

# ***In the House of Representatives, U. S.,***

*March 7, 2002.*

*Resolved*, That the House agree to the amendment of the Senate to the bill (H.R. 3090) entitled “An Act to provide tax incentives for economic recovery”, with the following

## **HOUSE AMENDMENT TO SENATE AMENDMENT:**

In the amendment of the Senate, strike the matter proposed to be inserted by the Senate and insert the following:

1 ***SECTION 1. SHORT TITLE; ETC.***

2 *(a) SHORT TITLE.—This Act may be cited as the “Job*  
3 *Creation and Worker Assistance Act of 2002”.*

4 *(b) REFERENCES TO INTERNAL REVENUE CODE OF*  
5 *1986.—Except as otherwise expressly provided, whenever in*  
6 *this Act an amendment or repeal is expressed in terms of*  
7 *an amendment to, or repeal of, a section or other provision,*  
8 *the reference shall be considered to be made to a section or*  
9 *other provision of the Internal Revenue Code of 1986.*

10 *(c) TABLE OF CONTENTS.—*

*Sec. 1. Short title; etc.*

### **TITLE I—BUSINESS PROVISIONS**

*Sec. 101. Special depreciation allowance for certain property acquired after Sep-*  
*tember 10, 2001, and before September 11, 2004.*

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*suspension of 90 percent AMT limit.*

*TITLE II—UNEMPLOYMENT ASSISTANCE*

- Sec. 201. Short title.*  
*Sec. 202. Federal-State agreements.*  
*Sec. 203. Temporary extended unemployment compensation account.*  
*Sec. 204. Payments to States having agreements for the payment of temporary extended unemployment compensation.*  
*Sec. 205. Financing provisions.*  
*Sec. 206. Fraud and overpayments.*  
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- Sec. 301. Tax benefits for area of New York City damaged in terrorist attacks on September 11, 2001.*

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*Subtitle A—General Miscellaneous Provisions*

- Sec. 401. Allowance of electronic 1099's.*  
*Sec. 402. Excluded cancellation of indebtedness income of S corporation not to result in adjustment to basis of stock of shareholders.*  
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*Sec. 404. Exclusion for foster care payments to apply to payments by qualified placement agencies.*  
*Sec. 405. Interest rate range for additional funding requirements.*  
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*Subtitle B—Technical Corrections*

- Sec. 411. Amendments related to Economic Growth and Tax Relief Reconciliation Act of 2001.*  
*Sec. 412. Amendments related to Community Renewal Tax Relief Act of 2000.*  
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*TITLE V—SOCIAL SECURITY HELD HARMLESS; BUDGETARY TREATMENT OF ACT*

- Sec. 501. No impact on social security trust funds.*  
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*TITLE VI—EXTENSIONS OF CERTAIN EXPIRING PROVISIONS*

- Sec. 601. Allowance of nonrefundable personal credits against regular and minimum tax liability.*  
*Sec. 602. Credit for qualified electric vehicles.*  
*Sec. 603. Credit for electricity produced from certain renewable resources.*  
*Sec. 604. Work opportunity credit.*

Sec. 605. *Welfare-to-work credit.*

Sec. 606. *Deduction for clean-fuel vehicles and certain refueling property.*

Sec. 607. *Taxable income limit on percentage depletion for oil and natural gas produced from marginal properties.*

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Sec. 609. *Cover over of tax on distilled spirits.*

Sec. 610. *Parity in the application of certain limits to mental health benefits.*

Sec. 611. *Temporary special rules for taxation of life insurance companies.*

Sec. 612. *Availability of medical savings accounts.*

Sec. 613. *Incentives for Indian employment and property on Indian reservations.*

Sec. 614. *Subpart F exemption for active financing.*

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Sec. 616. *Reauthorization of TANF supplemental grants for population increases for fiscal year 2002.*

Sec. 617. *1-year extension of contingency fund under the TANF program.*

## 1 **TITLE I—BUSINESS PROVISIONS**

### 2 **SEC. 101. SPECIAL DEPRECIATION ALLOWANCE FOR CER-** 3 **TAIN PROPERTY ACQUIRED AFTER SEP-** 4 **TEMBER 10, 2001, AND BEFORE SEPTEMBER** 5 **11, 2004.**

6 (a) *IN GENERAL.*—Section 168 (relating to accelerated  
 7 cost recovery system) is amended by adding at the end the  
 8 following new subsection:

9 “(k) *SPECIAL ALLOWANCE FOR CERTAIN PROPERTY*  
 10 *ACQUIRED AFTER SEPTEMBER 10, 2001, AND BEFORE*  
 11 *SEPTEMBER 11, 2004.*—

12 “(1) *ADDITIONAL ALLOWANCE.*—*In the case of*  
 13 *any qualified property—*

14 “(A) *the depreciation deduction provided by*  
 15 *section 167(a) for the taxable year in which such*  
 16 *property is placed in service shall include an al-*  
 17 *lowance equal to 30 percent of the adjusted basis*  
 18 *of the qualified property, and*

1           “(B) the adjusted basis of the qualified  
2           property shall be reduced by the amount of such  
3           deduction before computing the amount otherwise  
4           allowable as a depreciation deduction under this  
5           chapter for such taxable year and any subsequent  
6           taxable year.

7           “(2) *QUALIFIED PROPERTY.*—For purposes of  
8           this subsection—

9           “(A) *IN GENERAL.*—The term ‘qualified  
10           property’ means property—

11           “(i)(I) to which this section applies  
12           which has a recovery period of 20 years or  
13           less,

14           “(II) which is computer software (as  
15           defined in section 167(f)(1)(B)) for which a  
16           deduction is allowable under section 167(a)  
17           without regard to this subsection,

18           “(III) which is water utility property,  
19           or

20           “(IV) which is qualified leasehold im-  
21           provement property,

22           “(ii) the original use of which com-  
23           mences with the taxpayer after September  
24           10, 2001,

25           “(iii) which is—

1           “(I) acquired by the taxpayer  
2           after September 10, 2001, and before  
3           September 11, 2004, but only if no  
4           written binding contract for the acqui-  
5           sition was in effect before September  
6           11, 2001, or

7           “(II) acquired by the taxpayer  
8           pursuant to a written binding contract  
9           which was entered into after September  
10          10, 2001, and before September 11,  
11          2004, and

12          “(iv) which is placed in service by the  
13          taxpayer before January 1, 2005, or, in the  
14          case of property described in subparagraph  
15          (B), before January 1, 2006.

16          “(B) CERTAIN PROPERTY HAVING LONGER  
17          PRODUCTION PERIODS TREATED AS QUALIFIED  
18          PROPERTY.—

19                 “(i) IN GENERAL.—The term ‘qualified  
20                 property’ includes property—

21                 “(I) which meets the requirements  
22                 of clauses (i), (ii), and (iii) of sub-  
23                 paragraph (A),

1                   “(II) which has a recovery period  
2                   of at least 10 years or is transpor-  
3                   tation property, and

4                   “(III) which is subject to section  
5                   263A by reason of clause (ii) or (iii) of  
6                   subsection (f)(1)(B) thereof.

7                   “(ii) ONLY PRE-SEPTEMBER 11, 2004,  
8                   BASIS ELIGIBLE FOR ADDITIONAL ALLOW-  
9                   ANCE.—In the case of property which is  
10                  qualified property solely by reason of clause  
11                  (i), paragraph (1) shall apply only to the  
12                  extent of the adjusted basis thereof attrib-  
13                  utable to manufacture, construction, or pro-  
14                  duction before September 11, 2004.

15                  “(iii) TRANSPORTATION PROPERTY.—  
16                  For purposes of this subparagraph, the term  
17                  ‘transportation property’ means tangible  
18                  personal property used in the trade or busi-  
19                  ness of transporting persons or property.

20                  “(C) EXCEPTIONS.—

21                  “(i) ALTERNATIVE DEPRECIATION  
22                  PROPERTY.—The term ‘qualified property’  
23                  shall not include any property to which the  
24                  alternative depreciation system under sub-  
25                  section (g) applies, determined—

1                   “(I) without regard to paragraph  
2                   (7) of subsection (g) (relating to elec-  
3                   tion to have system apply), and

4                   “(II) after application of section  
5                   280F(b) (relating to listed property  
6                   with limited business use).

7                   “(i) *QUALIFIED NEW YORK LIBERTY*  
8                   *ZONE LEASEHOLD IMPROVEMENT PROP-*  
9                   *ERTY.*—The term ‘qualified property’ shall  
10                  not include any qualified New York Liberty  
11                  Zone leasehold improvement property (as  
12                  defined in section 1400L(c)(2)).

13                  “(iii) *ELECTION OUT.*—If a taxpayer  
14                  makes an election under this clause with re-  
15                  spect to any class of property for any tax-  
16                  able year, this subsection shall not apply to  
17                  all property in such class placed in service  
18                  during such taxable year.

19                  “(D) *SPECIAL RULES.*—

20                  “(i) *SELF-CONSTRUCTED PROPERTY.*—  
21                  In the case of a taxpayer manufacturing,  
22                  constructing, or producing property for the  
23                  taxpayer’s own use, the requirements of  
24                  clause (iii) of subparagraph (A) shall be  
25                  treated as met if the taxpayer begins manu-

1           *facturing, constructing, or producing the*  
2           *property after September 10, 2001, and be-*  
3           *fore September 11, 2004.*

4           “(ii) *SALE-LEASEBACKS.—For pur-*  
5           *poses of subparagraph (A)(ii), if property—*

6                   “(I) *is originally placed in service*  
7                   *after September 10, 2001, by a person,*  
8                   *and*

9                   “(II) *sold and leased back by such*  
10                   *person within 3 months after the date*  
11                   *such property was originally placed in*  
12                   *service,*

13           *such property shall be treated as originally*  
14           *placed in service not earlier than the date*  
15           *on which such property is used under the*  
16           *leaseback referred to in subclause (II).*

17           “(E) *COORDINATION WITH SECTION 280F.—*

18           *For purposes of section 280F—*

19                   “(i) *AUTOMOBILES.—In the case of a*  
20                   *passenger automobile (as defined in section*  
21                   *280F(d)(5)) which is qualified property, the*  
22                   *Secretary shall increase the limitation*  
23                   *under section 280F(a)(1)(A)(i) by \$4,600.*

24                   “(ii) *LISTED PROPERTY.—The deduc-*  
25                   *tion allowable under paragraph (1) shall be*



1           *taken into account in computing any recap-*  
2           *ture amount under section 280F(b)(2).*

3           “(F) *DEDUCTION ALLOWED IN COMPUTING*  
4           *MINIMUM TAX.—For purposes of determining*  
5           *alternative minimum taxable income under sec-*  
6           *tion 55, the deduction under subsection (a) for*  
7           *qualified property shall be determined under this*  
8           *section without regard to any adjustment under*  
9           *section 56.*

10          “(3) *QUALIFIED LEASEHOLD IMPROVEMENT*  
11          *PROPERTY.—For purposes of this subsection—*

12                 “(A) *IN GENERAL.—The term ‘qualified*  
13                 *leasehold improvement property’ means any im-*  
14                 *provement to an interior portion of a building*  
15                 *which is nonresidential real property if—*

16                         “(i) *such improvement is made under*  
17                         *or pursuant to a lease (as defined in sub-*  
18                         *section (h)(7))—*

19                                 “(I) *by the lessee (or any subles-*  
20                                 *see) of such portion, or*

21   “(II) *by the lessor of such portion,*

22   “(ii) *such portion is to be occupied ex-*  
23   *clusively by the lessee (or any sublessee) of*  
24   *such portion, and*

1           “(iii) such improvement is placed in  
2           service more than 3 years after the date the  
3           building was first placed in service.

4           “(B) CERTAIN IMPROVEMENTS NOT IN-  
5           CLUDED.—Such term shall not include any im-  
6           provement for which the expenditure is attrib-  
7           utable to—

8                   “(i) the enlargement of the building,

9                   “(ii) any elevator or escalator,

10                   “(iii) any structural component bene-  
11           fitting a common area, and

12                   “(iv) the internal structural framework  
13           of the building.

14           “(C) DEFINITIONS AND SPECIAL RULES.—  
15           For purposes of this paragraph—

16                   “(i) COMMITMENT TO LEASE TREATED  
17           AS LEASE.—A commitment to enter into a  
18           lease shall be treated as a lease, and the  
19           parties to such commitment shall be treated  
20           as lessor and lessee, respectively.

21                   “(ii) RELATED PERSONS.—A lease be-  
22           tween related persons shall not be considered  
23           a lease. For purposes of the preceding sen-  
24           tence, the term ‘related persons’ means—

1                   “(I) members of an affiliated  
2                   group (as defined in section 1504), and

3                   “(II) persons having a relation-  
4                   ship described in subsection (b) of sec-  
5                   tion 267; except that, for purposes of  
6                   this clause, the phrase ‘80 percent or  
7                   more’ shall be substituted for the  
8                   phrase ‘more than 50 percent’ each  
9                   place it appears in such subsection.”.

10           (b) *EFFECTIVE DATE.*—The amendments made by this  
11 section shall apply to property placed in service after Sep-  
12 tember 10, 2001, in taxable years ending after such date.

13 **SEC. 102. CARRYBACK OF CERTAIN NET OPERATING LOSSES**  
14                   **ALLOWED FOR 5 YEARS; TEMPORARY SUSPEN-**  
15                   **SION OF 90 PERCENT AMT LIMIT.**

16           (a) *IN GENERAL.*—Paragraph (1) of section 172(b)  
17 (relating to years to which loss may be carried) is amended  
18 by adding at the end the following new subparagraph:

19                   “(H) In the case of a taxpayer which has  
20                   a net operating loss for any taxable year ending  
21                   during 2001 or 2002, subparagraph (A)(i) shall  
22                   be applied by substituting ‘5’ for ‘2’ and sub-  
23                   paragraph (F) shall not apply.”.

24           (b) *ELECTION TO DISREGARD 5-YEAR CARRYBACK.*—  
25 Section 172 (relating to net operating loss deduction) is

1 *amended by redesignating subsection (j) as subsection (k)*  
2 *and by inserting after subsection (i) the following new sub-*  
3 *section:*

4       “(j) *ELECTION TO DISREGARD 5-YEAR CARRYBACK*  
5 *FOR CERTAIN NET OPERATING LOSSES.*—*Any taxpayer en-*  
6 *titled to a 5-year carryback under subsection (b)(1)(H)*  
7 *from any loss year may elect to have the carryback period*  
8 *with respect to such loss year determined without regard*  
9 *to subsection (b)(1)(H). Such election shall be made in such*  
10 *manner as may be prescribed by the Secretary and shall*  
11 *be made by the due date (including extensions of time) for*  
12 *filing the taxpayer’s return for the taxable year of the net*  
13 *operating loss. Such election, once made for any taxable*  
14 *year, shall be irrevocable for such taxable year.”.*

15       (c) *TEMPORARY SUSPENSION OF 90 PERCENT LIMIT*  
16 *ON CERTAIN NOL CARRYOVERS.*—

17           (1) *IN GENERAL.*—*Subparagraph (A) of section*  
18 *56(d)(1) (relating to general rule defining alternative*  
19 *tax net operating loss deduction) is amended to read*  
20 *as follows:*

21                   “(A) *the amount of such deduction shall not*  
22 *exceed the sum of—*

23                           “(i) *the lesser of—*

24                                   “(I) *the amount of such deduction*  
25 *attributable to net operating losses*

1                    *(other than the deduction attributable*  
2                    *to carryovers described in clause*  
3                    *(ii)(I)), or*

4                    *“(II) 90 percent of alternative*  
5                    *minimum taxable income determined*  
6                    *without regard to such deduction, plus*  
7                    *“(i) the lesser of—*

8                    *“(I) the amount of such deduction*  
9                    *attributable to the sum of carrybacks of*  
10                   *net operating losses for taxable years*  
11                   *ending during 2001 or 2002 and*  
12                   *carryforwards of net operating losses to*  
13                   *taxable years ending during 2001 and*  
14                   *2002, or*

15                   *“(II) alternative minimum tax-*  
16                   *able income determined without regard*  
17                   *to such deduction reduced by the*  
18                   *amount determined under clause (i),*  
19                   *and”.*

20                   *(2) EFFECTIVE DATE.—The amendment made by*  
21                   *this subsection shall apply to taxable years ending be-*  
22                   *fore January 1, 2003.*

23                   *(d) EFFECTIVE DATE.—Except as provided in sub-*  
24                   *section (c), the amendments made by this section shall*

1 *apply to net operating losses for taxable years ending after*  
 2 *December 31, 2000.*

3           **TITLE II—UNEMPLOYMENT**  
 4                           **ASSISTANCE**

5 **SEC. 201. SHORT TITLE.**

6           *This title may be cited as the “Temporary Extended*  
 7 *Unemployment Compensation Act of 2002”.*

8 **SEC. 202. FEDERAL-STATE AGREEMENTS.**

9           *(a) IN GENERAL.—Any State which desires to do so*  
 10 *may enter into and participate in an agreement under this*  
 11 *title with the Secretary of Labor (in this title referred to*  
 12 *as the “Secretary”). Any State which is a party to an*  
 13 *agreement under this title may, upon providing 30 days’*  
 14 *written notice to the Secretary, terminate such agreement.*

15           *(b) PROVISIONS OF AGREEMENT.—Any agreement*  
 16 *under subsection (a) shall provide that the State agency of*  
 17 *the State will make payments of temporary extended unem-*  
 18 *ployment compensation to individuals who—*

