designated by the State and local governments in their nomination, or

''(C) the date the Secretary of Housing and Urban Development revokes such designation.

''(2) REVOCATION OF DESIGNATION.—The Secretary of Housing and Urban Development may revoke the designation under this section of an area if such Secretary determines that the local government or the State in which the area is located—

''(A) has modified the boundaries of the area, or

''(B) is not complying substantially with, or fails to make progress in achieving, the State or local commitments, respectively, described in subsection (d).

''(c) AREA AND ELIGIBILITY REQUIREMENTS.—

''(1) IN GENERAL.—The Secretary of Housing and Urban Development may designate a nominated area as a renewal community under subsection (a) only if the area meets the requirements of paragraphs (2) and (3) of this subsection.

''(2) AREA REQUIREMENTS.—A nominated area meets the requirements of this paragraph if—

''(A) the area is within the jurisdiction of one or more local governments,

''(B) the boundary of the area is continuous, and

''(C) the area—

''(i) has a population, of at least—

''(I) 4,000 if any portion of such area (other than a rural area described in subsection (a)(2)(B)(i)) is located within a metropolitan statistical area (within the meaning of section 143(k)(2)(B)) which has a population of 50,000 or greater, or

''(II) 1,000 in any other case, or

''(ii) is entirely within an Indian reservation (as determined by the Secretary of the Interior).

''(3) ELIGIBILITY REQUIREMENTS.—A nominated area meets the requirements of this paragraph if the State and the local governments in which it is located certify (and the Secretary of Housing and Urban Development, after such review of supporting data as he deems appropriate, accepts such certification) that—

''(A) the area is one of pervasive poverty, unemployment, and general distress,

''(B) the unemployment rate in the area, as determined by the most recent available data, was at least 1½ times the national unemployment rate for the period to which such data relate,

''(C) the poverty rate for each population census tract within the nominated area is at least 20 percent, and

''(D) in the case of an urban area, at least 70 percent of the households living in the area have incomes below 80 percent of the median income of households within the jurisdiction of the local government (determined in the same manner as under section 119(b)(2) of the Housing and Community Development Act of 1974).

''(4) CONSIDERATION OF HIGH INCIDENCE OF CRIME.—The Secretary of Housing and Urban Development shall take into account, in selecting nominated areas for designation as renewal communities under this section, the extent to which such areas have a high incidence of crime.

''(5) CONSIDERATION OF COMMUNITIES IDENTIFIED IN GAO STUDY.—The Secretary of Housing and Urban Development shall take into account, in selecting nominated areas for designation as renewal communities under this section, if the area has census tracts identified in the May 12, 1998, report of the Government Accounting Office regarding the identification of economically distressed areas.

''(d) REQUIRED STATE AND LOCAL COMMITMENTS.—

''(1) IN GENERAL.—The Secretary of Housing and Urban Development may designate any nominated area as a renewal community under subsection (a) only if—

''(A) the local government and the State in which the area is located agree in writing that, during any period during which the area is a renewal community, such governments will follow a specified course of action which meets the requirements of paragraph (2) and is designed to reduce the various burdens borne by employers or employees in such area, and

''(B) the economic growth promotion requirements of paragraph (3) are met.

''(2) COURSE OF ACTION.—

''(A) IN GENERAL.—A course of action meets the requirements of this paragraph if such course of action is a written document, signed by a State (or local government) and neighborhood organizations, which evidences a partnership between such State or government and community-based organizations and which commits each signatory to specific and measurable goals, actions, and timetables. Such course of action shall include at least 4 of the following:

''(i) A reduction of tax rates or fees applying within the renewal community.

''(ii) An increase in the level of efficiency of local services within the renewal community.

''(iii) Crime reduction strategies, such as crime prevention (including the provision of such services by nongovernmental entities).

''(iv) Actions to reduce, remove, simplify, or streamline governmental requirements applying within the renewal community.

''(v) Involvement in the program by private entities, organizations, neighborhood organizations, and community groups, particularly those in the renewal community, including a commitment from such private entities to provide jobs and job training for, and technical, financial, or other assistance to, employers, employees, and residents from the renewal community.

''(vi) The gift (or sale at below fair market value) of surplus real property (such as land, homes, and commercial or industrial structures) in the renewal community to neighborhood organizations, community development corporations, or private companies.

''(B) RECOGNITION OF PAST EFFORTS.—For purposes of this section, in evaluating the course of action agreed to by any State or local government, the Secretary of Housing and Urban Development shall take into account the past efforts of such State or local government in reducing the various burdens borne by employers and employees in the area involved.

''(3) ECONOMIC GROWTH PROMOTION REQUIREMENTS.—The economic growth promotion requirements of this paragraph are met with respect to a nominated area if the local government and the State in which such area is located certify in writing that such government and State (respectively) have repealed, will not enforce, or will reduce within the area at least 4 of the following if such area is designated as a renewal community:

''(A) Licensing requirements for occupations that do not ordinarily require a professional degree.

''(B) Zoning restrictions on home-based businesses which do not create a public nuisance.

''(C) Permit requirements for street vendors who do not create a public nuisance.

''(D) Zoning or other restrictions that impede the formation of schools or child care centers.

''(E) Franchises or other restrictions on competition for businesses providing public services, including taxicabs, jitneys, cable television, or trash hauling.

This paragraph shall not apply to the extent that such regulation of businesses and occupations is necessary for and well-tailored to the protection of health and safety.

''(e) COORDINATION WITH TREATMENT OF EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES.—

''(1) IN GENERAL.—For purposes of this title, the designation under section 1391 of any area as an empowerment zone or enterprise community shall cease to be in effect as of the date that any portion of such area is designated as a renewal community.

''(2) SPECIAL RULE FOR WAGE CREDIT.—For purposes of section 1400H (relating to renewal community employment credit)—

''(A) there shall not be taken into account wages taken into account under section 1396 (without regard to section 1400H), and

''(B) the $15,000 amount in section 1396(c) shall (in applying section 1400H) be reduced for any calendar year by the amount of wages paid or incurred during such year which are taken into account in determining the credit under section 1396 (without regard to section 1400H).

''(f) DEFINITIONS AND SPECIAL RULES.—For purposes of this subchapter—

''(1) GOVERNMENTS.—If more than one government seeks to nominate an area as a renewal community, any reference to, or requirement of, this section shall apply to all such governments.

''(2) LOCAL GOVERNMENT.—The term 'local government' means—

''(A) any county, city, town, township, parish, village, or other general purpose political subdivision of a State, and

''(B) any combination of political subdivisions described in subparagraph (A) recognized by the Secretary of Housing and Urban Development.

''(3) STATE.—The term 'State' means the several States.

''(4) APPLICATION OF RULES RELATING TO CENSUS TRACTS.—The rules of sections 1392(b)(4) shall apply.

''(5) CENSUS DATA.—Population and poverty rate shall be determined by using 1990 census data.

''PART II—RENEWAL COMMUNITY CAPITAL GAIN; RENEWAL COMMUNITY BUSINESS

''Sec. 1400F. Renewal community capital gain.

''Sec. 1400G. Renewal community business defined.

''SEC. 1400F. RENEWAL COMMUNITY CAPITAL GAIN.

''(a) GENERAL RULE.—Gross income does not include any qualified capital gain recognized on the sale or exchange of a qualified community asset held for more than 5 years.

''(b) QUALIFIED COMMUNITY ASSET.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified community asset' means—

''(A) any qualified community stock,

''(B) any qualified community partnership interest, and

''(C) any qualified community business property.

''(2) QUALIFIED COMMUNITY STOCK.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), the term 'qualified community stock' means any stock in a domestic corporation if—

''(i) such stock is acquired by the taxpayer after December 31, 2000, and before January 1, 2010, at its original issue (directly or through an underwriter) from the corporation solely in exchange for cash,

''(ii) as of the time such stock was issued, such corporation was a renewal community business (or, in the case of a new corporation, such corporation was being organized for purposes of being a renewal community business), and

''(iii) during substantially all of the taxpayer's holding period for such stock, such corporation qualified as a renewal community business.

''(B) REDEMPTIONS.—A rule similar to the rule of section 1202(c)(3) shall apply for purposes of this paragraph.

''(3) QUALIFIED COMMUNITY PARTNERSHIP INTEREST.—The term 'qualified community partnership interest' means any capital or profits interest in a domestic partnership if—

''(A) such interest is acquired by the taxpayer after December 31, 2000, and before January 1, 2010, from the partnership solely in exchange for cash,

''(B) as of the time such interest was acquired, such partnership was a renewal community business (or, in the case of a new partnership, such partnership was being organized for purposes of being a renewal community business), and

''(C) during substantially all of the taxpayer's holding period for such interest, such partnership qualified as a renewal community business.

A rule similar to the rule of paragraph (2)(B) shall apply for purposes of this paragraph.

''(4) QUALIFIED COMMUNITY BUSINESS PROPERTY.—

''(A) IN GENERAL.—The term 'qualified community business property' means tangible property if—

''(i) such property was acquired by the taxpayer by purchase (as defined in section 179(d)(2)) after December 31, 2000, and before January 1, 2010,

''(ii) the original use of such property in the renewal community commences with the taxpayer, and

''(iii) during substantially all of the taxpayer's holding period for such property, substantially all of the use of such property was in a renewal community business of the taxpayer.

''(B) SPECIAL RULE FOR SUBSTANTIAL IMPROVEMENTS.—The requirements of clauses (i) and (ii) of subparagraph (A) shall be treated as satisfied with respect to—

''(i) property which is substantially improved by the taxpayer before January 1, 2010, and

''(ii) any land on which such property is located.

The determination of whether a property is substantially improved shall be made under clause (ii) of section 1400B(b)(4)(B), except that 'December 31, 2000' shall be substituted for 'December 31, 1997' in such clause.

''(c) QUALIFIED CAPITAL GAIN.—For purposes of this section—

''(1) IN GENERAL.—Except as otherwise provided in this subsection, the term 'qualified capital gain' means any gain recognized on the sale or exchange of—

''(A) a capital asset, or

''(B) property used in the trade or business (as defined in section 1231(b).

''(2) GAIN BEFORE 2001 OR AFTER 2014 NOT QUALIFIED.—The term 'qualified capital gain' shall not include any gain attributable to periods before January 1, 2001, or after December 31, 2014.

''(3) CERTAIN RULES TO APPLY.—Rules similar to the rules of paragraphs (3), (4), and (5) of section 1400B(e) shall apply for purposes of this subsection.

''(d) CERTAIN RULES TO APPLY.—For purposes of this section, rules similar to the rules of paragraphs (5), (6), and (7) of subsection (b), and subsections (f) and (g), of section 1400B shall apply; except that for such purposes section 1400B(g)(2) shall be applied by substituting 'January 1, 2001' for 'January 1, 1998' and 'December 31, 2014' for 'December 31, 2007'.

''SEC. 1400G. RENEWAL COMMUNITY BUSINESS DEFINED.

''For purposes of this subchapter, the term 'renewal community business' means any entity or proprietorship which would be a qualified business entity or qualified proprietorship under section 1397C if references to renewal communities were substituted for references to empowerment zones in such section.

''PART III—ADDITIONAL INCENTIVES

''Sec. 1400H. Renewal community employment credit.

''Sec. 1400I. Commercial revitalization deduction.

''Sec. 1400J. Increase in expensing under section 179.

''SEC. 1400H. RENEWAL COMMUNITY EMPLOYMENT CREDIT.

''(a) IN GENERAL.—Subject to the modification in subsection (b), a renewal community shall be treated as an empowerment zone for purposes of section 1396.

''(b) MODIFICATION.—In applying section 1396 with respect to renewal communities, the applicable percentage shall be—

''(1) 15 percent in the case of calendar years 2001, 2002, 2003, or 2004, and

''(2) 20 percent in the case of calendar years after 2004 and before 2010.

''SEC. 1400I. COMMERCIAL REVITALIZATION DEDUCTION.

''(a) GENERAL RULE.—At the election of the taxpayer, either—

''(1) one-half of any qualified revitalization expenditures chargeable to capital account with respect to any qualified revitalization building shall be allowable as a deduction for the taxable year in which the building is placed in service, or

''(2) a deduction for all such expenditures shall be allowable ratably over the 120-month period beginning with the month in which the building is placed in service.

''(b) QUALIFIED REVITALIZATION BUILDINGS AND EXPENDITURES.—For purposes of this section—

''(1) QUALIFIED REVITALIZATION BUILDING.—The term 'qualified revitalization building' means any building (and its structural components) if—

''(A) such building is located in a renewal community and is placed in service after December 31, 2000,

''(B) a commercial revitalization deduction amount is allocated to the building under subsection (d), and

''(C) depreciation is allowable with respect to the building (without regard to this section).

''(2) QUALIFIED REVITALIZATION EXPENDITURE.—

''(A) IN GENERAL.—The term 'qualified revitalization expenditure' means any amount properly chargeable to capital account—

''(i) for property for which depreciation is allowable under section 168 (without regard to this section) and which is—

''(I) nonresidential real property, or

''(II) an addition or improvement to property described in subclause (I),

''(ii) in connection with the construction of any qualified revitalization building which was not previously placed in service or in connection with the substantial rehabilitation (within the meaning of section 47(c)(1)(C)) of a building which was placed in service before the beginning of such rehabilitation, and

''(iii) for land (including land which is functionally related to such property and subordinate thereto).

''(B) DOLLAR LIMITATION.—The aggregate amount which may be treated as qualified revitalization expenditures with respect to any qualified revitalization building for any taxable year shall not exceed the excess of—

''(i) $10,000,000, reduced by

''(ii) any such expenditures with respect to the building taken into account by the taxpayer or any predecessor in determining the amount of the deduction under this section for all preceding taxable years.

''(C) CERTAIN EXPENDITURES NOT INCLUDED.—The term 'qualified revitalization expenditure' does not include—

''(i) ACQUISITION COSTS.—The costs of acquiring any building or interest therein and any land in connection with such building to the extent that such costs exceed 30 percent of the qualified revitalization expenditures determined without regard to this clause.

''(ii) CREDITS.—Any expenditure which the taxpayer may take into account in computing any credit allowable under this title unless the taxpayer elects to take the expenditure into account only for purposes of this section.

''(c) LIMITATION ON AGGREGATE EXPENDITURES ALLOWABLE WITH RESPECT TO BUILDINGS LOCATED IN A STATE.—

''(1) IN GENERAL.—The aggregate qualified revitalization expenditures chargeable to capital account with respect to any building which may be taken into account in determining the deduction under this section with respect to such building shall not exceed the commercial revitalization expenditure amount allocated to such building under this subsection by the commercial revitalization agency. Such allocation shall be made at the same time and in the same manner as under paragraphs (1) and (7) of section 42(h).

''(2) COMMERCIAL REVITALIZATION EXPENDITURE AMOUNT FOR AGENCIES.—

''(A) IN GENERAL.—The aggregate commercial revitalization expenditure amount which a commercial revitalization agency may allocate for any calendar year is the amount of the State commercial revitalization expenditure ceiling determined under this paragraph for such calendar year for such agency.

''(B) STATE COMMERCIAL REVITALIZATION EXPENDITURE CEILING.—The State commercial revitalization expenditure ceiling applicable to any State—

''(i) for each calendar year after 2000 and before 2010 is $12,000,000 for each renewal community in the State, and

''(ii) for each calendar year thereafter is zero.

''(C) COMMERCIAL REVITALIZATION AGENCY.—For purposes of this section, the term 'commercial revitalization agency' means any agency authorized by a State to carry out this section.

''(d) RESPONSIBILITIES OF COMMERCIAL REVITALIZATION AGENCIES.—

''(1) PLANS FOR ALLOCATION.—Notwithstanding any other provision of this section, the commercial revitalization deduction amount with respect to any building shall be zero unless—

''(A) such amount was allocated pursuant to a qualified allocation plan of the commercial revitalization agency which is approved (in accordance with rules similar to the rules of section 147(f)(2) (other than subparagraph (B)(ii) thereof)) by the governmental unit of which such agency is a part, and

''(B) such agency notifies the chief executive officer (or its equivalent) of the local jurisdiction within which the building is located of such allocation and provides such individual a reasonable opportunity to comment on the allocation.

''(2) QUALIFIED ALLOCATION PLAN.—For purposes of this subsection, the term 'qualified allocation plan' means any plan—

''(A) which sets forth selection criteria to be used to determine priorities of the commercial revitalization agency which are appropriate to local conditions,

''(B) which considers—

''(i) the degree to which a project contributes to the implementation of a strategic plan that is devised for a renewal community through a citizen participation process,

''(ii) the amount of any increase in permanent, full-time employment by reason of any project, and

''(iii) the active involvement of residents and nonprofit groups within the renewal community, and

''(C) which provides a procedure that the agency (or its agent) will follow in monitoring compliance with this section.

''(e) SPECIAL RULES.—

''(1) DEDUCTION IN LIEU OF DEPRECIATION.—The deduction provided by this section for qualified revitalization expenditures shall—

''(A) with respect to the deduction determined under subsection (a)(1), be in lieu of any depreciation deduction otherwise allowable on account of ½ of such expenditures, and

''(B) with respect to the deduction determined under subsection (a)(2), be in lieu of any depreciation deduction otherwise allowable on account of all of such expenditures.

''(2) BASIS ADJUSTMENT, ETC.—For purposes of sections 1016 and 1250, the deduction under this section shall be treated in the same manner as a depreciation deduction.

''(3) SUBSTANTIAL REHABILITATIONS TREATED AS SEPARATE BUILDINGS.—A substantial rehabilitation (within the meaning of section 47(c)(1)(C)) of a building shall be treated as a separate building for purposes of subsection (a).

''(4) CLARIFICATION OF ALLOWANCE OF DEDUCTION UNDER MINIMUM TAX.—Notwithstanding section 56(a)(1), the deduction under this section shall be allowed in determining alternative minimum taxable income under section 55.

''(f) REGULATIONS.—For purposes of this section, the Secretary shall, by regulations, provide for the application of rules similar to the rules of section 49 and subsections (a) and (b) of section 50.

''(g) TERMINATION.—This section shall not apply to any building placed in service after December 31, 2009.

''SEC. 1400J. INCREASE IN EXPENSING UNDER SECTION 179.

''(a) IN GENERAL.—For purposes of section 1397A—

''(1) a renewal community shall be treated as an empowerment zone,

''(2) a renewal community business shall be treated as an empowerment zone business, and

''(3) qualified renewal property shall be treated as enterprise zone property.

''(b) QUALIFIED RENEWAL PROPERTY.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified renewal property' means any property to which section 168 applies (or would apply but for section 179) if—

''(A) such property was acquired by the taxpayer by purchase (as defined in section 179(d)(2)) after December 31, 2000, and before January 1, 2010, and

''(B) such property would be qualified zone property (as defined in section 1397D) if references to renewal communities were substituted for references to empowerment zones in section 1397D.

''(2) CERTAIN RULES TO APPLY.—The rules of subsections (a)(2) and (b) of section 1397D shall apply for purposes of this section.''.

(b) EXCEPTION FOR COMMERCIAL REVITALIZATION DEDUCTION FROM PASSIVE LOSS RULES.—

(1) Paragraph (3) of section 469(i) is amended by redesignating subparagraphs (C), (D), and (E) as subparagraphs (D), (E), and (F), respectively, and by inserting after subparagraph (B) the following new subparagraph:

''(C) EXCEPTION FOR COMMERCIAL REVITALIZATION DEDUCTION.—Subparagraph (A) shall not apply to any portion of the passive activity loss for any taxable year which is attributable to the commercial revitalization deduction under section 1400I.''.

(2) Subparagraph (E) of section 469(i)(3), as redesignated by subparagraph (A), is amended to read as follows:

''(E) ORDERING RULES TO REFLECT EXCEPTIONS AND SEPARATE PHASE-OUTS.—If subparagraph (B), (C), or (D) applies for a taxable year, paragraph (1) shall be applied—

''(i) first to the portion of the passive activity loss to which subparagraph (C) does not apply,

''(ii) second to the portion of the passive activity credit to which subparagraph (B) or (D) does not apply,

''(iii) third to the portion of such credit to which subparagraph (B) applies,

''(iv) fourth to the portion of such loss to which subparagraph (C) applies, and

''(v) then to the portion of such credit to which subparagraph (D) applies.''.

(3)(A) Subparagraph (B) of section 469(i)(6) is amended by striking ''or'' at the end of clause (i), by striking the period at the end of clause (ii) and inserting '', or'', and by adding at the end the following new clause:

''(iii) any deduction under section 1400I (relating to commercial revitalization deduction).''.

(B) The heading for such subparagraph (B) is amended by striking ''OR REHABILITATION CREDIT'' and inserting '', REHABILITATION CREDIT, OR COMMERCIAL REVITALIZATION DEDUCTION''.

(c) CLERICAL AMENDMENT.—The table of subchapters for chapter 1 is amended by adding at the end the following new item:

''Subchapter X. Renewal Communities.''.

SEC. 102. EXTENSION OF EXPENSING OF ENVIRONMENTAL REMEDIATION COSTS TO RENEWAL COMMUNITIES; EXTENSION OF TERMINATION DATE FOR RENEWAL COMMUNITIES AND EMPOWERMENT ZONES.

(a) EXTENSION.—

(1) IN GENERAL.—Subparagraph (A) of section 198(c)(2) (defining targeted area) is amended by striking ''and'' at the end of clause (iii), by striking the period at the end of clause (iv) and inserting '', and'', and by adding at the end the following new clause:

''(v) any renewal community (as defined in section 1400E).''.

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to expenditures paid or incurred after December 31, 2000.

(b) EXTENSION OF TERMINATION DATE.—Subsection (h) of section 198 is amended by inserting before the period ''(December 31, 2009, in the case of an empowerment zone or renewal community)''.

SEC. 103. WORK OPPORTUNITY CREDIT FOR HIRING YOUTH RESIDING IN RENEWAL COMMUNITIES.

(a) HIGH-RISK YOUTH.—Subparagraphs (A)(ii) and (B) of section 51(d)(5) are each amended by striking ''empowerment zone or enterprise community'' and inserting ''empowerment zone, enterprise community, or renewal community''.

(b) QUALIFIED SUMMER YOUTH EMPLOYEE.—Clause (iv) of section 51(d)(7)(A) is amended by striking ''empowerment zone or enterprise community'' and inserting ''empowerment zone, enterprise community, or renewal community''.

(c) HEADINGS.—Paragraphs (5)(B) and (7)(C) of section 51(d) are each amended by inserting ''OR COMMUNITY'' in the heading after ''ZONE''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to individuals who begin work for the employer after December 31, 2000.

SEC. 104. EVALUATION AND REPORTING REQUIREMENTS.

Not later than the close of the fourth calendar year after the year in which the Secretary of Housing and Urban Development first designates an area as a renewal community under section 1400E of the Internal Revenue Code of 1986, and at the close of each fourth calendar year thereafter, such Secretary shall prepare and submit to the Congress a report on the effects of such designations in stimulating the creation of new jobs, particularly for disadvantaged workers and long-term unemployed individuals, and promoting the revitalization of economically distressed areas.

SEC. 105. EXCLUSION OF EFFECTS OF THIS TITLE FROM PAYGO SCORECARD.

Upon the enactment of this title, the Director of the Office of Management and Budget shall not make any estimates of changes in receipts under section 252(d) of the Balanced Budget and Emergency Deficit Control Act of 1985 resulting from the enactment of this title.

TITLE II—NEW MILLENNIUM CLASSROOMS

SEC. 201. CREDIT FOR COMPUTER DONATIONS TO SCHOOLS, SENIOR CENTERS, PUBLIC LIBRARIES, AND OTHER TRAINING CENTERS.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits) is amended by adding at the end the following new section:

''SEC. 48D. CREDIT FOR COMPUTER DONATIONS TO SCHOOLS, SENIOR CENTERS, PUBLIC LIBRARIES, AND OTHER TRAINING CENTERS.

''(a) GENERAL RULE.—For purposes of section 38, the computer donation credit determined under this section is an amount equal to 50 percent of the qualified computer contributions made by the taxpayer during the taxable year as determined after the application of section 170(e)(6)(A) to any entity located in—

''(1) a renewal community designated under section 1400E,

''(2) an empowerment zone or enterprise community designated under section 1391, ''(3) an Indian reservation (as defined in section 168(j)(6)), or

''(4) a low-income community (as defined in subsection (c).

''(b) QUALIFIED COMPUTER CONTRIBUTION.—For purposes of this section, the term 'qualified computer contribution' has the meaning given the term 'qualified elementary or secondary educational contribution' by section 170(e)(6)(B), except that—

''(1) clause (ii) thereof shall be applied—

''(A) by substituting '3 years' for '2 years',

''(B) by inserting 'or reacquired' after 'acquired', and

''(C) by inserting 'for the taxpayer's own use' after 'constructed by the taxpayer',

''(2) clause (iii) thereof shall be applied by inserting ', the person from whom the donor reacquires the property,' after 'the donor',

''(3) such term shall include the contribution of a computer (as defined in section 168(i)(2)(B)(ii)) only if computer software (as defined in section 197(e)(3)(B)) that serves as a computer operating system has been lawfully installed in such computer,

''(4) notwithstanding clauses (i) and (iv) of section 170(e)(6)(B), such term shall include the contribution of computer technology or equipment to—

''(A) multipurpose senior centers (as defined in section 102(35) of the Older Americans Act of 1965 (42 U.S.C. 3002(35), as in effect on the date of the enactment of the American Community Renewal and New Markets Empowerment Act) described in section 501(c)(3) and exempt from tax under section 501(a) to be used by individuals who have attained 60 years of age to improve job skills in computers,

''(B) a public library (within the meaning of section 213(2)(A) of the Library Services and Technology Act (20 U.S.C. 9122(2)(A), as in effect on the date of the enactment of the American Community Renewal and New Markets Empowerment Act) established and maintained by an entity described in section 170(c)(1), or

''(C) an organization exempt from tax under section 501(a) which provides employment, vocational, and job-training services to individuals with barriers to employment, including welfare recipients and individuals with disabilities, and

''(5) such term shall only include contributions which meet the minimum standards prescribed by the Secretary by regulation, after consultation, at the option of the Secretary, with the National Telecommunications and Information Agency and any other Federal agency with expertise in computer technology.

''(c) LOW-INCOME COMMUNITY.—For purposes of this section—

''(1) IN GENERAL.—The term 'low-income community' means any population census tract if—

''(A)(i) the poverty rate for such tract is at least 20 percent, or

''(ii)(I) in the case of a tract not located within a metropolitan area, the median family income for such tract does not exceed 80 percent of statewide median family income, or

''(II) in the case of a tract located within a metropolitan area, the median family income for such tract does not exceed 80 percent of the greater of statewide median family income or the metropolitan area median family income, and

''(B) the unemployment rate for such tract, as determined by the most recent available data, was at least 1½ times the national unemployment rate for the period to which such data relate.

''(2) AREAS NOT WITHIN CENSUS TRACTS.—In the case of an area which is not tracted for population census tracts, the equivalent county divisions (as defined by the Bureau of the Census for purposes of defining poverty areas) shall be used for purposes of determining poverty rates, median family income, and unemployment rates.

''(d) CERTAIN RULES MADE APPLICABLE.—For purposes of this section, rules similar to the rules of paragraphs (1) and (2) of section 41(f) shall apply.

''(e) TERMINATION.—This section shall not apply to taxable years beginning after December 31, 2009.''.

(b) CURRENT YEAR BUSINESS CREDIT CALCULATION.—Section 38(b) (relating to current year business credit) is amended by striking ''plus'' at the end of paragraph (11), by striking the period at the end of paragraph (12) and inserting '', plus'', and by adding at the end the following:

''(13) the computer donation credit determined under section 45D(a).''.

(c) DISALLOWANCE OF DEDUCTION BY AMOUNT OF CREDIT.—Section 280C (relating to certain expenses for which credits are allowable) is amended by adding at the end the following:

''(d) CREDIT FOR COMPUTER DONATIONS.—No deduction shall be allowed for that portion of the qualified computer contributions (as defined in section 45D(b)) made during the taxable year that is equal to the amount of credit determined for the taxable year under section 45D(a). In the case of a corporation which is a member of a controlled group of corporations (within the meaning of section 52(a)) or a trade or business which is treated as being under common control with other trades or businesses (within the meaning of section 52(b)), this subsection shall be applied under rules prescribed by the Secretary similar to the rules applicable under subsections (a) and (b) of section 52.''.

(d) LIMITATION ON CARRYBACK.—Subsection (d) of section 39 (relating to carryback and carryforward of unused credits) is amended by adding at the end the following:

''(9) NO CARRYBACK OF COMPUTER DONATION CREDIT BEFORE EFFECTIVE DATE.—No amount of unused business credit available under section 45D may be carried back to a taxable year beginning on or before the date of the enactment of this paragraph.''.

(e) CLERICAL AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1 is amended by inserting after the item relating to section 45C the following:

''Sec. 45D. Credit for computer donations to schools, senior centers, public libraries, and other training centers.''.

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

TITLE III—EXPANSION AND EXTENSION OF EMPOWERMENT ZONE TAX INCENTIVES

SEC. 301. ADDITIONAL EMPOWERMENT ZONE DESIGNATIONS.

Section 1391 is amended by adding at the end the following new subsection:

''(h) ADDITIONAL DESIGNATIONS PERMITTED.—

''(1) IN GENERAL.—In addition to the areas designated under subsections (a) and (g), the appropriate Secretaries may designate in the aggregate an additional 9 nominated areas as empowerment zones under this section, subject to the availability of eligible nominated areas. Of that number, not more than 7 may be designated in urban areas and not more than 2 may be designated in rural areas.

''(2) PERIOD DESIGNATIONS MAY BE MADE AND TAKE EFFECT.—A designation may be made under this subsection after the date of the enactment of this subsection and before January 1, 2001. Subject to subparagraphs (B) and (C) of subsection (d)(1), such designations shall remain in effect during the period beginning on January 1, 2001, and ending on December 31, 2009.

''(3) MODIFICATIONS TO ELIGIBILITY CRITERIA, ETC.—The rules of subsection (g)(3) shall apply to designations under this subsection.

''(4) EMPOWERMENT ZONES WHICH BECOME RENEWAL COMMUNITIES.—The number of areas which may be designated as empowerment zones under this subsection shall be increased by 1 for each area which ceases to be an empowerment zone by reason of section 1400E(e). Each additional area designated by reason of the preceding sentence shall have the same urban or rural character as the area it is replacing.''.

SEC. 302. EXTENSION OF ENTERPRISE ZONE TREATMENT THROUGH 2009.

Subparagraph (A) of section 1391(d)(1) (relating to period for which designation is in effect) is amended to read as follows:

''(A) December 31, 2009,''.

SEC. 303. 20 PERCENT EMPLOYMENT CREDIT FOR ALL EMPOWERMENT ZONES.

(a) 20 PERCENT CREDIT.—Subsection (b) of section 1396 (relating to empowerment zone employment credit) is amended to read as follows:

''(b) APPLICABLE PERCENTAGE.—For purposes of this section, the applicable percentage is 20 percent.''.

(b) ALL EMPOWERMENT ZONES ELIGIBLE FOR CREDIT.—Section 1396 is amended by striking subsection (e).

(c) CONFORMING AMENDMENT.—Subsection (d) of section 1400 is amended to read as follows:

''(d) SPECIAL RULE FOR APPLICATION OF EMPLOYMENT CREDIT.—With respect to the DC Zone, section 1396(d)(1)(B) (relating to empowerment zone employment credit) shall be applied by substituting 'the District of Columbia' for 'such empowerment zone'.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to wages paid or incurred after December 31, 2000.

SEC. 304. INCREASED EXPENSING UNDER SECTION 179.

(a) IN GENERAL.—Subparagraph (A) of section 1397A(a)(1) is amended by striking ''$20,000'' and inserting ''$35,000''.

(b) EXPENSING FOR PROPERTY USED IN DEVELOPABLE SITES.—Section 1397A is amended by striking subsection (c).

(c) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2000.

SEC. 305. HIGHER LIMITS ON TAX-EXEMPT EMPOWERMENT ZONE FACILITY BONDS.

(a) IN GENERAL.—Paragraph (3) of section 1394(f) (relating to bonds for empowerment zones designated under section 1391(g)) is amended to read as follows:

''(3) EMPOWERMENT ZONE FACILITY BOND.—For purposes of this subsection, the term 'empowerment zone facility bond' means any bond which would be described in subsection (a) if only empowerment zones were taken into account under sections 1397C and 1397D.'' .

(b) CONFORMING AMENDMENTS.—

(1) Subsection (f) of section 1394 is amended by striking ''new empowerment zone facility bond'' each place it appears and inserting ''empowerment zone facility bond''.

(2) The heading for such subsection is amended to read as follows:

''(f) BONDS FOR EMPOWERMENT ZONES.—''.

(3) Paragraph (1) of section 1394(c) is amended—

(A) by striking ''empowerment zone or'' in subparagraph (A), and

(B) by striking ''empowerment zones and'' in subparagraph (B).

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to obligations issued after December 31, 2000.

SEC. 306. NONRECOGNITION OF GAIN ON ROLLOVER OF EMPOWERMENT ZONE INVESTMENTS.

(a) IN GENERAL.—Part III of subchapter U of chapter 1 is amended—

(1) by redesignating subpart C as subpart D,

(2) by redesignating sections 1397B and 1397C as sections 1397C and 1397D, respectively, and

(3) by inserting after subpart B the following new subpart:

"Subpart C—Nonrecognition of Gain on Rollover of Empowerment Zone Investments

''Sec. 1397B. Nonrecognition of Gain on Rollover of Empowerment Zone Investments.

"SEC. 1397B. NONRECOGNITION OF GAIN ON ROLLOVER OF EMPOWERMENT ZONE INVESTMENTS.

''(a) NONRECOGNITION OF GAIN.—In the case of any sale of a qualified empowerment zone asset held by the taxpayer for more than 1 year and with respect to which such taxpayer elects the application of this section, gain from such sale shall be recognized only to the extent that the amount realized on such sale exceeds—

''(1) the cost of any qualified empowerment zone asset (with respect to the same zone as the asset sold) purchased by the taxpayer during the 60-day period beginning on the date of such sale, reduced by

''(2) any portion of such cost previously taken into account under this section.

This section shall apply only to gain which is qualified capital gain.

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

''(1) QUALIFIED EMPOWERMENT ZONE ASSET.—

''(A) IN GENERAL.—The term 'qualified empowerment zone asset' means any property which would be a qualified community asset (as defined in section 1400F) if in section 1400F—

''(i) references to empowerment zones were substituted for references to renewal communities, and

''(ii) references to enterprise zone businesses (as defined in section 1397C) were substituted for references to renewal community businesses.

''(B) TREATMENT OF DC ZONE.—

For termination of rollover with respect to the District of Columbia Enterprise Zone for property acquired after December 31, 2002, see section 1400(f).

''(2) QUALIFIED CAPITAL GAIN.—

''(A) IN GENERAL.—Except as otherwise provided in this paragraph, the term 'qualified capital gain' means any gain from the sale or exchange of—

''(i) a capital asset, or

''(ii) property used in the trade or business (as defined in section 1231(b)).

''(B) CERTAIN RULES TO APPLY.—Rules similar to the rules of paragraphs (3) and (4) of section 1400B(e) shall apply for purposes of this subsection.

''(3) PURCHASE.—A taxpayer shall be treated as having purchased any property if, but for paragraph (4), the unadjusted basis of such property in the hands of the taxpayer would be its cost (within the meaning of section 1012).

''(4) BASIS ADJUSTMENTS.—If gain from any sale is not recognized by reason of subsection (a), such gain shall be applied to reduce (in the order acquired) the basis for determining gain or loss of any qualified empowerment zone asset which is purchased by the taxpayer during the 60-day period described in subsection (a). This paragraph shall not apply for purposes of section 1202.

''(5) HOLDING PERIOD.—For purposes of determining whether the nonrecognition of gain under subsection (a) applies to any qualified empowerment zone asset which is sold—

''(A) the taxpayer's holding period for such asset and the asset referred to in subsection (a)(1) shall be determined without regard to section 1223, and

''(B) only the first year of the taxpayer's holding period for the asset referred to in subsection (a)(1) shall be taken into account for purposes of paragraphs (2)(A)(iii), (3)(C), and (4)(A)(iii) of section 1400F(b).''

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (23) of section 1016(a) is amended—

(A) by striking ''or 1045'' and inserting ''1045, or 1397B'', and

(B) by striking ''or 1045(b)(4)'' and inserting ''1045(b)(4), or 1397B(b)(4)''.

(2) Paragraph (15) of section 1223 is amended to read as follows:

''(15) Except for purposes of sections 1202(a)(2), 1202(c)(2)(A), 1400B(b), and 1400F(b), in determining the period for which the taxpayer has held property the acquisition of which resulted under section 1045 or 1397B in the nonrecognition of any part of the gain realized on the sale of other property, there shall be included the period for which such other property has been held as of the date of such sale.''

(3) Paragraph (2) of section 1394(b) is amended—

(A) by striking ''section 1397C'' and inserting ''section 1397D'', and

(B) by striking ''section 1397C(a)(2)'' and inserting ''section 1397D(a)(2)''.

(4) Paragraph (3) of section 1394(b) is amended—

(A) by striking ''section 1397B'' each place it appears and inserting ''section 1397C'', and

(B) by striking ''section 1397B(d)'' and inserting ''section 1397C(d)''.

(5) Sections 1400(e) and 1400B(c) are each amended by striking ''section 1397B'' each place it appears and inserting ''section 1397C''.

(6) The table of subparts for part III of subchapter U of chapter 1 is amended by striking the last item and inserting the following new items:

''Subpart C. Nonrecognition of gain on rollover of empowerment zone investments.

''Subpart D. General provisions.''

(7) The table of sections for subpart D of such part III is amended to read as follows:

''Sec. 1397C. Enterprise zone business defined.

''Sec. 1397D. Qualified zone property defined.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to qualified empowerment zone assets acquired after December 31, 2000.

SEC. 307. INCREASED EXCLUSION OF GAIN ON SALE OF EMPOWERMENT ZONE STOCK.

(a) IN GENERAL.—Subsection (a) of section 1202 is amended to read as follows:

''(a) EXCLUSION.—

''(1) IN GENERAL.—In the case of a taxpayer other than a corporation, gross income shall not include 50 percent of any gain from the sale or exchange of qualified small business stock held for more than 5 years.

''(2) EMPOWERMENT ZONE BUSINESSES.—

''(A) IN GENERAL.—In the case of qualified small business stock acquired after the date of the enactment of this paragraph in a corporation which is a qualified business entity (as defined in section 1397C(b)) during substantially all of the taxpayer's holding period for such stock, paragraph (1) shall be applied by substituting '60 percent' for '50 percent'.

''(B) CERTAIN RULES TO APPLY.—Rules similar to the rules of paragraphs (5) and (7) of section 1400B(b) shall apply for purposes of this paragraph.

''(C) GAIN AFTER 2014 NOT QUALIFIED.—Subparagraph (A) shall not apply to gain attributable to periods after December 31, 2014.''.

(b) CONFORMING AMENDMENT.—Paragraph (8) of section 1(h) is amended by striking ''means'' and all that follows and inserting ''means the excess of—

''(A) the gain which would be excluded from gross income under section 1202 but for the percentage limitation in section 1202(a), over

''(B) the gain excluded from gross income under section 1202.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to stock acquired after December 31, 2000.

SEC. 308. FUNDING ENTITLEMENT FOR ROUND II EMPOWERMENT ZONES.

(a) IN GENERAL.—

(1) ENTITLEMENT.—Section 2007(a)(1) of the Social Security Act (42 U.S.C. 1397f(a)(1)) is amended—

(A) in subparagraph (A), by striking ''in the State; and'' and inserting ''that is in the State and is designated pursuant to section 1391(b) of the Internal Revenue Code of 1986;'';

(B) by adding after subparagraph (B) the following:

''(C)(i) 8 grants under this section for each qualified empowerment zone that is in an urban area in the State and is designated pursuant to section 1391(g) of such Code; and

''(ii) 8 grants under this section for each qualified empowerment zone that is in a rural area in the State and is designated pursuant to section 1391(g) of such Code;

''(D) 8 grants under this section for each qualified enterprise community that is in the State and is designated pursuant to section 766 of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1999; and

''(E) 1 grant under this section for each strategic planning community.''.

(2) AMOUNT OF GRANTS.—Section 2007(a)(2) of such Act (42 U.S.C. 1397f(a)(2)) is amended—

(A) in the heading of subparagraph (A), by inserting ''ORIGINAL'' before ''EMPOWERMENT'';

(B) in subparagraph (A), in the matter preceding clause (i), by inserting ''referred to in paragraph (1)(A)'' after ''empowerment zone'';

(C) by redesignating subparagraph (C) as subparagraph (F); and

(D) by inserting after subparagraph (B) the following:

''(C) ADDITIONAL EMPOWERMENT GRANTS.—The amount of the grant to a State under this section for a qualified empowerment zone referred to in paragraph (1)(C) shall be—

''(i) if the zone is in an urban area, $11,675,000 for each of fiscal years 2001 through 2008; or

''(ii) if the zone is in a rural area, $4,600,000 for each of fiscal years 2001 through 2008,

multiplied by the proportion of the population of the zone that resides in the State.

''(D) ADDITIONAL ENTERPRISE COMMUNITY GRANTS.—The amount of the grant to a State under this section for a qualified enterprise community referred to in paragraph (1)(D) shall be $2,750,000, multiplied by the proportion of the population of the community that resides in the State.

''(E) STRATEGIC PLANNING COMMUNITY GRANTS.—The amount of the grant to a State under this section for a strategic planning community shall be $3,000,000, multiplied by the proportion of the population of the community that resides in the State.''.

(3) TIMING OF GRANTS.—Section 2007(a)(3) of such Act (42 U.S.C. 1397f(a)(3)) is amended—

(A) in the heading of subparagraph (A), by inserting ''ORIGINAL'' before ''QUALIFIED'';

(B) in subparagraph (A), in the matter preceding clause (i), by inserting ''referred to in paragraph (1)(A)'' after ''empowerment zone''; and

(C) by adding after subparagraph (B) the following:

''(C) ADDITIONAL QUALIFIED EMPOWERMENT ZONES.—With respect to each qualified empowerment zone referred to in paragraph (1)(C), the Secretary shall make 1 grant under this section to the State in which the zone lies, on the first day of fiscal year 2001 and of each of the 7 succeeding fiscal years.

''(D) ADDITIONAL QUALIFIED ENTERPRISE COMMUNITIES.—With respect to each qualified enterprise community referred to in paragraph (1)(D), the Secretary shall make 1 grant under this section to the State in which the community lies on the first day of fiscal year 2001 and of each of the 7 succeeding fiscal years.

''(E) STRATEGIC PLANNING COMMUNITIES.—With respect to each strategic planning community, the Secretary shall make 1 grant under this section to the State in which the community is located, on October 1, 2001.''.

(4) FUNDING.—Section 2007(a)(4) of such Act (42 U.S.C. 1397f(a)(4)) is amended—

(A) by striking ''(4) FUNDING.—$1,000,000'' and inserting the following:

''(4) FUNDING.—

''(A) ORIGINAL GRANTS.—$1,000,000'';

(B) by inserting ''for empowerment zones and enterprise communities described in subparagraphs (A) and (B) of paragraph (1)'' before the period; and

(C) by adding after and below the end the following:

''(B) ADDITIONAL EMPOWERMENT ZONE GRANTS.—$1,585,000,000 shall be made available to the Secretary for grants under this section for empowerment zones referred to in paragraph (1)(C).

''(C) ADDITIONAL ENTERPRISE COMMUNITY GRANTS.—$55,000,000 shall be made available to the Secretary for grants under this section for enterprise communities referred to in paragraph (1)(D).

''(D) STRATEGIC PLANNING COMMUNITY GRANTS.—$45,000,000 shall be made available to the Secretary for grants under this section for strategic planning communities.''.

(5) DIRECT FUNDING FOR INDIAN TRIBES.—Section 2007(a) of such Act (42 U.S.C. 1397f(a)) is amended by adding at the end the following:

''(5) DIRECT FUNDING FOR INDIAN TRIBES.—

''(A) IN GENERAL.—The Secretary may make a grant under this section directly to the governing body of an Indian tribe if—

''(i) the tribe is identified in the strategic plan of a qualified empowerment zone or qualified enterprise community as the entity that assumes sole or primary responsibility for carrying out activities and projects under the grant; and

''(ii) the grant is to be used for activities and projects that are—

''(I) included in the strategic plan of the qualified empowerment zone or qualified enterprise community, consistent with this section; and

''(II) approved by the Secretary of Agriculture, in the case of a qualified empowerment zone or qualified enterprise community in a rural area, or the Secretary of Housing and Urban Development, in the case of a qualified empowerment zone or qualified enterprise community in an urban area.

''(B) RULES OF INTERPRETATION.—

''(i) If grant under this section is made directly to the governing body of an Indian tribe under subparagraph (A), the tribe shall be considered a State for purposes of this section.

''(ii) This subparagraph shall not be construed as making applicable to this section the provisions of the Indian Self-Determination and Education Assistance Act.''.

(6) DEFINITIONS.—

(A) QUALIFIED ENTERPRISE COMMUNITY.—Section 2007(f)(2)(A) of such Act (42 U.S.C. 1397f(f)(2)(A)) is amended by inserting ''or pursuant to section 766 of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1999'' before the semicolon.

(B) STRATEGIC PLAN.—Section 2007(f)(3) of such Act (42 U.S.C. 1397f(f)(3)) is amended by inserting ''or under section 766 of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1999'' before the period.

(C) STRATEGIC PLANNING COMMUNITY.—Section 2007(f) of such Act (42 U.S.C. 1397f(f)) is amended by adding at the end the following:

''(7) STRATEGIC PLANNING COMMUNITY.—The term 'strategic planning community' means a respondent to the Notice Inviting Applications at 63 Federal Register 19162 (April 16, 1998) whose application was ranked 16th through 30th in the competition that concluded in December 1998.''.

(D) INDIAN TRIBE.—Section 2007(f) of such Act (42 U.S.C. 1397f(f)), as amended by subparagraph (C), is amended by adding at the end the following:

''(8) INDIAN TRIBE.—The term 'Indian tribe' means any Indian tribe, band, nation, or other organized group or community, including any Alaska Native village or regional or village corporation as defined in or established pursuant to the Alaska Native Claims Settlement Act, which is recognized as eligible for the special programs and services provided by the United States to Indians because of their status as Indians.''.

(b) USE OF GRANT FUNDS.—

(1) REVOLVING LOAN ACTIVITIES.—Section 2007(b) of the Social Security Act (42 U.S.C. 1397f(b)) is amended by adding at the end the following:

''(5) REVOLVING LOAN ACTIVITIES.—

''(A) IN GENERAL.—In order to assist disadvantaged adults and youths in achieving and maintaining economic self-support, a State may use amounts paid under this section to fund revolving loan funds or similar arrangements for the purpose of making loans to residents, institutions, organizations, or businesses that hire disadvantaged adults and youths.

''(B) RULES FOR DISBURSEMENT.—Amounts to be used as described in subparagraph (A) shall be disbursed by the Secretary, consistent with the provisions of the Cash Management Improvement Act and its implementing rules, regulations, and procedures issued by the Secretary of the Treasury—

''(i) in the case of a grant to a revolving loan fund—

''(I) pursuant to a written irrevocable grant commitment; and

''(II) at such time or times as the Secretary determines that the funds are needed to meet the purposes of such commitment; or

''(ii) in the case of a grant for purposes of capitalizing an insured depository institution (as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813)) or an insured credit union (as defined in section 101 of the Federal Credit Union Act (12 U.S.C. 1742)), at such time or times as the Secretary determines that funds are needed for such capitalization.''.

(2) USE AS NON-FEDERAL SHARE.—Section 2007(b) of such Act (42 U.S.C. 1397f(b)), as amended by paragraph (1), is amended by adding at the end the following:

''(6) A State may use amounts received from a grant under this section to pay all or part of the non-Federal share of expenditures under any other Federal grant to a local public or nonprofit private agency or organization for activities consistent with the purposes of this section, unless the statutory authority for such other grant expressly prohibits counting of Federal grant funds as such non-Federal share.''.

(c) ENVIRONMENTAL REVIEW.—Section 2007 of the Social Security Act (42 U.S.C. 1397f) is amended—

(1) by redesignating subsection (f) as subsection (g); and

(2) by inserting after subsection (e) the following:

''(f) ENVIRONMENTAL REVIEW.—

''(1) EXECUTION OF RESPONSIBILITY BY THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT AND THE SECRETARY OF AGRICULTURE.—

''(A) APPLICABILITY.—This subsection shall apply to grants under this section in connection with empowerment zones, enterprise communities, and strategic planning communities (as defined in subsection (g)).

''(B) EXECUTION OF RESPONSIBILITY.—With respect to grants described in subparagraph (A), the Secretary of Housing and Urban Development and the Secretary of Agriculture, as appropriate, shall execute the responsibilities under the National Environmental Policy Act of 1969 and other provisions of law that further the purposes of such Act (as specified in regulations issued by each such Secretary under paragraph (2)(B)) that would otherwise apply to the Secretary of Health and Human Services, and may provide for the assumption of such responsibilities in accordance with paragraphs (2) through (5).

''(C) DEFINITION OF SECRETARY.—Except as otherwise specified, in this subsection, the term 'Secretary' means the Secretary of Housing and Urban Development for purposes of grants under this section with respect to qualified empowerment zones and qualified enterprise communities in urban areas, and strategic planning areas, and the Secretary of Agriculture for purposes of grants under this section with respect to qualified empowerment zones and qualified enterprise communities in rural areas.

''(2) ASSUMPTION OF RESPONSIBILITY BY STATES, UNITS OF GENERAL LOCAL GOVERNMENT, AND INDIAN TRIBES.—

''(A) RELEASE OF FUNDS.—In order to assure that the policies of the National Environmental Policy Act of 1969 and other provisions of law that further the purposes of such Act (as specified in regulations issued by the Secretary under subparagraph (B)) are most effectively implemented in connection with the expenditure of funds under this section, and to assure to the public undiminished protection of the environment, the Secretary may, under such regulations, in lieu of the environmental protection procedures otherwise applicable, provide for the release of funds for particular projects to recipients of assistance under this section if the State, unit of general local government, or Indian tribe, as designated by the Secretary in accordance with regulations issued by the Secretary under subparagraph (B), assumes all of the responsibilities for environmental review, decisionmaking, and action pursuant to such Act, and such other provisions of law as the regulations of the Secretary specify, that would otherwise apply to the Secretary were the Secretary to undertake such projects as Federal projects.

''(B) IMPLEMENTATION.—The Secretary of Housing and Urban Development and the Secretary of Agriculture shall each issue regulations to carry out this subsection only after consultation with the Council on Environmental Quality. Such regulations shall—

''(i) specify any other provisions of law that further the purposes of the National Environmental Policy Act of 1969 and to which the assumption of responsibility as provided in this subsection applies;

''(ii) provide eligibility criteria and procedures for the designation of a State, unit of general local government, or Indian tribe to assume all of the responsibilities described in subparagraph (A);

''(iii) specify the purposes for which funds may be committed without regard to the procedure established under paragraph (3);

''(iv) provide for monitoring of the performance of environmental reviews under this subsection;

''(v) in the discretion of the Secretary, provide for the provision or facilitation of training for such performance; and

''(vi) subject to the discretion of the Secretary, provide for suspension or termination by the Secretary of the assumption under subparagraph (A).

''(C) RESPONSIBILITIES OF STATE, UNIT OF GENERAL LOCAL GOVERNMENT, OR INDIAN TRIBE.—The Secretary's duty under subparagraph (B) shall not be construed to limit any responsibility assumed by a State, unit of general local government, or Indian tribe with respect to any particular release of funds under subparagraph (A).

''(3) PROCEDURE.—The Secretary shall approve the release of funds for projects subject to the procedures authorized by this subsection only if, not less than 15 days prior to such approval and prior to any commitment of funds to such projects (except for such purposes specified in the regulations issued under paragraph (2)(B)), the recipient submits to the Secretary a request for such release accompanied by a certification of the State, unit of general local government, or Indian tribe that meets the requirements of paragraph (4). The approval by the Secretary of any such certification shall be deemed to satisfy the Secretary's responsibilities pursuant to paragraph (1) under the National Environmental Policy Act of 1969 and such other provisions of law as the regulations of the Secretary specify insofar as those responsibilities relate to the releases of funds for projects to be carried out pursuant thereto that are covered by such certification.

