

The PRESIDING OFFICER. Without objection, it is so ordered.

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS

Mr. REID. Mr. President, I ask unanimous consent that the Committee on Banking, Housing, and Urban Affairs be authorized to meet during the session of the Senate on Thursday, October 3, 2002, at 2:30 p.m., to conduct a hearing on the nominations of Mr. Alberto Faustino Trevino, of California, to be Assistant Secretary of Housing and Urban Development for Policy Development and Research; Mr. Armando J. Bucelo, Jr., of Florida, to be a Director of the Securities Investor Protection Corporation; Ms. Diana E. Furchtgott-Roth, of Maryland, to be a Director of the Federal Housing Finance Board; Ms. Carolyn Y. Peoples, of Maryland, to be Assistant Secretary of Housing and Urban Development for Fair Housing and Equal Opportunity; Ms. Deborah Doyle McWhinney, of California, to be a Director of the Securities Investor Protection Corporation; Mr. John M. Reich, of Virginia, to be Vice Chairperson of the Board of Directors of the Federal Deposit Insurance Corporation; Mr. Rafael Cuellar, of New Jersey, to be a member of the Board of Directors of the National Consumer Cooperative Bank; and Mr. Michael Scott, of North Carolina, to be a member of the Board of Directors of the National Consumer Cooperative Bank.

The PRESIDING OFFICER. Without objection, it is so ordered.

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

Mr. REID. Mr. President, I ask unanimous consent that the Committee on Commerce, Science, and Transportation be authorized to meet on Wednesday, October 3, 2002, at 9:30 a.m. on National Park Overflights.

The PRESIDING OFFICER. Without objection, it is so ordered.

COMMITTEE ON FINANCE

Mr. REID. Mr. President, I ask unanimous consent that the Committee on Finance be authorized to meet during the session of the Senate on Thursday, October 3, 2002, at 10:00 a.m., to hear testimony on the Final Report produced by the President's Commission to Strengthen Social Security.

The PRESIDING OFFICER. Without objection, it is so ordered.

COMMITTEE ON FOREIGN RELATIONS

Mr. REID. Mr. President, I ask unanimous consent that the Committee on Foreign Relations be authorized to meet during the session of the Senate on Thursday, October 3, 2002, at 9 a.m., to hold a nomination hearing.

Agenda

*Nominees*

Mr. Richard A. Roth, of Michigan, to be Ambassador to the Republic of Senegal, and to serve concurrently and without additional compensation as Ambassador to the Republic of Guinea-Bissau; Mr. Joseph Huggins, of the Dis-

trict of Columbia, to be Ambassador to the Republic of Botswana; and Ms. Robin R. Sanders, of New York, to be Ambassador to the Republic of Congo.

The PRESIDING OFFICER. Without objection, it is so ordered.

COMMITTEE ON FOREIGN RELATIONS

Mr. REID. Mr. President, I ask unanimous consent that the Committee on Foreign Relations be authorized to meet during the session of the Senate on Thursday, October 3, 2002, at 10:30 a.m., to hold a nomination hearing.

Agenda

*Nominees*

The Honorable Maura A. Harty to be Assistant Secretary of State for Consular Affairs; Mr. Kim R. Holmes to be Assistant Secretary of State for International Organization Affairs.

To be introduced by: The Honorable GEORGE ALLEN, United States Senate, Washington, DC: The Honorable Ellen R. Sauerbrey for the rank of Ambassador as the United States Representative to the Commission on the Status of Women of the Economic & Social Council of the United Nations.

To be introduced by: The Honorable GEORGE ALLEN, United States Senate, Washington, DC: The Honorable Francis X. Taylor to be Assistant Secretary of State for Diplomatic Security, and Director, Office of Foreign Missions, with the rank of Ambassador.

The PRESIDING OFFICER. Without objection, it is so ordered.

COMMITTEE ON RULES AND ADMINISTRATION

Mr. REID. Mr. President, I ask unanimous consent that the Committee on Rules and Administration be authorized to meet during the session of the Senate on Thursday, October 3, 2002, at 9 a.m., to receive testimony on the nomination of Bruce R. James, of Nevada, to be Public Printer.

The PRESIDING OFFICER. Without objection, it is so ordered.

SELECT COMMITTEE ON INTELLIGENCE

Mr. REID. Mr. President, I ask unanimous consent that the Select Committee on Intelligence be authorized to meet during the session of the Senate on Thursday, October 3, 2002, at 10 a.m., to hold a joint hearing with the House Permanent Select Committee on Intelligence concerning the Joint Inquiry into the events of September 11, 2001.

The PRESIDING OFFICER. Without objection, it is so ordered.

SELECT COMMITTEE ON INTELLIGENCE

Mr. REID. Mr. President, I ask unanimous consent that the Select Committee on Intelligence be authorized to meet during the session of the Senate on Thursday, October 3, 2002, at 6 p.m., to hold a closed conference with the House Permanent Select Committee on Intelligence concerning the fiscal year 2003 Intelligence authorization.

The PRESIDING OFFICER. Without objection, it is so ordered.

SUBCOMMITTEE ON SCIENCE, TECHNOLOGY, AND SPACE

Mr. REID. Mr. President, I ask unanimous consent that the Subcommittee

on Science, Technology, and Space be authorized to meet on Thursday, October 3, 2002, at 2:30 p.m., on Title IX and Science.

The PRESIDING OFFICER. Without objection, it is so ordered.

PRIVILEGE OF THE FLOOR

Mr. WELLSTONE. Madam President, I ask unanimous consent that Robert Kerr, a fellow in my office, be granted the privilege of the floor during the duration of the debate.

The PRESIDING OFFICER. Without objection, it is so ordered.

UNANIMOUS CONSENT AGREEMENT—S.J. 45

Mr. REID. Mr. President, I ask unanimous consent that the motion to proceed to S.J. Res. 45 be agreed to and that consideration of the joint resolution be limited to debate only until Tuesday, October 8.

The PRESIDING OFFICER. Without objection, it is so ordered.

ARMED FORCES TAX FAIRNESS ACT OF 2002

Mr. REID. Mr. President, I ask unanimous consent the Senate proceed to the consideration of Calendar No. 603, H.R. 5063.

The PRESIDING OFFICER. The clerk will report the bill by title.

The assistant legislative clerk read as follows:

A bill (H.R. 5063) to amend the Internal Revenue Code of 1986 to provide a special rule for members of the uniformed services in determining the exclusion of gain from the sale of principal residence and to restore the tax exempt status of death gratuity payments to members of the uniformed services.

There being no objection, the Senate proceeded to consider the joint resolution which had been reported from the Committee on Finance, with an amendment to strike all after the enacting clause and inserting in lieu thereof the following:

[Strike the part shown in black brackets and insert the part shown in italic.]

**[SECTION 1. SHORT TITLE.]**

["This Act may be cited as the "Armed Forces Tax Fairness Act of 2002"."]

**[SEC. 2. SPECIAL RULE FOR MEMBERS OF UNIFORMED SERVICES IN DETERMINING EXCLUSION OF GAIN FROM SALE OF PRINCIPAL RESIDENCE.]**

[(a) IN GENERAL.—Subsection (d) of section 121 of the Internal Revenue Code of 1986 (relating to exclusion of gain from sale of principal residence) is amended by adding at the end the following new paragraph:

["(9) MEMBERS OF UNIFORMED SERVICES.—

["(A) IN GENERAL.—At the election of an individual with respect to a property, the running of the 5-year period described in subsection (a) with respect to such property shall be suspended during any period that such individual or such individual's spouse is serving on qualified official extended duty as a member of the uniformed services.

["(B) MAXIMUM PERIOD OF SUSPENSION.—The 5-year period described in subsection (a)

shall not be extended more than 5 years by reason of subparagraph (A).

["(C) QUALIFIED OFFICIAL EXTENDED DUTY.—For purposes of this paragraph—

["(i) IN GENERAL.—The term 'qualified official extended duty' means any extended duty while serving at a duty station which is at least 250 miles from such property or while residing under Government orders in Government quarters.

["(ii) UNIFORMED SERVICES.—The term 'uniformed services' has the meaning given such term by section 101(a)(5) of title 10, United States Code, as in effect on the date of the enactment of this paragraph.

["(iii) EXTENDED DUTY.—The term 'extended duty' means any period of active duty pursuant to a call or order to such duty for a period in excess of 180 days or for an indefinite period.

["(D) SPECIAL RULES RELATING TO ELECTION.—

["(i) ELECTION LIMITED TO 1 PROPERTY AT A TIME.—An election under subparagraph (A) with respect to any property may not be made if such an election is in effect with respect to any other property.

["(ii) REVOCATION OF ELECTION.—An election under subparagraph (A) may be revoked at any time."

[(b) EFFECTIVE DATE.—The amendment made by this section shall apply to elections made after the date of the enactment of this Act for suspended periods under section 121(d)(9) of the Internal Revenue Code of 1986 (as added by this section) beginning after such date.

**[SEC. 3. RESTORATION OF FULL EXCLUSION FROM GROSS INCOME OF DEATH GRATUITY PAYMENT.**

[(a) IN GENERAL.—Subsection (b)(3) of section 134 of the Internal Revenue Code of 1986 (relating to certain military benefits) is amended by adding at the end the following new subparagraph:

["(C) EXCEPTION FOR DEATH GRATUITY ADJUSTMENTS MADE BY LAW.—Subparagraph (A) shall not apply to any adjustment to the amount of death gratuity payable under chapter 75 of title 10, United States Code, which is pursuant to a provision of law enacted before December 31, 1991."

[(b) CONFORMING AMENDMENT.—Subparagraph (A) of section 134(b)(3) of such Code is amended by striking "subparagraph (B)" and inserting "subparagraphs (B) and (C)".

[(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to deaths occurring after September 10, 2001.]

**SECTION 1. SHORT TITLE; ETC.**

(a) **SHORT TITLE.**—This Act may be cited as the "Armed Forces Tax Fairness Act of 2002".

(b) **AMENDMENT OF 1986 CODE.**—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—IMPROVING TAX EQUITY FOR MILITARY PERSONNEL**

Sec. 101. Exclusion from gross income of certain death gratuity payments.

Sec. 102. Exclusion of gain from sale of a principal residence by a member of the uniformed services or the Foreign Service.

Sec. 103. Exclusion for amounts received under Department of Defense Homeowners Assistance Program.

Sec. 104. Expansion of combat zone filing rules to contingency operations.

Sec. 105. Above-the-line deduction for overnight travel expenses of National Guard and Reserve members.

Sec. 106. Modification of membership requirement for exemption from tax for certain veterans' organizations.

Sec. 107. Clarification of treatment of certain dependent care assistance programs.

**TITLE II—OTHER PROVISIONS**

Sec. 201. Revision of tax rules on expatriation.

Sec. 202. Extension of IRS user fees.

**TITLE I—IMPROVING TAX EQUITY FOR MILITARY PERSONNEL**

**SEC. 101. EXCLUSION FROM GROSS INCOME OF CERTAIN DEATH GRATUITY PAYMENTS.**

(a) **IN GENERAL.**—Subsection (b)(3) of section 134 (relating to certain military benefits) is amended by adding at the end the following new subparagraph:

["(C) EXCEPTION FOR DEATH GRATUITY ADJUSTMENTS MADE BY LAW.—Subparagraph (A) shall not apply to any adjustment to the amount of death gratuity payable under chapter 75 of title 10, United States Code, which is pursuant to a provision of law enacted after September 9, 1986."

(b) **CONFORMING AMENDMENT.**—Subparagraph (A) of section 134(b)(3) is amended by striking "subparagraph (B)" and inserting "subparagraphs (B) and (C)".

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply with respect to deaths occurring after September 10, 2001.

**SEC. 102. EXCLUSION OF GAIN FROM SALE OF A PRINCIPAL RESIDENCE BY A MEMBER OF THE UNIFORMED SERVICES OR THE FOREIGN SERVICE.**

(a) **IN GENERAL.**—Subsection (d) of section 121 (relating to exclusion of gain from sale of principal residence) is amended by adding at the end the following new paragraph:

["(9) MEMBERS OF UNIFORMED SERVICES AND FOREIGN SERVICE.—

["(A) **IN GENERAL.**—At the election of an individual with respect to a property, the running of the 5-year period described in subsection (a) with respect to such property shall be suspended during any period that such individual or such individual's spouse is serving on qualified official extended duty as a member of the uniformed services or of the Foreign Service of the United States.

["(B) **MAXIMUM PERIOD OF SUSPENSION.**—The 5-year period described in subsection (a) shall not be extended more than 10 years by reason of subparagraph (A).

["(C) **QUALIFIED OFFICIAL EXTENDED DUTY.**—For purposes of this paragraph—

["(i) **IN GENERAL.**—The term 'qualified official extended duty' means any extended duty while serving at a duty station which is at least 50 miles from such property or while residing under Government orders in Government quarters.

["(ii) **UNIFORMED SERVICES.**—The term 'uniformed services' has the meaning given such term by section 101(a)(5) of title 10, United States Code, as in effect on the date of the enactment of this paragraph.

["(iii) **FOREIGN SERVICE OF THE UNITED STATES.**—The term 'member of the Foreign Service of the United States' has the meaning given the term 'member of the Service' by paragraph (1), (2), (3), (4), or (5) of section 103 of the Foreign Service Act of 1980.

["(iv) **EXTENDED DUTY.**—The term 'extended duty' means any period of duty pursuant to a call or order to such duty for a period in excess of 90 days or for an indefinite period.

["(D) **SPECIAL RULES RELATING TO ELECTION.**—

["(i) **ELECTION LIMITED TO 1 PROPERTY AT A TIME.**—An election under subparagraph (A) with respect to any property may not be made if such an election is in effect with respect to any other property.

["(ii) **REVOCATION OF ELECTION.**—An election under subparagraph (A) may be revoked at any time."

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to elections made with respect to sales and exchanges occurring after the date of the enactment of this Act.

