

106TH CONGRESS  
1ST SESSION

# S. 1160

To amend the Internal Revenue Code of 1986 to provide marriage penalty relief, incentives to encourage health coverage, and increased child care assistance, to extend certain expiring tax provisions, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

MAY 27, 1999

Mr. GRASSLEY (for himself and Mrs. FEINSTEIN) introduced the following bill;  
which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to provide marriage penalty relief, incentives to encourage health coverage, and increased child care assistance, to extend certain expiring tax provisions, and for other purposes.

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

### 3 **SECTION 1. SHORT TITLE.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “Tax Relief for Working Americans Act of 1999”.

6 (b) TABLE OF CONTENTS.—

Sec. 1. Short title.

TITLE I—MARRIAGE PENALTY RELIEF

Sec. 101. Basic standard deduction for married individuals to be twice the deduction for unmarried individuals.

#### TITLE II—ADJUSTMENT OF SOCIAL SECURITY EARNING LIMIT

Sec. 201. Adjustment in monthly exempt amount for purposes of the social security earnings test.

#### TITLE III—INCENTIVES FOR HEALTH AND LONG-TERM CARE COVERAGE

Sec. 301. Credit for health insurance costs of previously uninsured individuals and individuals with COBRA coverage.

Sec. 302. Deduction for health insurance costs of employees and self-employed individuals.

Sec. 303. Credit for taxpayers with long-term care needs.

#### TITLE IV—EXPANSION OF DEPENDENT CARE TAX CREDIT

Sec. 401. Expansion of dependent care tax credit.

#### TITLE V—ALTERNATIVE MINIMUM TAX RELIEF

Sec. 501. Nonrefundable personal credits allowed against alternative minimum tax.

Sec. 502. Income averaging for farmers not to increase alternative minimum tax liability.

#### TITLE VI—ELIMINATION OF 60-MONTH LIMIT ON STUDENT LOAN INTEREST DEDUCTION

Sec. 601. Elimination of 60-month limit on student loan interest deduction.

#### TITLE VII—INCREASE IN LOW-INCOME HOUSING CREDIT STATE CEILING

Sec. 701. Increase in State ceiling on low-income housing credit.

#### TITLE VIII—FARM AND RANCH RISK MANAGEMENT ACCOUNTS

Sec. 801. Farm and ranch risk management accounts.

#### TITLE IX—INCENTIVES FOR URBAN REVITALIZATION AND OPEN SPACE

Sec. 901. Expensing of environmental remediation costs expanded to contaminated sites outside of targeted areas.

Sec. 902. Modifications to encourage contributions of capital gain real property made for conservation purposes and of qualified conservation contributions.

#### TITLE X—EXTENSION OF CERTAIN EXPIRING PROVISIONS

Sec. 1001. Research credit.

Sec. 1002. Work opportunity credit.

Sec. 1003. Permanent subpart F exemption for active financing income.

Sec. 1004. Credit for electricity produced from renewable resources.

1     **TITLE I—MARRIAGE PENALTY**  
2                     **RELIEF**

3     **SEC. 101. BASIC STANDARD DEDUCTION FOR MARRIED IN-**  
4                     **DIVIDUALS TO BE TWICE THE DEDUCTION**  
5                     **FOR UNMARRIED INDIVIDUALS.**

6             (a) IN GENERAL.—Paragraph (2) of section 63(c) of  
7     the Internal Revenue Code of 1986 (relating to standard  
8     deduction) is amended—

9                     (1) by striking “\$5,000” in subparagraph (A)  
10             and inserting “twice the dollar amount in effect  
11             under subparagraph (C) for the taxable year”,

12                    (2) by adding “or” at the end of subparagraph  
13             (B),

14                    (3) by striking “in the case of” and all that fol-  
15             lows in subparagraph (C) and inserting “in any  
16             other case.”, and

17                    (4) by striking subparagraph (D).

18             (b) TECHNICAL AMENDMENT.—Subparagraph (B) of  
19     section 1(f)(6) of such Code is amended by striking  
20     “(other than with” and all that follows through “shall be  
21     applied” and inserting “(other than sections 63(c)(4) and  
22     151(d)(4)(A)) shall be applied”.

23             (c) EFFECTIVE DATE.—The amendments made by  
24     this section shall apply to taxable years beginning after  
25     December 31, 1999.

1 **TITLE II—ADJUSTMENT OF SO-**  
 2 **CIAL SECURITY EARNING**  
 3 **LIMIT**

4 **SEC. 201. ADJUSTMENT IN MONTHLY EXEMPT AMOUNT FOR**  
 5 **PURPOSES OF THE SOCIAL SECURITY EARN-**  
 6 **INGS TEST.**

7 (a) INCREASE IN MONTHLY EXEMPT AMOUNT FOR  
 8 INDIVIDUALS WHO HAVE ATTAINED RETIREMENT  
 9 AGE.—Section 203(f)(8)(D) of the Social Security Act (42  
 10 U.S.C. 403(f)(8)(D)) is amended—

11 (1) in clause (iii), by inserting “and” at the  
 12 end; and

13 (2) by striking clauses (iv) through (vii) and in-  
 14 serting the following new clause:

15 “(iv) for each month of any taxable  
 16 year ending after 1999 and before 2001,  
 17 \$2,500.”.

18 (b) CONFORMING AMENDMENTS.—

19 (1) Section 203(f)(8)(B)(ii) of such Act (42  
 20 U.S.C. 403(f)(8)(B)(ii)) is amended—

21 (A) by striking “after 2001 and before  
 22 2003” and inserting “after 1999 and before  
 23 2001”; and

24 (B) in subclause (II), by striking “2001”  
 25 and inserting “1998”.

1           (2) The second sentence of section 223(d)(4)(A)  
 2           of such Act (42 U.S.C. 423(d)(4)(A)) is amended by  
 3           inserting “and section 201 of the Tax Relief for  
 4           Working Americans Act of 1999” after “1996”.

5           (c) EFFECTIVE DATE.—The amendments made by  
 6           this section shall apply with respect to taxable years begin-  
 7           ning after 1999.

8           **TITLE     III—INCENTIVES     FOR**  
 9           **HEALTH     AND     LONG-TERM**  
 10          **CARE COVERAGE**

11          **SEC. 301. CREDIT FOR HEALTH INSURANCE COSTS OF PRE-**  
 12                               **VIOUSLY UNINSURED INDIVIDUALS AND IN-**  
 13                               **DIVIDUALS WITH COBRA COVERAGE.**

14          (a) IN GENERAL.—Subpart A of part IV of sub-  
 15          chapter A of chapter 1 of the Internal Revenue Code of  
 16          1986 (relating to nonrefundable personal credits) is  
 17          amended by inserting after section 25A the following new  
 18          section:

19          **“SEC. 25B. HEALTH INSURANCE COSTS OF PREVIOUSLY UN-**  
 20                               **INSURED INDIVIDUALS AND INDIVIDUALS**  
 21                               **WITH COBRA COVERAGE.**

22          “(a) IN GENERAL.—In the case of an individual,  
 23          there shall be allowed as a credit against the tax imposed  
 24          by this chapter for the taxable year an amount equal to  
 25          60 percent of the amount paid during the taxable year

1 for coverage for the taxpayer, his spouse, and dependents  
 2 under qualified health insurance.

3 “(b) DOLLAR LIMITATION.—

4 “(1) IN GENERAL.—The amount allowed as a  
 5 credit under subsection (a) to the taxpayer for the  
 6 taxable year shall not exceed the sum of the monthly  
 7 limitations for eligible months during such taxable  
 8 year.

9 “(2) MONTHLY LIMITATION.—The monthly lim-  
 10 itation for any eligible month is the amount equal to  
 11  $\frac{1}{12}$  of—

12 “(A) \$1,200 if, as of the first day of such  
 13 month, the taxpayer has self-only coverage  
 14 under qualified health insurance, and

15 “(B) \$2,400 if, as of the first day of such  
 16 month, the taxpayer has family coverage under  
 17 qualified health insurance.

18 “(3) ELIGIBLE MONTH.—For purposes of this  
 19 subsection—

20 “(A) IN GENERAL.—The term ‘eligible  
 21 month’ means any month which begins at least  
 22 1 year after the most recent month that the  
 23 individual—

24 “(i) was eligible to participate in any  
 25 group health plan of an employer which

1 provided qualified health insurance (deter-  
 2 mined without regard to subsection  
 3 (d)(2)), or

4 “(ii) participated in any group health  
 5 plan of any other entity which provided  
 6 such insurance.