19                   *(1) have exhausted all rights to regular com-*  
 20                   *pen-sation under the State law or under Federal law*  
 21                   *with respect to a benefit year (excluding any benefit*  
 22                   *year that ended before March 15, 2001);*

23                   *(2) have no rights to regular compensation or ex-*  
 24                   *tended compensation with respect to a week under*  
 25                   *such law or any other State unemployment compensa-*

1        *tion law or to compensation under any other Federal*  
2        *law;*

3            *(3) are not receiving compensation with respect*  
4        *to such week under the unemployment compensation*  
5        *law of Canada; and*

6            *(4) filed an initial claim for regular compensa-*  
7        *tion on or after March 15, 2001.*

8        *(c) EXHAUSTION OF BENEFITS.—For purposes of sub-*  
9        *section (b)(1), an individual shall be deemed to have ex-*  
10       *hausted such individual's rights to regular compensation*  
11       *under a State law when—*

12            *(1) no payments of regular compensation can be*  
13        *made under such law because such individual has re-*  
14        *ceived all regular compensation available to such in-*  
15        *dividual based on employment or wages during such*  
16        *individual's base period; or*

17            *(2) such individual's rights to such compensation*  
18        *have been terminated by reason of the expiration of*  
19        *the benefit year with respect to which such rights ex-*  
20        *isted.*

21        *(d) WEEKLY BENEFIT AMOUNT, ETC.—For purposes*  
22       *of any agreement under this title—*

23            *(1) the amount of temporary extended unemploy-*  
24        *ment compensation which shall be payable to any in-*  
25        *dividual for any week of total unemployment shall be*

1       *equal to the amount of the regular compensation (in-*  
2       *cluding dependents' allowances) payable to such indi-*  
3       *vidual during such individual's benefit year under*  
4       *the State law for a week of total unemployment;*

5               *(2) the terms and conditions of the State law*  
6       *which apply to claims for regular compensation and*  
7       *to the payment thereof shall apply to claims for tem-*  
8       *porary extended unemployment compensation and the*  
9       *payment thereof, except—*

10               *(A) that an individual shall not be eligible*  
11       *for temporary extended unemployment com-*  
12       *penetration under this title unless, in the base pe-*  
13       *riod with respect to which the individual ex-*  
14       *hausted all rights to regular compensation under*  
15       *the State law, the individual had 20 weeks of*  
16       *full-time insured employment or the equivalent*  
17       *in insured wages, as determined under the provi-*  
18       *sions of the State law implementing section*  
19       *202(a)(5) of the Federal-State Extended Unem-*  
20       *ployment Compensation Act of 1970 (26 U.S.C.*  
21       *3304 note); and*

22               *(B) where otherwise inconsistent with the*  
23       *provisions of this title or with the regulations or*  
24       *operating instructions of the Secretary promul-*  
25       *gated to carry out this title; and*





1           (1) *IN GENERAL.*—*The amount established in an*  
2 *account under subsection (a) shall be equal to the less-*  
3 *er of—*

4                   (A) *50 percent of the total amount of reg-*  
5 *ular compensation (including dependents' allow-*  
6 *ances) payable to the individual during the indi-*  
7 *vidual's benefit year under such law, or*

8                   (B) *13 times the individual's average week-*  
9 *ly benefit amount for the benefit year.*

10           (2) *WEEKLY BENEFIT AMOUNT.*—*For purposes of*  
11 *this subsection, an individual's weekly benefit amount*  
12 *for any week is the amount of regular compensation*  
13 *(including dependents' allowances) under the State*  
14 *law payable to such individual for such week for total*  
15 *unemployment.*

16           (c) *SPECIAL RULE.*—

17                   (1) *IN GENERAL.*—*Notwithstanding any other*  
18 *provision of this section, if, at the time that the indi-*  
19 *vidual's account is exhausted, such individual's State*  
20 *is in an extended benefit period (as determined under*  
21 *paragraph (2)), then, such account shall be aug-*  
22 *mented by an amount equal to the amount originally*  
23 *established in such account (as determined under sub-*  
24 *section (b)(1)).*

1           (2) *EXTENDED BENEFIT PERIOD.*—For purposes  
2 of paragraph (1), a State shall be considered to be in  
3 an extended benefit period if, at the time of exhaus-  
4 tion (as described in paragraph (1))—

5                   (A) such a period is then in effect for such  
6 State under the Federal-State Extended Unem-  
7 ployment Compensation Act of 1970; or

8                   (B) such a period would then be in effect for  
9 such State under such Act if section 203(d) of  
10 such Act were applied as if it had been amended  
11 by striking “5” each place it appears and insert-  
12 ing “4”.

13 **SEC. 204. PAYMENTS TO STATES HAVING AGREEMENTS FOR**  
14 **THE PAYMENT OF TEMPORARY EXTENDED**  
15 **UNEMPLOYMENT COMPENSATION.**

16           (a) *GENERAL RULE.*—There shall be paid to each  
17 State that has entered into an agreement under this title  
18 an amount equal to 100 percent of the temporary extended  
19 unemployment compensation paid to individuals by the  
20 State pursuant to such agreement.

21           (b) *TREATMENT OF REIMBURSABLE COMPENSA-*  
22 *TION.*—No payment shall be made to any State under this  
23 section in respect of any compensation to the extent the  
24 State is entitled to reimbursement in respect of such com-  
25 pensation under the provisions of any Federal law other

1 *than this title or chapter 85 of title 5, United States Code.*  
2 *A State shall not be entitled to any reimbursement under*  
3 *such chapter 85 in respect of any compensation to the extent*  
4 *the State is entitled to reimbursement under this title in*  
5 *respect of such compensation.*

6 (c) *DETERMINATION OF AMOUNT.*—Sums payable to  
7 any State by reason of such State having an agreement  
8 under this title shall be payable, either in advance or by  
9 way of reimbursement (as may be determined by the Sec-  
10 retary), in such amounts as the Secretary estimates the  
11 State will be entitled to receive under this title for each cal-  
12 endar month, reduced or increased, as the case may be, by  
13 any amount by which the Secretary finds that the Sec-  
14 retary's estimates for any prior calendar month were great-  
15 er or less than the amounts which should have been paid  
16 to the State. Such estimates may be made on the basis of  
17 such statistical, sampling, or other method as may be agreed  
18 upon by the Secretary and the State agency of the State  
19 involved.

20 **SEC. 205. FINANCING PROVISIONS.**

21 (a) *IN GENERAL.*—Funds in the extended unemploy-  
22 ment compensation account (as established by section  
23 905(a) of the Social Security Act (42 U.S.C. 1105(a)) of  
24 the Unemployment Trust Fund (as established by section  
25 904(a) of such Act (42 U.S.C. 1104(a)) shall be used for

1 *the making of payments to States having agreements en-*  
2 *tered into under this title.*

3       **(b) CERTIFICATION.**—*The Secretary shall from time to*  
4 *time certify to the Secretary of the Treasury for payment*  
5 *to each State the sums payable to such State under this*  
6 *title. The Secretary of the Treasury, prior to audit or settle-*  
7 *ment by the General Accounting Office, shall make pay-*  
8 *ments to the State in accordance with such certification,*  
9 *by transfers from the extended unemployment compensation*  
10 *account (as so established) to the account of such State in*  
11 *the Unemployment Trust Fund (as so established).*

12       **(c) ASSISTANCE TO STATES.**—*There are appropriated*  
13 *out of the employment security administration account (as*  
14 *established by section 901(a) of the Social Security Act (42*  
15 *U.S.C. 1101(a)) of the Unemployment Trust Fund, without*  
16 *fiscal year limitation, such funds as may be necessary for*  
17 *purposes of assisting States (as provided in title III of the*  
18 *Social Security Act (42 U.S.C. 501 et seq.)) in meeting the*  
19 *costs of administration of agreements under this title.*

20       **(d) APPROPRIATIONS FOR CERTAIN PAYMENTS.**—  
21 *There are appropriated from the general fund of the Treas-*  
22 *ury, without fiscal year limitation, to the extended unem-*  
23 *ployment compensation account (as so established) of the*  
24 *Unemployment Trust Fund (as so established) such sums*

1 *as the Secretary estimates to be necessary to make the pay-*  
2 *ments under this section in respect of—*

3 *(1) compensation payable under chapter 85 of*  
4 *title 5, United States Code; and*

5 *(2) compensation payable on the basis of services*  
6 *to which section 3309(a)(1) of the Internal Revenue*  
7 *Code of 1986 applies.*

8 *Amounts appropriated pursuant to the preceding sentence*  
9 *shall not be required to be repaid.*

10 **SEC. 206. FRAUD AND OVERPAYMENTS.**

11 *(a) IN GENERAL.—If an individual knowingly has*  
12 *made, or caused to be made by another, a false statement*  
13 *or representation of a material fact, or knowingly has*  
14 *failed, or caused another to fail, to disclose a material fact,*  
15 *and as a result of such false statement or representation*  
16 *or of such nondisclosure such individual has received an*  
17 *amount of temporary extended unemployment compensa-*  
18 *tion under this title to which he was not entitled, such*  
19 *individual—*

20 *(1) shall be ineligible for further temporary ex-*  
21 *tended unemployment compensation under this title*  
22 *in accordance with the provisions of the applicable*  
23 *State unemployment compensation law relating to*  
24 *fraud in connection with a claim for unemployment*  
25 *compensation; and*

1           (2) shall be subject to prosecution under section  
2           1001 of title 18, United States Code.

3           (b) *REPAYMENT.*—In the case of individuals who have  
4 received amounts of temporary extended unemployment  
5 compensation under this title to which they were not enti-  
6 tled, the State shall require such individuals to repay the  
7 amounts of such temporary extended unemployment com-  
8 pensation to the State agency, except that the State agency  
9 may waive such repayment if it determines that—

10           (1) the payment of such temporary extended un-  
11 employment compensation was without fault on the  
12 part of any such individual; and

13           (2) such repayment would be contrary to equity  
14 and good conscience.

15           (c) *RECOVERY BY STATE AGENCY.*—

16           (1) *IN GENERAL.*—The State agency may recover  
17 the amount to be repaid, or any part thereof, by de-  
18 ductions from any temporary extended unemployment  
19 compensation payable to such individual under this  
20 title or from any unemployment compensation pay-  
21 able to such individual under any Federal unemploy-  
22 ment compensation law administered by the State  
23 agency or under any other Federal law administered  
24 by the State agency which provides for the payment  
25 of any assistance or allowance with respect to any

1       *week of unemployment, during the 3-year period after*  
2       *the date such individuals received the payment of the*  
3       *temporary extended unemployment compensation to*  
4       *which they were not entitled, except that no single de-*  
5       *duction may exceed 50 percent of the weekly benefit*  
6       *amount from which such deduction is made.*

7               (2) *OPPORTUNITY FOR HEARING.*—*No repayment*  
8       *shall be required, and no deduction shall be made,*  
9       *until a determination has been made, notice thereof*  
10       *and an opportunity for a fair hearing has been given*  
11       *to the individual, and the determination has become*  
12       *final.*

13              (d) *REVIEW.*—*Any determination by a State agency*  
14       *under this section shall be subject to review in the same*  
15       *manner and to the same extent as determinations under*  
16       *the State unemployment compensation law, and only in*  
17       *that manner and to that extent.*

18       **SEC. 207. DEFINITIONS.**

19              *In this title, the terms “compensation”, “regular com-*  
20       *pensation”, “extended compensation”, “additional com-*  
21       *pensation”, “benefit year”, “base period”, “State”, “State*  
22       *agency”, “State law”, and “week” have the respective mean-*  
23       *ings given such terms under section 205 of the Federal-State*  
24       *Extended Unemployment Compensation Act of 1970 (26*  
25       *U.S.C. 3304 note).*



1 **SEC. 208. APPLICABILITY.**

2 *An agreement entered into under this title shall apply*  
 3 *to weeks of unemployment—*

4 *(1) beginning after the date on which such agree-*  
 5 *ment is entered into; and*

6 *(2) ending before January 1, 2003.*

7 **SEC. 209. SPECIAL REED ACT TRANSFER IN FISCAL YEAR**  
 8 **2002.**

9 *(a) REPEAL OF CERTAIN PROVISIONS ADDED BY THE*  
 10 *BALANCED BUDGET ACT OF 1997.—*

11 *(1) IN GENERAL.—The following provisions of*  
 12 *section 903 of the Social Security Act (42 U.S.C.*  
 13 *1103) are repealed:*

14 *(A) Paragraph (3) of subsection (a).*

15 *(B) The last sentence of subsection (c)(2).*

16 *(2) SAVINGS PROVISION.—Any amounts trans-*  
 17 *ferred before the date of enactment of this Act under*  
 18 *the provision repealed by paragraph (1)(A) shall re-*  
 19 *main subject to section 903 of the Social Security Act,*  
 20 *as last in effect before such date of enactment.*

21 *(b) SPECIAL TRANSFER IN FISCAL YEAR 2002.—Sec-*  
 22 *tion 903 of the Social Security Act is amended by adding*  
 23 *at the end the following:*

24 *“Special Transfer in Fiscal Year 2002*

25 *“(d)(1) The Secretary of the Treasury shall transfer*  
 26 *(as of the date determined under paragraph (5)) from the*

1 *Federal unemployment account to the account of each State*  
2 *in the Unemployment Trust Fund the amount determined*  
3 *with respect to such State under paragraph (2).*

4       “(2)(A) *The amount to be transferred under this sub-*  
5 *section to a State account shall (as determined by the Sec-*  
6 *retary of Labor and certified by such Secretary to the Sec-*  
7 *retary of the Treasury) be equal to—*

8               “(i) *the amount which would have been required*  
9 *to have been transferred under this section to such ac-*  
10 *count at the beginning of fiscal year 2002 if—*

11                       “(I) *section 209(a)(1) of the Temporary Ex-*  
12 *tended Unemployment Compensation Act of 2002*  
13 *had been enacted before the close of fiscal year*  
14 *2001, and*

15                       “(II) *section 5402 of Public Law 105–33*  
16 *(relating to increase in Federal unemployment*  
17 *account ceiling) had not been enacted,*  
18 *minus*

19               “(ii) *the amount which was in fact transferred*  
20 *under this section to such account at the beginning of*  
21 *fiscal year 2002.*

22       “(B) *Notwithstanding the provisions of subparagraph*  
23 *(A)—*

1           “(i) the aggregate amount transferred to the  
2 States under this subsection may not exceed a total  
3 of \$8,000,000,000; and

4           “(ii) all amounts determined under subpara-  
5 graph (A) shall be reduced ratably, if and to the ex-  
6 tent necessary in order to comply with the limitation  
7 under clause (i).

8           “(3)(A) Except as provided in paragraph (4), amounts  
9 transferred to a State account pursuant to this subsection  
10 may be used only in the payment of cash benefits—

11           “(i) to individuals with respect to their unem-  
12 ployment, and

13           “(ii) which are allowable under subparagraph  
14 (B) or (C).

15           “(B)(i) At the option of the State, cash benefits under  
16 this paragraph may include amounts which shall be pay-  
17 able as—

18           “(I) regular compensation, or

19           “(II) additional compensation, upon the exhaus-  
20 tion of any temporary extended unemployment com-  
21 pensation (if such State has entered into an agree-  
22 ment under the Temporary Extended Unemployment  
23 Compensation Act of 2002), for individuals eligible  
24 for regular compensation under the unemployment  
25 compensation law of such State.

1       “(ii) Any additional compensation under clause (i)  
2 may not be taken into account for purposes of any deter-  
3 mination relating to the amount of any extended compensa-  
4 tion for which an individual might be eligible.

5       “(C)(i) At the option of the State, cash benefits under  
6 this paragraph may include amounts which shall be pay-  
7 able to 1 or more categories of individuals not otherwise  
8 eligible for regular compensation under the unemployment  
9 compensation law of such State, including those described  
10 in clause (iii).

11       “(ii) The benefits paid under this subparagraph to any  
12 individual may not, for any period of unemployment, ex-  
13 ceed the maximum amount of regular compensation author-  
14 ized under the unemployment compensation law of such  
15 State for that same period, plus any additional compensa-  
16 tion (described in subparagraph (B)(i)) which could have  
17 been paid with respect to that amount.

18       “(iii) The categories of individuals described in this  
19 clause include the following:

20               “(I) Individuals who are seeking, or available  
21 for, only part-time (and not full-time) work.

22               “(II) Individuals who would be eligible for reg-  
23 ular compensation under the unemployment com-  
24 pensation law of such State under an alternative base  
25 period.

1       “(D) Amounts transferred to a State account under  
2 this subsection may be used in the payment of cash benefits  
3 to individuals only for weeks of unemployment beginning  
4 after the date of enactment of this subsection.

5       “(4) Amounts transferred to a State account under this  
6 subsection may be used for the administration of its unem-  
7 ployment compensation law and public employment offices  
8 (including in connection with benefits described in para-  
9 graph (3) and any recipients thereof), subject to the same  
10 conditions as set forth in subsection (c)(2) (excluding sub-  
11 paragraph (B) thereof, and deeming the reference to ‘sub-  
12 sections (a) and (b)’ in subparagraph (D) thereof to include  
13 this subsection).

14       “(5) Transfers under this subsection shall be made  
15 within 10 days after the date of enactment of this para-  
16 graph.”.

