Palestinian real estate dealer who had been interrogated 2 weeks before his murder by the Palestinian police for allegedly selling land to Jews in and around Jerusalem.

Palestinian authorities have denied any involvement in Mr. Bashiti's death, and I understand an investigation is underway by Palestinian and Israeli police. I do not seek to prejudge that. But it is noteworthy that Palestinian officials have not condemned his death and have openly called Mr. Bashiti a traitor. I hope that his family is able to learn the truth, and that those responsible are brought to justice. This was a horrendous crime whatever the motive, and whoever was behind it should be severely punished.

But apart from Mr. Bashiti's murder, the policy of imposing a death sentence for the sale of land is nothing short of barbaric. It cannot be justified under any circumstances. I am very aware that Palestinians fervently disagree with the Israeli decision to proceed with the construction of Jewish housing in Har Homa. I disagree with that decision as well. And I am disturbed by the reports that torture is used by Israeli police. But executing someone because he or she sold land to Jews is beyond comprehension.

Mr. President, I have spoken many times about the fragility of the peace process in the Middle East. I am very disappointed by any actions that exacerbate the situation, when the focus should be on easing tensions and seeking common ground.●

DISTRICT OF COLUMBIA ECONOMIC RECOVERY ACT

● Mr. MACK. Mr. President, last Thursday, I, along with Senators LIEBERMAN and BROWNBACK, reintroduced the District of Columbia Economic Recovery Act (S. 753). I now ask that the text of this bill be printed in the RECORD.

The text of the bill follows:

S. 753

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

SECTION 1. SHORT TITLE.

This Act may be cited as the ''District of Columbia Economic Recovery Act''.

SEC. 2. SPECIAL RULES FOR TAXATION OF INDIVIDUALS WHO ARE RESIDENTS OF OR INVESTORS IN THE DISTRICT OF COLUMBIA.

(a) IN GENERAL.—Subchapter A of chapter 1 of the Internal Revenue Code of 1986 (relating to determination of tax liability) is amended by adding at the end the following new part:

''PART VIII—SPECIAL RULES FOR TAXATION OF INDIVIDUALS WHO ARE RESIDENTS OF OR INVESTORS IN THE DISTRICT OF COLUMBIA

''SEC. 59B. LIMITATION ON TAX IMPOSED ON RESIDENTS OF THE DISTRICT OF COLUMBIA.

''(a) GENERAL RULE.—If a taxpayer elects the application of this section, the net income tax of an individual who is a resident of the District of Columbia for the taxable year shall not exceed the limitation determined under subsection (b) for such year.

''(b) LIMITATION.—

''(1) IN GENERAL.—The limitation determined under this subsection is the sum of the following amounts:

''(A) 15-PERCENT RATE.—15 percent of so much of District-sourced income as exceeds the exemption amount.

''(B) AVERAGE RATE.—An amount equal to the average rate of the non-District-sourced adjusted gross income.

''(2) DISTRICT-SOURCED CAPITAL GAINS.—

''For exclusion from tax of capital gains, see section 59C.

''(c) DEFINITIONS.—For purposes of this section—

''(1) RESIDENT OF DISTRICT OF COLUMBIA.—An individual is a resident of the District of Columbia for the taxable year if—

''(A) such individual used a residence in the District of Columbia as a place of abode (and was physically present at such place) for at least 183 days of such taxable year, and

''(B) such individual is subject to the District of Columbia income tax for such taxable year.

''(2) NET INCOME TAX.—The term 'net income tax' means—

''(A) the sum of regular tax liability and the tax imposed by section 55 (determined without regard to this section), reduced by

''(B) the aggregate credits allowable under part IV (other than section 31).

''(3) EXEMPTION AMOUNT.—The term 'exemption amount' means—

''(A) $30,000 in the case of a joint return or a surviving spouse,

''(B) $15,000 in the case of—

''(i) an individual who is not a married individual and is not a surviving spouse, and

''(ii) a married individual filing a separate return, and

''(C) $25,000 in the case of a head of a household.

''(4) AVERAGE RATE.—The term 'average rate' means the percentage determined by dividing—

''(A) the sum (determined without regard to this section) of the taxpayer's regular tax liability and the tax imposed by section 55, by

''(B) the taxpayer's taxable income.

