

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: David Medine (CN=David Medine/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:14-DEC-2000 17:46:48.00

SUBJECT: draft of tax bill

TO: Andrea Kane (CN=Andrea Kane/OU=OPD/O=EOP@EOP [OPD])

READ:UNKNOWN

TO: Margy Waller (CN=Margy Waller/OU=OPD/O=EOP@EOP [OPD])

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CC: Peter J. Wong (CN=Peter J. Wong/OU=OPD/O=EOP@EOP [OPD])

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CC: David Tseng (CN=David Tseng/OU=OPD/O=EOP@EOP [OPD])

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CC: Edwin C. Park (CN=Edwin C. Park/OU=OPD/O=EOP@EOP [OPD])

READ:UNKNOWN

TEXT:

Here it is. Please let me know if the LIHTC and Charitable Choice provisions are OK.

----- Forwarded by David Medine/OPD/EOP on 12/14/2000
05:44 PM -----

Peter J. Wong
12/14/2000 05:43:03 PM
Record Type: Record

To: David Tseng/OPD/EOP@EOP, Edwin C. Park/OPD/EOP@EOP, David Medine/OPD/EOP@EOP
cc: -
Subject: draft of tax bill

----- Forwarded by Peter J. Wong/OPD/EOP on 12/14/2000
05:40 PM -----

William.Fant@do.treas.gov
12/14/2000 05:22:28 PM
Record Type: Record

To: Peter J. Wong/OPD/EOP

cc:
Subject: draft of tax bill

- ARCHER_141.PDF
- december2000taxbill.wpd

===== ATTACHMENT 1 =====
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
Unable to convert NSREOP0202:[ATTACH.D65]SREOP02400022JL.001 to ASCII,
The following is a HEX DUMP:

===== END ATTACHMENT 1 =====

===== ATTACHMENT 2 =====
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
Unable to convert NSREOP0202:[ATTACH.D65]SREOP02400022JL.002 to ASCII,
The following is a HEX DUMP:

===== END ATTACHMENT 2 =====

[DISCUSSION DRAFT]

DECEMBER 14, 2000

106TH CONGRESS
2D SESSION

H. R. _____

IN THE HOUSE OF REPRESENTATIVES

Mr. ARCHER introduced the following bill; which was referred to the
Committee on _____

A BILL

To amend the Internal Revenue Code of 1986 to provide
for community revitalization, for a 2-year extension of
medical saving accounts, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Community Renewal Tax Relief Act of 2000”.

6 (b) AMENDMENT OF 1986 CODE.—Except as other-
7 wise expressly provided, whenever in this Act an amend-

1 ment or repeal is expressed in terms of an amendment
 2 to, or repeal of, a section or other provision, the reference
 3 shall be considered to be made to a section or other provi-
 4 sion of the Internal Revenue Code of 1986.

5 (c) TABLE OF CONTENTS.—

TITLE I—COMMUNITY RENEWAL AND NEW MARKETS

Subtitle A—Tax Incentives for Renewal Communities

- Sec. 101. Designation of and tax incentives for renewal communities.
- Sec. 102. Work opportunity credit for hiring youth residing in renewal communities.

Subtitle B—Extension and Expansion of Empowerment Zone Incentives

- Sec. 111. Authority to designate 9 additional empowerment zones.
- Sec. 112. Extension of empowerment zone treatment through 2009.
- Sec. 113. 20 percent employment credit for all empowerment zones.
- Sec. 114. Increased expensing under section 179.
- Sec. 115. Higher limits on tax-exempt empowerment zone facility bonds.
- Sec. 116. Nonrecognition of gain on rollover of empowerment zone investments.
- Sec. 117. Increased exclusion of gain on sale of empowerment zone stock.

Subtitle C—New Markets Tax Credit

- Sec. 121. New markets tax credit.

Subtitle D—Improvements in Low-Income Housing Credit

- Sec. 131. Modification of State ceiling on low-income housing credit.
- Sec. 132. Modification of criteria for allocating housing credits among projects.
- Sec. 133. Additional responsibilities of housing credit agencies.
- Sec. 134. Modifications to rules relating to basis of building which is eligible for credit.
- Sec. 135. Other modifications.
- Sec. 136. Carryforward rules.
- Sec. 137. Effective date.

Subtitle E—Other Community Renewal and New Markets Assistance

PART I—PROVISIONS RELATING TO HOUSING AND SUBSTANCE ABUSE
PREVENTION AND TREATMENT

- Sec. 141. Transfer of unoccupied and substandard HUD-held housing to local governments and community development corporations.
- Sec. 142. Transfer of HUD assets in revitalization areas.
- Sec. 143. Risk-sharing demonstration.
- Sec. 144. Prevention and treatment of substance abuse; services provided through religious organizations.

PART II—ADVISORY COUNCIL ON COMMUNITY RENEWAL

3

- Sec. 151. Short title.
- Sec. 152. Establishment
- Sec. 153. Duties of advisory council.
- Sec. 154. Membership.
- Sec. 155. Powers of advisory council.
- Sec. 156. Reports.
- Sec. 157. Termination.
- Sec. 158. Applicability of Federal Advisory Committee Act.
- Sec. 159. Resources.
- Sec. 160. Effective date.

