

107TH CONGRESS
1ST SESSION

H. R. 1037

To amend the Internal Revenue Code of 1986 to provide tax relief for small businesses, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MARCH 15, 2001

Mr. MANZULLO (for himself, Ms. VELÁZQUEZ, Mr. HEFLEY, Mrs. KELLY, Mr. ISSA, and Mr. GRUCCI) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to provide tax relief for small businesses, 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; AMENDMENT OF 1986 CODE;**

4 **TABLE OF CONTENTS.**

5 (a) SHORT TITLE.—This Act may be cited as the
6 “Small Employer Tax Relief Act of 2001”.

7 (b) AMENDMENT OF 1986 CODE.—Except as other-
8 wise expressly provided, whenever in this Act an amend-
9 ment or repeal is expressed in terms of an amendment
10 to, or repeal of, a section or other provision, the reference

1 shall be considered to be made to a section or other provi-
 2 sion of the Internal Revenue Code of 1986.

3 (c) TABLE OF CONTENTS.—The table of contents is
 4 as follows:

Sec. 1. Short title; amendment of 1986 Code; table of contents.

TITLE I—TAX RELIEF

Sec. 101. Deduction for health insurance costs of self-employed individuals in-
 creased.

Sec. 102. Repeal of Federal unemployment surtax.

Sec. 103. Increase in expense treatment for small businesses.

Sec. 104. Increased deduction for business meal expenses.

Sec. 105. Clarification of cash accounting rules for small business.

Sec. 106. Alternative minimum tax.

Sec. 107. Permanent extension of research credit.

Sec. 108. Credit for expenses for long-term training of employees in highly
 skilled small business trades.

TITLE II—TAX RELIEF FOR ENVIRONMENTAL PROTECTION

Sec. 201. Credit for dry or wet cleaning equipment using nonhazardous primary
 process solvents.

Sec. 202. Credit for recycling or remanufacturing equipment.

TITLE III—TAX SIMPLIFICATION

Sec. 301. Depreciation modifications.

Sec. 302. Simplification of estimated tax rules.

Sec. 303. Exclusion from partnership filing requirements for married couples as
 business co-owners.

Sec. 304. Increase in self-employment exemption amount.

Sec. 305. Repeal of recognition of gain rule for home office.

Sec. 306. Simplification of reporting requirements relating to higher education
 tuition and related expenses.

TITLE IV—TAXPAYER PROTECTIONS

Sec. 401. Taxpayer's right to have an IRS examination take place at another
 site.

Sec. 402. Clarification of electronic filing.

Sec. 403. Taxpayer's election with respect to recovery of costs and certain fees.

Sec. 404. Repeal of the failure-to-pay penalty.

Sec. 405. Repeal of interest on penalties.

TITLE I—TAX RELIEF

SEC. 101. DEDUCTION FOR HEALTH INSURANCE COSTS OF SELF-EMPLOYED INDIVIDUALS INCREASED.

(a) IN GENERAL.—Section 162(l)(1) (relating to special rules for health insurance costs of self-employed individuals) is amended to read as follows:

“(1) ALLOWANCE OF DEDUCTION.—In the case of an individual who is an employee within the meaning of section 401(c)(1), there shall be allowed as a deduction under this section an amount equal to the amount paid during the taxable year for insurance which constitutes medical care for the taxpayer, the taxpayer’s spouse, and dependents.”.

(b) CLARIFICATION OF LIMITATIONS ON OTHER COVERAGE.—The first sentence of section 162(l)(2)(B) is amended to read as follows: “Paragraph (1) shall not apply to any taxpayer for any calendar month for which the taxpayer participates in any subsidized health plan maintained by any employer (other than an employer described in section 401(c)(4)) of the taxpayer or the spouse of the taxpayer.”.

(c) DEDUCTION TAKEN INTO ACCOUNT FOR SELF-EMPLOYMENT TAX PURPOSES.—Section 162(l) is amended by striking paragraph (4) and redesignating paragraph (5) as paragraph (4).

1 (d) EFFECTIVE DATE.—The amendments made by
 2 this section shall apply to taxable years beginning after
 3 December 31, 2000.

4 **SEC. 102. REPEAL OF FEDERAL UNEMPLOYMENT SURTAX.**

5 (a) IN GENERAL.—Section 3301 (relating to rate of
 6 Federal unemployment tax) is amended—

7 (1) by striking “2007” and inserting “2000”,
 8 and

9 (2) by striking “2008” and inserting “2001”.

10 (b) EFFECTIVE DATE.—The amendment made by
 11 this section shall apply to calendar years beginning after
 12 December 31, 2000.

13 **SEC. 103. INCREASE IN EXPENSE TREATMENT FOR SMALL**
 14 **BUSINESSES.**

15 (a) IN GENERAL.—Section 179(b)(1) (relating to dol-
 16 lar limitation) is amended to read as follows:

17 “(1) DOLLAR LIMITATION.—

18 “(A) IN GENERAL.—The aggregate cost
 19 which may be taken into account under sub-
 20 section (a) for any taxable year shall not exceed
 21 \$50,000.

22 “(B) INFLATION ADJUSTMENT.—In the
 23 case of any taxable year beginning in a calendar
 24 year after 2001, the dollar amount contained in

1 subparagraph (A) shall be increased by an
2 amount equal to—

3 “(i) such dollar amount, multiplied by

4 “(ii) the cost-of-living adjustment de-
5 termined under section 1(f)(3) for the cal-
6 endar year in which the taxable year be-
7 gins, by substituting “calendar year 2000”
8 for “calendar year 1992” in subparagraph
9 (B) thereof.

10 If any amount as adjusted under this subpara-
11 graph is not a multiple of \$1,000, such amount
12 shall be rounded to the nearest multiple of
13 \$1,000.”.

14 (b) EXPANSION OF PHASE-OUT OF LIMITATION.—

15 Section 179(b)(2) is amended to read as follows:

16 “(2) REDUCTION IN LIMITATION.—

17 “(A) IN GENERAL.—The limitation under
18 paragraph (1) for any taxable year shall be re-
19 duced (but not below zero) by the amount by
20 which the cost of section 179 property for
21 which a deduction is allowable (without regard
22 to this subsection) under subsection (a) for
23 such taxable year exceeds \$400,000.

24 “(B) INFLATION ADJUSTMENT.—In the
25 case of any taxable year beginning in a calendar

1 year after 2001, the dollar amount contained in
2 subparagraph (A) shall be increased by an
3 amount equal to—

4 “(i) such dollar amount, multiplied by

5 “(ii) the cost-of-living adjustment de-
6 termined under section 1(f)(3) for the cal-
7 endar year in which the taxable year be-
8 gins, by substituting ‘calendar year 2000’
9 for ‘calendar year 1992’ in subparagraph
10 (B) thereof.

11 If any amount as adjusted under this subpara-
12 graph is not a multiple of \$10,000, such
13 amount shall be rounded to the nearest multiple
14 of \$10,000.”.