If the percentage determined under the preceding sentence is not a whole number of percentage points, such percentage shall be rounded to the nearest whole number of percentage points.

''(5) REGULAR TAX LIABILITY.—The term 'regular tax liability' has the meaning given to such term by section 26(b).

''(d) DISTRICT-SOURCED INCOME.—For purposes of this section, the term 'District-sourced income' means adjusted gross income reduced by the sum of—

''(1) non-District-sourced adjusted gross income,

''(2) the deduction allowed by section 170, and

''(3) the deduction allowed by section 163 to the extent attributable to qualified residence interest (as defined in section 163(h)).

''(e) NON-DISTRICT-SOURCED ADJUSTED GROSS INCOME.—For purposes of this section, the term 'non-District-sourced adjusted gross income' means gross income of the taxpayer from sources outside the District of Columbia reduced (but not below zero) by the deductions taken into account in determining adjusted gross income which are allocable to such income.

''(f) SOURCES OF INCOME.—For purposes of this section—

''(1) RETIREMENT INCOME AND OTHER INCOME NOT SOURCED UNDER SUBSECTION.—The source of any income not specifically provided for in this subsection shall be treated as from sources within the District of Columbia.

''(2) PERSONAL SERVICES.—

''(A) IN GENERAL.—Compensation (other than retirement income) for services performed by the taxpayer as an employee, and net earnings from self-employment (as defined in section 1402)), shall be sourced at the place such services are performed.

''(B) SERVICES PERFORMED IN WASHINGTON-BALTIMORE AREA TREATED AS PERFORMED IN THE DISTRICT OF COLUMBIA.—Services performed in the Washington-Baltimore area shall be treated as performed in the District of Columbia.

''(C) INDIVIDUALS PERFORMING 80 PERCENT OF SERVICES WITHIN WASHINGTON-BALTIMORE AREA.—If, during any taxable year, at least 80 percent of the hours of service performed by an individual are performed within the Washington-Baltimore area, all such service shall be treated for purposes of this paragraph as performed within the District of Columbia.

''(D) WASHINGTON-BALTIMORE AREA.—For purposes of this paragraph, the term 'Washington-Baltimore area' means the area consisting of—

''(i) the Washington/Baltimore Consolidated Metropolitan Statistical Area (as designated by the Office of Management and Budget), and

''(ii) St. Mary's County, Maryland.

''(3) INTEREST.—

''(A) IN GENERAL.—Interest received or accrued during the taxable year shall be treated as from sources outside the District of Columbia.

''(B) EXCEPTION FOR SMALL AMOUNTS OF NON-DISTRICT-SOURCED INTEREST.—Interest which would (but for this subparagraph) be treated as from sources outside the District of Columbia shall be treated as from sources in the District of Columbia to the extent the amount of such interest does not exceed $400.

''(C) EXCEPTION FOR INTEREST PAID BY DISTRICT OF COLUMBIA BUSINESSES AND RESIDENTS.—

''(i) BUSINESSES.—In the case of interest paid during a calendar year by a debtor which was required to file (and filed) a franchise tax return with the District of Columbia for the debtor's taxable year ending with or within the prior calendar year, an amount equal to the D.C. percentage (as shown on such return) of such interest shall be treated as from sources within the District of Columbia. The preceding sentence shall apply only if such percentage is furnished to the taxpayer in writing on or before January 31 of the year following the calendar year in which such interest is paid.

''(ii) OTHERS.—Interest shall be treated as from sources within the District of Columbia if the interest is paid during a calendar year by a debtor—

''(I) which was required to file (and filed) an income tax return with the District of Columbia for the debtor's taxable year ending with or within the prior calendar year, and

''(II) which is not required to file a franchise tax return with the District of Columbia for such taxable year.

''(D) SPECIAL RULE FOR DETERMINATION OF D.C. PERCENTAGE FOR NEW BUSINESSES.—Interest shall be treated as from sources within the District of Columbia if the interest is paid during a calendar year by a debtor which was required to file (and filed) a franchise tax return with the District of Columbia for such debtor's taxable year ending with or within such calendar year, but which was not required to file such a return for such debtor's prior taxable year.

''(4) DIVIDENDS.—

''(A) IN GENERAL.—Dividends received or accrued during the taxable year shall be

treated as from sources outside the District of Columbia.

