

107TH CONGRESS
1ST SESSION

S. 222

To provide tax incentives for the construction of seagoing cruise ships in United States shipyards, and to facilitate the development of a United States-flag, United States-built cruise industry, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JANUARY 31, 2001

Ms. SNOWE introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To provide tax incentives for the construction of seagoing cruise ships in United States shipyards, and to facilitate the development of a United States-flag, United States-built cruise industry, and for other purposes.

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “All American Cruise
5 Act of 2001”.

1 **TITLE I—TAX INCENTIVES FOR**
 2 **CRUISE SHIP CONSTRUCTION**
 3 **AND OPERATION**

4 **SEC. 101. TAX TREATMENT OF UNITED STATES-BUILT**
 5 **CRUISE SHIPS DURING CONSTRUCTION PE-**
 6 **RIOD.**

7 (a) IN GENERAL.—Section 460(e) of the Internal
 8 Revenue Code of 1986 (relating to special rules for long-
 9 term contracts) is amended by adding at the end the fol-
 10 lowing new paragraph:

11 “(7) SPECIAL RULE FOR CRUISE SHIP CON-
 12 STRUCTION CONTRACTS.—In the case of any con-
 13 tract for the construction or overhaul of an ocean-
 14 going cruise ship of at least 20,000 gross tons, a
 15 contractor may, at the contractor’s election, use the
 16 completed contract method of accounting for each
 17 ship that is constructed or overhauled, provided
 18 that—

19 “(A) the construction or overhaul of the
 20 ship will take more than 12 months to complete
 21 from the contract commencement date to the
 22 date that the ship is delivered or returned to
 23 the owner,

24 “(B) the reporting of revenue and costs for
 25 each ship may not be deferred beyond the date

1 of delivery or return of the ship to the owner,
 2 and

3 “(C) when a contract provides for the con-
 4 struction or overhaul of more than 1 ship, each
 5 ship covered by the contract will be treated as
 6 an individual ship contract for the purpose of
 7 applying the completed contract method of ac-
 8 counting, and the reporting of revenue and
 9 costs for each ship may not be deferred beyond
 10 the date on which the ship is delivered or re-
 11 turned to the owner.”.

12 (b) EFFECTIVE DATE.—The amendment made by
 13 this section shall apply to taxable years beginning after
 14 December 31, 2001.

15 **SEC. 102. GROSS INCOME EXCLUSION FOR CRUISE SHIP OP-**
 16 **ERATIONS.**

17 (a) IN GENERAL.—Part III of subchapter B of chap-
 18 ter 1 of the Internal Revenue Code of 1986 (relating to
 19 amounts specifically excluded from gross income) is
 20 amended by redesignating section 139 as section 140 and
 21 by inserting after section 138 the following new section:

22 **“SEC. 139. AMOUNTS DERIVED FROM CRUISE SHIP OPER-**
 23 **ATIONS.**

24 “(a) GENERAL RULE.—Gross income of a corpora-
 25 tion organized in the United States shall not include

1 amounts derived by the corporation from the operation of
 2 a cruise ship which was built in the United States and
 3 has a certificate of documentation issued under chapter
 4 121 of title 46, United States Code.

5 “(b) DEFINITION.—For purposes of subsection (a),
 6 the term ‘cruise ship’ means a seagoing passenger vessel
 7 of at least 20,000 gross tons that provides a full range
 8 of overnight accommodations, entertainment, dining, and
 9 other services for its passengers.”.

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

13 **SEC. 103. CREDIT FOR INCOME FROM CRUISE SHIP CON-**
 14 **STRUCTION CONTRACTS.**

15 (a) IN GENERAL.—Subpart B of part IV of sub-
 16 chapter A of chapter 1 of the Internal Revenue Code of
 17 1986 (relating to foreign tax credit, etc.) is amended by
 18 adding at the end the following new section:

19 **“SEC. 30B. CRUISE SHIP CONSTRUCTION CREDIT.**

20 “(a) ALLOWANCE OF CREDIT.—In the case of an eli-
 21 gible taxpayer, there shall be allowed a credit against the
 22 tax imposed by this chapter for the taxable year an
 23 amount equal the portion of such tax which is attributable
 24 to taxable income from any construction contract de-
 25 scribed in subsection (c).

