

Capuano	John	Payne
Cardin	Johnson, E. B.	Pelosi
Carson (IN)	Jones (OH)	Peterson (MN)
Carson (OK)	Kanjorski	Phelps
Clay	Kaptur	Pomeroy
Clayton	Kildee	Price (NC)
Clyburn	Kilpatrick	Rahall
Condit	Kind (WI)	Rangel
Conyers	Kleczka	Reyes
Costello	Kucinich	Rivers
Coyne	LaFalce	Rodriguez
Cramer	Lampson	Roemer
Crowley	Langevin	Ross
Cummings	Lantos	Rothman
Davis (CA)	Larsen (WA)	Roybal-Allard
Davis (FL)	Larson (CT)	Rush
Davis (IL)	Lee	Sabo
DeFazio	Levin	Sanchez
DeGette	Lewis (GA)	Sanders
Delahunt	Lipinski	Sandlin
DeLauro	Lofgren	Sawyer
Deutsch	Lowey	Schakowsky
Dicks	Lynch	Schiff
Dingell	Maloney (CT)	Scott
Doggett	Maloney (NY)	Serrano
Dooley	Markey	Sherman
Doyle	Mascara	Shows
Edwards	Matheson	Skelton
Engel	Matsui	Slaughter
Eshoo	McCarthy (MO)	Smith (WA)
Etheridge	McCarthy (NY)	Snyder
Evans	McCollum	Solis
Farr	McDermott	Spratt
Fattah	McGovern	Stenholm
Filner	McIntyre	Strickland
Ford	McKinney	Stupak
Frank	McNulty	Tanner
Frost	Meehan	Tauscher
Gonzalez	Meeks (NY)	Taylor (MS)
Green (TX)	Menendez	Thompson (CA)
Gutierrez	Millender-	Thompson (MS)
Harman	McDonald	Thurman
Hill	Miller, George	Tierney
Hilliard	Mink	Towns
Hinchey	Mollohan	Turner
Hinojosa	Moore	Udall (CO)
Hoeffel	Moran (VA)	Udall (NM)
Holden	Murtha	Velazquez
Holt	Nadler	Visclosky
Honda	Napolitano	Waters
Hooley	Neal	Watson (CA)
Hoyer	Oberstar	Watt (NC)
Inslee	Obey	Waxman
Israel	Olver	Weiner
Jackson (IL)	Ortiz	Woolsey
Jackson-Lee	Pallone	Wu
(TX)	Pascrell	Wynn
Jefferson	Pastor	

## NOT VOTING—18

Baker	Hastings (FL)	Owens
Clement	Hefley	Oxley
Cubin	Jones (NC)	Stark
Gephardt	Kennedy (RI)	Stearns
Gordon	Luther	Wexler
Hall (OH)	Meek (FL)	Young (AK)

□ 0034

Mrs. CAPPS, Mr. RUSH and Ms. JACKSON-LEE of Texas changed their vote from “yea” to “nay.”

So the resolution was agreed to.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

# CANCELLATION OF PRAYER BREAKFAST ON THURSDAY, DECEMBER 20, 2001

(Mr. STUPAK asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. STUPAK. Mr. Speaker, if I may, as President of the Prayer Group, we will not have the prayer breakfast tomorrow at 8 o'clock because of the lateness of the hour. For Members who have inquired, we will not have prayer breakfast tomorrow morning. There will be not a House prayer breakfast.

## ECONOMIC SECURITY AND WORKER ASSISTANCE ACT OF 2001

Mr. THOMAS. Mr. Speaker, pursuant to House Resolution 320, I call up the bill (H.R. 3529) to provide tax incentives for economic recovery and assistance to displaced workers, and ask for its immediate consideration.

The Clerk read the title of the bill.

The text of H.R. 3529 is as follows:

H.R. 3529

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

### SECTION 1. SHORT TITLE; ETC.

(a) SHORT TITLE.—This Act may be cited as the “Economic Security and Worker Assistance Act of 2001”.

(b) REFERENCES TO INTERNAL REVENUE CODE OF 1986.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

### (c) TABLE OF CONTENTS.—

Sec. 1. Short title; etc.

### TITLE I—INDIVIDUAL PROVISIONS

Sec. 101. Supplemental stimulus payments.

Sec. 102. Acceleration of 25 percent individual income tax rate.

### TITLE II—BUSINESS PROVISIONS

Sec. 201. Special depreciation allowance for certain property acquired after September 10, 2001, and before September 11, 2004.

Sec. 202. Temporary increase in expensing under section 179.

Sec. 203. Alternative minimum tax reform.

Sec. 204. Carryback of certain net operating losses allowed for 5 years.

Sec. 205. Recovery period for depreciation of certain leasehold improvements.

### TITLE III—EXTENSIONS OF CERTAIN EXPIRING PROVISIONS

#### Subtitle A—Extensions

Sec. 301. Allowance of nonrefundable personal credits against regular and minimum tax liability.

Sec. 302. Credit for qualified electric vehicles.

Sec. 303. Credit for electricity produced from renewable resources.

Sec. 304. Work opportunity credit.

Sec. 305. Welfare-to-work credit.

Sec. 306. Deduction for clean-fuel vehicles and certain refueling property.

Sec. 307. Taxable income limit on percentage depletion for oil and natural gas produced from marginal properties.

Sec. 308. Qualified zone academy bonds.

Sec. 309. Cover over of tax on distilled spirits.

Sec. 310. Parity in the application of certain limits to mental health benefits.

Sec. 311. Temporary special rules for taxation of life insurance companies.

Sec. 312. Availability of medical savings accounts.

Sec. 313. Incentives for Indian employment and property on Indian reservations.

Sec. 314. Subpart F exemption for active financing.

Sec. 315. Repeal of requirement for approved diesel or kerosene terminals.

#### Subtitle B—Temporary Assistance for Needy Families

Sec. 321. Reauthorization of TANF supplemental grants for population increases for fiscal year 2002.

Sec. 322. 1-year extension of contingency fund under the TANF program.

### TITLE IV—TAX BENEFITS FOR AREA OF NEW YORK CITY DAMAGED IN TERRORIST ATTACKS ON SEPTEMBER 11, 2001

Sec. 401. Tax benefits for area of New York City damaged in terrorist attacks on September 11, 2001.

### TITLE V—RELIEF PROVISIONS FOR VICTIMS OF TERRORIST ATTACKS, PRESIDENTIALLY DECLARED DISASTERS, AND CERTAIN OTHER DISASTERS

#### Subtitle A—Relief Provisions for Victims of Terrorist Attacks

Sec. 501. Income taxes of victims of terrorist attacks.

Sec. 502. Exclusion of certain death benefits.

Sec. 503. Estate tax reduction.

Sec. 504. Payments by charitable organizations treated as exempt payments.

Sec. 505. Exclusion of certain cancellations of indebtedness.

#### Subtitle B—Other Relief Provisions

Sec. 511. Exclusion for disaster relief payments.

Sec. 512. Authority to postpone certain deadlines and required actions.

Sec. 513. Application of certain provisions to terroristic or military actions.

Sec. 514. Clarification of due date for airline excise tax deposits.

Sec. 515. Treatment of certain structured settlement payments.

Sec. 516. Personal exemption deduction for certain disability trusts.

Sec. 517. Disclosure of tax information in terrorism and national security investigations.

### TITLE VI—MISCELLANEOUS AND TECHNICAL PROVISIONS

#### Subtitle A—General Miscellaneous Provisions

Sec. 601. Allowance of electronic 1099's.

Sec. 602. Excluded cancellation of indebtedness income of S corporation not to result in adjustment to basis of stock of shareholders.

Sec. 603. Limitation on use of nonaccrual experience method of accounting.

Sec. 604. Exclusion for foster care payments to apply to payments by qualified placement agencies.

Sec. 605. Interest rate range for additional funding requirements.

Sec. 606. Adjusted gross income determined by taking into account certain expenses of elementary and secondary school teachers.

#### Subtitle B—Technical Corrections

Sec. 611. Amendments related to Economic Growth and Tax Relief Reconciliation Act of 2001.

Sec. 612. Amendments related to Community Renewal Tax Relief Act of 2000.

Sec. 613. Amendments related to the Tax Relief Extension Act of 1999.

Sec. 614. Amendments related to the Taxpayer Relief Act of 1997.

Sec. 615. Amendment related to the Balanced Budget Act of 1997.

Sec. 616. Other technical corrections.

Sec. 617. Clerical amendments.

Sec. 618. Additional corrections.

### TITLE VII—UNEMPLOYMENT ASSISTANCE

Sec. 701. Short title.

Sec. 702. Federal-State agreements.

Sec. 703. Temporary extended unemployment compensation account.

Sec. 704. Payments to States having agreements for the payment of temporary extended unemployment compensation.

Sec. 705. Financing provisions.  
 Sec. 706. Fraud and overpayments.  
 Sec. 707. Definitions.  
 Sec. 708. Applicability.  
 Sec. 709. Special Reed Act transfer in fiscal year 2002.

#### TITLE VIII—DISPLACED WORKER HEALTH INSURANCE CREDIT

Sec. 801. Displaced worker health insurance credit.  
 Sec. 802. Advance payment of displaced worker health insurance credit.

#### TITLE IX—EMPLOYMENT AND TRAINING ASSISTANCE AND TEMPORARY HEALTH CARE COVERAGE ASSISTANCE

Sec. 901. Employment and training assistance and temporary health care coverage assistance.

#### TITLE X—TEMPORARY STATE HEALTH CARE ASSISTANCE

Sec. 1001. Temporary State health care assistance.

#### TITLE XI—SOCIAL SECURITY HELD HARMLESS; BUDGETARY TREATMENT OF ACT

Sec. 1101. No impact on social security trust funds.  
 Sec. 1102. Emergency designation.

#### TITLE I—INDIVIDUAL PROVISIONS

##### SEC. 101. SUPPLEMENTAL STIMULUS PAYMENTS.

(a) IN GENERAL.—Section 6428 (relating to acceleration of 10 percent income tax rate bracket benefit for 2001) is amended by adding at the end the following new subsection:

“(f) SUPPLEMENTAL STIMULUS PAYMENTS.—

“(1) IN GENERAL.—Each individual who was an eligible individual for such individual's first taxable year beginning in 2000 and who, before October 16, 2001, filed a return of tax imposed by subtitle A for such taxable year shall be treated as having made a payment against the tax imposed by chapter 1 for such first taxable year in an amount equal to the supplemental refund amount for such taxable year.

“(2) SUPPLEMENTAL REFUND AMOUNT.—For purposes of this subsection, the supplemental refund amount is an amount equal to the excess (if any) of—

“(A)(i) \$600 in the case of taxpayers to whom section 1(a) applies,

“(ii) \$500 in the case of taxpayers to whom section 1(b) applies, and

“(iii) \$300 in the case of taxpayers to whom subsections (c) or (d) of section 1 applies, over

“(B) the taxpayer's advance refund amount under subsection (e).

“(3) TIMING OF PAYMENTS.—In the case of any overpayment attributable to this subsection, the Secretary shall, subject to the provisions of this title, refund or credit such overpayment as rapidly as possible.

“(4) NO INTEREST.—No interest shall be allowed on any overpayment attributable to this subsection.”

(b) CONFORMING AMENDMENTS.—

(1) Subparagraph (A) of section 6428(d)(1) is amended by striking “subsection (e)” and inserting “subsections (e) and (f)”.

(2) Subparagraph (B) of section 6428(d)(1) is amended by striking “subsection (e)” and inserting “subsection (e) or (f)”.

(3) Paragraph (3) of section 6428(e) is amended by inserting before the period “(or, if earlier, the date of the enactment of the Economic Security and Worker Assistance Act of 2001)”.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of the enactment of this Act.

##### SEC. 102. ACCELERATION OF 25 PERCENT INDIVIDUAL INCOME TAX RATE.

(a) IN GENERAL.—The table contained in paragraph (2) of section 1(i) (relating to re-

ductions in rates after June 30, 2001) is amended—

(1) by striking “27.0%” and inserting “25.0%”, and

(2) by striking “26.0%” and inserting “25.0%”.

(b) REDUCTION NOT TO INCREASE MINIMUM TAX.—

(1) Subparagraph (A) of section 55(d)(1) is amended by striking “(\$49,000 in the case of taxable years beginning in 2001, 2002, 2003, and 2004)” and inserting “(\$49,000 in the case of taxable years beginning in 2001, \$52,200 in the case of taxable years beginning in 2002 or 2003, and \$50,700 in the case of taxable years beginning in 2004)”.

(2) Subparagraph (B) of section 55(d)(1) is amended by striking “(\$35,750 in the case of taxable years beginning in 2001, 2002, 2003, and 2004)” and inserting “(\$35,750 in the case of taxable years beginning in 2001, \$37,350 in the case of taxable years beginning in 2002 or 2003, and \$36,600 in the case of taxable years beginning in 2004)”.

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

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

#### TITLE II—BUSINESS PROVISIONS

##### SEC. 201. SPECIAL DEPRECIATION ALLOWANCE FOR CERTAIN PROPERTY ACQUIRED AFTER SEPTEMBER 10, 2001, AND BEFORE SEPTEMBER 11, 2004.

(a) IN GENERAL.—Section 168 (relating to accelerated cost recovery system) is amended by adding at the end the following new subsection:

“(k) SPECIAL ALLOWANCE FOR CERTAIN PROPERTY ACQUIRED AFTER SEPTEMBER 10, 2001, AND BEFORE SEPTEMBER 11, 2004.—

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

“(A) the depreciation deduction provided by section 167(a) for the taxable year in which such property is placed in service shall include an allowance equal to 30 percent of the adjusted basis of the qualified property, and

“(B) the adjusted basis of the qualified property shall be reduced by the amount of such deduction before computing the amount otherwise allowable as a depreciation deduction under this chapter for such taxable year and any subsequent taxable year.

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

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

“(i)(I) to which this section applies which has a recovery period of 20 years or less or which is water utility property, or

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

“(ii) the original use of which commences with the taxpayer after September 10, 2001,

“(iii) which is—

“(I) acquired by the taxpayer after September 10, 2001, and before September 11, 2004, but only if no written binding contract for the acquisition was in effect before September 11, 2001, or

“(II) acquired by the taxpayer pursuant to a written binding contract which was entered into after September 10, 2001, and before September 11, 2004, and

“(iv) which is placed in service by the taxpayer before January 1, 2005, or, in the case of property described in subparagraph (B), before January 1, 2006.

“(B) CERTAIN PROPERTY HAVING LONGER PRODUCTION PERIODS TREATED AS QUALIFIED PROPERTY.—

“(i) IN GENERAL.—The term ‘qualified property’ includes property—

“(I) which meets the requirements of clauses (i), (ii), and (iii) of subparagraph (A),

“(II) which has a recovery period of at least 10 years or is transportation property, and

“(III) which is subject to section 263A by reason of clause (ii) or (iii) of subsection (f)(1)(B) thereof.

“(ii) ONLY PRE-SEPTEMBER 11, 2004, BASIS ELIGIBLE FOR ADDITIONAL ALLOWANCE.—In the case of property which is qualified property solely by reason of clause (i), paragraph (1) shall apply only to the extent of the adjusted basis thereof attributable to manufacture, construction, or production before September 11, 2004.

“(iii) TRANSPORTATION PROPERTY.—For purposes of this subparagraph, the term ‘transportation property’ means tangible personal property used in the trade or business of transporting persons or property.

“(C) EXCEPTIONS.—

“(i) ALTERNATIVE DEPRECIATION PROPERTY.—The term ‘qualified property’ shall not include any property to which the alternative depreciation system under subsection (g) applies, determined—

“(I) without regard to paragraph (7) of subsection (g) (relating to election to have system apply), and

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

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

“(iii) QUALIFIED LEASEHOLD IMPROVEMENT PROPERTY.—The term ‘qualified property’ shall not include any qualified leasehold improvement property (as defined in section 168(e)(6)).

“(D) SPECIAL RULES.—

“(i) SELF-CONSTRUCTED PROPERTY.—In the case of a taxpayer manufacturing, constructing, or producing property for the taxpayer's own use, the requirements of clause (iii) of subparagraph (A) shall be treated as met if the taxpayer begins manufacturing, constructing, or producing the property after September 10, 2001, and before September 11, 2004.

“(ii) SALE-LEASEBACKS.—For purposes of subparagraph (A)(ii), if property—

“(I) is originally placed in service after September 10, 2001, by a person, and

“(II) sold and leased back by such person within 3 months after the date such property was originally placed in service, such property shall be treated as originally placed in service not earlier than the date on which such property is used under the lease-back referred to in subclause (II).

“(E) COORDINATION WITH SECTION 280F.—For purposes of section 280F—

“(i) AUTOMOBILES.—In the case of a passenger automobile (as defined in section 280F(d)(5)) which is qualified property, the Secretary shall increase the limitation under section 280F(a)(1)(A)(i) by \$4,600.

“(ii) LISTED PROPERTY.—The deduction allowable under paragraph (1) shall be taken into account in computing any recapture amount under section 280F(b)(2).”

(b) ALLOWANCE AGAINST ALTERNATIVE MINIMUM TAX.—

(1) IN GENERAL.—Section 56(a)(1)(A) (relating to depreciation adjustment for alternative minimum tax) is amended by adding at the end the following new clause:

“(iii) ADDITIONAL ALLOWANCE FOR CERTAIN PROPERTY ACQUIRED AFTER SEPTEMBER 10, 2001, AND BEFORE SEPTEMBER 11, 2004.—The deduction under section 168(k) shall be allowed.”

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

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

#### SEC. 202. TEMPORARY INCREASE IN EXPENSING UNDER SECTION 179.

(a) IN GENERAL.—The table contained in section 179(b)(1) (relating to dollar limitation) is amended to read as follows:

<b>“If the taxable year begins in:</b>	<b>The applicable amount is:</b>
2001 .....	\$24,000
2002 or 2003 .....	\$35,000
2004 or thereafter .....	\$25,000.”

(b) TEMPORARY INCREASE IN AMOUNT OF PROPERTY TRIGGERING PHASEOUT OF MAXIMUM BENEFIT.—Paragraph (2) of section 179(b) is amended by inserting before the period “(\$325,000 in the case of taxable years beginning during 2002 or 2003)”.

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

#### SEC. 203. ALTERNATIVE MINIMUM TAX REFORM.

(a) REPEAL OF PREFERENCE FOR DEPRECIATION.—

(1) Paragraph (1) of section 56(a) is amended by adding at the end the following new subparagraph:

“(E) TERMINATION.—This paragraph shall not apply to property placed in service in taxable years beginning after December 31, 2001.”

(2) Paragraph (5) of section 56(a) is amended by adding at the end: “This paragraph shall not apply to property placed in service in taxable years beginning after December 31, 2001.”

(b) REPEAL OF 90 PERCENT LIMITATION ON FOREIGN TAX CREDITS.—

(1) Subsection (a) of section 59 is amended by striking paragraph (2) and by redesignating paragraphs (3) and (4) as paragraphs (2) and (3), respectively.

(2) Subclause (II) of section 53(d)(1)(B)(i) is amended by striking “and if section 59(a)(2) did not apply”.

(c) REPEAL OF 90 PERCENT LIMITATION ON NET OPERATING LOSS DEDUCTION.—Subparagraph (A) of section 56(d)(1), as amended by section 204, is amended to read as follows:

“(A) the amount of such deduction shall not exceed alternative minimum taxable income determined without regard to such deduction, and”.

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

#### SEC. 204. CARRYBACK OF CERTAIN NET OPERATING LOSSES ALLOWED FOR 5 YEARS.

(a) IN GENERAL.—Paragraph (1) of section 172(b) (relating to years to which loss may be carried) is amended by adding at the end the following new subparagraph:

“(H) In the case of a taxpayer which has a net operating loss for any taxable year ending during 2001 or 2002, subparagraph (A)(i) shall be applied by substituting ‘5’ for ‘2’ and subparagraph (F) shall not apply.”

(b) ELECTION TO DISREGARD 5-YEAR CARRYBACK.—Section 172 (relating to net operating loss deduction) is amended by redesignating subsection (j) as subsection (k) and by inserting after subsection (i) the following new subsection:

“(j) ELECTION TO DISREGARD 5-YEAR CARRYBACK FOR CERTAIN NET OPERATING LOSSES.—Any taxpayer entitled to a 5-year carryback under subsection (b)(1)(H) from any loss year may elect to have the carryback period with respect to such loss year determined without regard to sub-

section (b)(1)(H). Such election shall be made in such manner as may be prescribed by the Secretary and shall be made by the due date (including extensions of time) for filing the taxpayer’s return for the taxable year of the net operating loss. Such election, once made for any taxable year, shall be irrevocable for such taxable year.”

(c) TEMPORARY SUSPENSION OF 90 PERCENT LIMIT ON CERTAIN NOL CARRYBACKS.—

(1) IN GENERAL.—Subparagraph (A) of section 56(d)(1) (relating to general rule defining alternative tax net operating loss deduction) is amended to read as follows:

“(A) the amount of such deduction shall not exceed the sum of—

“(i) the lesser of—

“(I) the amount of such deduction attributable to net operating losses (other than the deduction attributable to carrybacks described in clause (ii)(I)), or

“(II) 90 percent of alternative minimum taxable income determined without regard to such deduction, plus

“(ii) the lesser of—

“(I) the amount of such deduction attributable to carrybacks of net operating losses for taxable years ending during 2001 or 2002, or

“(II) alternative minimum taxable income determined without regard to such deduction reduced by the amount determined under clause (i), and”.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to taxable years beginning before January 1, 2002.

(d) EFFECTIVE DATE.—Except as provided in subsection (c), the amendments made by this section shall apply to net operating losses for taxable years ending after December 31, 2000.

#### SEC. 205. RECOVERY PERIOD FOR DEPRECIATION OF CERTAIN LEASEHOLD IMPROVEMENTS.

(a) 15-YEAR RECOVERY PERIOD.—Subparagraph (E) of section 168(e)(3) (relating to 15-year property) is amended by striking “and” at the end of clause (ii), by striking the period at the end of clause (iii) and inserting “, and”, and by adding at the end the following new clause:

“(iv) any qualified leasehold improvement property.”

(b) QUALIFIED LEASEHOLD IMPROVEMENT PROPERTY.—Subsection (e) of section 168 is amended by adding at the end the following new paragraph:

“(6) QUALIFIED LEASEHOLD IMPROVEMENT PROPERTY.—

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

“(i) such improvement is made under or pursuant to a lease (as defined in subsection (h)(7))—

“(I) by the lessee (or any sublessee) of such portion, or

“(II) by the lessor of such portion,

“(ii) such portion is to be occupied exclusively by the lessee (or any sublessee) of such portion, and

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

“(B) CERTAIN IMPROVEMENTS NOT INCLUDED.—Such term shall not include any improvement for which the expenditure is attributable to—

“(i) the enlargement of the building,

“(ii) any elevator or escalator,

“(iii) any structural component benefiting a common area, and

“(iv) the internal structural framework of the building.

“(C) DEFINITIONS AND SPECIAL RULES.—For purposes of this paragraph—

“(i) COMMITMENT TO LEASE TREATED AS LEASE.—A commitment to enter into a lease shall be treated as a lease, and the parties to such commitment shall be treated as lessor and lessee, respectively.

“(ii) RELATED PERSONS.—A lease between related persons shall not be considered a lease. For purposes of the preceding sentence, the term ‘related persons’ means—

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

“(II) persons having a relationship described in subsection (b) of section 267; except that, for purposes of this clause, the phrase ‘80 percent or more’ shall be substituted for the phrase ‘more than 50 percent’ each place it appears in such subsection.

“(D) IMPROVEMENTS MADE BY LESSOR.—

“(i) IN GENERAL.—In the case of an improvement made by the person who was the lessor of such improvement when such improvement was placed in service, such improvement shall be qualified leasehold improvement property (if at all) only so long as such improvement is held by such person.

“(ii) EXCEPTION FOR CHANGES IN FORM OF BUSINESS.—Property shall not cease to be qualified leasehold improvement property under clause (i) by reason of—

“(I) death,

“(II) a transaction to which section 381(a) applies, or

“(III) a mere change in the form of conducting the trade or business so long as the property is retained in such trade or business as qualified leasehold improvement property and the taxpayer retains a substantial interest in such trade or business.

“(iii) TREATMENT OF FAILURES TO MAINTAIN SUBSTANTIAL INTEREST IN TRADE OR BUSINESS.—In the case of property to which clause (ii)(III) would apply but for the failure of the taxpayer to retain a substantial interest in a trade or business, the remaining adjusted basis of such property shall be depreciated under this section over 39 years.”

(c) REQUIREMENT TO USE STRAIGHT LINE METHOD.—Paragraph (3) of section 168(b) is amended by adding at the end the following new subparagraph:

“(G) Qualified leasehold improvement property described in subsection (e)(6).”

(d) ALTERNATIVE SYSTEM.—The table contained in section 168(g)(3)(B) is amended by adding at the end the following new item:

“(E)(iv) ..... 15”.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to qualified leasehold improvement property placed in service after September 10, 2001.

### TITLE III—EXTENSIONS OF CERTAIN EXPIRING PROVISIONS

#### Subtitle A—Extensions

#### SEC. 301. ALLOWANCE OF NONREFUNDABLE PERSONAL CREDITS AGAINST REGULAR AND MINIMUM TAX LIABILITY.

(a) IN GENERAL.—Paragraph (2) of section 26(a) is amended—

(1) by striking “RULE FOR 2000 AND 2001.” and inserting “RULE FOR 2000, 2001, 2002, AND 2003.”, and

(2) by striking “during 2000 or 2001,” and inserting “during 2000, 2001, 2002, or 2003.”.

(b) CONFORMING AMENDMENTS.—

(1) Section 904(h) is amended by striking “during 2000 or 2001” and inserting “during 2000, 2001, 2002, or 2003”.

(2) The amendments made by sections 201(b), 202(f), and 618(b) of the Economic Growth and Tax Relief Reconciliation Act of 2001 shall not apply to taxable years beginning during 2002 and 2003.

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

**SEC. 302. CREDIT FOR QUALIFIED ELECTRIC VEHICLES.**

(a) IN GENERAL.—Section 30 is amended—  
 (1) in subsection (b)(2)—  
 (A) by striking “December 31, 2001,” and inserting “December 31, 2003,” and  
 (B) in subparagraphs (A), (B), and (C), by striking “2002”, “2003”, and “2004”, respectively, and inserting “2004”, “2005”, and “2006”, respectively, and  
 (2) in subsection (e), by striking “December 31, 2004” and inserting “December 31, 2006”.

(b) CONFORMING AMENDMENTS.—

(1) Subparagraph (C) of section 280F(a)(1) is amended by adding at the end the following new clause

“(iii) APPLICATION OF SUBPARAGRAPH.—This subparagraph shall apply to property placed in service after August 5, 1997, and before January 1, 2007.”

(2) Subsection (b) of section 971 of the Taxpayer Relief Act of 1997 is amended by striking “and before January 1, 2005”.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of the enactment of this Act.

**SEC. 303. CREDIT FOR ELECTRICITY PRODUCED FROM RENEWABLE RESOURCES.**

(a) IN GENERAL.—Subparagraphs (A), (B), and (C) of section 45(c)(3) are each amended by striking “2002” and inserting “2004”.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall take effect on the date of the enactment of this Act.

**SEC. 304. WORK OPPORTUNITY CREDIT.**

(a) IN GENERAL.—Subparagraph (B) of section 51(c)(4) is amended by striking “2001” and inserting “2003”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to individuals who begin work for the employer after December 31, 2001.

**SEC. 305. WELFARE-TO-WORK CREDIT.**

(a) IN GENERAL.—Subsection (f) of section 51A is amended by striking “2001” and inserting “2003”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to individuals who begin work for the employer after December 31, 2001.

**SEC. 306. DEDUCTION FOR CLEAN-FUEL VEHICLES AND CERTAIN REFUELING PROPERTY.**

(a) IN GENERAL.—Section 179A is amended—

(1) in subsection (b)(1)(B)—  
 (A) by striking “December 31, 2001,” and inserting “December 31, 2003,” and  
 (B) in clauses (i), (ii), and (iii), by striking “2002”, “2003”, and “2004”, respectively, and inserting “2004”, “2005”, and “2006”, respectively, and  
 (2) in subsection (f), by striking “December 31, 2004” and inserting “December 31, 2006”.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall take effect on the date of the enactment of this Act.

**SEC. 307. TAXABLE INCOME LIMIT ON PERCENTAGE DEPLETION FOR OIL AND NATURAL GAS PRODUCED FROM MARINAL PROPERTIES.**

(a) IN GENERAL.—Subparagraph (H) of section 613A(c)(6) is amended by striking “2002” and inserting “2004”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2001.

**SEC. 308. QUALIFIED ZONE ACADEMY BONDS.**

(a) IN GENERAL.—Paragraph (1) of section 1397E(e) is amended by striking “2000, and 2001” and inserting “2000, 2001, 2002, and 2003”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on the date of the enactment of this Act.

**SEC. 309. COVER OVER OF TAX ON DISTILLED SPIRITS.**

(a) IN GENERAL.—Paragraph (1) of section 7652(f) is amended by striking “January 1, 2002” and inserting “January 1, 2004”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on the date of the enactment of this Act.

**SEC. 310. PARITY IN THE APPLICATION OF CERTAIN LIMITS TO MENTAL HEALTH BENEFITS.**

(a) IN GENERAL.—Subsection (f) of section 9812, as amended by the Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 2002, is amended to read as follows:

“(f) APPLICATION OF SECTION.—This section shall not apply to benefits for services furnished—

“(1) on or after September 30, 2001, and before January 1, 2002, and

“(2) after December 31, 2003.”

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to plan years beginning after December 31, 2000.

**SEC. 311. TEMPORARY SPECIAL RULES FOR TAXATION OF LIFE INSURANCE COMPANIES.**

(a) REDUCTION IN MUTUAL LIFE INSURANCE COMPANY DEDUCTIONS NOT TO APPLY IN CERTAIN YEARS.—Section 809 (relating to reduction in certain deductions of material life insurance companies) is amended by adding at the end the following:

“(j) DIFFERENTIAL EARNINGS RATE TREATED AS ZERO FOR CERTAIN YEARS.—Notwithstanding subsection (c) or (f), the differential earnings rate shall be treated as zero for purposes of computing both the differential earnings amount and the recomputed differential earnings amount for a mutual life insurance company’s taxable years beginning in 2001, 2002, or 2003.”

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

**SEC. 312. AVAILABILITY OF MEDICAL SAVINGS ACCOUNTS.**

(a) IN GENERAL.—Paragraphs (2) and (3)(B) of section 220(i) (defining cut-off year) are each amended by striking “2002” each place it appears and inserting “2003”.

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (2) of section 220(j) is amended by striking “1998, 1999, or 2001” each place it appears and inserting “1998, 1999, 2001, or 2002”.

(2) Subparagraph (A) of section 220(j)(4) is amended by striking “and 2001” and inserting “2001, and 2002”.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of the enactment of this Act.

**SEC. 313. INCENTIVES FOR INDIAN EMPLOYMENT AND PROPERTY ON INDIAN RESERVATIONS.**

(a) EMPLOYMENT.—Subsection (f) of section 45A is amended by striking “December 31, 2003” and inserting “December 31, 2004”.

(b) PROPERTY.—Paragraph (8) of section 168(j) is amended by striking “December 31, 2003” and inserting “December 31, 2004”.

**SEC. 314. SUBPART F EXEMPTION FOR ACTIVE FINANCING.**

(a) IN GENERAL.—

(1) Section 953(e)(10) is amended—

(A) by striking “January 1, 2002” and inserting “January 1, 2007”, and

(B) by striking “December 31, 2001” and inserting “December 31, 2006”.

(2) Section 954(h)(9) is amended by striking “January 1, 2002” and inserting “January 1, 2007”.

(b) LIFE INSURANCE AND ANNUITY CONTRACTS.—

(1) IN GENERAL.—Subparagraph (B) of section 954(i)(4) is amended to read as follows:

“(B) LIFE INSURANCE AND ANNUITY CONTRACTS.—

“(i) IN GENERAL.—Except as provided in clause (ii), the amount of the reserve of a qualifying insurance company or qualifying insurance company branch for any life insurance or annuity contract shall be equal to the greater of—

“(I) the net surrender value of such contract (as defined in section 807(e)(1)(A)), or

“(II) the reserve determined under paragraph (5).

“(ii) RULING REQUEST, ETC.—The amount of the reserve under clause (i) shall be the foreign statement reserve for the contract (less any catastrophe, deficiency, equalization, or similar reserves), if, pursuant to a ruling request submitted by the taxpayer or as provided in published guidance, the Secretary determines that the factors taken into account in determining the foreign statement reserve provide an appropriate means of measuring income.”

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

**SEC. 315. REPEAL OF REQUIREMENT FOR APPROVED DIESEL OR KEROSENE TERMINALS.**

(a) IN GENERAL.—Subsection (e) of section 4101 is hereby repealed.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on January 1, 2002.

**Subtitle B—Temporary Assistance for Needy Families****SEC. 321. REAUTHORIZATION OF TANF SUPPLEMENTAL GRANTS FOR POPULATION INCREASES FOR FISCAL YEAR 2002.**

Section 403(a)(3) of the Social Security Act (42 U.S.C. 603(a)(3)) is amended by adding at the end the following:

“(H) REAUTHORIZATION OF GRANTS FOR FISCAL YEAR 2002.—Notwithstanding any other provision of this paragraph—

“(i) any State that was a qualifying State under this paragraph for fiscal year 2001 or any prior fiscal year shall be entitled to receive from the Secretary for fiscal year 2002 a grant in an amount equal to the amount required to be paid to the State under this paragraph for the most recent fiscal year in which the State was a qualifying State;

“(ii) subparagraph (G) shall be applied as if ‘2002’ were substituted for ‘2001’; and

“(iii) out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for fiscal year 2002 such sums as are necessary for grants under this subparagraph.”

**SEC. 322. 1-YEAR EXTENSION OF CONTINGENCY FUND UNDER THE TANF PROGRAM.**

Section 403(b) of the Social Security Act (42 U.S.C. 603(b)) is amended—

(1) in paragraph (2), by striking “and 2001” and inserting “2001, and 2002”; and

(2) in paragraph (3)(C)(ii), by striking “2001” and inserting “2002”.

**TITLE IV—TAX BENEFITS FOR AREA OF NEW YORK CITY DAMAGED IN TERRORIST ATTACKS ON SEPTEMBER 11, 2001****SEC. 401. TAX BENEFITS FOR AREA OF NEW YORK CITY DAMAGED IN TERRORIST ATTACKS ON SEPTEMBER 11, 2001.**

(a) IN GENERAL.—Chapter 1 is amended by adding at the end the following new subchapter:

**“Subchapter Y—New York Liberty Zone Benefits**

“Sec. 1400L. Tax benefits for New York Liberty Zone.

**“SEC. 1400L. TAX BENEFITS FOR NEW YORK LIBERTY ZONE.**

“(a) SPECIAL ALLOWANCE FOR CERTAIN PROPERTY ACQUIRED AFTER SEPTEMBER 10, 2001.—

“(1) ADDITIONAL ALLOWANCE.—In the case of any qualified New York Liberty Zone property—

“(A) the depreciation deduction provided by section 167(a) for the taxable year in which such property is placed in service shall include an allowance equal to 30 percent of the adjusted basis of such property, and

“(B) the adjusted basis of the qualified New York Liberty Zone property shall be reduced by the amount of such deduction before computing the amount otherwise allowable as a depreciation deduction under this chapter for such taxable year and any subsequent taxable year.

“(2) QUALIFIED NEW YORK LIBERTY ZONE PROPERTY.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘qualified New York Liberty Zone property’ means property—

“(i)(I) to which section 168 applies (other than railroad grading and tunnel bores), or

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

“(ii) substantially all of the use of which is in the New York Liberty Zone and is in the active conduct of a trade or business by the taxpayer in such Zone,

“(iii) the original use of which in the New York Liberty Zone commences with the taxpayer after September 10, 2001,

“(iv) which is acquired by the taxpayer by purchase (as defined in section 179(d)) after September 10, 2001, but only if no written binding contract for the acquisition was in effect before September 11, 2001, and

“(v) which is placed in service by the taxpayer on or before the termination date. The term ‘termination date’ means December 31, 2006 (December 31, 2009, in the case of nonresidential real property and residential rental property).

“(B) EXCEPTIONS.—

“(i) ALTERNATIVE DEPRECIATION PROPERTY.—The term ‘qualified New York Liberty Zone property’ shall not include any property to which the alternative depreciation system under section 168(g) applies, determined—

“(I) without regard to paragraph (7) of section 168(g) (relating to election to have system apply), and

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

“(ii) 30 PERCENT ADDITIONAL ALLOWANCE PROPERTY.—Such term shall not include property to which section 168(k) applies.

“(iii) QUALIFIED LEASEHOLD IMPROVEMENT PROPERTY.—Such term shall not include any qualified leasehold improvement property (as defined in section 168(e)(6)).

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

“(C) SPECIAL RULES.—

“(i) SELF-CONSTRUCTED PROPERTY.—In the case of a taxpayer manufacturing, constructing, or producing property for the taxpayer’s own use, the requirements of clause (iv) of subparagraph (A) shall be treated as met if the taxpayer begins manufacturing, constructing, or producing the property after September 10, 2001, and before the termination date.

“(ii) SALE-LEASEBACKS.—For purposes of subparagraph (A)(iii), if property—

“(I) is originally placed in service after September 10, 2001, by a person, and

“(II) sold and leased back by such person within 3 months after the date such property was originally placed in service, such property shall be treated as originally placed in service not earlier than the date on which such property is used under the lease-back referred to in subclause (II).

“(D) ALLOWANCE AGAINST ALTERNATIVE MINIMUM TAX.—The deduction allowed by this subsection shall be allowed in determining alternative minimum taxable income under section 55.

“(b) 5-YEAR RECOVERY PERIOD FOR DEPRECIATION OF CERTAIN LEASEHOLD IMPROVEMENTS.—

“(1) IN GENERAL.—For purposes of section 168, the term ‘5-year property’ includes any qualified New York Liberty Zone leasehold improvement property.

“(2) QUALIFIED NEW YORK LIBERTY ZONE LEASEHOLD IMPROVEMENT PROPERTY.—For purposes of this section, the term ‘qualified New York Liberty Zone leasehold improvement property’ means qualified leasehold improvement property (as defined in section 168(e)(6)) if—

“(A) such building is located in the New York Liberty Zone,

“(B) such improvement is placed in service after September 10, 2001, and before January 1, 2007, and

“(C) no written binding contract for such improvement was in effect before September 11, 2001.

“(3) REQUIREMENT TO USE STRAIGHT LINE METHOD.—The applicable depreciation method under section 168 shall be the straight line method in the case of qualified New York Liberty Zone leasehold improvement property.

“(4) 9-YEAR RECOVERY PERIOD UNDER ALTERNATIVE SYSTEM.—For purposes of section 168(g), the class life of qualified New York Liberty Zone leasehold improvement property shall be 9 years.

“(c) INCREASE IN EXPENSING UNDER SECTION 179.—

“(1) IN GENERAL.—For purposes of section 179—

“(A) the limitation under section 179(b)(1) shall be increased by the lesser of—

“(i) \$35,000, or

“(ii) the cost of section 179 property which is qualified New York Liberty Zone property placed in service during the taxable year, and

“(B) the amount taken into account under section 179(b)(2) with respect to any section 179 property which is qualified New York Liberty Zone property shall be 50 percent of the cost thereof.

“(2) RECAPTURE.—Rules similar to the rules under section 179(d)(10) shall apply with respect to any qualified New York Liberty Zone property which ceases to be used in the New York Liberty Zone.

“(d) TAX-EXEMPT BOND FINANCING.—

“(1) IN GENERAL.—For purposes of this title, any qualified New York Liberty Bond shall be treated as an exempt facility bond.

“(2) QUALIFIED NEW YORK LIBERTY BOND.—For purposes of this subsection, the term ‘qualified New York Liberty Bond’ means any bond issued as part of an issue if—

“(A) 95 percent or more of the net proceeds (as defined in section 150(a)(3)) of such issue are to be used for qualified project costs,

“(B) such bond is issued by the State of New York or any political subdivision thereof,

“(C) the Governor of New York designates such bond for purposes of this section, and

“(D) such bond is issued during calendar year 2002, 2003, or 2004.

“(3) LIMITATION ON AMOUNT OF BONDS DESIGNATED.—

“(A) AGGREGATE AMOUNT DESIGNATED.—The maximum aggregate face amount of bonds which may be designated under this subsection shall not exceed \$15,000,000,000.

“(B) SPECIFIC LIMITS.—For purposes of subparagraph (A), the aggregate face amount of bonds issued which are to be used for—

“(i) costs for property located outside the New York Liberty Zone, shall not exceed \$7,000,000,000,

“(ii) costs for residential rental property, shall not exceed \$3,000,000,000, and

“(iii) costs for property used for retail sales of tangible property, shall not exceed \$1,500,000,000.

“(C) MOVABLE FIXTURES AND EQUIPMENT.—No bonds shall be issued which are to be used for movable fixtures and equipment.

“(4) QUALIFIED PROJECT COSTS.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘qualified project costs’ means the cost of acquisition, construction, reconstruction, and renovation of—

“(i) nonresidential real property and residential rental property (including fixed tenant improvements associated with such property) located in the New York Liberty Zone, and

“(ii) public utility property located in the New York Liberty Zone.

“(B) COSTS FOR CERTAIN PROPERTY OUTSIDE ZONE INCLUDED.—Such term includes the cost of acquisition, construction, reconstruction, and renovation of nonresidential real property (including fixed tenant improvements associated with such property) located outside the New York Liberty Zone but within the City of New York, New York, if such property is part of a project which consists of at least 100,000 square feet of usable office or other commercial space located in a single building or multiple adjacent buildings.

“(5) SPECIAL RULES.—In applying this title to any qualified New York Liberty Bond, the following modifications shall apply:

“(A) Section 146 (relating to volume cap) shall not apply.

“(B) Section 147(c) (relating to limitation on use for land acquisition) shall be determined by reference to the aggregate authorized face amount of all qualified New York Liberty Bonds rather than the net proceeds of each issue.

“(C) Section 147(d) (relating to acquisition of existing property not permitted) shall be applied by substituting ‘50 percent’ for ‘15 percent’ each place it appears.

“(D) Section 148(f)(4)(C) (relating to exception from rebate for certain proceeds to be used to finance construction expenditures) shall apply to available construction proceeds of bonds issued under this section.

“(E) Financing provided by such a bond shall not be taken into account under section 168(g)(5)(A) with respect to property substantially all of the use of which is in the New York Liberty Zone and is in the active conduct of a trade or business by the taxpayer in such Zone.

“(F) Repayments of principal on financing provided by the issue—

“(i) may not be used to provide financing, and

“(ii) must be used not later than the close of the 1st semiannual period beginning after the date of the repayment to redeem bonds which are part of such issue.

The requirement of clause (ii) shall be treated as met with respect to amounts received within 10 years after the date of issuance of the issue (or, in the case of refunding bond, the date of issuance of the original bond) if such amounts are used by the close of such 10 years to redeem bonds which are part of such issue.

“(G) Section 57(a)(5) shall not apply.

“(6) SEPARATE ISSUE TREATMENT OF PORTIONS OF AN ISSUE.—This subsection shall not apply to the portion of an issue which (if issued as a separate issue) would be treated as a qualified bond or as a bond that is not a private activity bond, if the issuer elects to so treat such portion.

“(e) EXTENSION OF REPLACEMENT PERIOD FOR NONRECOGNITION OF GAIN.—Notwithstanding subsections (g) and (h) of section 1033, clause (i) of section 1033(a)(2)(B) shall be applied by substituting ‘5 years’ for ‘2 years’ with respect to property which is compulsorily or involuntarily converted as a result of the terrorist attacks on September 11, 2001, in the New York Liberty Zone but only if substantially all of the use of the replacement property is in the City of New York, New York.

“(f) NEW YORK LIBERTY ZONE.—For purposes of this section, the term ‘New York Liberty Zone’ means the area located on or south of Canal Street, East Broadway (east of its intersection with Canal Street), or Grand Street (east of its intersection with East Broadway) in the Borough of Manhattan in the City of New York, New York.”

(b) CLERICAL AMENDMENT.—The table of subchapters for chapter 1 is amended by adding at the end the following new item:

“Subchapter Y. New York Liberty Zone Benefits.”

# **TITLE V—RELIEF PROVISIONS FOR VICTIMS OF TERRORIST ATTACKS, PRESIDENTIALLY DECLARED DISASTERS, AND CERTAIN OTHER DISASTERS**

## **Subtitle A—Relief Provisions for Victims of Terrorist Attacks**

### **SEC. 501. INCOME TAXES OF VICTIMS OF TERRORIST ATTACKS.**

(a) IN GENERAL.—Section 692 (relating to income taxes of members of Armed Forces on death) is amended by adding at the end the following new subsection:

“(d) INDIVIDUALS DYING AS A RESULT OF CERTAIN ATTACKS.—

“(1) IN GENERAL.—In the case of a specified terrorist victim, any tax imposed by this chapter shall not apply—

“(A) with respect to the taxable year in which falls the date of death, and

“(B) with respect to any prior taxable year in the period beginning with the last taxable year ending before the taxable year in which the wounds, injury, or illness referred to in paragraph (3) were incurred.

“(2) \$10,000 MINIMUM BENEFIT.—If, but for this paragraph, the amount of tax not imposed by paragraph (1) with respect to a specified terrorist victim is less than \$10,000, then such victim shall be treated as having made a payment against the tax imposed by this chapter for such victim’s last taxable year in an amount equal to the excess of \$10,000 over the amount of tax not so imposed.

“(3) TAXATION OF CERTAIN BENEFITS.—Subject to such rules as the Secretary may prescribe, paragraph (1) shall not apply to the amount of any tax imposed by this chapter which would be computed by only taking into account the items of income, gain, or other amounts attributable to—

“(A) deferred compensation which would have been payable after death if the individual had died other than as a specified terrorist victim, or

“(B) amounts payable in the taxable year which would not have been payable in such taxable year but for an action taken after September 11, 2001.

“(4) SPECIFIED TERRORIST VICTIM.—For purposes of this subsection, the term ‘specified terrorist victim’ means any decedent—

“(A) who dies as a result of wounds or injury incurred as a result of the terrorist attacks against the United States on April 19, 1995, or September 11, 2001, or

“(B) who dies as a result of illness incurred as a result of an attack involving anthrax occurring on or after September 11, 2001, and before January 1, 2002.

Such term shall not include any individual identified by the Attorney General to have

been a participant or conspirator in any such attack or a representative of such an individual.”

(b) CONFORMING AMENDMENTS.—

(1) Section 5(b)(1) is amended by inserting “and victims of certain terrorist attacks” before “on death”.

(2) Section 6013(f)(2)(B) is amended by inserting “and victims of certain terrorist attacks” before “on death”.

(c) CLERICAL AMENDMENTS.—

(1) The heading of section 692 is amended to read as follows:

### **“SEC. 692. INCOME TAXES OF MEMBERS OF ARMED FORCES AND VICTIMS OF CERTAIN TERRORIST ATTACKS ON DEATH.”**

(2) The item relating to section 692 in the table of sections for part II of subchapter J of chapter 1 is amended to read as follows:

“Sec. 692. Income taxes of members of Armed Forces and victims of certain terrorist attacks on death.”

(d) EFFECTIVE DATE; WAIVER OF LIMITATIONS.—

(1) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending before, on, or after September 11, 2001.

(2) WAIVER OF LIMITATIONS.—If refund or credit of any overpayment of tax resulting from the amendments made by this section is prevented at any time before the close of the 1-year period beginning on the date of the enactment of this Act by the operation of any law or rule of law (including res judicata), such refund or credit may nevertheless be made or allowed if claim therefor is filed before the close of such period.

### **SEC. 502. EXCLUSION OF CERTAIN DEATH BENEFITS.**

(a) IN GENERAL.—Section 101 (relating to certain death benefits) is amended by adding at the end the following new subsection:

“(i) CERTAIN EMPLOYEE DEATH BENEFITS PAYABLE BY REASON OF DEATH OF CERTAIN TERRORIST VICTIMS.—

“(1) IN GENERAL.—Gross income does not include amounts (whether in a single sum or otherwise) paid by an employer by reason of the death of an employee who is a specified terrorist victim (as defined in section 692(d)(4)).

“(2) LIMITATION.—

“(A) IN GENERAL.—Subject to such rules as the Secretary may prescribe, paragraph (1) shall not apply to amounts which would have been payable after death if the individual had died other than as a specified terrorist victim (as so defined).

“(B) EXCEPTION.—Subparagraph (A) shall not apply to incidental death benefits paid from a plan described in section 401(a) and exempt from tax under section 501(a).

“(3) TREATMENT OF SELF-EMPLOYED INDIVIDUALS.—For purposes of paragraph (1), the term ‘employee’ includes a self-employed individual (as defined in section 401(c)(1)).”

(b) EFFECTIVE DATE; WAIVER OF LIMITATIONS.—

(1) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years ending before, on, or after September 11, 2001.

(2) WAIVER OF LIMITATIONS.—If refund or credit of any overpayment of tax resulting from the amendments made by this section is prevented at any time before the close of the 1-year period beginning on the date of the enactment of this Act by the operation of any law or rule of law (including res judicata), such refund or credit may nevertheless be made or allowed if claim therefor is filed before the close of such period.

### **SEC. 503. ESTATE TAX REDUCTION.**

(a) IN GENERAL.—Section 2201 is amended to read as follows:

### **“SEC. 2201. COMBAT ZONE-RELATED DEATHS OF MEMBERS OF THE ARMED FORCES AND DEATHS OF VICTIMS OF CERTAIN TERRORIST ATTACKS.**

“(a) IN GENERAL.—Unless the executor elects not to have this section apply, in applying sections 2001 and 2101 to the estate of a qualified decedent, the rate schedule set forth in subsection (c) shall be deemed to be the rate schedule set forth in section 2001(c).

“(b) QUALIFIED DECEDENT.—For purposes of this section, the term ‘qualified decedent’ means—

“(1) any citizen or resident of the United States dying while in active service of the Armed Forces of the United States, if such decedent—

“(A) was killed in action while serving in a combat zone, as determined under section 112(c), or

“(B) died as a result of wounds, disease, or injury suffered while serving in a combat zone (as determined under section 112(c)), and while in the line of duty, by reason of a hazard to which such decedent was subjected as an incident of such service, and

“(2) any specified terrorist victim (as defined in section 692(d)(4)).

“(c) RATE SCHEDULE.—

<b>“If the amount with respect to which the tentative tax to be computed is:</b>	<b>The tentative tax is:</b>
Not over \$150,000 .....	1 percent of the amount by which such amount exceeds \$100,000.
Over \$150,000 but not over \$200,000.	\$500 plus 2 percent of the excess over \$150,000.
Over \$200,000 but not over \$300,000.	\$1,500 plus 3 percent of the excess over \$200,000.
Over \$300,000 but not over \$500,000.	\$4,500 plus 4 percent of the excess over \$300,000.
Over \$500,000 but not over \$700,000.	\$12,500 plus 5 percent of the excess over \$500,000.
Over \$700,000 but not over \$900,000.	\$22,500 plus 6 percent of the excess over \$700,000.
Over \$900,000 but not over \$1,100,000.	\$34,500 plus 7 percent of the excess over \$900,000.
Over \$1,100,000 but not over \$1,600,000.	\$48,500 plus 8 percent of the excess over \$1,100,000.
Over \$1,600,000 but not over \$2,100,000.	\$88,500 plus 9 percent of the excess over \$1,600,000.
Over \$2,100,000 but not over \$2,600,000.	\$133,500 plus 10 percent of the excess over \$2,100,000.
Over \$2,600,000 but not over \$3,100,000.	\$183,500 plus 11 percent of the excess over \$2,600,000.
Over \$3,100,000 but not over \$3,600,000.	\$238,500 plus 12 percent of the excess over \$3,100,000.
Over \$3,600,000 but not over \$4,100,000.	\$298,500 plus 13 percent of the excess over \$3,600,000.
Over \$4,100,000 but not over \$5,100,000.	\$363,500 plus 14 percent of the excess over \$4,100,000.
Over \$5,100,000 but not over \$6,100,000.	\$503,500 plus 15 percent of the excess over \$5,100,000.
Over \$6,100,000 but not over \$7,100,000.	\$653,500 plus 16 percent of the excess over \$6,100,000.
Over \$7,100,000 but not over \$8,100,000.	\$813,500 plus 17 percent of the excess over \$7,100,000.
Over \$8,100,000 but not over \$9,100,000.	\$983,500 plus 18 percent of the excess over \$8,100,000.
Over \$9,100,000 but not over \$10,100,000.	\$1,163,500 plus 19 percent of the excess over \$9,100,000.
Over \$10,100,000 .....	\$1,353,500 plus 20 percent of the excess over \$10,100,000.

“(d) DETERMINATION OF UNIFIED CREDIT.—In the case of an estate to which this section applies, subsection (a) shall not apply in determining the credit under section 2010.”

(b) CONFORMING AMENDMENTS.—

(1) Section 2011 is amended by striking subsection (d) and by redesignating subsections (e), (f), and (g) as subsections (d), (e), and (f), respectively.

(2) Section 2053(d)(3)(B) is amended by striking "section 2011(e)" and inserting "section 2011(d)".

(3) Paragraph (9) of section 532(c) of the Economic Growth and Tax Relief Reconciliation Act of 2001 is repealed.

(c) CLERICAL AMENDMENT.—The item relating to section 2201 in the table of sections for subchapter C of chapter 11 is amended to read as follows:

"Sec. 2201. Combat zone-related deaths of members of the Armed Forces and deaths of victims of certain terrorist attacks."

(d) EFFECTIVE DATE; WAIVER OF LIMITATIONS.—

(1) EFFECTIVE DATE.—The amendments made by this section shall apply to estates of decedents—

(A) dying on or after September 11, 2001, and

(B) in the case of individuals dying as a result of the April 19, 1995, terrorist attack, dying on or after April 19, 1995.

(2) WAIVER OF LIMITATIONS.—If refund or credit of any overpayment of tax resulting from the amendments made by this section is prevented at any time before the close of the 1-year period beginning on the date of the enactment of this Act by the operation of any law or rule of law (including res judicata), such refund or credit may nevertheless be made or allowed if claim therefor is filed before the close of such period.

#### SEC. 504. PAYMENTS BY CHARITABLE ORGANIZATIONS TREATED AS EXEMPT PAYMENTS.

(a) IN GENERAL.—For purposes of the Internal Revenue Code of 1986—

(1) payments made by an organization described in section 501(c)(3) of such Code by reason of the death, injury, wounding, or illness of an individual incurred as the result of the terrorist attacks against the United States on September 11, 2001, or an attack involving anthrax occurring on or after September 11, 2001, and before January 1, 2002, shall be treated as related to the purpose or function constituting the basis for such organization's exemption under section 501 of such Code if such payments are made in good faith using a reasonable and objective formula which is consistently applied, and

(2) in the case of a private foundation (as defined in section 509 of such Code), any payment described in paragraph (1) shall not be treated as made to a disqualified person for purposes of section 4941 of such Code.

(b) EFFECTIVE DATE.—This section shall apply to payments made on or after September 11, 2001.

#### SEC. 505. EXCLUSION OF CERTAIN CANCELLATIONS OF INDEBTEDNESS.

(a) IN GENERAL.—For purposes of the Internal Revenue Code of 1986—

(1) gross income shall not include any amount which (but for this section) would be includible in gross income by reason of the discharge (in whole or in part) of indebtedness of any taxpayer if the discharge is by reason of the death of an individual incurred as the result of the terrorist attacks against the United States on September 11, 2001, or as the result of illness incurred as a result of an attack involving anthrax occurring on or after September 11, 2001, and before January 1, 2002, and

(2) return requirements under section 6050P of such Code shall not apply to any discharge described in paragraph (1).

(b) EFFECTIVE DATE.—This section shall apply to discharges made on or after September 11, 2001, and before January 1, 2002.

#### Subtitle B—Other Relief Provisions

#### SEC. 511. EXCLUSION FOR DISASTER RELIEF PAYMENTS.

(a) IN GENERAL.—Part III of subchapter B of chapter 1 (relating to items specifically

excluded from gross income) is amended by redesignating section 139 as section 140 and inserting after section 138 the following new section:

#### "SEC. 139. DISASTER RELIEF PAYMENTS.

"(a) GENERAL RULE.—Gross income shall not include any amount received by an individual as a qualified disaster relief payment.

"(b) QUALIFIED DISASTER RELIEF PAYMENT DEFINED.—For purposes of this section, the term 'qualified disaster relief payment' means any amount paid to or for the benefit of an individual—

"(1) to reimburse or pay reasonable and necessary personal, family, living, or funeral expenses incurred as a result of a qualified disaster,

"(2) to reimburse or pay reasonable and necessary expenses incurred for the repair or rehabilitation of a personal residence or repair or replacement of its contents to the extent that the need for such repair, rehabilitation, or replacement is attributable to a qualified disaster,

"(3) by a person engaged in the furnishing or sale of transportation as a common carrier by reason of the death or personal physical injuries incurred as a result of a qualified disaster, or

"(4) if such amount is paid by a Federal, State, or local government, or agency or instrumentality thereof, in connection with a qualified disaster in order to promote the general welfare, but only to the extent any expense compensated by such payment is not otherwise compensated for by insurance or otherwise.

"(c) QUALIFIED DISASTER DEFINED.—For purposes of this section, the term 'qualified disaster' means—

"(1) a disaster which results from a terrorist or military action (as defined in section 692(c)(2)),

"(2) a Presidentially declared disaster (as defined in section 1033(h)(3)),

"(3) a disaster which results from an accident involving a common carrier, or from any other event, which is determined by the Secretary to be of a catastrophic nature, or

"(4) with respect to amounts described in subsection (b)(4), a disaster which is determined by an applicable Federal, State, or local authority (as determined by the Secretary) to warrant assistance from the Federal, State, or local government or agency or instrumentality thereof.

"(d) COORDINATION WITH EMPLOYMENT TAXES.—For purposes of chapter 2 and subtitle C, a qualified disaster relief payment shall not be treated as net earnings from self-employment, wages, or compensation subject to tax.

"(e) NO RELIEF FOR CERTAIN INDIVIDUALS.—Subsections (a) and (f) shall not apply with respect to any individual identified by the Attorney General to have been a participant or conspirator in a terrorist action (as so defined), or a representative of such individual.

"(f) EXCLUSION OF CERTAIN ADDITIONAL PAYMENTS.—Gross income shall not include any amount received as payment under section 406 of the Air Transportation Safety and System Stabilization Act."

(b) CONFORMING AMENDMENTS.—The table of sections for part III of subchapter B of chapter 1 is amended by striking the item relating to section 139 and inserting the following new items:

"Sec. 139. Disaster relief payments.

"Sec. 140. Cross references to other Acts."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending on or after September 11, 2001.

#### SEC. 512. AUTHORITY TO POSTPONE CERTAIN DEADLINES AND REQUIRED ACTIONS.

(a) EXPANSION OF AUTHORITY RELATING TO DISASTERS AND TERRORISTIC OR MILITARY AC-

TIONS.—Section 7508A is amended to read as follows:

#### "SEC. 7508A. AUTHORITY TO POSTPONE CERTAIN DEADLINES BY REASON OF PRESIDENTIALLY DECLARED DISASTER OR TERRORISTIC OR MILITARY ACTIONS.

"(a) IN GENERAL.—In the case of a taxpayer determined by the Secretary to be affected by a Presidentially declared disaster (as defined in section 1033(h)(3)) or a terrorist or military action (as defined in section 692(c)(2)), the Secretary may specify a period of up to one year that may be disregarded in determining, under the internal revenue laws, in respect of any tax liability of such taxpayer—

"(1) whether any of the acts described in paragraph (1) of section 7508(a) were performed within the time prescribed therefor (determined without regard to extension under any other provision of this subtitle for periods after the date (determined by the Secretary) of such disaster or action),

"(2) the amount of any interest, penalty, additional amount, or addition to the tax for periods after such date, and

"(3) the amount of any credit or refund.

"(b) SPECIAL RULES REGARDING PENSIONS, ETC.—In the case of a pension or other employee benefit plan, or any sponsor, administrator, participant, beneficiary, or other person with respect to such plan, affected by a disaster or action described in subsection (a), the Secretary may specify a period of up to one year which may be disregarded in determining the date by which any action is required or permitted to be completed under this title. No plan shall be treated as failing to be operated in accordance with the terms of the plan solely as the result of disregarding any period by reason of the preceding sentence.