Subtitle F—Other Provisions

- Sec. 161. Acceleration of phase-in of increase in volume cap on private activity bonds.
- Sec. 162. Modifications to expensing of environmental remediation costs.
- Sec. 163. Extension of DC homebuyer tax credit.
- Sec. 164. Extension of DC zone through 2003.
- Sec. 165. Extension of enhanced deduction for corporate donations of computer technology.

TITLE II—2-YEAR EXTENSION OF AVAILABILITY OF MEDICAL SAVINGS ACCOUNTS

- Sec. 201. 2-year extension of availability of medical savings accounts.
- Sec. 202. Medical savings accounts renamed as Archer MSAs.

TITLE III—ADMINISTRATIVE AND TECHNICAL PROVISIONS

Subtitle A—Administrative Provisions

- Sec. 301. Exemption of certain reporting requirements.
- Sec. 302. Extension of deadlines for IRS compliance with certain notice requirements.
- Sec. 303. Extension of authority for undercover operations.
- Sec. 304. Confidentiality of certain documents relating to closing and similar agreements and to agreements with foreign governments.
- Sec. 305. Increase in threshold for Joint Committee reports on refunds and credits.
- Sec. 306. Treatment of missing children with respect to certain tax benefits.
- Sec. 307. Amendments to statutes referencing yield on 52-week Treasury bills.
- Sec. 308. Adjustments for Consumer Price Index error.
- Sec. 309. Prevention of duplication of loss through assumption of liabilities giving rise to a deduction.
- Sec. 310. Disclosure of certain information to Congressional Budget Office

Subtitle B—Technical Corrections

- Sec. 311. Amendments related to Ticket to Work and Work Incentives Improvement Act of 1999.
- Sec. 312. Amendments related to Tax and Trade Relief Extension Act of 1998.
- Sec. 313. Amendments related to Internal Revenue Service Restructuring and Reform Act of 1998.
- Sec. 314. Amendments related to Taxpayer Relief Act of 1997.
- Sec. 315. Amendments related to Balanced Budget Act of 1997.
- Sec. 316. Amendments related to Small Business Job Protection Act of 1996.
- Sec. 317. Amendment related to Revenue Reconciliation Act of 1990.

Sec. 318. Other technical corrections.

Sec. 319. Clerical changes.

TITLE IV—TAX TREATMENT OF SECURITIES FUTURES
CONTRACTS

Sec. 401. Tax treatment of securities futures contracts.

1 TITLE I—COMMUNITY RENEWAL
2 AND NEW MARKETS
3 Subtitle A—Tax Incentives for
4 Renewal Communities

5 SEC. 101. DESIGNATION OF AND TAX INCENTIVES FOR RE-
6 NEWAL COMMUNITIES.

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

9 “Subchapter X—Renewal Communities

“Part I. Designation.

“Part II. Renewal community capital gain; renewal community
business.

“Part III. Additional incentives.

10 “PART I—DESIGNATION

“Sec. 1400E. Designation of renewal communities.

11 “SEC. 1400E. DESIGNATION OF RENEWAL COMMUNITIES.

12 “(a) DESIGNATION.—

13 “(1) DEFINITIONS.—For purposes of this title,
14 the term ‘renewal community’ means any area—

15 “(A) which is nominated by 1 or more
16 local governments and the State or States in
17 which it is located for designation as a renewal
18 community (hereafter in this section referred to
19 as a ‘nominated area’), and

1 “(B) which the Secretary of Housing and
2 Urban Development designates as a renewal
3 community, after consultation with—

4 “(i) the Secretaries of Agriculture,
5 Commerce, Labor, and the Treasury; the
6 Director of the Office of Management and
7 Budget, and the Administrator of the
8 Small Business Administration, and

9 “(ii) in the case of an area on an In-
10 dian reservation, the Secretary of the Inte-
11 rior.

12 “(2) NUMBER OF DESIGNATIONS.—

13 “(A) IN GENERAL.—Not more than 40
14 nominated areas may be designated as renewal
15 communities.

16 “(B) MINIMUM DESIGNATION IN RURAL
17 AREAS.—Of the areas designated under para-
18 graph (1), at least 12 must be areas—

19 “(i) which are within a local govern-
20 ment jurisdiction or jurisdictions with a
21 population of less than 50,000,

22 “(ii) which are outside of a metropoli-
23 tan statistical area (within the meaning of
24 section 143(k)(2)(B)), or

1 “(iii) which are determined by the
2 Secretary of Housing and Urban Develop-
3 ment, after consultation with the Secretary
4 of Commerce, to be rural areas.

5 “(3) AREAS DESIGNATED BASED ON DEGREE
6 OF POVERTY, ETC.—

7 “(A) IN GENERAL.—Except as otherwise
8 provided in this section, the nominated areas
9 designated as renewal communities under this
10 subsection shall be those nominated areas with
11 the highest average ranking with respect to the
12 criteria described in subparagraphs (B), (C),
13 and (D) of subsection (c)(3). For purposes of
14 the preceding sentence, an area shall be ranked
15 within each such criterion on the basis of the
16 amount by which the area exceeds such cri-
17 terion, with the area which exceeds such cri-
18 terion by the greatest amount given the highest
19 ranking.

