

107TH CONGRESS  
1ST SESSION

# S. 1804

To amend the Internal Revenue Code of 1986 to provide tax incentives for economic recovery and provide for the payment of emergency extended unemployment compensation.

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IN THE SENATE OF THE UNITED STATES

DECEMBER 11, 2001

Mr. SESSIONS (for himself, Mr. ALLEN, Mr. HUTCHINSON, and Mr. SMITH of New Hampshire) 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 tax incentives for economic recovery and provide for the payment of emergency extended unemployment compensation.

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; ETC.**

4       (a) SHORT TITLE.—This Act may be cited as the  
5 “American Family Economic Security and Stimulus Act”.

6       (b) REFERENCES TO INTERNAL REVENUE CODE OF  
7 1986.—Except as otherwise expressly provided, whenever  
8 in this Act an amendment or repeal is expressed in terms

1 of an amendment to, or repeal of, a section or other provi-  
 2 sion, the reference shall be considered to be made to a  
 3 section or other provision of the Internal Revenue Code  
 4 of 1986.

5 (c) TABLE OF CONTENTS.—

Sec. 1. Short title; etc.

**TITLE I—ADVANCE PAYMENT OF EARNED INCOME CREDIT**

Sec. 101. Additional requirements to ensure greater use of advance payment of earned income credit.

Sec. 102. Extension of advance payment of earned income credit to all eligible taxpayers.

**TITLE II—INDIVIDUAL PROVISIONS**

Sec. 201. Acceleration of 25 percent individual income tax rate.

Sec. 202. Temporary expansion of penalty-free retirement plan distributions for health insurance premiums of unemployed individuals.

Sec. 203. Increase in child tax credit.

Sec. 204. Temporary increase in deduction for capital losses of taxpayers other than corporations.

Sec. 205. Nonrefundable credit for elementary and secondary school expenses.

**TITLE III—TEMPORARY EMERGENCY UNEMPLOYMENT BENEFITS**

Sec. 301. Short title.

Sec. 302. Federal-State agreements.

Sec. 303. Temporary emergency unemployment compensation account.

Sec. 304. Payments to States having agreements for the payment of temporary emergency unemployment compensation.

Sec. 305. Financing provisions.

Sec. 306. Fraud and overpayments.

Sec. 307. Definitions.

Sec. 308. Applicability.

Sec. 309. Temporary reduction in interest rate applicable to repayments of advances to State unemployment funds.

**TITLE IV—NATIONAL EMERGENCY GRANTS**

Sec. 401. National emergency grant assistance for workers.

**TITLE V—TEMPORARY BUSINESS RELIEF PROVISIONS**

Sec. 501. Special depreciation allowance for certain property.

## 1 **TITLE I—ADVANCE PAYMENT OF**

## 2 **EARNED INCOME CREDIT**

3 SEC. 101. ADDITIONAL REQUIREMENTS TO ENSURE GREAT-  
4 ER USE OF ADVANCE PAYMENT OF EARNED  
5 INCOME CREDIT.

6 Not later than January 1, 2002, the Secretary of the  
7 Treasury by regulation shall require—

19 Such regulations shall require an employer to provide such  
20 an application within 30 days of the hiring date of an em-  
21 ployee and at least annually thereafter. Such regulations  
22 shall further provide that, upon receipt of a completed  
23 form, an employer shall provide for the advance payment  
24 of the earned income credit as provided under section  
25 3507 of the Internal Revenue Code of 1986.

1     **SEC. 102. EXTENSION OF ADVANCE PAYMENT OF EARNED**  
2                   **INCOME CREDIT TO ALL ELIGIBLE TAX-**  
3                   **PAYERS.**

4     (a) **IN GENERAL.**—Section 3507(b) of the Internal  
5     Revenue Code of 1986 (relating to earned income eligi-  
6     bility certificate) is amended by striking paragraph (2)  
7     and by redesignating paragraphs (3) and (4) as para-  
8     graphs (2) and (3), respectively.

9     (b) **CONFORMING AMENDMENTS.**—

10        (1) Section 3507(c)(2)(B) of the Internal Rev-  
11        enue Code of 1986 is amended by inserting “has 1  
12        or more qualifying children and” before “is not mar-  
13        ried.”.

14        (2) Section 3507(c)(2)(C) of such Code is  
15        amended by striking “the employee” and inserting  
16        “an employee with 1 or more qualifying children”.

17        (3) Section 3507(f) of such Code is amended by  
18        striking “who have 1 or more qualifying children  
19        and”.

20     (c) **EFFECTIVE DATE.**—The amendments made by  
21     this section shall apply to taxable years beginning after  
22     December 31, 2001.