17       (c) *LIMITATIONS ON TRANSFERS.*—Section 903(b) of  
18 the Social Security Act shall apply to transfers under sec-  
19 tion 903(d) of such Act (as amended by this section). For  
20 purposes of the preceding sentence, such section 903(b) shall  
21 be deemed to be amended as follows:

22               (1) By substituting “the transfer date described  
23 in subsection (d)(5)” for “October 1 of any fiscal  
24 year”.

1           (2) *By substituting “remain in the Federal un-*  
2           *employment account” for “be transferred to the Fed-*  
3           *eral unemployment account as of the beginning of*  
4           *such October 1”.*

5           (3) *By substituting “fiscal year 2002 (after the*  
6           *transfer date described in subsection (d)(5))” for “the*  
7           *fiscal year beginning on such October 1”.*

8           (4) *By substituting “under subsection (d)” for*  
9           *“as of October 1 of such fiscal year”.*

10          (5) *By substituting “(as of the close of fiscal year*  
11          *2002)” for “(as of the close of such fiscal year)”.*

12          (d) *TECHNICAL AMENDMENTS.—(1) Sections*  
13          *3304(a)(4)(B) and 3306(f)(2) of the Internal Revenue Code*  
14          *of 1986 are amended by inserting “or 903(d)(4)” before “of*  
15          *the Social Security Act”.*

16          (2) *Section 303(a)(5) of the Social Security Act is*  
17          *amended in the second proviso by inserting “or 903(d)(4)”*  
18          *after “903(c)(2)”.*

19          (e) *REGULATIONS.—The Secretary of Labor may pre-*  
20          *scribe any operating instructions or regulations necessary*  
21          *to carry out this section and the amendments made by this*  
22          *section.*

1 **TITLE III—TAX INCENTIVES FOR**  
 2 **NEW YORK CITY AND DIS-**  
 3 **TRESSED AREAS**

4 **SEC. 301. TAX BENEFITS FOR AREA OF NEW YORK CITY**  
 5 **DAMAGED IN TERRORIST ATTACKS ON SEP-**  
 6 **TEMBER 11, 2001.**

7 (a) *IN GENERAL.*—Chapter 1 is amended by adding  
 8 at the end the following new subchapter:

9 **“Subchapter Y—New York Liberty Zone**  
 10 **Benefits**

*“Sec. 1400L. Tax benefits for New York Liberty Zone.*

11 **“SEC. 1400L. TAX BENEFITS FOR NEW YORK LIBERTY ZONE.**

12 *“(a) EXPANSION OF WORK OPPORTUNITY TAX CRED-*  
 13 *IT.—*

14 *“(1) IN GENERAL.—For purposes of section 51,*  
 15 *a New York Liberty Zone business employee shall be*  
 16 *treated as a member of a targeted group.*

17 *“(2) NEW YORK LIBERTY ZONE BUSINESS EM-*  
 18 *PLOYEE.—For purposes of this subsection—*

19 *“(A) IN GENERAL.—The term ‘New York*  
 20 *Liberty Zone business employee’ means, with re-*  
 21 *spect to any period, any employee of a New York*  
 22 *Liberty Zone business if substantially all the*  
 23 *services performed during such period by such*

1           *employee for such business are performed in the*  
2           *New York Liberty Zone.*

3           “(B) *INCLUSION OF CERTAIN EMPLOYEES*  
4           *OUTSIDE THE NEW YORK LIBERTY ZONE.—*

5                   “(i) *IN GENERAL.—In the case of a*  
6                   *New York Liberty Zone business described*  
7                   *in subclause (II) of subparagraph (C)(i),*  
8                   *the term ‘New York Liberty Zone business*  
9                   *employee’ includes any employee of such*  
10                   *business (not described in subparagraph*  
11                   *(A)) if substantially all the services per-*  
12                   *formed during such period by such employee*  
13                   *for such business are performed in the City*  
14                   *of New York, New York.*

15                   “(ii) *LIMITATION.—The number of em-*  
16                   *ployees of such a business that are treated*  
17                   *as New York Liberty zone business employ-*  
18                   *ees on any day by reason of clause (i) shall*  
19                   *not exceed the excess of—*

20                           “(I) *the number of employees of*  
21                           *such business on September 11, 2001,*  
22                           *in the New York Liberty Zone, over*

23                           “(II) *the number of New York*  
24                           *Liberty Zone business employees (de-*  
25                           *termined without regard to this sub-*



1                   *paragraph) of such business on the day*  
2                   *to which the limitation is being ap-*  
3                   *plied.*

4                   *The Secretary may require any trade or*  
5                   *business to have the number determined*  
6                   *under subclause (I) verified by the New*  
7                   *York State Department of Labor.*

8                   “(C) *NEW YORK LIBERTY ZONE BUSI-*  
9                   *NESS.—*

10                   “(i) *IN GENERAL.—The term ‘New*  
11                   *York Liberty Zone business’ means any*  
12                   *trade or business which is—*

13                       “(I) *located in the New York Lib-*  
14                       *erty Zone, or*

15                       “(II) *located in the City of New*  
16                       *York, New York, outside the New York*  
17                       *Liberty Zone, as a result of the phys-*  
18                       *ical destruction or damage of such*  
19                       *place of business by the September 11,*  
20                       *2001, terrorist attack.*

21                   “(ii) *CREDIT NOT ALLOWED FOR*  
22                       *LARGE BUSINESSES.—The term ‘New York*  
23                       *Liberty Zone business’ shall not include any*  
24                       *trade or business for any taxable year if*  
25                       *such trade or business employed an average*

1           of more than 200 employees on business  
2           days during the taxable year.

3           “(D) *SPECIAL RULES FOR DETERMINING*  
4           *AMOUNT OF CREDIT.*—For purposes of applying  
5           subpart F of part IV of subchapter B of this  
6           chapter to wages paid or incurred to any New  
7           York Liberty Zone business employee—

8                   “(i) section 51(a) shall be applied by  
9                   substituting ‘qualified wages’ for ‘qualified  
10                  first-year wages’,

11                   “(ii) the rules of section 52 shall apply  
12                   for purposes of determining the number of  
13                   employees under subparagraph (B),

14                   “(iii) subsections (c)(4) and (i)(2) of  
15                   section 51 shall not apply, and

16                   “(iv) in determining qualified wages,  
17                   the following shall apply in lieu of section  
18                   51(b):

19                           “(I) *QUALIFIED WAGES.*—The  
20                           term ‘qualified wages’ means wages  
21                           paid or incurred by the employer to  
22                           individuals who are New York Liberty  
23                           Zone business employees of such em-  
24                           ployer for work performed during cal-  
25                           endar year 2002 or 2003.

1                   “(II) ONLY FIRST \$6,000 OF  
2                   WAGES PER CALENDAR YEAR TAKEN  
3                   INTO ACCOUNT.—The amount of the  
4                   qualified wages which may be taken  
5                   into account with respect to any indi-  
6                   vidual shall not exceed \$6,000 per cal-  
7                   endar year.

8                   “(b) SPECIAL ALLOWANCE FOR CERTAIN PROPERTY  
9                   ACQUIRED AFTER SEPTEMBER 10, 2001.—

10                   “(1) ADDITIONAL ALLOWANCE.—In the case of  
11                   any qualified New York Liberty Zone property—

12                   “(A) the depreciation deduction provided by  
13                   section 167(a) for the taxable year in which such  
14                   property is placed in service shall include an al-  
15                   lowance equal to 30 percent of the adjusted basis  
16                   of such property, and

17                   “(B) the adjusted basis of the qualified New  
18                   York Liberty Zone property shall be reduced by  
19                   the amount of such deduction before computing  
20                   the amount otherwise allowable as a depreciation  
21                   deduction under this chapter for such taxable  
22                   year and any subsequent taxable year.

23                   “(2) QUALIFIED NEW YORK LIBERTY ZONE PROP-  
24                   ERTY.—For purposes of this subsection—

1           “(A) *IN GENERAL.*—*The term ‘qualified*  
2 *New York Liberty Zone property’ means*  
3 *property—*

4           “(i)(I) *which is described in section*  
5 *168(k)(2)(A)(i), or*

6           “(II) *which is nonresidential real*  
7 *property, or residential rental property,*  
8 *which is described in subparagraph (B),*

9           “(ii) *substantially all of the use of*  
10 *which is in the New York Liberty Zone and*  
11 *is in the active conduct of a trade or busi-*  
12 *ness by the taxpayer in such Zone,*

13           “(iii) *the original use of which in the*  
14 *New York Liberty Zone commences with the*  
15 *taxpayer after September 10, 2001,*

16           “(iv) *which is acquired by the tax-*  
17 *payer by purchase (as defined in section*  
18 *179(d)) after September 10, 2001, but only*  
19 *if no written binding contract for the acqui-*  
20 *sition was in effect before September 11,*  
21 *2001, and*

22           “(v) *which is placed in service by the*  
23 *taxpayer on or before the termination date.*

24           *The term ‘termination date’ means December 31,*  
25 *2006 (December 31, 2009, in the case of nonresi-*

1           *dential real property and residential rental*  
2           *property).*

3           “(B) *ELIGIBLE REAL PROPERTY.*—*Nonresi-*  
4           *dential real property or residential rental prop-*  
5           *erty is described in this subparagraph only to*  
6           *the extent it rehabilitates real property damaged,*  
7           *or replaces real property destroyed or con-*  
8           *demned, as a result of the September 11, 2001,*  
9           *terrorist attack. For purposes of the preceding*  
10           *sentence, property shall be treated as replacing*  
11           *real property destroyed or condemned if, as part*  
12           *of an integrated plan, such property replaces*  
13           *real property which is included in a continuous*  
14           *area which includes real property destroyed or*  
15           *condemned.*

16           “(C) *EXCEPTIONS.*—

17                   “(i) *30 PERCENT ADDITIONAL ALLOW-*  
18                   *ANCE PROPERTY.*—*Such term shall not in-*  
19                   *clude property to which section 168(k) ap-*  
20                   *plies.*

21                   “(ii) *ALTERNATIVE DEPRECIATION*  
22                   *PROPERTY.*—*The term ‘qualified New York*  
23                   *Liberty Zone property’ shall not include*  
24                   *any property described in section*  
25                   *168(k)(2)(C)(i).*

1                   “(iii) *QUALIFIED NEW YORK LIBERTY*  
2                   *ZONE LEASEHOLD IMPROVEMENT PROP-*  
3                   *ERTY.—Such term shall not include any*  
4                   *qualified New York Liberty Zone leasehold*  
5                   *improvement property.*

6                   “(iv) *ELECTION OUT.—For purposes of*  
7                   *this subsection, rules similar to the rules of*  
8                   *section 168(k)(2)(C)(iii) shall apply.*

9                   “(D) *SPECIAL RULES.—For purposes of this*  
10                  *subsection, rules similar to the rules of section*  
11                  *168(k)(2)(D) shall apply, except that clause (i)*  
12                  *thereof shall be applied without regard to ‘and*  
13                  *before September 11, 2004’.*

14                  “(E) *ALLOWANCE AGAINST ALTERNATIVE*  
15                  *MINIMUM TAX.—For purposes of this subsection,*  
16                  *rules similar to the rules of section 168(k)(2)(F)*  
17                  *shall apply.*

18                  “(c) *5-YEAR RECOVERY PERIOD FOR DEPRECIATION*  
19                  *OF CERTAIN LEASEHOLD IMPROVEMENTS.—*

20                  “(1) *IN GENERAL.—For purposes of section 168,*  
21                  *the term ‘5-year property’ includes any qualified New*  
22                  *York Liberty Zone leasehold improvement property.*

23                  “(2) *QUALIFIED NEW YORK LIBERTY ZONE*  
24                  *LEASEHOLD IMPROVEMENT PROPERTY.—For purposes*  
25                  *of this section, the term ‘qualified New York Liberty*

1     *Zone leasehold improvement property*’ means quali-  
2     *fied leasehold improvement property* (as defined in  
3     *section 168(k)(3)*) if—

4             “(A) *such building is located in the New*  
5             *York Liberty Zone,*

6             “(B) *such improvement is placed in service*  
7             *after September 10, 2001, and before January 1,*  
8             *2007, and*

9             “(C) *no written binding contract for such*  
10            *improvement was in effect before September 11,*  
11            *2001.*

12            “(3) *REQUIREMENT TO USE STRAIGHT LINE*  
13            *METHOD.—The applicable depreciation method under*  
14            *section 168 shall be the straight line method in the*  
15            *case of qualified New York Liberty Zone leasehold im-*  
16            *provement property.*

17            “(4) *9-YEAR RECOVERY PERIOD UNDER ALTER-*  
18            *NATIVE SYSTEM.—For purposes of section 168(g), the*  
19            *class life of qualified New York Liberty Zone leasehold*  
20            *improvement property shall be 9 years.*

21            “(d) *TAX-EXEMPT BOND FINANCING.—*

22            “(1) *IN GENERAL.—For purposes of this title,*  
23            *any qualified New York Liberty Bond shall be treated*  
24            *as an exempt facility bond.*

1           “(2) *QUALIFIED NEW YORK LIBERTY BOND.*—*For*  
2           *purposes of this subsection, the term ‘qualified New*  
3           *York Liberty Bond’ means any bond issued as part*  
4           *of an issue if—*

5                     “(A) *95 percent or more of the net proceeds*  
6                     *(as defined in section 150(a)(3)) of such issue*  
7                     *are to be used for qualified project costs,*

8                     “(B) *such bond is issued by the State of*  
9                     *New York or any political subdivision thereof,*

10                    “(C) *the Governor or the Mayor designates*  
11                    *such bond for purposes of this section, and*

12                    “(D) *such bond is issued after the the date*  
13                    *of the enactment of this section and before Janu-*  
14                    *ary 1, 2005.*

15           “(3) *LIMITATIONS ON AMOUNT OF BONDS.*—

16                    “(A) *AGGREGATE AMOUNT DESIGNATED.*—  
17                    *The maximum aggregate face amount of bonds*  
18                    *which may be designated under this subsection*  
19                    *shall not exceed \$8,000,000,000, of which not to*  
20                    *exceed \$4,000,000,000 may be designated by the*  
21                    *Governor and not to exceed \$4,000,000,000 may*  
22                    *be designated by the Mayor.*

23                    “(B) *SPECIFIC LIMITATIONS.*—*The aggre-*  
24                    *gate face amount of bonds issued which are to be*  
25                    *used for—*



1           “(i) costs for property located outside  
2           the New York Liberty Zone shall not exceed  
3           \$2,000,000,000,

4           “(ii) residential rental property shall  
5           not exceed \$1,600,000,000, and

6           “(iii) costs with respect to property  
7           used for retail sales of tangible property  
8           and functionally related and subordinate  
9           property shall not exceed \$800,000,000.

10          *The limitations under clauses (i), (ii), and (iii)*  
11          *shall be allocated proportionately between the*  
12          *bonds designated by the Governor and the bonds*  
13          *designated by the Mayor in proportion to the re-*  
14          *spective amounts of bonds designated by each.*

15          “(C) *MOVABLE PROPERTY.*—No bonds shall  
16          be issued which are to be used for movable fix-  
17          tures and equipment.

18          “(4) *QUALIFIED PROJECT COSTS.*—For purposes  
19          of this subsection—

20                 “(A) *IN GENERAL.*—The term ‘qualified  
21                 project costs’ means the cost of acquisition, con-  
22                 struction, reconstruction, and renovation of—

23                         “(i) nonresidential real property and  
24                         residential rental property (including fixed  
25                         tenant improvements associated with such

1                   *property) located in the New York Liberty*  
2                   *Zone, and*

3                   “*(ii) public utility property (as de-*  
4                   *defined in section 168(i)(10)) located in the*  
5                   *New York Liberty Zone.*

6                   “(B) COSTS FOR CERTAIN PROPERTY OUT-  
7                   SIDE ZONE INCLUDED.—*Such term includes the*  
8                   *cost of acquisition, construction, reconstruction,*  
9                   *and renovation of nonresidential real property*  
10                   *(including fixed tenant improvements associated*  
11                   *with such property) located outside the New York*  
12                   *Liberty Zone but within the City of New York,*  
13                   *New York, if such property is part of a project*  
14                   *which consists of at least 100,000 square feet of*  
15                   *usable office or other commercial space located in*  
16                   *a single building or multiple adjacent buildings.*

17                   “(5) SPECIAL RULES.—*In applying this title to*  
18                   *any qualified New York Liberty Bond, the following*  
19                   *modifications shall apply:*

20                   “*(A) Section 146 (relating to volume cap)*  
21                   *shall not apply.*

22                   “*(B) Section 147(d) (relating to acquisition*  
23                   *of existing property not permitted) shall be ap-*  
24                   *plied by substituting ‘50 percent’ for ‘15 percent’*  
25                   *each place it appears.*

1           “(C) Section 148(f)(4)(C) (relating to excep-  
2           tion from rebate for certain proceeds to be used  
3           to finance construction expenditures) shall apply  
4           to the available construction proceeds of bonds  
5           issued under this section.

6           “(D) Repayments of principal on financing  
7           provided by the issue—

8                   “(i) may not be used to provide financ-  
9                   ing, and

10                   “(ii) must be used not later than the  
11                   close of the 1st semiannual period beginning  
12                   after the date of the repayment to redeem  
13                   bonds which are part of such issue.

