

(iii) \$70,000,000 for each of fiscal years 1999 through 2002; and

(iv) \$55,000,000 for fiscal year 2003.

(B) Pro Rata Reductions.--The Secretary shall make pro rata reductions in the amounts otherwise payable to States under this section as necessary to comply with the funding limitation specified in subparagraph (A).

(j) Distribution of Child Support Collections.--Notwithstanding section 457 of the Social Security Act, support payments collected from the noncustodial parent of a child receiving (or who has received) child support assurance payments under this section shall be distributed as follows:

(1) first, amounts equal to the total support owed for such month shall be paid to the family;

(2) second, from any remainder, amounts owed to the State on account of child support assurance payments to the family shall be paid to the State (with appropriate reimbursement to the Federal Government of its share of such payments);

(3) third, from any remainder, arrearages of support owed to the family shall be paid to the family; and

(4) fourth, from any remainder, amounts owed to the State on account of current or past payments of aid under title IV-A of the Social Security Act shall be paid to the

State (with appropriate reimbursement to the Federal Government of its share of such payments).

(k) Evaluations and Reports.--(1) State Evaluations.--Each State administering a demonstration project under this section shall--

(A) provide for ongoing and retrospective evaluation of the project, meeting such conditions and standards as the Secretary may require; and

(B) submit to the Secretary such reports (at such times, in such format, and containing such information) as the Secretary may require, including at least an interim report not later than 90 days after the end of the fourth year of the project, and a final report not later than one year after the completion of the project, which shall include information on and analysis of the effect of the project with respect to--

(i) the economic circumstances of both noncustodial and custodial parents;

(ii) the rate of compliance by noncustodial parents with support orders;

(iii) work-force participation by both custodial and noncustodial parents;

(iv) need for or amount of aid to families with dependent children under title IV-A of the Social Security Act;

(v) paternity establishment rates; and

(vi) any other matters the Secretary may specify.

(2) Reports to Congress.--The Secretary shall, on the basis of reports received from States administering projects under this section, make the following reports, containing an assessment of the effectiveness of the projects and any recommendations the Secretary considers appropriate:

(A) an interim report, not later than six months following receipt of the interim State reports required by subsection (c); and

(B) a final report, not later than six months following receipt of the final State reports required under subsection (i).

(3) Funding for Costs to Secretary.--There are authorized to be appropriated \$10,000,000 for fiscal year 1997, to remain available until expended for payment of the cost of evaluations by the Secretary of demonstrations under this section.

SEC. 682. SOCIAL SECURITY ACT DEMONSTRATIONS.

Section 1115(c)(3) is amended by striking "increased cost" and all that follows and inserting "an increase in total costs to the Federal Government.".

PART I - ACCESS AND VISITATION GRANTS

SEC. 691. GRANTS TO STATES FOR ACCESS AND VISITATION PROGRAMS.

(a) In General.--Part D of title IV is amended by adding at the end the following new section:

"GRANTS TO STATES FOR ACCESS AND VISITATION PROGRAMS

"Sec. 469A. (a) Purposes; Authorization of Appropriations.--For the purposes of enabling States to establish and administer programs to support and facilitate absent parents' access to and visitation of their children, by means of activities including mediation (both voluntary and mandatory), counseling, education, development of parenting plans, visitation enforcement (including monitoring, supervision and neutral drop-off and pickup), and development of guidelines for visitation and alternative custody arrangements, there are authorized to be appropriated \$5,000,000 for each of fiscal years 1996 and 1997, and \$10,000,000 for each succeeding fiscal year.

"(b) Payments to States.--(1) Each State shall be entitled to payment under this section for each fiscal year in an amount equal to its allotment under subsection (c) for such fiscal year, to be used for payment of 90 percent of State expenditures for the purposes specified in subsection (a).

(2) Payments under this section shall be used by a State to supplement (and not to substitute for) expenditures by the State,

for activities specified in subsection (a), at a level at least equal to the level of such expenditures for fiscal year 1994.

"(c) Allotments to States.--(1) In General.--For purposes of subsection (b), each State shall be entitled (subject to paragraph (1)) to an amount for each fiscal year bearing the same ratio to the amount authorized to be appropriated pursuant to subsection (a) for such fiscal year as the number of children in the State living with only one biological parent bears to the total number of such children in all States.

"(2) Minimum Allotment.--Allotments to States under subparagraph (A) shall be adjusted as necessary to ensure that no State is allotted less than \$50,000 for fiscal year 1996 or 1997, or \$100,000 for any succeeding fiscal year.

"(d) Federal Administration.--The program under this section shall be administered by the Administration for Children and Families.

"(e) State Program Administration.--(1) Each State may administer the program under this section directly or through grants to or contracts with courts, local public agencies, or non-profit private entities.

"(2) State programs under this section may, but need not, be Statewide.

"(3) States administering programs under this section shall monitor, evaluate, and report on such programs in accordance with requirements established by the Secretary.

PART J - EFFECT OF ENACTMENT

SEC. 695. EFFECTIVE DATES.

(a) In General.--Except as otherwise specifically provided (but subject to subsections (b) and (c))--

(1) provisions of this title requiring enactment or amendment of State laws under section 466 of the Act, or revision of State plans under section 454 of the Act, shall be effective with respect to periods beginning on and after October 1, 1995; and

(2) all other provisions of this title shall become effective upon enactment.

(b) Grace Period for State Law Changes.--The provisions of this title shall become effective with respect to a State on the later of--

(1) the date specified in this title, or

(2) the effective date of laws enacted by the legislature of such State implementing such provisions, but in no event later than the first day of the first calendar quarter beginning after the close of the first regular session of the State legislature that begins after the date of enactment of this Act. For purposes of the previous sentence, in the case of

a State that has a 2-year legislative session, each year of such session shall be deemed to be a separate regular session of the State legislature.

(c) Grace Period for State Constitutional Amendment.--A State shall not be found out of compliance with any requirement enacted by this title if it is unable to comply without amending the State constitution until the earlier of--

(1) the date one year after the effective date of the necessary State constitutional amendment or

(2) the date five years after enactment of this title.

SEC. 696. SEVERABILITY.

If any provision of this title or the application thereof to any person or circumstance is held invalid, the invalidity shall not affect other provisions or applications of this title which can be given effect without regard to the invalid provision or application, and to this end the provisions of this title shall be severable.

TITLE VII - IMPROVING GOVERNMENT ASSISTANCE AND PREVENTING FRAUD

PART A - AFDC AMENDMENTS

SEC. 701. PERMANENT REQUIREMENT FOR UNEMPLOYED PARENT PROGRAM.

(a) In General.--Section 401(h) of the Family Support Act of 1988 (terminating the requirement that States provide benefits to two-parent families based on the unemployment of the principal earner) is repealed.

(b) Applicability to Puerto Rico, American Samoa, Guam, and the Virgin Islands.--Section 401(g)(2) of the Family Support Act of 1988 is amended, effective on the date of enactment of such Act, to read as follows:

"(2) The amendments made by this section (other than those made by subsection (c)) shall not become effective with respect to Puerto Rico, American Samoa, Guam, or the Virgin Islands unless the jurisdiction involved notifies the Secretary of Health and Human Services that it chooses to have such amendments apply and submits the necessary plan amendment.".

SEC. 702. STATE OPTIONS REGARDING UNEMPLOYED PARENT PROGRAM.

(a) Duration of Unemployment and Recency-of-Work Tests.--
(1) Section 407(b)(1)(A) of the Act (in the matter preceding clause (i)) is amended to read as follows:

"(A) subject to paragraph (2), shall provide for the payment of aid to families with dependent children with respect to a dependent child within the meaning of subsection (a) --".

(2) Such section is further amended--

(A) by striking out "whichever" in clause (i) and inserting in lieu thereof "when, if the State chooses to so require (and specifies in its State plan), whichever",

(B) by inserting "when" before such parent in clause (ii), and

(C) by striking out "(iii)(I)" and inserting in lieu thereof "(iii) when, if the State chooses to so require (and specifies in its State plan) (I)''.

(b) State Option to Define "Unemployment".--At its option, a State may provide aid under part A to children of employed parents and may apply, for purposes of section 407 of the Act, a definition of unemployment that includes some or all of the individuals who, solely by reasons of the standards prescribed by the Secretary of Health and Human Services under subsection (a) of such section and in effect on the date of enactment of this Act, would not have been eligible for aid to families with dependent children, and shall include such definition in its State plan approved under part A of title IV of the Act.

(c) Effective Date.-- The amendments made by this section and the provisions of this section shall become effective October 1, 1996.

SEC 703. DEFINITION OF ESSENTIAL PERSON.

(1) General Requirement.--Section 402 of the Act is amended by adding immediately after and below subsection (c) the following new subsection:

"(d) In order that the State may include the needs of an individual in determining the needs of the dependent child and

relative with whom the child is living, such individual must be living in the same home as such child and relative and--

"(1) furnishing personal services required because of the relative's physical or mental inability to provide care necessary for herself or himself or for the dependent child (which, for purposes of this subsection only, includes a child receiving supplemental security income benefits under title XVI), or

"(2) furnishing child care services, or care for an incapacitated member of the family, that is necessary to permit the caretaker relative --

"(A) to engage in full or part-time employment outside the home, or

"(B) to attend a course of education designed to lead to a high school diploma (or its equivalent) or a course of training on a full or part-time basis, or to participate in the program under part F on a full or part-time basis."

SEC. 704. EXPANDED STATE OPTION FOR RETROSPECTIVE BUDGETING.

Section 402(a)(13) of the Act is amended --

(1) by striking out in the matter that precedes subparagraph (A) "but only with respect to any one or more categories of families required to report monthly to the State agency pursuant to paragraph (14),"; and

(2) by striking out in each of subparagraphs (A) and (B) "(but only where the Secretary determines it to be appropriate, in the case of families who are required to report monthly to the State agency pursuant to paragraph (14),".

SEC. 705. DISREGARDS OF INCOME.

(a) Student Earnings.-- (1) In General.-- Section 402(a)(8)(A)(i) of the Act is amended by striking out "dependent child" and all that follows and inserting in lieu thereof "individual under age 19 who is an elementary or secondary school student".

(2) Conforming Amendments.-- Section 402(a) of the Act is amended--

(A)(i) by striking out "a dependent child who is a full-time student" in paragraph (8)(A)(vii) and inserting in lieu thereof "an individual under age 19 who is an elementary or secondary school student", and

(ii) by striking out "such child" in such paragraph and inserting in lieu thereof "such individual", and

(B) by striking out in paragraph (18) "of a dependent child" and inserting in lieu thereof "of an individual under age 19".

(b) Standard Earned Income Disregard Amount.-- (1) Section 402(a)(8)(A)(ii) of the Act is amended by striking out "\$90" and

inserting lieu thereof "\$120, or if greater, \$120 adjusted by the CPI (as prescribed in section 406(i))".

(2) The amendment made by this subsection shall become effective October 1, 1996.

(c) State Option to Disregard Earned Income.-- (1) In General.-- Section 402(a)(8)(A)(iv) of the Act is amended to read as follows:

"(iv) may, at its option, disregard amounts of earned income in addition to those required or permitted to be disregarded under this paragraph, and shall specify in its State plan any such additional amounts and the circumstances (including whether they will be disregarded for applicants as well as for recipients) under which they will be disregarded;"

(2) Conforming Amendments.--

(A) Clause (ii) of section 402(a)(8)(B) of the Act is repealed.

(B)(i) Section 402(a)(37) of the Act is amended by striking out "or because of paragraph (8)(B)(ii)(II)".

(ii) Section 1925(a) of the Act is amended by striking out "or because of section 402(a)(8)(B)(ii)(II)(providing for a time-limited earned income disregard)".

(C) Section 402(g)(1)(A)(ii) of the Act is amended by striking out "increased income" and all that follows down to

the period and inserting lieu thereof "amount of earnings from such employment".

(3) Effective Date.-- The amendments made by this subsection shall become effective October 1, 1996

(d) Disregard of Training Stipends.--Section 402(a)(8)(A)(v) of the Act is amended to read as follows:

"(v) shall disregard from the income of any individual applying for or receiving aid to families with dependent children any amount received as a stipend or allowance under the Job Training Partnership Act or under any other training or similar program;".

(e) Mandatory Child Support Pass-Through.--(1) Section 402(a)(8)(A)(vi) of the Act is amended--

(A) by striking out "\$50" (in two places) and inserting in lieu thereof "\$50, or, if greater, \$50 adjusted by the CPI (as prescribed in section 406(i))";, and

(B) by striking out the semicolon at the end and inserting in lieu thereof "or, in lieu of the amount specified in two places in this clause, such greater amount as the State may choose (and provide for in its State plan);".

(2) CPI Adjustment.--Section 406 of the Act is amended by adding at the end thereof the following new subsection:

"(i) For purposes of this part, an amount is 'adjusted by the CPI' for any month in a calendar year by multiplying the amount involved by the ratio of--

"(1) the Consumer Price Index (as prepared by the Department of Labor) for the third quarter of the preceding calendar year, to

"(2) such Consumer Price Index for the third quarter of calendar year 1996,
and rounding the product, if not a multiple of \$10, to the nearer multiple of \$10.".

(f) Lump-Sum Income.--(1) In General.--Section 402(a)(8)(A) of the Act is amended--

(1) by striking out "and" after clause (viii), and

(2) by adding after and below clause (viii) the following new clause:

"(ix) shall disregard from the income of any family member any amounts of income received in the form of nonrecurring lump-sum payments;".

(2) Repeal.--Section 402(a)(17) of the Act is repealed.

(g) Educational Assistance.-- Section 402(a)(8)(A) of the Act is further amended by adding after and below clause (ix) the following new clause:

"(x) shall disregard all educational assistance provided to a family member;".