''(B) EXCEPTION FOR SMALL AMOUNTS OF NON-DISTRICT-SOURCED DIVIDENDS.—Dividends which would (but for this subparagraph) be treated as from sources outside the District of Columbia shall be treated as from sources in the District of Columbia to the extent the amount of such dividends do not exceed $400.

''(C) EXCEPTION FOR DIVIDENDS PAID BY CORPORATION ENGAGED IN BUSINESS IN THE DISTRICT OF COLUMBIA.—In the case of dividends paid during a calendar year by a corporation which was required to file (and filed) a franchise tax return with the District of Columbia for the corporation's taxable year ending with or within the prior calendar year, an amount equal to the D.C. percentage (as shown on such return) of such dividends shall be treated as from sources within the District of Columbia. The preceding sentence shall apply only if such percentage is furnished to the taxpayer in writing on or before January 31 of the year following the calendar year in which such dividends are paid.

''(D) SPECIAL RULE FOR DETERMINATION OF D.C. PERCENTAGE FOR NEW BUSINESSES.—Dividends shall be treated as from sources within the District of Columbia if the dividends are paid during a calendar year by a corporation which was required to file (and filed) a franchise tax return with the District of Columbia for such corporation's taxable year ending with or within such calendar year, but which was not required to file such a return for such corporation's prior taxable year.

''(5) DISPOSITION OF TANGIBLE PROPERTY.—Income, gain, or loss from the disposition of tangible property shall be sourced to the place such property is located at the time of the disposition.

''(6) DISPOSITION OF INTANGIBLE PROPERTY.—

''(A) IN GENERAL.—Income, gain, or loss from the disposition of intangible property shall be treated as from sources outside the District of Columbia.

''(B) EXCEPTION.— If any portion of the most recent income received or accrued by the taxpayer before such disposition which was attributable to such property was from sources within the District of Columbia, a like portion of the income, gain, or loss from such disposition shall be treated as from sources within the District of Columbia.

''(7) RENTALS.—Rents from property shall be sourced at the place where such property is located.

''(8) ROYALTIES.—Royalties shall be treated as from sources outside the District of Columbia.

''(9) INCOME FROM PROPRIETORSHIP.—

''(A) IN GENERAL.—In the case of a trade or business carried on by the taxpayer as a proprietorship, income from such trade or business (other than income which is included in net earnings from self-employment by the taxpayer) shall be treated as from sources outside the District of Columbia.

''(B) EXCEPTION FOR DISTRICT OF COLUMBIA BUSINESSES.—If the taxpayer is required to file (and files) a franchise tax return with the District of Columbia for the taxable year, subparagraph (A) shall not apply to an amount equal to the D.C. percentage of such income.

''(10) INCOME FROM PARTNERSHIP.—

''(A) IN GENERAL.—In the case of a taxpayer who is a partner in a partnership, income from such partnership (other than income which is included in net earnings from self-employment by any partner) shall be treated as from sources outside the District of Columbia.

''(B) EXCEPTIONS.—Subparagraph (A) shall not apply to a partnership—

''(i) which was required to file (and filed) a franchise tax return with the District of Columbia for the partnership's taxable year ending with or within the taxpayer's taxable year to the extent of the D.C. percentage of the taxpayer's distributive share of the partnership income, or

''(ii) which was not required to file a franchise tax return with the District of Columbia for the partnership's taxable year ending with or within the taxpayer's taxable year to the extent of the taxpayer's distributive share of partnership income which is not (as determined under this subsection) from sources outside the District of Columbia.

''(11) INCOME IN RESPECT OF A DECEDENT; INCOME FROM AN ESTATE.—Income in respect of a decedent, and income from an estate, shall be sourced at the place where the decedent was domiciled at the time of his death.

''(12) INCOME FROM A TRUST.—Income (other than retirement income) from a trust shall be treated as from the same sources as the income of the trust to which it is attributable.

''(g) DEFINITIONS RELATING TO SUBSECTION (f).—For purposes of subsection (f)—

''(1) RETIREMENT INCOME.—The term 'retirement income' has the meaning given such term by section 114(b)(1) of title 4, United States Code (determined without regard to subparagraph (I) thereof).

''(2) D.C. PERCENTAGE.—The term 'D.C. percentage' means the percentage determined by dividing—

''(A) the net income taxable in the District of Columbia (as shown on the original return for the taxable year), by

''(B) total net income from all sources (as shown on such return).

