

105TH CONGRESS
1ST SESSION

H. R. 515

To eliminate corporate welfare.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 4, 1997

Mr. ANDREWS introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Commerce, Resources, Agriculture, Transportation and Infrastructure, and the Budget, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To eliminate corporate welfare.

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; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Corporate Welfare Elimination Act of 1997”.

6 (b) TABLE OF CONTENTS.—

Sec. 1. Short title; table of contents.

TITLE I—TAX REFORM

Sec. 101. Short title; references to Internal Revenue Code of 1986.

Sec. 102. Repeal of expensing of intangible drilling and development costs and
of mining exploration and development costs.

Sec. 103. Termination of credit for producing fuel from nonconventional source.

- Sec. 104. Repeal of percentage depletion.
- Sec. 105. Repeal of tax benefits for alcohol fuels.
- Sec. 106. Repeal of enhanced oil recovery credit.
- Sec. 107. Repeal of credit and deduction for electric vehicles, clean-fuel vehicles,
and certain refueling property.
- Sec. 108. Repeal of deduction for tertiary injectants.
- Sec. 109. Repeal of rehabilitation credit for nonhistoric structures; reduction of
rehabilitation credit for certified historic structures.
- Sec. 110. Repeal of treatment of blue cross and blue shield organizations, etc.
- Sec. 111. Repeal of small life insurance company deduction.
- Sec. 112. Repeal of alternative tax on small property and casualty insurance
companies.
- Sec. 113. Cash accounting and expensing for agriculture.
- Sec. 114. Repeal of exclusion for cancellation of qualified farm indebtedness.
- Sec. 115. Repeal of exclusion for certain cost-sharing payments.
- Sec. 116. Reduction of expensing of timber-growing costs.
- Sec. 117. Repeal of reforestation credit.
- Sec. 118. Repeal of rapid amortization of reforestation expenditures.
- Sec. 119. Termination of exclusion of certain income of citizens or residents of
United States living abroad.
- Sec. 120. Repeal of exclusion for income of foreign sales corporations.
- Sec. 121. Repeal of deferral of income of controlled foreign corporations.
- Sec. 122. Repeal of deferral of tax under merchant marine capital constructions
funds.
- Sec. 123. Repeal of special treatment for magazine circulation expenditures.
- Sec. 124. Repeal of special treatment for returns of magazines, paperbacks,
and records.
- Sec. 125. Repeal of exclusion for interest on State and local bonds.

TITLE II—NATURAL RESOURCES

- Sec. 201. Public Resources Deficit Reduction Act of 1997.

Subtitle A—General Provisions

- Sec. 211. Fair market value for resource disposal.
- Sec. 212. Fees from program beneficiaries.
- Sec. 213. Revenues from sale, lease, and transfer of assets.

Subtitle B—Revenue From Mining Claims

- Sec. 221. Definitions.
- Sec. 222. Mining claim maintenance requirements.
- Sec. 223. Royalty.
- Sec. 224. Severance tax.
- Sec. 225. Fund for abandoned locatable minerals mine reclamation.
- Sec. 226. Limitation on patent issuance.
- Sec. 227. Purchasing power adjustment.
- Sec. 228. Savings clause.
- Sec. 229. Effective date.

Subtitle C—Use or Disposal of Federal Natural Resources

- Sec. 241. Annual domestic livestock grazing fee.
- Sec. 242. Elimination of below-cost sales of timber from National Forest Sys-
tem lands.
- Sec. 243. Timberland suitability.

- Sec. 244. Reduction in maximum amount of payments under agricultural assistance programs to reflect receipt of Federal irrigation water.
- Sec. 245. Elimination of off budget expenditures.
- Sec. 246. Deposit of Taylor Grazing Act receipts in Treasury.
- Sec. 247. Repeal of livestock feed assistance program.
- Sec. 248. Oil and gas rentals.
- Sec. 249. Communication permits.

Subtitle D—National Park Concessions

- Sec. 251. Findings and policy.
- Sec. 252. Definitions.
- Sec. 253. Repeal of National Park Service Concessions Policy Act of 1965.
- Sec. 254. Use of concession contracts to provide services to park visitors.
- Sec. 255. Other authorities to provide services to park visitors.
- Sec. 256. Competitive selection process for concession contracts.
- Sec. 257. Preferential right of renewal of concession contracts.
- Sec. 258. Franchise fees.
- Sec. 259. Use of franchise fees.
- Sec. 260. Park Improvement Funds.
- Sec. 261. Duration of concession contracts.
- Sec. 262. Transfer of concession contracts.
- Sec. 263. Protection of concessioner investment.
- Sec. 264. Rates and charges to public.
- Sec. 265. Concessioner performance evaluation.
- Sec. 266. Recordkeeping requirements.
- Sec. 267. Exemption from certain lease requirements.
- Sec. 268. No effect on ANILCA provisions.
- Sec. 269. Implementation.
- Sec. 270. Authorization of appropriations.

1 **TITLE I—TAX REFORM**

2 **SEC. 101. SHORT TITLE; REFERENCES TO INTERNAL REVE-** 3 **NUE CODE OF 1986.**

4 (a) **SHORT TITLE.**—This title may be cited as the
5 “Termination of Energy and Natural Resource Tax Sub-
6 sidies Act of 1997”.

7 (b) **REFERENCES TO INTERNAL REVENUE CODE OF**
8 1986.—Except as otherwise expressly provided, whenever
9 in this title an amendment or repeal is expressed in terms
10 of an amendment to, or repeal of, a section or other provi-
11 sion, the reference shall be considered to be made to a

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

3 **SEC. 102. REPEAL OF EXPENSING OF INTANGIBLE DRILL-**
4 **ING AND DEVELOPMENT COSTS AND OF MIN-**
5 **ING EXPLORATION AND DEVELOPMENT**
6 **COSTS.**

7 (a) INTANGIBLE DRILLING AND DEVELOPMENT
8 COSTS.—Section 263(c) is hereby repealed.

9 (b) DEVELOPMENT EXPENDITURES.—Section 616
10 (relating to development expenditures) is hereby repealed.

11 (c) EXPLORATION EXPENDITURES.—Subsection (i)
12 of section 617 is amended to read as follows:

13 “(i) TERMINATION.—No deduction shall be allowed
14 under this section for any expenditure paid or incurred
15 in a taxable year beginning after the date of the enactment
16 of this subsection.”

17 (d) CONFORMING AMENDMENTS.—

18 (1) Paragraph (2) of section 56(a) is hereby re-
19 pealed.

20 (2) Subsection (a) of section 57 is amended by
21 striking paragraph (2).

22 (3) Paragraph (2) of section 59(e) is amended
23 by adding “and” at the end of subparagraph (A), by
24 striking the comma at the end of subparagraph (B)

1 and inserting a period, and by striking subpara-
2 graphs (C), (D), and (E).

3 (4) Subparagraph (A) of section 59(e)(5) is
4 amended by inserting before the period “, as in ef-
5 fect before the Termination of Energy and Natural
6 Resource Tax Subsidies Act of 1997”.

7 (5) Subsection (c) of section 193 is amended to
8 read as follows:

9 “(c) APPLICATION WITH OTHER DEDUCTIONS.—No
10 deduction shall be allowed under subsection (a) with re-
11 spect to any expenditure with respect to which a deduction
12 is allowed or allowable to the taxpayer under any other
13 provision of this chapter.”

14 (6) Paragraph (1) of section 263(a) is amended
15 by striking subparagraph (A) and by redesignating
16 the succeeding subparagraphs accordingly.

17 (7) Section 263 is amended by striking sub-
18 section (i).

19 (8) Subsection (c) of section 263A is amended
20 by striking paragraph (3) and by redesignating the
21 succeeding paragraphs accordingly.

22 (9) Paragraph (5) of section 263A(c), as redес-
23 igned by paragraph (8), is amended by striking
24 “subparagraphs (B), (C), (D), and (E)” and insert-
25 ing “subparagraph (B)”.

1 (10) Section 291 is amended by striking sub-
2 section (b).

3 (11) Subsection (n) of section 312 is amended
4 by striking paragraph (2).

5 (12) Paragraph (1) of section 1254(a) is
6 amended—

7 (A) by inserting “(as in effect before the
8 Termination of Energy and Natural Resource
9 Tax Subsidies Act of 1997)” after “617” in
10 subparagraph (A)(i), and

11 (B) by adding at the end the following:
12 “For purposes of clause (i), any deduction
13 under section 291(b)(2) (as in effect before the
14 Termination of Energy and Natural Resource
15 Tax Subsidies Act of 1997) shall be treated as
16 a deduction allowable under section 263, 616,
17 or 617 (whichever is appropriate).”

18 (c) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to amounts paid or incurred in tax-
20 able years beginning after the date of the enactment of
21 this Act.

22 **SEC. 103. TERMINATION OF CREDIT FOR PRODUCING FUEL**
23 **FROM NONCONVENTIONAL SOURCE.**

24 Section 29 is amended by adding at the end the fol-
25 lowing new subsection:

1 “(h) TERMINATION.—Notwithstanding any other
 2 provision of this section, no credit shall be allowed under
 3 this section with respect to any qualified fuels produced
 4 by a facility placed in service after December 31, 1997.”

5 **SEC. 104. REPEAL OF PERCENTAGE DEPLETION.**

6 (a) IN GENERAL.—Section 613 (relating to limita-
 7 tions on percentage depletion in case of oil and gas wells)
 8 is amended by adding at the end the following new sub-
 9 section:

10 “(f) TERMINATION.—The allowance under section
 11 611 shall be determined without regard to this section for
 12 taxable years beginning after the date of the enactment
 13 of this subsection.”

14 (b) TERMINATION OF SECTION 613A.—Section 613A
 15 is amended by adding at the end the following new sub-
 16 section:

17 “(f) TERMINATION.—The allowance under section
 18 611 shall be determined without regard to this section for
 19 taxable years beginning after the date of the enactment
 20 of this subsection.”

21 **SEC. 105. REPEAL OF TAX BENEFITS FOR ALCOHOL FUELS.**

22 (a) REPEAL OF ALCOHOL FUELS CREDIT.—

23 (1) IN GENERAL.—Section 40 (relating to alco-
 24 hol used as fuel) is hereby repealed.

25 (2) CONFORMING AMENDMENTS.—

1 (A) Subsection (b) of section 38 is amend-
 2 ed by striking paragraph (3) and by redesignat-
 3 ing the following paragraphs accordingly.

4 (B) Section 87 is hereby repealed.

5 (C) Subsection (c) of section 196 is
 6 amended by striking paragraph (3) and by re-
 7 designating the following paragraphs accord-
 8 ingly.

9 (D) Subsection (n) of section 6501 is
 10 amended by striking “40(f)”.

11 (E) The table of sections for subpart D of
 12 part IV of subchapter A of chapter 1 is amend-
 13 ed by striking the item relating to section 40.

14 (F) The table of sections for part II of
 15 subchapter B of chapter 1 is amended by strik-
 16 ing the item relating to section 87.

17 (3) EFFECTIVE DATE.—The amendments made
 18 by this subsection shall apply to taxable years begin-
 19 ning after the date of the enactment of this Act.

20 (b) REPEAL OF REDUCED FUEL TAX RATES.—

21 (1) GASOLINE AND DIESEL FUEL.—Section
 22 4081 is amended by striking subsection (c) and by
 23 redesignating subsections (d) and (e) as subsections
 24 (c) and (d), respectively.

1 (2) AVIATION FUEL.—Section 4091 is amended
2 by striking subsection (c).

3 (3) SPECIAL MOTOR FUELS.—

4 (A) Section 4041 is amended by striking
5 subsections (k) and (m).

6 (B) Subsection (b) of section 4041 is
7 amended by striking paragraph (2).

8 (4) CONFORMING AMENDMENTS.—

9 (A) Section 6427 is amended by striking
10 subsection (f).

11 (B) Subsection (i) of section 6427 is
12 amended by striking paragraph (3) and by re-
13 designating paragraphs (4) and (5) as para-
14 graphs (3) and (4), respectively.

15 (C) Paragraph (4) of section 6427(i), as
16 redesignated by subparagraph (B), is amended
17 by striking the last sentence of subparagraph
18 (A) and inserting the following new flush sen-
19 tence:

20 “Notwithstanding subsection (l)(1), if the Sec-
21 retary has not paid pursuant to a claim filed
22 under the preceding sentence within 20 days of
23 the date of the filing of such claim, the claim

1 shall be paid with interest from such date de-
2 termined by using the overpayment rate and
3 method under section 6621.”

4 (D) Section 9502 is amended by striking
5 subsection (e).

6 (E) Subsection (f) of section 9502 is
7 amended by striking paragraph (2) and by re-
8 designating paragraph (3) as paragraph (2).

9 (F) Subsection (b) of section 9503 is
10 amended by striking paragraph (5).

11 (G) Subsection (f) of section 9503 is
12 amended by striking paragraph (3) and by re-
13 designating paragraph (4) as paragraph (3).

14 (5) EFFECTIVE DATE.—The amendments made
15 by this subsection shall take effect on the date of the
16 enactment of this Act.

17 **SEC. 106. REPEAL OF ENHANCED OIL RECOVERY CREDIT.**

18 (a) IN GENERAL.—Section 43 is hereby repealed.

19 (b) CONFORMING AMENDMENTS.—

20 (1) Subsection (b) of section 38 is amended by
21 striking paragraph (5), as redesignated by section
22 105, and by redesignating the succeeding para-
23 graphs accordingly.

1 (2) The table of sections for subpart D of part
2 IV of subchapter A of chapter 1 is amended by
3 striking the item relating to section 43.

4 (c) EFFECTIVE DATE.—The amendments made by
5 this section shall apply to taxable years beginning after
6 December 31, 1997.

7 **SEC. 107. REPEAL OF CREDIT AND DEDUCTION FOR ELEC-**
8 **TRIC VEHICLES, CLEAN-FUEL VEHICLES, AND**
9 **CERTAIN REFUELING PROPERTY.**

10 (a) REPEAL OF CREDIT FOR QUALIFIED ELECTRIC
11 VEHICLES.—Section 30 is hereby repealed.

12 (b) REPEAL OF DEDUCTION FOR CLEAN-FUEL VEHI-
13 CLES AND CERTAIN REFUELING PROPERTY.—Section
14 179A is hereby repealed.

15 (c) CONFORMING AMENDMENTS.—

16 (1) Paragraph (24) of section 1016(a) is
17 amended by inserting “(as in effect on the day be-
18 fore the date of the enactment of the Corporate Wel-
19 fare Elimination Act of 1997)” after “section
20 179A(e)(6)(A)”.

21 (2) Paragraph (25) of section 1016(a) is
22 amended by inserting “(as in effect on the day be-
23 fore the date of the enactment of the Corporate Wel-
24 fare Elimination Act of 1997)” after “section
25 30(d)(1)”.

1 (3) The table of sections for subpart B of part
2 IV of subchapter A of chapter 1 is amended by
3 striking the item relating to section 30.

4 (4) The table of sections for part VI of sub-
5 chapter B of chapter 1 is amended by striking the
6 item relating to section 179A.

7 (d) EFFECTIVE DATE.—The amendments made by
8 this section shall apply to taxable years beginning after
9 December 31, 1997.

10 **SEC. 108. REPEAL OF DEDUCTION FOR TERTIARY**
11 **INJECTANTS.**

12 (a) IN GENERAL.—Section 193 (relating to tertiary
13 injectants) is hereby repealed.

14 (b) CLERICAL AMENDMENT.—The table of sections
15 for part VI of subchapter B of chapter 1 is amended by
16 striking the item relating to section 193.

17 (c) EFFECTIVE DATE.—The amendments made by
18 this section shall apply to taxable years beginning after
19 December 31, 1997.

20 **SEC. 109. REPEAL OF REHABILITATION CREDIT FOR NON-**
21 **HISTORIC STRUCTURES; REDUCTION OF RE-**
22 **HABILITATION CREDIT FOR CERTIFIED HIS-**
23 **TORIC STRUCTURES.**

24 (a) IN GENERAL.—Subsection (a) of section 47 is
25 amended to read as follows:

1 “(a) GENERAL RULE.—For purposes of section 46,
2 the rehabilitation credit for any taxable year is 15 percent
3 of the qualified rehabilitation expenditures with respect to
4 any certified historic structure.”

5 (b) CONFORMING AMENDMENTS.—

6 (1) Subparagraph (A) of section 47(c)(1) is
7 amended by adding “and” at the end of clause (ii),
8 by striking clause (iii) and by redesignating clause
9 (iv) as clause (iii).

10 (2) Paragraph (1) of section 47(c) is amended
11 by striking subparagraph (B) and by redesignating
12 subparagraphs (C) and (D) as subparagraphs (B)
13 and (C), respectively.

14 (c) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to property placed in service after
16 December 31, 1997.

17 **SEC. 110. REPEAL OF TREATMENT OF BLUE CROSS AND**
18 **BLUE SHIELD ORGANIZATIONS, ETC.**

19 (a) IN GENERAL.—Section 833 (relating to treat-
20 ment of Blue Cross and Blue Shield organizations, etc.)
21 is hereby repealed.

22 (b) CLERICAL AMENDMENT.—The table of sections
23 for part II of subchapter L of chapter 1 is amended by
24 striking the item relating to section 833.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 1997.

4 **SEC. 111. REPEAL OF SMALL LIFE INSURANCE COMPANY**
5 **DEDUCTION.**

6 (a) IN GENERAL.—Section 806 is hereby repealed.

7 (b) CONFORMING AMENDMENTS.—

8 (1) The text of section 804 is amended to read
9 as follows:

10 “For purposes of this part, the term ‘life insurance
11 deductions’ means the general deductions provided in sec-
12 tion 805.”

13 (2) Subparagraph (A) of section 815(c)(2) is
14 amended by adding “and” at the end of clause (i),
15 by striking clause (ii), and by redesignating clause
16 (iii) as clause (ii).

17 (3) Subparagraph (B) of section 453B(e)(2) is
18 amended by striking “(as defined in section
19 806(b)(3))”.