20 “(B) EXCEPTION WHERE INADEQUATE
21 COURSE OF ACTION, ETC.—An area shall not be
22 designated under subparagraph (A) if the Sec-
23 retary of Housing and Urban Development de-
24 termines that the course of action described in

1 subsection (d)(2) with respect to such area is
2 inadequate.

3 "(C) PREFERENCE FOR ENTERPRISE COM-
4 MUNITIES AND EMPOWERMENT ZONES.—With
5 respect to the first 20 designations made under
6 this section, a preference shall be provided to
7 those nominated areas which are enterprise
8 communities or empowerment zones (and are
9 otherwise eligible for designation under this sec-
10 tion).

11 "(4) LIMITATION ON DESIGNATIONS.—

12 "(A) PUBLICATION OF REGULATIONS.—
13 The Secretary of Housing and Urban Develop-
14 ment shall prescribe by regulation no later than
15 4 months after the date of the enactment of
16 this section, after consultation with the officials
17 described in paragraph (1)(B)—

18 "(i) the procedures for nominating an
19 area under paragraph (1)(A),

20 "(ii) the parameters relating to the
21 size and population characteristics of a re-
22 newal community, and

23 "(iii) the manner in which nominated
24 areas will be evaluated based on the cri-
25 teria specified in subsection (d).

1 “(B) TIME LIMITATIONS.—The Secretary
2 of Housing and Urban Development may des-
3 ignate nominated areas as renewal communities
4 only during the period beginning on the first
5 day of the first month following the month in
6 which the regulations described in subpara-
7 graph (A) are prescribed and ending on Decem-
8 ber 31, 2001.

9 “(C) PROCEDURAL RULES.—The Secretary
10 of Housing and Urban Development shall not
11 make any designation of a nominated area as a
12 renewal community under paragraph (2)
13 unless—

14 “(i) the local governments and the
15 States in which the nominated area is lo-
16 cated have the authority—

17 “(I) to nominate such area for
18 designation as a renewal community,

19 “(II) to make the State and local
20 commitments described in subsection
21 (d), and

22 “(III) to provide assurances sat-
23 isfactory to the Secretary of Housing
24 and Urban Development that such
25 commitments will be fulfilled,

1 “(ii) a nomination regarding such
2 area is submitted in such a manner and in
3 such form, and contains such information,
4 as the Secretary of Housing and Urban
5 Development shall by regulation prescribe,
6 and

7 “(iii) the Secretary of Housing and
8 Urban Development determines that any
9 information furnished is reasonably accu-
10 rate.

11 “(5) NOMINATION PROCESS FOR INDIAN RES-
12 ERVATIONS.—For purposes of this subchapter, in
13 the case of a nominated area on an Indian reserva-
14 tion, the reservation governing body (as determined
15 by the Secretary of the Interior) shall be treated as
16 being both the State and local governments with re-
17 spect to such area.

18 “(b) PERIOD FOR WHICH DESIGNATION IS IN EF-
19 FECT.—

20 “(1) IN GENERAL.—Any designation of an area
21 as a renewal community shall remain in effect dur-
22 ing the period beginning on January 1, 2002, and
23 ending on the earliest of—

24 “(A) December 31, 2009,

1 “(B) the termination date designated by
2 the State and local governments in their nomi-
3 nation, or

4 “(C) the date the Secretary of Housing
5 and Urban Development revokes such designa-
6 tion.

7 “(2) REVOCATION OF DESIGNATION.—The Sec-
8 retary of Housing and Urban Development may re-
9 voke the designation under this section of an area if
10 such Secretary determines that the local government
11 or the State in which the area is located—

12 “(A) has modified the boundaries of the
13 area, or

14 “(B) is not complying substantially with,
15 or fails to make progress in achieving, the State
16 or local commitments, respectively, described in
17 subsection (d).

18 “(3) EARLIER TERMINATION OF CERTAIN BEN-
19 EFITS IF EARLIER TERMINATION OF DESIGNA-
20 TION.—If the designation of an area as a renewal
21 community terminates before December 31, 2009,
22 the day after the date of such termination shall be
23 substituted for ‘January 1, 2010’ each place it ap-
24 pears in sections 1400F and 1400J with respect to
25 such area.

1 “(c) AREA AND ELIGIBILITY REQUIREMENTS.—

2 “(1) IN GENERAL.—The Secretary of Housing
3 and Urban Development may designate a nominated
4 area as a renewal community under subsection (a)
5 only if the area meets the requirements of para-
6 graphs (2) and (3) of this subsection.

7 “(2) AREA REQUIREMENTS.—A nominated area
8 meets the requirements of this paragraph if—

9 “(A) the area is within the jurisdiction of
10 one or more local governments,

11 “(B) the boundary of the area is contin-
12 uous, and

13 “(C) the area—

14 “(i) has a population of not more than
15 200,000 and at least—

16 “(I) 4,000 if any portion of such
17 area (other than a rural area de-
18 scribed in subsection (a)(2)(B)(i)) is
19 located within a metropolitan statis-
20 tical area (within the meaning of sec-
21 tion 143(k)(2)(B)) which has a popu-
22 lation of 50,000 or greater, or

23 “(II) 1,000 in any other case, or

1 “(ii) is entirely within an Indian res-
2 ervation (as determined by the Secretary of
3 the Interior).