The preceding sentence shall be applied based on amounts shown on the original applicable District of Columbia franchise or income tax return.

''(h) SECTION NOT TO APPLY TO ESTATES AND TRUSTS.—This section shall not apply to an estate or trust.

''(i) ELECTION.—The election provided in subsection (a) shall be made at such time and in such manner as the Secretary may by regulations prescribe. Any such election shall apply to the first taxable year for which such election was made and for each taxable year thereafter until such election is revoked by the taxpayer.

''(j) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section.

''SEC. 59C. EXCLUSION OF CAPITAL GAINS SOURCED IN THE DISTRICT OF COLUMBIA.

''(a) EXCLUSION.—

''(1) GENERAL RULE.—Except as provided in paragraph (2), in the case of a taxpayer who is an individual, gross income shall not include any qualified capital gain recognized on the sale or exchange of a District asset held for more than 3 years.

''(2) EXCEPTION FOR CERTAIN GAIN OF NONRESIDENTS.—In the case of a taxpayer who is not a resident of the District of Columbia for any taxable year, gross income shall not include 50 percent of the qualified capital gain recognized on the sale or exchange of residential rental property (within the meaning of section 168(e)(2)(A)) which is a District asset held for more than 3 years and which is not taken into account under section 1202.

''(b) DISTRICT ASSET.—For purposes of this section—

''(1) IN GENERAL.—The term 'District asset' means—

''(A) any District stock,

''(B) any District business property,

''(C) any District partnership interest, and

''(D) any principal residence (within the meaning of section 1034).

''(2) DISTRICT STOCK.—

''(A) IN GENERAL.—The term 'District stock' means any stock in a domestic corporation if—

''(i) such stock is acquired by the taxpayer on original issue from the corporation solely in exchange for cash,

''(ii) as of the time such stock was issued, such corporation was a District business (or, in the case of a new corporation, such corporation was being organized for purposes of being a District business), and

''(iii) during substantially all of the taxpayer's holding period for such stock, such corporation qualified as a District business.

''(B) REDEMPTIONS.—The term 'District stock' shall not include any stock acquired from a corporation which made a substantial stock redemption or distribution (without a bona fide business purpose therefor) in an attempt to avoid the purposes of this section.

''(3) DISTRICT BUSINESS PROPERTY.—

''(A) IN GENERAL.—The term 'District business property' means tangible property if—

''(i) such property was acquired by the taxpayer by purchase (as defined in section 179(d)(2)),

''(ii) the original use of such property in the District of Columbia commences with the taxpayer, and

''(iii) during substantially all of the taxpayer's holding period for such property, substantially all of the use of such property was in a District business of the taxpayer.

''(B) SPECIAL RULE FOR SUBSTANTIAL IMPROVEMENTS.—

''(i) IN GENERAL.—The requirements of clauses (i) and (ii) of subparagraph (A) shall be treated as satisfied with respect to—

''(I) property which is substantially improved by the taxpayer, and

''(II) any land on which such property is located.

''(ii) SUBSTANTIAL IMPROVEMENT.—For purposes of clause (i), property shall be treated as substantially improved by the taxpayer if, during any 24-month period beginning after the date of the enactment of this section, additions to basis with respect to such property in the hands of the taxpayer exceed the greater of—

''(I) an amount equal to the adjusted basis at the beginning of such 24-month period in the hands of the taxpayer, or

''(II) $5,000.

''(C) LIMITATION ON LAND.—The term 'District business property' shall not include land which is not an integral part of a District business.

''(4) DISTRICT PARTNERSHIP INTEREST.—The term 'District partnership interest' means any interest in a partnership if—

''(A) such interest is acquired by the taxpayer from the partnership solely in exchange for cash,

''(B) as of the time such interest was acquired, such partnership was a District business (or, in the case of a new partnership, such partnership was being organized for purposes of being a District business), and

''(C) during substantially all of the taxpayer's holding period for such interest, such partnership qualified as a District business.

A rule similar to the rule of paragraph (2)(B) shall apply for purposes of this paragraph.

''(5) TREATMENT OF SUBSEQUENT PURCHASERS.—The term 'District asset' includes any property which would be a District asset but for paragraph (2)(A)(i), (3)(A)(ii), or (4)(A) in the hands of the taxpayer if such property was a District asset in the hands of all prior holders.

