SENATE AMENDMENT

The Senate amendment reinstates the Oil Spill Liability Trust Fund tax. The tax applies on April 1, 2006, or if later, the last day of any calendar quarter for which the Secretary estimates that, as of the close of that quarter, the unobligated balance in the Oil Spill Liability Trust Fund is less than $2 billion.

The tax will be suspended during a calendar quarter if the Secretary estimates that, as of the close of the preceding calendar quarter, the unobligated balance in the Oil Spill Liability Trust Fund exceeds $3 billion. The tax terminates after December 31, 2014.

Effective date.—The provision is effective on the date of enactment.

CONFERENCE AGREEMENT

The conference agreement follows the Senate amendment with the following modification. The tax will be suspended during a calendar quarter if the Secretary estimates that, as of the close of the preceding calendar quarter, the unobligated balance in the Oil Spill Liability Trust Fund exceeds $2.7 billion.

12. Leaking Underground Storage Tank Trust Fund (sec. 1562 of the Senate amendment, sec. 1362 of the conference agreement, secs. 4041, 4081(d), 4082, 9508, and new sec. 6430 of the Code)

PRESENT LAW

The Code imposes an excise tax, generally at a rate of 0.1 cents per gallon, on gasoline, diesel, kerosene, and special motor fuels (other than liquefied petroleum gas and liquefied natural gas). The taxes are deposited in the Leaking Underground Storage Tank (''LUST'') Trust Fund. The tax expires on October 1, 2005.

Diesel fuel and kerosene that is to be used for a nontaxable purpose will not be taxed upon removal from the terminal if it is dyed to indicate its nontaxable purpose.

The Code requires the LUST Trust Fund to reimburse the General Fund for certain refund and credit claims related to the nontaxable use of fuel (only to the extent attributable to the LUST Trust fund financing rate).

HOUSE BILL

No provision.

SENATE AMENDMENT

Under the Senate amendment, the LUST Trust Fund tax is extended at the current rate through September 30, 2011. Further, all fuel, including dyed fuel, is subject to the LUST tax and no refund or claim for payment in the case of otherwise nontaxable use (other than exports) is permitted for such fuel. Under the provision, the LUST Trust Fund is no longer required to reimburse the General Fund for claims and credits related to the nontaxable use of fuel.

Effective date.—The provision is generally effective for fuel entered, removed or sold after September 30, 2005. The extension of the trust fund tax is effective October 1, 2005.

CONFERENCE AGREEMENT

The conference agreement follows the Senate amendment.

13. Clarification of tire excise tax (sec. 1573 of the Senate amendment, sec. 1364 of the conference agreement, and sec. 4072(e) of the Code)

PRESENT LAW

The Code imposes an excise tax on highway tires with a rated load capacity exceeding 3,500 pounds, generally at a rate of 9.45 cents per 10 pounds of excess. Biasply tires and super single tires are taxed at a rate of 4.725 cents for each 10 pounds of rated load capacity exceeding 3,500 pounds. A super single tire is a single tire greater than 13 inches in cross section width designed to replace two tires in a dual fitment.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment subjects super single tires to a tax of 8 cents per 10 pounds of excess rated load capacity over 3,500 pounds. It redefines super single tire to be a single tire greater than 17.5 inches in cross section width designed to replace two tires in a dual fitment.

Effective date.—The provision is effective for sales after September 30, 2005.

CONFERENCE AGREEMENT

The conference agreement clarifies that the definition of super single tire does not include tires designed to serve as steering tires. It is understood that steering axles are not equipped with a dual fitment. Therefore, tires classified as steering tires are not ''designed to replace two tires in a dual fitment.'' To the extent there is any perceived ambiguity in the present law definition, the conferees wish to clarify that steering tires are not included within the definition of super single tire eligible for the special rate of tax. Under the conference agreement, a ''super single tire'' is a single tire greater than 13 inches in cross section width designed to replace two tires in a dual fitment, but such term does not include any tire designed for steering.