"(c) SPECIAL RULES FOR OVERPAYMENTS.—The rules of section 7508(b) shall apply for purposes of this section."

(b) CLARIFICATION OF SCOPE OF ACTS SECRETARY MAY POSTPONE.—Section 7508(a)(1)(K) (relating to time to be disregarded) is amended by striking "in regulations prescribed under this section".

(c) CONFORMING AMENDMENTS TO ERISA.—

(1) Part 5 of subtitle B of title I of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1131 et seq.) is amended by adding at the end the following new section:

#### "SEC. 518. AUTHORITY TO POSTPONE CERTAIN DEADLINES BY REASON OF PRESIDENTIALLY DECLARED DISASTER OR TERRORISTIC OR MILITARY ACTIONS.

"In the case of a pension or other employee benefit plan, or any sponsor, administrator, participant, beneficiary, or other person with respect to such plan, affected by a Presidentially declared disaster (as defined in section 1033(h)(3) of the Internal Revenue Code of 1986) or a terrorist or military action (as defined in section 692(c)(2) of such Code), the Secretary may, notwithstanding any other provision of law, prescribe, by notice or otherwise, a period of up to one year which may be disregarded in determining the date by which any action is required or permitted to be completed under this Act. No plan shall be treated as failing to be operated in accordance with the terms of the plan solely as the result of disregarding any period by reason of the preceding sentence."

(2) Section 4002 of Employee Retirement Income Security Act of 1974 (29 U.S.C. 1302) is amended by adding at the end the following new subsection:

"(i) SPECIAL RULES REGARDING DISASTERS, ETC.—In the case of a pension or other employee benefit plan, or any sponsor, administrator, participant, beneficiary, or other person with respect to such plan, affected by a

Presidentially declared disaster (as defined in section 1033(h)(3) of the Internal Revenue Code of 1986) or a terrorististic or military action (as defined in section 692(c)(2) of such Code), the corporation may, notwithstanding any other provision of law, prescribe, by notice or otherwise, a period of up to one year which may be disregarded in determining the date by which any action is required or permitted to be completed under this Act. No plan shall be treated as failing to be operated in accordance with the terms of the plan solely as the result of disregarding any period by reason of the preceding sentence."

(d) ADDITIONAL CONFORMING AMENDMENTS.—

(1) Section 6404 is amended—

(A) by striking subsection (h),

(B) by redesignating subsection (i) as subsection (h), and

(C) by adding at the end the following new subsection:

"(i) CROSS REFERENCE.—

**"For authority to suspend running of interest, etc. by reason of Presidentially declared disaster or terrorististic or military action, see section 7508A."**

(2) Section 6081(c) is amended to read as follows:

"(c) CROSS REFERENCES.—

**"For time for performing certain acts postponed by reason of war, see section 7508, and by reason of Presidentially declared disaster or terrorististic or military action, see section 7508A."**

(3) Section 6161(d) is amended by adding at the end the following new paragraph:

"(3) POSTPONEMENT OF CERTAIN ACTS.—

**"For time for performing certain acts postponed by reason of war, see section 7508, and by reason of Presidentially declared disaster or terrorististic or military action, see section 7508A."**

(d) CLERICAL AMENDMENTS.—

(1) The item relating to section 7508A in the table of sections for chapter 77 is amended to read as follows:

"Sec. 7508A. Authority to postpone certain deadlines by reason of Presidentially declared disaster or terrorististic or military actions."

(2) The table of contents for the Employee Retirement Income Security Act of 1974 is amended by inserting after the item relating to section 517 the following new item:

"Sec. 518. Authority to postpone certain deadlines by reason of Presidentially declared disaster or terrorististic or military actions."

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to disasters and terrorististic or military actions occurring on or after September 11, 2001, with respect to any action of the Secretary of the Treasury, the Secretary of Labor, or the Pension Benefit Guaranty Corporation occurring on or after the date of the enactment of this Act.

#### SEC. 513. APPLICATION OF CERTAIN PROVISIONS TO TERRORISTIC OR MILITARY ACTIONS.

(a) DISABILITY INCOME.—Section 104(a)(5) (relating to compensation for injuries or sickness) is amended by striking "a violent attack" and all that follows through the period and inserting "a terrorististic or military action (as defined in section 692(c)(2))."

(b) EXEMPTION FROM INCOME TAX FOR CERTAIN MILITARY OR CIVILIAN EMPLOYEES.—Section 692(c) is amended—

(1) by striking "outside the United States" in paragraph (1), and

(2) by striking "SUSTAINED OVERSEAS" in the heading.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending on or after September 11, 2001.

#### SEC. 514. CLARIFICATION OF DUE DATE FOR AIRLINE EXCISE TAX DEPOSITS.

(a) IN GENERAL.—Paragraph (3) of section 301(a) of the Air Transportation Safety and System Stabilization Act (Public Law 107-42) is amended to read as follows:

"(3) AIRLINE-RELATED DEPOSIT.—For purposes of this subsection, the term 'airline-related deposit' means any deposit of taxes imposed by subchapter C of chapter 33 of such Code (relating to transportation by air)."

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect as if included in section 301 of the Air Transportation Safety and System Stabilization Act (Public Law 107-42).

#### SEC. 515. TREATMENT OF CERTAIN STRUCTURED SETTLEMENT PAYMENTS.

(a) IN GENERAL.—Subtitle E is amended by adding at the end the following new chapter:

##### "CHAPTER 55—STRUCTURED SETTLEMENT FACTORING TRANSACTIONS

"Sec. 5891. Structured settlement factoring transactions.

##### "SEC. 5891. STRUCTURED SETTLEMENT FACTORING TRANSACTIONS.

"(a) IMPOSITION OF TAX.—There is hereby imposed on any person who acquires directly or indirectly structured settlement payment rights in a structured settlement factoring transaction a tax equal to 40 percent of the factoring discount as determined under subsection (c)(4) with respect to such factoring transaction.

"(b) EXCEPTION FOR CERTAIN APPROVED TRANSACTIONS.—

"(1) IN GENERAL.—The tax under subsection (a) shall not apply in the case of a structured settlement factoring transaction in which the transfer of structured settlement payment rights is approved in advance in a qualified order.

"(2) QUALIFIED ORDER.—For purposes of this section, the term 'qualified order' means a final order, judgment, or decree which—

"(A) finds that the transfer described in paragraph (1)—

"(i) does not contravene any Federal or State statute or the order of any court or responsible administrative authority, and

"(ii) is in the best interest of the payee, taking into account the welfare and support of the payee's dependents, and

"(B) is issued—

"(i) under the authority of an applicable State statute by an applicable State court, or

"(ii) by the responsible administrative authority (if any) which has exclusive jurisdiction over the underlying action or proceeding which was resolved by means of the structured settlement.

"(3) APPLICABLE STATE STATUTE.—For purposes of this section, the term 'applicable State statute' means a statute providing for the entry of an order, judgment, or decree described in paragraph (2)(A) which is enacted by—

"(A) the State in which the payee of the structured settlement is domiciled, or

"(B) if there is no statute described in subparagraph (A), the State in which either the party to the structured settlement (including an assignee under a qualified assignment under section 130) or the person issuing the funding asset for the structured settlement is domiciled or has its principal place of business.

"(4) APPLICABLE STATE COURT.—For purposes of this section—

"(A) IN GENERAL.—The term 'applicable State court' means, with respect to any applicable State statute, a court of the State which enacted such statute.

"(B) SPECIAL RULE.—In the case of an applicable State statute described in paragraph (3)(B), such term also includes a court of the State in which the payee of the structured settlement is domiciled.

"(5) QUALIFIED ORDER DISPOSITIVE.—A qualified order shall be treated as dispositive for purposes of the exception under this subsection.

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

"(1) STRUCTURED SETTLEMENT.—The term 'structured settlement' means an arrangement—

"(A) which is established by—

"(i) suit or agreement for the periodic payment of damages excludable from the gross income of the recipient under section 104(a)(2), or

"(ii) agreement for the periodic payment of compensation under any workers' compensation law excludable from the gross income of the recipient under section 104(a)(1), and

"(B) under which the periodic payments are—

"(i) of the character described in subparagraphs (A) and (B) of section 130(c)(2), and

"(ii) payable by a person who is a party to the suit or agreement or to the workers' compensation claim or by a person who has assumed the liability for such periodic payments under a qualified assignment in accordance with section 130.

"(2) STRUCTURED SETTLEMENT PAYMENT RIGHTS.—The term 'structured settlement payment rights' means rights to receive payments under a structured settlement.

"(3) STRUCTURED SETTLEMENT FACTORING TRANSACTION.—

"(A) IN GENERAL.—The term 'structured settlement factoring transaction' means a transfer of structured settlement payment rights (including portions of structured settlement payments) made for consideration by means of sale, assignment, pledge, or other form of encumbrance or alienation for consideration.

"(B) EXCEPTION.—Such term shall not include—

"(i) the creation or perfection of a security interest in structured settlement payment rights under a blanket security agreement entered into with an insured depository institution in the absence of any action to redirect the structured settlement payments to such institution (or agent or successor thereof) or otherwise to enforce such blanket security interest as against the structured settlement payment rights, or

"(ii) a subsequent transfer of structured settlement payment rights acquired in a structured settlement factoring transaction.

"(4) FACTORING DISCOUNT.—The term 'factoring discount' means an amount equal to the excess of—

"(A) the aggregate undiscounted amount of structured settlement payments being acquired in the structured settlement factoring transaction, over

"(B) the total amount actually paid by the acquirer to the person from whom such structured settlement payments are acquired.

"(5) RESPONSIBLE ADMINISTRATIVE AUTHORITY.—The term 'responsible administrative authority' means the administrative authority which had jurisdiction over the underlying action or proceeding which was resolved by means of the structured settlement.

"(6) STATE.—The term 'State' includes the Commonwealth of Puerto Rico and any possession of the United States.

"(d) COORDINATION WITH OTHER PROVISIONS.—

"(1) IN GENERAL.—If the applicable requirements of sections 72, 104(a)(1), 104(a)(2), 130, and 461(h) were satisfied at the time the

structured settlement involving structured settlement payment rights was entered into, the subsequent occurrence of a structured settlement factoring transaction shall not affect the application of the provisions of such sections to the parties to the structured settlement (including an assignee under a qualified assignment under section 130) in any taxable year.

“(2) NO WITHHOLDING OF TAX.—The provisions of section 3405 regarding withholding of tax shall not apply to the person making the payments in the event of a structured settlement factoring transaction.”.

(b) CLERICAL AMENDMENT.—The table of chapters for subtitle E is amended by adding at the end the following new item:

“Chapter 55. Structured settlement factoring transactions.”.

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section (other than the provisions of section 5891(d) of the Internal Revenue Code of 1986, as added by this section) shall apply to structured settlement factoring transactions (as defined in section 5891(c) of such Code (as so added)) entered into on or after the 30th day following the date of the enactment of this Act.

(2) CLARIFICATION OF EXISTING LAW.—Section 5891(d) of such Code (as so added) shall apply to structured settlement factoring transactions (as defined in section 5891(c) of such Code (as so added)) entered into before, on, or after such 30th day.

(3) TRANSITION RULE.—In the case of a structured settlement factoring transaction entered into during the period beginning on the 30th day following the date of the enactment of this Act and ending on July 1, 2002, no tax shall be imposed under section 5891(a) of such Code if—

(A) the structured settlement payee is domiciled in a State (or possession of the United States) which has not enacted a statute providing that the structured settlement factoring transaction is ineffective unless the transaction has been approved by an order, judgment, or decree of a court (or where applicable, a responsible administrative authority) which finds that such transaction—

(i) does not contravene any Federal or State statute or the order of any court (or responsible administrative authority), and

(ii) is in the best interest of the structured settlement payee or is appropriate in light of a hardship faced by the payee, and

(B) the person acquiring the structured settlement payment rights discloses to the structured settlement payee in advance of the structured settlement factoring transaction the amounts and due dates of the payments to be transferred, the aggregate amount to be transferred, the consideration to be received by the structured settlement payee for the transferred payments, the discounted present value of the transferred payments (including the present value as determined in the manner described in section 7520 of such Code), and the expenses required under the terms of the structured settlement factoring transaction to be paid by the structured settlement payee or deducted from the proceeds of such transaction.

#### SEC. 516. PERSONAL EXEMPTION DEDUCTION FOR CERTAIN DISABILITY TRUSTS.

(a) IN GENERAL.—Subsection (b) of section 642 (relating to deduction for personal exemption) is amended to read as follows:

“(b) DEDUCTION FOR PERSONAL EXEMPTION.—

“(1) ESTATES.—An estate shall be allowed a deduction of \$600.

“(2) TRUSTS.—

“(A) IN GENERAL.—Except as otherwise provided in this paragraph, a trust shall be allowed a deduction of \$100.

“(B) TRUSTS DISTRIBUTING INCOME CURRENTLY.—A trust which, under its governing instrument, is required to distribute all of its income currently shall be allowed a deduction of \$300.

“(C) DISABILITY TRUSTS.—

“(i) IN GENERAL.—A qualified disability trust shall be allowed a deduction equal to the exemption amount under section 151(d), determined—

“(I) by treating such trust as an individual described in section 151(d)(3)(C)(iii), and

“(II) by applying section 67(e) (without the reference to section 642(b)) for purposes of determining the adjusted gross income of the trust.

“(ii) QUALIFIED DISABILITY TRUST.—For purposes of clause (i), the term ‘qualified disability trust’ means any trust if—

“(I) such trust is a disability trust described in subsection (c)(2)(B)(iv) of section 1917 of the Social Security Act (42 U.S.C. 1396p), and

“(II) all of the beneficiaries of the trust as of the close of the taxable year are determined by the Commissioner of Social Security to have been disabled (within the meaning of section 1614(a)(3) of the Social Security Act, 42 U.S.C. 1382c(a)(3)) for some portion of such year.

A trust shall not fail to meet the requirements of subclause (II) merely because the corpus of the trust may revert to a person who is not so disabled after the trust ceases to have any beneficiary who is so disabled.”

“(3) DEDUCTIONS IN LIEU OF PERSONAL EXEMPTION.—The deductions allowed by this subsection shall be in lieu of the deductions allowed under section 151 (relating to deduction for personal exemption).”

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years ending on or after September 11, 2001.

#### SEC. 517. DISCLOSURE OF TAX INFORMATION IN TERRORISM AND NATIONAL SECURITY INVESTIGATIONS.

(a) DISCLOSURE WITHOUT A REQUEST OF INFORMATION RELATING TO TERRORIST ACTIVITIES, ETC.—Paragraph (3) of section 6103(i) (relating to disclosure of return information to apprise appropriate officials of criminal activities or emergency circumstances) is amended by adding at the end the following new subparagraph:

“(C) TERRORIST ACTIVITIES, ETC.—

“(i) IN GENERAL.—Except as provided in paragraph (6), the Secretary may disclose in writing return information (other than taxpayer return information) that may be related to a terrorist incident, threat, or activity to the extent necessary to apprise the head of the appropriate Federal law enforcement agency responsible for investigating or responding to such terrorist incident, threat, or activity. The head of the agency may disclose such return information to officers and employees of such agency to the extent necessary to investigate or respond to such terrorist incident, threat, or activity.

“(ii) DISCLOSURE TO THE DEPARTMENT OF JUSTICE.—Returns and taxpayer return information may also be disclosed to the Attorney General under clause (i) to the extent necessary for, and solely for use in preparing, an application under paragraph (7)(D).

“(iii) TAXPAYER IDENTITY.—For purposes of this subparagraph, a taxpayer’s identity shall not be treated as taxpayer return information.

“(iv) TERMINATION.—No disclosure may be made under this subparagraph after December 31, 2003.”.

(b) DISCLOSURE UPON REQUEST OF INFORMATION RELATING TO TERRORIST ACTIVITIES, ETC.—Subsection (i) of section 6103 (relating to disclosure to Federal officers or employees for administration of Federal laws not

relating to tax administration) is amended by redesignating paragraph (7) as paragraph (8) and by inserting after paragraph (6) the following new paragraph:

“(7) DISCLOSURE UPON REQUEST OF INFORMATION RELATING TO TERRORIST ACTIVITIES, ETC.—

“(A) DISCLOSURE TO LAW ENFORCEMENT AGENCIES.—

“(i) IN GENERAL.—Except as provided in paragraph (6), upon receipt by the Secretary of a written request which meets the requirements of clause (iii), the Secretary may disclose return information (other than taxpayer return information) to officers and employees of any Federal law enforcement agency who are personally and directly engaged in the response to or investigation of any terrorist incident, threat, or activity.

“(ii) DISCLOSURE TO STATE AND LOCAL LAW ENFORCEMENT AGENCIES.—The head of any Federal law enforcement agency may disclose return information obtained under clause (i) to officers and employees of any State or local law enforcement agency but only if such agency is part of a team with the Federal law enforcement agency in such response or investigation and such information is disclosed only to officers and employees who are personally and directly engaged in such response or investigation.

“(iii) REQUIREMENTS.—A request meets the requirements of this clause if—

“(I) the request is made by the head of any Federal law enforcement agency (or his delegate) involved in the response to or investigation of any terrorist incident, threat, or activity, and

“(II) the request sets forth the specific reason or reasons why such disclosure may be relevant to a terrorist incident, threat, or activity.

“(iv) LIMITATION ON USE OF INFORMATION.—Information disclosed under this subparagraph shall be solely for the use of the officers and employees to whom such information is disclosed in such response or investigation.

“(B) DISCLOSURE TO INTELLIGENCE AGENCIES.—

“(i) IN GENERAL.—Except as provided in paragraph (6), upon receipt by the Secretary of a written request which meets the requirements of clause (ii), the Secretary may disclose return information (other than taxpayer return information) to those officers and employees of the Department of Justice, the Department of the Treasury, and other Federal intelligence agencies who are personally and directly engaged in the collection or analysis of intelligence and counterintelligence information or investigation concerning any terrorist incident, threat, or activity. For purposes of the preceding sentence, the information disclosed under the preceding sentence shall be solely for the use of such officers and employees in such investigation, collection, or analysis.

“(ii) REQUIREMENTS.—A request meets the requirements of this subparagraph if the request—

“(I) is made by an individual described in clause (iii), and

“(II) sets forth the specific reason or reasons why such disclosure may be relevant to a terrorist incident, threat, or activity.

“(iii) REQUESTING INDIVIDUALS.—An individual described in this subparagraph is an individual—

“(I) who is an officer or employee of the Department of Justice or the Department of the Treasury who is appointed by the President with the advice and consent of the Senate or who is the Director of the United States Secret Service, and

“(II) who is responsible for the collection and analysis of intelligence and counterintelligence information concerning any terrorist incident, threat, or activity.

“(iv) TAXPAYER IDENTITY.—For purposes of this subparagraph, a taxpayer's identity shall not be treated as taxpayer return information.

“(C) DISCLOSURE UNDER EX PARTE ORDERS.—

“(i) IN GENERAL.—Except as provided in paragraph (6), any return or return information with respect to any specified taxable period or periods shall, pursuant to and upon the grant of an ex parte order by a Federal district court judge or magistrate under clause (ii), be open (but only to the extent necessary as provided in such order) to inspection by, or disclosure to, officers and employees of any Federal law enforcement agency or Federal intelligence agency who are personally and directly engaged in any investigation, response to, or analysis of intelligence and counterintelligence information concerning any terrorist incident, threat, or activity. Return or return information opened to inspection or disclosure pursuant to the preceding sentence shall be solely for the use of such officers and employees in the investigation, response, or analysis, and in any judicial, administrative, or grand jury proceedings, pertaining to such terrorist incident, threat, or activity.

“(ii) APPLICATION FOR ORDER.—The Attorney General, the Deputy Attorney General, the Associate Attorney General, any Assistant Attorney General, or any United States attorney may authorize an application to a Federal district court judge or magistrate for the order referred to in clause (i). Upon such application, such judge or magistrate may grant such order if he determines on the basis of the facts submitted by the applicant that—

“(I) there is reasonable cause to believe, based upon information believed to be reliable, that the return or return information may be relevant to a matter relating to such terrorist incident, threat, or activity, and

“(II) the return or return information is sought exclusively for use in a Federal investigation, analysis, or proceeding concerning any terrorist incident, threat, or activity.

“(D) SPECIAL RULE FOR EX PARTE DISCLOSURE BY THE IRS.—

“(i) IN GENERAL.—Except as provided in paragraph (6), the Secretary may authorize an application to a Federal district court judge or magistrate for the order referred to in subparagraph (C)(i). Upon such application, such judge or magistrate may grant such order if he determines on the basis of the facts submitted by the applicant that the requirements of subparagraph (C)(ii)(I) are met.

“(ii) LIMITATION ON USE OF INFORMATION.—Information disclosed under clause (i)—

“(I) may be disclosed only to the extent necessary to apprise the head of the appropriate Federal law enforcement agency responsible for investigating or responding to a terrorist incident, threat, or activity, and

“(II) shall be solely for use in a Federal investigation, analysis, or proceeding concerning any terrorist incident, threat, or activity.

The head of such Federal agency may disclose such information to officers and employees of such agency to the extent necessary to investigate or respond to such terrorist incident, threat, or activity.

“(E) TERMINATION.—No disclosure may be made under this paragraph after December 31, 2003.”.

(c) CONFORMING AMENDMENTS.—

(1) Section 6103(a)(2) is amended by inserting “any local law enforcement agency receiving information under subsection (i)(7)(A),” after “State,”.

(2) Section 6103(b) is amended by adding at the end the following new paragraph:

“(11) TERRORIST INCIDENT, THREAT, OR ACTIVITY.—The term ‘terrorist incident, threat, or activity’ means an incident, threat, or activity involving an act of domestic terrorism (as defined in section 2331(5) of title 18, United States Code) or international terrorism (as defined in section 2331(1) of such title).”.

(3) The heading of section 6103(i)(3) is amended by inserting “OR TERRORIST” after “CRIMINAL”.

(4) Paragraph (4) of section 6103(i) is amended—

(A) in subparagraph (A) by inserting “or (7)(C)” after “paragraph (1)”, and

(B) in subparagraph (B) by striking “or (3)(A)” and inserting “(3)(A) or (C), or (7)”.

(5) Paragraph (6) of section 6103(i) is amended—

(A) by striking “(3)(A)” and inserting “(3)(A) or (C)”, and

(B) by striking “or (7)” and inserting “(7), or (8)”.

(6) Section 6103(p)(3) is amended—

(A) in subparagraph (A) by striking “(7)(A)(ii)” and inserting “(8)(A)(ii)”, and

(B) in subparagraph (C) by striking “(i)(3)(B)(i)” and inserting “(i)(3)(B)(i) or (7)(A)(ii)”.

(7) Section 6103(p)(4) is amended—

(A) in the matter preceding subparagraph (A)—

(i) by striking “or (5),” the first place it appears and inserting “(5), or (7),” and

(ii) by striking “(i)(3)(B)(i),” and inserting “(i)(3)(B)(i) or (7)(A)(ii),” and

(B) in subparagraph (F)(ii) by striking “or (5),” the first place it appears and inserting “(5) or (7),”.

(8) Section 6103(p)(6)(B)(i) is amended by striking “(i)(7)(A)(ii)” and inserting “(i)(8)(A)(ii)”.

(9) Section 6105(b) is amended—

(A) by striking “or” at the end of paragraph (2),

(B) by striking “paragraphs (1) or (2)” in paragraph (3) and inserting “paragraph (1), (2), or (3)”,

(C) by redesignating paragraph (3) as paragraph (4), and

(D) by inserting after paragraph (2) the following new paragraph:

“(3) to the disclosure of tax convention information on the same terms as return information may be disclosed under paragraph (3)(C) or (7) of section 6103(i), except that in the case of tax convention information provided by a foreign government, no disclosure may be made under this paragraph without the written consent of the foreign government, or”.

(10) Section 7213(a)(2) is amended by striking “(i)(3)(B)(i),” and inserting “(i)(3)(B)(i) or (7)(A)(ii),”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to disclosures made on or after the date of the enactment of this Act.

## TITLE VI—MISCELLANEOUS AND TECHNICAL PROVISIONS

### Subtitle A—General Miscellaneous Provisions

#### SEC. 601. ALLOWANCE OF ELECTRONIC 1099'S.

Any person required to furnish a statement under any section of subpart B of part III of subchapter A of chapter 61 of the Internal Revenue Code of 1986 for any taxable year ending after the date of the enactment of this Act, may electronically furnish such statement (without regard to any first class mailing requirement) to any recipient who has consented to the electronic provision of the statement in a manner similar to the one permitted under regulations issued under section 6051 of such Code or in such other manner as provided by the Secretary.

#### SEC. 602. EXCLUDED CANCELLATION OF INDEBTEDNESS INCOME OF S CORPORATION NOT TO RESULT IN ADJUSTMENT TO BASIS OF STOCK OF SHAREHOLDERS.

(a) IN GENERAL.—Subparagraph (A) of section 108(d)(7) (relating to certain provisions to be applied at corporate level) is amended by inserting before the period “, including by not taking into account under section 1366(a) any amount excluded under subsection (a) of this section”.

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendment made by this section shall apply to discharges of indebtedness after October 11, 2001, in taxable years ending after such date.

(2) EXCEPTION.—The amendment made by this section shall not apply to any discharge of indebtedness before March 1, 2002, pursuant to a plan of reorganization filed with a bankruptcy court on or before October 11, 2001.

#### SEC. 603. LIMITATION ON USE OF NONACCRUAL EXPERIENCE METHOD OF ACCOUNTING.

(a) IN GENERAL.—Paragraph (5) of section 448(d) is amended to read as follows:

“(5) SPECIAL RULE FOR CERTAIN SERVICES.—

“(A) IN GENERAL.—In the case of any person using an accrual method of accounting with respect to amounts to be received for the performance of services by such person, such person shall not be required to accrue any portion of such amounts which (on the basis of such person's experience) will not be collected if—

“(i) such services are in fields referred to in paragraph (2)(A), or

“(ii) such person meets the gross receipts test of subsection (c) for all prior taxable years.

“(B) EXCEPTION.—This paragraph shall not apply to any amount if interest is required to be paid on such amount or there is any penalty for failure to timely pay such amount.

“(C) REGULATIONS.—The Secretary shall prescribe regulations to permit taxpayers to determine amounts referred to in subparagraph (A) using computations or formulas which, based on experience, accurately reflect the amount of income that will not be collected by such person. A taxpayer may adopt, or request consent of the Secretary to change to, a computation or formula that clearly reflects the taxpayer's experience. A request under the preceding sentence shall be approved if such computation or formula clearly reflects the taxpayer's experience.”.

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to taxable years ending after the date of the enactment of this Act.

(2) CHANGE IN METHOD OF ACCOUNTING.—In the case of any taxpayer required by the amendments made by this section to change its method of accounting for its first taxable year ending after the date of the enactment of this Act—

(A) such change shall be treated as initiated by the taxpayer,

(B) such change shall be treated as made with the consent of the Secretary of the Treasury, and

(C) the net amount of the adjustments required to be taken into account by the taxpayer under section 481 of the Internal Revenue Code of 1986 shall be taken into account over a period of 4 years (or if less, the number of taxable years that the taxpayer used the method permitted under section 448(d)(5) of such Code as in effect before the date of the enactment of this Act) beginning with such first taxable year.

**SEC. 604. EXCLUSION FOR FOSTER CARE PAYMENTS TO APPLY TO PAYMENTS BY QUALIFIED PLACEMENT AGENCIES.**

(a) **IN GENERAL.**—The matter preceding subparagraph (B) of section 131(b)(1) (defining qualified foster care payment) is amended to read as follows:

“(1) **IN GENERAL.**—The term ‘qualified foster care payment’ means any payment made pursuant to a foster care program of a State or political subdivision thereof—

“(A) which is paid by—

“(i) a State or political subdivision thereof, or

“(ii) a qualified foster care placement agency, and”.

(b) **QUALIFIED FOSTER INDIVIDUALS TO INCLUDE INDIVIDUALS PLACED BY QUALIFIED PLACEMENT AGENCIES.**—Subparagraph (B) of section 131(b)(2) (defining qualified foster individual) is amended to read as follows:

“(B) a qualified foster care placement agency.”

(c) **QUALIFIED FOSTER CARE PLACEMENT AGENCY DEFINED.**—Subsection (b) of section 131 is amended by redesignating paragraph (3) as paragraph (4) and by inserting after paragraph (2) the following new paragraph:

“(3) **QUALIFIED FOSTER CARE PLACEMENT AGENCY.**—The term ‘qualified foster care placement agency’ means any placement agency which is licensed or certified by—

“(A) a State or political subdivision thereof, or

“(B) an entity designated by a State or political subdivision thereof,

for the foster care program of such State or political subdivision to make foster care payments to providers of foster care.”

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

**SEC. 605. INTEREST RATE RANGE FOR ADDITIONAL FUNDING REQUIREMENTS.**

(a) **AMENDMENTS TO THE INTERNAL REVENUE CODE OF 1986.**—

(1) **SPECIAL RULE.**—Clause (i) of section 412(l)(7)(C) (relating to interest rate) is amended by adding at the end the following new subclause:

“(III) **SPECIAL RULE FOR 2002 AND 2003.**—For a plan year beginning in 2002 or 2003, notwithstanding subclause (I), in the case that the rate of interest used under subsection (b)(5) exceeds the highest rate permitted under subclause (I), the rate of interest used to determine current liability under this subsection may exceed the rate of interest otherwise permitted under subclause (I); except that such rate of interest shall not exceed 120 percent of the weighted average referred to in subsection (b)(5)(B)(ii).”

(2) **QUARTERLY CONTRIBUTIONS.**—Subsection (m) of section 412 is amended by adding at the end the following new paragraph:

“(7) **SPECIAL RULES FOR 2002 AND 2004.**—In any case in which the interest rate used to determine current liability is determined under subsection (l)(7)(C)(i)(III)—

“(A) 2002.—For purposes of applying paragraphs (1) and (4)(B)(ii) for plan years beginning in 2002, the current liability for the preceding plan year shall be redetermined using 120 percent as the specified percentage determined under subsection (l)(7)(C)(i)(II).”

“(B) 2004.—For purposes of applying paragraphs (1) and (4)(B)(ii) for plan years beginning in 2004, the current liability for the preceding plan year shall be redetermined using 105 percent as the specified percentage determined under subsection (l)(7)(C)(i)(II).”

(b) **AMENDMENTS TO THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974.**—

(1) **SPECIAL RULE.**—Clause (i) of section 302(d)(7)(C) of such Act (29 U.S.C. 1082(d)(7)(C)) is amended by adding at the end the following new subclause:

“(III) **SPECIAL RULE FOR 2002 AND 2003.**—For a plan year beginning in 2002 or 2003, not-

withstanding subclause (I), in the case that the rate of interest used under subsection (b)(5) exceeds the highest rate permitted under subclause (I), the rate of interest used to determine current liability under this subsection may exceed the rate of interest otherwise permitted under subclause (I); except that such rate of interest shall not exceed 120 percent of the weighted average referred to in subsection (b)(5)(B)(ii).”

(2) **QUARTERLY CONTRIBUTIONS.**—Subsection (e) of section 302 of such Act (29 U.S.C. 1082) is amended by adding at the end the following new paragraph:

“(7) **SPECIAL RULES FOR 2002 AND 2004.**—In any case in which the interest rate used to determine current liability is determined under subsection (d)(7)(C)(i)(III)—

“(A) 2002.—For purposes of applying paragraphs (1) and (4)(B)(ii) for plan years beginning in 2002, the current liability for the preceding plan year shall be redetermined using 120 percent as the specified percentage determined under subsection (d)(7)(C)(i)(II).”

“(B) 2004.—For purposes of applying paragraphs (1) and (4)(B)(ii) for plan years beginning in 2004, the current liability for the preceding plan year shall be redetermined using 105 percent as the specified percentage determined under subsection (d)(7)(C)(i)(II).”

(c) **PBGC.**—Clause (iii) of section 4006(a)(3)(E) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)(3)(E)) is amended by adding at the end the following new subclause:

“(IV) In the case of plan years beginning after December 31, 2001, and before January 1, 2004, subclause (II) shall be applied by substituting ‘100 percent’ for ‘85 percent’. Subclause (III) shall be applied for such years without regard to the preceding sentence. Any reference to this clause by any other sections or subsections shall be treated as a reference to this clause without regard to this subclause.”

**SEC. 606. ADJUSTED GROSS INCOME DETERMINED BY TAKING INTO ACCOUNT CERTAIN EXPENSES OF ELEMENTARY AND SECONDARY SCHOOL TEACHERS.**

(a) **IN GENERAL.**—Section 62(a)(2) (relating to certain trade and business deductions of employees) is amended by adding at the end the following:

“(D) **CERTAIN EXPENSES OF ELEMENTARY AND SECONDARY SCHOOL TEACHERS.**—In the case of taxable years beginning during 2002 or 2003, the deductions allowed by section 162 which consist of expenses, not in excess of \$250, paid or incurred by an eligible educator in connection with books, supplies (other than nonathletic supplies for courses of instruction in health or physical education), computer equipment (including related software and services) and other equipment, and supplementary materials used by the eligible educator in the classroom.”

(b) **ELIGIBLE EDUCATOR.**—Section 62 is amended by adding at the end the following:

“(d) **DEFINITION; SPECIAL RULES.**—

“(1) **ELIGIBLE EDUCATOR.**—

“(A) **IN GENERAL.**—For purposes of subsection (a)(2)(D), the term ‘eligible educator’ means, with respect to any taxable year, an individual who is a kindergarten through grade 12 teacher, instructor, counselor, principal, or aide in a school for at least 900 hours during a school year.

“(B) **SCHOOL.**—The term ‘school’ means any school which provides elementary education or secondary education (kindergarten through grade 12), as determined under State law.

“(2) **COORDINATION WITH EXCLUSIONS.**—A deduction shall be allowed under subsection (a)(2)(D) for expenses only to the extent the amount of such expenses exceeds the amount excludable under section 135, 529(c)(1), or 530(d)(2) for the taxable year.”

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

**Subtitle B—Technical Corrections**

**SEC. 611. AMENDMENTS RELATED TO ECONOMIC GROWTH AND TAX RELIEF RECONCILIATION ACT OF 2001.**

(a) **AMENDMENTS RELATED TO SECTION 101 OF THE ACT.**—

(1) **IN GENERAL.**—Subsection (b) of section 6428 is amended to read as follows:

“(b) **CREDIT TREATED AS NONREFUNDABLE PERSONAL CREDIT.**—For purposes of this title, the credit allowed under this section shall be treated as a credit allowable under subpart A of part IV of subchapter A of chapter 1.”

(2) **CONFORMING AMENDMENTS.**—

(A) Subsection (d) of section 6428 is amended to read as follows:

“(d) **COORDINATION WITH ADVANCE REFUNDS OF CREDIT.**—

“(1) **IN GENERAL.**—The amount of credit which would (but for this paragraph) be allowable under this section shall be reduced (but not below zero) by the aggregate refunds and credits made or allowed to the taxpayer under subsection (e). Any failure to so reduce the credit shall be treated as arising out of a mathematical or clerical error and assessed according to section 6213(b)(1).

“(2) **JOINT RETURNS.**—In the case of a refund or credit made or allowed under subsection (e) with respect to a joint return, half of such refund or credit shall be treated as having been made or allowed to each individual filing such return.”

(B) Paragraph (2) of section 6428(e) is amended to read as follows:

“(2) **ADVANCE REFUND AMOUNT.**—For purposes of paragraph (1), the advance refund amount is the amount that would have been allowed as a credit under this section for such first taxable year if—

“(A) this section (other than subsections (b) and (d) and this subsection) had applied to such taxable year, and

“(B) the credit for such taxable year were not allowed to exceed the excess (if any) of—

“(i) the sum of the regular tax liability (as defined in section 26(b)) plus the tax imposed by section 55, over

“(ii) the sum of the credits allowable under part IV of subchapter A of chapter 1 (other than the credits allowable under subpart C thereof, relating to refundable credits).”

(b) **AMENDMENT RELATED TO SECTION 201 OF THE ACT.**—Subparagraph (B) of section 24(d)(1) is amended by striking “amount of credit allowed by this section” and inserting “aggregate amount of credits allowed by this subpart”.

(c) **AMENDMENTS RELATED TO SECTION 202 OF THE ACT.**—

(1) **CORRECTIONS TO CREDIT FOR ADOPTION EXPENSES.**—

(A) Paragraph (1) of section 23(a) is amended to read as follows:

“(1) **IN GENERAL.**—In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter the amount of the qualified adoption expenses paid or incurred by the taxpayer.”

(B) Subsection (a) of section 23 is amended by adding at the end the following new paragraph:

“(3) **\$10,000 CREDIT FOR ADOPTION OF CHILD WITH SPECIAL NEEDS REGARDLESS OF EXPENSES.**—In the case of an adoption of a child with special needs which becomes final during a taxable year, the taxpayer shall be treated as having paid during such year qualified adoption expenses with respect to such adoption in an amount equal to the excess (if any) of \$10,000 over the aggregate qualified adoption expenses actually paid or incurred by the taxpayer with respect to

such adoption during such taxable year and all prior taxable years."

(C) Paragraph (2) of section 23(a) is amended by striking the last sentence.

(D) Paragraph (1) of section 23(b) is amended by striking "subsection (a)(1)(A)" and inserting "subsection (a)".

(E) Subsection (i) of section 23 is amended by striking "the dollar limitation in subsection (b)(1)" and inserting "the dollar amounts in subsections (a)(3) and (b)(1)".

(F) Expenses paid or incurred during any taxable year beginning before January 1, 2002, may be taken into account in determining the credit under section 23 of the Internal Revenue Code of 1986 only to the extent the aggregate of such expenses does not exceed the applicable limitation under section 23(b)(1) of such Code as in effect on the day before the date of the enactment of the Economic Growth and Tax Relief Reconciliation Act of 2001.

(2) CORRECTIONS TO EXCLUSION FOR EMPLOYER-PROVIDED ADOPTION ASSISTANCE.—

(A) Subsection (a) of section 137 is amended to read as follows:

"(a) EXCLUSION.—

"(1) IN GENERAL.—Gross income of an employee does not include amounts paid or expenses incurred by the employer for qualified adoption expenses in connection with the adoption of a child by an employee if such amounts are furnished pursuant to an adoption assistance program.

"(2) \$10,000 EXCLUSION FOR ADOPTION OF CHILD WITH SPECIAL NEEDS REGARDLESS OF EXPENSES.—In the case of an adoption of a child with special needs which becomes final during a taxable year, the qualified adoption expenses with respect to such adoption for such year shall be increased by an amount equal to the excess (if any) of \$10,000 over the actual aggregate qualified adoption expenses with respect to such adoption during such taxable year and all prior taxable years."

(B) Paragraph (2) of section 137(b) is amended by striking "subsection (a)(1)" and inserting "subsection (a)".

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after December 31, 2002; except that the amendments made by paragraphs (1)(C), (1)(D), and (2)(B) shall apply to taxable years beginning after December 31, 2001.

(d) AMENDMENTS RELATED TO SECTION 205 OF THE ACT.—

(1) Section 45F(d)(4)(B) is amended by striking "subpart A, B, or D of this part" and inserting "this chapter or for purposes of section 55".

(2) Section 38(b)(15) is amended by striking "45F" and inserting "45F(a)".

(e) AMENDMENTS RELATED TO SECTION 301 OF THE ACT.—

(1) Section 63(c)(2) is amended—

(A) in subparagraph (A), by striking "subparagraph (C)" and inserting "subparagraph (D)";

(B) by striking "or" at the end of subparagraph (B),

(C) by redesignating subparagraph (C) as subparagraph (D), and

(D) by inserting after subparagraph (B) the following new subparagraph:

"(C) one-half of the amount allowable under subparagraph (A) in the case of a married individual filing a separate return, or".

(2) Section 63(c)(7) is amended by adding at the end the following:

"If any amount determined under the preceding table is not a multiple of \$50, such amount shall be rounded to the next lowest multiple of \$50."

(f) AMENDMENT RELATED TO SECTION 401 OF THE ACT.—Section 530(d)(4)(B)(iv) is amended by striking "because the taxpayer elected

under paragraph (2)(C) to waive the application of paragraph (2)" and inserting "by application of paragraph (2)(C)(i)(II)".

(g) AMENDMENT RELATED TO SECTION 511 OF THE ACT.—Section 2511(c) is amended by striking "taxable gift under section 2503," and inserting "transfer of property by gift,".

(h) AMENDMENT RELATED TO SECTION 532 OF THE ACT.—Section 2016 is amended by striking "any State, any possession of the United States, or the District of Columbia,".

(i) AMENDMENTS RELATING TO SECTION 602 OF THE ACT.—

(1) Subparagraph (A) of section 408(q)(3) is amended to read as follows:

"(A) QUALIFIED EMPLOYER PLAN.—The term 'qualified employer plan' has the meaning given such term by section 72(p)(4)(A)(i); except that such term shall also include an eligible deferred compensation plan (as defined in section 457(b)) of an eligible employer described in section 457(e)(1)(A)."

(2) Section 4(c) of Employee Retirement Income Security Act of 1974 is amended—

(A) by inserting "and part 5 (relating to administration and enforcement)" before the period at the end, and

(B) by adding at the end the following new sentence: "Such provisions shall apply to such accounts and annuities in a manner similar to their application to a simplified employee pension under section 408(k) of the Internal Revenue Code of 1986."

(j) AMENDMENTS RELATING TO SECTION 611 OF THE ACT.—

(1) Section 408(k) is amended—

(A) in paragraph (2)(C) by striking "\$300" and inserting "\$450", and

(B) in paragraph (8) by striking "\$300" both places it appears and inserting "\$450".

(2) Section 409(o)(1)(C)(ii) is amended—

(A) by striking "\$500,000" both places it appears and inserting "\$800,000", and

(B) by striking "\$100,000" and inserting "\$160,000".

(3) Section 611(i) of the Economic Growth and Tax Relief Reconciliation Act of 2001 is amended by adding at the end the following new paragraph:

"(3) SPECIAL RULE.—In the case of plan that, on June 7, 2001, incorporated by reference the limitation of section 415(b)(1)(A) of the Internal Revenue Code of 1986, section 411(d)(6) of such Code and section 204(g)(1) of the Employee Retirement Income Security Act of 1974 do not apply to a plan amendment that—

"(A) is adopted on or before June 30, 2002,

"(B) reduces benefits to the level that would have applied without regard to the amendments made by subsection (a) of this section, and

"(C) is effective no earlier than the years described in paragraph (2)."

(k) AMENDMENTS RELATING TO SECTION 613 OF THE ACT.—

(1) Section 416(c)(1)(C)(iii) is amended by striking "EXCEPTION FOR FROZEN PLAN" and inserting "EXCEPTION FOR PLAN UNDER WHICH NO KEY EMPLOYEE (OR FORMER KEY EMPLOYEE) BENEFITS FOR PLAN YEAR".

(2) Section 416(g)(3)(B) is amended by striking "separation from service" and inserting "severance from employment".

(l) AMENDMENTS RELATING TO SECTIONS 614 AND 616 OF THE ACT.—

(1) Section 404(a)(12) is amended by striking "(9)," and inserting "(9) and subsection (h)(1)(C)."

(2) Section 404(n) is amended by striking "subsection (a)," and inserting "subsection (a) or paragraph (1)(C) of subsection (h)".

(3) Section 402(h)(2)(A) is amended by striking "15 percent" and inserting "25 percent".

(4) Section 404(a)(7)(C) is amended to read as follows:

"(C) PARAGRAPH NOT TO APPLY IN CERTAIN CASES.—

"(i) BENEFICIARY TEST.—This paragraph shall not have the effect of reducing the amount otherwise deductible under paragraphs (1), (2), and (3), if no employee is a beneficiary under more than 1 trust or under a trust and an annuity plan.

"(ii) ELECTIVE DEFERRALS.—If, in connection with 1 or more defined contribution plans and 1 or more defined benefit plans, no amounts (other than elective deferrals (as defined in section 402(g)(3))) are contributed to any of the defined contribution plans for the taxable year, then subparagraph (A) shall not apply with respect to any of such defined contribution plans and defined benefit plans."

(m) AMENDMENT RELATING TO SECTION 618 OF THE ACT.—Section 25B(d)(2)(A) is amended to read as follows:

"(A) IN GENERAL.—The qualified retirement savings contributions determined under paragraph (1) shall be reduced (but not below zero) by the aggregate distributions received by the individual during the testing period from any entity of a type to which contributions under paragraph (1) may be made. The preceding sentence shall not apply to the portion of any distribution which is not includible in gross income by reason of a trustee-to-trustee transfer or a rollover distribution."

(n) AMENDMENTS RELATING TO SECTION 619 OF THE ACT.—

(1) Section 45E(e)(1) is amended by striking "(n)" and inserting "(m)".

(2) Section 619(d) of the Economic Growth and Tax Relief Reconciliation Act of 2001 is amended by striking "established" and inserting "first effective".

(o) AMENDMENTS RELATING TO SECTION 631 OF THE ACT.—

(1) Section 402(g)(1) is amended by adding at the end the following:

"(C) CATCH-UP CONTRIBUTIONS.—In addition to subparagraph (A), in the case of an eligible participant (as defined in section 414(v)), gross income shall not include elective deferrals in excess of the applicable dollar amount under subparagraph (B) to the extent that the amount of such elective deferrals does not exceed the applicable dollar amount under section 414(v)(2)(B)(i) for the taxable year (without regard to the treatment of the elective deferrals by an applicable employer plan under section 414(v))."

(2) Section 401(a)(30) is amended by striking "402(g)(1)" and inserting "402(g)(1)(A)".

(3) Section 414(v)(2) is amended by adding at the end the following:

"(D) AGGREGATION OF PLANS.—For purposes of this paragraph, plans described in clauses (i), (ii), and (iv) of paragraph (6)(A) that are maintained by the same employer (as determined under subsection (b), (c), (m) or (o)) shall be treated as a single plan, and plans described in clause (iii) of paragraph (6)(A) that are maintained by the same employer shall be treated as a single plan."

(4) Section 414(v)(3)(A)(i) is amended by striking "section 402(g), 402(h), 403(b), 404(a), 404(h), 408(k), 408(p), 415, or 457" and inserting "section 401(a)(30), 402(h), 403(b), 408, 415(c), and 457(b)(2) (determined without regard to section 457(b)(3))".

(5) Section 414(v)(3)(B) is amended by striking "section 401(a)(4), 401(a)(26), 401(k)(3), 401(k)(11), 401(k)(12), 403(b)(12), 408(k), 408(p), 408B, 410(b), or 416" and inserting "section 401(a)(4), 401(k)(3), 401(k)(11), 403(b)(12), 408(k), 410(b), or 416".

(6) Section 414(v)(4)(B) is amended by inserting before the period at the end the following: ", except that a plan described in clause (i) of section 410(b)(6)(C) shall not be treated as a plan of the employer until the expiration of the transition period with respect to such plan (as determined under clause (ii) of such section)".

(7) Section 414(v)(5) is amended—

(A) by striking “, with respect to any plan year,” in the matter preceding subparagraph (A),

(B) by amending subparagraph (A) to read as follows:

“(A) who would attain age 50 by the end of the taxable year,” and

(C) in subparagraph (B) by striking “plan year” and inserting “plan (or other applicable) year”.

(8) Section 414(v)(6)(C) is amended to read as follows:

“(C) EXCEPTION FOR SECTION 457 PLANS.—This subsection shall not apply to a participant for any year for which a higher limitation applies to the participant under section 457(b)(3).”.

(9) Section 457(e) is amended by adding at the end the following new paragraph:

“(18) COORDINATION WITH CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS AGE 50 OR OLDER.—In the case of an individual who is an eligible participant (as defined by section 414(v)) and who is a participant in an eligible deferred compensation plan of an employer described in paragraph (1)(A), subsections (b)(3) and (c) shall be applied by substituting for the amount otherwise determined under the applicable subsection the greater of—

“(A) the sum of—

“(i) the plan ceiling established for purposes of subsection (b)(2) (without regard to subsection (b)(3)), plus

“(ii) the applicable dollar amount for the taxable year determined under section 414(v)(2)(B)(i), or

“(B) the amount determined under the applicable subsection (without regard to this paragraph).”.

(p) AMENDMENTS RELATING TO SECTION 632 OF THE ACT.—

(1) Section 403(b)(1) is amended in the matter following subparagraph (E) by striking “then amounts contributed” and all that follows and inserting the following:

“then contributions and other additions by such employer for such annuity contract shall be excluded from the gross income of the employee for the taxable year to the extent that the aggregate of such contributions and additions (when expressed as an annual addition (within the meaning of section 415(c)(2))) does not exceed the applicable limit under section 415. The amount actually distributed to any distributee under such contract shall be taxable to the distributee (in the year in which so distributed) under section 72 (relating to annuities). For purposes of applying the rules of this subsection to contributions and other additions by an employer for a taxable year, amounts transferred to a contract described in this paragraph by reason of a rollover contribution described in paragraph (8) of this subsection or section 408(d)(3)(A)(ii) shall not be considered contributed by such employer.”.

(2) Section 403(b) is amended by striking paragraph (6).

(3) Section 403(b)(3) is amended—

(A) in the first sentence by inserting the following before the period at the end: “, and which precedes the taxable year by no more than five years”, and

(B) in the second sentence by striking “or any amount received by a former employee after the fifth taxable year following the taxable year in which such employee was terminated”.

(4) Section 415(c)(7) is amended to read as follows:

“(7) SPECIAL RULES RELATING TO CHURCH PLANS.—

“(A) ALTERNATIVE CONTRIBUTION LIMITATION.—

“(i) IN GENERAL.—Notwithstanding any other provision of this subsection, at the election of a participant who is an employee

of a church or a convention or association of churches, including an organization described in section 414(e)(3)(B)(ii), contributions and other additions for an annuity contract or retirement income account described in section 403(b) with respect to such participant, when expressed as an annual addition to such participant's account, shall be treated as not exceeding the limitation of paragraph (1) if such annual addition is not in excess of \$10,000.

“(ii) \$40,000 AGGREGATE LIMITATION.—The total amount of additions with respect to any participant which may be taken into account for purposes of this subparagraph for all years may not exceed \$40,000.

“(B) NUMBER OF YEARS OF SERVICE FOR DULY ORDAINED, COMMISSIONED, OR LICENSED MINISTERS OR LAY EMPLOYEES.—For purposes of this paragraph—

“(i) all years of service by—

“(I) a duly ordained, commissioned, or licensed minister of a church, or

“(II) a lay person,

as an employee of a church, a convention or association of churches, including an organization described in section 414(e)(3)(B)(ii), shall be considered as years of service for 1 employer, and

“(ii) all amounts contributed for annuity contracts by each such church (or convention or association of churches) or such organization during such years for such minister or lay person shall be considered to have been contributed by 1 employer.

“(C) FOREIGN MISSIONARIES.—In the case of any individual described in subparagraph (D) performing services outside the United States, contributions and other additions for an annuity contract or retirement income account described in section 403(b) with respect to such employee, when expressed as an annual addition to such employee's account, shall not be treated as exceeding the limitation of paragraph (1) if such annual addition is not in excess of the greater of \$3,000 or the employee's includible compensation determined under section 403(b)(3).

“(D) ANNUAL ADDITION.—For purposes of this paragraph, the term ‘annual addition’ has the meaning given such term by paragraph (2).

“(E) CHURCH, CONVENTION OR ASSOCIATION OF CHURCHES.—For purposes of this paragraph, the terms ‘church’ and ‘convention or association of churches’ have the same meaning as when used in section 414(e).”.

(5) Section 457(e)(5) is amended to read as follows:

“(5) INCLUDIBLE COMPENSATION.—The term ‘includible compensation’ has the meaning given to the term ‘participant's compensation’ by section 415(c)(3).”.

(6) Section 402(g)(7)(B) is amended by striking “2001.” and inserting “2001.”.

(q) AMENDMENTS RELATING TO SECTION 643 OF THE ACT.—

(1) Section 401(a)(31)(C)(i) is amended by inserting “is a qualified trust which is part of a plan which is a defined contribution plan and” before “agrees”.

(2) Section 402(c)(2) is amended by adding at the end the following flush sentence:

“In the case of a transfer described in subparagraph (A) or (B), the amount transferred shall be treated as consisting first of the portion of such distribution that is includible in gross income (determined without regard to paragraph (1)).”.

(r) AMENDMENTS RELATING TO SECTION 648 OF THE ACT.—

(1) Section 417(e) is amended—

(A) in paragraph (1) by striking “exceed the dollar limit under section 411(a)(11)(A)” and inserting “exceed the amount that can be distributed without the participant's consent under section 411(a)(11)”, and

(B) in paragraph (2)(A) by striking “exceeds the dollar limit under section 411(a)(11)(A)” and inserting “exceeds the amount that can be distributed without the participant's consent under section 411(a)(11)”.

(2) Section 205(g) of the Employee Retirement Income Security Act of 1974 is amended—

(A) in paragraph (1) by striking “exceed the dollar limit under section 203(e)(1)” and inserting “exceed the amount that can be distributed without the participant's consent under section 203(e)”, and

(B) in paragraph (2)(A) by striking “exceeds the dollar limit under section 203(e)(1)” and inserting “exceeds the amount that can be distributed without the participant's consent under section 203(e)”.

(s) AMENDMENT RELATING TO SECTION 652 OF THE ACT.—Section 404(a)(1)(D)(iv) is amended by striking “PLANS MAINTAINED BY PROFESSIONAL SERVICE EMPLOYERS” and inserting “SPECIAL RULE FOR TERMINATING PLANS”.

(t) AMENDMENTS RELATING TO SECTION 657 OF THE ACT.—Section 404(c)(3) of the Employee Retirement Income Security Act of 1974 is amended—

(1) by striking “the earlier of” in subparagraph (A) the second place it appears, and

(2) by striking “if the transfer” and inserting “a transfer that”.

(u) AMENDMENTS RELATING TO SECTION 659 OF THE ACT.—

(1) Section 4980F is amended—

(A) in subsection (e)(1) by striking “written notice” and inserting “the notice described in paragraph (2)”,

(B) by amending subsection (f)(2)(A) to read as follows:

“(A) any defined benefit plan described in section 401(a) which includes a trust exempt from tax under section 501(a), or”, and

(C) in subsection (f)(3) by striking “significantly” both places it appears.

(2) Section 204(h)(9) of the Employee Retirement Income Security Act of 1974 is amended by striking “significantly” both places it appears.

(3) Section 659(c)(3)(B) of the Economic Growth and Tax Relief Reconciliation Act of 2001 is amended by striking “(or)” and inserting “(and)”.

(v) AMENDMENTS RELATING TO SECTION 661 OF THE ACT.—

(1) Section 412(c)(9)(B) is amended—

(A) in clause (ii) by striking “125 percent” and inserting “100 percent”, and

(B) by adding at the end the following new clause:

“(iv) LIMITATION.—A change in funding method to use a prior year valuation, as provided in clause (ii), may not be made unless as of the valuation date within the prior plan year, the value of the assets of the plan are not less than 125 percent of the plan's current liability (as defined in paragraph (7)(B)).”.

(2) Section 302(c)(9)(B) of the Employee Retirement Income Security Act of 1974 is amended—

(A) in clause (ii) by striking “125 percent” and inserting “100 percent”, and

(B) by adding at the end the following new clause:

“(iv) A change in funding method to use a prior year valuation, as provided in clause (ii), may not be made unless as of the valuation date within the prior plan year, the value of the assets of the plan are not less than 125 percent of the plan's current liability (as defined in paragraph (7)(B)).”.

(w) AMENDMENTS RELATING TO SECTION 662 OF THE ACT.—

(1) Section 404(k) is amended—

(A) in paragraph (1) by striking “during the taxable year”,

(B) in paragraph (2)(B) by striking “(A)(iii)” and inserting “(A)(iv)”,

(C) in paragraph (4)(B) by striking “(iii)” and inserting “(iv)”, and

(D) by redesignating subparagraph (B) of paragraph (4) (as amended by subparagraph (C)) as subparagraph (C) of paragraph (4) and by inserting after subparagraph (A) the following new subparagraph:

“(B) REINVESTMENT DIVIDENDS.—For purposes of subparagraph (A), an applicable dividend reinvested pursuant to clause (iii)(II) of paragraph (2)(A) shall be treated as paid in the taxable year of the corporation in which such dividend is reinvested in qualifying employer securities or in which the election under clause (iii) of paragraph (2)(A) is made, whichever is later.”.

(2) Section 404(k) is amended by adding at the end the following new paragraph:

“(7) FULL VESTING.—In accordance with section 411, an applicable dividend described in clause (iii)(II) of paragraph (2)(A) shall be subject to the requirements of section 411(a)(1).”.

(x) EFFECTIVE DATE.—Except as provided in subsection (c), the amendments made by this section shall take effect as if included in the provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 to which they relate.

#### SEC. 612. AMENDMENTS RELATED TO COMMUNITY RENEWAL TAX RELIEF ACT OF 2000.

(a) AMENDMENT RELATED TO SECTION 101 OF THE ACT.—Section 469(i)(3)(E) is amended by striking clauses (ii), (iii), and (iv) and inserting the following:

“(ii) second to the portion of such loss to which subparagraph (C) applies,

“(iii) third to the portion of the passive activity credit to which subparagraph (B) or (D) does not apply,

“(iv) fourth to the portion of such credit to which subparagraph (B) applies, and”.

(b) AMENDMENT RELATED TO SECTION 306 OF THE ACT.—Section 151(c)(6)(C) is amended—

(1) by striking “FOR EARNED INCOME CREDIT.—For purposes of section 32, an” and inserting “FOR PRINCIPAL PLACE OF ABODE REQUIREMENTS.—An”, and

(2) by striking “requirement of section 32(c)(3)(A)(ii)” and inserting “principal place of abode requirements of section 2(a)(1)(B), section 2(b)(1)(A), and section 32(c)(3)(A)(ii)”.

(c) AMENDMENT RELATED TO SECTION 309 OF THE ACT.—Subparagraph (A) of section 358(h)(1) is amended to read as follows:

“(A) which is assumed by another person as part of the exchange, and”.

(d) AMENDMENTS RELATED TO SECTION 401 OF THE ACT.—

(1)(A) Section 1234A is amended by inserting “or” after the comma at the end of paragraph (1), by striking “or” at the end of paragraph (2), and by striking paragraph (3).

(B)(i) Section 1234B is amended in subsection (a)(1) and in subsection (b) by striking “sale or exchange” the first place it appears in each subsection and inserting “sale, exchange, or termination”.

(ii) Section 1234B is amended by adding at the end the following new subsection:

“(f) CROSS REFERENCE.—

“For special rules relating to dealer securities futures contracts, see section 1256.”

(2) Section 1091(e) is amended—

(A) in the heading, by striking “SECURITIES.—” and inserting “SECURITIES AND SECURITIES FUTURES CONTRACTS TO SELL.—”,

(B) by inserting after “closing of a short sale of” the following: “(or a securities futures contract to sell)”,

(C) in paragraph (2), by inserting after “short sale of” the following: “(or securities futures contracts to sell)”, and

(D) by adding at the end the following:

“For purposes of this subsection, the term ‘securities futures contract’ has the meaning provided by section 1234B(c).”.

(3) Section 1233(e)(2) is amended by striking “and” at the end of subparagraph (C), by striking the period and inserting “; and” at the end of subparagraph (D), and by adding at the end the following:

“(E) entering into a securities futures contract (as so defined) to sell shall be treated as entering into a short sale, and the sale, exchange, or termination of a securities futures contract to sell shall be treated as the closing of a short sale.”.

(e) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the provisions of the Community Renewal Tax Relief Act of 2000 to which they relate.

#### SEC. 613. AMENDMENTS RELATED TO THE TAX RELIEF EXTENSION ACT OF 1999.

(a) AMENDMENTS RELATED TO SECTION 545 OF THE ACT.—Section 857(b)(7) is amended—

(1) in clause (i) of subparagraph (B), by striking “the amount of which” and inserting “to the extent the amount of the rents”, and

(2) in subparagraph (C), by striking “if the amount” and inserting “to the extent the amount”.

(b) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in section 545 of the Tax Relief Extension Act of 1999.