20 (4) Subsection (e) of section 453B is amended
21 by adding at the end the following new paragraph:

22 “(3) NONINSURANCE BUSINESS.—For purposes
23 of paragraph (2)—

1 “(A) IN GENERAL.—The term ‘noninsur-
 2 ance business’ means any activity which is not
 3 an insurance business.

4 “(B) CERTAIN ACTIVITIES TREATED AS IN-
 5 SURANCE BUSINESSES.—For purposes of sub-
 6 paragraph (A), any activity which is not an in-
 7 surance business shall be treated as an insur-
 8 ance business if—

9 “(i) it is of a type traditionally carried
 10 on by life insurance companies for invest-
 11 ment purposes, but only if the carrying on
 12 of such activity (other than in the case of
 13 real estate) does not constitute the active
 14 conduct of a trade or business, or

15 “(ii) it involves the performance of ad-
 16 ministrative services in connection with
 17 plans providing life insurance, pension, or
 18 accident and health benefits.”

19 (5) Subclause (II) of section 465(c)(7)(D)(v) is
 20 amended by striking “(within the meaning of section
 21 806(b)(3))” and inserting “(within the meaning of
 22 section 453B(e)(3))”.

23 (6) The table of sections for subpart C of part
 24 I of subchapter L of chapter 1 is amended by strik-
 25 ing the item relating to section 806.

1 (c) EFFECTIVE DATE.—The amendments made by
 2 this section shall apply to taxable years beginning after
 3 December 31, 1997.

4 **SEC. 112. REPEAL OF ALTERNATIVE TAX ON SMALL PROP-**
 5 **ERTY AND CASUALTY INSURANCE COMPA-**
 6 **NIES.**

7 (a) IN GENERAL.—Section 831 (relating to tax on
 8 insurance companies other than life insurance companies)
 9 is amended by striking subsection (b) and by redesignat-
 10 ing subsection (c) as subsection (b).

11 (b) CONFORMING AMENDMENTS.—

12 (1) Subparagraph (C) of section 501(c)(15) is
 13 amended to read as follows:

14 “(C) For purposes of subparagraph (B),
 15 the term ‘controlled group’ means any con-
 16 trolled group of corporations (as defined in sec-
 17 tion 1563(a)); except that—

18 “(i) ‘more than 50 percent’ shall be
 19 substituted for ‘at least 80 percent’ each
 20 place it appears in section 1563(a), and

21 “(ii) subsections (a)(4) and (b)(2)(D)
 22 of section 1563 shall not apply.”

23 (2) Sections 832(b)(7)(D)(ii) and 834(a) are
 24 each amended by inserting “(as in effect on the day

1 before the date of the enactment of the Corporate
 2 Welfare Elimination Act of 1997)” after “831(b)”.

3 (3) Sections 904(b)(3)(D) and 1201(a) are each
 4 amended by striking “831(a) or (b)” and inserting
 5 “831(a)”.

6 (c) EFFECTIVE DATE.—The amendments made by
 7 this section shall apply to taxable years beginning after
 8 December 31, 1997.

9 **SEC. 113. CASH ACCOUNTING AND EXPENSING FOR AGRI-**
 10 **CULTURE.**

11 (a) REPEAL OF PROVISIONS PERMITTING FARMING
 12 BUSINESSES TO USE CASH METHOD OF ACCOUNTING.—

13 (1) Section 447 is amended by striking sub-
 14 sections (g), (h), and (i).

15 (2) Subsection (b) of section 448 is amended by
 16 striking paragraph (1).

17 (b) REPEAL OF DEDUCTION FOR SOIL AND WATER
 18 CONSERVATION EXPENDITURES.—

19 (1) IN GENERAL.—Section 175 (relating to soil
 20 and water conservation expenditures) is hereby re-
 21 pealed.

22 (2) CLERICAL AMENDMENT.—The table of sec-
 23 tions for part VI of subchapter B of chapter 1 is
 24 amended by striking the item relating to section
 25 175.

1 (c) REPEAL OF DEDUCTION FOR EXPENDITURES BY
2 FARMERS FOR FERTILIZER, ETC.—

3 (1) IN GENERAL.—Section 180 (relating to ex-
4 penditures by farmers for fertilizer, etc) is hereby re-
5 pealed.

6 (2) CLERICAL AMENDMENT.—The table of sec-
7 tions for part VI of subchapter B of chapter 1 is
8 amended by striking the item relating to section
9 180.

10 (d) REPEAL OF CERTAIN EXCEPTIONS PERMITTING
11 CERTAIN FARM BUSINESS TO USE CASH METHOD OF AC-
12 COUNTING.—Section 447 (relating to method of account-
13 ing for corporations engaged in farming) is amended by
14 striking subsections (d)(2), (e), (g), (h), and (i).

15 (e) EFFECTIVE DATE.—The amendments made by
16 this section shall apply to taxable years beginning after
17 December 31, 1997.

18 **SEC. 114. REPEAL OF EXCLUSION FOR CANCELLATION OF**
19 **QUALIFIED FARM INDEBTEDNESS.**

20 (a) IN GENERAL.—Paragraph (1) of section 108(a)
21 is amended by inserting “or” at the end of subparagraph
22 (B), by striking subparagraph (C), and by redesignating
23 subparagraph (D) as subparagraph (C).

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall apply to taxable years beginning after
3 December 31, 1997.

4 **SEC. 115. REPEAL OF EXCLUSION FOR CERTAIN COST-**
5 **SHARING PAYMENTS.**

6 (a) IN GENERAL.—Section 126 (relating to certain
7 cost-sharing payments) is hereby repealed.

8 (b) CLERICAL AMENDMENT.—The table of sections
9 for part III of subchapter B of chapter 1 is amended by
10 striking the item relating to section 126.

11 (c) EFFECTIVE DATE.—The amendments made by
12 this section shall apply to taxable years beginning after
13 December 31, 1997.

14 **SEC. 116. REDUCTION OF EXPENSING OF TIMBER-GROWING**
15 **COSTS.**

16 (a) IN GENERAL.—Paragraph (5) of section 263A(c)
17 (relating to general exceptions) is amended by striking
18 “This section shall not apply to” and inserting “This sec-
19 tion shall not apply to $\frac{2}{3}$ of the costs described in sub-
20 section (a)(2) with respect to”.

21 (b) EFFECTIVE DATE.—The amendment made by
22 this section shall apply to taxable years beginning after
23 December 31, 1997.

1 **SEC. 117. REPEAL OF REFORESTATION CREDIT.**

2 (a) IN GENERAL.—Subsection (b) of section 48 is
3 hereby repealed.

4 (b) CONFORMING AMENDMENTS.—

5 (1) The heading of section 48 is amended to
6 read as follows:

7 **“SEC. 48. ENERGY CREDIT.”**

8 (2) The table of sections for subpart E of part
9 IV of subchapter A of chapter 1 is amended by
10 amending the item relating to section 48 to read as
11 follows:

“Sec. 48. Energy credit.”

12 (c) EFFECTIVE DATE.—The amendments made by
13 this section shall apply to taxable years beginning after
14 December 31, 1997.

15 **SEC. 118. REPEAL OF RAPID AMORTIZATION OF REFOREST-**
16 **ATION EXPENDITURES.**

17 (a) IN GENERAL.—Section 194 is hereby repealed.

18 (b) CONFORMING AMENDMENTS.—

19 (1) Subsection (a) of section 62 is amended by
20 striking paragraph (11).

21 (2) Subsections (a)(3)(C) and (b)(8) of section
22 1245 are each amended by inserting “(as in effect
23 before its repeal by the Corporate Welfare Elimini-
24 nation Act of 1997)” after “section 194”.

1 (3) The table of sections for part VI of sub-
2 chapter B of chapter 1 is amended by striking the
3 item relating to section 194.

4 (c) EFFECTIVE DATE.—The amendments made by
5 this section shall apply to taxable years beginning after
6 December 31, 1997.

7 **SEC. 119. TERMINATION OF EXCLUSION OF CERTAIN IN-**
8 **COME OF CITIZENS OR RESIDENTS OF UNIT-**
9 **ED STATES LIVING ABROAD.**

10 (a) IN GENERAL.—Section 911 (relating to citizens
11 or residents of the United States living abroad) is amend-
12 ed by redesignating subsection (f) as subsection (g) and
13 by inserting after subsection (e) the following new sub-
14 section:

15 “(f) TERMINATION.—This section shall not apply to
16 any taxable year beginning after December 31, 1997.”

17 (b) EFFECTIVE DATE.—The amendment made by
18 this section shall apply to taxable years beginning after
19 December 31, 1997.

20 **SEC. 120. REPEAL OF EXCLUSION FOR INCOME OF FOR-**
21 **EIGN SALES CORPORATIONS.**

22 (a) IN GENERAL.—Subpart C of part III of sub-
23 chapter N of chapter 1 (relating to taxation of foreign
24 sales corporations) is hereby repealed.

1 (b) CLERICAL AMENDMENT.—The table of subparts
 2 for such part III is amended by striking the item relating
 3 to subpart C.

4 (c) EFFECTIVE DATE.—The amendments made by
 5 this section shall apply to taxable years beginning after
 6 December 31, 1997.

7 **SEC. 121. REPEAL OF DEFERRAL OF INCOME OF CON-**
 8 **TROLLED FOREIGN CORPORATIONS.**

9 (a) GENERAL RULE.—Subpart F of part III of sub-
 10 chapter N of chapter 1 is amended by striking sections
 11 952, 953, and 954 and inserting the following new sec-
 12 tions:

13 **“SEC. 952. SUBPART F INCOME.**

14 “(a) GENERAL RULE.—For purposes of this subpart,
 15 the term ‘subpart F income’ means the earnings and prof-
 16 its of the controlled foreign corporation for the taxable
 17 year computed with the following adjustments:

18 “(1) There shall be excluded the amount of the
 19 earnings and profits which are attributable to in-
 20 come from sources within the United States which
 21 is effectively connected with the conduct by the con-
 22 trolled foreign corporation of a trade or business
 23 within the United States, except to the extent such
 24 income is exempt from taxation (or subject to a re-
 25 duced rate of tax) pursuant to a treaty obligation of

1 the United States. For purposes of the preceding
2 sentence, income described in paragraph (2) or (3)
3 of section 921(d) shall be treated as derived from
4 sources within the United States.

5 “(2) In determining earnings and profits (or
6 the deficit in earnings and profits), the amount of
7 any illegal bribe, kickback, or other payment (within
8 the meaning of section 162(c), except as otherwise
9 provided in this paragraph) shall not be taken into
10 account to decrease such earnings and profits or to
11 increase such deficit. The payments referred to in
12 the preceding sentence include payments which
13 would be unlawful under the Foreign Corrupt Prac-
14 tices Act of 1977 if the payor were a United States
15 person.

16 “(3) Under regulations prescribed by the Sec-
17 retary, there shall be excluded any part of any earn-
18 ings and profits if it is established to the satisfaction
19 of the Secretary that such part could not have been
20 distributed by the controlled foreign corporation to
21 United States shareholders who own (within the
22 meaning of section 958(a)) stock of such controlled
23 foreign corporation because of currency or other re-
24 strictions or limitations imposed under the laws of
25 any foreign country.

1 “(4) Earnings and profits shall be determined
2 without regard to paragraphs (4), (5), and (6) of
3 section 312(n). Under regulations, the preceding
4 sentence shall not apply to the extent it would in-
5 crease earnings and profits by an amount which was
6 previously distributed by the controlled foreign cor-
7 poration.

8 Except as provided in this subsection and section
9 312(k)(4), the earnings and profits of any foreign corpora-
10 tion, and the deficit and earnings and profits of any for-
11 eign corporation for any taxable year shall be determined
12 according to rules similar to those applicable to domestic
13 corporations, under regulations prescribed by the Sec-
14 retary.

15 “(b) CERTAIN DEFICITS MAY BE TAKEN INTO AC-
16 COUNT.—

17 “(1) TREATMENT OF CERTAIN PRIOR YEAR
18 DEFICITS.—

19 “(A) IN GENERAL.—The amount included
20 in the gross income of any United States share-
21 holder under section 951(a)(1)(A)(i) for any
22 taxable year with respect to any controlled for-
23 eign corporation shall be reduced by the amount
24 of such shareholder’s pro rata share of any

1 qualified deficit of such controlled foreign cor-
2 poration.

3 “(B) QUALIFIED DEFICIT.—For purposes
4 of this paragraph—

5 “(i) IN GENERAL.—The term ‘quali-
6 fied deficit’ means any deficit in the earn-
7 ings and profits of the controlled foreign
8 corporation for any prior taxable year
9 which began after December 31, 1997, and
10 for which such corporation was a con-
11 trolled foreign corporation, but only to the
12 extent such deficit has not previously been
13 taken into account under this paragraph.

14 “(ii) SPECIAL RULE FOR DEFICITS
15 BEFORE 1996.—The term ‘qualified deficit’
16 includes any deficit in earnings and profits
17 for any taxable year beginning before Jan-
18 uary 1, 1998, to the extent that such defi-
19 cit qualified as a qualified deficit under
20 subsection (c)(1)(B) of this section (as in
21 effect on the day before the date of the en-
22 actment of this subsection); except that
23 any such deficit may be taken into account
24 under this paragraph only to offset

1 amounts attributable to the same activity
2 as the activity giving rise to such deficit.

3 “(C) PRO RATA SHARE.—For purposes of
4 this paragraph, the shareholder’s pro rata share
5 of any deficit shall be determined under rules
6 similar to the rules of section 951(a)(2) for
7 whichever of the following yields the smallest
8 share:

9 “(i) the close of the taxable year, or
10 “(ii) the close of the taxable year in
11 which the deficit arose.

12 “(2) CERTAIN DEFICITS OF MEMBER OF THE
13 SAME CHAIN OF CORPORATIONS MAY BE TAKEN
14 INTO ACCOUNT.—

15 “(A) IN GENERAL.—A controlled foreign
16 corporation may elect to reduce the amount of
17 its subpart F income for any taxable year by
18 the amount of any deficit in earnings and prof-
19 its of a qualified chain member for a taxable
20 year ending with (or within) the taxable year of
21 such controlled foreign corporation. To the ex-
22 tent any deficit reduces subpart F income
23 under the preceding sentence, such deficit shall
24 not be taken into account under paragraph (1).

1 “(B) QUALIFIED CHAIN MEMBER.—For
2 purposes of this paragraph, the term ‘qualified
3 chain member’ means, with respect to any con-
4 trolled foreign corporation, any other corpora-
5 tion which is created or organized under the
6 laws of the same foreign country as the con-
7 trolled foreign corporation but only if—

8 “(i) all the stock of such other cor-
9 poration (other than directors’ qualifying
10 shares) is owned at all times during the
11 taxable year in which the deficit arose (di-
12 rectly or through 1 or more corporations
13 other than the common parent) by such
14 controlled foreign corporation, or

15 “(ii) all the stock of such controlled
16 foreign corporation (other than directors’
17 qualifying shares) is owned at all times
18 during the taxable year in which the deficit
19 arose (directly or through 1 or more cor-
20 porations other than the common parent)
21 by such other corporation.

22 “(C) COORDINATION.—This paragraph
23 shall be applied after paragraph (1).

24 “(3) DETERMINATION OF DEFICIT.—In deter-
25 mining the amount of any deficit in earnings and

1 profits, the adjustments set forth in subsection (a)
 2 shall apply.

3 **“SEC. 953. SPECIAL RULES FOR CERTAIN INSURANCE COM-**
 4 **PANIES.**

5 “(a) SPECIAL RULE FOR CERTAIN CAPTIVE INSUR-
 6 ANCE COMPANIES.—

7 “(1) IN GENERAL.—For purposes only of tak-
 8 ing into account subpart F income which is attrib-
 9 utable to related person insurance income—

10 “(A) the term ‘United States shareholder’
 11 means, with respect to any foreign corporation,
 12 a United States person (as defined in section
 13 957(c)) who owns (within the meaning of sec-
 14 tion 958(a)) any stock of the foreign corpora-
 15 tion,

16 “(B) the term ‘controlled foreign corpora-
 17 tion’ has the meaning given to such term by
 18 section 957(a) determined by substituting ‘25
 19 percent or more’ for ‘more than 50 percent’,
 20 and

21 “(C) the pro rata share referred to in sec-
 22 tion 951(a)(1)(A)(i) shall be determined under
 23 paragraph (5) of this subsection.

24 “(2) RELATED PERSON INSURANCE INCOME.—
 25 For purposes of this subsection, the term ‘related

1 person insurance income’ means any insurance in-
2 come (within the meaning of subsection (c)) attrib-
3 utable to a policy of insurance or reinsurance with
4 respect to which the person (directly or indirectly)
5 insured is a United States shareholder in the foreign
6 corporation or a related person to such a share-
7 holder.

8 “(3) EXCEPTIONS.—

9 “(A) CORPORATIONS NOT HELD BY
10 INSUREDS.—Paragraph (1) shall not apply to
11 any foreign corporation if at all times during
12 the taxable year of such foreign corporation—

13 “(i) less than 20 percent of the total
14 combined voting power of all classes of
15 stock of such corporation entitled to vote,
16 and

17 “(ii) less than 20 percent of the total
18 value of such corporation,

19 is owned (directly or indirectly) under the prin-
20 ciples of section 883(c)(4) by persons who are
21 (directly or indirectly) insured under any policy
22 of insurance or reinsurance issued by such cor-
23 poration or who are related persons to any such
24 person.

1 “(B) DE MINIMIS EXCEPTION.—Paragraph
 2 (1) shall not apply to any foreign corporation
 3 for a taxable year of such corporation if the re-
 4 lated person insurance income (determined on a
 5 gross basis) of such corporation for such tax-
 6 able year is less than 20 percent of its insur-
 7 ance income (as so determined) for such taxable
 8 year determined without regard to those provi-
 9 sions of subsection (c)(1) which limit insurance
 10 income to income from countries other than the
 11 country in which the corporation was created or
 12 organized.