## 1                   **TITLE II—INDIVIDUAL**

## 2                   **PROVISIONS**

3 SEC. 201. ACCELERATION OF 25 PERCENT INDIVIDUAL IN-  
4 COME TAX RATE.

5 (a) IN GENERAL.—The table contained in paragraph  
6 (2) of section 1(i) (relating to reductions in rates after  
7 June 30, 2001) is amended—

10 (2) by striking "26.0%" and inserting  
11 "25.0%".

12 (b) REDUCTION NOT TO INCREASE MINIMUM TAX.—

1 taxable years beginning in 2002 or 2003, and  
2 \$36,600 in the case of taxable years beginning in  
3 2004)’.

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

7 (d) SECTION 15 NOT TO APPLY.—No amendment  
8 made by this section shall be treated as a change in a  
9 rate of tax for purposes of section 15 of the Internal Rev-  
10 enue Code of 1986.

11 SEC. 202. TEMPORARY EXPANSION OF PENALTY-FREE RE-  
12 TIREMENT PLAN DISTRIBUTIONS FOR  
13 HEALTH INSURANCE PREMIUMS OF UNEM-  
14 PLOYED INDIVIDUALS.

15 (a) IN GENERAL.—Subparagraph (D) of section  
16 72(t)(2) is amended by adding at the end the following  
17 new clause:

1                             “(I) clause (i) shall apply to dis-  
 2                             tributions from all qualified retire-  
 3                             ment plans (as defined in section  
 4                             4974(c)), and

5                             “(II) such 4 consecutive weeks  
 6                             shall be substituted for the 12 con-  
 7                             secutive weeks referred to in subclause  
 8                             (I) of clause (i).”

9                             (b) **EFFECTIVE DATE.**—The amendment made by  
 10                             this section shall apply to distributions after the date of  
 11                             the enactment of this Act.

12                             **SEC. 203. INCREASE IN CHILD TAX CREDIT.**

13                             (a) **IN GENERAL.**—The table contained in section  
 14                             24(a)(2) (relating to per child amount) is amended by  
 15                             striking all matter preceding the second item and inserting  
 16                             the following:

<b>In the case of any taxable year beginning in—</b>	<b>“The per child amount is—</b>
2001 .....	\$1,000
2002, 2003, or 2004 .....	600”.

17                             (b) **EFFECTIVE DATE.**—The amendment made by  
 18                             this section shall apply to taxable years beginning after  
 19                             December 31, 2000.

1 **SEC. 204. TEMPORARY INCREASE IN DEDUCTION FOR CAP-**2 **ITAL LOSSES OF TAXPAYERS OTHER THAN**  
3 **CORPORATIONS.**4 (a) IN GENERAL.—Subsection (b) of section 1211  
5 (relating to limitation on capital losses for taxpayers other  
6 than corporations) is amended by adding at the end the  
7 following flush sentence:8 “Paragraph (1) shall be applied by substituting ‘\$5,000’  
9 for ‘\$3,000’ and ‘\$2,500’ for ‘\$1,500’ in the case of tax-  
10 able years beginning in 2001 or 2002.”.11 (b) EFFECTIVE DATE.—The amendment made by  
12 subsection (a) shall apply to taxable years beginning after  
13 December 31, 2000.14 **SEC. 205. NONREFUNDABLE CREDIT FOR ELEMENTARY**  
15 **AND SECONDARY SCHOOL EXPENSES.**16 (a) IN GENERAL.—Subpart A of part IV of sub-  
17 chapter A of chapter 1 (relating to nonrefundable personal  
18 credits) is amended by inserting after section 25B the fol-  
19 lowing new section:20 **“SEC. 25C. CREDIT FOR ELEMENTARY AND SECONDARY**  
21 **SCHOOL EXPENSES.**22 “(a) ALLOWANCE OF CREDIT.—In the case of an in-  
23 dividual who maintains a household which includes as a  
24 member one or more qualifying students (as defined in  
25 subsection (b)(1)), there shall be allowed as a credit  
26 against the tax imposed by this chapter for the taxable

1 year an amount equal to the qualified elementary and sec-  
2 ondary education expenses with respect to such students  
3 which are paid or incurred by the taxpayer during such  
4 taxable year.

5       “(b) DOLLAR LIMIT ON AMOUNT CREDITABLE.—The  
6 amount of qualified elementary and secondary education  
7 expenses paid or incurred during any taxable year which  
8 may be taken into account under subsection (a) shall not  
9 exceed \$500.