''(6) 10-YEAR SAFE HARBOR.—If any property ceases to be a District asset by reason of paragraph (2)(A)(iii), (3)(A)(iii), or (4)(C) after the 10-year period beginning on the date the taxpayer acquired such property, such property shall continue to be treated as meeting

the requirements of such paragraph; except that the amount of gain to which subsection (a) applies on any sale or exchange of such property shall not exceed the amount which would be qualified capital gain had such property been sold on the date of such cessation.

''(c) OTHER DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

''(1) QUALIFIED CAPITAL GAIN.—Except as otherwise provided in this subsection, the term 'qualified capital gain' means any long-term capital gain recognized on the sale or exchange of a District asset held for more than 3 years.

''(2) CERTAIN GAIN ON REAL PROPERTY NOT QUALIFIED.—The term 'qualified capital gain' shall not include any gain which would be treated as ordinary income under section 1250 if section 1250 applied to all depreciation rather than the additional depreciation.

''(3) DISTRICT BUSINESS.—The term 'District business' means, with respect to any taxable year, any individual, partnership, or corporation if for such year either—

''(A)(i) at least 50 percent of the total gross income of such individual, partnership, or corporation is derived from the active conduct of a trade or business in the District of Columbia,

''(ii) substantially all of the use of the tangible property of such individual, partnership, or corporation (whether owned or leased) is within the District of Columbia, and

''(iii) at least 35 percent of the employees of such individual, partnership, or corporation are located in the District of Columbia, or

''(B) at least 50 percent of the employees of such individual, partnership, or corporation are located in the District of Columbia.

''(d) TREATMENT OF PASS-THRU ENTITIES.—

''(1) SALES AND EXCHANGES.—Gain on the sale or exchange of an interest in a pass-thru entity held by the taxpayer (other than an interest in an entity which was a District business during substantially all of the period the taxpayer held such interest) for more than 3 years shall be treated as gain described in subsection (a) to the extent such gain is attributable to amounts which would be qualified capital gain on District assets (determined as if such assets had been sold on the date of the sale or exchange) held by such entity for more than 3 years and throughout the period the taxpayer held such interest. A rule similar to the rule of paragraph (2)(B) shall apply for purposes of the preceding sentence.

''(2) INCOME INCLUSIONS.—

''(A) IN GENERAL.—Any amount included in income by reason of holding an interest in a pass-thru entity (other than an entity which was a District business during substantially all of the period the taxpayer held the interest to which such inclusion relates) shall be treated as gain described in subsection (a) if such amount meets the requirements of subparagraph (B).

''(B) REQUIREMENTS.—An amount meets the requirements of this subparagraph if—

''(i) such amount is attributable to qualified capital gain recognized on the sale or exchange by the pass-thru entity of property which is a District asset in the hands of such entity and which was held by such entity for the period required under subsection (a), and

''(ii) such amount is includible in the gross income of the taxpayer by reason of the holding of an interest in such entity which was held by the taxpayer on the date on which such pass-thru entity acquired such asset and at all times thereafter before the disposition of such asset by such pass-thru entity.

''(C) LIMITATION BASED ON INTEREST ORIGINALLY HELD BY TAXPAYER.—Subparagraph (A) shall not apply to any amount to the extent such amount exceeds the amount to which subparagraph (A) would have applied if such amount were determined by reference to the interest the taxpayer held in the pass-thru entity on the date the District asset was acquired.

''(3) PASS-THRU ENTITY.—For purposes of this subsection, the term 'pass-thru entity' means—

''(A) any partnership,

''(B) any S corporation,

''(C) any regulated investment company, and

''(D) any common trust fund.

''(e) SALES AND EXCHANGES OF INTERESTS IN PARTNERSHIPS AND S CORPORATIONS WHICH ARE DISTRICT BUSINESSES.—In the case of the sale or exchange of an interest in a partnership, or of stock in an S corporation, which was a District business during substantially all of the period the taxpayer held such interest or stock, the amount of qualified capital gain shall be determined without regard to any intangible, and any land, which is not an integral part of the District business.