**SEC. 103. EXCLUSION FOR AMOUNTS RECEIVED UNDER DEPARTMENT OF DEFENSE HOMEOWNERS ASSISTANCE PROGRAM.**

(a) **IN GENERAL.**—Section 132(a) (relating to the exclusion from gross income of certain fringe benefits) is amended by striking "or" at the end of paragraph (6), by striking the period at the end of paragraph (7) and inserting ", or" and by adding at the end the following new paragraph:

"(8) qualified military base realignment and closure fringe."

(b) **QUALIFIED MILITARY BASE REALIGNMENT AND CLOSURE FRINGE.**—Section 132 is amended by redesignating subsection (n) as subsection (o) and by inserting after subsection (m) the following new subsection:

["(m) **QUALIFIED MILITARY BASE REALIGNMENT AND CLOSURE FRINGE.**—For purposes of this section, the term 'qualified military base realignment and closure fringe' means 1 or more payments under the authority of section 1013 of the Demonstration Cities and Metropolitan Development Act of 1966 (42 U.S.C. 3374) to offset the adverse effects on housing values as a result of a military base realignment or closure."

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

**SEC. 104. EXPANSION OF COMBAT ZONE FILING RULES TO CONTINGENCY OPERATIONS.**

(a) **IN GENERAL.**—Section 7508(a) (relating to time for performing certain acts postponed by reason of service in combat zone) is amended—

(1) by inserting "or when deployed outside the United States away from the individual's permanent duty station while participating in an operation designated by the Secretary of Defense as a contingency operation (as defined in section 101(a)(13) of title 10, United States Code) or which became such a contingency operation by operation of law" after "section 112",

(2) by inserting in the first sentence "or at any time during the period of such contingency operation" after "for purposes of such section",

(3) by inserting "or operation" after "such an area", and

(4) by inserting "or operation" after "such area".

(b) **CONFORMING AMENDMENTS.**—

(1) Section 7508(d) is amended by inserting "or contingency operation" after "area".

(2) The heading for section 7508 is amended by inserting "**OR CONTINGENCY OPERATION**" after "**COMBAT ZONE**".

(3) The item relating to section 7508 in the table of sections for chapter 77 is amended by inserting "or contingency operation" after "combat zone".

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to any period for performing an act which has not expired before the date of the enactment of this Act.

**SEC. 105. ABOVE-THE-LINE DEDUCTION FOR OVERNIGHT TRAVEL EXPENSES OF NATIONAL GUARD AND RESERVE MEMBERS.**

(a) **DEDUCTION ALLOWED.**—Section 162 (relating to certain trade or business expenses) is amended by redesignating subsection (p) as subsection (q) and inserting after subsection (o) the following new subsection:

["(p) **TREATMENT OF EXPENSES OF MEMBERS OF RESERVE COMPONENT OF ARMED FORCES OF THE UNITED STATES.**—For purposes of subsection (a)(2), in the case of an individual who performs services as a member of a reserve component of the Armed Forces of the United States at any time during the taxable year, such individual shall be deemed to be away from home in the pursuit of a trade or business for any period during which such individual is away from home in connection with such service."

(b) DEDUCTION ALLOWED WHETHER OR NOT TAXPAYER ELECTS TO ITEMIZE.—Section 62(a)(2) (relating to certain trade and business deductions of employees) is amended by adding at the end the following new subparagraph:

“(E) CERTAIN EXPENSES OF MEMBERS OF RESERVE COMPONENTS OF THE ARMED FORCES OF THE UNITED STATES.—The deductions allowed by section 162 which consist of expenses, in amounts not in excess of the rates for travel expenses (including per diem in lieu of subsistence) authorized for employees of agencies under subchapter I of chapter 57 of title 5, United States Code, paid or incurred by the taxpayer in connection with the performance of services by such taxpayer as a member of a reserve component of the Armed Forces of the United States.”

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

**SEC. 106. MODIFICATION OF MEMBERSHIP REQUIREMENT FOR EXEMPTION FROM TAX FOR CERTAIN VETERANS' ORGANIZATIONS.**

(a) IN GENERAL.—Subparagraph (B) of section 501(c)(19) (relating to list of exempt organizations) is amended by striking “or widowers” and inserting “, widowers, or ancestors or lineal descendants”.

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

**SEC. 107. CLARIFICATION OF THE TREATMENT OF CERTAIN DEPENDENT CARE ASSISTANCE PROGRAMS.**

(a) IN GENERAL.—Section 134(b) (defining qualified military benefit) is amended by adding at the end the following new paragraph:

“(4) CLARIFICATION OF CERTAIN BENEFITS.—For purposes of paragraph (1), such term includes any dependent care assistance program for any individual described in paragraph (1)(A).”

**(b) CONFORMING AMENDMENTS.—**

(1) Section 134(b)(3)(A) is amended by inserting “and paragraph (4)” after “subparagraph (B)”.

(2) Section 3121(a)(18) is amended by striking “or 129” and inserting “, 129, or 134(b)(4)”.

(3) Section 3306(b)(13) is amended by striking “or 129” and inserting “, 129, or 134(b)(4)”.

(4) Section 3401(a)(18) is amended by striking “or 129” and inserting “, 129, or 134(b)(4)”.

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

(d) NO INFERENCE.—No inference may be drawn from the amendments made by this section with respect to the tax treatment of any amounts under the program described in section 134(b)(4) of the Internal Revenue Code of 1986 (as added by this section) for any taxable year beginning before January 1, 2002.

**TITLE II—OTHER PROVISIONS**

**SEC. 201. REVISION OF TAX RULES ON EXPATRIATION.**

(a) IN GENERAL.—Subpart A of part II of subchapter N of chapter 1 is amended by inserting after section 877 the following new section:

**“SEC. 877A. TAX RESPONSIBILITIES OF EXPATRIATION.**

“(a) GENERAL RULES.—For purposes of this subtitle—

“(1) MARK TO MARKET.—Except as provided in subsections (d) and (f), all property of a covered expatriate to whom this section applies shall be treated as sold on the day before the expatriation date for its fair market value.

“(2) RECOGNITION OF GAIN OR LOSS.—In the case of any sale under paragraph (1)—

“(A) notwithstanding any other provision of this title, any gain arising from such sale shall be taken into account for the taxable year of the sale, and

“(B) any loss arising from such sale shall be taken into account for the taxable year of the sale to the extent otherwise provided by this title, except that section 1091 shall not apply to any such loss.

Proper adjustment shall be made in the amount of any gain or loss subsequently realized for gain or loss taken into account under the preceding sentence.

**“(3) EXCLUSION FOR CERTAIN GAIN.—**

“(A) IN GENERAL.—The amount which, but for this paragraph, would be includible in the gross income of any individual by reason of this section shall be reduced (but not below zero) by \$600,000. For purposes of this paragraph, allocable expatriation gain taken into account under subsection (f)(2) shall be treated in the same manner as an amount required to be includible in gross income.

**“(B) COST-OF-LIVING ADJUSTMENT.—**

“(i) IN GENERAL.—In the case of an expatriation date occurring in any calendar year after 2002, the \$600,000 amount under subparagraph (A) shall be increased by an amount equal to—

**“(I) such dollar amount, multiplied by**

**“(II) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year, determined by substituting ‘calendar year 2001’ for ‘calendar year 1992’ in subparagraph (B) thereof.**

“(ii) ROUNDING RULES.—If any amount after adjustment under clause (i) is not a multiple of \$1,000, such amount shall be rounded to the next lower multiple of \$1,000.

**“(4) ELECTION TO CONTINUE TO BE TAXED AS UNITED STATES CITIZEN.—**

“(A) IN GENERAL.—If a covered expatriate elects the application of this paragraph—

“(i) this section (other than this paragraph and subsection (i)) shall not apply to the expatriate, but

“(ii) in the case of property to which this section would apply but for such election, the expatriate shall be subject to tax under this title in the same manner as if the individual were a United States citizen.

“(B) REQUIREMENTS.—Subparagraph (A) shall not apply to an individual unless the individual—

“(i) provides security for payment of tax in such form and manner, and in such amount, as the Secretary may require,

“(ii) consents to the waiver of any right of the individual under any treaty of the United States which would preclude assessment or collection of any tax which may be imposed by reason of this paragraph, and

“(iii) complies with such other requirements as the Secretary may prescribe.

“(C) ELECTION.—An election under subparagraph (A) shall apply to all property to which this section would apply but for the election and, once made, shall be irrevocable. Such election shall also apply to property the basis of which is determined in whole or in part by reference to the property with respect to which the election was made.

**“(b) ELECTION TO DEFER TAX.—**

“(1) IN GENERAL.—If the taxpayer elects the application of this subsection with respect to any property treated as sold by reason of subsection (a), the payment of the additional tax attributable to such property shall be postponed until the due date of the return for the taxable year in which such property is disposed of (or, in the case of property disposed of in a transaction in which gain is not recognized in whole or in part, until such other date as the Secretary may prescribe).

“(2) DETERMINATION OF TAX WITH RESPECT TO PROPERTY.—For purposes of paragraph (1), the additional tax attributable to any property is an amount which bears the same ratio to the additional tax imposed by this chapter for the taxable year solely by reason of subsection (a) as the gain taken into account under subsection (a) with respect to such property bears to the

total gain taken into account under subsection (a) with respect to all property to which subsection (a) applies.

“(3) TERMINATION OF POSTPONEMENT.—No tax may be postponed under this subsection later than the due date for the return of tax imposed by this chapter for the taxable year which includes the date of death of the expatriate (or, if earlier, the time that the security provided with respect to the property fails to meet the requirements of paragraph (4), unless the taxpayer corrects such failure within the time specified by the Secretary).

**“(4) SECURITY.—**

“(A) IN GENERAL.—No election may be made under paragraph (1) with respect to any property unless adequate security is provided to the Secretary with respect to such property.

“(B) ADEQUATE SECURITY.—For purposes of subparagraph (A), security with respect to any property shall be treated as adequate security if—

“(i) it is a bond in an amount equal to the deferred tax amount under paragraph (2) for the property, or

“(ii) the taxpayer otherwise establishes to the satisfaction of the Secretary that the security is adequate.

“(5) WAIVER OF CERTAIN RIGHTS.—No election may be made under paragraph (1) unless the taxpayer consents to the waiver of any right under any treaty of the United States which would preclude assessment or collection of any tax imposed by reason of this section.

“(6) ELECTIONS.—An election under paragraph (1) shall only apply to property described in the election and, once made, is irrevocable. An election may be made under paragraph (1) with respect to an interest in a trust with respect to which gain is required to be recognized under subsection (f)(1).

**“(7) INTEREST.—For purposes of section 6601—**

“(A) the last date for the payment of tax shall be determined without regard to the election under this subsection, and

“(B) section 6621(a)(2) shall be applied by substituting ‘5 percentage points’ for ‘3 percentage points’ in subparagraph (B) thereof.

“(c) COVERED EXPATRIATE.—For purposes of this section—

“(1) IN GENERAL.—Except as provided in paragraph (2), the term ‘covered expatriate’ means an expatriate.

“(2) EXCEPTIONS.—An individual shall not be treated as a covered expatriate if—

**“(A) the individual—**

**“(i) became at birth a citizen of the United States and a citizen of another country and, as of the expatriation date, continues to be a citizen of, and is taxed as a resident of, such other country, and**

**“(ii) has not been a resident of the United States (as defined in section 7701(b)(1)(A)(ii)) during the 5 taxable years ending with the taxable year during which the expatriation date occurs, or**

**“(B)(i) the individual’s relinquishment of United States citizenship occurs before such individual attains age 18½, and**

**“(ii) the individual has been a resident of the United States (as so defined) for not more than 5 taxable years before the date of relinquishment.**

**“(d) EXEMPT PROPERTY; SPECIAL RULES FOR PENSION PLANS.—**

**“(1) EXEMPT PROPERTY.—This section shall not apply to the following:**

**“(A) UNITED STATES REAL PROPERTY INTERESTS.—Any United States real property interest (as defined in section 897(c)(1)), other than stock of a United States real property holding corporation which does not, on the day before the expatriation date, meet the requirements of section 897(c)(2).**

**“(B) SPECIFIED PROPERTY.—Any property or interest in property not described in subparagraph (A) which the Secretary specifies in regulations.**

“(2) SPECIAL RULES FOR CERTAIN RETIREMENT PLANS.—

“(A) IN GENERAL.—If a covered expatriate holds on the day before the expatriation date any interest in a retirement plan to which this paragraph applies—

“(i) such interest shall not be treated as sold for purposes of subsection (a)(1), but

“(ii) an amount equal to the present value of the expatriate’s nonforfeitable accrued benefit shall be treated as having been received by such individual on such date as a distribution under the plan.

“(B) TREATMENT OF SUBSEQUENT DISTRIBUTIONS.—In the case of any distribution on or after the expatriation date to or on behalf of the covered expatriate from a plan from which the expatriate was treated as receiving a distribution under subparagraph (A), the amount otherwise includible in gross income by reason of the subsequent distribution shall be reduced by the excess of the amount includible in gross income under subparagraph (A) over any portion of such amount to which this subparagraph previously applied.

“(C) TREATMENT OF SUBSEQUENT DISTRIBUTIONS BY PLAN.—For purposes of this title, a retirement plan to which this paragraph applies, and any person acting on the plan’s behalf, shall treat any subsequent distribution described in subparagraph (B) in the same manner as such distribution would be treated without regard to this paragraph.

“(D) APPLICABLE PLANS.—This paragraph shall apply to—

“(i) any qualified retirement plan (as defined in section 4974(c)),

“(ii) an eligible deferred compensation plan (as defined in section 457(b)) of an eligible employer described in section 457(e)(1)(A), and

“(iii) to the extent provided in regulations, any foreign pension plan or similar retirement arrangements or programs.

“(e) DEFINITIONS.—For purposes of this section—

“(1) EXPATRIATE.—The term ‘expatriate’ means—

“(A) any United States citizen who relinquishes citizenship, and

“(B) any long-term resident of the United States who—

“(i) ceases to be a lawful permanent resident of the United States (within the meaning of section 7701(b)(6)), or

“(ii) commences to be treated as a resident of a foreign country under the provisions of a tax treaty between the United States and the foreign country and who does not waive the benefits of such treaty applicable to residents of the foreign country.