''(4) CERTIFICATION.—A certification under the procedures authorized by this subsection shall—

''(A) be in a form acceptable to the Secretary;

''(B) be executed by the chief executive officer or other officer of the State, unit of general local government, or Indian tribe who qualifies under regulations of the Secretary;

''(C) specify that the State, unit of general local government, or Indian tribe under this subsection has fully carried out its responsibilities as described under paragraph (2); and

''(D) specify that the certifying officer—

''(i) consents to assume the status of a responsible Federal official under the National Environmental Policy Act of 1969 and each provision of law specified in regulations issued by the Secretary insofar as the provisions of such Act or other such provisions of law apply pursuant to paragraph (2); and

''(ii) is authorized and consents on behalf of the State, unit of general local government, or Indian tribe and himself or herself to accept the jurisdiction of the Federal courts for the purpose of enforcement of the responsibilities as such an official.

''(5) APPROVAL BY STATES.—In cases in which a unit of general local government carries out the responsibilities described in paragraph (2), the Secretary may permit the State to perform those actions of the Secretary described in paragraph (3). The performance of such actions by the State, where permitted, shall be deemed to satisfy the responsibilities referred to in the second sentence of paragraph (3).''.

SEC. 309. RULES REGARDING QUALIFIED ISSUES.

(a) IN GENERAL.—In the case of a qualified issue (as defined in subsection (c)), section 1394(c)(1) of the Internal Revenue Code of 1986 shall be applied by substituting ''$200,000,000'' for the dollar amounts contained in such section, and section 1394(a) of such Code shall be applied by treating a qualified facility (as defined in subsection (c)) as an enterprise zone facility without regard to the requirements of subsections (b) and (e) of section 1394 of such Code.

(b) SPECIAL RULES REGARDING QUALIFIED ISSUES.—A qualified issue—

(1) shall not be treated as an issue of private activity bonds for purposes of sections 57(a)(5) and 146(a) of the Internal Revenue Code of 1986;

(2) shall be subject to section 147(e) of such Code determined without regard to the phrase ''skybox or other private luxury box'';

(3) shall not cause the qualified facility to be treated as tax-exempt use property or tax-exempt bond financed property for purposes of section 168(g) of such Code; and

(4) shall be treated as financing capital expenditures relating to the qualified facility (to the extent such capital expenditures were actually paid in an amount not exceeding the amount of the indebtedness being refinanced) without regard to any regulations pertaining to the allocation of bond proceeds to expenses (including expenses paid prior to the issuance of the bonds).

(c) DEFINITIONS.—For purposes of this section—

(1) QUALIFIED ISSUE.—The term ''qualified issue'' means an issue of bonds (including an issue in a series of refunding issues) issued to refinance the outstanding indebtedness incurred in connection with a qualified facility.

(2) QUALIFIED FACILITY.—The term ''qualified facility'' means an enclosed, mixed-use entertainment, conference, and sports complex located in the District of Columbia Enterprise Zone, which held its first professional sports event on December 2, 1997, including all related facilities and costs.

SEC. 310. CUSTOMS USER FEES.

Section 13031(j)(3) of the Consolidated Omnibus Budget Reconciliation Act of 1985 (19 U.S.C. 58c(j)(3)) is amended by striking ''2003'' and inserting ''2008''.

TITLE IV—FAITH BASED SUBSTANCE ABUSE TREATMENT

SEC. 401. PREVENTION AND TREATMENT OF SUBSTANCE ABUSE; SERVICES PROVIDED THROUGH RELIGIOUS ORGANIZATIONS.

Title V of the Public Health Service Act (42 U.S.C. 290aa et seq.) is amended by adding at the end the following part:

''PART G—SERVICES PROVIDED THROUGH RELIGIOUS ORGANIZATIONS

''SEC. 581. APPLICABILITY TO DESIGNATED PROGRAMS.

''(a) DESIGNATED PROGRAMS.—Subject to subsection (b), this part applies to discretionary and formula grant programs administered by the Substance Abuse and Mental Health Services Administration that make awards of Federal financial assistance to public or private entities for the purpose of carrying out activities to prevent or treat substance abuse (in this part referred to as a 'designated program'). Designated programs include the program under subpart II of part B of title XIX (relating to formula grants to the States).

''(b) LIMITATION.—This part does not apply to any award of Federal financial assistance under a designated program for a purpose other than the purpose specified in subsection (a).

''(c) DEFINITIONS.—For purposes of this part (and subject to subsection (b)):

''(1) The term 'designated award recipient' means a public or private entity that has received an award of financial assistance under a designated program (whether the award is a designated direct award or a designated subaward).

''(2) The term 'designated direct award' means an award of financial assistance under a designated program that is received directly from the Federal Government.

''(3) The term 'designated subaward' means an award of financial assistance made by a non-Federal entity, which award consists in whole or in part of Federal financial assistance provided through an award under a designated program.

''(4) The term 'designated program' has the meaning given such term in subsection (a).

''(5) The term 'financial assistance' means a grant, cooperative agreement, contract, or voucherized assistance.

''(6) The term 'program beneficiary' means an individual who receives program services.

''(7) The term 'program participant' has the meaning given such term in section 582(a)(2).

''(8) The term 'program services' means treatment for substance abuse, or preventive services regarding such abuse, provided pursuant to an award of financial assistance under a designated program.

''(9) The term 'religious organization' means a nonprofit religious organization.

''(10) The term 'voucherized assistance' means—

''(A) a system of selecting and reimbursing program services in which—

''(i) the beneficiary is given a document or other authorization that may be used to pay for program services;

''(ii) the beneficiary chooses the organization that will provide services to him or her according to rules specified by the designated award recipient; and

''(iii) the organization selected by the beneficiary is reimbursed by the designated award recipient for program services provided; or

''(B) any other mode of financial assistance to pay for program services in which the program beneficiary determines the allocation of program funds through his or her selection of one service provider from among alternatives.

''SEC. 582. RELIGIOUS ORGANIZATIONS AS PROGRAM PARTICIPANTS.

''(a) IN GENERAL.—

''(1) SCOPE OF AUTHORITY.—Notwithstanding any other provision of law, a religious organization—

''(A) may be a designated award recipient;

''(B) may make designated subawards to other public or nonprofit private entities (including other religious organizations);

''(C) may provide for the provision of program services to program beneficiaries through the use of voucherized assistance; and

''(D) may be a provider of services under a designated program, including a provider that accepts voucherized assistance.

''(2) DEFINITION OF PROGRAM PARTICIPANT.—For purposes of this part, the term 'program participant' means a public or private entity that has received a designated direct award, or a designated subaward, regardless of whether the entity provides program services. Such term includes an entity whose only participation in a designated program is to provide program services pursuant to the acceptance of voucherized assistance.

''(b) RELIGIOUS ORGANIZATIONS.—The purpose of this section is to allow religious organizations to be program participants on the same basis as any other nonprofit private provider without impairing the religious character of such organizations, and without diminishing the religious freedom of program beneficiaries.

''(c) NONDISCRIMINATION AGAINST RELIGIOUS ORGANIZATIONS.—

''(1) ELIGIBILITY AS PROGRAM PARTICIPANTS.—Religious organizations are eligible to be program participants on the same basis as any other nonprofit private organization as long as the programs are implemented consistent with the Establishment Clause of the First Amendment to the United States Constitution. The Federal Government may under the preceding sentence apply to religious organizations the same eligibility conditions in designated programs as are applied to any nonprofit private organization as long as the conditions are consistent with the Free Exercise Clause of the First Amendment.

''(2) NONDISCRIMINATION.—Neither the Federal Government nor a State receiving funds under such programs shall discriminate against an organization that is or applies to be a program participant on the basis that the organization has a religious character.

''(d) RELIGIOUS CHARACTER AND FREEDOM.—

''(1) RELIGIOUS ORGANIZATIONS.—Except as provided in this section, any religious organization that is a program participant shall retain its independence from Federal, State, and local government, including such organization's control over the definition, development, practice, and expression of its religious beliefs.

''(2) ADDITIONAL SAFEGUARDS.—Neither the Federal Government nor a State shall require a religious organization to—

''(A) alter its form of internal governance; or

''(B) remove religious art, icons, scripture, or other symbols;

in order to be a program participant.

''(e) EMPLOYMENT PRACTICES.—A religious organization's exemption provided under section 702 of the Civil Rights Act of 1964 regarding employment practices shall not be affected by its participation in, or receipt of funds from, a designated program.

''(f) RIGHTS OF PROGRAM BENEFICIARIES.—

''(1) IN GENERAL.—With respect to an individual who is a program beneficiary or a prospective program beneficiary, if the individual objects to a program participant on the basis that the participant is a religious organization, the following applies:

''(A) If the organization received a designated direct award, the organization shall refer the individual to an alternative entity that provides program services and shall, to the extent practicable, provide appropriate follow-up services.

''(B) If the organization received a designated subaward, the non-Federal entity that made the subaward shall refer the individual to an alternative entity that provides program services and shall, to the extent practicable, provide appropriate follow-up services.

''(C) If the organization is providing services pursuant to voucherized assistance, the designated award recipient that operates the voucherized assistance program shall refer the individual to an alternative entity that provides program services and shall, to the extent practicable, provide appropriate follow-up services.

''(D) If the local government involved makes available a list of entities in the geographic area that provide program services, the program participant with the responsibility for making the referral under subparagraph (A), (B), or (C), as the case may be, shall obtain a copy of such list and consider the list in making the referral (except that this subparagraph does not apply if the program participant is the local government or the State).

''(E) Referrals under any of subparagraphs (A) through (C) shall be made to alternative entities that will provide program services the monetary value of which is not less than the monetary value of the program services that the individual would have received from the religious organization involved.

''(2) NONDISCRIMINATION.—Except as otherwise provided in law, a religious organization that is a program participant shall not in providing program services discriminate against a program beneficiary on the basis of religion or religious belief.

''(g) FISCAL ACCOUNTABILITY.—

''(1) IN GENERAL.—Except as provided in paragraph (2), any religious organization that is a program participant shall be subject to the same regulations as other recipients of awards of Federal financial assistance to account, in accordance with generally accepted auditing principles, for the use of the funds provided under such awards.

''(2) LIMITED AUDIT.—With respect to the award involved, if a religious organization that is a program participant maintains the Federal funds in a separate account from non-Federal funds, then only the Federal funds shall be subject to audit.

''(h) COMPLIANCE.—With respect to compliance with this section by an agency, a religious organization may obtain judicial review of agency action in accordance with chapter 7 of title 5, United States Code.

''SEC. 583. LIMITATIONS ON USE OF FUNDS FOR CERTAIN PURPOSES.

''(a) IN GENERAL.—Except as provided in subsection (b), no funds provided directly to an entity under a designated program shall be expended for sectarian worship or instruction.

''(b) EXCEPTION.—Subsection (a) shall not apply to assistance provided to or on behalf of a program beneficiary if the beneficiary may choose where such assistance is redeemed or allocated.

''SEC. 584. FINANCIAL ASSISTANCE NOT AID TO INSTITUTIONS.

''Financial assistance under a designated program is aid to the beneficiary, not to the organization providing program services.

''SEC. 585. EDUCATIONAL REQUIREMENTS FOR PERSONNEL IN DRUG TREATMENT PROGRAMS.

''(a) FINDINGS.—The Congress finds that—

''(1) establishing formal educational qualification for counselors and other personnel in drug treatment programs may undermine the effectiveness of such programs; and

''(2) such formal educational requirements for counselors and other personnel may hinder or prevent the provision of needed drug treatment services.

''(b) LIMITATION ON EDUCATIONAL REQUIREMENTS OF PERSONNEL.—

''(1) TREATMENT OF RELIGIOUS EDUCATION.—

''(A) IN GENERAL.—If any State or local government that is a program participant imposes formal educational qualifications on providers of program services, including religious organizations, such State or local government shall treat religious education and training of personnel as having a critical and positive role in the delivery of program services.

''(B) EDUCATION AND TRAINING ON PREVENTION AND TREATMENT OF SUBSTANCE ABUSE.—In applying to religious organizations educational qualifications for personnel of such organizations who provide program services, a State or local government that is a program participant shall, with respect to education and training on preventing and treating substance abuse, give credit for such education and training that is provided by religious organizations equivalent to credit given for secular course work that provides such education and training.

''(C) GENERAL EDUCATIONAL REQUIREMENTS.—In applying to religious organizations educational qualifications for personnel of such organizations who provide program services, a State or local government that is a program participant shall, if such qualifications include course work that does not relate specifically to preventing or treating substance abuse, give credit for religious education equivalent to credit given for secular course work.

''(2) RESTRICTION OF DISCRIMINATION REQUIREMENTS..—

''(A) IN GENERAL.—Subject to paragraph (1), a State or local government that is a program participant may establish formal educational qualifications for personnel in organizations providing program services that contribute to success in reducing drug use among program beneficiaries.

''(B) EXCEPTION.—The Secretary shall waive the application of any educational qualification imposed under subparagraph (A) for an individual religious organization, if the Secretary determines that—

''(i) the religious organization has a record of prior successful drug treatment for at least the preceding three years;

''(ii) the educational qualifications have effectively barred such religious organization from becoming a program provider;

''(iii) the organization has applied to the Secretary to waive the qualifications; and

''(iv) the State or local government has failed to demonstrate empirically that the educational qualifications in question are necessary to the successful operation of a drug treatment program.''.

TITLE V—HOMEOWNERSHIP

SEC. 501. TRANSFER OF UNOCCUPIED AND SUBSTANDARD HUD-HELD HOUSING TO LOCAL GOVERNMENTS AND COMMUNITY DEVELOPMENT CORPORATIONS.

Section 204 of the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1997 (12 U.S.C. 1715z–11a) is amended—

(1) by striking ''FLEXIBLE AUTHORITY.—'' and inserting ''DISPOSITION OF HUD-OWNED PROPERTIES. (a) FLEXIBLE AUTHORITY FOR MULTIFAMILY PROJECTS.—''; and

(2) by adding at the end the following new subsection:

''(b) TRANSFER OF UNOCCUPIED AND SUBSTANDARD HOUSING TO LOCAL GOVERNMENTS AND COMMUNITY DEVELOPMENT CORPORATIONS.—

''(1) TRANSFER AUTHORITY.—Notwithstanding the authority under subsection (a) and the last sentence of section 204(g) of the National Housing Act (12 U.S.C. 1710(g)), the Secretary of Housing and Urban Development shall transfer ownership of any qualified HUD property, subject to the requirements of this section, to a unit of general local government having jurisdiction for the area in which the property is located or to a community development corporation which operates within such a unit of general local government in accordance with this subsection, but only to the extent that units of general local government and community development corporations consent to transfer and the Secretary determines that such transfer is practicable.

''(2) QUALIFIED HUD PROPERTIES.—For purposes of this subsection, the term 'qualified HUD property' means any property for which, as of the date that notification of the property is first made under paragraph (3)(B), not less than 6 months have elapsed since the later of the date that the property was acquired by the Secretary or the date that the property was determined to be unoccupied or substandard, that is owned by the Secretary and is—

''(A) an unoccupied multifamily housing project;

''(B) a substandard multifamily housing project; or

''(C) an unoccupied single family property that—

''(i) has been determined by the Secretary not to be an eligible asset under section 204(h) of the National Housing Act (12 U.S.C. 1710(h)); or

''(ii) is an eligible asset under such section 204(h), but—

''(I) is not subject to a specific sale agreement under such section; and

''(II) has been determined by the Secretary to be inappropriate for continued inclusion in the program under such section 204(h) pursuant to paragraph (10) of such section.

''(3) TIMING.—The Secretary shall establish procedures that provide for—

''(A) time deadlines for transfers under this subsection;

''(B) notification to units of general local government and community development corporations of qualified HUD properties in their jurisdictions;

''(C) such units and corporations to express interest in the transfer under this subsection of such properties;

''(D) a right of first refusal for transfer of qualified HUD properties to units of general local government and community development corporations, under which—

''(i) the Secretary shall establish a period during which the Secretary may not transfer such properties except to such units and corporations;

''(ii) the Secretary shall offer qualified HUD properties that are single family properties for purchase by units of general local government at a cost of $1 for each property, but only to the extent that the costs to the Federal Government of disposal at such price do not exceed the costs to the Federal Government of disposing of property subject to the procedures for single family property established by the Secretary pursuant to the authority under the last sentence of section 204(g) of the National Housing Act (12 U.S.C. 1710(g));

''(iii) the Secretary may accept an offer to purchase a property made by a community development corporation only if the offer provides for purchase on a cost recovery basis; and

''(iv) the Secretary shall accept an offer to purchase such a property that is made during such period by such a unit or corporation and that complies with the requirements of this paragraph;

''(E) a written explanation, to any unit of general local government or community development corporation making an offer to purchase a qualified HUD property under this subsection that is not accepted, of the reason that such offer was not acceptable.

''(4) OTHER DISPOSITION.—With respect to any qualified HUD property, if the Secretary does not receive an acceptable offer to purchase the property pursuant to the procedure established under paragraph (3), the Secretary shall dispose of the property to the unit of general local government in which property is located or to community development corporations located in such unit of general local government on a negotiated, competitive bid, or other basis, on such terms as the Secretary deems appropriate.

''(5) SATISFACTION OF INDEBTEDNESS.—Before transferring ownership of any qualified HUD property pursuant to this subsection, the Secretary shall satisfy any indebtedness incurred in connection with the property to be transferred, by canceling the indebtedness.

''(6) DETERMINATION OF STATUS OF PROPERTIES.—To ensure compliance with the requirements of this subsection, the Secretary shall take the following actions:

''(A) UPON ENACTMENT.—Upon the enactment of this subsection, the Secretary shall promptly assess each residential property owned by the Secretary to determine whether such property is a qualified HUD property.

''(B) UPON ACQUISITION.—Upon acquiring any residential property, the Secretary shall promptly determine whether the property is a qualified HUD property.

''(C) UPDATES.—The Secretary shall periodically reassess the residential properties owned by the Secretary to determine whether any such properties have become qualified HUD properties.

''(7) TENANT LEASES.—This subsection shall not affect the terms or the enforceability of any contract or lease entered into with respect to any residential property before the date that such property becomes a qualified HUD property.

''(8) USE OF PROPERTY.—Property transferred under this subsection shall be used only for appropriate neighborhood revitalization efforts, including homeownership, rental units, commercial space, and parks, consistent with local zoning regulations, local building codes, and subdivision regulations and restrictions of record.

''(9) INAPPLICABILITY TO PROPERTIES MADE AVAILABLE FOR HOMELESS.—Notwithstanding any other provision of this subsection, this subsection shall not apply to any properties that the Secretary determines are to be made available for use by the homeless pursuant to subpart E of part 291 of title 24, Code of Federal Regulations, during the period that the properties are so available.

''(10) PROTECTION OF EXISTING CONTRACTS.—This subsection may not be construed to alter, affect, or annul any legally binding obligations entered into with respect to a qualified HUD property before the property becomes a qualified HUD property.

''(11) DEFINITIONS.—For purposes of this subsection, the following definitions shall apply:

''(A) COMMUNITY DEVELOPMENT CORPORATION.—The term 'community development corporation' means a nonprofit organization whose primary purpose is to promote community development by providing housing opportunities for low-income families.

''(B) COST RECOVERY BASIS.—The term 'cost recovery basis' means, with respect to any sale of a residential property by the Secretary, that the purchase price paid by the purchaser is equal to or greater than the sum of (i) the appraised value of the property, as determined in accordance with such requirements as the Secretary shall establish, and (ii) the costs incurred by the Secretary in connection with such property during the period beginning on the date on which the Secretary acquires title to the property and ending on the date on which the sale is consummated.

''(C) MULTIFAMILY HOUSING PROJECT.—The term 'multifamily housing project' has the meaning given the term in section 203 of the Housing and Community Development Amendments of 1978.

''(D) RESIDENTIAL PROPERTY.—The term 'residential property' means a property that is a multifamily housing project or a single family property.

''(E) SECRETARY.—The term 'Secretary' means the Secretary of Housing and Urban Development.

''(F) SEVERE PHYSICAL PROBLEMS.—The term 'severe physical problems' means, with respect to a dwelling unit, that the unit—

''(i) lacks hot or cold piped water, a flush toilet, or both a bathtub and a shower in the unit, for the exclusive use of that unit;

''(ii) on not less than three separate occasions during the preceding winter months, was uncomfortably cold for a period of more than 6 consecutive hours due to a malfunction of the heating system for the unit;

''(iii) has no functioning electrical service, exposed wiring, any room in which there is not a functioning electrical outlet, or has experienced three or more blown fuses or tripped circuit breakers during the preceding 90-day period;

''(iv) is accessible through a public hallway in which there are no working light fixtures, loose or missing steps or railings, and no elevator; or

''(v) has severe maintenance problems, including water leaks involving the roof, windows, doors, basement, or pipes or plumbing fixtures, holes or open cracks in walls or ceilings, severe paint peeling or broken plaster, and signs of rodent infestation.

''(G) SINGLE FAMILY PROPERTY.—The term 'single family property' means a 1- to 4-family residence.

''(H) SUBSTANDARD.—The term 'substandard' means, with respect to a multifamily housing project, that 25 percent or more of the dwelling units in the project have severe physical problems.

''(I) UNIT OF GENERAL LOCAL GOVERNMENT.—The term 'unit of general local government' has the meaning given such term in section 102(a) of the Housing and Community Development Act of 1974.

''(J) UNOCCUPIED.—The term 'unoccupied' means, with respect to a residential property, that the unit of general local government having jurisdiction over the area in which the project is located has certified in writing that the property is not inhabited.

''(12) REGULATIONS.—

''(A) INTERIM.—Not later than 30 days after the date of the enactment of this subsection, the Secretary shall issue such interim regulations as are necessary to carry out this subsection.

''(B) FINAL.—Not later than 60 days after the date of the enactment of this subsection, the Secretary shall issue such final regulations as are necessary to carry out this subsection.''.

SEC. 502. TRANSFER OF HUD ASSETS IN REVITALIZATION AREAS.

In carrying out the program under section 204(h) of the National Housing Act (12 U.S.C. 1710(h)), upon the request of the chief executive officer of a county or the government of appropriate jurisdiction and not later than 60 days after such request is made, the Secretary of Housing and Urban Development shall designate as a revitalization area all portions of such county that meet the criteria for such designation under paragraph (3) of such section.

SEC. 503. RISK-SHARING DEMONSTRATION.

Section 249 of the National Housing Act (12 U.S.C. 1715z–14) is amended—

(1) by striking the section heading and inserting the following:

''RISK-SHARING DEMONSTRATION'';

(2) by striking ''reinsurance'' each place such term appears and insert ''risk-sharing'';

(3) in subsection (a)—

(A) in the first sentence, by inserting ''and insured community development financial institutions'' after ''private mortgage insurers'';

(B) in the second sentence—

(i) by striking ''two'' and inserting ''4''; and

(ii) by striking ''March 15, 1988'' and inserting ''the expiration of the 5-year period beginning on the date of the enactment of the American Community Renewal and New Markets Empowerment Act''; and

(C) in the last sentence, by striking ''10 percent'' and inserting ''20 percent'';

(4) in subsection (b)—

(A) in the first sentence, by inserting ''and with insured community development financial institutions'' before the period at the end;

(B) in the first sentence, by striking ''which have been determined to be qualified insurers under section 302(b)(2)(C)'';

(C) in the second sentence, by inserting ''and insured community development financial institutions'' after ''private mortgage insurance companies'';

(D) by striking paragraph (1) and inserting the following new paragraph:

''(1) assume the first loss on any mortgage insured pursuant to section 203(b), 234, or 245 that covers a one- to four-family dwelling and is included in the program under this section, up to the percentage of loss that is set forth in the risk-sharing contract;''; and

(E) in paragraph (2)—

(i) by striking ''carry out (under appropriate delegation) such'' and inserting ''delegate underwriting,''; and

(ii) by striking ''function'' and inserting ''functions'';

(5) in subsection (c)—

(A) in the first sentence—

(i) by striking ''of'' the first place it appears and insert ''for'';

(ii) by striking ''insurance reserves'' and inserting ''loss reserves''; and

(iii) by striking ''such insurance'' and inserting ''such reserves''; and

(B) in the second sentence, by inserting ''or insured community development financial institution'' after ''private mortgage insurance company'';

(6) in subsection (d), by inserting ''or insured community development financial institution'' after ''private mortgage insurance company''; and

(7) by adding at the end the following new subsection:

''(e) INSURED COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS.—For purposes of this section, the term 'insured community development financial institution' means a community development financial institution, as such term is defined in section 103 of Reigle Community Development and Regulatory Improvement Act of 1994 (12 U.S.C. 4702) that is an insured depository institution (as such term is defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813)) or an insured credit union (as such term is defined in section 101 of the Federal Credit Union Act (12 U.S.C. 1752)).''.

TITLE VI—AMERICA'S PRIVATE INVESTMENT COMPANIES

SEC. 601. SHORT TITLE.

This title may be cited as the ''America's Private Investment Companies Act''.

SEC. 602. FINDINGS AND PURPOSES.

(a) FINDINGS.—The Congress finds that—

(1) people living in distressed areas, both urban and rural, that are characterized by high levels of joblessness, poverty, and low incomes have not benefited adequately from the economic expansion experienced by the Nation as a whole;

(2) unequal access to economic opportunities continues to make the social costs of joblessness and poverty to our Nation very high; and

(3) there are significant untapped markets in our Nation, and many of these are in areas that are underserved by institutions that can make equity and credit investments.

(b) PURPOSES.—The purposes of this title are to—

(1) license private for profit community development entities that will focus on making equity and credit investments for large-scale business developments that benefit low-income communities;

(2) provide credit enhancement for those entities for use in low-income communities; and

(3) provide a vehicle under which the economic and social returns on financial investments made pursuant to this title may be available both to the investors in these entities and to the residents of the low-income communities.

SEC. 603. DEFINITIONS.

As used in this title:

(1) ADMINISTRATOR.—The term ''Administrator'' means the Administrator of the Small Business Administration.

(2) AGENCY.—The term ''agency'' has the meaning given such term in section 551(1) of title 5, United States Code.

(3) APIC.—The term ''APIC'' means a business entity that has been licensed under the terms of this title as an America's Private Investment Company, and the license of which has not been revoked.

(4) COMMUNITY DEVELOPMENT ENTITY.—The term ''community development entity'' means an entity the primary mission of which is serving or providing investment capital for low-income communities or low-income persons and which maintains accountability to residents of low-income communities.

(5) HUD.—The term ''HUD'' means the Secretary of Housing and Urban Development or the Department of Housing and Urban Development, as the context requires.

(6) LICENSE.—The term ''license'' means a license issued by HUD as provided in section 604.

(7) LOW-INCOME COMMUNITY.—The term ''low-income community'' means—

(A) a census tract or tracts that have—

(i) a poverty rate of 20 percent or greater, based on the most recent census data; or

(ii) a median family income that does not exceed 80 percent of the greater of (I) the median family income for the metropolitan area in which such census tract or tracts are located, or (II) the median family income for the State in which such census tract or tracts are located; or

(B) a property that was located on a military installation that was closed or realigned pursuant to title II of the Defense Authorization Amendments and Base Closure and Realignment Act (Public Law 100–526; 10 U.S.C. 2687 note), the Defense Base Closure and Realignment Act of 1990 (part A of title XXIX of Public Law 101–510; 10 U.S.C. 2687 note), section 2687 of title 10, United States Code, or any other similar law enacted after the date of the enactment of this Act that provides for closure or realignment of military installations.

(8) LOW-INCOME PERSON.—The term ''low-income person'' means a person who is a member of a low-income family, as such term is defined in section 104 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12704).

(9) PRIVATE EQUITY CAPITAL.—

(A) IN GENERAL.—The term ''private equity capital''—

(i) in the case of a corporate entity, the paid-in capital and paid-in surplus of the corporate entity;

(ii) in the case of a partnership entity, the contributed capital of the partners of the partnership entity;

(iii) in the case of a limited liability company entity, the equity investment of the members of the limited liability company entity; and

(iv) earnings from investments of the entity that are not distributed to investors and are available for reinvestment by the entity.

(B) EXCLUSIONS.—Such term does not include any—

(i) funds borrowed by an entity from any source or obtained through the issuance of leverage; except that this clause may not be construed to exclude amounts evidenced by a legally binding and irrevocable investment commitment in the entity, or the use by an entity of a pledge of such investment commitment to obtain bridge financing from a private lender to fund the entity's activities on an interim basis; or

(ii) funds obtained directly or indirectly from any Federal, State, or local government or any government agency, except for—

(I) funds invested by an employee welfare benefit plan or pension plan; and

(II) credits against any Federal, State, or local taxes.

(10) QUALIFIED ACTIVE BUSINESS.—The term ''qualified active business'' means a business or trade—

(A) that, at the time that an investment is made in the business or trade, is deriving at least 50 percent of its gross income from the conduct of trade or business activities in low-income communities;

(B) a substantial portion of the use of the tangible property of which is used within low-income communities;

(C) a substantial portion of the services that the employees of which perform are performed in low-income communities; and

(D) less than 5 percent of the aggregate unadjusted bases of the property of which is attributable to certain financial property, as the Secretary shall set forth in regulations, or in collectibles, other than collectibles held primarily for sale to customers.

(11) QUALIFIED DEBENTURE.—The term ''qualified debenture'' means a debt instrument having terms that meet the requirements established pursuant to section 606(c)(1).

(12) QUALIFIED LOW-INCOME COMMUNITY INVESTMENT.—The term ''qualified low-income community investment'' mean an equity investment in, or a loan to, a qualified active business.

(13) SECRETARY.—The term ''Secretary'' means the Secretary of Housing and Urban Development, unless otherwise specified in this title.

SEC. 604. AUTHORIZATION.

(a) LICENSES.—The Secretary is authorized to license community development entities as America's Private Investment Companies, in accordance with the terms of this title.

(b) REGULATIONS.—The Secretary shall regulate APICs for compliance with sound financial management practices, and the program and procedural goals of this title and other related Acts, and other purposes as required or authorized by this title, or determined by the Secretary. The Secretary shall issue such regulations as are necessary to carry out the licensing and regulatory and other duties under this title, and may issue notices and other guidance or directives as the Secretary determines are appropriate to carry out such duties.

(c) USE OF CREDIT SUBSIDY FOR LICENSES.—

(1) NUMBER OF LICENSES.—The number of APICs licensed at any one time may not exceed—

(A) the number that may be supported by the amount of budget authority appropriated in accordance with section 504(b) of the Federal Credit Reform Act of 1990 (2 U.S.C. 661c) for the cost (as such term is defined in section 502 of such Act) of the subsidy and the investment strategies of such APICs; or

(B) to the extent the limitation under section 605(e)(1) applies, the number authorized under such section.

(2) USE OF ADDITIONAL CREDIT SUBSIDY.—Subject to the limitation under paragraph (1), the Secretary may use any budget authority available after credit subsidy has been allocated for the APICs initially licensed pursuant to section 605 as follows:

(A) ADDITIONAL LICENSES.—To license additional APICs.

(B) CREDIT SUBSIDY INCREASES.—To increase the credit subsidy allocated to an APIC as an award for high performance under this title, except that such increases may be made only in accordance with the following requirements and limitations:

(i) TIMING.—An increase may only be provided for an APIC that has been licensed for a period of not less than 2 years.

(ii) COMPETITION.—An increase may only be provided for a fiscal year pursuant to a competition for such fiscal year among APICs eligible for, and requesting, such an increase. The competition shall be based upon criteria that the Secretary shall establish, which shall include the financial soundness and performance of the APICs, as measured by achievement of the public performance goals included in the APICs statements required under section 605(a)(6) and audits conducted under section 609(b)(2). Among the criteria established by the Secretary to determine priority for selection under this section, the Secretary shall include making investments in and loans to qualified active businesses in urban or rural areas that have been designated under subchapter U of Chapter 1 of the Internal Revenue Code of 1986 as empowerment zones or enterprise communities.

(d) COOPERATION AND COORDINATION.—

(1) PROGRAM POLICIES.—The Secretary is authorized to coordinate and cooperate, through memoranda of understanding, an APIC liaison committee, or otherwise, with the Administrator, the Secretary of the Treasury, and other agencies in the discretion of the Secretary, on implementation of this title, including regulation, examination, and monitoring of APICs under this title.

(2) FINANCIAL SOUNDNESS REQUIREMENTS.—The Secretary shall consult with the Administrator and the Secretary of the Treasury, and may consult with such other heads of agencies as the Secretary may consider appropriate, in establishing any regulations, requirements, guidelines, or standards for financial soundness or management practices of APICs or entities applying for licensing as APICs. In implementing and monitoring compliance with any such regulations, requirements, guidelines, and standards, the Secretary shall enter into such agreements and memoranda of understanding with the Administrator and the Secretary of the Treasury as may be appropriate to provide for such officials to provide any assistance that may be agreed to.

(3) OPERATIONS.—The Secretary may carry out this title—

(A) directly, through agreements with other Federal entities under section 1535 of title 31, United States Code, or otherwise, or

(B) indirectly, under contracts or agreements, as the Secretary shall determine.

(e) FEES AND CHARGES FOR ADMINISTRATIVE COSTS.—To the extent provided in appropriations Acts, the Secretary is authorized to impose fees and charges for application, review, licensing, and regulation, or other actions under this title, and to pay for the costs of such activities from the fees and charges collected.

(f) GUARANTEE FEES.—The Secretary is authorized to set and collect fees for loan guarantee commitments and loan guarantees that the Secretary makes under this title.

(g) FUNDING.—

(1) AUTHORIZATION OF APPROPRIATIONS FOR LOAN GUARANTEE COMMITMENTS.—For each of fiscal years 2000, 2001, 2002, 2003, and 2004, there is authorized to be appropriated up to $36,000,000 for the cost (as such term is defined in section 502(5) of the Federal Credit Reform Act of 1990) of annual loan guarantee commitments under this title. Amounts appropriated under this paragraph shall remain available until expended.

(2) AGGREGATE LOAN GUARANTEE COMMITMENT LIMITATION.—The Secretary may make commitments to guarantee loans only to the extent that the total loan principal, any part of which is guaranteed, will not exceed $1,000,000,000, unless another such amount is specified in appropriation Acts for any fiscal year.

(3) AUTHORIZATION OF APPROPRIATIONS FOR ADMINISTRATIVE EXPENSES.—For each of the fiscal years 2000, 2001, 2002, 2003, and 2004, there is authorized to be appropriated $1,000,000 for administrative expenses for carrying out this title. The Secretary may transfer amounts appropriated under this paragraph to any appropriation account of HUD or another agency, to carry out the program under this title. Any agency to which the Secretary may transfer amounts under this title is authorized to accept such transferred amounts in any appropriation account of such agency.

SEC. 605. SELECTION OF APICS.

(a) ELIGIBLE APPLICANTS.—An entity shall be eligible to be selected for licensing under section 604 as an APIC only if the entity submits an application in compliance with the requirements established pursuant to subsection (b) and the entity meets or complies with the following requirements:

(1) ORGANIZATION.—The entity shall be a private, for-profit entity that qualifies as a community development entity for the purposes of the New Markets Tax Credits, to the extent such credits are established under Federal law.

(2) MINIMUM PRIVATE EQUITY CAPITAL.—The amount of private equity capital reasonably available to the entity, as determined by the Secretary, at the time that a license is approved may not be less than $25,000,000.

(3) QUALIFIED MANAGEMENT.—The management of the entity shall, in the determination of the Secretary, meet such standards as the Secretary shall establish to ensure that the management of the APIC is qualified, and has the financial expertise, knowledge, experience, and capability necessary, to make investments for community and economic development in low-income communities.

(4) CONFLICT OF INTEREST.—The entity shall demonstrate that, in accordance with sound financial management practices, the entity is structured to preclude financial conflict of interest between the APIC and a manager or investor.

(5) INVESTMENT STRATEGY.—The entity shall prepare and submit to the Secretary an investment strategy that includes benchmarks for evaluation of its progress, that includes an analysis of existing locally owned businesses in the communities in which the investments under the strategy will be made, that prioritizes such businesses for investment opportunities, and that fulfills the specific public purpose goals of the entity.

(6) STATEMENT OF PUBLIC PURPOSE GOALS.—The entity shall prepare and submit to the Secretary a statement of the public purpose goals of the entity, which shall—

(A) set forth goals that shall promote community and economic development, which shall include—

(i) making investments in low-income communities that further economic development objectives by targeting such investments in businesses or trades that comply with the requirements under subparagraphs (A) through (C) of section 603(10) relating to low-income communities in a manner that benefits low-income persons;

(ii) creating jobs in low-income communities for residents of such communities;

(iii) involving community-based organizations and residents in community development activities;

(iv) such other goals as the Secretary shall specify; and

(v) such elements as the entity may set forth to achieve specific public purpose goals;

(B) include such other elements as the Secretary shall specify; and

(C) include proposed measurements and strategies for meeting the goals.

(7) COMPLIANCE WITH LAWS.—The entity shall agree to comply with applicable laws, including Federal executive orders, Office of Management and Budget circulars, and requirements of the Department of the Treasury, and such operating and regulatory requirements as the Secretary may impose from time to time.

(8) OTHER.—The entity shall satisfy any other application requirements that the Secretary may impose by regulation or Federal Register notice.

(b) COMPETITIONS.—The Secretary shall select eligible entities under subsection (a) to be licensed under section 604 as APICs on the basis of competitions. The Secretary shall announce each such competition by causing a notice to be published in the Federal Register that invites applications for licenses and sets forth the requirements for application and such other terms of the competition not otherwise provided for, as determined by the Secretary.

(c) SELECTION.—In competitions under subsection (b), the Secretary shall select eligible entities under subsection (a) for licensing as APICs on the basis of—

(1) the extent to which the entity is expected to achieve the goals of this title by meeting or exceeding criteria established under subsection (d); and

(2) to the extent practicable and subject to the existence of approvable applications, ensuring geographical diversity among the applicants selected and diversity of APICs investment strategies, so that urban and rural communities are both served, in the determination of the Secretary, by the program under this title.

(d) SELECTION CRITERIA.—The Secretary shall establish selection criteria for competitions under subsection (b), which shall include the following criteria:

(1) CAPACITY.—

(A) MANAGEMENT.—The extent to which the entity's management has the quality, experience, and expertise to make and manage successful investments for community and economic development in low-income communities.

(B) STATE AND LOCAL COOPERATION.—The extent to which the entity demonstrates a capacity to cooperate with States or units of general local government and with community-based organizations and residents of low-income communities.

(2) INVESTMENT STRATEGY.—The quality of the entity's investment strategy submitted in accordance with subsection (a)(5) and the extent to which the investment strategy furthers the goals of this title pursuant to paragraph (3) of this subsection.

(3) PUBLIC PURPOSE GOALS.—With respect to the statement of public purpose goals of the entity submitted in accordance with subsection (a)(6), and the strategy and measurements included therein—

(A) the extent to which such goals promote community and economic development;

(B) the extent to which such goals provide for making qualified investments in low-income communities that further economic development objectives, such as—

(i) creating, within 2 years of the completion of the initial such investment, job opportunities, opportunities for ownership, and other economic opportunities within a low-income community, both short-term and of a longer duration;

(ii) improving the economic vitality of a low-income community, including stimulating other business development;

(iii) bringing new income into a low-income community and assisting in the revitalization of such community;

(iv) converting real property for the purpose of creating a site for business incubation and location, or business district revitalization;

(v) enhancing economic competition, including the advancement of technology;

(vi) rural development;

(vii) mitigating, rehabilitating, and reusing real property considered subject to the Solid Waste Disposal Act (42 U.S.C. 6901 et seq.; commonly referred to as the Resource Conservation and Recovery Act) or restoring coal mine-scarred land;

(viii) creation of local wealth through investments in employee stock ownership companies or resident-owned ventures; and

(ix) any other objective that the Secretary may establish to further the purposes of this title;

(C) the quality of jobs to be created for residents of low-income communities, taking into consideration such factors as the payment of higher wages, job security, employment benefits, opportunity for advancement, and personal asset building;

(D) the extent to which achievement of such goals will involve community-based organizations and residents in community development activities; and

(E) the extent to which the investments referred to in subparagraph (B) are likely to benefit existing small business in low-income communities or will encourage the growth of small business in such communities.

(4) OTHER.—Any other criteria that the Secretary may establish to carry out the purposes of this title.

(e) FIRST YEAR REQUIREMENTS.—

(1) NUMERICAL LIMITATION.—The number of APICs may not, at any time during the 1-year period that begins upon the Secretary awarding the first license for an APIC under this title, exceed 15.

(2) LIMITATION ON ALLOCATION OF AVAILABLE CREDIT SUBSIDY.—Of the amount of budget authority initially made available for allocation under this title for APICs, the amount allocated for any single APIC may not exceed 20 percent.

(3) NATIVE AMERICAN PRIVATE INVESTMENT COMPANY.—Subject only to the absence of an approvable application from an entity, during the 1-year period referred to in paragraph (1), of the entities selected and licensed by the Secretary as APICs, at least one shall be an entity that has as its primary purpose the making of qualified low-income community investments in areas that are within Indian country (as such term is defined in section 1151 of title 18, United States Code) or within lands that have status as Hawaiian home land under section 204 of the Hawaiian Homes Commission Act, 1920 (42 Stat. 108) or are acquired pursuant to such Act. The Secretary may establish specific selection criteria for applicants under this paragraph.

(f) COMMUNICATIONS BETWEEN HUD AND APPLICANTS.—

(1) IN GENERAL.—The Secretary shall set forth in regulations the procedures under which HUD and applicants for APIC licenses, and others, may communicate. Such regulations shall—

(A) specify by position the HUD officers and employees who may communicate with such applicants and others;

(B) permit HUD officers and employees to request and discuss with the applicant and others (such as banks or other credit or business references, or potential investors, that the applicant specifies in writing) any more detailed information that may be desirable to facilitate HUD's review of the applicant's application;

(C) restrict HUD officers and employees from revealing to any applicant—

(i) the fact or chances of award of a license to such applicant, unless there has been a public announcement of the results of the competition; and

(ii) any information with respect to any other applicant; and

(D) set forth requirements for making and keeping records of any communications conducted under this subsection, including requirements for making such records available to the public after the award of licenses under an initial or subsequent notice, as appropriate, under subsection (a).

(2) TIMING.—Regulations under this subsection may be issued as interim rules for effect on or before the date of publication of the first notice under subsection (a), and shall apply only with respect to applications under such notice. Regulations to implement this subsection with respect to any notice after the first such notice shall be subject to notice and comment rulemaking.

(3) INAPPLICABILITY OF DEPARTMENT OF HUD ACT PROVISION.—Section 12(e)(2) of the Department of Housing and Urban Development Act (42 U.S.C. 3537a(e)(2)) is amended by inserting before the period at the end the following: ''or any license provided under the America's Private Investment Companies Act''.

SEC. 606. OPERATIONS OF APICS.

(a) POWERS AND AUTHORITIES.—

(1) IN GENERAL.—An APIC shall have any powers or authorities that—

(A) the APIC derives from the jurisdiction in which it is organized, or that the APIC otherwise has;

(B) may be conferred by a license under this title; and

(C) the Secretary may prescribe by regulation.

(2) NEW MARKET ASSISTANCE.—Nothing in this title shall preclude an APIC or its investors from receiving an allocation of New Market Tax Credits (to the extent such credits are established under Federal law) if the APIC satisfies any applicable terms and conditions under the Internal Revenue Code of 1986.

(b) INVESTMENT LIMITATIONS.—

(1) QUALIFIED LOW-INCOME COMMUNITY INVESTMENTS.—Substantially all investments that an APIC makes shall be qualified low-income community investments if the investments are financed with—

(A) amounts available from the proceeds of the issuance of an APIC's qualified debenture guaranteed under this title;

(B) proceeds of the sale of obligations described under subsection (c)(3)(C)(iii); or

(C) the use of private equity capital, as determined by the Secretary, in an amount specified in the APIC's license.

(2) SINGLE BUSINESS INVESTMENTS.—An APIC shall not, as a matter of sound financial practice, invest in any one business an amount that exceeds an amount equal to 35 percent of the sum of—

(A) the APIC's private equity capital; plus

(B) an amount equal to the percentage limit that the Secretary determines that an APIC may have outstanding at any one time, under subsection (c)(2)(A).

(c) BORROWING POWERS; QUALIFIED DEBENTURES.—

(1) ISSUANCE.—An APIC may issue qualified debentures. The Secretary shall, by regulation, specify the terms and requirements for debentures to be considered qualified debentures for purposes of this title, except that the term to maturity of any qualified debenture may not exceed 21 years and each qualified debenture shall bear interest during all or any part of that time period at a rate or rates approved by the Secretary.

(2) LEVERAGE LIMITS.—In general, as a matter of sound financial management practices—

(A) the total amount of qualified debentures that an APIC issues under this title that an APIC may have outstanding at any one time shall not exceed an amount equal to 200 percent of the private equity capital of the APIC, as determined by the Secretary; and

(B) an APIC shall not have more than $300,000,000 in face value of qualified debentures issued under this title outstanding at any one time.

(3) REPAYMENT.—

(A) CONDITION OF BUSINESS WIND-UP.—An APIC shall have repaid, or have otherwise been relieved of indebtedness, with respect to any interest or principal amounts of borrowings under this subsection no less than 2 years before the APIC may dissolve or otherwise complete the wind-up of its business.

(B) TIMING.—An APIC may repay any interest or principal amounts of borrowings under this subsection at any time: *Provided*, That the repayment of such amounts shall not relieve an APIC of any duty otherwise applicable to the APIC under this title, unless the Secretary orders such relief.

(C) USE OF INVESTMENT PROCEEDS BEFORE REPAYMENT.—Until an APIC has repaid all interest and principal amounts on APIC borrowings under this subsection, an APIC may use the proceeds of investments, in accordance with regulations issued by the Secretary, only to—

(i) pay for proper costs and expenses the APIC incurs in connection with such investments;

(ii) pay for the reasonable administrative expenses of the APIC;

(iii) purchase Treasury securities;

(iv) repay interest and principal amounts on APIC borrowings under this subsection;

(v) make interest, dividend, or other distributions to or on behalf of an investor; or

(vi) undertake such other purposes as the Secretary may approve.

(D) USE OF INVESTMENT PROCEEDS AFTER REPAYMENT.—After an APIC has repaid all interest and principal amounts on APIC borrowings under this subsection, and subject to continuing compliance with subsection (a), the APIC may use the proceeds from investments to make interest, dividend, or other distributions to or on behalf of investors in the nature of returns on capital, or the withdrawal of private equity capital, without regard to subparagraph (C) but in conformity with the APIC's investment strategy and statement of public purpose goals.

(d) REUSE OF QUALIFIED DEBENTURE PROCEEDS.—An APIC may use the proceeds of sale of Treasury securities purchased under subsection (c)(3)(C)(iii) to make qualified low-income community investments, subject to the Secretary's approval. In making the request for the Secretary's approval, the APIC shall follow the procedures applicable to an APIC's request for HUD guarantee action, as the Secretary may modify such procedures for implementation of this subsection. Such procedures shall include the description and certifications that an APIC must include in all requests for guarantee action, and the environmental certification applicable to initial expenditures for a project or activity.

(e) ANTIPIRATING.—Notwithstanding any other provision of law, an APIC may not use any private equity capital required to be contributed under this title, or the proceeds from the sale of any qualified debenture under this title, to make an investment, as determined by the Secretary, to assist directly in the relocation of any industrial or commercial plant, facility, or operation, from 1 area to another area, if the relocation is likely to result in a significant loss of employment in the labor market area from which the relocation occurs.

(f) EXCLUSION OF APIC FROM DEFINITION OF DEBTOR UNDER BANKRUPTCY PROVISIONS.—Section 109(b)(2) of title 11, United States Code, is amended by inserting before ''credit union'' the following: ''America's Private Investment Company licensed under the America's Private Investment Companies Act,''.

SEC. 607. CREDIT ENHANCEMENT BY THE FEDERAL GOVERNMENT.

(a) ISSUANCE AND GUARANTEE OF QUALIFIED DEBENTURES.—

(1) AUTHORITY.—To the extent consistent with the Federal Credit Reform Act of 1990, the Secretary is authorized to make commitments to guarantee and guarantee the timely payment of all principal and interest as scheduled on qualified debentures issued by APICs. Such commitments and guarantees may only be made in accordance with the terms and conditions established under paragraph (2).

(2) TERMS AND CONDITIONS.—The Secretary shall establish such terms and conditions as the Secretary determines to be appropriate for commitments and guarantees under this subsection, including terms and conditions relating to amounts, expiration, number, priorities of repayment, security, collateral, amortization, payment of interest (including the timing thereof), and fees and charges. The terms and conditions applicable to any particular commitment or guarantee may be established in documents that the Secretary approves for such commitment or guarantee.

(3) SENIORITY.—Notwithstanding any other provision of Federal law or any law or the constitution of any State, qualified debentures guaranteed under this subsection by the Secretary shall be senior to any other debt obligation, equity contribution or earnings, or the distribution of dividends, interest, or other amounts, of an APIC.

(b) ISSUANCE OF TRUST CERTIFICATES.—The Secretary, or an agent or entity selected by the Secretary, is authorized to issue trust certificates representing ownership of all or a fractional part of guaranteed qualified debentures issued by APICs and held in trust.

(c) GUARANTEE OF TRUST CERTIFICATES.—

(1) IN GENERAL.—The Secretary is authorized, upon such terms and conditions as the Secretary determines to be appropriate, to guarantee the timely payment of the principal of and interest on trust certificates issued by the Secretary, or an agent or other entity, for purposes of this section. Such guarantee shall be limited to the extent of principal and interest on the guaranteed qualified debentures which compose the trust.

(2) SUBSTITUTION OPTION.—The Secretary shall have the option to replace in the corpus of the trust any prepaid or defaulted qualified debenture with a debenture, another full faith and credit instrument, or any obligations of the United States, that may reasonably substitute for such prepaid or defaulted qualified debenture.

(3) PROPORTIONATE REDUCTION OPTION.—In the event that the Secretary elects not to exercise the option under paragraph (2), and a qualified debenture in such trust is prepaid, or in the event of default of a qualified debenture, the guarantee of timely payment of principal and interest on the trust certificate shall be reduced in proportion to the amount of principal and interest that such prepaid qualified debenture represents in the trust. Interest on prepaid or defaulted qualified debentures shall accrue and be guaranteed by the Secretary only through the date of payment of the guarantee. During the term of a trust certificate, it may be called for redemption due to prepayment or default of all qualified debentures that are in the corpus of the trust.

(d) FULL FAITH AND CREDIT BACKING OF GUARANTEES.—The full faith and credit of the United States is pledged to the timely payment of all amounts which may be required to be paid under any guarantee by the Secretary pursuant to this section.

(e) SUBROGATION AND LIENS.—

(1) SUBROGATION.—In the event the Secretary pays a claim under a guarantee issued under this section, the Secretary shall be subrogated fully to the rights satisfied by such payment.

(2) PRIORITY OF LIENS.—No State or local law, and no Federal law, shall preclude or limit the exercise by the Secretary of its ownership rights in the debentures in the corpus of a trust under this section.

(f) REGISTRATION.—

(1) IN GENERAL.—The Secretary shall provide for a central registration of all trust certificates issued pursuant to this section.

(2) AGENTS.—The Secretary may contract with an agent or agents to carry out on behalf of the Secretary the pooling and the central registration functions of this section notwithstanding any other provision of law, including maintenance on behalf of and under the direction of the Secretary, such commercial bank accounts or investments in obligations of the United States as may be necessary to facilitate trusts backed by qualified debentures guaranteed under this title and the issuance of trust certificates to facilitate formation of the corpus of the trusts. The Secretary may require such agent or agents to provide a fidelity bond or insurance in such amounts as the Secretary determines to be necessary to protect the interests of the Government.

(3) FORM.—Book-entry or other electronic forms of registration for trust certificates under this title are authorized.

(g) TIMING OF ISSUANCE OF GUARANTEES OF QUALIFIED DEBENTURES AND TRUST CERTIFICATES.—The Secretary may, from time to time in the Secretary's discretion, exercise the authority to issue guarantees of qualified debentures under this title or trust certificates under this title.

SEC. 608. APIC REQUESTS FOR GUARANTEE ACTIONS.

(a) IN GENERAL.—The Secretary may issue a guarantee under this title for a qualified debenture that an APIC intends to issue only pursuant to a request to the Secretary by the APIC for such guarantee that is made in accordance with regulations governing the content and procedures for such requests, that the Secretary shall prescribe. Such regulations shall provide that each such request shall include—

(1) a description of the manner in which the APIC intends to use the proceeds from the qualified debenture;

(2) a certification by the APIC that the APIC is in substantial compliance with—

(A) this title and other applicable laws, including any requirements established under this title by the Secretary;

(B) all terms and conditions of its license, any cease-and-desist order issued under section 610, and of any penalty or condition that may have arisen from examination or monitoring by the Secretary or otherwise, including the satisfaction of any financial audit exception that may have been outstanding; and

(C) all requirements relating to the allocation and use of New Markets Tax Credits, to the extent such credits are established under Federal law; and

(3) any other information or certification that the Secretary considers appropriate.