#### SEC. 614. AMENDMENTS RELATED TO THE TAXPAYER RELIEF ACT OF 1997.

(a) AMENDMENTS RELATED TO SECTION 311 OF THE ACT.—Section 311(e) of the Taxpayer Relief Act of 1997 (Public Law 105-34; 111 Stat. 836) is amended—

(1) in paragraph (2)(A), by striking “recognized” and inserting “included in gross income”, and

(2) by adding at the end the following new paragraph:

“(5) DISPOSITION OF INTEREST IN PASSIVE ACTIVITY.—Section 469(g)(1)(A) of the Internal Revenue Code of 1986 shall not apply by reason of an election made under paragraph (1).”.

(b) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in section 311 of the Taxpayer Relief Act of 1997.

#### SEC. 615. AMENDMENT RELATED TO THE BALANCED BUDGET ACT OF 1997.

(a) AMENDMENT RELATED TO SECTION 4006 OF THE ACT.—Section 26(b)(2) is amended by striking “and” at the end of subparagraph (P), by striking the period and inserting “, and” at the end of subparagraph (Q), and by adding at the end the following new subparagraph:

“(R) section 138(c)(2) (relating to penalty for distributions from Medicare+Choice MSA not used for qualified medical expenses if minimum balance not maintained).”.

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect as if included in section 4006 of the Balanced Budget Act of 1997.

#### SEC. 616. OTHER TECHNICAL CORRECTIONS.

(a) COORDINATION OF ADVANCED PAYMENTS OF EARNED INCOME CREDIT.—

(1) Section 32(g)(2) is amended by striking “subpart” and inserting “part”.

(2) The amendment made by this subsection shall take effect as if included in section 474 of the Tax Reform Act of 1984.

(b) DISCLOSURE BY SOCIAL SECURITY ADMINISTRATION TO FEDERAL CHILD SUPPORT AGENCIES.—

(1) Section 6103(l)(8) is amended—

(A) in the heading, by striking “STATE AND LOCAL” and inserting “FEDERAL, STATE, AND LOCAL”, and

(B) in subparagraph (A), by inserting “Federal or” before “State or local”.

(2) The amendments made by this subsection shall take effect on the date of the enactment of this Act.

(c) TREATMENT OF SETTLEMENTS UNDER PARTNERSHIP AUDIT RULES.—

(1) The following provisions are each amended by inserting “or the Attorney General (or his delegate)” after “Secretary” each place it appears:

(A) Paragraphs (1) and (2) of section 6224(c).

(B) Section 6229(f)(2).

(C) Section 6231(b)(1)(C).

(D) Section 6234(g)(4)(A).

(2) The amendments made by this subsection shall apply with respect to settlement agreements entered into after the date of the enactment of this Act.

(d) AMENDMENT RELATED TO PROCEDURE AND ADMINISTRATION.—

(1) Section 6331(k)(3) (relating to no levy while certain offers pending or installment agreement pending or in effect) is amended to read as follows:

“(3) CERTAIN RULES TO APPLY.—Rules similar to the rules of—

“(A) paragraphs (3) and (4) of subsection (i), and

“(B) except in the case of paragraph (2)(C), paragraph (5) of subsection (i), shall apply for purposes of this subsection.”.

(2) The amendment made by this subsection shall take effect on the date of the enactment of this Act.

(e) MODIFIED ENDOWMENT CONTRACTS.—Paragraph (2) of section 318(a) of the Community Renewal Tax Relief Act of 2000 (114 Stat. 2763A-645) is repealed, and clause (ii) of section 7702A(c)(3)(A) shall read and be applied as if the amendment made by such paragraph had not been enacted.

#### SEC. 617. CLERICAL AMENDMENTS.

(1) The subsection (g) of section 25B that relates to termination is redesignated as subsection (h).

(2) Section 51A(c)(1) is amended by striking “51(d)(10)” and inserting “51(d)(11)”.

(3) Section 172(b)(1)(F)(i) is amended—

(A) by striking “3 years” and inserting “3 taxable years”, and

(B) by striking “2 years” and inserting “2 taxable years”.

(4) Section 351(h)(1) is amended by inserting a comma after “liability”.

(5) Section 741 is amended by striking “which have appreciated substantially in value”.

(6) Section 857(b)(7)(B)(i) is amended by striking “subsection 856(d)” and inserting “section 856(d)”.

(7) Section 1394(c)(2) is amended by striking “subparagraph (A)” and inserting “paragraph (1)”.

(8)(A) Section 6227(d) is amended by striking “subsection (b)” and inserting “subsection (c)”.

(B) Section 6228 is amended—

(i) in subsection (a)(1), by striking “subsection (b) of section 6227” and inserting “subsection (c) of section 6227”,

(ii) in subsection (a)(3)(A), by striking “subsection (b) of”, and

(iii) in subsections (b)(1) and (b)(2)(A), by striking “subsection (c) of section 6227” and inserting “subsection (d) of section 6227”.

(C) Section 6231(b)(2)(B)(i) is amended by striking “section 6227(c)” and inserting “section 6227(d)”.

(9) Section 1221(b)(1)(B)(i) is amended by striking “1256(b))” and inserting “1256(b)))”.

(10) Section 618(b)(2) of the Economic Growth and Tax Relief Reconciliation Act of 2001 (Public Law 107-16; 115 Stat. 108) is amended—

(A) in subparagraph (A) by striking “203(d)” and inserting “202(f)”, and

(B) in subparagraphs (C), (D), and (E) by striking “203” and inserting “202(f)”.

(11)(A) Section 525 of the Ticket to Work and Work Incentives Improvement Act of 1999 (Public Law 106-170; 113 Stat. 1928) is

amended by striking “7200” and inserting “7201”.

(B) Section 532(c)(2) of such Act (113 Stat. 1930) is amended—

(i) in subparagraph (D), by striking “341(d)(3)” and inserting “341(d)”, and

(ii) in subparagraph (Q), by striking “954(c)(1)(B)(iii) and inserting “954(c)(1)(B)”.

#### SEC. 618. ADDITIONAL CORRECTIONS.

(a) AMENDMENTS RELATED TO SECTION 202 OF THE ECONOMIC GROWTH AND TAX RELIEF RECONCILIATION ACT OF 2001.—

(1) Subsection (h) of section 23 is amended—

(A) by striking “subsection (a)(1)(B)” and inserting “subsection (a)(3)”, and

(B) by adding at the end the following new flush sentence:

“If any amount as increased under the preceding sentence is not a multiple of \$10, such amount shall be rounded to the nearest multiple of \$10.”

(2) Subsection (f) of section 137 is amended by adding at the end the following new flush sentence:

“If any amount as increased under the preceding sentence is not a multiple of \$10, such amount shall be rounded to the nearest multiple of \$10.”

(b) AMENDMENTS RELATED TO SECTION 204 OF THE ECONOMIC GROWTH AND TAX RELIEF RECONCILIATION ACT OF 2001.—Section 21(d)(2) is amended—

(1) in subparagraph (A) by striking “\$200” and inserting “\$250”, and

(2) in subparagraph (B) by striking “\$400” and inserting “\$500”.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 to which they relate.

#### TITLE VII—UNEMPLOYMENT ASSISTANCE

##### SEC. 701. SHORT TITLE.

This title may be cited as the “Temporary Extended Unemployment Compensation Act of 2001”.

##### SEC. 702. FEDERAL-STATE AGREEMENTS.

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

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

(1) have exhausted all rights to regular compensation under the State law or under Federal law with respect to a benefit year (excluding any benefit year that ended before March 15, 2001);

(2) have no rights to regular compensation or extended compensation with respect to a week under such law or any other State unemployment compensation law or to compensation under any other Federal law;

(3) are not receiving compensation with respect to such week under the unemployment compensation law of Canada; and

(4) filed an initial claim for regular compensation on or after March 15, 2001.

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

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

(2) such individual's rights to such compensation have been terminated by reason of the expiration of the benefit year with respect to which such rights existed.

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

(1) the amount of temporary extended unemployment compensation which shall be payable to any individual for any week of total unemployment shall be equal to the amount of the regular compensation (including dependents' allowances) payable to such individual during such individual's benefit year under the State law for a week of total unemployment;

(2) the terms and conditions of the State law which apply to claims for regular compensation and to the payment thereof shall apply to claims for temporary extended unemployment compensation and the payment thereof, except—

(A) that an individual shall not be eligible for temporary extended unemployment compensation under this title unless, in the base period with respect to which the individual exhausted all rights to regular compensation under the State law, the individual had 20 weeks of full-time insured employment or the equivalent in insured wages, as determined under the provisions of the State law implementing section 202(a)(5) of the Federal-State Extended Unemployment Compensation Act of 1970 (26 U.S.C. 3304 note); and

(B) where otherwise inconsistent with the provisions of this title or with the regulations or operating instructions of the Secretary promulgated to carry out this title; and

(3) the maximum amount of temporary extended unemployment compensation payable to any individual for whom a temporary extended unemployment compensation account is established under section 703 shall not exceed the amount established in such account for such individual.

(e) ELECTION BY STATES.—Notwithstanding any other provision of Federal law (and if State law permits), the Governor of a State that is in an extended benefit period may provide for the payment of temporary extended unemployment compensation in lieu of extended compensation to individuals who otherwise meet the requirements of this section. Such an election shall not require a State to trigger off an extended benefit period.

##### SEC. 703. TEMPORARY EXTENDED UNEMPLOYMENT COMPENSATION ACCOUNT.

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

(b) AMOUNT IN ACCOUNT.—

(1) IN GENERAL.—The amount established in an account under subsection (a) shall be equal to the lesser of—

(A) 50 percent of the total amount of regular compensation (including dependents' allowances) payable to the individual during the individual's benefit year under such law, or

(B) 13 times the individual's average weekly benefit amount for the benefit year.

(2) REDUCTION FOR EXTENDED BENEFITS.—The amount in an account under paragraph (1) shall be reduced (but not below zero) by the aggregate amount of extended compensation (if any) received by such individual relating to the same benefit year under the Federal-State Extended Unemployment Compensation Act of 1970 (26 U.S.C. 3304 note).

(3) WEEKLY BENEFIT AMOUNT.—For purposes of this subsection, an individual's weekly benefit amount for any week is the amount of regular compensation (including dependents' allowances) under the State law payable to such individual for such week for total unemployment.

##### SEC. 704. PAYMENTS TO STATES HAVING AGREEMENTS FOR THE PAYMENT OF TEMPORARY EXTENDED UNEMPLOYMENT COMPENSATION.

(a) GENERAL RULE.—There shall be paid to each State that has entered into an agreement under this title an amount equal to 100 percent of the temporary extended unemployment compensation paid to individuals by the State pursuant to such agreement.

(b) TREATMENT OF REIMBURSABLE COMPENSATION.—No payment shall be made to any State under this section in respect of any compensation to the extent the State is entitled to reimbursement in respect of such compensation under the provisions of any Federal law other than this title or chapter 85 of title 5, United States Code. A State shall not be entitled to any reimbursement under such chapter 85 in respect of any compensation to the extent the State is entitled to reimbursement under this title in respect of such compensation.

(c) DETERMINATION OF AMOUNT.—Sums payable to any State by reason of such State having an agreement under this title shall be payable, either in advance or by way of reimbursement (as may be determined by the Secretary), in such amounts as the Secretary estimates the State will be entitled to receive under this title for each calendar month, reduced or increased, as the case may be, by any amount by which the Secretary finds that the Secretary's estimates for any prior calendar month were greater or less than the amounts which should have been paid to the State. Such estimates may be made on the basis of such statistical, sampling, or other method as may be agreed upon by the Secretary and the State agency of the State involved.

##### SEC. 705. FINANCING PROVISIONS.

(a) IN GENERAL.—Funds in the extended unemployment compensation account (as established by section 905(a) of the Social Security Act (42 U.S.C. 1105(a)) of the Unemployment Trust Fund (as established by section 904(a) of such Act (42 U.S.C. 1104(a))) shall be used for the making of payments to States having agreements entered into under this title.

(b) CERTIFICATION.—The Secretary shall from time to time certify to the Secretary of the Treasury for payment to each State the sums payable to such State under this title. The Secretary of the Treasury, prior to audit or settlement by the General Accounting Office, shall make payments to the State in accordance with such certification, by transfers from the extended unemployment compensation account (as so established) to the account of such State in the Unemployment Trust Fund (as so established).

(c) ASSISTANCE TO STATES.—There are appropriated out of the employment security administration account (as established by section 901(a) of the Social Security Act (42 U.S.C. 1101(a)) of the Unemployment Trust Fund, without fiscal year limitation, such funds as may be necessary for purposes of assisting States (as provided in title III of the Social Security Act (42 U.S.C. 501 et seq.)) in meeting the costs of administration of agreements under this title.

(d) APPROPRIATIONS FOR CERTAIN PAYMENTS.—There are appropriated from the general fund of the Treasury, without fiscal year limitation, to the extended unemployment compensation account (as so established) of the Unemployment Trust Fund (as so established) such sums as the Secretary

estimates to be necessary to make the payments under this section in respect of—

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

(2) compensation payable on the basis of services to which section 3309(a)(1) of the Internal Revenue Code of 1986 applies. Amounts appropriated pursuant to the preceding sentence shall not be required to be repaid.

#### SEC. 706. FRAUD AND OVERPAYMENTS.

(a) IN GENERAL.—If an individual knowingly has made, or caused to be made by another, a false statement or representation of a material fact, or knowingly has failed, or caused another to fail, to disclose a material fact, and as a result of such false statement or representation or of such nondisclosure such individual has received an amount of temporary extended unemployment compensation under this title to which he was not entitled, such individual—

(1) shall be ineligible for further temporary extended unemployment compensation under this title in accordance with the provisions of the applicable State unemployment compensation law relating to fraud in connection with a claim for unemployment compensation; and

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

(b) REPAYMENT.—In the case of individuals who have received amounts of temporary extended unemployment compensation under this title to which they were not entitled, the State shall require such individuals to repay the amounts of such temporary extended unemployment compensation to the State agency, except that the State agency may waive such repayment if it determines that—

(1) the payment of such temporary extended unemployment compensation was without fault on the part of any such individual; and

(2) such repayment would be contrary to equity and good conscience.

#### (c) RECOVERY BY STATE AGENCY.—

(1) IN GENERAL.—The State agency may recover the amount to be repaid, or any part thereof, by deductions from any temporary extended unemployment compensation payable to such individual under this title or from any unemployment compensation payable to such individual under any Federal unemployment compensation law administered by the State agency or under any other Federal law administered by the State agency which provides for the payment of any assistance or allowance with respect to any week of unemployment, during the 3-year period after the date such individuals received the payment of the temporary extended unemployment compensation to which they were not entitled, except that no single deduction may exceed 50 percent of the weekly benefit amount from which such deduction is made.

(2) OPPORTUNITY FOR HEARING.—No repayment shall be required, and no deduction shall be made, until a determination has been made, notice thereof and an opportunity for a fair hearing has been given to the individual, and the determination has become final.

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

#### SEC. 707. DEFINITIONS.

In this title, the terms “compensation”, “regular compensation”, “extended compensation”, “additional compensation”, “benefit year”, “base period”, “State”, “State agency”, “State law”, and “week”

have the respective meanings given such terms under section 205 of the Federal-State Extended Unemployment Compensation Act of 1970 (26 U.S.C. 3304 note).

#### SEC. 708. APPLICABILITY.

An agreement entered into under this title shall apply to weeks of unemployment—

(1) beginning after the date on which such agreement is entered into; and

(2) ending before January 1, 2003.

#### SEC. 709. SPECIAL REED ACT TRANSFER IN FISCAL YEAR 2002.

(a) REPEAL OF CERTAIN PROVISIONS ADDED BY THE BALANCED BUDGET ACT OF 1997.—

(1) IN GENERAL.—The following provisions of section 903 of the Social Security Act (42 U.S.C. 1103) are repealed:

(A) Paragraph (3) of subsection (a).

(B) The last sentence of subsection (c)(2).

(2) SAVINGS PROVISION.—Any amounts transferred before the date of enactment of this Act under the provision repealed by paragraph (1)(A) shall remain subject to section 903 of the Social Security Act, as last in effect before such date of enactment.

(b) SPECIAL TRANSFER IN FISCAL YEAR 2002.—Section 903 of the Social Security Act is amended by adding at the end the following:

#### “Special Transfer in Fiscal Year 2002

“(d)(1) The Secretary of the Treasury shall transfer (as of the date determined under paragraph (5)) from the Federal unemployment account to the account of each State in the Unemployment Trust Fund the amount determined with respect to such State under paragraph (2).

“(2) The amount to be transferred under this subsection to a State account shall (as determined by the Secretary of Labor and certified by such Secretary to the Secretary of the Treasury) be equal to—

“(A) the amount which would have been required to have been transferred under this section to such account at the beginning of fiscal year 2002 if—

“(i) section 709(a)(1) of the Temporary Extended Unemployment Compensation Act of 2001 had been enacted before the close of fiscal year 2001, and

“(ii) section 5402 of Public Law 105-33 (relating to increase in Federal unemployment account ceiling) had not been enacted, minus

“(B) the amount which was in fact transferred under this section to such account at the beginning of fiscal year 2002.

“(3)(A) Except as provided in paragraph (4), amounts transferred to a State account pursuant to this subsection may be used only in the payment of cash benefits—

“(i) to individuals with respect to their unemployment, and

“(ii) which are allowable under subparagraph (B) or (C).

“(B)(i) At the option of the State, cash benefits under this paragraph may include amounts which shall be payable as—

“(I) regular compensation, or

“(II) additional compensation, upon the exhaustion of any temporary extended unemployment compensation (if such State has entered into an agreement under the Temporary Extended Unemployment Compensation Act of 2001), for individuals eligible for regular compensation under the unemployment compensation law of such State.

“(ii) Any additional compensation under clause (i) may not be taken into account for purposes of any determination relating to the amount of any extended compensation for which an individual might be eligible.

“(C)(i) At the option of the State, cash benefits under this paragraph may include amounts which shall be payable to 1 or more categories of individuals not otherwise eligible for regular compensation under the un-

employment compensation law of such State, including those described in clause (iii).

“(ii) The benefits paid under this subparagraph to any individual may not, for any period of unemployment, exceed the maximum amount of regular compensation authorized under the unemployment compensation law of such State for that same period, plus any additional compensation (described in subparagraph (B)(i)) which could have been paid with respect to that amount.

“(iii) The categories of individuals described in this clause include the following:

“(I) Individuals who are seeking, or available for, only part-time (and not full-time) work.

“(II) Individuals who would be eligible for regular compensation under the unemployment compensation law of such State under an alternative base period.

“(D) Amounts transferred to a State account under this subsection may be used in the payment of cash benefits to individuals only for weeks of unemployment beginning after the date of enactment of this subsection.

“(4) Amounts transferred to a State account under this subsection may be used for the administration of its unemployment compensation law and public employment offices (including in connection with benefits described in paragraph (3) and any recipients thereof), subject to the same conditions as set forth in subsection (c)(2) (excluding subparagraph (B) thereof, and deeming the reference to ‘subsections (a) and (b)’ in subparagraph (D) thereof to include this subsection).

“(5) Transfers under this subsection shall be made by December 31, 2001, unless this paragraph is not enacted until after that date, in which case such transfers shall be made within 10 days after the date of enactment of this paragraph.”

(c) LIMITATIONS ON TRANSFERS.—Section 903(b) of the Social Security Act shall apply to transfers under section 903(d) of such Act (as amended by this section). For purposes of the preceding sentence, such section 903(b) shall be deemed to be amended as follows:

(1) By substituting “the transfer date described in subsection (d)(5)” for “October 1 of any fiscal year”.

(2) By substituting “remain in the Federal unemployment account” for “be transferred to the Federal unemployment account as of the beginning of such October 1”.

(3) By substituting “fiscal year 2002 (after the transfer date described in subsection (d)(5))” for “the fiscal year beginning on such October 1”.

(4) By substituting “under subsection (d)” for “as of October 1 of such fiscal year”.

(5) By substituting “(as of the close of fiscal year 2002)” for “(as of the close of such fiscal year)”.

(d) TECHNICAL AMENDMENTS.—(1) Sections 3304(a)(4)(B) and 3306(f)(2) of the Internal Revenue Code of 1986 are amended by inserting “or 903(d)(4)” before “of the Social Security Act”.

(2) Section 303(a)(5) of the Social Security Act is amended in the second proviso by inserting “or 903(d)(4)” after “903(c)(2)”.

(e) REGULATIONS.—The Secretary of Labor may prescribe any operating instructions or regulations necessary to carry out this section and the amendments made by this section.

#### TITLE VIII—DISPLACED WORKER HEALTH INSURANCE CREDIT

#### SEC. 801. DISPLACED WORKER HEALTH INSURANCE CREDIT.

(a) IN GENERAL.—Subchapter B of chapter 65 is amended by inserting after section 6428 the following new section:

**"SEC. 6429. DISPLACED WORKER HEALTH INSURANCE CREDIT.**

"(a) IN GENERAL.—In the case of an individual, there shall be allowed as a credit against the tax imposed by subtitle A an amount equal to 60 percent of the amount paid during the taxable year for coverage for the taxpayer, the taxpayer's spouse, and dependents of the taxpayer under qualified health insurance during eligible coverage months.

"(b) ONLY 12 ELIGIBLE COVERAGE MONTHS.—The number of eligible coverage months taken into account under subsection (a) for all taxable years shall not exceed 12.

"(c) ELIGIBLE COVERAGE MONTH.—For purposes of this section—

"(1) IN GENERAL.—The term 'eligible coverage month' means any month during 2002 or 2003 if, as of the first day of such month—

"(A) the taxpayer is unemployed,

"(B) the taxpayer is covered by qualified health insurance,

"(C) the premium for coverage under such insurance for such month is paid by the taxpayer, and

"(D) the taxpayer does not have other specified coverage.

"(2) SPECIAL RULES.—

"(A) TREATMENT OF FIRST MONTH OF EMPLOYMENT.—The taxpayer shall be treated as meeting the requirement of paragraph (1)(A) for the first month beginning on or after the date that the taxpayer ceases to be unemployed by reason of beginning work for an employer.

"(B) INITIAL CLAIM MUST BE AFTER MARCH 15, 2001.—The taxpayer shall not be treated as meeting the requirement of paragraph (1)(A) with respect to any unemployment if the initial claim for regular compensation for such unemployment is filed on or before March 15, 2001.

"(C) JOINT RETURNS.—In the case of a joint return, the requirements of paragraph (1) shall be treated as met if at least 1 spouse satisfies such requirements.

"(3) OTHER SPECIFIED COVERAGE.—For purposes of this subsection, an individual has other specified coverage for any month if, as of the first day of such month—

"(A) SUBSIDIZED COVERAGE.—

"(i) IN GENERAL.—Such individual is covered under any qualified health insurance under which at least 50 percent of the cost of coverage (determined under section 4980B) is paid or incurred by an employer (or former employer) of the taxpayer or the taxpayer's spouse.

"(ii) TREATMENT OF CAFETERIA PLANS AND FLEXIBLE SPENDING ACCOUNTS.—For purposes of clause (i), the cost of benefits—

"(I) which are chosen under a cafeteria plan (as defined in section 125(d)), or provided under a flexible spending or similar arrangement, of such an employer, and

"(II) which are not includible in gross income under section 106,

shall be treated as borne by such employer.

"(B) COVERAGE UNDER MEDICARE, MEDICAID, OR SCHIP.—Such individual—

"(i) is entitled to benefits under part A of title XVIII of the Social Security Act or is enrolled under part B of such title, or

"(ii) is enrolled in the program under title XIX or XXI of such Act.

"(C) CERTAIN OTHER COVERAGE.—Such individual—

"(i) is enrolled in a health benefits plan under chapter 89 of title 5, United States Code, or

"(ii) is entitled to receive benefits under chapter 55 of title 10, United States Code.

"(4) DETERMINATION OF UNEMPLOYMENT.—For purposes of paragraph (1), an individual shall be treated as unemployed during any period—

"(A) for which such individual is receiving unemployment compensation (as defined in section 85(b)), or

"(B) for which such individual is certified by a State agency (or by any other entity designated by the Secretary) as otherwise being entitled to receive unemployment compensation (as so defined) but for—

"(i) the termination of the period during which such compensation was payable, or

"(ii) an exhaustion of such individual's rights to such compensation.

"(d) QUALIFIED HEALTH INSURANCE.—For purposes of this section, the term 'qualified health insurance' means insurance which constitutes medical care; except that such term shall not include any insurance if substantially all of its coverage is of excepted benefits described in section 9832(c).

"(e) COORDINATION WITH ADVANCE PAYMENTS OF CREDIT.—

"(1) RECAPTURE OF EXCESS ADVANCE PAYMENTS.—If any payment is made by the Secretary under section 7527 during any calendar year to a provider of qualified health insurance for an individual, then the tax imposed by this chapter for the individual's last taxable year beginning in such calendar year shall be increased by the aggregate amount of such payments.

"(2) RECONCILIATION OF PAYMENTS ADVANCED AND CREDIT ALLOWED.—Any increase in tax under paragraph (1) shall not be treated as tax imposed by this chapter for purposes of determining the amount of any credit (other than the credit allowed by subsection (a)) allowable under part IV of subchapter A of chapter 1.

"(f) SPECIAL RULES.—

"(1) COORDINATION WITH OTHER DEDUCTIONS.—Amounts taken into account under subsection (a) shall not be taken into account in determining any deduction allowed under section 162(l) or 213.

"(2) MSA DISTRIBUTIONS.—Amounts distributed from an Archer MSA (as defined in section 220(d)) shall not be taken into account under subsection (a).

"(3) DENIAL OF CREDIT TO DEPENDENTS.—No credit shall be allowed under this section to any individual with respect to whom a deduction under section 151 is allowable to another taxpayer for a taxable year beginning in the calendar year in which such individual's taxable year begins.

"(4) CREDIT TREATED AS REFUNDABLE CREDIT.—For purposes of this title, the credit allowed under this section shall be treated as a credit allowable under subpart C of part IV of subchapter A of chapter 1.

"(5) REGULATIONS.—The Secretary may prescribe such regulations and other guidance as may be necessary or appropriate to carry out this section and section 7527."

(b) INCREASED ACCESS TO HEALTH INSURANCE FOR INDIVIDUALS ELIGIBLE FOR TAX CREDIT.—Notwithstanding any other provision of law, in applying section 2741 of the Public Health Service Act (42 U.S.C. 300gg-41) and any alternative State mechanism under section 2744 of such Act (42 U.S.C. 300gg-44), in determining who is an eligible individual (as defined in section 2741(b) of such Act) in the case of an individual who may be covered by insurance for which credit is allowable under section 6429 of the Internal Revenue Code of 1986 for an eligible coverage month, if the individual seeks to obtain health insurance coverage under such section during an eligible coverage month under such section—

(1) paragraph (1) of such section 2741(b) shall be applied as if any reference to 18 months is deemed a reference to 12 months, and

(2) paragraphs (4) and (5) of such section 2741(b) shall not apply.

(c) INFORMATION REPORTING.—

(1) IN GENERAL.—Subpart B of part III of subchapter A of chapter 61 (relating to information concerning transactions with other persons) is amended by inserting after section 6050S the following new section:

**"SEC. 6050T. RETURNS RELATING TO DISPLACED WORKER HEALTH INSURANCE CREDIT.**

"(a) REQUIREMENT OF REPORTING.—Every person—

"(1) who, in connection with a trade or business conducted by such person, receives payments during any calendar year from any individual for coverage of such individual or any other individual under qualified health insurance (as defined in section 6429(d)), and

"(2) who claims a reimbursement for an advance credit amount,

shall, at such time as the Secretary may prescribe, make the return described in subsection (b) with respect to each individual from whom such payments were received or for whom such a reimbursement is claimed.

"(b) FORM AND MANNER OF RETURNS.—A return is described in this subsection if such return—

"(1) is in such form as the Secretary may prescribe, and

"(2) contains—

"(A) the name, address, and TIN of each individual referred to in subsection (a),

"(B) the aggregate of the advance credit amounts provided to such individual and for which reimbursement is claimed,

"(C) the number of months for which such advance credit amounts are so provided, and

"(D) such other information as the Secretary may prescribe.

"(c) STATEMENTS TO BE FURNISHED TO INDIVIDUALS WITH RESPECT TO WHOM INFORMATION IS REQUIRED.—Every person required to make a return under subsection (a) shall furnish to each individual whose name is required to be set forth in such return a written statement showing—

"(1) the name and address of the person required to make such return and the phone number of the information contact for such person, and

"(2) the information required to be shown on the return with respect to such individual.

The written statement required under the preceding sentence shall be furnished on or before January 31 of the year following the calendar year for which the return under subsection (a) is required to be made.

"(d) ADVANCE CREDIT AMOUNT.—For purposes of this section, the term 'advance credit amount' means an amount for which the person can claim a reimbursement pursuant to a program established by the Secretary under section 7527."

(2) ASSESSMENT PENALTIES.—

(A) Subparagraph (B) of section 6724(d)(1) (relating to definitions) is amended by redesignating clauses (xi) through (xvii) as clauses (xii) through (xviii), respectively, and by inserting after clause (x) the following new clause:

"(xi) section 6050T (relating to returns relating to displaced worker health insurance credit)."

(B) Paragraph (2) of section 6724(d) is amended by striking "or" at the end of subparagraph (Z), by striking the period at the end of subparagraph (AA) and inserting ", or", and by adding after subparagraph (AA) the following new subparagraph:

"(BB) section 6050T (relating to returns relating to displaced worker health insurance credit)." returns relating to payments for qualified health insurance."

(3) CLERICAL AMENDMENT.—The table of sections for subpart B of part III of subchapter A of chapter 61 is amended by inserting after the item relating to section 6050S the following new item:

"Sec. 6050T. Returns relating to displaced worker health insurance credit."

(d) CONFORMING AMENDMENTS.—

(1) Paragraph (2) of section 1324(b) of title 31, United States Code, is amended by inserting before the period " , or from section 6429 of such Code".

(2) The table of sections for subchapter B of chapter 65 is amended by adding at the end the following new item:

"Sec. 6429. Displaced worker health insurance credit."

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

#### **SEC. 802. ADVANCE PAYMENT OF DISPLACED WORKER HEALTH INSURANCE CREDIT.**

(a) IN GENERAL.—Chapter 77 (relating to miscellaneous provisions) is amended by adding at the end the following new section:

#### **"SEC. 7527. ADVANCE PAYMENT OF DISPLACED WORKER HEALTH INSURANCE CREDIT."**

"(a) GENERAL RULE.—The Secretary shall establish a program for making payments on behalf of eligible individuals to providers of health insurance for such individuals.

"(b) ELIGIBLE INDIVIDUAL.—For purposes of this section, the term 'eligible individual' means any individual for whom a qualified health insurance credit eligibility certificate is in effect.

"(c) QUALIFIED HEALTH INSURANCE CREDIT ELIGIBILITY CERTIFICATE.—For purposes of this section, a qualified health insurance credit eligibility certificate is a statement certified by a State agency (or by any other entity designated by the Secretary) which—

"(1) certifies that the individual was unemployed (within the meaning of section 6429) as of the first day of any month, and

"(2) provides such other information as the Secretary may require for purposes of this section."

(c) CLERICAL AMENDMENT.—The table of sections for chapter 77 is amended by adding at the end the following new item:

"Sec. 7527. Advance payment of displaced worker health insurance credit."

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of the enactment of this Act.

#### **TITLE IX—EMPLOYMENT AND TRAINING ASSISTANCE AND TEMPORARY HEALTH CARE COVERAGE ASSISTANCE**

#### **SEC. 901. EMPLOYMENT AND TRAINING ASSISTANCE AND TEMPORARY HEALTH CARE COVERAGE ASSISTANCE.**

(a) IN GENERAL.—Section 173(a) of the Workforce Investment Act of 1998 (29 U.S.C. 2918(a)) is amended—

(1) in paragraph (2), by striking "and" at the end;

(2) in paragraph (3), by striking the period at the end and inserting " ; and"; and

(3) by adding at the end the following:

"(4) to the Governor of any State or outlying area who applies for assistance under subsection (f) to provide employment and training assistance and temporary health care coverage assistance to workers affected by major economic dislocations, such as plant closures, mass layoffs, or multiple layoffs, including those dislocations caused by the terrorist attacks of September 11, 2001."

(b) REQUIREMENTS.—Section 173 of the Workforce Investment Act of 1998 (29 U.S.C. 2918) is amended by adding at the end the following:

"(f) ADDITIONAL RELIEF FOR MAJOR ECONOMIC DISLOCATIONS.—

"(1) GRANT RECIPIENT ELIGIBILITY.—

"(A) IN GENERAL.—To be eligible to receive a grant under subsection (a)(4), a Governor

shall submit an application, for assistance described in subparagraph (B), to the Secretary at such time, in such manner, and containing such information as the Secretary may require.

"(B) TYPES OF ASSISTANCE.—

"(i) IN GENERAL.—Assistance described in this subparagraph is—

"(I) employment and training assistance, including employment and training activities described in section 134; and

"(II) temporary health care coverage assistance described in paragraph (4).

"(ii) MINIMUM ALLOCATION TO TEMPORARY HEALTH CARE COVERAGE ASSISTANCE.—Not less than 30 percent of the cost of assistance requested in any application submitted under this subsection shall consist of the cost for temporary health care coverage assistance described in paragraph (4).

"(iii) ENCOURAGEMENT OF CERTAIN TYPES OF HEALTH CARE COVERAGE.—In publishing requirements for applications under this subsection, the Secretary shall encourage the use of private health coverage alternatives.

"(C) MINIMUM AWARD REQUIREMENT FOR ELIGIBLE STATES AND OUTLYING AREAS.—

"(i) REQUIREMENTS.—In any case in which the requirements of this section are met in connection with one or more applications of the Governor of any State or outlying area for assistance described in subparagraph (B), the Governor—

"(I) shall be awarded at least 1 grant under subsection (a)(4) pursuant to such applications, and

"(II) except as provided in clause (ii), shall be awarded not less than \$5,000,000 in total grants awarded under (a)(4).

"(ii) EXCEPTION TO MINIMUM GRANT REQUIREMENTS.—The Secretary may award to a Governor a total amount less than the minimum total amount specified in clause (i)(II), as appropriate, if the Governor—

"(I) requests less than such minimum total amount, or

"(II) fails to demonstrate to the Secretary that there are a sufficient number of eligible recipients to justify the awarding of grants in such minimum total amount.

"(2) STATE ADMINISTRATION.—The Governor may designate one or more local workforce investment boards or other entities with the capability to respond to the circumstances relating to the particular closure, layoff, or other dislocation to administer the grant under subsection (a)(4).

"(3) PARTICIPANT ELIGIBILITY.—An individual shall be eligible to receive assistance described in paragraph (1)(B) under a grant awarded under subsection (a)(4) if such individual is a dislocated worker and the Governor has certified that a major economic dislocation, such as a plant closure, mass layoff, or multiple layoff, including a dislocation caused by the terrorist attacks of September 11, 2001, contributed importantly to the dislocation.

"(4) TEMPORARY HEALTH CARE COVERAGE ASSISTANCE.—

"(A) IN GENERAL.—Temporary health care coverage assistance described in this paragraph consists of health care coverage premium assistance provided to qualified individuals under this paragraph with respect to premiums for coverage for themselves, for their spouses, for their dependents, or for any combination thereof, other than premiums for excluded health insurance coverage.

"(B) QUALIFIED INDIVIDUALS.—For purposes of this paragraph—

"(i) IN GENERAL.—Subject to clause (ii), a qualified individual is an individual who—

"(I) is a dislocated worker referred to in paragraph (3) with respect to whom the Governor has made the certification regarding

the dislocation as required under such paragraph, and

"(II) is receiving or has received employment and training assistance as described in paragraph (1)(B)(i)(I).

"(ii) LIMITATION.—An individual shall not be treated as a qualified individual if—

"(I) such individual is eligible for coverage under the program under title XIX of the Social Security Act applicable in the State or outlying area, or

"(II) such individual is eligible for coverage under the program under title XXI of such Act applicable in the State or outlying area, unless such eligibility is effective solely in connection with eligibility for health care coverage premium assistance under a program established by the Governor in connection with temporary health care coverage assistance received under this subsection.

"(iii) CONSTRUCTION.—

"(I) PERMITTING COVERAGE THROUGH ENROLLMENT IN MEDICAID OR SCHIP.—Nothing in this subsection shall be construed as preventing a State from using funds made available by reason of subsection (a)(4) to provide health care coverage through enrollment in the program under title XIX (relating to medicaid) or in the program under title XXI (relating to SCHIP) of the Social Security Act, but only in the case of individuals who are not otherwise eligible for coverage under either such program.

"(II) NOT AFFECTING ELIGIBILITY FOR ASSISTANCE.—An individual shall not be treated for purposes of this subsection as being eligible for coverage under either such program (and thereby not eligible for assistance under this subsection) merely on the basis that the State provides assistance under this subsection through coverage under either such program.

"(C) LIMITATION ON ENTITLEMENT.—Nothing in this subsection shall be construed as establishing any entitlement of qualified individuals to premium assistance under this subsection.

"(D) CONCURRENCE AND CONSULTATION.—In connection with any temporary health care coverage assistance provided pursuant to this paragraph—

"(i) if the Secretary determines that health care coverage premium assistance provided through title XIX or XXI of the Social Security Act is a substantial component of the assistance provided, the Secretary shall act in concurrence with the Secretary of Health and Human Services, and

"(ii) in any other case, the Secretary shall consult with the Secretary of Health and Human Services to the extent that such assistance affects programs administered by or under the Secretary of Health and Human Services.

"(E) USE OF FUNDS.—Temporary health care coverage assistance provided pursuant to this subsection shall supplement and may not supplant any other State or local funds used to provide health care coverage and may not be included in determining the amount of non-Federal contributions required under any program.

"(F) DEFINITIONS.—For purposes of this paragraph—

"(i) EXCLUDED HEALTH CARE COVERAGE.—The term 'excluded health care coverage' means coverage under—

"(I) title XVIII of the Social Security Act,

"(II) chapter 55 of title 10, United States Code,

"(III) chapter 17 of title 38, United States Code,

"(IV) chapter 89 of title 5, United States Code (other than coverage which is comparable to continuation coverage under section 4980B of the Internal Revenue Code of 1986), or

“(V) the Indian Health Care Improvement Act.

Such term also includes coverage under a qualified long-term care insurance contract and excepted benefits described in section 733(c) of the Employee Retirement Income Security Act of 1974.

“(ii) PREMIUM.—The term ‘premium’ means, in connection with health care coverage, the premium which would (but for this section) be charged for the cost of coverage.

“(5) APPROPRIATIONS.—

“(A) IN GENERAL.—There is hereby appropriated, from any amounts in the Treasury not otherwise appropriated, \$4,000,000,000 for the period consisting of fiscal years 2002, 2003, and 2004 for the award of grants under subsection (a)(4) in accordance with this section.

“(B) AVAILABILITY.—Amounts appropriated pursuant to subparagraph (A) for each fiscal year—

“(i) are in addition to amounts made available under section 132(a)(2)(A) or any other provision of law to carry out this section; and

“(ii) notwithstanding section 189(g)(1), shall remain available for obligation by the Secretary from the date of the enactment of this subsection through each succeeding fiscal year, except that, notwithstanding section 189(g)(2), no funds are hereby available for expenditure after June 30, 2004.”.

#### **TITLE X—TEMPORARY STATE HEALTH CARE ASSISTANCE**

##### **SEC. 1001. TEMPORARY STATE HEALTH CARE ASSISTANCE.**

(a) IN GENERAL.—Title XXI of the Social Security Act is amended by adding at the end the following new section:

##### **“SEC. 2111. TEMPORARY STATE HEALTH CARE ASSISTANCE.**

“(a) IN GENERAL.—For the purpose of providing allotments to States under this section, there are hereby appropriated, out of any funds in the Treasury not otherwise appropriated, \$4,599,667,448. Such funds shall be available for expenditure by the State through the end of 2002. This section constitutes budget authority in advance of appropriations Acts and represents the obligation of the Federal Government to provide for the payment to States of amounts provided under this section.

“(b) ALLOTMENT.—Funds appropriated under subsection (a) shall be allotted by the Secretary among the States in accordance with the following table:

“State	Allotment (in dollars)
Alabama	50,746,770
Alaska	31,934,026
Arizona	68,594,677
Arkansas	38,203,601
California	482,591,746
Colorado	37,469,775
Connecticut	60,039,005
Delaware	10,355,807
District of Columbia	18,321,834
Florida	164,619,369
Georgia	118,754,564
Hawaii	12,827,163
Idaho	13,031,700
Illinois	175,505,956
Indiana	66,067,368
Iowa	31,521,201
Kansas	27,288,967
Kentucky	82,759,133
Louisiana	83,907,301
Maine	22,650,838
Maryland	60,347,066
Massachusetts	121,971,140
Michigan	156,479,213
Minnesota	113,966,453
Mississippi	55,335,225
Missouri	74,675,436
Montana	10,224,652

“State	Allotment (in dollars)
Nebraska	31,582,786
Nevada	14,695,973
New Hampshire	15,482,962
New Jersey	115,880,093
New Mexico	39,204,714
New York	573,999,663
North Carolina	189,333,723
North Dakota	8,915,675
Ohio	166,006,936
Oklahoma	48,914,626
Oregon	71,160,353
Pennsylvania	227,183,255
Rhode Island	45,001,680
South Carolina	94,789,740
South Dakota	19,951,788
Tennessee	102,845,128
Texas	289,526,532
Utah	30,860,915
Vermont	10,291,090
Virginia	67,232,217
Washington	110,377,264
West Virginia	31,120,804
Wisconsin	93,089,086
Wyoming	12,030,459

“(c) USE OF FUNDS.—

“(1) IN GENERAL.—Funds appropriated under this section may be used by a State only to provide health care items and services (other than types of items and services for which Federal financial participation is prohibited under this title or title XIX).

“(2) LIMITATION.—Funds so appropriated may not be used to match other Federal expenditures or in any other manner that results in the expenditure of Federal funds in excess of the amounts provided under this section.

“(d) PAYMENT TO STATES.—Funds made available under this section shall be paid to the States in a form and manner and time specified by the Secretary, based upon the submission of such information as the Secretary may require. There is no requirement for the expenditure of any State funds in order to qualify for receipt of funds under this section. The previous sections of this title shall not apply with respect to funds provided under this section.

“(e) DEFINITION.—For purposes of this section, the term ‘State’ means the 50 States and the District of Columbia.”.

(b) REPEAL.—Effective as of January 1, 2003, section 2111 of the Social Security Act, as inserted by subsection (a), is repealed.

#### **TITLE XI—SOCIAL SECURITY HELD HARMLESS; BUDGETARY TREATMENT OF ACT**

##### **SEC. 1101. NO IMPACT ON SOCIAL SECURITY TRUST FUNDS.**

(a) IN GENERAL.—Nothing in this Act (or an amendment made by this Act) shall be construed to alter or amend title II of the Social Security Act (or any regulation promulgated under that Act).

(b) TRANSFERS.—

(1) ESTIMATE OF SECRETARY.—The Secretary of the Treasury shall annually estimate the impact that the enactment of this Act has on the income and balances of the trust funds established under section 201 of the Social Security Act (42 U.S.C. 401).

(2) TRANSFER OF FUNDS.—If, under paragraph (1), the Secretary of the Treasury estimates that the enactment of this Act has a negative impact on the income and balances of the trust funds established under section 201 of the Social Security Act (42 U.S.C. 401), the Secretary shall transfer, not less frequently than quarterly, from the general revenues of the Federal Government an amount sufficient so as to ensure that the income and balances of such trust funds are not reduced as a result of the enactment of this Act.

##### **SEC. 1102. EMERGENCY DESIGNATION.**

Congress designates as emergency requirements pursuant to section 252(e) of the Bal-

anced Budget and Emergency Deficit Control Act of 1985 the following amounts:

(1) An amount equal to the amount by which revenues are reduced by this Act below the recommended levels of Federal revenues for fiscal year 2002, the total of fiscal years 2002 through 2006, and the total of fiscal years 2002 through 2011, provided in the conference report accompanying H. Con. Res. 83, the concurrent resolution on the budget for fiscal year 2002.

(2) Amounts equal to the amounts of new budget authority and outlays provided in this Act in excess of the allocations under section 302(a) of the Congressional Budget Act of 1974 to the Committee on Finance of the Senate for fiscal year 2002, the total of fiscal years 2002 through 2006, and the total of fiscal years 2002 through 2011.

The SPEAKER pro tempore. Pursuant to House Resolution 320, the gentleman from California (Mr. THOMAS) and the gentleman from New York (Mr. RANGEL) each will control 1 hour.

The Chair recognizes the gentleman from California (Mr. THOMAS).

Mr. THOMAS. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, the last time we addressed a piece of legislation that was designed to help us stimulate the economy, as requested by the President, as Alan Greenspan had indicated, this economy needed some help, and that perhaps by making some decisions in the tax and business area we could assist the recovery. Equally important, those people who lost their jobs, and, as we have come to realize now more and more associated with the loss of job is the loss of health insurance, that that had to be part of the package as well.

We started, as we normally do in the legislative process, by passing a bill out of the House of Representatives. What then normally happens is the Senate of the United States passes a piece of legislation, and, if it is different in the House and the Senate, we go to a conference. The conference then works out the difference between the two bills.

The House did its job. On October 24 we started the process by passing our Stimulus and Recovery Act. The Senate did not do its job. The Senate did not pass a bill. But all of us, trying to stimulate this economy and help those who, through no fault of their own, are not now employed or do not have either the wherewithal or the opportunity to provide their families with health insurance, we decided to try to move under a leadership umbrella.

Notwithstanding the Senate's inability to move legislation to get us into a regular conference, we reached out and tried to create a leadership conference that would try to operate under the same rules so that we could address the very real need to help stimulate the economy and answer those distressed workers.

We have worked long and hard, and I do have to say on the floor that the chairman of the Senate Finance Committee on the other side worked diligently. I believe he was required to follow rules of engagement which made it

very difficult to come together. His staff worked long hours. We tried to be as creative as we could under the restrictions placed on us, and we did not ultimately succeed in producing a document that looked like a conference between the House-passed bill and the pieces of legislation that were brought from the Senate. For example, the Senate finance-passed bill, which passed by an 11 to 10 vote, was one of the vehicles that we looked at.

Notwithstanding that, those discussions, nevertheless, bore fruit, and the legislation that you have before you tonight, and we will talk about it in particular areas, has major modifications as though a conference took place. So the House started by passing legislation, and tonight we reach the culmination of what amounts to the result of a conference, notwithstanding the fact that the Senate has not passed any legislation in this area.

As we discuss the pieces of the bill, I do hope Members will focus on how much the legislation changed between October 24 and today. That is what normally happens when the House and the Senate get together.

The package represented here tonight in the legislation before you is a significantly different package than what we presented on October 24, and our job will be to enlighten both the Members and the American public about how the President's intervention in the area of health insurance has produced a significantly better package and how the House leadership's willingness to make modifications on the stimulus side has, in fact, produced a document that would look very much like a conference report would normally look.

Mr. Speaker, I reserve the balance of my time.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (Mr. LATOURETTE). The Chair would again advise all Members that the rules covering decorum in debate in the House indicate that a factual description relating to Senate action or inaction concerning a measure then under debate in the House are in order but characterizations of those actions or inactions are not allowed.

Mr. RANGEL. Mr. Speaker, I yield myself such time as I may consume.

12:40. 12:40, and 8 million people without work. Some of these people have been described as being "unproductive." But all of these people have been promised that this Congress of this great Nation, that we would not only feel their pain, but we would do something about it.

We waited patiently, because people have confidence in the President and the Congress. When the flag went up, we saluted it; when we were hit, we responded; and during the war, we are the patriots. But we kind of felt that in order to stimulate the economy, that it was not just tax relief.

Everyone agreed if it was temporary, if it was direct, if it could stimulate,

encourage investment, we should do it. Nobody said, nobody said, that these 8 million people had to be held hostage until we did it their way. That type of thinking never came up.

But, yes, we went into some kind of a conference, and we spent a lot of time on taxes. And the chairman of the Committee on Ways and Means would have to agree that there were a lot of concessions made, concessions that we found unpleasant. But because we were determined that we not leave this House of Representatives without doing something for these 8 million people. We said that we agree with you on taxes, if you agree with us on unemployment insurance and on health.

Well, it just seems like when you get to unemployment insurance, they believe a block grant will take care of that. Trust the governors; they will take care of it. Maybe some people are not eligible, maybe there is not enough money, but trust the governors, they would do it.

Well, we said we will trust the House and we will trust the Senate and we will just leave that alone, but let us get to the question of health.

This is the funniest thing in the world, that we are talking about extending health benefits for 1 year. We are talking about an existing program that is used today by employers. We are talking about using a system called COBRA and providing the funds so that the people who lost their jobs will be able to still continue to get health insurance.

□ 0045

But there are some people in this House that believe they do not like the current system; that they do not believe there should be employer-sponsored insurance programs; that what they really believe should happen is that people who are out of work and need insurance, they need credits, they need vouchers, they have to go shop and see where they can get the best benefit for their dollar. They do not need these Cadillac programs that Republicans and Democrats have as Members of Congress; they need something cut back. And, of course, if they have ailments and the HMO says it is a higher price, they will give 60 percent of it, but they better go find the rest of it.

I tried to figure, in this country, at this time of year, the dignity of a person without a job, the pressures on a marriage, the inability to look at your children and know that you do not have a job, that you cannot pay their tuition, you cannot pay the mortgage. That is enough for any American to lose their dignity. But when you know you are not even currently covered for health insurance, that you do not know what is going to happen to the rest of your family, and they tell you to go out with the credit and shop; so I asked everyone, how do you do it? And do my colleagues know something? I heard an explanation in the Committee on Rules that I could not believe. You needed a

lawyer to figure out what to do with the credit. So I said immediately, let me find out where this is in the bill, because I may not have understood in the Committee on Rules, but before I came to this floor, you bet your life I was going to find it. Who has page 100 of the Republican bill? I thank the gentleman from Washington (Mr. McDERMOTT).

This is all you need. Forget the complexities of it; forget how it works. If you do not know what to do with an advance refundable tax credit, not to worry. If you do not know what to do with a tax credit and you are not working and you have no unemployment, no earnings coming in, not to worry. Because under the Thomas bill, let me emphasize, under the Thomas bill, because the Committee on Ways and Means, like with most tax bills, had nothing to do with this; but that is okay, the gentleman from California (Mr. THOMAS) is a smart person. Because, under the Thomas bill, the whole program shall be established for making payments on behalf of the eligible individual by the Secretary of the Treasury. Not the Secretary of Health and Human Services, the Secretary of the Treasury.

So we got 2 hours of debate. Every so often, my colleagues will hear me refer to page 100, because we have a lot of bright people in this House, and they know just what to tell the Secretary to do. So do not go to sleep; be alert. People are going to ask, what is in the health bill? And remember, one does not have to study it. Hold on to page 100.

Mr. Speaker, I reserve the balance of my time.

Mr. THOMAS. Mr. Speaker, I yield myself such time as I may consume.

As we said on October 24, that was the bill that started the process. If anyone wants to look at any of the other pages in the bill, they will find out that on the health provision, there was \$3 billion provided, and on unemployment, there was 9.2. That bill had \$12.2 billion directed toward the unemployed and health insurance for them.

In the bill we have in front of us tonight, thanks to the President Bush health insurance credit, there is \$18.2 billion for health, and there is \$19 billion for unemployment, for a total of \$37.2 billion. One may wave one page, but the unemployed and those who are looking for health insurance think a \$25 billion difference is real money. If the House and the Senate do not act on this before we leave for our break, all the one-page waving in the world will not help them out. This bill will provide \$37.2 billion.

Mr. Speaker, it is my pleasure to yield 2 minutes to the gentleman from New York (Mr. HOUGHTON), a member of the committee.

Mr. HOUGHTON. Mr. Speaker, there are many features of this bill. I would like to talk about one, which happens to do with New York City; and New York City, of course, was the focal

point of the bombing. Many people were killed. Buildings were destroyed. This is a particular feature of this bill which I believe in very strongly, and I would like to feel my other New York associates would feel this way too.

I am not going to go through the details of this bill, because they are quite technical in terms of expensing and tax-exempt private bonds and things like that. But the end result, and I will make this very brief, is that it is going to help the smaller businesses and the people who have lived and shopped and started and thrived in lower New York to come back, and that is the critical thing. Mr. Speaker, 20 million square feet of office space was lost, and we have to somehow bring that back. I know that other States say, well, why is this special for New York? New York was the focal point of the bombing, and there was no point in avoiding that. We must help this city.

I think this is a good bill, it is a good feature, and I hope other people will support it.

Mr. RANGEL. Mr. Speaker, I yield myself such time as I may consume.

I think I have not made myself clear, Mr. Speaker. I asked people to look for page 100 to establish what the program was, not how much money was there. Who cares how much money is there if we do not know how to get it? So please, take a look at page 100. That is called the health program. We can put lipstick on the page, but we cannot call it a lady. This is no health program.

Mr. Speaker, I yield 2 minutes to the gentleman from California (Mr. MATSUI), a senior member of the committee; and he knows a health program when he sees one.

Mr. MATSUI. Mr. Speaker, I thank the gentleman from New York (Mr. RANGEL), the ranking Democrat on the Committee on Ways and Means, for yielding me this time.

This bill will not become law; and I think the majority will probably be very happy about that, because there is no way that this legislation, the Thomas bill, will have anything to do with stimulating the U.S. economy. The reason for it is because it is based upon a wrong premise. Essentially what we have right now is a lack of consumer confidence, we have an underutilization of plant capacity, and our exports are down because our foreign competitors are not buying. So the bill itself will have nothing to do with making the economy better.

What is interesting is that the gentleman from California (Mr. THOMAS), in his legislation, makes some modifications in the corporate minimum tax; but basically, he puts a huge hole in it. It has something on the operating losses in subpart F, which has nothing to do with stimulating the economy. Essentially in this bill, 85 percent of the \$260 billion over the next 5 years will be spent in the form of tax cuts to corporations or wealthy individuals. Only about 15 percent of it goes to the unemployed and those people that need

health insurance. This is just a backdoor way of getting the tax cuts that the business community did not get in the June tax bill.

I have to say, what is very offensive about this is the fact that it comes from the Social Security payroll taxes. That is the problem. It comes from Social Security. So using Social Security payroll taxes, it comes from the lady who is a janitor or the lady who is the elevator operator, their tough-earned money, to pay for major tax cuts for big corporations. I think that is outrageous. They are lucky that this bill will not become law, because this bill will have nothing to do with stimulating the economy. What this bill will basically do is pay off those people that have made big contributions.

Mr. THOMAS. Mr. Speaker, I yield myself such time as I may consume.

I am looking at page 44 of a bill called the Rangel bill and it is under the health insurance provision, and as some of my colleagues might expect, do not be too surprised. This is what it says: "Not later than 60 days after the date of enactment of this act, the Secretary of the Treasury, in consultation with the Secretary of Labor, shall establish a program under which premium assistance is created."

My colleagues are right. We have the Secretary of the Treasury, we have the Secretary in consultation with the Secretary of Labor. It really is a significant difference.

Mr. Speaker, it is my pleasure to yield 2½ minutes to the gentlewoman from Connecticut (Mrs. JOHNSON), the chairman of the Subcommittee on Health.

Mrs. JOHNSON of Connecticut. Mr. Speaker, we cannot put lipstick on a paper and call it a lady, but we can put \$25 billion additional dollars on the table and help people who are unemployed. A total of \$37.2 billion does make a difference in unemployment benefits, in health care subsidies, absolutely. And in addition to this money, there is \$4.6 billion for States to manage Medicaid costs or to put it into CHIP and open up CHIP for people who need affordable coverage.

So not only is there \$4.6 billion in addition to the \$32 billion, but there is \$4 billion additional money for States to either use for training expansion or other health care needs. They could use it for community health centers so more people could be covered through that avenue. There are all kinds of ways we can make certain that everyone is covered. And remember, under the Democrat alternative offered by the other body, the only people who got health insurance, the only people, now listen to this, if you represent a rural area. The only people under the other bill who got any health care subsidies were people who worked for employers who were covered by COBRA. That means if you had less than 20 employees, your guys did not get any help with health insurance, not any, zero.

How could my colleagues hold out that their bill offered unemployment

compensation and health insurance to those laid off as a result of this recession when, in fact, anyone who worked for an employer with less than 20 employees got zero, zero, zero, zero. That is wrong. It is not truthful.

We do provide subsidies for everyone. If I work for a small employer, he has health insurance, I get laid off, I get 60 percent of the premium costs. If I work for a small employer, as many people do in my district, I pay 50 percent of my premiums while I am working. I get laid off, the government pays 60 percent of the premiums. If I work for a small employer who does not provide health insurance, I buy my own health insurance, I get laid off, I get 60 percent.

Everyone, everyone gets unemployment compensation, 13 additional weeks, and flexible money to increase benefits if that is what the State needs, and everyone under this bill gets health insurance subsidies, 60 percent of premiums.

Do not let politics prevent people from getting the help they need during this recession, complicated by the terrorist attack of September 11. Put rhetoric aside. Give people real help.

Mr. RANGEL. Mr. Speaker, I yield myself such time as I may consume.

The gentleman from California, the chairman of the Committee on Ways and Means, referred to the Rangel bill. The gentlewoman from Connecticut referred to the Rangel bill. The only people that do not refer to the Rangel bill is the majority in the Committee on Rules that denied us the opportunity to discuss the Rangel bill. So all we have is the so-called Thomas bill.

But if we really get past the first page of the bill that we wanted to have as a substitute, that we wanted to debate, that we wanted to see which one was the best so we have options, yes, we start off, I say to the gentleman from California (Mr. THOMAS), on page 44 with the Secretary of the Treasury. But then we go to 45, 46, 47, 48, 49, 50, 51, 52, and all up to 54. This is what we call a program.

□ 0100

Mr. Speaker, I yield 3 minutes to the gentleman from Michigan (Mr. LEVIN). (Mr. LEVIN asked and was given permission to revise and extend his remarks.)

Mr. LEVIN. Mr. Speaker, I beg to differ with the chairman. This matter started on the wrong foot. If they expect a bipartisan product, start on a bipartisan basis in the House of Representatives.

They did not do that. Instead, they put together a bill on a strictly partisan basis. They put together a bill that was heavily taxed, had a slender amount of attention to unemployment comp and health insurance, and then they say it is the Senate's fault. I beg to differ. The President endorsed the strategy that they adopted; and now they are bearing the fruits, the bitter fruits of a flawed strategy.

If Members want a bipartisan bill, start on a bipartisan basis in the House of Representatives. They have not done that. So now they come back with a bill that they say is better than the terrible bill, they do not say terrible, but better than the bill that they passed here loaded with tax breaks for the few and gave crumbs to the many who were unemployed, and they parade this as something that is very strong.

Health insurance under their bill, for most, they have to be drawing unemployment comp to get any help with health insurance. Two-thirds of the people in this country who are laid off do not get unemployment compensation.

They talk about \$37 billion. Many of those billions of dollars in unemployment comp are Reed Act monies. They have been told, do not count \$9 billion, because at the most a few billion will be used in the first year. Most of that money cannot be used to change unemployment comp because the legislatures are out of session, so under their bill, so many millions of the unemployed in this country will get zero help from their bill.

If Members want a bipartisan bill, start in the House of Representatives. Do not blame TOM DASCHLE or the Democrats. The fault lies with the Republican majority in the U.S. House of Representatives.

Mr. THOMAS. Mr. Speaker, it is my pleasure to yield 2 minutes to the gentleman from Texas (Mr. SAM JOHNSON), someone who sits in the unique position of being not only on the Committee on Ways and Means, but a subcommittee chair on the Committee on Education and the Workforce, and I think he has a clear perspective on the problem in front of us.

Mr. SAM JOHNSON of Texas. Mr. Speaker, what was just said is totally out of line. We are providing health care to people. Americans want action and they want it now, and for the second time in 2 months Republicans in the House have passed a bill to stimulate the economy and get Americans back to work.

This bill does strike a bipartisan compromise, and it provides health insurance and benefits to those who lost their jobs. Unemployed workers and their families need extra assistance in order to afford health care coverage after they lose their jobs.

In addition, dislocated workers need access to job training programs, child care, transportation, and other assistance in order to get back to work quickly. That is what we are talking about is creating jobs.

National emergency grants which are in this bill are the right approach. It allows each Governor to implement a seamless package of assistance for the needs of dislocated workers in their State. Importantly, it recognizes that a displaced worker's true goal ultimately is the right to return to work. It gives people more of their own money back, and it provides incentives

to businesses to invest in new equipment and create new jobs.