10       “(c) QUALIFYING STUDENT.—For purposes of this  
11 section, the term “qualifying student” means a dependent  
12 of the taxpayer (within the meaning of section 152) who  
13 is enrolled in school on a full-time basis.

14       “(d) QUALIFIED ELEMENTARY AND SECONDARY  
15 EDUCATION EXPENSES.—For purposes of this section—

16           “(1) IN GENERAL.—The term ‘qualified elemen-  
17 tary and secondary education expenses’ means com-  
18 puter technology or equipment expenses.

19           “(2) COMPUTER TECHNOLOGY OR EQUIP-  
20 MENT.—The term ‘computer technology or equip-  
21 ment’ has the meaning given such term by section  
22 170(e)(6)(F)(i) and includes Internet access and re-  
23 lated services and computer software if such soft-  
24 ware is predominately educational in nature.

1       “(e) SCHOOL.—For purposes of this section, the term  
2 ‘school’ means any public, charter, private, religious, or  
3 home school which provides elementary education or sec-  
4 ondary education (through grade 12), as determined  
5 under State law.

6       “(f) DENIAL OF DOUBLE BENEFIT.—No deduction  
7 shall be allowed under this chapter for any contribution  
8 for which credit is allowed under this section.

9       “(g) ELECTION TO HAVE CREDIT NOT APPLY.—A  
10 taxpayer may elect to have this section not apply for any  
11 taxable year.

12       “(h) TERMINATION.—This section shall not apply to  
13 expenses paid or incurred after the date which is 90 days  
14 after the date of the enactment of this section.”.

15       (b) CONFORMING AMENDMENTS.—

16           (1) Section 24(b)(3)(B), as added and amended  
17 by the Economic Growth and Tax Relief Reconcili-  
18 ation Act of 2001, is amended by striking “23 and  
19 25B” and inserting “23, 25B, and 25C”.

20           (2) Section 25(e)(1)(C) is amended by striking  
21 “23 and 1400C” and by inserting “23, 25C, and  
22 1400C”.

23           (3) Section 25(e)(1)(C), as amended by the  
24 Economic Growth and Tax Relief Reconciliation Act

1       of 2001, is amended by inserting “25C,” after  
2       “25B.”.

3               (4) Section 25B, as added by the Economic  
4       Growth and Tax Relief Reconciliation Act of 2001,  
5       is amended by striking “section 23” and inserting  
6       “sections 23 and 25C”.

7               (5) Section 26(a)(1), as amended by the Eco-  
8       nomic Growth and Tax Relief Reconciliation Act of  
9       2001, is amended by striking “and 25B” and insert-  
10      ing “25B, and 25C”.

11              (6) Section 1400C(d) is amended by inserting  
12      “and section 25C” after “this section”.

13              (7) Section 1400C(d), as amended by the Eco-  
14       nomic Growth and Tax Relief Reconciliation Act of  
15       2001, is amended by striking “and 25B” and insert-  
16      ing “25B, and 25C”.

17              (8) The table of sections for subpart A of part  
18       IV of subchapter A of chapter 1 is amended by in-  
19       serting before the item relating to section 26 the fol-  
20      lowing new item:

“Sec. 25C. Credit for elementary and secondary school ex-  
penses.”.

21              (c) EFFECTIVE DATE.—The amendments made by  
22       this section shall apply to taxable years ending after the  
23       date of the enactment of this Act.

1   **TITLE III—TEMPORARY EMER-**  
2   **GENCY UNEMPLOYMENT BEN-**  
3   **EFITS**

4   **SEC. 301. SHORT TITLE.**

5       This title may be cited as the “Temporary Emer-  
6   gency Unemployment Compensation Act of 2001”.

7   **SEC. 302. FEDERAL-STATE AGREEMENTS.**

8       (a) IN GENERAL.—Any State which desires to do so  
9   may enter into and participate in an agreement under this  
10 title with the Secretary of Labor (in this title referred to  
11 as the “Secretary”). Any State which is a party to an  
12 agreement under this title may, upon providing 30 days  
13 written notice to the Secretary, terminate such agreement.

14       (b) PROVISIONS OF AGREEMENT.—Any agreement  
15 under subsection (a) shall provide that the State agency  
16 of the State will make payments of temporary emergency  
17 unemployment compensation to individuals who—

18               (1) have exhausted all rights to regular com-  
19   pensation under the State law;

20               (2) have no rights to compensation (including  
21   both regular compensation and extended compensa-  
22   tion) with respect to a week under such law or any  
23   other State unemployment compensation law or to  
24   compensation under any other Federal law (and are

1 not paid or entitled to be paid any additional com-  
2 pensation under any State or Federal law); and

3 (3) are not receiving compensation with respect  
4 to such week under the unemployment compensation  
5 law of Canada.

