

106TH CONGRESS  
1ST SESSION

# H. R. 2159

To amend the Merchant Marine Act, 1936 and the Internal Revenue Code of 1986 to revitalize the international competitiveness of the United States-flag merchant marine.

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 10, 1999

Mr. MCCRERY (for himself, Mr. HERGER, Mr. JEFFERSON, and Mr. ABERCROMBIE) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Transportation and Infrastructure, and Armed Services, 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

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## A BILL

To amend the Merchant Marine Act, 1936 and the Internal Revenue Code of 1986 to revitalize the international competitiveness of the United States-flag merchant marine.

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

3 **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “United States-Flag  
5 Merchant Marine Revitalization Act of 1999”.

## 1 SEC. 2. AMENDMENTS OF MERCHANT MARINE ACT, 1936.

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

4                     (1) The second sentence of subsection (a) of  
5                     section 607 of the Merchant Marine Act, 1936 is  
6                     amended by striking “for operation in the United  
7                     States foreign, Great Lakes, or noncontiguous do-  
8                     mestic trade or in the fisheries of the United  
9                     States” and inserting “for operation in the fisheries  
10                    of the United States, or in the United States for-  
11                    eign, Great Lakes, noncontiguous domestic trade, or  
12                    other oceangoing domestic trade between two coastal  
13                    points in the United States or in support of oper-  
14                    ations conducted on the Outer Continental Shelf”.

15                    (2) Paragraph (1) of section 607(k) of such Act  
16                    (defining eligible vessel) is amended to read as fol-  
17                    lows:

18                    “(1) The term ‘eligible vessel’ means any  
19                    vessel—

20                    “(A) documented under the laws of the  
21                    United States, and

22                    “(B) operated in the foreign or domestic  
23                    commerce of the United States or in the fish-  
24                    eries of the United States.”.

25                    (3) Paragraph (2)(C) of section 607(k) of such  
26                    Act is amended to read as follows:

1                 “(C) which the person maintaining the  
2                 fund agrees with the Secretary of Commerce  
3                 will be operated in the fisheries of the United  
4                 States, or in the United States foreign, Great  
5                 Lakes, noncontiguous domestic trade, or other  
6                 oceangoing domestic trade between two coastal  
7                 points in the United States or in support of op-  
8                 erations conducted on the Outer Continental  
9                 Shelf.”.

10                 (4) Section 607(k) of such Act is amended by  
11                 striking paragraph (8) and redesignating paragraph  
12                 (9) as paragraph (8).

13                 (5) The last sentence of paragraph (1) of sec-  
14                 tion 607(f) of such Act is amended by striking “and  
15                 containers” each place it appears.

16                 (6) Paragraph (7) of section 607(k) of such Act  
17                 is amended by inserting “containers or trailers in-  
18                 tended for use as part of the complement of one or  
19                 more eligible vessels and” before “cargo handling”.

20                 (7) Subsection (k) of section 607 of such Act  
21                 (as amended by paragraph (4)) is amended by add-  
22                 ing at the end the following new paragraph:

23                 “(9) The terms ‘foreign commerce’ and ‘foreign  
24                 trade’ have the meanings given such terms in section

1       905, except that these terms shall include commerce  
2       or trade between foreign ports.”.

3       (b) TREATMENT OF CERTAIN LEASE PAYMENTS.—

4           (1) Paragraph (1) of section 607(f) of such Act  
5       is amended by striking “or” at the end of subparagraph  
6       (B), by striking the period at the end of sub-  
7       paragraph (C) and inserting “, or” and by inserting  
8       after subparagraph (C) the following new subpara-  
9       graph:

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

16           (2) Paragraph (4) of section 607(g) of such Act  
17       is amended by inserting “or to reduce the principal  
18       amount of any qualified lease” after “indebtedness”.

19           (3) Subsection (k) of section 607 of such Act  
20       is amended by adding after paragraph (10) the fol-  
21       lowing new paragraph:

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

24       (c) AUTHORITY TO MAKE DEPOSITS UNDER THE  
25       TARIFF ACT OF 1930.—

1                   (1) Paragraph (1) of section 607(b) of such Act  
2       is amended by striking “and” at the end of subparagraph  
3       (C), by striking the period at the end of subparagraph (D) and inserting “, and”, and by adding  
4       at the end the following new subparagraph:  
5

6                   “(E) the amount elected for deposit under  
7       subsection (i) of section 466 of the Tariff Act  
8       of 1930 (19 U.S.C 1466).”.

9                   (2) Subparagraph (A) of section 607(e)(2) of  
10      such Act is amended to read as follows:

11                  “(A) amounts referred to in subsections  
12                 (b)(1)(B) and (E),”.