(b) REQUESTS FOR GUARANTEE OF QUALIFIED DEBENTURES THAT INCLUDE FUNDING FOR INITIAL EXPENDITURE FOR A PROJECT OR ACTIVITY.—In addition to the description and certification that an APIC is required to supply in all requests for guarantee action under subsection (a), in the case of an APIC's request for a guarantee that includes a qualified debenture, the proceeds of which the APIC expects to be used as its initial expenditure for a project or activity in which the APIC intends to invest, and the expenditure for which would require an environmental assessment under the National Environmental Policy Act of 1969 and other related laws that further the purposes of such Act, such request for guarantee action shall include evidence satisfactory to the Secretary of the certification of the completion of environmental review of the project or activity required of the cognizant State or local government under subsection (c). If the environmental review responsibility for the project or activity has not been assumed by a State or local government under subsection (c), then the Secretary shall be responsible for carrying out the applicable responsibilities under the National Environmental Policy Act of 1969 and other provisions of law that further the purposes of such Act that relate to the project or activity, and the Secretary shall execute such responsibilities before acting on the APIC's request for the guarantee that is covered by this subsection.

(c) RESPONSIBILITY FOR ENVIRONMENTAL REVIEWS.—

(1) EXECUTION OF RESPONSIBILITY BY THE SECRETARY.—This subsection shall apply to guarantees by the Secretary of qualified debentures under this title, the proceeds of which would be used in connection with qualified low-income community investments of APICs under this title.

(2) ASSUMPTION OF RESPONSIBILITY BY COGNIZANT UNIT OF GENERAL GOVERNMENT.—

(A) GUARANTEE OF QUALIFIED DEBENTURES.—In order to assure that the policies of the National Environmental Policy Act of 1969 and other provisions of law that further the purposes of such Act (as specified in regulations issued by the Secretary) are most effectively implemented in connection with the expenditure of funds under this title, and to assure to the public undiminished protection of the environment, the Secretary may, under such regulations, in lieu of the environmental protection procedures otherwise applicable, provide for the guarantee of qualified debentures, any part of the proceeds of which are to fund particular qualified low-income community investments of APICs under this title, if a State or unit of general local government, as designated by the Secretary in accordance with regulations issued by the Secretary, assumes all of the responsibilities for environmental review, decisionmaking, and action pursuant to the National Environmental Policy Act of 1969 and such other provisions of law that further such Act as the regulations of the Secretary specify, that would otherwise apply to the Secretary were the Secretary to undertake the funding of such investments as a Federal action.

(B) IMPLEMENTATION.—The Secretary shall issue regulations to carry out this subsection only after consultation with the Council on Environmental Quality. Such regulations shall—

(i) specify any other provisions of law which further the purposes of the National Environmental Policy Act of 1969 and to which the assumption of responsibility as provided in this subsection applies;

(ii) provide eligibility criteria and procedures for the designation of a State or unit of general local government to assume all of the responsibilities in this subsection;

(iii) specify the purposes for which funds may be committed without regard to the procedure established under paragraph (3);

(iv) provide for monitoring of the performance of environmental reviews under this subsection;

(v) in the discretion of the Secretary, provide for the provision or facilitation of training for such performance; and

(vi) subject to the discretion of the Secretary, provide for suspension or termination by the Secretary of the assumption under subparagraph (A).

(C) RESPONSIBILITIES OF STATES AND UNITS OF GENERAL LOCAL GOVERNMENT.—The Secretary's duty under subparagraph (B) shall not be construed to limit any responsibility assumed by a State or unit of general local government with respect to any particular request for guarantee under subparagraph (A), or the use of funds for a qualified investment.

(3) PROCEDURE.—Subject to compliance by the APIC with the requirements of this title, the Secretary shall approve the request for guarantee of a qualified debenture, any part of the proceeds of which is to fund particular qualified low-income community investments of an APIC under this title, that is subject to the procedures authorized by this subsection only if, not less than 15 days prior to such approval and prior to any commitment of funds to such investment (except for such purposes specified in the regulations issued under paragraph (2)(B)), the APIC submits to the Secretary a request for guarantee of a qualified debenture that is accompanied by evidence of a certification of the State or unit of general local government which meets the requirements of paragraph (4). The approval by the Secretary of any such certification shall be deemed to satisfy the Secretary's responsibilities pursuant to paragraph (1) under the National Environmental Policy Act of 1969 and such other provisions of law as the regulations of the Secretary specify insofar as those responsibilities relate to the guarantees of qualified debentures, any parts of the proceeds of which are to fund such investments, which are covered by such certification.

(4) CERTIFICATION.—A certification under the procedures authorized by this subsection shall—

(A) be in a form acceptable to the Secretary;

(B) be executed by the chief executive officer or other officer of the State or unit of general local government who qualifies under regulations of the Secretary;

(C) specify that the State or unit of general local government under this subsection has fully carried out its responsibilities as described under paragraph (2); and

(D) specify that the certifying officer—

(i) consents to assume the status of a responsible Federal official under the National Environmental Policy Act of 1969 and each provision of law specified in regulations issued by the Secretary insofar as the provisions of such Act or other such provision of law apply pursuant to paragraph (2); and

(ii) is authorized and consents on behalf of the State or unit of general local government and himself or herself to accept the jurisdiction of the Federal courts for the purpose of enforcement of the responsibilities as such an official.

SEC. 609. EXAMINATION AND MONITORING OF APICS.

(a) IN GENERAL.—The Secretary shall, under regulations, through audits, performance agreements, license conditions, or otherwise, examine and monitor the operations and activities of APICs for compliance with sound financial management practices, and for satisfaction of the program and procedural goals of this title and other related Acts. The Secretary may undertake any responsibility under this section in cooperation with an APIC liaison committee, or any agency that is a member of such a committee, or other agency.

(b) MONITORING, UPDATING, AND PROGRAM REVIEW.—

(1) REPORTING AND UPDATING.—The Secretary shall establish such annual or more frequent reporting requirements for APICs, and such requirements for the updating of the statement of public purpose goals, investment strategy (including the benchmarks in such strategy), and other documents that may have been used in the license application process under this title, as the Secretary determines necessary to assist the Secretary in monitoring the compliance and performance of APICs.

(2) ANNUAL AUDITS.—The Secretary shall require each APIC to have an independent audit conducted annually of the operations of the APIC. The Secretary, in consultation with the Administrator and the Secretary of the Treasury, shall establish requirements and standards for such audits, including requirements that such audits be conducted in accordance with generally accepted accounting principles, that the APIC submit the results of the audit to Secretary, and that specify the information to be submitted.

(3) EXAMINATIONS.—The Secretary shall, no less often than once every 2 years, examine the operations and portfolio of each APIC licensed under this title for compliance with sound financial management practices, and for compliance with this title.

(4) EXAMINATION STANDARDS.—

(A) SOUND FINANCIAL MANAGEMENT PRACTICES.—The Secretary shall examine each APIC to ensure, as a matter of sound financial management practices, substantial compliance with this and other applicable laws, including Federal executive orders, Department of Treasury and Office of Management and Budget guidance, circulars, and application and licensing requirements on a continuing basis. The Secretary may, by regulation, establish any additional standards for sound financial management practices, including standards that address solvency and financial exposure.

(B) PERFORMANCE AND OTHER EXAMINATIONS.—The Secretary shall monitor each APIC's progress in meeting the goals in the APIC's statement of public purpose goals, executing the APIC's investment strategy, and other matters.

(c) INSPECTOR GENERAL RESPONSIBILITY.—In carrying out monitoring of HUD's responsibilities under this title and for purposes of ensuring that the program under this title is operated in accordance with sound financial management practices, the Inspector General of the Department of Housing and Urban Development shall consult with the Inspector General of the Department of the Treasury and the Inspector General of the Small Business Administration, as appropriate, and may enter into such agreements and memoranda of understanding as may be necessary to obtain the cooperation of the Inspectors General of the Department of the Treasury and the Small Business Administration in carrying out such function.

(d) ANNUAL REPORT BY SECRETARY.—The Secretary shall submit a report to the Congress annually regarding the operations, activities, financial health, and achievements of the APIC program under this title. The report shall list each investment made by an APIC and include a summary of the examinations conducted under subsection (b)(3), the guarantee actions of HUD, and any regulatory or policy actions taken by HUD. The report shall distinguish recently licensed APICs from APICs that have held licenses for a longer period for purposes of indicating program activities and performance.

(e) GAO REPORT.—

(1) REQUIREMENT.—Not later than 2 years after the date of the enactment of this Act, the Comptroller General of the United States shall submit a report to the Congress regarding the operation of the program under this title for licensing and guarantees for APICs.

(2) CONTENTS.—The report shall include—

(A) an analysis of the operations and monitoring by HUD of the APIC program under this title;

(B) the administrative and capacity needs of HUD required to ensure the integrity of the program;

(C) the extent and adequacy of any credit subsidy appropriated for the program; and

(D) the management of financial risk and liability of the Federal Government under the program.

SEC. 610. PENALTIES.

(a) VIOLATIONS SUBJECT TO PENALTY.—The Secretary may impose a penalty under this subsection on any APIC or manager of an APIC that, by any act, practice, or failure to act, engages in fraud, mismanagement, or noncompliance with this title, the regulations under this title, or a condition of the APIC's license under this title. The Secretary shall, by regulation, identify, by generic description of a role or responsibilities, any manager of an APIC that is subject to a penalty under this section.

(b) PENALTIES REQUIRING NOTICE AND AN OPPORTUNITY TO RESPOND.—If, after notice in writing to an APIC or the manager of an APIC that the APIC or manager has engaged in any action, practice, or failure to act that, under subsection (a), is subject to a penalty, and after an opportunity for the APIC or manager to respond to the notice, the Secretary determines that the APIC or manager engaged in such action or failure to act, the Secretary may, in addition to other penalties imposed—

(1) assess a civil money penalty, except than any civil money penalty under this subsection shall be in an amount not exceeding $10,000;

(2) issue an order to cease and desist with respect to such action, practice, or failure to act of the APIC or manager;

(3) suspend, or condition the use of, the APIC's license, including deferring, for the period of the suspension, any commitment to guarantee any new qualified debenture of the APIC, except that any suspension or condition under this paragraph may not exceed 90 days; and

(4) impose any other penalty that the Secretary determines to be less burdensome to the APIC than a penalty under subsection (c).

(c) PENALTIES REQUIRING NOTICE AND HEARING.—If, after notice in writing to an APIC or the manager of an APIC that an APIC or manager has engaged in any action, practice, or failure to act that, under subsection (a), is subject to a penalty, and after an opportunity for administrative hearing, the Secretary determines that the APIC or manager engaged in such action or failure to act, the Secretary may—

(1) assess a civil money penalty against the APIC or a manager in any amount;

(2) require the APIC to divest any interest in an investment, on such terms and conditions as the Secretary may impose; or

(3) revoke the APIC's license.

(d) EFFECTIVE DATE OF PENALTIES.—

(1) PRIOR NOTICE REQUIREMENT.—Except as provided in paragraph (2) of this subsection, a penalty under subsection (b) or (c) shall not be due and payable and shall not otherwise take effect or be subject to enforcement by an order of a court, before notice of the penalty is published in the Federal Register.

(2) CEASE-AND-DESIST ORDERS AND SUSPENSION OR CONDITIONING OF LICENSE.—In the

case of a cease-and-desist order under subsection (b)(2) or the suspension or conditioning of an APIC's license under subsection (b)(3), the following procedures shall apply:

(A) ACTION WITHOUT PUBLISHED NOTICE.—The Secretary may order an APIC or manager to cease and desist from an action, practice, or failure to act or may suspend or condition an APIC's license, for not more than 45 days without prior publication of notice in the Federal Register, but such cease-and-desist order or suspension or conditioning shall take effect only after the Secretary has issued a written notice (which may include a writing in electronic form) of such action to the APIC. Notwithstanding subsection (b), such written notice shall be effective without regard to whether the APIC has been accorded an opportunity to respond. Upon such notice, such cease-and-desist order or suspension or conditioning shall be subject to enforcement by an order of a court.

(B) PUBLICATION OF NOTICE OF SUSPENSION OR CONDITIONING OF LICENSE.—Upon a suspension or conditioning of a license taking effect pursuant to subparagraph (A), the Secretary shall promptly cause a notice of suspension or conditioning of such license for a period of not more than 90 days to be published in the Federal Register. The Secretary shall provide the APIC an opportunity to respond to such notice. For purposes of the determining the duration of the period of any suspension or conditioning under this subparagraph, the first day of such period shall be the day of issuance of the written notice under this paragraph of the suspension or conditioning.

(C) REVOCATION OF LICENSE.—During the period of the suspension or conditioning of an APIC's license, the Secretary may take action under subsection (c)(3) to revoke the license of the APIC, in accordance with the procedures applicable to such subsection. Notwithstanding any other provision of this section, if the Secretary takes such action, the Secretary may extend the suspension or conditioning of the APIC's license, for one or more periods of not more than 90 days each, by causing notice of such action to be published in the Federal Register—

(i) for the first such extension, before the expiration of the period under subparagraph (B); and

(ii) for any subsequent extension, before the expiration of the preceding extension period under this subparagraph.

(D) TERM OF EFFECTIVENESS.—A cease-and-desist order or the suspension or conditioning of an APIC's license by the Secretary under this paragraph shall remain in effect in accordance with the terms of the order, suspension, or conditioning until final adjudication in any action undertaken to challenge the order, or the suspension or conditioning, or the revocation, of an APIC's license.

SEC. 611. EFFECTIVE DATE.

(a) IN GENERAL.—Except as provided in subsection (b), this title shall take effect upon the expiration of the 6-month period beginning on the date of the enactment of this Act.

(b) ISSUANCE OF REGULATIONS AND GUIDELINES.—Any authority under this title of the Secretary, the Administrator, and the Secretary of the Treasury to issue regulations, standards, guidelines, or licensing requirements, and any authority of such officials to consult or enter into agreements or memoranda of understanding regarding such issuance, shall take effect on the date of the enactment of this Act.

SEC. 612. SUNSET.

After the expiration of the 5-year period beginning upon the date that the Secretary awards the first license for an APIC under this title—

(1) the Secretary may not license any APIC; and

(2) no amount may be appropriated for the costs (as such term is defined in section 502 of the Federal Credit Reform Act of 1990 (2 U.S.C. 661c)) of any guarantee under this title for any debenture issued by an APIC.

This section may not be construed to prohibit, limit, or affect the award, allocation, or use of any budget authority for the costs of such guarantees that is appropriated before the expiration of such period.

TITLE VII—NEW MARKETS TAX CREDIT

SEC. 701. NEW MARKETS TAX CREDIT.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business-related credits), as amended by section 201(a), is amended by adding at the end the following new section:

"SEC. 45E. NEW MARKETS TAX CREDIT.

''(a) ALLOWANCE OF CREDIT.—

''(1) IN GENERAL.—For purposes of section 38, in the case of a taxpayer who holds a qualified equity investment on a credit allowance date of such investment which occurs during the taxable year, the new markets tax credit determined under this section for such taxable year is an amount equal to the applicable percentage of the amount paid to the qualified community development entity for such investment at its original issue.

''(2) APPLICABLE PERCENTAGE.—For purposes of paragraph (1), the applicable percentage is—

''(A) 5 percent with respect to the first 3 credit allowance dates, and

''(B) 6 percent with respect to the remainder of the credit allowance dates.

''(3) CREDIT ALLOWANCE DATE.—For purposes of paragraph (1), the term 'credit allowance date' means, with respect to any qualified equity investment—

''(A) the date on which such investment is initially made, and

''(B) each of the 6 anniversary dates of such date thereafter.

''(b) QUALIFIED EQUITY INVESTMENT.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified equity investment' means any equity investment in a qualified community development entity if—

''(A) such investment is acquired by the taxpayer at its original issue (directly or through an underwriter) solely in exchange for cash,

''(B) substantially all of the proceeds from such investment is used by the qualified community development entity to make qualified low-income community investments, and

''(C) such investment is designated for purposes of this section by the qualified community development entity.

Such term shall not include any equity investment issued by a qualified community development entity more than 5 years after the date that such entity receives an allocation under subsection (f). Any allocation not used within such 5-year period may be reallocated by the Secretary under subsection (f).

''(2) LIMITATION.—The maximum amount of equity investments issued by a qualified community development entity which may be designated under paragraph (1)(C) by such entity shall not exceed the portion of the limitation amount allocated under subsection (f) to such entity.

''(3) SAFE HARBOR FOR DETERMINING USE OF CASH.—The requirement of paragraph (1)(B) shall be treated as met if at least 85 percent of the aggregate gross assets of the qualified community development entity are invested in qualified low-income community investments.

''(4) TREATMENT OF SUBSEQUENT PURCHASERS.—The term 'qualified equity investment' includes any equity investment which would (but for paragraph (1)(A)) be a qualified equity investment in the hands of the taxpayer if such investment was a qualified equity investment in the hands of a prior holder.

''(5) REDEMPTIONS.—A rule similar to the rule of section 1202(c)(3) shall apply for purposes of this subsection.

''(6) EQUITY INVESTMENT.—The term 'equity investment' means—

''(A) any stock in a qualified community development entity which is a corporation, and

''(B) any capital interest in a qualified community development entity which is a partnership.

''(c) QUALIFIED COMMUNITY DEVELOPMENT ENTITY.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified community development entity' means any domestic corporation or partnership if—

''(A) the primary mission of the entity is serving, or providing investment capital for, low-income communities or low-income persons,

''(B) the entity maintains accountability to residents of low-income communities through representation on governing or advisory boards or otherwise, and

''(C) the entity is certified by the Secretary for purposes of this section as being a qualified community development entity.

''(2) SPECIAL RULES FOR CERTAIN ORGANIZATIONS.—The requirements of paragraph (1) shall be treated as met by—

''(A) any specialized small business investment company (as defined in section 1044(c)(3)), and

''(B) any community development financial institution (as defined in section 103 of the Community Development Banking and Financial Institutions Act of 1994 (12 U.S.C. 4702)).

''(d) QUALIFIED LOW-INCOME COMMUNITY INVESTMENTS.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified low-income community investment' means—

''(A) any equity investment in, or loan to, any qualified active low-income community business,

''(B) the purchase from another community development entity of any loan made by such entity which is a qualified low-income community investment if the amount received by such other entity from such purchase is used by such other entity to make qualified low-income community investments,

''(C) financial counseling and other services specified in regulations prescribed by the Secretary to businesses located in, and residents of, low-income communities, and

''(D) any equity investment in, or loan to, any qualified community development entity if substantially all of the investment or loan is used by such entity to make qualified low-income community investments described in subparagraphs (A), (B), and (C).

''(2) QUALIFIED ACTIVE LOW-INCOME COMMUNITY BUSINESS.—

''(A) IN GENERAL.—For purposes of paragraph (1), the term 'qualified active low-income community business' means, with respect to any taxable year, any corporation or partnership if for such year—

''(i) at least 50 percent of the total gross income of such entity is derived from the active conduct of a qualified business within any low-income community,

''(ii) a substantial portion of the use of the tangible property of such entity (whether owned or leased) is within any low-income community,

''(iii) a substantial portion of the services performed for such entity by its employees are performed in any low-income community, ''(iv) less than 5 percent of the average of the aggregate unadjusted bases of the property of such entity is attributable to collectibles (as defined in section 408(m)(2)) other than collectibles that are held primarily for sale to customers in the ordinary course of such business, and

''(v) less than 5 percent of the average of the aggregate unadjusted bases of the property of such entity is attributable to nonqualified financial property (as defined in section 1397C(e)).

''(B) PROPRIETORSHIP.—Such term shall include any business carried on by an individual as a proprietor if such business would meet the requirements of subparagraph (A) were it incorporated.

''(C) PORTIONS OF BUSINESS MAY BE QUALIFIED ACTIVE LOW-INCOME COMMUNITY BUSINESS.—The term 'qualified active low-income community business' includes any trades or businesses which would qualify as a qualified active low-income community business if such trades or businesses were separately incorporated.

''(3) QUALIFIED BUSINESS.—For purposes of this subsection, the term 'qualified business' has the meaning given to such term by section 1397C(d); except that—

''(A) in lieu of applying paragraph (2)(B) thereof, the rental to others of real property located in any low-income community shall be treated as a qualified business if there are substantial improvements located on such property,

''(B) paragraph (3) thereof shall not apply, and

''(C) such term shall not include any business if a significant portion of the equity interests in such business are held by any person who holds a significant portion of the equity investments in the community development entity.

''(e) LOW-INCOME COMMUNITY.—For purposes of this section—

''(1) IN GENERAL.—The term 'low-income community' means any population census tract if—

''(A) the poverty rate for such tract is at least 20 percent,

''(B)(i) in the case of a tract not located within a metropolitan area, the median family income for such tract does not exceed 80 percent of statewide median family income, or

''(ii) in the case of a tract located within a metropolitan area, the median family income for such tract does not exceed 80 percent of the greater of statewide median family income or the metropolitan area median family income, or

''(C) as determined by the Secretary based on objective criteria, a substantial population of low-income individuals reside in such tract, an inadequate access to investment capital exists in such tract, or other indications of economic distress exist in such tract.

''(2) AREAS NOT WITHIN CENSUS TRACTS.—In the case of an area which is not tracted for population census tracts, the equivalent county divisions (as defined by the Bureau of the Census for purposes of defining poverty areas) shall be used for purposes of determining poverty rates and median family income.

''(f) NATIONAL LIMITATION ON AMOUNT OF INVESTMENTS DESIGNATED.—

''(1) IN GENERAL.—There is a new markets tax credit limitation for each calendar year. Such limitation is—

''(A) $500,000,000 for 2001,

''(B) $1,500,000,000 for 2002 and 2003,

''(C) $2,500,000,000 for 2004 and 2005,

''(D) $3,000,000,000 for 2006,

''(E) $3,500,000,000 for 2007.

''(2) ALLOCATION OF LIMITATION.—The limitation under paragraph (1) shall be allocated by the Secretary among qualified community development entities selected by the Secretary. In making allocations under the preceding sentence, the Secretary shall give priority to entities with records of having successfully provided capital or technical assistance to disadvantaged businesses or communities.

''(3) CARRYOVER OF UNUSED LIMITATION.—If the new markets tax credit limitation for any calendar year exceeds the aggregate amount allocated under paragraph (2) for such year, such limitation for the succeeding calendar year shall be increased by the amount of such excess.

''(g) RECAPTURE OF CREDIT IN CERTAIN CASES.—

''(1) IN GENERAL.—If, at any time during the 7-year period beginning on the date of the original issue of a qualified equity investment in a qualified community development entity, there is a recapture event with respect to such investment, then the tax imposed by this chapter for the taxable year in which such event occurs shall be increased by the credit recapture amount.

''(2) CREDIT RECAPTURE AMOUNT.—For purposes of paragraph (1), the credit recapture amount is an amount equal to the sum of—

''(A) the aggregate decrease in the credits allowed to the taxpayer under section 38 for all prior taxable years which would have resulted if no credit had been determined under this section with respect to such investment, plus

''(B) interest at the overpayment rate established under section 6621 on the amount determined under subparagraph (A) for each prior taxable year for the period beginning on the due date for filing the return for the prior taxable year involved.

No deduction shall be allowed under this chapter for interest described in subparagraph (B).

''(3) RECAPTURE EVENT.—For purposes of paragraph (1), there is a recapture event with respect to an equity investment in a qualified community development entity if—

''(A) such entity ceases to be a qualified community development entity,

''(B) the proceeds of the investment cease to be used as required of subsection (b)(1)(B), or

''(C) such investment is redeemed by such entity.

''(4) SPECIAL RULES.—

''(A) TAX BENEFIT RULE.—The tax for the taxable year shall be increased under paragraph (1) only with respect to credits allowed by reason of this section which were used to reduce tax liability. In the case of credits not so used to reduce tax liability, the carryforwards and carrybacks under section 39 shall be appropriately adjusted.

''(B) NO CREDITS AGAINST TAX.—Any increase in tax under this subsection shall not be treated as a tax imposed by this chapter for purposes of determining the amount of any credit under this chapter or for purposes of section 55.

''(h) BASIS REDUCTION.—The basis of any qualified equity investment shall be reduced by the amount of any credit determined under this section with respect to such investment.

''(i) REGULATIONS.—The Secretary shall prescribe such regulations as may be appropriate to carry out this section, including regulations—

''(1) which limit the credit for investments which are directly or indirectly subsidized by other Federal benefits (including the credit under section 42 and the exclusion from gross income under section 103),

''(2) which prevent the abuse of the provisions of this section through the use of related parties,

''(3) which impose appropriate reporting requirements, and

''(4) which apply the provisions of this section to newly formed entities.''.

(b) CREDIT MADE PART OF GENERAL BUSINESS CREDIT.—

(1) IN GENERAL.—Subsection (b) of section 38, as amended by section 201(b), is amended by striking ''plus'' at the end of paragraph (12), by striking the period at the end of paragraph (13) and inserting '', plus'', and by adding at the end the following new paragraph:

''(14) the new markets tax credit determined under section 45E(a).''.

(2) LIMITATION ON CARRYBACK.—Subsection (d) of section 39, as amended by section 201(d), is amended by adding at the end the following new paragraph:

''(10) NO CARRYBACK OF NEW MARKETS TAX CREDIT BEFORE JANUARY 1, 2001.—No portion of the unused business credit for any taxable year which is attributable to the credit under section 45E may be carried back to a taxable year ending before January 1, 2001.''.

(c) DEDUCTION FOR UNUSED CREDIT.—Subsection (c) of section 196 is amended by striking ''and'' at the end of paragraph (7), by striking the period at the end of paragraph (8) and inserting '', and'', and by adding at the end the following new paragraph:

''(9) the new markets tax credit determined under section 45E(a).''.

(d) CLERICAL AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1, as amended by section 201(e), is amended by adding at the end the following new item:

''Sec. 45E. New markets tax credit.''.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to investments made after December 31, 2000.

(f) REGULATIONS ON ALLOCATION OF NATIONAL LIMITATION.—Not later than 90 days after the date of the enactment of this Act, the Secretary of the Treasury or the Secretary's delegate shall prescribe regulations which specify objective criteria to be used in making the allocations under section 45E(f)(2) of the Internal Revenue Code of 1986, as added by this section.

TITLE VIII—COMMUNITY DEVELOPMENT AND VENTURE CAPITAL

SEC. 800. SHORT TITLE.

This title may be cited as the ''Community Development and Venture Capital Act of 2000''.

Subtitle A—New Markets Venture Capital Program

SEC. 801. NEW MARKETS VENTURE CAPITAL PROGRAM.

(a) IN GENERAL.—Title III of the Small Business Investment Act of 1958 (15 U.S.C. 681 et seq.) is amended—

(1) by striking the title designation and heading and inserting the following:

''TITLE III—INVESTMENT DIVISION PROGRAMS

''PART A—SMALL BUSINESS INVESTMENT COMPANIES'';

and

(2) by adding at the end the following:

''PART B—NEW MARKETS VENTURE CAPITAL PROGRAM

''SEC. 351. DEFINITIONS.

''In this part—

''(1) the term 'eligible company' means a company that—

''(A) is a newly formed for-profit entity, which may be a newly formed for-profit subsidiary of an existing entity; and

''(B) has a management team with experience in community development financing or relevant venture capital financing;

''(2) the term 'low-income individual' means an individual whose income (adjusted for family size) does not exceed—

''(A) for metropolitan areas, 80 percent of the area median income; and

''(B) for nonmetropolitan areas, the greater of—

''(i) 80 percent of the area median income; or

''(ii) 80 percent of the statewide nonmetropolitan area median income;

''(3) the term 'low- or moderate-income geographic area' means—

''(A) any population census tract (or in the case of an area that is not tracted for population census tracts, the equivalent county division, as defined by the Bureau of the Census of the Department of Commerce for purposes of defining poverty areas) if—

''(i) the poverty rate for such census tract is not less than 20 percent;

''(ii)(I) in the case of a tract located within a metropolitan area, the median family income for such tract does not exceed the greater of 80 percent of the statewide median family income or 80 percent of the metropolitan area median family income; or

''(II) in the case of a tract not located within a metropolitan area, the median family income for such tract does not exceed 80 percent of the statewide median family income; or

''(iii) as determined by the Administrator based on objective criteria, a substantial population of low-income individuals reside, an inadequate access to investment capital exists, or other indications of economic distress exist; or

''(B) any area located within—

''(i) a HUBZone (as defined in section 3(p) of the Small Business Act and the implementing regulations issued under that section);

''(ii) an urban empowerment zone or urban enterprise community (as designated by the Secretary of Housing and Urban Development); or

''(iii) a rural empowerment zone or rural enterprise community (as designated by the Secretary of Agriculture);

''(4) the terms 'new markets venture capital company' and 'NMVC company' mean a company that has been designated as a new markets venture capital company by the Administrator under section 354(d);

''(5) the term 'participation agreement' means an agreement, between the Administrator and a company granted final approval under section 354(e), that—

''(A) details the company's operating plan and investment criteria; and

''(B) requires the company to make investments in smaller enterprises at least 80 percent of which are located in low- or moderate-income geographic areas; and

''(6) the term 'specialized small business investment company' means any small business investment company that—

''(A) invests solely in small business concerns that contribute to a well-balanced national economy by facilitating ownership in such concerns by persons whose participation in the free enterprise system is hampered because of social or economic disadvantages;

''(B) is organized or chartered under State business or nonprofit corporations statutes, or formed as a limited partnership; and

''(C) was licensed under section 301(d), as in effect before September 30, 1996.

''SEC. 352. PURPOSES.

''The purposes of this part are—

''(1) to encourage venture capital investment in smaller enterprises located within urban and rural areas;

''(2) to promote the creation of wealth, economic development, and job opportunities in low- and moderate-income geographic areas; and

''(3) to establish a venture capital program, which shall be administered by the Administrator—

''(A) to make grants to NMVC companies for the purpose of providing marketing, management, and technical assistance to smaller enterprises financed, or expected to be financed, by such companies; and

''(B) to guarantee debentures issued by NMVC companies to enable such companies to make venture capital investments in smaller enterprises within urban and rural areas.

''SEC. 353. PROGRAM ESTABLISHMENT.

''There is established a New Markets Venture Capital Program, under which the Administrator is authorized to—

''(1) make grants to NMVC companies, as provided in section 355; and

''(2) guarantee debentures issued by NMVC companies, as provided in section 356.

''SEC. 354. SELECTION OF NMVC COMPANIES.

''(a) APPLICATIONS.—In order to be eligible to participate in the program under this part as an NMVC company, an eligible company shall submit to the Administrator an application, within such period of time as the Administrator shall establish, which shall include—

''(1) a business plan that describes the manner and geographic areas in which the applicant will make successful venture capital investments in smaller enterprises described in subparagraphs (A) and (B) of section 351(5) and provide marketing, management, and technical assistance to those enterprises;

''(2) the qualifications and general business reputation of the management of the applicant, specifically addressing—

''(A) the experience of the management in making venture capital investments in smaller enterprises described in subparagraphs (A) and (B) of section 351(5); and

''(B) the success of those investments in terms of business growth, jobs created, and such other factors as the Administrator may require; and

''(3) a description of the manner in which the applicant will interface with community organizations;

''(4) a proposal describing the manner in which grant amounts made available under this part would provide marketing, management, and technical assistance to smaller enterprises expected to be financed by the applicant;

''(5) proposed criteria by which to evaluate the performance of the applicant in meeting program objectives;

''(6) the management and financial strength of any parent or affiliated firm, or any firm essential to the success of the business plan of the applicant;

''(7) with respect to binding commitments to be made to the company under this part, an estimate of the ratio of cash to in-kind contributions; and

''(8) such other information as the Administrator may require.

''(b) CRITERIA FOR CONDITIONAL APPROVAL.—

''(1) IN GENERAL.—Upon receipt of an application submitted under subsection (a), the Administrator shall review the application and make a determination regarding whether to grant conditional approval to the applicant to operate as an NMVC company during the time period described in subsection (c), based on—

''(A) the geographic area and employment characteristics of the smaller enterprises in which the proposed investments of the NMVC company will be made (in order to promote investment nationwide);

''(B) the likelihood that the applicant will meet the goals of the business plan of the applicant;

''(C) the experience and background of the company's management team;

''(D) the need for equity or equity-type investments within the proposed investment areas;

''(E) the extent to which the applicant will concentrate its activities on serving its investment areas;

''(F) the likelihood that the applicant will be able to satisfy the requirements of subsection (c);

''(G) the extent to which the proposed activities will expand economic opportunities within the investment areas; and

''(H) such other factors as the Administrator determines to be appropriate.

''(2) NATIONWIDE DISTRIBUTION.—The Administrator shall select companies under paragraph (1) in such a way that promotes investment nationwide.

''(c) REQUIREMENTS FOR FINAL APPROVAL.—

''(1) IN GENERAL.—Subject to paragraph (2), each applicant that is granted conditional approval by the Administrator to operate as an NMVC company under subsection (b), shall, before the expiration of a time period established by the Administrator not to exceed 24 months, beginning on the date on which such conditional approval is granted—

''(A) raise not less than $5,000,000 of contributed capital or binding capital commitments from 1 or more investors (other than an agency of the Federal Government) that meet criteria established by the Administrator; and

''(B) in order to provide marketing, management, and technical assistance, have—

''(i) cash or binding commitments for contributions (in cash or in-kind) from 1 or more sources other than the Administration that meet criteria established by the Administrator, payable or available over a multiyear period acceptable to the Administrator (not to exceed 10 years), in an amount equal to 30 percent of the capital and commitments raised under subparagraph (A);

''(ii) purchased an annuity from an insurance company acceptable to the Administrator, using amounts (other than the amounts raised to satisfy the requirements of subparagraph (A)) from any source other than the Administration, that would yield cash payments over a multiyear period acceptable to the Administrator (not to exceed 10 years), in an amount equal to 30 percent of the capital and commitments raised under subparagraph (A); or

''(iii) cash or binding commitments for contributions (in cash or in-kind) of the type described in clause (i) and have purchased an annuity of the type described in clause (ii), that in the aggregate make available, over a multiyear period acceptable to the Administrator (not to exceed 10 years), an amount equal to 30 percent of the capital and commitments raised under subparagraph (A).

''(2) EXCEPTION.—The Administrator may, in the discretion of the Administrator and based upon a showing of special circumstances and good cause, consider an applicant to have satisfied the requirements of paragraph (1)(B) if the applicant has—

''(A) a viable plan that reasonably projects the capacity of the applicant to raise the amount (in cash or in-kind) required under paragraph (1)(B); and

''(B) binding commitments in an amount not less than 20 percent of the total amount required under paragraph (1)(B).

''(d) GRANT OF FINAL APPROVAL; DESIGNATION.—The Administrator shall, with respect to each applicant conditionally approved to operate as an NMVC company under subsection (b), either—

''(1) grant final approval to the applicant to operate as an NMVC company under this part and designate the applicant as an NMVC company, if the applicant—

''(A) satisfies the requirements of subsection (c) on or before the expiration of the time period described in that subsection; and

''(B) enters into a participation agreement with the Administrator; or

''(2) if the applicant fails to satisfy the requirements of subsection (c) on or before the expiration of the time period described in that subsection, revoke the conditional approval granted under that subsection.

''SEC. 355. TECHNICAL ASSISTANCE GRANTS.

''(a) GRANTS.—

''(1) IN GENERAL.—The Administrator, in accordance with such terms and conditions as the Administrator may require, is authorized to award 1 or more grants to each NMVC company or to any other entity, as authorized by this part, which shall be used to provide marketing, management, and technical assistance for the benefit of smaller enterprises financed, or expected to be financed, by the NMVC company or other authorized entity.

''(2) MULTIYEAR GRANTS.—Amounts from a grant awarded under this section shall be paid upon the direction of the Administrator over a multiyear period of not to exceed 10 years.

''(3) GRANTS TO SPECIALIZED SMALL BUSINESS INVESTMENT COMPANIES.—

''(A) AUTHORITY.—In accordance with this section, the Administrator may make grants to specialized small business investment companies to provide marketing, management, and technical assistance to smaller enterprises financed, or expected to be financed, by such companies after the effective date of the Community Development and Venture Capital Act of 2000.

''(B) USE OF FUNDS.—The proceeds of a grant made under this paragraph may be used by the company receiving such grant only to provide marketing, management, and technical assistance in connection with an equity or equity-type investment (made with capital raised after the effective date of the Community Development and Venture Capital Act of 2000) in a business located in a low- or moderate-income geographic area.

''(C) SUBMISSION OF PLANS.—A specialized small business investment company shall be eligible for a grant under this section only if the company submits to the Administrator, in such form and manner as the Administrator may require, a plan for use of the grant.

''(4) GRANT AMOUNT.—

''(A) IN GENERAL.—Subject to subparagraph (B), the amount of a grant awarded to an NMVC company or other authorized entity under this subsection shall be equal to 30 percent of the amount of capital and commitments raised under section 354(c)(1)(A).

''(B) MATCHING REQUIREMENT.—In order to receive funds under a grant awarded under this subsection, an NMVC company or other authorized entity shall provide a matching contribution (in cash or in-kind) from sources other than the Administration, in an amount equal to the funds to received.

''(5) PRO RATA REDUCTIONS.—If the amount made available to carry out this section for a fiscal year is insufficient for the Administrator to award grants in the amounts required under paragraph (4), the Administrator shall make pro rata reductions in the amounts otherwise payable to each NMVC company or other authorized entity under that paragraph.

''(b) SUPPLEMENTAL GRANTS.—

''(1) IN GENERAL.—In addition to any grant under subsection (a), the Administrator, in accordance with such terms and conditions as the Administrator may require, may make 1 or more supplemental grants to an NMVC company or other authorized entity, which shall be used to provide additional marketing, management, and technical assistance for the benefit of smaller enterprises financed, or expected to be financed, by the NMVC company or other authorized entity.

''(2) MATCHING REQUIREMENT.—The Administrator may require, as a condition of any supplemental grant made under this subsection, that the NMVC company provide a matching contribution (in cash or in-kind) from 1 or more sources other than the Administrator in an amount equal to the amount of the supplemental grant.

''(c) LIMITATION.—No part of any grant made available under this section may be used for any purpose other than to provide direct technical and financial assistance to smaller enterprises financed, or expected to be financed, by the NMVC companies or other authorized entities.

''SEC. 356. DEBENTURES.

''(a) IN GENERAL.—The Administrator is authorized to guarantee the timely payment of principal and interest as scheduled on debentures issued by NMVC companies, in accordance with such terms and conditions the Administrator determines to be appropriate.

''(b) FULL FAITH AND CREDIT.—The full faith and credit of the United States is pledged to the payment of all amounts that may be required to be paid under any guarantee under this section.

''(c) DEBENTURE REQUIREMENTS.—A debenture guaranteed under this section—

''(1) may be issued for a term of not to exceed 15 years;

''(2) shall bear interest at a rate approved by the Administrator; and

''(3) shall contain such other terms and conditions as the Administrator may require.

''(d) TOTAL FACE VALUE.—The total face amount of debentures issued by an NMVC company and guaranteed under this section that may be outstanding at any 1 time shall not exceed 150 percent of the contributed capital of the NMVC company, as determined by the Administrator. For purposes of this subsection, the contributed capital of an NMVC company includes capital that is deemed to be Federal funds contributed by an investor other than an agency of the Federal Government.

''SEC. 357. ISSUANCE AND GUARANTEE OF TRUST CERTIFICATES.

''(a) IN GENERAL.—The Administrator (or an agent of the Administrator) is authorized to issue trust certificates representing ownership of all or a fractional part of debentures guaranteed by the Administrator under section 356, if such trust certificates are based on and backed by a trust or pool approved by the Administrator and composed solely of debentures guaranteed under section 356.

''(b) GUARANTEE AUTHORITY.—

''(1) IN GENERAL.—The Administrator is authorized to, upon such terms and conditions as the Administrator determines to be appropriate, guarantee the timely payment of the principal of and interest on any trust certificate issued under this section.

''(2) LIMITATION.—A guarantee under this subsection shall be limited to the extent of the principal of and interest on the guaranteed debentures that compose the trust or pool described in subsection (a).

''(3) REDUCTION.—If a debenture in a trust or pool described in subsection (a) is prepaid, or in the event of default of a debenture, the guarantee of timely payment of principal and interest on the related trust certificate issued under this section shall be reduced in proportion to the amount of principal and interest that such prepaid debenture represents in that trust or pool.

''(4) ACCRUAL OF INTEREST.—Interest on prepaid or defaulted debentures shall accrue and be guaranteed by the Administrator only through the date of payment of the guarantee.

''(5) REDEMPTION OF TRUST CERTIFICATES.—During the term of any trust certificate issued under this subsection, the trust certificate may be called for redemption due to prepayment or default of all debentures in the trust or pool.

''(c) FULL FAITH AND CREDIT.—The full faith and credit of the United States is pledged to the payment of all amounts that may be required to be paid under any guarantee of a trust certificate issued under this section.

''(d) FEES.—The Administrator shall not collect a fee for any guarantee of a trust certificate issued under this section, except that nothing in this subsection may be construed to preclude an agent of the Administrator from collecting a fee approved by the Administrator for the functions described in subsection (f)(2).

''(e) SUBROGATION.—

''(1) IN GENERAL.—If the Administrator pays a claim under a guarantee issued under this section, the Administration shall be subrogated fully to the rights satisfied by such payment.

''(2) OWNERSHIP RIGHTS.—No Federal, State, or local law shall preclude or limit the exercise by the Administrator of the ownership rights of the Administrator in the debentures residing in a trust or pool against which trust certificates are issued under this section.

''(f) CENTRAL REGISTRATION.—

''(1) IN GENERAL.—The Administrator may provide for a central registration of all trust certificates issued under this section.

''(2) CONTRACTING OF FUNCTIONS.—

''(A) IN GENERAL.—The Administrator may contract with an agent or agents to carry out on behalf of the Administrator the pooling and the central registration functions of this section including, notwithstanding any other provision of law—

''(i) maintenance on behalf of and under the direction of the Administrator of such commercial bank accounts or investments in obligations of the United States as may be necessary to facilitate trusts or pools backed by debentures guaranteed under this part; and

''(ii) the issuance of trust certificates to facilitate such poolings.

''(B) FIDELITY BOND OR INSURANCE REQUIRED.—An agent contracting with the Administrator under this paragraph shall be required to provide a fidelity bond or insurance in such amounts as the Administrator determines to be necessary to fully protect the interests of the Government.

''(3) REGULATION OF BROKERS AND DEALERS.—Notwithstanding section 3(a)(42) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(42)), the Administrator may regulate brokers and dealers in trust certificates issued under this section.

''(4) ELECTRONIC REGISTRATION.—Nothing in this subsection may be construed to prohibit the use of a book-entry or other electronic form of registration for trust certificates issued under this section.

''SEC. 358. FEES.

''Except as provided under section 357(d), the Administrator may charge such fees as the Administrator determines to be appropriate with respect to any guarantee issued or grant awarded under this part.

"SEC. 359. BANK PARTICIPATION.

"Any national bank, or any member bank of the Federal Reserve System or non-member insured bank to the extent permitted under applicable State law, may invest in any 1 or more NMVC companies, or in any entity established to invest solely in NMVC companies, except that in no event shall the total amount of such investments of any such bank exceed 5 percent of the total capital and surplus of the bank.

"SEC. 360. FEDERAL FINANCING BANK.

"Section 318 shall not apply to any debenture issued by a NMVC company under this part.

"SEC. 361. REPORTING REQUIREMENTS.

"Each NMVC company shall provide to the Administrator such information as the Administrator may request, including—

"(1) information related to the measurement criteria that the NMVC company proposed in the application submitted under section 354(a);

"(2) documentation on the use of technical assistance grants under this part; and

"(3) in each case in which the company under this part makes an investment in, or a loan or grant to, a business that is not located in a low- or moderate-income geographic area, a report on the number and percentage of employees of the business who reside in such areas.

"SEC. 362. EXAMINATIONS.

"(a) IN GENERAL.—Each NMVC company shall be subject to examinations made at the direction of the Investment Division of the Administration, which may be conducted with the assistance of a private sector entity that has both the qualifications to conduct and the expertise in conducting such examinations.

"(b) ASSESSMENT OF COSTS.—The cost of such examinations, including the compensation of the examiners, may in the discretion of the Administrator be assessed against the company examined and when so assessed shall be paid by such company.

"(c) DEPOSIT OF FEES.—Fees collected under this section shall be deposited in the account for salaries and expenses of the Administration.

"SEC. 363. INJUNCTIONS AND OTHER ORDERS.

"(a) IN GENERAL.—If, in the judgment of the Administrator, an NMVC company or any other person has engaged or is about to engage in any act or practice that constitutes or will constitute a violation of any provision of this title (or any rule, regulation, or order issued under this title) or of a participation agreement entered into under this part—

"(1) the Administrator may make application to the proper district court of the United States or a United States court of any place subject to the jurisdiction of the United States for an order enjoining such act or practice, or for an order enforcing compliance with such provision; and

"(2) such court shall—

"(A) have jurisdiction over such application and any ensuing proceedings; and

"(B) upon a showing by the Administrator that such NMVC company or other person has engaged or is about to engage in any such act or practice, grant without bond a permanent or temporary injunction, restraining order, or other appropriate order.

"(b) POWERS OF COURT.—In any proceeding under subsection (a)—

"(1) the court as a court of equity may, to such extent as the court determines to be necessary, take exclusive jurisdiction of the NMVC company and the assets thereof, wherever located; and

"(2) the court shall have jurisdiction in any such proceeding to appoint a trustee or receiver to hold or administer under the direction of the court the assets so possessed.

"(c) TRUSTEE OR RECEIVER.—The Administrator is authorized to act as trustee or receiver of the NMVC company. Upon request by the Administrator, the court may appoint the Administrator to act in such capacity unless the court determines such appointment to be inequitable or otherwise inappropriate based on the special circumstances at issue.

"SEC. 364. UNLAWFUL ACTS AND OMISSIONS BY OFFICERS, DIRECTORS, EMPLOYEES, OR AGENTS; BREACH OF FIDUCIARY DUTY.

"(a) IN GENERAL.—If an NMVC company violates any provision of this title (or any rule or regulation issued under this title), or of a participation agreement entered into under this part, by failing to comply with the terms thereof or by engaging in any act or practice that constitutes or will constitute a violation thereof, such violation shall be deemed to be also a violation and an unlawful act on the part of any person who, directly or indirectly, authorizes, orders, participates in, or causes, brings about, counsels, aids, or abets in the commission of any act, practice, or transaction that constitutes or will constitute, in whole or in part, such violation.

"(b) BREACH OF FIDUCIARY DUTY.—It shall be unlawful for any officer, director, employee, agent, or other participant in the management or conduct of the affairs of an NMVC company to engage in any act or practice, or to omit any act, in breach of the fiduciary duty of such officer, director, employee, agent, or participant, if, as a result thereof, the NMVC company has suffered or is in imminent danger of suffering financial loss or other damage.

"(c) OTHER PROHIBITIONS.—Except with the written consent of the Administrator, it shall be unlawful—

"(1) for any person to take office as an officer, director, or employee of an NMVC company, or to become an agent or participant in the conduct of the affairs or management of an NMVC company, if that person—

"(A) has been convicted of a felony, or any other criminal offense involving dishonesty or breach of trust; or

"(B) has been found civilly liable in damages, or has been permanently or temporarily enjoined by order, judgment, or decree of a court of competent jurisdiction, by reason of any act or practice involving fraud or breach of trust; or

"(2) for any person to continue to serve in any of the above-described capacities, if that person is subsequently—

"(A) convicted of a felony, or any other criminal offense involving dishonesty or breach of trust; or

"(B) found civilly liable in damages, or is permanently or temporarily enjoined by an order, judgment, or decree of a court of competent jurisdiction, by reason of any act or practice involving fraud or breach of trust.

"(d) NOTICE.—The Administrator may serve upon any officer, director, employee, or other participant in the conduct of the management or other affairs of an NMVC company a written notice of the intention of the Administrator to remove that person from his or her position whenever, in the opinion of the Administrator, that person—

"(1) has willfully committed any substantial violation of—

"(A) this title (or any rule, regulation, or order issued under this title); or

"(B) a participation agreement entered into under this part; or

"(C) a cease-and-desist order that has become final; or

"(2) has willfully committed or engaged in any act, omission, or practice that constitutes a substantial breach of fiduciary duty, and that such violation or such breach of fiduciary duty is one involving personal dishonesty on the part of such person.

"(e) SUSPENSION OR REMOVAL.—The Administrator may suspend or remove from office any person upon whom the Administrator has served a notice under subsection (d), in accordance with the procedures set forth in section 313.

"SEC. 365. REGULATIONS.

"The Administrator may promulgate such regulations as the Administrator determines to be necessary to carry out this part.

"SEC. 366. AUTHORIZATIONS.

"(a) IN GENERAL.—For fiscal years 2000 through 2005, the Administration is authorized to be appropriated, to remain available until expended—

"(1) such subsidy budget authority as may be necessary to guarantee $150,000,000 of debentures under this part; and

"(2) $30,000,000 to make grants under this part.

"(b) FUNDS COLLECTED FOR EXAMINATIONS.—Funds deposited under section 362(c) are authorized to be appropriated only for the costs of examinations under section 362 and for the costs of other oversight activities with respect to the program established under this part.".

(b) CONFORMING AMENDMENT.—Section 20(e)(1)(C) of the Small Business Act (15 U.S.C. 631 note) is amended by inserting "part A of" before "title III".

SEC. 802. BANKRUPTCY EXEMPTION FOR NMVC COMPANIES.

Section 109(b)(2) of title 11, United States Code, is amended by inserting after "homestead association," the following: "a new markets venture capital company (as defined in section 351 of the Small Business Investment Act of 1958),".

SEC. 803. FEDERAL SAVINGS ASSOCIATIONS.

Section 5(c)(4) of the Home Owners' Loan Act (12 U.S.C. 1464(c)(4)) is amended by adding at the end the following:

"(F) NEW MARKETS VENTURE CAPITAL COMPANIES.—A Federal savings association may invest in stock, obligations, or other securities of any new markets venture capital company (as defined in section 351 of the Small Business Investment Act of 1958). A Federal savings association may not make any investment under this subparagraph if its aggregate outstanding investment under this subparagraph would exceed 5 percent of the capital and surplus of such savings association.".

Subtitle B—Community Development Venture Capital Assistance

SEC. 811. FINDINGS.

Congress finds that—

(1) there is a need for the development and expansion of organizations that provide private equity capital to smaller businesses in areas in which equity-type capital is scarce, such as inner cities and rural areas, in order to create and retain jobs for low-income residents of those areas;

(2) to invest successfully in smaller businesses, particularly in inner cities and rural areas, requires highly specialized investment and management skills;

(3) there is a shortage of professionals who possess such skills and there are few training grounds for individuals to obtain those skills;

(4) providing assistance to organizations that provide specialized technical assistance and training to individuals and organizations seeking to enter or expand in this segment of the market would stimulate small business development and entrepreneurship in economically distressed communities; and

(5) assistance from the Federal Government could act as a catalyst to attract investment from the private sector and would

help to develop a specialized venture capital industry focused on creating jobs, increasing business ownership, and generating wealth in low-income communities.

SEC. 812. COMMUNITY DEVELOPMENT VENTURE CAPITAL ACTIVITIES.

(a) IN GENERAL.—The Small Business Act (15 U.S.C. 631 et seq.) is amended—

(1) by redesignating section 34 as section 35; and

(2) by inserting after section 33 the following:

"SEC. 34. COMMUNITY DEVELOPMENT VENTURE CAPITAL ACTIVITIES.

''(a) DEFINITIONS.—In this section:

''(1) COMMUNITY DEVELOPMENT VENTURE CAPITAL ORGANIZATION.—The term 'community development venture capital organization' means a privately-controlled organization that—

''(A) has a primary mission of promoting community development in low-income communities, as defined by the Administrator, through investment in private business enterprises; or

''(B) administers or is in the process of establishing a community development venture capital fund for the purpose of making equity investments in private business enterprises in such communities.

''(2) DEVELOPMENTAL ORGANIZATION.—The term 'developmental organization'—

''(A) means a public or private entity, including a college or university, that provides technical assistance to community development venture capital organizations or that conducts research or training in community development venture capital investment; and

''(B) may include an intermediary organization.