15 (c) TIME OF DEDUCTION.—The second sentence of
16 section 179(a) (relating to election to expense certain de-
17 preciable business assets) is amended by inserting “(or,
18 if the taxpayer elects, the preceding taxable year if the
19 property was purchased in such preceding year)” after
20 “service”.

21 (d) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to taxable years beginning after
23 December 31, 2000.

1 **SEC. 104. INCREASED DEDUCTION FOR BUSINESS MEAL EX-**
2 **PENSES.**

3 (a) IN GENERAL.—Section 274(n)(1) (relating to
4 only 50 percent of meal and entertainment expenses al-
5 lowed as deduction) is amended by striking “50 percent”
6 in the text and inserting “the allowable percentage”.

7 (b) ALLOWABLE PERCENTAGE.—Section 274(n) is
8 amended by redesignating paragraphs (2) and (3) as para-
9 graphs (3) and (4), respectively, and by inserting after
10 paragraph (1) the following new paragraph:

11 “(2) ALLOWABLE PERCENTAGE.—For purposes
12 of paragraph (1), the allowable percentage is—

13 “(A) in the case of amounts for items de-
14 scribed in paragraph (1)(B), 50 percent, and

15 “(B) in the case of expenses for food or
16 beverages, 80 percent.”.

17 (c) CLARIFICATION OF SPECIAL RULE FOR INDIVID-
18 UALS SUBJECT TO FEDERAL HOURS OF SERVICE.—Sec-
19 tion 274(n)(4) (relating to limited percentages of meal and
20 entertainment expenses allowed as deduction), as redesign-
21 ated by subsection (b), is amended to read as follows:

22 “(4) SPECIAL RULE FOR INDIVIDUALS SUBJECT
23 TO FEDERAL HOURS OF SERVICE.—In the case of
24 any expenses for food or beverages consumed while
25 away from home (within the meaning of section
26 162(a)(2)) by an individual during, or incident to,

1 the period of duty subject to the hours of service
 2 limitations of the Department of Transportation,
 3 paragraph (2)(B) shall apply to such expenses.”.

4 (d) CONFORMING AMENDMENT.—The heading for
 5 subsection (n) of section 274 is amended by striking “50
 6 PERCENT” and inserting “LIMITED PERCENTAGES”.

7 (e) EFFECTIVE DATE.—The amendments made by
 8 this section shall apply to taxable years beginning after
 9 December 31, 2000.

10 **SEC. 105. CLARIFICATION OF CASH ACCOUNTING RULES**
 11 **FOR SMALL BUSINESS.**

12 (a) CASH ACCOUNTING PERMITTED.—Section 446
 13 (relating to general rule for methods of accounting) is
 14 amended by adding at the end the following new sub-
 15 section:

16 “(g) SMALL BUSINESS TAXPAYERS PERMITTED TO
 17 USE CASH ACCOUNTING METHOD WITHOUT LIMITA-
 18 TION.—

19 “(1) IN GENERAL.—Notwithstanding any other
 20 provision of this title, an eligible taxpayer shall not
 21 be required to use an accrual method of accounting
 22 for any taxable year.

23 “(2) ELIGIBLE TAXPAYER.—For purposes of
 24 this subsection—

1 “(A) IN GENERAL.—A taxpayer is an eligi-
2 ble taxpayer with respect to any taxable year
3 if—

4 “(i) for all prior taxable years begin-
5 ning after December 31, 1999, the tax-
6 payer (or any predecessor) met the gross
7 receipts test of subparagraph (B), and

8 “(ii) the taxpayer is not a tax shelter
9 (as defined in section 448(d)(3)).

10 “(B) GROSS RECEIPTS TEST.—A taxpayer
11 meets the gross receipts test of this subpara-
12 graph for any prior taxable year if the average
13 annual gross receipts of the taxpayer (or any
14 predecessor) for the 3-taxable-year period end-
15 ing with such prior taxable year does not exceed
16 \$5,000,000. The rules of paragraphs (2) and
17 (3) of section 448(c) shall apply for purposes of
18 the preceding sentence.

19 “(C) INFLATION ADJUSTMENT.—In the
20 case of any taxable year beginning in a calendar
21 year after 2001, the dollar amount contained in
22 subparagraph (B) shall be increased by an
23 amount equal to—

24 “(i) such dollar amount, multiplied by

1 “(ii) the cost-of-living adjustment de-
2 termined under section 1(f)(3) for the cal-
3 endar year in which the taxable year be-
4 gins, by substituting “calendar year 2000”
5 for “calendar year 1992” in subparagraph
6 (B) thereof.

7 If any amount as adjusted under this subpara-
8 graph is not a multiple of \$100,000, such
9 amount shall be rounded to the nearest multiple
10 of \$100,000.”.

11 (b) CLARIFICATION OF INVENTORY RULES FOR
12 SMALL BUSINESS.—Section 471 (relating to general rule
13 for inventories) is amended by redesignating subsection (c)
14 as subsection (d) and by inserting after subsection (b) the
15 following new subsection:

16 “(c) SMALL BUSINESS TAXPAYERS NOT REQUIRED
17 TO USE INVENTORIES.—

18 “(1) IN GENERAL.—An eligible taxpayer shall
19 not be required to use inventories under this section
20 for a taxable year.

21 “(2) TREATMENT OF TAXPAYERS NOT USING
22 INVENTORIES.—If an eligible taxpayer elects not to
23 use inventories with respect to any property for any
24 taxable year beginning after December 31, 2000,

1 such property shall be treated as a material or sup-
2 ply which is not incidental.

3 “(3) ELIGIBLE TAXPAYER.—For purposes of
4 this subsection, the term ‘eligible taxpayer’ has the
5 meaning given such term by section 446(g)(2).”.

6 (c) INDEXING OF GROSS RECEIPTS TEST.—Section
7 448(c) (relating to \$5,000,000 gross receipts test) is
8 amended by adding at the end the following new para-
9 graph:

10 “(4) INFLATION ADJUSTMENT.—In the case of
11 any taxable year beginning in a calendar year after
12 2001, the dollar amount contained in paragraph (1)
13 shall be increased by an amount equal to—

14 “(A) such dollar amount, multiplied by

15 “(B) the cost-of-living adjustment deter-
16 mined under section 1(f)(3) for the calendar
17 year in which the taxable year begins, by sub-
18 stituting “calendar year 2000” for “calendar
19 year 1992” in subparagraph (B) thereof.

20 If any amount as adjusted under this paragraph is
21 not a multiple of \$100,000, such amount shall be
22 rounded to the nearest multiple of \$100,000.”.

23 (d) EFFECTIVE DATE AND SPECIAL RULES.—

1 (1) IN GENERAL.—The amendments made by
2 this section shall apply to taxable years beginning
3 after December 31, 2000.