(h) In-Kind Income.--Such section is further amended by adding after and below clause (x) the following new clause:

"(xi) shall disregard all in-kind income provided to a family member;"

(i) Benefits Under the National and Community Service Act.-- Such section is further amended by adding after and below clause (xi) the following new clause:

"(xii) shall disregard any living allowance, child care allowance, stipend, or educational award paid under section 140 of the National and Community Service Act of 1990 to a family member participating in a national service program carried out with assistance from the Corporation for National and Community Service;"

(j) "Fill-the-Gap" Disregards.-- (1) Such section is further amended by adding after and below clauses (xii) the following new clause:

"(xiii) may disregard, in addition to any other amounts required or permitted by this paragraph, income described in the State plan by type or source and by amount, but no amount in excess of the difference between the State's standard of need applicable to the family involved and the State's payment amount for a family of the same size with no other income;"

(2) The amendment made by this subsection shall become effective October 1, 1996.

SEC. 706. STEPPARENT INCOME.

(a) Section 402(a)(31) of the Act is amended by striking out "\$90" and inserting in lieu thereof "\$120" and by striking out the semicolon at the end and inserting in lieu thereof ", or, at the option of the State, so much of such income as exceeds any greater amount or amounts as the State agency finds appropriate to strengthen family life and provide incentives to increase earnings;".

(b) The amendment made by this section shall become effective October 1, 1996.

SEC. 707. INCREASE IN RESOURCE LIMIT.

Section 402(a)(7)(B) of the Act is amended (in the matter preceding clause (i)) by striking out "\$1000 or such lower amount as the State may determine "and inserting in lieu thereof "\$2000 or, in the case of a family with a member who is 60 years of age or older, \$3000".

SEC. 708. EXCLUSIONS FROM RESOURCES.

(a) Life Insurance.-- Section 402(a)(7)(B)(ii) of the Act is amended by striking out the semicolon at the end and inserting in lieu thereof ", and the cash value of life insurance policies;".

(b) Real Property which Must be Disposed of.--Section 402(a)(7)(B)(iii) of the Act is amended to read as follows: "real property which the family is making a good faith effort to dispose of at a reasonable price;".

(c) Exclusion of Payments of the EITC.-- Section 402(a)(7)(B) of the Act is amended--

(1) by striking out "or" after clause (iii), and

(2) by amending clause (iv) (pertaining to payments by reason of the Earned Income Tax Credit) by striking out "the following month" and inserting in lieu thereof "the following eleven-month period", and by striking out the semicolon at the end and inserting in lieu thereof "and any lump-sum payment of State earned income tax credits and any payments described in this clause shall be deemed to be expended prior to other resources that are not excluded;".

(d) Lump-Sum Payments for Medical Expenses or Replacement of Lost Resources.-- Section 402(a)(7)(B) of the Act is amended--

(1) by striking out "and" after clause (iv), and

(2) by adding after clause (iv) the following new clause: "(v) for the month of receipt and the following eleven-month period, amounts that have been paid as reimbursement (or payment in advance) for medical expenses or for the cost of repairing or replacing resources of the family;".

(e) Individual Development Accounts.-- Section 402(a)(7)(B) of the Act is amended by adding after clause (v) the following new clause: "(vi) amounts, not to exceed \$10,000 (including interest) in total, in one or more Individual Development Accounts established in accordance with (I) section 529 of the Internal Revenue Code of 1986 by any member of a family receiving aid to families with dependent children, or (II) under a demonstration project conducted under the Individual Development Account Demonstration Act of 1994, but only such amounts (including interest) that were credited to such account in a month for which such aid was paid, or food stamps provided, with respect to such individual or in any month after such a month;".

(f) Resources for Self-Employment.-- Section 402(a)(7)(B) of the Act is amended by adding after clause (vi) the following new clause: "(vii) liquid and nonliquid resources that are or will be used for the self-employment of a family member, to the extent and under the circumstances allowed by the State agency in accordance with regulations issued by the Secretary after consultation with the Secretary of Agriculture;".

SEC. 710. TRANSFER OF RESOURCES.--

Section 402(a)(7) of the Act is amended--

- (1) by adding "and" after subparagraph (C), and
- (2) by adding after and below subparagraph (C) the following new subparagraph:

"(D) shall determine ineligible for aid any family member who knowingly transfers resources for the purpose of qualifying or attempting to qualify for such aid for such period, not in excess of one year from the date of discovery of the transfer, determined in accordance with regulations of the Secretary;".

SEC. 711. LIMITATION ON UNDERPAYMENTS.

Section 402(a)(22)(C) of the Act is amended by striking out "an underpayment" and inserting in lieu thereof "an underpayment, the corrective payment shall be made regardless of whether the family is, at the time payment is made, receiving current payment of aid under the State plan but such payment shall not exceed the amount necessary to correct for the underpayment of aid during the twelve-month period immediately preceding the month in which the State agency first learned of the underpayment, and".

SEC. 712. COLLECTION OF AFDC OVERPAYMENTS FROM FEDERAL TAX REFUNDS.

(a) Authority to Intercept Tax Refund.-- (1) Part A of title IV of the Act is amended by adding at the end thereof the following new section:

"COLLECTION OF OVERPAYMENTS FROM FEDERAL TAX REFUNDS

"Sec. 418.(a). Upon receiving notice from a State agency administering a plan approved under this part that a named individual has been overpaid under the State plan approved under

this part, the Secretary of the Treasury shall determine whether any amounts as refunds of Federal taxes paid are payable to such individual, regardless of whether such individual filed a tax return as a married or unmarried individual. If the Secretary of the Treasury finds that any such amount is payable, he shall withhold from such refunds an amount equal to the overpayment sought to be collected by the State and pay such amount to the State agency.

"(b) The Secretary of the Treasury shall issue regulations, approved by the Secretary of Health and Human Services, that provide--

"(1) that a State may only submit under subsection (a) requests for collection of overpayments with respect to individuals (A) who are no longer receiving aid under the State plan approved under this part, (B) with respect to whom the State has already taken appropriate action under State law against the income or resources of the individuals or families involved as required under section 402(a)(22)(B), and (C) to whom the State agency has given notice of its intent to request withholding by the Secretary of the Treasury from their income tax refunds;

"(2) that the Secretary of the Treasury will give a timely and appropriate notice to any other person filing a

joint return with the individual whose refund is subject to withholding under subsection (a); and

"(3) the procedures that the State and the Secretary of the Treasury will follow in carrying out this section which, to the maximum extent feasible and consistent with the specific provisions of this section, will be the same as those issued pursuant to section 464(b) applicable to collection of past-due child support."

(2) Section 6402 of the Internal Revenue Code of 1986 (as previously amended by section 662 of this Act) is further amended--

(A) in subsection (a), by striking "(c) and (d)" and inserting "(c), (d), and (e)";

(B) by redesignating subsections (e) through (i) as subsections (f) through (j), respectively; and

(C) by inserting after subsection (d) the following new subsection:

"(g) Collection of overpayments under title IV-A of Social Security Act. The amount of any overpayment to be refunded to the person making the overpayment shall be reduced (after reductions pursuant to subsections (c) and (d), but before a credit against future liability for an internal revenue tax) in accordance with section 418 of the Social Security Act (concerning recovery of

overpayments to individuals under State plans approved under part A of title IV of such Act).".

(b) Conforming Amendment.-- Section 552a(a)(8)(B)(iv)(III) of title 5 of the United States Code is amended by striking out "section 464 or 1137 of the Social Security Act" and inserting in lieu thereof "section 419, 464, or 1137 of the Social Security Act.".

SEC. 713. VERIFICATION OF STATUS OF CITIZENS AND ALIENS.

(a) In General.--Section 1137(d) of the Act is amended by adding at the end thereof the following:

"(6) A State shall be deemed to meet the requirements of paragraph (1) with respect to the eligibility of each member of a family applying for aid under the State plan approved under part A of title IV, if the State requires, as a condition for such eligibility, a declaration in writing by an adult member of the family, under penalty of perjury, that each family member is a citizen of the United States or an alien eligible for aid under such State plan (and, with respect to a child born into a family receiving such aid, such declaration must be made no later than the time of the next redetermination of such family's eligibility following the birth of such child).".

(b) Effective Date.--The amendment made by subsection (a) shall become effective upon enactment.

SEC. 714. REPEAL OF REQUIREMENT TO MAKE CERTAIN SUPPLEMENTAL
PAYMENTS IN STATES PAYING LESS THAN THEIR NEEDS
STANDARDS.

Section 402(a)(28) of the Act is repealed.

SEC. 715. CALCULATION OF 185 PERCENT OF NEED STANDARD.

Section 402(a)(18) of the Act is amended by striking out
"without application of paragraph (8)(A)(viii)," and inserting
in lieu thereof "applying only the disregard provisions of
paragraph (8)(A) that appear in clauses (v)(income from a program
under the Job Training Partnership Act and similar programs),
(viii)(payments related to the Earned Income Tax Credit),
(ix)(certain lump-sum payments), (x)(educational assistance),
(xi) (in-kind income), and (xii)(certain payments under the
National and Community Service Act of 1990),".

SEC. 716. TERRITORIES.

(a) Section 1108(a) of the Act is amended by amending
paragraphs (1), (2), and (3) to read as follows:

"(1) for payment to Puerto Rico shall not exceed--

"(A) \$82,000,000 with respect to fiscal years
1994, 1995, and 1996, and

"(B) \$102,500,000 or, if greater, such amount
adjusted by the CPI (as prescribed in subsection (f))
for fiscal year 1997 and each fiscal year thereafter;

"(2) for payment to the Virgin Islands shall not exceed--

"(A) \$2,800,000 with respect to fiscal years 1994, 1995, and 1996, and

"(B) \$3,500,000 or, if greater, such amount adjusted by the CPI (as prescribed in subsection (f)) for fiscal year 1997 and each fiscal year thereafter; and

"(3) for payment to Guam shall not exceed--

"(A) \$3,800,000 with respect to fiscal year 1994, 1995, and 1996, and

"(B) \$4,750,000 or, if greater, such amount adjusted by the CPI (as prescribed in subsection (f)), for fiscal year 1997 and each fiscal year thereafter.".

(b) CPI Adjustment.--Section 1108 of the Act is amended by adding at the end thereof the following new subsection:

"(f) For purposes of subsection (a), an amount is 'adjusted by the CPI' for months in calendar year by multiplying that amount by the ratio of the Consumer Price Index as prepared by the Department of Labor for--

"(1) the third quarter of the preceding calendar year, to

"(2) the third quarter of calendar year 1996,

and rounding the product, if not a multiple of \$10,000, to the nearer multiple of \$10,000."

PART B -- FOOD STAMP ACT AMENDMENTS

SEC. 721. INCONSEQUENTIAL INCOME.

Section 5(d)(2) of the Food Stamp Act of 1977 (7 U.S.C. 2014(d)(2)) is amended to read as follows--

"(2) any inconsequential payments, as defined by the Secretary, received during the certification period, but not to exceed a total of such payments of \$30 per household member in any quarter, whether the household's income is calculated on a prospective or retrospective basis,".

SEC. 722. EDUCATIONAL ASSISTANCE.

Section 5 of the Food Stamp Act of 1977 (7 U.S.C. 2014) is amended by--

(1) striking clause (3) of subsection (d) and inserting in lieu thereof the following--

"(3) all educational assistance provided to a household member,";

(2) in the proviso of clause (5) of subsection (d), striking "and no portion of any educational loan" and all that follows through "provided for living expenses,"; and

(3) striking clause (3) of subsection (k).

SEC. 723. EARNINGS OF STUDENTS.

Effective on and after September 1, 1994, section 5(d)(7) of the Food Stamp Act of 1977 (7 U.S.C. 2014(d)(7)) is amended by--

(1) striking "a child who is a member of the household, who is"; and

(2) striking ", and who is 21" and inserting in lieu thereof "who is 18".

SEC. 724. TRAINING STIPENDS AND ALLOWANCES;

INCOME FROM ON-THE-JOB TRAINING PROGRAMS.

Section 5 of the Food Stamp Act of 1977 (7 U.S.C. 2014) is amended by--

(1) striking "and (16)" in subsection (d) and inserting in lieu thereof "(16)";

(2) inserting before the period at the end of subsection (d) ", and (17) any amount received by any member of a household as a stipend or allowance under the Job Training Partnership Act (29 U.S.C. 1501 et seq.) or under any other training or similar program"; and

(3) striking in subsection (1) the language beginning with "under section 204(b)(1)(C)" and all that follows through "19 years of age." and inserting in lieu thereof "shall be considered earned income for purposes of the food stamp program.".

SEC. 725. EARNED INCOME TAX CREDITS.

Effective on and after September 1, 1994, the second sentence of section 5(g)(3) of the Food Stamp Act of 1977 (7 U.S.C. 2014(g)(3)) is amended by--

(1) inserting "Federal or State lump-sum" immediately preceding "earned income tax credits"; and

(2) striking the language beginning with "if such member was participating" and all that follows through "the 12-month period".

SEC. 726. RESOURCES NECESSARY FOR SELF EMPLOYMENT.

Section 5(g)(3) of the Food Stamp Act of 1977 (7 U.S.C. 2014(g)(3)) is amended by adding the following new third and fourth sentences--

"The Secretary shall also exclude from financial resources loans obtained for the purposes of starting or operating a business. The Secretary may exclude from financial resources liquid or nonliquid resources that are or will be used for the self employment of any member of a household to the extent and under the circumstances allowed in regulations issued by the Secretary after consultation with and the Secretary of Health and Human Services.".

SEC. 727. LUMP-SUM PAYMENTS FOR MEDICAL EXPENSES OR REPLACEMENT
OF LOST RESOURCES.

Section 5(g)(3) of the Food Stamp Act of 1977 (7 U.S.C. 2014(g)(3)) as amended by this Act is further amended by adding the following new fifth sentence--

"The Secretary shall also exclude from financial resources, for a period of one year from their receipt, amounts that have been paid as reimbursements (or payment in advance) for medical expenses or for the cost of repairing or replacing resources of the family.".