6 (c) EXHAUSTION OF BENEFITS.—For purposes of  
7 subsection (b)(1), an individual shall be deemed to have  
8 exhausted such individual's rights to regular compensation  
9 under a State law when—

10 (1) no payments of regular compensation can  
11 be made under such law because such individual has  
12 received all regular compensation available to such  
13 individual based on employment or wages during  
14 such individual's base period; or

15 (2) such individual's rights to such compensa-  
16 tion have been terminated by reason of the expira-  
17 tion of the benefit year with respect to which such  
18 rights existed.

19 (d) WEEKLY BENEFIT AMOUNT.—For purposes of  
20 any agreement under this title—

21 (1) the amount of temporary emergency unem-  
22 ployment compensation which shall be payable to  
23 any individual for any week of total unemployment  
24 shall be equal to the amount of the regular com-  
25 pensation (including dependents' allowances) payable

1 to such individual during such individual's benefit  
2 year under the State law for a week of total unem-  
3 ployment;

4 (2) the terms and conditions of the State law  
5 which apply to claims for regular compensation and  
6 to the payment thereof shall apply to claims for tem-  
7 porary emergency unemployment compensation and  
8 the payment thereof, except where inconsistent with  
9 the provisions of this title or with the regulations or  
10 operating instructions of the Secretary promulgated  
11 to carry out this title; and

12 (3) the maximum amount of temporary emer-  
13 gency unemployment compensation payable to any  
14 individual for whom a temporary emergency unem-  
15 ployment compensation account is established under  
16 section 303 shall not exceed the amount established  
17 in such account for such individual.

18 (e) ELECTION BY STATES.—Notwithstanding any  
19 other provision of Federal law (and if State law permits),  
20 the Governor of a State is authorized and may elect to  
21 trigger off an extended compensation period in order to  
22 provide payment of temporary emergency unemployment  
23 compensation to individuals who have exhausted their  
24 rights to regular compensation under State law.

1 **SEC. 303. TEMPORARY EMERGENCY UNEMPLOYMENT COM-**2 **PENSATION ACCOUNT.**

3 (a) IN GENERAL.—Any agreement under this title  
4 shall provide that the State will establish, for each eligible  
5 individual who files an application for temporary emer-  
6 gency unemployment compensation, a temporary emer-  
7 gency unemployment compensation account with respect  
8 to such individual's benefit year.

## 9 (b) AMOUNT IN ACCOUNT.—

10 (1) IN GENERAL.—The amount established in  
11 an account under subsection (a) shall be equal to 13  
12 times the individual's average weekly benefit amount  
13 for the benefit year.

14 (2) REDUCTION FOR EXTENDED BENEFITS.—  
15 The amount in an account under paragraph (1)  
16 shall be reduced (but not below zero) by the aggre-  
17 gate amount of extended compensation (if any) re-  
18 ceived by such individual relating to the same ben-  
19 efit year under the Federal-State Extended Unem-  
20 ployment Compensation Act of 1970 (26 U.S.C.  
21 3304 note).

22 (3) WEEKLY BENEFIT AMOUNT.—For purposes  
23 of this subsection, an individual's weekly benefit  
24 amount for any week is the amount of regular com-  
25 pensation (including dependents' allowances) under

1       the State law payable to such individual for such  
2       week for total unemployment.

3   **SEC. 304. PAYMENTS TO STATES HAVING AGREEMENTS FOR**  
4                   **THE PAYMENT OF TEMPORARY EMERGENCY**  
5                   **UNEMPLOYMENT COMPENSATION.**

6       (a) **GENERAL RULE.**—There shall be paid to each  
7       State that has entered into an agreement under this title  
8       an amount equal to 100 percent of the temporary emer-  
9       gency unemployment compensation paid to individuals by  
10      the State pursuant to such agreement.

11      (b) **TREATMENT OF REIMBURSABLE COMPENSA-**  
12      **TION.**—No payment shall be made to any State under this  
13      section in respect of any compensation to the extent the  
14      State is entitled to reimbursement in respect of such com-  
15      pensation under the provisions of any Federal law other  
16      than this title or chapter 85 of title 5, United States Code.  
17      A State shall not be entitled to any reimbursement under  
18      such chapter 85 in respect of any compensation to the ex-  
19      tent the State is entitled to reimbursement under this title  
20      in respect of such compensation.