With respect to the one-year period beginning on January 1, 2006, the IRS is required to report to the Congress on the amount of tax collected during such period for each class of taxable tire (e.g. biasply, super single, or other) and the number of tires in each such class on which tax is imposed during such period. The report must be submitted no later than July 1, 2007. The IRS is directed to revise the Form 720, Quarterly Federal Excise Tax Return, to collect the information necessary to prepare the report. The report is also to include total tire tax collections for an equivalent one-year period preceding the date of enactment of the American Jobs Creation Act of 2004.

Effective date.—The provision regarding the definition of a super single tire is effective as if included in section 869 of the American Jobs Creation Act of 2004. The study requirement is effective on the date of enactment.

14. Modify recapture of section 197 amortization (sec. 1363 of the conference agreement and sec. 1245 of the Code)

PRESENT LAW

Taxpayers are entitled to recover the cost of amortizable section 197 intangibles using the straight-line method of amortization over a uniform life of fifteen years. With certain exceptions, amortizable section 197 intangibles generally are purchased intangibles held by a taxpayer in the conduct of a business.

Gain on the sale of depreciable property must be recaptured as ordinary income to the extent of depreciation deductions previously claimed, and the recapture amount is computed separately for each item of property. Section 197 intangibles, because they are treated as property of a character subject to the allowance for depreciation, are subject to these recapture rules.

HOUSE BILL

No provision.

SENATE AMENDMENT

No provision.

CONFERENCE AGREEMENT

Under the conference agreement, if multiple section 197 intangibles are sold (or otherwise disposed of) in a single transaction or series of transactions, the seller must calculate recapture as if all of the section 197 intangibles were a single asset. Thus, any gain on the sale (or other disposition) of the intangibles is recaptured as ordinary income to the extent of ordinary depreciation deductions previously claimed on any of the section 197 intangibles.

The following example illustrates present law and the conference agreement:

Example.—In year 1, a taxpayer acquires two section 197 intangible assets for a total of $45. Asset A is assigned a cost basis of $15 and asset B is assigned a cost basis of $30. The allocation is irrelevant for amortization purposes, as the taxpayer will be entitled to a total of $3 per year ($45 divided by 15 years).

In year 6, the basis of A is $10 and the basis of B is $20. Taxpayer sells the assets for an aggregate sale price of $45, resulting in gain of $15. The character of this gain depends on the recapture amount, which depends in turn on the relative sales prices of the individual assets. Taxpayer has claimed $5 of amortization, and therefore has $5 of recapture potential, with respect to A. Taxpayer has claimed $10 of amortization, and therefore has $10 of recapture potential, with respect to B.

Under present law, if the sale proceeds are allocated $15 to A and $30 to B, the gain on assets A and B will be $5 and $10, respectively. These amounts match the recapture potential for each asset, so the full amount of the gain will be recaptured as ordinary income. However, if the sale proceeds instead are allocated $25 to A and $20 to B, the full $15 gain will be recognized with respect to A, and only $5 (full recapture potential with respect to A) will be recaptured as ordinary income. The remaining $10 of gain attributable to A will be treated as capital gain. No gain (and thus no recapture) will be recognized with respect to Asset B, and only $5 of the $15 recapture potential is recognized.

Under the conference agreement, the taxpayer calculates recapture as if assets A and B were a single asset. For purposes of the calculation, the proceeds are $45 and the gain is $15. Because a total of $15 of amortization has been claimed with respect to assets A and B, the full $15 gain is recaptured as ordinary income.

Effective date.—The conference agreement is effective for dispositions of property after the date of enactment.