SEC. 728. INDIVIDUAL DEVELOPMENT ACCOUNTS.

Section 5(g)(3) of the Food Stamp Act of 1977 (7 U.S.C. 2014(g)(3)) as amended by this Act is further amended by adding the following new sixth and seventh sentences--

"The Secretary shall also exclude from financial resources amounts, not to exceed \$10,000 (including interest) in total, in one or more Individual Development Accounts established in accordance with (A) section 529 of the Internal Revenue Code of 1986 (26 U.S.C. 1 et seq.) by any member of a household applying for or receiving assistance under this Act or (B) a demonstration project conducted under the Individual Development Account Demonstration Act of 1994, but only such amounts (including interest) that were credited to such account in a month for which

assistance was provided under this Act or aid to families with dependent children was provided pursuant to part A of the title IV of the Social Security Act, with respect to such individual, or in any month after such a month. The Secretary shall also exclude from financial resources, for the month of its receipt and the following month, a nonrecurring lump-sum payment received by any household member if the household member represents that the payment will be deposited in an Individual Development Account established as described in the preceding sentence."

SEC. 729. CONFORMING AMENDMENT.

Section 5(d)(8) of the Food Stamp Act of 1977 (7 U.S.C. 2014(d)(8)) is amended in the proviso by inserting "paragraph (3) of subsection (g) of this section or" immediately preceding "other laws".

PART C -- ECONOMIC INDEPENDENCE

SEC. 731. SHORT TITLE.

This title may be cited as the "Individual Development Account Demonstration Act of 1994".

SEC. 732. DECLARATION OF POLICY AND STATEMENT OF PURPOSE.

(a) Declaration of Policy.--It is the policy of the United States--

(1) to eliminate barriers that prevent recipients of Aid to Families with Dependent Children (AFDC) from becoming

self-sufficient through self-employment and asset accumulation;

(2) to identify and implement cost-effective strategies to encourage saving and entrepreneurship among the broadest possible range of low-income families, particularly families eligible for AFDC, and that have the potential to reduce Federal spending on transfers and services to the disadvantaged;

(3) to enhance private-sector opportunities for low-income families by enabling them to use their own human and financial resources through expansion of business investment, job creation, home ownership, and human capital investment; and

(4) to expand the capacity of local organizations to provide asset-related services that help people to help themselves such as savings mechanisms, loan funds, technical assistance, and entrepreneurial training.

(b) Statement of Purpose.--The purpose of the demonstration projects authorized under this title is to provide for a means of determining--

(1) the social, psychological, and economic effects of providing low-income individuals the opportunity to accumulate assets and develop and utilize entrepreneurial skills; and

(2) the extent to which an asset-based assistance policy may be used to enable individuals with low-income to achieve economic self-sufficiency.

SEC. 733. INDIVIDUAL DEVELOPMENT ACCOUNT DEMONSTRATION PROJECTS.

(a) In General.--Not later than one year after the date of enactment of this Act, any State or local government, or any qualified organization may apply to the Administrator/Chairperson of the Community Development Bank and Financial Institutions Fund (hereinafter the Administrator/Chairperson) for a grant to conduct individual development account demonstration projects for eligible persons.

(b) Contents.--Each application shall--

(1) describe the demonstration project;

(2) describe the persons who will participate in the project;

(3) demonstrate the ability of the applicant--

(A) to assist project participants in achieving economic self-sufficiency through the project; and

(B) to assist project participants in developing greater knowledge about savings, investments, and other financial matters;

(C) to oversee the use of grant funds, including the documentation and verification of start-up expenses in the case of entrepreneurial assistance; and

(D) to effectively administer the project;

(4) in the case of a qualified organization, document a commitment by the State in which the project is to be conducted to provide a specified amount of funds to the qualified organization for the project, and any similar commitment made to the qualified organization by any other non-Federal public entity or by any private entity;

(5) contain a plan for maintaining data and other information concerning assistance provided to project participants sufficient to evaluate the project and a certification that the applicant will fully cooperate and provide access to all information concerning the project in connection with any evaluation of the project conducted pursuant to subsection (1); and

(6) contain such other information as the Administrator/Chair may prescribe.

(c) Criteria.--In considering whether to approve an application, the Administrator/Chairperson shall assess the following:

(1) The degree to which the project described in the application is likely to aid project participants in achieving economic self-sufficiency through activities requiring qualified expenses. In making such assessment, the Administrator/Chairperson shall consider the overall quality of

project activities and shall not consider any particular kind or combination of such qualified expenses to be an essential feature of any project.

(2) The ability of the applicant to responsibly administer the project.

(3) The amount of funds from non-Federal sources that are committed to the project.

(4) The adequacy of the plan for maintaining information necessary to evaluate the project.

(d) Approval.--

(1) The Administrator/Chairperson shall, on a competitive basis, approve such applications to conduct demonstration projects under this section as the Administrator/Chairperson deems appropriate on the basis of the criteria described in subsection (c).

(2) No court shall have jurisdiction to review the approval or nonapproval of any application by the Administrator/Chairperson.--

(e) Demonstration Authority; Annual Grants.--

(1) Demonstration Authority.--The approval by the Administrator of an application shall authorize the applicant (hereinafter the grantee) to conduct the project for five project years in accordance with the approved application and the requirements of this section.

(2) Annual Grants.--The Administrator/Chairperson shall make a grant to each grantee on the first day of each project year.

(f) Reserve Fund.--

(1) Establishment.--Each grantee shall establish a reserve fund that shall be used in accordance with this subsection.

(2) Deposits.--

(A) As soon after receipt as is practicable, a grantee shall deposit into the reserve fund--

(i) all annual grants made by the Administrator/Chairperson;

(ii) all funds provided to the grantee by any non-Federal public or private entity to conduct the demonstration project;

(iii) all proceeds from any investments made pursuant to paragraph (4); and

(iv) all amounts title to which vests in the grantee pursuant to subsection (h)(5).

(3) Expenditures.--A grantee shall use amounts in the reserve fund only--

(A) to assist project participants in obtaining the skills and information necessary to achieve eco-

conomic self-sufficiency through activities requiring the payment of qualified expenses;

(B) to provide financial assistance in accordance with subsection (h) to project participants;

(C) to administer the project; and

(D) to maintain and provide information necessary for the evaluation of the project pursuant to subsection (1).

(4) Accounting Standards.--The Administrator/Chairperson shall prescribe regulations governing the accounting of amounts deposited in and withdrawn from reserve funds.

(5) Termination of Project.--Notwithstanding paragraph (3), upon the termination of any demonstration project approved under this section, remaining amounts in the reserve fund established with respect to such project and remaining investments made from amounts in the reserve fund shall be distributed to the Administrator/Chairperson and each non-Federal public or private entity that contributed to the project in proportion to their contributions.

(g) Selection of Eligible Persons to Receive Assistance.--A grantee shall provide individual development account assistance to eligible persons whom the grantee deems to be best situated to benefit from such assistance, taking into account the amount of

grants made by the Administrator/Chairperson and other funds available to the grantee for such assistance.

(h) Financial Assistance for Individual Development Accounts.--

(1) In General.-- A grantee shall provide initial financial assistance to a project participant who establishes an individual development account, not to exceed \$500 per participant. Such financial assistance shall be deposited in the individual development account established by a project participant.

(2) Matching Contributions.--The Administrator/Chairperson or a grantee may make matching contributions of not less than 50 cents and not more than \$4 for every \$1 dollar deposited into an individual development account by a project participant, not to exceed \$2,500 for any project participant.

(3) Limitation on Use.--

(A) Financial assistance provided pursuant to paragraph (1) shall not be available for use by a project participant until--

(i) the individual development account is closed; and

(ii) a project participant has deposited into the individual development account an amount

equal to the initial financial assistance provided pursuant to paragraph (1).

(B) Financial assistance provided pursuant to paragraph (1) or (2) shall be used by a project participant only for the payment of qualified expenses.

(4) Applicability of Other Law.--The provisions of section 529 of the Internal Revenue Code of 1986 (26 U.S.C. 529) and such rules, regulations and procedures as may be prescribed by the Secretary of the Treasury under such Code shall apply to an individual development account for which financial assistance is provided pursuant to this subsection.

(5) Effect of Prohibited Transactions.--In the event that an individual development account ceases to be an individual development account under the provisions of section 529(e)(2) of the Internal Revenue Code of 1986 (26 U.S.C. 529(e)(2)), or any portion of an individual development account is treated as distributed under the provisions of section 529(e)(3) of the Internal Revenue Code of 1986 (26 U.S.C. 529(e)(3)), title to all amounts in such an account, or such portion of an account, attributable to financial assistance provided pursuant to paragraph (1) or (2) shall vest in the grantee providing financial assistance

pursuant to paragraph (1) and such amounts shall be paid to such grantee.

(i) Local Control Over Demonstration.--

(1) Each grantee shall, subject to the provisions of subsection (k), have sole responsibility for the administration of demonstration projects approved by the Administrator/Chairperson.

(2) The Administrator/Chairperson may prescribe such regulations as may be necessary to ensure that grantees comply with the terms of approved applications and the requirements of this section.

(j) Annual Reports.--

(1) In General.-- Each grantee shall annually report to the Administrator/Chairperson concerning the progress of each approved demonstration project administered by such grantee. The report shall, at a minimum--

(A) describe project participants;

(B) contain an audited financial statement for the reserve fund established with respect to the project;

(C) provide information on amounts deposited in individual development accounts of project participants to whom such assistance is provided under the project; and

(D) such other information as the Administrator/Chairperson may require with respect to the evaluation of the project pursuant to subsection (1).

(2) Submission.--Reports required by paragraph (1) shall be submitted annually not later than the anniversary of the date the Administrator/Chairperson approved the application for the demonstration project.

(3) Coordination with State Government.--A grantee shall transmit a copy of each report required by paragraph (1) to the Treasurer (or equivalent official) of the State in which the project is conducted at the time prescribed by paragraph (2).

(k) Sanctions.--

(1) Revocation of Demonstration Authority.-- If the Administrator/Chairperson determines a grantee is not conducting a demonstration project in accordance with the approved application and the requirements of this section, and has failed to undertake corrective action satisfactory to the Administrator/Chairperson, the Administrator/Chairperson may revoke the approval to conduct the project. A determination by the Administrator/Chairperson to revoke the approval for a demonstration project shall not be subject to review by any court.

(2) Actions Required Upon Revocation.--

(A) If the Administrator/Chairperson revokes approval to conduct a demonstration project pursuant to paragraph (1), the Administrator/Chairperson—

(i) shall suspend the project;

(ii) shall take control of the reserve fund established pursuant to subsection (f) with respect to such project; and

(iii) shall solicit applications from entities described in subsection (a) to conduct the suspended project in accordance with the approved application (or under such terms and conditions as the Administrator may prescribe) and the requirements of this section.

(B) If the Administrator/Chairperson approves an application to conduct the suspended project, the Administrator/Chairperson shall transfer to the new grantee control of the reserve fund established pursuant to subsection (f) for the project, and such grantee shall be considered to be the original grantee for purposes of this section. The date the Administrator/Chairperson approved the application of the new grantee to conduct the suspended project shall apply for purposes of the annual reports required by subsection (j).

(C) If the Administrator/Chairperson has not approved an application to conduct a project by the date that is one year after approval to conduct the project was revoked, the Administrator/Chairperson shall--

(i) terminate the project; and

(ii) distribute remaining amounts in the reserve fund for such project and investments made from amounts in the reserve fund in accordance with the provisions of subsection (f)(6).

(1) Project Evaluations.--

(1) In General.-- Not later than six months after the date of enactment of this Act, the Administrator/Chairperson, in consultation with the Secretary of the Treasury and the Secretary of the Department of Health and Human Services, shall enter into a contract with an independent organization (hereinafter "evaluator") for the evaluation of individual demonstration projects conducted pursuant to this section and the effectiveness of assistance provided to eligible persons pursuant to this section.

(2) Evaluations.-- In entering into the contract provided for in paragraph (1), the Administrator/Chairperson should consider providing for evaluation of--

(A) the types of information and public education efforts that attract project participants;

(B) the accessibility of the demonstration project by participants and the ease of participation;

(C) the level of financial assistance required to stimulate participation in the demonstration project, and whether such level varies among different demographic populations;

(D) whether project features utilized in conjunction with individual development accounts (such as peer support, structured planning exercises, mentoring, and case management) contribute to participation in the project;

(E) the level of self-sufficiency achieved by project participants as measured by employment or self-employment rates, earned and investment income, exit rates, poverty rates, and recidivism rates, particularly for program participants eligible for food stamp benefits and AFDC;

(F) the reduction in the level of public expenditure on project participants as measured by changes in overall support payments including AFDC, food stamp benefits, Federal child care assistance, Federal housing assistance, JOBS, and other benefits, taking into

account costs incurred by the Federal Government in support of demonstration projects;

(G) the level of asset accumulation by project participants as measured by savings rates, net worth, business start-ups, human capital investments, new homes, number of loans to low-income and AFDC eligible families, and whether asset accumulation continued after a subsidy or other assistance;

(H) the economic, psychological, and social effects of asset accumulation; and

(I) the circumstances concerning and the extent to which asset accumulation by project participants contributes to--

(i) a greater sense of security and control and positive outlook;

(ii) greater household stability;

(iii) increased long-term planning;

(iv) increased efforts to maintain and develop assets;

(v) greater knowledge about savings, investments, and other financial matters;

(vi) increased effort and success in educational achievement within the household;

(vii) increased specialization in career development;

(viii) improved social status;

(ix) increased political participation;

(x) increased community involvement;

(xi) increased earned income;

(xii) decreased reliance on traditional forms of public assistance, with particular emphasis on food stamp benefits and AFDC; and

(xiii) increased tendency to save during and after the period of project participation.