13 “(C) ELECTION TO TREAT INCOME AS EF-
 14 FECTIVELY CONNECTED.—Paragraph (1) shall
 15 not apply to any foreign corporation for any
 16 taxable year if—

17 “(i) such corporation elects (at such
 18 time and in such manner as the Secretary
 19 may prescribe)—

20 “(I) to treat its related person in-
 21 surance income for such taxable year
 22 as income effectively connected with
 23 the conduct of a trade or business in
 24 the United States, and

1 “(II) to waive all benefits (other
 2 than with respect to section 884) with
 3 respect to related person insurance in-
 4 come granted by the United States
 5 under any treaty between the United
 6 States and any foreign country, and

7 “(ii) such corporation meets such re-
 8 quirements as the Secretary shall prescribe
 9 to ensure that the tax imposed by this
 10 chapter on such income is paid.

11 An election under this subparagraph made for
 12 any taxable year shall not be effective if the
 13 corporation (or any predecessor thereof) was a
 14 disqualified corporation for the taxable year for
 15 which the election was made or for any prior
 16 taxable year beginning after 1986.

17 “(D) SPECIAL RULES FOR SUBPARAGRAPH
 18 (C).—

19 “(i) PERIOD DURING WHICH ELEC-
 20 TION IN EFFECT.—

21 “(I) IN GENERAL.—Except as
 22 provided in subclause (II), any elec-
 23 tion under subparagraph (C) shall
 24 apply to the taxable year for which
 25 made and all subsequent taxable years

1 unless revoked with the consent of the
2 Secretary.

3 “(II) TERMINATION.—If a for-
4 eign corporation which made an elec-
5 tion under subparagraph (C) for any
6 taxable year is a disqualified corpora-
7 tion for any subsequent taxable year,
8 such election shall not apply to any
9 taxable year beginning after such sub-
10 sequent taxable year.

11 “(ii) EXEMPTION FROM TAX IMPOSED
12 BY SECTION 4371.—The tax imposed by
13 section 4371 shall not apply with respect
14 to any related person insurance income
15 treated as effectively connected with the
16 conduct of a trade or business within the
17 United States under subparagraph (C).

18 “(E) DISQUALIFIED CORPORATION.—For
19 purposes of this paragraph the term ‘disquali-
20 fied corporation’ means, with respect to any
21 taxable year, any foreign corporation which is a
22 controlled foreign corporation for an uninter-
23 rupted period of 30 days or more during such
24 taxable year (determined without regard to this

1 subsection) but only if a United States share-
 2 holder (determined without regard to this sub-
 3 section) owns (within the meaning of section
 4 958(a)) stock in such corporation at some time
 5 during such taxable year.

6 “(4) TREATMENT OF MUTUAL INSURANCE COM-
 7 PANIES.—In the case of a mutual insurance com-
 8 pany—

9 “(A) this subsection shall apply,

10 “(B) policyholders of such company shall
 11 be treated as shareholders, and

12 “(C) appropriate adjustments in the appli-
 13 cation of this subpart shall be made under reg-
 14 ulations prescribed by the Secretary.

15 “(5) DETERMINATION OF PRO RATA SHARE.—

16 “(A) IN GENERAL.—The pro rata share
 17 determined under this paragraph for any Unit-
 18 ed States shareholder is the lesser of—

19 “(i) the amount which would be deter-
 20 mined under paragraph (2) of section
 21 951(a) if—

22 “(I) only related person insur-
 23 ance income were taken into account,

24 “(II) stock owned (within the
 25 meaning of section 958(a)) by United

1 States shareholders on the last day of
 2 the taxable year were the only stock
 3 in the foreign corporation, and

4 “(III) only distributions received
 5 by United States shareholders were
 6 taken into account under subpara-
 7 graph (B) of such paragraph (2), or

8 “(ii) the amount which would be de-
 9 termined under paragraph (2) of section
 10 951(a) on the basis of the entire subpart
 11 F income of the foreign corporation for the
 12 taxable year.

13 “(B) COORDINATION WITH OTHER PROVI-
 14 SIONS.—The Secretary shall prescribe regula-
 15 tions providing for such modifications to the
 16 provisions of this subpart as may be necessary
 17 or appropriate by reason of subparagraph (A).

18 “(6) RELATED PERSON.—For purposes of this
 19 subsection—

20 “(A) IN GENERAL.—Except as provided in
 21 subparagraph (B), the term ‘related person’ has
 22 the meaning given such term by section 964(a).

23 “(B) TREATMENT OF CERTAIN LIABILITY
 24 INSURANCE POLICIES.—In the case of any pol-
 25 icy of insurance covering liability arising from

1 services performed as a director, officer, or em-
2 ployee of a corporation or as a partner or em-
3 ployee of a partnership, the person performing
4 such services and the entity for which such
5 services are performed shall be treated as relat-
6 ed persons.

7 “(7) COORDINATION WITH SECTION 1248.—For
8 purposes of section 1248, if any person is (or would
9 be but for paragraph (3)) treated under paragraph
10 (1) as a United States shareholder with respect to
11 any foreign corporation which would be taxed under
12 subchapter L if it were a domestic corporation and
13 which is (or would be but for paragraph (3)) treated
14 under paragraph (1) as a controlled foreign corpora-
15 tion—

16 “(A) such person shall be treated as meet-
17 ing the stock ownership requirements of section
18 1248(a)(2) with respect to such foreign cor-
19 poration, and

20 “(B) such foreign corporation shall be
21 treated as a controlled foreign corporation.

22 “(8) REGULATIONS.—The Secretary shall pre-
23 scribe such regulations as may be necessary to carry
24 out the purposes of this subsection, including—

1 “(A) regulations preventing the avoidance
2 of this subsection through cross insurance ar-
3 rangements or otherwise, and

4 “(B) regulations which may provide that a
5 person will not be treated as a United States
6 shareholder under paragraph (1) with respect
7 to any foreign corporation if neither such per-
8 son (nor any related person to such person) is
9 (directly or indirectly) insured under any policy
10 of insurance or reinsurance issued by such for-
11 eign corporation.

12 “(b) ELECTION BY FOREIGN INSURANCE COMPANY
13 TO BE TREATED AS DOMESTIC CORPORATION.—

14 “(1) IN GENERAL.—If—

15 “(A) a foreign corporation is a controlled
16 foreign corporation (as defined in section
17 957(a) by substituting ‘25 percent or more’ for
18 ‘more than 50 percent’ and by using the defini-
19 tion of United States shareholder under sub-
20 section (a)(1)(A) of this section),

21 “(B) such foreign corporation would qual-
22 ify under part I or II of subchapter L for the
23 taxable year if it were a domestic corporation,

24 “(C) such foreign corporation meets such
25 requirements as the Secretary shall prescribe to

1 ensure that the taxes imposed by this chapter
2 on such foreign corporation are paid, and

3 “(D) such foreign corporation makes an
4 election to have this paragraph apply and
5 waives all benefits to such corporation granted
6 by the United States under any treaty,

7 for purposes of this title, such corporation shall be
8 treated as a domestic corporation.

9 “(2) PERIOD DURING WHICH ELECTION IS IN
10 EFFECT.—

11 “(A) IN GENERAL.—Except as provided in
12 subparagraph (B), an election under paragraph
13 (1) shall apply to the taxable year for which
14 made and all subsequent taxable years unless
15 revoked with the consent of the Secretary.

16 “(B) TERMINATION.—If a corporation
17 which made an election under paragraph (1) for
18 any taxable year fails to meet the requirements
19 of subparagraph (A), (B), or (C) of paragraph
20 (1) for any subsequent taxable year, such elec-
21 tion shall not apply to any taxable year begin-
22 ning after such subsequent taxable year.

23 “(3) TREATMENT OF LOSSES.—If any corpora-
24 tion treated as a domestic corporation under this
25 subsection is treated as a member of an affiliated

group for purposes of chapter 6 (relating to consolidated returns), any loss of such corporation shall be treated as a dual consolidated loss for purposes of section 1503(d) without regard to paragraph (2)(B) thereof.

“(4) EFFECT OF ELECTION.—

“(A) IN GENERAL.—For purposes of section 367, any foreign corporation making an election under paragraph (1) shall be treated as transferring (as the 1st day of the 1st taxable year to which such election applies) all of its assets to a domestic corporation in connection with an exchange to which section 354 applies.

“(B) EXCEPTION FOR PRE-1988 EARNINGS AND PROFIT.—

“(i) IN GENERAL.—Earnings and profits of the foreign corporation accumulated in taxable years beginning before January 1, 1988, shall not be included in the gross income of the persons holding stock in such corporation by reason of subparagraph (A).

“(ii) TREATMENT OF DISTRIBUTIONS.—For purposes of this title, any distribution made by a corporation to which

1 an election under paragraph (1) applies
2 out of earnings and profits accumulated in
3 taxable years beginning before January 1,
4 1988, shall be treated as a distribution
5 made by a foreign corporation.

6 “(iii) CERTAIN RULES TO CONTINUE
7 TO APPLY TO PRE-1988 EARNINGS.—The
8 provisions specified in clause (iv) shall be
9 applied without regard to paragraph (1),
10 except that, in the case of a corporation to
11 which an election under paragraph (1) ap-
12 plies, only earnings and profits accumu-
13 lated in taxable years beginning before
14 January 1, 1988, shall be taken into ac-
15 count.

16 “(iv) SPECIFIED PROVISIONS.—The
17 provisions specified in this clause are:

18 “(I) Section 1248 (relating to
19 gain from certain sales or exchanges
20 of stock in certain foreign corpora-
21 tions).

22 “(II) This subpart to the extent
23 such subpart relates to earnings in-
24 vested in United States property or

1 amounts referred to in clause (ii) or
 2 (iii) of section 951(a)(1)(A).

3 “(III) Section 884 to the extent
 4 the foreign corporation reinvested
 5 1987 earnings and profits in United
 6 States assets.

7 “(5) EFFECT OF TERMINATION.—For purposes
 8 of section 367, if—

9 “(A) an election is made by a corporation
 10 under paragraph (1) for any taxable year, and

11 “(B) such election ceases to apply for any
 12 subsequent taxable year,

13 such corporation shall be treated as a domestic cor-
 14 poration transferring (as of the 1st day of such sub-
 15 sequent taxable year) all of its property to a foreign
 16 corporation in connection with an exchange to which
 17 section 354 applies.

18 “(6) ADDITIONAL TAX ON CORPORATION MAK-
 19 ING ELECTION.—

20 “(A) IN GENERAL.—If a corporation
 21 makes an election under paragraph (1), the
 22 amount of tax imposed by this chapter for the
 23 1st taxable year to which such election applies
 24 shall be increased by the amount determined
 25 under subparagraph (B).

1 “(B) AMOUNT OF TAX.—The amount of
2 tax determined under this paragraph shall be
3 equal to the lesser of—

4 “(i) $\frac{3}{4}$ of 1 percent of the aggregate
5 amount of capital and accumulated surplus
6 of the corporation as of December 31,
7 1987, or

8 “(ii) \$1,500,000.

9 “(c) INSURANCE INCOME DEFINED.—For purposes
10 of this section, the term ‘insurance income’ means any in-
11 come which—

12 “(1) is attributable to the issuing (or reinsur-
13 ing) of any insurance or annuity contract—

14 “(A) in connection with property in, liabil-
15 ity arising out of activity in, or in connection
16 with the lives or health of residents of, a coun-
17 try other than the country under the laws of
18 which the controlled foreign corporation is cre-
19 ated or organized, or

20 “(B) in connection with risks not described
21 in subparagraph (A) as the result of any ar-
22 rangement whereby another corporation receives
23 a substantially equal amount of premiums or

1 other consideration in respect of issuing (or re-
2 insuring) a contract described in subparagraph
3 (A), and

4 “(2) would (subject to the modifications pro-
5 vided by paragraphs (1) and (2) of subsection (d))
6 be taxed under subchapter L of this chapter if such
7 income were the income of a domestic insurance
8 company.

9 “(d) SPECIAL RULES.—In determining the amount
10 of insurance income—

11 “(1) The following provisions of subchapter L
12 shall not apply:

13 “(A) The small life insurance company de-
14 duction.

15 “(B) Section 805(a)(5) (relating to oper-
16 ations loss deduction).

17 “(C) Section 832(c)(5) (relating to certain
18 capital losses).

19 “(2) The items referred to in—

20 “(A) section 803(a)(1) (relating to gross
21 amount of premiums and other considerations),

22 “(B) section 803(a)(2) (relating to net de-
23 crease in reserves),

24 “(C) section 805(a)(2) (relating to net in-
25 crease in reserves), and

1 “(D) section 832(b)(4) (relating to pre-
 2 miums earned on insurance contracts),
 3 shall be taken into account only to the extent they
 4 are in respect of any reinsurance or the issuing of
 5 any insurance or annuity contract described in sub-
 6 section (a)(1).

7 “(3) All items of income, expenses, losses, and
 8 deductions shall be properly allocated or apportioned
 9 under regulations prescribed by the Secretary.”

10 (b) REPEAL OF EXPORT TRADE CORPORATION PRO-
 11 VISIONS.—Subpart G of part III of subchapter N of chap-
 12 ter 1 (relating to export trade corporations) is hereby re-
 13 pealed.

14 (c) CONFORMING AMENDMENTS TO SUBPART F.—

15 (1) Subparagraph (A) of section 955(a)(1) is
 16 amended by inserting “(as in effect for taxable years
 17 beginning before 1987)” after “section 954(b)(2)”.

18 (2) Subsection (b) of section 955 is amended by
 19 striking “within the meaning of section 954(d)(3)”
 20 and inserting “within the meaning of section
 21 964(a)”.

22 (3) Paragraph (2) of section 956(c) is amend-
 23 ed—

1 (A) by striking “section 953(a)(1)” in sub-
2 paragraph (E) and inserting “section
3 953(c)(1)”, and

4 (B) by inserting “(as in effect on the day
5 before the date of the enactment of this par-
6 enthetical) or under section 952(a)(1)” after
7 “section 952(b)” in subparagraph (H).

8 (4) Subsection (b) of section 957 is amended—

9 (A) by striking “income described in sec-
10 tion 953(a)” and inserting “subpart F income
11 attributable to income described in section
12 953(c)”, and

13 (B) by striking “section 953(a)(1)” and in-
14 serting “section 953(c)(1)”.

15 (5) Subsection (b) of section 958 is amended—

16 (A) by striking “954(d)(3), 956(b)(2), and
17 957” and inserting “956(b)(2), 957, and
18 964(a)”, and

19 (B) by striking “954(d)(3)” the second
20 place it appears and inserting “964(a)”.

21 (6) Subsection (b) of section 959 is amended by
22 striking “be also included in the gross income” and
23 inserting “be also included in the subpart F in-
24 come”.

1 (7) Subsection (a) of section 964 is amended to
2 read as follows:

3 “(a) RELATED PERSON.—For purposes of this part,
4 a person is a related person with respect to a controlled
5 foreign corporation, if—

6 “(1) such person is an individual, corporation,
7 partnership, trust, or estate which controls, or is
8 controlled by, the controlled foreign corporation, or

9 “(2) such person is a corporation, partnership,
10 trust, or estate which is controlled by the same per-
11 son or persons which control the controlled foreign
12 corporation.

13 For purposes of the preceding sentence, control means,
14 with respect to a corporation, the ownership, directly or
15 indirectly, of stock possessing more than 50 percent of the
16 total voting power of all classes of stock entitled to vote
17 or of the total value of stock of such corporation. In the
18 case of a partnership, trust, or estate, control means the
19 ownership, directly or indirectly, more than 50 percent (by
20 value) of the beneficial interests in such partnership, trust,
21 or estate. For purposes of this paragraph, rules similar
22 to the rules of section 958 shall apply.”

23 (8) Section 964 is amended by striking sub-
24 section (b).

1 (9) The table of sections for subpart F of part
 2 III of subchapter N of chapter 1 is amended by
 3 striking the items relating to sections 952, 953 and
 4 954 and inserting the following:

 “Sec. 952. Subpart F income.

 “Sec. 953. Special rules for certain insurance companies.”

5 (d) OTHER CONFORMING AMENDMENTS.—

6 (1) Paragraph (2) of section 552(c) is amend-
 7 ed—

8 (A) by amending subparagraph (A) to read
 9 as follows:

10 “(A) is received from a related person
 11 which (i) is a corporation created or organized
 12 under the laws of the same foreign country
 13 under the laws of which the foreign corporation
 14 involved was created or organized, and (ii) has
 15 a substantial part of its assets used in its trade
 16 or business located in such same foreign coun-
 17 try, and”, and

18 (B) by striking “954(d)(3)” and inserting
 19 “964(a)”.

20 (2) Subparagraph (B) of section 861(c)(2) is
 21 amended by striking “954(d)(3)” and inserting
 22 “964(a)”.

23 (3) Subparagraph (A) of section 864(d)(5) is
 24 amended by striking clauses (ii), (iii), and (iv).

1 (4) Subparagraph (A) of section 881(c)(5) is
2 hereby repealed.

3 (5) Subparagraph (D) of section 884(d)(2) is
4 amended by striking “953(c)(3)(C)” and inserting
5 “953(a)(3)(C)”.

6 (6) Subparagraph (A) of section 898(b)(3) is
7 amended—

8 (A) by striking “953(c)(2)” and inserting
9 “953(a)(2)”, and

10 (B) by striking “953(c)(1) and inserting
11 “953(a)(1)”.

12 (7) Clause (i) of section 904(d)(2)(A) is amend-
13 ed by inserting “, as in effect on the day before the
14 date of the repeal of such section” after “section
15 954(c)”.

16 (8) Subclause (III) of section 904(d)(2)(C)(ii)
17 is amended by striking “953(a)” and inserting
18 “953(c)”.

19 (9) Subparagraph (D) of section 904(d)(2) is
20 amended—

21 (A) by inserting “, as in effect on the day
22 before the date of the repeal of such section”
23 after “954(f)”, and

24 (B) by inserting “or passive income” be-
25 fore the period at the end thereof.