1 “(b) ELIGIBLE TAXPAYER.—For purposes of sub-
 2 section (a), an eligible taxpayer is a resident of the United
 3 States, or a corporation organized in the United States,
 4 whose average annual gross receipts for the 3 taxable
 5 years preceding the taxable year in which such construc-
 6 tion contract is entered into are not less than
 7 \$30,000,000.

8 “(c) CONSTRUCTION CONTRACT.—A construction
 9 contract described in this subsection is a contract—

10 “(1) for the construction of a cruise ship,

11 “(2) entered into by the taxpayer, and

12 “(3) for which the taxpayer estimates (at the
 13 time such contract is entered into) that the ship con-
 14 struction under the contract will be completed within
 15 a 2-year period beginning on the contract com-
 16 mencement date.

17 “(d) CRUISE SHIP.—For purposes of this section, the
 18 term ‘cruise ship’ means a seagoing passenger vessel of
 19 at least 20,000 gross tons that provides a full range of
 20 overnight accommodations, entertainment, dining, and
 21 other services for its passengers.

22 “(e) LIMITATION BASED ON AMOUNT OF TAX.—The
 23 aggregate amount of the credit allowed under subsection
 24 (a) shall not exceed—

1 “(1) the sum of the taxpayer’s regular tax li-
 2 ability and the tax imposed by section 55 for the
 3 taxable year, reduced by

4 “(2) the sum of the credits allowable under sub-
 5 parts A, B (other than this section), and D.”.

6 (b) CONFORMING AMENDMENT.—The table of sec-
 7 tions for subpart B of part IV of subchapter A of chapter
 8 1 of the Internal Revenue Code of 1986 is amended by
 9 inserting after the item relating to section 30A the fol-
 10 lowing new item:

“Sec. 30B. Cruise ship construction credit.”.

11 (c) EFFECTIVE DATE.—The amendment made by
 12 this section shall apply to taxable years beginning after
 13 December 31, 2001.

14 **SEC. 104. ACCELERATED DEPRECIATION.**

15 (a) IN GENERAL.—Section 168(e)(3)(C) of the Inter-
 16 nal Revenue Code of 1986 (relating to classification of cer-
 17 tain property) is amended by redesignating clause (ii) as
 18 clause (iii) and inserting after clause (i) the following new
 19 clause:

20 “(ii) a cruise ship (as defined in sec-
 21 tion 30B), and”.

22 (b) EFFECTIVE DATE.—The amendment made by
 23 this section shall apply to property placed in service after
 24 December 31, 2001.

1 **SEC. 105. DEDUCTION FOR CERTAIN BUSINESS EXPENSES**
 2 **ON CRUISE SHIPS.**

3 (a) DEDUCTION ALLOWED.—

4 (1) CONVENTIONS ON CRUISE SHIPS.—Section
 5 274(h) of the Internal Revenue Code of 1986 (relat-
 6 ing to conventions on cruise ships) is amended—

7 (A) in paragraph (2), by striking “meets
 8 the requirements of paragraph (5)” and all that
 9 follows and inserting “establishes that the
 10 meeting is directly related to the active conduct
 11 of the individual’s trade or business and that
 12 the cruise ship is—

13 “(A) a United States-built vessel registered
 14 in the United States, or

15 “(B) a foreign-built vessel registered in the
 16 United States under section 8109 of Public
 17 Law 105–56 or title III of the All American
 18 Cruise Act of 2001.”, and

19 (B) by striking paragraph (5) and by re-
 20 designating paragraphs (6) and (7) as para-
 21 graphs (5) and (6), respectively.

22 (2) LUXURY WATER TRAVEL.—Section 274(m)
 23 of such Code (relating to additional limitations on
 24 travel expenses) is amended by striking paragraph
 25 (1) and redesignating paragraphs (2) and (3) as
 26 paragraphs (1) and (2), respectively.

1 (b) CONFORMING AMENDMENTS.—

2 (1) Section 927(e)(3)(A) of the Internal Rev-
 3 enue Code of 1986 is amended by striking “section
 4 274(h)(6)(C)” and inserting “section 274(h)(5)(C)”.

5 (2) Section 936(d)(4)(B) of such Code is
 6 amended by striking “section 274(h)(6)(A)” and in-
 7 serting “section 274(h)(5)(A)”.