Mr. Speaker, the Members know there is \$14 billion, \$14 billion going to low-income workers. There are stimulus payments. Also, the bill includes national emergency grants, which I just talked about, which I introduced, that target workers who are laid off by paying part of their health insurance.

Can Members believe this: this government is going to pay 60 percent of the health insurance costs of laid-off workers. It makes no difference whether or not they had health care insurance when they were employed, we are paying it to the unemployed.

The bottom line is this: the American people want, need, and deserve help, and it is time for one Senator to stop running for President.

#### POINT OF ORDER

Mr. FRANK. Point of order, Mr. Speaker. Point of order, Mr. Speaker.

The SPEAKER pro tempore (Mr. LATOURETTE). The gentleman from Massachusetts will state his point of order.

Mr. FRANK. Mr. Speaker, I am a non-fan of the rule which says we shall not denigrate the Senate, but as long as it is on the books, it has to be enforced.

The gentleman's comments were blatantly out of order in characterizing the motives of a Member of the Senate. Either we are going to have this rule and enforce it, or we are not going to have it. I would be glad not to be bound by it. But simply announcing after Members have violated it that we wish they had remembered it is not appropriately enforcing the rules.

If we are going to have the rule that says clearly that we cannot talk about the Senate in that fashion, then we should enforce it or else let us get rid of it.

The SPEAKER pro tempore. The gentleman from Massachusetts is correct. As the Chair said several times during the course of both of the rules and now during a debate on this bill, it is not appropriate under clause 1 of rule XVII of the Rules of the House to characterize the action or the inaction of the other body; and further, it is not appropriate to make such reference to any individual Member of the other body during the course of the debate.

#### PARLIAMENTARY INQUIRIES

Mr. FRANK. Parliamentary inquiry, Mr. Speaker.

The SPEAKER pro tempore. The gentleman will state his inquiry.

Mr. FRANK. Would it not be appropriate for the Speaker, when such violations happen, to prevent the violation, rather than simply comment on it after the fact?

The SPEAKER pro tempore. The gentleman is correct. The Chair may take the initiative in the appropriate case.

Mr. THOMAS. Parliamentary inquiry, Mr. Speaker.

The SPEAKER pro tempore. The gentleman will state his parliamentary inquiry.

Mr. THOMAS. To understand the import of that dialogue, if someone on the floor now was to indicate that the Senate has not passed a bill, that would be in violation of the rule; is that correct?

The SPEAKER pro tempore. The gentleman is not correct. As the Chair read the rule before, a factual statement of action or inaction relative to the Senate is appropriate when it comes during debate on a matter under consideration in the House.

Mr. THOMAS. So saying that the Senate did not pass a stimulus bill would not be in violation of the rule? I thank the Chair.

The SPEAKER pro tempore. The comment to which the Chair took exception earlier was an observation that the Senate had not done its job. That is not appropriate. Indicating that the Senate has not passed a bill is appropriate. Making reference to any individual Senator is not appropriate.

The Chair would indicate that he will attempt to be more vigilant as these matters occur and will interrupt Members, should there be a continuing violation.

Mr. RANGEL. Parliamentary inquiry, Mr. Speaker.

The SPEAKER pro tempore. The gentleman will state his inquiry.

Mr. RANGEL. Could a Member state that a bill before the House did not go before the Committee on Ways and Means and never had hearings? Is that proper to debate on the floor?

The SPEAKER pro tempore. That is a proper matter for debate.

Mr. RANGEL. I thank the Speaker.

Mr. Speaker, I yield 3 minutes to the gentleman from Maryland (Mr. CARDIN), a member of the committee who has worked hard to protect the rights of those people who are unemployed.

(Mr. CARDIN asked and was given permission to revise and extend his remarks, and include extraneous material.)

Mr. CARDIN. Mr. Speaker, the legislation that is before us should be judged on two bases: first, does it really stimulate our economy; and second, what does it do for unemployed workers?

I would suggest that on both of these standards, the legislation fails and should be rejected. First, it will not stimulate our economy. Two-thirds of the relief provided in this bill will not occur during the critical first year of this legislation, the year in which we are trying to stimulate the economy. We run the real risk of further deficits hurting our economy.

This bill also fails because it will not help the unemployed worker. It falls grossly short on the changes on the unemployment insurance. Currently, only one-third to 40 percent of the people who are unemployed in this Nation get any unemployment insurance benefits, any at all. The legislation before us will do nothing to correct that.

We had suggested that we take the stakeholders of the unemployment insurance system's recommendation and

include part-time workers, and include the most recent wage quarter, so those people who have left welfare, who are now working and who may lose their jobs can collect unemployment insurance.

But no, the legislation before us does not incorporate those suggestions. Instead, we make early Reed Act distributions. That is Federal unemployment funds going to our States. Yet, the Congressional Budget Office says only 5 percent of those funds would be used by the State legislatures to improve benefits. So it does not provide any help for the unemployed, or very little help for the unemployed.

We had suggested, why not increase the benefits? That would stimulate the economy and be the right thing to do. But no, the legislation before us does not do that. Instead, it was supposed to include tax relief for unemployment insurance benefits, but now even that has been removed from the bill. That would at least have provided some help. That has now been taken out of the legislation.

We told the people who have lost their jobs that we were going to help them. We told them when we passed the airline bill, and we did not act. We told them when we passed the insurance bill that we would help the unemployed worker, and we have not taken any action. We told them when we passed the trade bill that we would help the unemployed worker, and still no action.

Now we all understand that this bill has no chance of being enacted, another broken promise to millions of unemployed workers. Mr. Speaker, let us reject the bill that is before us, and let us come together as a united body so we can really help those who have lost their jobs with the benefits they deserve.

Mr. Speaker, I have two primary objections to this bill as it relates to unemployed Americans. First, it does not do enough to help the jobless. And second, the legislation holds displaced workers hostage to an additional round of huge tax breaks.

The bill before us would not improve unemployment coverage for low-wage and part-time workers, despite findings from the General Accounting Office that low-wage workers are only half as likely to receive unemployment assistance compared to workers with higher earnings. The Chairman of the Ways and Means Committee has suggested the Reed Act distributions in the bill would address that concern. However, the Congressional Budget Office estimates that only 5 percent of the Reed Act money provided by this legislation would be used to expand coverage or increase benefits in FY 2002. In addition, a recent survey of State UI directors indicates that the vast majority of them do not believe their States would expand UI coverage with the bill's Reed Act distributions.

I am not opposed to providing Federal assistance to State unemployment trust funds, but it is simply not accurate to suggest that such a step will dramatically expand unemployment coverage. There are few simple and relatively modest steps we could take to im-

prove coverage, such as counting a displaced worker's most recent wages when determining UI eligibility, but this bill does not include such reforms. The measure also fails to increase unemployment benefits—a step that would provide immediate stimulus to our economy by sending more money to families who need it and who will spend it quickly.

At one point, Chairman THOMAS suggested temporarily suspending income taxes on UI benefits. While I believe an increase in the unemployment benefit level is a better approach (because it would provide benefits more quickly and more inclusively than suspending taxes on UI), the original Thomas plan at least acknowledged the need to boost the value of unemployment benefits. However, even the proposed suspension of taxes on UI benefits has been dropped from this legislation.

Beyond the specific limitations of this bill, I have a more general concern about a process that will doom assistance to unemployed workers unless Congress also passes a new round of budget-busting tax breaks. How many times have we heard promises that the unemployed would be helped—after the airline bill—after the insurance bill—and mostly recently during the consideration of the trade bill. But today the House is going to pass provisions on displaced workers as part of a larger tax bill that we all know cannot pass the other body in its current form. The final result will be one more broken promise to millions of unemployed Americans.

At a time when cynicism of government is actually declining, let us not break the faith with the Americans who need us the most. If we cannot come together on a larger stimulus package, then we should agree on a package of assistance for displaced workers. The unemployed have been promised help again and again. It is now time to deliver. And it is time to choose responsible governing over political posturing.

Mr. THOMAS. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, perhaps the gentleman fails to remember, I know it was sometime ago, that we passed on the floor a Trade Adjustment Assistance Act. We said that since the events of 9-11 were so similar, that we attached a rider which provided \$23 billion focused directly on those people who lost their jobs associated with 9-11 and the decision by the government to ground the airlines, and to make other decisions which disrupted business.

I know since the Senate has not acted on that legislation that the gentleman may have forgotten that, once again, the House responded almost immediately with direct aid. This bill contains more than 9 billion additional dollars for unemployment. It says that we are putting 13 weeks of additional unemployment out there for those who need it, and the date for that being available will be moved back to March 15. That is in the bill, as well.

If the gentleman does not believe that is adequate, that is his opinion. To say that we have done nothing, I believe, is a gross overstatement. If he would look at the legislation passed by this House and sent over to the Senate, perhaps the gentleman was concerned about the fact that the Senate has sent

us no legislation dealing with those issues that we sent them.

Mr. MCCRERY. Mr. Speaker, will the gentleman yield?

Mr. THOMAS. I yield to the gentleman from Louisiana.

Mr. MCCRERY. Mr. Speaker, I thank the gentleman for yielding to me.

Also, the previous speaker characterized the Reed Act transfers as being of very little help to the unemployed. The fact is that States can use Reed Act transfers immediately to help the unemployed find a job. Some of the unemployed might consider that help.

So I just wanted to make clear that the Reed Act transfers can be used immediately for that purpose.

Mr. RANGEL. Mr. Speaker, I yield 30 seconds to the gentleman from Maryland (Mr. CARDIN) to respond.

Mr. CARDIN. I thank the gentleman for yielding time to me, Mr. Speaker.

Let me point out, they can only use the money if they are in session and they pass legislation improving the unemployment system. There are limitations as to how the States can use it, the Reed money.

Let me point out to my friend, the gentleman from California, we said that when we passed the airline bill that we would help the airline workers. The day after we passed the bill, we saw massive layoffs of airline workers. We have not done one thing to help them with their unemployment benefits.

I agree that we should do something, so let us separate out the unemployment insurance provisions. Let us separate that out and not put it in with the controversial provisions. Let us at least get something done for the unemployed worker. But instead, they want to put it all together, knowing nothing is going to happen.

Mr. THOMAS. Mr. Speaker, I yield 30 seconds to the gentleman from Louisiana (Mr. MCCRERY).

Mr. MCCRERY. Mr. Speaker, I do not think my friend, the gentleman from Maryland, meant to characterize the Reed Act transfers as he did because he quickly corrected himself to say, well, there are limits on how they can use those.

First, he said the legislatures have to go back into session to use the Reed Act transfers. That is incorrect. Current law allows the States to use the Reed Act transfers within some limits, yes; but they can use those immediately upon transfer.

Mr. CARDIN. Mr. Speaker, will the gentleman yield?

Mr. MCCRERY. I yield to the gentleman from Maryland.

Mr. CARDIN. Mr. Speaker, I would ask the gentleman from Louisiana (Mr. MCCRERY), could they use it to increase benefits without the State legislature meeting?

Mr. MCCRERY. No. But reclaiming my time, they can use it to help the unemployed find a job. It is called unemployment job services.

Mr. RANGEL. Mr. Speaker, it is my honor and pleasure to yield 3 minutes

to the gentleman from Michigan (Mr. DINGELL), a former chairman of the Committee on Commerce and the ranking Democrat.

(Mr. DINGELL asked and was given permission to revise and extend his remarks.)

□ 0115

(Mr. DINGELL asked and was given permission to revise and extend his remarks.)

Mr. DINGELL. Mr. Speaker, it is a good time to bring it up. It is late at night. This kind of cynical legislation should be brought up in the dark because people are not going to want to see this kind of sorry display take place.

First of all, this is a rather shameful piece of legislation. It is a fine compendium of giveaways to special interests on which there is neither economic nor moral justice.

The bill promises laid off workers a lot of help but then squeezes them into a kind of weird situation where they cannot get it. It gives tax credits to people who do not have any money who are going to have to wait for a year to file an income tax, and then get their refund, and then to maybe go out and get the money that they have to have now to buy the unemployed health care program that this bill supposedly sets up.

Does that make sense? I hardly think so.

Now, the Republicans are talking about how this is going to give us a bill that is going to go to the Senate. The Senate is not going to take up this sorry piece of legislation. And on top of that, it is illusion at best. The program of grants that are given to the governors are, in fact, taken away from categorical programs. And it is interesting to note that those programs, the Republicans do not even know how they are going to go to work. And they said, well, we are going to have to find in one discussion, they said, we are going to have to find out how we are going to create some sort of national calamity that will create the need for putting money into some of the States that are losing money.

Now, I am sure with the innovation that they have, if there is a Republican governor that that might occur; but then again, it might not.

In any event, the simple fact is that the unemployed who are supposedly getting health care under this are not. They are getting a tax credit which they will not be able to cash in until such time as they have, in fact, filed a return. And if they have not filed a return, they are not going to get anything. And if they have not gotten any money coming back, they probably are not going to get anything either. So it is all fraud. It is all sham. It is all illusion. It is, in fact, a thinly disguised tax cut for the rich for the world to do.

And I can understand that the stimulus that the Republicans are talking about is a stimulus for their fat cat Re-

publican friends. It is essentially a repealer, believe it or not, of the alternative minimum tax going back for years to take care of their buddies.

Now, I recognize in an election year that probably makes good sense but it is hard to defend morally and it is hard, indeed, to justify on the basis of economics. It is also something which is not going to become law this year. The unemployed are not going to get the health care benefits that my Republican colleagues are talking about. And the end result is that this is just an exercise in frustration and illusion and delusion and deceit.

Mr. THOMAS. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I tell my friend I have great admiration for the gentleman from Michigan (Mr. DINGELL). But this health insurance plan was devised by someone who proudly calls himself a compassionate conservative, and the description the gentleman just provided is simply flat out wrong. It is an advanceable refundable credit. They get it immediately. They do not have to wait until the end of the year. It is not based upon one's income. And it is not something that the gentleman described.

As I said, I have a great deal of admiration for him. But his three minutes were used to describe something that is not in our bill and it simply was wrong.

Mr. Speaker, I yield 2 minutes 30 seconds to the gentleman from Michigan (Mr. CAMP), a member of the committee.

Mr. CAMP. Mr. Speaker, I thank the chairman for yielding me time. And I also thank the chairman for pointing out that the advance payment structure gives immediate help to the unemployed.

But this bill is not only a vehicle to create jobs and help the unemployed, but, unlike my friend from Michigan characterizes, this bill, it is an agent of compassion. The victims of the terrorist attacks in New York and anthrax and Oklahoma City will receive tax relief under this package from death taxes and incomes. There is that provision that would allow charitable organizations to give immediately to those families who lost loved ones in these attacks so they do not have to fill out all the cumbersome paperwork that the charities are demanding to meet their need requirement, so that the families will not be humiliated by going to charity after charity to fill out paperwork after paperwork.

This bill fixes that provision. This bill helps those families and will help them get the assistance they need. Many of them lost their breadwinners. I think it is very, very important that we get this provision passed.

The proposal also provides more than \$9 billion in extended unemployment benefits available in any State. My State of Michigan would get an additional 12 percent in funding in unemployment, injecting more than \$340 million badly needed in my home State of Michigan to those who need it.

Nationally, workers who have exhausted their benefits will get an additional 13 weeks. Unemployment benefits generally last for 26 weeks, so for a total of 39 weeks of unemployment. Nationwide an estimated 3 million workers will receive these benefits averaging about \$230 per week. These benefits would be 100 percent Federally funded, unlike under the regular extended benefits where States have to pick up 50 percent of the cost.

The health insurance provisions provide a health insurance tax credit which covers every displaced worker, whether or not they had employer provided insurance. Many employers in Michigan have small businesses and this will be especially helpful to those employers. And for those employees who had coverage for at least a year, they must be sold a policy. There can be no preexisting condition.

I have heard many Members say that there is no chance of this bill being enacted, and I would say if more Members on the other side would vote for this bill, there would be a chance for this bill being enacted.

There is also an additional \$4 billion in emergency block grants to be used for health care services and worker retraining. These are all funds that are much needed for our unemployed workers and for our States to help implement those programs. I urge a yes vote on this bill.

Mr. RANGEL. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, the chairman of the committee in response to a question that was raised by the former chairman of the Committee on Energy and Commerce was asking well, what does one do with a tax credit? Where does one take it? How does one convert this into health insurance? What does one do if one got a disability? And the distinguished gentleman from California (Mr. THOMAS) said that the gentleman from Michigan (Mr. DINGELL) did not understand because under his bill, under his program it was an advanced refundable tax credit.

Well, I tell Members this, when Members get back home and people ask questions, Members had better staple the gentleman from California's (Mr. THOMAS) press release to their response. Because I said it before and I say it again, the total Republican Thomas health plan is on page 100. There is nothing in this bill about any refundable tax credit. There is nothing in here about anything except what some people who did not like the Secretary of Treasury 2 weeks ago now find him to be the Secretary of Health and the Secretary of the Unemployed.

But I tell Members, if they want to find out where to find the refundable tax credits, which makes sense to me, they had better check with the Secretary of Treasury.

Now, a person who knows about health and who helped to draft this program because he is a doctor and he did not refer to the Secretary of Treasury, is the gentleman from Washington

(Dr. McDERMOTT), a senior member of the Committee on Ways and Means.

Mr. Speaker, I yield 3 minutes to the gentleman from Washington (Mr. McDERMOTT).

Mr. McDERMOTT. Mr. Speaker, I thank the gentleman from New York (Mr. RANGEL) for yielding me time.

Looking at this bill makes me think of the Enron Corporation. Republican handling of the economy in this House has been just like Enron. We start the year with a \$5.6 trillion surplus, and 12 months later we are broke, and we are borrowing to give tax credits and tax cuts around the country. Sounds just like Enron to me. Fortune 500, broke at the end of the year.

How did they do it? Well, they gave big stock options and whatnot to their board of directors. So did you. You gave a tax credit of 1.3 or 1.8 or 2 billion, who knows exactly what it was, or 2 trillion, and ultimately you have disseminated our whole base in this country.

Now we come along again, you blow the bottom of the tax, the lock box. We do not have any pensions left, just like Enron. They have 18,000 people out in with nothing because of their fiscal management and that is more of the same in this bill. But the part that is really irritating is this whole health question.

Now, there is nobody on this floor who has ever been broke, I guess, or they have forgotten what it was like not to have money. We all make \$11,000 a month. Now, just imagine if we suddenly were without employment. And we were getting the average benefit for unemployment in this country which is \$224 a week. That is a little less than \$900 a month. Going from \$11,000, right, down to \$900.

Now, we got to still pay the house mortgage, right? That is easy. And the next thing is we want to have a little food, right? And then we want to go pay for your health care benefits. Now, we are going to get 60 percent of the premium from the government. We just have got to come up with 40 percent of it, right? How many of us think that we would be able to pay for our rent and pay for our food, and put clothes on our kids' backs and put gas in the car while we look for a job and pay 40 percent of our health care benefit?

This is a fraud. I do not care how many dollars you put in it, it is not going to be any good to give a guy a voucher for, I do not know, \$600 and say, okay, go out now and find yourself a health insurance plan. Because he hasn't got the other means to put with it to pay for it. It is simply a fraud.

You are not guaranteeing health benefits to anybody. You could have done something. You could have said let us put them all in the Medicaid. That would be one way. You would guarantee they had some health care. Or you could allow them to buy into Medicare as has been suggested for people between 65 and 50. Let them buy in. But you do not want to give anybody a

guaranteed program. You want to throw them into the free enterprise system and say, good luck. It is a fraud and it should be defeated.

Mr. THOMAS. Mr. Speaker, I yield myself such time as I may consume.

The gentleman failed to tell anyone that if they are actually under the COBRA program they can take the certificate, they can go to the unemployment office. As they get the registration for unemployment, they apply it to COBRA. That certainly is available. There are those people who have health insurance who actually pay for it out of their pocket. They, now, when they are unemployed, get 60 percent of every dollar subsidized. They already have health insurance. They continue that health insurance.

The gentleman seems to believe there is only one way to solve the problem when the American worker has been scrambling around for a number of years because, depending on whether your employer provides it or not, you may or may not have health insurance. This guarantees if you get health insurance, whether you had it at your employer's place or not. We simply cover more people than they do. I think that is why they are squirming a little bit.

Mr. Speaker, I yield 30 seconds to the gentleman from Louisiana (Mr. McCRERY).

Mr. McCRERY. Mr. Speaker, with respect to my good friend from Washington's (Mr. McDERMOTT) comments, I agree that people who go from a job to being unemployed and on unemployment insurance have a tough time meeting their mortgage payments and so on.

So in this compromise bill we are considering tonight, in the first time of the history of the United States, we are offering the unemployed a 60 percent subsidy for their health insurance. The gentleman says that they will not use it. Well, the experts who we hire around here to look at these things and estimate how much a proposal will cost have estimated it will cost \$13 billion, so somebody is going to take advantage of it.

Mr. RANGEL. Mr. Speaker, I yield myself such time as I may consume.

Well, I am at a disadvantage, Mr. Speaker, because I cannot keep up with the gentleman from California (Mr. THOMAS). He is making up this thing as he goes along and he refuses to refer to what page.

First of all, the whole idea that we cover less people, we have information from the Health Department to indicate we cover 5 million under COBRA, and we cover up to 3.8 million on the Medicaid, and he only covers 3.3 tax credits under his so called health bill. And if he has figures to contradict this, I will eat it on the House floor. So much for that.

But the interesting thing as to when one goes to the unemployment office and they go there with their credit and they do all of these things, sounds ex-

citing to me, but I refer you to page 100. That is not on page 100. The total program is that you got to find Secretary O'Neill and ask him what you do. Do not ask the chairman of the Committee on Ways and Means.

Mr. Speaker, I yield 3 minutes to the gentleman from Wisconsin (Mr. KLECZKA).

Mr. KLECZKA. Mr. Speaker, the chairman of the committee, the gentleman from California (Mr. THOMAS) indicated in his opening remarks that this is sort of like a compromise, sort of like a conference committee report. Well, it is sort of like it is not.

□ 0130

The fact of the matter is the only good part of the bill is it is as dead as the first you passed, which is even worse.

Now, one of the big hangups between the other body and the House Republicans was not the corporate tax giveaways, totaling some \$60 billion for this year; but it was a few billion dollars for the unemployed and those who are losing their health care. And I say to the gentleman from California (Mr. THOMAS), what you have in this bill is woefully inadequate. If we can throw \$60 billion at the corporations and the high-income folks, we can do better for those people who have lost their jobs and have lost their health care.

And so the other body, and the gentleman from New York (Mr. RANGEL), and our negotiators were going to swallow hard on the corporate stuff. We will give you the \$60 billion, but we want a better shake for the unemployed. And you guys said, you cannot have a better shake, this is all we are giving you.

And then what really squelched the deal was your insistence on health tax credits. Some might say, well, why are they so hung up on it? Well, Mr. Speaker, here is why. Here is a quote from the chairman of the Committee on Ways and Means in an article dated March of 1999, where he indicates, "We will offer a bill this year to jettison the entire employer-based insurance system and replace it with a system of individual tax breaks."

So it did not happen in 1999, but it is happening today, and this is the start of it. Instead of expanding an existing program, COBRA, and giving a better break to workers, what my colleagues are doing is saying we are insisting on these tax credits because the next step, my friend, is to replace employer-sponsored health care with the same type of a tax credit. Now, you can say, no, that is not my quote, I do not remember that, but the chairman has said this four or five times, and I have the exact quotes each time.

Remember the old Medicare program? They had a good idea over there about making it better and giving our seniors a Medicare HMO. And since that happened, 800 million seniors who joined up have quit it. It is a bad deal. It is a failed experiment. And so now

my friends on the Republican side, after helping our seniors, are out to help working men and women by jettisoning employer-based health care.

That is what this debate is all about. I am glad this bill is DOA, if it ever gets over to the Senate.

Mr. THOMAS. Mr. Speaker, I yield myself 15 seconds. I am pleased the gentleman believes this program in this bill is mine, because it is an excellent bill. It is in fact the President's plan. The administration has worked out the structure, and this is President Bush's response for those in need.

Those people who have COBRA are able to utilize COBRA. But those who believe that that is a bit expensive when they are unemployed are provided additional options. And I think the President has done an excellent job in responding to those in need.

Mr. Speaker, I yield 2½ minutes to the gentleman from Florida (Mr. SHAW), the chairman of the Subcommittee on Social Security of the Committee on Ways and Means.

Mr. SHAW. Mr. Speaker, I thank the gentleman for yielding me this time. People watching this debate have to be somewhat confused at this particular time, but let us bring everything back to earth and see exactly where we are at this particular time in the debate.

Right here in Washington right now it is 1:30 in the morning. Comments have been made as to the lateness of the hour. Much of the lateness of the hour has been caused by the failed negotiations between this body and the other body in order to try to work something out.

Unfortunately, I have to agree with the previous speaker that this may be dead on arrival when it is received in the other body. But if it is not acted upon, then certain things will not be addressed by this Congress and signed into law by this President; such things as the extension of unemployment compensation for 13 weeks. That is important. That is important to the people who are without jobs, and it may not be enough.

The gentleman from Washington was talking about, well, this was some kind of a big deal. Well, it is if you are out of work. Health care. The Federal Government helping to pay health care costs and health care insurance for those that have lost their insurance because of the loss of their jobs, since March. That is the right thing to do. If it is not taken up by the other body, it will not happen. Such things as accelerated depreciation and things that are going to bring about capital investment by the private sector are not going to happen unless this is taken up by the other body. And as a result there will be more layoffs.

What we are trying to do is to stimulate the economy. This body has already passed a stimulus bill that has languished in the other body. They have seen fit not to take it up. We have tried to negotiate with them with a phantom bill, one they do not have;

and we have failed and they have failed. Now is the time for us to pass this bill. Over 50 percent of it goes to individuals, not businesses.

This is a bill that is compassionate, it cares, it stimulates the economy, and it does exactly what this body should do, and that is care about the unemployed and those who have lost their jobs.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (Mr. LATOURETTE). The Chair would indicate to Members that the use of the word "languish" is probably not appropriate in referring to the inaction or action of the other body.

Mr. RANGEL. Mr. Speaker, I ask unanimous consent that if the other side does not refer to their health bill any further this evening, I will stop embarrassing them.

The SPEAKER pro tempore. The gentleman has not stated a correct unanimous consent request.

Mr. RANGEL. Well, having heard the objection, then I must continue.

Mr. Speaker, I yield myself such time as I may consume, and let me first start off by apologizing to the gentleman from California (Mr. THOMAS). All evening I have been calling it the Thomas health bill, since I thought he drafted it. But his response to the gentleman from Michigan (Mr. KLECZKA) was that this was not his bill at all, it was the President's bill.

So maybe we ought to get unanimous consent to substitute, if we want to find out what is in the bill, the President, instead of the Secretary of the Treasury. Because there is only one sentence in this bill that deals with health care, and that is "the Secretary shall establish the program." So if this is not the program of the gentleman from California (Mr. THOMAS), I apologize. Mr. President, we owe you an apology too.

Mr. Speaker, I yield 2 minutes to the gentleman from Georgia (Mr. LEWIS), a vital member of the Committee on Ways and Means.

Mr. LEWIS of Georgia. Mr. Speaker, I want to thank my friend, the ranking member, for yielding me this time.

Mr. Speaker, this proposed stimulus package is not good for the economy. It is not good for unemployed workers and their families. It is not good for America. This bill is only good for the big contributors to the last Bush campaign, big companies like Enron, a top contributor to President Bush and the Republican Party. The only thing this bill is going to stimulate is more campaign contributions.

This legislation is the result of an illicit relationship between the Republican Party and large campaign contributors. This bill never faced the spotlight in the Committee on Ways and Means. It was conceived in darkness and born in the den of inequity.

I say again this bill is not good for the economy, and it is not good for America. We should send this bill back to where it came from, back to the

bosom of Chairman THOMAS and the Republican leadership.

I urge my colleagues to vote against this bill. It would not help the economy. We should be working together on a bipartisan package that helps average working Americans, those who need it most. We should be working on an economic stimulus package that America deserves and deserves now, and not this Thomas bill.

Mr. THOMAS. Mr. Speaker, I yield 2 minutes to the gentleman from Wisconsin (Mr. RYAN), a member of the Committee on Ways and Means who has contributed significantly in helping us shape this package so that we can actually get the country moving again.

Mr. RYAN of Wisconsin. Mr. Speaker, let us put all the theatrics aside. We are at war, we have a national emergency and homeland security on our hands, and we are in a recession. So speaker after speaker is coming down to the well playing partisan politics.

Let us talk about what this bill actually does. This bill has two important goals: one, help the people who have lost their jobs with their health insurance and with unemployment compensation at an unprecedented level; and, second, and most importantly, let us help get people back to work.

What this bill does is recognize what has gone wrong with this economy. We now know officially that we are in a recession and that this recession started in March. And we do know that the recession did not come from a decline in consumption but a decline in investment. We have lost 1.3 million manufacturing jobs in America in the last 14 months.

In my own home State of Wisconsin, we have lost 29,900 manufacturing jobs in the last 14 months. This bill injects \$89 billion of investment stimulus in the economy this year.

What we are trying to say is this: Americans, employers, we want you to put your capital at risk. We want to give you incentives to go back and hire people, put them back on the payroll, invest in America, reinvest in your company and create jobs. What we are trying to do is use what has worked time and time again when we have conducted these policies in America before, and that is make it easier for our employers to keep being employers, to invest in America, to grow new jobs.

We know for a fact that this bill will stimulate the economy. It will bring people back to work, and it will help those people who are looking for their jobs get other jobs. That is what this is all about.

Let us put the partisan shenanigans aside, cut to the brass tacks, pass this bill, and hope we can pass this in the other body, because that is what our constituents deserve.

Mr. RANGEL. Mr. Speaker, I yield myself such time as I may consume to say to the gentleman from Wisconsin that as soon as he can find what page in the bill all these advance refundable

credits are, any of these credits, since he worked so hard on it, it must be in the bill someplace, but whenever he finds that, he can rely on me to give him a minute to show it to the rest of us.

Mr. Speaker, I yield 2 minutes to the gentlewoman from Florida (Mrs. THURMAN).

Mrs. THURMAN. Mr. Speaker, I thank the gentleman for yielding me this time.

To the speaker before me, let us not forget that we just did in July a \$1.3 trillion stimulus package. We did \$40 billion for recovery and relief, we did \$15 billion for the airline industry, and we are doing a defense bill that will put money into the economy.

Let us talk about the Republican stimulus proposal for just a little while. The GOP plans to exclude, and I might add that many women in this category, part-timers, temporary workers, and workers who have not worked in the same job for long enough, some by the way might even be some of those welfare mothers that the gentleman talked about so eloquently, so if they do not get 13 weeks, or they do not get unemployment compensation now, they certainly are not going to get 13 weeks of extended unemployment compensation.

The refundable tax credit for health insurance premiums. I hear the rhetoric that is being talked about. But guess what, if they do not have the money, whether it is today or whether at the end of the year, they do not have the money to buy this insurance, and it does not matter whether they get a tax credit.

And I might say to my colleague that he might want to think about what the governors are saying. Paul Patton from Kentucky says, "If Congress is serious about a stimulus package, they need to help States. A temporary increase in the Federal share for Medicaid is the right step to take."

Now, according to CBO, up to 9 million displaced workers would receive relief under the Democratic plan, 5.1 million under COBRA, and up to 3.8 million under Medicaid. The Republican plan only provides assistance to 3.35 million.

But let me just remind my colleagues of a story in Florida recently. We had a legislature that had to go into a special session because they could not meet their needs. The fact of the matter is, what they had to do is to reduce their spending, and they had to delay their promised tax cuts because our constitution requires the State to have a balanced budget. Where are the people tonight who voted for a balanced budget amendment to our constitution?

I would suggest to my colleagues that you are sending us down the wrong path.

□ 0145

Mr. THOMAS. Mr. Speaker, I yield myself such time as I might consume.

I might remind the gentlewoman that under their program, the numbers that she quoted in terms of the number of people that they cover include people who voluntarily retire, people who voluntarily leave their jobs, not that they were distressed or lost their jobs. It seems to me that that is a significant expansion.

What we are trying to do are help people in need, not extend to it people who make a voluntary decision. We are worried about the people who lost their jobs involuntarily.

Mr. Speaker, it is my pleasure to yield 2½ minutes to the gentlewoman from Washington (Ms. DUNN), a member of the Committee on Ways and Means.

Ms. DUNN. Mr. Speaker, 5,000 Boeing workers were laid off in Washington State last week. Yesterday Selectron closed their plant, laying off 345 people. Nordstrom has laid off 900 people. Thirty-eight thousand people, that is the number of how many honest, hard-working Washington State residents have been laid off this year and are now struggling to hold their families together during a tough holiday season.

Yesterday my State's unemployment rate surged to 7 percent, the highest since 1995. What has been the reaction of the United States Senate to this news? Inaction.

Two months ago the House passed a fair and balanced bill that provided business incentives to help our economy and to create jobs. It provided assistance to displaced workers for income and for health insurance; \$257 million of that would have come into Washington State. Two months have lapsed and what has the Senate done? Nothing.

We were told that we needed to do more for displaced workers and for their incomes. We agreed and we added an additional 13 weeks of unemployment benefits.

We were told that we needed to do more for displaced workers health care. We agreed and we added \$13 billion in health care assistance.

In all, between health care coverage and employment assistance, we went from \$12 billion to \$37 billion. Now, though, we are being told that there are no disagreements with the new funds that are being added, but with the method of delivery.

This is an argument, Mr. Speaker, that is lost on the American people. Families right now simply want the peace of mind that their children are going to be cared for and that we are going to be able to help them cover an injury or illness.

We are now being told that individual tax cuts should not be part of any stimulus package. Why? Because a teacher in Belleview, Washington, who pays a 27 percent tax rate is considered rich. This teacher, who earns a salary of \$30,000, who cannot even afford housing near the school district, and she has to commute up to an hour just to

get to class every morning, she is considered rich by the Senators who have failed to act.

Mr. Speaker, in my State, 660,000 people will be helped by this provision. I think it is time for the Senate to give up and to stop making excuses for their inaction.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (Mr. THORNBERRY). The gentlewoman will suspend.

The Chair would again remind all Members not to characterize action or inaction of the Senate.

The gentlewoman may continue.

Ms. DUNN. Mr. Speaker, my commitment to the people I represent is to make sure that the economic security bill we pass will boost our economy and will provide, at the same time, help for displaced workers and stimulate the economy, but if the Senate fails to act again, Mr. Speaker, we must explore every avenue, congressional and administrative, to bring assistance to those in need.

I support this bill, and I hope everybody will vote for this bill. We help my Washington State workers and their own at the same time.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the hardworking gentlewoman from Ohio (Ms. KAPTUR).

Ms. KAPTUR. Mr. Speaker, I thank my beloved colleague the gentleman from New York (Mr. RANGEL), the distinguished ranking member of the Committee on Ways and Means, for yielding me the time, and I rise in strong opposition.

This is not a bill. It is a raid. First, it is a \$260 billion raid on Social Security and Medicare. Yes, tax cuts for the super rich gut the lock box, and it holds the unemployed hostage for tax cuts to the Fortune 500 that are not even required to invest the dollars in America; \$1.4 billion more to IBM; \$671 million to GE that has not created a manufacturing job in this country in over a decade.

With American troops at war, sacrificing themselves, five of the top corporate tax evaders walk away with over \$100 million, and they are in the energy business like discredited Enron that has both hands out. By golly, their CEO, Ken Lay, he is laughing all the way to the bank with the \$200 million he took out of the deal, and in fact, he should pay at the 38 percent tax rate. I would not mind if we taxed him at the 50 percent rate to pay for all the unemployed people he put out of work.

Let me just say, we ought to think what Bill Natcher, our colleague, used to tell us, think about it America. Vote no on this Republican trickle down raid on the public Treasury.

Mr. THOMAS. Mr. Speaker, I yield myself 10 seconds to tell the gentlewoman from Ohio (Ms. KAPTUR) that a no vote on this would deny her fellow Ohioans \$406 million additional on just the \$9 billion in this program for unemployment insurance, and the decision is hers.

Mr. Speaker, it is my pleasure to yield 2 minutes to the gentleman from California (Mr. HERGER).

Mr. HERGER. Mr. Speaker, I rise in strong support of the economic security and worker assistance package. This legislation will give our economy an urgently needed boost and will provide displaced workers with additional financial assistance in these uncertain economic times.

Specifically, this bill will allow Americans to keep more of their hard earned dollars by deducting the 27 percent tax rate to 25 percent beginning in 2002. This legislation will encourage new business investment by allowing companies to more quickly recover the cost of their investments, allowing small businesses to expense more of their equipment purchases.

In all, this legislation will inject nearly \$90 billion of economic stimulus into our economy next year. This package also provides significant new assistance to unemployed workers.

Under the proposal, displaced workers will receive up to 13 weeks of extended unemployment benefits, and an additional \$9 billion in surplus Federal unemployment funds will be made available to States.

As chairman of the Subcommittee on Human Resources, I want to thank the gentleman from California (Mr. THOMAS) for all his hard work in this area. This bill is a carefully crafted compromise, supported by a number of centrist Senate Democrats and is a result of weeks of negotiation.

Mr. Speaker, let us pass this bill and send a message to the Senate and the Senate Democrat leadership, which has refused to pass this legislation, that the American economy and American workers cannot wait any longer, and that it is time to act and act now.

Mr. RANGEL. Mr. Speaker, I would just like to thank my friend, the gentleman from California (Mr. HERGER) for not referring to the nonexistent health program for the unemployed.

Mr. Speaker, I yield 1 minute to the gentleman from Maine (Mr. ALLEN).

Mr. ALLEN. Mr. Speaker, I thank the gentleman from New York (Mr. RANGEL) for yielding me the time.

Mr. Speaker, this bill is the product of negotiations of the House Republicans with themselves. In our system, a remarkably ineffective way of making law.

They cannot seem to give up writing big checks to big corporations. Take, for example, the alternative minimum tax. It is not repealed retroactively as in the first Republican bill. Under this bill, corporations get only \$13 billion in several smaller checks and not all at once.

The gentlewoman from Connecticut said that the unemployed will get \$30 billion. We think it is about half that amount. Compare that number to the cost of this bill over 5 years, \$260 billion.

While most States right now are facing desperate situations with respect

to their own finances, the bonus depreciation provision will reduce State government revenues by \$5 billion a year for each of the next 3 years. Tell that to your governors.

Rarely have we heard so much talk about the unemployed and so little help for them.

Mr. THOMAS. Mr. Speaker, it is my pleasure to yield 3 minutes to the gentleman from Ohio (Mr. PORTMAN), a member of the committee.

Mr. PORTMAN. Mr. Speaker, let us back up for a second and talk about why we are here. Let us remind ourselves of the fact that we are in a recession. The economy was already hurting before September 11, and it is in a whole lot worse shape now. Eight hundred thousand people we believe have lost their jobs since September 11. Businesses are shutting down, mostly small businesses, and people are hurting because people are unemployed.

We are trying in a good faith effort to deal with that and to protect people's jobs and help jump start this economy. That is what this is all about. We can do it tonight.

For starters, this package provides needed stimulus to the economy by giving people more money to spend so they can get out and spend more money. We heard earlier people care about consumers. I have heard tonight on the floor that this is all about the super rich; that it is all about fat cats, those are quotes, tax cuts for the rich. Tell me where they are. Is it the \$13 billion that is going out to people who did not get checks over the summer and the fall, the \$300, \$500, and \$600 checks? Are they the fat cats? They are at the low end of the economic scale. They need that money. They can use it right now. They will spend it.

Is it lowering the taxes from 27 percent to 25 percent? These are people making \$27,000 a year up to about \$67,000 a year. Are these the super rich? Are these the fat cats? Are these the folks who I have heard about tonight on the floor? I do not think so.

I do not where these tax cuts for the super rich are. These folks are not super rich. These are the folks who need the money and they need it now.

Yes, there are some things to help companies to retain and grow jobs, and those include allowing businesses to immediately expense things so they can go out and buy them. Thirty percent are meeting expensing.

Yes, the alternative minimum tax makes no sense. It is countercyclical. It hurts companies at a time when the economy is not doing well. Half of America's companies were paying alternative minimum tax during the last recession. It hurts jobs.

There is nothing retroactive in here. It is all prospective, and it is going to help jobs, and that is why we are doing it.

We also need to help people who are already unemployed. Ohio gets \$406 million out of this to help the unemployed. The health insurance provi-

sions are very good. I am looking at page 100. I am also looking back to page 93, 94 and 95 and 96 and 97 and so on up to page 108. There is a lot of good stuff in here about it, and what it says to me, it says my colleagues are selling people short.

They can figure out this program. They go to the unemployment office, they get a certificate, they go out and get their health care. Most of them are going to get it through the employer-based system. I do not know where this paranoia comes that we are somehow destroying the employer-based system through this plan. No analysis I have seen, nobody who is objective, who looks at this thinks that most people will not get it through the employer-based system. The employers are providing health care now. They can use a certificate for that.

The point is that you cover more workers because if you do not get the employer-based health care, you can go out and use the certificate in the private market to get health care if you do not have it now. We may cover fewer people, but we cover more people who are unemployed and uninsured, and that is the point, is it not? That is where the resources ought to be directed. That is what this is all about.

This economic stimulus package is going to help put people back to work. It is going to help people who are already out of work, and it is going to get this economy going again. We have an opportunity to do something big tonight, which is send a message to the other body and get this done for the American people.

Mr. RANGEL. Mr. Speaker, I yield myself such time as I may consume.

I may end up apologizing to my friend on the committee because he is a good friend of the President, and so this is the President's program, and so my colleague flipped through those pages a little fast here, but I will yield him 30 seconds to tell me how does a person with a tax credit and no job and no tax liability, what do they do and where do they go, and he can just refer to one of those pages that he flipped, and if he does not know, he can call the President and I will give him time when he comes back.

Mr. PORTMAN. Mr. Speaker, will the gentleman yield?

Mr. RANGEL. I yield 30 seconds to the gentleman from Ohio (Mr. PORTMAN) to tell me what page is this on.

Mr. PORTMAN. Mr. Speaker, this is a very interesting idea, because this actually came out of the Democratic Leadership Council, as well as the President of the United States, as well as people on both sides of the aisle here. No one person has a monopoly on this idea.

Mr. RANGEL. Mr. Speaker, if the gentleman will yield, where does the person go, to the Democratic Council?

Mr. PORTMAN. No. It is a great program because you get the certificate and you use it. Do not sell people short. They can figure this out.

□ 0200

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from California (Mr. SHERMAN).

(Mr. SHERMAN asked and was given permission to revise and extend his remarks.)

Mr. SHERMAN. Mr. Speaker, I bring you another Christmas story. Long ago, many highly profitable corporations paid zero in Federal income tax. Ebenezer Scrooge rejoiced. But the American people insisted that we pass a corporate alternative minimum tax so that no matter what loopholes a profitable corporation exploited, it still had to pay a minimum tax of 20 percent of its economic income.

Today, Ebenezer cynically dresses as Santa Claus. He is pretending to bring relief for Tiny Tim. But actually he is delivering the virtual repeal of the corporate alternative minimum tax, delivering presents to the largest and richest corporations in America. In doing so, he will take \$13 billion away from Social Security and imperil the retirement of Mr. Cratchit.

Bah, humbug.

Mr. THOMAS. Mr. Speaker, it is indeed my pleasure to yield 2 minutes to the gentleman from Arizona (Mr. HAYWORTH), a member of the committee.

Mr. HAYWORTH. Mr. Speaker, I would caution us all, with the severity of the challenge our Nation faces, with the fact that we are a people at war who were wantonly and brutally attacked on September 11, to continue to preen and posture and play games in the hopes of providing what in some twisted way must be thought of as a clever soundbite does a disservice to people who are out of work, to people who are hurting, to people who need health insurance, to people who need this unemployment, money that has been set aside where we have tried to work in good faith.

People can talk about the lateness of the hour. People can try to use misguided tales of Scrooge. The tragedy is for all the talk of compassion, my friends, if you set aside this last best opportunity to help these people, then you have turned your back on them. And then you have taken on the mantle of those you claim to attack and not to support. You have taken on the mantle of Scrooge. We cannot have that tonight. We cannot have this type of posturing and preening. Let us put the people in front of the politics. You may disagree with us on many matters. We have tried to come halfway and find a plan that can work at the behest of our President.

The American people deserve this opportunity. Do not turn your back on the people, for if you do so, you will ensure that this holiday is one that lacks prosperity and you will ensure that you are not doing your part to add to goodwill and a constructive, united front in the face of a massive war effort.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the hard-working gentleman from Florida (Ms. BROWN).

Ms. BROWN of Florida. Mr. Speaker, as we pause for the holiday, the loyal opposition party is bent on giving out huge handouts for their country club friends for Christmas. Meanwhile, most Americans, especially minorities, go on suffering the economic consequences of 9-11.

In concentrating on passing tax cuts, trade bills and stimulus packages for the rich, this House, which is supposed to be the people's house, continues to allow the big dogs to eat first. In fact, right now, they are the only dogs that are doing the eating.

More workers lost their jobs in October than any other time in the last 10 years. And what is their response? Pass a tax cut, pass a tax cut, pass a tax cut.

This country needs a stimulus bill that provides money for jobs training, economic development, and real health care. In closing, let me just say one thing. Thank God for the other body and hold the line for the American people. Hold the line.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (Mr. THORNBERRY). The Chair would remind all Members not to urge action or inaction of the other body.

Mr. THOMAS. Mr. Speaker, it is my pleasure to yield 2 minutes to the gentleman from Oklahoma (Mr. WATKINS) who does not believe we ought to hold the line and deny people help when people need that help.

(Mr. WATKINS of Oklahoma asked and was given permission to revise and extend his remarks.)

Mr. WATKINS of Oklahoma. Mr. Speaker, I know the night has been long for all of us. But to my colleagues, let me say this night is not near as long as many years ago when our Native Americans were forced by our government to travel from the east coast over 1,200 miles to the Indian Territory. Those were long winter nights and many of them died. Thirty-seven States have Indian reservations. California has the greatest population of Native Americans. Oklahoma has the highest per capita and the second largest population, but 37 States.

This is not a rich bill. This also extends a Native American tax credit, a wage tax credit and also accelerated depreciation. It works. It works because let me say I have personally experienced helping bring industry into those areas, because I was raised with the Native Americans. It is not a rich man's, a rich person's bill. If you have any compassion at all for those who have the worst economic conditions, the highest unemployment, the highest underemployment, the highest outmigration, those with the greatest social problems, of drug problems and also of alcoholism, if you want to lift them up, this can do it. I know because just last Saturday, I broke ground on a \$700 million power generation plant that employs hundreds and hundreds of people, many of them with Native American backgrounds. I also know it works because I was going to be home

Friday to break ground on a second \$65 million operation at the headquarters of the Choctaw Indians in my area of my boyhood home county where I was raised with the Choctaws.

Let me say to my colleagues, please do not overlook these forgotten Native Americans. This bill will help lift them out of their problems into a better way of life.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from New York (Mr. NADLER).

Mr. NADLER. Mr. Speaker, with Christmas just around the corner, the Republican leadership is once again handing out its presents to the large corporations. That might not be so bad if there were any economic value to this so-called stimulus bill. We should be putting money into the hands of people most likely to spend it, the unemployed and those people living paycheck to paycheck. Instead, this bill would give billions to corporations, hoping they will make products for people who do not have the money to buy the products. That is not stimulus, that is corporate giveaway.

Even the portions of the bill directed toward rebuilding New York are a disappointment. They are simply the same tax incentives that we passed just last week on the victims tax relief bill. As I noted then, while we welcome these measures in aiding our long-term economic revitalization, they do not provide the immediate relief that New York desperately needs. My distinguished colleague, the gentleman from New York (Mr. RANGEL), has a substitute that has just what we need today.

In particular, he would address the devastation our small businesses are facing now. The gentleman from New York's provisions would help small businesses survive the transitional period until Lower Manhattan is rebuilt and larger businesses return to the area. Only then will their customers return. But this bill just tells them to wait a few years. By then it will be too late.

Mr. Speaker, this bill is nothing new. It follows the tired old Republican script, provide as much money to the wealthy and to the large corporations as possible and then claim there is not enough for the people who really need it.

Vote "no" on this irresponsible bill.

Mr. THOMAS. Mr. Speaker, I yield myself 10 seconds. The gentleman from New York really does need to know that out of the \$9 billion, New York gets half a billion; out of the block grant alone, New York gets another half a billion; and out of that victims tax relief, New York gets another \$5 billion. Even a New Yorker would recognize that a billion here, a billion there, finally adds up to real money.

Mr. Speaker, it is my pleasure to yield 2 minutes to the gentleman from Pennsylvania (Mr. ENGLISH), a valued member of the Committee on Ways and Means.

Mr. ENGLISH. Mr. Speaker, American workers need help now. We know that from my district in northwestern Pennsylvania, and we know that from the experience around the country. The legislation before us brings a total of 37 billion new dollars in new benefits for unemployed workers, including 13 extra weeks of additional unemployment benefits. This is a critical initiative that we must pass now. With this bill, the House has made an effort to respond to the needs of the American worker during the current slowdown. But in doing so, we have also insisted that a stimulus package must be just that, a stimulus, that will return our struggling economy back to a growth path.

The single best way to jump-start our sputtering economy today is to allow companies to quickly recapture the money that they invest in capital. We know that huge additional amounts of business capital investment are critical to restart the economy. This bill includes an expensing provision that is no corporate giveaway. It rewards companies that make concrete entrepreneurial investments. We know that productivity is spurred by investment in innovative capital equipment. The sooner manufacturers can recapture the cost of their equipment, the faster they can create and maintain good-paying jobs. Workers not only need a better safety net as provided in this bill, but they need to be able to hold on to their jobs. Yes, workers want help when they are unemployed; but more importantly they want a good-paying, stable job. This bill stimulates the economy to make that possible.

This is a well-balanced bill that addresses both the human needs and the investment needs of this recession and will help many individuals and employers who are bearing the brunt of a slowdown that started last year. We must put partisan differences aside and unite behind this pro-growth, pro-jobs, pro-worker economic program to get America's economy growing again.

Mr. RANGEL. Mr. Speaker, I yield 2 minutes to the gentlewoman from Connecticut (Ms. DELAURO), who is a special assistant to the minority leader.

Ms. DELAURO. Mr. Speaker, I rise in strong opposition to this bill. It does not help our economy and little to help those who are hurt by the economy.

Times are tough for American families. Unemployment rates are the highest that they have been in nearly a decade. States are facing severe budget shortfalls. Families need to know that if they lose their jobs that their unemployment benefits will be secure and they will have a way to continue health coverage. This body needs to pass an economic stimulus package that helps the economy get moving, which assists families during difficult times.

I ask my colleagues on the other side of the aisle, where have you been for the last 3 months? This bill and your past actions have done nothing to help

those families. This bill does not include unemployment benefit increases. It does not guarantee access to affordable health care coverage. What it does include is a big helping hand to the Republicans' wealthiest contributors by refunding the corporate minimum tax, without any real benefits to the economy or to consumers.

This body has bailed out the insurance companies, it has bailed out the airline industry, and where it has come to the working men and women of this country, you have dragged your feet. And now, weeks and months later, the Republicans are trying to pass a bill that is simply unconscionable. There is no other word for this Republican economic package than greed. It is an unpatriotic grab on the public treasury.

I urge my colleagues to vote "no" on this bill. This leadership needs to be seriously engaged in negotiations to produce a plan that will truly help the economy and truly help the families in this country.

□ 0215

You have paid not a shred, not a shred of attention, to what has happened to working Americans, and it is a sham tonight to hear you talk about working Americans and what their plight is.

Mr. THOMAS. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I was not aware that one party had a monopoly on compassion for people in need.

Mr. Speaker, it is my pleasure to yield 3 minutes to the gentleman from Missouri (Mr. HULSHOF), a member of the committee.

Mr. HULSHOF. Mr. Speaker, I do not intend to invoke the wrath of the Chair by mentioning the other body. I do not intend, in fact, to focus my comments except for on those colleagues who are actually considering the merits of the bill. Not those, for instance, who say they are in favor of free trade, but then vote against a free trade bill; not against those who say they want some sort of stimulus, but then do everything they can to prevent that stimulus from happening.

What I would like to do is ask a simple question. My colleague, the gentleman from Ohio (Mr. PORTMAN), asked this question earlier, and I ask it again: Why are we here?

The answer to that question I think can be found in a videotape that was released last week of a dinner in Afghanistan when Osama bin Laden boasted to his dinner companions that the attack on September 11 exceeded his wildest expectations. Yes, those terrorists went into those Twin Towers in Lower Manhattan, but they did not intend for those towers of commerce to topple. But they did.

Along with that, our economy has been rocked. Even the Democratic former Secretary of Treasury has said that we were teetering on a recession, but clearly we are in that recession now. This is a bill that addresses the

needs of our economy now. It helps rebuild that sagging economy.

Some of the statements on the floor have been just blatantly wrong. Certainly every person is entitled to his or her own opinion, but no one is entitled to his own set of facts, and the facts are these: There is an immediate stimulus in this bill.

My friend from Maryland said that there was no immediate stimulus. We are going to have \$90 billion over the next 9 months if this bill were to become law.

My friend from Florida says that the governors have complained. My own Governor from the State of Missouri has complained that if this bill were passed, that Missouri would be harmed. We have \$8.6 billion for Medicaid reimbursements and other grants so that States are held harmless.

In addition to boosting consumer confidence, we accepted an idea, a constructive idea, from the other side, a \$14 billion income supplement, even if you do not pay income taxes. We boost investor confidence to small business owners, a short-term incentive to invest in equipment. Those laid-off workers, this bill is three times more generous than the bill this House passed a few weeks ago.

For Members who are interested in the policy, Mr. Speaker, inaction is not an option. For Members of this body who are purely interested in politics, however, I say this: A "no" vote means an extended recession. The blood of that extended recession will be on your hands. I urge a "yes" vote.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the hard-working gentlewoman from Texas (Ms. JACKSON-LEE). (Ms. JACKSON-LEE asked and was given permission to revise and extend her remarks.)

Ms. JACKSON-LEE of Texas. Mr. Speaker, I almost rise to a point of being speechless on the last comments being made about the blood being on our hands. For that I will take more time. For, in fact, what a tragic statement.

This is not a stimulus package. This is a raid on the Treasury, for those whose hands are out and in your pockets. The American people are hurting and the American people are being laid off every single day, and what the American people need is what the Democrats have offered, not a sham of an extension of 13 weeks. They need a full loaf of 26 weeks of unemployment insurance, a whole year, because we have not a recession, we have almost a depression. And the stimulus or the tax cut that you gave us just a few months ago did not work.

What the American people need now is to have real coverage of health insurance, not a worthless tax credit that those who are broke and unemployed with no money will not have the ability to be able to use those dollars.

We have millions of dollars of worthless tax cuts that are raiding Social Security, and we are also taking money

from equipment by 30 percent depreciation.

Mr. Speaker, let me just say: This is a raid on the Treasury. We need real legislation. This is a worthless bill, and we need to defeat it.

Mr. THOMAS. Mr. Speaker, I yield myself 10 seconds.

Mr. Speaker, I find it ironic that I am in receipt of a letter dated December 5 which the gentlewoman from Texas's signature is on which urges the gentleman from Illinois (Speaker HASTERT) to include the \$9.2 billion accelerated redact distribution contained in the bill.

Mr. Speaker, it is my pleasure to yield 2½ minutes to the gentleman from Illinois (Mr. WELLER), a valued member of the committee.

(Mr. WELLER asked and was given permission to revise and extend his remarks.)

Mr. WELLER. Mr. Speaker, my home State of Illinois had bad news this week. Like many communities across America, one of our Nation's largest employers, Motorola, headquartered in Illinois, announced they were going to lay off 8,900 workers yesterday; 8,900 men and women who had to come home to their families and tell their children they no longer had a job. Motorola is just one major employer who has already lost one-third of their employees through layoffs in the past year.

Nationwide we have seen 800,000 workers who have lost their jobs, 8,000 a week, since the terrorist attack on September 11. That is why we are here tonight, because we want to help these American workers. I want to help these American workers. My Republican colleagues want to help these American workers. My hope is my Democratic colleagues will join with us in helping these American workers who have lost their jobs.

Frankly, I think we all want these workers to have the opportunity to go back to work, because every good hard-working American deserves an opportunity to work.

Let us remember one basic economic fact, and that is that investment creates jobs, investment grows the economy. Our bipartisan legislation that is before us rewards investment. The 30 percent expensing, the accelerated depreciation, rewards investment; investment in computers, investment in pickup trucks, investment in machinery and other equipment. Let us remember that when an employer purchases this type of equipment, there is an employee that makes this type of equipment, as well as is required to operate it. That creates jobs.

We also have to recognize that there are American companies losing money this year, and they need investment capital. That is why the NOL carry-back, the 5-year opportunity to go back and recover from a profitable year some extra money that can be invested this year in creating jobs, again rewards investment.

The bottom line is we want to reward investment, we want to create jobs.

This is an opportunity for us to work together. Frankly, it is a bipartisan bill. My hope is our Democratic friends will set aside their rhetoric and work to help the American worker.

Let us pass this bill. We need economic security. We need to help workers. Let us support this legislation. My hope is the other body will take it up.

Mr. RANGEL. Mr. Speaker, I yield 2 minutes to the gentlewoman from California (Ms. PELOSI), our new and dynamic minority whip.

Ms. PELOSI. Mr. Speaker, I thank the gentleman for yielding me time in his capacity as ranking member and for his leadership in fighting this ill-advised bill.

Mr. Speaker, Christmas is coming, the goose is getting fat; pleased to put a penny in the old man's hat. That is what this bill reminds me of tonight.

Corporate America, because of this bill, which puts tax breaks for corporations over assistance to unemployed workers, says to America's families, Bah, humbug.

The Director of the Office of Management and Budget has predicted that we will face deficits through the rest of the Bush presidency. During the previous administration, years of fiscal responsibility had built a strong economy and a significant surplus. Now the surplus is gone. More than half of the lost surplus is directly linked to the Bush tax cut.

Despite this result, Republicans insist that further tax breaks make up the bulk of any stimulus package, refusing to provide additional unemployment and health benefits to displaced workers unless Democrats agree to give huge tax cuts to corporations.

The goose is getting fatter; pleased to put a penny in the old man's hat.

Throughout the economic stimulus negotiations, the Democratic position has been simple: Put unemployed workers first. But the Republicans have refused. They have refused to increase unemployment insurance benefits; they have refused to expand health insurance for unemployed workers who had been employed part-time or on a temporary basis; they have refused to provide sufficient resources for displaced workers to purchase health insurance in the private market.

Mr. Speaker, this is really a tragedy, because in the course of the budget negotiations earlier this year, the House Committee on the Budget and Senate Budget Committee on a bipartisan basis agreed that in order to be effective, the stimulus package must be short-term, provide a quick boost to the economy and not sacrifice our long-term fiscal stability.

This stimulus package fails on all three fronts, it fails America's unemployed workers and it fails America's families. I urge a no vote on this.

Mr. THOMAS. Mr. Speaker, I yield myself 10 seconds.

Mr. Speaker. Under the temporary State Health Care Assistance of \$4.6 billion grant, California out of that \$4.6

billion would get \$482 million. Out of the \$9 billion on the unemployment insurance, California alone would get over \$1 billion. That, to me, is real help to real people in need.

Mr. Speaker, it is my pleasure to yield 3 minutes to the gentleman from Iowa (Mr. NUSSLE), the chairman of the Committee on the Budget and a valued member of the Committee on Ways and Means.

Mr. NUSSLE. Mr. Speaker, I thank the gentleman for yielding me time.

Mr. Speaker, the distinguished minority whip just mentioned the fact that we had this big surplus going into this year. What happened to it?

Well, of course, the Democrats love to blame the Bush tax cut. The fact of the matter is, as we all know, only \$35 billion went out the door in the tax cut for this particular year. So where did the rest of it go? Where did the rest of the \$100 billion go that the gentlewoman talked about?

Is it possible that that had to do with Osama bin Laden? Is it possible that is the deepening of the pre-attack economic recession? Is it possible that is what happens when terrorism strikes America? Is it possible that you can put aside your rhetoric for just one moment and take a look at the facts, as opposed to just trying to blame people in the dead of night?

Because do you know what is going to happen? Blaming people in the dead of night probably is not any more effective than trying to pass legislation in the dead of night. But one thing will be alive in the morning, and that is the action that happens. Actions will speak louder than words.