1 (10) Subparagraph (H) of section 904(d)(2) is
 2 amended by striking “954(d)(3)” and inserting
 3 “964(a)”.

4 (11) Subparagraph (E) of section 904(d)(3) is
 5 hereby repealed.

6 (12) Subparagraph (C) of section 988(a)(3) is
 7 amended by striking “954(d)(3)” and inserting
 8 “964(a)”.

9 (13) Subsection (c) of section 999 is amend-
 10 ed—

11 (A) by striking “, 952(a)(3),” in para-
 12 graph (1), and

13 (B) by striking “, the addition to subpart
 14 F income under section 952(a)(3),” in para-
 15 graph (2).

16 (14) Subsection (a) of section 6046 is amended
 17 by striking “953(c)” and inserting “953(a)”.

18 (15) The table of subparts for part III of sub-
 19 chapter M of chapter 1 is amended by striking the
 20 item relating to subpart G.

21 (e) EFFECTIVE DATE.—The amendments made by
 22 this section shall apply to taxable years of controlled for-
 23 eign corporations beginning after December 31, 1997, and
 24 to the taxable years of United States shareholders with

1 which (or in which) such taxable years of controlled for-
 2 eign corporations end.

3 **SEC. 122. REPEAL OF DEFERRAL OF TAX UNDER MER-**
 4 **CHANT MARINE CAPITAL CONSTRUCTIONS**
 5 **FUNDS.**

6 (a) IN GENERAL.—Subsection (c) of section 7518
 7 (relating to tax incentives relating to Merchant Marine
 8 Capital Construction Fund) is amended by adding at the
 9 end the following new paragraph:

10 “(3) TERMINATION.—Subparagraphs (A), (B),
 11 and (C) of paragraph (1) shall not apply to any tax-
 12 able year beginning after December 31, 1997.”

13 (b) CONFORMING AMENDMENT TO MERCHANT MA-
 14 RINE ACT, 1936.—Subsection (d) of section 607 of the
 15 Merchant Marine Act, 1936, is amended by adding at the
 16 end the following new paragraph:

17 “(3) TERMINATION.—Subparagraphs (A), (B),
 18 and (C) of paragraph (1) shall not apply to any tax-
 19 able year beginning after December 31, 1997.”

20 **SEC. 123. REPEAL OF SPECIAL TREATMENT FOR MAGAZINE**
 21 **CIRCULATION EXPENDITURES.**

22 (a) IN GENERAL.—Section 173 (relating to circula-
 23 tion expenditures) is hereby repealed.

24 (b) CONFORMING AMENDMENTS.—

1 (1) Subparagraph (A) of section 56(b)(2) is
2 amended to read as follows:

3 “(A) IN GENERAL.—The amount allowable
4 as a deduction under section 174(a) in comput-
5 ing the regular tax for amounts paid or in-
6 curred after December 31, 1986, shall be cap-
7 italized and shall be amortized ratably over the
8 10-year period beginning with the taxable year
9 in which the expenditures were made.”

10 (2) Paragraph (2) of section 56(c) is amended
11 by striking subparagraph (C).

12 (3) Clause (ii) of section 56(g)(4)(D) is amend-
13 ed to read as follows:

14 “(ii) AMORTIZATION OF ORGANIZA-
15 TION EXPENDITURES NOT TO APPLY.—
16 Section 248 shall not apply to expenditures
17 paid or incurred in taxable year beginning
18 after December 31, 1989.”

19 (4) Paragraph (1) of section 59(e) is amended
20 by striking “(3-year period in the case of circulation
21 expenditures described in section 173)”.
22

23 (5) Paragraph (2) of section 59(e) is amended
24 by striking subparagraph (A) and by redesignating
the following subparagraphs accordingly.

1 (6) Paragraph (3) of section 312(n) is amended
2 to read as follows:

3 “(3) AMORTIZATION OF ORGANIZATION EX-
4 PENDITURES NOT TO APPLY.—Section 248 shall not
5 apply.”

6 (7) Subparagraph (B) of section 1016(a)(1) is
7 amended by striking “expenditures” and inserting
8 “expenditures, as in effect on the day before the
9 date of the enactment of the Corporate Welfare
10 Elimination Act of 1997”.

11 (8) The table of sections for part VI of sub-
12 chapter B of chapter 1 is amended by striking the
13 item relating to section 173.

14 (c) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to amounts paid or incurred after
16 December 31, 1997.

17 **SEC. 124. REPEAL OF SPECIAL TREATMENT FOR RETURNS**
18 **OF MAGAZINES, PAPERBACKS, AND RECORDS.**

19 (a) IN GENERAL.—Section 458 (relating to maga-
20 zines, paperbacks, and records returned after the close of
21 the taxable year) is hereby repealed.

22 (b) CLERICAL AMENDMENT.—The table of sections
23 for subpart B of part II of subchapter E of chapter 1
24 is amended by striking the item relating to section 458.

1 (c) EFFECTIVE DATE.—The amendments made by
 2 this section shall apply to taxable years beginning after
 3 December 31, 1997.

4 **SEC. 125. REPEAL OF EXCLUSION FOR INTEREST ON STATE**
 5 **AND LOCAL BONDS.**

6 Section 103 (relating to interest on State and local
 7 bonds) is amended by adding at the end the following new
 8 subsection:

9 “(d) TERMINATION.—This section shall not apply to
 10 any obligation issued after December 31, 1997.”

11 **TITLE II—NATURAL RESOURCES**

12 **SEC. 201. PUBLIC RESOURCES DEFICIT REDUCTION ACT OF**
 13 **1997.**

14 This title may be cited as the “Public Resources Defi-
 15 cit Reduction Act of 1997”.

16 **Subtitle A—General Provisions**

17 **SEC. 211. FAIR MARKET VALUE FOR RESOURCE DISPOSAL.**

18 (a) IN GENERAL.—Notwithstanding any other provi-
 19 sion of law, no timber, minerals, forage, or other natural
 20 resource owned by the United States, no Federally owned
 21 water, and no hydroelectric energy generated at a Federal
 22 facility may be sold, leased, or otherwise disposed of by
 23 any department, agency, or instrumentality of the United
 24 States for an amount less than fair market value, as deter-
 25 mined by such department, agency, or instrumentality.

1 (b) EXISTING CONTRACTS, LEASES, ETC.—

2 (1) EXISTING ARRANGEMENTS.—The provisions
3 of subsection (a) shall not apply to any existing con-
4 tract, lease, or other binding arrangement entered
5 into before the date of the enactment of this title
6 unless such contract, lease or other arrangement is
7 renewed or extended after such date of enactment.

8 (2) ARRANGEMENTS ENTERED INTO IN 5-YEAR
9 PERIOD.—The provisions of subsection (a) shall take
10 effect on the date 5 years after the date of enact-
11 ment of this title in the case of any contract, lease,
12 or other binding arrangement entered into or re-
13 newed or extended after such date but before the
14 date 5 years after such date.

15 (3) ARRANGEMENTS ENTERED INTO AFTER 5
16 YEARS.—The provisions of subsection (a) shall apply
17 immediately to all contracts, leases, or other binding
18 arrangements entered into or renewed or extended
19 after the date 5 years after the enactment of this
20 title.

21 (c) WAIVER.—The President may waive the require-
22 ments of subsection (a) whenever the President deter-
23 mines that such waiver is in the national interest. The
24 President shall submit a notice to Congress containing an

1 explanation of the reasons for any such determination
2 within 60 days after the date of the determination.

3 **SEC. 212. FEES FROM PROGRAM BENEFICIARIES.**

4 (a) GENERAL AUTHORITY.—The Secretary of the In-
5 terior and the Secretary of Agriculture are each author-
6 ized to establish and collect from persons subject to pro-
7 grams administered by each such Secretary such user fees
8 as may be necessary to reimburse the United States for
9 the expenses incurred in administering such programs.
10 The aggregate amount of fees that may be assessed and
11 collected under this section by each such Secretary in any
12 fiscal year from persons subject to any such program shall
13 not exceed the aggregate amount of expenses incurred in
14 administering such program in such fiscal year.

15 (b) EFFECTIVE DATE; OIL AND GAS LEASE TRANS-
16 FERS.—The Secretary of the Interior and the Secretary
17 of Agriculture may, by rule, establish the applicable effec-
18 tive date of any fee to be imposed under this section, ex-
19 cept that fees shall be established and collected under this
20 section from each person receiving a transfer of a Federal
21 onshore oil and gas lease after the date of the enactment
22 of this section.

1 **SEC. 213. REVENUES FROM SALE, LEASE, AND TRANSFER**
2 **OF ASSETS.**

3 (a) IN GENERAL.—Section 1105(a) of chapter 11 of
4 title 31, United States Code, is amended by adding at the
5 end the following new paragraph:

6 “(31) a separate statement of—

7 “(A) projected revenues during the fiscal
8 year for which the budget is submitted from the
9 anticipated sale, lease, or transfer of any phys-
10 ical asset; and

11 “(B) the estimated price at which this
12 asset or a comparable asset would be sold in an
13 arms length transaction in the private sector;
14 asset by asset and aggregated by major functional
15 category.”.

16 (b) EFFECTIVE DATE.—The amendment made by
17 subsection (a) shall become effective for fiscal year 1998
18 and shall be fully reflected in the fiscal year 1998 budget
19 submitted by the President in February 1997 as required
20 by section 1105(a) of title 31, United States Code.

21 **Subtitle B—Revenue From Mining**
22 **Claims**

23 **SEC. 221. DEFINITIONS.**

24 (a) DEFINITIONS.—As used in this subtitle:

1 (1) The term “locatable mineral” means any
2 mineral not subject to disposition under any of the
3 following:

4 (A) the Mineral Leasing Act (30 U.S.C.
5 181 and following);

6 (B) the Geothermal Steam Act of 1970
7 (30 U.S.C. 100 and following);

8 (C) the Act of July 31, 1947, commonly
9 known as the Materials Act of 1947 (30 U.S.C.
10 601 and following); or

11 (D) the Mineral Leasing for Acquired
12 Lands Act (30 U.S.C. 351 and following).

13 (2) The term “mineral activities” means any
14 activity for, related to, or incidental to mineral ex-
15 ploration, mining, beneficiation, and processing ac-
16 tivities for any locatable mineral, including access.
17 When used with respect to this term—

18 (A) The term “exploration” means those
19 techniques employed to locate the presence of a
20 locatable mineral deposit and to establish its
21 nature, position, size, shape, grade, and value.

22 (B) The term “mining” means the proc-
23 esses employed for the extraction of a locatable
24 mineral from the earth.

1 (C) The term “beneficiation” means the
2 crushing and grinding of locatable mineral ore
3 and such processes as are employed to free the
4 mineral from other constituents, including but
5 not necessarily limited to, physical and chemical
6 separation techniques.

7 (D) The term “processing” means proc-
8 esses downstream of beneficiation employed to
9 prepare locatable mineral ore into the final
10 marketable product, including but not limited
11 to, smelting and electrolytic refining.

12 (3) The term “mining claim” means a claim for
13 the purposes of mineral activities.

14 (4) The term “Secretary” means, unless other-
15 wise provided in this subtitle, the Secretary of the
16 Interior acting through the Director of the Minerals
17 Management Service.

18 **SEC. 222. MINING CLAIM MAINTENANCE REQUIREMENTS.**

19 (a) IN GENERAL.—The holder of each mining claim
20 located on lands open to location shall pay to the Secretary
21 an annual claim maintenance fee of \$100 per claim per
22 calendar year.

23 (b) TIME OF PAYMENT.—The claim maintenance fee
24 payable pursuant to subsection (a) for any year shall be
25 paid on or before August 31 of each year, except that for

1 the initial calendar year in which the location is made,
2 the locator shall pay the initial claim maintenance fee at
3 the time the location notice is recorded with the Bureau
4 of Land Management.

5 (c) OIL SHALE CLAIMS SUBJECT TO CLAIM MAINTENANCE FEES UNDER ENERGY POLICY ACT OF 1992.—
6 This section shall not apply to any oil shale claims for
7 which a fee is required to be paid under section 2511(e)(2)
8 of the Energy Policy Act of 1992 (106 Stat. 3111; 30
9 U.S.C. 242).

11 (d) CLAIM MAINTENANCE FEES PAYABLE UNDER 1993 ACT.—The claim maintenance fees payable under
12 this section for any period with respect to any claim shall
13 be reduced by the amount of the claim maintenance fees
14 paid under section 10101 of the Omnibus Budget Rec-
15 onciliation Act of 1993 (30 U.S.C. 28f) with respect to
16 that claim and with respect to the same period.

18 (e) WAIVER.—(1) The claim maintenance fee re-
19 quired under this section may be waived for a claim holder
20 who certifies in writing to the Secretary that on the date
21 the payment was due, the claim holder and all related par-
22 ties held not more than 10 mining claims on lands open
23 to location. Such certification shall be made on or before
24 the date on which payment is due.

1 (2) For purposes of paragraph (1), with respect to
2 any claim holder, the term “related party” means each
3 of the following:

4 (A) The spouse and dependent children (as de-
5 fined in section 152 of the Internal Revenue Code of
6 1986), of the claim holder.

7 (B) Any affiliate of the claim holder.

8 (f) CO-OWNERSHIP.—Upon the failure of any one or
9 more of several co-owners to contribute such co-owner or
10 owners’ portion of the fee under this section, any co-owner
11 who has paid such fee may, after the payment due date,
12 give the delinquent co-owner or owners notice of such fail-
13 ure in writing (or by publication in the newspaper nearest
14 the claim for at least once a week for at least 90 days).
15 If at the expiration of 90 days after such notice in writing
16 or by publication, any delinquent co-owner fails or refuses
17 to contribute his portion, his interest in the claim shall
18 become the property of the co-owners who have paid the
19 required fee.

20 **SEC. 223. ROYALTY.**

21 (a) RESERVATION OF ROYALTY.—Production of all
22 locatable minerals from any mining claim located under
23 the general mining laws, or mineral concentrates or prod-
24 ucts derived from locatable minerals from any mining
25 claim located under the general mining laws, as the case

1 may be, shall be subject to a royalty of 8 percent of the
2 gross income from such production. The claimholder and
3 any operator to whom the claimholder has assigned the
4 obligation to make royalty payments under the claim and
5 any person who controls such claimholder or operator shall
6 be jointly and severally liable for payment of such royal-
7 ties.

8 (b) DUTIES OF CLAIM HOLDERS, OPERATORS, AND
9 TRANSPORTERS.—(1) A person—

10 (A) who is required to make any royalty pay-
11 ment under this section shall make such payments
12 to the United States at such times and in such man-
13 ner as the Secretary may by rule prescribe; and

14 (B) shall notify the Secretary, in the time and
15 manner as may be specified by the Secretary, of any
16 assignment that such person may have made of the
17 obligation to make any royalty or other payment
18 under a mining claim.

19 (2) Any person paying royalties under this section
20 shall file a written instrument, together with the first roy-
21 alty payment, affirming that such person is liable to the
22 Secretary for making proper payments for all amounts due
23 for all time periods for which such person as a payment
24 responsibility. Such liability for the period referred to in
25 the preceding sentence shall include any and all additional

1 amounts billed by the Secretary and determined to be due
2 by final agency or judicial action. Any person liable for
3 royalty payments under this section who assigns any pay-
4 ment obligation shall remain jointly and severally liable
5 for all royalty payments due for the claim for the period.

6 (3) A person conducting mineral activities shall—

7 (A) develop and comply with the site security
8 provisions in operations permit designed to protect
9 from theft the locatable minerals, concentrates, or
10 products derived therefrom which are produced or
11 stored on a mining claim, and such provisions shall
12 conform with such minimum standards as the Sec-
13 retary may prescribe by rule, taking into account the
14 variety of circumstances on mining claims; and

15 (B) not later than the 5th business day after
16 production begins anywhere on a mining claim, or
17 production resumes after more than 90 days after
18 production was suspended, notify the Secretary, in
19 the manner prescribed by the Secretary, of the date
20 on which such production has begun or resumed.

21 (4) The Secretary may by rule require any person en-
22 gaged in transporting a locatable mineral, concentrate, or
23 product derived therefrom to carry on his or her person,
24 in his or her vehicle, or in his or her immediate control,

1 documentation showing, at a minimum, the amount, ori-
2 gin, and intended destination of the locatable mineral, con-
3 centrate, or product derived therefrom in such cir-
4 cumstances as the Secretary determines is appropriate.

5 (c) RECORDKEEPING AND REPORTING REQUIRE-
6 MENTS.—(1) A claim holder, operator, or other person di-
7 rectly involved in developing, producing, processing, trans-
8 porting, purchasing, or selling locatable minerals, con-
9 centrates, or products derived therefrom, subject to this
10 title, through the point of royalty computation shall estab-
11 lish and maintain any records, make any reports, and pro-
12 vide any information that the Secretary may reasonably
13 require for the purposes of implementing this section or
14 determining compliance with rules or orders under this
15 section. Such records shall include, but not be limited to,
16 periodic reports, records, documents, and other data. Such
17 reports may also include, but not be limited to, pertinent
18 technical and financial data relating to the quantity, qual-
19 ity, composition volume, weight, and assay of all minerals
20 extracted from the mining claim. Upon the request of any
21 officer or employee duly designated by the Secretary or
22 any State conducting an audit or investigation pursuant
23 to this section, the appropriate records, reports, or infor-
24 mation which may be required by this section shall be

1 made available for inspection and duplication by such offi-
2 cer or employee or State.

3 (2) Records required by the Secretary under this sec-
4 tion shall be maintained for 6 years after cessation of all
5 mining activity at the claim concerned unless the Sec-
6 retary notifies the operator that he or she has initiated
7 an audit or investigation involving such records and that
8 such records must be maintained for a longer period. In
9 any case when an audit or investigation is underway,
10 records shall be maintained until the Secretary releases
11 the operator of the obligation to maintain such records.