7 “(B) JOINT RETURNS.—In the case of a  
 8 joint return, a month shall be treated as an eli-  
 9 gible month only if it is an eligible month of  
 10 each spouse, determined by applying this para-  
 11 graph separately to each spouse.

12 “(4) CERTAIN OTHER COVERAGE.—Amounts  
 13 paid for coverage of an individual for any month  
 14 shall not be taken into account under subsection (a)  
 15 if, as of the first day of such month, such individual  
 16 is covered under any medical care program described  
 17 in—

18 “(A) title XVIII, XIX, or XXI of the So-  
 19 cial Security Act,

20 “(B) chapter 55 of title 10, United States  
 21 Code,

22 “(C) chapter 17 of title 38, United States  
 23 Code,

24 “(D) chapter 89 of title 5, United States  
 25 Code, or

1                   “(E) the Indian Health Care Improvement  
2                   Act.

3                   “(5) SPECIAL RULE FOR MARRIED INDIVID-  
4                   UALS.—In the case of an individual—

5                   “(A) who is married (within the meaning  
6                   of section 7703) as of the close of the taxable  
7                   year but does not file a joint return for such  
8                   year, and

9                   “(B) who does not live apart from such in-  
10                  dividual’s spouse at all times during the taxable  
11                  year,

12                  the limitation under paragraph (2)(A) (and not the  
13                  limitation under paragraph (2)(B)) shall apply to  
14                  such individual.

15                  “(c) LIMITATION BASED ON ADJUSTED GROSS IN-  
16                  COME.—

17                  “(1) IN GENERAL.—The aggregate amount  
18                  which would (but for this subsection) be allowed as  
19                  a credit under this section shall be reduced (but not  
20                  below zero) by the amount determined under para-  
21                  graph (2).

22                  “(2) AMOUNT OF REDUCTION.—

23                  “(A) IN GENERAL.—The amount deter-  
24                  mined under this paragraph shall be the

1 amount which bears the same ratio to such ag-  
 2 gregate amount as—

3 “(i) the excess of—

4 “(I) the taxpayer’s modified ad-  
 5 justed gross income for such taxable  
 6 year, over

7 “(II) the applicable dollar  
 8 amount, bears to

9 “(ii) \$10,000.

10 “(B) MODIFIED ADJUSTED GROSS IN-  
 11 COME.—For purposes of this paragraph, the  
 12 term ‘modified adjusted gross income’ means  
 13 adjusted gross income increased by any amount  
 14 excluded from gross income under section 911,  
 15 931, or 933.

16 “(C) ROUNDING.—Any amount determined  
 17 under subparagraph (A) which is not a multiple  
 18 of \$10 shall be rounded to the next lowest \$10.

19 “(3) APPLICABLE DOLLAR AMOUNT.—For pur-  
 20 poses of paragraph (2), the term ‘applicable dollar  
 21 amount’ means—

22 “(A) \$60,000 in the case of a taxpayer  
 23 whose qualified health insurance coverage cov-  
 24 ers more than 1 individual referred to in sub-  
 25 section (a), and

1 “(B) \$30,000—

2 “(i) in any case not described in sub-  
3 paragraph (A), and

4 “(ii) in the case of a married indi-  
5 vidual filing a separate return.

6 For purposes of this paragraph, marital status shall  
7 be determined under section 7703.

8 “(d) QUALIFIED HEALTH INSURANCE.—For pur-  
9 poses of this section—

10 “(1) IN GENERAL.—Except as otherwise pro-  
11 vided in this paragraph, the term ‘qualified health  
12 insurance’ means insurance which constitutes med-  
13 ical care, as defined in section 213(d) without regard  
14 to—

15 “(A) paragraph (1)(C) thereof, and

16 “(B) so much of paragraph (1)(D) thereof  
17 as relates to qualified long-term care insurance  
18 contracts.

19 “(2) EXCLUSION OF COVERAGE PROVIDED  
20 UNDER GROUP HEALTH PLANS, ETC.—Such term  
21 shall not include insurance provided through any  
22 group health plan of an employer or any other enti-  
23 ty.

24 “(3) EXCLUSION OF CERTAIN OTHER CON-  
25 TRACTS.—Such term shall not include insurance if a

1 substantial portion of its benefits are excepted bene-  
2 fits (as defined in section 9832(c)).

3 “(e) INDIVIDUALS WITH COBRA COVERAGE.—In  
4 the case of continuation coverage under a group health  
5 plan which is required to be provided by Federal law for  
6 an individual during the period specified in section  
7 4980B(f)(2)(B), notwithstanding subsection (d)—

8 “(1) such coverage shall be treated as qualified  
9 health insurance, and

10 “(2) the term ‘eligible month’ includes months  
11 of such coverage.

12 “(f) SPECIAL RULES.—

13 “(1) COORDINATION WITH OTHER DEDUC-  
14 TIONS.—No credit shall be allowed under this sec-  
15 tion for the taxable year if any amount paid for  
16 qualified health insurance is taken into account in  
17 determining the deduction allowed for such year  
18 under section 213 or 222.

19 “(2) DENIAL OF CREDIT TO DEPENDENTS.—No  
20 credit shall be allowed under this section to any indi-  
21 vidual with respect to whom a deduction under sec-  
22 tion 151 is allowable to another taxpayer for a tax-  
23 able year beginning in the calendar year in which  
24 such individual’s taxable year begins.

25 “(3) INFLATION ADJUSTMENT.—

1           “(A) IN GENERAL.—In the case of a tax-  
 2           able year beginning after 2000, each dollar  
 3           amount in subsection (c)(3) shall be increased  
 4           by an amount equal to—

5                   “(i) such dollar amount, multiplied by

6                   “(ii) the cost-of-living adjustment de-  
 7           termined under section 1(f)(3) for the cal-  
 8           endar year in which the taxable year be-  
 9           gins, determined by substituting ‘calendar  
 10          year 1999’ for ‘calendar year 1992’ in sub-  
 11          paragraph (B) thereof.

12           “(B) ROUNDING.—If any amount as ad-  
 13          justed under subparagraph (A) is not a multiple  
 14          of \$100, such amount shall be rounded to the  
 15          next lowest multiple of \$100.”

16          (b) CLERICAL AMENDMENT.—The table of sections  
 17          for subpart A part IV of subchapter A of chapter 1 of  
 18          such Code is amended by inserting after the item relating  
 19          to section 25A the following new item:

                  “Sec. 25B. Health insurance costs of previously uninsured indi-  
   viduals and individuals with COBRA coverage.”

20          (c) EFFECTIVE DATE.—The amendments made by  
 21          this section shall apply to taxable years beginning after  
 22          December 31, 1999.

1 **SEC. 302. DEDUCTION FOR HEALTH INSURANCE COSTS OF**  
 2 **EMPLOYEES AND SELF-EMPLOYED INDIVID-**  
 3 **UALS.**

4 (a) IN GENERAL.—Part VII of subchapter B of chap-  
 5 ter 1 of the Internal Revenue Code of 1986 (relating to  
 6 additional itemized deductions) is amended by redesignig-  
 7 nating section 222 as section 223 and by inserting after  
 8 section 221 the following new section:

9 **“SEC. 222. COSTS OF HEALTH INSURANCE AND LONG-TERM**  
 10 **CARE INSURANCE.**

11 “(a) IN GENERAL.—In the case of an individual,  
 12 there shall be allowed as a deduction an amount equal to  
 13 the sum of—

14 “(1) the applicable health care percentage of  
 15 the amount paid during the taxable year for cov-  
 16 erage for the taxpayer, his spouse, and dependents  
 17 under qualified health insurance, and

18 “(2) the applicable long-term care percentage of  
 19 the amount of eligible long-term care premiums (as  
 20 defined in section 213(d)(10)) paid during the tax-  
 21 able year for coverage for the taxpayer, his spouse,  
 22 and dependents under a qualified long-term care in-  
 23 surance contract (as defined in section 7702B(b)).