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

11 **SEC. 106. CREDIT FOR USE OF CLEAN-BURNING GAS EN-**
 12 **GINES.**

13 (a) IN GENERAL.—Subpart B of part IV of sub-
 14 chapter A of chapter 1 of the Internal Revenue Code of
 15 1986 (relating to foreign tax credit, etc.), as amended by
 16 section 103, is amended by adding at the end the following
 17 new section:

18 **“SEC. 30C. CREDIT FOR USE OF CLEAN-BURNING ENGINES.**

19 “(a) ALLOWANCE OF CREDIT.—There shall be al-
 20 lowed as a credit against the tax imposed by this chapter
 21 for the taxable year an amount equal to 20 percent of the
 22 amount paid or incurred by the taxpayer for the taxable
 23 year with respect to fuel consumed by clean-burning en-
 24 gines of an eligible cruise ship.

25 “(b) DEFINITIONS.—For purposes of this section—

1 “(1) CLEAN-BURNING ENGINE.—The term
 2 ‘clean-burning engine’ means a gas turbine engine,
 3 manufactured in the United States or a possession
 4 of the United States, that burns 100 percent dis-
 5 tillate fuel with less than 1.5 percent sulfur.

6 “(2) CRUISE SHIP.—The term ‘cruise ship’ has
 7 the meaning given the same term in section 30B.

8 “(3) ELIGIBLE CRUISE SHIP.—The term ‘eligi-
 9 ble cruise ship’ means a cruise ship which is—

10 “(A) built in the United States, and

11 “(B) documented under the laws of the
 12 United States.

13 “(c) APPLICATION WITH OTHER CREDITS.—The
 14 credit allowed under subsection (a) for any taxable year
 15 shall not exceed the excess (if any) of—

16 “(1) the regular tax for the taxable year re-
 17 duced by the sum of the credits allowable under sub-
 18 part A and sections 27, 29, 30, and 30A, over

19 “(2) the tentative minimum tax for the taxable
 20 year.”.

21 (b) CLERICAL AMENDMENT.—The table of sections
 22 for subpart B of part IV of subchapter A of chapter 1
 23 of the Internal Revenue Code of 1986, as amended by sec-
 24 tion 103, is amended by adding at the end the following
 25 new item:

 “Sec. 30C. Credit for use of clean-burning engines.”.

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

4 **TITLE II—CAPITAL CONSTRU-**
 5 **CTION FUNDS FOR PASSENGER**
 6 **VESSEL CONSTRUCTION**

7 **SEC. 201. AMENDMENTS TO MERCHANT MARINE ACT, 1936.**

8 (a) CHANGES IN VESSELS TO WHICH CAPITAL CON-
 9 STRUCTION FUNDS APPLY.—

10 (1) INCLUSION OF PASSENGER VESSELS.—The
 11 second sentence of subsection (a) of section 607 of
 12 the Merchant Marine Act, 1936 (46 U.S.C. App.
 13 1178) is amended by striking “for operation in the
 14 United States foreign, Great Lakes, or noncontig-
 15 uous domestic trade or in the fisheries of the United
 16 States” and inserting “for operation in the fisheries
 17 of the United States or in the United States foreign,
 18 Great Lakes, or noncontiguous domestic trade, or
 19 for operation as a passenger vessel in the oceangoing
 20 domestic trade,”.

21 (2) DEFINITION OF ELIGIBLE VESSEL.—Para-
 22 graph (1) of section 607(k) of such Act is amended
 23 to read as follows:

24 “(1) The term ‘eligible vessel’ means any ves-
 25 sel—

1 “(A) constructed in the United States and,
2 if reconstructed, reconstructed in the United
3 States,

4 “(B) documented under the laws of the
5 United States, and

6 “(C) operated in the foreign or domestic
7 commerce of the United States or in the fish-
8 eries of the United States.

9 A foreign-built passenger vessel temporarily docu-
10 mented with a coastwise trade endorsement under
11 section 8109 of Public Law 105–56 or title III of
12 the All American Cruise Act of 2001 shall be treated
13 as satisfying the requirements of subparagraph (A)
14 of this paragraph.”.

15 (3) DEFINITION OF QUALIFIED VESSEL.—Para-
16 graph (2)(C) of section 607(k) of such Act is
17 amended to read as follows:

18 “(C) which the person maintaining the
19 fund agrees with the Secretary will be operated
20 in the fisheries of the United States, in the
21 United States foreign, Great Lakes, or non-
22 contiguous domestic trade, or (only in the case
23 of a passenger vessel) in the oceangoing domes-
24 tic trade.”.