12 (d) AUDITS.—The Secretary is authorized to conduct
13 such audits of all claim holders, operators, transporters,
14 purchasers, processors, or other persons directly or indi-
15 rectly involved in the production or sales of minerals cov-
16 ered by this subtitle, as the Secretary deems necessary for
17 the purposes of ensuring compliance with the require-
18 ments of this section. For purposes of performing such
19 audits, the Secretary shall, at reasonable times and upon
20 request, have access to, and may copy, all books, papers
21 and other documents that relate to compliance with any
22 provision of this section by any person.

23 (e) COOPERATIVE AGREEMENTS.—(1) The Secretary
24 is authorized to enter into cooperative agreements with the
25 Secretary of Agriculture to share information concerning

1 the royalty management of locatable minerals, con-
2 centrates, or products derived therefrom, to carry out in-
3 spection, auditing, investigation, or enforcement (not in-
4 cluding the collection of royalties, civil or criminal pen-
5 alties, or other payments) activities under this section in
6 cooperation with the Secretary, and to carry out any other
7 activity described in this section.

8 (2) Except as provided in paragraph (4)(A) of this
9 subsection (relating to trade secrets), and pursuant to a
10 cooperative agreement, the Secretary of Agriculture shall,
11 upon request, have access to all royalty accounting infor-
12 mation in the possession of the Secretary respecting the
13 production, removal, or sale of locatable minerals, con-
14 centrates, or products derived therefrom from claims on
15 lands open to location under the general mining laws.

16 (3) Trade secrets, proprietary, and other confidential
17 information shall be made available by the Secretary pur-
18 suant to a cooperative agreement under this subsection to
19 the Secretary of Agriculture upon request only if—

20 (A) the Secretary of Agriculture consents in
21 writing to restrict the dissemination of the informa-
22 tion to those who are directly involved in an audit
23 or investigation under this section and who have a
24 need to know;

1 (B) the Secretary of Agriculture accepts liability for wrongful disclosure; and

3 (C) the Secretary of Agriculture demonstrates that such information is essential to the conduct of an audit or investigation under this subsection.

6 (f) INTEREST AND SUBSTANTIAL UNDERREPORTING
7 ASSESSMENTS.—(1) In the case of mining claims where
8 royalty payments are not received by the Secretary on the
9 date that such payments are due, the Secretary shall
10 charge interest on such under payments at the same interest rate as is applicable under section 6621(a)(2) of the
12 Internal Revenue Code of 1986. In the case of an underpayment, interest shall be computed and charged only on
14 the amount of the deficiency and not on the total amount.

15 (2) If there is any underreporting of royalty owed on
16 production from a claim for any production month by any
17 person liable for royalty payments under this section, the
18 Secretary may assess a penalty of 10 percent of the
19 amount of that underreporting.

20 (3) If there is a substantial underreporting of royalty
21 owed on production from a claim for any production
22 month by any person responsible for paying the royalty,
23 the Secretary may assess an additional penalty of 10 percent of the amount of that underreporting.

1 (4) For the purposes of this subsection, the term
2 “underreporting” means the difference between the roy-
3 alty on the value of the production which should have been
4 reported and the royalty on the value of the production
5 which was reported, if the value which should have been
6 reported is greater than the value which was reported. An
7 underreporting constitutes a “substantial underreporting”
8 if such difference exceeds 10 percent of the royalty on the
9 value of production which should have been reported.

10 (5) The Secretary shall not impose the assessment
11 provided in paragraph (2) or (3) of this subsection if the
12 person liable for royalty payments under this section cor-
13 rects the underreporting before the date such person re-
14 ceives notice from the Secretary that an underreporting
15 may have occurred, or before 90 days after the date of
16 the enactment of this section, whichever is later.

17 (6) The Secretary shall waive any portion of an as-
18 sessment under paragraph (2) or (3) of this subsection
19 attributable to that portion of the underreporting for
20 which the person responsible for paying the royalty dem-
21 onstrates that—

22 (A) such person had written authorization from
23 the Secretary to report royalty on the value of the
24 production on the basis on which it was reported,

1 (B) such person had substantial authority for
2 reporting royalty on the value of the production on
3 the basis on which it was reported,

4 (C) such person previously had notified the Sec-
5 retary, in such manner as the Secretary may by rule
6 prescribe, of relevant reasons or facts affecting the
7 royalty treatment of specific production which led to
8 the underreporting, or

9 (D) such person meets any other exception
10 which the Secretary may, by rule, establish.

11 (7) All penalties collected under this subsection shall
12 be deposited in the Treasury.

13 (g) EXPANDED ROYALTY OBLIGATIONS.—Each per-
14 son liable for royalty payments under this section shall
15 be jointly and severally liable for royalty on all locatable
16 minerals, concentrates, or products derived therefrom lost
17 or wasted from a mining claim located or converted under
18 this section when such loss or waste is due to negligence
19 on the part of any person or due to the failure to comply
20 with any rule, regulation, or order issued under this sec-
21 tion.

22 (h) EXCEPTION.—No royalty shall be payable under
23 subsection (a) with respect to minerals processed at a fa-
24 cility by the same person or entity which extracted the
25 minerals if an urban development action grant has been

1 made under section 119 of the Housing and Community
 2 Development Act of 1974 with respect to any portion of
 3 such facility.

4 (i) **EFFECTIVE DATE.**—The royalty under this sec-
 5 tion shall take effect with respect to the production of
 6 locatable minerals after the enactment of this title, but
 7 any royalty payments attributable to production during
 8 the first 12 calendar months after the enactment of this
 9 title shall be payable at the expiration of such 12-month
 10 period.

11 **SEC. 224. SEVERANCE TAX.**

12 (a) **SEVERANCE TAX ON MINERALS.**—Chapter 36 of
 13 the Internal Revenue Code of 1986 (relating to certain
 14 other excise taxes) is amended by adding at the end the
 15 following new subchapter:

16 **“Subchapter G—Tax on Severance of**
 17 **Locatable Minerals**

18 **“SEC. 4500. TAX ON SEVERANCE OF LOCATABLE MINERALS.**

19 “(a) **IN GENERAL.**—There is hereby imposed a tax
 20 on gross income resulting from the severance of any
 21 locatable mineral, or mineral concentrates or products,
 22 from a mine or other natural deposit located within the
 23 United States.

24 “(b) **AMOUNT OF TAX.**—The amount of the tax im-
 25 posed by subsection (a) shall be 8 percent of the gross

1 income derived from the locatable mineral, or from the
 2 mineral concentrates or products, severed as described in
 3 such subsection.

4 “(c) EXCEPTION IF ROYALTY IMPOSED.—Subsection
 5 (a) shall not apply to gross income with respect to which
 6 a royalty is imposed by section 203 of the Public Re-
 7 sources Deficit Reduction Act of 1997.”.

8 (b) CONFORMING AMENDMENT.—The table of sub-
 9 chapters for chapter 36 of such Code (relating to certain
 10 other excise taxes) is amended by adding at the end the
 11 following new item:

“SUBCHAPTER G. Tax on severance of locatable minerals.”.

12 **SEC. 225. FUND FOR ABANDONED LOCATABLE MINERALS**
 13 **MINE RECLAMATION.**

14 (a) ESTABLISHMENT OF FUND.—(1) There is estab-
 15 lished on the books of the Treasury of the United States
 16 a trust fund to be known as the Abandoned Locatable
 17 Minerals Mine Reclamation Fund (hereinafter in this sub-
 18 title referred to as the ‘Fund’). The Fund shall be admin-
 19 istered by the Secretary acting through the Director of
 20 the Office of Surface Mining Reclamation and Enforce-
 21 ment.

22 (2) The Secretary shall notify the Secretary of the
 23 Treasury as to what portion of the Fund is not, in the

1 Secretary's judgment, required to meet current withdraw-
2 als. The Secretary of the Treasury shall invest such por-
3 tion of the Fund in public debt securities with maturities
4 suitable for the needs of such Fund and bearing interest
5 at rates determined by the Secretary of the Treasury, tak-
6 ing into consideration current market yields on outstand-
7 ing marketplace obligations of the United States of com-
8 parable maturities. The income on such investments shall
9 be credited to, and form a part of, the Fund.

10 (b) AMOUNTS.—The following amounts shall be cred-
11 ited to the Fund:

12 (1) All moneys received from royalties under
13 section 223.

14 (2) All taxes collected under section 4500 of the
15 Internal Revenue Code of 1986.

16 (3) All donations by persons, corporations, as-
17 sociations, and foundations for the purposes of this
18 section.

19 (c) USE AND OBJECTIVES OF THE FUND.—The Sec-
20 retary is authorized, subject to appropriations, to use
21 moneys in the Fund for the reclamation and restoration
22 of land and water resources adversely affected by past
23 mineral activities on lands the legal and beneficial title to
24 which resides in the United States, and of land within the
25 exterior boundary of any National Forest System unit.

1 (d) SPECIFIC SITES AND AREAS NOT ELIGIBLE.—

2 The provisions of section 411(d) of the Surface Mining
3 Control and Reclamation Act of 1977 (30 U.S.C.
4 1240a(d)) shall apply to expenditures made from the
5 Fund established under this section.

6 (e) FUND EXPENDITURES.—Moneys available from
7 the Fund may be expended for the purposes specified in
8 subsection (c) directly by the Director of the Office of Sur-
9 face Mining Reclamation and Enforcement. The Director
10 may also make such money available for such purposes
11 to the Director of the Bureau of Land Management, to
12 the Chief of the United States Forest Service, to the Di-
13 rector of the National Park Service, to the Director of the
14 United States Fish and Wildlife Service, to any other
15 agency of the United States, to an Indian tribe, or to any
16 public entity that volunteers to develop and implement,
17 and that has the ability to carry out, all or a significant
18 portion of a reclamation program under this subtitle.

19 (f) AUTHORIZATION OF APPROPRIATIONS.—Amounts
20 credited to the Fund are authorized to be appropriated
21 for the purpose of this section without fiscal year limita-
22 tion.

23 **SEC. 226. LIMITATION ON PATENT ISSUANCE.**

24 (a) MINING CLAIMS.—After the date of enactment of
25 this title, no patent shall be issued by the United States

1 for any mining claim located under the general mining
2 laws unless the Secretary determines that, for the claim
3 concerned—

4 (1) a patent application was filed with the Sec-
5 retary on or before January 27, 1995; and

6 (2) all requirements established under sections
7 2325 and 2326 of the Revised Statutes (30 U.S.C.
8 29 and 30) for vein or lode claims and sections
9 2329, 2330, 2331, and 2333 of the Revised Statutes
10 (30 U.S.C. 35, 36, and 37) for placer claims were
11 fully complied with by that date.

12 If the Secretary makes the determinations referred to in
13 paragraphs (1) and (2) for any mining claim, the holder
14 of the claim shall be entitled to the issuance of a patent
15 in the same manner and degree to which such claim holder
16 would have been entitled to prior to the enactment of this
17 title, unless and until such determinations are withdrawn
18 or invalidated by the Secretary or by a court of the United
19 States.

20 (b) MILL SITES.—After the date of enactment of this
21 title, no patent shall be issued by the United States for
22 any mill site claim located under the general mining laws
23 unless the Secretary determines that for the mill site con-
24 cerned—

1 (1) a patent application for such land was filed
2 with the Secretary on or before January 27, 1997;
3 and

4 (2) all requirements applicable to such patent
5 application were fully complied with by that date.

6 If the Secretary makes the determinations referred to in
7 paragraphs (1) and (2) for any mill site claim, the holder
8 of the claim shall be entitled to the issuance of a patent
9 in the same manner and degree to which such claim holder
10 would have been entitled to prior to the enactment of this
11 title, unless and until such determinations are withdrawn
12 or invalidated by the Secretary or by a court of the United
13 States.

14 **SEC. 227. PURCHASING POWER ADJUSTMENT.**

15 The Secretary shall adjust all dollar amounts estab-
16 lished in this subtitle for changes in the purchasing power
17 of the dollar every 10 years following the date of enact-
18 ment of this title, employing the Consumer Price Index
19 for all-urban consumers published by the Department of
20 Labor as the basis for adjustment, and rounding accord-
21 ing to the adjustment process of conditions of the Federal
22 Civil Penalties Inflation Adjustment Act of 1990 (104
23 Stat. 890).

1 **SEC. 228. SAVINGS CLAUSE.**

2 Nothing in this title shall be construed as repealing
 3 or modifying any Federal law, regulation, order, or land
 4 use plan, in effect prior to the effective date of this title,
 5 that prohibits or restricts the application of the general
 6 mining laws, including such laws that provide for special
 7 management criteria for operations under the general
 8 mining laws as in effect prior to the effective date of this
 9 title, to the extent such laws provide environmental protec-
 10 tion greater than required under this subtitle.

11 **SEC. 229. EFFECTIVE DATE.**

12 Except as otherwise provided in section 226 (relating
 13 to limitation on patent issuance), this subtitle shall take
 14 effect on the date 1 year after the date of enactment of
 15 this title.

16 **Subtitle C—Use or Disposal of**
 17 **Federal Natural Resources**

18 **SEC. 241. ANNUAL DOMESTIC LIVESTOCK GRAZING FEE.**

19 The Federal Land Policy and Management Act of
 20 1976 is amended by inserting after section 401 (43 U.S.C.
 21 1751) the following new section:

22 **“SEC. 401A. ESTABLISHMENT OF FAIR MARKET VALUE**
 23 **GRAZING FEES.**

24 “(a) ESTABLISHMENT OF ANNUAL DOMESTIC LIVE-
 25 STOCK GRAZING FEE.—(1) Notwithstanding any other
 26 provision of law, the Secretary of Agriculture, with respect

1 to National Forest System lands in the 16 contiguous
 2 Western States (except National Grasslands) administered
 3 by the Forest Service where domestic livestock grazing is
 4 permitted under applicable law, shall establish an annual
 5 domestic livestock grazing fee equal to fair market value.

6 “(2) Notwithstanding any other provision of law, the
 7 Secretary of the Interior, with respect to public domain
 8 lands administered by the Bureau of Land Management
 9 where domestic livestock grazing is permitted under appli-
 10 cable law, shall establish an annual domestic livestock
 11 grazing fee equal to fair market value.

12 “(b) CALCULATION OF FAIR MARKET VALUE.—(1)
 13 For purposes of determining the annual domestic livestock
 14 grazing fee under this section, the Secretary concerned
 15 shall calculate fair market value using the following for-
 16 mula:

$$\text{Fair Market Value} = \frac{\text{Appraised Base Value} \times \text{Forage Value Index}}{100}$$

17 “(2) For purposes of the formula in paragraph (1):

18 “(A) The term ‘Forage Value Index’ means the
 19 Forage Value Index (FVI) computed annually by the
 20 Economic Research Service, United States Depart-
 21 ment of Agriculture, and set with the 1997 FVI
 22 equal to 100; and

1 “(B) The term ‘Appraised Base Value’ means
2 the 1983 Appraisal Value conclusions for mature
3 cattle and horses (expressed in dollars per head or
4 per month), as determined in the 1986 report pre-
5 pared jointly by the Secretary of Agriculture and the
6 Secretary of the Interior entitled ‘Grazing Fee Re-
7 view and Evaluation’, dated February 1986, on a
8 west-wide basis using the lowest appraised value of
9 the pricing areas adjusted for advanced payment
10 and indexed to 1997.

11 “(c) LIMITATION ON FLUCTUATIONS OF FEES.—
12 Notwithstanding the amount calculated under subsection
13 (b) for a year, the domestic livestock grazing fee charged
14 for any given year shall not increase nor decrease by more
15 than 33.3 percent from the domestic livestock grazing fee
16 for the previous year.

17 “(d) EFFECT ON EXECUTIVE ORDER.—Executive
18 Order No. 12548, dated February 14, 1986 (51 Fed. Reg.
19 5985), shall not apply to grazing fees established pursuant
20 to this section.

21 “(e) EFFECT ON GRAZING ADVISORY BOARDS.—The
22 grazing advisory boards established pursuant to Secretar-
23 ial action, notice of which was published in the Federal

1 Register on May 14, 1986 (51 Fed. Reg. 17874), are abol-
2 ished, effective as of the date of the enactment of this sec-
3 tion, and the advisory functions exercised by such boards
4 shall be exercised only by the appropriate councils estab-
5 lished under section 309 of this Act.

6 “(f) USE OF FEES AND RANGE IMPROVEMENT
7 FUNDS.—Funds appropriated pursuant to section 5 of the
8 Public Rangelands Improvement Act of 1978 (43 U.S.C.
9 1904) or any other provision of law related to disposition
10 of the Federal share of receipts from fees for grazing on
11 public domain lands or National Forest lands in the 16
12 contiguous western States shall be used for restoration
13 and enhancement of fish and wildlife habitat, for restora-
14 tion and improved management of riparian areas, and for
15 implementation and enforcement of applicable land man-
16 agement plans, allotment plans, and regulations regarding
17 the use of such lands for domestic livestock grazing. Such
18 funds shall be distributed as the Secretary concerned con-
19 siders advisable after consultation and coordination with
20 the advisory councils established pursuant to section 309
21 of this Act and other interested parties.

22 “(g) COMMENCEMENT DATE FOR FEES.—The first
23 annual domestic livestock grazing fee required by this sec-
24 tion shall apply with respect to the grazing season com-
25 mencing on March 1, 1998.”.

1 **SEC. 242. ELIMINATION OF BELOW-COST SALES OF TIMBER**
2 **FROM NATIONAL FOREST SYSTEM LANDS.**

3 (a) IN GENERAL.—The National Forest Management
4 Act of 1976 is amended by inserting after section 14 (16
5 U.S.C. 472a) the following new section:

6 **“SEC. 14A. ELIMINATION OF BELOW-COST TIMBER SALES**
7 **FROM NATIONAL FOREST SYSTEM LANDS.**

8 “(a) REQUIREMENT THAT SALE REVENUES EXCEED
9 COSTS.—On and after October 1, 2002, in appraising tim-
10 ber and setting a minimum bid for trees, portions of trees,
11 or forest products located on National Forest System
12 lands proposed for sale under section 14 or any other pro-
13 vision of law, the Secretary of Agriculture shall ensure
14 that the estimated cash returns to the United States
15 Treasury from each sale exceed the estimated costs to be
16 incurred by the Federal Government in the preparation
17 of the sale or as a result of the sale.