24 “(b) APPLICABLE PERCENTAGES.—For purposes of  
 25 subsection (a)—

1           “(1) APPLICABLE HEALTH CARE PERCENT-  
2       AGE.—

3           “(A) IN GENERAL.—Except as provided in  
4       subparagraph (B), the applicable health care  
5       percentage shall be determined in accordance  
6       with the following table:

<b>“For taxable years beginning in calendar year—</b>	<b>The applicable health care percentage is—</b>
2000 .....	60
2001 .....	70
2002 .....	80
2003 .....	90
2004 and thereafter .....	100.

7           “(B) SPECIAL RULE.—In the case of an  
8       individual who is an employee within the mean-  
9       ing of section 401(c)(1) and whose qualified  
10      health insurance is not provided through a  
11      group health plan of an employer, subparagraph  
12      (A) shall be applied by substituting ‘100’ for  
13      ‘90’ but only with respect to the lesser of the  
14      taxpayer’s earned income (within the meaning  
15      of section 401(c)) or the payments referred to  
16      in subsection (a)(1).

17          “(2) APPLICABLE LONG-TERM CARE PERCENT-  
18      AGE.—

19          “(A) IN GENERAL.—Except as otherwise  
20      provided in this paragraph, the applicable long-  
21      term care percentage shall be determined in ac-  
22      cordance with the following table based on the

1           number of years of continuous coverage (as of  
 2           the close of the taxable year) of the individual  
 3           under a qualified long-term care insurance con-  
 4           tract (as defined in section 7702B(b)):

<b>“If the number of years of continuous coverage is—</b>	<b>The applicable long-term care percentage is—</b>
Less than 1 .....	50
At least 1 but less than 2 .....	60
At least 2 but less than 3 .....	70
At least 3 but less than 4 .....	80
At least 4 but less than 5 .....	90
At least 5 .....	100.

5           “(B) SPECIAL RULES FOR INDIVIDUALS  
 6           WHO HAVE ATTAINED AGE 60.—In the case of  
 7           an individual who has attained age 60 as of the  
 8           close of the taxable year, the following table  
 9           shall be substituted for the table in subpara-  
 10          graph (A).

<b>“If the number of years of continuous coverage is—</b>	<b>The applicable long-term care percentage is—</b>
Less than 1 .....	60
At least 1 but less than 2 .....	70
At least 2 but less than 3 .....	85
At least 3 .....	100.

11          “(C) ONLY COVERAGE AFTER 1999 TAKEN  
 12          INTO ACCOUNT.—Only coverage for periods  
 13          after December 31, 1999, shall be taken into  
 14          account under this paragraph.

15          “(D) CONTINUOUS COVERAGE.—An indi-  
 16          vidual shall not fail to be treated as having con-  
 17          tinuous coverage if the aggregate breaks in cov-

erage during any 1-year period are less than 60 days.

“(E) SELF-EMPLOYED INDIVIDUALS.—In the case of an individual who is an employee within the meaning of section 401(c)(1) and whose qualified long-term care insurance contract (as defined in section 7702B(b)) is not provided through a group health plan of an employer, the applicable long-term care percentage shall be—

“(i) 100 percent with respect to the lesser of—

“(I) the eligible long-term care premiums (as defined in section 213(d)(10)) referred to in subsection (a)(2), or

“(II) the excess of the taxpayer’s earned income (within the meaning of section 401(c)) for the taxable year over the payments referred to in subsection (a)(1), and

“(ii) the percentage determined under the other provisions of this paragraph with respect to the remainder of such premiums (determined by treating the premiums

1           taken into account under clause (i) as  
2           being attributable to individuals in the  
3           order of their ages, beginning with the old-  
4           est).

5       “(c) EXCLUSION OF SUBSIDIZED COVERAGE.—Sub-  
6 section (a) shall not apply to any taxpayer for any cal-  
7 endar month for which the taxpayer participates in any  
8 group health plan of an employer or any other entity if  
9 less than 50 percent of the cost of the taxpayer’s coverage  
10 under such plan is borne by the taxpayer. The preceding  
11 sentence shall be applied separately with respect to para-  
12 graphs (1) and (2) of subsection (a).

13       “(d) QUALIFIED HEALTH INSURANCE.—For pur-  
14 poses of this section—

15           “(1) IN GENERAL.—The term ‘qualified health  
16 insurance’ has the meaning given such term by sec-  
17 tion 25B(d) determined without regard to paragraph  
18 (2) thereof.

19           “(2) SPECIAL RULE.—

20               “(A) IN GENERAL.—In the case of an indi-  
21 vidual who is an employee within the meaning  
22 of section 401(c)(1) and whose qualified health  
23 insurance (without regard to this paragraph) is  
24 not provided through a group health plan of an

1 employer, paragraph (3) of section 25B(d) shall  
 2 not apply for purposes of this section.

3 “(B) LIMITATION.—The amount taken  
 4 into account under subsection (a)(1) by reason  
 5 of subparagraph (A) shall not exceed the excess  
 6 of—

7 “(i) the taxpayer’s earned income  
 8 (within the meaning of section 401(c)),  
 9 over

10 “(ii) the amount which would (without  
 11 regard to this paragraph) be taken into ac-  
 12 count under subsection (a)(1).

13 “(e) SPECIAL RULES.—

14 “(1) COORDINATION WITH MEDICAL DEDUC-  
 15 TION, ETC.—Any amount paid by a taxpayer for in-  
 16 surance to which subsection (a) applies shall not be  
 17 taken into account in computing the amount allow-  
 18 able to the taxpayer as a deduction under section  
 19 213(a).

20 “(2) DEDUCTION NOT ALLOWED FOR SELF-EM-  
 21 PLOYMENT TAX PURPOSES.—The deduction allow-  
 22 able by reason of this section shall not be taken into  
 23 account in determining an individual’s net earnings  
 24 from self-employment (within the meaning of section  
 25 1402(a)) for purposes of chapter 2.”

1 (b) CONFORMING AMENDMENTS.—

2 (1) Subsection (l) of section 162 of such Code  
3 is hereby repealed.

4 (2) Subsection (a) of section 62 of such Code  
5 is amended by inserting after paragraph (17) the  
6 following new item:

7 “(18) COSTS OF HEALTH INSURANCE AND  
8 LONG-TERM CARE INSURANCE.—The deduction al-  
9 lowed by section 222.”

10 (3) The table of sections for part VII of sub-  
11 chapter B of chapter 1 of such Code is amended by  
12 striking the last item and inserting the following  
13 new items:

“Sec. 222. Costs of health insurance and long-term care insur-  
ance.

“Sec. 223. Cross reference.”

14 (c) EFFECTIVE DATE.—The amendments made by  
15 this section shall apply to taxable years beginning after  
16 December 31, 1999.

17 **SEC. 303. CREDIT FOR TAXPAYERS WITH LONG-TERM CARE**  
18 **NEEDS.**

19 (a) ALLOWANCE OF CREDIT.—

20 (1) IN GENERAL.—Section 24(a) of the Internal  
21 Revenue Code of 1986 (relating to allowance of child  
22 tax credit) is amended to read as follows:

1       “(a) ALLOWANCE OF CREDIT.—There shall be al-  
 2       lowed as a credit against the tax imposed by this chapter  
 3       for the taxable year an amount equal to the sum of—

4               “(1) \$500 multiplied by the number of quali-  
 5       fying children of the taxpayer, plus

6               “(2) \$1,000 multiplied by the number of appli-  
 7       cable individuals with respect to whom the taxpayer  
 8       is an eligible caregiver for the taxable year.

9       In any case in which the applicable individual and the eli-  
 10      gible caregiver are the same individual, the credit allowed  
 11      by paragraph (2) with respect to such individual shall not  
 12      exceed the aggregate amount paid by the taxpayer during  
 13      the taxable year (not compensated for by insurance or oth-  
 14      erwise) for qualified long-term care services (as defined  
 15      in section 7702B(c)) for such individual.”

16              (2) ADDITIONAL CREDIT FOR TAXPAYER WITH  
 17      3 OR MORE SEPARATE CREDIT AMOUNTS.—So much  
 18      of section 24(d) of such Code as precedes paragraph  
 19      (1)(A) thereof is amended to read as follows:

20              “(d) ADDITIONAL CREDIT FOR TAXPAYERS WITH 3  
 21      OR MORE SEPARATE CREDIT AMOUNTS.—

22              “(1) IN GENERAL.—If the sum of the number  
 23      of qualifying children of the taxpayer and the num-  
 24      ber of applicable individuals with respect to which  
 25      the taxpayer is an eligible caregiver is 3 or more for

1 any taxable year, the aggregate credits allowed  
 2 under subpart C shall be increased by the lesser  
 3 of—”.