(3) Methodological Requirement.-- In evaluating any demonstration project conducted under this section, the evaluator should obtain such quantitative data before, during, and after the project, as is necessary to evaluate the project and include randomly assigned control groups.

(m) Definitions.-- As used in this section:

(1) Household.-- The term "household" means all individuals who share use of a dwelling unit as primary quarters for living and eating separately from other individuals in the living quarters.

(2) Net Worth.--

(A) In General.-- Except as provided in subparagraph (B), the term "net worth" means, with respect to

a household, the aggregate fair market value of all assets that are owned in whole or in part by any member of the household, less the obligations or debts of any member of the household.

(B) Assets Excluded.-- Net worth shall be determined without taking into account the fair market value and the obligations or debts of--

(i) the primary dwelling unit of the household;

(ii) the motor vehicle having the greatest equity value; and

(iii) items essential for daily living, such as clothes, furniture, and similar items of limited value.

(3) Individual Development Account.-- The term "individual development account" shall have the same meaning given such term in section 529 of the Internal Revenue Code of 1986 (26 U.S.C. 529).

(4) Project Year.-- The term "project year" means with respect to a demonstration project, any of the six consecutive 12-month periods beginning on the date the project is approved by the Administrator.

(5) Qualified Organization.-- The term "qualified organization" means a community development financial

institution as defined in section ____ of the Community Development Banking and Financial Institutions Act of 1994.

(6) Eligible Person Defined.-- The term "eligible person" means any person who is a member of a household that meets all of the following requirements:

(A) EITC Test.-- The household has at least one individual who is an eligible individual within the meaning of section 32(c)(1) of the Internal Revenue Code of 1986 for purposes of the earned income tax credit.

(B) Income Test.-- The household did not have adjusted gross income (as determined pursuant to the Internal Revenue Code of 1986) in the immediately preceding calendar year in excess of \$18,000.

(C) Net Worth Test.-- The net worth of the household, as of the close of the immediately preceding calendar year, did not exceed \$20,000.

(7) Qualified Expenses.-- The term "qualified expenses" shall have the same meaning as provided in section 529(c)(1) of the Internal Revenue Code of 1986 (26 U.S.C. 529(c)(1)).

(n) Authorization of Appropriations.-- To carry out the purposes of this section there are authorized to be appropriated to the Administrator/Chairperson--

- (1) \$10,000,000 for fiscal year 1997,
- (2) \$20,000,000 for each of fiscal years 1998, 1999, 2000, and 2001, and
- (3) \$10,000,000 for fiscal year 2002.

SEC. 734. INDIVIDUAL DEVELOPMENT ACCOUNTS.

(a) In General.-- Subchapter F of chapter 1 of the Internal Revenue Code of 1986 (relating to additional itemized deductions for individuals) is amended by adding at the end of the following new part:

"PART VIII—INDIVIDUAL DEVELOPMENT ACCOUNTS

"SEC. 529. INDIVIDUAL DEVELOPMENT ACCOUNTS.

"(a) Establishment of Accounts.--

"(1) In General.-- An individual development account may be established by or on behalf of an eligible individual for the purpose of accumulating funds to pay the qualified expenses of such individual.

"(2) Eligible Individual.-- The term 'eligible individual' means an individual—

"(A) for whom assistance is provided under section 733(h) of the Individual Development Account Demonstration Act;

"(B) receiving assistance under 42 U.S.C. 601 et seq.; or

"(C) receiving assistance under 7 U.S.C. 2011 et seq.

"(b) Limitations.--

"(1) Account to Benefit One Individual.-- An individual development account may not be established for the benefit of more than one individual.

"(2) Multiple Accounts.-- If, at any time during a calendar year, two or more individual development accounts are maintained for the benefit of an eligible individual, such individual shall be treated as an eligible individual for such year only with respect to the account first established.

"(3) Who May Contribute.-- Contributions to an individual development account, other than contributions made pursuant to section 733(h) of the Individual Development Account Demonstration Act, may be made only by an eligible individual and in the case of an eligible individual described in subsection (e)(2)(A), by another eligible individual who is a member of the same household as the eligible individual.

"(4) Annual Limit.-- Contributions to an individual development account by or on behalf of an eligible individual for any taxable year shall not exceed the lesser of \$1,000 or 100% of the earned income, within the meaning

of section 32(c)(2), of the eligible individual making such contribution. No contribution to the account under section 733(h) of the Individual Development Account Demonstration Act shall be taken into account for the purposes of this limitation. No contribution may be made to an individual development account by or on behalf of any individual after such individual has ceased to be an eligible individual.

"(5) Limit on Total Contributions.-- Total contributions to an individual development account for all years may not exceed \$10,000.

"(c) Definitions and Special Rules.-- For the purposes of this section--

"(1) Qualified Expenses.-- In the case of an eligible individual described in subsection (a)(2)(A), the term 'qualified expenses' means one or more of the expenses described in subparagraphs (A), (B), (C), and (D), as provided by the entity providing assistance to the eligible individual under section 733(h) of the Individual Development Account Demonstration Act. In the case of any other eligible individual, the term 'qualified expenses' means one or more of the expenses described in subparagraph (A), (B), (C), or (D).

"(A) Post-Secondary Education Expenses.-- Post-secondary educational expenses paid from an individual

development account directly to an eligible educational institution. For the purposes of this subparagraph--

"(i) the term 'post-secondary educational expenses' means--

"(I) tuition and fees required for the enrollment or attendance of a student at an eligible educational institution;

"(II) fees, books, supplies, and equipment required for courses of instruction at an eligible educational institution; and

"(III) a reasonable allowance for meals, lodging, transportation, and child care, while attending an eligible educational institution; and

"(ii) the term 'eligible educational institution' means--

"(I) an institution described in section 481(a)(1) or 1201(a) of the Higher Education Act of 1965 (20 U.S.C. 1088(a)(1) or 1141(a)), as such sections are in effect on the date of the enactment of this section; and

"(II) an area vocational education school (as defined in subparagraph (C) or (D)

of section 521(4) of the Carl D. Perkins Vocational and Applied Technology Education Act Amendments of 1990 (20 U.S.C. 2471 (4))) in any State (as defined in section 521(33) of such Act), as such section is in effect on the date of the enactment of this section.

"(B) First-Home Purchase.-- Qualified acquisition costs with respect to a qualified principal residence for a qualified first-time homebuyer, if paid from an individual development account directly to the persons to whom the amounts are due. For purposes of this subparagraph--

"(i) the term 'qualified acquisition costs' means the costs of acquiring, constructing, or reconstructing a residence, and includes any usual or reasonable settlement, financing, or other closing costs;

"(ii) the term 'qualified principal residence' means a principal residence (within the meaning of section 1034), the qualified acquisition costs of which do not exceed 80 percent of the average area purchase price applicable to such residence (determined in accordance with paragraphs (2) and (3) of section 143(e));

"(iii) the term 'qualified first-time home-buyer' means a taxpayer (and, if married, the taxpayer's spouse) who has no present ownership interest in a principal residence during the three-year period ending on the date on which a binding contract was entered into to acquire, construct, or reconstruct the principal residence to which this subparagraph applies.

"(C) Business Capitalization.-- Amounts paid from an individual development account directly into a business capitalization account which is established in a federally insured financial institution and is restricted to use solely for qualified business capitalization expenses. For purposes of this subparagraph--

"(i) the term 'qualified business capitalization expenses' means qualified expenditures for the capitalization of a qualified business pursuant to a qualified plan;

"(ii) the term 'qualified expenditures' means expenditures included in a qualified plan, including capital, plant, equipment, working capital, and inventory expenses;

"(iii) the term 'qualified business' means any business that does not contravene any law or public policy (as determined by the Administrator of the Community Development Bank and Financial Institutions Fund);

"(iv) the term 'qualified plan' means a business plan

"(I) that is approved by a financial institution, or any other institution designated as a community development financial institution, having demonstrated fiduciary integrity;

"(II) that includes a description of services or goods to be sold, a marketing plan, and projected financial statements; and

"(III) that may require the eligible individual to obtain assistance of an experienced entrepreneurial advisor.

"(D) Transfers to IDAs of Family Members.--
Amounts in an individual development account may be paid or transferred directly into another such account established for the benefit of an eligible individual who is--

"(i) the taxpayer's spouse; or

"(ii) any dependent of the taxpayer with respect to whom the taxpayer is allowed a deduction under section 151.

"(2) Individual Development Account.-- The term 'individual development account' means a trust created or organized in the United States exclusively for the purpose of paying the qualified expenses of an individual who was an eligible individual at the time when contributions were made to such trust, but only if the written instrument creating the trust meets the following requirements:

"(A) No contribution will be accepted unless it is in cash or check.

"(B) The trustee is a financial institution insured by an instrumentality of the Federal Government.

"(C) The assets of the account will be invested only in federally insured deposits and/or stock of a regulated investment company within the meaning of section 851(a), in accordance with the direction of the eligible individual.

"(D) The assets of the trust will not be commingled with other property except in a common trust fund or common investment fund.

"(E) Except as provided in subparagraph (F), any amount in the account which is attributable to assis-

tance provided under section 733(h) of the Individual Development Account Demonstration Act may be paid or distributed out of the account only for the purpose of paying the qualified expenses of the eligible individual.

"(F)(i) Any balance in the account on the day after the date on which the individual for whose benefit the trust is established dies will be transferred within 60 days of such date as directed by such individual to another individual development account established for the benefit of an individual who is a family member described in subsection (c)(1)(D) and who is an eligible individual, or who was an eligible individual on the day immediately preceding the date on which the individual for whose benefit the trust is established dies.

"(ii) In any case where clause (i) does not apply, the portion of the account attributable to contributions other than those provided under section 733(h) of the Individual Development Account Demonstration Act shall be paid out within five years of the date of death to the beneficiaries of the individual for whose benefit the account was established, and the balance shall vest in the grantee

providing assistance under section 733(h) of the Individual Development Account Demonstration Act and shall be paid to such grantee within 60 days of the day after the date of death.

"(3) Time When Contributions Deemed Made.-- A taxpayer shall be deemed to have made a contribution to an individual development account on the last day of the preceding taxable year if the contribution is made on account of such taxable year and is made not later than the time prescribed by law for filing the return for such taxable year (not including extensions thereof).

"(d) Tax Treatment of Distributions.--

"(1) In General.-- Except as otherwise provided in this subsection, any amount paid or distributed out of an individual development account shall be included in gross income of the payee or distributee for the taxable year in the manner provided in section 72.

"(2) Treatment of Assistance Contributions.--

"(A) Distributions Used to Pay Qualified Expenses.-- If a distribution or payment from an individual development account is used exclusively to pay the qualified expenses incurred by the individual for whose benefit the account is established, then, for purposes of section 72, assistance contributions made to such

individual development account under section 733(h) of the Individual Development Account Demonstration Act shall be treated in the same manner as contributions made by the individual.

"(B) Distributions Not Used to Pay Qualified Expenses.-- If a distribution or payment from an individual development account is not used exclusively to pay the qualified expenses incurred by the individual for whose benefit the account is established, then, for purposes of section 72, assistance contributions made to such individual development account under section 733(h) of the Individual Development Account Demonstration Act shall be treated in the same manner as earnings on the account.

"(e) Tax Treatment of Accounts.--

"(1) Exemption From Tax.-- An individual development account is exempt from taxation under this subtitle unless such account has ceased to be an individual development account by reason of paragraph (2). Notwithstanding the preceding sentence, any such account is subject to the taxes imposed by section 511 (relating to imposition of tax on unrelated business income of charitable, etc. organizations).

"(2) Loss of Exemption of Account Where Individual Engages in Prohibited Transaction.--

"(A) In General.-- If the individual for whose benefit an individual development account is established or any individual who contributes to such account engages in any transaction prohibited by section 4975 with respect to the account, the account shall cease to be an individual development account as of the first day of the taxable year (of the individual so engaging in such transaction) during which such transaction occurs.

"(B) Account Treated as Distributing All its Assets.-- In any case in which any account ceases to be an individual development account by reason of subparagraph (A) as of the first day of any taxable year—

"(i) all assets in the account on such first day that are attributable to assistance provided under section 733(h)(1) and (2) of the Individual Development Account Demonstration Act shall be paid as provided in section 733(h)(5) of such Act; and

"(ii) the provisions of subsection (d)(1) shall apply as if there was a distribution on such first day in an amount equal to the fair market

value of all other assets in the account on such first day.

"(3) Effect of Pledging Account as Security.-- If, during any taxable year, the individual for whose benefit an individual development account is established, or any individual who contributes to such account, uses the account or any portion thereof as security for a loan--

"(A) an amount equal to the part of the portion so used which is attributable to assistance provided under section 733(h)(1) and (2) of the Individual Account Demonstration Act shall be paid as provided in section 733(h)(5) of such Act; and

"(B) the remaining part of the portion so used shall be treated as distributed under the provisions of subsection (d)(1) to the individual so using such portion.

"(f) Additional Tax on Certain Amounts Included in Gross Income.--

"(1) Distribution Not Used for Qualified Expenses.-- In the case of any payment or distribution that is not used exclusively to pay qualified expenses incurred by the eligible individual for whose benefit the account is established, the tax liability of each payee or distributee under this chapter for the taxable year in which the payment or distri-

bution is received shall be increased by an amount equal to 10 percent of the amount of the distribution that is included in the gross income of such payee or distributee for such taxable year.

"(2) Disqualification Cases.-- If any amount includible in the gross income of an individual for a taxable year because such amount is required to be treated as a distribution under paragraph (2) or (3) of subsection (e), the tax liability of such individual under this chapter for such taxable year shall be increased by an amount equal to 10 percent of such amount required to be treated as a distribution and included in the gross income of such individual.