''(f) CERTAIN TAX-FREE AND OTHER TRANSFERS.—For purposes of this section—

''(1) IN GENERAL.—In the case of a transfer of a District asset to which this subsection applies, the transferee shall be treated as—

''(A) having acquired such asset in the same manner as the transferor, and

''(B) having held such asset during any continuous period immediately preceding the transfer during which it was held (or treated as held under this subsection) by the transferor.

''(2) TRANSFERS TO WHICH SUBSECTION APPLIES.—This subsection shall apply to any transfer—

''(A) by gift,

''(B) at death, or

''(C) from a partnership to a partner thereof of a District asset with respect to which the requirements of subsection (d)(2) are met at the time of the transfer (without regard to the 3-year holding requirement).

''(3) CERTAIN RULES MADE APPLICABLE.—Rules similar to the rules of section 1244(d)(2) shall apply for purposes of this section.''

(b) CONFORMING AMENDMENTS.—

(1) Section 55(c)(1) of the Internal Revenue Code of 1986 is amended by adding at the end the following: ''Such regular tax shall be determined without regard to section 59B.''

(2) The table of parts for subchapter A of chapter 1 of such Code is amended by adding at the end the following new item:

''Part VIII. Special rules for taxation of individuals who are residents of or investors in the District of Columbia.''

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

SEC. 3. EXPENSING OF ENVIRONMENTAL REMEDIATION COSTS WITHIN THE DISTRICT OF COLUMBIA.

(a) IN GENERAL.—Part VI of subchapter B of chapter 1 of the Internal Revenue Code of 1986 (relating to itemized deductions for individuals and corporations) is amended by adding at the end the following new section:

''SEC. 198. EXPENSING OF ENVIRONMENTAL REMEDIATION COSTS WITHIN THE DISTRICT OF COLUMBIA.

''(a) IN GENERAL.—A taxpayer may elect to treat any qualified environmental remediation expenditure which is paid or incurred by the taxpayer as an expense which is not chargeable to capital account. Any expenditure which is so treated shall be allowed as a deduction for the taxable year in which it is paid or incurred.

''(b) QUALIFIED ENVIRONMENTAL REMEDIATION EXPENDITURE.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified environmental remediation expenditure' means any expenditure—

''(A) which is otherwise chargeable to capital account, and

''(B) which is paid or incurred in connection with the abatement or control of hazardous substances at a qualified contaminated site.

''(2) SPECIAL RULE FOR EXPENDITURES FOR DEPRECIABLE PROPERTY.—Such term shall not include any expenditure for the acquisition of property of a character subject to the allowance for depreciation which is used in connection with the abatement or control of hazardous substances at a qualified contaminated site; except that the portion of the allowance under section 167 for such property which is otherwise allocated to such site shall be treated as a qualified environmental remediation expenditure.

''(c) QUALIFIED CONTAMINATED SITE.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified contaminated site' means any area within the District of Columbia—

''(A) which is held by the taxpayer for use in a trade or business or for the production of income, or which is property described in section 1221(1) in the hands of the taxpayer, and

''(B) which contains (or potentially contains) any hazardous substance.

''(2) TAXPAYER MUST RECEIVE STATEMENT FROM ENVIRONMENTAL AGENCY.—An area shall be treated as a qualified contaminated site with respect to expenditures paid or incurred during any taxable year only if the taxpayer receives a statement from the appropriate agency of the District of Columbia in which such area is located that such area meets the requirements of paragraph (1)(B).

''(3) APPROPRIATE AGENCY.— For purposes of paragraph (2), the appropriate agency of the District of Columbia is the agency designated by the Administrator of the Environmental Protection Agency for purposes of this section. If no agency is designated under the preceding sentence, the appropriate agency shall be the Environmental Protection Agency.

''(d) HAZARDOUS SUBSTANCE.—For purposes of this section—

''(1) IN GENERAL.—The term 'hazardous substance' means—

''(A) any substance which is a hazardous substance as defined in section 101(14) of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, and

''(B) any substance which is designated as a hazardous substance under section 102 of such Act.

''(2) EXCEPTION.—Such term shall not include any substance with respect to which a removal or remedial action is not permitted under section 104 of such Act by reason of subsection (a)(3) thereof.

''(e) DEDUCTION RECAPTURED AS ORDINARY INCOME ON SALE, ETC.—Solely for purposes of section 1245, in the case of property to which a qualified environmental remediation expenditure would have been capitalized but for this section—

''(1) the deduction allowed by this section for such expenditure shall be treated as a deduction for depreciation, and

''(2) such property (if not otherwise section 1245 property) shall be treated as section 1245 property solely for purposes of applying section 1245 to such deduction.