1 (4) ADDITIONAL DEFINITIONS.—Subsection (k)
 2 of section 607 of such Act is amended by adding at
 3 the end the following new paragraphs:

4 “(10) The terms ‘foreign commerce’ and ‘for-
 5 eign trade’ have the meanings given such terms in
 6 section 905 of this Act, except that in the case of
 7 a passenger vessel, these terms shall include com-
 8 merce or trade between foreign ports.

9 “(11) The term ‘passenger vessel’ means a sea-
 10 going passenger vessel of at least 20,000 gross tons
 11 that provides a full range of overnight accommoda-
 12 tions, entertainment, dining, and other services for
 13 its passengers.

14 “(12) The term ‘oceangoing domestic trade’
 15 means—

16 “(A) the operation of a passenger vessel on
 17 a coastwise voyage between points in the United
 18 States, or

19 “(B) the operation of a passenger vessel on
 20 a voyage to transport passengers to the high
 21 seas beginning at a point in the United States
 22 and returning to the same point without stop-
 23 ping at any other point.”.

24 (b) TREATMENT OF CERTAIN LEASE PAYMENTS.—

1 (1) QUALIFIED WITHDRAWAL.—Paragraph (1)
 2 of section 607(f) of such Act is amended by striking
 3 “or” at the end of subparagraph (B), by striking the
 4 period at the end of subparagraph (C) and inserting
 5 “, or”, and by inserting after subparagraph (C) the
 6 following new subparagraph:

7 “(D) the payment of amounts which re-
 8 duce the principal amount (as determined under
 9 regulations promulgated by the Secretary) of a
 10 qualified lease of a qualified vessel or container
 11 which is part of the complement of an eligible
 12 vessel.”.

13 (2) TAX TREATMENT.—Paragraph (4) of sec-
 14 tion 607(g) of such Act is amended by inserting “or
 15 to reduce the principal amount of any qualified
 16 lease” after “indebtedness”.

17 (3) DEFINITION OF QUALIFIED LEASE.—Sub-
 18 section (k) of section 607 of such Act, as amended
 19 by subsection (a)(4), is amended by adding at the
 20 end the following new paragraph:

21 “(13) The term ‘qualified lease’ means any
 22 lease with a term of at least 5 years.”.

23 (c) AUTHORITY TO MAKE DEPOSITS FOR PRIOR
 24 YEARS BASED ON AUDIT ADJUSTMENTS.—Subsection (b)

1 of section 607 of such Act is amended by adding at the
 2 end the following new paragraph:

3 “(4) To the extent permitted by joint regula-
 4 tions, deposits may be made in excess of the limita-
 5 tion described in paragraph (1) (and any limitation
 6 specified in the agreement) for the taxable year if,
 7 by reason of a change in taxable income for a prior
 8 taxable year that has become final pursuant to a
 9 closing agreement or other similar agreement en-
 10 tered into during the taxable year, the amount of the
 11 deposit could have been made for such prior taxable
 12 year.”.

13 (d) TREATMENT OF CAPITAL GAINS AND LOSSES.—

14 (1) CAPITAL GAIN ACCOUNT.—Paragraph (3) of
 15 section 607(e) of such Act is amended to read as fol-
 16 lows:

17 “(3) The capital gain account shall consist of—

18 “(A) amounts representing long-term cap-
 19 ital gains (as defined in section 1222 of such
 20 Code) on assets referred to in subsection
 21 (b)(1)(C), reduced by

22 “(B) amounts representing long-term cap-
 23 ital losses (as defined in such section) on assets
 24 held in the fund.”.

1 (2) ORDINARY INCOME ACCOUNT.—Subpara-
 2 graph (B) of section 607(e)(4) of such Act is
 3 amended to read as follows:

4 “ (B)(i) amounts representing short-term capital
 5 gains (as defined in section 1222 of such Code) on
 6 assets referred to in subsection (b)(1)(C), reduced
 7 by

8 “ (ii) amounts representing short-term capital
 9 losses (as defined in such section) on assets held in
 10 the fund,”.

11 (3) TAX TREATMENT.—Subparagraph (B) of
 12 section 607(h)(3) of such Act is amended by striking
 13 “gain” and all that follows and inserting “long-term
 14 capital gain (as defined in section 1222 of such
 15 Code), and”.

16 (4) RATE OF TAX.—The last sentence of sub-
 17 paragraph (A) of section 607(h)(6) of such Act is
 18 amended by striking “20 percent (34 percent in the
 19 case of a corporation)” and inserting “the rate ap-
 20 plicable to net capital gain under section 1(h) or
 21 1201(a) of such Code, as the case may be”.