4 (2) CHANGE IN METHOD OF ACCOUNTING.—In
5 the case of any taxpayer changing the taxpayer's
6 method of accounting for any taxable year under the
7 amendments made by this section—

8 (A) such change shall be treated as initi-
9 ated by the taxpayer;

10 (B) such change shall be treated as made
11 with the consent of the Secretary of the Treas-
12 ury; and

13 (C) the net amount of the adjustments re-
14 quired to be taken into account by the taxpayer
15 under section 481 of the Internal Revenue Code
16 of 1986 shall be taken into account over a pe-
17 riod (not greater than 4 taxable years) begin-
18 ning with such taxable year.

19 **SEC. 106. ALTERNATIVE MINIMUM TAX.**

20 (a) REPEAL OF ALTERNATIVE MINIMUM TAX ON IN-
21 DIVIDUALS.—

22 (1) IN GENERAL.—Section 55(a) (relating to al-
23 ternative minimum tax) is amended by adding at the
24 end the following new flush sentence:

1 “For purposes of this title, the tentative minimum tax on
 2 any taxpayer other than a corporation for any taxable year
 3 beginning after December 31, 2004, shall be zero.”.

4 (2) REDUCTION OF TAX ON INDIVIDUALS PRIOR
 5 TO REPEAL.—Section 55 is amended by adding at
 6 the end the following new subsection:

7 “(f) PHASEOUT OF TAX ON INDIVIDUALS.—

8 “(1) IN GENERAL.—The tax imposed by this
 9 section on a taxpayer other than a corporation for
 10 any taxable year beginning after December 31,
 11 2000, and before January 1, 2005, shall be the ap-
 12 plicable percentage of the tax which would be im-
 13 posed but for this subsection.

14 “(2) APPLICABLE PERCENTAGE.—For purposes
 15 of paragraph (1), the applicable percentage shall be
 16 determined in accordance with the following table:

“For taxable years beginning in calendar year—	The applicable percentage is—
2001	80
2002	60
2003	40
2004	20.”.

17 (3) NONREFUNDABLE PERSONAL CREDITS
 18 FULLY ALLOWED AGAINST REGULAR TAX LIABIL-
 19 ITY.—

20 (A) IN GENERAL.—Section 26(a) (relating
 21 to limitation based on amount of tax) is amend-
 22 ed to read as follows:

1 “(a) LIMITATION BASED ON AMOUNT OF TAX.—The
 2 aggregate amount of credits allowed by this subpart for
 3 the taxable year shall not exceed the taxpayer’s regular
 4 tax liability for the taxable year.”.

5 (B) CHILD CREDIT.—Section 24(d) is
 6 amended by striking paragraph (2) and by re-
 7 designating paragraph (3) as paragraph (2).

8 (4) EFFECTIVE DATE.—The amendments made
 9 by this subsection shall apply to taxable years begin-
 10 ning after December 31, 2000.

11 (b) INCOME AVERAGING NOT TO INCREASE ALTER-
 12 NATIVE MINIMUM TAX LIABILITY.—

13 (1) IN GENERAL.—Section 55(c) (relating to
 14 regular tax) is amended by redesignating paragraph
 15 (2) as paragraph (3) and by inserting after para-
 16 graph (1) the following:

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

21 (2) EFFECTIVE DATE.—The amendment made
 22 by this subsection shall apply to taxable years begin-
 23 ning after December 31, 2000.

24 (c) EXPANSION OF THE EXEMPTION FROM THE AL-
 25 TERNATIVE MINIMUM TAX FOR SMALL CORPORATIONS.—

1 (1) IN GENERAL.—Section 55(e)(1)(A) (relating
2 to exemption for small corporations) is amended to
3 read as follows:

4 “(A) \$10,000,000 GROSS RECEIPTS
5 TEST.—The tentative minimum tax of a cor-
6 poration shall be zero for any taxable year if
7 the corporation’s average annual gross receipts
8 for all 3-taxable-year periods ending before such
9 taxable year does not exceed \$10,000,000. For
10 purposes of the preceding sentence, only taxable
11 years beginning after December 31, 1997, shall
12 be taken into account.”.

13 (2) GROSS RECEIPTS TEST FOR FIRST 3-YEAR
14 PERIOD.—Section 55(e)(1)(B) is amended to read as
15 follows:

16 “(B) \$7,500,000 GROSS RECEIPTS TEST
17 FOR FIRST 3-YEAR PERIOD.—Subparagraph (A)
18 shall be applied by substituting ‘\$7,500,000’ for
19 ‘\$10,000,000’ for the first 3-taxable-year period
20 (or portion thereof) of the corporation which is
21 taken into account under subparagraph (A).”.

22 (3) EFFECTIVE DATE.—The amendments made
23 by this subsection shall apply to taxable years begin-
24 ning after December 31, 2000.

1 **SEC. 107. PERMANENT EXTENSION OF RESEARCH CREDIT.**

2 (a) IN GENERAL.—Section 41 (relating to credit for
3 increasing research activities) is amended by striking sub-
4 section (h).

5 (b) CONFORMING AMENDMENT.—Section 45C(b)(1)
6 is amended by striking subparagraph (D).

7 (c) EFFECTIVE DATE.—The amendments made by
8 this section shall apply to amounts paid or incurred after
9 the date of the enactment of this Act.

10 **SEC. 108. CREDIT FOR EXPENSES FOR LONG-TERM TRAIN-**
11 **ING OF EMPLOYEES IN HIGHLY SKILLED**
12 **SMALL BUSINESS TRADES.**

13 (a) IN GENERAL.—Subpart D of part IV of sub-
14 chapter A of chapter 1 (relating to business-related cred-
15 its) is amended by adding at the end the following new
16 section:

17 **“SEC. 45E. EXPENSES FOR LONG-TERM TRAINING OF EM-**
18 **PLOYEES IN HIGHLY SKILLED SMALL BUSI-**
19 **NESS TRADES.**

20 “(a) GENERAL RULE.—For purposes of section 38,
21 in the case of a small business employer, the highly skilled
22 trades training credit determined under this section for
23 the taxable year is \$15,000 for each employee having a
24 qualified training year ending with or within such taxable
25 year (whether or not such employee is an employee of the
26 taxpayer as of the close of such taxable year).

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

2 “(1) SMALL BUSINESS EMPLOYER.—

3 “(A) IN GENERAL.—The term ‘small busi-
4 ness employer’ means, with respect to any tax-
5 able year, any employer who employed an aver-
6 age of 250 or fewer employees on business days
7 during such taxable year.

8 “(B) CONTROLLED GROUPS.—For pur-
9 poses of subparagraph (A), all persons treated
10 as a single employer under subsection (b), (c),
11 (m), or (o) of section 414 shall be treated as a
12 single employer.

13 “(2) QUALIFIED TRAINING YEAR.—

14 “(A) IN GENERAL.—The term ‘qualified
15 training year’ means each year during the
16 training period in which the employee received
17 at least 1,500 hours of training (including on-
18 the-job training and training at multi-employer
19 training facilities) from the taxpayer (or any
20 predecessor) under a qualified training program
21 as an apprentice in any highly skilled trade.