When we were hit with terrorism, we passed an emergency bill. When we had to fight a war in a bipartisan way, we funded the military. But when it came to dealing with the recession, actions speak louder than words.

The House acted. The House put forward a stimulus bill. The House put forward ideas and plans. But where has action come from any other place in this Capitol? Unfortunately, we have not seen much. In fact, it is easy to talk about page 100 in the Republican bill. There is not even a bill to talk about in the other body, page 100 or page 1.

So, you can debate action, but when everything is said and done tonight, you are going to be voting on all of these different provisions, and you are going to have one opportunity to help New York, you are going to have one opportunity to help the victims of this attack, you are going to have one opportunity to deal with this recession, and that one opportunity will be lost if you continue to vote no.

I believe that this instance will be a test for this Congress, and the question will be when the lights come on tomorrow morning and people want to find out exactly what happened, they will ask the question, who acted and who did not?

I am really perplexed by the fact that we have been hearing all tonight about

how the Senate has not acted. We cannot talk about that. We are not going to talk about that.

Mr. RANGEL. Do not talk about that.

Mr. NUSSLE. We are not going to talk about that. But I will talk about something else, and that is they cannot. It is not a matter that they will not, they cannot. They have not. They have not.

Mr. RANGEL. He is talking about that.

Mr. NUSSLE. No, I am not talking about anything. I am talking about they cannot. Why have they not, if they can? It is that they cannot. It is not that they will not.

Mr. RANGEL. Point of order. He continues to talk about that.

Mr. NUSSLE. I am not saying that they will not.

□ 0230

#### PARLIAMENTARY INQUIRIES

Mr. THOMAS. Parliamentary inquiry, Mr. Speaker.

The SPEAKER pro tempore (Mr. THORNBERRY). The gentleman will state his inquiry.

Mr. THOMAS. Mr. Speaker, can one say they have not acted? I believe the earlier clarification was that if one stated the fact, and the fact is that the Senate has not acted, that would not rise to a point of order.

The SPEAKER pro tempore. The gentleman is correct. It is appropriate to state factually.

Mr. THOMAS. And a factual statement is, the Senate has not acted?

The SPEAKER pro tempore. The gentleman is correct.

Mr. RANGEL. Parliamentary inquiry, Mr. Speaker.

The SPEAKER pro tempore. The gentleman from New York will state his inquiry.

Mr. RANGEL. Mr. Speaker, is it proper to state that this body, this Committee on Ways and Means, has not acted on this bill? Is that proper?

The SPEAKER pro tempore. Yes.

Mr. RANGEL. I thank the Speaker.

Mr. RANGEL. Mr. Speaker, I yield 30 seconds to the gentlewoman from California (Ms. PELOSI).

Ms. PELOSI. Mr. Speaker, I thank the gentleman for yielding me 30 seconds to respond to the references made here.

Mr. Speaker, I do not blame my Republican colleagues for debating this bill in the dark of night. It is a shame. I know why they do not want the American people to hear about this and what the facts are, but I want to address the point of the gentleman from California. He rose and said that there are \$482.6 million in Federal funds for the Republican block grant that California will gain under this bill. What he failed to mention is that under the Democratic plan, California would get \$722 million, a more than \$240 million increase. As far as that point is concerned, the 53 percent of the deficit is attributed to the tax cut, not to September 11.

Mr. RANGEL. Mr. Speaker, they say, what bill? It is the bill that they denied the opportunity for this body to debate, the Democratic alternative.

Mr. THOMAS. Mr. Speaker, I reserve the balance of my time.

Mr. RANGEL. Mr. Speaker, I will be glad to take some of the time on the other side if they would like to yield it to us.

Mr. Speaker, I yield 1½ minutes to the gentleman from Massachusetts (Mr. FRANK).

Mr. FRANK. Mr. Speaker, I agree with my Republican colleagues on one very important point. This bill is much, much better than the last time they told us that we had to pass a stimulus bill to save the economy. How is it better? Liberalism has broken out in that unlikely place. Member after Member has bragged about how much they are doing for the unemployed, how much they are doing with health care. All of a sudden the market does not work, and we have the Republicans telling us how much more money they are providing out of public funds.

Well, I agree, they are trying; but like most people who are doing something which they really are not used to, they do not do it well, because what they do is compound it by adding tax cuts. The gentleman from Iowa is partially correct, in my judgment. There are many factors why the surplus that we had has become a deficit. But one thing we do not do is to respond by deepening that deficit by further tax cuts, some of which are entirely unrelated to a short-term stimulus because they are 2 and 3 years.

The biggest difference between the two bills to me is yes, we do say we want to raise taxes over current law for people who make more than \$300,000. The Democratic plan puts off that further rate reduction for people who make over \$300,000 and prevents the deficit from lessening. The first President Bush said we could not do a lot of important programs because we had more will than wallet. The current President Bush, having inherited a wallet from Bill Clinton, was terrified that this might lead to real programmatic improvements, so my Republican colleagues are helping him throw that wallet away. That is a very important difference.

Yes, they should be proud of doing much better, although not good enough, in trying to respond to the unemployed; but they cannot do it without revenues.

The SPEAKER pro tempore. The gentleman from California (Mr. THOMAS) has 12 minutes remaining; the gentleman from New York (Mr. RANGEL) has 15½ minutes remaining. Who yields time?

Does the gentleman from New York seek to yield time?

Mr. RANGEL. Mr. Speaker, it was said that they have 12 minutes and we have 15½, and they are yielding to us? Okay.

Mr. Speaker, I yield 1 minute to the gentleman from New Jersey (Mr. ANDREWS).

(Mr. ANDREWS asked and was given permission to revise and extend his remarks.)

Mr. ANDREWS. Mr. Speaker, I know that the unemployed people of our country need help and our economy needs help, and I think there is broad agreement on that tonight. Where there is disagreement is over the two-thirds of the money in this bill that is not spent this year, Mr. Speaker; \$162 billion that does not even get spent this year. It has nothing to do with stimulating the economy.

If we have learned any lesson in the last 30 years, it is that when we run the Federal Government by borrowing money, we destroy jobs and ruin the economy. This bill is as if the last 10 years never happened around here, because here we go again.

This bill is going to take a quarter of \$1 trillion and borrow it from the Social Security trust fund. Two-thirds of that money has nothing to do with what is going to happen in the next 12 months. It is simply going to run up the deficit, destroy jobs, and re-create the malignancy that burdened this economy and the people of this country for so long.

We could make an agreement in the short run, but this bill does not do it. It should be opposed.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentlewoman from Ohio (Mrs. JONES).

Mrs. JONES of Ohio. Mr. Speaker, I thank the gentleman for yielding me this time.

Mr. Speaker, the song goes, we wish you a merry Christmas; good tidings we bring to you and your kin. That is good tidings if you are unemployed and you have had coverage for 12 to 18 months; it is good tidings if you are eligible for unemployment compensation. It is good tidings if you have money to pay for health care and you can come up with 40 percent. It is good tidings if you can find your way through the unemployment maze.

The gentleman from Ohio failed to admit that in the State of Ohio, our Governor closed down unemployment offices, so they are going to be very hard to find.

But more importantly, as we stand here talking about truth at 2:35 a.m., the truth of the matter is that this bill does not provide all that it could for unemployed workers because many are left out of the pocket. If we really wanted to help unemployed workers, we would do one bill that helps unemployed workers, and then we could say to them, good tidings we bring to you and your kin. We are going to give you some money to take care of your families and your Christmas.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the hardworking gentleman from New Jersey (Mr. PALLONE), especially on health affairs.

Mr. PALLONE. Mr. Speaker, the majority, the vast majority of Americans who are unemployed cannot afford health insurance under our current

system. What the Democrats have proposed is so easy. We simply say, okay, we will pay for your COBRA benefits or, if you are not eligible for COBRA, we will pay for your Medicaid benefits and you will get comprehensive coverage.

I think that what is happening here tonight is that the Republicans are so kind of wrapped up into their own ideology, conservative ideology, that they just think that what the Democrats have proposed is somehow a giveaway or some kind of welfare or something that is wrong for the American people. They should be looking at this practically in terms of what is actually going to help people get health insurance, and that is true for unemployment compensation and the other aspects of this bill.

It really irks me to hear my Republican colleagues act as if they want to help or do something when they know full well that by bringing this bill up tonight they are going to do nothing. I am going to get a call Friday when I go back to my district office about health insurance; and I am going to have to say, nothing happened in this House of Representatives because of the Republican leadership and because of their conservative, right-wing ideology and their unwillingness to bend.

NATIONAL GOVERNORS ASSOCIATION,  
Washington, DC, November 26, 2001.

Hon. THOMAS A. DASCHLE,  
Majority Leader, U.S. Senate, the Capitol,  
Washington, DC.

Hon. J. DENNIS HASTERT,  
Speaker, House of Representatives, the Capitol,  
Washington, DC.

Hon. TRENT LOTT,  
Minority Leader, U.S. Senate, the Capitol,  
Washington, DC.

Hon. RICHARD A. GEPHARDT,  
Minority Leader, House of Representatives, the  
Capitol, Washington, DC.

DEAR SENATOR DASCHLE, SENATOR LOTT, SPEAKER HASTERT, AND REPRESENTATIVE GEPHARDT: The nation's Governors support your negotiations to secure bipartisan action on an economic stimulus program. As you know, the current budget shortfall in states is estimated to be about \$15 billion and is being caused primarily by declining revenue growth and the explosion in the costs of the Medicaid program. As the economy continues to slow, this shortfall is expected to increase to between \$20 billion and \$30 billion. The unprecedented costs of homeland security, as well as other provisions being considered as part of the stimulus package, will add substantially to the growing fiscal crisis. This growing state budget shortfall will continue to be a major drag on economic recovery and will offset a portion of a federal economic stimulus package.

Given this fiscal stress in just about every state, the nation's Governors number one priority in the economic stimulus package is for a temporary increase in the federal medical assistance percentage (FMAP). Our FMAP proposal, which will cost about \$5.5 billion, includes three major provisions:

A hold harmless provision for any state that would receive a decrease in its FMAP this year;

An across-the-board one and one-half percent increase in the FMAP for every state; and

A one and one-half percent increase in the FMAP for states with higher than average unemployment.

From a state perspective, this proposal has major advantages over any other provision being considered for the stimulus package. First, it provides fiscal relief for all states. Second, 100 percent of the funds would be spent over the next year, which is a very strong economic stimulus. Third, it is extremely flexible funding. Fourth, it does not require the federal government or the states to develop new legislation or regulations. All other state-administered programs that are being considered as part of the stimulus package are targeted to specific populations or programs and do little to provide fiscal relief to states.

We appreciate the difficult task that you have in negotiating a final package but we strongly urge you to build on the existing federal-state partnership by including a temporary increase in the FMAP in the final stimulus package. The bottom line is that enactment of a temporary increase in the FMAP would both offset some of the other provisions in the stimulus package that would decrease state revenues and dramatically reduce the drag on the economy of the growing state budget shortfall.

Sincerely,

JOHN ENGLER,  
Governor.

PAUL E. PATTON,  
Governor.

Mr. THOMAS. Mr. Speaker, it is my privilege to yield 15 seconds to the gentlewoman from Connecticut (Mrs. JOHNSON).

Mrs. JOHNSON of Connecticut. Mr. Speaker, let me just set the record straight. Your bill does not pay people's COBRA benefits. It pays a percent of the COBRA premium, and through our bill we would pay a percent of the COBRA premium, and all of the rhetoric on the floor about how people could not afford their portion is just as big a problem in your bill as in ours. So do not get out there and say we pay the COBRA benefits.

Mr. THOMAS. Mr. Speaker, I yield myself 30 seconds.

Some people might think it is the late hour when they listen to the math on the other side of the aisle. I have to assure those who believe it is the late hour that, actually, they do this in daylight as well.

I read off the amount of money that was going to California. The immediate retort from the gentlewoman from California was, yes, but we give more than you do, and yet we hear the refrain that we put ourselves into a deficit. Well, if we are going to double every number we deal with and you are telling us we put us into deficit, I think you ought to take a look at what you are doing as well.

Mr. Speaker, it is my pleasure to yield 2½ minutes to the gentleman from Georgia (Mr. COLLINS), a very valuable member of the Committee on Ways and Means.

Mr. COLLINS. Mr. Speaker, I thank the gentleman for yielding me this time.

I have always heard that money talks and B.S. walks. Well, Mr. Speaker, there is enough money in this bill to talk, but there is a lot of rhetoric here tonight that should walk.

Yes, there is a difference of opinion as to how this health care and this un-

employment should be handled, but the truth of the matter is, it is being handled. If there are questions by constituents of how and who they get in touch with when it comes to their health care, I am pretty sure they have the number in the third district of Georgia of Congressman MAC COLLINS's office and they will call and we will be glad to help them.

There is a lot of rhetoric here about this is for the rich corporations. The rich corporations are only a name. It is the people who work for those businesses that actually make up those businesses. But there are a lot of small businesses in this country that need help. I am going to tell my colleagues about one in particular. Two young men operating a trucking company in Jackson, Georgia, doing fairly well for themselves, deep in debt, a lot of expenses, a lot of overhead. They are working people. Their business is off because of what has happened recently in this economy. It is down some 25 to 30 percent.

This particular bill, based on the tax provisions that will encourage people to invest capital, either into buildings or into equipment, will help those two young men, because someone will order some material and they will get to deliver it; one of their drivers will have another load to haul. That is how we stimulate an economy. Piece by piece, worker by worker. Encouraging investment.

We are taking away something in this bill too that is in the tax codes that punishes people for making investments. We are reducing the burden of the alternative minimum tax. It is a punishment for people to invest, small or large. But it is not the entity; it is the people. People that we are trying to get back into the marketplace, back into the job place, and that is the best thing we can do for anyone who is out of work who works for an employer or who has their own health insurance. Get their job back. Put them back into the workplace. That is what will happen with this bill here.

This is the last train leaving the station, folks. Do not fail, do not fail those working people at home. Small business, or if we want to call it the big fat cat corporations, it is whoever we want to call it, but it is the workers, the people that work for those entities. They need help.

Mr. RANGEL. Mr. Speaker, I yield myself such time as I may consume.

I am so glad that the gentlewoman from Connecticut (Mrs. JOHNSON) is on the floor. No one has worked harder to provide adequate health care for the majority of Americans and continues to work to expand that coverage.

While she does refer to our bill providing only 75 percent of COBRA and fails to talk about the Medicaid provisions that we have to provide for additional care, the truth of the matter is that there is no Democratic bill that we can debate. We have been denied the opportunity to have our substitute on

the floor. But I think it is safe to say for those people who wondered what went on in the stimulus conference that we had, I think the chairman of that conference, who happens also to be the chairman of the Committee on Ways and Means, would agree that we accomplished a lot in recognizing that we did need short-term tax incentives to stimulate the economy. We never challenged that.

□ 0245

We never challenged that. I think that he would also agree that in the area of unemployment compensation, while there was a wide gap, we thought if we continued to work, that even that gap could be covered.

The major problem we had was providing health care under a new program that was introduced to us, we thought, by the gentleman from California (Mr. THOMAS) and now we find out by the President, that would allow people to get health insurance with a credit, and if they had no tax liability, they would be able to negotiate with an advance refundable credit.

I ask the gentlewoman from Connecticut (Mrs. JOHNSON), this advance refundable credit, it is more or less, I would suspect, some type of a voucher that would allow the person with no tax liability to go somewhere and try to get health insurance, try to negotiate for it. And while there would be a cap on the cost, still there is some thought that the program would work by allowing them to get into the system.

What I have been saying all night is that if the gentlewoman does not talk about health insurance, I will not talk about page 100. But I have looked through this, and we were unable to find any way to make the credit system work in conference. One of the Senators who was in charge said that we should go to the President, and the White House could not find any way to handle it, so the way they handled it on the floor is to say the program does not exist in terms of what they do with advance refundable payment.

I may be wrong, but all I am saying is that the only thing that I see that refers to how an unemployed person with no health insurance and no tax liability, when we ask how do they get negotiated into the system in order to get health insurance, it is on page 100. If there is another part of this bill that tells how people can really use the advance payment of a displaced person using this so-called credit, I would like the gentlewoman to refer to the page.

Mr. Speaker, I yield 30 seconds to the gentlewoman from Connecticut (Mrs. JOHNSON).

Mrs. JOHNSON of Connecticut. Mr. Speaker, I thank the gentleman for yielding time to me.

Mr. Speaker, I did not use the 75 percent versus the 60 percent in the gentleman's bill, because in the gentleman's bill, he allows only 75 percent.

Mr. RANGEL. I do not have a bill. I am saying, in the gentlewoman's bill, how do they negotiate the credit?

Mrs. JOHNSON of Connecticut. There are two questions here.

First of all, let me answer the subsidy one. We provide 60 percent subsidy of the premiums, and we let people buy that plan that CRS has.

Mr. RANGEL. But how do they get in the system? Where do they go?

Mrs. JOHNSON of Connecticut. Here it is. When they go and apply for the unemployment compensation benefits, it says in the bill they certify they are unemployed with the Social Security number.

Mr. RANGEL. What page?

Mrs. JOHNSON of Connecticut. Let me finish, I will get the page in a minute. It says it right there.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (Mr. THORNBERRY). If the Members would suspend, the Chair would request that all Members yield time to one another and direct their comments to the Chair.

The time is controlled by the gentleman from New York (Mr. RANGEL). If the gentleman would like to yield time to the gentlewoman, then it would be the gentlewoman's time to use.

Mr. RANGEL. I yield myself such time as I may consume.

Mr. Speaker, if anyone can tell me how they get these credits. All I am saying is that I respect that the gentlewoman knows that we had a bill and she studied it and she would like to critique it. I only wish that the majority would have allowed us to bring the bill on the floor so it could be critiqued, one.

Two, if we are talking about credits as a substitute for the existing program, the one question that I keep asking is, if they have the credit but no tax liability, how does a guy go to the HMO and try to get insurance? The answer is that the tax credit is advanced, so they can get it up front, they do not have to wait for the Treasury to give it to them. So I accept that.

I am saying if there is this advance credit, where do they go and what do they do with it? The answer is that there is no answer. They make it up as they go along, because the Secretary of the Treasury is the one that is going to determine at some point in time sometime next year how the program works.

But if Members are trying to find out how it works tonight on the floor, as we say in New York, forget about it.

Mr. Speaker, I reserve the balance of my time.

Mr. THOMAS. Mr. Speaker, it is my pleasure to yield 30 seconds to the gentlewoman from Connecticut (Mrs. JOHNSON.)

Mrs. JOHNSON of Connecticut. Mr. Speaker, if the gentleman will read page 93 to 108, he will find that a person who is noticed goes to the unemployment office and gets unemployment compensation and certification that he is eligible for unemployment compensation. He then gives that certification that his employer gave and is

charged only 40 percent of the premium. The rest is collected from the employer from the Department of the Treasury. It is very simple.

Now, when there is \$13 billion out there, does the gentleman think insurance companies are not going to make it real easy to pay these premiums? Of course they are.

But back to this premium thing, remember, the gentleman provides a 75 percent premium and it is only for the most expensive plans. Seventy-five percent of the most expensive plans, the COBRA plans, which are usually \$400 a week, is less of a subsidy than 60 percent of the average premium according to the Congressional Research Service of \$200 a month. So ours is actually more generous than the gentleman's.

Mr. THOMAS. Mr. Speaker, it is my pleasure to yield 2½ minutes to the gentleman from Kentucky (Mr. LEWIS), a member of the Committee on Ways and Means.

Mr. LEWIS of Kentucky. Mr. Speaker, I thank the gentleman for yielding time to me.

The basic question tonight, Mr. Speaker, is where do jobs come from. If the Members will indulge me, I want to give some of my personal experiences.

Tonight the other side of the aisle has indulged in the old political rhetoric of class warfare. That is kind of getting old. It is over and over and over again that we hear it.

Let me tell the Members about my history. I was born in eastern Kentucky in the mountains, in a log cabin. My father was a tenant farmer. He had to work his way up to get a card as a pipefitter in a union. He just retired a few years ago from that.

He had to suffer through several recessions where he was out of work, and yes, we certainly appreciated the unemployment check. But number one and most of all, he wanted his job as soon as he could possibly get it back.

I worked for a steel mill. I was a United Steelworker, belonged to the union. There were times that I was out of work and had to depend on the unemployment check. I appreciated that. But I wanted my job back.

If I had the choice of extending my unemployment and the economy being stimulated through some tax credits and some tax incentives for the steel company I worked for, or my father would have chosen more unemployment or getting some stimulus into the economy where the construction jobs would start back up, do Members know what he would have chosen and what I would have chosen? I would have chosen the stimulus to those companies, those big, fat corporations that provided me a job.

That is what we are talking about tonight: People want jobs, not unemployment checks. But we will help them. We want to help them. We want to help them with health care, we want to help them with unemployment checks, but number one, we want to help them get their jobs back; and those that have jobs, to keep their jobs.

My son, my daughter-in-law, work in a manufacturing company right now. If we do not do something about this economy, they are in danger of losing their jobs. Let us do something tonight to protect their jobs and put people back to work. That is what America needs.

Mr. RANGEL. Mr. Speaker, I yield myself such time as I may consume.

As I stated, Mr. Speaker, when we were in conference, we wanted to follow what the President had suggested and to take in consideration tax cuts, many of which were not liked by our side, but we thought it was a question of give and take. But there is one thing that we insisted upon, and that is that either we take everything or we take nothing.

So the things that we were willing to do, some of those things we put in our substitute bill as an enticement in believing that if the House was going to be fair enough to give us an opportunity to say that we have a better plan, that Republicans and Democrats would have an opportunity to at least hear the merits of the plan, since ours had substantial tax cuts.

But we just refuse to believe that the unemployed have to be held hostage to the tax cuts, so therefore, we insisted that until we could work out the differences, there would be no agreement.

The complexity of finding an answer to how do you properly give coverage to unemployed people is a problem that the gentlewoman from Connecticut (Mrs. JOHNSON), the gentleman from California (Mr. STARK), and Members of this House have wrestled with for months and perhaps years. We have 44 million people without any type of insurance at all, and that is increasing. The recession is causing more people to become unemployed, and therefore, more people without insurance.

So we struggle to find a way. The majority insisted that we discard the way that we have because, as the gentlewoman from Connecticut (Mrs. JOHNSON) said, it is too expensive. Others said it is a Cadillac system, and some said we are paying for more than people deserve because they are unproductive people.

They talk about how you can get cheaper policies, and that you were given more. But the fact is, there is a cap on what the other people are giving. So given 60 percent, if you cannot afford the 40 percent, you are just out of insurance, because you are there to negotiate with an HMO that is in it for profit, and one cannot really negotiate from that position.

Certainly if we can just picture for one moment that we have lost our jobs and that we have lost our COBRA benefits, and that what we do have are tax credits, can Members imagine what they, their wives, or their kids, would have to go? Where do they go with the credits? What do they do? Who do they ask?

The gentlewoman from Connecticut (Mrs. JOHNSON) said people would be

fighting for those credits. Do we wait until it is time to pay taxes and find out that there is no tax liability, and then get a refund? Oh, no, says the gentleman from California (Mr. THOMAS), they do not have to wait. We asked, why do we not have to wait? They said, "Because we have a provision."

What is the provision? The provision is that even before we filed the tax, they know we have no tax liability so they advance the refund, and we take that someplace and negotiate.

We said to the gentleman from California (Mr. THOMAS), that is pretty complicated. We do not understand how that works. He did not understand either, to be honest. He said, it is the President's program. So what did we do? We sent it over to the President. We never heard from anybody since.

So I was really surprised that what I used to refer to as the Thomas tax credits, since the statement is attributed to him, is now the President's tax credit, and I still could not find how do people use the advance refundable credit.

The truth of the matter is the gentleman from California (Mr. THOMAS) did not know then, he does not know now, and it is not in the bill. He may be able to tell us how he would like for this to work, or he may talk about his newly found good relationship with the with the Secretary of the Treasury, or he may say, trust the President.

But there is one thing that he is not going to be able to say, and that is anything concerning how to use the advance credit in order to get insurance, except that on page 100 and only on page 100 they say, check with the Secretary of the Treasury. At some time he will come up with some program.

□ 0300

What we had suggested is maybe you do not like COBRA. Maybe you think it is too expensive. Maybe you think it is too inclusive. But the whole idea was to do something and do it now.

This was not supposed to provide for a permanent change in health delivery system. It was not a reform bill. The President did not say everything had to be right. Maybe some of the loopholes that we expanded we went too far. But he said give me something, make it temporary and do it now. Which meant what? We could have kept our system for one year, brought in Medicaid to supplement it and to make certain that everyone had coverage. And at least use it as a testing ground that if it was abused, if people was using more than they should, then we could get together and come up with a good Medicaid/Medicare reform bill.

As it is now, we are left with nothing except your imagination and whatever the Secretary of Treasury may come up with. And the reason we broke down in our negotiations is because there was no provisions there for refundable advanced credit for people to get insurance. There is no provision now, and that is why we are opposed to the bill.

Mr. Speaker, I yield back the balance of my time.

Mr. THOMAS. Mr. Speaker, I yield myself 30 seconds.

The gentleman is entitled to his opinion but not his own set of facts. The bill did and the bill does not have a cap on the payment. And what the payment and what the gentleman has not really shared because with us is that his plan a subsidy for the COBRA program does not exist. Currently people who are unemployed take their own money and pay 102 percent of the cost. That is the structure in place. The gentleman's subsidy program does not exist and has not been created. Where it will be created is with the Secretary of the Treasury, the same place our program is created.

Mr. Speaker, I yield 3 minutes to the gentleman from Oklahoma (Mr. WATTS), the chairman of the Republican Conference.

Mr. WATTS of Oklahoma. Mr. Speaker, I am about to share a story that some of my colleagues will have probably heard me share, but I am going to share it again because I think it is very fitting for the hour.

Back in 1981, I was about 45 days from graduating from the University of Oklahoma and I had gone home one weekend to spend the weekend with my parents, and my father said to me as we sat up in the front room of his home one night until about 2:00 in the morning, and daddy and I solved all of America's problems according to our own opinions and thoughts.

After about 3 hours of discussions he said to me, he said, Junior, I think I want to go to college. And I said, Daddy, why do you want to go to college? You are 57 years old. You are a double bypass heart patient. Mom has diabetes. You have these cows, this rental property. You are pastor of the church. Why do you want to go to college? And he replied to me, he said, I would like to see what makes you guys fools when you get out. He said, you guys seem to lose your ability to use common sense.

What this package is about it is about common sense, trying to address the needs of the American people. Common sense should say to us, we have got people who are unemployed, who are without work, who are without health insurance benefits. Common sense should say to us, our moral fiber should say to us, let us address the needs of these people who need this assistance. Common sense should say to us, we do not need more taxes. We need more taxpayers. How do you created more taxpayers? You allow dollars to stay in the hands of the people who are risking their capital in order to either sustain jobs or to create jobs. Now, that is common sense.

What does this package do? This bill helps laid off workers by providing a generous tax credit for Americans who lost their jobs so they can buy health insurance. It extends unemployment benefits by 13 weeks, 3 months. It gives

small businesses help so they may create more jobs or help to sustain the jobs that they currently have.

We give tax rebate checks to lower income Americans and reduce the income tax for middle income Americans. These are initiatives that achieve important goals helping those who need immediate assistance while creating jobs and giving a boost to the economy.

Again, we are not proposing more new taxes or more taxes as our friends on the left would do because we understand that is not the way. I asked my colleagues to do the right thing concerning this vote, this bill. It is not a be-all or an end-all, but it is a solid package to help folks who are suffering from hard times while looking ahead to the future.

Let us reject yesterday's fear and go into tomorrow with great confidence. Let us reject yesterday's rhetoric and go for tomorrow's solutions.

Mr. Speaker, I urge my colleagues to support this bill on December 18, or 19. What day is it? Whatever day it is, I ask my colleagues to support this legislation.

Mr. THOMAS. Mr. Speaker, each day is slipping away.

Mr. Speaker, I yield such time as he may consume to the gentleman from California (Mr. McKEON).

(Mr. McKEON asked and was given permission to revise and extend his remarks.)

Mr. McKEON. Mr. Speaker, I rise on behalf of the American people who need this stimulus package to get back to work.

Mr. Speaker, I rise in support of H.R. 3529, the Economic Security and Worker Assistance Act. This important piece of legislation will bolster our economy in many ways, but I am particularly pleased that it addresses the needs of our dislocated workers and their families.

This legislation incorporates President Bush's proposal to expand the existing National Emergency Grants, found within the Workforce Investment Act, to assist our workers. These grants complement the workforce development resources available in states to ensure an effective response to significant worker dislocation events. Currently, these grants are used to provide a variety of employment and training assistance to workers who have been laid off. These include (1) job training and reemployment services; (2) income support for those that are not eligible or have exhausted their eligibility for unemployment compensation, if they are enrolled in training; and, (3) supportive services such as transportation and child care to allow individuals to get back to work.

The proposal before us today would expand the allowable supportive services to include temporary health care coverage premium assistance. A state would be required to use at least 30 percent of its grant to provide temporary health care coverage of its choosing. The Economic Security and Worker Assistance Act provides \$4 billion to enhance this critical safety net for workers. Using the National Emergency Grant as a means to provide additional assistance is the right one for our workers and their families.

First, it is flexible, allowing each governor to implement a seamless package of assistance for the needs of the dislocated workers in his or her state.

Second, it can be implemented quickly since it uses an established mechanism to provide needed assistance without creating a new federal bureaucracy.

Finally, the program is targeted and temporary. The assistance aims to help those affected by the economic downturn, including families impacted by the terrorist attacks of September 11, get back to work.

By passing this legislation, we will keep our commitment to helping every worker return to work while ensuring that they and their families have the critical support they need at this difficult time. I encourage my colleagues to support America's working families and vote yes on the economic stimulus package.

Mr. THOMAS. Mr. Speaker, I yield the remainder of my time to the gentleman from Illinois (Mr. HASTERT), the Speaker of the House of Representatives.

Mr. HASTERT. Mr. Speaker, first of all, this Congress has come through an extraordinary year, a year where a lot of us never thought that the challenges and problems and probably the grief that many Americans have faced we would have to deal with, but we did.

I want to commend my colleagues on both sides of the aisle for facing up from time to time, standing tall and getting things done that were important to the American people. We have stood together. We have faced problems. We have done those things that secured this Nation. But there is one more problem. We also see an economic downturn. We can discuss why that happened. Whether it was the result of September 11 or it was in the mix a year ago, we do not know; but we know it is here. And we know when this country faces problems, this is the body that the American people look to find solutions.

And somehow from time to time we, as Americans, we, as elected people here, pull together our collective strength and find solutions to those problems. We are human, and solutions many times are not perfect.

I remember a conversation I had with the gentleman from Missouri (Mr. GEPHARDT). He was concerned when we did the airline bill and we did a couple other things so that American workers were taken care of, because at that time there were people out of work. But today there is a lot more people out of work. And those people out of work are on unemployment compensation.

We want to extend that unemployment compensation. This bill does it. It does it to the tune of \$30 billion and gives these people a lot of hope and a lot of time to get back on their feet and to find that new job. The problem is, too, some of those people do not have health care. They do not have the COBRAs opportunity. If you have COBRA that means you have to go out and pay 102, 103 percent of your premium.

We tried to find a solution to that problem too. We tried to find it together. In finding it together, we said there is a couple of ways to do this. But the way you do it quickest is give people that little code, that little voucher if you want to say it, I hate to use that word, that you can take and say here is my voucher. Here is my number. I am certified. Here is a check for 40 percent of my health care to your employer or to your insurance company, it depends on what State you are in. You know that. And in 38 States for people who are not covered by COBRA, are not in one of those big corporations, do not want to have one of those Cadillac health care bills, they also have the ability to have many COBRAs. Because you can take that there to small businesses that are not covered by COBRA and extends that insurance coverage.

We do something else. There is another group of people out there that work for companies that do not offer insurance. And they have the ability in this bill to take that code number and a check for 40 percent of their coverage and take it to buy where they buy insurance every day, whether it is down at the Main Street insurance office or some cooperative, people that they buy and do business with every day.

But this bill does more than that. It also puts money in people's pockets. If we are going to change this economy, if we are going to change this system that we have today, we have to get consumer confidence back. And we do that.

We also say every family in this country that works has had some type of security, some types of wealth that have given us a safety net, whether it is a 401(K) or whether it is a savings plan or it is a mutual funds of some kind. And almost every family since September 11 has lost that wealth or some of that wealth.

We are saying let us kick that market and let us get it going. Let us do some of those things that spur this economy and people's confidence of putting money back in the market. Let us bring that wealth back to American families, every family that has a pension or a savings account or a 401(k) is tied to securities. We need to get that done.

Finally, the engine in this country that creates jobs is the magic of people taking capital and creating wealth, taking capital and creating jobs, building buildings, buying machinery, investing in ideas, and you have to have the capital to do that. And this bill also does that and brings that capital into a place where people can invest it and create the jobs and restore this country back to where it should be.

Now, do we do it this way or that way? Is this a perfect way? Well, I say it happens to be a centrist way, because folks on both sides on the aisle, on both sides of the rotunda have basically come together and said this is what we should do, and we should do it.

We should do it for this Nation. We should do it for our people who are unemployed. We should do it for the victims in New York because we addressed that too. It is time to get it done.

We have heard a lot of rhetoric. The hour is late. I know this has been a stressful couple of weeks, tempers flair and we get on edge. But I think as this Congress we have done a pretty good job over the years and over the last year, especially. I thank the Members for their help and support when we needed to have that.

There is one more time that we need your help and support, not just us, the American people need it. Here is the solution. Here is the ability to do it, and now is the time to do it. I thank Members for their attention. I thank Members for their consideration. Let us vote this bill and get it done.

Mr. SANDLIN. Mr. Speaker, I rise to oppose the misdirected economic stimulus plan, H.R. 3529, Economic Security and Recovery Act of 2001 because the bill fails to balance worker assistance provisions and tax cuts while wrecking years of Federal fiscal discipline. The economy is stagnating and people with a tenuous grip on the economic ladder fear rising unemployment rates and health costs will cause further pain. I am disappointed that Congress could not come to an agreement on an economic stimulus package and I fault those who cling to rigid ideological positions as a justification for blocking compromise and comity. The plan we will consider today does not do enough to focus on the hundreds of thousands of recently unemployed Americans and enacts risky corporate tax cuts and rebates that would further weaken our fiscal health.

Squandering an opportunity to secure health care coverage for the unemployed and tax reductions to encourage business growth sends the message to American people that Congress is not serious about economic recovery. Mr. Speaker, the Congress acted in a bipartisan manner to give the President the tools necessary to fight the war on terrorism. Democrats and Republicans compromised to pass legislation in the best interest of the country. I believe that many Democrats and Republicans were willing to compromise on an economic stimulus package but, unfortunately, ideology trumped pragmatism and common sense.

Last spring, I voted for the \$1.3 trillion tax cut advocated by President Bush. At the time, our budget surplus projections looked strong for years to come. Unlike the present legislation, that tax cut contained relief for working American families and allowed most Americans to share in the expanding economy. I have great reservations that the \$250 billion total cost of the bill over 10 years will further exacerbate our fiscal picture and balloon our Federal deficit.

In light of the September 11 tragedy, the priority of Congress and our country must be securing the safety of Americans from further terrorist attack and rooting out terrorist evil around the globe. We are making progress on bringing to justice those responsible for the terrorist attacks and our efforts will forestall future attacks. I believe, however, that more can be done to safeguard the American people and strengthen Homeland Defense. As a

Member of the Blue Dog Coalition—a group of fiscally moderate Democrats—we proposed, as part of an economic stimulus plan, a homeland security component. This fiscally responsible initiative addresses the fundamental questions of strengthening our domestic security through targeted initiatives. The security package could also complement legislation aimed at stimulating the economy in the short term by providing relief for those who lost their jobs as a result of September 11. The proper course of action must focus on short-term assistance and avoid long-term business tax cuts that will skew our budget picture and endanger the Social Security trust fund.

I believe that the components of a balanced and fiscally responsible stimulus plan exist and a compromise can be reached. H.R. 3529, however, fails both of these criteria by enacting long-term corporate tax reductions and rebates with dubious short-term economic benefit that will lead to a return of Federal budget deficits. America needs a shot in the arm, not a misdirected tax bill in disguise as economic stimulus.

Mr. UDALL of New Mexico. Mr. Speaker, I rise today to voice my strong opposition to this legislation being brought forth under the guise of a stimulus for a sluggish economy.

Once again, just like H.R. 3090, this sham of a stimulus bill is geared toward providing tax breaks to the wealthiest individuals and corporations in our country. Extending for an additional 5 years a tax break for multinational financial corporations? Cutting the 27 percent income tax rate to 25 percent? How many of the men and women who have lost their jobs because of the economic slowdown are going to benefit from these provisions?

Instead of discussing ways to make sure that these individuals are able to afford health insurance for themselves and their families, we are talking, once again, about retroactive corporate tax cuts. We are talking about a tax cut that leaves out 75 percent of all Americans because they don't have high enough income to be in the 27 percent tax bracket.

It was recently announced by the National Bureau of Economic Research that the recession began in March, yet since that time, the House of Representatives has not passed any legislation or committed one dime for worker relief.

I urge my colleagues to oppose this shameful legislation that benefits only the wealthiest corporations and individuals in this great country; a country, Mr. Speaker, that was built on the hard-working shoulders of the types of men and women who are excluded from this very legislation. Oppose this bill.

Mr. MOORE. Mr. Speaker, I rise in opposition to H.R. 3529, the Economic Security and Worker Assistance Act of 2001.

In October, when this House debated and voted on its first stimulus package, I voted against both the majority proposal and the minority's substitute. At that time, I voiced my concern those two competing proposals had one deficiency in common: they both failed to effectively balance our Nation's priorities and needs.

In October, our Nation was at war and I argued that never, in the history of this country, during a time of war, have we cut taxes or spent our precious resources on items unrelated to achieving our wartime objectives. I also argued that we had critical needs both domestically and globally to defeat terrorism,

to protect the safety and security of the American people, and to assist the hundreds of thousands of Americans who lost their jobs as a result of the events of September 11.

In October, the President called on this Congress to help our Nation recover from the September 11 terrorist attacks. He called on us to secure our airlines, to strengthen law enforcement, to give him the tools he needs to win the war on terrorism, and to assist those Americans affected by the economic consequences of the terrorist attacks. This Congress heard the call of the President and responded in a bipartisan fashion to each and every one of these needs, except for one—we have failed to provide for those who lost their job through no fault of their own.

Mr. Speaker, since October this Congress has accomplished a lot and much has changed. We have secured our airlines. We have strengthened law enforcement and we are winning the war on terrorism. We should applaud the bipartisan efforts that made these accomplishments possible.

Since October, however, we have witnessed other changes that should demonstrate to each and every one of us that there is much more to accomplish. We experienced firsthand the continued threat of terrorism in the form of anthrax and recognized our deficiencies in providing for our homeland security needs. We learned that the Federal Government ran a unified deficit of \$63 billion in the first two months of this fiscal year. We heard from the Director of the Office of Management and Budget that we will face deficit spending for the remainder of the President's term. And, most chillingly, since October over 700,000 Americans have lost their jobs.

Mr. Speaker, while much has changed since October, much remains the same. Our Nation is still at war, our States and municipalities are still at risk, and our displaced workers are still in need of assistance.

This Congress' response is also the same: we are once again debating a bill to reduce revenues without offsets while in a time of war; we are debating a bill that does nothing to shore up homeland defense; we are debating a bill that fails to effectively respond to the needs of our displaced workers; and I will continue to oppose legislation that fails our economy, that fails our cities and States, and that fails our workers.

On December 10, I received a letter from the President calling on Congress to send him legislation to expand unemployment and health insurance benefits by the end of the year, "regardless of the success or failure of any other element of the economic stimulus measures now pending."

In response to the President's call, I introduced H.R. 3471, the Worker Opportunity and Relief Compensation (WORC) Act, which would meet the pressing needs of our Nation's unemployed. Among other items, this bill would expand access to unemployment and extend these benefits for 13 weeks. This bill would also provide assistance for individuals to help cover the cost of COBRA health insurance premiums.

I urge my colleagues today to vote against this legislation and support the President and me in passing a stand-alone bill that will help our Nation's workers before this Congress adjourns for the year.

Ms. WATERS. Mr. Speaker, I rise in opposition to the Republican so-called economic

stimulus plan and in support of the Democratic substitute. I am committed to the goals of improving the economy in general. I am specifically committed to providing relief to the working men and women of America and those who have recently lost their jobs. Many of these individuals did not fully realize the benefits of the recent economic expansion and are now being hit the hardest by this current downturn. I believe that it is crucial that their needs must be the top priority in any economic stimulus package, and any authorized spending should be in a form that can get it into communities as quickly as possible.

I believe that true economic stimulus will be achieved by investing in certain existing economic development programs whose benefits far exceed their cost to the government. These programs invest Federal dollars in communities, resulting in job creation and economic growth. My proposal, which was adopted by the Democratic Caucus, increases funding to the Community Development Financial Institutions Fund, section 108 loan guarantees, Empowerment Zones/Enterprise Communities, and Community Development Block Grants.

These proposals are based on provisions of my bill, H.R. 3033, the Job Creation and Economic Revitalization Act of 2001, which provides additional funding for current programs that invest in traditionally overlooked communities, creating jobs and building the economy. The funds allocated to these programs represent a small fraction of the total benefits to communities. For example, over a 2-year period, the CDFI awarded \$114 million to organizations who, in turn, made \$3.5 billion in community development loans and investments.

Similarly, the section 108 loan program is a very low subsidy program—\$15 million in appropriated funds this year will yield \$609 million in loans.

I am deeply disappointed that this economic stimulus package was not the product of bipartisan negotiations. This bill represents a failure to put aside petty partisan politics for the greater good. I strongly urge my colleagues to oppose this legislation and support the Democratic substitute.

Mr. BECERRA. Mr. Speaker, it's déjà vu all over again. Nearly 2 months ago, the House narrowly approved a partisan, budget busting economic stimulus package laden with tax cuts for corporations and the affluent that failed to meet the dramatic needs of those suffering the worst effects of the current economic downturn.

Now, here we are again, for a second-round with largely the same package of misguided tax cuts and insufficient unemployment and health care assistance for recently laid-off workers. On all counts—tax relief, emergency unemployment benefits, and health care coverage—this bill is inadequate and should be defeated.

The Democratic leadership of the House and Senate have time and time again made good-faith, fiscally responsible offers on the tax, unemployment, and health care provisions in this bill. But, in each and every case, the White House and the Republican congressional leadership have resisted these attempts to reach a middle-ground and instead have insisted on the inclusion of their partisan proposals.

I am extremely disappointed that my colleagues across the aisle are bringing up this legislation today. It is clear to me, and clear to

so many of our constituents who desperately need the help promised to them by the President and Congress earlier this fall, that this bill will never become law in its present form. We should not be wasting either the time or the effort on this wholly political enterprise.

House and Senate leaders, Republicans and Democrats alike, should return to the negotiating table and craft a balanced and responsible bill, one that stimulates the economy and deals with the immediate economic and healthcare needs of my constituents in Los Angeles, the citizens of California, and all those suffering throughout the Nation—without threatening the Social Security and Medicare surpluses, without jeopardizing our ability to meet our homeland and national security needs, and without endangering our long-term economic recovery.

While most others may have given up hope that such a consensus, bipartisan agreement can be reached, I continue to believe that it is possible. I say this because broad support exists for a significant number of provisions that could be the basis of such a bipartisan agreement. For example, both Republicans and Democrats have included in their stimulus packages language that provides for bonus depreciation, more generous small business expensing, extended carryback of business losses, and extension of several expiring tax benefits. Beyond these tax items, there are several others that have bipartisan support and would contribute to an economic turnaround, but, regrettably, were never considered for inclusion in the bill before us today.

For instance, I believe the House should have considered a proposal to allow a life insurance company that merges with a nonlife insurance company to file a consolidated tax return. Congress long ago recognized that while an affiliated group of corporations consists of multiple legal entities, it is, in economic reality, a single business enterprise and should be permitted to file a single consolidated tax return so that the income and losses of the entire economic unit may be considered as a whole for tax purposes. However, groups that include life insurance companies—indeed, only such affiliated groups—are unable to take advantage of this common sense tax policy and cannot fully consolidate their income in a single tax return.

These limitations not only add enormous and unjustifiable complexity to the accounting requirements of these companies, but they also hinder their ability to compete with other corporate financial services groups. Even more frustrating, these restrictions will disrupt the economic recovery of an industry so dramatically impacted by the terrorist attacks of September 11 since most corporate groups with life insurance affiliates will be unable to offset their losses against total net income from the current year or carry the losses back to prior years. I hold out hope that we will be able to address these limitations before this Congress adjourns. The time for leveling the playing field for life insurers is long overdue.

In addition, the problem of runaway movie and television productions continues to threaten the well being of many sectors of the American economy. When moviemakers come to town, hotels are filled, restaurants and caterers gain new business, air and ground transportation provides and travel agents experience increased demand for their services. It's no wonder that several foreign govern-

ments have adopted tax and other incentives to attract motion picture and television production projects—and the jobs and spending that come with them. Now, more than ever we must counteract these off-shore incentives. The same businesses most affected by runaway production have also been those most dramatically impacted by the aftermath of the terrorist attacks on September 11.

I cannot overemphasize that this is not just about Hollywood or the State of California. Runaway film and television production hurts states and cities across the country—from Illinois to Arkansas, and North Carolina to Washington. We must stop the hemorrhaging of American jobs and businesses to foreign shores. Unfortunately, legislation to keep movie and television production in the United States and generate jobs and revenue in communities throughout the country by providing wage-based tax credits for productions of films, television or cable programming was not considered as a component of the economic stimulus package. Again, I am hopeful that Congress will consider this proposal of such importance to so many Americans in the very near future.

Finally, three pillars—the bull market, unparalleled consumer confidence, and a robust housing market—supported the historic economic growth of the last decade. Over the course of the past year, however, we have seen dramatic declines in both the stock market and in consumer confidence. Of the three, only the housing market has remained unbowed and continues to support a teetering economy. With this in mind, I believe it would have been very constructive to include proposals to ensure the strength and vitality of this sector. We could have stimulated the economy by putting the dream of homeownership within reach of more and more Americans simply by expanding the existing tax credit for first-time homebuyers. For little cost and tremendous and proven return, we could have updated the low-income housing tax credit to encourage additional private sector development of valuable housing stock. These, too, are issues Congress and the President should address next year.

Mr. Speaker, in closing, I must reiterate my profound disappointment that we have spent so many hours tonight debating for the second time an economic stimulus package that should not have been considered by this House the first time around. Time is short, I know, but there is enough for the bipartisan congressional leadership to go back to the negotiating table and craft a bipartisan, fiscally responsible economic stimulus and worker assistance bill that truly lives up to its name. We need a bill that will give families, workers, businesses, and the whole economy a shot in the arm—and we shouldn't go home until we do.

Mr. LANGEVIN. Mr. Speaker, I rise in strong opposition to this partisan stimulus package, which offers little assistance to those most vulnerable in the current economic climate.

Any economic stimulus package must include continued health coverage and unemployment benefits for workers who have lost their jobs. Unfortunately, this measure includes cosmetic changes from previous proposals, and relies on large, permanent multi-year tax cuts for business and higher-income taxpayers, while providing relatively few benefits for the unemployed.

More than 2 million Americans have already lost their jobs this year, with over 700,000 layoffs since September 11th. Our national Unemployment Rate for November has jumped to 5.7%, the highest level in 6 years. In Rhode Island, unemployment has risen to 4.1%. Clearly, America's workers need our help now.

For this reason, I support the Democratic substitute that contains substantial unemployment benefits and health coverage for dislocated workers while stimulating the economy with temporary business and individual tax cuts. Unlike the underlying bill, the substitute pays for itself by delaying the top income tax rate cut, which was approved earlier this year and benefits only the nation's wealthiest Americans.

I urge my colleagues to support the Democratic substitute and to reject this ineffective economic stimulus package, which fails to provide the relief and stimulus that America's workers desperately need.

Ms. KILPATRICK. Mr. Speaker, the bill we consider today is a misnomer. It is not as it purports itself to be . . . an "economic stimulus" bill. Rather, it is a corporate windfall tax break bill. The bill will do little to turn around the economy and to assist those working Americans who, through no fault of their own, have lost their jobs. The bill is almost a clone of the tax cut bill we passed in October. I voted against the first bill, and I intend to vote against this one.

Sixty-three percent of the \$250 billion in tax breaks contained in this bill go to corporations. Some of the tax loopholes proposed in this bill will allow corporations to shelter interest income from offshore accounts at a cost of \$3 billion over three years. The bill cuts the corporate alternative minimum tax by about two-thirds and pays out rebates over a stretched out period of time. The alternative minimum tax was enacted to ensure that America's largest corporations would pay a minimum amount of tax, just as average taxpayers do. The majority on the Ways and Means Committee obviously think otherwise, and it is proposing to virtually eliminate all future minimum corporate tax liability. That means we will return to the days when many corporate entities, who earn millions and billions in profits, will incur a tax liability lower than the average individual wage earner.

The bill will also accelerate the reduction of the 27 percent income tax rate to 25 percent. The main features of this tax bill are easy to figure. For the most part, this is an instant replay of the corporate tax cut bill this House passed in October by the resounding margin of two votes. The majority party in this House is bent on shifting the tax burden away from corporations and individuals of privileged means-income sources that can afford to pay more in taxes—to the average, lunch bucket taxpayer. That doesn't do much for the cause of tax equity nor for the cause of stimulating the economy.

Now this bill is not completely bad. It has some good features that I support. For example, the bill extends unemployment compensation benefits by 13 weeks. As Martha Stewart says: "That's a good thing." I also understand that the bill contains tax relief provisions for those victims who perished in the September 11 terrorist attacks, the anthrax attacks and the 1995 Oklahoma City bombing and to businesses in New York City adversely affected by the terrorist attacks. That, too, is a provision I support. But my support for the bill ends there.

I have consistently voted against industry-specific bailout packages such as the Airline Assistance and the terrorism insurance bills. I did so because this House and the majority leadership of this House were willing to provide assistance to corporate America who suffered from the September 11 tragedy while it ignored victims of those attacks who became jobless in the wake of the economic downturn that ensued. The Leadership gave us assurances that a worker relief package would be crafted during the week of September 24. That week came and went with no worker relief package. More weeks passed without any worker relief package.

It has been almost three months since we received those assurances that the Leadership brings up an economic stimulus package which contains some benefits for the jobless, but falls well short of being regarded as a "worker relief" package. The package of benefits contained in this measure is too little and very late.

We are being forced to vote on a bill that no one has read or studied. What we know of the bill's contents comes from the press releases and comments from Chairman Thomas's office. The Members of the other side of the aisle refer to this measure as a compromise. If this bill represents a compromise, it is a compromise only among those who serve in the majority.

The Members who crafted this bill are not sincere in their intention to assist the victims of the current economic downturn. They argue that the tax cuts proposed in this bill will help keep those currently employed on the job. To their credit, there is some merit to that argument. But when it comes to providing the jobless income assistance and affordable health insurance benefits to help them through these tough economic times, they fall short of the mark.

The priorities of the majority are clearly defined. Bail out the airline industry. Bail out the commercial insurance industry. But forget and neglect those working families who have been displaced by the imperfections of a business cycle that went into a tailspin following the September 11th attack on America.

Mr. KIND. Mr. Speaker, I rise today in opposition to the bill, the second economic stimulus bill to be considered this year. While it is necessary to provide an economic stimulus bill to be considered this year. While it is necessary to provide an economic stimulus package to jump start our currently sagging economy, I do not believe this is the time for Congress to use the economic slump and the war against terrorism as an excuse to revisit a previous tax agenda in a budget-busting frenzy. I am disheartened that the House Leadership has, again this year, chosen to give big corporations a tax break without seriously considering relief for the American workers who need immediate help.

The nation's unemployment rate jumped to 5.7 percent last month, the highest level in more than six years. Nearly a half million people joined the ranks of the unemployed in November, bringing the total of 8.2 million. The rapidly increasing unemployment rate is an unfortunate trend. The rise in the number of unemployed has not, however, influenced the House Leadership to bring to the floor a bill providing substantial worker relief. Rather, they have brought an economic stimulus bill to the floor nearly identical to the one passed in

October, without appreciating the suffering working families and their need for short-term assistance. They, after all, are the ones who need the money and will spend it thereby stimulating the economy by generating demand. It is critical that an economic stimulus package help those families who have lost their jobs.

Furthermore, the bill will cost nearly \$250 billion over five years. I cannot, in good conscience, support this reckless piece of legislation that will put our country back into deficit spending just to ensure that the Leadership secures its priority tax cuts. These tax cuts will not have the desired effect of boosting our economy; rather, they will threaten the fiscal discipline that prompted much of the 1990's economic boom. Instead of finding reasonable offsets to pay for the stimulus bill, it will be paid by taking funds out of the Social Security and Medicare surplus, which nearly everyone here in Congress agreed not to touch. In addition, a return to deficit spending will increase long-term interest rates, and will slow down any foreseeable economic recovery.

This is not the time to pursue our individual agendas, it is the time to pass a fiscally responsible short-term package that pushes our economy forward and provides relief for families in need. I urge my colleagues to oppose this bill. This rush to cut corporate taxes to stimulate economic recovery is at best a questionable economic prescription and at worst one that could do far more harm than good.

Mr. BENTSEN. Mr. Speaker, for far too many Americans, this economic stimulus package is a "day late and a dollar short." For months, my constituents have shared their concerns about the state of our economy. They knew we were in a recession even before September 11th and the official economic benchmarks reflected as much. The stock market was sagging, corporate investment was declining and consumer confidence was down. The September 11th attacks on New York and Washington sent economic shockwaves throughout the nation and the reverberations are still being felt in my State, especially for those Texans whose livelihoods depended on the aviation and hospitality industries. In Houston, the sudden collapse of the Enron Corporation has dimmed the Holiday spirits of the over 4,500 Enron employees who received word last week that Enron was terminating their employment.

Mr. Speaker, Americans have been courageous during this uncertain time and, all they asked of us, is to do what we can to ensure that the period of unemployment for effected workers is brief and that their families are provided with the income support and health care they need during this difficult time. Regrettably, the Republican Leadership has kept us here at this late hour for a bill that misses the mark on both counts. In its current form, there is little chance that H.R. 3529 will be able to stimulate the economy or meet the emergency income and health care needs of the recently-unemployed.

Mr. Speaker, H.R. 3529 is the Republican Leadership's second stimulus bill in as many months. While this measure is an improvement over its predecessor which offered a broad menu of tax cuts, including a repeal the corporate alternative minimum income tax (AMT) and a substantial cut to capital gains taxes, and did not extend unemployment benefits, it overshoots our short term economic

needs for long-term, long-promised corporate tax cuts. Although this bill is supposed to be for short term economic stimulus, it would cost approximately \$75 billion in fiscal year 2003 and \$55 billion in fiscal year 2004, years when the economy is expected to be in recovery and further stimulus is not expected to be needed. Mr. Speaker, let's not forget that during that same period, the federal unified budget is slated to be in deficit. This \$250 billion package is offered with no offsets, which exacerbates our budgetary condition, not to mention, undermines our commitment, to pay down the national debt. The fact that the Treasury Department told us that the nation will need to increase its debt limit to \$6.7 trillion is not incidental.

Though I believe that most of the tax provisions in this bill do little to stimulate our economy, there are a few features which I believe have merit. Specifically, the \$300 supplemental tax rebate for individuals (\$600 for couples) who received only a partial tax rebate or no rebate under last spring's tax cut and the provision reducing the recovery period for leasehold improvements, from 39 years to 15 years, stand out as provisions that have a reasonable likelihood of having a stimulative impact.

Mr. Speaker, last Spring, back when we were "awash in money" and had off-budget surpluses for "as far as the eye could see," we were told that the President's \$1.35 trillion tax cut would provide stimulus to prevent this country from going into a recession. Now that the surpluses have turned to deficits, we are being asked to pass another tax bill, which, according to the Joint Committee on Tax, will cost \$250 billion over ten years, adding \$150 billion to the national debt.

I am disappointed that this measure fails to take any specific steps to improve Unemployment Insurance (UI) coverage for low wage workers, many of whom entered the workforce through welfare reform in the last 1990s. This population is half as likely to receive unemployment benefits as compared with higher-wage workers. Additionally, H.R. 3529 misses an enormous opportunity to spur consumer spending by failing to increase UI benefits for families who are sure to spend the money quickly. I would note that I am pleased that the drafters of H.R. 3529 have seen fit to include provisions calling for \$9.2 billion in Reed Act distributions to the States. Knowing that the State of Texas' needs its Reed Act distribution, approximately \$644 million, to meet its present commitments, I spearheaded a bipartisan effort with my colleague, Rep. Pete Sessions, to urge negotiators to include this important provision.

Finally, Mr. Speaker, H.R. 3529's healthcare provisions are truly lacking. The Republican Leadership proposes to create a new program through a temporary 60% refundable tax credit for use in purchasing either COBRA or individual market health insurance policies. The Treasury Department will have to design and create this program, denying assistance for months. Mr. Speaker, in the absence of an employer healthcare subsidy of, on average, 73%, towards the health care premiums of its employees' families, how will the vast majority of the newly unemployed pay for the COBRA premiums that average \$7,000 annually for family coverage? Realistically, how much can this tax credit help?

In conclusion, Mr. Speaker, as a senior member of the House budget Committee, I

was heartened by the unanimity of opinion among House and Senate Budget leaders, on a bipartisan basis, as well as the President, that any economic stimulus package must be temporary, and designed to create an immediate, short-term impact, without jeopardizing our long-term economic security. As I said before, Mr. Speaker, H.R. 3529 misses the mark on every count.

Mr. CRANE. Mr. Speaker, I am pleased that every version of stimulus legislation—whether originating in the Administration, either body of Congress, Republican or Democrat—has included a provision to allow companies which have incurred losses this year to carry back those losses to offset income taxed more than two years ago. This is a very good concept and would actually provide money to these companies and help stimulate the economy. Taxpayers should be taxed on net income, not on some higher amount. If an accounting period longer than one year more appropriately reflects economic reality, we should not be hesitant to reflect that reality in our income tax laws.

Unfortunately, the legislation before us does not remove the barriers denying some groups of corporations, which include life insurance companies, to net all their losses against the income they earned this year when they compute their federal income tax liability. I understand the constraints we were under in drafting the bill, but many of these corporate groups have incurred unexpectedly large losses this year and would be greatly helped if they were allowed to be taxed on net income, rather than some higher amount.

Along with twenty-five colleagues on the Committee on Ways and Means, I introduced legislation earlier this year to amend the consolidated return provisions of the Internal Revenue Code. The bill, H.R. 909, repeals three separate limitations on the ability to net all losses against income within an affiliated group of corporations if one or more of the group members is a life insurance company. We have received no objections to the bill on tax policy or other grounds, and two of the three provisions were included in the Joint Committee staff recommendations of changes that would significantly reduce the complexity of the tax laws.

But, more importantly, it is simply wrong to impose income tax on more than net income. Not only is it bad tax policy, but it has a major economic impact when events such as those of September 11th occur. I would hope that we will be able to enact legislation early next year to accomplish this. These restrictions should have been repealed long ago. In today's economic environment, we should delay no longer.

Mrs. CAPITO. Mr. Speaker, I rise in strong support of H.R. 3529, the Economic Growth and Security Act.

As we all know, in late November, the National Bureau of Economic Research reported that the United States was in an economic recession. This news only confirmed what many of us already feared—that the American economy is slumping and thousands of American workers are losing their jobs.

Their intuition was not off the mark. As of late November, unemployment is on the rise and is at its highest level in six years.

My Congressional District in West Virginia has been especially hit hard by the economic downturn. In recent weeks, several manufac-

turing plants in West Virginia have announced plans to lay off workers because of the unfavorable economic climate.

Clearly, Congress must pass an economic stimulus package that boosts the ailing economy, preserves and creates new jobs and aids America's workers and families who are the unfortunate victims of this recession.

This bill accomplishes all of these goals, as it is a positive step towards economic recovery.

With provisions for improved health care and unemployment benefits, this stimulus plan will address the needs of the hard-working men and women of America. At the same time, the plan will secure our long-term economic health by stimulating job creation and economic growth.