"(3) Disability or Death Cases.-- Paragraphs (1) and (2) shall not apply if the payment or distribution is made after the individual for whose benefit the individual development account becomes disabled within the meaning of section 72(m)(7) or dies.

"(g) Community Property Laws.-- This section shall be applied without regard to any community property laws.

"(h) Custodial Accounts.-- For purposes of this section, a custodial account shall be treated as a trust if the assets of such account are held by a bank (as defined in section 408(n)) or another person who demonstrates, to the satisfaction of the Administrator of the Community Development Bank and Financial

Institutions Fund, that the manner in which he will administer the account will be consistent with the requirements of this section, and if the custodial account would, except for the fact that it is not a trust, constitute an individual development account described in subsection (c)(2). For purposes of this title, in the case of a custodial account treated as a trust by reason of the preceding sentence, the custodian of such account shall be treated as the trustee thereof.

"(i) Reports.--

"(1) The trustee of an individual development account established by or on behalf of an eligible individual described in subsection (a)(2)(A) shall--

"(A) prepare reports regarding the account with respect to contributions, distributions, and any other matter required by the Administrator of the Community Development Bank and Financial Institutions Fund under regulations; and

"(B) submit such reports, at the time and in the manner prescribed by the Administrator of the Community Development Bank and Financial Institutions Fund in regulations, to--

"(i) the individual for whose benefit the account is maintained;

"(ii) the organization providing assistance to the individual under section 733(h) of the Individual Development Account Demonstration Act; and

"(iii) the Administrator of the Community Development Bank and Financial Institutions Fund.

"(2) The trustee of any individual development account shall make such reports regarding such account to the Secretary and to the individual for whom the account is, or is to be, maintained with respect to contributions (and the years to which they relate), distributions, and such other matters as the Secretary may require under forms or regulations. The reports required by this subsection--

"(A) shall be filed at such time and in such manner as the Secretary prescribes in such forms or regulations, and

"(B) shall be furnished to individuals--

"(i) not later than January 31 of the calendar year following the calendar year to which such reports relate, and

"(ii) in such manner as the Secretary prescribes in such forms or regulations.".

(b) Contribution Not Subject to the Gift Tax.-- Section 2503 of the Internal Revenue Code of 1986 (26 U.S.C. 2503)

(relating to taxable gifts) is amended by adding at the end thereof the following new subsection:

"(h) Individual Development Accounts.-- Any contribution made by an individual to an individual development account described in section 529(c)(2) shall not be treated as a transfer of property by gift for purposes of this chapter."

(c) Tax on Prohibited Transactions.-- Section 4975 of the Internal Revenue Code of 1986 (26 U.S.C. 4975) (relating to prohibited transactions) is amended--

(1) by adding at the end of subsection (c) the following new paragraph:

"(4) Special Rule for Individual Development Accounts.--An individual for whose benefit an individual development account is established and any contributor to such account shall be exempt from tax imposed by this section with respect to any transaction concerning such account (which would otherwise be taxable under this section) if, with respect to such transaction, the account ceases to be an individual development account by reason of section 529(e)(2)(A) to such account."; and

(2) in subsection (e)(1), by inserting ", an individual development account described in section 529(c)(2)" after "section 408(a)".

(d) Information Reporting.-- Section 6047 of the Internal Revenue Code of 1986 (26 U.S.C. 6693) (relating to information returns) is amended by adding at the end of subsection (c) the following new sentence: "To the extent provided by forms or regulations prescribed by the Secretary, the provisions of this section shall apply to any transaction of any trust described in section 529.".

(e) Failure to Provide Reports on Individual Development Accounts.-- Section 6693 of the Internal Revenue Code of 1986 (26 U.S.C. 6693) (relating to failure to provide reports on individual retirement accounts or annuities) is amended--

(1) in the heading of such section, by inserting "OR ON INDIVIDUAL DEVELOPMENT ACCOUNTS" after "ANNUITIES"; and

(2) by adding at the end of subsection (a) the following new sentence: "The person required by section 529(i) to file a report regarding an individual development account at the time and in the manner required by such section shall pay a penalty of \$50 for each failure, unless it is shown that such failure is due to reasonable cause.".

(f) Special Rule for Determining Amounts of Support for Dependent.-- Section 152(b) of the Internal Revenue Code of 1986

(26 U.S.C. 152(b)) (relating to definition of dependent) is amended by adding at the end the following new paragraph:

"(6) A distribution from an individual development account described in section 529(c)(2) used exclusively to pay qualified expenses described in section 529(c)(1) of the individual for whose benefit the account is established shall not be taken into account in determining support for such individual for purposes of this section."

(g) Clerical Amendments.--

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

"Part VIII. Individual Development Accounts."

(2) The table of sections for subchapter B of chapter 68 of such Code is amended by amending the item relating to section 6693 to read as follows:

"Sec. 6693. Failure to provide reports on individual development accounts or annuities or on individual development accounts."

(h) Effective Date.-- The amendments made by this section shall apply to contributions made after the enactment of the Act.

PART D -- ADVANCE EITC STATE DEMONSTRATIONS

SEC. 741. ADVANCE PAYMENT OF EARNED INCOME TAX CREDIT THROUGH
STATE DEMONSTRATION PROGRAMS.

(a) In General.-- Section 3507 (relating to the advance payment of the earned income tax credit) of the Internal Revenue Code of 1986 is amended by adding at the end the following subsection (g);

"(g) State Demonstrations.--

"(1) In General.-- In lieu of receiving earned income advance amounts from an employer under subsection (a), a participating resident shall receive advance earned income payments from a responsible State agency pursuant to a State Advance Payment Program that is designated pursuant to paragraph (2).

"(2) Designations.--

"(A) In General.-- From among the States submitting proposals satisfying the requirements of subsection (g)(3), the Secretary (in consultation with the Secretary of Health and Human Services) may designate not more than 4 State Advance Payment Demonstrations. States selected for the demonstrations may have, in the aggregate, no more than 5 percent of the total number of household participating in the program under the Food Stamp program in the immediately

preceding fiscal year, Administrative costs of a State in conducting a demonstration under this section may be included for matching under section 403(a) of the Social Security Act and section 16(a) of the Food Stamp Act of 1977.

"(B) When Designation May Be Made.-- Any designation under this paragraph shall be made no later than December 31, 1995.

"(C) Period For Which Designation Is In Effect.--

"(i) In General.-- Designations made under this paragraph shall be effective for advance earned income payments made after December 31, 1995, and before January 1, 1999.

"(ii) Special Rules.--

"(I) Revocation Of Designations.-- The Secretary may revoke the designation under this paragraph if the Secretary determines that the State is not complying substantially with the proposal described in paragraph (3) submitted by the State.

"(II) Automatic Termination of Designations.-- Any failure by a State to comply with the reporting requirements described in paragraphs (3)(F) and (3)(G) has

the effect of immediately terminating the designation under this paragraph (2) and rendering paragraph (5)(A)(ii) inapplicable to subsequent payments.

"(3) Proposals.-- No State may be designated under subsection (g)(2) unless the State's proposal for such designation--

"(A) identifies the responsible State agency,

"(B) describes how and when the advance earned income payments will be made by that agency, including a description of any other State or federal benefits with which such payments will be coordinated,

"(C) describes how the State will obtain the information on which the amount of advance earned income payments made to each participating resident will be determined in accordance with paragraph (4),

"(D) describes how State residents who will be eligible to receive advance earned income payments will be selected, notified of the opportunity to receive advance earned income payments from the responsible State agency, and given the opportunity to elect to participate in the program,

"(E) describes how the State will verify, in addition to receiving the certifications and statement

described in paragraph (7)(D)(iv), the eligibility of participating residents for the earned tax credit,

"(F) commits the State to furnishing to each participating resident and to the Secretary by January 31 of each year a written statement showing--

"(i) the name and taxpayer identification number of the participating resident, and

"(ii) the total amount of advance earned income payments made to the participating resident during the prior calendar year,

"(G) commits the State to furnishing to the Secretary by December 1 of each year a written statement showing the name and taxpayer identification number of each participating resident,

"(H) commits the State to treat the advanced earned income payments as described in subsection (g)(5) and any repayments of excessive advance earned income payments as described in subsection (g)(6),

"(I) commits the State to assess the development and implementation of its State Advance Payment Program, including an agreement to share its findings and lessons with other interested States in a manner to be described by the Secretary, and

"(J) is submitted to the Secretary on or before June 30, 1995.

"(4) Amount and Timing of Advance Earned Income Payments.--

"(A) Amount.--

"(i) In General.-- The method for determining the amount of advance earned income payments made to each participating resident is to conform to the full extent possible with the provisions of subsection (c).

"(ii) Special Rule.-- A State may, at its election, apply the rules of subsection (c)(2)(B) by substituting 'between 60 percent and 75 percent of the credit percentage in effect under section 32(b)(1) for an individual with the corresponding number of qualifying children' for '60 percent of the credit percentage in effect under section 32(b)(1) for such an eligible individual with 1 qualifying child' in clause (i) and 'the same percentage (as applied in clause (i))' for '60 percent' in clause (ii).

"(B) Timing.-- The frequency of advance earned income payments may be made on the basis of the payroll periods of participating residents, on a single State-

wide schedule, or on any other reasonable basis prescribed by the State in its proposal; however, in no event may advanced earned income payments be made to any participating resident less frequently than on a calendar-quarter basis.

"(5) Payments To Be Treated As Payments of Withholding and FICA Taxes.--

"(A) In General.-- For purposes of this title, advanced earned income payments during any calendar quarter--

"(i) shall neither be treated as a payment of compensation nor be included in gross income, and

"(ii) shall be treated as made out of--

"(I) amounts required to be deducted by the State and withheld for the calendar quarter by the State under section 3401 (relating to wage withholding), and

"(II) amounts required to be deducted for the calendar quarter under section 3102 (relating to FICA employee taxes), and

"(III) amounts of the taxes imposed on the State for the calendar quarter under

section 3111 (relating to FICA employer taxes),

as if the State had paid to the Secretary, on the day on which payments are made to participating residents, an amount equal to such payments.

"(B) Advance Payments Exceed Taxes Due.-- If for any calendar quarter the aggregate amount of advance earned income payments made by the responsible State agency under a State Advance Payment Program exceeds the sum of the amounts referred to in subparagraph (A)(ii) (without regard to paragraph (6)(A)), each such advance earned income payment shall be reduced by an amount which bears the same ratio to such excess as such advance earned income payment bears to the aggregate amount of all such advance earned income payments.

"(6) State Repayment of Excessive Advance Earned Income Payments.--

"(A) In General.-- Notwithstanding any other provision of law, in the case of an excessive advance earned income payment a State shall be treated as having deducted and withheld under section 3401 (relating to wage withholding), and therefore is

required to pay to the United States, the repayment amount during the repayment calendar quarter.

"(B) Excessive Advance Earned Income Payment.-- For purposes of this section, an excessive advance income payment is that portion of any advance earned income payment that, when combined with other advance earned income payments previously made to the same participating resident during the same calendar year, exceeds the amount of earned income tax credit to which that participating resident is entitled under section 32 for that year.

"(C) Repayment Amount. The repayment amount is equal to 50 percent of the excess of--

"(i) excessive advance earned income payments made by a State during a particular calendar year, over

"(ii) the sum of--

"(I) 4 percent of all advance earned income payments made by the State during that calendar year, and

"(II) the excessive advance earned income payments made by the State during that calendar year that have been collected from participating residents by the Secretary.

"(D) Repayment Calendar Quarter.-- The repayment calendar quarter is the second calendar quarter of the third calendar year after the calendar year in which an excessive earned income payment is made.

"(7) Definitions.-- For purposes of this section--

"(A) State Advance Payment Program.-- The term 'State Advance Payment Program' means the program described in a proposal submitted for designation under paragraph (1) and designated by the Secretary under paragraph (2).

"(B) Responsible State Agency.-- The term 'responsible State agency' means the single State agency that will be making the advance earned income payments to residents of the State who elect to participate in a State Advance Payment Program.

"(C) Advance Earned Income Payments.-- The term 'advance earned income payments' means an amount paid by a responsible State agency to residents of the State pursuant to a State Advance Payment Program.

"(D) Participating Resident.-- The term 'participating resident' means an individual who--

"(i) is a resident of a State that has in effect a designated State Advance Payment Program.

"(ii) makes the election described in paragraph (3)(C) pursuant to guidelines prescribed by the State,

"(iii) certifies to the State the number of qualifying children the individual has, and

"(iv) provides to the State the certifications and statement set forth in subsections (b)(1), (b)(2), (b)(3), and (b)(4)(except that for purposes of this clause (iv), the term 'any employer' shall be substituted for 'another employer' in subsection (b)(3)), along with any other information required by the State.".

(b) Technical Assistance.-- The Secretaries of Treasury and Health and Human Services shall jointly ensure that technical assistance is provided to State Advance Payment Programs and that these programs are rigorously evaluated.

(c) Annual Reports.-- The Secretary shall issue annual reports detailing the extent to which--

(1) residents participate in the State Advance Payment Programs,

(2) participating residents file federal and State tax returns,

(3) participating residents report accurately the amount of the advance earned income payments made to them by the responsible State agency during the year, and

(4) recipients of excessive advance earned income payments repaid those amounts.

The report shall also contain an estimate of the amount of advance earned income payments made by each responsible State agency but not reported on the tax returns of a participating resident and the amount of excessive advance earned income payments.

(d) Authorization of Appropriations.-- For purposes of providing technical assistance described in subsection (b), preparing the reports described in subsection (c), and providing grants to States in support of designated State Advance Payment Programs, there are authorized to be appropriated in advance to the Secretary of the Treasury and the Secretary of Health and Human Services a total of \$1,400,000 for fiscal years 1996 through 1999.