14           The requirement of clause (ii) shall be treated as  
15           met with respect to amounts received within 10  
16           years after the date of issuance of the issue (or,  
17           in the case of a refunding bond, the date of  
18           issuance of the original bond) if such amounts  
19           are used by the close of such 10 years to redeem  
20           bonds which are part of such issue.

21           “(E) Section 57(a)(5) shall not apply.

22           “(6) SEPARATE ISSUE TREATMENT OF PORTIONS  
23           OF AN ISSUE.—This subsection shall not apply to the  
24           portion of an issue which (if issued as a separate  
25           issue) would be treated as a qualified bond or as a

1       *bond that is not a private activity bond (determined*  
2       *without regard to paragraph (1)), if the issuer elects*  
3       *to so treat such portion.*

4       “(e) *ADVANCE REFUNDINGS OF CERTAIN TAX-EXEMPT*  
5       *BONDS.—*

6               “(1) *IN GENERAL.—With respect to a bond de-*  
7       *scribed in paragraph (2) issued as part of an issue*  
8       *90 percent (95 percent in the case of a bond described*  
9       *in paragraph (2)(C)) or more of the net proceeds (as*  
10       *defined in section 150(a)(3)) of which were used to fi-*  
11       *nance facilities located within the City of New York,*  
12       *New York (or property which is functionally related*  
13       *and subordinate to facilities located within the City*  
14       *of New York for the furnishing of water), one addi-*  
15       *tional advanced refunding after the date of the enact-*  
16       *ment of this section and before January 1, 2005, shall*  
17       *be allowed under the applicable rules of section 149(d)*  
18       *if—*

19               “(A) *the Governor or the Mayor designates*  
20       *the advance refunding bond for purposes of this*  
21       *subsection, and*

22               “(B) *the requirements of paragraph (4) are*  
23       *met.*

1           “(2) *BONDS DESCRIBED.*—A bond is described in  
2 this paragraph if such bond was outstanding on Sep-  
3 tember 11, 2001, and is—

4           “(A) a State or local bond (as defined in  
5 section 103(c)(1)) which is a general obligation  
6 of the City of New York, New York,

7           “(B) a State or local bond (as so defined)  
8 other than a private activity bond (as defined in  
9 section 141(a)) issued by the New York Munic-  
10 ipal Water Finance Authority or the Metropoli-  
11 tan Transportation Authority of the State of  
12 New York, or

13           “(C) a qualified 501(c)(3) bond (as defined  
14 in section 145(a)) which is a qualified hospital  
15 bond (as defined in section 145(c)) issued by or  
16 on behalf of the State of New York or the City  
17 of New York, New York.

18           “(3) *AGGREGATE LIMIT.*—For purposes of para-  
19 graph (1), the maximum aggregate face amount of  
20 bonds which may be designated under this subsection  
21 by the Governor shall not exceed \$4,500,000,000 and  
22 the maximum aggregate face amount of bonds which  
23 may be designated under this subsection by the Mayor  
24 shall not exceed \$4,500,000,000.

1           “(4) *ADDITIONAL REQUIREMENTS.—The require-*  
2           *ments of this paragraph are met with respect to any*  
3           *advance refunding of a bond described in paragraph*  
4           *(2) if—*

5                   “(A) *no advance refundings of such bond*  
6                   *would be allowed under any provision of law*  
7                   *after September 11, 2001,*

8                   “(B) *the advance refunding bond is the only*  
9                   *other outstanding bond with respect to the re-*  
10                   *funded bond, and*

11                   “(C) *the requirements of section 148 are met*  
12                   *with respect to all bonds issued under this sub-*  
13                   *section.*

14           “(f) *INCREASE IN EXPENSING UNDER SECTION 179.—*

15                   “(1) *IN GENERAL.—For purposes of section*  
16                   *179—*

17                           “(A) *the limitation under section 179(b)(1)*  
18                           *shall be increased by the lesser of—*

19                                   “(i) *\$35,000, or*

20                                   “(ii) *the cost of section 179 property*  
21                                   *which is qualified New York Liberty Zone*  
22                                   *property placed in service during the tax-*  
23                                   *able year, and*

24                           “(B) *the amount taken into account under*  
25                           *section 179(b)(2) with respect to any section 179*

1           *property which is qualified New York Liberty*  
2           *Zone property shall be 50 percent of the cost*  
3           *thereof.*

4           “(2) *QUALIFIED NEW YORK LIBERTY ZONE PROP-*  
5           *ERTY.—For purposes of this subsection, the term*  
6           *‘qualified New York Liberty Zone property’ has the*  
7           *meaning given such term by subsection (b)(2).*

8           “(3) *RECAPTURE.—Rules similar to the rules*  
9           *under section 179(d)(10) shall apply with respect to*  
10          *any qualified New York Liberty Zone property which*  
11          *ceases to be used in the New York Liberty Zone.*

12          “(g) *EXTENSION OF REPLACEMENT PERIOD FOR NON-*  
13          *RECOGNITION OF GAIN.—Notwithstanding subsections (g)*  
14          *and (h) of section 1033, clause (i) of section 1033(a)(2)(B)*  
15          *shall be applied by substituting ‘5 years’ for ‘2 years’ with*  
16          *respect to property which is compulsorily or involuntarily*  
17          *converted as a result of the terrorist attacks on September*  
18          *11, 2001, in the New York Liberty Zone but only if substan-*  
19          *tially all of the use of the replacement property is in the*  
20          *City of New York, New York.*

21          “(h) *NEW YORK LIBERTY ZONE.—For purposes of this*  
22          *section, the term ‘New York Liberty Zone’ means the area*  
23          *located on or south of Canal Street, East Broadway (east*  
24          *of its intersection with Canal Street), or Grand Street (east*

1 *of its intersection with East Broadway) in the Borough of*  
 2 *Manhattan in the City of New York, New York.*

3 “(i) *REFERENCES TO GOVERNOR AND MAYOR.—For*  
 4 *purposes of this section, the terms ‘Governor’ and ‘Mayor’*  
 5 *mean the Governor of the State of New York and the Mayor*  
 6 *of the City of New York, New York, respectively.”.*

7 (b) *CREDIT ALLOWED AGAINST REGULAR AND MIN-*  
 8 *IMUM TAX.—*

9 (1) *IN GENERAL.—Subsection (c) of section 38*  
 10 *(relating to limitation based on amount of tax) is*  
 11 *amended by redesignating paragraph (3) as para-*  
 12 *graph (4) and by inserting after paragraph (2) the*  
 13 *following new paragraph:*

14 “(3) *SPECIAL RULES FOR NEW YORK LIBERTY*  
 15 *ZONE BUSINESS EMPLOYEE CREDIT.—*

16 “(A) *IN GENERAL.—In the case of the New*  
 17 *York Liberty Zone business employee credit—*

18 “(i) *this section and section 39 shall be*  
 19 *applied separately with respect to such*  
 20 *credit, and*

21 “(ii) *in applying paragraph (1) to*  
 22 *such credit—*

23 “(I) *the tentative minimum tax*  
 24 *shall be treated as being zero, and*



1                   “(II) the limitation under para-  
2                   graph (1) (as modified by subclause  
3                   (I)) shall be reduced by the credit al-  
4                   lowed under subsection (a) for the tax-  
5                   able year (other than the New York  
6                   Liberty Zone business employee credit).

7                   “(B) NEW YORK LIBERTY ZONE BUSINESS  
8                   EMPLOYEE CREDIT.—For purposes of this sub-  
9                   section, the term ‘New York Liberty Zone busi-  
10                  ness employee credit’ means the portion of work  
11                  opportunity credit under section 51 determined  
12                  under section 1400L(a).”.

13                  (2) CONFORMING AMENDMENT.—Subclause (II)  
14                  of section 38(c)(2)(A)(ii) is amended by inserting “or  
15                  the New York Liberty Zone business employee credit”  
16                  after “employment credit”.

17                  (3) EFFECTIVE DATE.—The amendments made  
18                  by this subsection shall apply to taxable years ending  
19                  after December 31, 2001.

20                  (c) CLERICAL AMENDMENT.—The table of subchapters  
21                  for chapter 1 is amended by adding at the end the following  
22                  new item:

                  “Subchapter Y—New York Liberty Zone Benefits.”.

1 **TITLE IV—MISCELLANEOUS AND**  
2 **TECHNICAL PROVISIONS**  
3 **Subtitle A—General Miscellaneous**  
4 **Provisions**

5 **SEC. 401. ALLOWANCE OF ELECTRONIC 1099'S.**

6 *Any person required to furnish a statement under any*  
7 *section of subpart B of part III of subchapter A of chapter*  
8 *61 of the Internal Revenue Code of 1986 for any taxable*  
9 *year ending after the date of the enactment of this Act, may*  
10 *electronically furnish such statement (without regard to any*  
11 *first class mailing requirement) to any recipient who has*  
12 *consented to the electronic provision of the statement in a*  
13 *manner similar to the one permitted under regulations*  
14 *issued under section 6051 of such Code or in such other*  
15 *manner as provided by the Secretary.*

16 **SEC. 402. EXCLUDED CANCELLATION OF INDEBTEDNESS IN-**  
17 **COME OF S CORPORATION NOT TO RESULT IN**  
18 **ADJUSTMENT TO BASIS OF STOCK OF SHARE-**  
19 **HOLDERS.**

20 *(a) IN GENERAL.—Subparagraph (A) of section*  
21 *108(d)(7) (relating to certain provisions to be applied at*  
22 *corporate level) is amended by inserting before the period*  
23 *“, including by not taking into account under section*  
24 *1366(a) any amount excluded under subsection (a) of this*  
25 *section”.*

1 (b) *EFFECTIVE DATE.*—

2 (1) *IN GENERAL.*—*Except as provided in para-*  
 3 *graph (2), the amendment made by this section shall*  
 4 *apply to discharges of indebtedness after October 11,*  
 5 *2001, in taxable years ending after such date.*

6 (2) *EXCEPTION.*—*The amendment made by this*  
 7 *section shall not apply to any discharge of indebted-*  
 8 *ness before March 1, 2002, pursuant to a plan of reor-*  
 9 *ganization filed with a bankruptcy court on or before*  
 10 *October 11, 2001.*

11 **SEC. 403. LIMITATION ON USE OF NONACCRUAL EXPERI-**  
 12 **ENCE METHOD OF ACCOUNTING.**

13 (a) *IN GENERAL.*—*Paragraph (5) of section 448(d) is*  
 14 *amended to read as follows:*

15 “(5) *SPECIAL RULE FOR CERTAIN SERVICES.*—

16 “(A) *IN GENERAL.*—*In the case of any per-*  
 17 *son using an accrual method of accounting with*  
 18 *respect to amounts to be received for the perform-*  
 19 *ance of services by such person, such person shall*  
 20 *not be required to accrue any portion of such*  
 21 *amounts which (on the basis of such person’s ex-*  
 22 *perience) will not be collected if—*

23 “(i) *such services are in fields referred*  
 24 *to in paragraph (2)(A), or*

1           “(ii) such person meets the gross re-  
2           ceipts test of subsection (c) for all prior tax-  
3           able years.

4           “(B) *EXCEPTION.*—This paragraph shall  
5           not apply to any amount if interest is required  
6           to be paid on such amount or there is any pen-  
7           alty for failure to timely pay such amount.

8           “(C) *REGULATIONS.*—The Secretary shall  
9           prescribe regulations to permit taxpayers to de-  
10          termine amounts referred to in subparagraph  
11          (A) using computations or formulas which, based  
12          on experience, accurately reflect the amount of  
13          income that will not be collected by such person.  
14          A taxpayer may adopt, or request consent of the  
15          Secretary to change to, a computation or for-  
16          mula that clearly reflects the taxpayer’s experi-  
17          ence. A request under the preceding sentence  
18          shall be approved if such computation or for-  
19          mula clearly reflects the taxpayer’s experience.”.

20          (b) *EFFECTIVE DATE.*—

21               (1) *IN GENERAL.*—The amendments made by  
22          this section shall apply to taxable years ending after  
23          the date of the enactment of this Act.

24               (2) *CHANGE IN METHOD OF ACCOUNTING.*—In  
25          the case of any taxpayer required by the amendments

1       *made by this section to change its method of account-*  
2       *ing for its first taxable year ending after the date of*  
3       *the enactment of this Act—*

4               *(A) such change shall be treated as initiated*  
5               *by the taxpayer,*

6               *(B) such change shall be treated as made*  
7               *with the consent of the Secretary of the Treasury,*  
8               *and*

9               *(C) the net amount of the adjustments re-*  
10              *quired to be taken into account by the taxpayer*  
11              *under section 481 of the Internal Revenue Code*  
12              *of 1986 shall be taken into account over a period*  
13              *of 4 years (or if less, the number of taxable years*  
14              *that the taxpayer used the method permitted*  
15              *under section 448(d)(5) of such Code as in effect*  
16              *before the date of the enactment of this Act) be-*  
17              *ginning with such first taxable year.*

18 **SEC. 404. EXCLUSION FOR FOSTER CARE PAYMENTS TO**  
19                      **APPLY TO PAYMENTS BY QUALIFIED PLACE-**  
20                      **MENT AGENCIES.**

21       *(a) IN GENERAL.—The matter preceding subpara-*  
22       *graph (B) of section 131(b)(1) (defining qualified foster care*  
23       *payment) is amended to read as follows:*

24               *“(1) IN GENERAL.—The term ‘qualified foster*  
25               *care payment’ means any payment made pursuant to*

1       *a foster care program of a State or political subdivi-*  
 2       *sion thereof—*

3               *“(A) which is paid by—*

4                       *“(i) a State or political subdivision*  
 5                       *thereof, or*

6                       *“(ii) a qualified foster care placement*  
 7                       *agency, and”.*

8       ***(b) QUALIFIED FOSTER INDIVIDUALS TO INCLUDE IN-***  
 9       ***DIVIDUALS PLACED BY QUALIFIED PLACEMENT AGEN-***  
 10       ***CIES.—Subparagraph (B) of section 131(b)(2) (defining***  
 11       ***qualified foster individual) is amended to read as follows:***

12                       *“(B) a qualified foster care placement agen-*  
 13                       *cy.”.*

14       ***(c) QUALIFIED FOSTER CARE PLACEMENT AGENCY***  
 15       ***DEFINED.—Subsection (b) of section 131 is amended by re-***  
 16       ***designating paragraph (3) as paragraph (4) and by insert-***  
 17       ***ing after paragraph (2) the following new paragraph:***

18                       ***“(3) QUALIFIED FOSTER CARE PLACEMENT***  
 19       ***AGENCY.—The term ‘qualified foster care placement***  
 20       ***agency’ means any placement agency which is li-***  
 21       ***icensed or certified by—***

22                       ***“(A) a State or political subdivision thereof,***  
 23                       ***or***

24                       ***“(B) an entity designated by a State or po-***  
 25                       ***litical subdivision thereof,***

1       for the foster care program of such State or political  
2       subdivision to make foster care payments to providers  
3       of foster care.”.

4       (d) *EFFECTIVE DATE.*—The amendments made by this  
5       section shall apply to taxable years beginning after Decem-  
6       ber 31, 2001.