''(f) COORDINATION WITH OTHER PROVISIONS.—Sections 280B and 468 shall not apply to amounts which are treated as expenses under this section.

''(g) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section.''

(b) CONFORMING AMENDMENT.—The table of sections for part VI of subchapter B of chapter 1 of the Internal Revenue Code of 1986 is amended by adding at the end the following new item:

''Sec. 198. Expensing of environmental remediation costs within the District of Columbia.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to expenditures paid or incurred after the date of the enactment of this Act, in taxable years ending after such date.

SEC. 4. FIRST-TIME HOMEBUYER CREDIT FOR DISTRICT OF COLUMBIA.

(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 (relating to nonrefundable personal credits) is amended by inserting after section 23 the following new section:

''SEC. 24. FIRST-TIME HOMEBUYER CREDIT FOR DISTRICT OF COLUMBIA.

''(a) ALLOWANCE OF CREDIT.—In the case of an individual who is a first-time homebuyer of a principal residence in the District of Columbia during any taxable year, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to so much of the purchase price of the residence as does not exceed $5,000.

''(b) FIRST-TIME HOMEBUYER.—For purposes of this section—

''(1) IN GENERAL.—The term 'first-time homebuyer' means any individual if—

''(A) such individual (and if married, such individual's spouse) had no present ownership interest in a principal residence in the District of Columbia during the 1-year period ending on the date of acquisition of the principal residence to which this section applies, and

''(B) subsection (h) or (k) of section 1034 did not, on the day before the close of such 1-year period, suspend the running of any period of time specified in section 1034 for such individual with respect to gain on a principal residence in the District of Columbia.

''(2) ONE-TIME ONLY.—If an individual is treated as a first-time homebuyer with respect to any principal residence, such individual may not be treated as a first-time homebuyer with respect to any other principal residence.

''(3) PRINCIPAL RESIDENCE.—The term 'principal residence' has the meaning given such term by section 1034.

''(4) DATE OF ACQUISITION.—The term 'date of acquisition' means the date—

''(A) on which a binding contract to acquire the principal residence to which this section applies to is entered into, or

''(B) on which construction or reconstruction of such principal residence is commenced.

''(c) CARRYOVER OF CREDIT.—If the credit allowable under subsection (a) exceeds the limitation imposed by section 26(a) for such taxable year reduced by the sum of the credits allowable under this subpart (other than this section and section 25), such excess shall be carried to the succeeding taxable year and added to the credit allowable under subsection (a) for such taxable year.

''(d) SPECIAL RULES.—For purposes of this section—

''(1) ALLOCATION OF DOLLAR LIMITATION.—

''(A) MARRIED INDIVIDUALS FILING JOINTLY.—In the case of a husband and wife who file a joint return under section 6013, the $5,000 limitation under subsection (a) shall apply to the joint return.

''(B) MARRIED INDIVIDUALS FILING SEPARATELY.—In the case of a married individual filing a separate return, subsection (a) shall be applied by substituting '$2,500' for '$5,000'.

''(C) OTHER TAXPAYERS.—If 2 or more individuals who are not married purchase a principal residence, the amount of the credit allowed under subsection (a) shall be allocated among such individuals in such manner as the Secretary may prescribe, except that the total amount of the credits allowed to all such individuals shall not exceed $5,000.

''(2) PURCHASE.—The term 'purchase' means any acquisition, but only if—

''(A) the property is not acquired from a person whose relationship to the person acquiring it would result in the disallowance of losses under section 267 or 707(b) (but, in applying section 267 (b) and (c) for purposes of this section, paragraph (4) of section 267(c) shall be treated as providing that the family of an individual shall include only his spouse, ancestors, and lineal descendants), and

''(B) the basis of the property in the hands of the person acquiring it is not determined—

''(i) in whole or in part by reference to the adjusted basis of such property in the hands of the person from whom acquired, or

''(ii) under section 1014(a) (relating to property acquired from a decedent).

''(3) PURCHASE PRICE.—The term 'purchase price' means the adjusted basis of the principal residence on the date of acquisition.''