22 “(B) HIGHLY SKILLED TRADES.—For pur-
23 poses of subparagraph (A), the term ‘highly
24 skilled trades’ means—

25 “(i) precision machinists,

1 “(ii) die makers,
2 “(iii) mold makers,
3 “(iv) tool and die designers,
4 “(v) heating, ventilating, air condi-
5 tioning, refrigeration, and roofing contrac-
6 tors,
7 “(vi) the trade of masonry,
8 “(vii) plumbers,
9 “(viii) pipefitters,
10 “(ix) patternmakers,
11 “(x) foundry technicians,
12 “(xi) electricians,
13 “(xii) recreational marine production
14 and design workers,
15 “(xiii) 2-way radio technicians, and
16 “(xiv) other highly skilled trades spec-
17 ified in regulations prescribed by the Sec-
18 retary.

19 Such term shall not include any trade if the
20 customary apprenticeship period for such trade
21 is less than 2 years.

22 “(C) QUALIFIED TRAINING PROGRAM.—

23 “(i) IN GENERAL.—The term ‘quali-
24 fied training program’ means a written

1 plan of study and training for individuals
2 in, or entering into, highly skilled trades.

3 “(ii) DESCRIPTION OF PROGRAMS.—A
4 plan under clause (i) must be a program
5 described in one of the following sub-
6 clauses:

7 “(I) An apprenticeship program
8 registered and certified with the Sec-
9 retary of Labor under section 1 of the
10 National Apprenticeship Act (29
11 U.S.C. 50).

12 “(II) A program licensed, reg-
13 istered, or certified by the workforce
14 investment board or apprenticeship
15 agency or council of a State or admin-
16 istered in compliance with apprentice-
17 ship laws of a State.

18 “(III) A program conducted by a
19 vocational or technical education
20 school, community college, or indus-
21 trial or trade training organization.

22 “(IV) A program which conforms
23 to apprentice training programs devel-
24 oped or administered by an employer
25 trade group or committee.

1 “(V) An industry sponsored or
2 administered program which is clearly
3 identified and commonly recognized
4 within an industry and which meets
5 the requirements of clause (iii).

6 “(iii) REQUIREMENTS.—A program
7 meets the requirements of this clause if
8 such program—

9 “(I) is accessible to individuals
10 without discrimination on the basis of
11 race, sex, color, religion, or national
12 origin,

13 “(II) provides an overview of the
14 trade, including the history and mod-
15 ern developments in such trade,

16 “(III) provides related instruc-
17 tion of the fundamental, intermediate,
18 and advanced skills, techniques, and
19 materials of the trade,

20 “(IV) provides training in math,
21 measurement, and blueprint reading
22 skills, if such skills are required in the
23 trade,

24 “(V) provides training on trade
25 specific tools and equipment,

1 “(VI) provides on-the-job train-
2 ing which allows performance of work
3 under close supervision of an instruc-
4 tor or skilled worker, and

5 “(VII) provides periodic review
6 and evaluation of participants to dem-
7 onstrate proficiency in skills, including
8 the use of tests and assessment of in-
9 dividual and group projects.

10 “(3) TRAINING PERIOD.—The term ‘training
11 period’ means, with respect to an employee, the
12 period—

13 “(A) beginning on the date that the em-
14 ployee begins employment with the taxpayer as
15 an apprentice in the highly skilled trade, and

16 “(B) ending on the earlier of—

17 “(i) the date that such apprenticeship
18 with the employer ends, or

19 “(ii) the date which is 4 years after
20 the date referred to in subparagraph (A).

21 “(c) COORDINATION WITH OTHER CREDITS.—The
22 amount of credit otherwise allowable under sections 51(a)
23 and 1396(a) with respect to any employee shall be reduced
24 by the credit allowed by this section with respect to such
25 employee.”.

1 (b) CREDIT MADE PART OF GENERAL BUSINESS

2 CREDIT.—Subsection (b) of section 38 is amended by
3 striking “plus” at the end of paragraph (12), by striking
4 the period at the end of paragraph (13) and inserting “,
5 plus”, and by adding at the end the following new para-
6 graph:

7 “(14) in the case of a small business employer
8 (as defined in section 45E(b)), the highly skilled
9 trades training credit determined under section
10 45E(a).”.

11 (c) DENIAL OF DOUBLE BENEFIT.—Section 280C is
12 amended by adding at the end the following new sub-
13 section:

14 “(d) CREDIT FOR TRAINING EXPENSES FOR EM-
15 PLOYEES IN HIGHLY SKILLED SMALL BUSINESS
16 TRADES.—No deduction shall be allowed for that portion
17 of the expenses otherwise allowable as a deduction for the
18 taxable year which is equal to the amount of the credit
19 determined for the taxable year under section 45E(a).”.

20 (d) CLERICAL AMENDMENT.—The table of sections
21 for subpart D of part IV of subchapter A of chapter 1
22 is amended by adding at the end the following new item:

“Sec. 45E. Expenses for long-term training of employees in highly
skilled small business trades.”.

23 (e) EFFECTIVE DATE.—The amendments made by
24 this section shall apply to expenses paid or incurred in

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

3 **TITLE II—TAX RELIEF FOR**
4 **ENVIRONMENTAL PROTECTION**

5 **SEC. 201. CREDIT FOR DRY OR WET CLEANING EQUIPMENT**
6 **USING NONHAZARDOUS PRIMARY PROCESS**
7 **SOLVENTS.**

8 (a) IN GENERAL.—Section 46 of the Internal Rev-
9 enue Code of 1986 (relating to amount of investment cred-
10 it) is amended by striking “and” at the end of paragraph
11 (2), by striking the period at the end of paragraph (3)
12 and inserting “, and”, and by adding at the end thereof
13 the following paragraph:

14 “(4) the dry or wet cleaning equipment credit.”.

15 (b) DRY OR WET CLEANING EQUIPMENT CREDIT.—
16 Section 48 of such Code is amended by adding at the end
17 the following new subsection:

18 “(c) DRY OR WET CLEANING EQUIPMENT USING
19 NONHAZARDOUS PRIMARY PROCESS SOLVENTS.—

20 “(1) IN GENERAL.—For purposes of section 46,
21 the dry or wet cleaning equipment credit for any
22 taxable year is 20 percent of the basis of each quali-
23 fied dry or wet cleaning property placed in service
24 during the taxable year (40 percent of such basis in
25 the case of such property placed in service in an em-

1 powerment zone, enterprise community, or renewal
2 community).

3 “(2) LIMITATION.—The credit under this sub-
4 section for the taxable year shall apply to qualified
5 dry or wet cleaning property placed in service during
6 such year at each business premise of the taxpayer.