7       **SEC. 405. INTEREST RATE RANGE FOR ADDITIONAL FUND-**  
8       **ING REQUIREMENTS.**

9       (a) *AMENDMENTS TO THE INTERNAL REVENUE CODE*  
10      *OF 1986.*—

11           (1) *SPECIAL RULE.*—Clause (i) of section  
12      412(l)(7)(C) (relating to interest rate) is amended by  
13      adding at the end the following new subclause:

14                           “(III) *SPECIAL RULE FOR 2002*  
15                           *AND 2003.*—For a plan year beginning  
16                           in 2002 or 2003, notwithstanding sub-  
17                           clause (I), in the case that the rate of  
18                           interest used under subsection (b)(5)  
19                           exceeds the highest rate permitted  
20                           under subclause (I), the rate of interest  
21                           used to determine current liability  
22                           under this subsection may exceed the  
23                           rate of interest otherwise permitted  
24                           under subclause (I); except that such  
25                           rate of interest shall not exceed 120

1                   *percent of the weighted average referred*  
2                   *to in subsection (b)(5)(B)(ii).”.*

3           (2) *QUARTERLY CONTRIBUTIONS.*—Subsection  
4           *(m) of section 412 is amended by adding at the end*  
5           *the following new paragraph:*

6                   “(7) *SPECIAL RULES FOR 2002 AND 2004.*—In  
7           *any case in which the interest rate used to determine*  
8           *current liability is determined under subsection*  
9           *(l)(7)(C)(i)(III)—*

10                   “(A) *2002.*—For purposes of applying  
11           *paragraphs (1) and (4)(B)(ii) for plan years be-*  
12           *ginning in 2002, the current liability for the*  
13           *preceding plan year shall be redetermined using*  
14           *120 percent as the specified percentage deter-*  
15           *mined under subsection (l)(7)(C)(i)(II).*

16                   “(B) *2004.*—For purposes of applying  
17           *paragraphs (1) and (4)(B)(ii) for plan years be-*  
18           *ginning in 2004, the current liability for the*  
19           *preceding plan year shall be redetermined using*  
20           *105 percent as the specified percentage deter-*  
21           *mined under subsection (l)(7)(C)(i)(II).”.*

22           (b) *AMENDMENTS TO THE EMPLOYEE RETIREMENT*  
23           *INCOME SECURITY ACT OF 1974.*—

24                   (1) *SPECIAL RULE.*—Clause (i) of section  
25           *302(d)(7)(C) of such Act (29 U.S.C. 1082(d)(7)(C)) is*



1       *amended by adding at the end the following new sub-*  
2       *clause:*

3                               “(III) *SPECIAL RULE FOR 2002*  
4                               *AND 2003.—For a plan year beginning*  
5                               *in 2002 or 2003, notwithstanding sub-*  
6                               *clause (I), in the case that the rate of*  
7                               *interest used under subsection (b)(5)*  
8                               *exceeds the highest rate permitted*  
9                               *under subclause (I), the rate of interest*  
10                              *used to determine current liability*  
11                              *under this subsection may exceed the*  
12                              *rate of interest otherwise permitted*  
13                              *under subclause (I); except that such*  
14                              *rate of interest shall not exceed 120*  
15                              *percent of the weighted average referred*  
16                              *to in subsection (b)(5)(B)(ii).”.*

17                              (2) *QUARTERLY CONTRIBUTIONS.—Subsection (e)*  
18                              *of section 302 of such Act (29 U.S.C. 1082) is amend-*  
19                              *ed by adding at the end the following new paragraph:*

20                              “(7) *SPECIAL RULES FOR 2002 AND 2004.—In*  
21                              *any case in which the interest rate used to determine*  
22                              *current liability is determined under subsection*  
23                              *(d)(7)(C)(i)(III)—*

24                              “(A) *2002.—For purposes of applying*  
25                              *paragraphs (1) and (4)(B)(ii) for plan years be-*

1            *ginning in 2002, the current liability for the*  
2            *preceding plan year shall be redetermined using*  
3            *120 percent as the specified percentage deter-*  
4            *mined under subsection (d)(7)(C)(i)(II).*

5            *“(B) 2004.—For purposes of applying*  
6            *paragraphs (1) and (4)(B)(ii) for plan years be-*  
7            *ginning in 2004, the current liability for the*  
8            *preceding plan year shall be redetermined using*  
9            *105 percent as the specified percentage deter-*  
10           *mined under subsection (d)(7)(C)(i)(II).”.*

11           *(c) PBGC.—Clause (iii) of section 4006(a)(3)(E) of*  
12           *the Employee Retirement Income Security Act of 1974 (29*  
13           *U.S.C. 1306(a)(3)(E)) is amended by adding at the end the*  
14           *following new subclause:*

15           *“(IV) In the case of plan years beginning after Decem-*  
16           *ber 31, 2001, and before January 1, 2004, subclause (II)*  
17           *shall be applied by substituting ‘100 percent’ for ‘85 per-*  
18           *cent’. Subclause (III) shall be applied for such years with-*  
19           *out regard to the preceding sentence. Any reference to this*  
20           *clause by any other sections or subsections shall be treated*  
21           *as a reference to this clause without regard to this sub-*  
22           *clause.”.*

1 **SEC. 406. ADJUSTED GROSS INCOME DETERMINED BY TAK-**  
 2 **ING INTO ACCOUNT CERTAIN EXPENSES OF**  
 3 **ELEMENTARY AND SECONDARY SCHOOL**  
 4 **TEACHERS.**

5 (a) *IN GENERAL.*—Section 62(a)(2) (relating to cer-  
 6 tain trade and business deductions of employees) is amend-  
 7 ed by adding at the end the following:

8 “(D) *CERTAIN EXPENSES OF ELEMENTARY*  
 9 *AND SECONDARY SCHOOL TEACHERS.*—In the  
 10 case of taxable years beginning during 2002 or  
 11 2003, the deductions allowed by section 162  
 12 which consist of expenses, not in excess of \$250,  
 13 paid or incurred by an eligible educator in con-  
 14 nection with books, supplies (other than nonath-  
 15 letic supplies for courses of instruction in health  
 16 or physical education), computer equipment (in-  
 17 cluding related software and services) and other  
 18 equipment, and supplementary materials used  
 19 by the eligible educator in the classroom.”.

20 (b) *ELIGIBLE EDUCATOR.*—Section 62 is amended by  
 21 adding at the end the following:

22 “(d) *DEFINITION; SPECIAL RULES.*—

23 “(1) *ELIGIBLE EDUCATOR.*—

24 “(A) *IN GENERAL.*—For purposes of sub-  
 25 section (a)(2)(D), the term ‘eligible educator’  
 26 means, with respect to any taxable year, an in-

1           *dividual who is a kindergarten through grade 12*  
 2           *teacher, instructor, counselor, principal, or aide*  
 3           *in a school for at least 900 hours during a school*  
 4           *year.*

5           “(B) *SCHOOL.*—*The term ‘school’ means*  
 6           *any school which provides elementary education*  
 7           *or secondary education (kindergarten through*  
 8           *grade 12), as determined under State law.*”

9           “(2) *COORDINATION WITH EXCLUSIONS.*—*A de-*  
 10          *duction shall be allowed under subsection (a)(2)(D)*  
 11          *for expenses only to the extent the amount of such ex-*  
 12          *penses exceeds the amount excludable under section*  
 13          *135, 529(c)(1), or 530(d)(2) for the taxable year.”.*

14          “(c) *EFFECTIVE DATE.*—*The amendments made by this*  
 15          *section shall apply to taxable years beginning after Decem-*  
 16          *ber 31, 2001.*”

## 17       ***Subtitle B—Technical Corrections***

### 18       ***SEC. 411. AMENDMENTS RELATED TO ECONOMIC GROWTH*** 19                               ***AND TAX RELIEF RECONCILIATION ACT OF*** 20                               ***2001.***

21          “(a) *AMENDMENTS RELATED TO SECTION 101 OF THE*  
 22          *ACT.*—

23                  “(1) *IN GENERAL.*—*Subsection (b) of section 6428*  
 24                  *is amended to read as follows:*

1       “(b) *CREDIT TREATED AS NONREFUNDABLE PER-*  
2 *SONAL CREDIT.*—*For purposes of this title, the credit al-*  
3 *lowed under this section shall be treated as a credit allow-*  
4 *able under subpart A of part IV of subchapter A of chapter*  
5 *1.*”.

6               (2) *CONFORMING AMENDMENTS.*—

7                       (A) *Subsection (d) of section 6428 is*  
8 *amended to read as follows:*

9       “(d) *COORDINATION WITH ADVANCE REFUNDS OF*  
10 *CREDIT.*—

11               “(1) *IN GENERAL.*—*The amount of credit which*  
12 *would (but for this paragraph) be allowable under*  
13 *this section shall be reduced (but not below zero) by*  
14 *the aggregate refunds and credits made or allowed to*  
15 *the taxpayer under subsection (e). Any failure to so*  
16 *reduce the credit shall be treated as arising out of a*  
17 *mathematical or clerical error and assessed according*  
18 *to section 6213(b)(1).*”

19               “(2) *JOINT RETURNS.*—*In the case of a refund or*  
20 *credit made or allowed under subsection (e) with re-*  
21 *spect to a joint return, half of such refund or credit*  
22 *shall be treated as having been made or allowed to*  
23 *each individual filing such return.*”.

24                       (B) *Paragraph (2) of section 6428(e) is*  
25 *amended to read as follows:*

1           “(2) *ADVANCE REFUND AMOUNT.*—For purposes  
2 of paragraph (1), the advance refund amount is the  
3 amount that would have been allowed as a credit  
4 under this section for such first taxable year if—

5                   “(A) this section (other than subsections (b)  
6 and (d) and this subsection) had applied to such  
7 taxable year, and

8                   “(B) the credit for such taxable year were  
9 not allowed to exceed the excess (if any) of—

10                           “(i) the sum of the regular tax liability  
11 (as defined in section 26(b)) plus the tax  
12 imposed by section 55, over

13                           “(ii) the sum of the credits allowable  
14 under part IV of subchapter A of chapter 1  
15 (other than the credits allowable under sub-  
16 part C thereof, relating to refundable cred-  
17 its).”.

18           (b) *AMENDMENT RELATED TO SECTION 201 OF THE*  
19 *ACT.*—Subparagraph (B) of section 24(d)(1) is amended by  
20 striking “amount of credit allowed by this section” and in-  
21 serting “aggregate amount of credits allowed by this sub-  
22 part”.

23           (c) *AMENDMENTS RELATED TO SECTION 202 OF THE*  
24 *ACT.*—

1           (1) *CORRECTIONS TO CREDIT FOR ADOPTION EX-*  
2           *PENSES.—*

3                   (A) *Paragraph (1) of section 23(a) is*  
4                   *amended to read as follows:*

5                   “*(1) IN GENERAL.—In the case of an individual,*  
6                   *there shall be allowed as a credit against the tax im-*  
7                   *posed by this chapter the amount of the qualified*  
8                   *adoption expenses paid or incurred by the taxpayer.”.*

9                   (B) *Subsection (a) of section 23 is amended*  
10                   *by adding at the end the following new para-*  
11                   *graph:*

12                   “*(3) \$10,000 CREDIT FOR ADOPTION OF CHILD*  
13                   *WITH SPECIAL NEEDS REGARDLESS OF EXPENSES.—*  
14                   *In the case of an adoption of a child with special*  
15                   *needs which becomes final during a taxable year, the*  
16                   *taxpayer shall be treated as having paid during such*  
17                   *year qualified adoption expenses with respect to such*  
18                   *adoption in an amount equal to the excess (if any)*  
19                   *of \$10,000 over the aggregate qualified adoption ex-*  
20                   *penditures actually paid or incurred by the taxpayer with*  
21                   *respect to such adoption during such taxable year and*  
22                   *all prior taxable years.”.*

23                   (C) *Paragraph (2) of section 23(a) is*  
24                   *amended by striking the last sentence.*

1           (D) Paragraph (1) of section 23(b) is  
2 amended by striking “subsection (a)(1)(A)” and  
3 inserting “subsection (a)”.

4           (E) Subsection (i) of section 23 is amended  
5 by striking “the dollar limitation in subsection  
6 (b)(1)” and inserting “the dollar amounts in  
7 subsections (a)(3) and (b)(1)”.

8           (F) Expenses paid or incurred during any  
9 taxable year beginning before January 1, 2002,  
10 may be taken into account in determining the  
11 credit under section 23 of the Internal Revenue  
12 Code of 1986 only to the extent the aggregate of  
13 such expenses does not exceed the applicable limi-  
14 tation under section 23(b)(1) of such Code as in  
15 effect on the day before the date of the enactment  
16 of the Economic Growth and Tax Relief Rec-  
17 onciliation Act of 2001.

18           (2) CORRECTIONS TO EXCLUSION FOR EM-  
19 PLOYER-PROVIDED ADOPTION ASSISTANCE.—

20           (A) Subsection (a) of section 137 is amend-  
21 ed to read as follows:

22           “(a) EXCLUSION.—

23           “(1) IN GENERAL.—Gross income of an employee  
24 does not include amounts paid or expenses incurred  
25 by the employer for qualified adoption expenses in



1       *connection with the adoption of a child by an em-*  
2       *ployee if such amounts are furnished pursuant to an*  
3       *adoption assistance program.*

4               “(2) *\$10,000 EXCLUSION FOR ADOPTION OF CHILD*  
5       *WITH SPECIAL NEEDS REGARDLESS OF EXPENSES.—*  
6       *In the case of an adoption of a child with special*  
7       *needs which becomes final during a taxable year, the*  
8       *qualified adoption expenses with respect to such adop-*  
9       *tion for such year shall be increased by an amount*  
10       *equal to the excess (if any) of \$10,000 over the actual*  
11       *aggregate qualified adoption expenses with respect to*  
12       *such adoption during such taxable year and all prior*  
13       *taxable years.”.*

14               *(B) Paragraph (2) of section 137(b) is*  
15       *amended by striking “subsection (a)(1)” and in-*  
16       *serting “subsection (a)”.*

17               “(3) *EFFECTIVE DATE.—The amendments made*  
18       *by this subsection shall apply to taxable years begin-*  
19       *ning after December 31, 2002; except that the amend-*  
20       *ments made by paragraphs (1)(C), (1)(D), and (2)(B)*  
21       *shall apply to taxable years beginning after December*  
22       *31, 2001.*

23               “(d) *AMENDMENTS RELATED TO SECTION 205 OF THE*  
24       *ACT.—*

1           (1) *Section 45F(d)(4)(B) is amended by striking*  
2           *“subpart A, B, or D of this part” and inserting “this*  
3           *chapter or for purposes of section 55”.*

4           (2) *Section 38(b)(15) is amended by striking*  
5           *“45F” and inserting “45F(a)”.*

6           (e) *AMENDMENTS RELATED TO SECTION 301 OF THE*  
7 *ACT.—*

8           (1) *Section 63(c)(2) is amended—*

9                   (A) *in subparagraph (A), by striking “sub-*  
10                   *paragraph (C)” and inserting “subparagraph*  
11                   *(D)”;*

12                   (B) *by striking “or” at the end of subpara-*  
13                   *graph (B),*

14                   (C) *by redesignating subparagraph (C) as*  
15                   *subparagraph (D),*

16                   (D) *by inserting after subparagraph (B) the*  
17                   *following new subparagraph:*

18                           *“(C) one-half of the amount in effect under*  
19                           *subparagraph (A) in the case of a married indi-*  
20                           *vidual filing a separate return, or”, and*

21                   (E) *by inserting the following flush sentence*  
22                   *at the end:*

23                           *“If any amount determined under subparagraph*  
24                           *(A) is not a multiple of \$50, such amount shall*  
25                           *be rounded to the next lowest multiple of \$50.”.*

1           (2)(A) *Section 63(c)(4) is amended by striking*  
2           *“paragraph (2) or (5)” and inserting “paragraph*  
3           *(2)(B), (2)(D), or (5)”.*

4           (B) *Section 63(c)(4)(B)(i) is amended by strik-*  
5           *ing “paragraph (2)” and inserting “paragraph*  
6           *(2)(B), (2)(D),”.*

7           (C) *Section 63(c)(4) is amended by striking the*  
8           *flush sentence at the end (as added by section*  
9           *301(c)(2) of Public Law 107–17).*

10          (f) *AMENDMENT RELATED TO SECTION 401 OF THE*  
11 *ACT.—Section 530(d)(4)(B)(iv) is amended by striking “be-*  
12 *cause the taxpayer elected under paragraph (2)(C) to waive*  
13 *the application of paragraph (2)” and inserting “by appli-*  
14 *cation of paragraph (2)(C)(i)(II)”.*

15          (g) *AMENDMENTS RELATED TO SECTION 511 OF THE*  
16 *ACT.—*

17           (1) *Section 2511(c) is amended by striking “tax-*  
18           *able gift under section 2503,” and inserting “transfer*  
19           *of property by gift,”.*

20           (2) *Section 2101(b) is amended by striking the*  
21           *last sentence.*

22          (h) *AMENDMENT RELATED TO SECTION 532 OF THE*  
23 *ACT.—Section 2016 is amended by striking “any State,*  
24 *any possession of the United States, or the District of Co-*  
25 *lumbia,”.*

1           (i) *AMENDMENTS RELATING TO SECTION 602 OF THE*  
2 *ACT.*—

3           (1) *Subparagraph (A) of section 408(q)(3) is*  
4 *amended to read as follows:*

5                   “(A) *QUALIFIED EMPLOYER PLAN.*—*The*  
6 *term ‘qualified employer plan’ has the meaning*  
7 *given such term by section 72(p)(4)(A)(i); except*  
8 *that such term shall also include an eligible de-*  
9 *ferred compensation plan (as defined in section*  
10 *457(b)) of an eligible employer described in sec-*  
11 *tion 457(e)(1)(A).”.*

12           (2) *Section 4(c) of Employee Retirement Income*  
13 *Security Act of 1974 is amended—*

14                   (A) *by inserting “and part 5 (relating to*  
15 *administration and enforcement)” before the pe-*  
16 *riod at the end, and*

17                   (B) *by adding at the end the following new*  
18 *sentence: “Such provisions shall apply to such*  
19 *accounts and annuities in a manner similar to*  
20 *their application to a simplified employee pen-*  
21 *sion under section 408(k) of the Internal Rev-*  
22 *enue Code of 1986.”.*

23           (j) *AMENDMENTS RELATING TO SECTION 611 OF THE*  
24 *ACT.*—

25           (1) *Section 408(k) is amended—*

1           (A) in paragraph (2)(C) by striking “\$300”  
2           and inserting “\$450”, and

3           (B) in paragraph (8) by striking “\$300”  
4           both places it appears and inserting “\$450”.

5           (2) Section 409(o)(1)(C)(ii) is amended—

6           (A) by striking “\$500,000” both places it  
7           appears and inserting “\$800,000”, and

8           (B) by striking “\$100,000” and inserting  
9           “\$160,000”.

10          (3) Section 611(i) of the Economic Growth and  
11          Tax Relief Reconciliation Act of 2001 is amended by  
12          adding at the end the following new paragraph:

13                 “(3) SPECIAL RULE.—In the case of plan that,  
14                 on June 7, 2001, incorporated by reference the limita-  
15                 tion of section 415(b)(1)(A) of the Internal Revenue  
16                 Code of 1986, section 411(d)(6) of such Code and sec-  
17                 tion 204(g)(1) of the Employee Retirement Income  
18                 Security Act of 1974 do not apply to a plan amend-  
19                 ment that—

20                         “(A) is adopted on or before June 30, 2002,

21                         “(B) reduces benefits to the level that would  
22                         have applied without regard to the amendments  
23                         made by subsection (a) of this section, and

24                         “(C) is effective no earlier than the years  
25                         described in paragraph (2).”.