“(2) EXPATRIATION DATE.—The term ‘expatriation date’ means—

“(A) the date an individual relinquishes United States citizenship, or

“(B) in the case of a long-term resident of the United States, the date of the event described in clause (i) or (ii) of paragraph (1)(B).

“(3) RELINQUISHMENT OF CITIZENSHIP.—A citizen shall be treated as relinquishing United States citizenship on the earliest of—

“(A) the date the individual renounces such individual’s United States nationality before a diplomatic or consular officer of the United States pursuant to paragraph (5) of section 349(a) of the Immigration and Nationality Act (8 U.S.C. 1481(a)(5)),

“(B) the date the individual furnishes to the United States Department of State a signed statement of voluntary relinquishment of United States nationality confirming the performance of an act of expatriation specified in paragraph (1), (2), (3), or (4) of section 349(a) of the Immigration and Nationality Act (8 U.S.C. 1481(a)(1)–(4)),

“(C) the date the United States Department of State issues to the individual a certificate of loss of nationality, or

“(D) the date a court of the United States cancels a naturalized citizen’s certificate of naturalization.

Subparagraph (A) or (B) shall not apply to any individual unless the renunciation or voluntary relinquishment is subsequently approved by the issuance to the individual of a certificate of loss of nationality by the United States Department of State.

“(4) LONG-TERM RESIDENT.—The term ‘long-term resident’ has the meaning given to such term by section 877(e)(2).

“(f) SPECIAL RULES APPLICABLE TO BENEFICIARIES’ INTERESTS IN TRUST.—

“(1) IN GENERAL.—Except as provided in paragraph (2), if an individual is determined under paragraph (3) to hold an interest in a trust on the day before the expatriation date—

“(A) the individual shall not be treated as having sold such interest,

“(B) such interest shall be treated as a separate share in the trust, and

“(C)(i) such separate share shall be treated as a separate trust consisting of the assets allocable to such share,

“(ii) the separate trust shall be treated as having sold its assets on the day before the expatriation date for their fair market value and as having distributed all of its assets to the individual as of such time, and

“(iii) the individual shall be treated as having recontributed the assets to the separate trust.

Subsection (a)(2) shall apply to any income, gain, or loss of the individual arising from a distribution described in subparagraph (C)(ii). In determining the amount of such distribution, proper adjustments shall be made for liabilities of the trust allocable to an individual’s share in the trust.

“(2) SPECIAL RULES FOR INTERESTS IN QUALIFIED TRUSTS.—

“(A) IN GENERAL.—If the trust interest described in paragraph (1) is an interest in a qualified trust—

“(i) paragraph (1) and subsection (a) shall not apply, and

“(ii) in addition to any other tax imposed by this title, there is hereby imposed on each distribution with respect to such interest a tax in the amount determined under subparagraph (B).

“(B) AMOUNT OF TAX.—The amount of tax under subparagraph (A)(ii) shall be equal to the lesser of—

“(i) the highest rate of tax imposed by section 1(e) for the taxable year which includes the day before the expatriation date, multiplied by the amount of the distribution, or

“(ii) the balance in the deferred tax account immediately before the distribution determined without regard to any increases under subparagraph (C)(ii) after the 30th day preceding the distribution.

“(C) DEFERRED TAX ACCOUNT.—For purposes of subparagraph (B)(ii)—

“(i) OPENING BALANCE.—The opening balance in a deferred tax account with respect to any trust interest is an amount equal to the tax which would have been imposed on the allocable expatriation gain with respect to the trust interest if such gain had been included in gross income under subsection (a).

“(ii) INCREASE FOR INTEREST.—The balance in the deferred tax account shall be increased by the amount of interest determined (on the balance in the account at the time the interest accrues), for periods after the 90th day after the expatriation date, by using the rates and method applicable under section 6621 for underpayments of tax for such periods, except that section 6621(a)(2) shall be applied by substituting ‘5 percentage points’ for ‘3 percentage points’ in subparagraph (B) thereof.

“(iii) DECREASE FOR TAXES PREVIOUSLY PAID.—The balance in the tax deferred account shall be reduced—

“(I) by the amount of taxes imposed by subparagraph (A) on any distribution to the person holding the trust interest, and

“(II) in the case of a person holding a non-vested interest, to the extent provided in regula-

tions, by the amount of taxes imposed by subparagraph (A) on distributions from the trust with respect to nonvested interests not held by such person.

“(D) ALLOCABLE EXPATRIATION GAIN.—For purposes of this paragraph, the allocable expatriation gain with respect to any beneficiary’s interest in a trust is the amount of gain which would be allocable to such beneficiary’s vested and nonvested interests in the trust if the beneficiary held directly all assets allocable to such interests.

“(E) TAX DEDUCTED AND WITHHELD.—

“(i) IN GENERAL.—The tax imposed by subparagraph (A)(ii) shall be deducted and withheld by the trustees from the distribution to which it relates.

“(ii) EXCEPTION WHERE FAILURE TO WAIVE TREATY RIGHTS.—If an amount may not be deducted and withheld under clause (i) by reason of the distributee failing to waive any treaty right with respect to such distribution—

“(I) the tax imposed by subparagraph (A)(ii) shall be imposed on the trust and each trustee shall be personally liable for the amount of such tax, and

“(II) any other beneficiary of the trust shall be entitled to recover from the distributee the amount of such tax imposed on the other beneficiary.

“(F) DISPOSITION.—If a trust ceases to be a qualified trust at any time, a covered expatriate disposes of an interest in a qualified trust, or a covered expatriate holding an interest in a qualified trust dies, then, in lieu of the tax imposed by subparagraph (A)(ii), there is hereby imposed a tax equal to the lesser of—

“(i) the tax determined under paragraph (1) as if the day before the expatriation date were the date of such cessation, disposition, or death, whichever is applicable, or

“(ii) the balance in the tax deferred account immediately before such date.

Such tax shall be imposed on the trust and each trustee shall be personally liable for the amount of such tax and any other beneficiary of the trust shall be entitled to recover from the covered expatriate or the estate the amount of such tax imposed on the other beneficiary.

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

“(i) QUALIFIED TRUST.—The term ‘qualified trust’ means a trust which is described in section 7701(a)(30)(E).

“(ii) VESTED INTEREST.—The term ‘vested interest’ means any interest which, as of the day before the expatriation date, is vested in the beneficiary.

“(iii) NONVESTED INTEREST.—The term ‘non-vested interest’ means, with respect to any beneficiary, any interest in a trust which is not a vested interest. Such interest shall be determined by assuming the maximum exercise of discretion in favor of the beneficiary and the occurrence of all contingencies in favor of the beneficiary.

“(iv) ADJUSTMENTS.—The Secretary may provide for such adjustments to the bases of assets in a trust or a deferred tax account, and the timing of such adjustments, in order to ensure that gain is taxed only once.

“(v) COORDINATION WITH RETIREMENT PLAN RULES.—This subsection shall not apply to an interest in a trust which is part of a retirement plan to which subsection (d)(2) applies.

“(3) DETERMINATION OF BENEFICIARIES’ INTEREST IN TRUST.—

“(A) DETERMINATIONS UNDER PARAGRAPH (1).—For purposes of paragraph (1), a beneficiary’s interest in a trust shall be based upon all relevant facts and circumstances, including the terms of the trust instrument and any letter of wishes or similar document, historical patterns of trust distributions, and the existence of and functions performed by a trust protector or any similar adviser.

“(B) OTHER DETERMINATIONS.—For purposes of this section—

“(i) **CONSTRUCTIVE OWNERSHIP.**—If a beneficiary of a trust is a corporation, partnership, trust, or estate, the shareholders, partners, or beneficiaries shall be deemed to be the trust beneficiaries for purposes of this section.

“(ii) **TAXPAYER RETURN POSITION.**—A taxpayer shall clearly indicate on its income tax return—

“(I) the methodology used to determine that taxpayer's trust interest under this section, and

“(II) if the taxpayer knows (or has reason to know) that any other beneficiary of such trust is using a different methodology to determine such beneficiary's trust interest under this section.

“(g) **TERMINATION OF DEFERRALS, ETC.**—In the case of any covered expatriate, notwithstanding any other provision of this title—

“(1) any period during which recognition of income or gain is deferred shall terminate on the day before the expatriation date, and

“(2) any extension of time for payment of tax shall cease to apply on the day before the expatriation date and the unpaid portion of such tax shall be due and payable at the time and in the manner prescribed by the Secretary.

“(h) **IMPOSITION OF TENTATIVE TAX.**—

“(1) **IN GENERAL.**—If an individual is required to include any amount in gross income under subsection (a) for any taxable year, there is hereby imposed, immediately before the expatriation date, a tax in an amount equal to the amount of tax which would be imposed if the taxable year were a short taxable year ending on the expatriation date.

“(2) **DUE DATE.**—The due date for any tax imposed by paragraph (1) shall be the 90th day after the expatriation date.

“(3) **TREATMENT OF TAX.**—Any tax paid under paragraph (1) shall be treated as a payment of the tax imposed by this chapter for the taxable year to which subsection (a) applies.

“(4) **DEFERRAL OF TAX.**—The provisions of subsection (b) shall apply to the tax imposed by this subsection to the extent attributable to gain includable in gross income by reason of this section.

“(i) **SPECIAL LIENS FOR DEFERRED TAX AMOUNTS.**—

“(1) **IMPOSITION OF LIEN.**—

“(A) **IN GENERAL.**—If a covered expatriate makes an election under subsection (a)(4) or (b) which results in the deferral of any tax imposed by reason of subsection (a), the deferred amount (including any interest, additional amount, addition to tax, assessable penalty, and costs attributable to the deferred amount) shall be a lien in favor of the United States on all property of the expatriate located in the United States (without regard to whether this section applies to the property).

“(B) **DEFERRED AMOUNT.**—For purposes of this subsection, the deferred amount is the amount of the increase in the covered expatriate's income tax which, but for the election under subsection (a)(4) or (b), would have occurred by reason of this section for the taxable year including the expatriation date.

“(2) **PERIOD OF LIEN.**—The lien imposed by this subsection shall arise on the expatriation date and continue until—

“(A) the liability for tax by reason of this section is satisfied or has become unenforceable by reason of lapse of time, or

“(B) it is established to the satisfaction of the Secretary that no further tax liability may arise by reason of this section.

“(3) **CERTAIN RULES APPLY.**—The rules set forth in paragraphs (1), (3), and (4) of section 6324A(d) shall apply with respect to the lien imposed by this subsection as if it were a lien imposed by section 6324A.

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

(b) **INCLUSION IN INCOME OF GIFTS AND BEQUESTS RECEIVED BY UNITED STATES CITIZENS**

**AND RESIDENTS FROM EXPATRIATES.**—Section 102 (relating to gifts, etc. not included in gross income) is amended by adding at the end the following new subsection:

“(d) **GIFTS AND INHERITANCES FROM COVERED EXPATRIATES.**—

“(1) **IN GENERAL.**—Subsection (a) shall not exclude from gross income the value of any property acquired by gift, bequest, devise, or inheritance from a covered expatriate after the expatriation date. For purposes of this subsection, any term used in this subsection which is also used in section 877A shall have the same meaning as when used in section 877A.

“(2) **EXCEPTIONS FOR TRANSFERS OTHERWISE SUBJECT TO ESTATE OR GIFT TAX.**—Paragraph (1) shall not apply to any property if either—

“(A) the gift, bequest, devise, or inheritance is—

“(i) shown on a timely filed return of tax imposed by chapter 12 as a taxable gift by the covered expatriate, or

“(ii) included in the gross estate of the covered expatriate for purposes of chapter 11 and shown on a timely filed return of tax imposed by chapter 11 of the estate of the covered expatriate, or

“(B) no such return was timely filed but no such return would have been required to be filed even if the covered expatriate were a citizen or long-term resident of the United States.”.

(c) **DEFINITION OF TERMINATION OF UNITED STATES CITIZENSHIP.**—Section 7701(a) is amended by adding at the end the following new paragraph:

“(48) **TERMINATION OF UNITED STATES CITIZENSHIP.**—

“(A) **IN GENERAL.**—An individual shall not cease to be treated as a United States citizen before the date on which the individual's citizenship is treated as relinquished under section 877A(e)(3).

“(B) **DUAL CITIZENS.**—Under regulations prescribed by the Secretary, subparagraph (A) shall not apply to an individual who became at birth a citizen of the United States and a citizen of another country.”.

(d) **INELIGIBILITY FOR VISA OR ADMISSION TO UNITED STATES.**—

(1) **IN GENERAL.**—Section 212(a)(10)(E) of the Immigration and Nationality Act (8 U.S.C. 1182(a)(10)(E)) is amended to read as follows:

“(E) **FORMER CITIZENS NOT IN COMPLIANCE WITH EXPATRIATION REVENUE PROVISIONS.**—Any alien who is a former citizen of the United States who relinquishes United States citizenship (within the meaning of section 877A(e)(3) of the Internal Revenue Code of 1986) and who is not in compliance with section 877A of such Code (relating to expatriation).”.

(2) **AVAILABILITY OF INFORMATION.**—

(A) **IN GENERAL.**—Section 6103(l) (relating to disclosure of returns and return information) is amended by adding at the end the following new paragraph:

“(18) **DISCLOSURE TO DENY VISA OR ADMISSION TO CERTAIN EXPATRIATES.**—Upon written request of the Attorney General or the Attorney General's delegate, the Secretary shall disclose whether an individual is in compliance with section 877A (and if not in compliance, any items of noncompliance) to officers and employees of the Federal agency responsible for administering section 212(a)(10)(E) of the Immigration and Nationality Act solely for the purpose of, and to the extent necessary in, administering such section 212(a)(10)(E).”.

(B) **SAFEGUARDS.**—Section 6103(p)(4) (relating to safeguards) is amended by striking “or (17)” each place it appears and inserting “(17), or (18)”.