7 “(3) QUALIFIED DRY OR WET CLEANING PROP-
8 erty.—For purposes of this subsection, the term
9 ‘qualified dry or wet cleaning property’ means equip-
10 ment designed primarily to clean textiles by profes-
11 sionals using special technology, detergents and ad-
12 ditives to minimize potential for adverse effects, or
13 appropriately dry or apply restorative finishing pro-
14 cedures to such textiles if—

15 “(A) such equipment does not use any haz-
16 ardous solvent as the primary process solvent,

17 “(B) the original use of such property
18 commences with the taxpayer, and

19 “(C) with respect to which depreciation (or
20 amortization in lieu of depreciation) is allow-
21 able.

22 “(4) PRIMARY PROCESS SOLVENT.—For pur-
23 poses of paragraph (3), the term ‘primary process
24 solvent’ means the primary liquid in which clothing,
25 other fabric, and sensitive textiles are cleaned or

1 which is used to appropriately dry or apply restora-
2 tive finishing procedures to textiles, cleaned, exclud-
3 ing detergent formulations.

4 “(5) HAZARDOUS SOLVENT.—For purposes of
5 paragraph (3), the term ‘hazardous solvent’ means
6 any solvent any portion of which consists of a
7 chlorinated solvent, a volatile organic compound, or
8 any other hazardous regulated substance, or which
9 contains any substance determined by the Adminis-
10 trator of the Environmental Protection Agency, the
11 Director of the National Institute for Occupational
12 Safety and Health, the Director of the International
13 Agency for Research on Cancer, the Director of the
14 National Institute of Environmental Health
15 Sciences’ National Toxicology Program, or the direc-
16 tor of any other appropriate Federal agency to
17 possess—

18 “(A) carcinogenic potential in humans, or

19 “(B) bioaccumulative properties.”.

20 (c) CREDIT ALLOWED AGAINST REGULAR AND MIN-
21 IMUM TAX.—

22 (1) IN GENERAL.—Subsection (c) of section 38
23 of such Code (relating to limitation based on amount
24 of tax) is amended by redesignating paragraph (3)

1 as paragraph (4) and by inserting after paragraph
2 (2) the following:

3 “(3) SPECIAL RULES FOR DRY OR WET CLEAN-
4 ING EQUIPMENT CREDIT.—

5 “(A) IN GENERAL.—In the case of the dry
6 or wet cleaning equipment credit—

7 “(i) this section and section 39 shall
8 be applied separately with respect to the
9 credit, and

10 “(ii) in applying paragraph (1) to the
11 credit—

12 “(I) subparagraph (A) thereof
13 shall not apply, and

14 “(II) the limitation under para-
15 graph (1) (as modified by subclause
16 (I)) shall be reduced by the credit al-
17 lowed under subsection (a) for the
18 taxable year (other than the dry or
19 wet cleaning equipment credit).

20 “(B) DRY OR WET CLEANING EQUIPMENT
21 CREDIT.—For purposes of this subsection, the
22 term ‘dry or wet cleaning equipment credit’
23 means the credit allowable under subsection (a)
24 by reason of section 46(4).”.

1 (2) CONFORMING AMENDMENT.—Subclause (II)
 2 of section 38(c)(2)(A)(ii) of such Code is amended
 3 by inserting “or the dry or wet cleaning equipment
 4 credit” after “employment credit”.

5 (d) CLERICAL AMENDMENTS.—

6 (1) The section heading for section 48 of such
 7 Code is amended to read as follows:

8 **“SEC. 48. ENERGY CREDIT; REFORESTATION CREDIT; DRY**
 9 **OR WET CLEANING EQUIPMENT CREDIT.”.**

10 (2) The item relating to section 48 in the table
 11 of sections for subpart E of part IV of subchapter
 12 A of chapter 1 of such Code is amended to read as
 13 follows:

“Sec. 48. Energy credit; reforestation credit; dry or wet cleaning
 equipment credit.”.

14 (e) EFFECTIVE DATE.—The amendments made by
 15 this section shall apply to property placed in service after
 16 December 31, 2000.

17 **SEC. 202. CREDIT FOR RECYCLING OR REMANUFACTURING**
 18 **EQUIPMENT.**

19 (a) IN GENERAL.—Section 46 (relating to amount of
 20 investment credit), as amended by section 201, is amended
 21 by striking “and” at the end of paragraph (3), by striking
 22 the period at the end of paragraph (4) and inserting “,
 23 and”, and by adding at the end the following new para-
 24 graph:

1 “(5) the reclamation credit.”

2 (b) RECLAMATION CREDIT.—Section 48 (relating to
3 energy credit and reforestation credit), as so amended, is
4 amended by adding at the end the following new sub-
5 section:

6 “(d) RECLAMATION CREDIT.—

7 “(1) IN GENERAL.—For purposes of section 46,
8 the reclamation credit for any taxable year is 20
9 percent of the basis of each qualified reclamation
10 property placed in service during the taxable year.

11 “(2) QUALIFIED RECLAMATION PROPERTY.—

12 “(A) IN GENERAL.—For purposes of this
13 section, the term ‘qualified reclamation prop-
14 erty’ means property—

15 “(i) which is qualified recycling prop-
16 erty or qualified remanufacturing property,

17 “(ii) which is tangible property (not
18 including a building and its structural
19 components),

20 “(iii) with respect to which deprecia-
21 tion (or amortization in lieu of deprecia-
22 tion) is allowable,

23 “(iv) which has a useful life of at least
24 5 years, and

25 “(v) which is—

1 “(I) acquired by purchase (as de-
2 fined in section 179(d)(2)) by the tax-
3 payer if the original use of such prop-
4 erty commences with the taxpayer, or
5 “(II) constructed by or for the
6 taxpayer.

7 “(B) DOLLAR LIMITATION.—

8 “(i) IN GENERAL.—The basis of quali-
9 fied reclamation property taken into ac-
10 count under paragraph (1) for any taxable
11 year shall not exceed \$10,000,000 for a
12 taxpayer.

13 “(ii) TREATMENT OF CONTROLLED
14 GROUP.—For purposes of clause (i)—

15 “(I) all component members of a
16 controlled group shall be treated as
17 one taxpayer, and

18 “(II) the Secretary shall appor-
19 tion the dollar limitation in such
20 clause among the component members
21 of such controlled group in such man-
22 ner as he shall by regulation pre-
23 scribe.

24 “(iii) TREATMENT OF PARTNERSHIPS
25 AND S CORPORATIONS.—In the case of a

1 partnership, the dollar limitation in clause
2 (i) shall apply with respect to the partner-
3 ship and with respect to each partner. A
4 similar rule shall apply in the case of an
5 S corporation and its shareholders.

6 “(iv) CONTROLLED GROUP DE-
7 FINED.—For purposes of clause (ii), the
8 term ‘controlled group’ has the meaning
9 given such term by section 1563(a), except
10 that ‘more than 50 percent’ shall be sub-
11 stituted for ‘at least 80 percent’ each place
12 it appears in section 1563(a)(1).

13 “(3) CERTAIN PROGRESS EXPENDITURE RULES
14 MADE APPLICABLE.—Rules similar to the rules of
15 subsections (c)(4) and (d) of section 46 (as in effect
16 on the day before the date of the enactment of the
17 Revenue Reconciliation Act of 1990) shall apply for
18 purposes of this subsection.