1       (k) *AMENDMENTS RELATING TO SECTION 613 OF THE*  
2 *ACT.*—

3           (1) *Section 416(c)(1)(C)(iii) is amended by*  
4 *striking “EXCEPTION FOR FROZEN PLAN” and insert-*  
5 *ing “EXCEPTION FOR PLAN UNDER WHICH NO KEY*  
6 *EMPLOYEE (OR FORMER KEY EMPLOYEE) BENEFITS*  
7 *FOR PLAN YEAR”.*

8           (2) *Section 416(g)(3)(B) is amended by striking*  
9 *“separation from service” and inserting “severance*  
10 *from employment”.*

11       (l) *AMENDMENTS RELATING TO SECTIONS 614 and 616*  
12 *OF THE ACT.*—

13           (1) *Section 404(a)(12) is amended by striking*  
14 *“(9),” and inserting “(9) and subsection (h)(1)(C),”.*

15           (2) *Section 404(n) is amended by striking “sub-*  
16 *section (a),” and inserting “subsection (a) or para-*  
17 *graph (1)(C) of subsection (h)”.*

18           (3) *Section 402(h)(2)(A) is amended by striking*  
19 *“15 percent” and inserting “25 percent”.*

20           (4) *Section 404(a)(7)(C) is amended to read as*  
21 *follows:*

22                   “(C) *PARAGRAPH NOT TO APPLY IN CER-*  
23 *TAIN CASES.*—

24                           “(i) *BENEFICIARY TEST.*—*This para-*  
25 *graph shall not have the effect of reducing*

1           the amount otherwise deductible under  
2           paragraphs (1), (2), and (3), if no employee  
3           is a beneficiary under more than 1 trust or  
4           under a trust and an annuity plan.

5           “(ii) *ELECTIVE DEFERRALS.*—If, in  
6           connection with 1 or more defined contribu-  
7           tion plans and 1 or more defined benefit  
8           plans, no amounts (other than elective de-  
9           ferrals (as defined in section 402(g)(3))) are  
10          contributed to any of the defined contribu-  
11          tion plans for the taxable year, then sub-  
12          paragraph (A) shall not apply with respect  
13          to any of such defined contribution plans  
14          and defined benefit plans.”.

15          (m) *AMENDMENT RELATING TO SECTION 618 OF THE*  
16 *ACT.*—Section 25B(d)(2)(A) is amended to read as follows:

17           “(A) *IN GENERAL.*—The qualified retire-  
18          ment savings contributions determined under  
19          paragraph (1) shall be reduced (but not below  
20          zero) by the aggregate distributions received by  
21          the individual during the testing period from  
22          any entity of a type to which contributions  
23          under paragraph (1) may be made. The pre-  
24          ceding sentence shall not apply to the portion of  
25          any distribution which is not includible in gross

1           *income by reason of a trustee-to-trustee transfer*  
2           *or a rollover distribution.”.*

3           *(n) AMENDMENTS RELATING TO SECTION 619 OF THE*  
4 *ACT.—*

5           *(1) Section 45E(e)(1) is amended by striking*  
6           *“(n)” and inserting “(m)”.*

7           *(2) Section 619(d) of the Economic Growth and*  
8           *Tax Relief Reconciliation Act of 2001 is amended by*  
9           *striking “established” and inserting “first effective”.*

10          *(o) AMENDMENTS RELATING TO SECTION 631 OF THE*  
11 *ACT.—*

12          *(1) Section 402(g)(1) is amended by adding at*  
13          *the end the following:*

14                 *“(C) CATCH-UP CONTRIBUTIONS.—In addi-*  
15                 *tion to subparagraph (A), in the case of an eligi-*  
16                 *ble participant (as defined in section 414(v)),*  
17                 *gross income shall not include elective deferrals*  
18                 *in excess of the applicable dollar amount under*  
19                 *subparagraph (B) to the extent that the amount*  
20                 *of such elective deferrals does not exceed the ap-*  
21                 *plicable dollar amount under section*  
22                 *414(v)(2)(B)(i) for the taxable year (without re-*  
23                 *gard to the treatment of the elective deferrals by*  
24                 *an applicable employer plan under section*  
25                 *414(v)).”.*



1           (2) Section 401(a)(30) is amended by striking  
2           “402(g)(1)” and inserting “402(g)(1)(A)”.

3           (3) Section 414(v)(2) is amended by adding at  
4           the end the following:

5                         “(D) AGGREGATION OF PLANS.—For pur-  
6           poses of this paragraph, plans described in  
7           clauses (i), (ii), and (iv) of paragraph (6)(A)  
8           that are maintained by the same employer (as  
9           determined under subsection (b), (c), (m) or (o))  
10          shall be treated as a single plan, and plans de-  
11          scribed in clause (iii) of paragraph (6)(A) that  
12          are maintained by the same employer shall be  
13          treated as a single plan.”.

14          (4) Section 414(v)(3)(A)(i) is amended by strik-  
15          ing “section 402(g), 402(h), 403(b), 404(a), 404(h),  
16          408(k), 408(p), 415, or 457” and inserting “section  
17          401(a)(30), 402(h), 403(b), 408, 415(c), and 457(b)(2)  
18          (determined without regard to section 457(b)(3))”.

19          (5) Section 414(v)(3)(B) is amended by striking  
20          “section 401(a)(4), 401(a)(26), 401(k)(3), 401(k)(11),  
21          401(k)(12), 403(b)(12), 408(k), 408(p), 408B, 410(b),  
22          or 416” and inserting “section 401(a)(4), 401(k)(3),  
23          401(k)(11), 403(b)(12), 408(k), 410(b), or 416”.

24          (6) Section 414(v)(4)(B) is amended by inserting  
25          before the period at the end the following: “, except

1       that a plan described in clause (i) of section  
2       410(b)(6)(C) shall not be treated as a plan of the em-  
3       ployer until the expiration of the transition period  
4       with respect to such plan (as determined under clause  
5       (ii) of such section)”.

6               (7) Section 414(v)(5) is amended—

7                       (A) by striking “, with respect to any plan  
8                       year,” in the matter preceding subparagraph  
9                       (A),

10                      (B) by amending subparagraph (A) to read  
11                      as follows:

12                               “(A) who would attain age 50 by the end of  
13                               the taxable year,” and

14                               (C) in subparagraph (B) by striking “plan  
15                               year” and inserting “plan (or other applicable)  
16                               year”.

17               (8) Section 414(v)(6)(C) is amended to read as  
18       follows:

19                               “(C) *EXCEPTION FOR SECTION 457 PLANS.*—  
20                               This subsection shall not apply to a participant  
21                               for any year for which a higher limitation ap-  
22                               plies to the participant under section  
23                               457(b)(3).”.

24               (9) Section 457(e) is amended by adding at the  
25       end the following new paragraph:

1           “(18) *COORDINATION WITH CATCH-UP CONTRIBU-*  
2           *TIONS FOR INDIVIDUALS AGE 50 OR OLDER.*— *In the*  
3           *case of an individual who is an eligible participant*  
4           *(as defined by section 414(v)) and who is a partici-*  
5           *part in an eligible deferred compensation plan of an*  
6           *employer described in paragraph (1)(A), subsections*  
7           *(b)(3) and (c) shall be applied by substituting for the*  
8           *amount otherwise determined under the applicable*  
9           *subsection the greater of—*

10                   “(A) *the sum of—*

11                           “(i) *the plan ceiling established for*  
12                           *purposes of subsection (b)(2) (without re-*  
13                           *gard to subsection (b)(3)), plus*

14                           “(ii) *the applicable dollar amount for*  
15                           *the taxable year determined under section*  
16                           *414(v)(2)(B)(i), or*

17                           “(B) *the amount determined under the ap-*  
18                           *plicable subsection (without regard to this para-*  
19                           *graph).”.*

20           (p) *AMENDMENTS RELATING TO SECTION 632 OF THE*  
21           *ACT.*—

22                   (1) *Section 403(b)(1) is amended in the matter*  
23                   *following subparagraph (E) by striking “then*  
24                   *amounts contributed” and all that follows and insert-*  
25                   *ing the following:*

1           *“then contributions and other additions by such*  
2           *employer for such annuity contract shall be excluded*  
3           *from the gross income of the employee for the taxable*  
4           *year to the extent that the aggregate of such contribu-*  
5           *tions and additions (when expressed as an annual ad-*  
6           *dition (within the meaning of section 415(c)(2))) does*  
7           *not exceed the applicable limit under section 415. The*  
8           *amount actually distributed to any distributee under*  
9           *such contract shall be taxable to the distributee (in the*  
10           *year in which so distributed) under section 72 (relat-*  
11           *ing to annuities). For purposes of applying the rules*  
12           *of this subsection to contributions and other additions*  
13           *by an employer for a taxable year, amounts trans-*  
14           *ferred to a contract described in this paragraph by*  
15           *reason of a rollover contribution described in para-*  
16           *graph (8) of this subsection or section*  
17           *408(d)(3)(A)(ii) shall not be considered contributed*  
18           *by such employer.”.*

19           (2) Section 403(b) is amended by striking para-  
20           graph (6).

21           (3) Section 403(b)(3) is amended—

22                   (A) in the first sentence by inserting the fol-  
23                   lowing before the period at the end: “, and which  
24                   precedes the taxable year by no more than five  
25                   years”, and

1           (B) in the second sentence by striking “or  
2           any amount received by a former employee after  
3           the fifth taxable year following the taxable year  
4           in which such employee was terminated”.

5           (4) Section 415(c)(7) is amended to read as fol-  
6           lows:

7           “(7) SPECIAL RULES RELATING TO CHURCH  
8           PLANS.—

9           “(A) ALTERNATIVE CONTRIBUTION LIMITA-  
10          TION.—

11           “(i) IN GENERAL.—Notwithstanding  
12           any other provision of this subsection, at the  
13           election of a participant who is an em-  
14           ployee of a church or a convention or asso-  
15           ciation of churches, including an organiza-  
16           tion described in section 414(e)(3)(B)(ii),  
17           contributions and other additions for an  
18           annuity contract or retirement income ac-  
19           count described in section 403(b) with re-  
20           spect to such participant, when expressed as  
21           an annual addition to such participant’s  
22           account, shall be treated as not exceeding  
23           the limitation of paragraph (1) if such an-  
24           nual addition is not in excess of \$10,000.

1           “(i) \$40,000 AGGREGATE LIMITA-  
2           TION.—The total amount of additions with  
3           respect to any participant which may be  
4           taken into account for purposes of this sub-  
5           paragraph for all years may not exceed  
6           \$40,000.

7           “(B) NUMBER OF YEARS OF SERVICE FOR  
8           DULY ORDAINED, COMMISSIONED, OR LICENSED  
9           MINISTERS OR LAY EMPLOYEES.—For purposes  
10          of this paragraph—

11           “(i) all years of service by—

12           “(I) a duly ordained, commis-  
13           sioned, or licensed minister of a  
14           church, or

15           “(II) a lay person,  
16           as an employee of a church, a convention or  
17           association of churches, including an orga-  
18           nization described in section  
19           414(e)(3)(B)(ii), shall be considered as  
20           years of service for 1 employer, and

21           “(ii) all amounts contributed for annu-  
22           ity contracts by each such church (or con-  
23           vention or association of churches) or such  
24           organization during such years for such

1           *minister or lay person shall be considered to*  
2           *have been contributed by 1 employer.*

3           “(C) *FOREIGN MISSIONARIES.*—*In the case*  
4           *of any individual described in subparagraph (D)*  
5           *performing services outside the United States,*  
6           *contributions and other additions for an annuity*  
7           *contract or retirement income account described*  
8           *in section 403(b) with respect to such employee,*  
9           *when expressed as an annual addition to such*  
10           *employee’s account, shall not be treated as ex-*  
11           *ceeding the limitation of paragraph (1) if such*  
12           *annual addition is not in excess of the greater of*  
13           *\$3,000 or the employee’s includible compensation*  
14           *determined under section 403(b)(3).*

15           “(D) *ANNUAL ADDITION.*—*For purposes of*  
16           *this paragraph, the term ‘annual addition’ has*  
17           *the meaning given such term by paragraph (2).*

18           “(E) *CHURCH, CONVENTION OR ASSOCIA-*  
19           *TION OF CHURCHES.*—*For purposes of this para-*  
20           *graph, the terms ‘church’ and ‘convention or as-*  
21           *sociation of churches’ have the same meaning as*  
22           *when used in section 414(e).”.*

23           (5) *Section 457(e)(5) is amended to read as fol-*  
24           *lows:*

1           “(5) *INCLUDIBLE COMPENSATION.*—*The term ‘in-*  
2           *cludible compensation’ has the meaning given to the*  
3           *term ‘participant’s compensation’ by section*  
4           *415(c)(3).’.*”

5           (6) *Section 402(g)(7)(B) is amended by striking*  
6           *“2001.” and inserting “2001).’.*”

7           (q) *AMENDMENTS RELATING TO SECTION 643 OF THE*  
8           *ACT.*—

9           (1) *Section 401(a)(31)(C)(i) is amended by in-*  
10           *serting “is a qualified trust which is part of a plan*  
11           *which is a defined contribution plan and” before*  
12           *“agrees”.*

13           (2) *Section 402(c)(2) is amended by adding at*  
14           *the end the following flush sentence:*

15           *“In the case of a transfer described in subparagraph*  
16           *(A) or (B), the amount transferred shall be treated as*  
17           *consisting first of the portion of such distribution that*  
18           *is includible in gross income (determined without re-*  
19           *gard to paragraph (1)).’.*”

20           (r) *AMENDMENTS RELATING TO SECTION 648 OF THE*  
21           *ACT.*—

22           (1) *Section 417(e) is amended—*

23                   (A) *in paragraph (1) by striking “exceed*  
24                   *the dollar limit under section 411(a)(11)(A)”*  
25                   *and inserting “exceed the amount that can be*



1           *distributed without the participant’s consent*  
2           *under section 411(a)(11)”, and*

3                   *(B) in paragraph (2)(A) by striking “ex-*  
4                   *ceeds the dollar limit under section*  
5                   *411(a)(11)(A)” and inserting “exceeds the*  
6                   *amount that can be distributed without the par-*  
7                   *ticipant’s consent under section 411(a)(11)”.*

8           *(2) Section 205(g) of the Employee Retirement*  
9           *Income Security Act of 1974 is amended—*

10                   *(A) in paragraph (1) by striking “exceed*  
11                   *the dollar limit under section 203(e)(1)” and in-*  
12                   *serting “exceed the amount that can be distrib-*  
13                   *uted without the participant’s consent under sec-*  
14                   *tion 203(e)”, and*

15                   *(B) in paragraph (2)(A) by striking “ex-*  
16                   *ceeds the dollar limit under section 203(e)(1)”*  
17                   *and inserting “exceeds the amount that can be*  
18                   *distributed without the participant’s consent*  
19                   *under section 203(e)”.*

20           *(s) AMENDMENT RELATING TO SECTION 652 OF THE*  
21           *ACT.—Section 404(a)(1)(D)(iv) is amended by striking*  
22           *“PLANS MAINTAINED BY PROFESSIONAL SERVICE EMPLOY-*  
23           *ERS” and inserting “SPECIAL RULE FOR TERMINATING*  
24           *PLANS”.*

1           (t) *AMENDMENTS RELATING TO SECTION 657 OF THE*  
2 *ACT.—Section 404(c)(3) of the Employee Retirement In-*  
3 *come Security Act of 1974 is amended—*

4           (1) *by striking “the earlier of” in subparagraph*  
5 *(A) the second place it appears, and*

6           (2) *by striking “if the transfer” and inserting “a*  
7 *transfer that”.*

8           (u) *AMENDMENTS RELATING TO SECTION 659 OF THE*  
9 *ACT.—*

10           (1) *Section 4980F is amended—*

11           (A) *in subsection (e)(1) by striking “written*  
12 *notice” and inserting “the notice described in*  
13 *paragraph (2)”,*

14           (B) *by amending subsection (f)(2)(A) to*  
15 *read as follows:*

16           “(A) *any defined benefit plan described in*  
17 *section 401(a) which includes a trust exempt*  
18 *from tax under section 501(a), or”, and*

19           (C) *in subsection (f)(3) by striking “signifi-*  
20 *cantly” both places it appears.*

21           (2) *Section 204(h)(9) of the Employee Retire-*  
22 *ment Income Security Act of 1974 is amended by*  
23 *striking “significantly” both places it appears.*

1           (3) *Section 659(c)(3)(B) of the Economic Growth*  
2           *and Tax Relief Reconciliation Act of 2001 is amended*  
3           *by striking “(or” and inserting “(and”.*

4           (v) *AMENDMENTS RELATING TO SECTION 661 OF THE*  
5           *ACT.—*

6           (1) *Section 412(c)(9)(B) is amended—*

7                   (A) *in clause (ii) by striking “125 percent”*  
8                   *and inserting “100 percent”, and*

9                   (B) *by adding at the end the following new*  
10                  *clause:*

11                               “(iv) *LIMITATION.—A change in fund-*  
12                               *ing method to use a prior year valuation,*  
13                               *as provided in clause (ii), may not be made*  
14                               *unless as of the valuation date within the*  
15                               *prior plan year, the value of the assets of*  
16                               *the plan are not less than 125 percent of the*  
17                               *plan’s current liability (as defined in para-*  
18                               *graph (7)(B)).”.*

19           (2) *Section 302(c)(9)(B) of the Employee Retire-*  
20           *ment Income Security Act of 1974 is amended—*

21                   (A) *in clause (ii) by striking “125 percent”*  
22                   *and inserting “100 percent”, and*

23                   (B) *by adding at the end the following new*  
24                  *clause:*

1       “(iv) A change in funding method to use a prior year  
2 valuation, as provided in clause (ii), may not be made un-  
3 less as of the valuation date within the prior plan year,  
4 the value of the assets of the plan are not less than 125  
5 percent of the plan’s current liability (as defined in para-  
6 graph (7)(B)).”.