22 (e) COMPUTATION OF INTEREST WITH RESPECT TO
 23 NONQUALIFIED WITHDRAWALS.—

24 (1) INTEREST.—Subparagraph (C) of section
 25 607(h)(3) of such Act is amended—

1 (A) by striking clause (i) and inserting the
 2 following new clause:

3 “(i) no addition to the tax shall be
 4 payable under section 6651 of such
 5 Code,” and

6 (B) in clause (ii), by striking “paid at the
 7 applicable rate (as defined in paragraph (4))”
 8 and inserting “paid in accordance with section
 9 6601 of such Code”.

10 (2) CONFORMING AMENDMENTS.—

11 (A) Subsection (h) of section 607 of such
 12 Act is amended by striking paragraph (4) and
 13 by redesignating paragraphs (5) and (6) as
 14 paragraphs (4) and (5), respectively.

15 (B) Subparagraph (A) of section 607(h)(5)
 16 of such Act, as redesignated by subparagraph
 17 (A), is amended by striking “paragraph (5)”
 18 and inserting “paragraph (4)”.

19 (f) OTHER CHANGES.—

20 (1) TECHNICAL AMENDMENT.—Section 607 of
 21 such Act is amended by striking “the Internal Rev-
 22 enue Code of 1954” each place it appears and in-
 23 serting “the Internal Revenue Code of 1986”.

24 (2) INCOME-PRODUCING ASSETS.—Subsection
 25 (c) of section 607 of such Act is amended by strik-

1 ing “interest-bearing securities approved by the Sec-
 2 retary” and inserting “interest-bearing securities
 3 and other income-producing assets (including ac-
 4 counts receivable) approved by the Secretary”.

5 **SEC. 202. AMENDMENTS OF INTERNAL REVENUE CODE OF**
 6 **1986.**

7 (a) TREATMENT OF CERTAIN LEASE PAYMENTS.—

8 (1) QUALIFIED WITHDRAWAL.—Paragraph (1)
 9 of section 7518(e) of the Internal Revenue Code of
 10 1986 (relating to purposes of qualified withdrawals)
 11 is amended by striking “or” at the end of subpara-
 12 graph (B), by striking the period at the end of sub-
 13 paragraph (C) and inserting “, or”, and by inserting
 14 after subparagraph (C) the following new subpara-
 15 graph:

16 “(D) the payment of amounts which re-
 17 duce the principal amount (as determined under
 18 regulations) of a qualified lease of a qualified
 19 vessel.”.

20 (2) TAX TREATMENT.—Paragraph (4) of sec-
 21 tion 7518(f) of such Code (relating to adjustment to
 22 basis of vessels, etc., where withdrawals pay prin-
 23 cipal on debt) is amended by inserting “or to reduce
 24 the principal amount of any qualified lease” after
 25 “indebtedness”.

1 (b) AUTHORITY TO MAKE DEPOSITS FOR PRIOR
 2 YEARS BASED ON AUDIT ADJUSTMENTS.—Subsection (a)
 3 of section 7518 of the Internal Revenue Code of 1986 (re-
 4 lating to ceiling on deposits) is amended by adding at the
 5 end the following new paragraph:

6 “(4) AUTHORITY TO MAKE DEPOSITS FOR
 7 PRIOR YEARS BASED ON AUDIT ADJUSTMENTS.—To
 8 the extent permitted by joint regulations, deposits
 9 may be made in excess of the limitations described
 10 in paragraph (1) (and any limitation specified in the
 11 agreement) for the taxable year if, by reason of a
 12 change in taxable income for a prior taxable year
 13 that has become final pursuant to a closing agree-
 14 ment or other similar agreement entered into during
 15 the taxable year, the amount of the deposit could
 16 have been made for such prior taxable year.”.

17 (c) TREATMENT OF CAPITAL GAINS AND LOSSES.—

18 (1) CAPITAL GAIN ACCOUNT.—Paragraph (3) of
 19 section 7518(d) of the Internal Revenue Code of
 20 1986 (relating to establishment of accounts) is
 21 amended to read as follows:

22 “(3) CAPITAL GAIN ACCOUNT.—The capital
 23 gain account shall consist of—

1 “(A) amount representing long-term cap-
 2 ital gains (as defined in section 1222) on assets
 3 referred to in subsection (a)(1)(C), reduced by

4 “(B) amounts representing long-term cap-
 5 ital losses (as defined in such section) on assets
 6 held in the fund.”.