21      (c) **DETERMINATION OF AMOUNT.**—Sums payable to  
22      any State by reason of such State having an agreement  
23      under this title shall be payable, either in advance or by  
24      way of reimbursement (as may be determined by the Sec-  
25      retary), in such amounts as the Secretary estimates the

1 State will be entitled to receive under this title for each  
2 calendar month, reduced or increased, as the case may be,  
3 by any amount by which the Secretary finds that the Sec-  
4 retary's estimates for any prior calendar month were  
5 greater or less than the amounts which should have been  
6 paid to the State. Such estimates may be made on the  
7 basis of such statistical, sampling, or other method as may  
8 be agreed upon by the Secretary and the State agency of  
9 the State involved.

10 **SEC. 305. FINANCING PROVISIONS.**

11 (a) IN GENERAL.—Funds in the extended unemploy-  
12 ment compensation account (as established by section  
13 905(a) of the Social Security Act (42 U.S.C. 1105(a)) of  
14 the Unemployment Trust Fund (as established by section  
15 904(a) of such Act (42 U.S.C. 1104(a)) shall be used for  
16 the making of payments to States having agreements en-  
17 tered into under this title.

18 (b) CERTIFICATION.—The Secretary shall from time  
19 to time certify to the Secretary of the Treasury for pay-  
20 ment to each State the sums payable to such State under  
21 this title. The Secretary of the Treasury, prior to audit  
22 or settlement by the General Accounting Office, shall  
23 make payments to the State in accordance with such cer-  
24 tification, by transfers from the extended unemployment  
25 compensation account (as so established) to the account

1 of such State in the Unemployment Trust Fund (as so  
2 established).

3 (c) ASSISTANCE TO STATES.—There are appro-  
4 priated, without fiscal year limitation, such funds as may  
5 be necessary for purposes of assisting States (as provided  
6 in title III of the Social Security Act (42 U.S.C. 501 et  
7 seq.) in meeting the costs of administration of agreements  
8 under this title.

9 (d) AUTHORIZATION OF APPROPRIATIONS FOR CER-  
10 TAIN PAYMENTS.—There are appropriated from the gen-  
11 eral fund of the Treasury, without fiscal year limitation,  
12 to the extended unemployment compensation account (as  
13 so established) of the Unemployment Trust Fund (as so  
14 established) such sums as the Secretary estimates to be  
15 necessary to make the payments under this section in re-  
16 spect of—

17 (1) compensation payable under chapter 85 of  
18 title 5, United States Code; and

19 (2) compensation payable on the basis of serv-  
20 ices to which section 3309(a)(1) of the Internal Rev-  
21 enue Code of 1986 applies.

22 Amounts appropriated pursuant to the preceding sentence  
23 shall not be required to be repaid.

1 **SEC. 306. FRAUD AND OVERPAYMENTS.**

2       (a) IN GENERAL.—If an individual knowingly has  
3 made, or caused to be made by another, a false statement  
4 or representation of a material fact, or knowingly has  
5 failed, or caused another to fail, to disclose a material fact,  
6 and as a result of such false statement or representation  
7 or of such nondisclosure such individual has received an  
8 amount of temporary emergency unemployment com-  
9 pensation under this title to which he was not entitled,  
10 such individual—

11           (1) shall be ineligible for further temporary  
12 emergency unemployment compensation under this  
13 title in accordance with the provisions of the applica-  
14 ble State unemployment compensation law relating  
15 to fraud in connection with a claim for unemploy-  
16 ment compensation; and

17           (2) shall be subject to prosecution under section  
18 1001 of title 18, United States Code.

19       (b) REPAYMENT.—In the case of individuals who  
20 have received amounts of temporary emergency unemploy-  
21 ment compensation under this title to which they were not  
22 entitled, the State shall require such individuals to repay  
23 the amounts of such emergency unemployment compensa-  
24 tion to the State agency, except that the State agency may  
25 waive such repayment if it determines that—

6 (c) RECOVERY BY STATE AGENCY.—

24 (2) OPPORTUNITY FOR HEARING.—No repay-  
25 ment shall be required, and no deduction shall be

1       made, until a determination has been made, notice  
2       thereof and an opportunity for a fair hearing has  
3       been given to the individual, and the determination  
4       has become final.

5       (d) REVIEW.—Any determination by a State agency  
6       under this section shall be subject to review in the same  
7       manner and to the same extent as determinations under  
8       the State unemployment compensation law, and only in  
9       that manner and to that extent.