(3) **EFFECTIVE DATE.**—The amendments made by this subsection shall apply to individuals who relinquish United States citizenship on or after the date of the enactment of this Act.

(e) **CONFORMING AMENDMENTS.**—

(1) Section 877 is amended by adding at the end the following new subsection:

“(g) **APPLICATION.**—This section shall not apply to an expatriate (as defined in section 877A(e)) whose expatriation date (as so defined) occurs on or after September 12, 2002.”.

(2) Section 2107 is amended by adding at the end the following new subsection:

“(f) **APPLICATION.**—This section shall not apply to any expatriate subject to section 877A.”.

(3) Section 2501(a)(3) is amended by adding at the end the following new subparagraph:

“(F) **APPLICATION.**—This paragraph shall not apply to any expatriate subject to section 877A.”.

(4)(A) Paragraph (1) of section 6039G(d) is amended by inserting “or 877A” after “section 877”.

(B) The second sentence of section 6039G(e) is amended by inserting “or who relinquishes United States citizenship (within the meaning of section 877A(e)(3))” after “877(a)”.

(C) Section 6039G(f) is amended by inserting “or 877A(e)(2)(B)” after “877(e)(1)”.

(f) **CLERICAL AMENDMENT.**—The table of sections for subpart A of part II of subchapter N of chapter 1 is amended by inserting after the item relating to section 877 the following new item:

“Sec. 877A. Tax responsibilities of expatriation.”.

(g) **EFFECTIVE DATE.**—

(1) **IN GENERAL.**—Except as provided in this subsection, the amendments made by this section shall apply to expatriates (within the meaning of section 877A(e) of the Internal Revenue Code of 1986, as added by this section) whose expatriation date (as so defined) occurs on or after September 12, 2002.

(2) **GIFTS AND BEQUESTS.**—Section 102(d) of the Internal Revenue Code of 1986 (as added by subsection (b)) shall apply to gifts and bequests received on or after September 12, 2002, from an individual or the estate of an individual whose expatriation date (as so defined) occurs after such date.

(3) **DUE DATE FOR TENTATIVE TAX.**—The due date under section 877A(h)(2) of the Internal Revenue Code of 1986, as added by this section, shall in no event occur before the 90th day after the date of the enactment of this Act.

#### **SEC. 202. EXTENSION OF INTERNAL REVENUE SERVICE USER FEES.**

(a) **IN GENERAL.**—Chapter 77 (relating to miscellaneous provisions) is amended by adding at the end the following new section:

#### **“SEC. 7527. INTERNAL REVENUE SERVICE USER FEES.**

“(a) **GENERAL RULE.**—The Secretary shall establish a program requiring the payment of user fees for—

“(1) requests to the Internal Revenue Service for ruling letters, opinion letters, and determination letters, and

“(2) other similar requests.

“(b) **PROGRAM CRITERIA.**—

“(1) **IN GENERAL.**—The fees charged under the program required by subsection (a)—

“(A) shall vary according to categories (or subcategories) established by the Secretary,

“(B) shall be determined after taking into account the average time for (and difficulty of) complying with requests in each category (and subcategory), and

“(C) shall be payable in advance.

“(2) **EXEMPTIONS, ETC.**—

“(A) **IN GENERAL.**—The Secretary shall provide for such exemptions (and reduced fees) under such program as the Secretary determines to be appropriate.

“(B) **EXEMPTION FOR CERTAIN REQUESTS REGARDING PENSION PLANS.**—The Secretary shall not require payment of user fees under such program for requests for determination letters with respect to the qualified status of a pension benefit plan maintained solely by 1 or more eligible employers or any trust which is part of the plan. The preceding sentence shall not apply to any request—

“(i) made after the later of—  
“(I) the fifth plan year the pension benefit plan is in existence, or

“(II) the end of any remedial amendment period with respect to the plan beginning within the first 5 plan years, or

“(ii) made by the sponsor of any prototype or similar plan which the sponsor intends to market to participating employers.

“(C) DEFINITIONS AND SPECIAL RULES.—For purposes of subparagraph (B)—

“(i) PENSION BENEFIT PLAN.—The term ‘pension benefit plan’ means a pension, profit-sharing, stock bonus, annuity, or employee stock ownership plan.

“(ii) ELIGIBLE EMPLOYER.—The term ‘eligible employer’ means an eligible employer (as defined in section 408(p)(2)(C)(i)(I) which has at least 1 employee who is not a highly compensated employee (as defined in section 414(q) and is participating in the plan. The determination of whether an employer is an eligible employer under subparagraph (B) shall be made as of the date of the request described in such subparagraph.

“(iii) DETERMINATION OF AVERAGE FEES CHARGED.—For purposes of any determination of average fees charged, any request to which subparagraph (B) applies shall not be taken into account.

“(3) AVERAGE FEE REQUIREMENT.—The average fee charged under the program required by subsection (a) shall not be less than the amount determined under the following table:

“Category	Average Fee
Employee plan ruling and opinion .....	\$250
Exempt organization ruling .....	\$350
Employee plan determination .....	\$300
Exempt organization determination ...	\$275
Chief counsel ruling .....	\$200.

“(c) TERMINATION.—No fee shall be imposed under this section with respect to requests made after September 30, 2012.”.

(b) CONFORMING AMENDMENTS.—

(1) The table of sections for chapter 77 is amended by adding at the end the following new item:

“Sec. 7527. Internal Revenue Service user fees.”.

(2) Section 10511 of the Revenue Act of 1987 is repealed.

(3) Section 620 of the Economic Growth and Tax Relief Reconciliation Act of 2001 is repealed.

(c) LIMITATIONS.—Notwithstanding any other provision of law, any fees collected pursuant to section 7527 of the Internal Revenue Code of 1986, as added by subsection (a), shall not be expended by the Internal Revenue Service unless provided by an appropriations Act.

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

Mr. BAUCUS. Mr. President, I rise today in support of the Armed Forces Tax Fairness Act of 2002. On September 12, 2002, the Finance Committee favorably reported the bill by unanimous voice vote.

This bill will not only correct inequities in the current tax code that our military men and women are subject to, but it will also provide incentives for our dedicated forces to continue their service to America.

On July 9, 2002, the House passed a bill, HR 5063, that provided limited relief to military personnel. The bill would provide a special rule for members of the armed forces in determining the exclusion of gain from the sale of a principal residence and would restore the tax-exempt status of death gratuity payments to members of the armed forces.

I support the efforts of the House, but I believe we should go farther.

These are the men and women that put their lives on the line for our freedom on a daily basis. We need to ensure that laws that we here in Congress pass do not negatively impact them.

We should also develop sound policy that serves as an incentive for our youth to follow in the steps of the men and women that went before them to defend our country.

It is with these principles in mind that I have moved forward with this military tax package and incorporate additional provisions already introduced by my colleagues.

I would now like to describe the provisions that we have chosen to include in this critical piece of legislation:

Death Gratuity Payments: On July 24, 2002, Senator CARNAHAN introduced S. 2783, which would restore the tax exempt status of all death gratuity payments. This proposal is similar to the provision included in house version of HR 5063.

Why is this provision so important? Under current law, death gratuity benefits are excludable from income only to the extent that they were as of September 9, 1986. In 1986, the death gratuity benefit was \$3,000.

In 1991, the benefit was increased to \$6,000, but the Tax Code was never adjusted to exclude the additional \$3,000 from income. Because of this oversight, the U.S. Government has been taxing families for the death of a family member who died in combat.

This is just wrong.

We support the provisions of the House version of H.R. 5063 and S. 2783, therefore we have included them in this piece of legislation.

Exclusion of Gain on The Sale of a Principal Residence: In 1997, Congress passed legislation revising the taxation of capital gains on the sale of a person's principal residence.

The new rule states that up to \$250,000, or \$500,000 per couple is excluded on that sale of a principal residence if the individual has lived in the house for at least two of the previous 5 years.

However, when enacted, Congress failed to provide a special rule for military and Foreign Service personnel who are required to move either within the U.S. or abroad. Senators MCCAIN and GRAHAM both have introduced legislation to address this oversight.

I agree that we should adjust the rule for our service men and women. We shouldn't penalize them for choosing to serve our country. Our proposal would permit service personnel and members of the Foreign Service to suspend the 5-year period while away on assignment, meaning those years would count toward neither the 2 years nor the 5 year periods.

This is also similar to provisions in the House-version of H.R. 5063.

Exclusion of Amounts Received Under Military Housing Assistance Program: The Department of Defense

provides payments to members of the Armed Services to offset diminution in housing values due to military base realignment or closure.

For example, if a house near a base was worth \$140,000 prior to the base closure and \$100,000 after the base closure, DOD may provide the owner with a payment to offset some, but not all, of the \$40,000 diminution in value. Under current law, those amounts are taxable as compensation.

There will be another round of base closures in the near future. That fate was decided in the fiscal year 2002 Defense Authorization bill.

We should ensure that those men and women losing value in their homes due to a Federal Government decision are not adversely affected financially.

The proposal would provide that payments for lost value are not includible into income.

Recently, Senator CLELAND introduced a package that included this provision. I thank him for his unending pursuit to provide military personnel with the best quality of life available. And I am happy we have included this provision in our legislation.

Expand Combat Zone Filing Rules To Include Contingency Operations: Under current law, military personnel in a combat zone are afforded an extended period for filing tax returns.

However, this does not apply to contingency operations. This proposal would extend the same benefits to military personnel assigned to contingency operations.

It can't be easy trying to figure out our complicated tax system while you are overseas and protecting our nation's freedom. Those men and women that have been sent to uphold freedom in other countries are confronted with similar circumstances, such as in Operation Just Cause in Panama, 1989, or in Operation Restore Hope in Somalia in 1992 and 1993, or in Operation Uphold Democracy in Haiti, 1994.

Contingency operations are just as demanding as combat zone deployment, although not always in the same manner. For example, in our current war on terrorism, this proposal would help members of our Special Forces in the Philippines supporting Operation Enduring Freedom who are just as focused on accomplishing their critical mission as our troops in the Afghanistan combat zone.

I would like to thank Senator JOHN-SON for introducing S. 2785. It is important that we support all our troops when they are deployed overseas.

Above-The Line-Deduction For Overnight Travel Expenses of National Guard and Reserve Members: Some reservists who travel one weekend per month and two weeks in the summer for reserve duty incur significant travel and lodging expenses.

For the most part, these expenses are not reimbursed. Under current law, these are deductible as itemized deductions but must exceed 2 percent of adjusted gross income.

For lower income reservists, this deduction does not provide a benefit, because they do not itemize. For higher income reservists, the 2 percent floor limits the amount of the benefit of the deductions.

In my home State of Montana, we have approximately 3500 reservists, 800 of which travel each month across the State for their training. These 800 reservists pay out of their own pocket the expense for travel and hotel rooms.

In Montana we rank 48th in the Nation for per capita personal income. I know it can't be easy for Montanans to incur approximately \$200 in expenses each and every month. Yet, they continue selflessly to provide their services to our country at their own expense. For those reservists that travel out of State for their training, this expense is higher on average.

This proposal would provide an above the line deduction for overnight travel costs and would be available for all reservists and members of the National Guard.

This issue is currently addressed in S. 540, which Senator DEWINE introduced back in March of 2001. I can't tell you just how many people have contacted our office in support of this bill. I support what this bill does and I am glad that we can include this provision in our military tax package.

Expansion of Membership For Veterans' Organizations: Recently, Senator HARKIN introduced S. 2789, which would expand the membership for Veteran's organizations. Currently, qualified veterans' organizations under section 501(c)(19) of the Tax Code are both tax-exempt and contributions to the organization are tax-deductible.

In order to qualify under 501(c)(19), the organization must meet several tests, including 75 percent of the members must be current or former military, and substantially all of the other members must be either spouses, widows, or widowers of current or former military.

The proposal would permit lineal descendants and ancestors to qualify for the "substantially all" test.

It is important that our veterans' organizations continue the good work that they do. But, as the organizations age, they are in danger of losing their tax-exempt status.

I support Senator HARKIN's bill, as does the American Legion. We have included it in our tax package.

Clarification of Treatment of Child Care Subsidies: Finally, I want to ensure that parents in the military can continue their dedicated service even once they have entered parenthood knowing that their children are being well taken care of.

The military provides extensive childcare benefits to its employees. DoD employees at DoD-owned facilities provide childcare services while other areas contract out their childcare.

When Congress passed the Tax Reform Act of 1986, we included a provision stating that qualified military

benefits are excluded from income. It is not absolutely clear whether child care provisions are covered under this provision.

The proposal would clarify that any childcare benefit provided to military personnel would be excludible from income. Senator LANDRIEU has introduced S.2807, a similar measure. I support this measure and am proud we have included it in this piece of legislation.

In addition, this bill includes three provisions that raise revenue, to offset the revenue loss. First, we improve the collection of unpaid taxes from people who have renounced their American citizenship in order to avoid U.S. taxes.

Second, we extend certain IRS user fees.

Third, we restore the ability of IRS to permit partial-pay installment agreements with taxpayers. These are modest, sensible changes. In fact, in the case of expatriates, the offset seems especially fitting.

All told, this bill does a small part to improve our Tax Code and, more importantly, pay respect to the men and women who are making sacrifices and risking their lives to defend us all.

I thank all of the Members who have contributed to the development of the bill, including the support by Senators LEVIN, WARNER and CLELAND of the Armed Services Committee. I especially thank the ranking member of the Finance Committee, Senator GRASSLEY, who has once again been a partner in the development of important bipartisan tax legislation.

Mr. President, it is important that we continue to show members of the armed forces our support and solidarity during this time of conflict. The War on Terrorism has brought to light the essential role the armed services play in upholding freedom throughout the world.

I am happy to see this military tax equity bill passed by the Senate today, and signed into law by the President before Congress adjourns.

Mr. GRASSLEY. Mr. President, we are here today to consider the Armed Forces Tax Fairness Act which was voted out of the Finance Committee on September 12. A similar tax relief package was passed unanimously by the House in July. No one would dispute that many national defense challenges lie ahead for our country. We have spent and will continue to spend a good deal of time discussing homeland security and the war on terrorism as we continue our efforts to secure our borders. Now, we must consider seriously the possibility of military operations in Iraq.