13                  (d) AUTHORITY TO MAKE DEPOSITS FOR PRIOR  
14      YEARS BASED ON AUDIT ADJUSTMENTS.—Subsection (b)  
15      of section 607 of such Act is amended by adding at the  
16      end thereof the following new paragraph:

17                  “(4) To the extent permitted by joint regulations,  
18      deposits may be made in excess of the limitation described in paragraph (1) (and any limitation  
19      specified in the agreement) for the taxable year if,  
20      by reason of a change in taxable income for a prior  
21      taxable year that has become final pursuant to a  
22      closing agreement or other similar agreement entered into during the taxable year, the amount of the  
23  
24

1 deposit could have been made for such prior taxable  
2 year.”.

3 (e) TREATMENT OF CAPITAL GAINS AND LOSSES.—

4 (1) Paragraph (3) of section 607(e) of such Act  
5 is amended to read as follows:

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

7 “(A) amounts representing long-term cap-  
8 ital gains (as defined in section 1222 of such  
9 Code) on assets held in the fund, reduced by

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

13 (2) Subparagraph (B) of section 607(e)(4) of  
14 such Act is amended to read as follows:

15 “(B)(i) amounts representing short-term  
16 capital gains (as defined in section 1222 of  
17 such Code) on assets held in the fund, reduced  
18 by

19 “(ii) amounts representing short-term cap-  
20 ital losses (as defined in such section) on assets  
21 held in the fund.”.

22 (3) Subparagraph (B) of section 607(h)(3) of  
23 such Act is amended by striking “gain” and all that  
24 follows and inserting “long-term capital gain (as de-  
25 fined in section 1222 of such Code), and”.

1                             (4) The last sentence of subparagraph (A) of  
2 section 607(h)(6) of such Act is amended by striking  
3 “20 percent (34 percent in the case of a corpora-  
4 tion)” and inserting “the rate applicable to net cap-  
5 ital gain under section 1(h)(1)(C) or 1201(a) of  
6 such Code, as the case may be”.

7                             (f) COMPUTATION OF INTEREST WITH RESPECT TO  
8 NONQUALIFIED WITHDRAWAL.—

9                             (1) Subparagraph (C) of section 607(h)(3) of  
10 such Act is amended—

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

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

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

20                             (2) Subsection (h) of section 607 of such Act  
21 is amended by striking paragraph (4) and by redes-  
22 ignating paragraphs (5) and (6) as paragraphs (4)  
23 and (5), respectively.

24                             (3) Subparagraph (A) of section 607(h)(5) of  
25 such Act, as redesignated by paragraph (2), is

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

3 (g) OTHER CHANGES.—

14 SEC. 3. AMENDMENTS OF INTERNAL REVENUE CODE OF  
15 1986.

16 (a) TREATMENT OF CERTAIN LEASE PAYMENTS.—

17                   (1) Paragraph (1) of section 7518(e) of the In-  
18                   ternal Revenue Code of 1986 is amended by striking  
19                   “or” at the end of subparagraph (B), by striking the  
20                   period at the end of subparagraph (C) and inserting  
21                   “, or”, and by inserting after subparagraph (C) the  
22                   following new subparagraph:

23               “(D) the payments of amounts which re-  
24               duce the principal amount (as determined under  
25               regulations) of a qualified lease of a qualified

1           vessel or container which is part of the com-  
2           plement of an eligible vessel.”.

3           (2) Paragraph (4) of section 7518(f) of such  
4           Code is amended by inserting “or to reduce the prin-  
5           cipal amount of any qualified lease” after “indebted-  
6           ness”.

7           (b) AUTHORITY TO MAKE DEPOSITS UNDER THE  
8 TARIFF ACT OF 1930.—

9           (1) Paragraph (1) of section 7518(a) of such  
10          Code is amended by striking “and” at the end of  
11          subparagraph (C), by striking the period at the end  
12          of subparagraph (D) and inserting “, and”, and by  
13          adding at the end the following new subparagraph:

14           “(E) the amount elected for deposit under  
15          subsection (i) of section 466 of the Tariff Act  
16          of 1930 (19 U.S.C 1466).”.

17           (2) Subparagraph (A) of section 7518(d)(2) of  
18          such Code is amended to read as follows:

19           “(A) amounts referred to in subsections  
20          (a)(1)(B) and (E).”.

21           (c) AUTHORITY TO MAKE DEPOSITS FOR PRIOR  
22          YEARS BASED ON AUDIT ADJUSTMENTS.—Subsection (a)  
23          of section 7518 of such Code is amended by adding at  
24          the end thereof the following new paragraph:

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

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

12                 (1) Paragraph (3) of section 7518(d) of such  
13         Code is amended to read as follows:

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

16                 “(A) amounts representing long-term cap-  
17         ital gains (as defined in section 1222) on assets  
18         held in the fund, reduced by

19                 “(B) amounts representing long-term cap-  
20         ital losses (as defined in such section) on assets  
21         held in the fund.