F. TAX COMPLEXITY ANALYSIS

Section 4022(b) of the Internal Revenue Service Reform and Restructuring Act of 1998 (the ''IRS Reform Act'') requires the Joint Committee on Taxation (in consultation with the Internal Revenue Service and the Department of the Treasury) to provide a tax complexity analysis. The complexity analysis is required for all legislation reported by the Senate Committee on Finance, the House Committee on Ways and Means, or any committee of conference if the legislation includes a provision that directly or indirectly amends the Internal Revenue Code (the ''Code'') and has widespread applicability to individuals or small businesses.

The staff of the Joint Committee on Taxation has determined that a complexity analysis is not required under section 4022(b) of the IRS Reform Act because the bill contains no provisions that have ''widespread applicability'' to individuals or small businesses.

HONORING OUR ARMED FORCES

STAFF SERGEANT JASON MONTEFERING

Mr. JOHNSON. Mr. President, I rise today to pay tribute to Army SSG Jason Montefering, who died on July

24, 2005, while serving in Operation Iraqi Freedom. He was a member of the 3rd Armored Cavalry Division, and was killed when an improvised explosive device, IED, detonated near his military vehicle in Baghdad.

A graduate of Parkston High School, Staff Sergeant Montefering was serving his second tour of duty in Iraq. He will be remembered as a hard worker who was always ready to get his hands dirty, according to his former employer. While in high school, Jason worked part time at Murtha Repair in Parkston. Owner John Murtha remarked that Jason ''would sweep up and then help the mechanics. All of the guys liked working with him. He was a real good kid.''

Staff Sergeant Montefering is the 11th servicemember from South Dakota killed during hostilities in Iraq. He served our country with honor and died a hero defending it. My thoughts and prayers are with his family during this difficult time, as well as all those who have loved ones serving overseas.

I commend Staff Sergeant Montefering's commitment to his family, his Nation, and his community. Without question, his dedication to helping others will serve as his greatest legacy, and our Nation is a far better place because of Staff Sergeant Montefering's contributions.

I join all South Dakotans in expressing my sympathies to the friends and family of Staff Sergeant Montefering. I know he will be deeply missed, but his service to our Nation will never be forgotten.

SERGEANT JASON T. PALMERTON

Mr. HAGEL. Mr. President, I rise to express my sympathy over the loss of SGT Jason T. Palmerton of Auburn, NE, a Green Beret in the U.S. Army. Sergeant Palmerton was killed by small arms fire while on foot patrol on July 23 in Qal'eh-Yegaz, Afghanistan. He was 25 years old.

Sergeant Palmerton was born in Hamburg, IA, and grew up in Nebraska. He graduated from Auburn High School in 1998 and enlisted in the Army in 2002. Sergeant Palmerton was assigned to the 1st Battalion, 3rd Special Forces Group based in Fort Bragg, NC, and had been in Afghanistan for 6 weeks. He had learned Arabic and was working as a communications specialist. Sergeant Palmerton will be remembered as a loyal soldier who had a strong sense of duty, honor, and love of country. Thousands of brave Americans like Sergeant Palmerton are currently serving in Afghanistan.

Sergeant Palmerton is survived by his mother Denise Brown, of Auburn; father Steve Palmerton of Norman, OK; sisters, Elizabeth Schlange of Auburn, Amanda Palmerton of Omaha and Chelsea Palmerton of Norman; grandparents, Herman and Alice Moenning of Lincoln, and Thomas Palmerton of Brownville; and fiance Shelley Austin of North Carolina. Our thoughts and prayers are with them at this difficult time. America is proud of Sergeant Palmerton's heroic service and mourns his loss.

I ask my colleagues to join me and all Americans in honoring SGT Jason T. Palmerton.

STRIKING THE PRESIDENTIAL WAIVER AUTHORITY IN AMENDMENT NO. 1556

Mr. MCCAIN. Mr. President, on Monday I offered an amendment that would prohibit cruel, inhuman, or degrading treatment or punishment of persons under the custody or control of the U.S. Government. I was pleased that Senators WARNER, GRAHAM, and COLLINS joined as original cosponsors, and Senators CHAFEE and ALEXANDER have also joined as cosponsors.