''(3) INTERMEDIARY ORGANIZATION.—The term 'intermediary organization'—

''(A) means a private, nonprofit entity that has—

''(i) a primary mission of promoting community development through investment in private businesses in low-income communities; and

''(ii) significant prior experience in providing technical assistance or financial assistance to community development venture capital organizations;

''(B) may include community development venture capital organizations.

''(b) AUTHORITY.—In order to promote the development of community development venture capital organizations, the Administrator, may—

''(1) enter into contracts with 1 or more developmental organizations to carry out training and research activities under subsection (c); and

''(2) make grants in accordance with this section—

''(A) to developmental organizations to carry out training and research activities under subsection (c); and

''(B) to intermediary organizations to provide intensive marketing, management, and technical assistance and training to community development venture capital organizations under subsection (d).

''(c) TRAINING AND RESEARCH ACTIVITIES.—

''(1) IN GENERAL.—Subject to paragraph (2), a developmental organization that receives a grant under subsection (b) shall use the funds made available through the grant for 1 or more of the following training and research activities:

''(A) STRENGTHENING PROFESSIONAL SKILLS.—Creating and operating training programs to enhance the professional skills for individuals in community development venture capital organizations or operating private community development venture capital funds.

''(B) INCREASING INTEREST IN COMMUNITY DEVELOPMENT VENTURE CAPITAL.—Creating and operating a program to select and place students and recent graduates from business and related professional schools as interns with community development venture capital organizations and intermediary organizations for a period of up to 1 year, and to provide stipends for such interns during the internship period.

''(C) PROMOTING 'BEST PRACTICES'.—Organizing an annual national conference for community development venture capital organizations to discuss and share information on the best practices regarding issues relevant to the creation and operation of community development venture capital organizations.

''(D) MOBILIZING ACADEMIC RESOURCES.—Encouraging the formation of 1 or more centers for the study of community development venture capital at graduate schools of business and management, providing funding for the development of materials for courses on topics in this area, and providing funding for research on economic, operational, and policy issues relating to community development venture capital.

''(2) LIMITATION.—The Administrator shall ensure that not more than 25 percent of the amount made available to carry out this section is used for activities described in paragraph (1).

''(d) INTENSIVE MARKETING, MANAGEMENT, AND TECHNICAL ASSISTANCE AND TRAINING.—An intermediary organization that receives a grant under subsection (b) shall use the funds made available through the grant to provide intensive marketing, management, and technical assistance and training to promote the development of community development venture capital organizations, which assistance may include grants to community development venture capital organizations for the start up costs and operating support of those organizations.

''(e) MATCHING CONTRIBUTION REQUIREMENT.—The Administrator shall require, as a condition of any grant made to an intermediary organization under this section, that a matching contribution equal to the amount of such grant be provided from sources other than the Federal Government.

''(f) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $20,000,000 for fiscal years 2000 through 2003, to remain available until expended.''.

(b) REQUIREMENTS.—The Administrator of the Small Business Administration may promulgate such regulations as may be necessary to carry out section 34 of the Small Business Act, as amended by this section, which regulations may take effect upon issuance.

Subtitle C—Business LINC

SEC. 821. GRANTS AUTHORIZED.

Section 8 of the Small Business Act (15 U.S.C. 637) is amended by adding at the end the following:

''(m) BUSINESS LINC GRANTS.—

''(1) IN GENERAL.—The Administrator may make grants to and enter into cooperative agreements with any coalition of private or public sector participants that—

''(A) expand business-to-business relationships between large and small businesses; and

''(B) provide businesses, directly or indirectly, with online information and a database of companies that are interested in mentor-protege programs or community-based, state-wide, or local business development programs.

''(2) MATCHING REQUIREMENTS.—

''(A) IN GENERAL.—Subject to subparagraph (B), the Administrator may make grants to and enter into cooperative agreements with any coalition of private or public sector participants if the coalition provides a matching amount, either in-kind or in cash, equal to the grant amount.

''(B) WAIVER.—In the best interests of the program, the Administrator may waive the requirements for matching funds to be provided by the coalition.

''(3) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this subsection $6,600,000 for each of fiscal years 2000 through 2003, to remain available until expended.''.

SEC. 822. REGULATIONS.

The Administrator of the Small Business Administration may promulgate such regulations as the Administration determines to be necessary to carry out this title and the amendment made by this title.

TITLE IX—BOND VOLUME CAP AND LOW-INCOME HOUSING CREDIT INCREASES

SEC. 901. INCREASE IN STATE CEILING ON PRIVATE ACTIVITY BONDS.

(a) IN GENERAL.—Paragraphs (1) and (2) of section 146(d) (relating to State ceiling) are amended to read as follows:

''(1) IN GENERAL.—The State ceiling applicable to any State for any calendar year shall be the greater of—

''(A) an amount equal to $75 multiplied by the State population, or

''(B) $225,000,000.

Subparagraph (B) shall not apply to any possession of the United States.

''(2) INFLATION ADJUSTMENT.—In the case of a calendar year after 2001, each of the dollar amounts contained in paragraph (1) shall be increased by an amount equal to—

''(A) such dollar amount, multiplied by

''(B) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year by substituting 'calendar year 2000' for 'calendar year 1992' in subparagraph (B) thereof.

If any increase determined under the preceding sentence is not a multiple of $1 ($250 in the case of the dollar amount in paragraph (1)(B), such increase shall be rounded to the nearest multiple thereof.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to calendar years after 2000.

SEC. 902. INCREASE IN STATE CEILING ON LOW-INCOME HOUSING CREDIT.

(a) IN GENERAL.—Clause (i) of section 42(h)(3)(C) (relating to State housing credit ceiling) is amended by striking ''$1.25'' and inserting ''$1.75''.

(b) ADJUSTMENT OF STATE CEILING FOR INCREASES IN COST-OF-LIVING.—Paragraph (3) of section 42(h) (relating to housing credit dollar amount for agencies) is amended by adding at the end the following new subparagraph:

''(H) COST-OF-LIVING ADJUSTMENT.—

''(i) IN GENERAL.—In the case of a calendar year after 2001, the dollar amount contained in subparagraph (C)(i) shall be increased by an amount equal to—

''(I) such dollar amount, multiplied by

''(II) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year by substituting 'calendar year 2000' for 'calendar year 1992' in subparagraph (B) thereof.

''(ii) ROUNDING.—If any increase under clause (i) is not a multiple of 5 cents, such increase shall be rounded to the next lowest multiple of 5 cents.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to calendar years after 2000.

TITLE X—INDIVIDUAL DEVELOPMENT ACCOUNTS

SEC. 1001. FINDINGS.

Congress makes the following findings:

(1) One-third of all Americans have no assets available for investment, and another 20 percent have only negligible assets. The household savings rate of the United States lags far behind other industrial nations, presenting a barrier to national economic growth and preventing many Americans from entering the economic mainstream by buying a house, obtaining an adequate education, or starting a business.

(2) By building assets, Americans can improve their economic independence and stability, stimulate the development of human and other capital, and work toward a viable and hopeful future for themselves and their children. Thus, economic well-being does not come solely from income, spending, and consumption, but also requires savings, investment, and accumulation of assets.

(3) Traditional public assistance programs based on income and consumption have rarely been successful in promoting and supporting the transition to increased economic self-sufficiency. Income-based social policies that meet consumption needs (including food, child care, rent, clothing, and health care) should be complemented by asset-based policies that can provide the means to achieve long-term independence and economic well-being.

(4) Individual Development Accounts (IDAs) can provide working Americans with strong incentives to build assets, basic financial management training, and access to secure and relatively inexpensive banking services.

(5) There is reason to believe that Individual Development Accounts would also foster greater participation in electric fund transfers (EFT), generate financial returns, including increased income, tax revenue, and decreased welfare cash assistance, that will far exceed the cost of public investment in the program.

SEC. 1002. PURPOSES.

The purposes of this title are to provide for the establishment of individual development account programs that will—

(1) provide individuals and families with limited means an opportunity to accumulate assets and to enter the financial mainstream;

(2) promote education, homeownership, and the development of small businesses;

(3) stabilize families and build communities; and

(4) support continued United States economic expansion.

SEC. 1003. DEFINITIONS.

As used in this title:

(1) ELIGIBLE INDIVIDUAL.—

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

(i) has attained the age of 18 years;

(ii) is a citizen or legal resident of the United States; and

(iii) is a member of a household the gross income of which does not exceed 80 percent of the median family income for the area in which such individual resides (as published by the Department of Housing and Urban Affairs).

(B) HOUSEHOLD.—The term ''household'' means all individuals who share use of a dwelling unit as primary quarters for living and eating separate from other individuals.

(2) INDIVIDUAL DEVELOPMENT ACCOUNT.—The term ''Individual Development Account'' means an account established for an eligible individual as part of a qualified individual development account program, but only if the written governing instrument creating the account meets the following requirements:

(A) The sole owner of the account is the eligible individual.

(B) No contribution will be accepted unless it is in cash, by check, by electronic fund transfer, or by electronic money order.

(C) The holder of the account is a qualified financial institution, a qualified nonprofit organization, or an Indian tribe.

(D) The assets of the account will not be commingled with other property except in a common trust fund or common investment fund.

(E) Except as provided in section 1015(b), any amount in the account may be paid out only for the purpose of paying the qualified expenses of the eligible individual.

(3) PARALLEL ACCOUNT.—The term ''parallel account'' means a separate, parallel individual or pooled account for all matching funds and earnings dedicated to an eligible individual as part of a qualified individual account program, the sole owner of which is a qualified financial institution, a qualified nonprofit organization, or an Indian tribe.

(4) QUALIFIED FINANCIAL INSTITUTION.—

(A) IN GENERAL.—The term ''qualified financial institution'' means any person authorized to be a trustee of any individual retirement account under section 408(a)(2).

(B) RULE OF CONSTRUCTION.—Nothing in this paragraph shall be construed as preventing a person described in subparagraph (A) from collaborating with 1 or more qualified nonprofit organizations or Indian tribes to carry out an individual development account program established under section 1011.

(5) QUALIFIED NONPROFIT ORGANIZATION.—The term ''qualified nonprofit organization'' means—

(A)(i) any organization described in section 501(c)(3) of the Internal Revenue Code of 1986 and exempt from taxation under section 501(a) of such Code;

(ii) any community development financial institution as certified by the Community Development Financial Institution Fund; or

(iii) any credit union certified by the National Credit Union Administration,

that meets standards for financial management and fiduciary responsibility as defined by the Secretary or an organization designated by the Secretary.

(6) INDIAN TRIBE.—The term ''Indian tribe'' means any Indian tribe as defined in section 4(12) of the Native American Housing Assistance and Self-Determination Act of 1996 (25 U.S.C. 4103(12), and includes any tribal subsidiary, subdivision, or other wholly owned tribal entity.

(7) QUALIFIED INDIVIDUAL DEVELOPMENT ACCOUNT PROGRAM.—The term ''qualified individual development program'' means a program established under section 1011 under which—

(A) individual development accounts and parallel accounts are held by a qualified financial institution, a qualified nonprofit organization, or an Indian tribe; and

(B) additional activities determined by the Secretary, or an organization designated by the Secretary, as necessary to responsibly develop and administer accounts, including recruiting, providing financial education and other training to account holders, and regular program monitoring, are carried out by such qualified financial institution, qualified nonprofit organization, or Indian tribe.

(8) QUALIFIED EXPENSE DISTRIBUTION.—

(A) IN GENERAL.—The term ''qualified expense distribution'' means any amount paid (including through electronic payments) or distributed out of an Individual Development Account and a parallel account established for an eligible individual if such amount—

(i) is used exclusively to pay the qualified expenses of such individual or such individual's spouse or dependents,

(ii) is paid by the qualified financial institution, qualified nonprofit organization, or Indian tribe directly to the person to whom the amount is due or to another Individual Development Account, and

(iii) is paid after the holder of the Individual Development Account has completed a financial education course as required under section 1012(b).

(B) QUALIFIED EXPENSES.—

(i) IN GENERAL.—The term ''qualified expenses'' means any of the following:

(I) Qualified higher education expenses.

(II) Qualified first-time homebuyer costs.

(III) Qualified business capitalization or expansion costs.

(IV) Qualified rollovers.

(ii) QUALIFIED HIGHER EDUCATION EXPENSES.—

(I) IN GENERAL.—The term ''qualified higher education expenses'' has the meaning given such term by section 72(t)(7) of the Internal Revenue Code of 1986, determined by treating postsecondary vocational educational schools as eligible educational institutions.

(II) POSTSECONDARY VOCATIONAL EDUCATION SCHOOL.—The term ''postsecondary vocational educational school'' means an area vocational education school (as defined in subparagraph (C) or (D) of section 521(4) of the Carl D. Perkins Vocational and Applied Technology Education Act (20 U.S.C. 2471(4))) which is in any State (as defined in section 521(33) of such Act), as such sections are in effect on the date of enactment of this Act.

(III) COORDINATION WITH OTHER BENEFITS.—The amount of qualified higher education expenses for any taxable year shall be reduced as provided in section 25A(g)(2) of such Code and by the amount of such expenses for which a credit or exclusion is allowed under chapter 1 of such Code for such taxable year.

(iii) QUALIFIED FIRST-TIME HOMEBUYER COSTS.—The term ''qualified first-time homebuyer costs'' means qualified acquisition costs (as defined in section 72(t)(8) of such Code without regard to subparagraph (B) thereof) with respect to a principal residence (within the meaning of section 121 of such Code) for a qualified first-time homebuyer (as defined in section 72(t)(8) of such Code).

(iv) QUALIFIED BUSINESS CAPITALIZATION OR EXPANSION COSTS.—

(I) IN GENERAL.—The term ''qualified business capitalization or expansion costs'' means qualified expenditures for the capitalization or expansion of a qualified business pursuant to a qualified business plan.

(II) QUALIFIED EXPENDITURES.—The term ''qualified expenditures'' means expenditures included in a qualified business plan, including capital, plant, equipment, working capital, inventory expenses, attorney and accounting fees, and other costs normally associated with starting or expanding a business.

(III) QUALIFIED BUSINESS.—The term ''qualified business'' means any business that does not contravene any law.

(IV) QUALIFIED BUSINESS PLAN.—The term ''qualified business plan'' means a business plan which meets such requirements as the Secretary or an organization designated by the Secretary may specify.

(v) QUALIFIED ROLLOVERS.—The term ''qualified rollover'' means, with respect to any distribution from an Individual Development Account, the payment, within 120 days of such distribution, of all or a portion of such distribution to such account or to another Individual Development Account established in another qualified financial institution, qualified nonprofit organization, or Indian tribe for the benefit of the eligible individual. Rules similar to the rules of section 408(d)(3) of such Code (other than subparagraph (C) thereof) shall apply for purposes of this clause.

(9) SECRETARY.—The term ''Secretary'' means the Secretary of the Treasury.

Subtitle A—Individual Development Accounts for Low-Income Workers

SEC. 1011. STRUCTURE AND ADMINISTRATION OF QUALIFIED INDIVIDUAL DEVELOPMENT ACCOUNT PROGRAMS.

(a) ESTABLISHMENT OF QUALIFIED INDIVIDUAL DEVELOPMENT ACCOUNT PROGRAMS.—Any qualified financial institution, qualified nonprofit organization, or Indian tribe may establish 1 or more qualified individual development account programs which meet the requirements of this title.

(b) BASIC PROGRAM STRUCTURE.—

(1) IN GENERAL.—All qualified individual development account programs shall consist of the following 2 components:

(A) An Individual Development Account to which an eligible individual may contribute money in accordance with section 1013.

(B) A parallel account to which all matching funds shall be deposited in accordance with section 1014.

(2) TAILORED IDA PROGRAMS.—A qualified financial institution, qualified nonprofit organization, or Indian tribe may tailor its qualified individual development account program to allow matching funds to be spent on 1 or more of the categories of qualified expenses.

(c) ACCOUNT POPULATION DISTRIBUTION REQUIREMENT.—An individual development account program shall be treated as qualified under this title only if not less than one third of the Individual Development Accounts under such program are owned by eligible individuals each of whom is a member of a household the gross income of which does not exceed 50 percent of the median family income for the area in which such individuals reside (as published by the Department of Housing and Urban Affairs).

(d) TAX TREATMENT OF ACCOUNTS.—Any account described in subparagraph (B) of subsection (b)(1) is exempt from taxation under the Internal Revenue Code of 1986 unless such account has ceased to be such an account by reason of section 1015(c) or the termination of the qualified individual development account program under section 1016(b).

SEC. 1012. PROCEDURES FOR OPENING AN INDIVIDUAL DEVELOPMENT ACCOUNT AND QUALIFYING FOR MATCHING FUNDS.

(a) OPENING AN ACCOUNT.—An eligible individual must open an Individual Development Account with a qualified financial institution, qualified nonprofit organization, or Indian tribe and contribute money in accordance with section 1013 to qualify for matching funds in a parallel account.

(b) REQUIRED COMPLETION OF FINANCIAL EDUCATION COURSE.—

(1) IN GENERAL.—Before becoming eligible to withdraw matching funds to pay for qualified expenses, holders of Individual Development Accounts must complete a financial education course offered by a qualified financial institution, a qualified nonprofit organization, an Indian tribe, or a government entity.

(2) STANDARD AND APPLICABILITY OF COURSE.—The Secretary or an organization designated by the Secretary, in consultation with representatives of qualified individual development account programs and financial educators, shall establish minimum performance standards for financial education courses offered under paragraph (1) and a protocol to exempt eligible individuals from the requirement under paragraph (1) because of hardship or lack of need.

SEC. 1013. CONTRIBUTIONS TO INDIVIDUAL DEVELOPMENT ACCOUNTS.

(a) IN GENERAL.—Except in the case of a qualified rollover, individual contributions to an Individual Development Account will not be accepted for the taxable year in excess of the lesser of—

(1) $2,000; or

(2) an amount equal to the sum of—

(A) the compensation (as defined in section 219(f)(1) of the Internal Revenue Code of 1986) includible in the individual's gross income for such taxable year; and

(B) in the case of an eligible individual who has attained age 65 or retired on disability (within the meaning of section 22 of the Internal Revenue Code of 1986) before the close of the taxable year, any amount received as a pension or annuity or as a disability benefit and excluded from the individual's gross income for such taxable year.

(b) PROOF OF COMPENSATION AND STATUS AS AN ELIGIBLE INDIVIDUAL.—Federal W–2 forms and other forms specified by the Secretary proving the eligible individual's wages and other compensation (including amounts described in subsection (a)(2)(B)) and the status of the individual as an eligible individual shall be presented at the time of the establishment of the Individual Development Account and at least once annually thereafter.

(c) TIME WHEN CONTRIBUTIONS DEEMED MADE.—For purposes of this section, a taxpayer shall be deemed to have made a contribution to an Individual Development Account on the last day of the preceding taxable year if the contribution is made on account of such taxable year and is made not later than the time prescribed by law for filing the Federal income tax return for such taxable year (not including extensions thereof).

(d) DEEMED WITHDRAWALS OF EXCESS CONTRIBUTIONS.—If the individual for whose benefit an Individual Development Account is established contributes an amount in excess of the amount allowed under subsection (a) and fails to withdraw the excess contribution plus the amount of net income attributable to such excess contribution on or before the day prescribed by law (including extensions of time) for filing such individual's return of tax for the taxable year, such excess contribution and net income shall be deemed to have been withdrawn on such day by such individual for purposes other than to pay qualified expenses.

(e) CROSS REFERENCE.—

For designation of earned income tax credit payments for deposit to an Individual Development Account, see section 32(o) of the Internal Revenue Code of 1986.

SEC. 1014. DEPOSITS BY QUALIFIED INDIVIDUAL DEVELOPMENT ACCOUNT PROGRAMS.

(a) PARALLEL ACCOUNTS.—The qualified financial institution, qualified nonprofit organization, or Indian tribe shall deposit all matching funds for each Individual Development Account into a parallel account at a qualified financial institution, qualified nonprofit organization, or Indian tribe.

(b) REGULAR DEPOSITS OF MATCHING FUNDS.—

(1) IN GENERAL.—Subject to paragraph (2), the qualified financial institution, qualified nonprofit organization, or Indian tribe shall not less than annually deposit into the parallel account with respect to each eligible individual the following:

(A) A dollar-for-dollar match for the first $500 contributed by the eligible individual into an Individual Development Account with respect to any taxable year.

(B) Any matching funds provided by State, local, or private sources in accordance to the matching ratio set by those sources.

(2) CROSS REFERENCE.—

For allowance of tax credit for Individual Development Account subsidies, including matching funds, see section 30B of the Internal Revenue Code of 1986.

(c) FORFEITURE OF MATCHING FUNDS.—Matching funds that are forfeited under section 1015(b) shall be used by the qualified financial institution, qualified nonprofit organization, or Indian tribe to pay matches for other Individual Development Account contributions by eligible individuals.

(d) UNIFORM ACCOUNTING REGULATIONS.—The Secretary shall prescribe regulations with respect to accounting for matching funds from all possible sources in the parallel accounts.

(e) REGULAR REPORTING OF ACCOUNTS.—Any qualified financial institution, qualified nonprofit organization, or Indian tribe shall report the balances in any Individual Development Account and parallel account of an eligible individual on not less than an annual basis.

SEC. 1015. WITHDRAWAL PROCEDURES.

(a) WITHDRAWALS FOR QUALIFIED EXPENSES.—To withdraw money from an eligible individual's Individual Development Account to pay qualified expenses of such individual or such individual's spouse or dependents, the qualified financial institution, qualified nonprofit organization, or Indian tribe shall directly transfer such funds from the Individual Development Account, and, if applicable, from the parallel account electronically to the vendor or other Individual Development Account. If the vendor is not equipped to receive funds electronically, the qualified financial institution, qualified nonprofit organization, or Indian tribe may issue such funds by paper check to the vendor.

(b) WITHDRAWALS FOR NONQUALIFIED EXPENSES.—An Individual Development Account holder may unilaterally withdraw funds from the Individual Development Account for purposes other than to pay qualified expenses, but shall forfeit the corresponding matching funds and interest earned on the matching funds by doing so, unless such withdrawn funds are recontributed to such Account by September 30 following the withdrawal.

(c) DEEMED WITHDRAWALS FROM ACCOUNTS OF NONELIGIBLE INDIVIDUALS.—If the individual for whose benefit an Individual Development Account is established ceases to be an eligible individual, such account shall cease to be an Individual Development Account as of the first day of the taxable year of such individual and any balance in such account shall be deemed to have been withdrawn on such first day by such individual for purposes other than to pay qualified expenses.

(d) TAX TREATMENT OF MATCHING FUNDS.—Any amount withdrawn from a parallel account shall not be includible in an eligible individual's gross income.

SEC. 1016. CERTIFICATION AND TERMINATION OF QUALIFIED INDIVIDUAL DEVELOPMENT ACCOUNT PROGRAMS.

(a) CERTIFICATION PROCEDURES.—Upon establishing a qualified individual development account program under section 1011, a qualified financial institution, qualified nonprofit organization, or Indian tribe shall certify to the Secretary, or an organization designated by the Secretary, on forms prescribed by the Secretary or such organization and accompanied by any documentation required by the Secretary or such organization, that—

(1) the accounts described in subparagraphs (A) and (B) of section 1011(b)(1) are operating pursuant to all the provisions of this title; and

(2) the qualified financial institution, qualified nonprofit organization, or Indian tribe agrees to implement an information system necessary to monitor the cost and outcomes of the qualified individual development account program.

(b) AUTHORITY TO TERMINATE QUALIFIED IDA PROGRAM.—If the Secretary, or an organization designated by the Secretary, determines that a qualified financial institution, qualified nonprofit organization, or Indian tribe under this title is not operating a qualified individual development account program in accordance with the requirements of this title (and has not implemented any corrective recommendations directed by the Secretary or such organization), the Secretary or such organization shall terminate such institution's, nonprofit organization's, or Indian tribe's authority to conduct the program. If the Secretary, or an organization designated by the Secretary, is unable to identify a qualified financial institution, qualified nonprofit organization, or Indian tribe to assume the authority to conduct such program, then any account established for the benefit of any eligible individual under such program shall cease to be an Individual Development Account as of the first day of such termination and any balance in such account shall be deemed to have been withdrawn on such first day by such individual for purposes other than to pay qualified expenses.

SEC. 1017. REPORTING, MONITORING, AND EVALUATION.

(a) RESPONSIBILITIES OF QUALIFIED FINANCIAL INSTITUTIONS, QUALIFIED NONPROFIT ORGANIZATIONS, AND INDIAN TRIBES.—Each qualified financial institution, qualified nonprofit organization, or Indian tribe that establishes a qualified individual development account program under section 1011 shall report annually to the Secretary, directly or through an organization designated by the Secretary, within 90 days after the end of each calendar year on—

(1) the number of eligible individuals making contributions into Individual Development Accounts;

(2) the amounts contributed into Individual Development Accounts and deposited into parallel accounts for matching funds;

(3) the amounts withdrawn from Individual Development Accounts and parallel accounts, and the purposes for which such amounts were withdrawn;

(4) the balances remaining in Individual Development Accounts and parallel accounts; and

(5) such other information needed to help the Secretary, or an organization designated by the Secretary, monitor the cost and outcomes of the qualified individual development account program.

(b) RESPONSIBILITIES OF THE SECRETARY OR DESIGNATED ORGANIZATION.—

(1) MONITORING PROTOCOL.—Not later than 12 months after the date of enactment of this Act, the Secretary, or an organization designated by the Secretary, shall develop and implement a protocol and process to monitor the cost and outcomes of the qualified individual development account programs established under section 1011.

(2) ANNUAL REPORTS.—In each year after the date of enactment of this Act, the Secretary, or an organization designated by the Secretary, shall issue a progress report on the status of such qualified individual development account programs. Such report shall include from a representative sample of qualified financial institutions, qualified nonprofit organizations, and Indian tribes a report on—

(A) the characteristics of participants, including age, gender, race or ethnicity, marital status, number of children, employment status, and monthly income;

(B) individual level data on deposits, withdrawals, balances, uses of Individual Development Accounts, and participant characteristics;

(C) the characteristics of qualified individual development account programs, including match rate, economic education requirements, permissible uses of accounts, staffing of programs in full time employees, and the total costs of programs; and

(D) process information on program implementation and administration, especially on problems encountered and how problems were solved.

(3) APPROPRIATIONS FOR MONITORING.—There is authorized to be appropriated $5,000,000 for the purposes of monitoring qualified individual development account programs established under section 1011, to remain available until expended.

SEC. 1018. CERTAIN ACCOUNT FUNDS OF PROGRAM PARTICIPANTS DISREGARDED FOR PURPOSES OF CERTAIN MEANS-TESTED FEDERAL PROGRAMS.

Notwithstanding any provision of the Internal Revenue Code of 1986 or the Social Security Act that requires consideration of 1 or more financial circumstances of an individual, for the purposes of determining eligibility to receive, or the amount of, any assistance or benefit authorized by such provision to be provided to or for the benefit of such individual, the sum of—

(1) the lesser of—

(A) the sum of all contributions by an eligible individual (including earnings thereon) to any Individual Development Account; or

(B) $10,000; plus

(2) the sum of the matching deposits made on behalf of such individual (including earnings thereon) in any parallel account,

shall be disregarded for such purpose with respect to any period during which the individual participates in a qualified individual development account program established under section 1011.

Subtitle B—Qualified Individual Development Account Program Investment Credits

SEC. 1021. QUALIFIED INDIVIDUAL DEVELOPMENT ACCOUNT PROGRAM INVESTMENT CREDITS.

(a) IN GENERAL.—Subpart B of part IV of subchapter A of chapter 1 (relating to other credits) is amended by inserting after section 30A the following:

''SEC. 30B. QUALIFIED INDIVIDUAL DEVELOPMENT ACCOUNT PROGRAM INVESTMENT CREDIT.

''(a) DETERMINATION OF AMOUNT.—There shall be allowed as a credit against the applicable tax for the taxable year an amount equal to the qualified individual development account program investment provided by a taxpayer during the taxable year under a qualified individual development account program established under section 1011 of the American Community Renewal and New Markets Empowerment Act.

''(b) APPLICABLE TAX.—For the purposes of this section, the term 'applicable tax' means the excess (if any) of—

''(1) the tax imposed under this chapter (other than the taxes imposed under the provisions described in subparagraphs (C) through (Q) of section 26(b)(2)), over

''(2) the credits allowable under subpart B (other than this section) and subpart D of this part.

''(c) QUALIFIED INDIVIDUAL DEVELOPMENT ACCOUNT PROGRAM INVESTMENT.—For purposes of this section, the term 'qualified individual development account program investment' means an amount equal to—

''(1) in the case of a taxpayer which is a qualified financial institution, the sum of—

''(A) the lesser of—

''(i) 90 percent of the aggregate amount of dollar-for-dollar matches under any qualified individual development account program by such taxpayer under section 1014 of the American Community Renewal and New Markets Empowerment Act for such taxable year, or

''(ii) $90,000,000, plus

''(B) the lesser of—

''(i) 50 percent of the aggregate costs paid or incurred under such program by the taxpayer during such taxable year—

''(I) to provide financial education courses to Individual Development Account holders under section 1012(b) of such Act, and

''(II) to underwrite program activities described in section 503(6)(B) of such Act), or

''(ii) $1,500,000, and

''(2) in the case of a taxpayer which is not a qualified financial institution and which meets the requirement described in paragraph (2) of subsection (d), the lesser of—

''(A) the sum of—

''(i) 50 percent of the aggregate amount of such dollar-for-dollar matches by such taxpayer for such taxable year, plus

''(ii) 50 percent of the aggregate costs described in paragraph (1)(B)(i) paid under such program by the taxpayer during such taxable year, or

''(B) $5,000,000.

''(d) DEFINITIONS AND SPECIAL RULES.—

''(1) IN GENERAL.—For purposes of this section, the terms 'Individual Development Account' , 'qualified individual development account program', and 'qualified financial institution' have the meanings given such terms by section 1003 of the American Community Renewal and New Markets Empowerment Act.

''(2) REQUIREMENT FOR TAXPAYERS WHICH ARE NOT QUALIFIED FINANCIAL INSTITUTIONS.—The requirement described in this paragraph with respect to any taxpayer which is not a qualified financial institution is the requirement that at least 70 percent of the expenditures by such taxpayer with respect to any qualified individual development account program for any taxable year are described in subsection (c)(2)(A).

''(3) CERTAIN RULES MADE APPLICABLE.—Rules similar to the rules of paragraphs (1) and (2) of section 41(f) shall apply for purposes of this section.

''(4) DENIAL OF DOUBLE BENEFIT.—No deduction or credit under any other provision of this chapter shall be allowed with respect to qualified individual development account program investments taken into account under subsection (a).

''(e) REGULATIONS.—The Secretary may prescribe such regulations as may be necessary or appropriate to carry out this section, including regulations providing for a reduction of the credit allowed under this section for any taxable year by the amount of any forfeiture under section 1015(b) of the American Community Renewal and New Markets Empowerment Act in such taxable year of any amount which was taken into account in determining the amount of such credit in a preceding taxable year.

''(f) TERMINATION.—This section shall not apply to any taxable year beginning after December 31, 2006.''.

(b) CONFORMING AMENDMENT.—The table of sections for subpart B of part IV of subchapter A of chapter 1 is amended by inserting after the item relating to section 30A the following:

''Sec. 30B. Qualified individual development account program investment credit.''.

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

SEC. 1022. CRA CREDIT TREATMENT FOR QUALIFIED INDIVIDUAL DEVELOPMENT ACCOUNT PROGRAM INVESTMENTS.

Qualified financial institutions which establish qualified individual development account programs under section 1011 shall not receive credit for funding, administration, and education expenses under any test contained in regulations for the Community Reinvestment Act of 1977 for those activities and expenses related to such programs and taken into account for purposes of the tax credit allowed under section 30B of the Internal Revenue Code of 1986.

SEC. 1023. DESIGNATION OF EARNED INCOME TAX CREDIT PAYMENTS FOR DEPOSIT TO INDIVIDUAL DEVELOPMENT ACCOUNTS.

(a) IN GENERAL.—Section 32 (relating to earned income credit) is amended by adding at the end the following:

''(o) DESIGNATION OF CREDIT FOR DEPOSIT TO INDIVIDUAL DEVELOPMENT ACCOUNT.—

''(1) IN GENERAL.—With respect to the return of any eligible individual (as defined in section 1003(1) of the American Community Renewal and New Markets Empowerment Act) for the taxable year of the tax imposed by this chapter, such individual may designate that a specified portion (not less than $1) of any overpayment of tax for such taxable year which is attributable to the credit allowed under this section shall be deposited by the Secretary into an Individual Development Account (as defined in section 1003(2) of such Act) of such individual. The Secretary shall so deposit such portion designated under this paragraph.

''(2) MANNER AND TIME OF DESIGNATION.—A designation under paragraph (1) may be made with respect to any taxable year—

''(A) at the time of filing the return of the tax imposed by this chapter for such taxable year, or

''(B) at any other time (after the time of filing the return of the tax imposed by this chapter for such taxable year) specified in regulations prescribed by the Secretary.

Such designation shall be made in such manner as the Secretary prescribes by regulations.

''(3) PORTION ATTRIBUTABLE TO EARNED INCOME TAX CREDIT.—For purposes of paragraph (1), an overpayment for any taxable year shall be treated as attributable to the credit allowed under this section for such taxable year to the extent that such overpayment does not exceed the credit so allowed.

''(4) OVERPAYMENTS TREATED AS REFUNDED.—For purposes of this title, any portion of an overpayment of tax designated under paragraph (1) shall be treated as being refunded to the taxpayer as of the last date prescribed for filing the return of tax imposed by this chapter (determined without regard to extensions) or, if later, the date the return is filed.

''(5) TERMINATION.—This subsection shall not apply to any taxable year beginning after December 31, 2006.''.

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

TITLE XI—CHARITABLE CHOICE EXPANSION

SEC. 1101. PROVISION OF ASSISTANCE UNDER GOVERNMENT PROGRAMS BY RELIGIOUS ORGANIZATIONS.

Title XXIV of the Revised Statutes is amended by inserting after section 1990 (42 U.S.C. 1994) the following:

''SEC. 1994A. CHARITABLE CHOICE.

''(a) SHORT TITLE.—This section may be cited as the 'Charitable Choice Expansion Act of 2000'.

''(b) PURPOSE.—The purposes of this section are—

''(1) to prohibit discrimination against nongovernmental organizations and certain individuals on the basis of religion in the distribution of government funds to provide government assistance and distribution of such assistance, under government programs described in subsection (c); and

''(2) to allow such organizations to accept such funds to provide such assistance to such individuals without impairing the religious character of such organizations or the religious freedom of such individuals.

''(c) RELIGIOUS ORGANIZATIONS INCLUDED AS NONGOVERNMENTAL PROVIDERS.—For any program carried out by the Federal Government, or by a State or local government with Federal funds, in which the Federal, State, or local government is authorized to use nongovernmental organizations, through contracts, grants, certificates, vouchers, or other forms of disbursement, to provide assistance to beneficiaries under the program, the government shall consider, on the same basis as other nongovernmental organizations, religious organizations to provide the assistance under the program, so long as the program is implemented in a manner consistent with the Establishment Clause of the first amendment to the Constitution. Neither the Federal Government nor a State or local government receiving funds under such program shall discriminate against an organization that provides assistance under, or applies to provide assistance under, such program, on the basis that the organization has a religious character.

''(d) EXCLUSIONS.—As used in subsection (c), the term 'program' does not include activities carried out under—

''(1) Federal programs providing education to children eligible to attend elementary schools or secondary schools, as defined in section 14101 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 8801) (except for activities to assist students in obtaining the recognized equivalents of secondary school diplomas);

''(2) the Higher Education Act of 1965 (20 U.S.C. 1001 et seq.);

''(3) the Head Start Act (42 U.S.C. 9831 et seq.); or

''(4) the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858 et seq.).

''(e) RELIGIOUS CHARACTER AND INDEPENDENCE.—

''(1) IN GENERAL.—A religious organization that provides assistance under a program described in subsection (c) shall retain its independence from Federal, State, and local governments, including such organization's control over the definition, development, practice, and expression of its religious beliefs.

''(2) ADDITIONAL SAFEGUARDS.—Neither the Federal Government nor a State or local government shall require a religious organization—

''(A) to alter its form of internal governance; or

''(B) to remove religious art, icons, scripture, or other symbols;

in order to be eligible to provide assistance under a program described in subsection (c).

''(f) EMPLOYMENT PRACTICES.—

''(1) TENETS AND TEACHINGS.—A religious organization that provides assistance under a program described in subsection (c) may require that its employees providing assistance under such program adhere to the religious tenets and teachings of such organization, and such organization may require that those employees adhere to rules forbidding the use of drugs or alcohol.

''(2) TITLE VII EXEMPTION.—The exemption of a religious organization provided under section 702 or 703(e)(2) of the Civil Rights Act of 1964 (42 U.S.C. 2000e–1, 2000e–2(e)(2)) regarding employment practices shall not be affected by the religious organization's provision of assistance under, or receipt of funds from, a program described in subsection (c).

''(g) RIGHTS OF BENEFICIARIES OF ASSISTANCE.—

''(1) IN GENERAL.—If an individual described in paragraph (3) has an objection to the religious character of the organization from which the individual receives, or would receive, assistance funded under any program described in subsection (c), the appropriate Federal, State, or local governmental entity shall provide to such individual (if otherwise eligible for such assistance) within a reasonable period of time after the date of such objection, assistance that—

''(A) is from an alternative organization that is accessible to the individual; and

''(B) has a value that is not less than the value of the assistance that the individual would have received from such organization.

''(2) NOTICE.—The appropriate Federal, State, or local governmental entity shall ensure that notice is provided to individuals described in paragraph (3) of the rights of such individuals under this section.

''(3) INDIVIDUAL DESCRIBED.—An individual described in this paragraph is an individual who receives or applies for assistance under a program described in subsection (c).

''(h) NONDISCRIMINATION AGAINST BENEFICIARIES.—

''(1) GRANTS AND CONTRACTS.—A religious organization providing assistance through a grant or contract under a program described in subsection (c) shall not discriminate, in carrying out the program, against an individual described in subsection (g)(3) on the basis of religion, a religious belief, a refusal to hold a religious belief, or a refusal to actively participate in a religious practice.

''(2) INDIRECT FORMS OF DISBURSEMENT.—A religious organization providing assistance through a voucher, certificate, or other form of indirect disbursement under a program described in subsection (c) shall not deny an individual described in subsection (g)(3) admission into such program on the basis of religion, a religious belief, or a refusal to hold a religious belief.

''(i) FISCAL ACCOUNTABILITY.—

''(1) IN GENERAL.—Except as provided in paragraph (2), any religious organization providing assistance under any program described in subsection (c) shall be subject to the same regulations as other nongovernmental organizations to account in accord with generally accepted accounting principles for the use of such funds provided under such program.

''(2) LIMITED AUDIT.—Such organization shall segregate government funds provided under such program into a separate account. Only the government funds shall be subject to audit by the government.

''(j) COMPLIANCE.—A party alleging that the rights of the party under this section have been violated by a State or local government may bring a civil action pursuant to section 1979 against the official or government agency that has allegedly committed such violation. A party alleging that the rights of the party under this section have been violated by the Federal Government may bring a civil action for appropriate relief in an appropriate Federal district court against the official or government agency that has allegedly committed such violation.

''(k) LIMITATIONS ON USE OF FUNDS FOR CERTAIN PURPOSES.—No funds provided through a grant or contract to a religious organization to provide assistance under any program described in subsection (c) shall be expended for sectarian worship, instruction, or proselytization.

''(l) EFFECT ON STATE AND LOCAL FUNDS.—If a State or local government contributes State or local funds to carry out a program described in subsection (c), the State or local government may segregate the State or local funds from the Federal funds provided to carry out the program or may commingle the State or local funds with the Federal funds. If the State or local government commingles the State or local funds, the provisions of this section shall apply to the commingled funds in the same manner, and to the same extent, as the provisions apply to the Federal funds.

''(m) TREATMENT OF INTERMEDIATE CONTRACTORS.—If a nongovernmental organization (referred to in this subsection as an 'intermediate organization'), acting under a contract or other agreement with the Federal Government or a State or local government, is given the authority under the contract or agreement to select nongovernmental organizations to provide assistance under the programs described in subsection (c), the intermediate organization shall have the same duties under this section as the government but shall retain all other rights of a nongovernmental organization under this section.''.

TITLE XII—ANTHRACITE REGION REDEVELOPMENT

SEC. 1201. CREDIT TO HOLDERS OF QUALIFIED ANTHRACITE REGION REDEVELOPMENT BONDS.

(a) IN GENERAL.—Subpart B of part IV of subchapter A of chapter 1, as amended by section 1021(a), is amended by adding at the end the following new section:

''SEC. 30C. CREDIT TO HOLDERS OF QUALIFIED ANTHRACITE REGION REDEVELOPMENT BONDS.

''(a) ALLOWANCE OF CREDIT.—In the case of a taxpayer who holds a qualified anthracite region redevelopment bond on a credit allowance date of such bond which occurs during the taxable year, there shall be allowed as a credit against the tax imposed by this chapter for such taxable year an amount equal to the sum of the credits determined under subsection (b) with respect to credit allowance dates during such year on which the taxpayer holds such bond.

''(b) AMOUNT OF CREDIT.—

''(1) IN GENERAL.—The amount of the credit determined under this subsection with respect to any credit allowance date for a qualified anthracite region redevelopment bond is 25 percent of the annual credit determined with respect to such bond.

''(2) ANNUAL CREDIT.—The annual credit determined with respect to any qualified anthracite region redevelopment bond is the product of—

''(A) the applicable credit rate, multiplied by

''(B) the outstanding face amount of the bond.

''(3) APPLICABLE CREDIT RATE.—For purposes of paragraph (1), the applicable credit rate with respect to an issue is the rate equal to an average market yield (as of the day before the date of issuance of the issue) on outstanding long-term corporate debt obligations (determined under regulations prescribed by the Secretary).

''(4) SPECIAL RULE FOR ISSUANCE AND REDEMPTION.—In the case of a bond which is issued during the 3-month period ending on a credit allowance date, the amount of the credit determined under this subsection with respect to such credit allowance date shall be a ratable portion of the credit otherwise determined based on the portion of the 3-month period during which the bond is outstanding. A similar rule shall apply when the bond is redeemed.

''(c) QUALIFIED ANTHRACITE REGION REDEVELOPMENT BOND.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified anthracite region redevelopment bond' means any bond issued as part of an issue if—

''(A) the issuer is an approved special purpose entity,

''(B) all of the net proceeds of the issue are deposited into either—

''(i) an approved segregated program fund, or

''(ii) a sinking fund for payment of principal on the bonds at maturity,

''(C) the issuer designates such bond for purposes of this section, and

''(D) the term of each bond which is part of such issue does not exceed 30 years.

Not more than ⅙ of the net proceeds of an issue may be deposited into a sinking fund referred to in subparagraph (B)(ii).

''(2) LIMITATION ON AMOUNT OF BONDS DESIGNATED.—The maximum aggregate face amount of bonds which may be designated under paragraph (1) shall not exceed $1,200,000,000.

''(3) APPROVED SPECIAL PURPOSE ENTITY.—The term 'approved special purpose entity' means a State or local governmental entity, or an entity described in section 501(c) and exempt from tax under section 501(a), if—

''(A) such entity is established and operated exclusively to carry out qualified purposes,

''(B) such entity has a comprehensive plan to restore and redevelop abandoned mine land in an anthracite region, and

''(C) such entity and plan are approved by the Administrator of the Environmental Protection Agency.

''(4) APPROVED SEGREGATED PROGRAM FUND.—The term 'approved segregated program fund' means any segregated fund the amounts in which may be used only for qualified purposes, but only if such fund has safeguards approved by such Administrator to assure that such amounts are only used for such purposes.

''(d) LIMITATION BASED ON AMOUNT OF TAX.—

''(1) IN GENERAL.—The credit allowed under subsection (a) for any taxable year shall not exceed the excess of—

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

''(B) the sum of the credits allowable under part IV of subchapter A (other than this section and subpart C thereof, relating to refundable credits).

''(2) CARRYOVER OF UNUSED CREDIT.—If the credit allowable under subsection (a) exceeds the limitation imposed by paragraph (1) for such taxable year, such excess shall be carried to the succeeding taxable year and added to the credit allowable under subsection (a) for such taxable year.

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

''(1) ANTHRACITE REGION.—The term 'anthracite region' means any area in the United States with anthracite deposits.

''(2) QUALIFIED PURPOSE.—The term 'qualified purpose' means, with respect to any qualified anthracite region redevelopment bond—

''(A) the purchase, restoration, and redevelopment of abandoned mine land and other real, personal, and mixed property in an anthracite region,

''(B) the cleanup of waterways and their tributaries, both surface and subsurface in such region from acid mine drainage and other pollution,

''(C) the provision of financial and technical assistance for infrastructure construction and upgrading water and sewer systems in such region,

''(D) research and development,

''(E) other environmental and economic development purposes in such region, and

''(F) such other purposes as are set forth in the comprehensive plan prepared by the issuer and approved by the Administrator of the Environmental Protection Agency.

''(3) CREDIT ALLOWANCE DATE.—The term 'credit allowance date' means—

''(A) March 15,

''(B) June 15,

''(C) September 15, and

''(D) December 15.

Such term includes the last day on which the bond is outstanding.

''(4) BOND.—The term 'bond' includes any obligation.

''(f) CREDIT INCLUDED IN GROSS INCOME.—Gross income includes the amount of the credit allowed to the taxpayer under this section (determined without regard to subsection (d)) and the amount so included shall be treated as interest income.

''(g) BONDS HELD BY REGULATED INVESTMENT COMPANIES.—If any qualified anthracite region redevelopment bond is held by a regulated investment company, the credit determined under subsection (a) shall be allowed to shareholders of such company under procedures prescribed by the Secretary.

''(h) CREDITS MAY BE STRIPPED.—Under regulations prescribed by the Secretary—

''(1) IN GENERAL.—There may be a separation (including at issuance) of the ownership of a qualified anthracite region redevelopment bond and the entitlement to the credit under this section with respect to such bond. In case of any such separation, the credit under this section shall be allowed to the person who on the credit allowance date holds the instrument evidencing the entitlement to the credit and not to the holder of the bond.

''(2) CERTAIN RULES TO APPLY.—In the case of a separation described in paragraph (1), the rules of section 1286 shall apply to the qualified anthracite region redevelopment bond as if it were a stripped bond and to the credit under this section as if it were a stripped coupon.

''(i) TREATMENT FOR ESTIMATED TAX PURPOSES.—Solely for purposes of sections 6654 and 6655, the credit allowed by this section to a taxpayer by reason of holding a qualified anthracite region redevelopment bond on a credit allowance date shall be treated as if it were a payment of estimated tax made by the taxpayer on such date.

''(j) CREDIT MAY BE TRANSFERRED.—Nothing in any law or rule of law shall be construed to limit the transferability of the credit allowed by this section through sale and repurchase agreements.

''(k) REPORTING.—The issuer shall submit reports similar to the reports required under section 149(e).

''(l) TERMINATION.—This section shall not apply to any bond issued more than 10 years after the date that the first qualified anthracite region redevelopment bond is issued.''

(b) REPORTING.—Subsection (d) of section 6049 (relating to returns regarding payments of interest) is amended by adding at the end the following new paragraph:

''(8) REPORTING OF CREDIT ON QUALIFIED ANTHRACITE REGION REDEVELOPMENT BONDS.—

''(A) IN GENERAL.—For purposes of subsection (a), the term 'interest' includes amounts includible in gross income under section 30C(f) and such amounts shall be treated as paid on the credit allowance date (as defined in section 30C(e)(3)).

''(B) REPORTING TO CORPORATIONS, ETC.—Except as otherwise provided in regulations, in the case of any interest described in subparagraph (A) of this paragraph, subsection (b)(4) of this section shall be applied without regard to subparagraphs (A), (H), (I), (J), (K), and (L)(i).

''(C) REGULATORY AUTHORITY.—The Secretary may prescribe such regulations as are necessary or appropriate to carry out the purposes of this paragraph, including regulations which require more frequent or more detailed reporting.''

(c) CONFORMING AMENDMENT.—The table of sections for subpart B of part IV of subchapter A of chapter 1, as amended by section 1021(b), is amended by adding at the end the following new item:

''Sec. 30C. Credit to holders of qualified public anthracite region redevelopment bonds.''

(d) APPROVAL OF BONDS, ETC., BY ADMINISTRATOR OF THE ENVIRONMENTAL PROTECTION AGENCY.—The Administrator of the Environmental Protection Agency shall act on any request for an approval required by section 30C of the Internal Revenue Code of 1986 (as added by this section) not later than 30 days after the date such request is submitted to such Administrator.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to obligations issued after December 31, 2000.

KERRY (AND OTHERS) AMENDMENT NO. 3839

Mr. KERRY (for himself, Mr. SARBANES, Mr. INOUYE, Mr. DODD, Mr. WELLSTONE, and Mr. LEAHY) proposed an amendment to the bill, H.R. 8, supra; as follows:

Strike all after the first word and insert:

1. SHORT TITLE.

(a) SHORT TITLE.—This Act may be cited as the ''Estate Tax Relief Act of 2000''.

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

TITLE I—ESTATE TAX RELIEF

SEC. 101. INCREASE IN AMOUNT OF UNIFIED CREDIT AGAINST ESTATE AND GIFT TAXES.

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

''In the case of estates of decedents dying, and gifts made, during:	The applicable exclusion amount is:
2001, 2002, 2003, 2004, and 2005	$1,000,000
2006 and 2007	$1,125,000
2008	$1,500,000
2009 or thereafter	$2,000,000.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

SEC. 102. INCREASE IN QUALIFIED FAMILY-OWNED BUSINESS INTEREST DEDUCTION AMOUNT.

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

''(2) MAXIMUM DEDUCTION.—

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

''(i) the applicable deduction amount, plus

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

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

''In the case of estates of decedents dying during:	The applicable deduction amount is:
2001, 2002, 2003, 2004, and 2005	$1,375,000
2006 and 2007	$1,625,000
2008	$2,375,000
2009 or thereafter	$3,375,000.

''(C) APPLICABLE UNUSED SPOUSAL DEDUCTION AMOUNT.—With respect to a decedent whose immediately predeceased spouse died after December 31, 2000, and the estate of such immediately predeceased spouse met the requirements of subsection (b)(1), the applicable unused spousal deduction amount for such decedent is equal to the excess of—

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

''(ii) the sum of—

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

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

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

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

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

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

TITLE II—NATIONAL AFFORDABLE HOUSING

SEC. 201. SHORT TITLE.

This title may be cited as the ''National Affordable Housing Trust Fund Act of 2000''.

SEC. 202. PURPOSES.

The purposes of this title are to—

(1) fill the growing gap in the national ability to build affordable housing by using amounts saved by slowing down the repeal of the Federal estate and gift taxes and profits generated by Federal housing programs to fund additional housing activities, and not supplant existing housing appropriations; and

(2) enable rental housing to be built for those families with the greatest need in areas with the greatest opportunities in mixed-income settings and to promote homeownership for low-income families.

SEC. 203. NATIONAL HOUSING TRUST FUND.

Subchapter A of chapter 98 of the Internal Revenue Code of 1986 (relating to trust funds) is amended by adding at the end the following:

''SEC. 9511. NATIONAL HOUSING TRUST FUND.

''(a) ESTABLISHMENT OF TRUST FUND.—There is established in the Treasury of the United States a trust fund to be known as the 'National Affordable Housing Trust Fund' (referred to in this section as the 'Trust Fund') for the purposes of promoting the development of affordable housing.

''(b) TRANSFER TO THE TRUST FUND.—The Secretary shall—

''(1) estimate the amount of the increase in funds in the general fund of the Treasury for each fiscal year resulting from the amendments made by the Estate Tax Relief Act of 2000 as compared to such increase resulting from the amendments made by H.R. 8 as received by the Senate from the House of Representatives on June 12, 2000; and

''(2) transfer, on October 1, 2001, and each October 1 thereafter (if necessary) from the general fund of the Treasury to the Trust Fund an amount equivalent to the difference determined in paragraph (1), to the extent the aggregate amount of such transfers does not exceed $5,000,000,000.

''(c) EXPENDITURES FROM THE TRUST FUND.—Beginning in fiscal year 2002, amounts deposited in or transferred to the Trust Fund shall be available to the Secretary of Housing and Urban Development for use in accordance with section 204 of the National Affordable Housing Trust Fund Act of 2000.''.

SEC. 204. ADMINISTRATION OF NATIONAL AFFORDABLE HOUSING TRUST FUND.