For those reasons, it is a particularly appropriate time to focus our attention on the important contributions of the men and women of our Armed Forces and national guard. These folks are the lifeblood of any initiative against terrorism or movement in Iraq and the first lien of defense in homeland security efforts. We need to make sure that

these men and women are treated fairly in all respects and that the Tax Code does not provide any disincentives to continued service.

Our military tax bill would remedy several tax problems and inequities faced by members of our uniformed services, National Guard, and foreign service. As a starting point, the legislation would make sure that military personnel subject to relocation are not disadvantaged in the Tax Code on the sales of their homes. In 1997, we enacted a capital gains tax exclusion on the sale of personal residences for individuals who live in the home for at least 2 of the 5 years before the sale. This works well for most people, but the provision offers little help for military personnel who are frequently transferred. We should not punish members of our Armed Forces and foreign service who are asked to relocate in the name of service to their country. Like many of the provisions in this bill, the issue is one of fairness, and we should provide our military with home ownership tax incentives at least as favorable as those available to most Americans.

Our military tax relief package also makes some important additions to the military tax package sent over by the House. One of those, Senator DEWINE's proposal for the benefit of Reservists and National Guard, is both timely and important. Timely because Reservists continue to play an increasingly prominent role in our country's military operations. Historically, Reservists were used as manpower replacements only in national emergencies and wars. In fact, between 1945 and 1990, 85 percent of involuntarily activated Reservists assisted in the Korean war. In the last decade, however, we have involuntarily activated Reservists six times for a broad array of operations, including (i) nation-building operations in Haiti, Bosnia, and Kosovo, (ii) armed conflicts such as those in Iraq, and (iii) current military operations fighting terrorism. Iowa alone currently has about 800 Guard and Reservists on active duty.

Important because many Guard and Reservists who travel for weekend drills are required to spend their own money for travel expenses. If our military is unable to reimburse these folks for travel expenses related to training assignments, we should at a minimum allow these men and women to fully deduct those expenses on their Federal tax returns. Although we currently allow miscellaneous itemized deductions for such expenses, a limited number of Reservists itemize on their tax returns. Our bill includes a provision offered by Senator DEWINE that such expenses be deductible by all reservists in above-the-line form. This would ensure (i) that Reservists are at least partly compensated for training-related travel expenses paid out of their own pockets, (ii) that all Reservists are treated equally, and (iii) would eliminate a potential disincentive to service. Many Iowans have contacted me

with respect to this issue, and I ask unanimous consent to print their comments in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

SNAPSHOT REPORT: INCOMING CONSTITUENT MESSAGES

Senator Grassley: Senator Max Baucus (D-MT), Chairman of the Senate Finance Committee, has introduced the "The Foreign and Armed Services Tax Fairness Act of 2002" (S 2616). The bill is intended to remedy a number of tax inequities that have long plagued military service members. Among the several provisions of the bill is one that is close to the hearts of members of the Guard and Reserve—restoration of the tax deductibility of Reserve component members' non-reimbursable training expenses. The deductibility issue stems from a change to the Internal Revenue Code made in 1986 that required that such unreimbursed business expenses must be treated as itemized deductions and must exceed two percent of adjusted gross income. Since only about 25 percent of all taxpayers itemize their deductions, this change has been the bane of many citizens' existence. This includes citizen-soldiers, sailors, airmen, and Marines who must now, in effect, subsidize their own military training. If S 2816 becomes law, it's bill would provide an above-the-line deduction for overnight travel costs for Guardsmen and Reservists. Please sign on as a cosponsor for "The Foreign and Armed Services Tax Fairness Act of 2002" (S 2816). Sincerely, Thomas J. Hicks.

Senator Grassley: Senator Max Baucus (D-MT), Chairman of the Senate Finance Committee, has introduced the "The Foreign Armed Service Tax Fairness Act of 2002" (S 2616). The bill is intended to remedy a number of tax inequities that have long plagued military service members. Among the several provisions of the bill is one that is close to the hearts of members of the Guard and Reserve—restoration of the tax deductibility of Reserve component members' non-reimbursable training expenses. The deductibility issue stems from a change to the Internal Revenue Code made in 1986 that required that such unreimbursed business expenses must be treated as itemized deductions and must exceed two percent of adjusted gross income. Since only about 25 percent of all taxpayers itemize their deductions, this change has been the bane of many citizens' existence. This includes citizen-soldiers, sailors, airmen, and Marines who must now, in effect, subsidize their own military training. If S 2816 becomes law, its bill would provide an above-the-line deduction for overnight travel costs for Guardsmen and Reservists. Please sign on as a cosponsor for "The Foreign and Armed Services Tax Fairness Act of 2002" (S 2816). Sincerely, J.D. Griffith, Burlington.

Senator Grassley: SUPPORT HEARINGS ON CHANGE IN RC RETIREMENT AGE Congressman Jim Saxton (R-NJ) recently introduced a bill (HR 3831) that would reduce the age at which Reservists could begin drawing their military retirement from 60 to 55. I regard the bill as a significant first step in the process of redefining the government's long-standing contract with its Reserve forces. The world and Reservists' terms of service have changed markedly in the half-century since Reserve retirement was passed into law. I believe that it is indeed time to re-evaluate the whole question of Reserve compensation. Please contact the chairmen of the House and Senate military personnel subcommittees. Urge them to hold hearings

on lowering the Reserve retirement eligibility age. This is a pivotal issue, one that has the potential to change the shape of both the Reserve and the Total Force. It is critical that the issue receive the full consideration that it merits. Sincerely, James A. Brooks.

Senatpr Grassley: The House recently unanimously passed the Armed Services Tax Fairness Act of 2002 (HR 5063). This bill eliminates two inequities in the tax code for active-duty members of the Armed Services. The bill will now be sent to the Senate and referred to the Senate Finance Committee for consideration. Although it does not directly benefit most Reserve component members, because it is almost certain to win Senate approval, HR 5063 can serve as an ideal vehicle to carry S 540, a bill we've been working on for some time now, into law. (S 540, which currently has 62 cosponsors, would provide tax credits for employers of mobilized Reservists and restore the tax deductibility of Reservists' unreimbursed training expenses.) To achieve this end, the Senate Finance Committee will have to amend HR 5063 to add the provisions of S 540 to the House bill. We need the strong support of Senator Max Baucus, the chairman of the Senate Finance Committee to make this happen. Please call Senator Baucus and ask him to add the provisions of S 540 to HR 5063. It's the right thing to do, and it will be deeply appreciated by the men and women of our Reserve forces and their employers. Sincerely, Jay R. Hildebrand.

Senator Grassley: The House recently unanimously passed the Armed Services Tax Fairness Act of 2002 (H.R. 5063). This bill eliminates two inequities in the tax code for active-duty members of the Armed Services. The bill will now be sent to the Senate and referred to the Senate Finance Committee for consideration. Although it does not directly benefit most Reserve component members, because it is almost certain to win Senate approval, H.R. 5063 can serve as an ideal vehicle to carry S. 540, a bill we've been working on for some time now, into law. (S. 540, which currently has 62 cosponsors, would provide tax credits for employers of mobilized Reservists and restore the tax deductibility of Reservists' unreimbursed training expenses.) To achieve this end, the Senate Finance Committee will have to amend H.R. 5063 to add the provisions of S. 540 to the House bill. We need the strong support of Senator Max Baucus, the chairman of the Senate Finance Committee to make this happen. Please call Senator Baucus and ask him to add the provisions of S. 540 to H.R. 5063. It's the right thing to do, and it will be deeply appreciated by the men and women of our Reserve forces and their employers. Sincerely, James A. Brooks.

Senator Grassley: The House recently unanimously passed the Armed Services Tax Fairness Act of 2002 (H.R. 5063). This bill eliminates two inequities in the tax code for active-duty members of the Armed Services. The bill will now be sent to the Senate and referred to the Senate Finance Committee for consideration. Although it does not directly benefit most Reserve component members, because it is almost certain to win Senate approval, H.R. 5063 can serve as an ideal vehicle to carry S. 540, a bill we've been working on for some time now, into law. (S. 540, which currently has 62 cosponsors, would provide tax credits for employers of mobilized Reservists and restore the tax deductibility of Reservists' unreimbursed training expenses.) To achieve this end, the Senate Finance Committee will have to amend H.R. 5063 to add the provisions of S. 540 to the

House bill. We need the strong support of Senator Max Baucus, the chairman of the Senate Finance Committee to make this happen. Please call Senator Baucus and ask him to add the provisions of S. 540 to H.R. 5063. It's the right thing to do, and it will be deeply appreciated by the men and women of our Reserve forces and their employers. Sincerely, Thomas D. Heinold.

Senator Grassley: Senator Max Baucus (D-MT), Chairman of the Senate Finance Committee, has introduced the "The Foreign and Armed Services Tax Fairness Act of 2002" (S. 2816). The bill is intended to remedy a number of tax inequities that have long plagued military service members. Among the several provisions of the bill is one that is close to the hearts of members of the Guard and Reserve—restoration of the tax deductibility of Reserve component members' non-reimbursable training expenses. The deductibility issue stems from a change to the Internal Revenue Code made in 1986 that required that such unreimbursed business expenses must be treated as itemized deductions and must exceed two percent of adjusted gross income. Since only about 25 percent of all taxpayers itemize their deductions, this change has been the bane of many citizens' existence. This includes citizen-soldiers, sailors, airmen, and Marines who must now, in effect, subsidize their own military training. If S. 2816 becomes law, the bill would provide an above-the-line deduction for overnight travel costs for Guardsmen and Reservists. Please sign on as a cosponsor for "The Foreign and Armed Services Tax Fairness Act of 2002" (S. 2816). Sincerely, J. Neil McFarland.

Mr. GRASSLEY. Mr. President, finally, our tax fairness bill ensures that military families receive comparable tax treatment for child care expenses. Most American workers are permitted to exclude from income \$5,000 of employer-provided child care expenses. A separate blanket exclusion is provided to the military for all benefits. The provision, however, does not specify the treatment of military-provided child care expenses and some confusion has resulted. Our bill confirms this exclusion from military personnel. This ensures that military-provided child care is not treated less favorably than employer-provided child care or other military-provided benefits.

Increased focus on national defense no doubt renews our deep appreciation for the members of our military. These men and women make tremendous sacrifices, and in some cases, risk their lives to protect and defend our freedom. It is a perfect time to ensure that men and women in service are treated fairly under our country's tax laws. In closing, I would like to thank those who continue to serve in the United States military and protect the freedoms that we so frequently take for granted. I thank my colleagues and urge them to vote for this important tax fairness measure.

Mr. HUTCHINSON. Mr. President, I rise in strong support of H.R. 5063, the Armed Forces Tax Fairness Act. As a cosponsor of the Senate companion, S. 2816, I believe that this legislation will provide well-deserved tax benefits for those in service to our nation. With the ongoing war on terrorism, it is critical

that we do everything in our power to support members of our military, and their families.

This legislation ensures that the entire benefit of \$6,000 paid to the family of those individuals killed on active duty is made tax-free. Previously, only half of this benefit was exempt from taxes. H.R. 5063 also ensures that members of our military can receive the tax treatment they deserve from the sale of their home. Because those in our armed forces are required to move frequently, many are unable to take advantage of the aspect of the tax code that allows the exclusion of gains from the sale of a person's home from the capital gains tax. This legislation ensures that they will qualify for this benefit.

As the Ranking Member of the Personnel Subcommittee on the Senate Armed Services Committee, my top priority has been to improve the quality of life for members of our military and their families. H.R. 5063 is an important step toward that effort.

Mr. REID. I ask unanimous consent that the McCain-Baucus amendment at the desk be agreed to, the committee substitute amendment be agreed to, as amended, the bill as amended, be read the third time and passed, the amendment to the title be agreed to, the motion to reconsider be laid upon the table with no intervening action or debate, and that any statements related to this matter be printed in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment (No. 4855) was agreed to, as follows:

(Purpose: To apply the special rule for members of the uniformed services and Foreign Service to sales or exchanges after May 6, 1997, and for other purposes)

On page 9, strike lines 9 through 12, and insert the following:

(b) EFFECTIVE DATE; SPECIAL RULE.—

(1) EFFECTIVE DATE.—The amendment made by this section shall take effect as if included in the amendments made by section 312 of the Taxpayer Relief Act of 1997.

(2) WAIVER OF LIMITATIONS.—If refund or credit of any overpayment of tax resulting from the amendment 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.

On page 46, after line 14, add the following:  
**SEC. 203. PARTIAL PAYMENT OF TAX LIABILITY IN INSTALLMENT AGREEMENTS.**

(a) IN GENERAL.—

(1) Section 6159(a) (relating to authorization of agreements) is amended—

(A) by striking “satisfy liability for payment of” and inserting “make payment on”, and

(B) by inserting “full or partial” after “facilitate”.

(2) Section 6159(c) (relating to Secretary required to enter into installment agreements in certain cases) is amended in the matter preceding paragraph (1) by inserting “full” before “payment”.

(b) REQUIREMENT TO REVIEW PARTIAL PAYMENT AGREEMENTS EVERY TWO YEARS.—Section

6159 is amended by redesignating subsections (d) and (e) as subsections (e) and (f), respectively, and inserting after subsection (c) the following new subsection:

“(d) SECRETARY REQUIRED TO REVIEW INSTALLMENT AGREEMENTS FOR PARTIAL COLLECTION EVERY TWO YEARS.—In the case of an agreement entered into by the Secretary under subsection (a) for partial collection of a tax liability, the Secretary shall review the agreement at least once every 2 years.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to agreements entered into on or after the date of the enactment of this Act.

The committee amendment in the nature of a substitute, as amended, was agreed to.

The amendment to the title was agreed to.

The bill (H.R. 5063), as amended, was read the third time and passed as follows:

Strike out all after the enacting clause and insert:

**SECTION 1. SHORT TITLE; ETC.**

(a) SHORT TITLE.—This Act may be cited as the “Armed Forces Tax Fairness Act of 2002”.