4 “(3) ELIGIBILITY REQUIREMENTS.—A nomi-
5 nated area meets the requirements of this paragraph
6 if the State and the local governments in which it
7 is located certify in writing (and the Secretary of
8 Housing and Urban Development, after such review
9 of supporting data as he deems appropriate, accepts
10 such certification) that—

11 “(A) the area is one of pervasive poverty,
12 unemployment, and general distress;

13 “(B) the unemployment rate in the area,
14 as determined by the most recent available
15 data, was at least 1½ times the national unem-
16 ployment rate for the period to which such data
17 relate;

18 “(C) the poverty rate for each population
19 census tract within the nominated area is at
20 least 20 percent; and

21 “(D) in the case of an urban area, at least
22 70 percent of the households living in the area
23 have incomes below 80 percent of the median
24 income of households within the jurisdiction of
25 the local government (determined in the same

1 manner as under section 119(b)(2) of the
2 Housing and Community Development Act of
3 1974).

4 “(4) CONSIDERATION OF OTHER FACTORS.—
5 The Secretary of Housing and Urban Development,
6 in selecting any nominated area for designation as
7 a renewal community under this section—

8 “(A) shall take into account—

9 “(i) the extent to which such area has
10 a high incidence of crime, or

11 “(ii) if such area has census tracts
12 identified in the May 12, 1998, report of
13 the General Accounting Office regarding
14 the identification of economically distressed
15 areas, and

16 “(B) with respect to 1 of the areas to be
17 designated under subsection (a)(2)(B), may, in
18 lieu of any criteria described in paragraph (3),
19 take into account the existence of outmigration
20 from the area.

21 “(d) REQUIRED STATE AND LOCAL COMMIT-
22 MENTS.—

23 “(1) IN GENERAL.—The Secretary of Housing
24 and Urban Development may designate any nomi-

1 nated area as a renewal community under subsection
2 (a) only if—

3 “(A) the local government and the State in
4 which the area is located agree in writing that,
5 during any period during which the area is a
6 renewal community, such governments will fol-
7 low a specified course of action which meets the
8 requirements of paragraph (2) and is designed
9 to reduce the various burdens borne by employ-
10 ers or employees in such area, and

11 “(B) the economic growth promotion re-
12 quirements of paragraph (3) are met.

13 “(2) COURSE OF ACTION.—

14 “(A) IN GENERAL.—A course of action
15 meets the requirements of this paragraph if
16 such course of action is a written document,
17 signed by a State (or local government) and
18 neighborhood organizations, which evidences a
19 partnership between such State or government
20 and community-based organizations and which
21 commits each signatory to specific and measur-
22 able goals, actions, and timetables. Such course
23 of action shall include at least 4 of the fol-
24 lowing:

1 “(i) A reduction of tax rates or fees
2 applying within the renewal community.

3 “(ii) An increase in the level of effi-
4 ciency of local services within the renewal
5 community.

6 “(iii) Crime reduction strategies, such
7 as crime prevention (including the provi-
8 sion of crime prevention services by non-
9 governmental entities).

10 “(iv) Actions to reduce, remove, sim-
11 plify, or streamline governmental require-
12 ments applying within the renewal commu-
13 nity.

14 “(v) Involvement in the program by
15 private entities, organizations, neighbor-
16 hood organizations, and community
17 groups, particularly those in the renewal
18 community, including a commitment from
19 such private entities to provide jobs and
20 job training for, and technical, financial, or
21 other assistance to, employers, employees,
22 and residents from the renewal community.

23 “(vi) The gift (or sale at below fair
24 market value) of surplus real property
25 (such as land, homes, and commercial or

1 industrial structures) in the renewal com-
2 munity to neighborhood organizations,
3 community development corporations, or
4 private companies.

5 “(B) RECOGNITION OF PAST EFFORTS.—

6 For purposes of this section, in evaluating the
7 course of action agreed to by any State or local
8 government, the Secretary of Housing and
9 Urban Development shall take into account the
10 past efforts of such State or local government
11 in reducing the various burdens borne by em-
12 ployers and employees in the area involved.

13 “(3) ECONOMIC GROWTH PROMOTION REQUIRE-
14 MENTS.—The economic growth promotion require-
15 ments of this paragraph are met with respect to a
16 nominated area if the local government and the
17 State in which such area is located certify in writing
18 that such government and State (respectively) have
19 repealed or reduced, will not enforce, or will reduce
20 within the nominated area at least 4 of the fol-
21 lowing:

22 “(A) Licensing requirements for occupa-
23 tions that do not ordinarily require a profes-
24 sional degree.

1 “(B) Zoning restrictions on home-based
2 businesses which do not create a public nui-
3 sance.

4 “(C) Permit requirements for street ven-
5 dors who do not create a public nuisance.

6 “(D) Zoning or other restrictions that im-
7 pede the formation of schools or child care cen-
8 ters.

9 “(E) Franchises or other restrictions on
10 competition for businesses providing public
11 services, including taxicabs, jitneys, cable tele-
12 vision, or trash hauling.

13 This paragraph shall not apply to the extent that
14 such regulation of businesses and occupations is nec-
15 essary for and well-tailored to the protection of
16 health and safety.