18 “(b) COSTS TO BE CONSIDERED.—For purposes of
19 estimating under this section the costs to be incurred by
20 the Federal Government from each timber sale, the Sec-
21 retary shall assign to the sale the following costs:

22 “(1) The actual appropriated expenses for sale
23 preparation and harvest administration incurred or
24 to be incurred by the Federal Government from the
25 sale and the payments to counties to be made as a
26 result of the sale.

1 “(2) A portion of the annual timber resource
2 planning costs, silvicultural examination costs, other
3 resource support costs, road design and construction
4 costs, road maintenance costs, transportation plan-
5 ning costs, appropriated reforestation costs, timber
6 stand improvement costs, forest genetics costs, gen-
7 eral administrative costs (including administrative
8 costs of the national and regional offices of the For-
9 est Service), and facilities construction costs of the
10 Federal Government directly or indirectly related to
11 the timber harvest program conducted on National
12 Forest System lands.

13 “(c) METHOD OF ALLOCATING COSTS.—The Sec-
14 retary shall allocate the costs referred to in subsection
15 (b)(2) to each unit of the National Forest System, and
16 each proposed timber sale in such unit, on the basis of
17 harvest volume.

18 “(d) TRANSITIONAL REQUIREMENTS.—To ensure the
19 elimination of all below-cost timber sales by the date speci-
20 fied in subsection (a), the Secretary shall progressively re-
21 duce the number and size of below-cost timber sales on
22 National Forest System lands as follows:

1 “(1) In fiscal years 1998 and 1999, the quan-
2 tity of timber sold in below-cost timber sales on Na-
3 tional Forest System lands shall not exceed 75 per-
4 cent of the quantity of timber sold in such sales in
5 the preceding fiscal year.

6 “(2) In fiscal year 2000, the quantity of timber
7 sold in below-cost timber sales on National Forest
8 System lands shall not exceed 65 percent of the
9 quantity of timber sold in such sales in fiscal year
10 1998.

11 “(3) In fiscal year 2001, the quantity of timber
12 sold in below-cost timber sales on National Forest
13 System lands shall not exceed 50 percent of the
14 quantity of timber sold in such sales in the fiscal
15 year 2000.

16 “(e) BELOW-COST TIMBER SALE.—For purposes of
17 this section, the term ‘below-cost timber sale’ means a sale
18 of timber in which the costs to be incurred by the Federal
19 Government exceed the cash returns to the United States
20 Treasury.”.

21 (b) FINDINGS.—Section 2 of the Forest and Range-
22 land Renewable Resources Planning Act of 1974 (16
23 U.S.C. 1600) is amended—

24 (1) by striking “and” at the end of paragraph
25 (6);

1 (2) by striking the period at the end of para-
2 graph (7) and inserting “; and”; and

3 (3) by adding at the end the following new
4 paragraph:

5 “(8) the practice of selling timber from Na-
6 tional Forest System lands for less than the cost to
7 the Federal Government of growing the timber and
8 preparing the timber for sale is not in the best inter-
9 ests of the United States, and such below-cost sales
10 should be eliminated in an orderly manner to achieve
11 a more economically and environmentally sound tim-
12 ber program for the National Forest System.”.

13 **SEC. 243. TIMBERLAND SUITABILITY.**

14 Subsection (k) of section 6 of the Forest and Range-
15 land Renewable Resources Planning Act of 1974 (16
16 U.S.C. 1604) is amended to read as follows:

17 “(k) DETERMINATION OF SUITABILITY OF LANDS
18 FOR TIMBER PRODUCTION.—

19 “(1) DETERMINATION REQUIRED.—In revising
20 land management plans developed pursuant to this
21 section, the Secretary shall identify lands within the

1 management area that are not suited for timber pro-
2 duction based on physical, economic, or other rel-
3 evant factors. The Secretary shall review the identi-
4 fications made under this paragraph during each re-
5 vision of the forest plan.

6 “(2) EVIDENCE OF ECONOMIC
7 UNSUITABILITY.—The Secretary shall identify lands
8 as economically unsuitable for timber production
9 under paragraph (1) if—

10 “(A) the expected cash returns to the
11 United States Treasury that would result from
12 the sale of standing timber on the lands do not
13 exceed the expected costs that would be in-
14 curred by the Federal Government in prepara-
15 tion or as a result of such sales; or

16 “(B) the expected cash returns to the
17 United States Treasury that would result from
18 the sale of subsequent timber stands on the
19 lands do not exceed the expected costs that
20 would be incurred by the Federal Government
21 in preparation or as a result of such sales.

22 “(3) COSTS TO BE CONSIDERED.—For purposes
23 of estimating under paragraph (2) the costs to be in-
24 curred by the Federal Government from timber sales
25 conducted on the lands being reviewed, the Secretary

1 shall assign to sales on such lands the following
2 costs:

3 “(A) The appropriated expenses for sale
4 preparation and harvest administration that
5 would be incurred by the Federal Government
6 from such sales and the payments to counties
7 that would be made as a result of such sales.

8 “(B) A portion of the annual timber re-
9 source planning costs, silvicultural examination
10 costs, other resource support costs, road design
11 and construction costs, road maintenance costs,
12 transportation planning costs, appropriated re-
13 forestation costs, timber stand improvement
14 costs, forest genetics costs, general administra-
15 tive costs (including administrative costs of the
16 national and regional offices of the Forest Serv-
17 ice), and facilities construction costs of the Fed-
18 eral Government directly or indirectly related to
19 the timber harvest program conducted on Na-
20 tional Forest System lands.

21 “(4) METHOD OF ALLOCATING COSTS.—The
22 Secretary shall allocate the costs referred to in para-
23 graph (3)(B) to each unit of the National Forest
24 System on the basis of harvest volume.

1 “(5) PROHIBITION ON TIMBER HARVESTS ON
 2 UNSUITABLE LANDS.—In the case of lands identified
 3 under paragraph (1) as unsuitable for timber pro-
 4 duction, no timber harvesting shall occur on such
 5 lands for a period of 10 years or the life of the plan,
 6 whichever is greater.

7 “(6) DEFINITIONS.—For purposes of this sub-
 8 section:

9 “(A) The term ‘standing timber’ means an
 10 existing stand of timber that has not been har-
 11 vested.

12 “(B) The term ‘subsequent timber stand’
 13 means a regenerated stand of timber produced
 14 on land from which standing timber has been
 15 harvested.”.

16 **SEC. 244. REDUCTION IN MAXIMUM AMOUNT OF PAYMENTS**
 17 **UNDER AGRICULTURAL ASSISTANCE PRO-**
 18 **GRAMS TO REFLECT RECEIPT OF FEDERAL**
 19 **IRRIGATION WATER.**

20 (a) PRICE SUPPORT PROGRAMS.—Title X of the
 21 Food Security Act of 1985 is amended—

22 (1) by redesignating sections 1001D (7 U.S.C.
 23 1308–4) and 1001E (7 U.S.C. 1308–5) as sections
 24 1001E and 1001F, respectively; and

1 (2) by inserting after section 1001C (7 U.S.C.
2 1308–3) the following new section:

3 **“SEC. 1001D. REDUCTION OF PAYMENT LIMITATIONS TO**
4 **REFLECT RECEIPT OF FEDERAL IRRIGATION**
5 **WATER.**

6 “(a) REDUCTION OF PAYMENT LIMITATIONS RE-
7 QUIRED.—If a person subject to section 1001 receives
8 Federal irrigation water for agricultural purposes from the
9 operation of a Federal reclamation project, the payment
10 limitations specified in paragraphs (1) and (2) of such sec-
11 tion and applicable to such person shall be reduced for
12 the year in which such person receives irrigation water.
13 The amount of the reduction shall be equal to the total
14 value during that year of the subsidy portion of the con-
15 tract with such person for the delivery of the irrigation
16 water.

17 “(b) DETERMINATION OF SUBSIDY PORTION OF
18 WATER CONTRACT.—The subsidy portion of an irrigation
19 water delivery contract is equal to the amount by which
20 full cost for the delivery of the irrigation water exceeds
21 the actual contract price for the delivery of the water.

22 “(c) DEFINITIONS.—For purposes of this section, the
23 terms ‘contract’, ‘full cost’, ‘irrigation water’, and ‘project’
24 have the meanings given such terms in section 202 of the
25 Reclamation Reform Act of 1982 (43 U.S.C. 390bb).”.

1 (b) NONINSURED CROP DISASTER ASSISTANCE.—
2 Section 196(i) of the Federal Agriculture Improvement
3 and Reform Act of 1996 (7 U.S.C. 7333(i)) is amended—

4 (1) by redesignating paragraph (5) as para-
5 graph (6); and

6 (2) by inserting after paragraph (4) the follow-
7 ing new paragraph:

8 “(5) EFFECT OF RECEIPT OF IRRIGATION
9 WATER.—

10 “(A) REDUCTION OF PAYMENT LIMITA-
11 TION.—If a person who receives payments
12 under this section also receives, during the
13 same year, Federal irrigation water for agricul-
14 tural purposes from the operation of a Federal
15 reclamation project, the payment limitation
16 specified in paragraph (2) for such person shall
17 be reduced for that year. The amount of the re-
18 duction shall be equal to the total value during
19 that year of the subsidy portion of the contract
20 with such person for the delivery of the irriga-
21 tion water.

22 “(B) DETERMINATION OF SUBSIDY POR-
23 TION OF WATER CONTRACT.—The subsidy por-
24 tion of an irrigation water delivery contract is
25 equal to the amount by which full cost for the

1 delivery of the irrigation water exceeds the ac-
 2 tual contract price for the delivery of the water.

3 “(C) DEFINITIONS.—For purposes of this
 4 paragraph, the terms ‘contract’, ‘full cost’, ‘irri-
 5 gation water’, and ‘project’ have the meanings
 6 given such terms in section 202 of the Reclama-
 7 tion Reform Act of 1982 (43 U.S.C. 390bb).”.

8 (c) CONFORMING AMENDMENTS.—Section
 9 1001(5)(A) of the Food Security Act of 1985 (7 U.S.C.
 10 1308(5)(A)) is amended by striking “through 1001C” and
 11 inserting “through 1001D”.

12 **SEC. 245. ELIMINATION OF OFF BUDGET EXPENDITURES.**

13 (a) KNUTSON-VANDENBERG FUND.—Section 3 of
 14 the Act of June 9, 1930 (commonly known as the
 15 Knutson-Vandenberg Act; 16 U.S.C. 576b), is amended
 16 by striking “and shall constitute a special fund, which is
 17 hereby appropriated and made available until expended,”
 18 in the second sentence and inserting “and are authorized
 19 to be appropriated”.

20 (b) DEPOSITS FROM BRUSH DISPOSAL.—The para-
 21 graph relating to deposits from brush disposal under the
 22 heading “FOREST SERVICE” in the Act of August 11, 1916
 23 (39 Stat. 462; 16 U.S.C. 490), is amended by striking

1 “and constitute a special fund, which is hereby appro-
 2 priated and shall remain available until expended” and in-
 3 serting “and are authorized to be appropriated for the
 4 purpose of disposing of such brush and other debris”.

5 (c) NATIONAL FORESTS ROADS AND TRAILS.—Sec-
 6 tion 7 of Public Law 88–657 (commonly known as the
 7 Forest Roads and Trails Act; 16 U.S.C. 538) is amended
 8 by striking “may be placed in a fund to be available” and
 9 inserting “are authorized to be appropriated”.

10 (d) TIMBER SALVAGE SALE FUND.—Section 303(d)
 11 of Public Law 96–451 (16 U.S.C. 1606a) is amended by
 12 striking “The Secretary of Agriculture” and inserting “In
 13 such amounts as are provided in advance in appropriations
 14 Acts, the Secretary of Agriculture”.

15 **SEC. 246. DEPOSIT OF TAYLOR GRAZING ACT RECEIPTS IN**
 16 **TREASURY.**

17 Section 10 of the Act of June 28, 1934 (commonly
 18 known as the Taylor Grazing Act; 43 U.S.C. 315i), is
 19 amended by striking all after “miscellaneous receipts” and
 20 inserting a period.

21 **SEC. 247. REPEAL OF LIVESTOCK FEED ASSISTANCE PRO-**
 22 **GRAM.**

23 The Emergency Livestock Feed Assistance Act of
 24 1988 (title VI of the Agricultural Act of 1949; 7 U.S.C.
 25 1471–1471j) is repealed.

1 **SEC. 248. OIL AND GAS RENTALS.**

2 The Mineral Leasing Act (30 U.S.C. 181 et seq.) is
3 amended as follows:

4 (1) In section 14 by striking out “a rental of
5 \$1 per acre” and inserting “a rental established by
6 the Secretary of the Interior” and by adding the fol-
7 lowing at the end thereof: “The Secretary shall es-
8 tablish fair market value rental fees under this sec-
9 tion based upon the rental fees which would be
10 charged in arm’s length transactions for comparable
11 leases of oil and gas resources on non-Federal
12 land.”.

13 (2) In section 17(d) by striking out “rental of
14 not less than \$1.50 per acre per year for the first
15 through fifth years of the lease and not less than \$2
16 per acre per year for each year thereafter” and in-
17 serting “rental established by the Secretary of the
18 Interior” and by adding the following at the end
19 thereof: “The Secretary shall establish fair market
20 value rental fees under this section based upon the
21 rental fees which would be charged in arms length
22 transactions for comparable leases of oil and gas re-
23 sources on non-Federal land.”.

24 (3) In section 21(a) by striking out “rental,
25 payable at the beginning of each year, at the rate of
26 50 cents per acre per annum, for the lands included

1 in the lease,” and inserting “rental established by
2 the Secretary of the Interior” and by adding the fol-
3 lowing at the end thereof: “The Secretary shall es-
4 tablish fair market value rental fees under this sec-
5 tion based upon the rental fees which would be
6 charged in arms length transactions for comparable
7 leases on non-Federal land.”.

8 (4) In section 31(e)(2) by striking “rate of not
9 less than \$10 per acre per year, or the inclusion in
10 a reinstated lease issued pursuant to the provisions
11 of section 17(c) of this Act of a requirement that fu-
12 ture rentals shall be at a rate not less than \$5 per
13 acre per year” and inserting “fair market value rate
14 (but not less than \$10 per acre per year)”.

15 (5) In section 31(f)(3) by striking out “of not
16 less than \$5 per acre per year” and inserting “es-
17 tablished by the Secretary at fair market value
18 based upon the rental fees which would be charged
19 in arms length transactions for comparable leases on
20 non-Federal land”.

21 **SEC. 249. COMMUNICATION PERMITS.**

22 (a) IN GENERAL.—No permit, lease, or authorization
23 for the use of any area of the public lands or National
24 Forests for communication uses, including but not limited
25 to radio and television broadcast, mobile radio, cellular

1 telephone, or microwave relay facilities, shall remain in
2 force and effect after October 1, 1997, unless, by such
3 date, and by October 1 of each year thereafter, the holder
4 of such permit, lease, or authorization pays to the Sec-
5 retary of the Interior or the Secretary of Agriculture, as
6 appropriate, an amount equal to the fair market value,
7 as determined by such Secretary, of the right to use and
8 occupy such area for such communication uses.

9 (b) DEFINITION.—For the purposes of this section,
10 the term “public lands” shall have the same meaning as
11 defined in section 103(e) of the Federal Land Policy Man-
12 agement Act of 1976 (43 U.S.C. 1702(e)).

13 **Subtitle D—National Park** 14 **Concessions**

15 **SEC. 251. FINDINGS AND POLICY.**

16 (a) FINDINGS.—In furtherance of the Act of August
17 25, 1916 (commonly known as the National Park Service
18 Organic Act; 16 U.S.C. 1, 2–4), which directs the Sec-
19 retary of the Interior to administer units of the National
20 Park System in accordance with the fundamental purpose
21 of conserving their scenery, wildlife, and natural and his-
22 toric objects, and providing for their enjoyment in a man-
23 ner that will leave them unimpaired for the enjoyment of

1 future generations, the Congress finds that the preserva-
2 tion and conservation of park resources and values re-
3 quires that such public accommodations, facilities, and
4 services within such areas as the Secretary, in accordance
5 with this subtitle, determines necessary and appropriate—

6 (1) should be provided only under carefully con-
7 trolled safeguards against unregulated and indis-
8 criminate use so that visitation will not unduly im-
9 pair park resources and values; and

10 (2) should be limited to locations and designs
11 consistent to the highest practicable degree with the
12 preservation and conservation of park resources and
13 values.

14 (b) POLICY.—It is the policy of the Congress that—

15 (1) development on Federal lands within a park
16 shall be limited to those facilities that the Secretary
17 determines are necessary and appropriate for public
18 use and enjoyment of the park in which such facili-
19 ties and services are located;

20 (2) development within a park should be con-
21 sistent to the highest practicable degree with the
22 preservation and conservation of the resources and
23 values of the park;

24 (3) park facilities and services that the Sec-
25 retary determines suitable to be provided by parties

1 other than the National Park Service should be pro-
2 vided by private persons, corporations, or other enti-
3 ties, except when no private interest is qualified and
4 willing to provide such facilities and services;

5 (4) if the Secretary determines that develop-
6 ment should occur within a park, such development
7 shall be designed, located, and operated in a manner
8 that is consistent with the purposes for which such
9 park was established;

10 (5) the right to provide such services and to de-
11 velop or utilize facilities should be awarded to the
12 person, corporation, or entity submitting the best
13 proposal through a competitive selection process;
14 and

15 (6) such facilities or services should be provided
16 to the public at reasonable rates.