4 (3) CONFORMING AMENDMENTS.—

5 (A) The heading for section 32(n) of such  
 6 Code is amended by striking “CHILD” and in-  
 7 serting “FAMILY CARE”.

8 (B) The heading for section 24 is amended  
 9 to read as follows:

10 **“SEC. 24. FAMILY CARE CREDIT.”**

11 (C) The table of sections for subpart A of  
 12 part IV of subchapter A of chapter 1 of such  
 13 Code is amended by striking the item relating  
 14 to section 24 and inserting the following new  
 15 item:

“Sec. 24. Family care credit.”.

16 (b) DEFINITIONS.—Section 24(c) of such Code (de-  
 17 fining qualifying child) is amended to read as follows:

18 “(c) DEFINITIONS.—For purposes of this section—

19 “(1) QUALIFYING CHILD.—

20 “(A) IN GENERAL.—The term ‘qualifying  
 21 child’ means any individual if—

22 “(i) the taxpayer is allowed a deduc-  
 23 tion under section 151 with respect to such  
 24 individual for the taxable year,

1 “(ii) such individual has not attained  
 2 the age of 17 as of the close of the cal-  
 3 endar year in which the taxable year of the  
 4 taxpayer begins, and

5 “(iii) such individual bears a relation-  
 6 ship to the taxpayer described in section  
 7 32(c)(3)(B).

8 “(B) EXCEPTION FOR CERTAIN NONCITI-  
 9 ZENS.—The term ‘qualifying child’ shall not in-  
 10 clude any individual who would not be a de-  
 11 pendent if the first sentence of section  
 12 152(b)(3) were applied without regard to all  
 13 that follows ‘resident of the United States’.

14 “(2) APPLICABLE INDIVIDUAL.—

15 “(A) IN GENERAL.—The term ‘applicable  
 16 individual’ means, with respect to any taxable  
 17 year, any individual who has been certified, be-  
 18 fore the due date for filing the return of tax for  
 19 the taxable year (without extensions), by a phy-  
 20 sician (as defined in section 1861(r)(1) of the  
 21 Social Security Act) as being an individual with  
 22 long-term care needs described in subparagraph  
 23 (B) for a period—

24 “(i) which is at least 180 consecutive  
 25 days, and

1 “(ii) a portion of which occurs within  
2 the taxable year.

3 Such term shall not include any individual oth-  
4 erwise meeting the requirements of the pre-  
5 ceding sentence unless within the 39½ month  
6 period ending on such due date (or such other  
7 period as the Secretary prescribes) a physician  
8 (as so defined) has certified that such indi-  
9 vidual meets such requirements.

10 “(B) INDIVIDUALS WITH LONG-TERM CARE  
11 NEEDS.—An individual is described in this sub-  
12 paragraph if the individual meets any of the fol-  
13 lowing requirements:

14 “(i) The individual is at least 6 years  
15 of age and—

16 “(I) is unable to perform (with-  
17 out substantial assistance from an-  
18 other individual) at least 3 activities  
19 of daily living (as defined in section  
20 7702B(c)(2)(B)) due to a loss of  
21 functional capacity, or

22 “(II) requires substantial super-  
23 vision to protect such individual from  
24 threats to health and safety due to se-  
25 vere cognitive impairment and is un-

1           able to perform, without reminding or  
2           cuing assistance, at least 1 activity of  
3           daily living (as so defined) or to the  
4           extent provided in regulations pre-  
5           scribed by the Secretary (in consulta-  
6           tion with the Secretary of Health and  
7           Human Services), is unable to engage  
8           in age appropriate activities.

9           “(ii) The individual is at least 2 but  
10          not 6 years of age and is unable due to a  
11          loss of functional capacity to perform  
12          (without substantial assistance from an-  
13          other individual) at least 2 of the following  
14          activities: eating, transferring, or mobility.

15          “(iii) The individual is under 2 years  
16          of age and requires specific durable med-  
17          ical equipment by reason of a severe health  
18          condition or requires a skilled practitioner  
19          trained to address the individual’s condi-  
20          tion to be available if the individual’s par-  
21          ents or guardians are absent.

22          “(3) ELIGIBLE CAREGIVER.—

23                 “(A) IN GENERAL.—A taxpayer shall be  
24                 treated as an eligible caregiver for any taxable  
25                 year with respect to the following individuals:

1 “(i) The taxpayer.

2 “(ii) The taxpayer’s spouse.

3 “(iii) An individual with respect to  
4 whom the taxpayer is allowed a deduction  
5 under section 151 for the taxable year.

6 “(iv) An individual who would be de-  
7 scribed in clause (iii) for the taxable year  
8 if section 151(c)(1)(A) were applied by  
9 substituting for the exemption amount an  
10 amount equal to the sum of the exemption  
11 amount, the standard deduction under sec-  
12 tion 63(c)(2)(C), and any additional stand-  
13 ard deduction under section 63(c)(3) which  
14 would be applicable to the individual if  
15 clause (iii) applied.

16 “(v) An individual who would be de-  
17 scribed in clause (iii) for the taxable year  
18 if—

19 “(I) the requirements of clause  
20 (iv) are met with respect to the indi-  
21 vidual, and

22 “(II) the requirements of sub-  
23 paragraph (B) are met with respect to  
24 the individual in lieu of the support  
25 test of section 152(a).

“(B) RESIDENCY TEST.—The requirements of this subparagraph are met if an individual has as his principal place of abode the home of the taxpayer and—

“(i) in the case of an individual who is an ancestor or descendant of the taxpayer or the taxpayer’s spouse, is a member of the taxpayer’s household for over half the taxable year, or

“(ii) in the case of any other individual, is a member of the taxpayer’s household for the entire taxable year.

“(C) SPECIAL RULES WHERE MORE THAN 1 ELIGIBLE CAREGIVER.—

“(i) IN GENERAL.—If more than 1 individual is an eligible caregiver with respect to the same applicable individual for taxable years ending with or within the same calendar year, a taxpayer shall be treated as the eligible caregiver if each such individual (other than the taxpayer) files a written declaration (in such form and manner as the Secretary may prescribe) that such individual will not claim

1           such applicable individual for the credit  
2           under this section.

3           “(ii) NO AGREEMENT.—If each indi-  
4           vidual required under clause (i) to file a  
5           written declaration under clause (i) does  
6           not do so, the individual with the highest  
7           modified adjusted gross income (as defined  
8           in section 32(c)(5)) shall be treated as the  
9           eligible caregiver.

10          “(iii) MARRIED INDIVIDUALS FILING  
11          SEPARATELY.—In the case of married indi-  
12          viduals filing separately, the determination  
13          under this subparagraph as to whether the  
14          husband or wife is the eligible caregiver  
15          shall be made under the rules of clause (ii)  
16          (whether or not one of them has filed a  
17          written declaration under clause (i)).”.

18          (c) IDENTIFICATION REQUIREMENTS.—

19           (1) IN GENERAL.—Section 24(e) of such Code  
20          is amended by adding at the end the following new  
21          sentence: “No credit shall be allowed under this sec-  
22          tion to a taxpayer with respect to any applicable in-  
23          dividual unless the taxpayer includes the name and  
24          taxpayer identification number of such individual,  
25          and the identification number of the physician certi-

1       fying such individual, on the return of tax for the  
2       taxable year.”.

3               (2) ASSESSMENT.—Section 6213(g)(2)(I) of  
4       such Code is amended—

5                       (A) by inserting “or physician identifica-  
6                       tion” after “correct TIN”, and

7                       (B) by striking “child” and inserting  
8                       “family care”.

9       (d) EFFECTIVE DATE.—The amendments made by  
10      this section shall apply to taxable years beginning after  
11      December 31, 1999.

## 12               **TITLE IV—EXPANSION OF** 13      **DEPENDENT CARE TAX CREDIT**

### 14      **SEC. 401. EXPANSION OF DEPENDENT CARE TAX CREDIT.**

15       (a) INCREASE IN PERCENTAGE OF EMPLOYMENT-  
16      RELATED EXPENSES ALLOWED AS CREDIT.—Paragraph  
17      (2) of section 21(a) of the Internal Revenue Code of 1986  
18      (defining applicable percentage) is amended to read as fol-  
19      lows:

20               “(2) APPLICABLE PERCENTAGE DEFINED.—

21                       “(A) IN GENERAL.—For purposes of para-  
22                       graph (1), the term ‘applicable percentage’  
23                       means 50 percent reduced (but not below 20  
24                       percent) by each \$2,000 (or fraction thereof) by

which the taxpayers's adjusted gross income for the taxable year exceeds \$30,000.