(a) DEFINITIONS.—In this section:

(1) AFFORDABLE HOUSING.—The term ''affordable housing'' means housing for rental that bears rents not greater than the lesser of—

(A) the existing fair market rent for comparable units in the area, as established by the Secretary under section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f); or

(B) a rent that does not exceed 30 percent of the adjusted income of a family whose income equals 65 percent of the median income for the area, as determined by the Secretary, with adjustment for number of bedrooms in the unit, except that the Secretary may establish income ceilings higher or lower than 65 percent of the median for the area on the basis of the findings of the Secretary that such variations are necessary because of prevailing levels of construction costs or fair market rents, or unusually high or low family incomes.

(2) CONTINUED ASSISTANCE RENTAL SUBSIDY PROGRAM.—The term ''continued assistance rental subsidy program'' means a program under which—

(A) project-based assistance is provided for not more than 3 years to a family in an affordable housing unit developed with assistance made available under subsection (c) or (d) in a project that partners with a public housing agency, which agency agrees to provide the assisted family with a priority for the receipt of a voucher under section 8(o) of the United States Housing Act of 1937 (42 U.S.C. 1437f(o)) if the family chooses to move after an initial year of occupancy and the public housing agency agrees to refer eligible voucher holders to the property when vacancies occur; and

(B) after 3 years, subject to appropriations, continued assistance is provided under section 8(o) of the United States Housing Act of 1937 (42 U.S.C. 1437f(o)), notwithstanding any provision to the contrary in that section, if administered to provide families with the option of continued assistance with tenant-based vouchers, if such a family chooses to move after an initial year of occupancy and the public housing agency agrees to refer eligible voucher holders to the property when vacancies occur.

(3) ELIGIBLE ACTIVITIES.—The term ''eligible activities'' means activities relating to the development of affordable housing, including—

(A) the construction of new housing;

(B) the acquisition of real property;

(C) site preparation and improvement, including demolition;

(D) substantial rehabilitation of existing housing; and

(E) rental subsidy for not more than 3 years under a continued assistance rental subsidy program.

(4) ELIGIBLE ENTITY.—The term ''eligible entity'' includes any public or private nonprofit or for-profit entity, unit of local government, regional planning entity, and any other entity engaged in the development of affordable housing, as determined by the Secretary.

(5) ELIGIBLE INTERMEDIARY.—The term ''eligible intermediary'' means—

(A) a nonprofit community development corporation;

(B) a community development financial institution (as defined in section 103 of the Community Development Banking and Financial Institutions Act of 1994 (12 U.S.C. 4702));

(C) a State or local trust fund;

(D) any entity eligible for assistance under section 4 of the HUD Demonstration Act of 1993 (42 U.S.C. 9816 note);

(E) a national, regional, or statewide nonprofit organization; and

(F) any other appropriate nonprofit entity, as determined by the Secretary.

(6) EXTREMELY LOW-INCOME FAMILIES.—The term ''extremely low-income families'' means very low-income families (as defined in section 3(b) of the United States Housing Act of 1937 (42 U.S.C. 1437a(b)) whose incomes do not exceed 30 percent of the median family income for the area, as determined by the Secretary with adjustments for smaller and larger families, except that the Secretary may establish income ceilings higher or lower than 30 percent of the median for the area on the basis of the Secretary's findings that such variations are necessary because of unusually high or low family incomes.

(7) LOW-INCOME FAMILIES.—The term ''low-income families'' has the meaning given the term in section 3(b) of the United States Housing Act of 1937 (42 U.S.C. 1437a(b)).

(8) SECRETARY.—The term ''Secretary'' means the Secretary of Housing and Urban Development.

(9) STATE.—The term ''State'' has the meaning given the term in section 3(b) of the United States Housing Act of 1937 (42 U.S.C. 1437a(b)).

(10) TRUST FUND.—The term ''Trust Fund'' means the National Housing Trust Fund established under section 9511 of the Internal Revenue Code of 1986, as added by section 203 of this title.

(b) ALLOCATION TO STATES AND ELIGIBLE INTERMEDIARIES.—The total amount made available for fiscal year 2002 and each fiscal year thereafter from the Trust Fund shall be allocated by the Secretary as follows:

(1) 75 percent shall be used to award grants to States in accordance with subsection (c).

(2) 25 percent shall be used to award grants to eligible intermediaries in accordance with subsection (d).

(c) GRANTS TO STATES.—

(1) IN GENERAL.—Subject to paragraph (2), from the amount made available for each fiscal year under subsection (b)(1), the Secretary shall award grants to States, in accordance with an allocation formula established by the Secretary, based on the pro rata share of each State of the total need among all States for an increased supply of affordable housing, as determined on the basis of—

(A) the number and percentage of families in the State that live in substandard housing;

(B) the number and percentage of families in the State that pay more than 50 percent of their annual income for housing costs;

(C) the number and percentage of persons living at or below the poverty level in the State;

(D) the cost of developing or carrying out substantial rehabilitation of housing in the State;

(E) the age of the multifamily housing stock in the State; and

(F) such other factors as the Secretary determines to be appropriate.

(2) GRANT AMOUNT.—

(A) IN GENERAL.—The amount of a grant award to a State under this subsection shall be equal to the lesser of—

(i) 4 times the amount of assistance provided by the State from non-Federal sources; and

(ii) the allocation determined in accordance with paragraph (1).

(B) NON-FEDERAL SOURCES.—Fifty percent of funds allocable to tax credits allocated under section 42 of the Internal Revenue Code of 1986, revenue from mortgage revenue bonds issued under section 143 of such Code, or proceeds from the sale of tax exempt bonds shall be considered non-Federal sources for purposes of this section.

(3) AWARD OF STATE ALLOCATION TO CERTAIN ENTITIES.—

(A) IN GENERAL.—If the amount provided by a State from non-Federal sources is less than 25 percent of the amount that would be awarded to the State under this subsection based on the allocation formula described in paragraph (1), not later than 60 days after the date on which the Secretary determines that the State is not eligible for the full allocation determined under paragraph (1), the Secretary shall issue a notice regarding the availability of the funds for which the State is ineligible.

(B) APPLICATIONS.—Not later than 9 months after publication of a notice of funding availability under subparagraph (A), a nonprofit or public entity (or a consortium thereof, which may include units of local government working together on a regional basis) may submit to the Secretary an application for the available assistance, which application shall include—

(i) a certification that the applicant will provide assistance from non-Federal sources in an amount equal to 25 percent of the amount of assistance made available to the applicant under this paragraph; and

(ii) an allocation plan that meets the requirements of paragraph (4)(B) for distribution in the State of any assistance made available to the applicant under this paragraph and the assistance provided by the applicant for purposes of clause (i).

(C) AWARD OF ASSISTANCE.—The Secretary shall award the amount that is not awarded to a State by operation of paragraph (2) to 1 or more applicants that meet the requirements of subparagraph (B) of this paragraph that are selected by the Secretary based on selection criteria, which shall be established by the Secretary by regulation.

(4) DISTRIBUTION TO ELIGIBLE ENTITIES.—

(A) IN GENERAL.—Each State that receives a grant award under this subsection shall distribute the amount made available under the grant and the assistance provided by the State from non-Federal sources for purposes of paragraph (2)(A) to eligible entities for the purpose of assisting those entities in carrying out eligible activities in the State as follows:

(i) 75 percent shall be distributed to eligible entities for eligible activities relating to the development of affordable housing for rental by extremely low-income families in the State.

(ii) 25 percent shall be distributed to eligible entities for eligible activities relating to the development of affordable housing for rental by low-income families in the State, or for homeownership assistance for low-income families in the State.

(B) ALLOCATION PLAN.—Each State shall, after notice to the public, an opportunity for public comment, and consideration of public comments received, establish an allocation plan for the distribution of assistance under this paragraph, which shall be submitted to the Secretary and shall be made available to the public by the State, and which shall include—

(i) application requirements for eligible entities seeking to receive such assistance, including a requirement that each application include—

(I) a certification by the applicant that any housing developed with assistance under this paragraph will remain affordable for extremely low-income families or low-income families, as applicable, for not less than 40 years;

(II) a certification by the applicant that the tenant contribution towards rent for a family residing in a unit developed with assistance under this paragraph will not exceed 30 percent of the adjusted income of that family; and

(III) a certification by the applicant that the owner of a project in which any housing developed with assistance under this paragraph is located will make a percentage of units in the project available to families assisted under the voucher program under section 8(o) of the United States Housing Act of 1937 (42 U.S.C. 1437f(o)) on the same basis as other families eligible for the housing (except that only the voucher holder's expected share of rent shall be considered), which percentage shall not be less than the percentage of the total cost of developing or rehabilitating the project that is funded with assistance under this paragraph; and

(ii) factors for consideration in selecting among applicants that meet such application requirements, which shall give preference to applicants based on—

(I) the amount of assistance for the eligible activities leveraged by the applicant from private and other non-Federal sources;

(II) the extent of local assistance that will be provided in carrying out the eligible activities, including—

(aa) financial assistance; and

(bb) the extent to which the applicant has worked with the unit of local government in which the housing will be located to address issues of siting and exclusionary zoning or other policies that are barriers to affordable housing;

(III) the degree to which the development in which the housing will be located is mixed-income;

(IV) whether the housing will be located in a census tract in which the poverty rate is less than 20 percent or in a community undergoing revitalization;

(V) the extent of employment and other opportunities for low-income families in the area in which the housing will be located; and

(VI) the extent to which the applicant demonstrates the ability to maintain units as affordable for extremely low-income or low-income families, as applicable, through the use of assistance made available under this paragraph, assistance leveraged from non-Federal sources, assistance made available under section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f), State or local assistance, programs to increase tenant income, cross-subsidization, and any other resources.

(C) FORMS OF ASSISTANCE.—

(i) IN GENERAL.—Assistance distributed under this paragraph may be in the form of capital grants, non-interest bearing or low-interest loans or advances, deferred payment loans, guarantees, and any other forms of assistance approved by the Secretary.

(ii) REPAYMENTS.—If a State awards assistance under this paragraph in the form of a loan or other mechanism by which funds are later repaid to the State, any repayments received by the State shall be distributed by the State in accordance with the allocation plan described in subparagraph (B) the following fiscal year.

(D) COORDINATION WITH OTHER ASSISTANCE.—In distributing assistance under this paragraph, each State shall, to the maximum extent practicable, coordinate such distribution with the provision of other affordable housing assistance by the State, including—

(i) housing credit dollar amounts allocated by the State under section 42(h) of the Internal Revenue Code of 1986;

(ii) assistance made available under the HOME Investment Partnerships Act or the community development block grant program; and

(iii) private activity bonds.

(d) NATIONAL COMPETITION.—

(1) IN GENERAL.—From the amount made available for each fiscal year under subsection (b)(2), the Secretary shall award grants on a competitive basis to eligible

grants on a competitive basis to eligible intermediaries, which shall be used in accordance with paragraph (3) of this subsection.

(2) APPLICATION REQUIREMENTS AND SELECTION CRITERIA.—The Secretary by regulation shall establish application requirements and selection criteria for the award of competitive grants to eligible intermediaries under this subsection, which criteria shall include—

(A) the ability of the eligible intermediary to meet housing needs of low-income families on a national or regional scope;

(B) the capacity of the eligible intermediary to use the grant award in accordance with paragraph (3), based on the past performance and management of the applicant; and

(C) the extent to which the eligible intermediary has leveraged funding from private and other non-Federal sources for the eligible activities.

(3) USE OF GRANT AWARD.—

(A) IN GENERAL.—Each eligible intermediary that receives a grant award under this subsection shall ensure that the amount made available under the grant is used as follows:

(i) 75 percent shall be used for eligible activities relating to the development of affordable housing for rental by extremely low-income families.

(ii) 25 percent shall be used for eligible activities relating to the development of affordable housing for rental by low-income families, or for homeownership assistance for low-income families.

(B) PLAN OF USE.—Each eligible intermediary that receives a grant award under this subsection shall establish a plan for the use or distribution of the amount made available under the grant, which shall be submitted to the Secretary, and which shall include information relating to the manner in which the eligible intermediary will either use or distribute that amount, including—

(i) a certification that assistance made available under this subsection will be used to supplement assistance leveraged from private and other non-Federal sources;

(ii) a certification that local assistance will be provided in the carrying out the eligible activities, which may include—

(I) financial assistance; and

(II) a good faith effort to work with the unit of local government in which the housing will be located to address issues of siting and exclusionary zoning or other policies that are barriers to affordable housing;

(iii) a certification that any housing developed with assistance under this subsection will remain affordable for extremely low-income families or low-income families, as applicable, for not less than 40 years;

(iv) a certification that any housing developed by the applicant with assistance under this subsection will be located—

(I) in a mixed-income development;

(II) in a census tract having a poverty rate of not more than 20 percent or in a community undergoing revitalization; and

(III) near employment and other opportunities for low-income families;

(v) a certification that the tenant contribution towards rent for a family residing in a unit developed with assistance under this paragraph will not exceed 30 percent of the adjusted income of that family; and

(vi) a certification by the applicant that the owner of a project in which any housing developed with assistance under this subsection is located will make a percentage of units in the project available to families assisted under the voucher program under section 8(o) of the United States Housing Act of 1937 (42 U.S.C. 1437f(o)) on the same basis as other families eligible for the housing (except that only the voucher holder's expected share of rent shall be considered), which percentage shall not be less than the percentage of the total cost of developing or rehabilitating the project that is funded with assistance under this subsection.

(C) FORMS OF ASSISTANCE.—

(i) IN GENERAL.—An eligible intermediary may distribute the amount made available under a grant under this subsection in the form of capital grants, non-interest bearing or low-interest loans or advances, deferred payment loans, guarantees, and other forms of assistance.

(ii) REPAYMENTS.—If an eligible intermediary awards assistance under this subsection in the form of a loan or other mechanism by which funds are later repaid to the eligible intermediary, any repayments received by the eligible intermediary shall be distributed by the eligible intermediary in accordance with the plan of use described in subparagraph (B) the following fiscal year.

SEC. 205. REGULATIONS.

Not later than 6 months after the date of enactment of this Act, the Secretary of Housing and Urban Development shall promulgate regulations to carry out this title and the amendment made by this title.

HARKIN (AND OTHERS) AMENDMENT NO. 3840

Mr. HARKIN (for himself, Mr. FEINGOLD, Ms. MIKULSKI, Mr. LEAHY, and Mrs. MURRAY) proposed an amendment to the bill, H.R. 8, supra; as follows:

Strike all after the first word and insert:

TITLE —SOCIAL SECURITY SOLVENCY AND FAIRNESS

SEC. . ADDITIONAL APPROPRIATIONS TO FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND AND FEDERAL DISABILITY INSURANCE TRUST FUND.

(a) PURPOSE.—The purpose of this section is to assure that the interest savings on the debt held by the public achieved as a result of Social Security surpluses from 2001 to 2016 are dedicated to Social Security solvency.

(b) ADDITIONAL APPROPRIATIONS TO TRUST FUNDS.—Section 201 of the Social Security Act is amended by adding at the end the following new subsection:

"(n) ADDITIONAL APPROPRIATION TO TRUST FUNDS.—

"(1) In addition to the amounts appropriated to the Trust Funds under subsections (a) and (b), there is hereby appropriated to the Trust Funds, out of any moneys in the Treasury not otherwise appropriated—

"(A) for the fiscal year ending September 30, 2006, and for each fiscal year thereafter through the fiscal year ending September 30, 2016, an amount equal to the prescribed amount for the fiscal year; and

"(B) for the fiscal year ending September 30, 2017, and for each fiscal year thereafter through the fiscal year ending September 30, 2044, an amount equal to the prescribed amount for the fiscal year ending September 30, 2016.

"(2) The amount appropriated by paragraph (1) in each fiscal year shall be transferred in equal monthly installments.

"(3) The amount appropriated by paragraph (1) in each fiscal year shall be allocated between the Trust Funds in the same proportion as the taxes imposed by chapter 21 (other than sections 3101(b) and 3111(b)) of the Title 26 with respect to wages (as defined in section 3121 of Title 26) reported to the Secretary of the Treasury or his delegate pursuant to subtitle F of Title 26, and the taxes imposed by chapter 2 (other than section 1401(b)) of Title 26 with respect to self-employment income (as defined in section 1402 of Title 26) reported to the Secretary of the Treasury or his delegate pursuant to subtitle F of Title 26, are allocated between the Trust Funds in the calendar year that begins in the fiscal year.

"(4) For purposes of this subsection, the "prescribed amount" for any fiscal year shall be determined by multiplying—

"(A) the excess of—

"(i) the sum of—

"(I) the face amount of all obligations of the United States held by the Trust Funds on the last day of the fiscal year immediately preceding the fiscal year of determination purchased with amounts appropriated or credited to the Trust Funds other than any amount appropriated under paragraph (1); and

"(II) the sum of the amounts appropriated under paragraph (1) and transferred under paragraph (2) through the last day of the fiscal year immediately preceding the fiscal year of determination, and an amount equal to the interest that would have been earned thereon had those amounts been invested in obligations of the United States issued directly to the Trust Funds under subsections (d) and (f); over

"(ii) the face amount of all obligations of the United States held by the Trust Funds on September 30, 2000,

times—

"(B) a rate of interest determined by the Secretary of the Treasury, at the beginning of the fiscal year of determination, as follows:

"(i) if there are any marketable interest-bearing obligations of the United States then forming a part of the public debt, a rate of interest determined by taking into consideration the average market yield (computed on the basis of daily closing market bid quotations or prices during the calendar month immediately preceding the determination of the rate of interest) on such obligations; and

"(ii) if there are no marketable interest-bearing obligations of the United States then forming a part of the public debt, a rate of interest determined to be the best approximation of the rate of interest described in clause (i), taking into consideration the average market yield (computed on the basis of daily closing market bid quotations or prices during the calendar month immediately preceding the determination of the rate of interest) on investment grade corporate obligations selected by the Secretary of the Treasury, less an adjustment made by the Secretary of the Treasury to take into account the difference between the yields on corporate obligations comparable to the obligations selected by the Secretary of the Treasury and yields on obligations of comparable maturities issued by risk-free government issuers selected by the Secretary of the Treasury.".

SEC. 602. INCREASE IN NUMBER OF YEARS DISREGARDED.

(a) IN GENERAL.—Section 215(b)(2) of the Social Security Act (42 U.S.C. 415(b)(2)) is amended—

(1) by striking the period at the end of clause (ii) of subparagraph (A) and inserting a comma;

(2) by striking "Clause (ii), once" after and below clause (ii) of subparagraph (A) and inserting the following:

"and reduced further to the extent provided in subparagraph (B). Clause (ii), once";

(3) by striking "If an individual" in the matter following clause (ii) of subparagraph (A) and all that follows through the end of subparagraph (A);

(4) by redesignating subparagraph (B) as subparagraph (F); and

(5) by inserting after subparagraph (A) the following new subparagraphs:

''(B) Subject to subparagraph (C), in any case in which—

''(i) in any calendar year which is included in an individual's computation base years—

''(I) such individual is living with a child (of such individual or his or her spouse) under the age of 12; or

''(II) such individual is living with a child (of such individual or his or her spouse), a parent (of such individual or his or her spouse), or such individual's spouse while such child, parent, or spouse is a chronically dependent individual;

''(ii) such calendar year is not disregarded pursuant to subparagraphs (A) and (E) (in determining such individual's benefit computation years) by reason of the reduction in the number of such individual's elapsed years under subparagraph (A); and

''(iii) such individual submits to the Secretary, in such form as the Secretary shall prescribe by regulations, a written statement that the requirements of clause (i) are met with respect to such calendar year,

then the number by which such elapsed years are reduced under this paragraph pursuant to subparagraph (A) shall be increased by one (up to a combined total not exceeding 5) for each such calendar year.

''(C)(i)(I) No calendar year shall be disregarded by reason of subparagraph (B) (in determining such individual's benefit computation years) unless the individual had less than the applicable dollar amount (in effect for such calendar year under subclause (II)) of earnings as described in section 203(f)(5) for such year.

''(II) Except as otherwise provided in this subclause, the applicable dollar amount in effect under this subclause for any calendar year is $3,000. In each calendar year after 2006, the Secretary shall determine and publish in the Federal Register, on or before November 1 of such calendar year, the applicable dollar amount which shall be effective under this subclause for the next calendar year. Such dollar amount shall be equal to the applicable dollar amount which is effective under this subclause for the calendar year in which such determination is made, increased by a percentage equal to the percentage (rounded to the nearest 1⁄10 of 1 percent) by which the Consumer Price Index (prepared by the Department of Labor and used in determining increases in benefits pursuant to section 215(i)) for the calendar quarter ending on September 30 of such calendar year exceeds such index for the calendar quarter ending on September 30 of the last preceding calendar year in which a cost-of-living increase in benefits became effective under section 215(i).

''(ii) No calendar year shall be disregarded by reason of subparagraph (B) (in determining such individual's benefit computation years) in connection with a child referred to in subparagraph (B)(i)(I) (and not referred to in subparagraph (B)(i)(II)) unless the individual was living with the child substantially throughout the period in such year in which the child was alive and under the age of 12 in such year.

''(iii) No calendar year shall be disregarded by reason of subparagraph (B) (in determining such individual's benefit computation years) in connection with a child, parent, or spouse referred to in subparagraph (B)(i)(II) unless the individual was living with such child, parent, or spouse substantially throughout a period of 180 consecutive days in such year throughout which such child, parent, or spouse was a chronically dependent individual.

''(iv) The particular calendar years to be disregarded under this subparagraph (in determining such benefit computation years) shall be those years (not otherwise disregarded under subparagraph (A)) which, before the application of subsection (f), meet the conditions of the preceding provisions of this clause.

''(v) This subparagraph shall apply only to the extent that—

''(I) its application would not result in a lower primary insurance amount; and

''(II) it does not raise the primary insurance amount to a level greater than the average old-age insurance benefit paid under this title.

''(D)(i) For purposes of this paragraph, the term 'chronically dependent individual' means an individual who—

''(I) is dependent on a daily basis on another person who is living with the individual and is assisting the individual without monetary compensation in the performance of at least 2 of the activities of daily living (described in clause (ii)), and

''(II) without such assistance could not perform such activities of daily living.

''(ii) The 'activities of daily living', referred to in clause (i), are the following:

''(I) Eating.

''(II) Bathing.

''(III) Dressing.

''(IV) Toileting.

''(V) Transferring in and out of a bed or in and out of a chair.

''(E) The number of an individual's benefit computation years as determined under this paragraph shall in no case be less than 2.''.

(b) EFFECTIVE DATE AND RELATED PROVISIONS.—

(1) IN GENERAL.—The amendments made by this Act shall apply with respect to computation base years ending before, on, or after the date of enactment of this Act, but only with respect to benefits payable for months after December 2001.

(2) NOTICE AND PROCEDURES.—

(A) 60-DAY FILING PERIOD AFTER ISSUANCE OF REGULATIONS FOR CALENDAR YEARS BEFORE 2001.—The requirements of clause (iii) of section 215(b)(2)(B) of the Social Security Act (as amended by this section) shall be treated as satisfied, in the case of a statement with respect to any calendar year before 2001, only if such statement is submitted to the Secretary of Health and Human Services not later than 60 days after the date of the first issuance in final form of the regulations required under such clause.

(B) NOTICE REQUIREMENTS.—The Secretary of Health and Human Services shall issue, not later than the date of the first issuance in final form of the regulations described in paragraph (1), regulations establishing procedures to ensure that—

(i) persons who are, as of such date, recipients of monthly benefits under section 202(a) or 223 of the Social Security Act, or applicants for such benefits, are fully informed of the amendments made by this section; and

(ii) such persons are invited to comply, and given a reasonable opportunity to comply, with the requirements of section 215(b)(2)(B)(iii) of the Social Security Act (as amended by this section), as provided in subparagraph (A).

Upon receiving from a recipient described in clauses (i) and (ii) a written statement referred to in clause (iii) of section 215(b)(2)(B) of the Social Security Act (as amended by this section) with respect to which the requirements of such clause are satisfied, the Secretary shall redetermine the amount of such benefits to the extent necessary to take into account the amendments made by this section (and if such redetermination results in an increase in such amount the increase shall be effective as provided in paragraph (1)). Such regulations described in subparagraph (A) shall also provide procedures to ensure that applicants for benefits under section 202(a) or 223 of the Social Security Act are given the opportunity, at the time of their application, to indicate and verify any additional years which may be disregarded under section 215(b)(2)(B) of the Social Security Act (as amended by this section).

SEC. . INCREASE IN WIDOWS' AND WIDOWERS' INSURANCE BENEFITS.

(a) WIDOW'S BENEFIT.—Section 202(e)(2)(A) of the Social Security Act (42 U.S.C. 402(e)(2)(A)) is amended by striking ''equal to'' and all that follows and inserting ''equal to the greater of—

''(i) the primary insurance amount (as determined for purposes of this subsection after application of subparagraphs (B) and (C)) of such deceased individual, or

''(ii) the lesser of—

''(I) 75 percent of the joint benefit which would have been received by the widow or surviving divorced wife and the deceased individual for such month if such individual had not died, or

''(II) the average old-age insurance benefit paid under this title.''.

(b) WIDOWER'S BENEFIT.—Section 202(f)(3)(A) of the Social Security Act (42 U.S.C. 402(b)(3)(A)) is amended by striking ''equal to'' and all that follows and inserting ''equal to the greater of—

''(i) the primary insurance amount (as determined for purposes of this subjection after application of subparagraphs (B) and (C)) of such deceased individual, or

''(ii) the lesser of—

(I) 75 percent of the joint benefit which would have been received by the widow or surviving divorced wife and the deceased individual for such month if such individual had not died, or

''(II) the average old-age insurance benefit paid under this title.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to benefits payable for months after December 2000.

SEC . SHORT TITLE.

(a) SHORT TITLE.—This Act may be cited as the ''Estate Tax Relief Act of 2000''.

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

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

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

''In the case of estates of decedents dying, and gifts made, during:	**The applicable exclusion amount is:**
2001, 2002, 2003, 2004, and 2005	$1,000,000
2006 and 2007	$1,125,000
2008	$1,500,000
2009 or thereafter	$2,000,000.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

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

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

''(2) MAXIMUM DEDUCTION.—

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

''(i) the applicable deduction amount, plus

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

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

"In the case of estates of decedents dying during:	The applicable deduction amount is:
2001, 2002, 2003, 2004, and 2005	$1,375,000
2006 and 2007	$1,625,000
2008	$2,375,000
2009 or thereafter	$3,375,000.

''(C) APPLICABLE UNUSED SPOUSAL DEDUCTION AMOUNT.—With respect to a decedent whose immediately predeceased spouse died after December 31, 2000, and the estate of such immediately predeceased spouse met the requirements of subsection (b)(1), the applicable unused spousal deduction amount for such decedent is equal to the excess of—

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

''(ii) the sum of—

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

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

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

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

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

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

SEC. . SENSE OF SENATE REGARDING SAVINGS.

It is the sense of the Senate that the reduced cost to the Federal Treasury resulting from the amendments made by this Act as compared to the cost to the Federal Treasury of H.R. 8 as received by the Senate from the House of Representatives on June 12, 2000, should be used exclusively to reduce the Federal debt held by the public.

ROTH AMENDMENT NO. 3841

Mr. ROTH proposed an amendment to the bill, H.R. 8, supra; as follows:

At the end of the bill, add the following:

TITLE VI—MISCELLANEOUS PROVISIONS

SEC. 601. TABLE OF CONTENTS; ETC.

(a) SECTION 15 NOT TO APPLY.—No amendment made by this title shall be treated as a change in a rate of tax for purposes of section 15 of the Internal Revenue Code of 1986.

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

TITLE VI—MISCELLANEOUS PROVISIONS

Subtitle A—Individual Retirement Arrangements

SEC. 611. MODIFICATION OF DEDUCTION LIMITS FOR IRA CONTRIBUTIONS.

(a) INCREASE IN CONTRIBUTION LIMIT.—

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

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

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

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

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

''(B) COST-OF-LIVING ADJUSTMENT.—

''(i) IN GENERAL.—In the case of any taxable year beginning in a calendar year after 2003, the $5,000 amount under subparagraph (A) shall be increased by an amount equal to—

''(I) such dollar amount, multiplied by

''(II) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2002' for 'calendar year 1992' in subparagraph (B) thereof.

''(ii) ROUNDING RULES.—If any amount after adjustment under clause (i) is not a multiple of $100, such amount shall be rounded to the next lower multiple of $100.''

(b) INCREASE IN ADJUSTED GROSS INCOME LIMITS FOR ACTIVE PARTICIPANTS.—

(1) IN GENERAL.—Subparagraph (B) of section 219(g)(3) (relating to applicable dollar amount) is amended to read as follows:

''(B) APPLICABLE DOLLAR AMOUNT.—The term 'applicable dollar amount' means the following:

''(i) In the case of a taxpayer filing a joint return:

"For taxable years beginning in:	The applicable dollar amount is:
2001	$53,000
2002	$54,000
2003	$60,000
2004	$65,000
2005	$70,000
2006	$75,000
2007	$80,000
2008	$84,000
2009	$89,000
2010 and thereafter	$94,000.

''(ii) In the case of any other taxpayer (other than a married individual filing a separate return):

"For taxable years beginning in:	The applicable dollar amount is:
2001	$33,000
2002	$34,000
2003	$40,000
2004	$45,000
2005, 2006, and 2007	$50,000
2008	$52,000
2009	$54,500
2010 and thereafter	$57,000."

(2) COST-OF-LIVING ADJUSTMENT.—Section 219(g)(3) is amended by adding at the end the following new subparagraph:

''(C) COST-OF-LIVING ADJUSTMENT.—

''(i) IN GENERAL.—In the case of any taxable year beginning in a calendar year after 2010, the $94,000 amount in subparagraph (B)(i) and the $57,000 amount in subparagraph(B)(ii) shall each be increased by an amount equal to—

''(I) such dollar amount, multiplied by

''(II) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2009' for 'calendar year 1992' in subparagraph (B) thereof.

''(ii) ROUNDING RULES.—If any amount after adjustment under clause (i) is not a multiple of $1,000, such amount shall be reduced to the next lowest multiple of $1,000.''

(c) CONFORMING AMENDMENTS.—

(1) Section 408(a)(1) is amended by striking ''in excess of $2,000 on behalf of any individual'' and inserting ''on behalf of any individual in excess of the amount in effect for such taxable year under section 219(b)(1)(A)''.

(2) Section 408(b)(2)(B) is amended by striking ''$2,000'' and inserting ''the dollar amount in effect under section 219(b)(1)(A)''.

(3) Section 408(b) is amended by striking ''$2,000'' in the matter following paragraph (4) and inserting ''the dollar amount in effect under section 219(b)(1)(A)''.

(4) Section 408(j) is amended by striking ''$2,000''.

(5) Section 408(p)(8) is amended by striking ''$2,000'' and inserting ''the dollar amount in effect under section 219(b)(1)(A)''

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

SEC. 612. MODIFICATION OF INCOME LIMITS ON CONTRIBUTIONS AND ROLLOVERS TO ROTH IRAS.

(a) REPEAL OF AGI LIMIT ON CONTRIBUTIONS.—Section 408A(c)(3) (relating to limits based on modified adjusted gross income) is amended by striking subparagraph (A) and by redesignating subparagraphs (B), (C), and (D) as subparagraphs (A), (B), and (C), respectively.

(b) INCREASE IN AGI LIMIT FOR ROLLOVER CONTRIBUTIONS.—Section 408A(c)(3)(A) (relating to rollover from IRA), as redesignated by subsection (a), is amended to read as follows:

''(A) ROLLOVER FROM IRA.—A taxpayer shall not be allowed to make a qualified rollover contribution from an individual retirement plan other than a Roth IRA during any taxable year if, for the taxable year of the distribution to which the contribution relates, the taxpayer's adjusted gross income exceeds $1,000,000.''.

(c) CONFORMING AMENDMENTS.—

(1) Subparagraph (B) of section 408A(c)(3), as redesignated by subsection (a) and as in effect before and after the amendments made by the Internal Revenue Service Restructuring and Reform Act of 1998, is amended to read as follows:

''(B) DEFINITION OF ADJUSTED GROSS INCOME.—For purposes of subparagraph (A), adjusted gross income shall be determined—

''(i) after application of sections 86 and 469, and

''(ii) without regard to sections 135, 137, 221, and 911, the deduction allowable under section 219, or any amount included in gross income under subsection (d)(3).''.

(2) Subparagraph (B) of section 408A(c)(3), as amended by paragraph (1), is amended by inserting ''or by reason of a required distribution under a provision described in paragraph (5)'' before the period at the end.

(d) EFFECTIVE DATES.—

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

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

(3) ADJUSTED GROSS INCOME.—The amendment made by subsection (c)(2) shall apply to taxable years beginning after December 31, 2004.

SEC. 613. DEEMED IRAS UNDER EMPLOYER PLANS.

(a) IN GENERAL.—Section 408 (relating to individual retirement accounts) is amended by redesignating subsection (q) as subsection (r) and by inserting after subsection (p) the following new subsection:

''(q) DEEMED IRAS UNDER QUALIFIED EMPLOYER PLANS.—

''(1) GENERAL RULE.—If—

''(A) a qualified employer plan elects to allow employees to make voluntary employee contributions to a separate account or annuity established under the plan, and

''(B) under the terms of the qualified employer plan, such account or annuity meets the applicable requirements of this section or section 408A for an individual retirement account or annuity,

then such account or annuity shall be treated for purposes of this title in the same manner as an individual retirement plan (and contributions to such account or annuity as contributions to an individual retirement plan). For purposes of subparagraph (B), the requirements of subsection (a)(5) shall not apply.

''(2) SPECIAL RULES FOR QUALIFIED EMPLOYER PLANS.—For purposes of this title—

''(A) a qualified employer plan shall not fail to meet any requirement of this title solely by reason of establishing and maintaining a program described in paragraph (1), and

''(B) any account or annuity described in paragraph (1), and any contribution to the account or annuity, shall not be subject to any requirement of this title applicable to a qualified employer plan or taken into account in applying any such requirement to any other contributions under the plan.

''(3) DEFINITIONS.—For purposes of this subsection—

''(A) QUALIFIED EMPLOYER PLAN.—The term 'qualified employer plan' has the meaning given such term by section 72(p)(4).

''(B) VOLUNTARY EMPLOYEE CONTRIBUTION.—The term 'voluntary employee contribution' means any contribution (other than a mandatory contribution within the meaning of section 411(c)(2)(C))—

''(i) which is made by an individual as an employee under a qualified employer plan which allows employees to elect to make contributions described in paragraph (1), and

''(ii) with respect to which the individual has designated the contribution as a contribution to which this subsection applies.''.

(b) AMENDMENT OF ERISA.—

(1) IN GENERAL.—Section 4 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1003) is amended by adding at the end the following new subsection:

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

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

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

Subtitle B—Expanding Coverage

SEC. 621. OPTION TO TREAT ELECTIVE DEFERRALS AS AFTER-TAX CONTRIBUTIONS.

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

''SEC. 402A. OPTIONAL TREATMENT OF ELECTIVE DEFERRALS AS PLUS CONTRIBUTIONS.

''(a) GENERAL RULE.—If an applicable retirement plan includes a qualified plus contribution program—

''(1) any designated plus contribution made by an employee pursuant to the program shall be treated as an elective deferral for purposes of this chapter, except that such contribution shall not be excludable from gross income, and

''(2) such plan (and any arrangement which is part of such plan) shall not be treated as failing to meet any requirement of this chapter solely by reason of including such program.

''(b) QUALIFIED PLUS CONTRIBUTION PROGRAM.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified plus contribution program' means a program under which an employee may elect to make designated plus contributions in lieu of all or a portion of elective deferrals the employee is otherwise eligible to make under the applicable retirement plan.

''(2) SEPARATE ACCOUNTING REQUIRED.—A program shall not be treated as a qualified plus contribution program unless the applicable retirement plan—

''(A) establishes separate accounts ('designated plus accounts') for the designated plus contributions of each employee and any earnings properly allocable to the contributions, and

''(B) maintains separate recordkeeping with respect to each account.

''(c) DEFINITIONS AND RULES RELATING TO DESIGNATED PLUS CONTRIBUTIONS.—For purposes of this section—

''(1) DESIGNATED PLUS CONTRIBUTION.—The term 'designated plus contribution' means any elective deferral which—

''(A) is excludable from gross income of an employee without regard to this section, and

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

''(2) DESIGNATION LIMITS.—The amount of elective deferrals which an employee may designate under paragraph (1) shall not exceed the excess (if any) of—

''(A) the maximum amount of elective deferrals excludable from gross income of the employee for the taxable year (without regard to this section), over

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

''(3) ROLLOVER CONTRIBUTIONS.—

''(A) IN GENERAL.—A rollover contribution of any payment or distribution from a designated plus account which is otherwise allowable under this chapter may be made only if the contribution is to—

''(i) another designated plus account of the individual from whose account the payment or distribution was made, or

''(ii) a Roth IRA of such individual.

''(B) COORDINATION WITH LIMIT.—Any rollover contribution to a designated plus account under subparagraph (A) shall not be taken into account for purposes of paragraph (1).

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

''(1) EXCLUSION.—Any qualified distribution from a designated plus account shall not be includible in gross income.

''(2) QUALIFIED DISTRIBUTION.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'qualified distribution' has the meaning given such term by section 408A(d)(2)(A) (without regard to clause (iv) thereof).

''(B) DISTRIBUTIONS WITHIN NONEXCLUSION PERIOD.—A payment or distribution from a designated plus account shall not be treated as a qualified distribution if such payment or distribution is made within the 5-taxable-year period beginning with the earlier of—

''(i) the 1st taxable year for which the individual made a designated plus contribution to any designated plus account established for such individual under the same applicable retirement plan, or

''(ii) if a rollover contribution was made to such designated plus account from a designated plus account previously established for such individual under another applicable retirement plan, the 1st taxable year for which the individual made a designated plus contribution to such previously established account.

''(C) DISTRIBUTIONS OF EXCESS DEFERRALS AND EARNINGS.—The term 'qualified distribution' shall not include any distribution of any excess deferral under section 402(g)(2) and any income on the excess deferral.

''(3) AGGREGATION RULES.—Section 72 shall be applied separately with respect to distributions and payments from a designated plus account and other distributions and payments from the plan.

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

''(1) APPLICABLE RETIREMENT PLAN.—The term 'applicable retirement plan' means—

''(A) an employees' trust described in section 401(a) which is exempt from tax under section 501(a), and

''(B) a plan under which amounts are contributed by an individual's employer for an annuity contract described in section 403(b).

''(2) ELECTIVE DEFERRAL.—The term 'elective deferral' means any elective deferral described in subparagraph (A) or (C) of section 402(g)(3).''.

(b) EXCESS DEFERRALS.—Section 402(g) (relating to limitation on exclusion for elective deferrals) is amended—

(1) by adding at the end of paragraph (1) the following new sentence: ''The preceding sentence shall not apply to so much of such excess as does not exceed the designated plus contributions of the individual for the taxable year.'', and

(2) by inserting ''(or would be included but for the last sentence thereof)'' after ''paragraph (1)'' in paragraph (2)(A).

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

''If any portion of an eligible rollover distribution is attributable to payments or distributions from a designated plus account (as defined in section 402A), an eligible retirement plan with respect to such portion shall include only another designated plus account and a Roth IRA.''.

(d) REPORTING REQUIREMENTS.—

(1) W–2 INFORMATION.—Section 6051(a)(8) is amended by inserting '', including the amount of designated plus contributions (as defined in section 402A)'' before the comma at the end.

(2) INFORMATION.—Section 6047 is amended by redesignating subsection (f) as subsection (g) and by inserting after subsection (e) the following new subsection:

''(f) DESIGNATED PLUS CONTRIBUTIONS.—The Secretary shall require the plan administrator of each applicable retirement plan (as defined in section 402A) to make such returns and reports regarding designated plus contributions (as so defined) to the Secretary, participants and beneficiaries of the plan, and such other persons as the Secretary may prescribe.''.

(e) CONFORMING AMENDMENTS.—

(1) Section 408A(e) is amended by adding after the first sentence the following new sentence: ''Such term includes a rollover contribution described in section 402A(c)(3)(A).''.

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

''Sec. 402A. Optional treatment of elective deferrals as plus contributions.''.

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

SEC. 622. INCREASE IN BENEFIT AND CONTRIBUTION LIMITS.

(a) DEFINED BENEFIT PLANS.—

(1) DOLLAR LIMIT.—

(A) Subparagraph (A) of section 415(b)(1) (relating to limitation for defined benefit plans) is amended by striking ''$90,000'' and inserting ''$160,000''.

(B) Subparagraphs (C) and (D) of section 415(b)(2) are each amended by striking ''$90,000'' each place it appears in the headings and the text and inserting ''$160,000''.

(C) Paragraph (7) of section 415(b) (relating to benefits under certain collectively bargained plans) is amended by striking ''the greater of $68,212 or one-half the amount otherwise applicable for such year under paragraph (1)(A) for '$90,000' '' and inserting ''one-half the amount otherwise applicable for such year under paragraph (1)(A) for '$160,000' ''.

(2) LIMIT REDUCED WHEN BENEFIT BEGINS BEFORE AGE 62.—Subparagraph (C) of section 415(b)(2) is amended by striking ''the social security retirement age'' each place it appears in the heading and text and inserting ''age 62''.

(3) LIMIT INCREASED WHEN BENEFIT BEGINS AFTER AGE 65.—Subparagraph (D) of section 415(b)(2) is amended by striking ''the social security retirement age'' each place it appears in the heading and text and inserting ''age 65''.

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

(A) by striking ''$90,000'' in paragraph (1)(A) and inserting ''$160,000'', and

(B) in paragraph (3)(A)—

(i) by striking ''$90,000'' in the heading and inserting ''$160,000'', and

(ii) by striking ''October 1, 1986'' and inserting ''July 1, 2000''.

(5) CONFORMING AMENDMENT.—Section 415(b)(2) is amended by striking subparagraph (F).

(b) DEFINED CONTRIBUTION PLANS.—

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

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

(A) by striking ''$30,000'' in paragraph (1)(C) and inserting ''$40,000'', and

(B) in paragraph (3)(D)—

(i) by striking ''$30,000'' in the heading and inserting ''$40,000'', and

(ii) by striking ''October 1, 1993'' and inserting ''July 1, 2000''.

(c) QUALIFIED TRUSTS.—

(1) COMPENSATION LIMIT.—Sections 401(a)(17), 404(l), 408(k), and 505(b)(7) are each amended by striking ''$150,000'' each place it appears and inserting ''$200,000''.

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

(A) by striking ''October 1, 1993'' and inserting ''July 1, 2000'', and

(B) by striking ''$10,000'' both places it appears and inserting ''$5,000''.

(d) ELECTIVE DEFERRALS.—

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

''(1) IN GENERAL.—

''(A) LIMITATION.—Notwithstanding subsections (e)(3) and (h)(1)(B), the elective deferrals of any individual for any taxable year shall be included in such individual's gross income to the extent the amount of such deferrals for the taxable year exceeds the applicable dollar amount.

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

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

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

''(5) COST-OF-LIVING ADJUSTMENT.—In the case of taxable years beginning after December 31, 2005, the Secretary shall adjust the $15,000 amount under paragraph (1)(B) at the same time and in the same manner as under section 415(d), except that the base period shall be the calendar quarter beginning July 1, 2004, and any increase under this paragraph which is not a multiple of $500 shall be rounded to the next lowest multiple of $500.''.

(3) CONFORMING AMENDMENTS.—

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

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

(C) Clause (iii) of section 501(c)(18)(D) is amended by striking ''(other than paragraph (4) thereof)''.

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

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

(A) in subsections (b)(2)(A) and (c)(1) by striking ''$7,500'' each place it appears and inserting ''the applicable dollar amount'', and

(B) in subsection (b)(3)(A) by striking ''$15,000'' and inserting ''twice the dollar amount in effect under subsection (b)(2)(A)''.

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

''(15) APPLICABLE DOLLAR AMOUNT.—

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

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

''(B) COST-OF-LIVING ADJUSTMENTS.—In the case of taxable years beginning after December 31, 2005, the Secretary shall adjust the $15,000 amount specified in the table in subparagraph (A) at the same time and in the same manner as under section 415(d), except that the base period shall be the calendar quarter beginning July 1, 2004, and any increase under this paragraph which is not a multiple of $500 shall be rounded to the next lowest multiple of $500.''.

(f) SIMPLE RETIREMENT ACCOUNTS.—

(1) LIMITATION.—Clause (ii) of section 408(p)(2)(A) (relating to general rule for qualified salary reduction arrangement) is amended by striking ''$6,000'' and inserting ''the applicable dollar amount''.

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

''(E) APPLICABLE DOLLAR AMOUNT; COST-OF-LIVING ADJUSTMENT.—

''(i) IN GENERAL.—For purposes of subparagraph (A)(ii), the applicable dollar amount shall be the amount determined in accordance with the following table:

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

''(ii) COST-OF-LIVING ADJUSTMENT.—In the case of a year beginning after December 31, 2004, the Secretary shall adjust the $10,000 amount under clause (i) at the same time and in the same manner as under section 415(d), except that the base period taken into account shall be the calendar quarter beginning July 1, 2003, and any increase under this subparagraph which is not a multiple of $500 shall be rounded to the next lower multiple of $500.''.

(3) CONFORMING AMENDMENTS.—

(A) Clause (I) of section 401(k)(11)(B)(i) is amended by striking ''$6,000'' and inserting ''the amount in effect under section 408(p)(2)(A)(ii)''.

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

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

''(4) ROUNDING.—

''(A) $160,000 AMOUNT.—Any increase under subparagraph (A) of paragraph (1) which is not a multiple of $5,000 shall be rounded to the next lowest multiple of $5,000.

''(B) $40,000 AMOUNT.—Any increase under subparagraph (C) of paragraph (1) which is not a multiple of $1,000 shall be rounded to the next lowest multiple of $1,000.''.

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

SEC. 623. PLAN LOANS FOR SUBCHAPTER S OWNERS, PARTNERS, AND SOLE PROPRIETORS.

(a) AMENDMENT TO 1986 CODE.—Subparagraph (B) of section 4975(f)(6) (relating to exemptions not to apply to certain transactions) is amended by adding at the end the following new clause:

''(iii) LOAN EXCEPTION.—For purposes of subparagraph (A)(i), the term 'owner-employee' shall only include a person described in subclause (II) or (III) of clause (i).''.

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

''(C) For purposes of paragraph (1)(A), the term 'owner-employee' shall only include a person described in clause (ii) or (iii) of subparagraph (A).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to loans made after December 31, 2001.

SEC. 624. ELECTIVE DEFERRALS NOT TAKEN INTO ACCOUNT FOR PURPOSES OF DEDUCTION LIMITS.

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

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

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

SEC. 625. REDUCED PBGC PREMIUM FOR NEW PLANS OF SMALL EMPLOYERS.

(a) IN GENERAL.—Subparagraph (A) of section 4006(a)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)(3)(A)) is amended—

(1) in clause (i), by inserting ''other than a new single-employer plan (as defined in subparagraph (F)) maintained by a small employer (as so defined),'' after ''single-employer plan,'',

(2) in clause (iii), by striking the period at the end and inserting '', and'', and

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

''(iv) in the case of a new single-employer plan (as defined in subparagraph (F)) maintained by a small employer (as so defined) for the plan year, $5 for each individual who is a participant in such plan during the plan year.''.

(b) DEFINITION OF NEW SINGLE-EMPLOYER PLAN.—Section 4006(a)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)(3)) is amended by adding at the end the following new subparagraph:

''(F)(i) For purposes of this paragraph, a single-employer plan maintained by a contributing sponsor shall be treated as a new single-employer plan for each of its first 5 plan years if, during the 36-month period ending on the date of the adoption of such plan, the sponsor or any member of such sponsor's controlled group (or any predecessor of either) had not established or maintained a plan to which this title applies with respect to which benefits were accrued for substantially the same employees as are in the new single-employer plan.

''(ii)(I) For purposes of this paragraph, the term 'small employer' means an employer which on the first day of any plan year has, in aggregation with all members of the controlled group of such employer, 100 or fewer employees.

''(II) In the case of a plan maintained by 2 or more contributing sponsors that are not part of the same controlled group, the employees of all contributing sponsors and controlled groups of such sponsors shall be aggregated for purposes of determining whether any contributing sponsor is a small employer.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plans established after December 31, 2001.

SEC. 626. REDUCTION OF ADDITIONAL PBGC PREMIUM FOR NEW PLANS.

(a) IN GENERAL.—Subparagraph (E) of section 4006(a)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)(3)(E)) is amended by adding at the end the following new clause:

''(v) In the case of a new defined benefit plan, the amount determined under clause (ii) for any plan year shall be an amount equal to the product of the amount determined under clause (ii) and the applicable percentage. For purposes of this clause, the term 'applicable percentage' means—

''(I) 0 percent, for the first plan year.

''(II) 20 percent, for the second plan year.

''(III) 40 percent, for the third plan year.

''(IV) 60 percent, for the fourth plan year.

''(V) 80 percent, for the fifth plan year.

For purposes of this clause, a defined benefit plan (as defined in section 3(35)) maintained by a contributing sponsor shall be treated as a new defined benefit plan for its first 5 plan years if, during the 36-month period ending on the date of the adoption of the plan, the sponsor and each member of any controlled group including the sponsor (or any predecessor of either) did not establish or maintain a plan to which this title applies with respect to which benefits were accrued for substantially the same employees as are in the new plan.''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to plans established after December 31, 2001.

SEC. 627. ELIMINATION OF USER FEE FOR REQUESTS TO IRS REGARDING NEW PENSION PLANS.

(a) ELIMINATION OF CERTAIN USER FEES.—The Secretary of the Treasury or the Secretary's delegate shall not require payment of user fees under the program established under section 7527 of the Internal Revenue Code of 1986 for requests to the Internal Revenue Service for ruling letters, opinion letters, and determination letters or similar requests with respect to the qualified status of a new pension benefit plan or any trust which is part of the plan.

(b) NEW PENSION BENEFIT PLAN.—For purposes of this section—

(1) IN GENERAL.—The term ''new pension benefit plan'' means a pension, profit-sharing, stock bonus, annuity, or employee stock ownership plan which is maintained by one or more eligible employers if such employer (or any predecessor employer) has not made a prior request described in subsection (a) for such plan (or any predecessor plan).

(2) ELIGIBLE EMPLOYER.—The term ''eligible employer'' means an employer (or any predecessor employer) which has not established or maintained a qualified employer plan with respect to which contributions were made, or benefits were accrued for service, in the 3 most recent taxable years ending prior to the first taxable year in which the request is made.

(c) EFFECTIVE DATE.—The provisions of this section shall apply with respect to requests made after December 31, 2001.

SEC. 628. MODIFICATION OF TOP-HEAVY RULES.

(a) SIMPLIFICATION OF DEFINITION OF KEY EMPLOYEE.—

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

(A) by striking ''or any of the 4 preceding plan years'' in the matter preceding clause (i),

(B) by striking clause (i) and inserting the following:

''(i) an officer of the employer having an annual compensation greater than $150,000,'',

(C) by striking clause (ii) and redesignating clauses (iii) and (iv) as clauses (ii) and (iii), respectively, and

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

(2) CONFORMING AMENDMENT.—Section 416(i)(1)(B)(iii) is amended by striking ''and subparagraph (A)(ii)''.

(b) MATCHING CONTRIBUTIONS TAKEN INTO ACCOUNT FOR MINIMUM CONTRIBUTION REQUIREMENTS.—Section 416(c)(2)(A) (relating to defined contribution plans) is amended by adding at the end the following: ''Employer matching contributions (as defined in section 401(m)(4)(A)) shall be taken into account for purposes of this subparagraph.''.

(c) DISTRIBUTIONS DURING LAST YEAR BEFORE DETERMINATION DATE TAKEN INTO ACCOUNT.—

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

''(3) DISTRIBUTIONS DURING LAST YEAR BEFORE DETERMINATION DATE TAKEN INTO ACCOUNT.—

''(A) IN GENERAL.—For purposes of determining—

''(i) the present value of the cumulative accrued benefit for any employee, or

''(ii) the amount of the account of any employee,

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

''(B) 5-YEAR PERIOD IN CASE OF IN-SERVICE DISTRIBUTION.—In the case of any distribution made for a reason other than separation from service, death, or disability, subparagraph (A) shall be applied by substituting '5-year period' for '1-year period'.''.

(2) BENEFITS NOT TAKEN INTO ACCOUNT.—Subparagraph (E) of section 416(g)(4) is amended—

(A) by striking ''LAST 5 YEARS'' in the heading and inserting ''LAST YEAR BEFORE DETERMINATION DATE'', and

(B) by striking ''5-year period'' and inserting ''1-year period''.