TITLE VIII - SELF EMPLOYMENT/MICROENTERPRISE DEMONSTRATIONS
SEC. 801. DEMONSTRATION PROGRAM TO PROVIDE SELF-EMPLOYMENT
OPPORTUNITIES TO WELFARE RECIPIENTS AND LOW-INCOME
INDIVIDUALS.

(a) In General.-- The Secretary of Health and Human Services (hereinafter in this section referred to as the

"Secretary") and the Administrator of the Small Business Administration (hereinafter in this section referred to as the "Administrator"), shall, subject to the availability of appropriations in advance for this purpose, jointly develop a self-employment/microenterprise demonstration program for at least five years in length that will build on the experience of microenterprise and self-employment programs previously carried out by the Federal Government and other entities. The program shall be designed--

(1) to identify regulatory and other barriers that prevent welfare recipients and low-income individuals from increasing self-sufficiency through self-employment and microenterprise development, and to identify and test effective means to eliminate such barriers;

(2) to develop and evaluate promising program models, based upon existing effective practices, which have the potential to (A) increase the number of welfare recipients and low-income individuals who become self-sufficient or increase self-sufficiency through self-employment and microenterprise development and (B) reduce Federal spending on transfer payments and services to welfare recipients and low-income individuals; and

(3) to demonstrate the potential for expanding the capacity of local organizations to provide services,

technical assistance and loans which help welfare recipients and low-income individuals start or expand self-employment or microenterprises.

(b) Use of Intermediaries.-- To carry out such program, the Secretary and Administrator shall jointly enter into agreements with local intermediaries that--

- (1) apply to participate in such program, and
- (2) demonstrate that they are capable of implementing the provisions of the agreement.

(c) Program Design.-- In order to facilitate a randomized evaluation, as provided for in subsection (i)(1) below, the Secretary and Administrator shall identify those predominant and effective program models currently used by existing intermediaries to provide self-employment and related services to low-income individuals, and shall design the demonstration program in order to evaluate at least two distinct types of program models with contrasting levels of technical assistance. In designing the demonstration program, the Secretary and Administrator shall consult with appropriate parties, such as--

- (1) state and local agencies and private, nonprofit organizations with experience in administering self-employment programs that serve low-income individuals; and

(2) other persons with recognized expertise in conducting randomized evaluations of self-employment programs or other related programs.

(d) Assistance to Intermediaries.--

(1) In General.-- To carry out the program, the Secretary and Administrator may provide the following assistance to intermediaries selected to participate in the program--

(A) grants for providing technical assistance to eligible individuals, for operating costs and for costs associated with participating in the evaluation provided for in subsection (i)(1) below;

(B) loans guarantees; and

(C) loans.

(2) Technical Assistance to Intermediaries.--The Secretary and Administrator may provide grants to intermediaries or third-party technical assistance providers for the provision of technical assistance to intermediaries selected to participate in this program.

(3) Termination of Assistance.-- Assistance awarded pursuant to this section may fully fund project periods of up to five years. The Secretary and Administrator may revoke, terminate or reduce assistance to an intermediary if the intermediary fails to comply with the terms of any

agreement it enters into with the Secretary and Administrator.

(e) Selection of Intermediaries.--

(1) In General.-- In determining whether to enter into an agreement with an intermediary under this section, the Secretary and Administrator shall take into consideration--

(A) the intermediary's record of success in serving low-income individuals;

(B) the intermediary's record of success in providing technical assistance or loans to low-income individuals for the purpose of self-employment;

(C) the nature, types, and costs of technical assistance and/or lending methods the intermediary will employ in serving the target population;

(D) the intermediary's ability to obtain matching funds from private sources; and

(E) such other matters as the Secretary and Administrator deem appropriate.

(2) Additional Programs.-- In addition to the demonstration program provided for in subsection (c) above, the Secretary and Administrator may select up to five intermediaries that would employ program models that would operate independently of the randomized evaluation provided for in subsection (i)(1) below, where such program models

demonstrate promising, innovative strategies that could not readily be evaluated by a randomized experimental design.

(f) Eligible Individuals.-- An individual eligible to participate in a program conducted under this section is any low-income individual or welfare recipient. The Secretary and Administrator shall ensure that an appropriate minimum percentage of welfare recipients will participate in each demonstration program funded under this section.

(g) Provisions of Agreements.-- Any agreement entered into with an intermediary under this section shall provide that--

(1) the intermediary has or will have an agreement with the State agency responsible for administering the job opportunities and basic skills training program (as provided for under part F of title IV of the Social Security Act) (hereinafter in this section referred to as the "JOBS" programs) and the Work Program (as provided under part G of title IV of such Act) such that JOBS and Work program funds will be used to provide support services, including training and technical assistance, to welfare recipients who are participating in the demonstration programs funded under this section;

(2) the intermediary will implement a program that is approved by the Secretary and Administrator;

(3) the intermediary will cooperate with any independent evaluator(s) selected pursuant to subsection (i) below; and

(4) the intermediary will meet any other obligations required by the Secretary and Administrator, including any fund matching requirements.

(h) Program Administration.--

(1) In General.-- The Secretary and Administrator shall enter into a memorandum of understanding for the joint administration of the demonstration programs provided for by this section. The designation of intermediaries to participate in the program shall be completed no later than 12 months after the date of appropriation of funds for this Act.

(2) Coordination With Other Agencies.-- The Secretary and Administrator shall also coordinate and consult with the Secretaries of the Department of Agriculture, the Department of Housing and Urban Development, and the Department of Labor, on regulatory or other reforms or coordinated efforts by such agencies that may further eliminate barriers to self-employment and legitimize microenterprise development by low-income individuals and welfare recipients.

(i) Evaluation and Report.--

(1) In General.-- The Secretary, in consultation with the Administrator, shall conduct or provide for an evaluation of

the effectiveness of the demonstration program provided for in subsection (c) above and shall prepare and submit to the President and Congress a preliminary report of the evaluation no later than three years following the designation of intermediaries and a final report no later than seven years following such designation, together with such recommendations, including recommendations for legislation, as the Secretary and Administrator deem appropriate. Such evaluation shall be based on an experimental design with random assignment between a treatment group and a control group. In designing the evaluation, the Secretary shall consider testing for--

(A) greater self-sufficiency as measured by employment and self-employment rates, amount of earned income, poverty rates, and exit and recidivism rates for Aid to Families With Dependent Children (hereinafter in this section referred to as "AFDC"), Food Stamps and other public assistance programs;

(B) reduced costs of public support as measured by changes in overall support payments for items such as income maintenance, food, child care, health care, housing, job training and other benefits;

(C) number of businesses and jobs created, number of loans to welfare recipients and low-income individuals,

repayment rates for loans, and business performance after welfare or other public assistance ends;

(D) the relative effectiveness, cost-to-benefit ratio, and degree of financial self-sufficiency of the different program models employed by the intermediaries participating in the demonstration program; and

(E) the program's impact and effectiveness in serving participants in a time-limited welfare system, as compared to other low-income individuals.

(2) Evaluation of Additional Programs.-- The Secretary, in consultation with the Administrator, shall also conduct or provide for an independent evaluation of the effectiveness of any program models selected pursuant to subsection (e)(2) above and shall prepare and submit to the President and Congress a preliminary report of the evaluation no later than three years following the designation of intermediaries, and a final report no later than five years following such designation, together with such recommendations, including recommendations for legislation, as the Secretary and Administrator deem appropriate.

(3) Preliminary Reports to Congress.-- The preliminary reports provided for in paragraphs (1) and (2) of this subsection shall include an analysis of any regulatory or

other barriers that prevent welfare recipients and low-income individuals from becoming self-sufficient through self-employment and microenterprise development.

(4) Required Information.-- The Secretary may require each intermediary selected pursuant to this section to provide the Secretary with such information as the Secretary determines is necessary to carrying out the duties of this subsection.

(5) Early and Regular Information Sharing with Intermediaries.-- The Secretary, in consultation with the Administrator, shall provide early and regular feedback and summaries to intermediaries selected to participate pursuant to this section of the progress of the evaluation, the data collected during the evaluation, preliminary findings and such other information as the Secretary deems appropriate. The Secretary shall provide such feedback and summaries at least once a year for the life of the demonstration.

(j) Authorization of Appropriations.-- To carry out the purposes of this section there are authorized to be appropriated to the Secretary and Administrator--

(1) \$4,000,000 for fiscal year 1997,

(2) \$8,000,000 for each of fiscal years 1998, 1999, 2000, and 2001, and

(3) \$4,000,000 for fiscal year 2002.

(k) Definitions.-- For the purposes of this section--

(1) the term "intermediary" means an organization, partnership, or consortium of organizations that acts as a lender and/or as a technical assistance provider to individuals who wish to start or expand a microenterprise;

(2) the term "low-income individual" means an individual whose income level does not exceed 130 percent of the official poverty line as defined by the Office of Management and Budget;

(3) the term "microenterprise" generally means a business that has a net worth of less than \$15,000;

(4) the term "technical assistance" as it relates to assisting a welfare recipient or low-income individual to become self-employed includes business technical assistance, entrepreneurial training, and/or personal development services; and

(5) the term "welfare recipient" means a participant in a time-limited welfare program who is eligible for the JOBS or Work program or a person who is receiving assistance from AFDC.

TITLE IX - FINANCING

SEC. 901. LIMITATION ON FEDERAL PAYMENTS FOR EMERGENCY ASSISTANCE.

Section 403(a)(5) of the Act is amended to read as follows:

"(5)(A) Each State shall be entitled to payment from the Secretary in an amount equal to 50 percent of the total amounts expended under the State plan in a fiscal year as emergency assistance to needy families with children, but such payment may not exceed the greater of--

"(i) such State's share of the limitation in subparagraph (B) for such fiscal year, or

"(ii) the amount paid by the Secretary with respect to such State's expenditures for emergency assistance to needy families with children for fiscal year 1991.

"(B) The limitation referred to in subparagraph (A) is \$418,000,000 for fiscal year 1995, and for fiscal year 1996 and for each fiscal year thereafter, \$418,000,000 multiplied by the ratio of the Consumer Price Index (prepared by the Department of Labor) for the third quarter of the preceding fiscal year to such Index for the third quarter of fiscal year 1994.

"(C) For purposes of this paragraph, a 'State's share of the limitation in subparagraph (B)' for a fiscal year means--

"(i) such State's share of the EA portion of the limitation (as defined in subparagraph (D)), plus

"(ii) such State's share of the AFDC portion of the limitation (as defined in subparagraph (E)) for the fiscal year involved.

"(D) For the purposes of this paragraph, the EA portion of the limitation is--

"(i) for fiscal year 1995 and each fiscal year thereafter, the limitation for such year, multiplied by--

"(I) 90 percent, minus

"(II) 10 percentage points for each year after 1995.

but never less than zero.

"(E) For purposes of this paragraph, the AFDC portion of the limitation is--

"(i) for fiscal year 1995, the limitation for such year, multiplied by 10 percent, and

"(ii) for fiscal year 1996 and each fiscal year thereafter, the limitation for such year multiplied by--

"(I) 10 percent, plus

"(II) 10 percentage points for each year after 1995,

but never more than 100.

"(F) For purposes of this paragraph--

"(i) a State's share of the EA portion of the limitation for a fiscal year is the limitation for such year multiplied by the ratio of the estimated expenditures in such State for emergency assistance to needy families with children for quarters in fiscal year 1994 to the sum of such estimated expenditures in all the States for quarters in such year, and

"(ii) a State's share of the AFDC portion of the limitation for a fiscal year is the limitation for such year multiplied by the ratio of the estimated expenditures in such State for aid to families with dependent children for quarters in the preceding fiscal year to the sum of such expenditures in all the States for quarters in such preceding fiscal year.

SEC. 902. UNIFORM ALIEN ELIGIBILITY CRITERIA FOR PUBLIC ASSISTANCE PROGRAMS.

(a) Federal and Federally-Assisted Programs.--

(1) Program eligibility criteria.--

(A) Aid to Families with Dependent Children.--

Section 402(a)(33) of the Social Security Act is amended by striking "(A) a citizen" and all that follows and inserting the following:

"(A) a citizen or national of the United States,

or

"(B) a qualified alien (as defined in section 1101(a)(10)), provided that such alien is not disqualified from receiving aid under a State plan approved under this part by or pursuant to section 210(f) or 245A(h) of the Immigration and Nationality Act or any other provision of law;".

(B) Supplemental Security Income.--Section 1614(a)(1)(B)(i) of such Act is amended to read as follows:

"(B)(i) is a resident of the United States, and is either (I) a citizen or national of the United States, or (II) a qualified alien (as defined in section 1101(a)(10)), or".

(C) Medicaid--

(i) Section 1903(v)(1) of such Act is amended to read as follows:

"(v)(1) Notwithstanding the preceding provisions of this section, (A) no payment may be made to a State under this section for medical assistance furnished to an individual who is disqualified from receiving such assistance by or pursuant to section 210(f) or 245A(h) of the Immigration and Nationality Act or any other provision of law, and (B) except as provided in paragraph (2), no such payment may be made for medical assistance furnished to an individual who is not a (i) citizen or national

of the United States, or (ii) qualified alien (as defined in section 1101(a)(10)).".

(ii) Section 1903(v)(2) of such Act is amended by--

(I) striking "paragraph (1)" and inserting "paragraph (1)(B)"; and

(II) striking "alien" each place it appears and inserting "individual".

(iii) Section 1902(a) of such Act is amended in the last sentence by striking "alien" and all that follows and inserting "individual who is not (A) a citizen or national of the United States, or (B) a qualified alien (as defined in section 1101(a)(10)) only in accordance with section 1903(v)".

(iv) Section 1902(b)(3) of such Act is amended by inserting "or national" after "citizen".