“(B) PHASEIN.—In the case of taxable years beginning before January 1, 2004, the percentage determined under the following table shall be substituted for ‘50 percent’:

<b>“For taxable years beginning in calendar year—</b>	<b>The percentage is—</b>
2000 .....	30
2001 .....	35
2002 .....	40
2003 .....	45.”

(b) MINIMUM CREDIT ALLOWED FOR STAY-AT-HOME PARENTS.—Subsection (e) of section 21 of such Code (relating to special rules) is amended by adding at the end the following:

“(11) MINIMUM CREDIT ALLOWED FOR STAY-AT-HOME PARENTS.—Notwithstanding subsection (d), in the case of any taxpayer with one or more qualifying individuals described in subsection (b)(1)(A) under the age of 1 at any time during the taxable year, such taxpayer shall be deemed to have employment-related expenses with respect to such qualifying individuals in an amount equal to the greater of—

“(A) the amount of employment-related expenses incurred for such qualifying individuals

1 for the taxable year (determined under this sec-  
 2 tion without regard to this paragraph), or

3 “(B) \$120 for each month in such taxable  
 4 year during which such qualifying individual is  
 5 under the age of 1.”

6 (c) EFFECTIVE DATE.—The amendments made by  
 7 this section apply to taxable years beginning after Decem-  
 8 ber 31, 1999.

## 9 **TITLE V—ALTERNATIVE** 10 **MINIMUM TAX RELIEF**

### 11 **SEC. 501. NONREFUNDABLE PERSONAL CREDITS ALLOWED** 12 **AGAINST ALTERNATIVE MINIMUM TAX.**

13 (a) IN GENERAL.—Subsection (a) of section 26 of the  
 14 Internal Revenue Code of 1986 is amended to read as fol-  
 15 lows:

16 “(a) LIMITATION BASED ON AMOUNT OF TAX.—The  
 17 aggregate amount of credits allowed by this subpart for  
 18 the taxable year shall not exceed the sum of—

19 “(1) the taxpayer’s regular tax liability for the  
 20 taxable year reduced by the foreign tax credit allow-  
 21 able under section 27(a), and

22 “(2) the tax imposed for the taxable year by  
 23 section 55(a).”.

24 (b) CONFORMING AMENDMENTS.—

1           (1) Subsection (d) of section 24 of such Code  
 2           is amended by striking paragraph (2) and by redes-  
 3           ignating paragraph (3) as paragraph (2).

4           (2) Section 904 of such Code is amended by  
 5           striking subsection (h) and by redesignating sub-  
 6           sections (i), (j), and (k) as subsections (h), (i), and  
 7           (j), respectively.

8           (c) EFFECTIVE DATE.—The amendments made by  
 9           this section shall apply to taxable years beginning after  
 10          December 31, 1999.

11   **SEC. 502. INCOME AVERAGING FOR FARMERS NOT TO IN-**  
 12                           **CREASE ALTERNATIVE MINIMUM TAX LIABIL-**  
 13                           **ITY.**

14          (a) IN GENERAL.—Section 55(c) of the Internal Rev-  
 15          enue Code of 1986 (defining regular tax) is amended by  
 16          redesignating paragraph (2) as paragraph (3) and by in-  
 17          serting after paragraph (1) the following new paragraph:

18               “(2) COORDINATION WITH INCOME AVERAGING  
 19          FOR FARMERS.—Solely for purposes of this section,  
 20          section 1301 (relating to averaging of farm income)  
 21          shall not apply in computing the regular tax.”

22          (b) EFFECTIVE DATE.—The amendment made by  
 23          this section shall apply to taxable years beginning after  
 24          December 31, 1998.

1 **TITLE VI—ELIMINATION OF 60-**  
 2 **MONTH LIMIT ON STUDENT**  
 3 **LOAN INTEREST DEDUCTION**

4 **SEC. 601. ELIMINATION OF 60-MONTH LIMIT ON STUDENT**  
 5 **LOAN INTEREST DEDUCTION.**

6 (a) IN GENERAL.—Section 221 of the Internal Rev-  
 7 enue Code of 1986 (relating to interest on education  
 8 loans) is amended by striking subsection (d) and by redes-  
 9 ignating subsections (e), (f), and (g) as subsections (d),  
 10 (e), and (f), respectively.

11 (b) CONFORMING AMENDMENT.—Section 6050(e) of  
 12 the Internal Revenue Code of 1986 is amended by striking  
 13 “section 221(e)(1)” and inserting “section 221(d)(1)”.

14 (c) EFFECTIVE DATE.—The amendments made by  
 15 this section shall apply with respect to any loan interest  
 16 paid after December 31, 1997.

17 **TITLE VII—INCREASE IN LOW-IN-**  
 18 **COME HOUSING CREDIT**  
 19 **STATE CEILING**

20 **SEC. 701. INCREASE IN STATE CEILING ON LOW-INCOME**  
 21 **HOUSING CREDIT.**

22 (a) IN GENERAL.—Clause (i) of section 42(h)(3)(C)  
 23 of the Internal Revenue Code of 1986 (relating to State  
 24 housing credit ceiling) is amended by striking “\$1.25” and  
 25 inserting “\$1.75”.

1       (b) ADJUSTMENT OF STATE CEILING FOR IN-  
 2 CREASES IN COST-OF-LIVING.—Paragraph (3) of section  
 3 42(h) of such Code (relating to housing credit dollar  
 4 amount for agencies) is amended by adding at the end  
 5 the following new subparagraph:

6               “(H) COST-OF-LIVING ADJUSTMENT.—

7               “(i) IN GENERAL.—In the case of a  
 8 calendar year after 2000, the dollar  
 9 amount contained in subparagraph (C)(i)  
 10 shall be increased by an amount equal to—

11               “(I) such dollar amount, multi-  
 12 plied by

13               “(II) the cost-of-living adjust-  
 14 ment determined under section 1(f)(3)  
 15 for such calendar year by substituting  
 16 ‘calendar year 1999’ for ‘calendar  
 17 year 1992’ in subparagraph (B) there-  
 18 of.

19               “(ii) ROUNDING.—If any increase  
 20 under clause (i) is not a multiple of 5  
 21 cents, such increase shall be rounded to  
 22 the next lowest multiple of 5 cents.”.

23       (c) EFFECTIVE DATE.—The amendments made by  
 24 this section shall apply to calendar years after 1999.

1     **TITLE VIII—FARM AND RANCH**  
 2     **RISK MANAGEMENT ACCOUNTS**

3     **SEC. 801. FARM AND RANCH RISK MANAGEMENT AC-**  
 4                     **COUNTS.**

5             (a) IN GENERAL.—Subpart C of part II of sub-  
 6 chapter E of chapter 1 of the Internal Revenue Code of  
 7 1986 (relating to taxable year for which deductions taken)  
 8 is amended by inserting after section 468B the following  
 9 new section:

10    **“SEC. 468C. FARM AND RANCH RISK MANAGEMENT AC-**  
 11                     **COUNTS.**

12             “(a) DEDUCTION ALLOWED.—In the case of an indi-  
 13 vidual engaged in an eligible farming business, there shall  
 14 be allowed as a deduction for any taxable year the amount  
 15 paid in cash by the taxpayer during the taxable year to  
 16 a Farm and Ranch Risk Management Account (herein-  
 17 after referred to as the ‘FARRM Account’).

18             “(b) LIMITATION.—The amount which a taxpayer  
 19 may pay into the FARRM Account for any taxable year  
 20 shall not exceed 20 percent of so much of the taxable in-  
 21 come of the taxpayer (determined without regard to this  
 22 section) which is attributable (determined in the manner  
 23 applicable under section 1301) to any eligible farming  
 24 business.

1       “(c) ELIGIBLE FARMING BUSINESS.—For purposes  
 2 of this section, the term ‘eligible farming business’ means  
 3 any farming business (as defined in section 263A(e)(4))  
 4 which is not a passive activity (within the meaning of sec-  
 5 tion 469(c)) of the taxpayer.