17 “(e) COORDINATION WITH TREATMENT OF EM-
18 POWERMENT ZONES AND ENTERPRISE COMMUNITIES.—
19 For purposes of this title, the designation under section
20 1391 of any area as an empowerment zone or enterprise
21 community shall cease to be in effect as of the date that
22 the designation of any portion of such area as a renewal
23 community takes effect.

24 “(f) DEFINITIONS AND SPECIAL RULES.—For pur-
25 poses of this subchapter—

1 “(1) GOVERNMENTS.—If more than one govern-
2 ment seeks to nominate an area as a renewal com-
3 munity, any reference to, or requirement of, this sec-
4 tion shall apply to all such governments.

5 “(2) LOCAL GOVERNMENT.—The term ‘local
6 government’ means—

7 “(A) any county, city, town, township, par-
8 ish, village, or other general purpose political
9 subdivision of a State, and

10 “(B) any combination of political subdivi-
11 sions described in subparagraph (A) recognized
12 by the Secretary of Housing and Urban Devel-
13 opment.

14 “(3) APPLICATION OF RULES RELATING TO
15 CENSUS TRACTS.—The rules of section 1392(b)(4)
16 shall apply.

17 “(4) CENSUS DATA.—Population and poverty
18 rate shall be determined by using 1990 census data.

19 “(g) PRIORITY FOR DISTRICT OF COLUMBIA NOMI-
20 NATED AREA.—For purposes of this subchapter—

21 “(1) IN GENERAL.—One nominated area within
22 the District of Columbia shall be treated for pur-
23 poses of subsection (a)(3) as having the highest av-
24 erage with respect to the criteria described in sub-
25 paragraphs (B), (C), and (D) of subsection (c)(3).

1 “(2) DATE OF DESIGNATION.—Notwithstanding
2 subsection (b)(1), the designation of a nominated
3 area within the District of Columbia as a renewal
4 community shall take effect on January 1, 2004.

5 “(3) NOMINATION.—The District of Columbia
6 shall be treated as being both a State and local gov-
7 ernment with respect to such area.

8 **“PART II—RENEWAL COMMUNITY CAPITAL GAIN;**
9 **RENEWAL COMMUNITY BUSINESS**

 “Sec. 1400F. Renewal community capital gain.

 “Sec. 1400G. Renewal community business defined.

10 **“SEC. 1400F. RENEWAL COMMUNITY CAPITAL GAIN.**

11 “(a) GENERAL RULE.—Gross income does not in-
12 clude any qualified capital gain from the sale or exchange
13 of a qualified community asset held for more than 5 years.

14 “(b) QUALIFIED COMMUNITY ASSET.—For purposes
15 of this section—

16 “(1) IN GENERAL.—The term ‘qualified com-
17 munity asset’ means—

18 “(A) any qualified community stock,

19 “(B) any qualified community partnership
20 interest, and

21 “(C) any qualified community business
22 property.

23 “(2) QUALIFIED COMMUNITY STOCK.—

1 “(A) IN GENERAL.—Except as provided in
2 subparagraph (B), the term ‘qualified commu-
3 nity stock’ means any stock in a domestic cor-
4 poration if—

5 “(i) such stock is acquired by the tax-
6 payer after December 31, 2001, and before
7 January 1, 2010, at its original issue (di-
8 rectly or through an underwriter) from the
9 corporation solely in exchange for cash,

10 “(ii) as of the time such stock was
11 issued, such corporation was a renewal
12 community business (or, in the case of a
13 new corporation, such corporation was
14 being organized for purposes of being a re-
15 newal community business), and

16 “(iii) during substantially all of the
17 taxpayer’s holding period for such stock,
18 such corporation qualified as a renewal
19 community business.

20 “(B) REDEMPTIONS.—A rule similar to
21 the rule of section 1202(c)(3) shall apply for
22 purposes of this paragraph.

23 “(3) QUALIFIED COMMUNITY PARTNERSHIP IN-
24 TEREST.—The term ‘qualified community partner-

1 ship interest' means any capital or profits interest in
2 a domestic partnership if—

3 "(A) such interest is acquired by the tax-
4 payer after December 31, 2001, and before
5 January 1, 2010, from the partnership solely in
6 exchange for cash,

7 "(B) as of the time such interest was ac-
8 quired, such partnership was a renewal commu-
9 nity business (or, in the case of a new partner-
10 ship, such partnership was being organized for
11 purposes of being a renewal community busi-
12 ness), and

13 "(C) during substantially all of the tax-
14 payer's holding period for such interest, such
15 partnership qualified as a renewal community
16 business.

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

19 "(4) QUALIFIED COMMUNITY BUSINESS PROP-
20 erty.—

21 "(A) IN GENERAL.—The term 'qualified
22 community business property' means tangible
23 property if—

24 "(i) such property was acquired by
25 the taxpayer by purchase (as defined in

1 section 179(d)(2)) after December 31,
2 2001, and before January 1, 2010,

3 “(ii) the original use of such property
4 in the renewal community commences with
5 the taxpayer, and

6 “(iii) during substantially all of the
7 taxpayer’s holding period for such prop-
8 erty, substantially all of the use of such
9 property was in a renewal community busi-
10 ness of the taxpayer.

11 “(B) SPECIAL RULE FOR SUBSTANTIAL IM-
12 PROVEMENTS.—The requirements of clauses (i)
13 and (ii) of subparagraph (A) shall be treated as
14 satisfied with respect to—

15 “(i) property which is substantially
16 improved by the taxpayer before January
17 1, 2010, and

18 “(ii) any land on which such property
19 is located.