(d) DEFINITION OF TOP-HEAVY PLANS.—Paragraph (4) of section 416(g) (relating to other special rules for top-heavy plans) is amended by adding at the end the following new subparagraph:

''(H) CASH OR DEFERRED ARRANGEMENTS USING ALTERNATIVE METHODS OF MEETING NONDISCRIMINATION REQUIREMENTS.—The term 'top-heavy plan' shall not include a plan which consists solely of—

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

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

If, but for this subparagraph, a plan would be treated as a top-heavy plan because it is a member of an aggregation group which is a top-heavy group, contributions under the plan may be taken into account in determining whether any other plan in the group meets the requirements of subsection (c)(2).''.

(e) FROZEN PLAN EXEMPT FROM MINIMUM BENEFIT REQUIREMENT.—Subparagraph (C) of section 416(c)(1) (relating to defined benefit plans) is amended—

(A) by striking ''clause (ii)'' in clause (i) and inserting ''clause (ii) or (iii)'', and

(B) by adding at the end the following:

''(iii) EXCEPTION FOR FROZEN PLAN.—For purposes of determining an employee's years of service with the employer, any service with the employer shall be disregarded to the extent that such service occurs during a plan year when the plan benefits (within the meaning of section 410(b)) no employee or former employee.''.

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

''(iv) FAMILY ATTRIBUTION DISREGARDED.—Solely for purposes of applying this paragraph (and not for purposes of any provision of this title which incorporates by reference the definition of a key employee or 5-percent owner under this paragraph), section 318 shall be applied without regard to subsection (a)(1) thereof in determining whether any person is a 5-percent owner.''.

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

SEC. 629. REPEAL OF COORDINATION REQUIREMENTS FOR DEFERRED COMPENSATION PLANS OF STATE AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.

(a) IN GENERAL.—Subsection (c) of section 457 (relating to deferred compensation plans of State and local governments and tax-exempt organizations), as amended by section 622, is amended to read as follows:

''(c) LIMITATION.—The maximum amount of the compensation of any one individual which may be deferred under subsection (a) during any taxable year shall not exceed the amount in effect under subsection (b)(2)(A) (as modified by any adjustment provided under subsection (b)(3)).''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to years beginning after December 31, 2001.

Subtitle C—Enhancing Fairness for Women

SEC. 631. CATCHUP CONTRIBUTIONS FOR INDIVIDUALS AGE 50 OR OVER.

(a) ELECTIVE DEFERRALS.—Section 414 (relating to definitions and special rules) is amended by adding at the end the following new subsection:

''(v) CATCHUP CONTRIBUTIONS FOR INDIVIDUALS AGE 50 OR OVER.—

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

''(2) LIMITATION ON AMOUNT OF ADDITIONAL DEFERRALS.—

''(A) IN GENERAL.—A plan shall not permit additional elective deferrals under paragraph (1) for any year in an amount greater than the lesser of—

''(i) the applicable percentage of the applicable dollar amount for such elective deferrals for such year, or

''(ii) the excess (if any) of—

''(I) the participant's compensation for the year, over

''(II) any other elective deferrals of the participant for such year which are made without regard to this subsection.

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

''For taxable years beginning in:	The applicable percentage is:
2001	10
2002	20
2003	30
2004	40
2005 and thereafter	50.

''(3) TREATMENT OF CONTRIBUTIONS.—In the case of any contribution to a plan under paragraph (1)—

''(A) such contribution shall not, with respect to the year in which the contribution is made—

''(i) be subject to any otherwise applicable limitation contained in section 402(g), 402(h), 403(b), 404(a), 404(h), 408, 415, or 457, or

''(ii) be taken into account in applying such limitations to other contributions or benefits under such plan or any other such plan, and

''(B) such plan shall not be treated as failing to meet the requirements of section 401(a)(4), 401(a)(26), 401(k)(3), 401(k)(11), 401(k)(12), 401(m), 403(b)(12), 408(k), 408(p), 408B, 410(b), or 416 by reason of the making of (or the right to make) such contribution.

''(4) ELIGIBLE PARTICIPANT.—For purposes of this subsection, the term 'eligible participant' means, with respect to any plan year, a participant in a plan—

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

''(B) with respect to whom no other elective deferrals may (without regard to this subsection) be made to the plan for the plan year by reason of the application of any limitation or other restriction described in paragraph (3) or contained in the terms of the plan.

''(5) OTHER DEFINITIONS AND RULES.—For purposes of this subsection—

''(A) APPLICABLE DOLLAR AMOUNT.—The term 'applicable dollar amount' means, with respect to any year, the amount in effect under section 402(g)(1)(B), 408(p)(2)(E)(i), or 457(e)(15)(A), whichever is applicable to an applicable employer plan, for such year.

''(B) APPLICABLE EMPLOYER PLAN.—The term 'applicable employer plan' means—

''(i) an employees' trust described in section 401(a) which is exempt from tax under section 501(a),

''(ii) a plan under which amounts are contributed by an individual's employer for an annuity contract described in section 403(b),

''(iii) an eligible deferred compensation plan under section 457 of an eligible employer as defined in section 457(e)(1)(A), and

''(iv) an arrangement meeting the requirements of section 408 (k) or (p).

''(C) ELECTIVE DEFERRAL.—The term 'elective deferral' has the meaning given such term by subsection (u)(2)(C).

''(D) EXCEPTION FOR SECTION 457 PLANS.—This subsection shall not apply to an applicable employer plan described in paragraph (5)(B)(iii) for any year to which section 457(b)(3) applies.''.

(b) INDIVIDUAL RETIREMENT PLANS.—Section 219(b), as amended by section 611, is amended by adding at the end the following new paragraph:

''(6) CATCHUP CONTRIBUTIONS.—

''(A) IN GENERAL.—In the case of an individual who has attained the age of 50 before the close of the taxable year, the dollar amount in effect under paragraph (1)(A) for such taxable year shall be equal to the applicable percentage of such amount determined without regard to this paragraph.

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

''For taxable years beginning in:	The applicable percentage is:
2001	110
2002	120

"For taxable years beginning in:	The applicable percentage is:
2003	130
2004	140
2005 and thereafter	150.''.

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to contributions in taxable years beginning after December 31, 2001.

SEC. 632. EQUITABLE TREATMENT FOR CONTRIBUTIONS OF EMPLOYEES TO DEFINED CONTRIBUTION PLANS.

(a) EQUITABLE TREATMENT.—

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

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

(A) by striking ''the exclusion allowance for such taxable year'' in paragraph (1) and inserting ''the applicable limit under section 415'',

(B) by striking paragraph (2), and

(C) by inserting ''or any amount received by a former employee after the 5th taxable year following the taxable year in which such employee was terminated'' before the period at the end of the second sentence of paragraph (3).

(3) CONFORMING AMENDMENTS.—

(A) Subsection (f) of section 72 is amended by striking ''section 403(b)(2)(D)(iii))'' and inserting ''section 403(b)(2)(D)(iii), as in effect before the enactment of the Taxpayer Refund Act of 1999)''.

(B) Section 404(a)(10)(B) is amended by striking '', the exclusion allowance under section 403(b)(2),''.

(C) Section 415(a)(2) is amended by striking '', and the amount of the contribution for such portion shall reduce the exclusion allowance as provided in section 403(b)(2)''.

(D) Section 415(c)(3) is amended by adding at the end the following new subparagraph:

''(E) ANNUITY CONTRACTS.—In the case of an annuity contract described in section 403(b), the term 'participant's compensation' means the participant's includible compensation determined under section 403(b)(3).''.

(E) Section 415(c) is amended by striking paragraph (4).

(F) Section 415(c)(7) is amended to read as follows:

''(7) CERTAIN CONTRIBUTIONS BY CHURCH PLANS NOT TREATED AS EXCEEDING LIMIT.—

''(A) IN GENERAL.—Notwithstanding any other provision of this subsection, at the election of a participant who is an employee of a church or a convention or association of churches, including an organization described in section 414(e)(3)(B)(ii), contributions and other additions for an annuity contract or retirement income account described in section 403(b) with respect to such participant, when expressed as an annual addition to such participant's account, shall be treated as not exceeding the limitation of paragraph (1) if such annual addition is not in excess of $10,000.

''(B) $40,000 AGGREGATE LIMITATION.—The total amount of additions with respect to any participant which may be taken into account for purposes of this subparagraph for all years may not exceed $40,000.

''(C) ANNUAL ADDITION.—For purposes of this paragraph, the term 'annual addition' has the meaning given such term by paragraph (2).''.

(G) Subparagraph (B) of section 402(g)(7) (as redesignated by section 312(a)) is amended by inserting before the period at the end the following: ''(as in effect before the enactment of the Taxpayer Refund Act of 1999)''.

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

(b) SPECIAL RULES FOR SECTIONS 403(b) AND 408.—

(1) IN GENERAL.—Subsection (k) of section 415 is amended by adding at the end the following new paragraph:

''(4) SPECIAL RULES FOR SECTIONS 403(b) AND 408.—For purposes of this section, any annuity contract described in section 403(b) for the benefit of a participant shall be treated as a defined contribution plan maintained by each employer with respect to which the participant has the control required under subsection (b) or (c) of section 414 (as modified by subsection (h)). For purposes of this section, any contribution by an employer to a simplified employee pension plan for an individual for a taxable year shall be treated as an employer contribution to a defined contribution plan for such individual for such year.''.

(2) EFFECTIVE DATE.—The amendments made by paragraph (1) shall apply to limitation years beginning after December 31, 2000.

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

(1) IN GENERAL.—Subparagraph (B) of section 457(b)(2) (relating to salary limitation on eligible deferred compensation plans) is amended by striking ''33⅓ percent'' and inserting ''100 percent''.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to years beginning after December 31, 2001.

SEC. 633. CLARIFICATION OF TAX TREATMENT OF DIVISION OF SECTION 457 PLAN BENEFITS UPON DIVORCE.

(a) IN GENERAL.—Section 414(p)(11) (relating to application of rules to governmental and church plans) is amended—

(1) by inserting ''or an eligible deferred compensation plan (within the meaning of section 457(b))'' after ''subsection (e))'', and

(2) in the heading, by striking ''GOVERNMENTAL AND CHURCH PLANS'' and inserting ''CERTAIN OTHER PLANS''.

(b) WAIVER OF CERTAIN DISTRIBUTION REQUIREMENTS.—Paragraph (10) of section 414(p) is amended by striking ''and section 409(d)'' and inserting ''section 409(d), and section 457(d)''.

(c) TAX TREATMENT OF PAYMENTS FROM A SECTION 457 PLAN.—Subsection (p) of section 414 is amended by redesignating paragraph (12) as paragraph (13) and inserting after paragraph (11) the following new paragraph:

''(12) TAX TREATMENT OF PAYMENTS FROM A SECTION 457 PLAN.—If a distribution or payment from an eligible deferred compensation plan described in section 457(b) is made pursuant to a qualified domestic relations order, rules similar to the rules of section 402(e)(1)(A) shall apply to such distribution or payment.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to transfers, distributions, and payments made after December 31, 2001.

SEC. 634. MODIFICATION OF SAFE HARBOR RELIEF FOR HARDSHIP WITHDRAWALS FROM CASH OR DEFERRED ARRANGEMENTS.

(a) IN GENERAL.—The Secretary of the Treasury shall revise the regulations relating to hardship distributions under section 401(k)(2)(B)(i)(IV) of the Internal Revenue Code of 1986 to provide that the period an employee is prohibited from making elective and employee contributions in order for a distribution to be deemed necessary to satisfy financial need shall be equal to 6 months.

(b) EFFECTIVE DATE.—The revised regulations under subsection (a) shall apply to years beginning after December 31, 2001.

SEC. 635. FASTER VESTING OF CERTAIN EMPLOYER MATCHING CONTRIBUTIONS.

(a) AMENDMENTS TO 1986 CODE.—Section 411(a) (relating to minimum vesting standards) is amended—

(1) in paragraph (2), by striking ''A plan'' and inserting ''Except as provided in paragraph (12), a plan'', and

(2) by adding at the end the following:

''(12) FASTER VESTING FOR MATCHING CONTRIBUTIONS.—In the case of matching contributions (as defined in section 401(m)(4)(A)), paragraph (2) shall be applied—

''(A) by substituting '3 years' for '5 years' in subparagraph (A), and

''(B) by substituting the following table for the table contained in subparagraph (B):

"Years of service:	The nonforfeitable percentage is:
2	20
3	40
4	60
5	80
6	100.''.

(b) AMENDMENTS TO ERISA.—Section 203(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(a)) is amended—

(1) in paragraph (2), by striking ''A plan'' and inserting ''Except as provided in paragraph (4), a plan'', and

(2) by adding at the end the following:

''(4) FASTER VESTING FOR MATCHING CONTRIBUTIONS.—In the case of matching contributions (as defined in section 401(m)(4)(A) of the Internal Revenue Code of 1986), paragraph (2) shall be applied—

''(A) by substituting '3 years' for '5 years' in subparagraph (A), and

''(B) by substituting the following table for the table contained in subparagraph (B):

"Years of service:	The nonforfeitable percentage is:
2	20
3	40
4	60
5	80
6	100.''.

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to contributions for plan years beginning after December 31, 2001.

(2) COLLECTIVE BARGAINING AGREEMENTS.—In the case of a plan maintained pursuant to 1 or more collective bargaining agreements between employee representatives and 1 or more employers ratified by the date of enactment of this Act, the amendments made by this section shall not apply to contributions on behalf of employees covered by any such agreement for plan years beginning before the earlier of—

(A) the later of—

(i) the date on which the last of such collective bargaining agreements terminates (determined without regard to any extension thereof on or after such date of enactment), or

(ii) January 1, 2001, or

(B) January 1, 2005.

(3) SERVICE REQUIRED.—With respect to any plan, the amendments made by this section shall not apply to any employee before the date that such employee has 1 hour of service under such plan in any plan year to which the amendments made by this section apply.

Subtitle D—Increasing Portability for Participants

SEC. 641. ROLLOVERS ALLOWED AMONG VARIOUS TYPES OF PLANS.

(a) ROLLOVERS FROM AND TO SECTION 457 PLANS.—

(1) ROLLOVERS FROM SECTION 457 PLANS.—

(A) IN GENERAL.—Section 457(e) (relating to other definitions and special rules) is amended by adding at the end the following:

"(16) ROLLOVER AMOUNTS.—

"(A) GENERAL RULE.—In the case of an eligible deferred compensation plan established and maintained by an employer described in subsection (e)(1)(A), if—

"(i) any portion of the balance to the credit of an employee in such plan is paid to such employee in an eligible rollover distribution (within the meaning of section 402(c)(4) without regard to subparagraph (C) thereof),

"(ii) the employee transfers any portion of the property such employee receives in such distribution to an eligible retirement plan described in section 402(c)(8)(B), and

"(iii) in the case of a distribution of property other than money, the amount so transferred consists of the property distributed,

then such distribution (to the extent so transferred) shall not be includible in gross income for the taxable year in which paid.

"(B) CERTAIN RULES MADE APPLICABLE.—The rules of paragraphs (2) through (7) (other than paragraph (4)(C)) and (9) of section 402(c) and section 402(f) shall apply for purposes of subparagraph (A).

"(C) REPORTING.—Rollovers under this paragraph shall be reported to the Secretary in the same manner as rollovers from qualified retirement plans (as defined in section 4974(c)).''.

(B) DEFERRAL LIMIT DETERMINED WITHOUT REGARD TO ROLLOVER AMOUNTS.—Section 457(b)(2) (defining eligible deferred compensation plan) is amended by inserting "(other than rollover amounts)'' after "taxable year''.

(C) DIRECT ROLLOVER.—Paragraph (1) of section 457(d) is amended by striking "and'' at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting ", and'', and by inserting after subparagraph (B) the following:

"(C) in the case of a plan maintained by an employer described in subsection (e)(1)(A), the plan meets requirements similar to the requirements of section 401(a)(31).

Any amount transferred in a direct trustee-to-trustee transfer in accordance with section 401(a)(31) shall not be includible in gross income for the taxable year of transfer.''.

(D) WITHHOLDING.—

(i) Paragraph (12) of section 3401(a) is amended by adding at the end the following:

"(E) under or to an eligible deferred compensation plan which, at the time of such payment, is a plan described in section 457(b) maintained by an employer described in section 457(e)(1)(A); or''.

(ii) Paragraph (3) of section 3405(c) is amended to read as follows:

"(3) ELIGIBLE ROLLOVER DISTRIBUTION.—For purposes of this subsection, the term 'eligible rollover distribution' has the meaning given such term by section 402(f)(2)(A).''.

(iii) LIABILITY FOR WITHHOLDING.—Subparagraph (B) of section 3405(d)(2) is amended by striking "or'' at the end of clause (ii), by striking the period at the end of clause (iii) and inserting ", or'', and by adding at the end the following:

"(iv) section 457(b).''.

(2) ROLLOVERS TO SECTION 457 PLANS.—

(A) IN GENERAL.—Section 402(c)(8)(B) (defining eligible retirement plan) is amended by striking "and'' at the end of clause (iii), by striking the period at the end of clause (iv) and inserting ", and'', and by inserting after clause (iv) the following new clause:

"(v) an eligible deferred compensation plan described in section 457(b) of an employer described in section 457(e)(1)(A).''.

(B) SEPARATE ACCOUNTING.—Section 402(c) is amended by adding at the end the following new paragraph:

"(11) SEPARATE ACCOUNTING.—Unless a plan described in clause (v) of paragraph (8)(B) agrees to separately account for amounts rolled into such plan from eligible retirement plans not described in such clause, the plan described in such clause may not accept transfers or rollovers from such retirement plans.''.

(C) 10 PERCENT ADDITIONAL TAX.—Subsection (t) of section 72 (relating to 10-percent additional tax on early distributions from qualified retirement plans) is amended by adding at the end the following new paragraph:

"(9) SPECIAL RULE FOR ROLLOVERS TO SECTION 457 PLANS.—For purposes of this subsection, a distribution from an eligible deferred compensation plan (as defined in section 457(b)) of an employer described in section 457(e)(1)(A) shall be treated as a distribution from a qualified retirement plan described in 4974(c)(1) to the extent that such distribution is attributable to an amount transferred to an eligible deferred compensation plan from a qualified retirement plan (as defined in section 4974(c)).''.

(b) ALLOWANCE OF ROLLOVERS FROM AND TO 403(b) PLANS.—

(1) ROLLOVERS FROM SECTION 403(b) PLANS.—Section 403(b)(8)(A)(ii) (relating to rollover amounts) is amended by striking "such distribution'' and all that follows and inserting "such distribution to an eligible retirement plan described in section 402(c)(8)(B), and''.

(2) ROLLOVERS TO SECTION 403(b) PLANS.—Section 402(c)(8)(B) (defining eligible retirement plan), as amended by subsection (a), is amended by striking "and'' at the end of clause (iv), by striking the period at the end of clause (v) and inserting ", and'', and by inserting after clause (v) the following new clause:

"(vi) an annuity contract described in section 403(b).''.

(c) EXPANDED EXPLANATION TO RECIPIENTS OF ROLLOVER DISTRIBUTIONS.—Paragraph (1) of section 402(f) (relating to written explanation to recipients of distributions eligible for rollover treatment) is amended by striking "and'' at the end of subparagraph (C), by striking the period at the end of subparagraph (D) and inserting ", and'', and by adding at the end the following new subparagraph:

"(E) of the provisions under which distributions from the eligible retirement plan receiving the distribution may be subject to restrictions and tax consequences which are different from those applicable to distributions from the plan making such distribution.''.

(d) SPOUSAL ROLLOVERS.—Section 402(c)(9) (relating to rollover where spouse receives distribution after death of employee) is amended by striking "; except that'' and all that follows up to the end period.

(e) CONFORMING AMENDMENTS.—

(1) Section 72(o)(4) is amended by striking "and 408(d)(3)'' and inserting "403(b)(8), 408(d)(3), and 457(e)(16)''.

(2) Section 219(d)(2) is amended by striking "or 408(d)(3)'' and inserting "408(d)(3), or 457(e)(16)''.

(3) Section 401(a)(31)(B) is amended by striking "and 403(a)(4)'' and inserting ", 403(a)(4), 403(b)(8), and 457(e)(16)''.

(4) Subparagraph (A) of section 402(f)(2) is amended by striking "or paragraph (4) of section 403(a)'' and inserting ", paragraph (4) of section 403(a), subparagraph (A) of section 403(b)(8), or subparagraph (A) of section 457(e)(16)''.

(5) Paragraph (1) of section 402(f) is amended by striking "from an eligible retirement plan''.

(6) Subparagraphs (A) and (B) of section 402(f)(1) are amended by striking "another eligible retirement plan'' and inserting "an eligible retirement plan''.

(7) Subparagraph (B) of section 403(b)(8) is amended to read as follows:

"(B) CERTAIN RULES MADE APPLICABLE.—The rules of paragraphs (2) through (7) and (9) of section 402(c) and section 402(f) shall apply for purposes of subparagraph (A), except that section 402(f) shall be applied to the payor in lieu of the plan administrator.''.

(8) Section 408(a)(1) is amended by striking "or 403(b)(8)'' and inserting ", 403(b)(8), or 457(e)(16)''.

(9) Subparagraphs (A) and (B) of section 415(b)(2) are each amended by striking "and 408(d)(3)'' and inserting "403(b)(8), 408(d)(3), and 457(e)(16)''.

(10) Section 415(c)(2) is amended by striking "and 408(d)(3)'' and inserting "408(d)(3), and 457(e)(16)''.

(11) Section 4973(b)(1)(A) is amended by striking "or 408(d)(3)'' and inserting "408(d)(3), or 457(e)(16)''.

(f) EFFECTIVE DATE; SPECIAL RULE.—

(1) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2001.

(2) SPECIAL RULE.—Notwithstanding any other provision of law, subsections (h)(3) and (h)(5) of section 1122 of the Tax Reform Act of 1986 shall not apply to any distribution from an eligible retirement plan (as defined in clause (iii) or (iv) of section 402(c)(8)(B) of the Internal Revenue Code of 1986) on behalf of an individual if there was a rollover to such plan on behalf of such individual which is permitted solely by reason of any amendment made by this section.

SEC. 642. ROLLOVERS OF IRAS INTO WORKPLACE RETIREMENT PLANS.

(a) IN GENERAL.—Subparagraph (A) of section 408(d)(3) (relating to rollover amounts) is amended by adding "or'' at the end of clause (i), by striking clauses (ii) and (iii), and by adding at the end the following:

"(ii) the entire amount received (including money and any other property) is paid into an eligible retirement plan for the benefit of such individual not later than the 60th day after the date on which the payment or distribution is received, except that the maximum amount which may be paid into such plan may not exceed the portion of the amount received which is includible in gross income (determined without regard to this paragraph).

For purposes of clause (ii), the term 'eligible retirement plan' means an eligible retirement plan described in clause (iii), (iv), (v), or (vi) of section 402(c)(8)(B).''.

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (1) of section 403(b) is amended by striking "section 408(d)(3)(A)(iii)'' and inserting "section 408(d)(3)(A)(ii)''.

(2) Clause (i) of section 408(d)(3)(D) is amended by striking "(i), (ii), or (iii)'' and inserting "(i) or (ii)''.

(3) Subparagraph (G) of section 408(d)(3) is amended to read as follows:

"(G) SIMPLE RETIREMENT ACCOUNTS.—In the case of any payment or distribution out of a simple retirement account (as defined in subsection (p)) to which section 72(t)(6) applies, this paragraph shall not apply unless such payment or distribution is paid into another simple retirement account.''.

(c) EFFECTIVE DATE; SPECIAL RULE.—

(1) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2001.

(2) SPECIAL RULE.—Notwithstanding any other provision of law, subsections (h)(3) and (h)(5) of section 1122 of the Tax Reform Act of 1986 shall not apply to any distribution from an eligible retirement plan (as defined in clause (iii) or (iv) of section 402(c)(8)(B) of the Internal Revenue Code of 1986) on behalf of an individual if there was a rollover to such plan on behalf of such individual which is permitted solely by reason of the amendments made by this section.

SEC. 643. ROLLOVERS OF AFTER-TAX CONTRIBUTIONS.

(a) ROLLOVERS FROM EXEMPT TRUSTS.—Paragraph (2) of section 402(c) (relating to maximum amount which may be rolled over) is amended by adding at the end the following: ''The preceding sentence shall not apply to such distribution to the extent—

''(A) such portion is transferred in a direct trustee-to-trustee transfer to a qualified trust which is part of a plan which is a defined contribution plan and which agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible, or

''(B) such portion is transferred to an eligible retirement plan described in clause (i) or (ii) of paragraph (8)(B).''.

(b) OPTIONAL DIRECT TRANSFER OF ELIGIBLE ROLLOVER DISTRIBUTIONS.—Subparagraph (B) of section 401(a)(31) (relating to limitation) is amended by adding at the end the following: ''The preceding sentence shall not apply to such distribution if the plan to which such distribution is transferred—

''(i) agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible, or

''(ii) is an eligible retirement plan described in clause (i) or (ii) of section 402(c)(8)(B).''.

(c) RULES FOR APPLYING SECTION 72 TO IRAS.—Paragraph (3) of section 408(d) (relating to special rules for applying section 72) is amended by inserting at the end the following:

''(H) APPLICATION OF SECTION 72.—

''(i) IN GENERAL.—If—

''(I) a distribution is made from an individual retirement plan, and

''(II) a rollover contribution is made to an eligible retirement plan described in section 402(c)(8)(B)(iii), (iv), (v), or (vi) with respect to all or part of such distribution,

then, notwithstanding paragraph (2), the rules of clause (ii) shall apply for purposes of applying section 72.

''(ii) APPLICABLE RULES.—In the case of a distribution described in clause (i)—

''(I) section 72 shall be applied separately to such distribution,

''(II) notwithstanding the pro rata allocation of income on, and investment in the contract, to distributions under section 72, the portion of such distribution rolled over to an eligible retirement plan described in clause (i) shall be treated as from income on the contract (to the extent of the aggregate income on the contract from all individual retirement plans of the distributee), and

''(III) appropriate adjustments shall be made in applying section 72 to other distributions in such taxable year and subsequent taxable years.''.

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

SEC. 644. HARDSHIP EXCEPTION TO 60-DAY RULE.

(a) EXEMPT TRUSTS.—Paragraph (3) of section 402(c) (relating to transfer must be made within 60 days of receipt) is amended to read as follows:

''(3) TRANSFER MUST BE MADE WITHIN 60 DAYS OF RECEIPT.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), paragraph (1) shall not apply to any transfer of a distribution made after the 60th day following the day on which the distributee received the property distributed.

''(B) HARDSHIP EXCEPTION.—The Secretary may waive the 60-day requirement under subparagraph (A) where the failure to waive such requirement would be against equity or good conscience, including casualty, disaster, or other events beyond the reasonable control of the individual subject to such requirement.''.

(b) IRAS.—Paragraph (3) of section 408(d) (relating to rollover contributions), as amended by section 333, is amended by adding after subparagraph (H) the following new subparagraph:

''(I) WAIVER OF 60-DAY REQUIREMENT.—The Secretary may waive the 60-day requirement under subparagraphs (A) and (D) where the failure to waive such requirement would be against equity or good conscience, including casualty, disaster, or other events beyond the reasonable control of the individual subject to such requirement.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2001.

SEC. 645. TREATMENT OF FORMS OF DISTRIBUTION.

(a) PLAN TRANSFERS.—

(1) AMENDMENT TO INTERNAL REVENUE CODE OF 1986.—Paragraph (6) of section 411(d) (relating to accrued benefit not to be decreased by amendment) is amended by adding at the end the following:

''(D) PLAN TRANSFERS.—

''(i) A defined contribution plan (in this subparagraph referred to as the 'transferee plan') shall not be treated as failing to meet the requirements of this subsection merely because the transferee plan does not provide some or all of the forms of distribution previously available under another defined contribution plan (in this subparagraph referred to as the 'transferor plan') to the extent that—

''(I) the forms of distribution previously available under the transferor plan applied to the account of a participant or beneficiary under the transferor plan that was transferred from the transferor plan to the transferee plan pursuant to a direct transfer rather than pursuant to a distribution from the transferor plan,

''(II) the terms of both the transferor plan and the transferee plan authorize the transfer described in subclause (I),

''(III) the transfer described in subclause (I) was made pursuant to a voluntary election by the participant or beneficiary whose account was transferred to the transferee plan,

''(IV) the election described in subclause (III) was made after the participant or beneficiary received a notice describing the consequences of making the election,

''(V) if the transferor plan provides for an annuity as the normal form of distribution under the plan in accordance with section 417, the transfer is made with the consent of the participant's spouse (if any), and such consent meets requirements similar to the requirements imposed by section 417(a)(2), and

''(VI) the transferee plan allows the participant or beneficiary described in subclause (III) to receive any distribution to which the participant or beneficiary is entitled under the transferee plan in the form of a single sum distribution.

''(ii) Clause (i) shall apply to plan mergers and other transactions having the effect of a direct transfer, including consolidations of benefits attributable to different employers within a multiple employer plan.

''(E) ELIMINATION OF FORM OF DISTRIBUTION.—Except to the extent provided in regulations, a defined contribution plan shall not be treated as failing to meet the requirements of this section merely because of the elimination of a form of distribution previously available thereunder. This subparagraph shall not apply to the elimination of a form of distribution with respect to any participant unless—

''(i) a single sum payment is available to such participant at the same time or times as the form of distribution being eliminated, and

''(ii) such single sum payment is based on the same or greater portion of the participant's account as the form of distribution being eliminated.''.

(2) AMENDMENT TO ERISA.—Section 204(g) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(g)) is amended by adding at the end the following:

''(4)(A) A defined contribution plan (in this subparagraph referred to as the 'transferee plan') shall not be treated as failing to meet the requirements of this subsection merely because the transferee plan does not provide some or all of the forms of distribution previously available under another defined contribution plan (in this paragraph referred to as the 'transferor plan') to the extent that—

''(i) the forms of distribution previously available under the transferor plan applied to the account of a participant or beneficiary under the transferor plan that was transferred from the transferor plan to the transferee plan pursuant to a direct transfer rather than pursuant to a distribution from the transferor plan;

''(ii) the terms of both the transferor plan and the transferee plan authorize the transfer described in clause (i);

''(iii) the transfer described in clause (i) was made pursuant to a voluntary election by the participant or beneficiary whose account was transferred to the transferee plan;

''(iv) the election described in clause (iii) was made after the participant or beneficiary received a notice describing the consequences of making the election;

''(v) if the transferor plan provides for an annuity as the normal form of distribution under the plan in accordance with section 417, the transfer is made with the consent of the participant's spouse (if any), and such consent meets requirements similar to the requirements imposed by section 417(a)(2); and

''(vi) the transferee plan allows the participant or beneficiary described in subclause (III) to receive any distribution to which the participant or beneficiary is entitled under the transferee plan in the form of a single sum distribution.

''(B) Subparagraph (A) shall apply to plan mergers and other transactions having the effect of a direct transfer, including consolidations of benefits attributable to different employers within a multiple employer plan.

''(5) ELIMINATION OF FORM OF DISTRIBUTION.—Except to the extent provided in regulations, a defined contribution plan shall not be treated as failing to meet the requirements of this section merely because of the elimination of a form of distribution previously available thereunder. This paragraph shall not apply to the elimination of a form of distribution with respect to any participant unless—

''(A) a single sum payment is available to such participant at the same time or times as the form of distribution being eliminated; and

''(B) such single sum payment is based on the same or greater portion of the participant's account as the form of distribution being eliminated.''.

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

(b) REGULATIONS.—

(1) AMENDMENT TO INTERNAL REVENUE CODE OF 1986.—The last sentence of paragraph (6)(B) of section 411(d) (relating to accrued benefit not to be decreased by amendment) is amended to read as follows: ''The Secretary

may by regulations provide that this subparagraph shall not apply to any plan amendment that does not adversely affect the rights of participants in a material manner.''.

(2) AMENDMENT TO ERISA.—The last sentence of section 204(g)(2) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(g)(2)) is amended to read as follows: ''The Secretary of the Treasury may by regulations provide that this paragraph shall not apply to any plan amendment that does not adversely affect the rights of participants in a material manner.''.

(3) SECRETARY DIRECTED.—Not later than December 31, 2001, the Secretary of the Treasury is directed to issue final regulations under section 411(d)(6) of the Internal Revenue Code of 1986 and section 204(g)(2) of the Employee Retirement Income Security Act of 1974. Such regulations shall apply to plan years beginning after December 31, 2001, or such earlier date as is specified by the Secretary of the Treasury.

SEC. 646. RATIONALIZATION OF RESTRICTIONS ON DISTRIBUTIONS.

(a) MODIFICATION OF SAME DESK EXCEPTION.—

(1) SECTION 401(k).—

(A) Section 401(k)(2)(B)(i)(I) (relating to qualified cash or deferred arrangements) is amended by striking ''separation from service'' and inserting ''severance from employment''.

(B) Subparagraph (A) of section 401(k)(10) (relating to distributions upon termination of plan or disposition of assets or subsidiary) is amended to read as follows:

''(A) IN GENERAL.—An event described in this subparagraph is the termination of the plan without establishment or maintenance of another defined contribution plan (other than an employee stock ownership plan as defined in section 4975(e)(7)).''.

(C) Section 401(k)(10) is amended—

(i) in subparagraph (B)—

(I) by striking ''An event'' in clause (i) and inserting ''A termination'', and

(II) by striking ''the event'' in clause (i) and inserting ''the termination'',

(ii) by striking subparagraph (C), and

(iii) by striking ''OR DISPOSITION OF ASSETS OR SUBSIDIARY'' in the heading.

(2) SECTION 403(b).—

(A) Paragraphs (7)(A)(ii) and (11)(A) of section 403(b) are each amended by striking ''separates from service'' and inserting ''has a severance from employment''.

(B) The heading for paragraph (11) of section 403(b) is amended by striking ''SEPARATION FROM SERVICE'' and inserting ''SEVERANCE FROM EMPLOYMENT''.

(3) SECTION 457.—Clause (ii) of section 457(d)(1)(A) is amended by striking ''is separated from service'' and inserting ''has a severance from employment''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2001.

SEC. 647. PURCHASE OF SERVICE CREDIT IN GOVERNMENTAL DEFINED BENEFIT PLANS.

(a) 403(b) PLANS.—Subsection (b) of section 403 is amended by adding at the end the following new paragraph:

''(13) TRUSTEE-TO-TRUSTEE TRANSFERS TO PURCHASE PERMISSIVE SERVICE CREDIT.—No amount shall be includible in gross income by reason of a direct trustee-to-trustee transfer to a defined benefit governmental plan (as defined in section 414(d)) if such transfer is—

''(A) for the purchase of permissive service credit (as defined in section 415(n)(3)(A)) under such plan, or

''(B) a repayment to which section 415 does not apply by reason of subsection (k)(3) thereof.''.

(b) 457 PLANS.—

(1) Subsection (e) of section 457 is amended by adding after paragraph (17) the following new paragraph:

''(18) TRUSTEE-TO-TRUSTEE TRANSFERS TO PURCHASE PERMISSIVE SERVICE CREDIT.—No amount shall be includible in gross income by reason of a direct trustee-to-trustee transfer to a defined benefit governmental plan (as defined in section 414(d)) if such transfer is—

''(A) for the purchase of permissive service credit (as defined in section 415(n)(3)(A)) under such plan, or

''(B) a repayment to which section 415 does not apply by reason of subsection (k)(3) thereof.''.

(2) Section 457(b)(2) is amended by striking ''(other than rollover amounts)'' and inserting ''(other than rollover amounts and amounts received in a transfer referred to in subsection (e)(16))''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to trustee-to-trustee transfers after December 31, 2001.

SEC. 648. EMPLOYERS MAY DISREGARD ROLLOVERS FOR PURPOSES OF CASH-OUT AMOUNTS.

(a) QUALIFIED PLANS.—

(1) AMENDMENT TO INTERNAL REVENUE CODE OF 1986.—Section 411(a)(11) (relating to restrictions on certain mandatory distributions) is amended by adding at the end the following:

''(D) SPECIAL RULE FOR ROLLOVER CONTRIBUTIONS.—A plan shall not fail to meet the requirements of this paragraph if, under the terms of the plan, the present value of the nonforfeitable accrued benefit is determined without regard to that portion of such benefit which is attributable to rollover contributions (and earnings allocable thereto). For purposes of this subparagraph, the term 'rollover contributions' means any rollover contribution under sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(e)(16).''.

(2) AMENDMENT TO ERISA.—Section 203(e) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(c)) is amended by adding at the end the following:

''(4) A plan shall not fail to meet the requirements of this subsection if, under the terms of the plan, the present value of the nonforfeitable accrued benefit is determined without regard to that portion of such benefit which is attributable to rollover contributions (and earnings allocable thereto). For purposes of this subparagraph, the term 'rollover contributions' means any rollover contribution under sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(e)(16) of the Internal Revenue Code of 1986.''.

(b) ELIGIBLE DEFERRED COMPENSATION PLANS.—Clause (i) of section 457(e)(9)(A) is amended by striking ''such amount'' and inserting ''the portion of such amount which is not attributable to rollover contributions (as defined in section 411(a)(11)(D))''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2001.

SEC. 649. INCLUSION REQUIREMENTS FOR SECTION 457 PLANS.

(a) YEAR OF INCLUSION.—Subsection (a) of section 457 (relating to year of inclusion in gross income) is amended to read as follows:

''(a) YEAR OF INCLUSION IN GROSS INCOME.—

''(1) IN GENERAL.—Any amount of compensation deferred under an eligible deferred compensation plan, and any income attributable to the amounts so deferred, shall be includible in gross income only for the taxable year in which such compensation or other income—

''(A) is paid to the participant or other beneficiary, in the case of a plan of an eligible employer described in subsection (e)(1)(A), and

''(B) is paid or otherwise made available to the participant or other beneficiary, in the case of a plan of an eligible employer described in subsection (e)(1)(B).

''(2) SPECIAL RULE FOR ROLLOVER AMOUNTS.—To the extent provided in section 72(t)(9), section 72(t) shall apply to any amount includible in gross income under this subsection.''.

(b) CONFORMING AMENDMENT.—So much of paragraph (9) of section 457(e) as precedes subparagraph (A) is amended to read as follows:

''(9) BENEFITS OF TAX EXEMPT ORGANIZATION PLANS NOT TREATED AS MADE AVAILABLE BY REASON OF CERTAIN ELECTIONS, ETC.—In the case of an eligible deferred compensation plan of an employer described in paragraph (1)(B)—''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2001.

Subtitle E—Strengthening Pension Security and Enforcement

SEC. 651. REPEAL OF 150 PERCENT OF CURRENT LIABILITY FUNDING LIMIT.

(a) AMENDMENT TO INTERNAL REVENUE CODE OF 1986.—Section 412(c)(7) (relating to full-funding limitation) is amended—

(1) by striking ''the applicable percentage'' in subparagraph (A)(i)(I) and inserting ''in the case of plan years beginning before January 1, 2004, the applicable percentage'', and

(2) by amending subparagraph (F) to read as follows:

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

"In the case of any plan year beginning in—	The applicable percentage is—
2001	160
2002	165
2003	170.''.

(b) AMENDMENT TO ERISA.—Section 302(c)(7) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1082(c)(7)) is amended—

(1) by striking ''the applicable percentage'' in subparagraph (A)(i)(I) and inserting ''in the case of plan years beginning before January 1, 2004, the applicable percentage'', and

(2) by amending subparagraph (F) to read as follows:

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

"In the case of any plan year beginning in—	The applicable percentage is—
2001	160
2002	165
2003	170.''.

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

SEC. 652. EXTENSION OF MISSING PARTICIPANTS PROGRAM TO MULTIEMPLOYER PLANS.

(a) IN GENERAL.—Section 4050 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1350) is amended by redesignating subsection (c) as subsection (d) and by inserting after subsection (b) the following:

''(c) MULTIEMPLOYER PLANS.—The corporation shall prescribe rules similar to the rules in subsection (a) for multiemployer plans covered by this title that terminate under section 4041A.''.

(b) CONFORMING AMENDMENT.—Section 206(f) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1056(f)) is amended by striking ''the plan shall provide that,''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions made after final regulations implementing subsection (c) of section 4050 of the Employee Retirement Income Security Act of 1974 (as added by subsection (a)) are prescribed.

SEC. 653. EXCISE TAX RELIEF FOR SOUND PENSION FUNDING.

(a) IN GENERAL.—Subsection (c) of section 4972 (relating to nondeductible contributions) is amended by adding at the end the following new paragraph:

''(7) DEFINED BENEFIT PLAN EXCEPTION.—In determining the amount of nondeductible contributions for any taxable year, an employer may elect for such year not to take into account any contributions to a defined benefit plan except to the extent that such contributions exceed the full-funding limitation (as defined in section 412(c)(7), determined without regard to subparagraph (A)(i)(I) thereof). For purposes of this paragraph, the deductible limits under section 404(a)(7) shall first be applied to amounts contributed to defined contribution plans and then to amounts described in this paragraph. If an employer makes an election under this paragraph for a taxable year, paragraph (6) shall not apply to such employer for such taxable year.''.

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

SEC. 654. EXCISE TAX ON FAILURE TO PROVIDE NOTICE BY DEFINED BENEFIT PLANS SIGNIFICANTLY REDUCING FUTURE BENEFIT ACCRUALS.

(a) AMENDMENT TO 1986 CODE.—Chapter 43 of subtitle D (relating to qualified pension, etc., plans) is amended by adding at the end the following new section:

''SEC. 4980F. FAILURE OF APPLICABLE PLANS REDUCING BENEFIT ACCRUALS TO SATISFY NOTICE REQUIREMENTS.

''(a) IMPOSITION OF TAX.—There is hereby imposed a tax on the failure of any applicable pension plan to meet the requirements of subsection (e) with respect to any applicable individual.

''(b) AMOUNT OF TAX.—

''(1) IN GENERAL.—The amount of the tax imposed by subsection (a) on any failure with respect to any applicable individual shall be $100 for each day in the noncompliance period with respect to such failure.

''(2) NONCOMPLIANCE PERIOD.—For purposes of this section, the term 'noncompliance period' means, with respect to any failure, the period beginning on the date the failure first occurs and ending on the date the failure is corrected.

''(c) LIMITATIONS ON AMOUNT OF TAX.—

''(1) OVERALL LIMITATION FOR UNINTENTIONAL FAILURES.—In the case of failures that are due to reasonable cause and not to willful neglect, the tax imposed by subsection (a) for failures during the taxable year of the employer (or, in the case of a multiemployer plan, the taxable year of the trust forming part of the plan) shall not exceed $500,000. For purposes of the preceding sentence, all multiemployer plans of which the same trust forms a part shall be treated as one plan. For purposes of this paragraph, if not all persons who are treated as a single employer for purposes of this section have the same taxable year, the taxable years taken into account shall be determined under principles similar to the principles of section 1561.

''(2) WAIVER BY SECRETARY.—In the case of a failure which is due to reasonable cause and not to willful neglect, the Secretary may waive part or all of the tax imposed by subsection (a) to the extent that the payment of such tax would be excessive relative to the failure involved.

''(d) LIABILITY FOR TAX.—The following shall be liable for the tax imposed by subsection (a):

''(1) In the case of a plan other than a multiemployer plan, the employer.

''(2) In the case of a multiemployer plan, the plan.

''(e) NOTICE REQUIREMENTS FOR PLANS SIGNIFICANTLY REDUCING BENEFIT ACCRUALS.—

''(1) IN GENERAL.—If an applicable pension plan is amended to provide for a significant reduction in the rate of future benefit accrual, the plan administrator shall provide written notice to each applicable individual (and to each employee organization representing applicable individuals).

''(2) NOTICE.—The notice required by paragraph (1) shall be written in a manner calculated to be understood by the average plan participant and shall provide sufficient information (as determined in accordance with regulations prescribed by the Secretary) to allow applicable individuals to understand the effect of the plan amendment.

''(3) TIMING OF NOTICE.—Except as provided in regulations, the notice required by paragraph (1) shall be provided within a reasonable time before the effective date of the plan amendment.

''(4) DESIGNEES.—Any notice under paragraph (1) may be provided to a person designated, in writing, by the person to which it would otherwise be provided.

''(5) NOTICE BEFORE ADOPTION OF AMENDMENT.—A plan shall not be treated as failing to meet the requirements of paragraph (1) merely because notice is provided before the adoption of the plan amendment if no material modification of the amendment occurs before the amendment is adopted.

''(f) APPLICABLE INDIVIDUAL; APPLICABLE PENSION PLAN.—For purposes of this section—

''(1) APPLICABLE INDIVIDUAL.—The term 'applicable individual' means, with respect to any plan amendment—

''(A) any participant in the plan, and

''(B) any beneficiary who is an alternate payee (within the meaning of section 414(p)(8)) under an applicable qualified domestic relations order (within the meaning of section 414(p)(1)(A)),

who may reasonably be expected to be affected by such plan amendment.

''(2) APPLICABLE PENSION PLAN.—The term 'applicable pension plan' means—

''(A) any defined benefit plan, or

''(B) an individual account plan which is subject to the funding standards of section 412,

which had 100 or more participants who had accrued a benefit, or with respect to whom contributions were made, under the plan (whether or not vested) as of the last day of the plan year preceding the plan year in which the plan amendment becomes effective. Such term shall not include a governmental plan (within the meaning of section 414(d)) or a church plan (within the meaning of section 414(e)) with respect to which the election provided by section 410(d) has not been made.''.

(b) AMENDMENT TO ERISA.—Section 204(h) of the Employee Retirement Income Security Act or 1974 (29 U.S.C. 1054(h)) is amended by adding at the end the following new paragraph:

''(3)(A) A plan to which paragraph (1) applies shall not be treated as meeting the requirements of such paragraph unless, in addition to any notice required to be provided to an individual or organization under such paragraph, the plan administrator provides the notice described in subparagraph (B).

''(B) The notice required by subparagraph (A) shall be written in a manner calculated to be understood by the average plan participant and shall provide sufficient information (as determined in accordance with regulations prescribed by the Secretary of the Treasury) to allow individuals to understand the effect of the plan amendment.

''(C) Except as provided in regulations prescribed by the Secretary of the Treasury, the notice required by subparagraph (A) shall be provided within a reasonable time before the effective date of the plan amendment.

''(D) A plan shall not be treated as failing to meet the requirements of subparagraph (A) merely because notice is provided before the adoption of the plan amendment if no material modification of the amendment occurs before the amendment is adopted.''.

(c) CLERICAL AMENDMENT.—The table of sections for chapter 43 of subtitle D is amended by adding at the end the following new item:

''Sec. 4980F. Failure of applicable plans reducing benefit accruals to satisfy notice requirements.''.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to plan amendments taking effect on or after the date of the enactment of this Act.

(2) TRANSITION.—Until such time as the Secretary of the Treasury issues regulations under sections 4980F(e)(2) and (3) of the Internal Revenue Code of 1986 and section 204(h)(3) of the Employee Retirement Income Security Act of 1974 (as added by the amendments made by this section), a plan shall be treated as meeting the requirements of such sections if it makes a good faith effort to comply with such requirements.

(3) SPECIAL RULE.—The period for providing any notice required by the amendments made by this section shall not end before the date which is 3 months after the date of the enactment of this Act.

SEC. 655. PROTECTION OF INVESTMENT OF EMPLOYEE CONTRIBUTIONS TO 401(K) PLANS.

(a) IN GENERAL.—Section 1524(b) of the Taxpayer Relief Act of 1997 is amended to read as follows:

''(b) EFFECTIVE DATE.—

''(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to elective deferrals for plan years beginning after December 31, 2001.

''(2) NONAPPLICATION TO PREVIOUSLY ACQUIRED PROPERTY.—The amendments made by this section shall not apply to any elective deferral used to acquire an interest in the income or gain from employer securities or employer real property acquired—

''(A) before January 1, 2002, or

''(B) after such date pursuant to a written contract which was binding on such date and at all times thereafter on such plan.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply as if included in the provision of the Taxpayer Relief Act of 1997 to which it relates.

SEC. 656. TREATMENT OF MULTIEMPLOYER PLANS UNDER SECTION 415.

(a) COMPENSATION LIMIT.—Paragraph (11) of section 415(b) (relating to limitation for defined benefit plans) is amended to read as follows:

''(11) SPECIAL LIMITATION RULE FOR GOVERNMENTAL AND MULTIEMPLOYER PLANS.—In the case of a governmental plan (as defined in section 414(d)) or a multiemployer plan (as defined in section 414(f)), subparagraph (B) of paragraph (1) shall not apply.''.

(b) COMBINING AND AGGREGATION OF PLANS.—

(1) COMBINING OF PLANS.—Subsection (f) of section 415 (relating to combining of plans) is amended by adding at the end the following:

''(3) EXCEPTION FOR MULTIEMPLOYER PLANS.—Notwithstanding paragraph (1) and subsection (g), a multiemployer plan (as defined in section 414(f)) shall not be combined or aggregated with any other plan maintained by an employer for purposes of applying the limitations established in this section. The preceding sentence shall not apply for purposes of applying subsection (b)(1)(A) to a plan which is not a multiemployer plan.''.

(2) CONFORMING AMENDMENT FOR AGGREGATION OF PLANS.—Subsection (g) of section 415 (relating to aggregation of plans) is amended by striking ''The Secretary'' and inserting ''Except as provided in subsection (f)(3), the Secretary''.

(c) APPLICATION OF SPECIAL EARLY RETIREMENT RULES.—Section 415(b)(2)(F) (relating to plans maintained by governments and tax-exempt organizations) is amended—

(1) by inserting ''a multiemployer plan (within the meaning of section 414(f)),'' after ''section 414(d)),'', and

(2) by striking the heading and inserting:

''(F) SPECIAL EARLY RETIREMENT RULES FOR CERTAIN PLANS.—''.

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

SEC. 657. MAXIMUM CONTRIBUTION DEDUCTION RULES MODIFIED AND APPLIED TO ALL DEFINED BENEFIT PLANS.

(a) IN GENERAL.—Subparagraph (D) of section 404(a)(1) (relating to special rule in case of certain plans) is amended to read as follows:

''(D) SPECIAL RULE IN CASE OF CERTAIN PLANS.—

''(i) IN GENERAL.—In the case of any defined benefit plan, except as provided in regulations, the maximum amount deductible under the limitations of this paragraph shall not be less than the unfunded termination liability (determined as if the proposed termination date referred to in section 4041(b)(2)(A)(i)(II) of the Employee Retirement Income Security Act of 1974 were the last day of the plan year).

''(ii) PLANS WITH LESS THAN 100 PARTICIPANTS.—For purposes of this subparagraph, in the case of a plan which has less than 100 participants for the plan year, termination liability shall not include the liability attributable to benefit increases for highly compensated employees (as defined in section 414(q)) resulting from a plan amendment which is made or becomes effective, whichever is later, within the last 2 years before the termination date.

''(iii) RULE FOR DETERMINING NUMBER OF PARTICIPANTS.—For purposes of determining whether a plan has more than 100 participants, all defined benefit plans maintained by the same employer (or any member of such employer's controlled group (within the meaning of section 412(l)(8)(C))) shall be treated as 1 plan, but only employees of such member or employer shall be taken into account.

''(iv) PLANS ESTABLISHED AND MAINTAIN BY PROFESSIONAL SERVICE EMPLOYERS.—Clause (i) shall not apply to a plan described in section 4021(b)(13) of the Employee Retirement Income Security Act of 1974.''.

(b) CONFORMING AMENDMENT.—Paragraph (6) of section 4972(c) is amended to read as follows:

''(6) EXCEPTIONS.—In determining the amount of nondeductible contributions for any taxable year, there shall not be taken into account so much of the contributions to 1 or more defined contribution plans which are not deductible when contributed solely because of section 404(a)(7) as does not exceed the greater of—

''(A) the amount of contributions not in excess of 6 percent of compensation (within the meaning of section 404(a)) paid or accrued (during the taxable year for which the contributions were made) to beneficiaries under the plans, or

''(B) the sum of—

''(i) the amount of contributions described in section 401(m)(4)(A), plus

''(ii) the amount of contributions described in section 402(g)(3)(A).

For purposes of this paragraph, the deductible limits under section 404(a)(7) shall first be applied to amounts contributed to a defined benefit plan and then to amounts described in subparagraph (B).''.

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

SEC. 658. INCREASE IN SECTION 415 EARLY RETIREMENT LIMIT FOR GOVERNMENTAL AND OTHER PLANS.