Mr. Speaker, over three months have passed since the tragic events of September 11. In October, the House passed a sound economic security plan. Legitimate differences have prevented our ability to send a final to the President. This past weekend, the President said that if we do not pass an economic security package, an additional 300,000 American jobs could be lost. This is unacceptable.

Today, we return to the floor with a new bill that reflects the spirit of true bipartisanship and compromise. We must send this stimulus package to the President's desk before concluding our work this session.

Mr. CHAMBLISS. Mr. Speaker, people across America, across Georgia are losing their jobs in very alarming numbers. This is a very critical time for our economy; it is very fragile. It is time this Congress act to help the people of this country.

The terrorists who killed thousands of innocent people would like nothing better than also to destroy the American economy. Small businesses and individuals in Georgia, as well as the rest of the country are facing difficult financial situations. The actual loss of jobs or the threat of a loss of jobs is hitting all of us: our families, our neighbors, and our friends. It is time for Congress to respond.

We need an economic stimulus package that is going to lower the tax burden that is impeding our economic growth and create the incentives to bring people back to work. The people who are losing their jobs in Georgia do not want partisan bickering from their representatives up here in Washington—they want results back home.

We need to put people back to work and get our economy back on its feet. Families are hurting, unemployment is rising, and people need help. The American people deserve action on an economic stimulus package now. It is time to put partisanship aside and work together to turn our economy around.

It has been almost two months since my colleagues and I passed the Economic Security and Recovery Act. The House of Representatives worked as quickly as possible to provide our constituents with the complete, comprehensive, and broad-based economic assistance. Since then, the bill has languished; even though stimulating the economy remains one of the highest priorities for Americans, second only to our Nation's fight against terrorism.

This economic package is a major step to regaining a healthy Georgia economy. Each of the components will help stimulate different areas of the economy and promote economic growth and jobs. Our economy has weathered

turbulence in the past during times of war and peace times, but a sound, reasoned economic growth package, such as the one we debate today, will significantly help to put America on the right track back to prosperity.

Mr. EVANS. Mr. Speaker, once again the Republicans have presented an economic stimulus bill that falls short in aiding those most affected by the recession and continues to reward the wealthy and traditional Republican party donors. Under a "compromise" plan, Republicans offer a bounty of corporate tax giveaways at the behest of laid-off workers and their families who are left out in the cold during this Christmas season.

The Republican economic stimulus continues the long-standing Republican tradition of corporate giveaways that does nothing for the constituents of Western and Central Illinois. Republicans continue to insist on eliminating the corporate alternative minimum tax, which would allow thousands of profitable corporate giants to go untaxed. Republicans also continue to accelerate the Bush tax cut, which has erased the budget surplus and reversed four years of budget surpluses. Economists universally agree that these types of tax cuts will do nothing in the short term to stimulate the economy or aid those most affected by the economic downturn.

Americans who have lost their jobs in this economic downturn need immediate help to ensure that they do not also lose their health insurance. But, the Republican's health tax credit proposal falls dramatically short by only providing a partial tax credit to purchase COBRA or private health insurance. By relying on tax credits, Republicans expect recently laid-off workers to come up with hundreds of dollars for overpriced health insurance, while waiting months for government reimbursement of a partial tax credit.

My congressional district has witnessed thousands of layoffs and cutbacks. I am uncompromising on the issue of helping ordinary Americans and therefore support a compassionate and fiscally responsible Democratic economic stimulus plan that provides immediate assistance to those most affected by the recession. The Democratic plan expands COBRA and provides assistance in purchasing COBRA coverage. Moreover, by providing coverage through COBRA, we can guarantee affordable coverage even for workers with preexisting conditions and make a promise that will not have to wait until April 15th to be realized. The Democratic plan also increases unemployment benefits and ensures recently unemployed low income workers receive fair unemployment benefits.

According to the non-partisan Congressional Budget Office, the Democratic plan would reach almost three times as many displaced workers as the Republican plan. Overall, the Republican stimulus plan would hurt the economy by growing the budget deficit by over \$200 billion dollars, including the necessary debt maintenance.

Mr. WATTS of Oklahoma. Mr. Speaker, Christmas is coming and Americans are hurting. The economy is in a recession and employees are losing their jobs.

Markets need a boost so retirement security can once again be secure. John and Sally Doe back home in the heartland need our help.

The House of Representatives passed a good economic security bill in October. It's

now December 19th—and the Senate has yet to pass a similar bill to help get our economy back on track. The argument coming from the other body and the other side of the aisle is centered upon more benefits for the unemployed. So, here we are today—with a new bill to give more benefits to the unemployed. We have addressed our critics' concerns and included their suggestions in the legislation before us. If that isn't bipartisanship at its best, I don't know what is.

This bill helps laid-off workers by providing a generous tax credit for Americans who have lost their jobs so they may buy health insurance. It extends unemployment benefits by thirteen weeks. It gives small businesses help so they may create more jobs. And we will give tax rebate checks to lower-income Americans and reduce the income tax for middle-class Americans. There are initiatives that achieve important goals; helping those who need immediate assistance, while creating new jobs and giving a boost to the economy.

The president told the country this past weekend: if Congress doesn't pass an economic security package, 300,000 jobs could be lost. Doing nothing is the same as aiding and abetting a sinking ship. We need to step up to the plate and help get our economy back on track.

Mr. Speaker, this bill is not a Republican proposal, nor is it a Democrat proposal. It is a fair and balanced mix of ideas from both parties and both chambers.

Our constituents back home want relief. They want help. They need jobs. They need us to do something to address the situation we are in. We did not create the problem—but we certainly have the tools to fix it.

So, Mr. Speaker, I ask my colleagues to do the right thing and vote for this bill. It is not the be-all or end-all, but it is a solid package to help folks who are suffering through hard times while looking ahead to the future. If we do nothing, the American people lose. If we pass the economic security bill, we will offer hope for our neighbors looking to have decent health care and good jobs to provide for their families.

Mrs. CHRISTENSEN. Mr. Speaker, I rise in strong opposition to the stimulus bill being brought today by the Republican leadership.

As I have come to the floor on previous occasions to say, we must take care of the people of this country who have lost jobs and health coverage because of September 11th, before we do anything else. Not only is it the right thing to do for them and for our country, but also it is one of the best stimuli we could put in place to begin to get our economy back on track.

We have provided help for Airlines, we have provided help for insurance companies, we have allowed our own cost-of-living increase to go into effect, and now what our leaders would have us do is to provide ill-advised and really unnecessary tax cuts to the largest of corporations, and let hundreds of thousands of working people go without.

Some say there is not enough money to allow the temporary one-year extension of the Unemployment Program and an extra twenty-six weeks of unemployment benefits that the Democrats are asking for. My solution is a simple one! Eliminate or at least delay the tax cut until we know the money will be there to fund it, and do not repeal the alternative minimum tax for corporations, save one year's relief, at most.

I commend my colleagues CHARLES RANGEL, JOHN DINGLE, and DICK GEPHARDT, as well as those in the other body who worked hard to reach a good compromise that helps the most people. They did the very best they could. And I applaud them for not giving in or giving up on the people who are depending on them for relief that they will not get otherwise.

I urge my colleagues on this side of the aisle to hold fast and vote "no" on this bill, and I also invite and urge my other colleagues to do what is right for this country, and do the same.

The SPEAKER pro tempore (Mr. THORNBERRY). All time for debate has expired.

Pursuant to House Resolution 320, the bill is considered as read for amendment and the previous question is ordered.

The question is on engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

MOTION TO RECOMMIT OFFERED BY MR. RANGEL

Mr. RANGEL. Mr. Speaker, I offer a motion to recommit.

The SPEAKER pro tempore. Is the gentleman opposed to the bill?

Mr. RANGEL. I am, Mr. Speaker.

The SPEAKER pro tempore. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. RANGEL moves to recommit the bill H.R. 3529 to the Committee on Ways and Means with instructions that the Committee report the same back to the House forthwith with the following amendment.

Strike all after the enacting clause and insert the following:

#### SECTION 1. SHORT TITLE, ETC.

(a) SHORT TITLE.—This Act may be cited as the "Fiscal Stimulus and Worker Relief Act of 2001".

(b) REFERENCES TO INTERNAL REVENUE CODE OF 1986.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

(c) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

Sec. 1. Short title, etc.

#### TITLE I—TAX PROVISIONS

##### Subtitle A—Supplemental Rebate

Sec. 101. Supplemental rebate.

##### Subtitle B—Depreciation Benefits and Expensing

Sec. 111. Special depreciation allowance for certain property.

Sec. 112. Temporary increase in expensing under section 179.

##### Subtitle C—Extensions of Certain Expiring Provisions

Sec. 121. Allowance of nonrefundable personal credits against regular and minimum tax liability.

Sec. 122. Credit for qualified electric vehicles.

Sec. 123. Credit for electricity produced from renewable resources.

Sec. 124. Work Opportunity Credit.

Sec. 125. Welfare-to-Work credit.

Sec. 126. Deduction for clean-fuel vehicles and certain refueling property.

- Sec. 127. Taxable income limit on percentage depletion for oil and natural gas produced from marginal properties.
- Sec. 128. Qualified zone academy bonds.
- Sec. 129. Cover over of tax on distilled spirits.
- Sec. 130. Parity in the application of certain limits to mental health benefits.
- Sec. 131. Delay in effective date of requirement for approved diesel or kerosene terminals.
- Sec. 132. Subpart F exemption for active financing.
- Sec. 133. 1-year extension of supplemental grant program under the TANF program.
- Sec. 134. 1-year extension of contingency fund under the TANF program.
- Subtitle D—Other Provisions
- Sec. 141. Alternative minimum tax relief with respect to incentive stock options exercised during 2000 or 2001.
- Sec. 142. Carryback of certain net operating losses allowed for 5 years.
- Sec. 143. Temporary waiver of 90 percent AMT limitations.
- Sec. 144. Expansion of incentives for public schools.

## TITLE II—WORKER RELIEF

### Subtitle A—Temporary Unemployment Compensation

- Sec. 201. Short title.
- Sec. 202. Federal-State agreements.
- Sec. 203. Temporary Supplemental Unemployment Compensation Account.
- Sec. 204. Payments to States having agreements under this subtitle.
- Sec. 205. Financing provisions.
- Sec. 206. Fraud and overpayments.
- Sec. 207. Definitions.
- Sec. 208. Applicability.
- Sec. 209. Special Reed Act transfer in Fiscal Year 2002.

### Subtitle B—PREMIUM ASSISTANCE FOR COBRA CONTINUATION COVERAGE

- Sec. 211. Premium assistance for COBRA continuation coverage.

### Subtitle C—Additional Assistance for Temporary Health Insurance Coverage

- Sec. 221. Optional temporary medicaid coverage for certain uninsured employees.
- Sec. 222. Optional temporary coverage for unsubsidized portion of COBRA continuation premiums.

### Subtitle D—Temporary Increases of Medicaid FMAP For Fiscal Year 2002

- Sec. 231. Temporary increases of medicaid FMAP for fiscal year 2002.

## TITLE III—TAX RELIEF FOR VICTIMS OF TERRORISM

### Subtitle A—Relief Provisions For Victims of Terrorist Attacks

- Sec. 301. Income and employment taxes of victims of terrorist attacks.
- Sec. 302. Estate tax reduction.
- Sec. 303. Payments by charitable organizations treated as exempt payments.
- Sec. 304. Exclusion of certain cancellations of indebtedness.
- Sec. 305. Treatment of certain structured settlement payments and disability trusts.
- Sec. 306. No impact on social security trust fund.

- Subtitle B—General Relief for Victims of Disasters and Terroristic or Military Actions
- Sec. 311. Exclusion for disaster relief payments.

- Sec. 312. Authority to postpone certain deadlines and required actions.
- Sec. 313. Internal Revenue Service disaster response team.
- Sec. 314. Application of certain provisions to terroristic or military actions.
- Sec. 315. Clarification of due date for airline excise tax deposits.
- Sec. 316. Coordination with Air Transportation Safety and System Stabilization Act.

### Subtitle C—Disclosure of Tax Information in Terrorism and National Security Investigations

- Sec. 321. Disclosure of tax information in terrorism and national security investigations.

## TITLE IV—NEW YORK RECOVERY FROM TERRORISM

- Sec. 401. Expansion of work opportunity tax credit targeted categories to include certain employees in New York City.
- Sec. 402. Tax-exempt private activity bonds for rebuilding portion of New York City damaged in the September 11, 2001, terrorist attack.
- Sec. 403. Additional advance refunding permitted of certain bonds.
- Sec. 404. Gain or loss from property damaged or destroyed in New York Recovery Zone.
- Sec. 405. Credit for individuals residing in Lower Manhattan.

## TITLE V—FREEZE OF TOP INDIVIDUAL INCOME TAX RATE AND DOMESTIC SECURITY TRUST FUND

- Sec. 501. Freeze of top individual income tax rate and Domestic Security Trust Fund.

## TITLE I—TAX PROVISIONS

### Subtitle A—Supplemental Rebate

#### SEC. 101. SUPPLEMENTAL REBATE.

(a) IN GENERAL.—Section 6428 (relating to acceleration of 10 percent income tax rate bracket benefit for 2001) is amended by adding at the end the following new subsection:

“(f) SUPPLEMENTAL REBATE.—

“(1) IN GENERAL.—Each individual who was an eligible individual for such individual's first taxable year beginning in 2000 and who, before October 16, 2001—

“(A) filed a return of tax imposed by subtitle A for such taxable year, or

“(B) filed a return of income tax with the government of American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, the Commonwealth of Puerto Rico, or the Virgin Islands of the United States, shall be treated as having made a payment against the tax imposed by chapter 1 for such first taxable year in an amount equal to the supplemental refund amount for such taxable year.

“(2) SUPPLEMENTAL REFUND AMOUNT.—For purposes of this subsection, the supplemental refund amount is an amount equal to the excess (if any) of—

“(A)(i) \$600 in the case of taxpayers to whom section 1(a) applies,

“(ii) \$500 in the case of taxpayers to whom section 1(b) applies, and

“(iii) \$300 in the case of taxpayers to whom subsections (c) or (d) of section 1 applies, over

“(B) the amount of any advance refund amount paid to the taxpayer under subsection (e).

“(3) TIMING OF PAYMENTS.—In the case of any overpayment attributable to this subsection, the Secretary shall, subject to the provisions of this title, refund or credit such overpayment as rapidly as possible.

“(4) NO INTEREST.—No interest shall be allowed on any overpayment attributable to this subsection.

“(5) SPECIAL RULE FOR CERTAIN NON-RESIDENTS.—The determination under subsection (c)(2) as to whether an individual who filed a return of tax described in paragraph (1)(B) is a nonresident alien individual shall, under rules prescribed by the Secretary, be made by reference to the possession or Commonwealth with which the return was filed and not the United States.”.

(b) TECHNICAL CORRECTION.—

(1) IN GENERAL.—Subsection (b) of section 6428 is amended to read as follows:

“(b) CREDIT TREATED AS NONREFUNDABLE PERSONAL CREDIT.—For purposes of this title, the credit allowed under this section shall be treated as a credit allowable under subpart A of part IV of subchapter A of chapter 1.”.

(2) CONFORMING AMENDMENTS.—

(A) Subsection (d) of section 6428 is amended to read as follows:

“(d) COORDINATION WITH ADVANCE REFUNDS OF CREDIT.—

“(1) IN GENERAL.—The amount of credit which would (but for this paragraph) be allowable under this section shall be reduced (but not below zero) by the aggregate refunds and credits made or allowed to the taxpayer under subsection (e). Any failure to so reduce the credit shall be treated as arising out of a mathematical or clerical error and assessed according to section 6213(b)(1).

“(2) JOINT RETURNS.—In the case of a refund or credit made or allowed under subsection (e) with respect to a joint return, half of such refund or credit shall be treated as having been made or allowed to each individual filing such return.”.

(B) Paragraph (2) of section 6428(e) is amended to read as follows:

“(2) ADVANCE REFUND AMOUNT.—For purposes of paragraph (1), the advance refund amount is the amount that would have been allowed as a credit under this section for such first taxable year if—

“(A) this section (other than subsections (b) and (d) and this subsection) had applied to such taxable year, and

“(B) the credit for such taxable year were not allowed to exceed the excess (if any) of—

“(i) the sum of the regular tax liability (as defined in section 26(b)) plus the tax imposed by section 55, over

“(ii) the sum of the credits allowable under part IV of subchapter A of chapter 1 (other than the credits allowable under subpart C thereof, relating to refundable credits).”.

(c) CONFORMING AMENDMENTS.—

(1) Paragraph (1) of section 6428(d), as amended by subsection (b), is amended by striking “subsection (e)” and inserting “subsections (e) and (f)”.

(2) Paragraph (2) of section 6428(d), as amended by subsection (b), is amended by striking “subsection (e)” and inserting “subsection (e) or (f)”.

(3) Paragraph (3) of section 6428(e) is amended by striking “December 31, 2001” and inserting “the date of the enactment of the Fiscal Stimulus and Worker Relief Act of 2001”.

(d) REPORTING REQUIREMENT.—For purposes of determining the individuals who are eligible for the supplemental rebate under section 6428(f) of the Internal Revenue Code of 1986, the governments of American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, the Commonwealth of Puerto Rico, and the Virgin Islands of the United States shall provide, at such time and in such manner as provided by the Secretary of the Treasury, the names, addresses, and taxpayer identifying numbers (within the meaning of section 6109 of the Internal Revenue Code of 1986) of residents who filed returns of income tax with such governments for 2000.

(e) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this

section shall take effect on the date of the enactment of this Act.

(2) TECHNICALS.—The amendments made by subsection (b) shall take effect as if included in the amendment made by section 101(b)(1) of the Economic Growth and Tax Relief Reconciliation Act of 2001.

#### Subtitle B—Depreciation Benefits and Expensing

### SEC. 111. SPECIAL DEPRECIATION ALLOWANCE FOR CERTAIN PROPERTY.

(a) IN GENERAL.—Section 168 (relating to accelerated cost recovery system) is amended by adding at the end the following new subsection:

“(k) SPECIAL ALLOWANCE FOR CERTAIN PROPERTY ACQUIRED AFTER SEPTEMBER 10, 2001, AND BEFORE JANUARY 1, 2003.—

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

“(A) the depreciation deduction provided by section 167(a) for the taxable year in which such property is placed in service shall include an allowance equal to 30 percent of the adjusted basis of the qualified property, and

“(B) the adjusted basis of the qualified property shall be reduced by the amount of such deduction before computing the amount otherwise allowable as a depreciation deduction under this chapter for such taxable year and any subsequent taxable year.

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

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

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

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

“(III) which is qualified leasehold improvement property, or

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

“(ii) the original use of which commences with the taxpayer after September 10, 2001, and

“(iii) which is—

“(I) acquired by the taxpayer during the 1-year period beginning on September 11, 2001, and ending on September 10, 2002, and placed in service during such 1-year period, or

“(II) constructed, reconstructed, or erected by or for the taxpayer on or after the first day of such 1-year period, but only to the extent of the basis thereof attributable to the construction, reconstruction, or erection during such 1-year period.

“(B) EXCEPTIONS.—

“(i) ALTERNATIVE DEPRECIATION PROPERTY.—The term ‘qualified property’ shall not include any property to which the alternative depreciation system under subsection (g) applies, determined—

“(I) without regard to paragraph (7) of subsection (g) (relating to election to have system apply), and

“(ii) after application of section 280F(b) (relating to listed property with limited business use).

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

“(C) SALE-LEASEBACKS.—For purposes of subparagraph (A)(ii), if property—

“(i) is originally placed in service after September 10, 2001, by a person, and

“(ii) sold and leased back by such person within 3 months after the date such property was originally placed in service, such property shall be treated as originally placed in service not earlier than the date on

which such property is used under the lease-back referred to in clause (ii).

“(D) COORDINATION WITH SECTION 280F.—For purposes of section 280F—

“(i) AUTOMOBILES.—In the case of a passenger automobile (as defined in section 280F(d)(5)) which is qualified property, the Secretary shall increase the limitation under section 280F(a)(1)(A)(i) by \$1,600.

“(ii) LISTED PROPERTY.—The deduction allowable under paragraph (1) shall be taken into account in computing any recapture amount under section 280F(b)(2).

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

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

“(i) such improvement is made under or pursuant to a lease (as defined in subsection (h)(7))—

“(I) by the lessee (or any sublessee) of such portion, or

“(II) by the lessor of such portion,

“(ii) such portion is to be occupied exclusively by the lessee (or any sublessee) of such portion, and

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

“(B) CERTAIN IMPROVEMENTS NOT INCLUDED.—Such term shall not include any improvement for which the expenditure is attributable to—

“(i) the enlargement of the building,

“(ii) any elevator or escalator,

“(iii) any structural component benefiting a common area, and

“(iv) the internal structural framework of the building.

“(C) DEFINITIONS AND SPECIAL RULES.—For purposes of this paragraph—

“(i) BINDING COMMITMENT TO LEASE TREATED AS LEASE.—A binding commitment to enter into a lease shall be treated as a lease, and the parties to such commitment shall be treated as lessor and lessee, respectively.

“(ii) RELATED PERSONS.—A lease between related persons shall not be considered a lease. For purposes of the preceding sentence, the term ‘related persons’ means—

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

“(II) persons having a relationship described in subsection (b) of section 267; except that, for purposes of this clause, the phrase ‘80 percent or more’ shall be substituted for the phrase ‘more than 50 percent’ each place it appears in such subsection.

“(D) IMPROVEMENTS MADE BY LESSOR.—In the case of an improvement made by the person who was the lessor of such improvement when such improvement was placed in service, such improvement shall be qualified leasehold improvement property (if at all) only so long as such improvement is held by such person.”

(b) ALLOWANCE AGAINST ALTERNATIVE MINIMUM TAX.—

(1) IN GENERAL.—Section 56(a)(1)(A) (relating to depreciation adjustment for alternative minimum tax) is amended by adding at the end the following new clause:

“(iii) ADDITIONAL ALLOWANCE FOR CERTAIN PROPERTY ACQUIRED AFTER SEPTEMBER 10, 2001, AND BEFORE JANUARY 1, 2003.—The deduction under section 168(k) shall be allowed.”

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

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

### SEC. 112. TEMPORARY INCREASE IN EXPENSING UNDER SECTION 179.

(a) IN GENERAL.—The table contained in section 179(b)(1) (relating to dollar limitation) is amended to read as follows:

<b>If the taxable year begins in:</b>	<b>The applicable amount is:</b>
2001 .....	\$24,000
2002 .....	\$50,000
2003 or thereafter .....	25,000.”

(b) TEMPORARY INCREASE IN AMOUNT OF PROPERTY TRIGGERING PHASEOUT OF MAXIMUM BENEFIT.—Paragraph (2) of section 179(b) of such Code is amended by inserting before the period “(\$400,000 in the case of taxable years beginning during 2002)”.

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

#### Subtitle C—Extensions of Certain Expiring Provisions

### SEC. 121. ALLOWANCE OF NONREFUNDABLE PERSONAL CREDITS AGAINST REGULAR AND MINIMUM TAX LIABILITY.

(a) IN GENERAL.—Paragraph (2) of section 26(a) is amended—

(1) by striking “RULE FOR 2000 AND 2001.” and inserting “RULE FOR 2000, 2001, AND 2002.”, and

(2) by striking “during 2000 or 2001,” and inserting “during 2000, 2001, or 2002.”.

(b) CONFORMING AMENDMENTS.—

(1) Section 904(h) is amended by striking “during 2000 or 2001” and inserting “during 2000, 2001, or 2002”.

(2) The amendments made by sections 201(b), 202(f), and 618(f) of the Economic Growth and Tax Relief Reconciliation Act of 2001 shall not apply to taxable years beginning during 2002.

(c) TECHNICAL CORRECTION.—Section 24(d)(1)(B) is amended by striking “amount of credit allowed by this section” and inserting “aggregate amount of credits allowed by this subpart.”.

(d) EFFECTIVE DATES.—

(1) The amendments made by subsections (a) and (b) shall apply to taxable years beginning after December 31, 2001.

(2) The amendment made by subsection (c) shall apply to taxable years beginning after December 31, 2000.

### SEC. 122. CREDIT FOR QUALIFIED ELECTRIC VEHICLES.

(a) IN GENERAL.—Section 30 is amended—

(1) in subsection (b)(2)—

(A) by striking “December 31, 2001,” and inserting “December 31, 2002,” and

(B) in subparagraphs (A), (B), and (C), by striking “2002”, “2003”, and “2004”, respectively, and inserting “2003”, “2004”, and “2005”, respectively, and

(2) in subsection (e), by striking “December 31, 2004” and inserting “December 31, 2005”.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to taxable years beginning after December 31, 2001.

### SEC. 123. CREDIT FOR ELECTRICITY PRODUCED FROM RENEWABLE RESOURCES.

(a) IN GENERAL.—Subparagraphs (A), (B), and (C) of section 45(c)(3) are each amended by striking “2002” and inserting “2003”.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to taxable years beginning after December 31, 2001.

### SEC. 124. WORK OPPORTUNITY CREDIT.

(a) IN GENERAL.—Subparagraph (B) of section 51(c)(4) is amended by striking “2001” and inserting “2002”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to individuals who begin work for the employer after December 31, 2001.

### SEC. 125. WELFARE-TO-WORK CREDIT.

(a) IN GENERAL.—Subsection (f) of section 51A is amended by striking “2001” and inserting “2002”.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply to individuals who begin work for the employer after December 31, 2001.

**SEC. 126. DEDUCTION FOR CLEAN-FUEL VEHICLES AND CERTAIN REFUELING PROPERTY.**

(a) **IN GENERAL.**—Section 179A is amended—

(1) in subsection (b)(1)(B)—

(A) by striking “December 31, 2001,” and inserting “December 31, 2002,”; and

(B) in clauses (i), (ii), and (iii), by striking “2002”, “2003”, and “2004”, respectively, and inserting “2003”, “2004”, and “2005”, respectively, and

(2) in subsection (f), by striking “December 31, 2004” and inserting “December 31, 2005”.

(b) **EFFECTIVE DATE.**—The amendments made by subsection (a) shall apply to taxable years beginning after December 31, 2001.

**SEC. 127. TAXABLE INCOME LIMIT ON PERCENTAGE DEPLETION FOR OIL AND NATURAL GAS PRODUCED FROM MARGINAL PROPERTIES.**

(a) **IN GENERAL.**—Subparagraph (H) of section 613A(c)(6) is amended by striking “2002” and inserting “2003”.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2001.

**SEC. 128. QUALIFIED ZONE ACADEMY BONDS.**

(a) **IN GENERAL.**—Paragraph (1) of section 1397E(e) is amended by striking “2000, and 2001” and inserting “2000, 2001, and 2002”.

(b) **EXTENSION OF CARRYOVER OF UNUSED LIMITATION FROM 1998.**—Paragraph (4) of section 1397E(e) is amended by striking “3 years for carryforwards from 1998 or 1999” and inserting “4 years for carryforwards from 1998 and 3 years for carryforwards from 1999”.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall take effect on the date of enactment of this Act.

**SEC. 129. COVER OVER OF TAX ON DISTILLED SPIRITS.**

(a) **IN GENERAL.**—Paragraph (1) of section 7652(f) is amended by striking “2002” and inserting “2003”.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall take effect on the date of the enactment of this Act.

**SEC. 130. PARITY IN THE APPLICATION OF CERTAIN LIMITS TO MENTAL HEALTH BENEFITS.**

(a) **IN GENERAL.**—Subsection (f) of section 9812 is amended by striking “2001” and inserting “2002”.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply to plan years beginning after December 31, 2001.

**SEC. 131. DELAY IN EFFECTIVE DATE OF REQUIREMENT FOR APPROVED DIESEL OR KEROSENE TERMINALS.**

Paragraph (2) of section 1032(f) of the Taxpayer Relief Act of 1997 (Public Law 105-34) is amended by striking “January 1, 2002” and inserting “January 1, 2003”.

**SEC. 132. SUBPART F EXEMPTION FOR ACTIVE FINANCING.**

(a) **IN GENERAL.**—

(1) Section 953(e)(10) is amended—

(A) by striking “January 1, 2002” and inserting “January 1, 2003”; and

(B) by striking “December 31, 2001” and inserting “December 31, 2002”.

(2) Section 954(h)(9) is amended by striking “January 1, 2002” and inserting “January 1, 2003”.

(b) **LIFE INSURANCE AND ANNUITY CONTRACTS.**—

(1) **IN GENERAL.**—Subparagraph (B) of section 954(i)(4) is amended to read as follows:

“(B) **LIFE INSURANCE AND ANNUITY CONTRACTS.**—

“(i) **IN GENERAL.**—Except as provided in clause (ii), the amount of the reserve of a

qualifying insurance company or qualifying insurance company branch for any life insurance or annuity contract shall be equal to the greater of—

“(I) the net surrender value of such contract (as defined in section 807(e)(1)(A)), or

“(II) the reserve determined under paragraph (5).

“(ii) **RULING REQUEST.**—The amount of the reserve under clause (i) shall be the foreign statement reserve for the contract (less any catastrophe, deficiency, equalization, or similar reserves), if, pursuant to a ruling request submitted by the taxpayer, the Secretary determines that the factors taken into account in determining the foreign statement reserve provide an appropriate means of measuring income.”

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

**SEC. 133. 1-YEAR EXTENSION OF SUPPLEMENTAL GRANT PROGRAM UNDER THE TANF PROGRAM.**

Paragraph (3) of section 403(a) of the Social Security Act (42 U.S.C. 603(a)(3)) is amended by striking “and 2001” each place it appears and inserting “2001, and 2002”.

**SEC. 134. 1-YEAR EXTENSION OF CONTINGENCY FUND UNDER THE TANF PROGRAM.**

Section 403(b) of the Social Security Act (42 U.S.C. 603(b)) is amended—

(1) in paragraph (2), by striking “and 2001” and inserting “2001, and 2002”; and

(2) in paragraph (3)(C)(ii), by striking “2001” and inserting “2002”.

**SEC. 135. INCENTIVES FOR INDIAN EMPLOYMENT AND PROPERTY ON INDIAN RESERVATIONS.**

(a) **EMPLOYMENT.**—Subsection (f) of section 45A is amended by striking “December 31, 2003” and inserting “December 31, 2004”.

(b) **PROPERTY.**—Paragraph (8) section 168(j) is amended by striking “December 31, 2003” and inserting “December 31, 2004”.

**Subtitle D—Other Provisions**

**SEC. 141. ALTERNATIVE MINIMUM TAX RELIEF WITH RESPECT TO INCENTIVE STOCK OPTIONS EXERCISED DURING 2000 OR 2001.**

In the case of an incentive stock option (as defined in section 422 of the Internal Revenue Code of 1986) exercised during calendar year 2000 or 2001, the amount taken into account under section 56(b)(3) of such Code by reason of such exercise shall not exceed the amount that would have been taken into account if, on the date of such exercise, the fair market value of the stock acquired pursuant to such option had been—

(1) its fair market value as of—

(A) April 15, 2001, in the case of options exercised during 2000, and

(B) December 31, 2001, in the case of options exercised during 2001, or

(2) if such stock is sold or exchanged on or before the applicable date under paragraph (1), the amount realized on such sale or exchange.

**SEC. 142. CARRYBACK OF CERTAIN NET OPERATING LOSSES ALLOWED FOR 5 YEARS.**

(a) **IN GENERAL.**—Paragraph (1) of section 172(b) (relating to years to which loss may be carried) is amended by adding at the end the following new subparagraph:

“(H) In the case of a taxpayer which has a net operating loss for any taxable year ending in 2001, subparagraph (A)(i) shall be applied by substituting ‘5’ for ‘2’ and subparagraph (F) shall not apply.”.

(b) **ELECTION TO DISREGARD 5-YEAR CARRYBACK.**—Section 172 (relating to net operating loss deduction) is amended by redesignating subsection (j) as subsection (k) and by inserting after subsection (i) the following new subsection:

“(j) **ELECTION TO DISREGARD 5-YEAR CARRYBACK FOR CERTAIN NET OPERATING LOSSES.**—Any taxpayer entitled to a 5-year carryback under subsection (b)(1)(H) from any loss year may elect to have the carryback period with respect to such loss year determined without regard to subsection (b)(1)(H). Such election shall be made in such manner as may be prescribed by the Secretary and shall be made by the due date (including extensions of time) for filing the taxpayer’s return for the taxable year of the net operating loss. Such election, once made for any taxable year, shall be irrevocable for such taxable year.”.

(c) **TEMPORARY SUSPENSION OF 90 PERCENT LIMIT ON CERTAIN NOL CARRYBACKS.**—Subparagraph (A) of section 56(d)(1) (relating to general rule defining alternative tax net operating loss deduction) is amended to read as follows:

“(A) the amount of such deduction shall not exceed the sum of—

“(i) the lesser of—

“(I) the amount of such deduction attributable to net operating losses (other than the deduction attributable to carrybacks described in clause (ii)(I)), or

“(II) 90 percent of alternative minimum taxable income determined without regard to such deduction, plus

“(ii) the lesser of—

“(I) the amount of such deduction attributable to carrybacks of net operating losses for taxable years ending in 2001, or

“(II) alternative minimum taxable income determined without regard to such deduction reduced by the amount determined under clause (i), and”.

(d) **EFFECTIVE DATE.**—The amendments made by this section shall apply to net operating losses for taxable years ending in 2001.

**SEC. 143. TEMPORARY WAIVER OF 90 PERCENT AMT LIMITATIONS.**

Subparagraph (A) of section 56(b)(1) of the Internal Revenue Code of 1986 and paragraph (2) of section 59(a) of such Code shall not apply in determining alternative minimum tax liability for taxable years beginning in 2002.

**SEC. 144. EXPANSION OF INCENTIVES FOR PUBLIC SCHOOLS.**

(a) **IN GENERAL.**—Chapter 1 is amended by adding at the end the following new subchapter:

**“Subchapter Y—Public School Modernization Provisions**

“Sec. 1400K. Credit to holders of qualified public school modernization bonds.

“Sec. 1400L. Qualified school construction bonds.

“Sec. 1400M. Qualified zone academy bonds.

**“SEC. 1400K. CREDIT TO HOLDERS OF QUALIFIED PUBLIC SCHOOL MODERNIZATION BONDS.**

“(a) **ALLOWANCE OF CREDIT.**—In the case of a taxpayer who holds a qualified public school modernization bond on a credit allowance date of such bond which occurs during the taxable year, there shall be allowed as a credit against the tax imposed by this chapter for such taxable year an amount equal to the sum of the credits determined under subsection (b) with respect to credit allowance dates during such year on which the taxpayer holds such bond.

“(b) **AMOUNT OF CREDIT.**—

“(1) **IN GENERAL.**—The amount of the credit determined under this subsection with respect to any credit allowance date for a qualified public school modernization bond is 25 percent of the annual credit determined with respect to such bond.

“(2) **ANNUAL CREDIT.**—The annual credit determined with respect to any qualified public

school modernization bond is the product of—

“(A) the applicable credit rate, multiplied by

“(B) the outstanding face amount of the bond.

“(3) APPLICABLE CREDIT RATE.—For purposes of paragraph (1), the applicable credit rate with respect to an issue is the rate equal to an average market yield (as of the day before the date of issuance of the issue) on outstanding long-term corporate debt obligations (determined under regulations prescribed by the Secretary).

“(4) SPECIAL RULE FOR ISSUANCE AND REDEMPTION.—In the case of a bond which is issued during the 3-month period ending on a credit allowance date, the amount of the credit determined under this subsection with respect to such credit allowance date shall be a ratable portion of the credit otherwise determined based on the portion of the 3-month period during which the bond is outstanding. A similar rule shall apply when the bond is redeemed.

“(C) LIMITATION BASED ON AMOUNT OF TAX.—

“(1) IN GENERAL.—The credit allowed under subsection (a) for any taxable year shall not exceed the excess of—

“(A) the sum of the regular tax liability (as defined in section 26(b)) plus the tax imposed by section 55, over

“(B) the sum of the credits allowable under part IV of subchapter A (other than subpart C thereof, relating to refundable credits).

“(2) CARRYOVER OF UNUSED CREDIT.—If the credit allowable under subsection (a) exceeds the limitation imposed by paragraph (1) for such taxable year, such excess shall be carried to the succeeding taxable year and added to the credit allowable under subsection (a) for such taxable year.

“(d) QUALIFIED PUBLIC SCHOOL MODERNIZATION BOND; CREDIT ALLOWANCE DATE.—For purposes of this section—

“(1) QUALIFIED PUBLIC SCHOOL MODERNIZATION BOND.—The term ‘qualified public school modernization bond’ means—

“(A) a qualified zone academy bond, and

“(B) a qualified school construction bond.

“(2) CREDIT ALLOWANCE DATE.—The term ‘credit allowance date’ means—

“(A) March 15,

“(B) June 15,

“(C) September 15, and

“(D) December 15.

Such term includes the last day on which the bond is outstanding.

“(e) OTHER DEFINITIONS.—For purposes of this subchapter—

“(1) LOCAL EDUCATIONAL AGENCY.—The term ‘local educational agency’ has the meaning given to such term by section 14101 of the Elementary and Secondary Education Act of 1965. Such term includes the local educational agency that serves the District of Columbia but does not include any other State agency.

“(2) BOND.—The term ‘bond’ includes any obligation.

“(3) STATE.—The term ‘State’ includes the District of Columbia and any possession of the United States.

“(4) PUBLIC SCHOOL FACILITY.—The term ‘public school facility’ shall not include—

“(A) any stadium or other facility primarily used for athletic contests or exhibitions or other events for which admission is charged to the general public, or

“(B) any facility which is not owned by a State or local government or any agency or instrumentality of a State or local government.

“(f) CREDIT INCLUDED IN GROSS INCOME.—Gross income includes the amount of the credit allowed to the taxpayer under this section (determined without regard to sub-

section (c)) and the amount so included shall be treated as interest income.

“(g) RECAPTURE OF PORTION OF CREDIT WHERE CESSATION OF COMPLIANCE.—

“(1) IN GENERAL.—If any bond which when issued purported to be a qualified public school modernization bond ceases to be a qualified public school modernization bond, the issuer shall pay to the United States (at the time required by the Secretary) an amount equal to the sum of—

“(A) the aggregate of the credits allowable under this section with respect to such bond (determined without regard to subsection (c)) for taxable years ending during the calendar year in which such cessation occurs and the 2 preceding calendar years, and

“(B) interest at the underpayment rate under section 6621 on the amount determined under subparagraph (A) for each calendar year for the period beginning on the first day of such calendar year.

“(2) FAILURE TO PAY.—If the issuer fails to timely pay the amount required by paragraph (1) with respect to such bond, the tax imposed by this chapter on each holder of any such bond which is part of such issue shall be increased (for the taxable year of the holder in which such cessation occurs) by the aggregate decrease in the credits allowed under this section to such holder for taxable years beginning in such 3 calendar years which would have resulted solely from denying any credit under this section with respect to such issue for such taxable years.

“(3) SPECIAL RULES.—

“(A) TAX BENEFIT RULE.—The tax for the taxable year shall be increased under paragraph (2) only with respect to credits allowed by reason of this section which were used to reduce tax liability. In the case of credits not so used to reduce tax liability, the carryforwards and carrybacks under section 39 shall be appropriately adjusted.

“(B) NO CREDITS AGAINST TAX.—Any increase in tax under paragraph (2) shall not be treated as a tax imposed by this chapter for purposes of determining—

“(i) the amount of any credit allowable under this part, or

“(ii) the amount of the tax imposed by section 55.

“(h) BONDS HELD BY REGULATED INVESTMENT COMPANIES.—If any qualified public school modernization bond is held by a regulated investment company, the credit determined under subsection (a) shall be allowed to shareholders of such company under procedures prescribed by the Secretary.

“(i) CREDITS MAY BE STRIPPED.—Under regulations prescribed by the Secretary—

“(1) IN GENERAL.—There may be a separation (including at issuance) of the ownership of a qualified public school modernization bond and the entitlement to the credit under this section with respect to such bond. In case of any such separation, the credit under this section shall be allowed to the person who on the credit allowance date holds the instrument evidencing the entitlement to the credit and not to the holder of the bond.

“(2) CERTAIN RULES TO APPLY.—In the case of a separation described in paragraph (1), the rules of section 1286 shall apply to the qualified public school modernization bond as if it were a stripped bond and to the credit under this section as if it were a stripped coupon.

“(j) TREATMENT FOR ESTIMATED TAX PURPOSES.—Solely for purposes of sections 6654 and 6655, the credit allowed by this section to a taxpayer by reason of holding a qualified public school modernization bonds on a credit allowance date shall be treated as if it were a payment of estimated tax made by the taxpayer on such date.

“(k) CREDIT MAY BE TRANSFERRED.—Nothing in any law or rule of law shall be con-

strued to limit the transferability of the credit allowed by this section through sale and repurchase agreements.

“(k) REPORTING.—Issuers of qualified public school modernization bonds shall submit reports similar to the reports required under section 149(e).

“(l) PENALTY ON CONTRACTORS FAILING TO PAY PREVAILING WAGE.—

“(1) IN GENERAL.—If the Secretary of Labor certifies to the Secretary that any contractor on any project funded by any qualified public school modernization bond has failed, during any portion of such contractor's taxable year, to pay prevailing wages as would be required under section 439 of the General Education Provisions Act if such funding were an applicable program under such section, the tax imposed by chapter 1 on such contractor for such taxable year shall be increased by 100 percent of the amount involved in such failure. The preceding sentence shall not apply to the extent the Secretary of Labor determines that such failure is due to reasonable cause and not willful neglect.

“(2) AMOUNT INVOLVED.—For purposes of paragraph (1), the amount involved with respect to any failure is the excess of the amount of wages such contractor would be so required to pay under such section over the amount of wages paid.

“(3) NO CREDITS AGAINST TAX.—The tax imposed by this section shall not be treated as a tax imposed by this chapter for purposes of determining—

“(A) the amount of any credit allowable under this chapter, or

“(B) the amount of the minimum tax imposed by section 55.

“(m) TERMINATION.—This section shall not apply to any bond issued after September 30, 2006.

#### “SEC. 1400L. QUALIFIED SCHOOL CONSTRUCTION BONDS.

“(a) QUALIFIED SCHOOL CONSTRUCTION BOND.—For purposes of this subchapter, the term ‘qualified school construction bond’ means any bond issued as part of an issue if—

“(1) 95 percent or more of the proceeds of such issue are to be used for the construction, rehabilitation, or repair of a public school facility or for the acquisition of land on which such a facility is to be constructed with part of the proceeds of such issue,

“(2) the bond is issued by a State or local government within the jurisdiction of which such school is located,

“(3) the issuer designates such bond for purposes of this section, and

“(4) the term of each bond which is part of such issue does not exceed 15 years.

“(b) LIMITATION ON AMOUNT OF BONDS DESIGNATED.—The maximum aggregate face amount of bonds issued during any calendar year which may be designated under subsection (a) by any issuer shall not exceed the sum of—

“(1) the limitation amount allocated under subsection (d) for such calendar year to such issuer, and

“(2) if such issuer is a large local educational agency (as defined in subsection (e)(4)) or is issuing on behalf of such an agency, the limitation amount allocated under subsection (e) for such calendar year to such agency.

“(c) NATIONAL LIMITATION ON AMOUNT OF BONDS DESIGNATED.—There is a national qualified school construction bond limitation for each calendar year. Such limitation is—

“(1) \$11,000,000,000 for 2002, and

“(2) except as provided in subsection (f), zero after 2002.

“(d) 60 PERCENT OF LIMITATION ALLOCATED AMONG STATES.—

“(1) IN GENERAL.—60 percent of the limitation applicable under subsection (c) for any calendar year shall be allocated by the Secretary among the States in proportion to the respective numbers of children in each State who have attained age 5 but not age 18 for the most recent fiscal year ending before such calendar year. The limitation amount allocated to a State under the preceding sentence shall be allocated by the State to issuers within such State.

“(2) MINIMUM ALLOCATIONS TO STATES.—

“(A) IN GENERAL.—The Secretary shall adjust the allocations under this subsection for any calendar year for each State to the extent necessary to ensure that the sum of—

“(i) the amount allocated to such State under this subsection for such year, and

“(ii) the aggregate amounts allocated under subsection (e) to large local educational agencies in such State for such year,

is not less than an amount equal to such State's minimum percentage of the amount to be allocated under paragraph (1) for the calendar year.

“(B) MINIMUM PERCENTAGE.—A State's minimum percentage for any calendar year is the minimum percentage described in section 1124(d) of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6334(d)) for such State for the most recent fiscal year ending before such calendar year.

“(3) ALLOCATIONS TO CERTAIN POSSESSIONS.—The amount to be allocated under paragraph (1) to any possession of the United States other than Puerto Rico shall be the amount which would have been allocated if all allocations under paragraph (1) were made on the basis of respective populations of individuals below the poverty line (as defined by the Office of Management and Budget). In making other allocations, the amount to be allocated under paragraph (1) shall be reduced by the aggregate amount allocated under this paragraph to possessions of the United States.

“(4) ALLOCATIONS FOR INDIAN SCHOOLS.—In addition to the amounts otherwise allocated under this subsection, \$200,000,000 for calendar year 2002, and \$200,000,000 for calendar year 2003, shall be allocated by the Secretary of the Interior for purposes of the construction, rehabilitation, and repair of schools funded by the Bureau of Indian Affairs. In the case of amounts allocated under the preceding sentence, Indian tribal governments (as defined in section 7871) shall be treated as qualified issuers for purposes of this subchapter.

“(e) 40 PERCENT OF LIMITATION ALLOCATED AMONG LARGEST SCHOOL DISTRICTS.—

“(1) IN GENERAL.—40 percent of the limitation applicable under subsection (c) for any calendar year shall be allocated under paragraph (2) by the Secretary among local educational agencies which are large local educational agencies for such year.

“(2) ALLOCATION FORMULA.—The amount to be allocated under paragraph (1) for any calendar year shall be allocated among large local educational agencies in proportion to the respective amounts each such agency received for Basic Grants under subpart 2 of part A of title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6331 et seq.) for the most recent fiscal year ending before such calendar year.

“(3) ALLOCATION OF UNUSED LIMITATION TO STATE.—The amount allocated under this subsection to a large local educational agency for any calendar year may be reallocated by such agency to the State in which such agency is located for such calendar year. Any amount reallocated to a State under the preceding sentence may be allocated as provided in subsection (d)(1).

“(4) LARGE LOCAL EDUCATIONAL AGENCY.—For purposes of this section, the term ‘large local educational agency’ means, with respect to a calendar year, any local educational agency if such agency is—

“(A) among the 100 local educational agencies with the largest numbers of children aged 5 through 17 from families living below the poverty level, as determined by the Secretary using the most recent data available from the Department of Commerce that are satisfactory to the Secretary, or

“(B) 1 of not more than 25 local educational agencies (other than those described in subparagraph (A)) that the Secretary of Education determines (based on the most recent data available satisfactory to the Secretary) are in particular need of assistance, based on a low level of resources for school construction, a high level of enrollment growth, or such other factors as the Secretary deems appropriate.

“(f) CARRYOVER OF UNUSED LIMITATION.—If for any calendar year—

“(1) the amount allocated under subsection (d) to any State, exceeds

“(2) the amount of bonds issued during such year which are designated under subsection (a) pursuant to such allocation, the limitation amount under such subsection for such State for the following calendar year shall be increased by the amount of such excess. A similar rule shall apply to the amounts allocated under subsection (d)(4) or (e).

“(g) SPECIAL RULES RELATING TO ARBITRAGE.—

“(1) IN GENERAL.—A bond shall not be treated as failing to meet the requirement of subsection (a)(1) solely by reason of the fact that the proceeds of the issue of which such bond is a part are invested for a temporary period (but not more than 36 months) until such proceeds are needed for the purpose for which such issue was issued.

“(2) BINDING COMMITMENT REQUIREMENT.—Paragraph (1) shall apply to an issue only if, as of the date of issuance, there is a reasonable expectation that—

“(A) at least 10 percent of the proceeds of the issue will be spent within the 6-month period beginning on such date for the purpose for which such issue was issued, and

“(B) the remaining proceeds of the issue will be spent with due diligence for such purpose.

“(3) EARNINGS ON PROCEEDS.—Any earnings on proceeds during the temporary period shall be treated as proceeds of the issue for purposes of applying subsection (a)(1) and paragraph (1) of this subsection.

“SEC. 1400M. QUALIFIED ZONE ACADEMY BONDS.

“(a) QUALIFIED ZONE ACADEMY BOND.—For purposes of this subchapter—

“(1) IN GENERAL.—The term ‘qualified zone academy bond’ means any bond issued as part of an issue if—

“(A) 95 percent or more of the proceeds of such issue are to be used for a qualified purpose with respect to a qualified zone academy established by a local educational agency,

“(B) the bond is issued by a State or local government within the jurisdiction of which such academy is located,

“(C) the issuer—

“(i) designates such bond for purposes of this section,

“(ii) certifies that it has written assurances that the private business contribution requirement of paragraph (2) will be met with respect to such academy, and

“(iii) certifies that it has the written approval of the local educational agency for such bond issuance, and

“(D) the term of each bond which is part of such issue does not exceed 15 years.

Rules similar to the rules of section 1400L(g) shall apply for purposes of paragraph (1).

“(2) PRIVATE BUSINESS CONTRIBUTION REQUIREMENT.—

“(A) IN GENERAL.—For purposes of paragraph (1), the private business contribution requirement of this paragraph is met with respect to any issue if the local educational agency that established the qualified zone academy has written commitments from private entities to make qualified contributions having a present value (as of the date of issuance of the issue) of not less than 10 percent of the proceeds of the issue.

“(B) QUALIFIED CONTRIBUTIONS.—For purposes of subparagraph (A), the term ‘qualified contribution’ means any contribution (of a type and quality acceptable to the local educational agency) of—

“(i) equipment for use in the qualified zone academy (including state-of-the-art technology and vocational equipment),

“(ii) technical assistance in developing curriculum or in training teachers in order to promote appropriate market driven technology in the classroom,

“(iii) services of employees as volunteer mentors,

“(iv) internships, field trips, or other educational opportunities outside the academy for students, or

“(v) any other property or service specified by the local educational agency.

“(3) QUALIFIED ZONE ACADEMY.—The term ‘qualified zone academy’ means any public school (or academic program within a public school) which is established by and operated under the supervision of a local educational agency to provide education or training below the postsecondary level if—

“(A) such public school or program (as the case may be) is designed in cooperation with business to enhance the academic curriculum, increase graduation and employment rates, and better prepare students for the rigors of college and the increasingly complex workforce,

“(B) students in such public school or program (as the case may be) will be subject to the same academic standards and assessments as other students educated by the local educational agency,

“(C) the comprehensive education plan of such public school or program is approved by the local educational agency, and

“(D)(i) such public school is located in an empowerment zone or enterprise community (including any such zone or community designated after the date of the enactment of this section), or

“(ii) there is a reasonable expectation (as of the date of issuance of the bonds) that at least 35 percent of the students attending such school or participating in such program (as the case may be) will be eligible for free or reduced-cost lunches under the school lunch program established under the National School Lunch Act.

“(4) QUALIFIED PURPOSE.—The term ‘qualified purpose’ means, with respect to any qualified zone academy—

“(A) constructing, rehabilitating, or repairing the public school facility in which the academy is established,

“(B) acquiring the land on which such facility is to be constructed with part of the proceeds of such issue,

“(C) providing equipment for use at such academy,

“(D) developing course materials for education to be provided at such academy, and

“(E) training teachers and other school personnel in such academy.

“(b) LIMITATIONS ON AMOUNT OF BONDS DESIGNATED.—

“(1) IN GENERAL.—There is a national zone academy bond limitation for each calendar year. Such limitation is—

“(A) \$400,000,000 for 1998,  
 “(B) \$400,000,000 for 1999,  
 “(C) \$400,000,000 for 2000,  
 “(D) \$400,000,000 for 2001,  
 “(E) \$1,400,000,000 for 2002, and  
 “(F) except as provided in paragraph (3), zero after 2002.

“(2) ALLOCATION OF LIMITATION.—

“(A) ALLOCATION AMONG STATES.—

“(i) 1998, 1999, 2000, AND 2001 LIMITATIONS.—The national zone academy bond limitations for calendar years 1998, 1999, 2000, and 2001 shall be allocated by the Secretary among the States on the basis of their respective populations of individuals below the poverty line (as defined by the Office of Management and Budget).

“(ii) LIMITATION AFTER 2001.—The national zone academy bond limitation for any calendar year after 2001 shall be allocated by the Secretary among the States in proportion to the respective amounts each such State received for Basic Grants under subpart 2 of part A of title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6331 et seq.) for the most recent fiscal year ending before such calendar year.

“(B) ALLOCATION TO LOCAL EDUCATIONAL AGENCIES.—The limitation amount allocated to a State under subparagraph (A) shall be allocated by the State to qualified zone academies within such State.

“(C) DESIGNATION SUBJECT TO LIMITATION AMOUNT.—The maximum aggregate face amount of bonds issued during any calendar year which may be designated under subsection (a) with respect to any qualified zone academy shall not exceed the limitation amount allocated to such academy under subparagraph (B) for such calendar year.

“(3) CARRYOVER OF UNUSED LIMITATION.—If for any calendar year—

“(A) the limitation amount under this subsection for any State, exceeds

“(B) the amount of bonds issued during such year which are designated under subsection (a) (or the corresponding provisions of prior law) with respect to qualified zone academies within such State, the limitation amount under this subsection for such State for the following calendar year shall be increased by the amount of such excess.”

(b) REPORTING.—Subsection (d) of section 6049 (relating to returns regarding payments of interest) is amended by adding at the end the following new paragraph:

“(8) REPORTING OF CREDIT ON QUALIFIED PUBLIC SCHOOL MODERNIZATION BONDS.—

“(A) IN GENERAL.—For purposes of subsection (a), the term ‘interest’ includes amounts includible in gross income under section 1400K(f) and such amounts shall be treated as paid on the credit allowance date (as defined in section 1400K(d)(2)).

“(B) REPORTING TO CORPORATIONS, ETC.—Except as otherwise provided in regulations, in the case of any interest described in subparagraph (A) of this paragraph, subsection (b)(4) of this section shall be applied without regard to subparagraphs (A), (H), (I), (J), (K), and (L)(i).

“(C) REGULATORY AUTHORITY.—The Secretary may prescribe such regulations as are necessary or appropriate to carry out the purposes of this paragraph, including regulations which require more frequent or more detailed reporting.”

(c) CONFORMING AMENDMENTS.—

(1) Subchapter U of chapter 1 is amended by striking part IV, by redesignating part V as part IV, and by redesignating section 1397F as section 1397E.

(2) The table of subchapters for chapter 1 is amended by adding at the end the following new item:

“Subchapter Y. Public school modernization provisions.”

(3) The table of parts of subchapter U of chapter 1 is amended by striking the last 2 items and inserting the following item:

“Part IV. Regulations.”

(e) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to obligations issued after December 31, 2001.

(2) REPEAL OF RESTRICTION ON ZONE ACADEMY BOND HOLDERS.—In the case of bonds to which section 1397E of the Internal Revenue Code of 1986 (as in effect before the date of the enactment of this Act) applies, the limitation of such section to eligible taxpayers (as defined in subsection (d)(6) of such section) shall not apply after the date of the enactment of this Act.

## TITLE II—WORKER RELIEF

### Subtitle A—Temporary Unemployment Compensation

#### SEC. 201. SHORT TITLE.

This subtitle may be cited as the “Temporary Unemployment Compensation Act of 2001”.

#### SEC. 202. FEDERAL-STATE AGREEMENTS.

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

(b) PROVISIONS OF AGREEMENT.—

(1) IN GENERAL.—Any agreement under subsection (a) shall provide that the State agency of the State will make—

(A) payments of regular compensation to individuals in amounts and to the extent that they would be determined if the State law were applied with the modifications described in paragraph (2), and

(B) payments of temporary supplemental unemployment compensation to individuals who—

(i) have exhausted all rights to regular compensation under the State law,

(ii) do not, with respect to a week, have any rights to compensation (excluding extended compensation) under the State law of any other State (whether one that has entered into an agreement under this subtitle or otherwise) nor compensation under any other Federal law (other than under the Federal-State Extended Unemployment Compensation Act of 1970), and are not paid or entitled to be paid any additional compensation under any State or Federal law, and

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

(2) MODIFICATIONS DESCRIBED.—The modifications described in this paragraph are as follows:

(A) An individual shall be eligible for regular compensation if the individual would be so eligible, determined by applying—

(i) the base period that would otherwise apply under the State law if this subtitle had not been enacted, or

(ii) a base period ending at the close of the calendar quarter most recently completed before the date of the individual’s application for benefits,

whichever results in the greater amount.

(B) An individual shall not be denied regular compensation under the State law’s provisions relating to availability for work, active search for work, or refusal to accept work, solely by virtue of the fact that such individual is seeking, or available for, only part-time (and not full-time) work.

(C)(i) Subject to clause (ii), the amount of regular compensation (including dependents’

allowances) payable for any week shall be equal to the amount determined under the State law (before the application of this subparagraph), plus an additional—

(I) 25 percent, or

(II) \$65,

whichever is greater.

(ii) In no event may the total amount determined under clause (i) with respect to any individual exceed the average weekly insured wages of that individual in that calendar quarter of the base period in which such individual’s insured wages were the highest (or one such quarter if his wages were the same for more than one such quarter).

(c) NONREDUCTION RULE.—Under the agreement, subsection (b)(2)(C) shall not apply (or shall cease to apply) with respect to a State upon a determination by the Secretary that the method governing the computation of regular compensation under the State law of that State has been modified in a way such that—

(1) the average weekly amount of regular compensation which will be payable during the period of the agreement (determined disregarding the modifications described in subsection (b)(2)) will be less than

(2) the average weekly amount of regular compensation which would otherwise have been payable during such period under the State law, as in effect on September 11, 2001.

(d) COORDINATION RULES.—

(1) REGULAR COMPENSATION PAYABLE UNDER A FEDERAL LAW.—The modifications described in subsection (b)(2) shall also apply in determining the amount of benefits payable under any Federal law to the extent that those benefits are determined by reference to regular compensation payable under the State law of the State involved.

(2) TSUC TO SERVE AS SECOND-TIER BENEFITS.—Notwithstanding any other provision of law, extended benefits shall not be payable to any individual for any week for which temporary supplemental unemployment compensation is payable to such individual.

(e) EXHAUSTION OF BENEFITS.—For purposes of subsection (b)(1)(B)(i), an individual shall be considered to have exhausted such individual’s rights to regular compensation under a State law when—

(1) no payments of regular compensation can be made under such law because such individual has received all regular compensation available to such individual based on employment or wages during such individual’s base period, or

(2) such individual’s rights to such compensation have been terminated by reason of the expiration of the benefit year with respect to which such rights existed.

(f) WEEKLY BENEFIT AMOUNT, TERMS AND CONDITIONS, ETC. RELATING TO TSUC.—For purposes of any agreement under this subtitle—

(1) the amount of temporary supplemental unemployment compensation which shall be payable to an individual for any week of total unemployment shall be equal to the amount of regular compensation (including dependents’ allowances) payable to such individual under the State law for a week for total unemployment during such individual’s benefit year,

(2) the terms and conditions of the State law which apply to claims for regular compensation and to the payment thereof shall apply to claims for temporary supplemental unemployment compensation and the payment thereof, except where inconsistent with the provisions of this subtitle or with the regulations or operating instructions of the Secretary promulgated to carry out this subtitle, and

(3) the maximum amount of temporary supplemental unemployment compensation

payable to any individual for whom a temporary supplemental unemployment compensation account is established under section 203 shall not exceed the amount established in such account for such individual.

**SEC. 203. TEMPORARY SUPPLEMENTAL UNEMPLOYMENT COMPENSATION ACCOUNT.**

(a) IN GENERAL.—Any agreement under this subtitle shall provide that the State will establish, for each eligible individual who files an application for temporary supplemental unemployment compensation, a temporary supplemental unemployment compensation account.

(b) AMOUNT IN ACCOUNT.—

(1) IN GENERAL.—The amount established in an account under subsection (a) shall be equal to the product obtained by multiplying an individual's weekly benefit amount by the applicable factor under paragraph (3).

(2) WEEKLY BENEFIT AMOUNT.—For purposes of this subsection, an individual's weekly benefit amount for any week is the amount of regular compensation (including dependents' allowances) under the State law payable to such individual for a week of total unemployment in such individual's benefit year.