20 The determination of whether a property is sub-
21 stantially improved shall be made under clause
22 (ii) of section 1400B(b)(4)(B), except that ‘De-
23 cember 31, 2001’ shall be substituted for ‘De-
24 cember 31, 1997’ in such clause.

1 “(c) QUALIFIED CAPITAL GAIN.—For purposes of
2 this section—

3 “(1) IN GENERAL.—Except as otherwise pro-
4 vided in this subsection, the term ‘qualified capital
5 gain’ means any gain recognized on the sale or ex-
6 change of—

7 “(A) a capital asset, or

8 “(B) property used in the trade or busi-
9 ness (as defined in section 1231(b)).

10 “(2) GAIN BEFORE 2002 OR AFTER 2014 NOT
11 QUALIFIED.—The term ‘qualified capital gain’ shall
12 not include any gain attributable to periods before
13 January 1, 2002, or after December 31, 2014.

14 “(3) CERTAIN RULES TO APPLY.—Rules similar
15 to the rules of paragraphs (3), (4), and (5) of sec-
16 tion 1400B(e) shall apply for purposes of this sub-
17 section.

18 “(d) CERTAIN RULES TO APPLY.—For purposes of
19 this section, rules similar to the rules of paragraphs (5),
20 (6), and (7) of subsection (b), and subsections (f) and
21 (g), of section 1400B shall apply; except that for such pur-
22 poses section 1400B(g)(2) shall be applied by substituting
23 ‘January 1, 2002’ for ‘January 1, 1998’ and ‘December
24 31, 2014’ for ‘December 31, 2008’.

1 “(e) REGULATIONS.—The Secretary shall prescribe
2 such regulations as may be appropriate to carry out the
3 purposes of this section, including regulations to prevent
4 the abuse of the purposes of this section.

5 **“SEC. 1400G. RENEWAL COMMUNITY BUSINESS DEFINED.**

6 “For purposes of this subchapter, the term ‘renewal
7 community business’ means any entity or proprietorship
8 which would be a qualified business entity or qualified pro-
9 prietorship under section 1397C if references to renewal
10 communities were substituted for references to empower-
11 ment zones in such section.

12 **“PART III—ADDITIONAL INCENTIVES**

 “Sec. 1400H. Renewal community employment credit.

 “Sec. 1400I. Commercial revitalization deduction.

 “Sec. 1400J. Increase in expensing under section 179.

13 **“SEC. 1400H. RENEWAL COMMUNITY EMPLOYMENT CREDIT.**

14 “(a) IN GENERAL.—Subject to the modification in
15 subsection (b), a renewal community shall be treated as
16 an empowerment zone for purposes of section 1396 with
17 respect to wages paid or incurred after December 31,
18 2001.

19 “(b) MODIFICATION.—In applying section 1396 with
20 respect to renewal communities—

21 “(1) the applicable percentage shall be 15 per-
22 cent, and

1 “(2) subsection (c) thereof shall be applied by
2 substituting ‘\$10,000’ for ‘\$15,000’ each place it ap-
3 pears.

4 **“SEC. 1400I. COMMERCIAL REVITALIZATION DEDUCTION.**

5 “(a) GENERAL RULE.—At the election of the tax-
6 payer, either—

7 “(1) one-half of any qualified revitalization ex-
8 penditures chargeable to capital account with respect
9 to any qualified revitalization building shall be allow-
10 able as a deduction for the taxable year in which the
11 building is placed in service, or

12 “(2) a deduction for all such expenditures shall
13 be allowable ratably over the 120-month period be-
14 ginning with the month in which the building is
15 placed in service.

16 “(b) QUALIFIED REVITALIZATION BUILDINGS AND
17 EXPENDITURES.—For purposes of this section—

18 “(1) QUALIFIED REVITALIZATION BUILDING.—
19 The term ‘qualified revitalization building’ means
20 any building (and its structural components) if—

21 “(A) the building is placed in service by
22 the taxpayer in a renewal community and the
23 original use of the building begins with the tax-
24 payer, or

1 “(B) in the case of such building not de-
2 scribed in subparagraph (A), such building—

3 “(i) is substantially rehabilitated
4 (within the meaning of section
5 47(c)(1)(C)) by the taxpayer, and

6 “(ii) is placed in service by the tax-
7 payer after the rehabilitation in a renewal
8 community.

9 “(2) QUALIFIED REVITALIZATION EXPENDI-
10 TURE.—

11 “(A) IN GENERAL.—The term ‘qualified
12 revitalization expenditure’ means any amount
13 properly chargeable to capital account for prop-
14 erty for which depreciation is allowable under
15 section 168 (without regard to this section) and
16 which is—

17 “(i) nonresidential real property (as
18 defined in section 168(e)), or

19 “(ii) section 1250 property (as defined
20 in section 1250(c)) which is functionally
21 related and subordinate to property de-
22 scribed in clause (i).