19 “(4) DEFINITIONS.—For purposes of this
20 subsection—

21 “(A) QUALIFIED RECYCLING PROPERTY.—

22 The term ‘qualified recycling property’ means
23 equipment used exclusively to collect, distribute,
24 or sort used ferrous or nonferrous metals. The
25 term does not include equipment used to collect,

1 distribute, or sort precious metals such as gold,
2 silver, or platinum unless such use is coinci-
3 dental to the collection, distribution, or sorting
4 of other used ferrous or nonferrous metals.

5 “(B) QUALIFIED REMANUFACTURING
6 PROPERTY.—The term ‘qualified remanufac-
7 turing property’ means equipment used pri-
8 marily by the taxpayer in the business of re-
9 building or remanufacturing a used product or
10 part, but only if—

11 “(i) the rebuilt or remanufactured
12 product or part includes 50 percent or less
13 virgin material, and

14 “(ii) the equipment is not used pri-
15 marily in a process occurring after the
16 product or part is rebuilt or remanufac-
17 tured.

18 “(5) COORDINATION WITH REHABILITATION
19 AND ENERGY CREDITS.—For purposes of this
20 section—

21 “(A) the basis of any qualified reclamation
22 property shall be reduced by that portion of the
23 basis of any property which is attributable to
24 qualified rehabilitation expenditures (as defined
25 in section 47(c)(2)) or to the energy percentage

1 of energy property (as determined under section
2 48(a)), and

3 “(B) expenditures taken into account
4 under either section 47 or 48(a) shall not be
5 taken into account under this section.”.

6 (c) SPECIAL BASIS ADJUSTMENT RULE.—Paragraph
7 (3) of section 50(c) (relating to basis adjustment to invest-
8 ment credit property) is amended by striking “energy
9 credit or reforestation credit” and inserting “energy cred-
10 it, reforestation credit, or reclamation credit”.

11 (d) CLERICAL AMENDMENTS.—

12 (1) The section heading for section 48 is
13 amended to read as follows:

14 **“SEC. 48. ENERGY CREDIT; REFORESTATION CREDIT; DRY**
15 **OR WET CLEANING EQUIPMENT CREDIT; REC-**
16 **LAMATION CREDIT.”**

17 (2) The item relating to section 48 in the table
18 of sections for subpart E of part IV of subchapter
19 A of chapter 1 is amended to read as follows:

“Sec. 48. Energy credit; reforestation credit; dry or wet cleaning
equipment credit; reclamation credit.”

20 (e) EFFECTIVE DATE.—The amendments made by
21 this section shall apply to property placed in service on
22 or after January 1, 2002.

1 **TITLE III—TAX SIMPLIFICATION**

2 **SEC. 301. DEPRECIATION MODIFICATIONS.**

3 (a) COMPUTER SOFTWARE ELIGIBLE FOR EXPENS-
4 ING.—

5 (1) IN GENERAL.—The heading and first sen-
6 tence of section 179(d)(1) (relating to section 179
7 property) are amended to read as follows:

8 “(1) SECTION 179 PROPERTY.—For purposes of
9 this section, the term ‘section 179 property’ means
10 property—

11 “(A) which is—

12 “(i) tangible property to which section
13 168 applies, or

14 “(ii) computer software (as defined in
15 section 197(e)(3)(B)) to which section 167
16 applies,

17 “(B) which is section 1245 property (as
18 defined in section 1245(a)(3)), and

19 “(C) which is acquired by purchase for use
20 in the active conduct of a trade or business.”.

21 (2) NO COMPUTER SOFTWARE INCLUDED AS
22 SECTION 197 INTANGIBLE.—

23 (A) IN GENERAL.—Section 197(e)(3)(A) is
24 amended to read as follows:

1 “(A) IN GENERAL.—Any computer soft-
2 ware.”.

3 (B) CONFORMING AMENDMENT.—Section
4 167(f)(1)(B) is amended by striking “; except
5 that such term shall not include any such soft-
6 ware which is an amortizable section 197 intan-
7 gible”.

8 (b) 2-YEAR APPLICABLE RECOVERY PERIOD FOR
9 DEPRECIATION OF COMPUTERS AND PERIPHERAL EQUIP-
10 MENT.—

11 (1) IN GENERAL.—Section 168(c) (relating to
12 applicable recovery period) is amended by adding at
13 the end the following flush sentence:

14 “In the case of 5-year property which is a computer or
15 peripheral equipment, the applicable recovery period shall
16 be 2 years.”.

17 (2) CONFORMING AMENDMENTS.—

18 (A) Section 168(g)(3)(C) (relating to alter-
19 native depreciation system for certain property)
20 is amended to read as follows:

21 “(C) QUALIFIED TECHNOLOGICAL EQUIP-
22 MENT.—

23 “(i) IN GENERAL.—Except as pro-
24 vided in clause (ii), in the case of any
25 qualified technological equipment, the re-

1 covery period used for purposes of para-
2 graph (2) shall be 5 years.

3 “(ii) COMPUTERS OR PERIPHERAL
4 EQUIPMENT.—In the case of any computer
5 or peripheral equipment, the recovery pe-
6 riod used for purposes of paragraph (2)
7 shall be 2 years.”.

8 (B) Section 168(j)(2) (relating to deprecia-
9 tion of property on Indian reservations) is
10 amended by adding at the end the following
11 flush sentence:

12 “In the case of 5-year property which is a computer or
13 peripheral equipment, the applicable recovery period shall
14 be 1 year.”.

15 (C) Section 467(e)(3)(A) (relating to cer-
16 tain payments for the use of property or serv-
17 ices) is amended by adding at the end the fol-
18 lowing flush sentence:

19 “In the case of 5-year property which is a computer or
20 peripheral equipment, the applicable recovery period shall
21 be 2 years.”.

22 (c) 2-YEAR DEPRECIATION PERIOD FOR COMPUTER
23 SOFTWARE.—Section 167(f)(1)(A) is amended by striking
24 “36 months” and inserting “24 months”.

1 (d) ADJUSTMENTS ON DEPRECIATION LIMITS FOR
 2 LUXURY AUTOMOBILES.—

3 (1) IN GENERAL.—Section 280F(a)(1)(A) (re-
 4 lating to limitation on amount of depreciation for
 5 luxury automobiles) is amended—

6 (A) by striking “\$2,560” in clause (i) and
 7 inserting “\$5,400”;

8 (B) by striking “\$4,100” in clause (ii) and
 9 inserting “\$8,500”;

10 (C) by striking “\$2,450” in clause (iii) and
 11 inserting “\$5,100”; and

12 (D) by striking “\$1,475” in clause (iv) and
 13 inserting “\$3,000”.

14 (2) CONFORMING AMENDMENT.—Section
 15 280F(a)(1)(B)(ii) (relating to disallowed deductions
 16 allowed for years after recovery period) is amended
 17 by striking “\$1,475” each place that it appears and
 18 inserting “\$3,000”.