22                 (2) Subparagraph (B) of section 7518(d)(4) of  
23         such Code is amended to read as follows:

1               “(B)(i) amounts representing short-term  
2 capital gains (as defined in section 1222) on as-  
3 sets held in the fund, reduced by

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

7               (3) Subparagraph (B) of section 7518(g)(3) of  
8 such Code is amended by striking “gain” and all  
9 that follows and inserting “long-term capital gain  
10 (as defined in section 1222), and”.

11               (4) The last sentence of subparagraph (A) of  
12 section 7518(g)(6) of such Code is amended by  
13 striking “20 percent (34 percent in the case of a  
14 corporation)” and inserting “the rate applicable to  
15 net capital gain under such section 1(h)(1)(C) or  
16 1201(a), as the case may be”.

17               (e) COMPUTATION OF INTEREST WITH RESPECT TO  
18 NONQUALIFIED WITHDRAWALS.—

19               (1) Subparagraph (C) of section 7518(g)(3) of  
20 such Code is amended—

21               (A) by striking clause (i) and inserting the  
22 following new clause:

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

1                             (B) by striking “paid at the applicable rate  
2                             (as defined in paragraph (4))” in clause (ii) and  
3                             inserting “paid in accordance with section  
4                             6601”.

5                             (2) Subsection (g) of section 7518 of such Code  
6                             is amended by striking paragraph (4) and by redesignating  
7                             paragraphs (5) and (6) as paragraphs (4) and (5), respectively.

9                             (3) Subparagraph (A) of section 7518(g)(5) of  
10                            such Code, as redesignated by paragraph (2), is  
11                             amended by striking “paragraph (5)” and inserting  
12                             “paragraph (4)”.

13                             (f) OTHER CHANGES.—

14                             (1) Paragraph (2) of section 7518(b) of such  
15                            Code is amended by striking “interest-bearing securi-  
16                             ties approved by the Secretary” and inserting “in-  
17                             terest-bearing securities and other income-producing  
18                             assets (including accounts receivable) approved by  
19                             the Secretary”.

20                             (2) Paragraph (1) of section 7518(e) of such  
21                            Code is amended by striking “and containers” each  
22                             place it appears.

23                             (3) Subsection (i) of section 7518 of such Code  
24                             is amended by striking “this section” and inserting

1       “the United States-Flag Merchant Marine Revital-  
2       ization Act of 1999”.

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

5                     “(B) interest on amounts set aside in a  
6       capital construction fund under section 607 of  
7       the Merchant Marine Act, 1936 (46 App.  
8       U.S.C. 1177), or in a construction reserve fund  
9       under section 511 of such Act (46 App. U.S.C.  
10      1161),”.

11                   (5) Subsection (c) of section 56 of such Code  
12       is amended by striking paragraph (2) and by redes-  
13       ignating paragraph (3) as paragraph (2).

14 **SEC. 4. AMENDMENT TO THE TARIFF ACT OF 1930.**

15       Section 466 of the Tariff Act of 1930 (19 U.S.C.  
16 1466) is amended by adding at the end the following new  
17 subsection:

18                   “(i) ELECTION TO DEPOSIT DUTY INTO A CAPITAL  
19 CONSTRUCTION FUND IN LIEU OF PAYMENT TO THE  
20 SECRETARY OF THE TREASURY.—At the election of the  
21 owner or master of any vessel referred to in subsection  
22 (a) of this section which is an eligible vessel (as defined  
23 in section 607(k) of the Merchant Marine Act, 1936), the  
24 portion of any duty imposed by subsection (a) which is  
25 deposited in a fund established under section 607 of such

1 Act shall be treated as paid to the Secretary of the Treas-  
2 ury in satisfaction of the liability for such duty.”.

3 **SEC. 5. EFFECTIVE DATE.**

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

8 (b) CHANGES IN COMPUTATION OF INTEREST.—The  
9 amendments made by sections 2(f) and 3(e) shall apply  
10 to withdrawals made after December 31, 1998, including  
11 for purposes of computing interest on such a withdrawal  
12 for periods on or before such date.

13 (c) QUALIFIED LEASES.—The amendments made by  
14 sections 2(b) and 3(a) shall apply to leases in effect on,  
15 or entered into after, December 31, 1998.

16 (d) AMENDMENT TO THE TARIFF ACT OF 1930.—  
17 The amendment made by section 4 shall apply with re-  
18 spect to entries not yet liquidated by December 31, 1998,  
19 and to entries made on or after such date.