23 “(B) CERTAIN EXPENDITURES NOT IN-
24 CLUDED.—

1 “(i) ACQUISITION COST.—In the case
2 of a building described in paragraph
3 (1)(B), the cost of acquiring the building
4 or interest therein shall be treated as a
5 qualified revitalization expenditure only to
6 the extent that such cost does not exceed
7 30 percent of the aggregate qualified re-
8 vitalization expenditures (determined with-
9 out regard to such cost) with respect to
10 such building.

11 “(ii) CREDITS.—The term ‘qualified
12 revitalization expenditure’ does not include
13 any expenditure which the taxpayer may
14 take into account in computing any credit
15 allowable under this title unless the tax-
16 payer elects to take the expenditure into
17 account only for purposes of this section.

18 “(c) DOLLAR LIMITATION.—The aggregate amount
19 which may be treated as qualified revitalization expendi-
20 tures with respect to any qualified revitalization building
21 shall not exceed the lesser of—

22 “(1) \$10,000,000, or

23 “(2) the commercial revitalization expenditure
24 amount allocated to such building under this section

1 by the commercial revitalization agency for the State
2 in which the building is located.

3 “(d) COMMERCIAL REVITALIZATION EXPENDITURE
4 AMOUNT.—

5 “(1) IN GENERAL.—The aggregate commercial
6 revitalization expenditure amount which a commer-
7 cial revitalization agency may allocate for any cal-
8 endar year is the amount of the State commercial
9 revitalization expenditure ceiling determined under
10 this paragraph for such calendar year for such agen-
11 cy.

12 “(2) STATE COMMERCIAL REVITALIZATION EX-
13 PENDITURE CEILING.—The State commercial revi-
14 talization expenditure ceiling applicable to any
15 State—

16 “(A) for each calendar year after 2001 and
17 before 2010 is \$12,000,000 for each renewal
18 community in the State, and

19 “(B) for each calendar year thereafter is
20 zero.

21 “(3) COMMERCIAL REVITALIZATION AGENCY.—
22 For purposes of this section, the term ‘commercial
23 revitalization agency’ means any agency authorized
24 by a State to carry out this section.

1 “(4) TIME AND MANNER OF ALLOCATIONS.—

2 Allocations under this section shall be made at the
3 same time and in the same manner as under para-
4 graphs (1) and (7) of section 42(h).

5 “(e) RESPONSIBILITIES OF COMMERCIAL REVITAL-
6 IZATION AGENCIES.—

7 “(1) PLANS FOR ALLOCATION.—Notwith-
8 standing any other provision of this section, the
9 commercial revitalization expenditure amount with
10 respect to any building shall be zero unless—

11 “(A) such amount was allocated pursuant
12 to a qualified allocation plan of the commercial
13 revitalization agency which is approved (in ac-
14 cordance with rules similar to the rules of sec-
15 tion 147(f)(2) (other than subparagraph (B)(ii)
16 thereof)) by the governmental unit of which
17 such agency is a part; and

18 “(B) such agency notifies the chief execu-
19 tive officer (or its equivalent) of the local juris-
20 diction within which the building is located of
21 such allocation and provides such individual a
22 reasonable opportunity to comment on the allo-
23 cation.

1 “(2) QUALIFIED ALLOCATION PLAN.—For pur-
2 poses of this subsection, the term ‘qualified alloca-
3 tion plan’ means any plan—

4 “(A) which sets forth selection criteria to
5 be used to determine priorities of the commer-
6 cial revitalization agency which are appropriate
7 to local conditions,

8 “(B) which considers—

9 “(i) the degree to which a project con-
10 tributes to the implementation of a stra-
11 tegic plan that is devised for a renewal
12 community through a citizen participation
13 process,

14 “(ii) the amount of any increase in
15 permanent, full-time employment by reason
16 of any project, and

17 “(iii) the active involvement of resi-
18 dents and nonprofit groups within the re-
19 newal community, and

20 “(C) which provides a procedure that the
21 agency (or its agent) will follow in monitoring
22 compliance with this section.

23 “(f) SPECIAL RULES.—

1 “(1) DEDUCTION IN LIEU OF DEPRECIATION.—

2 The deduction provided by this section for qualified
3 revitalization expenditures shall—

4 “(A) with respect to the deduction deter-
5 mined under subsection (a)(1), be in lieu of any
6 depreciation deduction otherwise allowable on
7 account of one-half of such expenditures, and

8 “(B) with respect to the deduction deter-
9 mined under subsection (a)(2), be in lieu of any
10 depreciation deduction otherwise allowable on
11 account of all of such expenditures.

12 “(2) BASIS ADJUSTMENT, ETC.—For purposes
13 of sections 1016 and 1250, the deduction under this
14 section shall be treated in the same manner as a de-
15 preciation deduction. For purposes of section
16 1250(b)(5), the straight line method of adjustment
17 shall be determined without regard to this section.

18 “(3) SUBSTANTIAL REHABILITATIONS TREATED
19 AS SEPARATE BUILDINGS.—A substantial rehabilita-
20 tion (within the meaning of section 47(c)(1)(C)) of
21 a building shall be treated as a separate building for
22 purposes of subsection (a).

23 “(4) CLARIFICATION OF ALLOWANCE OF DE-
24 DUCTION UNDER MINIMUM TAX.—Notwithstanding
25 section 56(a)(1), the deduction under this section

1 shall be allowed in determining alternative minimum
2 taxable income under section 55.