6       “(d) FARRM ACCOUNT.—For purposes of this  
 7 section—

8               “(1) IN GENERAL.—The term ‘FARRM Ac-  
 9 count’ means a trust created or organized in the  
 10 United States for the exclusive benefit of the tax-  
 11 payer, but only if the written governing instrument  
 12 creating the trust meets the following requirements:

13                       “(A) No contribution will be accepted for  
 14 any taxable year in excess of the amount al-  
 15 lowed as a deduction under subsection (a) for  
 16 such year.

17                       “(B) The trustee is a bank (as defined in  
 18 section 408(n)) or another person who dem-  
 19 onstrates to the satisfaction of the Secretary  
 20 that the manner in which such person will ad-  
 21 minister the trust will be consistent with the re-  
 22 quirements of this section.

23                       “(C) The assets of the trust consist en-  
 24 tirely of cash or of obligations which have ade-  
 25 quate stated interest (as defined in section

1           1274(c)(2)) and which pay such interest not  
2           less often than annually.

3           “(D) All income of the trust is distributed  
4           currently to the grantor.

5           “(E) The assets of the trust will not be  
6           commingled with other property except in a  
7           common trust fund or common investment  
8           fund.

9           “(2) ACCOUNT TAXED AS GRANTOR TRUST.—  
10          The grantor of a FARRM Account shall be treated  
11          for purposes of this title as the owner of such Ac-  
12          count and shall be subject to tax thereon in accord-  
13          ance with subpart E of part I of subchapter J of  
14          this chapter (relating to grantors and others treated  
15          as substantial owners).

16          “(e) INCLUSION OF AMOUNTS DISTRIBUTED.—

17                 “(1) IN GENERAL.—Except as provided in para-  
18                 graph (2), there shall be includible in the gross in-  
19                 come of the taxpayer for any taxable year—

20                         “(A) any amount distributed from a  
21                         FARRM Account of the taxpayer during such  
22                         taxable year, and

23                         “(B) any deemed distribution under—

24                                 “(i) subsection (f)(1) (relating to de-  
25                                 posits not distributed within 5 years),

1 “(ii) subsection (f)(2) (relating to ces-  
 2 sation in eligible farming business), and

3 “(iii) subparagraph (A) or (B) of sub-  
 4 section (f)(3) (relating to prohibited trans-  
 5 actions and pledging account as security).

6 “(2) EXCEPTIONS.—Paragraph (1)(A) shall not  
 7 apply to—

8 “(A) any distribution to the extent attrib-  
 9 utable to income of the Account, and

10 “(B) the distribution of any contribution  
 11 paid during a taxable year to a FARRM Ac-  
 12 count to the extent that such contribution ex-  
 13 ceeds the limitation applicable under subsection  
 14 (b) if requirements similar to the requirements  
 15 of section 408(d)(4) are met.

16 For purposes of subparagraph (A), distributions  
 17 shall be treated as first attributable to income and  
 18 then to other amounts.

19 “(3) EXCLUSION FROM SELF-EMPLOYMENT  
 20 TAX.—Amounts included in gross income under this  
 21 subsection shall not be included in determining net  
 22 earnings from self-employment under section 1402.

23 “(f) SPECIAL RULES.—

24 “(1) TAX ON DEPOSITS IN ACCOUNT WHICH  
 25 ARE NOT DISTRIBUTED WITHIN 5 YEARS.—

1           “(A) IN GENERAL.—If, at the close of any  
2 taxable year, there is a nonqualified balance in  
3 any FARRM Account—

4                   “(i) there shall be deemed distributed  
5 from such Account during such taxable  
6 year an amount equal to such balance, and

7                   “(ii) the taxpayer’s tax imposed by  
8 this chapter for such taxable year shall be  
9 increased by 10 percent of such deemed  
10 distribution.

11           The preceding sentence shall not apply if an  
12 amount equal to such nonqualified balance is  
13 distributed from such Account to the taxpayer  
14 before the due date (including extensions) for  
15 filing the return of tax imposed by this chapter  
16 for such year (or, if earlier, the date the tax-  
17 payer files such return for such year).

18           “(B) NONQUALIFIED BALANCE.—For pur-  
19 poses of subparagraph (A), the term ‘non-  
20 qualified balance’ means any balance in the Ac-  
21 count on the last day of the taxable year which  
22 is attributable to amounts deposited in such Ac-  
23 count before the 4th preceding taxable year.

24           “(C) ORDERING RULE.—For purposes of  
25 this paragraph, distributions from a FARRM

1 Account shall be treated as made from deposits  
 2 in the order in which such deposits were made,  
 3 beginning with the earliest deposits. For pur-  
 4 poses of the preceding sentence, income of such  
 5 an Account shall be treated as a deposit made  
 6 on the date such income is received by the Ac-  
 7 count.

8 “(2) CESSATION IN ELIGIBLE FARMING BUSI-  
 9 NESS.—At the close of the first disqualification pe-  
 10 riod after a period for which the taxpayer was en-  
 11 gaged in an eligible farming business, there shall be  
 12 deemed distributed from the FARRM Account (if  
 13 any) of the taxpayer an amount equal to the balance  
 14 in such Account at the close of such disqualification  
 15 period. For purposes of the preceding sentence, the  
 16 term ‘disqualification period’ means any period of 2  
 17 consecutive taxable years for which the taxpayer is  
 18 not engaged in an eligible farming business.

19 “(3) CERTAIN RULES TO APPLY.—Rules similar  
 20 to the following rules shall apply for purposes of this  
 21 section:

22 “(A) Section 408(e)(2) (relating to loss of  
 23 exemption of account where individual engages  
 24 in prohibited transaction).

1           “(B) Section 408(e)(4) (relating to effect  
2           of pledging account as security).

3           “(C) Section 408(g) (relating to commu-  
4           nity property laws).

5           “(D) Section 408(h) (relating to custodial  
6           accounts).

7           “(4) TIME WHEN PAYMENTS DEEMED MADE.—  
8           For purposes of this section, a taxpayer shall be  
9           deemed to have made a payment to a FARRM Ac-  
10          count on the last day of a taxable year if such pay-  
11          ment is made on account of such taxable year and  
12          is made within 3½ months after the close of such  
13          taxable year.

14          “(5) INDIVIDUAL.—For purposes of this sec-  
15          tion, the term ‘individual’ shall not include an estate  
16          or trust.

17          “(g) REPORTS.—The trustee of a FARRM Account  
18          shall make such reports regarding such Account to the  
19          Secretary and to the person for whose benefit the Account  
20          is maintained with respect to contributions, distributions,  
21          and such other matters as the Secretary may require  
22          under regulations. The reports required by this subsection  
23          shall be filed at such time and in such manner and fur-  
24          nished to such persons at such time and in such manner  
25          as may be required by those regulations.”.

1 (b) DEDUCTION ALLOWED IN COMPUTING AD-  
 2 JUSTED GROSS INCOME.—Subsection (a) of section 62 of  
 3 such Code (defining adjusted gross income) is amended  
 4 by inserting after paragraph (18) the following new para-  
 5 graph:

6 “(19) CONTRIBUTIONS TO FARM AND RANCH  
 7 RISK MANAGEMENT ACCOUNTS.—The deduction al-  
 8 lowed by section 468C(a).”

9 (c) TAX ON EXCESS CONTRIBUTIONS.—

10 (1) Subsection (a) of section 4973 of such Code  
 11 (relating to tax on certain excess contributions) is  
 12 amended by striking “or” at the end of paragraph  
 13 (3), by redesignating paragraph (4) as paragraph  
 14 (5), and by inserting after paragraph (3) the fol-  
 15 lowing new paragraph:

16 “(4) a FARRM Account (within the meaning of  
 17 section 468C(d)), or”.

18 (2) Section 4973 of such Code is amended by  
 19 adding at the end the following new subsection:

20 “(g) EXCESS CONTRIBUTIONS TO FARRM AC-  
 21 COUNTS.—For purposes of this section, in the case of a  
 22 FARRM Account (within the meaning of section  
 23 468C(d)), the term ‘excess contributions’ means the  
 24 amount by which the amount contributed for the taxable  
 25 year to the Account exceeds the amount which may be con-

1 tributed to the Account under section 468C(b) for such  
 2 taxable year. For purposes of this subsection, any con-  
 3 tribution which is distributed out of the FARRM Account  
 4 in a distribution to which section 468C(e)(2)(B) applies  
 5 shall be treated as an amount not contributed.”.