(a) IN GENERAL.—Subclause (II) of section 415(b)(2)(F)(i), as amended by section 346(c), is amended—

(1) by striking ''$75,000'' and inserting ''80 percent of the dollar amount in effect under paragraph (1)(A)'', and

(2) by striking ''the $75,000 limitation'' and inserting ''80 percent of such dollar amount''.

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

Subtitle F—Encouraging Retirement Education

SEC. 661. PERIODIC PENSION BENEFITS STATEMENTS.

(a) IN GENERAL.—Section 105(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1025 (a)) is amended to read as follows:

''(a)(1) Except as provided in paragraph (2)—

''(A) the administrator of an individual account plan shall furnish a pension benefit statement—

''(i) to a plan participant at least once annually, and

''(ii) to a plan beneficiary upon written request, and

''(B) the administrator of a defined benefit plan shall furnish a pension benefit statement—

''(i) at least once every 3 years to each participant with a nonforfeitable accrued benefit who is employed by the employer maintaining the plan at the time the statement is furnished to participants, and

''(ii) to a participant or beneficiary of the plan upon written request.

''(2) Notwithstanding paragraph (1), the administrator of a plan to which more than 1 unaffiliated employer is required to contribute shall only be required to furnish a pension benefit statement under paragraph (1) upon the written request of a participant or beneficiary of the plan.

''(3) A pension benefit statement under paragraph (1)—

''(A) shall indicate, on the basis of the latest available information—

''(i) the total benefits accrued, and

''(ii) the nonforfeitable pension benefits, if any, which have accrued, or the earliest date on which benefits will become nonforfeitable,

''(B) shall be written in a manner calculated to be understood by the average plan participant, and

''(C) may be provided in written, electronic, telephonic, or other appropriate form.

''(4) In the case of a defined benefit plan, the requirements of paragraph (1)(B)(i) shall be treated as met with respect to a participant if the administrator provides the participant at least once each year with notice of the availability of the pension benefit statement and the ways in which the participant may obtain such statement. Such notice shall be provided in written, electronic, telephonic, or other appropriate form, and may be included with other communications to the participant if done in a manner reasonably designed to attract the attention of the participant.''.

(b) CONFORMING AMENDMENTS.—

(1) Section 105 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1025) is amended by striking subsection (d).

(2) Section 105(b) of such Act (29 U.S.C. 1025(b)) is amended to read as follows:

''(b) In no case shall a participant or beneficiary of a plan be entitled to more than one statement described in subsection (a)(1)(A) or (a)(1)(B)(ii), whichever is applicable, in any 12-month period.''.

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

SEC. 662. CLARIFICATION OF TREATMENT OF EMPLOYER-PROVIDED RETIREMENT ADVICE.

(a) IN GENERAL.—Subsection (a) of section 132 (relating to exclusion from gross income) is amended by striking ''or'' at the end of paragraph (5), by striking the period at the end of paragraph (6) and inserting '', or'', and by adding at the end the following new paragraph:

''(7) qualified retirement planning services.''.

(b) QUALIFIED RETIREMENT PLANNING SERVICES DEFINED.—Section 132 is amended by redesignating subsection (m) as subsection (n) and by inserting after subsection (l) the following:

''(m) QUALIFIED RETIREMENT PLANNING SERVICES.—

''(1) IN GENERAL.—For purposes of this section, the term 'qualified retirement planning services' means any retirement planning service provided to an employee and his spouse by an employer maintaining a qualified employer plan.

''(2) NONDISCRIMINATION RULE.—Subsection (a)(7) shall apply in the case of highly compensated employees only if such services are available on substantially the same terms to each member of the group of employees normally provided education and information regarding the employer's qualified employer plan.

''(3) QUALIFIED EMPLOYER PLAN.—For purposes of this subsection, the term 'qualified employer plan' means a plan, contract, pension, or account described in section 219(g)(5).''.

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

Subtitle G—Reducing Regulatory Burdens

SEC. 671. FLEXIBILITY IN NONDISCRIMINATION AND COVERAGE RULES.

(a) NONDISCRIMINATION.—

(1) IN GENERAL.—The Secretary of the Treasury shall, by regulation, provide that a plan shall be deemed to satisfy the requirements of section 401(a)(4) of the Internal Revenue Code of 1986 if such plan satisfies the facts and circumstances test under section 401(a)(4) of such Code, as in effect before January 1, 1994, but only if—

(A) the plan satisfies conditions prescribed by the Secretary to appropriately limit the availability of such test, and

(B) the plan is submitted to the Secretary for a determination of whether it satisfies such test.

Subparagraph (B) shall only apply to the extent provided by the Secretary.

(2) EFFECTIVE DATES.—

(A) REGULATIONS.—The regulation required by subsection (a) shall apply to years beginning after December 31, 2001.

(B) CONDITIONS OF AVAILABILITY.—Any condition of availability prescribed by the Secretary under paragraph (1)(A) shall not apply before the first year beginning not less than

120 days after the date on which such condition is prescribed.

(b) COVERAGE TEST.—

(1) IN GENERAL.—Section 410(b)(1) (relating to minimum coverage requirements) is amended by adding at the end the following:

''(D) In the case that the plan fails to meet the requirements of subparagraphs (A), (B) and (C), the plan—

''(i) satisfies subparagraph (B), as in effect immediately before the enactment of the Tax Reform Act of 1986,

''(ii) is submitted to the Secretary for a determination of whether it satisfies the requirement described in clause (i), and

''(iii) satisfies conditions prescribed by the Secretary by regulation that appropriately limit the availability of this subparagraph.

Clause (ii) shall apply only to the extent provided by the Secretary.''.

(2) EFFECTIVE DATES.—

(A) IN GENERAL.—The amendment made by subsection (a) shall apply to years beginning after December 31, 2001.

(B) CONDITIONS OF AVAILABILITY.—Any condition of availability prescribed by the Secretary under regulations prescribed by the Secretary under section 410(b)(1)(D) of the Internal Revenue Code of 1986 shall not apply before the first year beginning not less than 120 days after the date on which such condition is prescribed.

SEC. 672. MODIFICATION OF TIMING OF PLAN VALUATIONS.

(a) IN GENERAL.—Section 412(c)(9) (relating to annual valuation) is amended—

(1) by striking ''For purposes'' and inserting the following:

''(A) IN GENERAL.—For purposes'', and

(2) by adding at the end the following:

''(B) ELECTION TO USE PRIOR YEAR VALUATION.—

''(i) IN GENERAL.—Except as provided in clause (ii), if, for any plan year—

''(I) an election is in effect under this subparagraph with respect to a plan, and

''(II) the assets of the plan are not less than 125 percent of the plan's current liability (as defined in paragraph (7)(B)), determined as of the valuation date for the preceding plan year,

then this section shall be applied using the information available as of such valuation date.

''(ii) EXCEPTIONS.—

''(I) ACTUAL VALUATION EVERY 3 YEARS.—Clause (i) shall not apply for more than 2 consecutive plan years and valuation shall be under subparagraph (A) with respect to any plan year to which clause (i) does not apply by reason of this subclause.

''(II) REGULATIONS.—Clause (i) shall not apply to the extent that more frequent valuations are required under the regulations under subparagraph (A).

''(iii) ADJUSTMENTS.—Information under clause (i) shall, in accordance with regulations, be actuarially adjusted to reflect significant differences in participants.

''(iv) ELECTION.—An election under this subparagraph, once made, shall be irrevocable without the consent of the Secretary.''.

(b) AMENDMENTS TO ERISA.—Paragraph (9) of section 302(c) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(c)) is amended—

(1) by inserting ''(A)'' after ''(9)'', and

(2) by adding at the end the following:

''(B)(i) Except as provided in clause (ii), if, for any plan year—

''(I) an election is in effect under this subparagraph with respect to a plan, and

''(II) the assets of the plan are not less than 125 percent of the plan's current liability (as defined in paragraph (7)(B)), determined as of the valuation date for the preceding plan year,

then this section shall be applied using the information available as of such valuation date.

''(ii)(I) Clause (i) shall not apply for more than 2 consecutive plan years and valuation shall be under subparagraph (A) with respect to any plan year to which clause (i) does not apply by reason of this subclause.

''(II) Clause (i) shall not apply to the extent that more frequent valuations are required under the regulations under subparagraph (A).

''(iii) Information under clause (i) shall, in accordance with regulations, be actuarially adjusted to reflect significant differences in participants.

''(iv) An election under this subparagraph, once made, shall be irrevocable without the consent of the Secretary of the Treasury.''.

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

SEC. 673. SUBSTANTIAL OWNER BENEFITS IN TERMINATED PLANS.

(a) MODIFICATION OF PHASE-IN OF GUARANTEE.—Section 4022(b)(5) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1322(b)(5)) is amended to read as follows:

''(5)(A) For purposes of this paragraph, the term 'majority owner' means an individual who, at any time during the 60-month period ending on the date the determination is being made—

''(i) owns the entire interest in an unincorporated trade or business,

''(ii) in the case of a partnership, is a partner who owns, directly or indirectly, 50 percent or more of either the capital interest or the profits interest in such partnership, or

''(iii) in the case of a corporation, owns, directly or indirectly, 50 percent or more in value of either the voting stock of that corporation or all the stock of that corporation.

For purposes of clause (iii), the constructive ownership rules of section 1563(e) of the Internal Revenue Code of 1986 shall apply (determined without regard to section 1563(e)(3)(C)).

''(B) In the case of a participant who is a majority owner, the amount of benefits guaranteed under this section shall equal the product of—

''(i) a fraction (not to exceed 1) the numerator of which is the number of years from the later of the effective date or the adoption date of the plan to the termination date, and the denominator of which is 10, and

''(ii) the amount of benefits that would be guaranteed under this section if the participant were not a majority owner.''.

(b) MODIFICATION OF ALLOCATION OF ASSETS.—

(1) Section 4044(a)(4)(B) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1344(a)(4)(B)) is amended by striking ''section 4022(b)(5)'' and inserting ''section 4022(b)(5)(B)''.

(2) Section 4044(b) of such Act (29 U.S.C. 1344(b)) is amended—

(A) by striking ''(5)'' in paragraph (2) and inserting ''(4), (5),'', and

(B) by redesignating paragraphs (3) through (6) as paragraphs (4) through (7), respectively, and by inserting after paragraph (2) the following:

''(3) If assets available for allocation under paragraph (4) of subsection (a) are insufficient to satisfy in full the benefits of all individuals who are described in that paragraph, the assets shall be allocated first to benefits described in subparagraph (A) of that paragraph. Any remaining assets shall then be allocated to benefits described in subparagraph (B) of that paragraph. If assets allocated to such subparagraph (B) are insufficient to satisfy in full the benefits described in that subparagraph, the assets shall be allocated pro rata among individuals on the basis of the present value (as of the termination date) of their respective benefits described in that subparagraph.''.

(c) CONFORMING AMENDMENTS.—

(1) Section 4021 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1321) is amended—

(A) in subsection (b)(9), by striking ''as defined in section 4022(b)(6)'', and

(B) by adding at the end the following:

''(d) For purposes of subsection (b)(9), the term 'substantial owner' means an individual who, at any time during the 60-month period ending on the date the determination is being made—

''(1) owns the entire interest in an unincorporated trade or business,

''(2) in the case of a partnership, is a partner who owns, directly or indirectly, more than 10 percent of either the capital interest or the profits interest in such partnership, or

''(3) in the case of a corporation, owns, directly or indirectly, more than 10 percent in value of either the voting stock of that corporation or all the stock of that corporation.

For purposes of paragraph (3), the constructive ownership rules of section 1563(e) of the Internal Revenue Code of 1986 shall apply (determined without regard to section 1563(e)(3)(C)).''.

(2) Section 4043(c)(7) of such Act (29 U.S.C. 1343(c)(7)) is amended by striking ''section 4022(b)(6)'' and inserting ''section 4021(d)''.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to plan terminations—

(A) under section 4041(c) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1341(c)) with respect to which notices of intent to terminate are provided under section 4041(a)(2) of such Act (29 U.S.C. 1341(a)(2)) after December 31, 2001, and

(B) under section 4042 of such Act (29 U.S.C. 1342) with respect to which proceedings are instituted by the corporation after such date.

(2) CONFORMING AMENDMENTS.—The amendments made by subsection (c) shall take effect on the date of enactment of this Act.

SEC. 674. ESOP DIVIDENDS MAY BE REINVESTED WITHOUT LOSS OF DIVIDEND DEDUCTION.

(a) IN GENERAL.—Section 404(k)(2)(A) (defining applicable dividends) is amended by striking ''or'' at the end of clause (ii), by redesignating clause (iii) as clause (iv), and by inserting after clause (ii) the following new clause:

''(iii) is, at the election of such participants or their beneficiaries—

''(I) payable as provided in clause (i) or (ii), or

''(II) paid to the plan and reinvested in qualifying employer securities, or''.

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

SEC. 675. NOTICE AND CONSENT PERIOD REGARDING DISTRIBUTIONS.

(a) EXPANSION OF PERIOD.—

(1) IN GENERAL.—

(A) AMENDMENT OF INTERNAL REVENUE CODE OF 1986.—Subparagraph (A) of section 417(a)(6) is amended by striking ''90-day'' and inserting ''1-year''.

(B) AMENDMENT TO ERISA.—Subparagraph (A) of section 205(c)(7) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1055(c)(7)) is amended by striking ''90-day'' and inserting ''1-year''.

(2) MODIFICATION OF REGULATIONS.—The Secretary of the Treasury shall modify the regulations under sections 402(f), 411(a)(11), and 417 of the Internal Revenue Code of 1986 to substitute ''1-year'' for ''90 days'' each

place it appears in Treasury Regulations sections 1.402(f)–1, 1.411(a)–11(c), and 1.417(e)–1(b).

(3) EFFECTIVE DATE.—The amendments made by paragraph (1) and the modifications required by paragraph (2) shall apply to years beginning after December 31, 2001.

(b) CONSENT REGULATION INAPPLICABLE TO CERTAIN DISTRIBUTIONS.—

(1) IN GENERAL.—The Secretary of the Treasury shall modify the regulations under section 411(a)(11) of the Internal Revenue Code of 1986 to provide that the description of a participant's right, if any, to defer receipt of a distribution shall also describe the consequences of failing to defer such receipt.

(2) EFFECTIVE DATE.—The modifications required by paragraph (1) shall apply to years beginning after December 31, 2001.

SEC. 676. REPEAL OF TRANSITION RULE RELATING TO CERTAIN HIGHLY COMPENSATED EMPLOYEES.

(a) IN GENERAL.—Paragraph (4) of section 1114(c) of the Tax Reform Act of 1986 is hereby repealed.

(b) EFFECTIVE DATE.—The repeal made by subsection (a) shall apply to plan years beginning after December 31, 1999.

SEC. 677. EMPLOYEES OF TAX-EXEMPT ENTITIES.

(a) IN GENERAL.—The Secretary of the Treasury shall modify Treasury Regulations section 1.410(b)–6(g) to provide that employees of an organization described in section 403(b)(1)(A)(i) of the Internal Revenue Code of 1986 who are eligible to make contributions under section 403(b) of such Code pursuant to a salary reduction agreement may be treated as excludable with respect to a plan under section 401 (k) or (m) of such Code that is provided under the same general arrangement as a plan under such section 401(k), if—

(1) no employee of an organization described in section 403(b)(1)(A)(i) of such Code is eligible to participate in such section 401(k) plan or section 401(m) plan, and

(2) 95 percent of the employees who are not employees of an organization described in section 403(b)(1)(A)(i) of such Code are eligible to participate in such plan under such section 401 (k) or (m).

(b) EFFECTIVE DATE.—The modification required by subsection (a) shall apply as of the same date set forth in section 1426(b) of the Small Business Job Protection Act of 1996.

SEC. 678. EXTENSION TO INTERNATIONAL ORGANIZATIONS OF MORATORIUM ON APPLICATION OF CERTAIN NONDISCRIMINATION RULES APPLICABLE TO STATE AND LOCAL PLANS.

(a) IN GENERAL.—Subparagraph (G) of section 401(a)(5), subparagraph (H) of section 401(a)(26), subparagraph (G) of section 401(k)(3), and paragraph (2) of section 1505(d) of the Taxpayer Relief Act of 1997 are each amended by inserting ''or by an international organization which is described in section 414(d)'' after ''or instrumentality thereof)''.

(b) CONFORMING AMENDMENTS.—

(1) The headings for subparagraph (G) of section 401(a)(5) and subparagraph (H) of section 401(a)(26) are each amended by inserting ''AND INTERNATIONAL ORGANIZATION'' after ''GOVERNMENTAL''.

(2) Subparagraph (G) of section 401(k)(3) is amended by inserting ''STATE AND LOCAL GOVERNMENTAL AND INTERNATIONAL ORGANIZATION PLANS.—'' after ''(G)''.

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

SEC. 679. ANNUAL REPORT DISSEMINATION.

(a) IN GENERAL.—Section 104(b)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1024(b)(3)) is amended by striking ''shall furnish'' and inserting ''shall make available for examination (and, upon request, shall furnish)''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to reports for years beginning after December 31, 2001.

SEC. 681. REPORTING SIMPLIFICATION.

(a) SIMPLIFIED ANNUAL FILING REQUIREMENT FOR OWNERS AND THEIR SPOUSES.—

(1) IN GENERAL.—The Secretary of the Treasury shall modify the requirements for filing annual returns with respect to one-participant retirement plans to ensure that such plans with assets of $500,000 or less as of the close of the plan year need not file a return for that year.

(2) ONE-PARTICIPANT RETIREMENT PLAN DEFINED.—For purposes of this subsection, the term ''one-participant retirement plan'' means a retirement plan that—

(A) on the first day of the plan year—

(i) covered only the employer (and the employer's spouse) and the employer owned the entire business (whether or not incorporated), or

(ii) covered only one or more partners (and their spouses) in a business partnership (including partners in an S or C corporation),

(B) meets the minimum coverage requirements of section 410(b) of the Internal Revenue Code of 1986 without being combined with any other plan of the business that covers the employees of the business,

(C) does not provide benefits to anyone except the employer (and the employer's spouse) or the partners (and their spouses),

(D) does not cover a business that is a member of an affiliated service group, a controlled group of corporations, or a group of businesses under common control, and

(E) does not cover a business that leases employees.

(3) OTHER DEFINITIONS.—Terms used in paragraph (2) which are also used in section 414 of the Internal Revenue Code of 1986 shall have the respective meanings given such terms by such section.

(b) SIMPLIFIED ANNUAL FILING REQUIREMENT FOR PLANS WITH FEWER THAN 25 EMPLOYEES.—In the case of a retirement plan which covers less than 25 employees on the 1st day of the plan year and meets the requirements described in subparagraphs (B), (D), and (E) of subsection (a)(2), the Secretary of the Treasury shall provide for the filing of a simplified annual return that is substantially similar to the annual return required to be filed by a one-participant retirement plan.

(c) EFFECTIVE DATE.—The provisions of this section shall take effect on January 1, 2001.

SEC. 682. REPEAL OF THE MULTIPLE USE TEST.

(a) IN GENERAL.—Paragraph (9) of section 401(m) is amended to read as follows:

''(9) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this subsection and subsection (k), including regulations permitting appropriate aggregation of plans and contributions.''.

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

Subtitle H—Plan Amendments

SEC. 691. PROVISIONS RELATING TO PLAN AMENDMENTS.

(a) IN GENERAL.—If this section applies to any plan or contract amendment—

(1) such plan or contract shall be treated as being operated in accordance with the terms of the plan during the period described in subsection (b)(2)(A), and

(2) such plan shall not fail to meet the requirements of section 411(d)(6) of the Internal Revenue Code of 1986 by reason of such amendment.

(b) AMENDMENTS TO WHICH SECTION APPLIES.—

(1) IN GENERAL.—This section shall apply to any amendment to any plan or annuity contract which is made—

(A) pursuant to any amendment made by this title, or pursuant to any regulation issued under this title, and

(B) on or before the last day of the first plan year beginning on or after January 1, 2003.

In the case of a government plan (as defined in section 414(d) of the Internal Revenue Code of 1986), this paragraph shall be applied by substituting ''2005'' for ''2003''.

(2) CONDITIONS.—This section shall not apply to any amendment unless—

(A) during the period—

(i) beginning on the date the legislative or regulatory amendment described in paragraph (1)(A) takes effect (or in the case of a plan or contract amendment not required by such legislative or regulatory amendment, the effective date specified by the plan), and

(ii) ending on the date described in paragraph (1)(B) (or, if earlier, the date the plan or contract amendment is adopted),

the plan or contract is operated as if such plan or contract amendment were in effect, and

(B) such plan or contract amendment applies retroactively for such period.

LOTT AMENDMENT NO. 3842

Mr. GRAMM (for Mr. LOTT) proposed an amendment to the bill, H.R. 8, supra; as follows:

At the end of the bill, add the following:

TITLE VI—MISCELLANEOUS PROVISIONS

SEC. 601. MODIFICATIONS TO EDUCATION INDIVIDUAL RETIREMENT ACCOUNTS.

(a) MAXIMUM ANNUAL CONTRIBUTIONS.—

(1) IN GENERAL.—Section 530(b)(1)(A)(iii) (defining education individual retirement account) is amended by striking ''$500'' and inserting ''the contribution limit for such taxable year''.

(2) CONTRIBUTION LIMIT.—Section 530(b) (relating to definitions and special rules) is amended by adding at the end the following new paragraph:

''(4) CONTRIBUTION LIMIT.—The term 'contribution limit' means $500 ($2,000 in the case of any taxable year beginning after December 31, 1999, and ending before January 1, 2004).''

(3) CONFORMING AMENDMENT.—Section 4973(e)(1)(A) is amended by striking ''$500'' and inserting ''the contribution limit (as defined in section 530(b)(4)) for such taxable year''.

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

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

''(2) QUALIFIED EDUCATION EXPENSES.—

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

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

''(ii) qualified elementary and secondary education expenses (as defined in paragraph (5)).

Such expenses shall be reduced as provided in section 25A(g)(2).

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

(2) QUALIFIED ELEMENTARY AND SECONDARY EDUCATION EXPENSES.—Section 530(b) (relating to definitions and special rules), as

amended by subsection (a)(2), is amended by adding at the end the following new paragraph:

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

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

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

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

''(B) SPECIAL RULE FOR HOMESCHOOLING.—Such term shall include expenses described in subparagraph (A)(i) in connection with education provided by homeschooling if the requirements of any applicable State or local law are met with respect to such education.

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

(3) SPECIAL RULES FOR APPLYING EXCLUSION TO ELEMENTARY AND SECONDARY EXPENSES.—Section 530(d)(2) (relating to distributions for qualified higher education expenses) is amended by adding at the end the following new subparagraph:

''(E) SPECIAL RULES FOR ELEMENTARY AND SECONDARY EXPENSES.—

''(i) IN GENERAL.—The aggregate amount of qualified elementary and secondary education expenses taken into account for purposes of this paragraph with respect to any education individual retirement account for all taxable years shall not exceed the sum of the aggregate contributions to such account for taxable years beginning after December 31, 1999, and before January 1, 2004, and earnings on such contributions.

''(ii) SPECIAL OPERATING RULES.—For purposes of clause (i)—

''(I) the trustee of an education individual retirement account shall keep separate accounts with respect to contributions and earnings described in clause (i), and

''(II) if there are distributions in excess of qualified elementary and secondary education expenses for any taxable year, such excess distributions shall be allocated first to contributions and earnings not described in clause (i).''

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

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

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

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

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

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

(e) TIME WHEN CONTRIBUTIONS DEEMED MADE.—

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

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

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

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

''(i) such distribution is made before the 1st day of the 6th month of the taxable year following the taxable year, and'', and

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

(f) COORDINATION WITH HOPE AND LIFETIME LEARNING CREDITS AND QUALIFIED TUITION PROGRAMS.—

(1) IN GENERAL.—Section 530(d)(2)(C) is amended to read as follows:

''(C) COORDINATION WITH HOPE AND LIFETIME LEARNING CREDITS AND QUALIFIED TUITION PROGRAMS.—

''(i) CREDIT COORDINATION.—

''(I) IN GENERAL.—Except as provided in subclause (II), subparagraph (A) shall not apply for any taxable year to any qualified higher education expenses with respect to any individual if a credit is allowed under section 25A with respect to such expenses for such taxable year.

''(II) SPECIAL COORDINATION RULE.—In the case of any taxable year beginning after December 31, 1999, and before January 1, 2004, subclause (I) shall not apply, but the total amount of qualified higher education expenses otherwise taken into account under subparagraph (A) with respect to an individual for such taxable year shall be reduced (after the application of the reduction provided in section 25A(g)(2)) by the amount of such expenses which were taken into account in determining the credit allowed to the taxpayer or any other person under section 25A with respect to such expenses.

''(ii) COORDINATION WITH QUALIFIED TUITION PROGRAMS.—If the aggregate distributions to which subparagraph (A) and section 529(c)(3)(B) apply exceed the total amount of qualified higher education expenses otherwise taken into account under subparagraph (A) (after the application of clause (i)) with respect to an individual for any taxable year, the taxpayer shall allocate such expenses among such distributions for purposes of determining the amount of the exclusion under subparagraph (A) and section 529(c)(3)(B).''

(2) CONFORMING AMENDMENTS.—

(A) Subsection (e) of section 25A is amended to read as follows:

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

(B) Section 135(d)(2)(A) is amended by striking ''allowable'' and inserting ''allowed''.

(C) Section 530(b)(2)(A) is amended by striking '', reduced as provided in section 25A(g)(2)''.

(D) Section 530(d)(2)(D) is amended—

(i) by striking ''or credit'', and

(ii) by striking ''CREDIT OR'' in the heading.

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

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

SEC. 602. DEDUCTION FOR HIGHER EDUCATION EXPENSES.

(a) DEDUCTION ALLOWED.—Part VII of subchapter B of chapter 1 (relating to additional itemized deductions for individuals) is amended by redesignating section 222 as section 223 and by inserting after section 221 the following:

''SEC. 222. HIGHER EDUCATION EXPENSES.

''(a) ALLOWANCE OF DEDUCTION.—

''(1) IN GENERAL.—In the case of an individual, there shall be allowed as a deduction an amount equal to the applicable dollar amount of the qualified higher education expenses paid by the taxpayer during the taxable year.

''(2) APPLICABLE DOLLAR AMOUNT.—The applicable dollar amount for any taxable year shall be determined as follows:

''Taxable year:	Applicable dollar amount:
2002	$4,000
2003	$8,000
2004 and thereafter	$12,000.

''(b) LIMITATION BASED ON MODIFIED ADJUSTED GROSS INCOME.—

''(1) IN GENERAL.—The amount which would (but for this subsection) be taken into account under subsection (a) shall be reduced (but not below zero) by the amount determined under paragraph (2).

''(2) AMOUNT OF REDUCTION.—The amount determined under this paragraph equals the amount which bears the same ratio to the amount which would be so taken into account as—

''(A) the excess of—

''(i) the taxpayer's modified adjusted gross income for such taxable year, over

''(ii) $62,450 ($104,050 in the case of a joint return, $89,150 in the case of a return filed by a head of household, and $52,025 in the case of a return by a married individual filing separately), bears to

''(B) $15,000.

''(3) MODIFIED ADJUSTED GROSS INCOME.—For purposes of this subsection, the term 'modified adjusted gross income' means the adjusted gross income of the taxpayer for the taxable year determined—

''(A) without regard to this section and sections 911, 931, and 933, and

''(B) after the application of sections 86, 135, 219, 220, and 469.

For purposes of the sections referred to in subparagraph (B), adjusted gross income shall be determined without regard to the deduction allowed under this section.

''(c) QUALIFIED HIGHER EDUCATION EXPENSES.—For purposes of this section—

''(1) QUALIFIED HIGHER EDUCATION EXPENSES.—

''(A) IN GENERAL.—The term 'qualified higher education expenses' means tuition and fees charged by an educational institution and required for the enrollment or attendance of—

''(i) the taxpayer,

''(ii) the taxpayer's spouse,

''(iii) any dependent of the taxpayer with respect to whom the taxpayer is allowed a deduction under section 151, or

''(iv) any grandchild of the taxpayer,

as an eligible student at an institution of higher education.

''(B) ELIGIBLE COURSES.—Amounts paid for qualified higher education expenses of any individual shall be taken into account under subsection (a) only to the extent such expenses—

''(i) are attributable to courses of instruction for which credit is allowed toward a baccalaureate degree by an institution of higher education or toward a certificate of required course work at a vocational school, and

''(ii) are not attributable to any graduate program of such individual.

''(C) EXCEPTION FOR NONACADEMIC FEES.—Such term does not include any student activity fees, athletic fees, insurance expenses, or other expenses unrelated to a student's academic course of instruction.

''(D) ELIGIBLE STUDENT.—For purposes of subparagraph (A), the term 'eligible student' means a student who—

''(i) meets the requirements of section 484(a)(1) of the Higher Education Act of 1965 (20 U.S.C. 1091(a)(1)), as in effect on the date of the enactment of this section, and

''(ii) is carrying at least one-half the normal full-time work load for the course of study the student is pursuing, as determined by the institution of higher education.

''(E) IDENTIFICATION REQUIREMENT.—No deduction shall be allowed under subsection (a) to a taxpayer with respect to an eligible student unless the taxpayer includes the name, age, and taxpayer identification number of such eligible student on the return of tax for the taxable year.

''(2) INSTITUTION OF HIGHER EDUCATION.—The term 'institution of higher education' means an institution which—

''(A) is described in section 481 of the Higher Education Act of 1965 (20 U.S.C. 1088), as in effect on the date of the enactment of this section, and

''(B) is eligible to participate in programs under title IV of such Act.

''(d) SPECIAL RULES.—

''(1) NO DOUBLE BENEFIT.—

''(A) IN GENERAL.—No deduction shall be allowed under subsection (a) for any expense for which a deduction is allowable to the taxpayer under any other provision of this chapter unless the taxpayer irrevocably waives his right to the deduction of such expense under such other provision.

''(B) DENIAL OF DEDUCTION IF CREDIT ELECTED.—No deduction shall be allowed under subsection (a) for a taxable year with respect to the qualified higher education expenses of an individual if the taxpayer elects to have section 25A apply with respect to such individual for such year.

''(C) DEPENDENTS.—No deduction shall be allowed under subsection (a) to any individual with respect to whom a deduction under section 151 is allowable to another taxpayer for a taxable year beginning in the calendar year in which such individual's taxable year begins.

''(D) COORDINATION WITH EXCLUSIONS.—A deduction shall be allowed under subsection (a) for qualified higher education expenses only to the extent the amount of such expenses exceeds the amount excludable under section 135 or 530(d)(2) for the taxable year.

''(2) LIMITATION ON TAXABLE YEAR OF DEDUCTION.—

''(A) IN GENERAL.—A deduction shall be allowed under subsection (a) for qualified higher education expenses for any taxable year only to the extent such expenses are in connection with enrollment at an institution of higher education during the taxable year.

''(B) CERTAIN PREPAYMENTS ALLOWED.—Subparagraph (A) shall not apply to qualified higher education expenses paid during a taxable year if such expenses are in connection with an academic term beginning during such taxable year or during the first 3 months of the next taxable year.

''(3) ADJUSTMENT FOR CERTAIN SCHOLARSHIPS AND VETERANS BENEFITS.—The amount of qualified higher education expenses otherwise taken into account under subsection (a) with respect to the education of an individual shall be reduced (before the application of subsection (b)) by the sum of the amounts received with respect to such individual for the taxable year as—

''(A) a qualified scholarship which under section 117 is not includable in gross income,

''(B) an educational assistance allowance under chapter 30, 31, 32, 34, or 35 of title 38, United States Code, or

''(C) a payment (other than a gift, bequest, devise, or inheritance within the meaning of section 102(a)) for educational expenses, or attributable to enrollment at an eligible educational institution, which is exempt from income taxation by any law of the United States.

''(4) NO DEDUCTION FOR MARRIED INDIVIDUALS FILING SEPARATE RETURNS.—If the taxpayer is a married individual (within the meaning of section 7703), this section shall apply only if the taxpayer and the taxpayer's spouse file a joint return for the taxable year.

''(5) NONRESIDENT ALIENS.—If the taxpayer is a nonresident alien individual for any portion of the taxable year, this section shall apply only if such individual is treated as a resident alien of the United States for purposes of this chapter by reason of an election under subsection (g) or (h) of section 6013.

''(6) REGULATIONS.—The Secretary may prescribe such regulations as may be necessary or appropriate to carry out this section, including regulations requiring recordkeeping and information reporting.''

(b) DEDUCTION ALLOWED IN COMPUTING ADJUSTED GROSS INCOME.—Section 62(a) is amended by inserting after paragraph (17) the following:

''(18) HIGHER EDUCATION EXPENSES.—The deduction allowed by section 222.''

(c) CONFORMING AMENDMENT.—The table of sections for part VII of subchapter B of chapter 1 is amended by striking the item relating to section 222 and inserting the following:

''Sec. 222. Higher education expenses.
''Sec. 223. Cross reference.''

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

SEC. 603. CREDIT FOR INTEREST ON HIGHER EDUCATION LOANS.

(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 (relating to nonrefundable personal credits) is amended by inserting after section 25A the following new section:

''SEC. 25B. INTEREST ON HIGHER EDUCATION LOANS.

''(a) ALLOWANCE OF CREDIT.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the interest paid by the taxpayer during the taxable year on any qualified education loan.

''(b) MAXIMUM CREDIT.—

''(1) IN GENERAL.—Except as provided in paragraph (2), the credit allowed by subsection (a) for the taxable year shall not exceed $1,500.

''(2) LIMITATION BASED ON MODIFIED ADJUSTED GROSS INCOME.—

''(A) IN GENERAL.—If the modified adjusted gross income of the taxpayer for the taxable year exceeds $50,000 ($80,000 in the case of a joint return), the amount which would (but for this paragraph) be allowable as a credit under this section shall be reduced (but not below zero) by the amount which bears the same ratio to the amount which would be so allowable as such excess bears to $20,000.

''(B) MODIFIED ADJUSTED GROSS INCOME.—The term 'modified adjusted gross income' means adjusted gross income determined without regard to sections 911, 931, and 933.

''(C) INFLATION ADJUSTMENT.—In the case of any taxable year beginning after 2003, the $50,000 and $80,000 amounts referred to in subparagraph (A) shall be increased by an amount equal to—

''(i) such dollar amount, multiplied by

''(ii) the cost-of-living adjustment determined under section (1)(f)(3) for the calendar year in which the taxable year begins, by substituting '2002' for '1992'.

''(D) ROUNDING.—If any amount as adjusted under subparagraph (C) is not a multiple of $50, such amount shall be rounded to the nearest multiple of $50.

''(c) DEPENDENTS NOT ELIGIBLE FOR CREDIT.—No credit shall be allowed by this section to an individual for the taxable year if a deduction under section 151 with respect to such individual is allowed to another taxpayer for the taxable year beginning in the calendar year in which such individual's taxable year begins.

''(d) LIMIT ON PERIOD CREDIT ALLOWED.—A credit shall be allowed under this section only with respect to interest paid on any qualified education loan during the first 60 months (whether or not consecutive) in which interest payments are required. For purposes of this paragraph, any loan and all refinancings of such loan shall be treated as 1 loan.

''(e) DEFINITIONS.—For purposes of this section—

''(1) QUALIFIED EDUCATION LOAN.—The term 'qualified education loan' has the meaning given such term by section 221(e)(1).

''(2) DEPENDENT.—The term 'dependent' has the meaning given such term by section 152.

''(f) SPECIAL RULES.—

''(1) DENIAL OF DOUBLE BENEFIT.—No credit shall be allowed under this section for any amount taken into account for any deduction under any other provision of this chapter.

''(2) MARRIED COUPLES MUST FILE JOINT RETURN.—If the taxpayer is married at the close of the taxable year, the credit shall be allowed under subsection (a) only if the taxpayer and the taxpayer's spouse file a joint return for the taxable year.

''(3) MARITAL STATUS.—Marital status shall be determined in accordance with section 7703.''

(b) CONFORMING AMENDMENT.—The table of sections for subpart A of part IV of subchapter A of chapter 1 is amended by inserting after the item relating to section 25A the following new item:

''Sec. 25B. Interest on higher education loans.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to any qualified education loan (as defined in section 25B(e)(1) of the Internal Revenue Code of 1986, as added by this section) incurred on, before, or after the date of the enactment of this Act, but only with respect to any loan interest payment due after December 31, 2001.

SEC. 604. CERTIFIED TEACHER CREDIT.

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

(1) Studies have shown that the greatest single in-school factor affecting student achievement is teacher quality.

(2) Most accomplished teachers do not get the rewards they deserve.

(3) After adjusting amounts for inflation, the average teacher salary for 1997–1998 of $39,347 is just $2 above what it was in 1993. Such salary is also just $1,924 more than the average salary recorded in 1972, a real increase of only $75 per year.

(4) While K–12 enrollments are steadily increasing, the teacher population is aging. There is a need, now more than ever, to attract competent, capable, and bright college

graduates or mid-career professionals to the teaching profession.

(5) The Department of Education projects that 2,000,000 new teachers will have to be hired in the next decade. Shortages, if they occur, will most likely be felt in urban or rural regions of the country where working conditions may be difficult or compensation low.

(6) If students are to receive a high quality education and remain competitive in the global market the United States must attract talented and motivated people to the teaching profession in large numbers.

(b) ALLOWANCE OF CREDIT.—Subpart C of part IV of subchapter A of chapter 1 (relating to refundable credits) is amended by redesignating section 35 as section 36 and by inserting after section 34 the following new section:

''SEC. 35. CERTIFIED TEACHER CREDIT.

''(a) ALLOWANCE OF CREDIT.—

''(1) IN GENERAL.—In the case of an eligible teacher, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year $5,000.

''(2) YEAR CREDIT ALLOWED.—The credit under paragraph (1) shall be allowed in the taxable year in which the taxpayer becomes a certified individual.

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

''(1) ELIGIBLE TEACHER.—

''(A) IN GENERAL.—The term 'eligible teacher' means a certified individual who is a pre-kindergarten or early childhood educator, or a kindergarten through grade 12 classroom teacher, instructor, counselor, aide, or principal in an elementary or secondary school on a full-time basis for an academic year ending during a taxable year.

''(B) CERTIFIED INDIVIDUAL.—The term 'certified individual' means an individual who has successfully completed the requirements for advanced certification provided by the National Board for Professional Teaching Standards.

''(2) ELEMENTARY OR SECONDARY SCHOOL.—The term 'elementary or secondary school' means a public elementary or secondary school which—

''(A) is located in a school district of a local educational agency which is eligible, during the taxable year, for assistance under part A of title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6311 et seq.), and

''(B) during the taxable year, the Secretary of Education determines to have an enrollment of children counted under section 1124(c) of such Act (20 U.S.C. 6333(c)) in an amount in excess of an amount equal to 40 percent of the total enrollment of such school.

''(c) VERIFICATION.—The credit allowed under subsection (a) shall be allowed with respect to any certified individual only if the certification is verified in such manner as the Secretary shall prescribe by regulation.

''(d) ELECTION TO HAVE CREDIT NOT APPLY.—A taxpayer may elect to have this section not apply for any taxable year.''.

(c) EXCLUSION FROM INCOME FOR CERTAIN AMOUNTS.—Part III of subchapter B of chapter 1 (relating to items specifically excluded from gross income) is amended by redesignating section 139 as section 140 and inserting after section 138 the following new section:

''SEC. 139. CERTAIN AMOUNTS RECEIVED BY CERTIFIED TEACHERS.

''(a) IN GENERAL.—In the case of a certified teacher, gross income shall not include the value of anything received during the taxable year solely by reason of such teacher having successfully completed the requirements for advanced certification provided by the National Board for Professional Teaching Standards (such as an incentive payment).

''(b) CERTIFIED TEACHER.—For purposes of this section, the term 'certified teacher' has the meaning given the term 'eligible teacher' under section 35(b)(1).

''(c) VERIFICATION.—The exclusion under subsection (a) shall be allowed with respect to any certified teacher only if the certification is verified in such manner as the Secretary shall prescribe by regulation.

''(d) AMOUNTS MUST BE REASONABLE.—Amounts excluded under subsection (a) shall include only amounts which are reasonable.''.

(d) CONFORMING AMENDMENTS.—

(1) Section 1324(b)(2) of title 31, United States Code, is amended by striking ''or'' before ''enacted'' and by inserting before the period at the end '', or from section 35 of such Code''.

(2) The table of sections for subpart C of part IV of subchapter A of chapter 1 is amended by striking the item relating to section 35 and inserting the following:

''Sec. 35. Certified teacher credit.
''Sec. 36. Overpayments of tax.''

(3) The table of sections for part III of subchapter B of chapter 1 is amended by striking the item relating to section 139 and inserting the following new items:

''Sec. 139. Certain amounts received by certified teachers.
''Sec. 140. Cross references to other Acts.''

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

SEC. 605. SENSE OF THE SENATE REGARDING COVERAGE OF PRESCRIPTION DRUGS UNDER THE MEDICARE PROGRAM.

(a) FINDINGS.—The Senate makes the following findings:

(1) Projected on-budget surpluses for the next 10 years total $1,900,000,000,000, according to the President's mid-session review.

(2) Eliminating the death tax would reduce revenues by $104,000,000,000 over 10 years, leaving on-budget surpluses of $1,800,000,000,000.

(3) The medicare program established under title XVIII of the Social Security Act (42 U.S.C. 1395 et seq.) faces the dual problem of inadequate coverage of prescription drugs and rapid escalation of program costs with the retirement of the baby boom generation.

(4) The concurrent resolution on the budget for fiscal year 2001 provides $40,000,000,000 for prescription drug coverage in the context of a reform plan that improves the long-term outlook for the medicare program.

(5) The Committee on Finance of the Senate currently is working in a bipartisan manner on reporting legislation that will reform the medicare program and provide a prescription drug benefit.

(b) SENSE OF THE SENATE.—It is the sense of the Senate that—

(1) on-budget surpluses are sufficient to both repeal the death tax and improve coverage of prescription drugs under the medicare program and Congress should do both this year; and

(2) the Senate should pass adequately funded legislation that can effectively—

(A) expand access to outpatient prescription drugs;

(B) modernize the medicare benefit package;

(C) make structural improvements to improve the long term solvency of the medicare program;

(D) reduce medicare beneficiaries' out-of-pocket prescription drug costs, placing the highest priority on helping the elderly with the greatest need; and

(E) give the elderly access to the same discounted rates on prescription drugs as those available to Americans enrolled in private insurance plans.

SEC. 606. DEDUCTION FOR PREMIUMS FOR LONG-TERM CARE INSURANCE.

(a) IN GENERAL.—Part VII of subchapter B of chapter 1 (relating to additional itemized deductions) is amended by redesignating section 222 as section 223 and by inserting after section 221 the following:

''SEC. 222. PREMIUMS FOR LONG-TERM CARE INSURANCE.

''(a) IN GENERAL.—In the case of an eligible individual, there shall be allowed as a deduction an amount equal to 100 percent of the amount paid during the taxable year for any coverage for qualified long-term care services (as defined in section 7702B(c)) or any qualified long-term care insurance contract (as defined in section 7702B(b)) which constitutes medical care for the taxpayer, his spouse, and dependents.

''(b) LIMITATIONS.—

''(1) DEDUCTION NOT AVAILABLE TO INDIVIDUALS ELIGIBLE FOR EMPLOYER-SUBSIDIZED COVERAGE.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), subsection (a) shall not apply to any taxpayer for any calendar month for which the taxpayer is eligible to participate in any plan which includes coverage for qualified long-term care services (as so defined) or is a qualified long-term care insurance contract (as so defined) maintained by any employer (or former employer) of the taxpayer or of the spouse of the taxpayer.

''(B) CONTINUATION COVERAGE.—Coverage shall not be treated as subsidized for purposes of this paragraph if—

''(i) such coverage is continuation coverage (within the meaning of section 4980B(f)) required to be provided by the employer, and

''(ii) the taxpayer or the taxpayer's spouse is required to pay a premium for such coverage in an amount not less than 100 percent of the applicable premium (within the meaning of section 4980B(f)(4)) for the period of such coverage.

''(2) LIMITATION ON LONG-TERM CARE PREMIUMS.—In the case of a qualified long-term care insurance contract (as so defined), only eligible long-term care premiums (as defined in section 213(d)(10)) shall be taken into account under subsection (a)(2).

''(c) SPECIAL RULES.—For purposes of this section—

''(1) COORDINATION WITH MEDICAL DEDUCTION, ETC.—Any amount paid by a taxpayer for insurance to which subsection (a) applies shall not be taken into account in computing the amount allowable to the taxpayer as a deduction under section 213(a).

''(2) DEDUCTION NOT ALLOWED FOR SELF-EMPLOYMENT TAX PURPOSES.—The deduction allowable by reason of this section shall not be taken into account in determining an individual's net earnings from self-employment (within the meaning of section 1402(a)) for purposes of chapter 2.''.

(b) CONFORMING AMENDMENTS.—

(1) Subsection (a) of section 62 is amended by inserting after paragraph (17) the following:

''(18) LONG-TERM CARE INSURANCE COSTS OF CERTAIN INDIVIDUALS.—The deduction allowed by section 222.''.

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

''Sec. 222. Premiums for long-term care insurance.
''Sec. 223. Cross reference.''.

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

SEC. 607. FULL AVAILABILITY OF MEDICAL SAVINGS ACCOUNTS.

(a) AVAILABILITY NOT LIMITED TO ACCOUNTS FOR EMPLOYEES OF SMALL EMPLOYERS AND SELF-EMPLOYED INDIVIDUALS.—

(1) IN GENERAL.—Section 220(c)(1)(A) (relating to eligible individual) is amended to read as follows:

''(A) IN GENERAL.—The term 'eligible individual' means, with respect to any month, any individual if—

''(i) such individual is covered under a high deductible health plan as of the 1st day of such month, and

''(ii) such individual is not, while covered under a high deductible health plan, covered under any health plan—

''(I) which is not a high deductible health plan, and

''(II) which provides coverage for any benefit which is covered under the high deductible health plan.''.

(2) CONFORMING AMENDMENTS.—

(A) Section 220(c)(1) is amended by striking subparagraphs (C) and (D).

(B) Section 220(c) is amended by striking paragraph (4) (defining small employer) and by redesignating paragraph (5) as paragraph (4).

(C) Section 220(b) is amended by striking paragraph (4) (relating to deduction limited by compensation) and by redesignating paragraphs (5), (6), and (7) as paragraphs (4), (5), and (6), respectively.

(b) REMOVAL OF LIMITATION ON NUMBER OF TAXPAYERS HAVING MEDICAL SAVINGS ACCOUNTS.—

(1) IN GENERAL.—Section 220 (relating to medical savings accounts) is amended by striking subsections (i) and (j).

(2) MEDICARE+CHOICE.—Section 138 (relating to Medicare+Choice MSA) is amended by striking subsection (f).

(c) REDUCTION IN HIGH DEDUCTIBLE PLAN MINIMUM ANNUAL DEDUCTIBLE.—

(1) IN GENERAL.—Subparagraph (A) of section 220(c)(2) (defining high deductible health plan) is amended—

(A) by striking ''$1,500'' and inserting ''$1,000'', and

(B) by striking ''$3,000'' in clause (ii) and inserting ''$2,000''.

(2) CONFORMING AMENDMENT.—Subsection (g) of section 220 is amended—

(A) by striking ''1998'' and inserting ''1999''; and

(B) by striking ''1997'' and inserting ''1998''.

(d) INCREASE IN CONTRIBUTION LIMIT TO 100 PERCENT OF ANNUAL DEDUCTIBLE.—

(1) IN GENERAL.—Section 220(b)(2) (relating to monthly limitation) is amended to read as follows:

''(2) MONTHLY LIMITATION.—The monthly limitation for any month is the amount equal to 1⁄12 of the annual deductible of the high deductible health plan of the individual.''.

(2) CONFORMING AMENDMENT.—Section 220(d)(1)(A) is amended by striking ''75 percent of''.

(e) LIMITATION ON ADDITIONAL TAX ON DISTRIBUTIONS NOT USED FOR QUALIFIED MEDICAL EXPENSES.—Section 220(f)(4) (relating to additional tax on distributions not used for qualified medical expenses) is amended by adding at the end the following:

''(D) EXCEPTION IN CASE OF SUFFICIENT ACCOUNT BALANCE.—Subparagraph (A) shall not apply to any payment or distribution in any taxable year, but only to the extent such payment or distribution does not reduce the fair market value of the assets of the medical savings account to an amount less than the annual deductible for the high deductible health plan of the account holder (determined as of January 1 of the calendar year in which the taxable year begins).''.

(f) TREATMENT OF NETWORK-BASED MANAGED CARE PLANS.—Section 220(c)(2)(B) (relating to special rules for high deductible health plans) is amended by adding at the end the following:

''(iii) TREATMENT OF NETWORK-BASED MANAGED CARE PLANS.—A plan that provides health care services through a network of contracted or affiliated health care providers, if the benefits provided when services are obtained through network providers meet the requirements of subparagraph (A), shall not fail to be treated as a high deductible health plan by reason of providing benefits for services rendered by providers who are not members of the network, so long as the annual deductible and annual limit on out-of-pocket expenses applicable to services received from non-network providers are not lower than those applicable to services received from the network providers.''.

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

SEC. 609. INCREASE IN NUMBER OF YEARS DISREGARDED.

(a) IN GENERAL.—Section 215(b)(2) of the Social Security Act (42 U.S.C. 415(b)(2)) is amended—

(1) by striking the period at the end of clause (ii) of subparagraph (A) and inserting a comma;

(2) by striking ''Clause (ii), once'' after and below clause (ii) of subparagraph (A) and inserting the following: ''and reduced further to the extent provided in subparagraph (B). Clause (ii), once'';

(3) by striking ''If an individual'' in the matter following clause (ii) of subparagraph (A) and all that follows through the end of subparagraph (A);

(4) by redesignating subparagraph (B) as subparagraph (F); and

(5) by inserting after subparagraph (A) the following new subparagraphs:

''(B) Subject to subparagraph (C), in any case in which—

''(i) in any calendar year which is included in an individual's computation base years—

''(I) such individual is living with a child (of such individual or his or her spouse) under the age of 12; or

''(II) such individual is living with a child (of such individual or his or her spouse), a parent (of such individual or his or her spouse), or such individual's spouse while such child, parent, or spouse is a chronically dependent individual;

''(ii) such calendar year is not disregarded pursuant to subparagraphs (A) and (E) (in determining such individual's benefit computation years) by reason of the reduction in the number of such individual's elapsed years under subparagraph (A); and

''(iii) such individual submits to the Secretary, in such form as the Secretary shall prescribe by regulations, a written statement that the requirements of clause (i) are met with respect to such calendar year,

then the number by which such elapsed years are reduced under this paragraph pursuant to subparagraph (A) shall be increased by one (up to a combined total not exceeding 5) for each such calendar year.

''(C)(i)(I) No calendar year shall be disregarded by reason of subparagraph (B) (in determining such individual's benefit computation years) unless the individual had less than the applicable dollar amount (in effect for such calendar year under subclause (II)) of earnings as described in section 203(f)(5) for such year.

''(II) Except as otherwise provided in this subclause, the applicable dollar amount in effect under this subclause for any calendar year is $3,000. In each calendar year after 2006, the Secretary shall determine and publish in the Federal Register, on or before November 1 of such calendar year, the applicable dollar amount which shall be effective under this subclause for the next calendar year. Such dollar amount shall be equal to the applicable dollar amount which is effective under this subclause for the calendar year in which such determination is made, increased by a percentage equal to the percentage (rounded to the nearest 1⁄10 of 1 percent) by which the Consumer Price Index (prepared by the Department of Labor and used in determining increases in benefits pursuant to section 215(i)) for the calendar quarter ending on September 30 of such calendar year exceeds such index for the calendar quarter ending on September 30 of the last preceding calendar year in which a cost-of-living increase in benefits became effective under section 215(i).

''(ii) No calendar year shall be disregarded by reason of subparagraph (B) (in determining such individual's benefit computation years) in connection with a child referred to in subparagraph (B)(i)(I) (and not referred to in subparagraph (B)(i)(II)) unless the individual was living with the child substantially throughout the period in such year in which the child was alive and under the age of 12 in such year.

''(iii) No calendar year shall be disregarded by reason of subparagraph (B) (in determining such individual's benefit computation years) in connection with a child, parent, or spouse referred to in subparagraph (B)(i)(II) unless the individual was living with such child, parent, or spouse substantially throughout a period of 180 consecutive days in such year throughout which such child, parent, or spouse was a chronically dependent individual.