10 **SEC. 307. DEFINITIONS.**

11       In this title, the terms “compensation”, “regular  
12       compensation”, “extended compensation”, “additional  
13       compensation”, “benefit year”, “base period”, “State”,  
14       “State agency”, “State law”, and “week” have the respec-  
15       tive meanings given such terms under section 205 of the  
16       Federal-State Extended Unemployment Compensation Act  
17       of 1970 (26 U.S.C. 3304 note).

18 **SEC. 308. APPLICABILITY.**

19       An agreement entered into under this Act shall apply  
20       to weeks of unemployment—

21               (1) beginning no earlier than the first day of  
22               the first week beginning after the date on which  
23               such agreement is entered into; and

24               (2) ending before the date that is 18 months  
25               after the date of enactment of this Act.

1 **SEC. 309. TEMPORARY REDUCTION IN INTEREST RATE AP-**  
2 **PLICABLE TO REPAYMENTS OF ADVANCES TO**  
3 **STATE UNEMPLOYMENT FUNDS.**

4 With respect to advances made to a State under sec-  
5 tion 1201 of the Social Security Act (42 U.S.C. 1321)  
6 during the period beginning on the date of enactment of  
7 this Act and ending on the date that is 18 months after  
8 such date of enactment, the rate of interest paid by a  
9 State on such an advance shall be determined under sec-  
10 tion 1202(b)(4) of the such Act (42 U.S.C. 1322(b)(4))  
11 by substituting “5 percent” for “10 percent” in the matter  
12 preceding subparagraph (A).

13 **TITLE IV—NATIONAL**  
14 **EMERGENCY GRANTS**

15 **SEC. 401. NATIONAL EMERGENCY GRANT ASSISTANCE FOR**  
16 **WORKERS.**

17 (a) **ELIGIBILITY FOR GRANTS.**—Section 173(a) of  
18 the Workforce Investment Act of 1998 (29 U.S.C.  
19 2918(a)) is amended—

20 (1) in paragraph (2), by striking “and”,  
21 (2) in paragraph (3), by striking the period and  
22 inserting “; and”, and  
23 (3) by adding at the end the following new  
24 paragraph:

25 “(4) from funds appropriated under section  
26 174(c), to a State to provide employment and train-

1       ing assistance and the assistance described in sub-  
2       sections (f) and (g) to dislocated workers affected by  
3       a plant closure, mass layoff, or multiple layoffs if  
4       the Governor certifies in the application for assist-  
5       ance that the attacks of September 11, 2001, con-  
6       tributed importantly to such plant closures, mass  
7       layoffs, and multiple layoffs, and to independently  
8       owned businesses and proprietorships.”.

9       (b) USE OF FUNDS.—Section 173 of the Workforce  
10      Investment Act of 1998 (29 U.S.C. 2918) is amended by  
11      adding at the end the following new subsections:

12      “(f) COBRA CONTINUATION COVERAGE PAYMENT  
13      REQUIREMENTS.—

14      “(1) IN GENERAL.—Funds made available to a  
15      State under paragraph (4) of subsection (a) may be  
16      used by the State to assist a participant in the pro-  
17      gram under such paragraph by paying up to 75 per-  
18      cent of the participant’s and any dependents’ con-  
19      tribution for COBRA continuation coverage of the  
20      participant and dependents for a period not to ex-  
21      ceed 10 months.

22      “(2) DEFINITION.—For purposes of paragraph  
23      (1), the term ‘COBRA continuation coverage’ means  
24      coverage under a group health plan provided by an  
25      employer pursuant to title XXII of the Public

1       Health Service Act, section 4980B of the Internal  
2       Revenue Code of 1986, part 6 of subtitle B of title  
3       I of the Employee Retirement Income Security Act  
4       of 1974, or section 8905a of title 5, United States  
5       Code.

6       “(g) GOVERNMENT INTERVENTION SUPPLE-  
7       MENTS.—

8           “(1) PERSONAL INCOME.—Using funds made  
9       available under subsection (a)(4), a State may pro-  
10       vide personal income compensation to a dislocated  
11       worker described in such subsection if—

12           “(A) the worker is unable to work due to  
13       direct Federal Government intervention, as a  
14       result of a direct response to the terrorist at-  
15       tacks which occurred on September 11, 2001,  
16       leading to—

17           “(i) closure of the facility at which the  
18       worker was employed, prior to the inter-  
19       vention; or

20           “(ii) a restriction on how business  
21       may be conducted at the facility; and

22           “(B) the facility is located within an area  
23       in a State in which a major disaster or emer-  
24       gency was certified by the Governor.