19 (e) EFFECTIVE DATE.—The amendments made by
 20 this section shall apply to property placed in service after
 21 December 31, 2000.

22 **SEC. 302. SIMPLIFICATION OF ESTIMATED TAX RULES.**

23 (a) IN GENERAL.—Section 6654(d)(1) (relating to
 24 failure by an individual to pay estimated income tax) is
 25 amended by striking subparagraph (C).

1 (b) EFFECTIVE DATE.—The amendment made by
 2 this section shall apply to taxable years beginning after
 3 the date of the enactment of this Act.

4 **SEC. 303. EXCLUSION FROM PARTNERSHIP FILING RE-**
 5 **QUIREMENTS FOR MARRIED COUPLES AS**
 6 **BUSINESS CO-OWNERS.**

7 (a) IN GENERAL.—Section 6031 (relating to return
 8 of partnership income) is amended by adding the following
 9 the new subsection:

10 “(f) EXCEPTION FOR A MARRIED INDIVIDUALS AS
 11 PARTNERSHIP CO-OWNERS.—This section shall not apply
 12 to a partnership for any taxable year if—

13 “(1) all of the capital or profits interests in the
 14 partnership are owned by 2 individuals who are a
 15 married couple (as determined under section 7703),

16 “(2) such individuals elect the application of
 17 this subsection for such taxable year, and

18 “(3) such individuals file a joint return for all
 19 taxable years of such individuals which include items
 20 from such taxable year of the partnership.

21 The Secretary shall prescribe regulations for the retention
 22 of such records as may be necessary for the administration
 23 of this chapter in any case where an election is made
 24 under this subchapter.”.

1 (b) MARRIED COUPLES AS BUSINESS CO-OWNERS
 2 PERMITTED TO FILE SEPARATE SELF-EMPLOYMENT
 3 TAX SCHEDULES.—Section 6017 (relating to self-employ-
 4 ment tax returns) is amended by adding the following new
 5 sentence: “The preceding sentence shall apply even if the
 6 husband and wife elect, under section 6031(f), to be ex-
 7 cluded from the filing requirements of section 6031.”.

8 (c) EFFECTIVE DATE.—The amendments made by
 9 this section shall apply to taxable years beginning after
 10 the date of the enactment of this Act.

11 **SEC. 304. INCREASE IN SELF-EMPLOYMENT EXEMPTION**
 12 **AMOUNT.**

13 (a) IN GENERAL.—Paragraph (2) of section 1402(b)
 14 (defining self-employment income) is amended by striking
 15 “\$400” and inserting “\$740”.

16 (b) ADJUSTMENT FOR INFLATION.—Section 1402
 17 (definitions relating to self-employment income) is amend-
 18 ed by adding at the end the following new subsection:

19 “(l) ADJUSTMENT FOR INFLATION.—

20 “(1) IN GENERAL.—In the case of any taxable
 21 year beginning in a calendar year after 2001, the
 22 \$740 amount contained in subsection (b)(2) shall be
 23 increased by an amount equal to—

24 “(A) \$740, multiplied by

1 “(B) the cost-of-living adjustment deter-
2 mined under section 1(f)(3) for the calendar
3 year in which the taxable year begins by sub-
4 stituting ‘calendar year 2000’ for ‘calendar year
5 1992’ in subparagraph (B) thereof.

6 “(2) ROUNDING.—If any increase determined
7 under paragraph (1) is not a multiple of \$10, such
8 increase shall be rounded to the next lowest multiple
9 of \$10.”.

10 (c) RETURN REQUIREMENTS.—Section 6017 (relat-
11 ing to self-employment tax returns) is amended by striking
12 “of \$400 or more” and inserting “of an amount which
13 equals or exceeds the amount in effect under section
14 1402(b)(2)”.

15 (d) CONFORMING AMENDMENTS.—

16 (1) Paragraphs (3) and (4) of section 1402(e)
17 are each amended by striking “of \$400 or more”
18 and inserting “which equals or exceeds the amount
19 in effect for the taxable year under subsection
20 (b)(2)”.

21 (2) Subsection (h) of section 1402 is amended
22 by striking “\$400” and inserting “the amount in ef-
23 fect for the taxable year under subsection (b)(2)”.

24 (3) Subparagraph (B) of section 1402(j)(2) is
25 amended to read as follows:

1 “(B) FLOOR.—In applying paragraph (2)
 2 of subsection (b) to church employee income,
 3 ‘\$200’ shall be substituted for the amount in ef-
 4 fect for the taxable year under such paragraph
 5 (2) (as adjusted by subsection (1)).”.

6 (e) EFFECTIVE DATE.—The amendments made by
 7 this section shall apply to taxable years beginning after
 8 December 31, 2000.

9 **SEC. 305. REPEAL OF RECOGNITION OF GAIN RULE FOR**
 10 **HOME OFFICE.**

11 (a) IN GENERAL.—Subsection (d) of section 121 is
 12 amended by striking paragraph (6) and redesignating
 13 paragraphs (7) and (8) as paragraphs (6) and (7), respec-
 14 tively.

15 (b) EXCEPTION TO TREATMENT AS GAIN FROM DIS-
 16 POSITION OF PRINCIPAL RESIDENCE.—Subsection (d) of
 17 section 1250 is amended by adding at the end the fol-
 18 lowing new paragraph:

19 “(9) HOME OFFICE.—Subsection (a) shall not
 20 apply to property described in section 280A(c)(1)
 21 which is a portion of the principal residence (within
 22 the meaning of section 121) of the taxpayer.”.

23 (c) EFFECTIVE DATE.—The amendments made by
 24 this section shall apply to sales and exchanges occurring
 25 after December 31, 2000.

1 **SEC. 306. SIMPLIFICATION OF REPORTING REQUIREMENTS**
2 **RELATING TO HIGHER EDUCATION TUITION**
3 **AND RELATED EXPENSES.**

4 (a) AMENDMENT RELATING TO PERSONS REQUIRED
5 TO MAKE RETURN.—Paragraph (1) of section 6050S(a)
6 (relating to returns relating to higher education tuition
7 and related expenses) is amended to read as follows:

8 “(1) which is an eligible educational institution
9 which receives payments for qualified tuition and re-
10 lated expenses with respect to any individual for any
11 calendar year;”.

12 (b) AMENDMENTS RELATING TO FORM AND MANNER
13 OF RETURNS.—

14 (1) Paragraph (2) of section 6050S(b) is
15 amended by striking subparagraph (B) and redesign-
16 ating subparagraphs (C) and (D) as subparagraphs
17 (B) and (C), respectively.

18 (2) Subparagraph (B) of section 6050S(b)(2),
19 as redesignated by paragraph (1), is amended—

20 (A) in clause (i), by inserting “, or the ag-
21 gregate amount of qualified tuition and related
22 expenses assessed,” after “received” and by in-
23 serting “and” after the comma at the end,

24 (B) by striking clauses (ii) and (iii), and

25 (C) by redesignating clause (iv) as clause
26 (ii).