(b) AMENDMENT OF 1986 CODE.—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—IMPROVING TAX EQUITY FOR MILITARY PERSONNEL**

Sec. 101. Exclusion from gross income of certain death gratuity payments.

Sec. 102. Exclusion of gain from sale of a principal residence by a member of the uniformed services or the Foreign Service.

Sec. 103. Exclusion for amounts received under Department of Defense Homeowners Assistance Program.

Sec. 104. Expansion of combat zone filing rules to contingency operations.

Sec. 105. Above-the-line deduction for overnight travel expenses of National Guard and Reserve members.

Sec. 106. Modification of membership requirement for exemption from tax for certain veterans' organizations.

Sec. 107. Clarification of treatment of certain dependent care assistance programs.

**TITLE II—OTHER PROVISIONS**

Sec. 201. Revision of tax rules on expatriation.

Sec. 202. Extension of IRS user fees.

Sec. 203. Partial payment of tax liability in installment agreements.

**TITLE I—IMPROVING TAX EQUITY FOR MILITARY PERSONNEL**

**SEC. 101. EXCLUSION FROM GROSS INCOME OF CERTAIN DEATH GRATUITY PAYMENTS.**

(a) IN GENERAL.—Subsection (b)(3) of section 134 (relating to certain military benefits) is amended by adding at the end the following new subparagraph:

“(C) EXCEPTION FOR DEATH GRATUITY ADJUSTMENTS MADE BY LAW.—Subparagraph (A) shall not apply to any adjustment to the amount of death gratuity payable under chapter 75 of title 10, United States Code, which is pursuant to a provision of law enacted after September 9, 1986.”.

(b) CONFORMING AMENDMENT.—Subparagraph (A) of section 134(b)(3) is amended by striking “subparagraph (B)” and inserting “subparagraphs (B) and (C)”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to deaths occurring after September 10, 2001.

**SEC. 102. EXCLUSION OF GAIN FROM SALE OF A PRINCIPAL RESIDENCE BY A MEMBER OF THE UNIFORMED SERVICES OR THE FOREIGN SERVICE.**

(a) IN GENERAL.—Subsection (d) of section 121 (relating to exclusion of gain from sale of principal residence) is amended by adding at the end the following new paragraph:

“(9) MEMBERS OF UNIFORMED SERVICES AND FOREIGN SERVICE.—

“(A) IN GENERAL.—At the election of an individual with respect to a property, the running of the 5-year period described in subsection (a) with respect to such property shall be suspended during any period that such individual or such individual's spouse is serving on qualified official extended duty as a member of the uniformed services or of the Foreign Service of the United States.

“(B) MAXIMUM PERIOD OF SUSPENSION.—The 5-year period described in subsection (a) shall not be extended more than 10 years by reason of subparagraph (A).

“(C) QUALIFIED OFFICIAL EXTENDED DUTY.—For purposes of this paragraph—

“(i) IN GENERAL.—The term ‘qualified official extended duty’ means any extended duty while serving at a duty station which is at least 50 miles from such property or while residing under Government orders in Government quarters.

“(ii) UNIFORMED SERVICES.—The term ‘uniformed services’ has the meaning given such term by section 101(a)(5) of title 10, United States Code, as in effect on the date of the enactment of this paragraph.

“(iii) FOREIGN SERVICE OF THE UNITED STATES.—The term ‘member of the Foreign Service of the United States’ has the meaning given the term ‘member of the Service’ by paragraph (1), (2), (3), (4), or (5) of section 103 of the Foreign Service Act of 1980.

“(iv) EXTENDED DUTY.—The term ‘extended duty’ means any period of duty pursuant to a call or order to such duty for a period in excess of 90 days or for an indefinite period.

“(D) SPECIAL RULES RELATING TO ELECTION.—

“(i) ELECTION LIMITED TO 1 PROPERTY AT A TIME.—An election under subparagraph (A) with respect to any property may not be made if such an election is in effect with respect to any other property.

“(ii) REVOCATION OF ELECTION.—An election under subparagraph (A) may be revoked at any time.”.

(b) EFFECTIVE DATE; SPECIAL RULE.—

(1) EFFECTIVE DATE.—The amendment made by this section shall take effect as if included in the amendments made by section 312 of the Taxpayer Relief Act of 1997.

(2) WAIVER OF LIMITATIONS.—If refund or credit of any overpayment of tax resulting from the amendment 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. 103. EXCLUSION FOR AMOUNTS RECEIVED UNDER DEPARTMENT OF DEFENSE HOMEOWNERS ASSISTANCE PROGRAM.**

(a) IN GENERAL.—Section 132(a) (relating to the exclusion from gross income of certain fringe benefits) is amended by striking “or” at the end of paragraph (6), by striking the period at the end of paragraph (7) and inserting “, or” and by adding at the end the following new paragraph:

“(B) qualified military base realignment and closure fringe.”.

(b) QUALIFIED MILITARY BASE REALIGNMENT AND CLOSURE FRINGE.—Section 132 is amended by redesignating subsection (n) as subsection (o)

and by inserting after subsection (m) the following new subsection:

“(n) **QUALIFIED MILITARY BASE REALIGNMENT AND CLOSURE FRINGE.**—For purposes of this section, the term ‘qualified military base realignment and closure fringe’ means 1 or more payments under the authority of section 1013 of the Demonstration Cities and Metropolitan Development Act of 1966 (42 U.S.C. 3374) to offset the adverse effects on housing values as a result of a military base realignment or closure.”.

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

**SEC. 104. EXPANSION OF COMBAT ZONE FILING RULES TO CONTINGENCY OPERATIONS.**

(a) **IN GENERAL.**—Section 7508(a) (relating to time for performing certain acts postponed by reason of service in combat zone) is amended—

(1) by inserting “or when deployed outside the United States away from the individual’s permanent duty station while participating in an operation designated by the Secretary of Defense as a contingency operation (as defined in section 101(a)(13) of title 10, United States Code) or which became such a contingency operation by operation of law” after “section 112”;

(2) by inserting in the first sentence “or at any time during the period of such contingency operation” after “for purposes of such section”;

(3) by inserting “or operation” after “such an area”;

(4) by inserting “or operation” after “such area”.

(b) **CONFORMING AMENDMENTS.**—

(1) Section 7508(d) is amended by inserting “or contingency operation” after “area”.

(2) The heading for section 7508 is amended by inserting “**OR CONTINGENCY OPERATION**” after “**COMBAT ZONE**”.

(3) The item relating to section 7508 in the table of sections for chapter 77 is amended by inserting “or contingency operation” after “combat zone”.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to any period for performing an act which has not expired before the date of the enactment of this Act.

**SEC. 105. ABOVE-THE-LINE DEDUCTION FOR OVERNIGHT TRAVEL EXPENSES OF NATIONAL GUARD AND RESERVE MEMBERS.**

(a) **DEDUCTION ALLOWED.**—Section 162 (relating to certain trade or business expenses) is amended by redesignating subsection (p) as subsection (q) and inserting after subsection (o) the following new subsection:

“(p) **TREATMENT OF EXPENSES OF MEMBERS OF RESERVE COMPONENT OF ARMED FORCES OF THE UNITED STATES.**—For purposes of subsection (a)(2), in the case of an individual who performs services as a member of a reserve component of the Armed Forces of the United States at any time during the taxable year, such individual shall be deemed to be away from home in the pursuit of a trade or business for any period during which such individual is away from home in connection with such service.”.

(b) **DEDUCTION ALLOWED WHETHER OR NOT TAXPAYER ELECTS TO ITEMIZE.**—Section 62(a)(2) (relating to certain trade and business deductions of employees) is amended by adding at the end the following new subparagraph:

“(E) **CERTAIN EXPENSES OF MEMBERS OF RESERVE COMPONENTS OF THE ARMED FORCES OF THE UNITED STATES.**—The deductions allowed by section 162 which consist of expenses, in amounts not in excess of the rates for travel expenses (including per diem in lieu of subsistence) authorized for employees of agencies under subchapter I of chapter 57 of title 5, United States Code, paid or incurred by the taxpayer in connection with the performance of services by such taxpayer as a member of a reserve component of the Armed Forces of the United States.”.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to amounts paid or

incurred in taxable years beginning after December 31, 2001.

**SEC. 106. MODIFICATION OF MEMBERSHIP REQUIREMENT FOR EXEMPTION FROM TAX FOR CERTAIN VETERANS’ ORGANIZATIONS.**

(a) **IN GENERAL.**—Subparagraph (B) of section 501(c)(19) (relating to list of exempt organizations) is amended by striking “or widowers” and inserting “, widowers, or ancestors or lineal descendants”.

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

**SEC. 107. CLARIFICATION OF THE TREATMENT OF CERTAIN DEPENDENT CARE ASSISTANCE PROGRAMS.**

(a) **IN GENERAL.**—Section 134(b) (defining qualified military benefit) is amended by adding at the end the following new paragraph:

“(4) **CLARIFICATION OF CERTAIN BENEFITS.**—For purposes of paragraph (1), such term includes any dependent care assistance program for any individual described in paragraph (1)(A).”.

(b) **CONFORMING AMENDMENTS.**—

(1) Section 134(b)(3)(A) is amended by inserting “and paragraph (4)” after “subparagraph (B)”.

(2) Section 3121(a)(18) is amended by striking “or 129” and inserting “, 129, or 134(b)(4)”.

(3) Section 3306(b)(13) is amended by striking “or 129” and inserting “, 129, or 134(b)(4)”.

(4) Section 3401(a)(18) is amended by striking “or 129” and inserting “, 129, or 134(b)(4)”.

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

(d) **NO INFERENCE.**—No inference may be drawn from the amendments made by this section with respect to the tax treatment of any amounts under the program described in section 134(b)(4) of the Internal Revenue Code of 1986 (as added by this section) for any taxable year beginning before January 1, 2002.

**TITLE II—OTHER PROVISIONS**

**SEC. 201. REVISION OF TAX RULES ON EXPATRIATION.**

(a) **IN GENERAL.**—Subpart A of part II of chapter N of title 1 is amended by inserting after section 877 the following new section:

**“SEC. 877A. TAX RESPONSIBILITIES OF EXPATRIATION.**

“(a) **GENERAL RULES.**—For purposes of this subtitle—

“(1) **MARK TO MARKET.**—Except as provided in subsections (d) and (f), all property of a covered expatriate to whom this section applies shall be treated as sold on the day before the expatriation date for its fair market value.

“(2) **RECOGNITION OF GAIN OR LOSS.**—In the case of any sale under paragraph (1)—

“(A) notwithstanding any other provision of this title, any gain arising from such sale shall be taken into account for the taxable year of the sale, and

“(B) any loss arising from such sale shall be taken into account for the taxable year of the sale to the extent otherwise provided by this title, except that section 1091 shall not apply to any such loss.

Proper adjustment shall be made in the amount of any gain or loss subsequently realized for gain or loss taken into account under the preceding sentence.

“(3) **EXCLUSION FOR CERTAIN GAIN.**—

“(A) **IN GENERAL.**—The amount which, but for this paragraph, would be includable in the gross income of any individual by reason of this section shall be reduced (but not below zero) by \$600,000. For purposes of this paragraph, allocable expatriation gain taken into account under subsection (f)(2) shall be treated in the same manner as an amount required to be includable in gross income.

“(B) **COST-OF-LIVING ADJUSTMENT.**—

“(i) **IN GENERAL.**—In the case of an expatriation date occurring in any calendar year after 2002, the \$600,000 amount under subparagraph (A) shall be increased by an amount equal to—

“(I) such dollar amount, multiplied by

“(II) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year, determined by substituting ‘calendar year 2001’ for ‘calendar year 1992’ in subparagraph (B) thereof.

“(ii) **ROUNDING RULES.**—If any amount after adjustment under clause (i) is not a multiple of \$1,000, such amount shall be rounded to the next lower multiple of \$1,000.

“(4) **ELECTION TO CONTINUE TO BE TAXED AS UNITED STATES CITIZEN.**—

“(A) **IN GENERAL.**—If a covered expatriate elects the application of this paragraph—

“(i) this section (other than this paragraph and subsection (i)) shall not apply to the expatriate, but

“(ii) in the case of property to which this section would apply but for such election, the expatriate shall be subject to tax under this title in the same manner as if the individual were a United States citizen.

“(B) **REQUIREMENTS.**—Subparagraph (A) shall not apply to an individual unless the individual—

“(i) provides security for payment of tax in such form and manner, and in such amount, as the Secretary may require,

“(ii) consents to the waiver of any right of the individual under any treaty of the United States which would preclude assessment or collection of any tax which may be imposed by reason of this paragraph, and

“(iii) complies with such other requirements as the Secretary may prescribe.

“(C) **ELECTION.**—An election under subparagraph (A) shall apply to all property to which this section would apply but for the election and, once made, shall be irrevocable. Such election shall also apply to property the basis of which is determined in whole or in part by reference to the property with respect to which the election was made.

“(b) **ELECTION TO DEFER TAX.**—

“(1) **IN GENERAL.**—If the taxpayer elects the application of this subsection with respect to any property treated as sold by reason of subsection (a), the payment of the additional tax attributable to such property shall be postponed until the due date of the return for the taxable year in which such property is disposed of (or, in the case of property disposed of in a transaction in which gain is not recognized in whole or in part, until such other date as the Secretary may prescribe).

“(2) **DETERMINATION OF TAX WITH RESPECT TO PROPERTY.**—For purposes of paragraph (1), the additional tax attributable to any property is an amount which bears the same ratio to the additional tax imposed by this chapter for the taxable year solely by reason of subsection (a) as the gain taken into account under subsection (a) with respect to such property bears to the total gain taken into account under subsection (a) with respect to all property to which subsection (a) applies.

“(3) **TERMINATION OF POSTPONEMENT.**—No tax may be postponed under this subsection later than the due date for the return of tax imposed by this chapter for the taxable year which includes the date of death of the expatriate (or, if earlier, the time that the security provided with respect to the property fails to meet the requirements of paragraph (4), unless the taxpayer corrects such failure within the time specified by the Secretary).