1               “(2) BUSINESS INCOME.—Using funds made  
2               available under subsection (a)(4), a State may pro-  
3               vide business income compensation to an independ-  
4               ently owned business or proprietorship if—

5               “(A) the business or proprietorship is un-  
6               able to earn revenue due to direct Federal  
7               intervention, as a result of a direct response to  
8               the terrorist attacks which occurred on Sep-  
9               tember 11, 2001, leading to—

10               “(i) closure of the facility at which the  
11               business or proprietorship was located,  
12               prior to the intervention; or

13               “(ii) a restriction on how customers  
14               may access the facility; and

15               “(B) the facility is located within an area  
16               in a State in which a major disaster or emer-  
17               gency was certified by the Governor.”.

18               (c) AUTHORIZATION OF APPROPRIATIONS.—Section  
19               174 of the Workforce Investment Act of 1998 (29 U.S.C.  
20               2919) is amended by adding at the end the following new  
21               subsection:

22               “(c) NATIONAL EMERGENCY GRANTS RELATING TO  
23               SEPTEMBER 11 ATTACKS.—There are authorized to be  
24               appropriated to carry out subsection (a)(4) of section 173  
25               \$5,000,000,000 for fiscal year 2002. Funds appropriated

1 under this subsection shall be available for obligation for  
2 a period beginning with the date of enactment of such ap-  
3 propriations and ending 18 months thereafter.”.

4 (d) EFFECTIVE DATE.—The amendments made by  
5 this section shall take effect on the date of enactment of  
6 this section.

7 **TITLE V—TEMPORARY BUSINESS  
8 RELIEF PROVISIONS**

9 **SEC. 501. SPECIAL DEPRECIATION ALLOWANCE FOR CER-**

10 **TAIN PROPERTY.**

11 (a) IN GENERAL.—Section 168 (relating to acceler-  
12 ated cost recovery system) is amended by adding at the  
13 end the following new subsection:

14 “(k) SPECIAL ALLOWANCE FOR CERTAIN PROPERTY  
15 ACQUIRED AFTER SEPTEMBER 10, 2001, AND BEFORE  
16 SEPTEMBER 11, 2002.—

17 “(1) ADDITIONAL ALLOWANCE.—In the case of  
18 any qualified property—

19 “(A) the depreciation deduction provided  
20 by section 167(a) for the taxable year in which  
21 such property is placed in service shall include  
22 an allowance equal to 10 percent of the ad-  
23 justed basis of the qualified property, and

24 “(B) the adjusted basis of the qualified  
25 property shall be reduced by the amount of

1           such deduction before computing the amount  
2           otherwise allowable as a depreciation deduction  
3           under this chapter for such taxable year and  
4           any subsequent taxable year.

5           “(2) QUALIFIED PROPERTY.—For purposes of  
6           this subsection—

7                “(A) IN GENERAL.—The term ‘qualified  
8                property’ means property—

9                   “(i)(I) to which this section applies  
10                which has an applicable recovery period of  
11                20 years or less or which is water utility  
12                property,

13                   “(II) which is computer software (as  
14                defined in section 167(f)(1)(B)) for which  
15                a deduction is allowable under section  
16                167(a) without regard to this subsection,

17                   “(III) which is qualified leasehold im-  
18                provement property, or

19                   “(IV) which is eligible for depreciation  
20                under section 167(g),

21                   “(ii) the original use of which com-  
22                mences with the taxpayer after September  
23                10, 2001,

24                   “(iii) which is—

1                             “(I) acquired by the taxpayer  
2                             after September 10, 2001, and before  
3                             September 11, 2002, but only if no  
4                             written binding contract for the acqui-  
5                             sition was in effect before September  
6                             11, 2001, or

7                             “(II) acquired by the taxpayer  
8                             pursuant to a written binding contract  
9                             which was entered into after Sep-  
10                             tember 10, 2001, and before Sep-  
11                             tember 11, 2002, and

12                             “(iv) which is placed in service by the  
13                             taxpayer before January 1, 2003.

14                             “(B) EXCEPTIONS.—

15                             “(i) ALTERNATIVE DEPRECIATION  
16                             PROPERTY.—The term ‘qualified property’  
17                             shall not include any property to which the  
18                             alternative depreciation system under sub-  
19                             section (g) applies, determined—

20                             “(I) without regard to paragraph  
21                             (7) of subsection (g) (relating to elec-  
22                             tion to have system apply), and

23                             “(II) after application of section  
24                             280F(b) (relating to listed property  
25                             with limited business use).

1                     “(ii) ELECTION OUT.—If a taxpayer  
2                     makes an election under this clause with  
3                     respect to any class of property for any  
4                     taxable year, this subsection shall not  
5                     apply to all property in such class placed  
6                     in service during such taxable year.