6 (3) The section heading for section 4973 of  
 7 such Code is amended to read as follows:

8 **“SEC. 4973. EXCESS CONTRIBUTIONS TO CERTAIN AC-**  
 9 **COUNTS, ANNUITIES, ETC.”.**

10 (4) The table of sections for chapter 43 of such  
 11 Code is amended by striking the item relating to sec-  
 12 tion 4973 and inserting the following new item:

“Sec. 4973. Excess contributions to certain accounts, annuities,  
 etc.”.

13 (d) **TAX ON PROHIBITED TRANSACTIONS.—**

14 (1) Subsection (c) of section 4975 of such Code  
 15 (relating to prohibited transactions) is amended by  
 16 adding at the end the following new paragraph:

17 **“(6) SPECIAL RULE FOR FARRM ACCOUNTS.—**

18 A person for whose benefit a FARRM Account  
 19 (within the meaning of section 468C(d)) is estab-  
 20 lished shall be exempt from the tax imposed by this  
 21 section with respect to any transaction concerning  
 22 such Account (which would otherwise be taxable  
 23 under this section) if, with respect to such trans-  
 24 action, the account ceases to be a FARRM Account

1 by reason of the application of section 468C(f)(3)(A)  
 2 to such Account.”.

3 (2) Paragraph (1) of section 4975(e) of such  
 4 Code is amended by redesignating subparagraphs  
 5 (E) and (F) as subparagraphs (F) and (G), respec-  
 6 tively, and by inserting after subparagraph (D) the  
 7 following new subparagraph:

8 “(E) a FARRM Account described in sec-  
 9 tion 468C(d),”.

10 (e) FAILURE TO PROVIDE REPORTS ON FARRM AC-  
 11 COUNTS.—Paragraph (2) of section 6693(a) of such Code  
 12 (relating to failure to provide reports on certain tax-fa-  
 13 vored accounts or annuities) is amended by redesignating  
 14 subparagraphs (C) and (D) as subparagraphs (D) and  
 15 (E), respectively, and by inserting after subparagraph (B)  
 16 the following new subparagraph:

17 “(C) section 468C(g) (relating to FARRM  
 18 Accounts).”.

19 (f) CLERICAL AMENDMENT.—The table of sections  
 20 for subpart C of part II of subchapter E of chapter 1 of  
 21 such Code is amended by inserting after the item relating  
 22 to section 468B the following new item:

“Sec. 468C. Farm and Ranch Risk Management Accounts.”.

23 (g) EFFECTIVE DATE.—The amendments made by  
 24 this section shall apply to taxable years beginning after  
 25 the date of the enactment of this Act.

1 **TITLE IX—INCENTIVES FOR**  
 2 **URBAN REVITALIZATION AND**  
 3 **OPEN SPACE**

4 **SEC. 901. EXPENSING OF ENVIRONMENTAL REMEDIATION**  
 5 **COSTS EXPANDED TO CONTAMINATED SITES**  
 6 **OUTSIDE OF TARGETED AREAS.**

7 (a) IN GENERAL.—Clause (ii) of section 198(c)(1)(A)  
 8 of the Internal Revenue Code of 1986 (relating to quali-  
 9 fied contaminated sites) is amended to read as follows:

10 “(ii) which is within the United  
 11 States, and”.

12 (b) EXPENSE TREATMENT MADE PERMANENT.—  
 13 Section 198 of such Code is amended by striking sub-  
 14 section (h).

15 (c) CONFORMING AMENDMENT.—Paragraph (2) of  
 16 section 198(c) of such Code is amended to read as follows:

17 “(2) NATIONAL PRIORITIES LISTED SITES NOT  
 18 INCLUDED.—Such term shall not include any site  
 19 which is on, or proposed for, the national priorities  
 20 list under section 105(a)(8)(B) of the Comprehen-  
 21 sive Environmental Response, Compensation, and  
 22 Liability Act of 1980 (as in effect on the date of the  
 23 enactment of this section).”

24 (d) EFFECTIVE DATE.—The amendments made by  
 25 this section shall apply to expenditures paid or incurred

1 after the date of the enactment of this Act in taxable years  
 2 ending after such date.

3 **SEC. 902. MODIFICATIONS TO ENCOURAGE CONTRIBU-**  
 4 **TIONS OF CAPITAL GAIN REAL PROPERTY**  
 5 **MADE FOR CONSERVATION PURPOSES AND**  
 6 **OF QUALIFIED CONSERVATION CONTRIBU-**  
 7 **TIONS.**

8 (a) CONTRIBUTIONS OF CAPITAL GAIN REAL PROP-  
 9 erty MADE FOR CONSERVATION PURPOSES AND OF  
 10 QUALIFIED CONSERVATION CONTRIBUTIONS NOT SUB-  
 11 JECT TO SPECIAL LIMITATION ON CONTRIBUTIONS OF  
 12 CAPITAL GAIN PROPERTY.—Subparagraph (C) of section  
 13 170(b)(1) of the Internal Revenue Code of 1986 (relating  
 14 to special limitation with respect to contributions de-  
 15 scribed in subparagraph (A) of capital gain property) is  
 16 amended by redesignating clause (iv) as clause (v) and by  
 17 inserting after clause (iii) the following new clause:

18 “(iv) In the case of charitable con-  
 19 tributions described in subparagraph (A)  
 20 of capital gain property, clauses (i) and (ii)  
 21 shall not apply to—

22 “(I) any qualified conservation  
 23 contribution (as defined in section  
 24 170(h)), or

1                   “(II) any other contribution of  
 2                   capital gain property which is real  
 3                   property if the contribution is of the  
 4                   donor’s entire interest in such prop-  
 5                   erty and is to a qualified organization  
 6                   (as defined in section 170(h)(3))  
 7                   which is organized for conservation  
 8                   purposes (as defined in section  
 9                   170(h)(4)(A)) and which provides the  
 10                  taxpayer, at the time of such dona-  
 11                  tion, a letter of intent which contains  
 12                  an acknowledgment of the donee’s in-  
 13                  tent that the property is being ac-  
 14                  quired for any such conservation pur-  
 15                  pose.”.

16           (b) UNLIMITED CARRYOVER FOR CONTRIBUTIONS OF  
 17 CAPITAL GAIN REAL PROPERTY FOR CONSERVATION  
 18 PURPOSES AND OF QUALIFIED CONSERVATION CON-  
 19 TRIBUTIONS OF CAPITAL GAIN PROPERTY.—Paragraph  
 20 (1) of section 170(d) of such Code is amended by adding  
 21 at the end the following new subparagraph:

22                   “(C) UNLIMITED CARRYOVER FOR CON-  
 23                   TRIBUTIONS OF CAPITAL GAIN REAL PROPERTY  
 24                   FOR CONSERVATION PURPOSES AND OF QUALI-  
 25                   FIED CONSERVATION CONTRIBUTIONS OF CAP-

1           ITAL GAIN PROPERTY.—The 5 taxable year lim-  
 2           itation in subparagraph (A) shall not apply to  
 3           any charitable contribution to which clauses (i)  
 4           and (ii) of subsection (b)(1)(C) do not apply by  
 5           reason of clause (iv) thereof. For purposes of  
 6           this paragraph, the excess described in the ma-  
 7           terial preceding clause (i) of subparagraph (A)  
 8           shall be treated as attributable to contributions  
 9           described in the preceding sentence of this sub-  
 10          paragraph to the extent of such contributions.”.

11          (c) EFFECTIVE DATE.—The amendment made by  
 12          this section shall apply to contributions made in taxable  
 13          years beginning after the date of the enactment of this  
 14          Act.

## 15                   **TITLE X—EXTENSION OF** 16          **CERTAIN EXPIRING PROVISIONS**

### 17          **SEC. 1001. RESEARCH CREDIT.**

18          (a) CREDIT MADE PERMANENT.—

19               (1) IN GENERAL.—Section 41 of the Internal  
 20          Revenue Code of 1986 (relating to credit for increas-  
 21          ing research activities) is amended by striking sub-  
 22          section (h).

23               (2) CONFORMING AMENDMENT.—Paragraph (1)  
 24          section 45C(b) of such Code is amended by striking  
 25          subparagraph (D).

1           (3) EFFECTIVE DATE.—The amendments made  
2       by this subsection shall apply to amounts paid or in-  
3       curred after June 30, 1999.