7       (w) AMENDMENTS RELATING TO SECTION 662 OF THE  
8 ACT.—

9           (1) Section 404(k) is amended—

10               (A) in paragraph (1) by striking “during  
11 the taxable year”,

12               (B) in paragraph (2)(B) by striking  
13 “(A)(iii)” and inserting “(A)(iv)”,

14               (C) in paragraph (4)(B) by striking “(iii)”  
15 and inserting “(iv)”, and

16               (D) by redesignating subparagraph (B) of  
17 paragraph (4) (as amended by subparagraph  
18 (C)) as subparagraph (C) of paragraph (4) and  
19 by inserting after subparagraph (A) the fol-  
20 lowing new subparagraph:

21                   “(B) REINVESTMENT DIVIDENDS.—For pur-  
22 poses of subparagraph (A), an applicable divi-  
23 dend reinvested pursuant to clause (iii)(II) of  
24 paragraph (2)(A) shall be treated as paid in the  
25 taxable year of the corporation in which such

1           *dividend is reinvested in qualifying employer se-*  
2           *curities or in which the election under clause*  
3           *(iii) of paragraph (2)(A) is made, whichever is*  
4           *later.”.*

5           *(2) Section 404(k) is amended by adding at the*  
6           *end the following new paragraph:*

7           *“(7) FULL VESTING.—In accordance with section*  
8           *411, an applicable dividend described in clause*  
9           *(iii)(II) of paragraph (2)(A) shall be subject to the re-*  
10           *quirements of section 411(a)(1).”.*

11          *(x) EFFECTIVE DATE.—Except as provided in sub-*  
12          *section (c), the amendments made by this section shall take*  
13          *effect as if included in the provisions of the Economic*  
14          *Growth and Tax Relief Reconciliation Act of 2001 to which*  
15          *they relate.*

16   **SEC. 412. AMENDMENTS RELATED TO COMMUNITY RE-**  
17                            **NEWAL TAX RELIEF ACT OF 2000.**

18          *(a) AMENDMENT RELATED TO SECTION 101 OF THE*  
19          *ACT.—Section 469(i)(3)(E) is amended by striking clauses*  
20          *(ii), (iii), and (iv) and inserting the following:*

21                            *“(ii) second to the portion of such loss*  
22                            *to which subparagraph (C) applies,*

23                            *“(iii) third to the portion of the pas-*  
24                            *sive activity credit to which subparagraph*  
25                            *(B) or (D) does not apply,*

1                   “(iv) fourth to the portion of such cred-  
2                   it to which subparagraph (B) applies, and”.

3           (b) AMENDMENT RELATED TO SECTION 306 OF THE  
4 ACT.—Section 151(c)(6)(C) is amended—

5                   (1) by striking “FOR EARNED INCOME CREDIT.—  
6                   For purposes of section 32, an” and inserting “FOR  
7                   PRINCIPAL PLACE OF ABODE REQUIREMENTS.—An”,  
8                   and

9                   (2) by striking “requirement of section  
10                   32(c)(3)(A)(ii)” and inserting “principal place of  
11                   abode requirements of section 2(a)(1)(B), section  
12                   2(b)(1)(A), and section 32(c)(3)(A)(ii)”.

13           (c) AMENDMENT RELATED TO SECTION 309 OF THE  
14 ACT.—Subparagraph (A) of section 358(h)(1) is amended  
15 to read as follows:

16                   “(A) which is assumed by another person as  
17                   part of the exchange, and”.

18           (d) AMENDMENTS RELATED TO SECTION 401 OF THE  
19 ACT.—

20                   (1)(A) Section 1234A is amended by inserting  
21                   “or” after the comma at the end of paragraph (1), by  
22                   striking “or” at the end of paragraph (2), and by  
23                   striking paragraph (3).

24                   (B)(i) Section 1234B is amended in subsection  
25                   (a)(1) and in subsection (b) by striking “sale or ex-

1       *change” the first place it appears in each subsection*  
2       *and inserting “sale, exchange, or termination”.*

3               *(ii) Section 1234B is amended by adding at the*  
4       *end the following new subsection:*

5       “(f) *CROSS REFERENCE.*—

**“For special rules relating to dealer securities fu-  
tures contracts, see section 1256.”.**

6       (2) *Section 1091(e) is amended—*

7               (A) *in the heading, by striking “SECURI-*  
8       *TIES.—” and inserting “SECURITIES AND SECU-*  
9       *RITIES FUTURES CONTRACTS TO SELL.—”,*

10              (B) *by inserting after “closing of a short*  
11       *sale of” the following: “(or the sale, exchange, or*  
12       *termination of a securities futures contract to*  
13       *sell)”,*

14              (C) *in paragraph (2), by inserting after*  
15       *“short sale of” the following: “(or securities fu-*  
16       *tures contracts to sell)”*, and

17              (D) *by adding at the end the following:*

18       *“For purposes of this subsection, the term ‘securities futures*  
19       *contract’ has the meaning provided by section 1234B(c).”.*

20              (3)(A) *Section 1233(e)(2) is amended by striking*  
21       *“and” at the end of subparagraph (C), by striking the*  
22       *period and inserting “; and” at the end of subpara-*  
23       *graph (D), and inserting after subparagraph (D) the*  
24       *following:*

1           “(E) entering into a securities futures con-  
2           tract (as so defined) to sell shall be considered to  
3           be a short sale, and the settlement of such con-  
4           tract shall be considered to be the closing of such  
5           short sale.”.

6           (B) Section 1234B(b) is amended by inserting  
7           after “or this section,” the following: “or in section  
8           1233,”.

9           (e) *EFFECTIVE DATE.*—The amendments made by this  
10          section shall take effect as if included in the provisions of  
11          the Community Renewal Tax Relief Act of 2000 to which  
12          they relate.

13          **SEC. 413. AMENDMENTS RELATED TO THE TAX RELIEF EX-**  
14          **TENSION ACT OF 1999.**

15          (a) *AMENDMENTS RELATED TO SECTION 545 OF THE*  
16          *ACT.*—Section 857(b)(7) is amended—

17                 (1) in clause (i) of subparagraph (B), by strik-  
18                 ing “the amount of which” and inserting “to the ex-  
19                 tent the amount of the rents”, and

20                 (2) in subparagraph (C), by striking “if the  
21                 amount” and inserting “to the extent the amount”.

22          (b) *EFFECTIVE DATE.*—The amendments made by this  
23          section shall take effect as if included in section 545 of the  
24          Tax Relief Extension Act of 1999.



1 **SEC. 414. AMENDMENTS RELATED TO THE TAXPAYER RE-**  
2 **LIEF ACT OF 1997.**

3 (a) *AMENDMENTS RELATED TO SECTION 311 OF THE*  
4 *ACT.*—Section 311(e) of the Taxpayer Relief Act of 1997  
5 (Public Law 105–34; 111 Stat. 836) is amended—

6 (1) in paragraph (2)(A), by striking “recognized” and inserting “included in gross income”, and  
7

8 (2) by adding at the end the following new para-  
9 graph:

10 “(5) *DISPOSITION OF INTEREST IN PASSIVE AC-*  
11 *TIVITY.*—Section 469(g)(1)(A) of the Internal Revenue  
12 Code of 1986 shall not apply by reason of an election  
13 made under paragraph (1).”.

14 (b) *EFFECTIVE DATE.*—The amendments made by this  
15 section shall take effect as if included in section 311 of the  
16 Taxpayer Relief Act of 1997.

17 **SEC. 415. AMENDMENT RELATED TO THE BALANCED BUDG-**  
18 **ET ACT OF 1997.**

19 (a) *AMENDMENT RELATED TO SECTION 4006 OF THE*  
20 *ACT.*—Section 26(b)(2) is amended by striking “and” at  
21 the end of subparagraph (P), by striking the period and  
22 inserting “, and” at the end of subparagraph (Q), and by  
23 adding at the end the following new subparagraph:

24 “(R) section 138(c)(2) (relating to penalty  
25 for distributions from Medicare+Choice MSA

1           *not used for qualified medical expenses if min-*  
2           *imum balance not maintained).”.*

3           **(b) EFFECTIVE DATE.**—*The amendment made by this*  
4 *section shall take effect as if included in section 4006 of*  
5 *the Balanced Budget Act of 1997.*

6 **SEC. 416. OTHER TECHNICAL CORRECTIONS.**

7           **(a) COORDINATION OF ADVANCED PAYMENTS OF**  
8 **EARNED INCOME CREDIT.**—

9           (1) *Section 32(g)(2) is amended by striking*  
10 *“subpart” and inserting “part”.*

11           (2) *The amendment made by this subsection*  
12 *shall take effect as if included in section 474 of the*  
13 *Tax Reform Act of 1984.*

14           **(b) SPECIAL RULE RELATED TO WASH SALE**  
15 **LOSSES.**—

16           (1) *Section 1256(f) is amended by adding at the*  
17 *end the following new paragraph:*

18                   **“(5) SPECIAL RULE RELATED TO LOSSES.**—  
19           *Section 1091 (relating to loss from wash sales of*  
20 *stock or securities) shall not apply to any loss*  
21 *taken into account by reason of paragraph (1) of*  
22 *subsection (a).”.*

23           (2) *The amendment made by this subsection*  
24 *shall take effect as if included in section 5075 of the*  
25 *Technical and Miscellaneous Revenue Act of 1988.*

1           (c) *DISCLOSURE BY SOCIAL SECURITY ADMINISTRA-*  
2 *TION TO FEDERAL CHILD SUPPORT AGENCIES.—*

3           (1) *Section 6103(l)(8) is amended—*

4                   (A) *in the heading, by striking “STATE AND*  
5 *LOCAL” and inserting “FEDERAL, STATE, AND*  
6 *LOCAL”, and*

7                   (B) *in subparagraph (A), by inserting*  
8 *“Federal or” before “State or local”.*

9           (2) *The amendments made by this subsection*  
10 *shall take effect on the date of the enactment of this*  
11 *Act.*

12          (d) *TREATMENT OF SETTLEMENTS UNDER PARTNER-*  
13 *SHIP AUDIT RULES.—*

14           (1) *The following provisions are each amended*  
15 *by inserting “or the Attorney General (or his dele-*  
16 *gate)” after “Secretary” each place it appears:*

17                   (A) *Paragraphs (1) and (2) of section*  
18 *6224(c).*

19                   (B) *Section 6229(f)(2).*

20                   (C) *Section 6231(b)(1)(C).*

21                   (D) *Section 6234(g)(4)(A).*

22           (2) *The amendments made by this subsection*  
23 *shall apply with respect to settlement agreements en-*  
24 *tered into after the date of the enactment of this Act.*

1       (e) *AMENDMENT RELATED TO PROCEDURE AND AD-*  
2 *MINISTRATION.—*

3           (1) *Section 6331(k)(3) (relating to no levy while*  
4 *certain offers pending or installment agreement pend-*  
5 *ing or in effect) is amended to read as follows:*

6           “*(3) CERTAIN RULES TO APPLY.—Rules similar*  
7 *to the rules of—*

8           “*(A) paragraphs (3) and (4) of subsection*  
9 *(i), and*

10           “*(B) except in the case of paragraph (2)(C),*  
11 *paragraph (5) of subsection (i),*  
12 *shall apply for purposes of this subsection.”.*

13           (2) *The amendment made by this subsection*  
14 *shall take effect on the date of the enactment of this*  
15 *Act.*

16       (f) *MODIFIED ENDOWMENT CONTRACTS.—Paragraph*  
17 *(2) of section 318(a) of the Community Renewal Tax Relief*  
18 *Act of 2000 (114 Stat. 2763A–645) is repealed, and clause*  
19 *(ii) of section 7702A(c)(3)(A) shall read and be applied as*  
20 *if the amendment made by such paragraph had not been*  
21 *enacted.*

22 **SEC. 417. CLERICAL AMENDMENTS.**

23           (1) *The subsection (g) of section 25B that relates*  
24 *to termination is redesignated as subsection (h).*

1           (2) *The second sentence of section 42(h)(3)(C) is*  
2 *amended by striking “the amounts described in” and*  
3 *all that follows through the period and inserting “the*  
4 *amounts described in clauses (ii) through (iv) over the*  
5 *aggregate housing credit dollar amount allocated for*  
6 *such year.”.*

7           (3) *Clause (ii) of section 42(m)(1)(B) is amend-*  
8 *ed by striking the second “and” at the end of sub-*  
9 *clause (II) and by inserting “and” at the end of sub-*  
10 *clause (III).*

11           (4) *Section 51A(c)(1) is amended by striking*  
12 *“51(d)(10)” and inserting “51(d)(11)”.*

13           (5) *The flush sentence at the end of clause (ii)*  
14 *of section 56(a)(1)(A) is amended by striking “such*  
15 *1250” and inserting “such section 1250”.*

16           (6) *Section 151(c)(6)(B)(iii) is amended by in-*  
17 *serting “as” before “such terms”.*

18           (7) *Section 170(e)(6)(B)(i)(III) is amended by*  
19 *striking “2000,” and inserting “2000),”.*

20           (8) *Section 172(b)(1)(F)(i) is amended—*

21                 *(A) by striking “3 years” and inserting “3*  
22 *taxable years”, and*

23                 *(B) by striking “2 years” and inserting “2*  
24 *taxable years”.*

1           (9) Section 351(h)(1) is amended by inserting a  
2 comma after “liability”.

3           (10) Section 475(g)(3) is amended by striking  
4 “sections” and inserting “section”.

5           (11) Section 529(e)(3)(B)(i) is amended by strik-  
6 ing “subsection (b)(7)” and inserting “subsection  
7 (b)(6)”.

8           (12) Section 741 is amended by striking “which  
9 have appreciated substantially in value”.

10          (13) Section 857(b)(7)(B)(i) is amended by strik-  
11 ing “subsection 856(d)” and inserting “section  
12 856(d)”.

13          (14) Subparagraph (B) of section 943(e)(4) is  
14 amended by aligning the left margin of the flush lan-  
15 guage with subparagraph (A).

16          (15) Subparagraph (B) of section 995(b)(3) is  
17 amended by striking “International Security Assist-  
18 ance and Arms Export Control Act of 1976” and in-  
19 serting “Arms Export Control Act”.

20          (16) Section 1394(c)(2) is amended by striking  
21 “subparagraph (A)” and inserting “paragraph (1)”.