17 **SEC. 252. DEFINITIONS.**

18 As used in this subtitle:

19 (1) The term “concessioner” means a person,
20 corporation, or other entity to whom a concession
21 contract has been awarded.

22 (2) the term “concession contract” means a
23 contract or permit (other than an authorization is-
24 sued pursuant to section 255) to provide facilities or
25 services, or both, at a park.

1 (3) The term “facilities” means improvements
2 to real property within a park used to provide ac-
3 commodations, facilities, or services to park visitors.

4 (4) The term “franchise fee” means the fee re-
5 quired by a concession contract to be paid to the
6 United States in consideration for the privileges af-
7 forded by such contract to the holder of the con-
8 tract, which may be expressed as a percentage of
9 revenues derived by the contract holder from activi-
10 ties authorized by the contract, and which shall be
11 in addition to fees required to be paid to the United
12 States for the use of federally-owned buildings or
13 other facilities.

14 (5) The term “Park Improvement Fund”
15 means a Park Improvement Fund established under
16 section 260(b).

17 (6) The term “park” means a unit of the Na-
18 tional Park System.

19 (7) The term “proposal” means the complete
20 proposal for a concession contract offered by a po-
21 tential or existing concessioner in response to the
22 minimum requirements for the contract established
23 by the Secretary.

24 (8) The term “Secretary” means the Secretary
25 of the Interior.

1 **SEC. 253. REPEAL OF NATIONAL PARK SERVICE CONCES-**
2 **SIONS POLICY ACT OF 1965.**

3 (a) REPEAL.—Public Law 89–249 (commonly known
4 as the National Park Service Concessions Policy Act of
5 1965; 16 U.S.C. 20–20g) is repealed.

6 (b) EFFECT OF REPEAL.—The repeal of Public Law
7 89–249 shall not affect the validity of any contract entered
8 into under such Act before the date of the enactment of
9 this subtitle. However, the provisions of this subtitle shall
10 apply to any such contract except to the extent such provi-
11 sions are inconsistent with the express terms and condi-
12 tions of the contract.

13 (c) TRANSITION.—Nothing in this subtitle that is in-
14 consistent with a prospectus issued before January 27,
15 1995, shall apply to the contract with respect to which
16 such prospectus was issued. The Secretary may award a
17 concession contract prior to the promulgation of new regu-
18 lations to implement this subtitle if the Secretary deter-
19 mines that protection of public health and safety warrants
20 such action and the contract is consistent with this sub-
21 title.

22 (d) CONFORMING AMENDMENT.—The fourth sen-
23 tence of section 3 of the Act of August 25, 1916 (com-
24 monly known as the National Park Service Organic Act;
25 16 U.S.C. 3), is amended by striking “He may also grant”

1 and all that follows through “no natural” and inserting
2 “No natural”.

3 **SEC. 254. USE OF CONCESSION CONTRACTS TO PROVIDE**
4 **SERVICES TO PARK VISITORS.**

5 (a) CONCESSIONS CONTRACTS.—Subject to the find-
6 ings and policy stated in section 251 and the provisions
7 of this section, the Secretary may award a concession con-
8 tract that authorizes a private person, corporation, or
9 other entity to provide services to park visitors and to uti-
10 lize facilities if the Secretary determines that such a con-
11 tract is the appropriate means for such authorization.

12 (b) WHEN CONTRACT AUTHORIZED.—A concession
13 contract shall be awarded only to the extent that the Sec-
14 retary finds that the services to be provided and the facili-
15 ties to be utilized pursuant to the contract are necessary
16 and appropriate for the accommodation of visitors to a
17 park.

18 (c) APPLICABLE LAWS.—The provision of services
19 and the utilization of facilities pursuant to a concession
20 contract shall be consistent with all applicable require-
21 ments of law, including laws relating generally to the ad-
22 ministration and management of parks and with the gen-
23 eral management plan, concessions plan, and other rel-
24 evant plans developed by the Secretary for the relevant
25 park.

1 **SEC. 255. OTHER AUTHORITIES TO PROVIDE SERVICES TO**
2 **PARK VISITORS.**

3 (a) OTHER AUTHORITY TO PROVIDE SERVICES.—To
4 the extent specified in this section, the Secretary, upon
5 request, may authorize a private person, corporation, or
6 other entity to provide services to park visitors otherwise
7 than by award of a concession contract.

8 (b) CONDITIONS ON ISSUANCE.—(1) The authority
9 provided by this section may be used only to authorize the
10 provision to park visitors of services that the Secretary
11 determines will have minimal impact on park resources
12 and values and will be consistent with the purposes for
13 which the park was established and with all applicable
14 management plans for the park. The Secretary shall re-
15 quire that the provision of services under such an author-
16 ization be accomplished in a manner consistent to the
17 highest practicable degree with the preservation and con-
18 servation of park resources and values.

19 (2) The Secretary shall have no authority under this
20 section to issue more authorizations than are consistent
21 with the preservation and proper management of park re-
22 sources and values. The Secretary shall establish such
23 other conditions for issuance of such an authorization as
24 the Secretary determines appropriate for the protection of
25 visitors, provision of adequate and appropriate visitor

1 services, and protection and proper management of the re-
2 sources and values of the National Park System.

3 (3) Any authorization issued under this section shall
4 be limited to commercial operations with annual gross rev-
5 enues of not more than \$25,000 resulting from the serv-
6 ices provided within the park pursuant to such authoriza-
7 tion.

8 (c) TERM OF AUTHORIZATION.—The term of any au-
9 thorization issued under this section shall not exceed two
10 years.

11 (d) FEES FOR AUTHORIZATION.—The Secretary shall
12 require payment of a reasonable fee for issuance of an au-
13 thorization under this section.

14 (e) USE OF FEES.—Fees collected under subsection
15 (d) shall remain available to the Secretary without further
16 appropriation to be used to recover the costs of managing
17 and administering this section.

18 (f) LIMITATION ON LIABILITY.—The Secretary shall
19 take appropriate steps to limit the liability of the United
20 States arising from the provision of services under an au-
21 thorization issued under this section.

22 (g) EFFECT ON CONCESSION CONTRACTS.—A per-
23 son, corporation, or other entity seeking or obtaining an
24 authorization under this section shall not be precluded
25 from also submitting proposals for concession contracts.

1 **SEC. 256. COMPETITIVE SELECTION PROCESS FOR CONCES-**
2 **SION CONTRACTS.**

3 (a) SELECTION OF BEST PROPOSAL.—(1) Except as
4 provided in subsection (b), and consistent with the provi-
5 sions of subsection (g), any concession contract entered
6 into pursuant to this subtitle shall be awarded to the per-
7 son submitting the best proposal, as determined by the
8 Secretary through the competitive selection process speci-
9 fied in this section.

10 (2) Within 180 days after the date of the enactment
11 of this subtitle, the Secretary shall promulgate regulations
12 establishing a process to implement this section. The regu-
13 lations shall include provisions for establishing a method
14 or procedure for the resolution of disputes between the
15 Secretary and a concessioner in those instances where the
16 Secretary has been unable to meet conditions or require-
17 ments or provide such services, if any, as set forth in a
18 prospectus pursuant to subparagraphs (D) and (E) of sub-
19 section (c)(2).

20 (b) TEMPORARY CONTRACT.—Notwithstanding sub-
21 section (a), the Secretary may award on a noncompetitive
22 basis a temporary concession contract if the Secretary de-
23 termines such an award to be necessary in order to avoid
24 interruption of services to the public at a park. Before
25 making such a determination, the Secretary shall take all

1 reasonable and appropriate steps to consider alternative
2 actions to avoid such interruptions.

3 (c) PROSPECTUS.—(1) Before soliciting proposals for
4 a concession contract at a park, the Secretary shall pre-
5 pare a prospectus soliciting proposals, shall publish a no-
6 tice of its availability at least once in such local or national
7 newspapers or trade publications as the Secretary deter-
8 mines appropriate, and shall make such prospectus avail-
9 able upon request to all interested parties.

10 (2) The prospectus shall include at least the following
11 information:

12 (A) The minimum requirements for such con-
13 tract, as set forth in subsection (d).

14 (B) The terms and conditions of the existing
15 concession contract awarded for such park, if any,
16 including all fees and other forms of compensation
17 provided to the United States by the concessioner.

18 (C) Other authorized facilities or services which
19 may be included in a proposal.

20 (D) Facilities and services to be provided by the
21 Secretary to the concessioner, if any, including pub-
22 lic access, utilities, and buildings.

23 (E) Minimum public services to be offered with-
24 in a park by the Secretary, including interpretive
25 programs, campsites, and visitor centers.

1 (F) Such other information related to the con-
2 cessions operation as is provided by the Secretary
3 pursuant to a concession contract or is otherwise
4 available to the Secretary, as the Secretary deter-
5 mines is necessary to allow for the submission of
6 competitive proposals.

7 (d) MINIMUM PROPOSAL REQUIREMENTS.—(1) No
8 proposal shall be considered which fails to meet the mini-
9 mum requirements included in the prospectus. Such mini-
10 mum requirements shall include payment to the United
11 States of a franchise fee and shall also include at least
12 the following:

13 (A) The minimum acceptable franchise fee, fees
14 for use of any Federal buildings or other facilities,
15 and any other fees to be paid to the United States.

16 (B) The duration of the contract.

17 (C) Any facilities, services, or capital invest-
18 ments required to be provided by the concessioner.

19 (D) Measures that will be required in order to
20 ensure the protection and preservation of park re-
21 sources and values.

22 (2) The Secretary may reject any proposal, notwith-
23 standing the amount of franchise fee offered, if the Sec-
24 retary determines that the person, corporation, or entity
25 making such proposal is not qualified, is likely to provide

1 unsatisfactory service, or that the proposal is not suffi-
2 ciently responsive to the objectives of protecting and pre-
3 serving park resources and of providing necessary and ap-
4 propriate facilities or services to the public at reasonable
5 rates.

6 (3) If all proposals submitted to the Secretary either
7 fail to meet the minimum requirements or are rejected by
8 the Secretary, the Secretary shall establish new minimum
9 contract requirements and re-initiate the competitive se-
10 lection process pursuant to this section.

11 (e) PRINCIPAL FACTORS IN SELECTION PROCESS.—

12 (1) In selecting the best proposal, the Secretary shall con-
13 sider the following principal factors:

14 (A) The responsiveness of the proposal to the
15 objectives of protecting and preserving park re-
16 sources and of providing necessary and appropriate
17 facilities and services to the public at reasonable
18 rates.

19 (B) The experience, expertise, and related back-
20 ground of the person, corporation, or other entity
21 submitting the proposal, including whether the per-
22 son, corporation, or entity has a record of outstand-
23 ing performance in providing the same or similar fa-
24 cilities or services.

1 (C) The financial capability of the person, cor-
2 poration, or entity submitting the proposal.

3 (D) The proposed franchise fee. However, the
4 importance of securing revenue to the United States
5 is subordinate to the objectives of protecting and
6 preserving park resources, including cultural re-
7 sources, and of providing necessary and appropriate
8 facilities or services to the public at reasonable rates.

9 (2) The Secretary may also consider such secondary
10 factors as the Secretary considers appropriate.

11 (3) In developing regulations to implement this sub-
12 title, the Secretary shall consider the extent to which plans
13 for employment of Indians (including Native Alaskans)
14 and involvement of businesses owned by Indians, Indian
15 tribes, or Native Alaskans in the operation of concession
16 contracts should be identified as a factor in the selection
17 of a best offer under this section.

18 (f) CONGRESSIONAL NOTIFICATION.—(1) If a pro-
19 posed concession contract has anticipated annual gross re-
20 ceipts in excess of \$1,000,000 (indexed to 1993 constant
21 dollars) or a duration in excess of ten years, the Secretary
22 shall submit the proposed contract to the Committee on
23 Energy and Natural Resources of the Senate and the
24 Committee on Resources of the House of Representatives.

1 (2) The Secretary shall not award any such proposed
2 contract until at least 60 days after the date on which
3 the proposed contract is submitted to Congress under
4 paragraph (1).

5 **SEC. 257. PREFERENTIAL RIGHT OF RENEWAL OF CONCES-**
6 **SION CONTRACTS.**

7 (a) GENERAL RULE OF NO PREFERENTIAL RIGHT
8 OF RENEWAL.—Except as provided in subsection (b), the
9 Secretary shall not grant a preferential right to a conces-
10 sioner to renew a concession contract executed under this
11 subtitle.

12 (b) EXCEPTIONS.—The Secretary shall grant a pref-
13 erential right of renewal with respect to a concession con-
14 tract covered by subsection (c) or (d), subject to the re-
15 quirements of such subsections. A concessioner who exer-
16 cises a preferential right of renewal in accordance with
17 this paragraph shall be entitled to award of the new con-
18 cession contract with respect to which such right is exer-
19 cised.

20 (2) As used in this section, the term “preferential
21 right of renewal” means that the Secretary shall allow a
22 concessioner satisfying the requirements of paragraph (1)
23 the opportunity to match the terms and conditions of any
24 competing proposal which the Secretary determines to be
25 the best offer.

1 (c) OUTFITTING AND GUIDE CONTRACTS.—(1) Ex-
2 cept as provided in subsection (d), the provisions of sub-
3 section (b) shall apply only—

4 (A) to a concession contract—

5 (i) that solely authorizes a concessioner to
6 provide outfitting, guide, river running, or other
7 substantially similar services within a park; and

8 (ii) which does not grant such concessioner
9 any interest in any structure, fixture, or im-
10 provement pursuant to section 263;

11 (B) where the concessioner has been awarded
12 an annual rating of “excellent” in at least 50 per-
13 cent of the annual ratings during the term of the
14 contract;

15 (C) where the concessioner has not received any
16 annual unsatisfactory ratings during the term of the
17 contract; and

18 (D) where the Secretary determines that the
19 concessioner has submitted a responsive proposal for
20 a new contract which satisfies the minimum require-
21 ments established by the Secretary.

22 (2) In granting a preferential right of renewal pursu-
23 ant to subsection (b), the Secretary shall not require a
24 concessioner to match any portion of a proposed franchise
25 fee which exceeds by more than 10 percent the minimum

1 fee established by the Secretary in the prospectus for the
2 contract.

3 (3)(A) With respect to a concession contract (or ex-
4 tension thereof) covered by this subsection, which is in ef-
5 fect on the date of the enactment of this subtitle, this
6 paragraph shall apply if the holder of such contract, under
7 the laws and policies in effect on the day before the date
8 of enactment of this subtitle, would have been entitled to
9 a preferential right of renewal upon the expiration of such
10 contract.

11 (B) Upon the expiration of a concession contract (or
12 extension thereof) covered by this paragraph, the Sec-
13 retary, with respect to the award of a new concession con-
14 tract to provide the same or substantially similar services
15 as those authorized by the previous contract or extension,
16 shall allow the holder of such contract or extension the
17 right to exercise a preferential right of renewal to the
18 same extent as would have been the case under the laws
19 and policies in effect on the day before the date of enact-
20 ment of this subtitle.

21 (4)(A) In promulgating regulations to implement this
22 subsection, the Secretary shall include a rating category
23 of “excellent”, and shall establish clear and achievable
24 standards necessary for the award of such rating, includ-
25 ing criteria relating to—

1 (i) protection of the park's resources and val-
2 ues;

3 (ii) furtherance of the educational, recreational,
4 and other purposes for which the Secretary manages
5 the park; and

6 (iii) the adequacy of services provided to park
7 visitors.

8 (B) The Secretary shall take appropriate steps to en-
9 able all holders of concession contracts covered by this
10 subsection, and all parties seeking to obtain such con-
11 tracts, to be aware of the criteria established pursuant to
12 this paragraph.

13 (d) CONTRACTS WITH ANNUAL GROSS RECEIPTS
14 UNDER \$500,000.—(1) The provisions of subsection (b)
15 shall also apply to a concession contract—

16 (A) that the Secretary estimates will result in
17 annual gross receipts of less than \$500,000;

18 (B) where the Secretary has determined that
19 the concessioner has operated satisfactorily during
20 the term of the contract (including any extensions
21 thereof); and

22 (C) that the concessioner has submitted a re-
23 sponsive proposal for a new concession contract
24 which satisfies the minimum requirements estab-
25 lished by the Secretary.

1 (2) This subsection shall not apply to a concession
2 contract covered by subsection (c).

3 **SEC. 258. FRANCHISE FEES.**

4 (a) IN GENERAL.—Franchise fees, however stated,
5 shall not be less than the minimum franchise fee estab-
6 lished by the Secretary for each contract. The minimum
7 franchise fee shall be determined in a manner that will
8 provide the concessioner with a reasonable opportunity to
9 realize a profit on the operation as a whole, commensurate
10 with the capital invested and the obligations assumed.

11 (b) MULTIPLE CONTRACTS WITHIN A PARK.—If
12 multiple concession contracts are awarded to authorize
13 concessioners to provide the same outfitting, guide, river
14 running, or other similar services at the same approximate
15 location within a specific park, the Secretary shall estab-
16 lish a standardized schedule of franchise fees for all such
17 contracts, subject to periodic review and revision by the
18 Secretary.

19 **SEC. 259. USE OF FRANCHISE FEES.**

20 (a) DEPOSIT IN SPECIAL ACCOUNT.—Except as pro-
21 vided in section 260, all receipts, including fees for use
22 of federally owned buildings or other facilities collected
23 pursuant to this subtitle, shall be covered into a special
24 account established in the Treasury.

1 (b) USE OF FEES.—Amounts covered into the special
2 account in a fiscal year shall be available for expenditure,
3 subject to appropriation, solely as follows:

4 (1) 50 percent shall be allocated among the
5 units of the National Park System in the same pro-
6 portion as franchise fees collected from a specific
7 unit bears to the total amount covered into the ac-
8 count for each fiscal year, to be used for resource
9 management and protection, maintenance activities,
10 interpretation, and research.

11 (2) 50 percent shall be allocated among the
12 units of the National Park System on the basis of
13 need, in a manner to be determined by the Sec-
14 retary, to be used for resource management and pro-
15 tection, maintenance activities, interpretation, and
16 research.