7                     “(C) SPECIAL RULES.—

8                     “(i) SELF-CONSTRUCTED PROPERTY.—In the case of a taxpayer manufac-  
9                     turing, constructing, or producing property  
10                    for the taxpayer’s own use, the require-  
11                    ments of clause (iii) of subparagraph (A)  
12                    shall be treated as met if the taxpayer be-  
13                    gins manufacturing, constructing, or pro-  
14                    ducing the property after September 10,  
15                    2001, and before September 11, 2002.

17                     “(ii) SALE-LEASEBACKS.—For pur-  
18                    poses of subparagraph (A)(ii), if  
19                    property—

20                     “(I) is originally placed in service  
21                    after September 10, 2001, by a per-  
22                    son, and

23                     “(II) sold and leased back by  
24                    such person within 3 months after the

such property shall be treated as originally placed in service not earlier than the date on which such property is used under the leaseback referred to in subclause (II).

18           “(3)    QUALIFIED    LEASEHOLD    IMPROVEMENT  
19    PROPERTY.—For purposes of this subsection—

20                   “(A) IN GENERAL.—The term ‘qualified  
21 leasehold improvement property’ means any im-  
22 provement to an interior portion of a building  
23 which is nonresidential real property if—

1                   “(i) such improvement is made under  
2                   or pursuant to a lease (as defined in sub-  
3                   section (h)(7))—

4                   “(I) by the lessee (or any subles-  
5                   see) of such portion, or

6                   “(II) by the lessor of such por-  
7                   tion,

8                   “(ii) such portion is to be occupied ex-  
9                   clusively by the lessee (or any sublessee) of  
10                   such portion, and

11                   “(iii) such improvement is placed in  
12                   service more than 3 years after the date  
13                   the building was first placed in service.

14                   “(B) CERTAIN IMPROVEMENTS NOT IN-  
15                   CLUDED.—Such term shall not include any im-  
16                   provement for which the expenditure is attrib-  
17                   utable to—

18                   “(i) the enlargement of the building,

19                   “(ii) any elevator or escalator,

20                   “(iii) any structural component bene-  
21                   fiting a common area, and

22                   “(iv) the internal structural frame-  
23                   work of the building.

24                   “(C) DEFINITIONS AND SPECIAL RULES.—

25                   For purposes of this paragraph—

1                             “(i) BINDING COMMITMENT TO LEASE  
2                             TREATED AS LEASE.—A binding commit-  
3                             ment to enter into a lease shall be treated  
4                             as a lease, and the parties to such commit-  
5                             ment shall be treated as lessor and lessee,  
6                             respectively.

7                             “(ii) RELATED PERSONS.—A lease be-  
8                             tween related persons shall not be consid-  
9                             ered a lease. For purposes of the preceding  
10                            sentence, the term ‘related persons’  
11                             means—

12                             “(I) members of an affiliated  
13                             group (as defined in section 1504),  
14                             and

15                             “(II) persons having a relation-  
16                             ship described in subsection (b) of  
17                             section 267; except that, for purposes  
18                             of this clause, the phrase ‘80 percent  
19                             or more’ shall be substituted for the  
20                             phrase ‘more than 50 percent’ each  
21                             place it appears in such subsection.

22                             “(D) IMPROVEMENTS MADE BY LESSOR.—  
23                             In the case of an improvement made by the per-  
24                             son who was the lessor of such improvement  
25                             when such improvement was placed in service,

1           such improvement shall be qualified leasehold  
2           improvement property (if at all) only so long as  
3           such improvement is held by such person.”.

4       (b) ALLOWANCE AGAINST ALTERNATIVE MINIMUM  
5 TAX.—

6           (1) IN GENERAL.—Section 56(a)(1)(A) (relat-  
7           ing to depreciation adjustment for alternative min-  
8           imum tax) is amended by adding at the end the fol-  
9           lowing new clause:

10           “(iii) ADDITIONAL ALLOWANCE FOR  
11           CERTAIN PROPERTY ACQUIRED AFTER SEP-  
12           TEMBER 10, 2001, AND BEFORE SEP-  
13           TEMBER 11, 2002.—The deduction under  
14           section 168(k) shall be allowed.”.

15           (2) CONFORMING AMENDMENT.—Clause (i) of  
16           section 56(a)(1)(A) is amended by striking “clause  
17           (ii)” both places it appears and inserting “clauses  
18           (ii) and (iii)”.

19       (c) EFFECTIVE DATE.—The amendments made by  
20 this section shall apply to property placed in service after  
21 September 10, 2001, in taxable years ending after such  
22 date.

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