“(4) **SECURITY.**—

“(A) **IN GENERAL.**—No election may be made under paragraph (1) with respect to any property unless adequate security is provided to the Secretary with respect to such property.

“(B) **ADEQUATE SECURITY.**—For purposes of subparagraph (A), security with respect to any property shall be treated as adequate security if—

“(i) it is a bond in an amount equal to the deferred tax amount under paragraph (2) for the property, or

“(ii) the taxpayer otherwise establishes to the satisfaction of the Secretary that the security is adequate.

“(5) WAIVER OF CERTAIN RIGHTS.—No election may be made under paragraph (1) unless the taxpayer consents to the waiver of any right under any treaty of the United States which would preclude assessment or collection of any tax imposed by reason of this section.

“(6) ELECTIONS.—An election under paragraph (1) shall only apply to property described in the election and, once made, is irrevocable. An election may be made under paragraph (1) with respect to an interest in a trust with respect to which gain is required to be recognized under subsection (f)(1).

“(7) INTEREST.—For purposes of section 6601—  
“(A) the last date for the payment of tax shall be determined without regard to the election under this subsection, and

“(B) section 6621(a)(2) shall be applied by substituting ‘5 percentage points’ for ‘3 percentage points’ in subparagraph (B) thereof.

“(c) COVERED EXPATRIATE.—For purposes of this section—

“(1) IN GENERAL.—Except as provided in paragraph (2), the term ‘covered expatriate’ means an expatriate.

“(2) EXCEPTIONS.—An individual shall not be treated as a covered expatriate if—

“(A) the individual—

“(i) became at birth a citizen of the United States and a citizen of another country and, as of the expatriation date, continues to be a citizen of, and is taxed as a resident of, such other country, and

“(ii) has not been a resident of the United States (as defined in section 7701(b)(1)(A)(ii)) during the 5 taxable years ending with the taxable year during which the expatriation date occurs, or

“(B)(i) the individual’s relinquishment of United States citizenship occurs before such individual attains age 18½, and

“(ii) the individual has been a resident of the United States (as so defined) for not more than 5 taxable years before the date of relinquishment.

“(d) EXEMPT PROPERTY; SPECIAL RULES FOR PENSION PLANS.—

“(1) EXEMPT PROPERTY.—This section shall not apply to the following:

“(A) UNITED STATES REAL PROPERTY INTERESTS.—Any United States real property interest (as defined in section 897(c)(1)), other than stock of a United States real property holding corporation which does not, on the day before the expatriation date, meet the requirements of section 897(c)(2).

“(B) SPECIFIED PROPERTY.—Any property or interest in property not described in subparagraph (A) which the Secretary specifies in regulations.

“(2) SPECIAL RULES FOR CERTAIN RETIREMENT PLANS.—

“(A) IN GENERAL.—If a covered expatriate holds on the day before the expatriation date any interest in a retirement plan to which this paragraph applies—

“(i) such interest shall not be treated as sold for purposes of subsection (a)(1), but

“(ii) an amount equal to the present value of the expatriate’s nonforfeitable accrued benefit shall be treated as having been received by such individual on such date as a distribution under the plan.

“(B) TREATMENT OF SUBSEQUENT DISTRIBUTIONS.—In the case of any distribution on or after the expatriation date to or on behalf of the covered expatriate from a plan from which the expatriate was treated as receiving a distribution under subparagraph (A), the amount otherwise includible in gross income by reason of the subsequent distribution shall be reduced by the excess of the amount includible in gross income

under subparagraph (A) over any portion of such amount to which this subparagraph previously applied.

“(C) TREATMENT OF SUBSEQUENT DISTRIBUTIONS BY PLAN.—For purposes of this title, a retirement plan to which this paragraph applies, and any person acting on the plan’s behalf, shall treat any subsequent distribution described in subparagraph (B) in the same manner as such distribution would be treated without regard to this paragraph.

“(D) APPLICABLE PLANS.—This paragraph shall apply to—

“(i) any qualified retirement plan (as defined in section 4974(c)),

“(ii) an eligible deferred compensation plan (as defined in section 457(b)) of an eligible employer described in section 457(e)(1)(A), and

“(iii) to the extent provided in regulations, any foreign pension plan or similar retirement arrangements or programs.

“(e) DEFINITIONS.—For purposes of this section—

“(1) EXPATRIATE.—The term ‘expatriate’ means—

“(A) any United States citizen who relinquishes citizenship, and

“(B) any long-term resident of the United States who—

“(i) ceases to be a lawful permanent resident of the United States (within the meaning of section 7701(b)(6)), or

“(ii) commences to be treated as a resident of a foreign country under the provisions of a tax treaty between the United States and the foreign country and who does not waive the benefits of such treaty applicable to residents of the foreign country.

“(2) EXPATRIATION DATE.—The term ‘expatriation date’ means—

“(A) the date an individual relinquishes United States citizenship, or

“(B) in the case of a long-term resident of the United States, the date of the event described in clause (i) or (ii) of paragraph (1)(B).

“(3) RELINQUISHMENT OF CITIZENSHIP.—A citizen shall be treated as relinquishing United States citizenship on the earliest of—

“(A) the date the individual renounces such individual’s United States nationality before a diplomatic or consular officer of the United States pursuant to paragraph (5) of section 349(a) of the Immigration and Nationality Act (8 U.S.C. 1481(a)(5)),

“(B) the date the individual furnishes to the United States Department of State a signed statement of voluntary relinquishment of United States nationality confirming the performance of an act of expatriation specified in paragraph (1), (2), (3), or (4) of section 349(a) of the Immigration and Nationality Act (8 U.S.C. 1481(a)(1)–(4)),

“(C) the date the United States Department of State issues to the individual a certificate of loss of nationality, or

“(D) the date a court of the United States cancels a naturalized citizen’s certificate of naturalization.

Subparagraph (A) or (B) shall not apply to any individual unless the renunciation or voluntary relinquishment is subsequently approved by the issuance to the individual of a certificate of loss of nationality by the United States Department of State.

“(4) LONG-TERM RESIDENT.—The term ‘long-term resident’ has the meaning given to such term by section 877(e)(2).

“(f) SPECIAL RULES APPLICABLE TO BENEFICIARIES’ INTERESTS IN TRUST.—

“(1) IN GENERAL.—Except as provided in paragraph (2), if an individual is determined under paragraph (3) to hold an interest in a trust on the day before the expatriation date—

“(A) the individual shall not be treated as having sold such interest,

“(B) such interest shall be treated as a separate share in the trust, and

“(C)(i) such separate share shall be treated as a separate trust consisting of the assets allocable to such share,

“(ii) the separate trust shall be treated as having sold its assets on the day before the expatriation date for their fair market value and as having distributed all of its assets to the individual as of such time, and

“(iii) the individual shall be treated as having recontributed the assets to the separate trust.

Subsection (a)(2) shall apply to any income, gain, or loss of the individual arising from a distribution described in subparagraph (C)(ii). In determining the amount of such distribution, proper adjustments shall be made for liabilities of the trust allocable to an individual’s share in the trust.

“(2) SPECIAL RULES FOR INTERESTS IN QUALIFIED TRUSTS.—

“(A) IN GENERAL.—If the trust interest described in paragraph (1) is an interest in a qualified trust—

“(i) paragraph (1) and subsection (a) shall not apply, and

“(ii) in addition to any other tax imposed by this title, there is hereby imposed on each distribution with respect to such interest a tax in the amount determined under subparagraph (B).

“(B) AMOUNT OF TAX.—The amount of tax under subparagraph (A)(ii) shall be equal to the lesser of—

“(i) the highest rate of tax imposed by section 1(e) for the taxable year which includes the day before the expatriation date, multiplied by the amount of the distribution, or

“(ii) the balance in the deferred tax account immediately before the distribution determined without regard to any increases under subparagraph (C)(ii) after the 30th day preceding the distribution.

“(C) DEFERRED TAX ACCOUNT.—For purposes of subparagraph (B)(ii)—

“(i) OPENING BALANCE.—The opening balance in a deferred tax account with respect to any trust interest is an amount equal to the tax which would have been imposed on the allocable expatriation gain with respect to the trust interest if such gain had been included in gross income under subsection (a).

“(ii) INCREASE FOR INTEREST.—The balance in the deferred tax account shall be increased by the amount of interest determined (on the balance in the account at the time the interest accrues), for periods after the 90th day after the expatriation date, by using the rates and method applicable under section 6621 for underpayments of tax for such periods, except that section 6621(a)(2) shall be applied by substituting ‘5 percentage points’ for ‘3 percentage points’ in subparagraph (B) thereof.

“(iii) DECREASE FOR TAXES PREVIOUSLY PAID.—The balance in the tax deferred account shall be reduced—

“(I) by the amount of taxes imposed by subparagraph (A) on any distribution to the person holding the trust interest, and

“(II) in the case of a person holding a nonvested interest, to the extent provided in regulations, by the amount of taxes imposed by subparagraph (A) on distributions from the trust with respect to nonvested interests not held by such person.

“(D) ALLOCABLE EXPATRIATION GAIN.—For purposes of this paragraph, the allocable expatriation gain with respect to any beneficiary’s interest in a trust is the amount of gain which would be allocable to such beneficiary’s vested and nonvested interests in the trust if the beneficiary held directly all assets allocable to such interests.

“(E) TAX DEDUCTED AND WITHHELD.—

“(i) IN GENERAL.—The tax imposed by subparagraph (A)(ii) shall be deducted and withheld by the trustees from the distribution to which it relates.

“(ii) EXCEPTION WHERE FAILURE TO WAIVE TREATY RIGHTS.—If an amount may not be deducted and withheld under clause (i) by reason

of the distributee failing to waive any treaty right with respect to such distribution—

“(I) the tax imposed by subparagraph (A)(ii) shall be imposed on the trust and each trustee shall be personally liable for the amount of such tax, and

“(II) any other beneficiary of the trust shall be entitled to recover from the distributee the amount of such tax imposed on the other beneficiary.

“(F) DISPOSITION.—If a trust ceases to be a qualified trust at any time, a covered expatriate disposes of an interest in a qualified trust, or a covered expatriate holding an interest in a qualified trust dies, then, in lieu of the tax imposed by subparagraph (A)(ii), there is hereby imposed a tax equal to the lesser of—

“(i) the tax determined under paragraph (1) as if the day before the expatriation date were the date of such cessation, disposition, or death, whichever is applicable, or

“(ii) the balance in the tax deferred account immediately before such date.

Such tax shall be imposed on the trust and each trustee shall be personally liable for the amount of such tax and any other beneficiary of the trust shall be entitled to recover from the covered expatriate or the estate the amount of such tax imposed on the other beneficiary.

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

“(i) QUALIFIED TRUST.—The term ‘qualified trust’ means a trust which is described in section 7701(a)(30)(E).

“(ii) VESTED INTEREST.—The term ‘vested interest’ means any interest which, as of the day before the expatriation date, is vested in the beneficiary.

“(iii) NONVESTED INTEREST.—The term ‘nonvested interest’ means, with respect to any beneficiary, any interest in a trust which is not a vested interest. Such interest shall be determined by assuming the maximum exercise of discretion in favor of the beneficiary and the occurrence of all contingencies in favor of the beneficiary.

“(iv) ADJUSTMENTS.—The Secretary may provide for such adjustments to the bases of assets in a trust or a deferred tax account, and the timing of such adjustments, in order to ensure that gain is taxed only once.

“(v) COORDINATION WITH RETIREMENT PLAN RULES.—This subsection shall not apply to an interest in a trust which is part of a retirement plan to which subsection (d)(2) applies.

“(3) DETERMINATION OF BENEFICIARIES’ INTEREST IN TRUST.—

“(A) DETERMINATIONS UNDER PARAGRAPH (1).—For purposes of paragraph (1), a beneficiary’s interest in a trust shall be based upon all relevant facts and circumstances, including the terms of the trust instrument and any letter of wishes or similar document, historical patterns of trust distributions, and the existence of and functions performed by a trust protector or any similar adviser.

“(B) OTHER DETERMINATIONS.—For purposes of this section—

“(i) CONSTRUCTIVE OWNERSHIP.—If a beneficiary of a trust is a corporation, partnership, trust, or estate, the shareholders, partners, or beneficiaries shall be deemed to be the trust beneficiaries for purposes of this section.

“(ii) TAXPAYER RETURN POSITION.—A taxpayer shall clearly indicate on its income tax return—

“(I) the methodology used to determine that taxpayer’s trust interest under this section, and

“(II) if the taxpayer knows (or has reason to know) that any other beneficiary of such trust is using a different methodology to determine such beneficiary’s trust interest under this section.

“(g) TERMINATION OF DEFERRALS, ETC.—In the case of any covered expatriate, notwithstanding any other provision of this title—

“(1) any period during which recognition of income or gain is deferred shall terminate on the day before the expatriation date, and

“(2) any extension of time for payment of tax shall cease to apply on the day before the expatriation date and the unpaid portion of such tax shall be due and payable at the time and in the manner prescribed by the Secretary.

“(h) IMPOSITION OF TENTATIVE TAX.—

“(1) IN GENERAL.—If an individual is required to include any amount in gross income under subsection (a) for any taxable year, there is hereby imposed, immediately before the expatriation date, a tax in an amount equal to the amount of tax which would be imposed if the taxable year were a short taxable year ending on the expatriation date.

“(2) DUE DATE.—The due date for any tax imposed by paragraph (1) shall be the 90th day after the expatriation date.

“(3) TREATMENT OF TAX.—Any tax paid under paragraph (1) shall be treated as a payment of the tax imposed by this chapter for the taxable year to which subsection (a) applies.

“(4) DEFERRAL OF TAX.—The provisions of subsection (b) shall apply to the tax imposed by this subsection to the extent attributable to gain includible in gross income by reason of this section.