17 **SEC. 260. PARK IMPROVEMENT FUNDS.**

18 (a) PARK IMPROVEMENT FUND.—In lieu of collecting
19 all or a portion of the franchise fees that would otherwise
20 be collected pursuant to the concession contract, the Sec-
21 retary may, if the Secretary determines it to be prac-
22 ticable, require a concessioner to establish a Park Im-
23 provement Fund in which the concessioner shall deposit
24 the franchise fees that would otherwise be paid under the
25 contract.

1 (b) MAINTENANCE OF FUND.—The Park Improve-
2 ment Fund established by a concessioner shall be main-
3 tained by the concessioner in an interest bearing account
4 in a federally insured financial institution. The conces-
5 sioner shall maintain the Park Improvement Fund sepa-
6 rately from any other funds or accounts and shall not com-
7 mingle the monies in the Park Improvement Fund with
8 any other monies. The Secretary may establish such other
9 terms, conditions, or requirements as the Secretary deter-
10 mines to be necessary to ensure the financial integrity of
11 the Park Improvement Fund.

12 (c) USE OF FUND.—(1) Monies in a Park Improve-
13 ment Fund for a park, including interest, shall be ex-
14 pended solely for activities and projects within the park
15 that—

16 (A) are consistent with the park’s general man-
17 agement plan, concessions plan, and other applicable
18 plans; and

19 (B) the Secretary determines will enhance pub-
20 lic use, safety, and enjoyment of the park.

21 (2) Authorized projects under paragraph (1) may in-
22 clude projects that directly or indirectly support conces-
23 sion facilities or services required by the concession con-
24 tract. However, no expenditure from a Park Improvement
25 Fund may have the effect of creating or increasing any

1 compensable interest of any concessioner in any such fa-
2 cilities. A concessioner shall not be allowed to make any
3 advances or credits to a Park Improvement Fund.

4 (d) PROHIBITION ON CONCESSIONER INTEREST IN
5 IMPROVEMENTS.—A concessioner shall not be granted any
6 interest in improvements made using amounts in a Park
7 Improvement Fund, including any interest granted pursu-
8 ant to section 263.

9 (e) PROHIBITION ON CERTAIN CAPITAL EXPENDI-
10 TURES.—A Park Improvement Fund may not be used for
11 any capital expenditure exceeding \$2,500,000 in any fiscal
12 year unless the expenditure has been authorized in ad-
13 vance by Act of Congress. The Secretary shall annually
14 inform the Congress concerning the actual and projected
15 use of moneys in each Park Improvement Fund.

16 (f) EFFECT ON OTHER CONCESSIONER DUTIES.—
17 Nothing in this section shall affect the obligation of a con-
18 cessioner to insure, maintain, and repair any structure,
19 fixture, or improvement assigned to such concessioner and
20 to insure that such structure, fixture, or improvement
21 fully complies with applicable safety and health laws and
22 regulations.

23 (g) RECORDKEEPING.—The concessioner shall main-
24 tain proper records for all expenditures made from a Park
25 Improvement Fund. Such records shall include invoices,

1 bank statements, canceled checks, and such other informa-
2 tion as the Secretary may require.

3 (h) ACTIVITY STATEMENT.—The concessioner shall
4 annually submit to the Secretary a statement reflecting
5 total activity in the Park Improvement Fund for the pre-
6 ceding financial year. The statement shall reflect monthly
7 deposits, expenditures by project, interest earned, and
8 such other information as the Secretary may require.

9 (i) EFFECT OF CONTRACT TERMINATION.—Upon the
10 termination of a concession contract, or upon the sale or
11 transfer of the contract, any remaining balance in the
12 Park Improvement Fund related to the contract shall be
13 transferred by the concessioner to the successor conces-
14 sioner, to be used solely as set forth in this section. In
15 the event there is no successor concessioner, the Park Im-
16 provement Fund balance shall be deposited into the special
17 account established in section 259.

18 **SEC. 261. DURATION OF CONCESSION CONTRACTS.**

19 (a) MAXIMUM TERM.—A concession contract shall be
20 awarded for a term not to exceed 10 years. The Secretary
21 may award a concession contract for a term not to exceed
22 20 years if the Secretary determines that a longer term
23 is a necessary component of the overall contract in order
24 to reduce the costs to the United States of acquiring

1 possessory interests or to carry out the policies of this sub-
2 title and other laws applicable to the National Park Sys-
3 tem.

4 (b) TEMPORARY CONTRACT.—A temporary conces-
5 sion contract awarded on a noncompetitive basis under
6 section 256(b) shall be for a term not to exceed two years.

7 **SEC. 262. TRANSFER OF CONCESSION CONTRACTS.**

8 (a) SECRETARIAL APPROVAL REQUIRED.—No con-
9 cession contract may be transferred, assigned, sold, or oth-
10 erwise conveyed by a concessioner without prior written
11 notification to, and approval of the Secretary.

12 (b) CONSIDERATION OF TRANSFER REQUEST.—The
13 Secretary shall not unreasonably withhold approval of a
14 transfer, assignment, sale, or conveyance of a concession
15 contract, but shall not approve the transfer of a concession
16 contract to any individual, corporation or other entity if,
17 among other matters, the Secretary determines that—

18 (1) such individual, corporation or entity is, or
19 is likely to be, unable to completely satisfy all of the
20 requirements, terms, and conditions of the contract;

21 (2) such transfer, assignment, sale or convey-
22 ance is not consistent with the objectives of protect-
23 ing and preserving park resources, and of providing
24 necessary and appropriate facilities or services to the
25 public at reasonable rates;

1 (3) such transfer, assignment, sale, or convey-
2 ance relates to a concession contract which does not
3 provide to the United States consideration commensurate
4 with the probable value of the privileges
5 granted by the contract; or

6 (4) the terms of the transfer, assignment, sale,
7 or conveyance directly or indirectly attribute a significant
8 value to intangible assets or otherwise may
9 so reduce the opportunity for a reasonable profit
10 over the remaining term of the contract that the
11 United States would be required to make substantial
12 additional expenditures in order to avoid interruption
13 of services to park visitors.

14 (c) CONGRESSIONAL NOTIFICATION.—Within 30
15 days after receiving a request to approve a transfer, assignment,
16 sale, or other conveyance of a concession contract with
17 anticipated annual gross receipts in excess of
18 \$1,000,000 (indexed to 1993 constant dollars) or a duration
19 in excess of 10 years, the Secretary shall notify the
20 Committee on Energy and Natural Resources of the Senate
21 and the Committee on Resources of the House of Representatives
22 of the proposal. Approval of the proposal, if
23 granted by the Secretary, shall not take effect until sixty
24 days after the date of notification of both Committees.

1 **SEC. 263. PROTECTION OF CONCESSIONER INVESTMENT.**

2 (a) EXISTING STRUCTURES.—(1) A concessioner
3 who, pursuant to a concession contract, before the date
4 of the enactment of this subtitle acquired or constructed,
5 or as of such date was required by such a contract to com-
6 mence acquisition or construction of, any structure, fix-
7 ture, or improvement upon land owned by the United
8 States within a park, shall have a possessory interest
9 therein to the extent provided by such contract. The value
10 of the possessory interest shall be determined for all pur-
11 poses on the basis of applicable laws and contracts in ef-
12 fect on the day before the date of the enactment of this
13 subtitle.

14 (2) The provisions of this subsection shall not apply
15 to a concessioner whose contract, as in effect on the date
16 of the enactment of this subtitle, does not include recogni-
17 tion of a possessory interest.

18 (3)(A) Except as provided in paragraph (4), with re-
19 spect to a concession contract entered into on or after the
20 date of the enactment of this subtitle, the provisions of
21 subsection (b) shall apply to any existing structure, fix-
22 ture, or improvement (as defined in paragraph (1)), except
23 that the value of the possessory interest as of the termi-
24 nation date of the first contract expiring after the date
25 of enactment of this subtitle shall be used as the basis

1 for depreciation, in lieu of the actual original cost of such
2 structure, fixture, or improvement.

3 (B) Notwithstanding generally accepted accounting
4 principles, a concessioner with a possessory interest as
5 provided in paragraph (1) may, at the termination date
6 of the first contract expiring after the date of the enact-
7 ment of this subtitle, reestimate the useful life of the ap-
8 plicable structure, fixture, or improvement, consistent with
9 subsection (b). However, the estimated useful life of such
10 structure, fixture, or improvement shall not thereafter be
11 reestablished or revalued.

12 (4) If the Secretary determines during the competi-
13 tive selection process that all proposals submitted either
14 fail to meet the minimum requirements or are rejected (as
15 provided in section 256), the Secretary may, solely with
16 respect to a structure, fixture, or improvement covered
17 under paragraph (3), suspend the depreciation provisions
18 of subsection (b)(1) for the duration of the contract. How-
19 ever, the Secretary may suspend such depreciation provi-
20 sions only if the Secretary determines that the establish-
21 ment of other new minimum contract requirements is not
22 likely to result in the submission of satisfactory proposals
23 and that the suspension of the depreciation provisions is
24 likely to result in the submission of satisfactory proposals.

1 (b) NEW STRUCTURES.—(1) On or after the date of
2 the enactment of this subtitle, a concessioner who con-
3 structs or acquires a new, additional, or replacement
4 structure, fixture, or improvement upon land owned by the
5 United States within a park, pursuant to a concession con-
6 tract, shall have an interest in such structure, fixture, or
7 improvement equivalent to the actual original cost of ac-
8 quiring or constructing such structure, fixture, or im-
9 provement, less straight line depreciation over the esti-
10 mated useful life of the asset according to generally ac-
11 cepted accounting principles. In no event shall the esti-
12 mated useful life of the asset exceed the depreciation pe-
13 riod used for the asset for Federal income tax purposes.

14 (2) In the event that the contract expires or is termi-
15 nated prior to the estimated useful life of an asset de-
16 scribed in paragraph (1), the concessioner shall be entitled
17 to receive from the United States or the successor conces-
18 sioner payment equal to the value of the concessioner's
19 interest in such structure, fixture, or improvement. A suc-
20 cessor concessioner may not revalue the interest in such
21 structure, fixture, or improvement, the method of depre-
22 ciation, or the estimated useful life of the asset.

23 (3) Title to any such structure, fixture, or improve-
24 ment shall be vested in the United States.

1 (c) INSURANCE, MAINTENANCE, AND REPAIR.—

2 Nothing in this section shall affect the obligation of a con-
3 cessioner to insure, maintain, and repair any structure,
4 fixture, or improvement assigned to such concessioner and
5 to insure that such structure, fixture, or improvement
6 fully complies with applicable safety and health laws and
7 regulations.

8 **SEC. 264. RATES AND CHARGES TO PUBLIC.**

9 Unless otherwise provided in the prospectus and con-
10 tract, the reasonableness of a concessioner's rates and
11 charges to the public shall be judged primarily by compari-
12 son with those rates and charges for facilities and services
13 of comparable character charged by parties in reasonable
14 proximity to the relevant park and operating under similar
15 conditions, with due consideration for length of season,
16 seasonal variance, average percentage of occupancy, acces-
17 sibility, availability and costs of labor and materials, type
18 of patronage, and other factors deemed significant by the
19 Secretary.

20 **SEC. 265. CONCESSIONER PERFORMANCE EVALUATION.**

21 (a) REGULATIONS.—Within 180 days after the date
22 of the enactment of this subtitle, the Secretary, after an
23 appropriate period for public comment, shall publish regu-
24 lations establishing standards and criteria for evaluating
25 the performance of concessioners operating within parks.

1 (b) PERIODIC EVALUATION.—(1) The Secretary shall
2 periodically conduct an evaluation of each concessioner op-
3 erating under a concession contract pursuant to this sub-
4 title to determine whether such concessioner has per-
5 formed satisfactorily. In evaluating a concessioner's per-
6 formance, the Secretary shall seek and consider applicable
7 reports and comments from appropriate Federal, State,
8 and local regulatory agencies, and shall seek and consider
9 the views of park visitors and concession customers. If the
10 Secretary's performance evaluation results in an unsatis-
11 factory rating of the concessioner's overall operation, the
12 Secretary shall so notify the concessioner in writing, and
13 shall provide the concessioner with a list of the minimum
14 requirements necessary for the operation to be rated satis-
15 factory.

16 (2) The Secretary may terminate a concession con-
17 tract if the concessioner fails to meet the minimum oper-
18 ational requirements identified by the Secretary within the
19 time limitations established by the Secretary at the time
20 notice of the unsatisfactory rating is provided to the con-
21 cessioner.

22 (3) If the Secretary terminates a concession contract
23 pursuant to this section, the Secretary shall solicit propos-
24 als for a new contract consistent with the provisions of
25 this subtitle.

1 (c) CONGRESSIONAL NOTIFICATION.—The Secretary
2 shall notify the Committee on Energy and Natural Re-
3 sources of the Senate and the Committee on Resources
4 of the House of Representatives of each unsatisfactory
5 overall annual rating and of each concession contract ter-
6 minated pursuant to this section.

7 **SEC. 266. RECORDKEEPING REQUIREMENTS.**

8 (a) IN GENERAL.—Each concessioner shall keep such
9 records as the Secretary may prescribe to enable the Sec-
10 retary to determine that all terms of the concessioner's
11 contract have been and are being faithfully performed. For
12 the purpose of audit and examination, the Secretary, the
13 Inspector General of the Department of the Interior, or
14 any of the Secretary's duly authorized representatives
15 shall have access to such records and to other books, docu-
16 ments, and papers of the concessioner pertinent to the
17 contract and all the terms and conditions thereof as the
18 Secretary and the Inspector General consider necessary.

19 (b) GENERAL ACCOUNTING OFFICE REVIEW.—The
20 Comptroller General of the United States, or any duly au-
21 thorized representative of the Comptroller General, shall
22 have access to and the right to examine any pertinent
23 books, documents, papers, and records of the concessioner
24 related to a concession contract, including those related
25 to any Park Improvement Fund. The authority provided

1 by this subsection shall apply until the expiration of five
2 calendar years after the close of the business year under
3 consideration.

4 **SEC. 267. EXEMPTION FROM CERTAIN LEASE REQUIRE-**
5 **MENTS.**

6 The provisions of section 321 of the Act of June 30,
7 1932 (40 U.S.C. 303b), relating to the leasing of buildings
8 and properties of the United States, shall not apply to con-
9 cession contracts awarded by the Secretary pursuant to
10 this subtitle.

11 **SEC. 268. NO EFFECT ON ANILCA PROVISIONS.**

12 Nothing in this subtitle shall be construed to amend,
13 supersede, or otherwise affect any provision of the Alaska
14 National Interest Lands Conservation Act (Public Law
15 96–487; 16 U.S.C. 3101 et seq.).

16 **SEC. 269. IMPLEMENTATION.**

17 (a) **AUDIT REQUIREMENT.**—Beginning with fiscal
18 year 1998, the Inspector General of the Department of
19 the Interior shall conduct a biennial audit of the Sec-
20 retary’s implementation of this subtitle and the award and
21 management of concession contracts under section 254
22 and authorizations under section 255.

23 (b) **BIENNIAL REPORTS.**—Beginning on June 1,
24 1998, and biannually thereafter the Secretary and the In-
25 spector General of the Department of the Interior shall

1 submit a report to the Committee on Energy and Natural
2 Resources of the Senate and the Committee on Resources
3 of the House of Representatives on the implementation of
4 this subtitle and the effect of such implementation on fa-
5 cilities operated and services provided pursuant to conces-
6 sion contracts.

7 (c) INFORMATION FROM SECRETARY.—In each re-
8 port required by this section, the Secretary shall—

9 (1) identify any concession contracts which have
10 been renewed, renegotiated, terminated, or trans-
11 ferred during the two years prior to the submission
12 of the report and identify any significant changes in
13 the terms of the new contract;

14 (2) state the amount of franchise fees, the rates
15 which would be charged for services, and the level of
16 other services required to be provided by the conces-
17 sioner in comparison to that required in any pre-
18 vious concession contract for the same facilities or
19 services at the same park;

20 (3) assess the degree to which facilities are
21 being maintained, using the condition of such facili-
22 ties on the date of enactment of this subtitle as a
23 baseline;

1 (4) indicate whether competition has been in-
2 creased or decreased with respect to the awarding of
3 concession contracts;

4 (5) set forth the total amount of revenues re-
5 ceived and financial obligations incurred or reduced
6 by the Federal Government as a result of enactment
7 of this subtitle for the reporting period and in com-
8 parison with previous reporting periods and the
9 baseline year of 1993, including the costs, if any, as-
10 sociated with the acquisition of possessory interests;
11 and

12 (6) include information concerning any Park
13 Improvement Funds, including—

14 (A) the total amounts deposited into and
15 expended from each Park Improvement Fund
16 during the preceding two-year period; and

17 (B) the purposes for which expenditures
18 from Park Improvement Funds during such pe-
19 riod were used.

20 (d) INFORMATION FROM INSPECTOR GENERAL.—In
21 each report required by this section, the Inspector General
22 of the Department of the Interior shall include informa-
23 tion as to the results of the audit required by subsection
24 (a), including—

1 (1) the status of the Secretary's implementation
2 of this subtitle;

3 (2) the extent to which such implementation
4 has furthered the policies of this subtitle, as set
5 forth in section 251, and has led to an increase or
6 decrease in competition for concession contracts;

7 (3) the adequacy of recordkeeping and other re-
8 quirements imposed on establishment and use of
9 Park Improvement Funds; and

10 (4) any recommendations the Inspector General
11 may find appropriate in order to further the pur-
12 poses of this subtitle and other laws applicable to
13 the National Park System or to assure that Park
14 Improvement Funds are maintained and expendi-
15 tures therefrom are used in accordance with this
16 subtitle and sound business practices.

17 **SEC. 270. AUTHORIZATION OF APPROPRIATIONS.**

18 There is authorized to be appropriated such sums as
19 may be necessary to carry out this subtitle.

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