7 (2) ORDINARY INCOME ACCOUNT.—Subpara-
 8 graph (B) of section 7518(d)(4) of such Code (relat-
 9 ing to ordinary income account) is amended to read
 10 as follows:

11 “(B)(i) amounts representing short-term
 12 capital gains (as defined in section 1222) on as-
 13 sets referred to in subsection (a)(1)(C), reduced
 14 by

15 “(ii) amounts representing short-term cap-
 16 ital losses (as defined in such section) on assets
 17 held in the fund,”.

18 (3) TAX TREATMENT.—Subparagraph (B) of
 19 section 7518(g)(3) of such Code (relating to oper-
 20 ating rules) is amended by striking “gain” and all
 21 that follows and inserting “long-term capital gain
 22 (as defined in section 1222), and”.

23 (4) RATE OF TAX.—The last sentence of sub-
 24 paragraph (A) of section 7518(g)(6) of such Code
 25 (relating to nonqualified withdrawals taxed at high-

1 est marginal rate) is amended by striking “20 per-
 2 cent (34 percent in the case of a corporation)” and
 3 inserting “the rate applicable to net capital gain
 4 under such section 1(h) or 1201(a), as the case may
 5 be”.

6 (d) COMPUTATION OF INTEREST WITH RESPECT TO
 7 NONQUALIFIED WITHDRAWALS.—

8 (1) INTEREST.—Subparagraph (C) of section
 9 7518(g)(3) of the Internal Revenue Code of 1986
 10 (relating to operating rules) is amended—

11 (A) by striking clause (i) and inserting the
 12 following new clause:

13 “(i) no addition to the tax shall be
 14 payable under section 6651,” and

15 (B) in clause (ii), by striking “paid as the
 16 applicable rate (as defined in paragraph (4))”
 17 and inserting “paid in accordance with section
 18 6601”.

19 (2) CONFORMING AMENDMENTS.—

20 (A) Subsection (g) of section 7518 of such
 21 Code is amended by striking paragraph (4) and
 22 by redesignating paragraphs (5) and (6) as
 23 paragraphs (4) and (5), respectively.

24 (B) Subparagraph (A) of section
 25 7518(g)(5) of such Code, as redesignated by

1 subparagraph (A), is amended by striking
 2 “paragraph (5)” and inserting “paragraph
 3 (4)”.

4 (e) OTHER CHANGES.—

5 (1) INCOME-PRODUCING ASSETS.—Paragraph
 6 (2) of section 7518(b) of the Internal Revenue Code
 7 of 1986 (relating to requirements as to investments)
 8 is amended by striking “interest-bearing securities
 9 approved by the Secretary” and inserting “interest-
 10 bearing securities and other income-producing assets
 11 (including amounts receivable) approved by the Sec-
 12 retary”.

13 (2) Paragraph (1) of section 7518(e) of such
 14 Code is amended by striking the last sentence.

15 (3) Subsection (i) of section 7518 of such Code
 16 (relating to definitions) is amended by striking “en-
 17 actment of this section” and inserting “enactment of
 18 the All American Cruise Act of 2001”.

19 (4) Subparagraph (B) of section 543(a)(1) of
 20 such Code is amended to read as follows:

21 “(B) interest on amounts set aside in a
 22 capital construction fund under section 607 of
 23 the Merchant Marine Act, 1936 (46 App.
 24 U.S.C. 1178), or in a construction reserve fund

1 under section 511 of such Act (46 App. U.S.C.
2 1161).”

3 (5) Subsection (c) of section 56 of such Code
4 is amended by striking paragraph (2) and by redesh-
5 ignating paragraph (3) as paragraph (2).

6 **SEC. 203. EFFECTIVE DATE.**

7 (a) IN GENERAL.—Except as otherwise provided in
8 this section, the amendments made by this title shall apply
9 to taxable years beginning after the date of the enactment
10 of this Act.

11 (b) CHANGES IN COMPUTATION OF INTEREST.—The
12 amendments made by sections 201(e) and 202(d) shall
13 apply to withdrawals made after December 31, 2001, in-
14 cluding for purposes of computing interest on such a with-
15 drawal for periods on or before such date.

16 (c) QUALIFIED LEASES.—The amendments made by
17 sections 201(b) and 202(a) shall apply to leases in effect
18 on, or entered into after, December 31, 2001.

○