(3) APPLICABLE FACTOR.—

(A) GENERAL RULE.—The applicable factor under this paragraph is 13, unless the individual's benefit year begins or ends during a period of high unemployment within such individual's State, in which case the applicable factor is 26.

(B) PERIOD OF HIGH UNEMPLOYMENT.—For purposes of this paragraph, a period of high unemployment within a State shall begin and end, if at all, in a way (to be set forth in the State's agreement under this subtitle) similar to the way in which an extended benefit period would under section 203 of the Federal-State Extended Unemployment Compensation Act of 1970, subject to the following:

(i) To determine if there is a State "on" or "off" indicator, apply section 203(f) of such Act, but—

(I) substitute "5 percent" for "6.5 percent" in paragraph (1)(A)(i) thereof, and

(II) disregard paragraph (1)(A)(ii) thereof and the last sentence of paragraph (1) thereof.

(ii) To determine the beginning and ending dates of a period of high unemployment within a State, apply section 203(a) and (b) of such Act, except that—

(I) in applying such section 203(a), deem paragraphs (1) and (2) thereof to be amended by striking "the third week after", and

(II) in applying such section 203(b), deem paragraph (1)(A) thereof amended by striking "thirteen" and inserting "twenty-six" and paragraph (1)(B) thereof amended by striking "fourteenth" and inserting "twenty-seventh".

(4) RULE OF CONSTRUCTION.—For purposes of any computation under paragraph (1) (and any determination of amount under section 202(f)(1)), the modification described in section 202(b)(2)(C) (relating to increased benefits) shall be deemed to have been in effect with respect to the entirety of the benefit year involved.

(c) ELIGIBILITY PERIOD.—An individual whose applicable factor under subsection (b)(3) is 26 shall be eligible for temporary supplemental unemployment compensation for each week of total unemployment in his benefit year which begins in the State's period of high unemployment and, if his benefit year ends within such period, any such weeks thereafter which begin in such period of high unemployment, not to exceed a total of 26 weeks.

**SEC. 204. PAYMENTS TO STATES HAVING AGREEMENTS UNDER THIS SUBTITLE.**

(a) GENERAL RULE.—There shall be paid to each State which has entered into an agreement under this subtitle an amount equal to—

(1) 100 percent of any regular compensation made payable to individuals by such State by virtue of the modifications which are described in section 202(b)(2) and deemed to be in effect with respect to such State pursuant to section 202(b)(1)(A),

(2) 100 percent of any regular compensation—

(A) which is paid to individuals by such State by reason of the fact that its State law contains provisions comparable to the modifications described in section 202(b)(2)(A)–(B), but only

(B) to the extent that those amounts would, if such amounts were instead payable by virtue of the State law's being deemed to be so modified pursuant to section 202(b)(1)(A), have been reimbursable under paragraph (1), and

(3) 100 percent of the temporary supplemental unemployment compensation paid to individuals by the State pursuant to such agreement.

(b) DETERMINATION OF AMOUNT.—Sums under subsection (a) payable to any State by reason of such State having an agreement under this subtitle shall be payable, either in advance or by way of reimbursement (as may be determined by the Secretary), in such amounts as the Secretary estimates the State will be entitled to receive under this subtitle for each calendar month, reduced or increased, as the case may be, by any amount by which the Secretary finds that the Secretary's estimates for any prior calendar month were greater or less than the amounts which should have been paid to the State. Such estimates may be made on the basis of such statistical, sampling, or other method as may be agreed upon by the Secretary and the State agency of the State involved.

(c) ADMINISTRATIVE EXPENSES, ETC.—There is hereby appropriated out of the employment security administration account of the Unemployment Trust Fund (as established by section 901(a) of the Social Security Act) \$500,000,000 to reimburse States for the costs of the administration of agreements under this subtitle (including any improvements in technology in connection therewith) and to provide reemployment services to unemployment compensation claimants in States having agreements under this subtitle. Each State's share of the amount appropriated by the preceding sentence shall be determined by the Secretary according to the factors described in section 302(a) of the Social Security Act and certified by the Secretary to the Secretary of the Treasury.

**SEC. 205. FINANCING PROVISIONS.**

(a) IN GENERAL.—Funds in the extended unemployment compensation account (as established by section 905(a) of the Social Security Act), and the Federal unemployment account (as established by section 904(g) of the Social Security Act), of the Unemployment Trust Fund shall be used, in accordance with subsection (b), for the making of payments (described in section 204(a)) to States having agreements entered into under this subtitle.

(b) CERTIFICATION.—The Secretary shall from time to time certify to the Secretary of the Treasury for payment to each State the sums described in section 204(a) which are payable to such State under this subtitle. The Secretary of the Treasury, prior to audit or settlement by the General Accounting Office, shall make payments to the State in accordance with such certification by transfers from the extended unemployment compensa-

tion account (or, to the extent that there are insufficient funds in that account, from the Federal unemployment account) to the account of such State in the Unemployment Trust Fund.

**SEC. 206. FRAUD AND OVERPAYMENTS.**

(a) IN GENERAL.—If an individual knowingly has made, or caused to be made by another, a false statement or representation of a material fact, or knowingly has failed, or caused another to fail, to disclose a material fact, and as a result of such false statement or representation or of such nondisclosure such individual has received any regular compensation or temporary supplemental unemployment compensation under this subtitle to which he was not entitled, such individual—

(1) shall be ineligible for any further benefits under this subtitle in accordance with the provisions of the applicable State unemployment compensation law relating to fraud in connection with a claim for unemployment compensation, and

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

(b) REPAYMENT.—In the case of individuals who have received any regular compensation or temporary supplemental unemployment compensation under this subtitle to which they were not entitled, the State shall require such individuals to repay those benefits to the State agency, except that the State agency may waive such repayment if it determines that—

(1) the payment of such benefits was without fault on the part of any such individual, and

(2) such repayment would be contrary to equity and good conscience.

(c) RECOVERY BY STATE AGENCY.—

(1) IN GENERAL.—The State agency may recover the amount to be repaid, or any part thereof, by deductions from any regular compensation or temporary supplemental unemployment compensation payable to such individual under this subtitle or from any unemployment compensation payable to such individual under any Federal unemployment compensation law administered by the State agency or under any other Federal law administered by the State agency which provides for the payment of any assistance or allowance with respect to any week of unemployment, during the 3-year period after the date such individuals received the payment of the regular compensation or temporary supplemental unemployment compensation to which they were not entitled, except that no single deduction may exceed 50 percent of the weekly benefit amount from which such deduction is made.

(2) OPPORTUNITY FOR HEARING.—No repayment shall be required, and no deduction shall be made, until a determination has been made, notice thereof and an opportunity for a fair hearing has been given to the individual, and the determination has become final.

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

**SEC. 207. DEFINITIONS.**

For purposes of this subtitle:

(1) IN GENERAL.—The terms "compensation", "regular compensation", "extended compensation", "additional compensation", "benefit year", "base period", "State", "State agency", "State law", and "week" have the respective meanings given such terms under section 205 of the Federal-State Extended Unemployment Compensation Act of 1970, subject to paragraph (2).

(2) STATE LAW AND REGULAR COMPENSATION.—In the case of a State entering into an agreement under this subtitle—

(A) “State law” shall be considered to refer to the State law of such State, applied in conformance with the modifications described in section 202(b)(2), subject to section 202(c), and

(B) “regular compensation” shall be considered to refer to such compensation, determined under its State law (applied in the manner described in subparagraph (A)), except as otherwise provided or where the context clearly indicates otherwise.

#### SEC. 208. APPLICABILITY.

(a) IN GENERAL.—An agreement entered into under this subtitle shall apply to weeks of unemployment—

(1) beginning after the date on which such agreement is entered into, and

(2) ending before January 1, 2003.

(b) SPECIFIC RULES.—Under such an agreement—

(1) the modification described in section 202(b)(2)(A) (relating to alternative base periods) shall not apply except in the case of initial claims filed after September 11, 2001,

(2) the modifications described in section 202(b)(2)(B)–(C) (relating to part-time employment and increased benefits, respectively) shall apply to weeks of unemployment (described in subsection (a)), irrespective of the date on which an individual's claim for benefits is filed, and

(3) the payments described in section 202(b)(1)(B) (relating to temporary supplemental unemployment compensation) shall not apply except in the case of individuals exhausting their rights to regular compensation (as described in clause (i) thereof) after September 11, 2001.

#### SEC. 209. SPECIAL REED ACT TRANSFER IN FISCAL YEAR 2002.

(a) IN GENERAL.—Section 903 of the Social Security Act is amended by adding at the end the following:

“Special Transfer in Fiscal Year 2002

“(d)(1) In the case of each State which enters into an agreement under the Temporary Unemployment Compensation Act of 2001, the Secretary of the Treasury shall transfer from the Federal unemployment account to the account of such State in the Unemployment Trust Fund the amount determined with respect to such State under paragraph (2).

“(2) The amount to be transferred under this subsection to a State account shall be equal to the amount which the Secretary of Labor estimates would otherwise be transferred under this section to such State account as of the beginning of fiscal year 2003 (determined disregarding this subsection and sections 202–208 of the Temporary Unemployment Compensation Act of 2001, and assuming that the conditions triggering the application of subsection (b) do not apply).

“(3) A transfer under this subsection to a State account shall be made as soon as practicable once such State has entered into an agreement referred to in paragraph (1).

“(4) Amounts transferred to a State account under this subsection shall not be subject to the last sentence of subsection (c)(2).”

(b) LIMITATIONS ON TRANSFERS.—Section 903(b) of the Social Security Act shall apply to transfers under section 903(d) of such Act (as amended by this section). For purposes of the preceding sentence, such section 903(b) shall be deemed to be amended as follows:

(1) By substituting “the transfer date described in subsection (d)(3)” for “October 1 of any fiscal year”.

(2) By substituting “remain in the Federal unemployment account” for “be transferred to the Federal unemployment account as of the beginning of such October 1”.

(3) By substituting “fiscal year 2002 (after the transfer date described in subsection (d)(3))” for “the fiscal year beginning on such October 1”.

(4) By substituting “under subsection (d)” for “as of October 1 of such fiscal year”.

(5) By substituting “(as of the close of fiscal year 2002)” for “(as of the close of such fiscal year)”.

(c) TECHNICAL AMENDMENT.—Section 903(c) of the Social Security Act is amended by striking “subsections (a) and (b)” each place it appears and inserting “subsections (a), (b), and (d)”.

(d) REGULATIONS.—The Secretary of Labor may prescribe any operating instructions or regulations necessary to carry out this section and the amendments made by this section.

#### Subtitle B—PREMIUM ASSISTANCE FOR COBRA CONTINUATION COVERAGE

#### SEC. 211. PREMIUM ASSISTANCE FOR COBRA CONTINUATION COVERAGE.

(a) ESTABLISHMENT.—

(1) IN GENERAL.—Not later than 60 days after the date of enactment of this Act, the Secretary of the Treasury, in consultation with the Secretary of Labor, shall establish a program under which premium assistance for COBRA continuation coverage shall be provided for qualified individuals under this section.

(2) QUALIFIED INDIVIDUALS.—For purposes of this section, a qualified individual is an individual who—

(A) establishes that the individual—

(i) on or after July 1, 2001, and before the end of the 1-year period beginning on the date of the enactment of this Act, became entitled to elect COBRA continuation coverage; and

(ii) has elected such coverage; and

(B) enrolls in the premium assistance program under this section by not later than the end of such 1-year period.

(b) LIMITATION OF PERIOD OF PREMIUM ASSISTANCE.—Premium assistance provided under this subsection shall end with respect to an individual on the earlier of—

(1) the date the individual is no longer covered under COBRA continuation coverage; or

(2) 12 months after the date the individual is first enrolled in the premium assistance program established under this section.

(c) PAYMENT, AND CREDITING OF ASSISTANCE.—

(1) AMOUNT OF ASSISTANCE.—Premium assistance provided under this section shall be equal to 75 percent of the amount of the premium required for the COBRA continuation coverage.

(2) PROVISION OF ASSISTANCE.—Premium assistance provided under this section shall be provided through the establishment of direct payment arrangements with the administrator of the group health plan (or other entity) that provides or administers the COBRA continuation coverage. It shall be a fiduciary duty of such administrator (or other entity) to enter into such arrangements under this section.

(3) PREMIUMS PAYABLE BY QUALIFIED INDIVIDUAL REDUCED BY AMOUNT OF ASSISTANCE.—Premium assistance provided under this section shall be credited by such administrator (or other entity) against the premium otherwise owed by the individual involved for such coverage.

(d) CHANGE IN COBRA NOTICE.—

(1) GENERAL NOTICE.—

(A) IN GENERAL.—In the case of notices provided under section 4980B(f)(6) of the Internal Revenue Code of 1986 with respect to individuals who, on or after July 1, 2001, and before the end of the 1-year period beginning on the date of the enactment of this Act, become entitled to elect COBRA continuation cov-

erage, such notices shall include an additional notification to the recipient of the availability of premium assistance for such coverage under this section.

(B) ALTERNATIVE NOTICE.—In the case of COBRA continuation coverage to which the notice provision under section 4980B(f)(6) of the Internal Revenue Code of 1986 does not apply, the Secretary of the Treasury shall, in coordination with administrators of the group health plans (or other entities) that provide or administer the COBRA continuation coverage involved, assure provision of such notice.

(C) FORM.—The requirement of the additional notification under this paragraph may be met by amendment of existing notice forms or by inclusion of a separate document with the notice otherwise required.

(2) SPECIFIC REQUIREMENTS.—Each additional notification under paragraph (1) shall include—

(A) the forms necessary for establishing eligibility under subsection (a)(2)(A) and enrollment under subsection (a)(2)(B) in connection with the coverage with respect to each covered employee or other qualified beneficiary;

(B) the name, address, and telephone number necessary to contact the plan administrator and any other person maintaining relevant information in connection with the premium assistance; and

(C) the following statement displayed in a prominent manner:

“You may be eligible to receive assistance with payment of 75 percent of your COBRA continuation coverage premiums for a duration of not to exceed 12 months.”

(3) NOTICE RELATING TO RETROACTIVE COVERAGE.—In the case of such notices previously transmitted before the date of the enactment of this Act in the case of an individual described in paragraph (1) who has elected (or is still eligible to elect) COBRA continuation coverage as of the date of the enactment of this Act, the administrator of the group health plan (or other entity) involved or the Secretary of the Treasury (in the case described in the paragraph (1)(B)) shall provide (within 60 days after the date of the enactment of this Act) for the additional notification required to be provided under paragraph (1).

(4) MODEL NOTICES.—The Secretary shall prescribe models for the additional notification required under this subsection.

(f) OBLIGATION OF FUNDS.—This section constitutes budget authority in advance of appropriations Acts and represents the obligation of the Federal Government to provide for the payment of premium assistance under this section.

(g) PROMPT ISSUANCE OF GUIDANCE.—The Secretary of the Treasury, in consultation with the Secretary of Labor, shall issue guidance under this section not later than 30 days after the date of the enactment of this Act.

(h) DEFINITIONS.—In this section:

(1) ADMINISTRATOR.—The term “administrator” has the meaning given such term in section 3(16) of the Employee Retirement Income Security Act of 1974.

(2) COBRA CONTINUATION COVERAGE.—The term “COBRA continuation coverage” means continuation coverage provided pursuant to title XXII of the Public Health Service Act, section 4980B of the Internal Revenue Code of 1986 (other than subsection (f)(1) of such section insofar as it relates to pediatric vaccines), part 6 of title I of the Employee Retirement Income Security Act of 1974 (other than under section 609), section 8905a of title 5, United States Code, or under a State program that provides continuation coverage comparable to such continuation coverage.

(3) GROUP HEALTH PLAN.—The term “group health plan” has the meaning given such term in section 9832(a) of the Internal Revenue Code of 1986.

(4) STATE.—The term “State” includes the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands.

#### Subtitle C—Additional Assistance for Temporary Health Insurance Coverage

#### SEC. 221. OPTIONAL TEMPORARY MEDICAID COVERAGE FOR CERTAIN UNINSURED EMPLOYEES.

(a) IN GENERAL.—Notwithstanding any other provision of law, with respect to any month before the ending month, a State may elect to provide, under its medicaid program under title XIX of the Social Security Act, medical assistance in the case of an individual—

(1)(A) who has become totally or partially separated from employment on or after July 1, 2001, and before the end of such ending month; or

(B) whose hours of employment have been reduced on or after July 1, 2001, and before the end of such ending month;

(2) who is not eligible for COBRA continuation coverage; and

(3) who is uninsured.

(b) LIMITATION OF PERIOD OF COVERAGE.—Assistance under this section shall end with respect to an individual on the earlier of—

(1) the date the individual is no longer uninsured; or

(2) 12 months after the date the individual is first determined to be eligible for medical assistance under this section.

(c) SPECIAL RULES.—In the case of medical assistance provided under this section—

(1) the Federal medical assistance percentage under section 1905(b) of the Social Security Act shall be the enhanced FMAP (as defined in section 2105(b) of such Act);

(2) a State may elect to apply alternative income, asset, and resource limitations and the provisions of section 1916(g) of such Act, except that in no case shall a State cover individuals with higher family income without covering individuals with a lower family income;

(3) such medical assistance shall not be provided for periods before the date the individual becomes uninsured;

(4) a State may elect to make eligible for such assistance a spouse or children of an individual eligible for medical assistance under paragraph (1), if such spouse or children are uninsured;

(5) individuals eligible for medical assistance under this section shall be deemed to be described in the list of individuals described in the matter preceding paragraph (1) of section 1905(a) of such Act;

(6) a State may elect to provide such medical assistance without regard to any limitation under sections 401(a), 402(b), 403, and 421 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1611(a), 1612(b), 1613, and 1631) and no debt shall accrue under an affidavit of support against any sponsor of an individual who is an alien who is provided such assistance, and the cost of such assistance shall not be considered as an unreimbursed cost; and

(7) the Secretary of Health and Human Services shall not count, for purposes of section 1108(f) of the Social Security Act, such amount of payments under this section as bears a reasonable relationship to the average national proportion of payments made under this section for the 50 States and the District of Columbia to the payments otherwise made under title XIX for such States and District.

(d) DEFINITIONS.—For purposes of this subtitle:

(1) UNINSURED.—The term “uninsured” means, with respect to an individual, that the individual is not covered under—

(A) a group health plan (as defined in section 2791(a) of the Public Health Service Act),

(B) health insurance coverage (as defined in section 2791(b)(1) of the Public Health Service Act), or

(C) a program under title XVIII, XIX, or XXI of the Social Security Act, other than under such title XIX pursuant to this section.

For purposes of this paragraph, such coverage under subparagraph (A) or (B) shall not include coverage consisting solely of coverage of excepted benefits (as defined in section 2791(c) of the Public Health Service Act).

(2) COBRA CONTINUATION COVERAGE.—The term “COBRA continuation coverage” means coverage under a group health plan provided by an employer pursuant to title XXII of the Public Health Service Act, section 4980B of the Internal Revenue Code of 1986, part 6 of subtitle B of title I of the Employee Retirement Income Security Act of 1974, or section 8905a of title 5, United States Code.

(3) STATE.—The term “State” has the meaning given such term for purposes of title XIX of the Social Security Act.

(4) ENDING MONTH.—The term “ending month” means the last month that begins before the date that is 1 year after the date of the enactment of this Act.

(e) EFFECTIVE DATE.—This section shall take effect upon its enactment, whether or not regulations implementing this section are issued.

(f) LIMITATION ON ELECTION.—A State may not elect to provide coverage under this section unless the State elects to provide coverage under section 222.

#### SEC. 222. OPTIONAL TEMPORARY COVERAGE FOR UNSUBSIDIZED PORTION OF COBRA CONTINUATION PREMIUMS.

(a) IN GENERAL.—Notwithstanding any other provision of law, with respect to COBRA continuation coverage provided for any month through the ending month, a State may elect to provide payment of the unsubsidized portion of the premium for COBRA continuation coverage in the case of any individual—

(1)(A) who has become totally or partially separated from employment on or after July 1, 2001, and before the end of the ending month; or

(B) whose hours of employment have been reduced on or after July 1, 2001, and before the end of such ending month; and

(2) who is eligible for, and has elected coverage under, COBRA continuation coverage.

(b) LIMITATION OF PERIOD OF COVERAGE.—Premium assistance under this section shall end with respect to an individual on the earlier of—

(1) the date the individual is no longer covered under COBRA continuation coverage; or

(2) 12 months after the date the individual is first determined to be eligible for premium assistance under this section.

(c) FINANCIAL PAYMENT TO STATES.—A State providing premium assistance under this section shall be entitled to payment under section 1903(a) of the Social Security Act with respect to such assistance (and administrative expenses relating to such assistance) in the same manner as such State is entitled to payment with respect to medical assistance (and such administrative expenses) under such section, except that, for purposes of this subsection, any reference to the Federal medical assistance percentage shall be deemed a reference to the enhanced FMAP (as defined in section 2105(b) of such Act). The provisions of subsections (c)(6) and

(c)(7) of section 221 shall apply with respect to this section in the same manner as it applies under such section.

(d) UNSUBSIDIZED PORTION OF PREMIUM FOR COBRA CONTINUATION COVERAGE.—For purposes of this section, the term “unsubsidized portion of premium for COBRA continuation coverage” means that portion of the premium for COBRA continuation coverage for which there is no financial assistance available under 211.

(e) EFFECTIVE DATE.—This section shall take effect upon its enactment, whether or not regulations implementing this section are issued.

(f) LIMITATION ON ELECTION.—A State may not elect to provide coverage under this section unless the State elects to provide coverage under section 221.

#### Subtitle D—Temporary Increases of Medicaid FMAP For Fiscal Year 2002

#### SEC. 231. TEMPORARY INCREASES OF MEDICAID FMAP FOR FISCAL YEAR 2002.

(a) PERMITTING MAINTENANCE OF FISCAL YEAR 2001 FMAP.—Notwithstanding any other provision of law, but subject to subsection (d), if the FMAP determined without regard to this section for a State for fiscal year 2002 is less than the FMAP as so determined for fiscal year 2001, the FMAP for the State for fiscal year 2001 shall be substituted for the State’s FMAP for fiscal year 2002, before the application of this section.

(b) GENERAL 1.5 PERCENTAGE POINT INCREASE.—Notwithstanding any other provision of law, but subject to subsections (d) and (e), for each State for each calendar quarter in fiscal year 2002, the FMAP (taking into account the application of subsection (a)) shall be increased by 1.5 percentage points.

(c) FURTHER INCREASE FOR STATES WITH HIGH UNEMPLOYMENT RATES.—

(1) IN GENERAL.—Notwithstanding any other provision of law, but subject to subsections (d) and (e), if a State is a high unemployment State for a calendar quarter in fiscal year 2002, then the FMAP for that State for that calendar quarter and for any subsequent calendar quarter in such fiscal year regardless of whether the State continues to be high unemployment State for that subsequent calendar quarter shall be increased (after the application of subsections (a) and (b)) by 1.5 percentage points.

(2) HIGH UNEMPLOYMENT STATE.—For purposes of this subsection, a State is a high unemployment State for a calendar quarter if, for any 3 consecutive month period beginning on or after June 2001 and ending with the second month before the beginning of the calendar quarter, the State has an average seasonally adjusted unemployment rate that exceeds the average weighted unemployment rate during such period. Such unemployment rates for such months shall be determined based on publications of the Bureau of Labor Statistics of the Department of Labor.

(3) AVERAGE WEIGHTED UNEMPLOYMENT RATE DEFINED.—For purposes of paragraph (2), the “average weighted unemployment rate” for a period is—

(A) the sum of the seasonally adjusted number of unemployed civilians in each State and the District of Columbia for the period, divided by

(B) the sum of the civilian labor force in each State and the District of Columbia for the period.

(d) SCOPE OF APPLICATION.—The increases in the FMAP for a State under this section shall apply only for purposes of title XIX of the Social Security Act and shall not apply with respect to—

(1) disproportionate share hospital payments described in section 1923 of such Act; and

(2) payments under titles IV and XXI of such Act.

(e) **STATE ELIGIBILITY.**—A State is eligible for an increase in its FMAP under subsection (b) or (c) or an increase in a cap amount under subsection (f) only if the eligibility under its State plan under title XIX of the Social Security Act (including any waiver under such title or under section 1115 of such Act) is no more restrictive than the eligibility under such plan (or waiver) as in effect on October 1, 2001.

(f) **ONE-YEAR INCREASE IN CAP ON MEDICAID PAYMENTS TO TERRITORIES.**—Notwithstanding any other provision of law, but subject to section (e), with respect to fiscal year 2002, the amounts otherwise determined for Puerto Rico, the Virgin Islands, Guam, the Northern Mariana Islands, and American Samoa under subsections (f) and (g)(2) of section 1108 of the Social Security Act (42 U.S.C. 1308) shall each be increased by 9 percent of such amounts.

(g) **DEFINITIONS.**—For purposes of this section:

(1) **FMAP.**—The term “FMAP” means the Federal medical assistance percentage, as defined in section 1905(b) of the Social Security Act (42 U.S.C. 1396d(b)).

(2) **STATE.**—The term “State” has the meaning given such term for purposes of title XIX of the Social Security Act.

#### Subtitle E—Other Medicaid Changes

#### SEC. 241. PERMANENT APPLICATION OF BBA MEDICAID DSH TRANSITION PAYMENT RULE TO PUBLIC HOSPITALS IN ALL STATES.

(a) **IN GENERAL.**—Section 701(c) of the Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000 (114 Stat. 2763A–571) (as enacted into law by section 1(a)(6) of Public Law 106–554) is amended—

(1) in paragraph (1), by striking “During the period described in paragraph (3), with respect to a State,” and inserting “Beginning, with respect to a State, on the first day of the first State fiscal year that begins after September 30, 2002,”;

(2) by striking paragraph (3); and

(3) by redesignating paragraph (4) as paragraph (3).

(b) **EFFECTIVE DATE.**—The amendments made by subsection (a) shall take effect as if included in the enactment of section 701(c) of the Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000 (114 Stat. 2763A–571) (as enacted into law by section 1(a)(6) of Public Law 106–554).

#### SEC. 242. SUPPLEMENTAL PAYMENT PLANS.

(a) **IN GENERAL.**—With respect to a State described in subsection (b), the aggregate upper payment limits applied under sections 447.272, 447.304, and 447.321 of title 42, Code of Federal Regulations (and any other applicable section of part 447 of title 42, Code of Federal Regulations) shall be no less than those limits specified in the final rule issued January 12, 2001, pursuant to section 705(a) of the Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000 (114 Stat. 2763A–575) (as enacted into law by section 1(a)(6) of Public Law 106–554).

(b) **STATE DESCRIBED.**—A State described in this subsection is a State that had a State medicaid plan payment provision or methodology (including a payment provision or methodology approved under a waiver of the State medicaid plan) which—

(1) provided for payments (other than those payments required under section 1902(a)(13)(A)(iv) of the Social Security Act (42 U.S.C. 1396a(a)(13)(A)(iv)) to hospitals for services provided to recipients of medical assistance under the State medicaid plan that are supplemental to payments otherwise payable to the hospitals for such services; and

(2) was approved, had been deemed approved, or was in effect on or before October 1, 1992.

(c) **APPLICABILITY.**—The provisions of this section shall continue to apply to a State described in subsection (b) regardless of any subsequent amendments or modifications to the payment provision or methodology described in that subsection.

#### SEC. 243. DELAY IN MEDICAID UPL CHANGES FOR NON-STATE GOVERNMENT-OWNED OR OPERATED HOSPITALS.

(a) **MORATORIUM ON UPL CHANGES.**—Any change in the upper limits on payment under title XIX of the Social Security Act for services of non-State government-owned or operated hospitals that are specified in sections 447.272 and 447.321 of title 42, Code of Federal Regulations as such sections were in effect on March 13, 2001, whether based on the proposed rule published on November 23, 2001, or otherwise—

(1) may not be published in final form before January 1, 2003; and

(2) may not apply for any period beginning before January 1, 2003.

(b) **MITIGATION PLAN.**—The Secretary of Health and Human Services shall submit to the Congress, at least 3 months before publishing a final regulation described in subsection (a), a report that contains a plan for mitigating the loss of funding to non-State government-owned or operated hospitals as a result of such regulation. Such report shall also include such recommendations for legislative action as the Secretary deems appropriate.

### TITLE III—TAX RELIEF FOR VICTIMS OF TERRORISM

#### Subtitle A—Relief Provisions For Victims of Terrorist Attacks

#### SEC. 301. INCOME AND EMPLOYMENT TAXES OF VICTIMS OF TERRORIST ATTACKS.

(a) **IN GENERAL.**—Section 692 (relating to income taxes of members of Armed Forces on death) is amended by adding at the end the following new subsection:

“(d) **INDIVIDUALS DYING AS A RESULT OF CERTAIN TERRORIST ATTACKS.**—

“(1) **IN GENERAL.**—In the case of any individual who dies as a result of wounds or injury incurred as a result of the terrorist attacks against the United States on April 19, 1995, or September 11, 2001, or who dies as a result of illness incurred as a result of a terrorist attack involving anthrax occurring on or after September 11, 2001, and before January 1, 2002, any tax imposed by this subtitle shall not apply—

“(A) with respect to the taxable year in which falls the date of such individual’s death, and

“(B) with respect to any prior taxable year in the period beginning with the last taxable year ending before the taxable year in which the wounds, injury, or illness were incurred.

“(2) **EXCEPTIONS.**—

“(A) **TAXATION OF CERTAIN BENEFITS.**—Subject to such rules as the Secretary may prescribe, paragraph (1) shall not apply to the amount of any tax imposed by this subtitle which would be computed by only taking into account the items of income, gain, or other amounts attributable to—

“(i) amounts payable in the taxable year by reason of the death of an individual described in paragraph (1) which would have been payable in such taxable year if the death had occurred by reason of an event other than an event described in paragraph (1), or

“(ii) amounts payable in the taxable year which would not have been payable in such taxable year but for an action taken after the date of the applicable terrorist attack.

“(B) **NO RELIEF FOR PERPETRATORS.**—Paragraph (1) shall not apply with respect to any

individual identified by the Attorney General to have been a participant or conspirator in any event described in paragraph (1), or a representative of such individual.”.

(b) **REFUND OF OTHER TAXES PAID.**—Section 692, as amended by subsection (a), is amended by adding at the end the following new subsection:

“(e) **REFUND OF OTHER TAXES PAID.**—In determining the amount of tax under this section to be credited or refunded as an overpayment with respect to any individual for any period, such amount shall be increased by an amount equal to the amount of taxes imposed and collected under chapter 21 and sections 3201(a), 3211(a)(1), and 3221(a) with respect to such individual for such period.”.

(c) **CONFORMING AMENDMENTS.**—

(1) Section 5(b)(1) is amended by inserting “and victims of certain terrorist attacks” before “on death”.

(2) Section 6013(f)(2)(B) is amended by inserting “and victims of certain terrorist attacks” before “on death”.

(d) **CLERICAL AMENDMENTS.**—

(1) The heading of section 692 is amended to read as follows:

#### “SEC. 692. INCOME AND EMPLOYMENT TAXES OF MEMBERS OF ARMED FORCES AND VICTIMS OF CERTAIN TERRORIST ATTACKS ON DEATH.”.

(2) The item relating to section 692 in the table of sections for part II of subchapter J of chapter 1 is amended to read as follows:

“Sec. 692. Income and employment taxes of members of Armed Forces and victims of certain terrorist attacks on death.”.

(e) **EFFECTIVE DATE; WAIVER OF LIMITATIONS.**—

(1) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years ending before, on, or after September 11, 2001.

(2) **WAIVER OF LIMITATIONS.**—If refund or credit of any overpayment of tax resulting from the amendments made by this section is prevented at any time before the close of the 1-year period beginning on the date of the enactment of this Act by the operation of any law or rule of law (including res judicata), such refund or credit may nevertheless be made or allowed if claim therefor is filed before the close of such period.

#### SEC. 302. ESTATE TAX REDUCTION.

(a) **IN GENERAL.**—Section 2201 is amended to read as follows:

#### “SEC. 2201. COMBAT ZONE-RELATED DEATHS OF MEMBERS OF THE ARMED FORCES AND DEATHS OF VICTIMS OF CERTAIN TERRORIST ATTACKS.

“(a) **IN GENERAL.**—Unless the executor elects not to have this section apply, in applying section 2001 to the estate of a qualified decedent, the rate schedule set forth in subsection (c) shall be deemed to be the rate schedule set forth in section 2001(c).

“(b) **QUALIFIED DECEDENT.**—For purposes of this section, the term ‘qualified decedent’ means—

“(1) any citizen or resident of the United States dying while in active service of the Armed Forces of the United States, if such decedent—

“(A) was killed in action while serving in a combat zone, as determined under section 112(c), or

“(B) died as a result of wounds, disease, or injury suffered while serving in a combat zone (as determined under section 112(c)), and while in the line of duty, by reason of a hazard to which such decedent was subjected as an incident of such service, or

“(2) any individual who died as a result of wounds or injury incurred as a result of the terrorist attacks against the United States on April 19, 1995, or September 11, 2001, or

who died as a result of illness incurred as a result of a terrorist attack involving anthrax occurring on or after September 11, 2001, and before January 1, 2002.

Paragraph (2) shall not apply with respect to any individual identified by the Attorney General to have been a participant or conspirator in any such terrorist attack, or a representative of such individual.

“(c) RATE SCHEDULE.—

<b>“If the amount with respect to which the tentative tax to be computed is:</b>	<b>The tentative tax is:</b>
Not over \$150,000 .....	1 percent of the amount by which such amount exceeds \$100,000.
Over \$150,000 but not over \$200,000.	\$500 plus 2 percent of the excess over \$150,000.
Over \$200,000 but not over \$300,000.	\$1,500 plus 3 percent of the excess over \$200,000.
Over \$300,000 but not over \$500,000.	\$4,500 plus 4 percent of the excess over \$300,000.
Over \$500,000 but not over \$700,000.	\$12,500 plus 5 percent of the excess over \$500,000.
Over \$700,000 but not over \$900,000.	\$22,500 plus 6 percent of the excess over \$700,000.
Over \$900,000 but not over \$1,100,000.	\$34,500 plus 7 percent of the excess over \$900,000.
Over \$1,100,000 but not over \$1,600,000.	\$48,500 plus 8 percent of the excess over \$1,100,000.
Over \$1,600,000 but not over \$2,100,000.	\$88,500 plus 9 percent of the excess over \$1,600,000.
Over \$2,100,000 but not over \$2,600,000.	\$133,500 plus 10 percent of the excess over \$2,100,000.
Over \$2,600,000 but not over \$3,100,000.	\$183,500 plus 11 percent of the excess over \$2,600,000.
Over \$3,100,000 but not over \$3,600,000.	\$238,500 plus 12 percent of the excess over \$3,100,000.
Over \$3,600,000 but not over \$4,100,000.	\$298,500 plus 13 percent of the excess over \$3,600,000.
Over \$4,100,000 but not over \$5,100,000.	\$363,500 plus 14 percent of the excess over \$4,100,000.
Over \$5,100,000 but not over \$6,100,000.	\$503,500 plus 15 percent of the excess over \$5,100,000.
Over \$6,100,000 but not over \$7,100,000.	\$653,500 plus 16 percent of the excess over \$6,100,000.
Over \$7,100,000 but not over \$8,100,000.	\$813,500 plus 17 percent of the excess over \$7,100,000.
Over \$8,100,000 but not over \$9,100,000.	\$993,500 plus 18 percent of the excess over \$8,100,000.
Over \$9,100,000 but not over \$10,100,000.	\$1,163,500 plus 19 percent of the excess over \$9,100,000.
Over \$10,100,000 .....	\$1,353,500 plus 20 percent of the excess over \$10,100,000.

“(d) DETERMINATION OF UNIFIED CREDIT.—In the case of an estate to which this section applies, subsection (a) shall not apply in determining the credit under section 2010.”.

(b) CONFORMING AMENDMENTS.—

(1) Section 2011 is amended by striking subsection (d) and by redesignating subsections (e), (f), and (g) as subsections (d), (e), and (f), respectively.

(2) Section 2053(d)(3)(B) is amended by striking “section 2011(e)” and inserting “section 2011(d)”.

(3) Paragraph (9) of section 532(c) of the Economic Growth and Tax Relief Reconciliation Act of 2001 is repealed.

(c) CLERICAL AMENDMENT.—The item relating to section 2201 in the table of sections for subchapter C of chapter 11 is amended to read as follows:

“Sec. 2201. Combat zone-related deaths of members of the Armed Forces and deaths of victims of certain terrorist attacks.”.

(d) EFFECTIVE DATE; WAIVER OF LIMITATIONS.—

(1) EFFECTIVE DATE.—The amendments made by this section shall apply to estates of decedents—

(A) dying on or after September 11, 2001, and

(B) in the case of individuals dying as a result of the April 19, 1995, terrorist attack, dying on or after April 19, 1995.

(2) WAIVER OF LIMITATIONS.—If refund or credit of any overpayment of tax resulting from the amendments made by this section is prevented at any time before the close of the 1-year period beginning on the date of the enactment of this Act by the operation of any law or rule of law (including res judicata), such refund or credit may nevertheless be made or allowed if claim therefor is filed before the close of such period.

#### SEC. 303. PAYMENTS BY CHARITABLE ORGANIZATIONS TREATED AS EXEMPT PAYMENTS.

(a) IN GENERAL.—For purposes of the Internal Revenue Code of 1986—

(1) payments made by an organization described in section 501(c)(3) of such Code by reason of the death, injury, wounding, or illness of an individual incurred as the result of the terrorist attacks against the United States on September 11, 2001, or a terrorist attack involving anthrax occurring on or after September 11, 2001, and before January 1, 2002, shall be treated as related to the purpose or function constituting the basis for such organization's exemption under section 501 of such Code if such payments are made using an objective formula which is consistently applied, and

(2) in the case of a private foundation (as defined in section 509 of such Code), any payment described in paragraph (1) shall not be treated as made to a disqualified person for purposes of section 4941 of such Code.

(b) EFFECTIVE DATE.—This section shall apply to payments made on or after September 11, 2001.

#### SEC. 304. EXCLUSION OF CERTAIN CANCELLATIONS OF INDEBTEDNESS.

(a) IN GENERAL.—For purposes of the Internal Revenue Code of 1986—

(1) gross income shall not include any amount which (but for this section) would be includible in gross income by reason of the discharge (in whole or in part) of indebtedness of any taxpayer if the discharge is by reason of the death of an individual incurred as the result of the terrorist attacks against the United States on September 11, 2001, or a terrorist attack involving anthrax occurring on or after September 11, 2001, and before January 1, 2002, and

(2) return requirements under section 6050P of such Code shall not apply to any discharge described in paragraph (1).

(b) EFFECTIVE DATE.—This section shall apply to discharges made on or after September 11, 2001, and before January 1, 2002.

#### SEC. 305. TREATMENT OF CERTAIN STRUCTURED SETTLEMENT PAYMENTS AND DISABILITY TRUSTS.

(a) IMPOSITION OF EXCISE TAX ON PERSONS WHO ACQUIRE CERTAIN STRUCTURED SETTLEMENT PAYMENTS IN FACTORING TRANSACTIONS.—

(1) IN GENERAL.—Subtitle E is amended by adding at the end the following new chapter:

#### “CHAPTER 55—STRUCTURED SETTLEMENT FACTORING TRANSACTIONS

“Sec. 5891. Structured settlement factoring transactions for certain victims of terrorism.

#### “SEC. 5891. STRUCTURED SETTLEMENT FACTORING TRANSACTIONS FOR CERTAIN VICTIMS OF TERRORISM.

“(a) IMPOSITION OF TAX.—There is hereby imposed on any person who acquires directly or indirectly structured settlement payment rights in a structured settlement factoring transaction a tax equal to 40 percent of the factoring discount as determined under subsection (c)(4) with respect to such factoring transaction.

“(b) EXCEPTION FOR CERTAIN APPROVED TRANSACTIONS.—

“(1) IN GENERAL.—The tax under subsection (a) shall not apply in the case of a structured settlement factoring transaction in which the transfer of structured settlement payment rights is approved in advance in a qualified order.

“(2) QUALIFIED ORDER.—For purposes of this section, the term ‘qualified order’ means a final order, judgment, or decree which—

“(A) finds that the transfer described in paragraph (1)—

“(i) does not contravene any Federal or State statute or the order of any court or responsible administrative authority, and

“(ii) is in the best interest of the payee, taking into account the welfare and support of the payee's dependents, and

“(B) is issued—

“(i) under the authority of an applicable State statute by an applicable State court, or

“(ii) by the responsible administrative authority (if any) which has exclusive jurisdiction over the underlying action or proceeding which was resolved by means of the structured settlement.

“(3) APPLICABLE STATE STATUTE.—For purposes of this section, the term ‘applicable State statute’ means a statute providing for the entry of an order, judgment, or decree described in paragraph (2)(A) which is enacted by—

“(A) the State in which the payee of the structured settlement is domiciled, or

“(B) if there is no statute described in subparagraph (A), the State in which either the party to the structured settlement (including an assignee under a qualified assignment under section 130) or the person issuing the funding asset for the structured settlement is domiciled or has its principal place of business.

“(4) APPLICABLE STATE COURT.—For purposes of this section—

“(A) IN GENERAL.—The term ‘applicable State court’ means, with respect to any applicable State statute, a court of the State which enacted such statute.

“(B) SPECIAL RULE.—In the case of an applicable State statute described in paragraph (3)(B), such term also includes a court of the State in which the payee of the structured settlement is domiciled.

“(5) QUALIFIED ORDER DISPOSITIVE.—A qualified order shall be treated as dispositive for purposes of the exception under this subsection.

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

“(1) STRUCTURED SETTLEMENT.—The term ‘structured settlement’ means an arrangement—

“(A) which is established by—

“(i) suit or agreement for the periodic payment of damages excludable from the gross income of the recipient under section 104(a)(2), or

“(ii) agreement for the periodic payment of compensation under any workers' compensation law excludable from the gross income of the recipient under section 104(a)(1), and

“(B) under which the periodic payments are—

“(i) of the character described in subparagraphs (A) and (B) of section 130(c)(2), and

“(ii) payable by a person who is a party to the suit or agreement or to the workers' compensation claim or by a person who has assumed the liability for such periodic payments under a qualified assignment in accordance with section 130.

“(2) STRUCTURED SETTLEMENT PAYMENT RIGHTS.—The term ‘structured settlement payment rights’ means rights to receive payments under a structured settlement relating to claims for death, wounding, injury, or

illness as a result of the terrorist attacks against the United States on September 11, 2001, or a terrorist attack involving anthrax occurring on or after September 11, 2001, and before January 1, 2002.

“(3) **STRUCTURED SETTLEMENT FACTORING TRANSACTION.**—

“(A) **IN GENERAL.**—The term ‘structured settlement factoring transaction’ means a transfer of structured settlement payment rights (including portions of structured settlement payments) made for consideration by means of sale, assignment, pledge, or other form of encumbrance or alienation for consideration.

“(B) **EXCEPTION.**—Such term shall not include—

“(i) the creation or perfection of a security interest in structured settlement payment rights under a blanket security agreement entered into with an insured depository institution in the absence of any action to redirect the structured settlement payments to such institution (or agent or successor thereof) or otherwise to enforce such blanket security interest as against the structured settlement payment rights, or

“(ii) a subsequent transfer of structured settlement payment rights acquired in a structured settlement factoring transaction.

“(4) **FACTORING DISCOUNT.**—The term ‘factoring discount’ means an amount equal to the excess of—

“(A) the aggregate undiscounted amount of structured settlement payments being acquired in the structured settlement factoring transaction, over

“(B) the total amount actually paid by the acquirer to the person from whom such structured settlement payments are acquired.

“(5) **RESPONSIBLE ADMINISTRATIVE AUTHORITY.**—The term ‘responsible administrative authority’ means the administrative authority which had jurisdiction over the underlying action or proceeding which was resolved by means of the structured settlement.

“(6) **STATE.**—The term ‘State’ includes the Commonwealth of Puerto Rico and any possession of the United States.

“(d) **COORDINATION WITH OTHER PROVISIONS.**—

“(1) **IN GENERAL.**—If the applicable requirements of sections 72, 104(a)(1), 104(a)(2), 130, and 461(h) were satisfied at the time the structured settlement involving structured settlement payment rights was entered into, the subsequent occurrence of a structured settlement factoring transaction shall not affect the application of the provisions of such sections to the parties to the structured settlement (including an assignee under a qualified assignment under section 130) in any taxable year.

“(2) **NO WITHHOLDING OF TAX.**—The provisions of section 3405 regarding withholding of tax shall not apply to the person making the payments in the event of a structured settlement factoring transaction.

“(3) **NO INFERENCE.**—No inference shall be drawn from the application of this subsection to only those payment rights described in subsection (c)(2).”.

(2) **CLERICAL AMENDMENT.**—The table of chapters for subtitle E is amended by adding at the end the following new item:

“Chapter 55. Structured settlement factoring transactions.”.

(3) **EFFECTIVE DATES.**—

(A) **IN GENERAL.**—The amendments made by this subsection (other than the provisions of section 5891(d) of the Internal Revenue Code of 1986, as added by this subsection) shall apply to structured settlement factoring transactions (as defined in section 5891(c) of such Code (as so added)) entered

into on or after the 30th day following the date of the enactment of this Act.

(B) **CLARIFICATION OF EXISTING LAW.**—Section 5891(d) of such Code (as so added) shall apply to structured settlement factoring transactions (as defined in section 5891(c) of such Code (as so added)) entered into on or after such 30th day.

(C) **TRANSITION RULE.**—In the case of a structured settlement factoring transaction entered into during the period beginning on the 30th day following the date of the enactment of this Act and ending on July 1, 2002, no tax shall be imposed under section 5891(a) of such Code if—

(i) the structured settlement payee is domiciled in a State (or possession of the United States) which has not enacted a statute providing that the structured settlement factoring transaction is ineffective unless the transaction has been approved by an order, judgment, or decree of a court (or where applicable, a responsible administrative authority) which finds that such transaction—

(I) does not contravene any Federal or State statute or the order of any court (or responsible administrative authority), and

(II) is in the best interest of the structured settlement payee or is appropriate in light of a hardship faced by the payee, and

(ii) the person acquiring the structured settlement payment rights discloses to the structured settlement payee in advance of the structured settlement factoring transaction the amounts and due dates of the payments to be transferred, the aggregate amount to be transferred, the consideration to be received by the structured settlement payee for the transferred payments, the discounted present value of the transferred payments (including the present value as determined in the manner described in section 7520 of such Code), and the expenses required under the terms of the structured settlement factoring transaction to be paid by the structured settlement payee or deducted from the proceeds of such transaction.

(b) **PERSONAL EXEMPTION DEDUCTION FOR CERTAIN DISABILITY TRUSTS.**—

(1) **IN GENERAL.**—Section 642(b) (relating to deduction for personal exemption) is amended—

(A) by striking “An estate” and inserting:

“(1) **IN GENERAL.**—An estate”, and

(2) by adding at the end the following new paragraph:

“(2) **FULL PERSONAL EXEMPTION AMOUNT FOR CERTAIN DISABILITY TRUSTS.**—Paragraph (1) shall not apply, and the deduction under section 151 shall apply, to any disability trust described in subsection (c)(2)(B)(iv), (d)(4)(A), or (d)(4)(C) of section 1917 of the Social Security Act (42 U.S.C. 1396p) for a beneficiary disabled as the result of a wounding, injury, or illness as a result of the terrorist attacks against the United States on April 19, 1995, or September 11, 2001, or a terrorist attack involving anthrax occurring on or after September 11, 2001, and before January 1, 2002.”.

(2) **EFFECTIVE DATE; WAIVER OF LIMITATIONS.**—

(A) **EFFECTIVE DATE.**—The amendments made by this subsection shall apply to taxable years ending before, on, or after September 11, 2001.

(B) **WAIVER OF LIMITATIONS.**—If refund or credit of any overpayment of tax resulting from the amendments made by this subsection is prevented at any time before the close of the 1-year period beginning on the date of the enactment of this Act by the operation of any law or rule of law (including res judicata), such refund or credit may nevertheless be made or allowed if claim therefor is filed before the close of such period.

**SEC. 306. NO IMPACT ON SOCIAL SECURITY TRUST FUND.**

(a) **IN GENERAL.**—Nothing in this title (or an amendment made by this title) shall be construed to alter or amend title II of the Social Security Act (or any regulation promulgated under that Act).

(b) **TRANSFERS.**—

(1) **ESTIMATE OF SECRETARY.**—The Secretary of the Treasury shall annually estimate the impact that the enactment of this Act has on the income and balances of the trust funds established under section 201 of the Social Security Act (42 U.S.C. 401).

(2) **TRANSFER OF FUNDS.**—If, under paragraph (1), the Secretary of the Treasury estimates that the enactment of this Act has a negative impact on the income and balances of the trust funds established under section 201 of the Social Security Act (42 U.S.C. 401), the Secretary shall transfer, not less frequently than quarterly, from the general revenues of the Federal Government an amount sufficient so as to ensure that the income and balances of such trust funds are not reduced as a result of the enactment of this Act.

**Subtitle B—General Relief for Victims of Disasters and Terroristic or Military Actions**

**SEC. 311. EXCLUSION FOR DISASTER RELIEF PAYMENTS.**

(a) **IN GENERAL.**—Part III of subchapter B of chapter 1 (relating to items specifically excluded from gross income) is amended by redesignating section 139 as section 140 and inserting after section 138 the following new section:

**“SEC. 139. DISASTER RELIEF PAYMENTS.**

“(a) **GENERAL RULE.**—Gross income shall not include—

“(1) any amount received as payment under section 406 of the Air Transportation Safety and System Stabilization Act, or

“(2) any amount received by an individual as a qualified disaster relief payment.

“(b) **QUALIFIED DISASTER RELIEF PAYMENT DEFINED.**—For purposes of this section, the term ‘qualified disaster relief payment’ means any amount paid to or for the benefit of an individual—

“(1) to reimburse or pay reasonable and necessary personal, family, living, or funeral expenses incurred as a result of a qualified disaster,

“(2) to reimburse or pay reasonable and necessary expenses incurred for the repair or rehabilitation of a personal residence or repair or replacement of its contents to the extent that the need for such repair, rehabilitation, or replacement is attributable to a qualified disaster,

“(3) by a person engaged in the furnishing or sale of transportation as a common carrier by reason of the death or personal physical injuries incurred as a result of a qualified disaster, or

“(4) if such amount is paid by a Federal, State, or local government, or agency or instrumentality thereof, in connection with a qualified disaster in order to promote the general welfare, but only to the extent any expense compensated by such payment is not otherwise compensated for by insurance or otherwise.

“(c) **QUALIFIED DISASTER DEFINED.**—For purposes of this section, the term ‘qualified disaster’ means—

“(1) a disaster which results from a terroristic or military action (as defined in section 692(c)(2)),

“(2) a Presidentially declared disaster (as defined in section 1033(h)(3)),

“(3) a disaster which results from an accident involving a common carrier, or from any other event, which is determined by the Secretary to be of a catastrophic nature, or

“(4) with respect to amounts described in subsection (b)(4), a disaster which is determined by an applicable Federal, State, or local authority (as determined by the Secretary) to warrant assistance from the Federal, State, or local government or agency or instrumentality thereof.

“(d) COORDINATION WITH EMPLOYMENT TAXES.—For purposes of chapter 2 and subtitle C, a qualified disaster relief payment shall not be treated as net earnings from self-employment, wages, or compensation subject to tax.

“(e) NO RELIEF FOR CERTAIN INDIVIDUALS.—Subsection (a) shall not apply with respect to any individual identified by the Attorney General to have been a participant or conspirator in a terroristic action (as so defined), or a representative of such individual.”.

(b) CONFORMING AMENDMENTS.—The table of sections for part III of subchapter B of chapter 1 is amended by striking the item relating to section 139 and inserting the following new items:

“Sec. 139. Disaster relief payments.

“Sec. 140. Cross references to other Acts.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending on or after September 11, 2001.

**SEC. 312. AUTHORITY TO POSTPONE CERTAIN DEADLINES AND REQUIRED ACTIONS.**

(a) EXPANSION OF AUTHORITY RELATING TO DISASTERS AND TERRORISTIC OR MILITARY ACTIONS.—Section 7508A is amended to read as follows:

**“SEC. 7508A. AUTHORITY TO POSTPONE CERTAIN DEADLINES BY REASON OF PRESIDENTIALLY DECLARED DISASTER OR TERRORISTIC OR MILITARY ACTIONS.**

“(a) IN GENERAL.—In the case of a taxpayer determined by the Secretary to be affected by a Presidentially declared disaster (as defined in section 1033(h)(3)) or a terroristic or military action (as defined in section 692(c)(2)), the Secretary may specify a period of up to one year that may be disregarded in determining, under the internal revenue laws, in respect of any tax liability of such taxpayer—

“(1) whether any of the acts described in paragraph (1) of section 7508(a) were performed within the time prescribed therefor (determined without regard to extension under any other provision of this subtitle for periods after the date (determined by the Secretary) of such disaster or action),

“(2) the amount of any interest, penalty, additional amount, or addition to the tax for periods after such date, and

“(3) the amount of any credit or refund.

“(b) SPECIAL RULES REGARDING PENSIONS, ETC.—In the case of a pension or other employee benefit plan, or any sponsor, administrator, participant, beneficiary, or other person with respect to such plan, affected by a disaster or action described in subsection (a), the Secretary may specify a period of up to one year which may be disregarded in determining the date by which any action is required or permitted to be completed under this title. No plan shall be treated as failing to be operated in accordance with the terms of the plan solely as the result of disregarding any period by reason of the preceding sentence.

“(c) SPECIAL RULES FOR OVERPAYMENTS.—The rules of section 7508(b) shall apply for purposes of this section.”.

(b) CLARIFICATION OF SCOPE OF ACTS SECRETARY MAY POSTPONE.—Section 7508(a)(1)(K) (relating to time to be disregarded) is amended by striking “in regulations prescribed under this section”.

(c) CONFORMING AMENDMENTS TO ERISA.—

(1) Part 5 of subtitle B of title I of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1131 et seq.) is amended by adding at the end the following new section:

**“SEC. 518. AUTHORITY TO POSTPONE CERTAIN DEADLINES BY REASON OF PRESIDENTIALLY DECLARED DISASTER OR TERRORISTIC OR MILITARY ACTIONS.**

“In the case of a pension or other employee benefit plan, or any sponsor, administrator, participant, beneficiary, or other person with respect to such plan, affected by a Presidentially declared disaster (as defined in section 1033(h)(3) of the Internal Revenue Code of 1986) or a terroristic or military action (as defined in section 692(c)(2) of such Code), the Secretary may, notwithstanding any other provision of law, prescribe, by notice or otherwise, a period of up to one year which may be disregarded in determining the date by which any action is required or permitted to be completed under this Act. No plan shall be treated as failing to be operated in accordance with the terms of the plan solely as the result of disregarding any period by reason of the preceding sentence.”.

(2) Section 4002 of Employee Retirement Income Security Act of 1974 (29 U.S.C. 1302) is amended by adding at the end the following new subsection:

“(i) SPECIAL RULES REGARDING DISASTERS, ETC.—In the case of a pension or other employee benefit plan, or any sponsor, administrator, participant, beneficiary, or other person with respect to such plan, affected by a Presidentially declared disaster (as defined in section 1033(h)(3) of the Internal Revenue Code of 1986) or a terroristic or military action (as defined in section 692(c)(2) of such Code), the corporation may, notwithstanding any other provision of law, prescribe, by notice or otherwise, a period of up to one year which may be disregarded in determining the date by which any action is required or permitted to be completed under this Act. No plan shall be treated as failing to be operated in accordance with the terms of the plan solely as the result of disregarding any period by reason of the preceding sentence.”.

(d) ADDITIONAL CONFORMING AMENDMENTS.—

(1) Section 6404 is amended—

(A) by striking subsection (h),

(B) by redesignating subsection (i) as subsection (h), and

(C) by adding at the end the following new subsection:

“(i) CROSS REFERENCE.—

“For authority of the Secretary to abate certain amounts by reason of Presidentially declared disaster or terroristic or military action, see section 7508A.”.

(2) Section 6081(c) is amended to read as follows:

“(c) CROSS REFERENCES.—

“For time for performing certain acts postponed by reason of war, see section 7508, and by reason of Presidentially declared disaster or terroristic or military action, see section 7508A.”.

(3) Section 6161(d) is amended by adding at the end the following new paragraph:

“(3) POSTPONEMENT OF CERTAIN ACTS.—

“For time for performing certain acts postponed by reason of war, see section 7508, and by reason of Presidentially declared disaster or terroristic or military action, see section 7508A.”.

(d) CLERICAL AMENDMENTS.—

(1) The item relating to section 7508A in the table of sections for chapter 77 is amended to read as follows:

“Sec. 7508A. Authority to postpone certain deadlines by reason of Presidentially declared disaster or terroristic or military actions.”.

(2) The table of contents for the Employee Retirement Income Security Act of 1974 is amended by inserting after the item relating to section 517 the following new item:

“Sec. 518. Authority to postpone certain deadlines by reason of Presidentially declared disaster or terroristic or military actions.”.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to disasters and terroristic or military actions occurring on or after September 11, 2001, with respect to any action of the Secretary of the Treasury, the Secretary of Labor, or the Pension Benefit Guaranty Corporation occurring on or after the date of the enactment of this Act.

**SEC. 313. INTERNAL REVENUE SERVICE DISASTER RESPONSE TEAM.**

(a) IN GENERAL.—Section 7508A, as amended by section 202(a), is amended by adding at the end the following new subsection:

“(d) DUTIES OF DISASTER RESPONSE TEAM.—The Secretary shall establish as a permanent office in the national office of the Internal Revenue Service a disaster response team which, in coordination with the Federal Emergency Management Agency, shall assist taxpayers in clarifying and resolving Federal tax matters associated with or resulting from any Presidentially declared disaster (as defined in section 1033(h)(3)) or a terroristic or military action (as defined in section 692(c)(2)).”.

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect on the date of the enactment of this Act.

**SEC. 314. APPLICATION OF CERTAIN PROVISIONS TO TERRORISTIC OR MILITARY ACTIONS.**

(a) EXCLUSION FOR DEATH BENEFITS.—Section 101 (relating to certain death benefits) is amended by adding at the end the following new subsection:

“(i) CERTAIN EMPLOYEE DEATH BENEFITS PAYABLE BY REASON OF DEATH FROM TERRORISTIC OR MILITARY ACTIONS.—

“(1) IN GENERAL.—Gross income does not include amounts which are received (whether in a single sum or otherwise) if such amounts are paid by an employer by reason of the death of an employee incurred as a result of a terroristic or military action (as defined in section 692(c)(2)).

“(2) NO RELIEF FOR CERTAIN INDIVIDUALS.—Paragraph (1) shall not apply with respect to any individual identified by the Attorney General to have been a participant or conspirator in a terroristic action (as so defined), or a representative of such individual.

“(3) TREATMENT OF SELF-EMPLOYED INDIVIDUALS.—For purposes of this subsection, the term “employee” includes a self-employed person (as described in section 401(c)(1)).”.

(b) DISABILITY INCOME.—Section 104(a)(5) (relating to compensation for injuries or sickness) is amended by striking “a violent attack” and all that follows through the period and inserting “a terroristic or military action (as defined in section 692(c)(2)).”.

(c) EXEMPTION FROM INCOME TAX FOR CERTAIN MILITARY OR CIVILIAN EMPLOYEES.—Section 692(c) is amended—

(1) by striking “outside the United States” in paragraph (1), and

(2) by striking “SUSTAINED OVERSEAS” in the heading.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending on or after September 11, 2001.

**SEC. 315. CLARIFICATION OF DUE DATE FOR AIR-LINE EXCISE TAX DEPOSITS.**

(a) IN GENERAL.—Paragraph (3) of section 301(a) of the Air Transportation Safety and System Stabilization Act (Public Law 107-42) is amended to read as follows:

“(3) AIRLINE-RELATED DEPOSIT.—For purposes of this subsection, the term ‘airline-related deposit’ means any deposit of taxes imposed by subchapter C of chapter 33 of such Code (relating to transportation by air).”.

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect as if included in section 301 of the Air Transportation Safety and System Stabilization Act (Public Law 107-42).

**SEC. 316. COORDINATION WITH AIR TRANSPORTATION SAFETY AND SYSTEM STABILIZATION ACT.**

No reduction in Federal tax liability by reason of any provision of, or amendment made by, this Act shall be considered as being received from a collateral source for purposes of section 402(4) of the Air Transportation Safety and System Stabilization Act (Public Law 107-42).