1 (c) CONFORMING AMENDMENTS.—Subsection (d) of
 2 section 6050S is amended—

3 (1) by striking “or (B)”, and

4 (2) in paragraph (2), by striking “subpara-
 5 graph (C)” and inserting “subparagraph (B)”.

6 (d) EFFECTIVE DATE.—The amendments made by
 7 this section shall apply to expenses paid or assessed after
 8 December 31, 2001 (in taxable years ending after such
 9 date), for education furnished in academic periods begin-
 10 ning after such date.

11 **TITLE IV—TAXPAYER** 12 **PROTECTIONS**

13 **SEC. 401. TAXPAYER’S RIGHT TO HAVE AN IRS EXAMINA-** 14 **TION TAKE PLACE AT ANOTHER SITE.**

15 (a) IN GENERAL.—Section 7605(a) (relating to time
 16 and place of examination) is amended to read as follows:

17 “(a) TIME AND PLACE.—

18 “(1) IN GENERAL.—The time and place of ex-
 19 amination pursuant to the provisions of section
 20 6420(e)(2), 6421(g)(2), 6427(j)(2), or 7602 shall be
 21 such time and place as may be fixed by the Sec-
 22 retary and as are reasonable under the cir-
 23 cumstances. In the case of a summons under author-
 24 ity of paragraph (2) of section 7602, or under the
 25 corresponding authority of section 6420(e)(2),

1 6421(g)(2), or 6427(j)(2), the date fixed for appear-
 2 ance before the Secretary shall not be less than 10
 3 days from the date of the summons.

4 “(2) LIMITATION.—Upon request of a taxpayer,
 5 the Secretary shall conduct any examination de-
 6 scribed in paragraph (1) at a location other than the
 7 taxpayer’s residence or place of business, if such lo-
 8 cation is reasonably accessible to the Secretary and
 9 the taxpayer’s original books and records pertinent
 10 to the examination are available at such location.”.

11 (b) EFFECTIVE DATE.—The amendment made by
 12 this section shall apply to examinations occurring after the
 13 date of the enactment of this Act.

14 **SEC. 402. CLARIFICATION OF ELECTRONIC FILING.**

15 (a) IN GENERAL.—Section 2001(a) of the Internal
 16 Revenue Service Restructuring and Reform Act of 1998
 17 (relating to electronic filing of tax and information re-
 18 turns) is amended by—

19 (1) striking “and” at the end of paragraph (2);

20 (2) redesignating paragraph (3) as paragraph

21 (4); and

22 (3) inserting after paragraph (2) the following
 23 new paragraph:

24 “(3) electronic filing shall be a voluntary option
 25 for taxpayers; and”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall apply to taxable years after the date of
3 the enactment of this Act.

4 **SEC. 403. TAXPAYER'S ELECTION WITH RESPECT TO RE-**
5 **COVERY OF COSTS AND CERTAIN FEES.**

6 (a) IN GENERAL.—

7 (1) Section 504(f) of title 5, United States
8 Code, is amended to read as follows:

9 “(f) A party may elect to recover costs, fees, or other
10 expenses under this section or under section 7430 of the
11 Internal Revenue Code of 1986.”.

12 (2) Section 2412(e) of title 28, United States
13 Code, is amended to read as follows:

14 “(e) A party may elect to recover costs, fees, or other
15 expenses under this section or under section 7430 of the
16 Internal Revenue Code of 1986.”.

17 (b) COORDINATION.—Section 7430 (relating to
18 awarding of costs and certain fees) is amended by adding
19 at the end the following new subsection:

20 “(h) COORDINATION WITH EQUAL ACCESS TO JUS-
21 TICE ACT.—This section shall not apply to any adminis-
22 trative or judicial proceeding with respect to which a tax-
23 payer elects to recover costs, fees, or other expenses under
24 section 504 of title 5, United States Code, or section 2412
25 of title 28, United States Code.”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to proceedings initiated after the
3 date of the enactment of this Act.

4 **SEC. 404. REPEAL OF THE FAILURE-TO-PAY PENALTY.**

5 (a) IN GENERAL.—Section 6651(a) is amended by
6 striking paragraphs (2) and (3).

7 (b) CONFORMING AMENDMENTS.—

8 (1) Section 6651(a) is amended—

9 (A) by striking “In the case of failure—
10 “(1) to” and inserting “In the case of failure
11 to”, and

12 (B) by striking the semicolon at the end of
13 paragraph (1) and inserting a period.

14 (2) Section 6651(b) is amended—

15 (A) by striking “For purposes of—
16 “(1) subsection (a)(1)” and inserting “For pur-
17 poses of subsection (a)”,

18 (B) by striking the comma at the end of
19 paragraph (1) and inserting a period, and

20 (C) by striking paragraphs (2) and (3).

21 (3) Section 6651 is amended by striking sub-
22 sections (c), (d), and (e).

23 (4) Section 6651(f) is amended by striking
24 “paragraph (1) of”.

1 (5) Section 6651(g) is amended to read as fol-
2 lows:

3 “(g) TREATMENT OF RETURNS PREPARED BY SEC-
4 RETARY UNDER SECTION 6020(b).—In the case of any
5 return made by the Secretary under section 6020(b), such
6 return shall be disregarded for purposes of determining
7 the amount of the addition under subsection (a).”.

8 (6) Section 6651, as amended by paragraphs
9 (3) and (4), is amended by redesignating subsections
10 (f) and (g) as subsections (c) and (d), respectively.

11 (7) The heading of section 6651 is amended to
12 read as follows:

13 **“SEC. 6651. FAILURE TO FILE TAX RETURN.”.**

14 (8) The table of sections for subchapter A of
15 chapter 68 is amended by striking the item relating
16 to section 6651 and inserting the following new
17 item:

 “Sec. 6651. Failure to file tax return.”.

18 (9) Section 5684(c)(2) is amended by striking
19 “or pay tax”.

20 (10) Section 6601(e)(2)(A) is amended by
21 striking “section 6651(a)(1)” and inserting “section
22 6651(a)”.

23 (c) EFFECTIVE DATE.—The amendments made by
24 this section shall be effective for failures to pay occurring
25 after the date of the enactment of this Act.

1 **SEC. 405. REPEAL OF INTEREST ON PENALTIES.**

2 (a) IN GENERAL.—Section 6601(e)(2), as amended
3 by section 304, is amended by striking subparagraph (A)
4 and inserting the following new subparagraph:

5 “(A) IN GENERAL.—No interest shall be
6 imposed under subsection (1) in respect of any
7 assessable penalty, additional amount, or addi-
8 tion to the tax applied under chapter 68.”.

9 (b) EFFECTIVE DATE.—The amendment made by
10 this section shall be effective for assessable penalties, addi-
11 tional amounts, or additions to tax imposed after the date
12 of the enactment of this Act.

○