

109TH CONGRESS
2D SESSION

S. 2485

To amend the Internal Revenue Code of 1986 to provide a source for payments to States and counties under the Secure Rural Schools and Community Self-Determination Act of 2000.

IN THE SENATE OF THE UNITED STATES

MARCH 30, 2006

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

A BILL

To amend the Internal Revenue Code of 1986 to provide a source for payments to States and counties under the Secure Rural Schools and Community Self-Determination Act of 2000.

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 This Act may be cited as the “Secure Rural Schools
5 and Communities Funding Act of 2006”.

1 **SEC. 2. FUNDING SOURCE FOR RURAL SCHOOLS AND COM-**
 2 **MUNITIES PAYMENTS.**

3 (a) RURAL SCHOOLS AND COMMUNITIES TRUST
 4 FUND.—

5 (1) IN GENERAL.—Subchapter A of chapter 98
 6 of the Internal Revenue Code of 1986 is amended by
 7 adding at the end the following new section:

8 **“SEC. 9511. RURAL SCHOOLS AND COMMUNITIES TRUST**
 9 **FUND.**

10 “(a) CREATION OF TRUST FUND.—There is estab-
 11 lished in the Treasury of the United States a trust fund
 12 to be known as the ‘Rural Schools and Communities Trust
 13 Fund’, consisting of such amounts as may be appropriated
 14 or credited to such Trust Fund as provided in this section
 15 or section 9602(b).

16 “(b) TRANSFERS TO TRUST FUND.—There are here-
 17 by appropriated to the Rural Schools and Communities
 18 Trust Fund amounts equivalent to the amounts estimated
 19 by the Secretary by which Federal revenues are increased,
 20 before October 1, 2016, as a result of the provisions of
 21 section 3402(t).

22 “(c) EXPENDITURES FROM TRUST FUND.—Amounts
 23 in the Rural Schools and Communities Trust Fund shall
 24 be available only for—

1 “(1) payments to eligible States under section
2 102(a)(2) of the Secure Rural Schools and Commu-
3 nity Self-Determination Act of 2000; and

4 “(2) payments to eligible counties under section
5 103(a)(2) of the Secure Rural Schools and Commu-
6 nity Self-Determination Act of 2000.”.

7 (2) CONFORMING AMENDMENTS.—

8 (A) PAYMENTS TO STATES.—Paragraph
9 (3) of section 102(b) of the Secure Rural
10 Schools and Community Self-Determination Act
11 of 2000 (Public Law 106–393; 16 U.S.C. 500
12 note) is amended by striking “out of any funds
13 in the Treasury not otherwise appropriated”
14 and inserting “out of the Rural Schools and
15 Communities Trust Fund under section 9511 of
16 the Internal Revenue Code of 1986”.

17 (B) PAYMENTS TO COUNTIES.—Paragraph
18 (2) of section 103(b) of the Secure Rural
19 Schools and Community Self-Determination Act
20 of 2000 (Public Law 106–393; 16 U.S.C. 500
21 note) is amended by striking “out of any funds
22 in the Treasury not otherwise appropriated”
23 and inserting “out of the Rural Schools and
24 Communities Trust Fund under section 9511 of
25 the Internal Revenue Code of 1986”.

1 (3) CLERICAL AMENDMENT.—The table of sec-
 2 tions for subchapter A of chapter 98 of the Internal
 3 Revenue Code of 1986 is amended by adding at the
 4 end the following new item:

“Sec. 9511. Rural Schools and Communities Trust Fund.”.

5 (b) IMPOSITION OF WITHHOLDING ON CERTAIN PAY-
 6 MENTS MADE BY GOVERNMENT ENTITIES.—Section 3402
 7 of the Internal Revenue Code of 1986 is amended by add-
 8 ing at the end the following new subsection:

9 “(t) EXTENSION OF WITHHOLDING TO CERTAIN
 10 PAYMENTS MADE BY GOVERNMENT ENTITIES.—

11 “(1) GENERAL RULE.—The Government of the
 12 United States shall deduct and withhold from any
 13 payment for goods and services which is subject to
 14 withholding a tax in an amount equal to 3 percent
 15 of such payment.

16 “(2) EXCEPTIONS.—Paragraph (1) shall not
 17 apply to any payment—

18 “(A) except as provided in subparagraph
 19 (B), which is subject to withholding under any
 20 other provision of this chapter or chapter 3,

21 “(B) which is subject to withholding under
 22 section 3406 and from which amounts are being
 23 withheld under such section,

24 “(C) of interest,

25 “(D) for real property,

1 “(E) to any tax-exempt entity, foreign gov-
 2 ernment, or other entity subject to the require-
 3 ments of paragraph (1), and

4 “(F) made pursuant to a classified or con-
 5 fidential contract (as defined in section
 6 6050M(e)(3)).

7 “(3) COORDINATION WITH OTHER SECTIONS.—
 8 For purposes of sections 3403 and 3404 and for
 9 purposes of so much of subtitle F (except section
 10 7205) as relates to this chapter, payments to any
 11 person of any payment for goods and services which
 12 is subject to withholding shall be treated as if such
 13 payments were wages paid by an employer to an em-
 14 ployee.”.

15 (c) EFFECTIVE DATES.—

16 (1) SUBSECTION (a).—The amendments made
 17 by subsection (a) shall take effect on October 1,
 18 2006.

19 (2) SUBSECTION (b).—The amendment made
 20 by subsection (b) shall apply to payments made after
 21 September 30, 2006.

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