(2) Definition of term "Qualified Alien"--Section 1101(a) of such Act is amended by adding at the end the following new paragraph:

"(10) The term 'qualified alien' means an alien--

"(A) who is lawfully admitted for permanent residence within the meaning of section 101(a)(20) of the Immigration and Nationality Act;

"(B) who is admitted as a refugee pursuant to section 207 of such Act;

"(C) who is granted asylum pursuant to section 208 of such Act;

"(D) whose deportation is withheld pursuant to section 243(h) of such Act;

"(E) whose deportation is suspended pursuant to section 244 of such Act;

"(F) who is granted conditional entry pursuant to section 203(a)(7) of such Act as in effect prior to April 1, 1980;

"(G) who is lawfully admitted for temporary residence pursuant to section 210 or 245A of such Act;

"(H) who is within a class of aliens lawfully present within the United States pursuant to any other provision of such Act, provided that--

"(i) the Attorney General determines that the continued presence of such class of aliens serves a humanitarian or other compelling public interest, and

"(ii) the Secretary of Health and Human Services determines that such interest would be further served by treating each alien within such class as a 'qualified alien' for purposes of this Act; or

"(I) who is the spouse or unmarried child under 21 years of age of a citizen of the United States, or the parent of such a citizen if the citizen is 21 years of age or older, and with respect to whom an application for adjustment to lawful permanent residence is pending;

such status not having changed.".

(3) Conforming amendment.--Section 244A(f)(1) of the Immigration and Nationality Act is amended by inserting "and shall not be considered to be a 'qualified alien' within the meaning of section 1101(a)(10) of the Social Security Act" immediately before the semi-colon.

(b) State and Local Programs.--A State or political subdivision therein may provide that an alien is not eligible for any program of assistance based on need that is furnished by such State or political subdivision unless such alien is a "qualified alien" within the meaning of section 1101(a)(10) of the Social Security Act (as added by subsection (a)(2) of this section).

(c) Effective Date.--

(1) The amendments made by subsection (a) are effective with respect to benefits payable on the basis of any application filed after the date of enactment of this Act.

(2) Subsection (b) is effective upon the date of enactment of this Act.

SEC. 903. ELIGIBILITY OF SPONSORED ALIENS FOR CERTAIN PROGRAMS.

(a) Deeming of Sponsor's Income and Resources to an Alien Under the Supplemental Security Income, Aid to Families with Dependent Children, and Food Stamp Programs.

(1) Length of deeming period.--

(A) Making the SSI 5-year period permanent.--
Subsection (b) of section 7 of the Unemployment Compensation Amendments of 1993 (Public Law 103-152) is repealed.

(B) Increasing the AFDC period from 3 to 5 years--
Section 415 of the Social Security Act is amended by striking "three years" each place such phrase appears and inserting "5 years".

(C) Increasing the Food Stamp period from 3 to 5 years.--Section 5(i) of the Food Stamp Act of 1977 is amended by striking "three years" each place such phrase appears and inserting "5 years".

(2) Inapplicability in the case of any alien whose sponsor receives SSI or AFDC benefits.--

(A) SSI.--Section 1621(f) of the Social Security Act is amended by adding at the end the following new paragraph:

"(3) The provisions of this section shall not apply to any alien for any month for which such alien's sponsor receives a benefit under this title (which includes, for purposes of this paragraph, the program of federally administered State supplementary payments made pursuant to section 1616(a) of this Act or section 212(b) of Public Law 93-66) or the program of aid to families with dependent children authorized by part A of title IV of this Act."

(B) AFDC.--Section 415(f) of the Social Security Act is amended--

(i) by redesignating paragraphs (1) through (5) as subparagraphs (A) through (E), respectively;

(ii) by striking "(f)" and inserting "(f)(1)"; and

(iii) by adding at the end the following new paragraph:

"(2) The provisions of this section shall not apply to any alien for any month for which such alien's sponsor receives a benefit under the program authorized by this part, or the program of supplemental security income authorized by title XVI of this

Act (which includes, for purposes of this paragraph, the program of federally administered State supplementary payments made pursuant to section 1616(a) of this Act or section 212(b) of Public Law 93-66).".

(C) Food Stamps.--Section 5(i)(2)(E) of the Food Stamp Act of 1977 is amended--

(i) by striking "(E)" and inserting "(E)(i)";

and

(ii) by adding at the end the following:

"(ii) The provisions of this subsection shall not apply to any alien for any month for which such alien's sponsor receives a benefit under the program of aid to families with dependent children authorized by part A of title IV of the Social Security Act or the program of supplemental security income authorized by title XVI of such Act (which includes, for purposes of this paragraph, the program of federally administered State supplementary payments made pursuant to section 1616(a) of such Act or section 212(b) of Public Law 93-66).".

(3) Inequitable circumstances.--

(A) SSI.--Section 1621 of the Social Security Act is amended by adding at the end the following new subsection:

"(g) The Secretary may, pursuant to regulations promulgated after consultation with the Secretary of Agriculture, alter or

suspend the application of this section in any case in which the Secretary determines that such application would be inequitable under the circumstances."

(B) AFDC.--Section 415 of the Social Security Act is amended by adding at the end the following new subsection:

"(g) The Secretary may, pursuant to regulations promulgated after consultation with the Secretary of Agriculture, alter or suspend the application of this section in any case in which the Secretary determines that such application would be inequitable under the circumstances."

(C) Food Stamps.--Section 5(i)(2) of the Food Stamp Act of 1977 is amended by adding at the end the following new subparagraph:

"(F) The Secretary may, pursuant to regulations promulgated after consultation with the Secretary of Health and Human Services, alter or suspend the application of this section in any case in which the Secretary determines that such application would be inequitable under the circumstances."

(4) Food Stamps exemption for blind or disabled aliens.--Section 5(i)(2)(E) of the Food Stamp Act of 1977 (as previously amended by subsection (a)(2)(C)) is further amended by adding at the end the following:

"(iii) The provisions of this subsection shall not apply with respect to any individual for any month for which such individual receives a benefit under the program of supplemental security income authorized by title XVI of the Social Security Act by reason of blindness (as determined under section 1614(a)(2) of such Act) or disability (as determined under section 1614(a)(3) of such Act), provided that such blindness or disability commenced after the date of such individual's admission into the United States for permanent residence.".

(5) Increase in Food Stamp resource limitation.--

Section 5(i)(2)(B)(ii) of the Food Stamp Act of 1977 is amended by striking "\$1,500" and inserting "\$2,000".

(b) Disqualification of Certain Sponsored Aliens After the 60th Month After Entry into the United States Under the Supplemental Security Income, Aid to Families with Dependent Children, and Food Stamp Programs.--

(1) In general.--

(A) SSI.--Section 1611(e) of the Social Security Act is amended by inserting between paragraphs (3) and

(5) a new paragraph (4) as follows:

"(4)(A) No individual (other than an individual described in section 1621(f)(1)) who is an alien shall be an eligible individual or eligible spouse for purposes of this title with respect to any month beginning after the 60th month after such

individual's entry into the United States if the adjusted gross income (as defined in section 62 of the Internal Revenue Code of 1986) of any person who (as a sponsor of such individual's entry into the United States) executed an affidavit of support with respect to such individual plus the adjusted gross income of such person's spouse and dependent children (if any) for the most recently completed year for which--

"(i)(I) a return has been filed in connection with the taxes imposed by subtitle A of the Internal Revenue Code of 1986 by or on behalf of such person (and such person's spouse and dependent children, if any), or (II) no such return is required by such Code to be so filed, and

"(ii) the Secretary has published the U.S. median income for all families pursuant to subparagraph (B)(i)(I), exceeds the applicable measure of U.S. median income for all families (determined in accordance with subparagraph (B)(i)(II)) for such year.

"(B)(i) The Secretary shall publish twice yearly in the Federal Register a notice--

"(I) setting out the U.S. median income for all families for not fewer than five of the years immediately preceding the year in which such notice is published, and

"(II) identifying the months for which each such figure shall be deemed to be the applicable measure for the purpose of making the determination required by subparagraph (A).

"(ii) The U.S. median income for all families for any year published by the Secretary pursuant to clause (i) shall be the amount reported for such year by the Census Bureau pursuant to its Current Population Survey, except that if such amount has not been so reported for such year at the time such notice is published, then the measure of the U.S. median income for all families for such year shall be derived by increasing the amount reported by the Census Bureau for the immediately preceding year by a percentage equal to the percentage (rounded to the nearest one-tenth of one percent), if any, by which the Consumer Price Index (as prepared by the Department of Labor) for such year has increased over such immediately preceding year."

(B) AFDC.--Section 402(a) of the Social Security Act is amended by--

(i) striking "and" at the end of paragraph (44);

(ii) striking the period at the end of paragraph (45) and inserting "; and"; and

(iii) adding at the end a new paragraph as follows:

"(46) provide that an individual who is an alien may not be considered a dependent child, a caretaker relative whose needs are to be taken into account in making the determination under paragraph (7), or any other person whose needs should be taken into account in making such a determination with respect to the child or relative, with respect to any month beginning after the 60th month after such individual's entry into the United States if the adjusted gross income (as defined in section 62 of the Internal Revenue Code of 1986) of any person who (as a sponsor of such individual's entry into the United States) executed an affidavit of support with respect to such individual plus the adjusted gross income of such person's spouse and dependent children (if any) for the most recently completed year for which--

"(A)(i) a return has been filed in connection with the taxes imposed by subtitle A of the Internal Revenue Code of 1986 by or on behalf of such person (and such person's spouse and dependent children, if any), or
(ii) no such return is required by such Code to be so filed, and

"(B) the U.S. median income for all families has been published,

exceeds the applicable measure of U.S. median income for all families for such year. For purposes of the preceding sentence, the requirement for the publication of the U.S median income for all families for any year shall be satisfied by the publication of such data for such year pursuant to section 1611(e)(4)(B)(i)(I), and the 'applicable measure of U.S. median income for all families' for any year shall be the measure applicable for such year pursuant to section 1611(e)(4)(B)(i)(II).".

(C) Food Stamps.--Section 6 of the Food Stamp Act of 1977 is amended by adding at the end a new subsection as follows:

"(i) No alien who is a member of a household otherwise eligible to participate in the food stamp program under this section shall be eligible to participate in such program as a member of that or any other household with respect to any month beginning after the 60th month after such alien's entry into the United States if the adjusted gross income (as defined in section 62 of the Internal Revenue Code of 1986) of any person who (as a sponsor of such alien's entry into the United States) executed an affidavit of support with respect to such alien plus the adjusted gross income of such person's spouse and dependent children (if any) for the most recently completed year for which--

"(1)(A) a return has been filed in connection with the taxes imposed by subtitle A of the Internal Revenue Code of 1986 by or on behalf of such person (and such person's spouse and dependent children, if any), or (B) no such return is required by such Code to be so filed, and

"(2) the U.S. median income for all families has been published, exceeds the applicable measure of U.S. median income for all families for such year. For purposes of the preceding sentence, the requirement for the publication of the U.S median income for all families for any year shall be satisfied by the publication of such data for such year pursuant to section 1611(e)(4)(B)(i)(I) of the Social Security Act, and the 'applicable measure of U.S. median income for all families' for any year shall be the measure applicable for such year pursuant to section 1611(e)(4)(B)(i)(II) of such Act."

(2) Conforming Amendments.--

(A) Cooperation requirement.--

(i) SSI.--Section 1621(d)(1) of the Social Security Act is amended in the first sentence by--

(I) striking "during the period of 5 years after entry into the United States," ;
and

(II) inserting "or section 1611(e)(4)" after "this section".

(ii) AFDC.--The second sentence of section 415(c)(1) of the Social Security Act (as previously amended by subsection (a)(1)(B) of this section) is further amended by--

(I) striking "during the period of 5 years after his or her entry into the United States"; and

(II) inserting "or section 402(a)(46)" after "this section".

(iii) Food Stamps.--The first sentence of section 5(i)(2)(C)(i) of the Food Stamp Act of 1977 (as previously amended by subsection (a)(1)(C) of this section) is further amended by--

(I) striking "during the period of 5 years after entry into the United States," ; and

(II) inserting "or section 6(i)" after "this section".

(B) Liability for overpayments.--

(i) SSI.--Section 1621(e) of the Social Security Act is amended by--

(I) striking "during the period of 5 years after such alien's entry into the United States,";

(II) inserting "or section 1611(e)(4)" after "this section"; and

(III) adding at the end the following sentence: "If an individual who is an alien subject to this subsection is naturalized as a citizen of the United States, such naturalization shall have no effect upon the continued application of this subsection to such individual or to such individual's sponsor.".

(ii) AFDC.--Section 415(d) of the Social Security Act (as previously amended by subsection (a)(1)(B)) is further amended by--

(I) striking "during the period of 5 years after such alien's entry into the United States,";

(II) inserting "or section 402(a)(46)" after "this section"; and

(III) adding at the end the following sentence: "If an individual who is an alien subject to this subsection is naturalized as

a citizen of the United States, such naturalization shall have no effect upon the continued application of this subsection to such individual or to such individual's sponsor."

(iii) Food Stamps.--Section 5(i)(2)(D) of the Food Stamp Act of 1977 (as previously amended by subsection (a)(1)(C)) is further amended by--

(I) striking "during the period of 5 years after such alien's entry into the United States,";

(II) inserting "or section 6(i)" after "this section"; and

(III) adding at the end the following sentence: "If an individual who is an alien subject to this subparagraph is naturalized as a citizen of the United States, such naturalization shall have no effect upon the continued application of this subparagraph to such individual or to such individual's sponsor."