4           (b) INCREASE IN PERCENTAGES UNDER ALTER-  
5 NATIVE INCREMENTAL CREDIT.—

6           (1) IN GENERAL.—Subparagraph (A) of section  
7       41(c)(4) of such Code is amended—

8                   (A) by striking “1.65 percent” and insert-  
9                   ing “2.65 percent”,

10                   (B) by striking “2.2 percent” and inserting  
11                   “3.2 percent”, and

12                   (C) by striking “2.75 percent” and insert-  
13                   ing “3.75 percent”.

14           (2) EFFECTIVE DATE.—The amendments made  
15       by this subsection shall apply to taxable years begin-  
16       ning after June 30, 1999.

17 **SEC. 1002. WORK OPPORTUNITY CREDIT.**

18           (a) CREDIT MADE PERMANENT.—Subsection (c) of  
19       section 51 of the Internal Revenue Code of 1986 is amend-  
20       ed by striking paragraph (4).

21           (b) EFFECTIVE DATE.—The amendment made by  
22       subsection (a) shall apply to individuals who begin work  
23       for the employer after June 30, 1999.

1 **SEC. 1003. PERMANENT SUBPART F EXEMPTION FOR AC-**  
 2 **TIVE FINANCING INCOME.**

3 (a) BANKING, FINANCING, OR SIMILAR BUSI-  
 4 NESSES.—Subsection (h) of section 954 of the Internal  
 5 Revenue Code of 1986 (relating to special rule for income  
 6 derived in the active conduct of banking, financing, or  
 7 similar businesses) is amended by striking paragraph (9).

8 (b) INSURANCE BUSINESSES.—Subsection (a) of sec-  
 9 tion 953 of such Code (defining insurance income) is  
 10 amended by striking paragraph (10) and by redesignating  
 11 paragraph (11) as paragraph (10).

12 (c) EFFECTIVE DATE.—The amendments made by  
 13 this section shall apply to taxable years of a foreign cor-  
 14 poration beginning after December 31, 1998, and to tax-  
 15 able years of United States shareholders with or within  
 16 which such taxable years of such foreign corporation end.

17 **SEC. 1004. CREDIT FOR ELECTRICITY PRODUCED FROM RE-**  
 18 **NEWABLE RESOURCES.**

19 (a) EXTENSION AND MODIFICATION OF PLACED-IN-  
 20 SERVICE RULES.—Paragraph (3) of section 45(c) of the  
 21 Internal Revenue Code of 1986 is amended to read as fol-  
 22 lows:

23 “(3) QUALIFIED FACILITY.—

24 “(A) WIND FACILITIES.—In the case of a  
 25 facility using wind to produce electricity, the  
 26 term ‘qualified facility’ means any facility

1 owned by the taxpayer which is originally  
 2 placed in service after December 31, 1993, and  
 3 before July 1, 2004.

4 “(B) BIOMASS FACILITIES.—In the case of  
 5 a facility using biomass to produce electricity,  
 6 the term ‘qualified facility’ means, with respect  
 7 to any month, any facility owned by the tax-  
 8 payer which is originally placed in service before  
 9 July 1, 2004, if, for such month—

10 “(i) biomass comprises not less than  
 11 75 percent (on a Btu basis) of the average  
 12 monthly fuel input of the facility for the  
 13 taxable year which includes such month, or

14 “(ii) in the case of a facility prin-  
 15 cipally using coal to produce electricity,  
 16 biomass comprises not more than 25 per-  
 17 cent (on a Btu basis) of the average  
 18 monthly fuel input of the facility for the  
 19 taxable year which includes such month.

20 “(C) SPECIAL RULES.—

21 “(i) In the case of a qualified facility  
 22 described in subparagraph (B)(i)—

23 “(I) the 10-year period referred  
 24 to in subsection (a) shall be treated as

1 beginning no earlier than the date of  
 2 the enactment of this paragraph, and

3 “(II) subsection (b)(3) shall not  
 4 apply to any such facility originally  
 5 placed in service before January 1,  
 6 1997.

7 “(ii) In the case of a qualified facility  
 8 described in subparagraph (B)(ii)—

9 “(I) the 10-year period referred  
 10 to in subsection (a) shall be treated as  
 11 beginning no earlier than the date of  
 12 the enactment of this paragraph, and

13 “(II) the amount of the credit  
 14 determined under subsection (a) with  
 15 respect to any project for any taxable  
 16 year shall be adjusted by multiplying  
 17 such amount (determined without re-  
 18 gard to this clause) by 0.59.”.

19 (b) CREDIT NOT TO APPLY TO ELECTRICITY SOLD  
 20 TO UTILITIES UNDER CERTAIN CONTRACTS.—Subsection  
 21 (b) of section 45 of such Code is amended by adding at  
 22 the end the following new paragraph:

23 “(4) CREDIT NOT TO APPLY TO ELECTRICITY  
 24 SOLD TO UTILITIES UNDER CERTAIN CONTRACTS.—

1           “(A) IN GENERAL.—The credit determined  
2           under subsection (a) shall not apply to  
3           electricity—

4                   “(i) produced at a qualified facility  
5                   placed in service by the taxpayer after  
6                   June 30, 1999, and

7                   “(ii) sold to a utility pursuant to a  
8                   contract originally entered into before Jan-  
9                   uary 1, 1987 (whether or not amended or  
10                  restated after that date).

11           “(B) .—Subparagraph (A) shall not apply  
12           if—

13                   “(i) the prices for energy and capacity  
14                   from such facility are established pursuant  
15                   to an amendment to the contract referred  
16                   to in subparagraph (A)(ii);

17                   “(ii) such amendment provides that  
18                   the prices set forth in the contract which  
19                   exceed avoided cost prices determined at  
20                   the time of delivery shall apply only to an-  
21                   nual quantities of electricity (prorated for  
22                   partial years) which do not exceed the  
23                   greater of—

24                   “(I) the average annual quantity  
25                   of electricity sold to the utility under

1 the contract during calendar years  
2 1994, 1995, 1996, 1997, and 1998,  
3 or

4 “(II) the estimate of the annual  
5 electricity production set forth in the  
6 contract, or, if there is no such esti-  
7 mate, the greatest annual quantity of  
8 electricity sold to the utility under the  
9 contract in any of the calendar years  
10 1996, 1997, or 1998; and

11 “(iii) such amendment provides that  
12 energy and capacity in excess of the limita-  
13 tion in clause (ii) may be—

14 “(I) sold to the utility only at  
15 prices that do not exceed avoided cost  
16 prices determined at the time of deliv-  
17 ery, or

18 “(II) sold to a third party subject  
19 to a mutually agreed upon advance  
20 notice to the utility.

21 For purposes of this subparagraph, avoided cost  
22 prices shall be determined as provided for in 18  
23 CFR 292.304(d)(1) or any successor regula-  
24 tion.”.

1       (c) QUALIFIED FACILITIES INCLUDE ALL BIOMASS  
2 FACILITIES.—

3           (1) IN GENERAL.—Subparagraph (B) of section  
4 45(c)(1) of such Code is amended to read as follows:

5                   “(B) biomass.”

6           (2) BIOMASS DEFINED.—Paragraph (2) of sec-  
7 tion 45(c) of such Code is amended to read as fol-  
8 lows:

9                   “(2) BIOMASS.—The term ‘biomass’ means—

10                   “(A) any organic material from a plant  
11 which is planted exclusively for purposes of  
12 being used at a qualified facility to produce  
13 electricity, and

14                   “(B) any solid, nonhazardous, cellulosic  
15 waste material, which is segregated from other  
16 waste materials, and which is derived from—

17                   “(i) any of the following forest-related  
18 resources: mill residues, precommercial  
19 thinnings, slash, and brush, but not includ-  
20 ing old-growth timber,

21                   “(ii) waste pallets, crates, and  
22 dunnage, manufacturing and construction  
23 wood wastes (other than pressure-treated,  
24 chemically-treated, or painted wood  
25 wastes), and landscape or right-of-way tree

1 trimmings, but not including unsegregated  
2 municipal solid waste (garbage), or  
3 “(iii) agriculture sources, including or-  
4 chard tree crops, vineyard, grain, legumes,  
5 sugar, and other crop by-products or resi-  
6 dues.”

7 (d) EFFECTIVE DATE.—The amendments made by  
8 this section shall apply to electricity produced after the  
9 date of the enactment of this Act.

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