22          (17)(A) The section heading for section 4980E is  
23 amended to read as follows:

1 **“SEC. 4980E. FAILURE OF EMPLOYER TO MAKE COM-**  
2 **PARABLE ARCHER MSA CONTRIBUTIONS.”.**

3 *(B) The item relating to section 4980E in the*  
4 *table of sections for chapter 43 is amended to read as*  
5 *follows:*

*“Sec. 4980E. Failure of employer to make comparable Archer MSA contribu-*  
*tions.”.*

6 *(18) Section 6105(c)(1) is amended by striking*  
7 *“any” in subparagraphs (C) and (E).*

8 *(19)(A) Section 6227(d) is amended by striking*  
9 *“subsection (b)” and inserting “subsection (c)”.*

10 *(B) Section 6228 is amended—*

11 *(i) in subsection (a)(1), by striking “sub-*  
12 *section (b) of section 6227” and inserting “sub-*  
13 *section (c) of section 6227”,*

14 *(ii) in subsection (a)(3)(A), by striking*  
15 *“subsection (b) of”, and*

16 *(iii) in subsections (b)(1) and (b)(2)(A), by*  
17 *striking “subsection (c) of section 6227” and in-*  
18 *serting “subsection (d) of section 6227”.*

19 *(C) Section 6231(b)(2)(B)(i) is amended by*  
20 *striking “section 6227(e)” and inserting “section*  
21 *6227(d)”.*

22 *(20) Section 1221(b)(1)(B)(i) is amended by*  
23 *striking “1256(b)” and inserting “1256(b))”.*

1           (21) *Section 159 of the Community Renewal Tax*  
2 *Relief Act of 2000 (114 Stat. 2763A–624) is amended*  
3 *by striking “fuctions” and inserting “functions”.*

4           (22) *The amendment to section 170(e)(6)(B)(iv)*  
5 *made by section 165(b)(1) of the Community Renewal*  
6 *Tax Relief Act of 2000 (114 Stat. 2763A–626) shall*  
7 *be applied as if it struck “in any of the grades K–*  
8 *12”.*

9           (23) *Section 618(b)(2) of the Economic Growth*  
10 *and Tax Relief Reconciliation Act of 2001 (Public*  
11 *Law 107–16; 115 Stat. 108) is amended—*

12                   (A) *in subparagraph (A) by striking*  
13 *“203(d)” and inserting “202(f)”, and*

14                   (B) *in subparagraphs (C), (D), and (E) by*  
15 *striking “203” and inserting “202(f)”.*

16           (24)(A) *Section 525 of the Ticket to Work and*  
17 *Work Incentives Improvement Act of 1999 (Public*  
18 *Law 106–170; 113 Stat. 1928) is amended by striking*  
19 *“7200” and inserting “7201”.*

20           (B) *Section 532(c)(2) of such Act (113 Stat.*  
21 *1930) is amended—*

22                   (i) *in subparagraph (D), by striking*  
23 *“341(d)(3)” and inserting “341(d)”, and*

24                   (ii) *in subparagraph (Q), by striking*  
25 *“954(c)(1)(B)(iii) and inserting “954(c)(1)(B)”.*



1 **SEC. 418. ADDITIONAL CORRECTIONS.**

2 (a) *AMENDMENTS RELATED TO SECTION 202 OF THE*  
3 *ECONOMIC GROWTH AND TAX RELIEF RECONCILIATION*  
4 *ACT OF 2001.*—

5 (1) *Subsection (h) of section 23 is amended—*

6 (A) *by striking “subsection (a)(1)(B)” and*  
7 *inserting “subsection (a)(3)”, and*

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

10 *“If any amount as increased under the preceding sentence*  
11 *is not a multiple of \$10, such amount shall be rounded to*  
12 *the nearest multiple of \$10.”.*

13 (2) *Subsection (f) of section 137 is amended by*  
14 *adding at the end the following new flush sentence:*

15 *“If any amount as increased under the preceding sentence*  
16 *is not a multiple of \$10, such amount shall be rounded to*  
17 *the nearest multiple of \$10.”.*

18 (b) *AMENDMENTS RELATED TO SECTION 204 OF THE*  
19 *ECONOMIC GROWTH AND TAX RELIEF RECONCILIATION*  
20 *ACT OF 2001.*—*Section 21(d)(2) is amended—*

21 (1) *in subparagraph (A) by striking “\$200” and*  
22 *inserting “\$250”, and*

23 (2) *in subparagraph (B) by striking “\$400” and*  
24 *inserting “\$500”.*

25 (c) *EFFECTIVE DATE.*—*The amendments made by this*  
26 *section shall take effect as if included in the provisions of*

1 *the Economic Growth and Tax Relief Reconciliation Act*  
2 *of 2001 to which they relate.*

3 **TITLE V—SOCIAL SECURITY**  
4 **HELD HARMLESS; BUDG-**  
5 **ETARY TREATMENT OF ACT**

6 **SEC. 501. NO IMPACT ON SOCIAL SECURITY TRUST FUNDS.**

7 (a) *IN GENERAL.*—*Nothing in this Act (or an amend-*  
8 *ment made by this Act) shall be construed to alter or amend*  
9 *title II of the Social Security Act (or any regulation pro-*  
10 *mulgated under that Act).*

11 (b) *TRANSFERS.*—

12 (1) *ESTIMATE OF SECRETARY.*—*The Secretary of*  
13 *the Treasury shall annually estimate the impact that*  
14 *the enactment of this Act has on the income and*  
15 *balances of the trust funds established under section*  
16 *201 of the Social Security Act (42 U.S.C. 401).*

17 (2) *TRANSFER OF FUNDS.*—*If, under paragraph*  
18 *(1), the Secretary of the Treasury estimates that the*  
19 *enactment of this Act has a negative impact on the*  
20 *income and balances of the trust funds established*  
21 *under section 201 of the Social Security Act (42*  
22 *U.S.C. 401), the Secretary shall transfer, not less fre-*  
23 *quently than quarterly, from the general revenues of*  
24 *the Federal Government an amount sufficient so as to*  
25 *ensure that the income and balances of such trust*

1        *funds are not reduced as a result of the enactment of*  
2        *this Act.*

3        **SEC. 502. EMERGENCY DESIGNATION.**

4        *Congress designates as emergency requirements pursu-*  
5        *ant to section 252(e) of the Balanced Budget and Emer-*  
6        *gency Deficit Control Act of 1985 the following amounts:*

7                (1) *An amount equal to the amount by which*  
8        *revenues are reduced by this Act below the rec-*  
9        *ommended levels of Federal revenues for fiscal year*  
10        *2002, the total of fiscal years 2002 through 2006, and*  
11        *the total of fiscal years 2002 through 2011, provided*  
12        *in the conference report accompanying H. Con. Res.*  
13        *83, the concurrent resolution on the budget for fiscal*  
14        *year 2002.*

15                (2) *Amounts equal to the amounts of new budget*  
16        *authority and outlays provided in this Act in excess*  
17        *of the allocations under section 302(a) of the Congres-*  
18        *sional Budget Act of 1974 to the Committee on Fi-*  
19        *nance of the Senate for fiscal year 2002, the total of*  
20        *fiscal years 2002 through 2006, and the total of fiscal*  
21        *years 2002 through 2011.*

1           **TITLE VI—EXTENSIONS OF**  
2           **CERTAIN EXPIRING PROVISIONS**

3           **SEC. 601. ALLOWANCE OF NONREFUNDABLE PERSONAL**  
4                           **CREDITS AGAINST REGULAR AND MINIMUM**  
5                           **TAX LIABILITY.**

6           (a) *IN GENERAL.*—Paragraph (2) of section 26(a) is  
7 amended—

8                           (1) by striking “*RULE FOR 2000 AND 2001.*—”  
9                           and inserting “*RULE FOR 2000, 2001, 2002, AND 2003.*—  
10                           ”, and

11                           (2) by striking “*during 2000 or 2001,*” and in-  
12                           serting “*during 2000, 2001, 2002, or 2003,*”.

13           (b) *CONFORMING AMENDMENTS.*—

14                           (1) Section 904(h) is amended by striking “*dur-*  
15                           *ing 2000 or 2001*” and inserting “*during 2000, 2001,*  
16                           *2002, or 2003*”.

17                           (2) The amendments made by sections 201(b),  
18                           202(f), and 618(b) of the Economic Growth and Tax  
19                           Relief Reconciliation Act of 2001 shall not apply to  
20                           taxable years beginning during 2002 and 2003.

21           (c) *EFFECTIVE DATE.*—The amendments made by this  
22                           section shall apply to taxable years beginning after Decem-  
23                           ber 31, 2001.

24           **SEC. 602. CREDIT FOR QUALIFIED ELECTRIC VEHICLES.**

25           (a) *IN GENERAL.*—Section 30 is amended—

1           (1) *in subsection (b)(2)—*

2                   (A) *by striking “December 31, 2001,” and*  
3                   *inserting “December 31, 2003,” and*

4                   (B) *in subparagraphs (A), (B), and (C), by*  
5                   *striking “2002”, “2003”, and “2004”, respec-*  
6                   *tively, and inserting “2004”, “2005”, and*  
7                   *“2006”, respectively, and*

8           (2) *in subsection (e), by striking “December 31,*  
9           *2004” and inserting “December 31, 2006”.*

10       (b) *CONFORMING AMENDMENTS.—*

11           (1) *Subparagraph (C) of section 280F(a)(1) is*  
12           *amended by adding at the end the following new*  
13           *clause:*

14                   “(iii) *APPLICATION OF SUBPARA-*  
15                   *GRAPH.—This subparagraph shall apply to*  
16                   *property placed in service after August 5,*  
17                   *1997, and before January 1, 2007.”.*

18           (2) *Subsection (b) of section 971 of the Taxpayer*  
19           *Relief Act of 1997 is amended by striking “and before*  
20           *January 1, 2005”.*

21           (c) *EFFECTIVE DATE.—The amendments made by this*  
22           *section shall apply to property placed in service after De-*  
23           *cember 31, 2001.*

1 **SEC. 603. CREDIT FOR ELECTRICITY PRODUCED FROM CER-**  
2 **TAIN RENEWABLE RESOURCES.**

3 (a) *IN GENERAL.*—Subparagraphs (A), (B), and (C)  
4 of section 45(c)(3) are both amended by striking “2002”  
5 and inserting “2004”.

6 (b) *EFFECTIVE DATE.*—The amendments made by sub-  
7 section (a) shall apply to facilities placed in service after  
8 December 31, 2001.

9 **SEC. 604. WORK OPPORTUNITY CREDIT.**

10 (a) *IN GENERAL.*—Subparagraph (B) of section  
11 51(c)(4) is amended by striking “2001” and inserting  
12 “2003”.

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

16 **SEC. 605. WELFARE-TO-WORK CREDIT.**

17 (a) *IN GENERAL.*—Subsection (f) of section 51A is  
18 amended by striking “2001” and inserting “2003”.

19 (b) *EFFECTIVE DATE.*—The amendment made by sub-  
20 section (a) shall apply to individuals who begin work for  
21 the employer after December 31, 2001.

22 **SEC. 606. DEDUCTION FOR CLEAN-FUEL VEHICLES AND**  
23 **CERTAIN REFUELING PROPERTY.**

24 (a) *IN GENERAL.*—Section 179A is amended—  
25 (1) in subsection (b)(1)(B)—



1           (b) *EFFECTIVE DATE.*—*The amendment made by sub-*  
2 *section (a) shall apply to obligations issued after the date*  
3 *of the enactment of this Act.*

4 **SEC. 609. COVER OVER OF TAX ON DISTILLED SPIRITS.**

5           (a) *IN GENERAL.*—*Paragraph (1) of section 7652(f) is*  
6 *amended by striking “January 1, 2002” and inserting*  
7 *“January 1, 2004”.*

8           (b) *EFFECTIVE DATE.*—*The amendment made by sub-*  
9 *section (a) shall apply to articles brought into the United*  
10 *States after December 31, 2001.*

11 **SEC. 610. PARITY IN THE APPLICATION OF CERTAIN LIMITS**  
12 **TO MENTAL HEALTH BENEFITS.**

13           (a) *IN GENERAL.*—*Subsection (f) of section 9812, as*  
14 *amended by the Departments of Labor, Health and Human*  
15 *Services, and Education, and Related Agencies Appropria-*  
16 *tions Act, 2002, is amended to read as follows:*

17           “(f) *APPLICATION OF SECTION.*—*This section shall not*  
18 *apply to benefits for services furnished—*

19                   “(1) *on or after September 30, 2001, and before*  
20 *January 10, 2002, and*

21                   “(2) *after December 31, 2003.*”.

22           (b) *EFFECTIVE DATE.*—*The amendment made by sub-*  
23 *section (a) shall apply to plan years beginning after Decem-*  
24 *ber 31, 2000.*



1 **SEC. 611. TEMPORARY SPECIAL RULES FOR TAXATION OF**  
2 **LIFE INSURANCE COMPANIES.**

3 (a) *REDUCTION IN MUTUAL LIFE INSURANCE COM-*  
4 *PANY DEDUCTIONS NOT TO APPLY IN CERTAIN YEARS.—*  
5 *Section 809 (relating to reduction in certain deductions of*  
6 *material life insurance companies) is amended by adding*  
7 *at the end the following:*

8 “(j) *DIFFERENTIAL EARNINGS RATE TREATED AS*  
9 *ZERO FOR CERTAIN YEARS.—Notwithstanding subsection*  
10 *(c) or (f), the differential earnings rate shall be treated as*  
11 *zero for purposes of computing both the differential earnings*  
12 *amount and the recomputed differential earnings amount*  
13 *for a mutual life insurance company’s taxable years begin-*  
14 *ning in 2001, 2002, or 2003.”.*

15 (b) *EFFECTIVE DATE.—The amendment made by this*  
16 *section shall apply to taxable years beginning after Decem-*  
17 *ber 31, 2000.*

18 **SEC. 612. AVAILABILITY OF MEDICAL SAVINGS ACCOUNTS.**

19 (a) *IN GENERAL.—Paragraphs (2) and (3)(B) of sec-*  
20 *tion 220(i) (defining cut-off year) are each amended by*  
21 *striking “2002” each place it appears and inserting*  
22 *“2003”.*

23 (b) *CONFORMING AMENDMENTS.—*

24 (1) *Paragraph (2) of section 220(j) is amended*  
25 *by striking “1998, 1999, or 2001” each place it ap-*  
26 *pears and inserting “1998, 1999, 2001, or 2002”.*

1           (2) *Subparagraph (A) of section 220(j)(4) is*  
2           *amended by striking “and 2001” and inserting*  
3           *“2001, and 2002”.*

4           (c) *EFFECTIVE DATE.—The amendments made by this*  
5           *section shall take effect on January 1, 2002.*

6   **SEC. 613. INCENTIVES FOR INDIAN EMPLOYMENT AND**  
7                                   **PROPERTY ON INDIAN RESERVATIONS.**

8           (a) *EMPLOYMENT.—Subsection (f) of section 45A is*  
9           *amended by striking “December 31, 2003” and inserting*  
10          *“December 31, 2004”.*

11          (b) *PROPERTY.—Paragraph (8) of section 168(j) is*  
12          *amended by striking “December 31, 2003” and inserting*  
13          *“December 31, 2004”.*

14   **SEC. 614. SUBPART F EXEMPTION FOR ACTIVE FINANCING.**

15          (a) *IN GENERAL.—*

16                  (1) *Section 953(e)(10) is amended—*

17                                  (A) *by striking “January 1, 2002” and in-*  
18                                  *serting “January 1, 2007”, and*

19                                  (B) *by striking “December 31, 2001” and*  
20                                  *inserting “December 31, 2006”.*

21                  (2) *Section 954(h)(9) is amended by striking*  
22                  *“January 1, 2002” and inserting “January 1, 2007”.*

23          (b) *LIFE INSURANCE AND ANNUITY CONTRACTS.—*

24                  (1) *IN GENERAL.—Subparagraph (B) of section*  
25                  *954(i)(4) is amended to read as follows:*

1                   “(B) *LIFE INSURANCE AND ANNUITY CON-*  
2                   *TRACTS.—*

3                   “(i) *IN GENERAL.—Except as provided*  
4                   *in clause (ii), the amount of the reserve of*  
5                   *a qualifying insurance company or quali-*  
6                   *fying insurance company branch for any*  
7                   *life insurance or annuity contract shall be*  
8                   *equal to the greater of—*

9                   “(I) *the net surrender value of*  
10                   *such contract (as defined in section*  
11                   *807(e)(1)(A)), or*

12                   “(II) *the reserve determined under*  
13                   *paragraph (5).*

14                   “(ii) *RULING REQUEST, ETC.—The*  
15                   *amount of the reserve under clause (i) shall*  
16                   *be the foreign statement reserve for the con-*  
17                   *tract (less any catastrophe, deficiency,*  
18                   *equalization, or similar reserves), if, pursu-*  
19                   *ant to a ruling request submitted by the*  
20                   *taxpayer or as provided in published guid-*  
21                   *ance, the Secretary determines that the fac-*  
22                   *tors taken into account in determining the*  
23                   *foreign statement reserve provide an appro-*  
24                   *priate means of measuring income.”.*

1           (c) *EFFECTIVE DATE.*—*The amendments made by this*  
2 *section shall apply to taxable years beginning after Decem-*  
3 *ber 31, 2001.*

4 **SEC. 615. REPEAL OF REQUIREMENT FOR APPROVED DIE-**  
5 **SEL OR KEROSENE TERMINALS.**

6           (a) *IN GENERAL.*—*Subsection (e) of section 4101 is*  
7 *hereby repealed.*

8           (b) *EFFECTIVE DATE.*—*The amendment made by sub-*  
9 *section (a) shall take effect on January 1, 2002.*

10 **SEC. 616. REAUTHORIZATION OF TANF SUPPLEMENTAL**  
11 **GRANTS FOR POPULATION INCREASES FOR**  
12 **FISCAL YEAR 2002.**

13           Section 403(a)(3) of the Social Security Act (42 U.S.C.  
14 603(a)(3)) is amended by adding at the end the following:

15                   “(H) *REAUTHORIZATION OF GRANTS FOR*  
16 *FISCAL YEAR 2002.*—*Notwithstanding any other*  
17 *provision of this paragraph—*

18                           “(i) *any State that was a qualifying*  
19 *State under this paragraph for fiscal year*  
20 *2001 or any prior fiscal year shall be enti-*  
21 *tled to receive from the Secretary for fiscal*  
22 *year 2002 a grant in an amount equal to*  
23 *the amount required to be paid to the State*  
24 *under this paragraph for the most recent*

1           *fiscal year in which the State was a quali-*  
2           *fying State;*

3           “(ii) subparagraph (G) shall be ap-  
4           plied as if ‘2002’ were substituted for  
5           ‘2001’; and

6           “(iii) out of any money in the Treas-  
7           ury of the United States not otherwise ap-  
8           propriated, there are appropriated for fiscal  
9           year 2002 such sums as are necessary for  
10          grants under this subparagraph.”.

11 **SEC. 617. 1-YEAR EXTENSION OF CONTINGENCY FUND**  
12 **UNDER THE TANF PROGRAM.**

13         *Section 403(b) of the Social Security Act (42 U.S.C.*  
14 *603(b)) is amended—*

15           (1) *in paragraph (2), by striking “and 2001”*  
16 *and inserting “2001, and 2002”; and*

17           (2) *in paragraph (3)(C)(ii), by striking “2001”*  
18 *and inserting “2002”.*

*Attest:*

*Clerk.*



107TH CONGRESS  
2D SESSION

**H.R. 3090**

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**HOUSE AMENDMENT TO  
SENATE AMENDMENT**