After I offered the amendment, I agreed to modify it at the manager's request to include a Presidential waiver—section (b) of the pending amendment. It is now clear, however, that this would be inconsistent with the overall intent of my amendment, which is to ensure that there is full compliance with our treaty obligations, including with the prohibition against cruel, inhuman, and degrading treatment included in the Convention Against Torture, which was signed by President Reagan and ratified by the Senate.

For this reason, I have filed a second-degree amendment to amendment No. 1556 that would strike the waiver. When the Senate resumes consideration of the Defense authorization bill, I will either modify the pending amendment, seek action on the second-degree amendment, or simply file a new amendment without the waiver. In short, I will offer for consideration—and seek passage of—a statutory prohibition against cruel, inhuman, or degrading treatment or punishment, without a Presidential waiver.

SETTING THE RECORD STRAIGHT ON PAWS

Mr. SANTORUM. Mr. President, on May 26, 2005, I introduced with my colleague Senator DURBIN the Pet Animal Welfare Statute of 2005, or PAWS. PAWS amends the Animal Welfare Act to strengthen the Secretary of Agriculture's authority to deal with the problems of substandard animal dealers.

I want to make clear to our colleagues and the public that we believe the vast majority of animal dealers are conscientious persons who make every effort to treat their animals humanely and to comply with the law. But, unfortunately, there are some animal dealers who do not care properly for their animals and who seek to profit at the expense of the animals and the public. They exploit the weaknesses and loopholes in the current law to evade or ignore basic standards for the care and condition of animals. These substandard dealers give the entire pet industry a black eye, all the while preying upon the public. It is these unscrupulous animal dealers at which PAWS is targeted.

PAWS strengthens the Secretary of Agriculture's authority to deal with substandard animal dealers by making four important improvements to the Animal Welfare Act. First, it will bring under coverage of the Animal Welfare Act high volume dealers who are in every respect like those dealers currently regulated, but are evading regulation because they sell animals exclusively at retail. PAWS will continue to exempt real retail pet stores, and will add a new exemption for small dealers and hobby and show breeders. Second, PAWS will help the Secretary of Agriculture identify persons not complying with the law by requiring those who acquire animals for resale to keep records of the source from whom the animals are acquired and make these records available to the Secretary upon request. Third, PAWS will create an incentive for dealers to quickly correct serious problems by giving the Secretary authority to temporarily suspend dealers' licenses for up to 60 days if a violation is placing the health of an animal in imminent danger. Finally, PAWS will strengthen the authority of the Secretary to obtain injunctions to shut down dealers who fail to comply with the law.

The marketplace for animals has changed dramatically since the 1970s when the current animal dealer provisions of the act were written. At that time only retail pet stores and small hobby and show breeders sold pet animals, so regulating wholesale sellers and exempting persons who sold animals at retail and were regulated by the market made some sense. With the advent of the internet, mass national marketing channels, and mass importation of puppies for resale, there are a large number of unregulated dealers who are in every respect identical to the dealers regulated by the act, except that they evade regulation by selling exclusively at retail. By regulating these high volume retail sellers, we will assure that they meet the same standards for the humane care and treatment of animals that breeders and brokers selling at wholesale have been meeting for 30 years.

PAWS defines the term ''retail pet store'' so that only real retail pet stores are exempt, where customers can see the animals and the conditions where they are kept. PAWS also adds a specific exemption for small dealers and hobby and show breeders. Only persons who sell more than 25 dogs per year would be regulated. In addition, breeders who sell dogs and cats from fewer than 7 litters a year bred or raised on their own premises, or fewer than 25 dogs and cats per year bred or raised on their own premises, which ever is greater, would be exempt. For example, if an irish setter breeder has 6 litters that average 6 puppies each for a total of 36 puppies, they can sell them without being regulated. If a toy