(b) CONFORMING AMENDMENT.—The table of sections for subpart A of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended by inserting after the item relating to section 23 the following new item:

''Sec. 24. First-time homebuyer credit for District of Columbia.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to purchases after the date of the enactment of this Act, in taxable years ending after such date.●

BUDGET SCOREKEEPING REPORT

● Mr. DOMENICI. Mr. President, I hereby submit to the Senate the budget scorekeeping report prepared by the Congressional Budget Office under section 308(b) and in aid of section 311 of the Congressional Budget Act of 1974, as amended. This report meets the requirements for Senate scorekeeping of section 5 of Senate Concurrent Resolution 32, the first concurrent resolution on the Budget for 1986.

This report shows the effects of congressional action on the budget through May 19, 1997. The estimates of budget authority, outlays, and revenues, which are consistent with the technical and economic assumptions of the 1997 concurrent resolution on the budget (H. Con. Res. 178), show that current level spending is above the budget resolution by $16.9 billion in budget authority and by $12.6 billion in outlays. Current level is $20.5 billion above the revenue floor in 1997 and $101.9 billion above the revenue floor over the 5 years 1997–2001. The current estimate of the deficit for purposes of calculating the maximum deficit amount is $219.6 billion, $7.6 billion below the maximum deficit amount for 1997 of $227.3 billion.

Since my last report, dated April 15, 1997, there has been no action to change the current level of budget authority, outlays or revenues.

The report follows:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, May 20, 1997.

Hon. PETE V. DOMENICI,
Chairman, Committee on the Budget, U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The attached report for fiscal year 1997 shows the effects of Congressional action on the 1997 budget and is current through May 19, 1997. The estimates of budget authority, outlays, and revenues are consistent with the technical and economic assumptions of the 1997 Concurrent Resolution on the Budget (H. Con. Res. 178). This report is submitted under Section 308(b) and in aid of Section 311 of the Congressional Budget Act, as amended.

Since my last report, dated April 15, 1997, there has been no action to change the current level of budget authority, outlays or revenues.

Sincerely,

JUNE E. O'NEILL,
Director.

THE CURRENT LEVEL REPORT FOR THE U.S. SENATE FISCAL YEAR 1997, 105TH CONGRESS, 1ST SESSION, AS OF CLOSE OF BUSINESS MAY 19, 1997

[In billions of dollars]

	Budget resolution H. Con. Res. 178	Current level	Current level over/ under resolution
ON-BUDGET			
Budget authority	1,314.9	1,331.8	16.9
Outlays	1,311.3	1,323.9	12.6
Revenues:			
1997	1,083.7	1,104.3	20.5
1997–2001	5,913.3	6,015.2	101.9
Deficit	227.3	219.6	-7.6
Debt subject to limit	5,432.7	5,257.7	-175.0
OFF-BUDGET			
Social Security outlays:			
1997	310.4	310.4	0.0
1997–2001	2,061.3	2,061.3	0.0
Social Security revenues:			
1997	385.0	384.7	-0.3
1997–2001	2,121.0	2,120.3	-0.7

Note: Current level numbers are the estimated revenue and direct spending effects of all legislation that Congress has enacted or sent to the President for his approval. In addition, full-year funding estimates under current law are included for entitlement and mandatory programs requiring annual appropriations even if the appropriations have not been made. The current level of debt subject to limit reflects the latest U.S. Treasury information on public debt transactions.

THE ON-BUDGET CURRENT LEVEL REPORT FOR THE U.S. SENATE, 105TH CONGRESS, 1ST SESSION, SENATE SUPPORTING DETAIL FOR FISCAL YEAR 1997, AS OF CLOSE OF BUSINESS MAY 19, 1997

[In millions of dollars]

	Budget authority	Outlays	Revenues
Enacted in Previous Sessions			
Revenues			1,101,532
Permanents and other spending legislation	843,324	801,465	
Appropriation legislation	753,927	788,263	
Offsetting receipts	−271,843	−271,843	
Total previously enacted	1,325,408	1,317,885	1,101,532
Enacted This Session			
Airport and Airway Trust Fund Reinstatement Act of 1997 (P.L. 105–2)			2,730
Entitlements and Mandatories			
Budget resolution baseline estimates of appropriated entitlements and other mandatory programs not yet enacted	6,428	6,015	
Totals			
Total current level	1,331,836	1,323,900	1,104,262