**Subtitle C—Disclosure of Tax Information in Terrorism and National Security Investigations**

**SEC. 321. DISCLOSURE OF TAX INFORMATION IN TERRORISM AND NATIONAL SECURITY INVESTIGATIONS.**

(a) DISCLOSURE WITHOUT A REQUEST OF INFORMATION RELATING TO TERRORIST ACTIVITIES, ETC.—Paragraph (3) of section 6103(i) (relating to disclosure of return information to apprise appropriate officials of criminal activities or emergency circumstances) is amended by adding at the end the following new subparagraph:

“(C) TERRORIST ACTIVITIES, ETC.—

“(i) IN GENERAL.—Except as provided in paragraph (6), the Secretary may disclose in writing return information (other than taxpayer return information) that may be related to a terrorist incident, threat, or activity to the extent necessary to apprise the head of the appropriate Federal law enforcement agency responsible for investigating or responding to such terrorist incident, threat, or activity. The head of the agency may disclose such return information to officers and employees of such agency to the extent necessary to investigate or respond to such terrorist incident, threat, or activity.

“(ii) DISCLOSURE TO THE DEPARTMENT OF JUSTICE.—Returns and taxpayer return information may also be disclosed to the Attorney General under clause (i) to the extent necessary for, and solely for use in preparing, an application under paragraph (7)(D).

“(iii) TAXPAYER IDENTITY.—For purposes of this subparagraph, a taxpayer’s identity shall not be treated as taxpayer return information.

“(iv) TERMINATION.—No disclosure may be made under this subparagraph after December 31, 2003.”.

(b) DISCLOSURE UPON REQUEST OF INFORMATION RELATING TO TERRORIST ACTIVITIES, ETC.—Subsection (i) of section 6103 (relating to disclosure to Federal officers or employees for administration of Federal laws not relating to tax administration) is amended by redesignating paragraph (7) as paragraph (8) and by inserting after paragraph (6) the following new paragraph:

“(7) DISCLOSURE UPON REQUEST OF INFORMATION RELATING TO TERRORIST ACTIVITIES, ETC.—

“(A) DISCLOSURE TO LAW ENFORCEMENT AGENCIES.—

“(i) IN GENERAL.—Except as provided in paragraph (6), upon receipt by the Secretary of a written request which meets the requirements of clause (iii), the Secretary may disclose return information (other than taxpayer return information) to officers and employees of any Federal law enforcement agency who are personally and directly engaged in the response to or investigation of any terrorist incident, threat, or activity.

“(ii) DISCLOSURE TO STATE AND LOCAL LAW ENFORCEMENT AGENCIES.—The head of any Federal law enforcement agency may disclose return information obtained under clause (i) to officers and employees of any State or local law enforcement agency but only if such agency is part of a team with the Federal law enforcement agency in such response or investigation and such information is disclosed only to officers and employees who are personally and directly engaged in such response or investigation.

“(iii) REQUIREMENTS.—A request meets the requirements of this clause if—

“(I) the request is made by the head of any Federal law enforcement agency (or his delegate) involved in the response to or investigation of any terrorist incident, threat, or activity, and

“(II) the request sets forth the specific reason or reasons why such disclosure may be relevant to a terrorist incident, threat, or activity.

“(iv) LIMITATION ON USE OF INFORMATION.—Information disclosed under this subparagraph shall be solely for the use of the officers and employees to whom such information is disclosed in such response or investigation.

“(B) DISCLOSURE TO INTELLIGENCE AGENCIES.—

“(i) IN GENERAL.—Except as provided in paragraph (6), upon receipt by the Secretary of a written request which meets the requirements of clause (ii), the Secretary may disclose return information (other than taxpayer return information) to those officers and employees of the Department of Justice, the Department of the Treasury, and other Federal intelligence agencies who are personally and directly engaged in the collection or analysis of intelligence and counterintelligence information or investigation concerning any terrorist incident, threat, or activity. For purposes of the preceding sentence, the information disclosed under the preceding sentence shall be solely for the use of such officers and employees in such investigation, collection, or analysis.

“(ii) REQUIREMENTS.—A request meets the requirements of this subparagraph if the request—

“(I) is made by an individual described in clause (iii), and

“(II) sets forth the specific reason or reasons why such disclosure may be relevant to a terrorist incident, threat, or activity.

“(iii) REQUESTING INDIVIDUALS.—An individual described in this subparagraph is an individual—

“(I) who is an officer or employee of the Department of Justice or the Department of the Treasury who is appointed by the President with the advice and consent of the Senate or who is the Director of the United States Secret Service, and

“(II) who is responsible for the collection and analysis of intelligence and counterintelligence information concerning any terrorist incident, threat, or activity.

“(iv) TAXPAYER IDENTITY.—For purposes of this subparagraph, a taxpayer’s identity shall not be treated as taxpayer return information.

“(C) DISCLOSURE UNDER EX PARTE ORDERS.—

“(i) IN GENERAL.—Except as provided in paragraph (6), any return or return information with respect to any specified taxable period or periods shall, pursuant to and upon the grant of an ex parte order by a Federal district court judge or magistrate under clause (ii), be open (but only to the extent necessary as provided in such order) to inspection by, or disclosure to, officers and employees of any Federal law enforcement agency or Federal intelligence agency who are personally and directly engaged in any investigation, response to, or analysis of in-

telligence and counterintelligence information concerning any terrorist incident, threat, or activity. Return or return information opened pursuant to the preceding sentence shall be solely for the use of such officers and employees in the investigation, response, or analysis, and in any judicial, administrative, or grand jury proceedings, pertaining to such terrorist incident, threat, or activity.

“(ii) APPLICATION FOR ORDER.—The Attorney General, the Deputy Attorney General, the Associate Attorney General, any Assistant Attorney General, or any United States attorney may authorize an application to a Federal district court judge or magistrate for the order referred to in clause (i). Upon such application, such judge or magistrate may grant such order if he determines on the basis of the facts submitted by the applicant that—

“(I) there is reasonable cause to believe, based upon information believed to be reliable, that the return or return information may be relevant to a matter relating to such terrorist incident, threat, or activity, and

“(II) the return or return information is sought exclusively for use in a Federal investigation, analysis, or proceeding concerning any terrorist incident, threat, or activity.

“(D) SPECIAL RULE FOR EX PARTE DISCLOSURE BY THE IRS.—

“(i) IN GENERAL.—Except as provided in paragraph (6), the Secretary may authorize an application to a Federal district court judge or magistrate for the order referred to in subparagraph (C)(i). Upon such application, such judge or magistrate may grant such order if he determines on the basis of the facts submitted by the applicant that the requirements of subparagraph (C)(ii)(I) are met.

“(ii) LIMITATION ON USE OF INFORMATION.—Information disclosed under clause (i)—

“(I) may be disclosed only to the extent necessary to apprise the head of the appropriate Federal law enforcement agency responsible for investigating or responding to a terrorist incident, threat, or activity, and

“(II) shall be solely for use in a Federal investigation, analysis, or proceeding concerning any terrorist incident, threat, or activity.

The head of such Federal agency may disclose such information to officers and employees of such agency to the extent necessary to investigate or respond to such terrorist incident, threat, or activity.

“(E) TERMINATION.—No disclosure may be made under this paragraph after December 31, 2003.”.

(c) CONFORMING AMENDMENTS.—

(1) Section 6103(a)(2) is amended by inserting “any local law enforcement agency receiving information under subsection (i)(7)(A),” after “State.”.

(2) Section 6103(b) is amended by adding at the end the following new paragraph:

“(11) TERRORIST INCIDENT, THREAT, OR ACTIVITY.—The term ‘terrorist incident, threat, or activity’ means an incident, threat, or activity involving an act of domestic terrorism (as defined in section 2331(5) of title 18, United States Code) or international terrorism (as defined in section 2331(1) of such title).”.

(3) The heading of section 6103(i)(3) is amended by inserting “OR TERRORIST” after “CRIMINAL”.

(4) Paragraph (4) of section 6103(i) is amended—

(A) in subparagraph (A) by inserting “or (7)(C)” after “paragraph (1)”, and

(B) in subparagraph (B) by striking “or (3)(A)” and inserting “(3)(A) or (C), or (7)”.

(5) Paragraph (6) of section 6103(i) is amended—

(A) by striking “(3)(A)” and inserting “(3)(A) or (C)”, and

(B) by striking “or (7)” and inserting “(7), or (8)”.

(6) Section 6103(p)(3) is amended—

(A) in subparagraph (A) by striking “(7)(A)(ii)” and inserting “(8)(A)(ii)”, and

(B) in subparagraph (C) by striking “(i)(3)(B)(i)” and inserting “(i)(3)(B)(i) or (7)(A)(ii)”.

(7) Section 6103(p)(4) is amended—

(A) in the matter preceding subparagraph (A)—

(i) by striking “or (5),” the first place it appears and inserting “(5), or (7),” and

(ii) by striking “(i)(3)(B)(i),” and inserting “(i)(3)(B)(i) or (7)(A)(ii),” and

(B) in subparagraph (F)(ii) by striking “or (5),” the first place it appears and inserting “(5) or (7),”.

(8) Section 6103(p)(6)(B)(i) is amended by striking “(i)(7)(A)(ii)” and inserting “(i)(8)(A)(ii)”.

(9) Section 6105(b) is amended—

(A) by striking “or” at the end of paragraph (2),

(B) by striking “paragraphs (1) or (2)” in paragraph (3) and inserting “paragraph (1), (2), or (3),”

(C) by redesignating paragraph (3) as paragraph (4), and

(D) by inserting after paragraph (2) the following new paragraph:

“(3) to the disclosure of tax convention information on the same terms as return information may be disclosed under paragraph (3)(C) or (7) of section 6103(i), except that in the case of tax convention information provided by a foreign government, no disclosure may be made under this paragraph without the written consent of the foreign government, or”.

(10) Section 7213(a)(2) is amended by striking “(i)(3)(B)(i),” and inserting “(i)(3)(B)(i) or (7)(A)(ii),”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to disclosures made on or after the date of the enactment of this Act.

#### TITLE IV—NEW YORK RECOVERY FROM TERRORISM

##### SEC. 401. EXPANSION OF WORK OPPORTUNITY TAX CREDIT TARGETED CATEGORIES TO INCLUDE CERTAIN EMPLOYEES IN NEW YORK CITY.

(a) IN GENERAL.—For purposes of section 51 of the Internal Revenue Code of 1986 (relating to work opportunity credit), a New York Recovery Zone business employee shall be treated as a member of a targeted group.

(b) NEW YORK RECOVERY ZONE BUSINESS EMPLOYEE.—For purposes of this section—

(1) IN GENERAL.—The term “New York Recovery Zone business employee” means, with respect to the period beginning after September 10, 2001, and ending before January 1, 2005, any employee of a New York Recovery Zone business if—

(A) substantially all the services performed during such period by such employee for such business are performed in a trade or business of such business located in an area described in paragraph (2), and

(B) with respect to any employee of such business described in paragraph (2)(B), such employee is certified by the New York State Department of Labor as not exceeding, when added to all other employees previously certified with respect to such period as New York Recovery Zone business employees with respect to such business, the number of employees of such business on September 11, 2001, in the New York Recovery Zone.

(2) NEW YORK RECOVERY ZONE BUSINESS.—The term “New York Recovery Zone business” means any business establishment which is—

(A) located in the New York Recovery Zone, or

(B) located in the City of New York, New York, outside the New York Recovery Zone, as the result of the destruction or damage of such establishment by the September 11, 2001, terrorist attack.

(3) NEW YORK RECOVERY ZONE.—The term “New York Recovery Zone” means the area located on or south of Canal Street, East Broadway (east of its intersection with Canal Street), or Grand Street (east of its intersection with East Broadway) in the Borough of Manhattan in the City of New York, New York.

(4) SPECIAL RULES FOR DETERMINING AMOUNT OF CREDIT.—For purposes of applying subpart E of part IV of subchapter B of chapter 1 of the Internal Revenue Code of 1986 to wages paid or incurred to any New York Recovery Zone business employee—

(A) section 51(a) of such Code shall be applied by substituting “qualified wages” for “qualified first-year wages”,

(B) section 51(d)(12)(A)(i) of such Code shall be applied to the certification of individuals employed by a New York Recovery Zone business before April 1, 2002, by substituting “on or before May 1, 2002” for “on or before the day on which such individual begins work for the employer”,

(C) subsections (c)(4) and (i)(2) of section 51 of such Code shall not apply, and

(D) in determining qualified wages, the following shall apply in lieu of section 51(b) of such Code:

(i) QUALIFIED WAGES.—The term “qualified wages” means the wages paid or incurred by the employer for work performed during the period beginning on September 11, 2001, and ending on December 31, 2004, to individuals who are New York Recovery Zone business employees of such employer.

(ii) ONLY FIRST \$6,000 OF WAGES PER TAXABLE YEAR TAKEN INTO ACCOUNT.—The amount of the qualified wages which may be taken into account with respect to any individual shall not exceed \$6,000 per taxable year of the employer.

(c) CREDIT ALLOWED AGAINST REGULAR AND MINIMUM TAX.—

(1) IN GENERAL.—Subsection (c) of section 38 (relating to limitation based on amount of tax) is amended by redesignating paragraph (3) as paragraph (4) and by inserting after paragraph (2) the following new paragraph:

“(3) SPECIAL RULES FOR NEW YORK RECOVERY ZONE BUSINESS EMPLOYEE CREDIT.—

“(A) IN GENERAL.—In the case of the New York Recovery Zone business employee credit—

“(i) this section and section 39 shall be applied separately with respect to such credit, and

“(ii) in applying paragraph (1) to such credit—

“(I) the tentative minimum tax shall be treated as being zero, and

“(II) the limitation under paragraph (1) (as modified by subclause (I)) shall be reduced by the credit allowed under subsection (a) for the taxable year (other than the New York Recovery Zone business employee credit).

“(B) NEW YORK RECOVERY ZONE BUSINESS EMPLOYEE CREDIT.—For purposes of this subsection, the term ‘New York Recovery Zone business employee credit’ means the portion of work opportunity credit under section 51 determined under section 401 of the Fiscal Stimulus and Worker Relief Act of 2001.”.

(2) CONFORMING AMENDMENT.—Subclause (II) of section 38(c)(2)(A)(ii) is amended by inserting “or the New York Recovery Zone business employee credit” after “employment credit”.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years ending after September 11, 2001.

##### SEC. 402. TAX-EXEMPT PRIVATE ACTIVITY BONDS FOR REBUILDING PORTION OF NEW YORK CITY DAMAGED IN THE SEPTEMBER 11, 2001, TERRORIST ATTACK.

(a) TREATMENT AS QUALIFIED BONDS.—For purposes of the Internal Revenue Code of 1986, any qualified NYC recovery bond shall be treated as an exempt facility bond under section 141(e) of such Code.

(b) QUALIFIED NYC RECOVERY BOND.—For purposes of this section, the term “qualified NYC recovery bond” means any bond which—

(1) is issued by the State of New York or any political subdivision thereof (or any agency, instrumentality or constituted authority on behalf thereof), and

(2) meets the requirements of subsections (c) through (f).

(c) DESIGNATION REQUIREMENTS.—A bond meets the requirements of this subsection if it is issued as part of an issue designated as a qualified NYC recovery bond by the Mayor of the City of New York, New York, or an individual specifically appointed to make such designation.

(d) ISSUANCE AND VOLUME REQUIREMENTS.—

(1) IN GENERAL.—Except as provided in paragraph (3), a bond issued as part of an issue meets the requirements of this subsection if such bond is issued during 2002 (or during the period elected under paragraph (2)) and the aggregate face amount of the bonds issued pursuant to such issue, when added to the aggregate face amount of qualified NYC recovery bonds previously issued, does not exceed \$12,500,000,000.

(2) ELECTIVE CARRYFORWARD OF UNUSED LIMITATION.—If the volume cap under paragraph (1) exceeds the aggregate amount of qualified NYC recovery bonds issued during 2002, the issuing authority under subsection (b) may elect to carry forward such excess volume cap for an additional 3-year period under rules similar to the rules of section 146(f) of the Internal Revenue Code of 1986 (other than paragraph (2) thereof).

(3) CERTAIN CURRENT REFUNDINGS NOT COUNTED.—For purposes of paragraph (1), there shall not be taken into account any current refunding bond the proceeds of which are used to refund any bond described in paragraph (1) to the extent the face amount of such current refunding bond does not exceed the outstanding face amount of the refunded bond.

(e) QUALIFIED PROJECT REQUIREMENTS.—

(1) IN GENERAL.—A bond meets the requirements of this subsection if it is issued as part of an issue at least 95 percent of the net proceeds of which are to be used for qualified project costs.

(2) QUALIFIED PROJECT COSTS.—For purposes of this subsection—

(A) IN GENERAL.—The term “qualified project costs” means—

(i) with respect to a qualified project described in paragraph (3)(A)(i), the costs of acquisition, construction, reconstruction, and renovation of commercial real property and residential rental real property, including—

(I) buildings and their structural components,

(II) fixed tenant improvements, and

(III) public utility property, and

(ii) with respect to a qualified project described in paragraph (3)(A)(ii), the costs of acquisition, construction, reconstruction, and renovation of commercial real property, including—

(I) buildings and their structural components, and

(II) fixed tenant improvements.

(B) LIMITATIONS.—

(i) RESIDENTIAL RENTAL REAL PROPERTY.—Such term shall not include costs with respect to residential rental real property to

the extent such costs for all such property exceed 20 percent of the aggregate face amount of the bonds issued under this section.

(ii) **RETAIL SALES PROPERTY.**—Such term shall not include costs with respect to property used for retail sales of tangible property and functionally related and subordinate property to the extent such costs for all such property exceeds 10 percent of the aggregate face amount of the bonds issued under this section.

(iii) **MOVABLE FIXTURES AND EQUIPMENT.**—Such term shall not include costs with respect to movable fixtures and equipment.

(3) **QUALIFIED PROJECTS.**—For purposes of this subsection—

(A) **IN GENERAL.**—The term “qualified project” means any project—

(i) located within the New York Recovery Zone, or

(ii) located within the City of New York, New York, but outside of the New York Recovery Zone, but only if—

(I) such project consists of at least 100,000 square feet of usable office or other commercial space located in a single building or multiple adjacent buildings, and

(II) the aggregate face amount of the bonds issued to finance such project, when added to the aggregate face amount of all bonds issued to finance all other projects described in this clause, does not exceed \$7,000,000,000.

(B) **NEW YORK RECOVERY ZONE.**—The term “New York Recovery Zone” means the area located on or south of Canal Street, East Broadway (east of its intersection with Canal Street), or Grand Street (east of its intersection with East Broadway) in the Borough of Manhattan in the City of New York, New York.

(f) **GENERAL REQUIREMENTS.**—A bond meets the requirements of this subsection if it is issued as part of an issue which meets the requirements of part IV of subchapter B of chapter 1 of the Internal Revenue Code of 1986 applicable to an exempt facility bond, except as follows:

(1) Sections 142(d) and 150(b)(2) (relating to qualified residential rental project), and section 146 (relating to volume cap) of such Code shall not apply to bonds issued under this section.

(2) The application of section 147(c) of such Code (relating to limitation on use for land acquisition) shall be determined by reference to the aggregate authorized face amount of all bonds issued under this section rather than the net proceeds of each issue.

(3) Section 147(d) of such Code (relating to acquisition of existing property not permitted) shall be applied by substituting “50 percent” for “15 percent” each place it appears.

(4) Section 148(f)(4)(C) of such Code (relating to exception from rebate for certain proceeds to be used to finance construction expenditures) shall apply to construction proceeds of bonds issued under this section.

(5) Rules similar to the rules of section 143(a)(2)(A)(iv) of such Code (relating to use of loan repayments) shall apply to bonds issued under this section.

(g) **BOND INTEREST NOT AN AMT PREFERENCE ITEM.**—For purposes of section 57(a)(5) of the Internal Revenue Code of 1986, a qualified NYC recovery bond shall not be treated as a specified private activity bond.

(h) **SEPARATE ISSUE TREATMENT OF PORTIONS OF AN ISSUE.**—This section shall not apply to the portion of the proceeds of an issue which (if issued as a separate issue) would be treated as a qualified bond or as a bond that is not a private activity bond (determined without regard to subsection (a)), if the issuer elects to so treat such portion.

(i) **NET PROCEEDS.**—For purposes of this section, the term “net proceeds” has the

meaning given such term by section 150(a)(3) of the Internal Revenue Code of 1986.

(j) **INTEREST ON DEBT USED TO PURCHASE OR CARRY QUALIFIED NYC RECOVERY BONDS.**—

(1) **IN GENERAL.**—Clause (i) of section 265(b)(3)(B) (defining qualified tax-exempt obligation) is amended by adding at the end the following new flush sentence:

“Such term includes a tax-exempt obligation issued pursuant to section 402 of the Fiscal Stimulus and Worker Relief Act of 2001.”

(2) **REFUNDINGS.**—Subparagraph (D) of section 265(b)(3) is by adding at the end the following new clause:

“(iv) **REFUNDINGS OF CERTAIN OBLIGATIONS.**—In the case of a refunding (or a series of refundings) of a qualified tax-exempt obligation that is an obligation issued pursuant to section 402 of the Fiscal Stimulus and Worker Relief Act of 2001, the refunding obligation shall be treated as a qualified tax-exempt obligation if the refunding obligation meets the requirements of such section.”.

(2) **EFFECTIVE DATE.**—The amendments made by this subsection shall apply to taxable years ending on or after the date of the enactment of this Act.

#### **SEC. 403. ADDITIONAL ADVANCE REFUNDING PERMITTED OF CERTAIN BONDS.**

Paragraph (3) of section 149(d) of the Internal Revenue Code of 1986 shall not apply to the first advance refunding after the date of the enactment of this Act of any issue if—

(1) the original bond was issued by—

(A) the City of New York,

(B) the Port Authority of New York and New Jersey,

(C) the Metropolitan Transit Authority of the City of New York,

(D) the New York City Municipal Water Authority, or

(E) any hospital which is located in the City of New York, described in section 501(c)(3) of such Code, and exempt from tax under section 501(a) of such Code,

(2) no bond (issued as part of the refunding issue) is issued to advance refund a private activity bond (other than a qualified hospital bond which is a qualified 501(c)(3) bond, as such terms are defined in section 145 of such Code), and

(3) other than the bonds being refunded by such refunding issue, the original bonds and all prior refundings of such bonds have been redeemed as of the date of the enactment of this Act.

The preceding sentence shall apply only if the refunding bonds meet the requirements of clauses (iii), (iv), and (v) of section 149(d)(3)(A) of such Code.

#### **SEC. 404. GAIN OR LOSS FROM PROPERTY DAMAGED OR DESTROYED IN NEW YORK RECOVERY ZONE.**

(a) **GENERAL RULE.**—For purposes of the Internal Revenue Code of 1986, if a taxpayer elects the application of this section with respect to any eligible property, then any gain or loss on the disposition of the property shall be determined without regard to any compensation (by insurance or otherwise) received by the taxpayer for damages sustained to the property as a result of the terrorist attacks occurring on September 11, 2001. Such election shall be made at such time and in such manner as the Secretary of the Treasury may prescribe, and, once made, is irrevocable.

(b) **LIMITATION BASED ON PURCHASE OF REPLACEMENT PROPERTY.**—

(1) **IN GENERAL.**—Subsection (a) shall apply to compensation received with respect to eligible property only to the extent of the cost of any qualified replacement property purchased by the taxpayer.

(2) **ALLOCATION.**—If the aggregate compensation received by a taxpayer with respect to all eligible property exceeds the aggregate cost of all qualified replacement

property purchased by the taxpayer, such cost shall be allocated to such eligible property in accordance with rules prescribed by the Secretary.

(3) **SPECIAL RULE FOR CONSOLIDATED GROUPS.**—For purposes of paragraph (1), an affiliated group filing a consolidated return may elect to treat any qualified replacement property purchased by a member of the group as purchased by another member of the group.

(c) **ELIGIBLE PROPERTY.**—For purposes of this section, the term “eligible property” means any tangible property—

(1) which is section 1245 property (as defined in section 1245(a)(3) of the Internal Revenue Code of 1986) or qualified leasehold improvement property (as defined in section 168(k)(3) of such Code),

(2) substantially all of the use of which as of September 11, 2001, was in a business establishment of the taxpayer located in the New York Recovery Zone, and

(3) which was damaged or destroyed in the terrorist attacks of September 11, 2001.

(d) **QUALIFIED REPLACEMENT PROPERTY.**—For purposes of this section—

(1) **IN GENERAL.**—The term “qualified replacement property” means tangible property—

(A) which is described in subsection (c)(1),

(B) which is purchased by the taxpayer on or after September 11, 2001, and placed in service in the City of New York, New York, before January 1, 2007,

(C) the original use of which in such city begins with the taxpayer, and

(D) substantially all of the use of which is reasonably expected to be in connection with a business establishment of the taxpayer located in such city.

(2) **RECAPTURE.**—The Secretary shall, by regulations, provide for the recapture of any Federal tax benefit provided by this section in cases where a taxpayer ceases to use property as qualified replacement property and such recapture is necessary to prevent the avoidance of the purposes of this section.

(e) **COORDINATION WITH OTHER PROVISIONS OF CODE.**—For purposes of the Internal Revenue Code of 1986—

(1) **SPECIAL RULE FOR TREATMENT OF UNRECOGNIZED GAIN IN ELIGIBLE PROPERTY.**—Sections 1245 and 1250 of such Code shall not apply to any gain on the disposition of eligible property not recognized by reason of this section.

(2) **LOSS ELECTION NOT TO APPLY TO ELIGIBLE PROPERTY.**—If a taxpayer elects the application of this section with respect to any eligible property, the taxpayer may not make an election under section 165(i) of such Code with respect to any loss attributable to the property.

(3) **BASIS ADJUSTMENTS OF QUALIFIED REPLACEMENT PROPERTY.**—

(A) **IN GENERAL.**—The basis of any qualified replacement property shall be reduced by the amount of any compensation disregarded by reason of subsection (a).

(B) **SPECIAL RULES FOR RECAPTURE.**—For purposes of sections 1245 and 1250 of such Code, any reduction under subparagraph (A) shall be treated as a deduction allowed for depreciation, except that for purposes of section 1250(b) of such Code, the determination of what would have been the depreciation adjustments under the straight line method shall be made as if there had been no reduction under subparagraph (A).

(4) **SPECIAL RULES FOR APPLYING SECTION 1033.**—For purposes of applying section 1033 of such Code to converted property which is eligible property with respect to which an election under subsection (a) has been made—

(A) the amount realized from the eligible property shall not include any compensation

ble property shall not include any compensation received by the taxpayer which is disregarded by reason of subsection (a), and

(B) any qualified replacement property shall be disregarded in determining whether property was acquired for the purposes of replacing the converted property.

(f) OTHER DEFINITIONS AND RULES.—For purposes of this section—

(1) NEW YORK RECOVERY ZONE.—The term “New York Recovery Zone” means the area located on or south of Canal Street, East Broadway (east of its intersection with Canal Street), or Grand Street (east of its intersection with East Broadway) in the Borough of Manhattan in the City of New York, New York.

(2) TIME FOR ASSESSMENT.—Rules similar to the rules of subparagraphs (C) and (D) of section 1033(a)(2) of such Code shall apply for purposes of this section.

(3) RELATED PARTY LIMITATION.—Section 1033(i) of such Code shall apply for purposes of this section.

#### SEC. 405. CREDIT FOR INDIVIDUALS RESIDING IN LOWER MANHATTAN.

(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 (relating to non-refundable personal credits) is amended by inserting after section 25B the following:

##### “SEC. 25C. CREDIT FOR RESIDENTS OF LOWER MANHATTAN.

“(a) ALLOWANCE OF CREDIT.—In the case of an individual who is a qualified resident with respect to the taxable year, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to \$5,000.

“(b) LIMITATIONS.—

“(1) LIMITATION BASED ON ADJUSTED GROSS INCOME.—

“(A) IN GENERAL.—The amount of the credit allowed under subsection (a) shall be reduced (but not below zero) by \$50 for each \$1,000 (or fraction thereof) by which the taxpayer’s modified adjusted gross income exceeds \$150,000.

“(B) MODIFIED ADJUSTED GROSS INCOME.—For purposes of subparagraph (A), the term ‘modified adjusted gross income’ means adjusted gross income determined without regard to sections 911, 931, or 933.

“(2) MAXIMUM CREDIT PER RESIDENCE AND PER QUALIFIED RESIDENT.—

“(A) PER RESIDENCE.—As provided by the Secretary, the credit under subsection (a) shall not be allowed with respect to more than 1 individual with respect to a principal residence for the taxable year.

“(B) PER QUALIFIED RESIDENT.—The aggregate credit allowed under subsection (a) with respect to any individual for all taxable years shall not exceed \$5,000 and no such credit shall be allowed for a taxable year if the credit was so allowed for a preceding taxable year.

“(c) QUALIFIED RESIDENT.—For purposes of this section—

“(1) IN GENERAL.—The term ‘qualified resident’ means an individual who—

“(A) maintains a principal residence—

“(i) which is located on or south of Canal Street, East Broadway (east of its intersection with Canal Street), or Grand Street (east of its intersection with East Broadway) in the Borough of Manhattan in the City of New York, New York, and

“(ii) for at least 6 consecutive months during calendar year 2002 or 2003,

“(B) makes more than half of the aggregate rental, mortgage, or any similar payment with respect to the residence during the period described in subparagraph (A)(ii), and

“(C) is certified under paragraph (5).

“(2) MULTIPLE RESIDENTS AGREEMENT.—For purposes of paragraph (1)(B), an individual

shall be treated as making more than half of the aggregate rental, mortgage, or similar payments for the period with respect to the residence if—

“(A) no one person with respect to the period makes over half of such payments,

“(B) over half of such aggregate payments are made by persons each of whom, but for the fact that such person did not make over half of such payments, would have been a qualified resident with respect to the residence,

“(C) the taxpayer contributed over 10 percent of such payments, and

“(D) each person described in subparagraph (B) (other than the taxpayer) who contributed over 10 percent of such payments files a written declaration (in such manner and form as the Secretary may prescribe) that such person will not claim a credit with respect to such residence.

“(3) PRINCIPAL RESIDENCE.—The term ‘principal residence’ has the same meaning as when used in section 121, except that no ownership requirement shall be imposed.

“(4) YEAR CREDIT ALLOWED.—The credit allowed under subsection (a) shall be allowed for the taxable year in which the period described in paragraph (1)(A)(ii) ends.

“(5) CERTIFICATION.—For purposes of paragraph (1)(C), the appropriate State or local authority shall—

“(A) certify whether an individual, requesting such certification, meets the requirements of subparagraphs (A) and (B) of paragraph (1),

“(B) issue a certification to such individual meeting such requirements which—

“(i) contains a written statement showing the name and address of the person making such certification and the phone number of the information contact for such person, and

“(ii) is furnished on or before March 1 of the year following the calendar year in which the credit under subsection (a) is allowed, and

“(C) not certify more than 32,000 individuals in any calendar year as being qualified residents for purposes of this section.

“(d) VERIFICATION.—No credit shall be allowed under subsection (a) to a taxpayer unless the taxpayer includes, on the return of tax for the taxable year—

“(1) proof of the certification received under subsection (c)(5), and

“(2) such other information as the Secretary determines necessary.

“(e) INFORMATION REPORTING.—

“(1) IN GENERAL.—Any State or local authority which issues the certification required under subsection (c)(5) shall make the return described in paragraph (2) (at such time as the Secretary may prescribe) with respect to each individual to whom such certification is provided.

“(2) FORM AND MANNER OF RETURNS.—A return is described in this subsection if such return—

“(A) is in such form as the Secretary may prescribe, and

“(B) contains—

“(i) the name, address, and TIN of the individual to whom such certification is provided, and

“(ii) such other information as the Secretary may reasonably prescribe.”.

(b) CONFORMING AMENDMENT.—The table of sections for subpart A of part IV of subchapter A of chapter 1 is amended by inserting after the item relating to section 25B the following:

“Sec. 25C. Credit for residents of lower Manhattan.”.

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

## TITLE V—FREEZE OF TOP INDIVIDUAL INCOME TAX RATE AND DOMESTIC SECURITY TRUST FUND

### SEC. 501. FREEZE OF TOP INDIVIDUAL INCOME TAX RATE AND DOMESTIC SECURITY TRUST FUND.

(a) FREEZE OF TOP INDIVIDUAL INCOME TAX RATE.—Paragraph (2) of section 1(i) (relating to reductions in rates after June 30, 2001) is amended—

(1) by striking “37.6” and inserting “38.6”, and

(2) by striking “35.0” and inserting “38.6”.

(b) DOMESTIC SECURITY TRUST FUND.—Subchapter A of chapter 98 (relating to trust fund code) is amended by adding at the end the following new section:

#### “SEC. 9511. DOMESTIC SECURITY TRUST FUND.

“(a) CREATION OF TRUST FUND.—There is established in the Treasury of the United States a trust fund to be known as the ‘Domestic Security Trust Fund’, consisting of such amounts as may be transferred or credited to the Trust Fund as provided in this section and section 9602(b).

“(b) TRANSFERS TO FUND.—There are hereby transferred from the General Fund of the Treasury to the Domestic Security Trust Fund so much of the additional amounts received in the Treasury by reason of the amendment made by section 501(a) of the Fiscal Stimulus and Worker Relief Act of 2001 (relating to freeze in top individual income tax rate) as does not exceed the sum of—

“(1) the expenditures authorized to be made out of the funds.

“(2) the amount determined by the Secretary to be necessary to pay the interest on any repayable advance made to the Trust Fund.

“(c) EXPENDITURES.—Amounts in the Domestic Security Trust Fund shall be available, as provided by appropriation Acts, for purposes of making expenditures for domestic economic development programs for steel industry loan guarantees to the extent such expenditures are hereafter authorized by law.

“(d) REPAYABLE ADVANCES.—

“(1) IN GENERAL.—If amounts in the Trust Fund are not sufficient for the purposes of subsection (c), the Secretary shall transfer from the General Fund of the Treasury to the Trust Fund such additional amounts as may be necessary for such purposes. Such amounts shall be transferred as repayable advances.

“(2) REPAYMENT OF ADVANCES.—

“(A) IN GENERAL.—Advances made to the Trust Fund shall be repaid, and interest on such advances shall be paid, to the General Fund of the Treasury when the Secretary determines that moneys are available for such purposes in the Trust Fund.

“(B) RATE OF INTEREST.—Interest on advances made to the Trust Fund shall be at a rate determined by the Secretary of the Treasury (as of the close of the calendar month preceding the month in which the advance is made) to be equal to the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the anticipated period during which the advance will be outstanding and shall be compounded annually.”.

(c) CLERICAL AMENDMENT.—The table of sections for subchapter A of chapter 98 is amended by adding at the end the following new item:

“Sec. 9511. Domestic security trust fund.”.

(d) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2001.

**TITLE VII—SOCIAL SECURITY HELD  
HARMLESS**

**SEC. 701. NO IMPACT ON SOCIAL SECURITY  
TRUST FUNDS.**

(a) IN GENERAL.—Nothing in this Act (or an amendment made by this Act) shall be construed to alter or amend title II of the Social Security Act (or any regulation promulgated under that Act).

(b) TRANSFERS.—

(1) ESTIMATE OF SECRETARY.—The Secretary of the Treasury shall annually estimate the impact that the enactment of this Act has on the income and balances of the trust funds established under section 201 of the Social Security Act (42 U.S.C. 401).

(2) TRANSFER OF FUNDS.—If, under paragraph (1), the Secretary of the Treasury estimates that the enactment of this Act has a negative impact on the income and balances of the trust funds established under section 201 of the Social Security Act (42 U.S.C. 401), the Secretary shall transfer, not less frequently than quarterly, from the general revenues of the Federal Government an amount sufficient so as to ensure that the income and balances of such trust funds are not reduced as a result of the enactment of this Act.

**SEC. 702. EMERGENCY DESIGNATION.**

Congress designates as emergency requirements pursuant to section 252(e) of the Balanced Budget and Emergency Deficit Control Act of 1985 the following amounts:

(1) An amount equal to the amount by which revenues are reduced by this Act below the recommended levels of Federal revenues for fiscal year 2002, the total of fiscal years 2002 through 2006, and the total of fiscal years 2002 through 2011, provided in the conference report accompanying H. Con. Res. 83, the concurrent resolution on the budget for fiscal year 2002.

(2) Amounts equal to the amounts of new budget authority and outlays provided in this Act in excess of the allocations under section 302(a) of the Congressional Budget Act of 1974 to the Committee on Finance of the Senate for fiscal year 2002, the total of fiscal years 2002 through 2006, and the total of fiscal years 2002 through 2011.

Mr. RANGEL (during the reading). Mr. Speaker, I ask unanimous consent that the motion be considered as read and printed in the RECORD.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New York?

There was no objection.

The SPEAKER pro tempore. The gentleman from New York (Mr. RANGEL) is recognized for 5 minutes in support of his motion to recommit.

Mr. RANGEL. Mr. Speaker, I was moved by the remarks of the Speaker. I do not think anyone tried harder in this House in working with the minority leader, the gentleman from Missouri (Mr. GEPHARDT) in trying to bring a solution to the problem that is before this House.

□ 0315

I think it is safe to say that the one thing that they tried to do was to try to bring some resolve to the question of providing health care to people who are unemployed.

We provided over \$70 billion in our substitute for tax incentives, corporate and individual taxes; and we did this because we seriously believe that we do have to do certain things in order to

create capital, in order to create investments, in order to allow people to be able to invest. But we truly believe that we should have had an opportunity to come before you today and say that the people who are left out of this bill, or the people who are left to the governors to do what they have to do, or the people that may be left up to the Secretary of the Treasury, that we just do not have a provision here that I can explain or that you can explain to the people who have been left out.

We know tonight that we had a missed opportunity to give and to take on this side of the aisle and the other side, on this side of the House and the other side. We missed that opportunity because certain people were convinced that the present health delivery system does not work and they wanted to change it for the future. It is almost unbelievable how you would not give us an opportunity to share with you our views. But to hold us in such disrespect that we could not bring it up in committee; that we did not have a chance to bring it up in conference; that we could not bring it up on the floor, and yet, as we conclude, you know that this bill is not going anywhere in the Senate.

As I look and see the distinguished former chairman of the Committee on the Budget, or maybe the chairman of the former Committee on the Budget, or maybe the chairman that used to be concerned as to what we did with the Social Security Trust Fund and the Medicare Trust Fund, who said we were not going to invade it, who said we would put it in a lockbox, who said so many things, but at the end of the day, this tax cut bill is not paid for, as the substitute was and as the motion to recommit asks you to do.

People have screamed that what we are doing is raising taxes. All we are saying is that the President did not know when he gave the \$1.3 trillion tax cut that we were going to go into a recession. He did not know that we would be at war. And all we are saying is that as we look and see and try to bring some balance to the budget, if not now then in the future, at least have it using the language of people on the Committee on the Budget and have a set-aside. But we do not have even that.

So as we plunge into deficit spending, we do it using the payments that people are making for what? For tax cuts? No. To pay for the war? No. For health care? No. For unemployment? No. They are using this for their Social Security. The payroll tax is what is keeping us going, and we are operating on fumes.

I just want you to know that we want to give to the Speaker the sense of bipartisanship that we have given since the war has begun. But partnership means two sides. You first have to talk with people. You have to get people's views. And somewhere down the line we have to get back to the idea that things that are important enough for tax policy and trade policy and unem-

ployment policy and health policy to have hearings and witnesses and mark-ups, and to bring it to the floor in a bipartisan way.

We do not have to win. We are in the minority. We can count. But we demand the respect to be heard, because we do feel a compassionate concern not only that business be allowed to prosper so it can create the wealth and the jobs, but those people who are not in the system, that have been dislocated, they cannot wait until the other body does something. They should have been taken care of by this Congress at this time.

I ask you to support the motion to recommit to give us an opportunity to come back and to put some meat on the bones. Do not leave it to the Secretary of the Treasury to get us out of this. Do not leave it to the President. Leave it to the people that have the experience and the jurisdiction in our committees to do something about it. I hope you will consider that on the motion to recommit.

Mr. THOMAS. Mr. Speaker, I rise in opposition to the motion to recommit.

The SPEAKER pro tempore (Mr. THORNBERRY). The gentleman from California (Mr. THOMAS) is recognized for 5 minutes.

Mr. THOMAS. Mr. Speaker, I am sure that there was significant labor on the part of my friends to put this package together. The package is, and all my colleagues should know, to strike all after the enacting clause and insert the following. The following is a bill. And if you would take the copy that was provided to me, and as you turn through the pages you come to a section, and as in the case nowadays, you know when you send things over faxes that at the top you have a heading and it tells you where it came from? I may not be completely familiar, but this says this is from the USWA Legislative Public Affairs. I believe that is United Steelworkers of America Legislative Public Affairs. So a portion of this bill, obviously, has been generated through the fax machine from folks who I do not believe are under the employment of Congress.

However, most of the debate on my friend's side has been focusing on page 100 of our bill, and there he refers to the fact that we say that this new plan that we want to put into effect of providing health insurance to our colleagues is not there in detail; that what it has is an enablement to the Secretary of the Treasury to develop the regulations necessary to carry out the plan. Now, one of the dirty little secrets inside the bill is they do not have a plan either. Because currently COBRA is not subsidized, it is paid for by individuals out of their pocket. They propose to set up a plan which will subsidize COBRA. They are going to have to create a plan, just like they accuse us of doing.

And when you turn to page 44, lo and behold, "not later than 60 days after the date of enactment of this act, the

Secretary of the Treasury, in consultation with the Secretary of Labor, shall establish a program.” So, in other words, both of us have to establish programs. But what we have got is one that supports folk on the kind of insurance they have. If it be COBRA, fine; if it is something else, fine. What they have is only a plan to set up COBRA. And if you get your insurance from somewhere else, you are simply left out.

Now, I will tell my colleagues that I will shorten this and yield back the balance of my time, because you only have to refer to one more page in this bill. It happens to be on page 96. It says “title V: Freeze of the top individual income tax rate.” And guess what? They believe a stimulus is to deny the most entrepreneurial area of the system, in terms of allowing people to keep marginally a little bit more of their own wealth. That is what they call stimulus.

I invite my colleagues to support or reject that kind of a program and ask you to vote “no” on the motion to recommit.

Mr. Speaker, I yield back the balance of my time.

Mr. THORNBERRY. Without objection, the previous question is ordered on the motion to recommit.

There was no objection.

The SPEAKER pro tempore. The question is on the motion to recommit.

The question was taken; and the Speaker pro tempore announced that the yeas appeared to have it.

Mr. RANGEL. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The SPEAKER pro tempore. Pursuant to clause 9 of rule XX, the Chair will reduce to 5 minutes the minimum time for any electronic vote on the question of passage.

The vote was taken by electronic device, and there were—yeas 177, nays 238, not voting 20, as follows:

[Roll No. 508]

YEAS—177

Ackerman	Clayton	Gordon
Allen	Clyburn	Green (TX)
Andrews	Conyers	Harman
Baca	Costello	Hilliard
Baird	Coyne	Hinchey
Baldacci	Cramer	Hinojosa
Baldwin	Crowley	Hoeffel
Barrett	Cummings	Holden
Becerra	Davis (CA)	Holt
Bentsen	Davis (FL)	Honda
Berkley	Davis (IL)	Hoyer
Berman	DeFazio	Inslee
Berry	DeGette	Jackson (IL)
Bishop	Delahunt	Jackson-Lee
Blagojevich	DeLauro	(TX)
Blumenauer	Deutsch	Jefferson
Bonior	Dingell	John
Borski	Doggett	Johnson, E. B.
Boswell	Doyle	Jones (OH)
Boucher	Edwards	Kaptur
Boyd	Engel	Kennedy (RI)
Brady (PA)	Eshoo	Kildee
Brown (FL)	Etheridge	Kilpatrick
Brown (OH)	Evans	Klecza
Capps	Farr	Kucinich
Capuano	Filner	LaFalce
Cardin	Frank	Lampson
Carson (IN)	Frost	Langevin
Carson (OK)	Gephardt	Lantos
Clay	Gonzalez	Larsen (WA)

Larson (CT)	Moran (VA)	Scott
Lee	Nadler	Serrano
Levin	Napolitano	Sherman
Lewis (GA)	Neal	Shows
Lipinski	Oberstar	Slaughter
Lofgren	Obey	Solis
Lowey	Oliver	Spratt
Lynch	Ortiz	Stenholm
Maloney (CT)	Pallone	Strickland
Maloney (NY)	Pascarella	Stupak
Markey	Pastor	Tanner
Mascara	Payne	Tauscher
Matheson	Pelosi	Thompson (CA)
Matsui	Phelps	Thompson (MS)
McCarthy (MO)	Pomeroy	Thurman
McCarthy (NY)	Price (NC)	Tierney
McCollum	Rangel	Towns
McDermott	Reyes	Turner
McGovern	Rivers	Udall (CO)
McIntyre	Rodriguez	Udall (NM)
McKinney	Ross	Velazquez
McNulty	Rothman	Visclosky
Meehan	Roybal-Allard	Waters
Meeks (NY)	Rush	Watson (CA)
Menendez	Sabo	Watt (NC)
Millender-	Sanders	Waxman
McDonald	Sandlin	Weiner
Miller, George	Sawyer	Woolsey
Mink	Schakowsky	Wynn
Moore	Schiff	

NAYS—238

Abercrombie	Frelinghuysen	Manzullo
Aderholt	Gallely	McCrery
Akin	Ganske	McHugh
Armey	Gekas	McInnis
Bachus	Gibbons	McKeon
Ballenger	Gilchrest	Mica
Barcia	Gillmor	Miller, Dan
Barr	Gilman	Miller, Gary
Bartlett	Goode	Miller, Jeff
Barton	Goodlatte	Mollohan
Bass	Goss	Moran (KS)
Bereuter	Graham	Morella
Biggert	Granger	Murtha
Bilirakis	Graves	Myrick
Blunt	Green (WI)	Nethercutt
Boehlert	Greenwood	Ney
Boehner	Grucci	Northup
Bonilla	Gutknecht	Norwood
Bono	Hall (TX)	Nussle
Boozman	Hansen	Osborne
Brady (TX)	Hart	Ose
Brown (SC)	Hastert	Otter
Bryant	Hastings (WA)	Paul
Burr	Hayes	Pence
Burton	Hayworth	Peterson (MN)
Buyer	Herger	Peterson (PA)
Callahan	Hill	Petri
Calvert	Hobson	Pickering
Camp	Hoekstra	Pitts
Cannon	Hooley	Platts
Cantor	Horn	Pombo
Capito	Hostettler	Portman
Castle	Houghton	Pryce (OH)
Chabot	Hulshof	Putnam
Chambliss	Hunter	Quinn
Coble	Hyde	Radanovich
Collins	Isakson	Rahall
Combest	Israel	Ramstad
Condit	Issa	Regula
Cooksey	Istook	Rehberg
Cox	Jenkins	Reynolds
Crane	Johnson (CT)	Riley
Crenshaw	Johnson (IL)	Roemer
Culberson	Johnson, Sam	Rogers (KY)
Cunningham	Jones (NC)	Rogers (MI)
Davis, Jo Ann	Kanjorski	Rohrabacher
Davis, Tom	Keller	Ros-Lehtinen
Deal	Kelly	Roukema
DeLay	Kennedy (MN)	Royce
DeMint	Kerns	Ryan (WI)
Diaz-Balart	Kind (WI)	Ryun (KS)
Dooley	King (NY)	Sanchez
Doolittle	Kingston	Saxton
Dreier	Kirk	Schaffer
Duncan	Knollenberg	Schrock
Dunn	Kolbe	Sensenbrenner
Ehlers	LaHood	Sessions
Ehrlich	Largent	Shadegg
Emerson	Latham	Shaw
English	LaTourette	Shays
Everett	Leach	Sherwood
Ferguson	Lewis (CA)	Shimkus
Flake	Lewis (KY)	Shuster
Fletcher	Linder	Simmons
Foley	LoBiondo	Simpson
Forbes	Lucas (KY)	Skeen
Fossella	Lucas (OK)	Skelton

Smith (MI)	Thomas	Watts (OK)
Smith (NJ)	Thornberry	Weldon (FL)
Smith (TX)	Thune	Weldon (PA)
Smith (WA)	Tiahrt	Weller
Snyder	Tiberi	Whitfield
Souder	Toomey	Wicker
Stump	Trafiacant	Wilson (NM)
Sununu	Upton	Wilson (SC)
Sweeney	Vitter	Wolf
Tancred	Walden	Wu
Tauzin	Walsh	Young (FL)
Taylor (NC)	Wamp	
Terry	Watkins (OK)	

NOT VOTING—20

Baker	Hall (OH)	Oxley
Clement	Hastings (FL)	Stark
Cubin	Hefley	Stearns
Dicks	Hilleary	Taylor (MS)
Fattah	Luther	Wexler
Ford	Meek (FL)	Young (AK)
Gutierrez	Owens	

□ 0346

Mr. HOOLEY of Oregon and Messrs. REYNOLDS, RAMSTAD, HILL, GILLMOR and ISRAEL changed their vote from “yea” to “nay.”

Mr. SANDLIN and Mr. RUSH changed their vote from “nay” to “yea.”

So the motion to recommit was rejected.

The result of the vote was announced as above recorded.

The SPEAKER pro tempore (Mr. THORNBERRY). The question is on the passage of the bill.

Pursuant to House Resolution 320, the yeas and nays are ordered.

This is a 5-minute vote.

The vote was taken by electronic device, and there were—yeas 224, nays 193, not voting 18, as follows:

[Roll No. 509]

YEAS—224

Aderholt	DeLay	Hobson
Akin	DeMint	Hoekstra
Armey	Diaz-Balart	Horn
Bachus	Doolittle	Hostettler
Ballenger	Dreier	Houghton
Barr	Duncan	Hulshof
Bartlett	Dunn	Hunter
Barton	Ehlers	Hyde
Bass	Ehrlich	Isakson
Bereuter	Emerson	Israel
Biggert	English	Issa
Bilirakis	Everett	Istook
Blunt	Ferguson	Jenkins
Boehlert	Flake	John
Boehner	Fletcher	Johnson (CT)
Bonilla	Foley	Johnson (IL)
Bono	Forbes	Johnson, Sam
Boozman	Fossella	Jones (NC)
Brady (TX)	Frelinghuysen	Keller
Brown (SC)	Gallely	Kelly
Bryant	Ganske	Kennedy (MN)
Burr	Gekas	Kerns
Burton	Gibbons	King (NY)
Buyer	Gilchrest	Kingston
Callahan	Gillmor	Kirk
Calvert	Gilman	Knollenberg
Camp	Goode	Kolbe
Cannon	Goodlatte	LaHood
Cantor	Goss	Largent
Capito	Graham	Latham
Castle	Granger	Leach
Chabot	Graves	Lewis (CA)
Chambliss	Green (WI)	Lewis (KY)
Coble	Greenwood	Linder
Collins	Grucci	Lipinski
Combest	Gutknecht	LoBiondo
Cooksey	Hall (TX)	Lucas (KY)
Cox	Hansen	Lucas (OK)
Cramer	Harman	Manzullo
Crane	Hart	McCrery
Crenshaw	Hastert	McHugh
Culberson	Hastings (WA)	McInnis
Cunningham	Hayes	McKeon
Davis, Jo Ann	Hayworth	Mica
Davis, Tom	Herger	Miller, Dan
Deal	Hilleary	Miller, Gary

Miller, Jeff  
Moran (KS)  
Myrick  
Nethercutt  
Ney  
Northup  
Norwood  
Nussle  
Osborne  
Ose  
Otter  
Paul  
Pence  
Peterson (PA)  
Petri  
Pickering  
Pitts  
Platts  
Pombo  
Portman  
Pryce (OH)  
Putnam  
Quinn  
Radanovich  
Ramstad  
Regula  
Rehberg  
Reynolds  
Riley

Rogers (KY)  
Rogers (MI)  
Rohrabacher  
Ros-Lehtinen  
Roukema  
Royce  
Ryan (WI)  
Ryun (KS)  
Saxton  
Schaffer  
Schrock  
Sensenbrenner  
Sessions  
Shadegg  
Shaw  
Shays  
Sherwood  
Shimkus  
Shows  
Shuster  
Simmons  
Simpson  
Skeen  
Smith (MI)  
Smith (NJ)  
Smith (TX)  
Souder  
Stump  
Sununu

Sweeney  
Tancredo  
Tauzin  
Taylor (NC)  
Terry  
Thomas  
Thornberry  
Thune  
Tiahrt  
Tiberi  
Toomey  
Traficant  
Upton  
Vitter  
Walden  
Walsh  
Wamp  
Watkins (OK)  
Watts (OK)  
Weldon (FL)  
Weldon (PA)  
Weller  
Whitfield  
Wicker  
Wilson (NM)  
Wilson (SC)  
Wolf  
Young (FL)

## NOT VOTING—18

Baker  
Clement  
Cubin  
Dicks  
Fattah  
Ford  
Hall (OH)  
Hastings (FL)  
Hefley  
Luther  
Meek (FL)  
Owens  
Oxley  
Stark  
Stearns  
Taylor (MS)  
Wexler  
Young (AK)

□ 0354

So the bill was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

## PERSONAL EXPLANATION

Mr. STEARNS. Mr. Speaker, on rollcall Nos. 507 and 509, I was inadvertently detained. I would have voted "yes".

On rollcall No. 508, the motion to recommit, I would have voted "no."

## GENERAL LEAVE

Mr. THOMAS. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks and to include extraneous material on the H.R. 3529, the bill just passed.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

## REPORT ON RESOLUTION PROVIDING FOR CONSIDERATION OF JOINT RESOLUTION APPOINTING DAY FOR CONVENING FOR SECOND SESSION OF 107TH CONGRESS

Mr. DREIER, from the Committee on Rules, submitted a privileged report (Rept. No. 107-351) on the resolution (H. Res. 322) providing for consideration of a joint resolution appointing the day for the convening of the second session of the 107th Congress, which was referred to the House Calendar and ordered to be printed.

## REPORT ON RESOLUTION PROVIDING FOR CONSIDERATION OF H. J. RES. 79, FURTHER CONTINUING APPROPRIATIONS, FISCAL YEAR 2002

Mr. DREIER, from the Committee on Rules, submitted a privileged report (Rept. No. 107-352) on the resolution (H. Res. 323) providing for consideration of the joint resolution (H. J. Res. 79) making further continuing appropriations for the fiscal year 2002, and for other purposes, which was referred to the House Calendar and ordered to be printed.

## REPORT ON RESOLUTION WAIVING POINTS OF ORDER AGAINST CONFERENCE REPORT ON H.R. 3338, DEPARTMENT OF DEFENSE APPROPRIATIONS

Mr. DREIER, from the Committee on Rules, submitted a privileged report

(Rept. No. 107-353) on the resolution (H. Res. 324) waiving points of order against the conference report to accompany the bill (H.R. 3338) making appropriations for the Department of Defense for the fiscal year ending September 30, 2002, and for other purposes, which was referred to the House Calendar and ordered to be printed.

## ANNOUNCEMENT REGARDING LEGISLATION TO BE CONSIDERED UNDER SUSPENSION OF THE RULES TODAY

Mr. DREIER. Mr. Speaker, pursuant to the notice requirements of House Resolution 314, I announce that the following measures will be considered under suspension of the rules on Wednesday, December 19, 2001: H.R. 2869 and S. 1741.

## ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The Speaker pro tempore (Mr. SHIMKUS). Pursuant to clause 8 of rule XX and notwithstanding the Chair's prior announcement, votes on the motions to suspend the rules postponed earlier will be taken tomorrow as will any vote, if ordered, on additional motions to suspend the rules considered later today.

## ESTABLISHING FIXED INTEREST RATES FOR STUDENT AND PARENT BORROWERS

Mr. BOEHNER. Mr. Speaker, I move to suspend the rules and pass the Senate bill (S. 1762) to amend the Higher Education Act of 1965 to establish fixed interest rates for student and parent borrowers, to extend current law with respect to special allowances for lenders, and for other purposes.

The Clerk read as follows:

S. 1762

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

## SECTION 1. INTEREST RATE PROVISIONS.

(a) FFEL FIXED INTEREST RATES.—

(1) AMENDMENT.—Section 427A of the Higher Education Act of 1965 (20 U.S.C. 1077a) is amended—

(A) by redesignating subsections (l) and (m) as subsections (m) and (n), respectively; and  
(B) by inserting after subsection (k) the following new subsection:

“(l) INTEREST RATES FOR NEW LOANS ON OR AFTER JULY 1, 2006.—

“(1) IN GENERAL.—Notwithstanding subsection (h), with respect to any loan made, insured, or guaranteed under this part (other than a loan made pursuant to section 428B or 428C) for which the first disbursement is made on or after July 1, 2006, the applicable rate of interest shall be 6.8 percent on the unpaid principal balance of the loan.

“(2) PLUS LOANS.—Notwithstanding subsection (h), with respect to any loan under section 428B for which the first disbursement is made on or after July 1, 2006, the applicable rate of interest shall be 7.9 percent on the unpaid principal balance of the loan.

“(3) CONSOLIDATION LOANS.—With respect to any consolidation loan under section 428C

## NAYS—193

Abercrombie  
Ackerman  
Allen  
Andrews  
Baca  
Baird  
Baldacci  
Baldwin  
Barcia  
Barrett  
Becerra  
Bentsen  
Berkley  
Berman  
Berry  
Bishop  
Blagojevich  
Blumenauer  
Bonior  
Borski  
Boswell  
Boucher  
Boyd  
Brady (PA)  
Brown (FL)  
Brown (OH)  
Capps  
Capuano  
Cardin  
Carson (IN)  
Carson (OK)  
Clay  
Clayton  
Clyburn  
Condit  
Conyers  
Costello  
Coyne  
Crowley  
Cummins  
Davis (CA)  
Davis (FL)  
Davis (IL)  
DeFazio  
DeGette  
Delahunt  
DeLauro  
Deutsch  
Dingell  
Doggett  
Dooley  
Doyle  
Edwards  
Engel  
Eshoo  
Etheridge  
Evans  
Farr  
Filner  
Frank  
Frost  
Gephardt  
Gonzalez  
Gordon  
Green (TX)

Gutierrez  
Hill  
Hilliard  
Hinchey  
Hinojosa  
Hoeffel  
Holden  
Holt  
Honda  
Hoolley  
Hoyer  
Inslee  
Jackson (IL)  
Jackson-Lee  
(TX)  
Jefferson  
Johnson, E. B.  
Jones (OH)  
Kanjorski  
Kaptur  
Kennedy (RI)  
Kildee  
Kilpatrick  
Kind (WI)  
Klecicka  
Kucinich  
LaFalce  
Lampson  
Langevin  
Lantos  
Larsen (WA)  
Larson (CT)  
LaTourette  
Lee  
Levin  
Lewis (GA)  
Lofgren  
Lowey  
Lynch  
Maloney (CT)  
Maloney (NY)  
Markey  
Mascara  
Matheson  
Matsui  
McCarthy (MO)  
McCarthy (NY)  
McCollum  
McDermott  
McGovern  
McIntyre  
McKinney  
McNulty  
Meehan  
Meeks (NY)  
Menendez  
Millender  
McDonald  
Miller, George  
Mink  
Mollohan  
Moore  
Moran (VA)  
Morella  
Murtha

Nadler  
Napolitano  
Neal  
Oberstar  
Obey  
Oliver  
Ortiz  
Pallone  
Pascrell  
Pastor  
Payne  
Pelosi  
Peterson (MN)  
Phelps  
Pomeroy  
Price (NC)  
Rahall  
Rangel  
Reyes  
Rivers  
Rodriguez  
Roemer  
Ross  
Rothman  
Roybal-Allard  
Rush  
Sabo  
Sanchez  
Sanders  
Sandlin  
Sawyer  
Schakowsky  
Schiff  
Scott  
Serrano  
Sherman  
Skelton  
Slaughter  
Smith (WA)  
Snyder  
Solis  
Spratt  
Stenholm  
Strickland  
Stupak  
Tanner  
Tauscher  
Thompson (CA)  
Thompson (MS)  
Thurman  
Tierney  
Towns  
Turner  
Udall (CO)  
Udall (NM)  
Velazquez  
Visclosky  
Waters  
Watson (CA)  
Watt (NC)  
Waxman  
Weiner  
Woolsey  
Wu  
Wynn