''(iv) The particular calendar years to be disregarded under this subparagraph (in determining such benefit computation years) shall be those years (not otherwise disregarded under subparagraph (A)) which, before the application of subsection (f), meet the conditions of the preceding provisions of this clause.

''(v) This subparagraph shall apply only to the extent that—

''(I) its application would not result in a lower primary insurance amount; and

''(II) it does not raise the primary insurance amount to a level greater than the average old-age insurance benefit paid under this title.

''(D)(i) For purposes of this paragraph, the term 'chronically dependent individual' means an individual who—

''(I) is dependent on a daily basis on another person who is living with the individual and is assisting the individual without monetary compensation in the performance of at least 2 of the activities of daily living (described in clause (ii)), and

''(II) without such assistance could not perform such activities of daily living.

''(ii) The 'activities of daily living', referred to in clause (i), are the following:

''(I) Eating.

''(II) Bathing.

''(III) Dressing.

''(IV) Toileting.

''(V) Transferring in and out of a bed or in and out of a chair.

''(E) The number of an individual's benefit computation years as determined under this paragraph shall in no case be less than 2.''.

(b) EFFECTIVE DATE AND RELATED PROVISIONS.—

(1) IN GENERAL.—The amendments made by this Act shall apply with respect to computation base years ending before, on, or after the date of enactment of this Act, but only with respect to benefits payable for months after December 2005.

(2) NOTICE AND PROCEDURES.—

(A) 60-DAY FILING PERIOD AFTER ISSUANCE OF REGULATIONS FOR CALENDAR YEARS BEFORE

2001.—The requirements of clause (iii) of section 215(b)(2)(B) of the Social Security Act (as amended by this section) shall be treated as satisfied, in the case of a statement with respect to any calendar year before 2001, only if such statement is submitted to the Secretary of Health and Human Services not later than 60 days after the date of the first issuance in final form of the regulations required under such clause.

(B) NOTICE REQUIREMENTS.—The Secretary of Health and Human Services shall issue, not later than the date of the first issuance in final form of the regulations described in paragraph (1), regulations establishing procedures to ensure that—

(i) persons who are, as of such date, recipients of monthly benefits under section 202(a) or 223 of the Social Security Act, or applicants for such benefits, are fully informed of the amendments made by this section; and

(ii) such persons are invited to comply, and given a reasonable opportunity to comply, with the requirements of section 215(b)(2)(B)(iii) of the Social Security Act (as amended by this section), as provided in subparagraph (A).

Upon receiving from a recipient described in clauses (i) and (ii) a written statement referred to in clause (iii) of section 215(b)(2)(B) of the Social Security Act (as amended by this section) with respect to which the requirements of such clause are satisfied, the Secretary shall redetermine the amount of such benefits to the extent necessary to take into account the amendments made by this section (and if such redetermination results in an increase in such amount the increase shall be effective as provided in paragraph (1)). Such regulations described in subparagraph (A) shall also provide procedures to ensure that applicants for benefits under section 202(a) or 223 of the Social Security Act are given the opportunity, at the time of their application, to indicate and verify any additional years which may be disregarded under section 215(b)(2)(B) of the Social Security Act (as amended by this section).

SEC. 610. INCREASE IN WIDOWS' AND WIDOWERS' INSURANCE BENEFITS.

(a) WIDOW'S BENEFIT.—Section 202(e)(2)(A) of the Social Security Act (42 U.S.C. 402(e)(2)(A)) is amended by striking ''equal to'' and all that follows and inserting ''equal to the greater of—

''(i) the primary insurance amount (as determined for purposes of this subsection after application of subparagraphs (B) and (C)) of such deceased individual, or

''(ii) the lesser of—

''(I) 75 percent of the joint benefit which would have been received by the widow or surviving divorced wife and the deceased individual for such month if such individual had not died, or

''(II) the average old-age insurance benefit paid under this title.''.

(b) WIDOWER'S BENEFIT.—Section 202(f)(3)(A) of the Social Security Act (42 U.S.C. 402(b)(3)(A)) is amended by striking ''equal to'' and all that follows and inserting ''equal to the greater of—

''(i) the primary insurance amount (as determined for purposes of this subsection after application of subparagraphs (B) and (C)) of such deceased individual, or

''(ii) the lesser of—

''(I) 75 percent of the joint benefit which would have been received by the widow or surviving divorced wife and the deceased individual for such month if such individual had not died, or

''(II) the average old-age insurance benefit paid under this title.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply individuals entitled to benefits after the date of enactment of this Act.

SEC. 611. MODIFICATION OF DEPENDENT CARE CREDIT.

(a) INCREASE IN PERCENTAGE OF EMPLOYMENT-RELATED EXPENSES TAKEN INTO ACCOUNT.—Subsection (a)(2) of section 21 (relating to expenses for household and dependent care services necessary for gainful employment) is amended—

(1) by striking ''30 percent'' and inserting ''40 percent'',

(2) by striking ''$2,000'' and inserting ''$1,000'', and

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

(b) INDEXING OF LIMIT ON EMPLOYMENT-RELATED EXPENSES.—Section 21(c) (relating to dollar limit on amount creditable) is amended to read as follows:

''(c) DOLLAR LIMIT ON AMOUNT CREDITABLE.—

''(1) IN GENERAL.—The amount of the employment-related expenses incurred during any taxable year which may be taken into account under subsection (a) shall not exceed—

''(A) an amount equal to 50 percent of the amount determined under subparagraph (B) if there is 1 qualifying individual with respect to the taxpayer for such taxable year, or

''(B) $4,800 if there are 2 or more qualifying individuals with respect to the taxpayer for such taxable year.

The amount determined under subparagraph (A) or (B) (whichever is applicable) shall be reduced by the aggregate amount excludable from gross income under section 129 for the taxable year.

''(2) COST-OF-LIVING ADJUSTMENT.—

''(A) IN GENERAL.—In the case of a taxable year beginning after 2000, the $4,800 amount under paragraph (1)(B) shall be increased by an amount equal to—

''(i) such dollar amount, multiplied by

''(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 1999' for 'calendar year 1992' in subparagraph (B) thereof.

''(B) ROUNDING RULES.—If any amount after adjustment under subparagraph (A) is not a multiple of $50, such amount shall be rounded to the next lower multiple of $50.''.

(c) MINIMUM DEPENDENT CARE CREDIT ALLOWED FOR STAY-AT-HOME PARENTS.—Section 21(e) (relating to special rules) is amended by adding at the end the following:

''(11) MINIMUM CREDIT ALLOWED FOR STAY-AT-HOME PARENTS.—

''(A) IN GENERAL.—Notwithstanding subsection (d), in the case of any taxpayer with 1 or more qualifying individuals described in subsection (b)(1)(A) under the age of 1, such taxpayer shall be deemed to have employment-related expenses for the taxable year with respect to each such qualifying individual in an amount equal to the sum of—

''(i) $200 for each month in such taxable year during which such qualifying individual is under the age of 1, and

''(ii) the amount of employment-related expenses otherwise incurred for such qualifying individual for the taxable year (determined under this section without regard to this paragraph).

''(B) ELECTION TO NOT APPLY THIS PARAGRAPH.—This paragraph shall not apply with respect to any qualifying individual for any taxable year if the taxpayer elects to not have this paragraph apply to such qualifying individual for such taxable year.''.

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

SEC. 612. ALLOWANCE OF CREDIT FOR EMPLOYER EXPENSES FOR CHILD CARE ASSISTANCE.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits) is amended by adding at the end the following new section:

''SEC. 45D. EMPLOYER-PROVIDED CHILD CARE CREDIT.

''(a) ALLOWANCE OF CREDIT.—For purposes of section 38, the employer-provided child care credit determined under this section for the taxable year is an amount equal to the sum of—

''(1) 25 percent of the qualified child care expenditures, and

''(2) 10 percent of the qualified child care resource and referral expenditures,

of the taxpayer for such taxable year.

''(b) DOLLAR LIMITATION.—The credit allowable under subsection (a) for any taxable year shall not exceed $150,000.

''(c) DEFINITIONS.—For purposes of this section—

''(1) QUALIFIED CHILD CARE EXPENDITURE.—

''(A) IN GENERAL.—The term 'qualified child care expenditure' means any amount paid or incurred—

''(i) to acquire, construct, rehabilitate, or expand property—

''(I) which is to be used as part of an eligible qualified child care facility of the taxpayer,

''(II) with respect to which a deduction for depreciation (or amortization in lieu of depreciation) is allowable, and

''(III) which does not constitute part of the principal residence (within the meaning of section 121) of the taxpayer or any employee of the taxpayer,

''(ii) for the operating costs of an eligible qualified child care facility of the taxpayer, including costs related to the training of employees of the child care facility, to scholarship programs, to the providing of differential compensation to employees based on level of child care training, and to expenses associated with achieving accreditation, or

''(iii) under a contract with a qualified child care facility to provide child care services to employees of the taxpayer.

''(B) EXCLUSION FOR AMOUNTS FUNDED BY GRANTS, ETC.—The term 'qualified child care expenditure' shall not include any amount to the extent such amount is funded by any grant, contract, or otherwise by another person (or any governmental entity).

''(C) NONDISCRIMINATION.—The term 'qualified child care expenditure' shall not include any amount expended in relation to any child care services unless the providing of such services to employees of the taxpayer does not discriminate in favor of highly compensated employees (within the meaning of section 404(q)).

''(2) QUALIFIED CHILD CARE FACILITY.—

''(A) IN GENERAL.—The term 'qualified child care facility' means a facility—

''(i) the principal use of which is to provide child care assistance, and

''(ii) which meets the requirements of all applicable laws and regulations of the State or local government in which it is located, including, but not limited to, the licensing of the facility as a child care facility.

Clause (i) shall not apply to a facility which is the principal residence (within the meaning of section 121) of the operator of the facility.

''(B) ELIGIBLE QUALIFIED CHILD CARE FACILITY.—A qualified child care facility shall be treated as an eligible qualified child care facility with respect to the taxpayer if—

''(i) enrollment in the facility is open to employees of the taxpayer during the taxable year,

''(ii) the facility is not the principal trade or business of the taxpayer, and "(iii) at least 30 percent of the enrollees of such facility are dependents of employees of the taxpayer.

"(C) APPLICATION OF SUBPARAGRAPH (B).—In the case of a new facility, the facility shall be treated as meeting the requirement of subparagraph (B)(iii) if not later than 2 years after placing such facility in service at least 30 percent of the enrollees of such facility are dependents of employees of the taxpayer.

"(3) QUALIFIED CHILD CARE RESOURCE AND REFERRAL EXPENDITURE.—

"(A) IN GENERAL.—The term 'qualified child care resource and referral expenditure' means any amount paid or incurred under a contract to provide child care resource and referral services to employees of the taxpayer.

"(B) EXCLUSION FOR AMOUNTS FUNDED BY GRANTS, ETC.—The term 'qualified child care resource and referral expenditure' shall not include any amount to the extent such amount is funded by any grant, contract, or otherwise by another person (or any governmental entity).

"(C) NONDISCRIMINATION.—The term 'qualified child care resource and referral expenditure' shall not include any amount expended in relation to any child care resource and referral services unless the providing of such services to employees of the taxpayer does not discriminate in favor of highly compensated employees (within the meaning of section 404(q)).

"(d) RECAPTURE OF ACQUISITION AND CONSTRUCTION CREDIT.—

"(1) IN GENERAL.—If, as of the close of any taxable year, there is a recapture event with respect to any eligible qualified child care facility of the taxpayer, then the tax of the taxpayer under this chapter for such taxable year shall be increased by an amount equal to the product of—

"(A) the applicable recapture percentage, and

"(B) the aggregate decrease in the credits allowed under section 38 for all prior taxable years which would have resulted if the qualified child care expenditures of the taxpayer described in subsection (c)(1)(A) with respect to such facility had been zero.

"(2) APPLICABLE RECAPTURE PERCENTAGE.—

"(A) IN GENERAL.—For purposes of this subsection, the applicable recapture percentage shall be determined from the following table:

"If the recapture event occurs in:	The applicable recapture percentage is:
Year 1	100
Year 2	80
Year 3	60
Year 4	40
Year 5	20
Years 6 and thereafter	0.

"(B) YEARS.—For purposes of subparagraph (A), year 1 shall begin on the first day of the taxable year in which the eligible qualified child care facility is placed in service by the taxpayer.

"(3) RECAPTURE EVENT DEFINED.—For purposes of this subsection, the term 'recapture event' means—

"(A) CESSATION OF OPERATION.—The cessation of the operation of the facility as an eligible qualified child care facility.

"(B) CHANGE IN OWNERSHIP.—

"(i) IN GENERAL.—Except as provided in clause (ii), the disposition of a taxpayer's interest in an eligible qualified child care facility with respect to which the credit described in subsection (a) was allowable.

"(ii) AGREEMENT TO ASSUME RECAPTURE LIABILITY.—Clause (i) shall not apply if the person acquiring such interest in the facility agrees in writing to assume the recapture liability of the person disposing of such interest in effect immediately before such disposition. In the event of such an assumption, the person acquiring the interest in the facility shall be treated as the taxpayer for purposes of assessing any recapture liability (computed as if there had been no change in ownership).

"(4) SPECIAL RULES.—

"(A) TAX BENEFIT RULE.—The tax for the taxable year shall be increased under paragraph (1) only with respect to credits allowed by reason of this section which were used to reduce tax liability. In the case of credits not so used to reduce tax liability, the carryforwards and carrybacks under section 39 shall be appropriately adjusted.

"(B) NO CREDITS AGAINST TAX.—Any increase in tax under this subsection shall not be treated as a tax imposed by this chapter for purposes of determining the amount of any credit under subpart A, B, or D of this part.

"(C) NO RECAPTURE BY REASON OF CASUALTY LOSS.—The increase in tax under this subsection shall not apply to a cessation of operation of the facility as a qualified child care facility by reason of a casualty loss to the extent such loss is restored by reconstruction or replacement within a reasonable period established by the Secretary.

"(e) SPECIAL RULES.—For purposes of this section—

"(1) AGGREGATION RULES.—All persons which are treated as a single employer under subsections (a) and (b) of section 52 shall be treated as a single taxpayer.

"(2) PASS-THRU IN THE CASE OF ESTATES AND TRUSTS.—Under regulations prescribed by the Secretary, rules similar to the rules of subsection (d) of section 52 shall apply.

"(3) ALLOCATION IN THE CASE OF PARTNERSHIPS.—In the case of partnerships, the credit shall be allocated among partners under regulations prescribed by the Secretary.

"(f) NO DOUBLE BENEFIT.—

"(1) REDUCTION IN BASIS.—For purposes of this subtitle—

"(A) IN GENERAL.—If a credit is determined under this section with respect to any property by reason of expenditures described in subsection (c)(1)(A), the basis of such property shall be reduced by the amount of the credit so determined.

"(B) CERTAIN DISPOSITIONS.—If during any taxable year there is a recapture amount determined with respect to any property the basis of which was reduced under subparagraph (A), the basis of such property (immediately before the event resulting in such recapture) shall be increased by an amount equal to such recapture amount. For purposes of the preceding sentence, the term 'recapture amount' means any increase in tax (or adjustment in carrybacks or carryovers) determined under subsection (d).

"(2) OTHER DEDUCTIONS AND CREDITS.—No deduction or credit shall be allowed under any other provision of this chapter with respect to the amount of the credit determined under this section.".

(b) CONFORMING AMENDMENTS.—

(1) Section 38(b) is amended—

(A) by striking out "plus" at the end of paragraph (11),

(B) by striking out the period at the end of paragraph (12), and inserting a comma and "plus", and

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

"(13) the employer-provided child care credit determined under section 45D.".

(2) The table of sections for subpart D of part IV of subchapter A of chapter 1 is amended by adding at the end the following new item:

"Sec. 45D. Employer-provided child care credit.".

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

SEC. 613. MARRIAGE PENALTY RELIEF FOR EARNED INCOME CREDIT.

(a) IN GENERAL.—Paragraph (2) of section 32(b) (relating to percentages and amounts) is amended—

(1) by striking "AMOUNTS.—The earned" and inserting "AMOUNTS.—

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

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

"(B) JOINT RETURNS.—In the case of a joint return, the phaseout amount determined under subparagraph (A) shall be increased by $2,500.".

(b) INFLATION ADJUSTMENT.—Paragraph (1)(B) of section 32(j) (relating to inflation adjustments) is amended to read as follows:

"(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined—

"(i) in the case of amounts in subsections (b)(2)(A) and (i)(1), by substituting 'calendar year 1995' for 'calendar year 1992' in subparagraph (B) thereof, and

"(ii) in the case of the $2,500 amount in subsection (b)(2)(B), by substituting 'calendar year 2000' for 'calendar year 1992' in subparagraph (B) of such section 1.".

(c) ROUNDING.—Section 32(j)(2)(A) (relating to rounding) is amended by striking "subsection (b)(2)" and inserting "subsection (b)(2)(A) (after being increased under subparagraph (B) thereof)".

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

BAYH (AND OTHERS) AMENDMENT NO. 3843

Mr. BAYH (for himself, Mr. DURBIN, Ms. MIKULSKI, Mr. FEINGOLD, Mr. KOHL, Mr. BIDEN, and Mr. GRAHAM) proposed an amendment to the bill, H.R. 8, supra; as follows:

Strike all after the first word and insert:

1. SHORT TITLE.

(a) SHORT TITLE.—This Act may be cited as the "Estate Tax Relief Act of 2000".

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

TITLE I—ESTATE TAX RELIEF

SEC. 101. INCREASE IN AMOUNT OF UNIFIED CREDIT AGAINST ESTATE AND GIFT TAXES.

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

"In the case of estates of decedents dying, and gifts made, during:	The applicable exclusion amount is:
2001, 2002, 2003, 2004, and 2005	$1,000,000
2006 and 2007	$1,125,000
2008	$1,500,000
2009 or thereafter	$2,000,000."

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

SEC. 102. INCREASE IN QUALIFIED FAMILY-OWNED BUSINESS INTEREST DEDUCTION AMOUNT.

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

''(2) MAXIMUM DEDUCTION.—

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

''(i) the applicable deduction amount, plus

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

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

''In the case of estates of decedents dying during:	**The applicable deduction amount is:**
2001, 2002, 2003, 2004, and 2005	$1,375,000
2006 and 2007	$1,625,000
2008	$2,375,000
2009 or thereafter	$3,375,000.

''(C) APPLICABLE UNUSED SPOUSAL DEDUCTION AMOUNT.—With respect to a decedent whose immediately predeceased spouse died after December 31, 2000, and the estate of such immediately predeceased spouse met the requirements of subsection (b)(1), the applicable unused spousal deduction amount for such decedent is equal to the excess of—

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

''(ii) the sum of—

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

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

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

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

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

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

TITLE II—HEALTH PROVISIONS

SEC. 201. LONG-TERM CARE TAX CREDIT.

(a) ALLOWANCE OF CREDIT.—

(1) IN GENERAL.—Section 24(a) (relating to allowance of child tax credit) is amended to read as follows:

''(a) ALLOWANCE OF CREDIT.—

''(1) IN GENERAL.—There shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the sum of—

''(A) $500 multiplied by the number of qualifying children of the taxpayer, plus

''(B) the applicable dollar amount multiplied by the number of applicable individuals with respect to whom the taxpayer is an eligible caregiver for the taxable year.

''(2) APPLICABLE DOLLAR AMOUNT.—For purposes of paragraph (1)(B), the applicable dollar amount for taxable years beginning in any calendar year shall be determined in accordance with the following table:

''Calendar year:	Applicable **dollar amount:**
2001	$1,000
2002	$1,500
2003	$2,000
2004	$2,500
2005 and thereafter	$3,000.''

(2) ADDITIONAL CREDIT FOR TAXPAYER WITH 3 OR MORE SEPARATE CREDIT AMOUNTS.—So much of section 24(d) as precedes paragraph (1)(A) thereof is amended to read as follows:

''(d) ADDITIONAL CREDIT FOR TAXPAYERS WITH 3 OR MORE SEPARATE CREDIT AMOUNTS.—

''(1) IN GENERAL.—If the sum of the number of qualifying children of the taxpayer and the number of applicable individuals with respect to which the taxpayer is an eligible caregiver is 3 or more for any taxable year, the aggregate credits allowed under subpart C shall be increased by the lesser of—''.

(3) CONFORMING AMENDMENTS.—

(A) The heading for section 32(n) is amended by striking ''CHILD'' and inserting ''FAMILY CARE''.

(B) The heading for section 24 is amended to read as follows:

''SEC. 24. FAMILY CARE CREDIT.''

(C) The table of sections for subpart A of part IV of subchapter A of chapter 1 is amended by striking the item relating to section 24 and inserting the following new item:

''Sec. 24. Family care credit.''

(b) DEFINITIONS.—Section 24(c) (defining qualifying child) is amended to read as follows:

''(c) DEFINITIONS.—For purposes of this section—

''(1) QUALIFYING CHILD.—

''(A) IN GENERAL.—The term 'qualifying child' means any individual if—

''(i) the taxpayer is allowed a deduction under section 151 with respect to such individual for the taxable year,

''(ii) such individual has not attained the age of 17 as of the close of the calendar year in which the taxable year of the taxpayer begins, and

''(iii) such individual bears a relationship to the taxpayer described in section 32(c)(3)(B).

''(B) EXCEPTION FOR CERTAIN NONCITIZENS.—The term 'qualifying child' shall not include any individual who would not be a dependent if the first sentence of section 152(b)(3) were applied without regard to all that follows 'resident of the United States'.

''(2) APPLICABLE INDIVIDUAL.—

''(A) IN GENERAL.—The term 'applicable individual' means, with respect to any taxable year, any individual who has been certified, before the due date for filing the return of tax for the taxable year (without extensions), by a physician (as defined in section 1861(r)(1) of the Social Security Act) as being an individual with long-term care needs described in subparagraph (B) for a period—

''(i) which is at least 180 consecutive days, and

''(ii) a portion of which occurs within the taxable year.

Such term shall not include any individual otherwise meeting the requirements of the preceding sentence unless within the 39½ month period ending on such due date (or such other period as the Secretary prescribes) a physician (as so defined) has certified that such individual meets such requirements.

''(B) INDIVIDUALS WITH LONG-TERM CARE NEEDS.—An individual is described in this subparagraph if the individual meets any of the following requirements:

''(i) The individual is at least 6 years of age and—

''(I) is unable to perform (without substantial assistance from another individual) at least 3 activities of daily living (as defined in section 7702B(c)(2)(B)) due to a loss of functional capacity, or

''(II) requires substantial supervision to protect such individual from threats to health and safety due to severe cognitive impairment and is unable to perform at least 1 activity of daily living (as so defined) or to the extent provided in regulations prescribed by the Secretary (in consultation with the Secretary of Health and Human Services), is unable to engage in age appropriate activities.

''(ii) The individual is at least 2 but not 6 years of age and is unable due to a loss of functional capacity to perform (without substantial assistance from another individual) at least 2 of the following activities: eating, transferring, or mobility.

''(iii) The individual is under 2 years of age and requires specific durable medical equipment by reason of a severe health condition or requires a skilled practitioner trained to address the individual's condition to be available if the individual's parents or guardians are absent.

''(3) ELIGIBLE CAREGIVER.—

''(A) IN GENERAL.—A taxpayer shall be treated as an eligible caregiver for any taxable year with respect to the following individuals:

''(i) The taxpayer.

''(ii) The taxpayer's spouse.

''(iii) An individual with respect to whom the taxpayer is allowed a deduction under section 151 for the taxable year.

''(iv) An individual who would be described in clause (iii) for the taxable year if section 151(c)(1)(A) were applied by substituting for the exemption amount an amount equal to the sum of the exemption amount, the standard deduction under section 63(c)(2)(C), and any additional standard deduction under section 63(c)(3) which would be applicable to the individual if clause (iii) applied.

''(v) An individual who would be described in clause (iii) for the taxable year if—

''(I) the requirements of clause (iv) are met with respect to the individual, and

''(II) the requirements of subparagraph (B) are met with respect to the individual in lieu of the support test of section 152(a).

''(B) RESIDENCY TEST.—The requirements of this subparagraph are met if an individual has as his principal place of abode the home of the taxpayer and—

''(i) in the case of an individual who is an ancestor or descendant of the taxpayer or the taxpayer's spouse, is a member of the taxpayer's household for over half the taxable year, or

''(ii) in the case of any other individual, is a member of the taxpayer's household for the entire taxable year.

''(C) SPECIAL RULES WHERE MORE THAN 1 ELIGIBLE CAREGIVER.—

''(i) IN GENERAL.—If more than 1 individual is an eligible caregiver with respect to the same applicable individual for taxable years ending with or within the same calendar year, a taxpayer shall be treated as the eligible caregiver if each such individual (other than the taxpayer) files a written declaration (in such form and manner as the Secretary may prescribe) that such individual will not claim such applicable individual for the credit under this section.

''(ii) NO AGREEMENT.—If each individual required under clause (i) to file a written declaration under clause (i) does not do so, the individual with the highest modified adjusted gross income (as defined in section 32(c)(5)) shall be treated as the eligible caregiver.

''(iii) MARRIED INDIVIDUALS FILING SEPARATELY.—In the case of married individuals filing separately, the determination under this subparagraph as to whether the husband or wife is the eligible caregiver shall be made under the rules of clause (ii) (whether or not one of them has filed a written declaration under clause (i)).''

(c) IDENTIFICATION REQUIREMENTS.—

(1) IN GENERAL.—Section 24(e) is amended by adding at the end the following new sentence: ''No credit shall be allowed under this

section to a taxpayer with respect to any applicable individual unless the taxpayer includes the name and taxpayer identification number of such individual, and the identification number of the physician certifying such individual, on the return of tax for the taxable year.''

(2) ASSESSMENT.—Section 6213(g)(2)(I) of such Code is amended—

(A) by inserting ''or physician identification'' after ''correct TIN'', and

(B) by striking ''child'' and inserting ''family care''.

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

SECTION 202. FULL DEDUCTION FOR HEALTH INSURANCE COSTS OF SELF-EMPLOYED INDIVIDUALS.

(a) IN GENERAL.—Section 162(*l*)(1) (relating to special rules for health insurance costs of self-employed individuals) is amended to read as follows:

''(1) ALLOWANCE OF DEDUCTION.—In the case of an individual who is an employee within the meaning of section 401(c)(1), there shall be allowed as a deduction under this section an amount equal to the amount paid during the taxable year for insurance which constitutes medical care for the taxpayer, the taxpayer's spouse, and dependents.''.

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

FEINGOLD AMENDMENT NO. 3844

Mr. FEINGOLD proposed an amendment to the bill, H.R. 8, supra; as follows:

On page 2, line 16, after ''is hereby repealed'', insert the following: ''for estates up to $100,000,000 in size''.

AUTHORITY FOR COMMITTEES TO MEET

COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS

Mr. ROTH. Mr. President, I ask unanimous consent that the Committee on Banking, Housing, and Urban Affairs be authorized to meet during the session of the Senate on Thursday, July 13, 2000, to conduct a mark-up on ''S. 2107, the Competitive Market Supervision Act; S. 2266, the 2002 Winter Olympic Commemorative Coin Act; S. 2453, awarding a Congressional Gold Medal to Pope John Paul II; S. 2459, awarding a Congressional Gold Medal to former President Ronald Reagan and former first lady Nancy Reagan; a committee print of a substitute amendment to S. 2101, the International Monetary Stability Act of 2000; and a committee print of a substitute amendment to H.R. 3046, providing for semiannual Federal reserve testimony before Congress.''

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

COMMITTEE ON ENERGY AND NATURAL RESOURCES

Mr. ROTH. Mr. President, I ask unanimous consent that the Committee on Energy and Natural Resources be authorized to meet during the session of the Senate on Thursday, July 13, for purposes of conducting a Full Committee business meeting which is scheduled to begin at 9:30 a.m. The purpose of this business meeting is to consider pending calendar business.

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

COMMITTEE ON ENERGY AND NATURAL RESOURCES

Mr. ROTH. Mr. President, I ask unanimous consent that the Committee on Energy and Natural Resources be authorized to meet during the session of the Senate on Thursday, July 13 immediately following the business meeting to conduct an oversight hearing. The committee will receive testimony on Gasoline Supply Problems: Are deliverability, transportation, and refining/blending resources adequate to supply America at a reasonable price?

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

COMMITTEE ON HEALTH, EDUCATION, LABOR AND PENSIONS

Mr. ROTH. Mr. President, I ask unanimous consent that the Committee on Health, Education, Labor, and Pensions, Subcommittee on Employment, Safety, and Training be authorized to meet for a hearing on ''The Effect of the Proposed Ergonomics Standard on Medicaid and Medicare Patients and Providers'' during the session of the Senate on Thursday, July 13, 2000 at 9:30 a.m.

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

SELECT COMMITTEE ON INTELLIGENCE

Mr. ROTH. Mr. President, I ask unanimous consent that the Select Committee on Intelligence be authorized to meet during the session of the Senate on Thursday, July 13, 2000 at 2:30 p.m. to hold a closed hearing on intelligence matters.

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

SUBCOMMITTEE ON INTERNATIONAL SECURITY, PROLIFERATION, AND FEDERAL SERVICES

Mr. ROTH. Mr. President, I ask unanimous consent that the Governmental Affairs Subcommittee on International Security, Proliferation, and Federal Services be authorized to meet during the session of the Senate on Thursday, July 13, 2000, at 2:00 p.m. for a hearing on the annual report of the Postmaster General.

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

SUBCOMMITTEE ON NATIONAL PARKS, HISTORIC PRESERVATION AND RECREATION

Mr. ROTH. Mr. President, I ask unanimous consent that the Subcommittee on National Parks, Historic Preservation and Recreation of the Committee on Energy and Natural Resources be authorized to meet during the session of the Senate on Thursday, July 13, at 2:30 p.m. to conduct a hearing. The subcommittee will receive testimony on S. 2294, a bill to establish the Rosie the Riveter-World War II Home Front National Historical Park in the State of California, and for other purposes; S. 2331, a bill to direct the Secretary of the Interior to recalculate the franchise fee owed by Fort Sumter Tours, Inc., a concessioner providing service to Fort Sumter National Monument, South Carolina; S. 2598, a bill to authorize appropriations for the United States Holocaust Museum, and for other purposes; and S. Con. Res. 106, a resolution recognizing the Hermann Monument and the Herman Heights Park in New Ulm, Minnesota, as a national symbol of the contributions of Americans of German heritage.

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

PRIVILEGE OF THE FLOOR

Mr. REID. I ask unanimous consent that Phoebe Haupt who works in my office be extended privileges of the floor during the pendency of H.R. 8.

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

Mr. REID. Mr. President, I ask unanimous consent that Ruth Lodder, an Air Force fellow in the office of FRANK LAUTENBERG, be granted floor privileges during the duration of the 106th Congress.

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

Mr. KERRY. Mr. President, I ask unanimous consent that Jennifer Fogul-Bublick, a fellow in my office, be granted the privilege of the floor during this debate.

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

Mr. ROTH. Mr. President, I ask unanimous consent that the following members of the staff of the Joint Committee on Taxation have floor privileges: Joe Nega, John Navratil, Rick Grafmeyer, Todd Simmens, Barry Wold, and Tom Barthold.

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

NATIONAL FRAGILE X AWARENESS DAY

On July 12, 2000, the Senate passed S. Res. 268, as follows:

S. RES. 268

Whereas Fragile X is the most common inherited cause of mental retardation, affecting people of every race, income level, and nationality;

Whereas 1 in every 260 women is a carrier of the Fragile X defect;

Whereas 1 in every 4,000 children is born with the Fragile X defect, and typically requires a lifetime of special care at a cost of over $2,000,000;

Whereas Fragile X remains frequently undetected due to its recent discovery and the lack of awareness about the disease, even within the medical community;

Whereas the genetic defect causing Fragile X has been discovered, and is easily identified by testing;

Whereas inquiry into Fragile X is a powerful research model for neuropsychiatric disorders, such as autism, schizophrenia, pervasive developmental disorders, and other forms of X-linked mental retardation;

Whereas individuals with Fragile X can provide a homogeneous research population for advancing the understanding of neuropsychiatric disorders;

Whereas with concerted research efforts, a cure for Fragile X may be developed;

Whereas Fragile X research, both basic and applied, has been vastly underfunded despite the prevalence of the disorder, the potential for the development of a cure, the established benefits of available treatments and intervention, and the significance that Fragile X research has for related disorders; and

Whereas the Senate as an institution and Members of Congress as individuals are in unique positions to help raise public awareness about the need for increased funding for research and early diagnosis and treatment for the disorder known as Fragile X: Now, therefore, be it

Resolved, That the Senate designate July 22, 2000 as ''National Fragile X Awareness Day''.

MEASURE PLACED ON THE CALENDAR—H.R. 894

Mr. ROTH. Mr. President, I understand there is a bill at the desk due for its second reading.

The PRESIDING OFFICER. The clerk will report the bill by title.

The assistant legislative clerk read as follows:

A bill (H.R. 894) to encourage States to incarcerate individuals convicted of murder, rape, or child molestation.

Mr. ROTH. Mr. President, I object to further proceeding on this bill at this time.

The PRESIDING OFFICER. The bill will be placed on the calendar.

MEASURE READ THE FIRST TIME—S. 2869

Mr. ROTH. Mr. President, I understand that S. 2869 is at the desk. I ask for its first reading.

The PRESIDING OFFICER. The clerk will report the bill by title.

The assistant legislative clerk read as follows:

A bill (S. 2869) to protect religious liberty, and for other purposes.

Mr. ROTH. I now ask for its second reading and object to my own request.

The PRESIDING OFFICER. Objection is heard.

CONGRATULATING THE PEOPLE OF MEXICO

Mr. ROTH. Mr. President, I ask unanimous consent that the Senate now proceed to the immediate consideration of S. Res. 335 submitted earlier by Senator HELMS for himself and others.

The PRESIDING OFFICER. The clerk will report the bill by title.

The assistant legislative clerk read as follows:

A resolution (S. Res. 335) congratulating the people of Mexico on the occasion of the democratic elections in that country.

There being no objection, the Senate proceeded to consider the resolution.

Mr. HELMS. Mr. President, unanimity is a rare event in the Senate these days but I suspect that there may be unanimous approval of a resolution I am proposing commending and congratulating the people of Mexico for their July 2 democratic elections, which shocked the experts who had predicted that the ruling Institutional Revolutionary Party (PRI) could not be defeated and driven from power. An articulate and steadfast candidate named Vicente Fox Quesada thought differently—and he was right.

With the support of millions of Mexicans across the political spectrum, Governor Fox won 42.5 percent of the votes cast—six points ahead of the PRI candidate, Francisco Labistida. And since the third-place candidate received nearly 17 percent of the vote, that meant that 60 percent of the 37.6 million Mexicans who voted wanted to put an end to the PRI's stranglehold.

Thus the conventional wisdom that regarded the PRI political machine as being invincible avoided two facts: (1) the legendary PRI political machine had never been in a fair fight; and (2) the Mexican people have been striving for decades to put an end to the one-party rule that has wrought corruption, poverty, and insecurity.

Mexico's president-elect, Vicente Fox, has pledged to root out the grinding corruption that has locked 40 percent of the Mexican population into poverty and the others into insecurity. Mr. Fox has an agenda of free-market policies with a commitment that no Mexican will be excluded from economic opportunity and development.

Furthermroe, president-elect Fox has a sensible plan to reform the Mexican Government to make it accountable to the people. And, he has vowed to work with the United States and other countries to fight the deadly gangsters who traffic in illegal drugs in Mexico with virtual impunity.

So, this ambitious reform agenda is good news for the American people as well as Mexicans. For the first time, we will have a full partner in a truly legitimate and sovereign Mexican Government—one willing to work with us to make the most of shared opportunities and to confront common challenges.

Outgoing President Ernesto Zedillo's election-night address, in which he recognized the victory of Vicente Fox and pledged to work for a smooth and orderly transition, seals his place in Mexican history. From his earliest days in office, President Zedillo had declared his intent to break the cycle of election thievery that had marked 70 years of PRI rule, and the gentleman kept his word.

A special tribute is due the men and women of the Federal Electoral Institute who systematically ensured that Mexicans would get the free and honest elections they demanded. The IFE lived up to its mandate and has shown itself to be one of the premier electoral bodies in the world.

My resolution congratulates the Mexican people, President-elect Fox, and President Ernesto Zedillo. It is a new day in Mexico and for relations between our two great nations.

Mr. BINGAMAN. Mr. President, I rise today in support of Senator HELM's resolution that commends Mexico on the results of their elections. There is no doubt that this was an event of historic proportions. The Mexican people have, through careful consideration and a peaceful political process, ended over seven decades of rule by a single political party. By doing so they have turned their country into a true democracy. They deserve this recognition.

My colleague's resolution captures the significance of this vote to the United States in terms of our national interest and our social welfare. As my state sits right across the border from Mexico, New Mexicans are well aware that the destinies of our two countries have been, and will be, intertwined. We have always shared similarities in heritage and language with the Mexican people, and this has established the means by which cultural and economic interaction can increase rapidly and consistently over time.

It is clear that the new President of Mexico, Vicente Fox, faces a broad range of tough challenges as he assumes office and plots a course for the future. Expectations are high and the obstacles are great. Privatization, corruption, education, economic growth, narcotics, crime and health—all these issues require immediate attention. It is encouraging to see President Ernesto Zedillo already working in tandem with the new government to ensure a successful transition. This will inevitably benefit the Mexican people.

I concur with the goals of the resolution, specifically the pledge for increased cooperation with the Government of Mexico so that we might confront the threats that our countries face and improve the quality of life for our people. I wish President-elect Fox luck in his efforts, and I look forward to working with him in the future.

Mr. ROTH. Mr. President, I ask unanimous consent that the resolution be agreed to, the preamble be agreed to, the motion to reconsider be laid upon the table, and any statements relating to the resolution be printed in the RECORD.

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

The resolution (S. Res. 335) was agreed to.

The preamble was agreed to.

The resolution, with its preamble, reads as follows:

S. RES. 335

Whereas the United States and Mexico share a border of more than 2,000 miles;

Whereas Mexico is the second largest trade partner of the United States, with a two-way trade of $174,000,000,000;

Whereas United States companies have invested more than $25,000,000,000 in Mexico from 1994–1999;

Whereas more than 20,000,000 people now in the United States are of Mexican descent, a fact that in and of itself forges profound and permanent cultural ties between our 2 countries;

Whereas the well-being and security of the United States and Mexico require governments willing and able to cooperate fully to confront common threats, including organized crime, corruption, and trafficking in illicit narcotics;

Whereas the people of Mexico have struggled for decades for a true representative democracy, accountability, and the rule of law and, in recent years, they have sought and obtained significant political and electoral reforms in pursuit of those objectives;

Whereas the Federal Electoral Institute and its regional councils, now genuinely independent and representative bodies, were responsible for organizing the federal elections on July 2, 2000, in which nearly 1,000,000 citizens participated directly in conducting the balloting for a new president, a new national congress, and state or local officials in Mexico City as well as 10 states;

Whereas the July 2nd elections were observed by approximately 2,500,000 domestic monitors and 850 foreign visitors, including delegations of the United States-based International Republican Institute for International Affairs and the National Democratic Institute;

Whereas in the July 2nd elections, Vicente Fox Quesada of the Alliance for Change (consisting of the National Action Party and the Mexican Green Party) was elected President of the United Mexican States, receiving 42.5 percent of the 37,600,000 votes cast, according to preliminary results released by the Federal Electoral Institute; and

Whereas, according to the Federal Electoral Institute and domestic and international observers, the July 2nd elections were unprecedented in their degree of fairness and transparency, forming the foundation for a genuinely democratic and pluralistic government that represents the will and sovereignty of the people of Mexico: Now, therefore, be it

Resolved,

SECTION 1. CONGRATULATING THE PEOPLE OF MEXICO ON THE OCCASION OF THE DEMOCRATIC ELECTIONS HELD IN MEXICO.

(a) CONGRATULATING THE PEOPLE OF MEXICO.—The Senate, on behalf of the people of the United States, hereby—

(1) congratulates the people of Mexico for their long, courageous, and fruitful struggle for representative democracy and the rule of law;

(2) congratulates Vicente Fox Quesada for his electoral triumph and extends to him genuine best wishes for great success in his formation of a new government; and

(3) congratulates Ernesto Zedillo Ponce de Leon, current President of the United Mexican States, for his historic commitment to ensure the peaceful and stable transition of power.

(b) SENSE OF THE SENATE.—It is the sense of the Senate that the United States should seek to—

(1) expand and intensify its cooperation with the newly elected Government of Mexico to promote economic development and to reduce poverty to achieve an improved quality of life for citizens of both countries;

(2) confront common threats such as the trafficking in illicit narcotics; and

(3) act in solidarity to actively promote representative democracy and the rule of law throughout the world.

SEC. 2. TRANSMITTAL OF RESOLUTION.

The Secretary of the Senate shall transmit a copy of this resolution to—

(1) Vicente Fox Quesada, President-elect of the United Mexican States;

(2) Luis Felipe Bravo Mena, president of the National Action Party of Mexico;

(3) the International Republican Institute for International Affairs and the National Democratic Institute; and

(4) the Secretary of State with the request that the Secretary further transmit such copy to Ernesto Zedillo Ponce de Leon, President of the United Mexican States.

GOLD MEDAL TO POPE JOHN PAUL II

Mr. ROTH. Mr. President, I ask unanimous consent that the Senate now proceed to the consideration of H.R. 3544, which is at the desk.

The PRESIDING OFFICER. The clerk will report the bill by title.

The assistant legislative clerk read as follows:

A bill (H.R. 3544) to authorize a gold medal to be presented on behalf of the Congress to Pope John Paul II in recognition of his many and enduring contributions to peace and religious understanding, and for other purposes.

There being no objection, the Senate proceeded to consider the bill.

Mr. ROTH. Mr. President, I ask unanimous consent that the bill be read the third time, passed, the motion to reconsider be laid upon the table, and that any statements relating to the bill be printed in the RECORD.

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

The bill (H.R. 3544) was read the third time and passed.

A GOLD MEDAL TO NANCY AND RONALD REAGAN

Mr. ROTH. Mr. President, I ask unanimous consent that the Senate now proceed to the consideration of Calendar No. 578, H.R. 3591.

The PRESIDING OFFICER. The clerk will report the bill by title.

The assistant legislative clerk read as follows:

A bill (H.R. 3591) to provide for the award of a gold medal on behalf of the Congress to former President Ronald Reagan and his wife Nancy Reagan in recognition of their service to the Nation.

There being no objection, the Senate proceeded to consider the bill.

Mr. COVERDELL. Mr. President, tonight, we pass and clear for the President's signature a fitting tribute for a pair of American heroes, the Congressional Gold Medal. I am privileged and deeply honored to have been joined and supported by so many of my colleagues and others in this effort.

In his first inaugural address, President Reagan encouraged a nation by stating, ''Let us begin an era of national renewal. Let us renew our determination, our courage, and our strength. And let us renew our faith and our hope.''

Former President Ronald Reagan spoke these words almost two decades ago at his first inauguration ceremony, inspiring a generation. During his 8 years as President of the United States, Ronald Reagan successfully reshaped America's hope and sparked a national renewal, marked by unprecedented global peace, economic growth, military superiority, and the spread of freedom and liberty.

Serving as the leader of the world's greatest superpower, President Reagan preferred to see himself as a simple citizen who had been called upon to aid the Nation he so loved. He believed fervently in the American dream and wanted the American people to realize it fully.

Through every historic fight and landmark decision, the ever-gracious First Lady, Nancy, was by President Reagan's side. A distinguished leader in her own right, she traveled tirelessly throughout the country promoting her famous ''Just Say No'' campaign. The project is aimed at preventing alcohol and drug use among our youth.

In his tenure, President Reagan restored America's sense of pride and set us squarely on the course of prosperity we still enjoy today. He facilitated the collapse of the Soviet Union that brought an end to the cold war. Who could forget his ringing challenge from Berlin's Bradenburg Gate, ''Mr. Gorbachev, tear down this Wall!'' By 1989, to the amazement of the world, Germany was unified, and the Wall was a memory. Reagan's character, wit, and eloquence as the ''Great Communicator'' brought honor to the Office of the President and endeared him to all Americans and, indeed, all the world.

Former British Prime Minister Margaret Thatcher once commented, ''Not since Lincoln, or Winston Churchill in Britain, has there been a President who has so understood the power of words to uplift and inspire.'' Mr. President, I couldn't agree more.

His one-time rival for superpower dominance, Mikhail Gorbachev, described honoring the Reagans with the Congressional Gold Medal as ''. . . a fitting tribute to the fortieth President of the United States, who will go down in history as a man profoundly dedicated to his people and committed to the values of democracy and freedom.''

Together, the Reagans selflessly dedicated their lives to promoting national pride and bettering the quality of life in America. Together, they continue their battle with Alzheimer's disease, displaying the dignity for which they are famous. Mrs. Reagan remains committed to community service. In his honor, she has become a national advocate for heightening Alzheimer's disease awareness. Their fight inspires hope in millions of Americans who share their struggle.

The leadership and dedication that President and Mrs. Reagan provided this Nation undeniably abides with us still. It is fitting for a grateful people and Nation to say, ''Thank you.''

Mr. ROTH. Mr. President, I ask unanimous consent that the bill be considered read the third time, passed, the motion to reconsider be laid upon the table, and that any statements relating to the bill be printed in the RECORD.

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

The bill (H.R. 3591) was read the third time and passed.

REMOVAL OF INJUNCTION OF SECRECY—TREATY DOCUMENT NOS. 106–35 and 106–36

Mr. ROTH. Mr. President, as in executive session, I ask unanimous consent that the injunction of secrecy be removed from the following treaties transmitted to the Senate on July 13, 2000, by the President of the United States: Treaty with Cyprus on Mutual Legal Assistance in Criminal Matters (Treaty Document No. 106–35); and Treaty with South Africa on Mutual Legal Assistance in Criminal Matters (Treaty Document No. 106–36).

I further ask that the treaties be considered as having been read the first time, they be referred with accompanying papers to the Committee on Foreign Relations, and the President's message be printed in the RECORD.

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

The messages of the President are as follow:

To the Senate of the United States:

With a view to receiving the advice and consent of the Senate to ratification, I transmit herewith the Treaty Between the Government of the United States of America and the Government of the Republic of Cyprus on Mutual Legal Assistance in Criminal Matters, signed at Nicosia on December 20, 1999. I transmit also, for the information of the Senate, the report of the Department of State with respect to the Treaty.

The Treaty is one of a series of modern mutual legal assistance treaties being negotiated by the United States in order to counter criminal activities more effectively. Together with the Extradition Treaty Between the Government of the United States of America and the Government of the Republic of Cyprus, which entered into force September 14, 1999, this Treaty will, upon entry into force, provide an effective tool to assist in the prosecution of a wide variety of offenses, including organized crime, terrorism, drug-trafficking offenses, and other violent crimes as well as money laundering and other white collar crimes of particular interest to the U.S. law enforcement community. The Treaty is self-executing.

The Treaty provides for a broad range of cooperation in criminal matters. Mutual assistance available under the Treaty includes taking the testimony or statements of persons; providing documents, records, and other items; locating or identifying persons or items; serving documents; transferring persons in custody for testimony or other purposes; executing searches and seizures; assisting in proceedings related to immobilization and forfeiture of assets, restitution, and collection of fines; and any other form of assistance not prohibited by the laws of the Requested State.

I recommend that the Senate give early favorable consideration to the Treaty and give its advice and consent to ratification.

WILLIAM J. CLINTON.
THE WHITE HOUSE, *July 13, 2000.*

To the Senate of the United States:

With a view to receiving the advice and consent of the Senate to ratification, I transmit herewith the Treaty Between the Government of the United States of America and the Government of the Republic of South Africa on Mutual Legal Assistance in Criminal Matters, signed at Washington on September 16, 1999. I transmit also, for the information of the Senate, the report of the Department of State with respect to the Treaty.

The Treaty is one of a series of modern mutual legal assistance treaties being negotiated by the United States in order to counter criminal activities more effectively. Together with the Extradition Treaty Between the Government of the United States of America and the Government of the Republic of South Africa, also signed September 16, 1999, this Treaty will, upon entry into force, provide an effective tool to assist in the prosecution of a wide variety of offenses, including terrorism, organized crime, drug-trafficking offenses, and other violent crimes as well as money laundering, and other white collar crimes of particular interest to the U.S. law enforcement community. The Treaty is self-executing.

The Treaty provides for a broad range of cooperation in criminal matters. Mutual assistance available under the Treaty includes taking the testimony or statements of persons; providing documents, records and articles of evidence; locating or identifying persons; serving documents; transferring persons in custody for testimony or other purposes; executing requests for searches and seizures; assisting in proceedings related to restraint or immobilization and confiscation or forfeiture of assets or property, compensation or restitution, and recovery or collection of fines; and any other form of assistance not prohibited by the laws of the Requested State.

I recommend that the Senate give early and favorable consideration to the Treaty and give its advice and consent to ratification.

WILLIAM J. CLINTON.
THE WHITE HOUSE, *July 13, 2000.*

ORDERS FOR FRIDAY, JULY 14, 2000

Mr. ROTH. I ask unanimous consent that when the Senate completes its business today, it adjourn until the hour of 9 a.m. on Friday, July 14. I further ask consent that on Friday, immediately following the prayer, the Journal of proceedings be approved to date, the morning hour be deemed expired, the time for the two leaders be reserved for their use later in the day, and the Senate then resume consideration of H.R. 8, the Death Tax Elimination Act, under the previous order.

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

PROGRAM

Mr. ROTH. For the information of all Senators, at 9 a.m. the Senate will begin the final votes on the death tax elimination bill. Under the order, there will be up to 10 votes on the remaining amendments and final passage.

Following disposition on the death tax legislation, the Senate will begin debate of the reconciliation bill, which includes the marriage tax penalty language. Under a consent agreement reached tonight, there is a finite list of amendments which will be debated throughout the day, tomorrow, and voted on beginning at 6:15 p.m. on Monday, July 17. As a reminder, all votes after the first vote tomorrow morning will be limited to 10 minutes in length.

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

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

The Senator from Wisconsin.

UNANIMOUS CONSENT REQUEST

Mr. FEINGOLD. Mr. President, I would like to ask unanimous consent, in a moment, to modify my amendment, the Feingold amendment to the estate tax bill. When I make this request, the purpose is to address a concern the Senator from Oklahoma raised about unintended implications of the amendment. The amendment was supposed to be a simple amendment having to do with limiting the estate tax exemption of $100 million.

He has raised a legitimate point with regard to an unintended consequence. In the spirit of trying to get to the core of the matter, I ask I be able to modify my amendment. My intent was not to impose an additional capital gains tax on estates of greater than $100 million. My intent was to keep the current law rule that permits a step-up in basis.

I hope the Senator from Oklahoma in good faith will understand that that was our purpose and that the amendment could be offered in that spirit.

Mr. President, I ask unanimous consent, notwithstanding the fact that this is not the pending business, that I be allowed to modify my amendment and to send a modification to the desk.

The PRESIDING OFFICER. Is there objection?

Mr. NICKLES. I object.

Mr. FEINGOLD. Thank you, Mr. President.

ADJOURNMENT UNTIL 9 A.M. TOMORROW

Mr. ROTH. Mr. President, if there is no further business to come before the

Senate, I now ask unanimous consent the Senate stand in adjournment under the previous order.

There being no objection, the Senate, at 10:34 p.m., adjourned until Friday, July 14, 2000, at 9 a.m.

NOMINATIONS

Executive nominations received by the Senate July 13, 2000:

FEDERAL LABOR RELATIONS AUTHORITY

BONNIE PROUTY CASTREY, OF CALIFORNIA, TO BE A MEMBER OF THE FEDERAL LABOR RELATIONS AUTHORITY FOR A TERM OF FIVE YEARS EXPIRING JULY 1, 2005, VICE DONALD S. WASSERMAN, TERM EXPIRED.

DEPARTMENT OF TRANSPORTATION

ARTHENIA L. JOYNER, OF FLORIDA, TO BE A MEMBER OF THE FEDERAL AVIATION MANAGEMENT ADVISORY COUNCIL FOR A TERM OF ONE YEAR. (NEW POSITION)

CENTRAL INTELLIGENCE

JOHN E. MCLAUGHLIN, OF PENNSYLVANIA, TO BE DEPUTY DIRECTOR OF CENTRAL INTELLIGENCE, VICE GENERAL JOHN A. GORDON.

DEPARTMENT OF EDUCATION

JUDITH A. WINSTON, OF THE DISTRICT OF COLUMBIA, TO BE UNDER SECRETARY OF EDUCATION, VICE MARSHALL S. SMITH.