(3) Disclosure of tax return information.--Section 6103(1)(7)(B) of the Internal Revenue Code of 1986 is

amended by designating the existing matter as clause (i) and adding at the end the following:

"(ii) The Secretary shall disclose, upon request, return information with respect to adjusted gross income (as defined in section 62) from returns filed by, or with respect to, any individual (and such individual's spouse and dependent children, if any) who (as a sponsor of an alien's entry into the United States) executed an affidavit of support with respect to such alien and whose income is considered in connection with determining such alien's eligibility for a program described in clause (i), (iii), or (vi) of subparagraph (D) to any Federal, State, or local agency administering such program, but only for the purpose of, and to the extent necessary, in determining the eligibility of such alien for benefits under such program.

"(iii) Information regarding any determination made pursuant to section 402(a)(46) or 415 of the Social Security Act (relating to the aid to families with dependent children program), section 1611(e)(4) or 1621 of such Act (relating to the supplemental security income program), or section 5(i) or 6(i) of the Food Stamp Act of 1977 (relating to the program of assistance under that Act) in connection with determining an alien's eligibility for benefits under any such program shall not be considered to be return information subject to the limitations on disclosure or redisclosure imposed by this section."

(c) State and Local Programs.--A State or political subdivision therein may provide that an alien is not eligible for any program of assistance based on need that is furnished by such State or political subdivision for any month if such alien has been determined to be ineligible for such month for benefits under--

(A) the program of aid to families with dependent children authorized by part A of title IV of the Social Security Act, as a result of the application of section 402(a)(46) or 415 of such Act;

(B) the program of supplemental security income authorized by title XVI of the Social Security Act, as a result of the application of section 1611(e)(4) or 1621 of such Act; or

(C) the Food Stamp Act of 1977, as a result of the application of section 5(i) or 6(i) of such Act.

(d) Effective Date.--

(1) Except as otherwise provided in paragraph (2), the amendments made by subsections (a) and (b) are effective with respect to benefits under the program of aid to families with dependent children authorized by part A of title IV of the Social Security Act, the program of supplemental security income authorized by title XVI of the Social Security Act, and the program authorized by the Food

Stamp Act of 1977, payable for months beginning after September 30, 1994, on the basis of--

(A) an application filed after such date, or

(B) an application filed on or before such date by or on behalf of an individual subject to the provisions of section 1621(a) or section 415(a) of the Social Security Act or section 5(i)(1) of the Food Stamp Act of 1977 (as the case may be) on such date.

(2) The amendments made by clauses (i)(III), (ii)(III), and (iii)(III) of subsection (b)(2)(B) are effective upon the date of enactment of this Act.

(3) Subsection (c) is effective on October 1, 1994.

SEC. 904. FAMILY DAY CARE HOMES.

(a) Section 17(c) of the National School Lunch Act (42 U.S.C. 1766(c)) is amended --

(1) in paragraph (1), by inserting "except as provided in paragraphs (4) and (5) of this subsection," after "For purposes of this section,";

(2) in paragraph (2), by inserting "except as provided in paragraphs (4) and (5) of this subsection," after "For purposes of this section,";

(3) in paragraph (3), by inserting "except as provided in paragraphs (4) and (5) of this subsection," after "For purposes of this section,";

(4) by redesignating paragraph (4) as paragraph (6);
and

(5) by inserting after paragraph (3) the following new paragraphs:

"(4) For purposes of this section, the level one reimbursement factor for family or group day care homes shall be \$1.5050 for lunches or suppers, \$.8275 for breakfasts, and \$.4475 for supplements. The reimbursement factor under this paragraph shall be adjusted on July 1, 1996, to reflect changes in the Consumer Price Index for food away from home for the most recent 24-month period for which data are available, and on July 1 of each year, starting July 1, 1997, to reflect changes in the Consumer Price Index for food away from home for the most recent 12-month period for which data are available. The reimbursement factor under this paragraph shall be rounded to the nearest one-fourth cent.".

"(5) For purposes of this section, the level two reimbursement factor for family or group day care homes shall be \$1.2675 for lunches or suppers, \$.5375 for breakfasts, and \$.25 for supplements. The reimbursement factor under this paragraph shall be adjusted on July 1, 1996, to reflect changes in the Consumer Price Index for food away from home for the most recent 24-month period for

which date are available, and on July 1 of each year, starting July 1, 1997, to reflect changes in the Consumer Price Index for food away from home for the most recent 12-month period for which data are available. The reimbursement factor under this paragraph shall be rounded to the nearest one-fourth cent."

(b) Section 17(f)(3) of the National School Lunch Act (42 U.S.C. 1766(f)(3)) is amended--

(1) by adding after subparagraph (C) the following new subparagraph:

"(D) The Secretary shall make payments, totalling not more than \$2,000,000 in fiscal year 1995 and \$5,000,000 in fiscal year 1996, to provide grants to States: for the purpose of providing assistance, including grants to family or group day care home sponsoring organizations and other appropriate organizations; for securing and providing training, materials, automated data processing assistance, and other assistance for the staff of such sponsoring organizations; and for providing training and other assistance to family or group day care homes in order to assist in the implementation of the requirements contained in this subsection. Of the amount of funds made available to each State under this subparagraph,

an amount not to exceed 30 percent may be retained by the State to carry out the purposes of this subparagraph;";

(2) in subparagraph (A), by deleting ", except that reimbursement shall not be provided" and all that follows through "nearest one fourth cent." and inserting in lieu thereof "as set forth in subparagraphs (B) and (C).";

(3) by redesignating subparagraphs (B), (C) and (D) (as added by paragraph (1)) as subparagraphs (D), (E), and (L) respectively;

(4) by inserting after subparagraph (A) the following new subparagraphs:

"(B) Sponsoring organizations of family or group day care homes located in low-income areas shall be reimbursed for meals or supplements served to children in those homes at the level one reimbursement rates established in subsection (c)(4) of this section.

"(C) Sponsoring organizations of family or group day care homes, except family or group day care homes covered under subparagraph (B) of this subsection, shall be reimbursed for meals or supplements served to children in those homes, at the election of the family or group day care home, either --

"(i) at the level two reimbursement rates established in subsection (c)(5) of this section; or

"(ii)(I) for meals and supplements served to children from households that meet the income eligibility guidelines for free or reduced price meals and supplements set forth in section 9(b) of this Act, at the level one reimbursement rates established in subsection (c)(4) of this section; and

"(II) for meals and supplements served to children from families who do not meet the requirements of paragraph (C)(ii)(I) of this subsection, at the level two reimbursement rates established in subsection (c)(5); or

(iii) for meals and supplements served to children in family or group day care homes in which the family or group day care home provider meets the income eligibility guidelines for free or reduced price meals and supplements set forth in section 9(b) of this Act, at the level one reimbursement rates established in section (c)(4) of this section.";

(5) by adding at the end of subparagraph (D) (as redesignated by paragraph (3)) the following: "In addition, family or group day care home sponsoring organizations shall receive for their administrative expenses an additional \$10 per month for each home located in a low-income area."; and

(6) by adding after subparagraph (E) (as redesignated by paragraph (3)) the following new subparagraphs:

"(F) Notwithstanding subparagraph (C), reimbursement shall not be provided for meals or supplements served to the children of a person acting as a family or group day care home provider unless such children meet the income eligibility guidelines for free or reduced price meals under section 9(b) of this Act. Where so qualifying, the family or group day care home sponsoring organization shall be reimbursed for those meals and supplements at the level one rates established in subsection (c)(4).

"(G) For family or group day care home providers who elect to use the procedures under paragraph (3)(C)(ii) of this subsection, the Secretary shall implement streamlined and simplified counting and claiming procedures, provided that such procedures do not compromise program accountability.

"(H) Sponsoring organizations of family or group day care homes (other than those located in low-income areas)

may receive the level one reimbursement rates for meals and supplements established in subsection (c)(4) of this section for those children with a parent participating in the programs established under part F or G of title IV of the Social Security Act, the at-risk child care program under title IV of such Act, or a Federal or a State child care program with an income eligibility limit that does not exceed the income eligibility guidelines for free or reduced price meals and supplements set forth in section 9(b) of this Act.

"(I) For purposes of this section, 'low-income areas' is defined to mean "areas in which poor economic conditions exist" as defined in Section 13(a)(1)(C) of this Act.

"(J) For purposes of this section, determinations made by the State agency which establish that a family or a group day care home is located in a 'low income area' shall be in effect for 3 years, unless the State agency determines that the area in which the home is located is no longer a 'low income area'.

"(K) The Secretary shall make payments, totalling not more than \$5,000,000 in each of fiscal years 1997, 1998, 1999, and 2000 to provide grants to States for the purpose of providing assistance, including grants to family or group day care home sponsoring organizations, to assist family or

group day care homes in low-income areas to become licensed or approved for the program under this section. Of the amount of funds available to each State under this subparagraph, an amount not to exceed 30 percent may be retained by the State to carry out the purposes of this subparagraph. Any payments received under this subparagraph shall be in addition to payments which States receive under subsection (b) of this section."

(c) Effective Dates.

(1) Except as provided in paragraph (2), the amendments made by subsections (a) and (b) shall take effect on July 1, 1996.

(2) The amendment made by subsection (b)(1) shall take effect on the date of enactment of this Act.

SEC. 905. STATE RETENTION OF AMOUNTS RECOVERED.

Section 16(a) of the Food Stamp Act of 1977 (7 U.S.C. 2025 (a)) is amended by striking "1995" both places it appears in the proviso of the first sentence and inserting in both places in lieu thereof "2004".

SEC. 906. COMMODITY PROGRAM INCOME INELIGIBILITY.

Notwithstanding any other provision of law, a person with annual off-farm adjusted gross income in excess of \$100,000, as determined by the Secretary of Agriculture, shall not be eligible to receive from the Commodity Credit Corporation income support

and price support through loans, purchases, payments, and other operations. The Secretary of Agriculture shall issue regulations defining the term "person" which shall conform, to the extent practicable, to the regulations issued in accordance with section 1001 of the Food Security Act of 1985, as amended.

SEC. 907. AMENDMENTS RELATED TO SUPERFUND TAX EXTENSION.

(a) Extension of Termination Date.-- Paragraph (1) of section 59A(e) of the Internal Revenue Code of 1986 (26 U.S.C. 59A(e)(1)) is amended by striking "January 1, 1996" and inserting "February 1, 1998".

(b) Adjustments to Amounts Collected.-- Paragraph (3) of section 4611(e) of the Internal Revenue Code of 1986 (26 U.S.C. 4611(e)(3)) is amended--

(1) by striking "December 31, 1995" and inserting "September 30, 1998";

(2) by striking "\$11,970,000,000" each time it appears and inserting "\$15,500,000,000"; and

(3) by striking "January 1, 1996" and inserting "October 1, 1998".

(c) Effective Date.-- The amendments made by subsections (a) and (b) shall apply to amounts collected and amounts credited after the date of the enactment of this Act.

SEC. 908. FEDERAL RAILROAD ADMINISTRATION USER FEES.

Section 216 of the Federal Railroad Safety Act of 1970 (45 U.S.C. 447) is amended--

(1) by striking subsection (a)(3) and inserting the following:

"(3) Fees established under this section shall be assessed to railroads subject to this chapter and shall cover all costs incurred by the Federal Railroad Administration in administering this chapter, and those laws transferred to the jurisdiction of the Secretary of Transportation by subsection (e)(1), (2), and (6)(A) of section 1655 of Title 49, other than activities described in section 431(a)(2) of this title.";

(2) by inserting before the period in subsection (c) ", and those laws transferred to the jurisdiction of the Secretary of Transportation by subsection (e)(1), (2), and (6)(A) of section 1655 of Title 49"; and

(3) by striking subsections (e) and (f).

SEC. 909. SPECIAL EARNED INCOME TAX CREDIT RULES FOR MILITARY PERSONNEL.

(a) Modified Residency Requirement.-- Subparagraph (E) of section 32(c)(3) (defining qualifying child) of the Internal Revenue Code of 1986 is amended by adding at the end the following sentence: "The preceding sentence does not apply during any period during which the taxpayer is stationed outside

the United States while serving on extended active duty (as defined in section 1034(h)(3)) with Armed Forces of the United States."

(b) Reporting Military Earned Income.-- Subsection (a) of section 6051 (relating to receipts for employees) of the Internal Revenue Code of 1986 is amended by striking "and" at the end of paragraph (8), by striking the period at the end of paragraph (9) and inserting in lieu thereof ", and", and by inserting after paragraph (9) the following paragraph:

"(10) in the case of an employee who is a member of the Armed Forces of the United States, the total amount of earned income (as defined in section 32(c)(2)).".

(c) Advance Payment of Earned Income Tax Credit.-- Paragraph (1) of section 3507(c) (defining earned income advance amount) of the Internal Revenue Code of 1986 is amended by adding at the end the following sentence: "For purposes of subparagraph (A) in the case of an employee who is a member of the Armed Forces of the United States, the employee's earned income (as defined in section 32(c)(2)) shall be taken into account rather than the employee's wages.".

(d) Effective Dates.-- The amendments made by this section shall apply to taxable years beginning and remuneration paid after December 31, 1994.

SEC. 910. NONRESIDENT ALIENS NOT ELIGIBLE FOR EARNED INCOME TAX CREDIT.

(a) In General.-- Section 32(c)(1) (defining eligible individual) of the Internal Revenue Code of 1986 is amended by adding at the end the following new subparagraph:

"(E) Exception for Nonresident Aliens.-- The term 'eligible individual' does not include a nonresident alien unless an election under section 6013(g) (relating to treating a nonresident alien individual as a resident of the United States) or section 6013(h) (relating to the year in which a nonresident alien becomes a resident of the United States) is in effect for the taxable year with respect to the nonresident alien.

(b) Effective Date.-- The amendment made by this section shall apply to taxable years beginning after December 31, 1994.

SEC. 911. EXTENSION OF CERTAIN CUSTOMS FEES.

Subsection (j)(3) of section 13031 of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, (19 U.S.C. 58c), is amended to read as follows:

"(3) Fees may not be charged under subsection (a) of this section after September 30, 2004."