“(i) SPECIAL LIENS FOR DEFERRED TAX AMOUNTS.—

“(1) IMPOSITION OF LIEN.—

“(A) IN GENERAL.—If a covered expatriate makes an election under subsection (a)(4) or (b) which results in the deferral of any tax imposed by reason of subsection (a), the deferred amount (including any interest, additional amount, addition to tax, assessable penalty, and costs attributable to the deferred amount) shall be a lien in favor of the United States on all property of the expatriate located in the United States (without regard to whether this section applies to the property).

“(B) DEFERRED AMOUNT.—For purposes of this subsection, the deferred amount is the amount of the increase in the covered expatriate’s income tax which, but for the election under subsection (a)(4) or (b), would have occurred by reason of this section for the taxable year including the expatriation date.

“(2) PERIOD OF LIEN.—The lien imposed by this subsection shall arise on the expatriation date and continue until—

“(A) the liability for tax by reason of this section is satisfied or has become unenforceable by reason of lapse of time, or

“(B) it is established to the satisfaction of the Secretary that no further tax liability may arise by reason of this section.

“(3) CERTAIN RULES APPLY.—The rules set forth in paragraphs (1), (3), and (4) of section 6324A(d) shall apply with respect to the lien imposed by this subsection as if it were a lien imposed by section 6324A.

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

(b) INCLUSION IN INCOME OF GIFTS AND BEQUESTS RECEIVED BY UNITED STATES CITIZENS AND RESIDENTS FROM EXPATRIATES.—Section 102 (relating to gifts, etc. not included in gross income) is amended by adding at the end the following new subsection:

“(d) GIFTS AND INHERITANCES FROM COVERED EXPATRIATES.—

“(1) IN GENERAL.—Subsection (a) shall not exclude from gross income the value of any property acquired by gift, bequest, devise, or inheritance from a covered expatriate after the expatriation date. For purposes of this subsection, any term used in this subsection which is also used in section 877A shall have the same meaning as when used in section 877A.

“(2) EXCEPTIONS FOR TRANSFERS OTHERWISE SUBJECT TO ESTATE OR GIFT TAX.—Paragraph (1) shall not apply to any property if either—

“(A) the gift, bequest, devise, or inheritance is—

“(i) shown on a timely filed return of tax imposed by chapter 12 as a taxable gift by the covered expatriate, or

“(ii) included in the gross estate of the covered expatriate for purposes of chapter 11 and shown on a timely filed return of tax imposed by chapter 11 of the estate of the covered expatriate, or

“(B) no such return was timely filed but no such return would have been required to be filed even if the covered expatriate were a citizen or long-term resident of the United States.”.

(c) DEFINITION OF TERMINATION OF UNITED STATES CITIZENSHIP.—Section 7701(a) is amended by adding at the end the following new paragraph:

“(48) TERMINATION OF UNITED STATES CITIZENSHIP.—

“(A) IN GENERAL.—An individual shall not cease to be treated as a United States citizen before the date on which the individual’s citizenship is treated as relinquished under section 877A(e)(3).

“(B) DUAL CITIZENS.—Under regulations prescribed by the Secretary, subparagraph (A) shall not apply to an individual who became at birth a citizen of the United States and a citizen of another country.”.

(d) INELIGIBILITY FOR VISA OR ADMISSION TO UNITED STATES.—

(1) IN GENERAL.—Section 212(a)(10)(E) of the Immigration and Nationality Act (8 U.S.C. 1182(a)(10)(E)) is amended to read as follows:

“(E) FORMER CITIZENS NOT IN COMPLIANCE WITH EXPATRIATION REVENUE PROVISIONS.—Any alien who is a former citizen of the United States who relinquishes United States citizenship (within the meaning of section 877A(e)(3) of the Internal Revenue Code of 1986) and who is not in compliance with section 877A of such Code (relating to expatriation).”.

(2) AVAILABILITY OF INFORMATION.—

(A) IN GENERAL.—Section 6103(l) (relating to disclosure of returns and return information for purposes other than tax administration) is amended by adding at the end the following new paragraph:

“(18) DISCLOSURE TO DENY VISA OR ADMISSION TO CERTAIN EXPATRIATES.—Upon written request of the Attorney General or the Attorney General’s delegate, the Secretary shall disclose whether an individual is in compliance with section 877A (and if not in compliance, any items of noncompliance) to officers and employees of the Federal agency responsible for administering section 212(a)(10)(E) of the Immigration and Nationality Act solely for the purpose of, and to the extent necessary in, administering such section 212(a)(10)(E).”.

(B) SAFEGUARDS.—Section 6103(p)(4) (relating to safeguards) is amended by striking “or (17)” each place it appears and inserting “(17), or (18)”.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to individuals who relinquish United States citizenship on or after the date of the enactment of this Act.

(e) CONFORMING AMENDMENTS.—

(1) Section 877 is amended by adding at the end the following new subsection:

“(g) APPLICATION.—This section shall not apply to an expatriate (as defined in section 877A(e)) whose expatriation date (as so defined) occurs on or after September 12, 2002.”.

(2) Section 2107 is amended by adding at the end the following new subsection:

“(f) APPLICATION.—This section shall not apply to any expatriate subject to section 877A.”.

(3) Section 2501(a)(3) is amended by adding at the end the following new subparagraph:

“(F) APPLICATION.—This paragraph shall not apply to any expatriate subject to section 877A.”.

(4)(A) Paragraph (1) of section 6039G(d) is amended by inserting “or 877A” after “section 877”.

(B) The second sentence of section 6039G(e) is amended by inserting “or who relinquishes United States citizenship (within the meaning of section 877A(e)(3))” after “877(a)”.

(C) Section 6039G(f) is amended by inserting "or 877A(e)(2)(B)" after "877(e)(1)".

(f) CLERICAL AMENDMENT.—The table of sections for subpart A of part II of subchapter N of chapter 1 is amended by inserting after the item relating to section 877 the following new item:

"Sec. 877A. Tax responsibilities of expatriation."

(g) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in this subsection, the amendments made by this section shall apply to expatriates (within the meaning of section 877A(e) of the Internal Revenue Code of 1986, as added by this section) whose expatriation date (as so defined) occurs on or after September 12, 2002.

(2) GIFTS AND BEQUESTS.—Section 102(d) of the Internal Revenue Code of 1986 (as added by subsection (b)) shall apply to gifts and bequests received on or after September 12, 2002, from an individual or the estate of an individual whose expatriation date (as so defined) occurs after such date.

(3) DUE DATE FOR TENTATIVE TAX.—The due date under section 877A(h)(2) of the Internal Revenue Code of 1986, as added by this section, shall in no event occur before the 90th day after the date of the enactment of this Act.

**SEC. 202. EXTENSION OF INTERNAL REVENUE SERVICE USER FEES.**

(a) IN GENERAL.—Chapter 77 (relating to miscellaneous provisions) is amended by adding at the end the following new section:

**"SEC. 7527. INTERNAL REVENUE SERVICE USER FEES.**

"(a) GENERAL RULE.—The Secretary shall establish a program requiring the payment of user fees for—

"(1) requests to the Internal Revenue Service for ruling letters, opinion letters, and determination letters, and

"(2) other similar requests.

"(b) PROGRAM CRITERIA.—

"(1) IN GENERAL.—The fees charged under the program required by subsection (a)—

"(A) shall vary according to categories (or subcategories) established by the Secretary,

"(B) shall be determined after taking into account the average time for (and difficulty of) complying with requests in each category (and subcategory), and

"(C) shall be payable in advance.

"(2) EXEMPTIONS, ETC.—

"(A) IN GENERAL.—The Secretary shall provide for such exemptions (and reduced fees) under such program as the Secretary determines to be appropriate.

"(B) EXEMPTION FOR CERTAIN REQUESTS REGARDING PENSION PLANS.—The Secretary shall not require payment of user fees under such program for requests for determination letters with respect to the qualified status of a pension benefit plan maintained solely by 1 or more eligible employers or any trust which is part of the plan. The preceding sentence shall not apply to any request—

"(i) made after the later of—

"(I) the fifth plan year the pension benefit plan is in existence, or

"(II) the end of any remedial amendment period with respect to the plan beginning within the first 5 plan years, or

"(ii) made by the sponsor of any prototype or similar plan which the sponsor intends to market to participating employers.

"(C) DEFINITIONS AND SPECIAL RULES.—For purposes of subparagraph (B)—

"(i) PENSION BENEFIT PLAN.—The term 'pension benefit plan' means a pension, profit-sharing, stock bonus, annuity, or employee stock ownership plan.

"(ii) ELIGIBLE EMPLOYER.—The term 'eligible employer' means an eligible employer (as defined in section 408(p)(2)(C)(i)(I)) which has at least 1 employee who is not a highly compensated employee (as defined in section 414(q)) and is participating in the plan. The determination of

whether an employer is an eligible employer under subparagraph (B) shall be made as of the date of the request described in such subparagraph.

"(iii) DETERMINATION OF AVERAGE FEES CHARGED.—For purposes of any determination of average fees charged, any request to which subparagraph (B) applies shall not be taken into account.

"(3) AVERAGE FEE REQUIREMENT.—The average fee charged under the program required by subsection (a) shall not be less than the amount determined under the following table:

Category	Average Fee
Employee plan ruling and opinion .....	\$250
Exempt organization ruling .....	\$350
Employee plan determination .....	\$300
Exempt organization determination ...	\$275
Chief counsel ruling .....	\$200.

"(c) TERMINATION.—No fee shall be imposed under this section with respect to requests made after September 30, 2012."

(b) CONFORMING AMENDMENTS.—

(1) The table of sections for chapter 77 is amended by adding at the end the following new item:

"Sec. 7527. Internal Revenue Service user fees."

(2) Section 10511 of the Revenue Act of 1987 is repealed.

(3) Section 620 of the Economic Growth and Tax Relief Reconciliation Act of 2001 is repealed.

(c) LIMITATIONS.—Notwithstanding any other provision of law, any fees collected pursuant to section 7527 of the Internal Revenue Code of 1986, as added by subsection (a), shall not be expended by the Internal Revenue Service unless provided by an appropriations Act.

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

**SEC. 203. PARTIAL PAYMENT OF TAX LIABILITY IN INSTALLMENT AGREEMENTS.**

(a) IN GENERAL.—

(1) Section 6159(a) (relating to authorization of agreements) is amended—

(A) by striking "satisfy liability for payment of" and inserting "make payment on", and

(B) by inserting "full or partial" after "facilitate".

(2) Section 6159(c) (relating to Secretary required to enter into installment agreements in certain cases) is amended in the matter preceding paragraph (1) by inserting "full" before "payment".

(b) REQUIREMENT TO REVIEW PARTIAL PAYMENT AGREEMENTS EVERY TWO YEARS.—Section 6159 is amended by redesignating subsections (d) and (e) as subsections (e) and (f), respectively, and inserting after subsection (c) the following new subsection:

"(d) SECRETARY REQUIRED TO REVIEW INSTALLMENT AGREEMENTS FOR PARTIAL COLLECTION EVERY TWO YEARS.—In the case of an agreement entered into by the Secretary under subsection (a) for partial collection of a tax liability, the Secretary shall review the agreement at least once every 2 years."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to agreements entered into on or after the date of the enactment of this Act.

Amend the title so as to read: "An Act to amend the Internal Revenue Code of 1986 to improve tax equity for military personnel, and for other purposes."

**PHARMACY EDUCATION AID ACT OF 2002**

Mr. REID. I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 621, S. 1806.

The PRESIDING OFFICER. The clerk will report the bill by title.

The assistant legislative clerk read as follows:

A bill (S. 1806) to amend the Public Health Service Act with respect to health professions programs regarding the practice of pharmacy.

There being no objection, the Senate proceeded to consider the bill which had been reported from the Committee on Health, Education, Labor, and Pensions, with an amendment to strike all after the enacting clause and inserting in lieu thereof the following:

[Strike the part shown in black brackets and insert the part shown in italic.]

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

**SECTION 1. SHORT TITLE.**

[This Act may be cited as the "Pharmacy Education Aid Act of 2001".

**SEC. 2. FINDINGS.**

[Congress makes the following findings:

[(1) Pharmacists are an important link in our Nation's health care system. A critical shortage of pharmacists is threatening the ability of pharmacies to continue to provide important prescription related services.

[(2) In the landmark report entitled "To Err is Human: Building a Safer Health System", the Institute of Medicine reported that medication errors can be partially attributed to factors that are indicative of a shortage of pharmacists (such as too many customers, numerous distractions, and staff shortages).

[(3) Congress acknowledged in the Healthcare Research and Quality Act of 1999 (Public Law 106-129) a growing demand for pharmacists by requiring the Secretary of Health and Human Services to conduct a study to determine whether there is a shortage of pharmacists in the United States and, if so, to what extent.

[(4) As a result of Congress' concern about how a shortage of pharmacists would impact the public health, the Secretary of Health and Human Services published a report entitled "The Pharmacist Workforce: A Study in Supply and Demand for Pharmacists" in December of 2000.

[(5) "The Pharmacist Workforce: A Study in Supply and Demand for Pharmacists" found that "While the overall supply of pharmacists has increased in the past decade, there has been an unprecedented demand for pharmacists and for pharmaceutical care services, which has not been met by the currently available supply" and that the "evidence clearly indicates the emergence of a shortage of pharmacists over the past two years".

[(6) The same study also found that "The factors causing the current shortage are of a nature not likely to abate in the near future without fundamental changes in pharmacy practice and education." The study projects that the number of prescriptions filled by community pharmacists will increase by 20 percent by 2004. In contrast, the number of community pharmacists is expected to increase by only 6 percent by 2005.

[(7) The demand for pharmacists will increase as prescription drug use continues to grow.

**SECTION 3. INCLUSION OF PRACTICE OF PHARMACY IN PROGRAM FOR NATIONAL HEALTH SERVICE CORPS.**

[(a) INCLUSION IN CORPS MISSION.—Section 331(a)(3) of the Public Health Service Act (42 U.S.C. 254d(a)(3)) is amended—

[(1) in subparagraph (D), by adding at the end the following: "Such term includes pharmacist services."; and