3 “(g) TERMINATION.—This section shall not apply to
4 any building placed in service after December 31, 2009.

5 **“SEC. 1400J. INCREASE IN EXPENSING UNDER SECTION 179.**

6 “(a) IN GENERAL.—For purposes of section
7 1397A—

8 “(1) a renewal community shall be treated as
9 an empowerment zone,

10 “(2) a renewal community business shall be
11 treated as an enterprise zone business, and

12 “(3) qualified renewal property shall be treated
13 as qualified zone property.

14 “(b) QUALIFIED RENEWAL PROPERTY.—For pur-
15 poses of this section—

16 “(1) IN GENERAL.—The term ‘qualified renewal
17 property’ means any property to which section 168
18 applies (or would apply but for section 179) if—

19 “(A) such property was acquired by the
20 taxpayer by purchase (as defined in section
21 179(d)(2)) after December 31, 2001, and be-
22 fore January 1, 2010, and

23 “(B) such property would be qualified zone
24 property (as defined in section 1397D) if ref-
25 erences to renewal communities were sub-

1 stituted for references to empowerment zones in
2 section 1397D.

3 “(2) CERTAIN RULES TO APPLY.—The rules of
4 subsections (a)(2) and (b) of section 1397D shall
5 apply for purposes of this section.”.

6 (b) EXCEPTION FOR COMMERCIAL REVITALIZATION
7 DEDUCTION FROM PASSIVE LOSS RULES.—

8 (1) Paragraph (3) of section 469(i) is amended
9 by redesignating subparagraphs (C), (D), and (E) as
10 subparagraphs (D), (E), and (F), respectively, and
11 by inserting after subparagraph (B) the following
12 new subparagraph:

13 “(C) EXCEPTION FOR COMMERCIAL REVI-
14 TALIZATION DEDUCTION.—Subparagraph (A)
15 shall not apply to any portion of the passive ac-
16 tivity loss for any taxable year which is attrib-
17 utable to the commercial revitalization deduc-
18 tion under section 1400I.”.

19 (2) Subparagraph (E) of section 469(i)(3), as
20 redesignated by subparagraph (A), is amended to
21 read as follows:

22 “(E) ORDERING RULES TO REFLECT EX-
23 CEPTIONS AND SEPARATE PHASE-OUTS.—If
24 subparagraph (B), (C), or (D) applies for a tax-
25 able year, paragraph (1) shall be applied—

1 “(i) first to the portion of the passive
2 activity loss to which subparagraph (C)
3 does not apply,

4 “(ii) second to the portion of the pas-
5 sive activity credit to which subparagraph
6 (B) or (D) does not apply,

7 “(iii) third to the portion of such
8 credit to which subparagraph (B) applies,

9 “(iv) fourth to the portion of such loss
10 to which subparagraph (C) applies, and

11 “(v) then to the portion of such credit
12 to which subparagraph (D) applies.”.

13 (3)(A) Subparagraph (B) of section 469(i)(6) is
14 amended by striking “or” at the end of clause (i),
15 by striking the period at the end of clause (ii) and
16 inserting “, or”, and by adding at the end the fol-
17 lowing new clause:

18 “(iii) any deduction under section
19 1400I (relating to commercial revitaliza-
20 tion deduction).”.

21 (B) The heading for such subparagraph (B) is
22 amended by striking “OR REHABILITATION CREDIT”
23 and inserting “, REHABILITATION CREDIT, OR COM-
24 MERCIAL REVITALIZATION DEDUCTION”.

1 (c) AUDIT AND REPORT.—Not later than January 31
2 of 2004, 2007, and 2010, the Comptroller General of the
3 United States shall, pursuant to an audit of the renewal
4 community program established under section 1400E of
5 the Internal Revenue Code of 1986 (as added by sub-
6 section (a)) and the empowerment zone and enterprise
7 community program under subchapter U of chapter 1 of
8 such Code, report to Congress on such program and its
9 effect on poverty, unemployment, and economic growth
10 within the designated renewal communities, empowerment
11 zones, and enterprise communities.

12 (d) CLERICAL AMENDMENT.—The table of sub-
13 chapters for chapter 1 is amended by adding at the end
14 the following new item:

15 “Subchapter X. Renewal Communities.”.

16 **SEC. 102. WORK OPPORTUNITY CREDIT FOR HIRING YOUTH**
17 **RESIDING IN RENEWAL COMMUNITIES.**

18 (a) HIGH-RISK YOUTH.—Subparagraphs (A)(ii) and
19 (B) of section 51(d)(5) are each amended by striking “em-
20 powerment zone or enterprise community” and inserting
21 “empowerment zone, enterprise community, or renewal
22 community”.

23 (b) QUALIFIED SUMMER YOUTH EMPLOYEE.—
24 Clause (iv) of section 51(d)(7)(A) is amended by striking
25 “empowerment zone or enterprise community” and insert-

1 ing “empowerment zone, enterprise community, or re-
2 newal community”.

3 (c) HEADINGS.—Paragraphs (5)(B) and (7)(C) of
4 section 51(d) are each amended by inserting “OR COMMU-
5 NITY” in the heading after “ZONE”.

6 (d) EFFECTIVE DATE.—The amendments made by
7 this section shall apply to individuals who begin work for
8 the employer after December 31, 2001.

9 **Subtitle B—Extension and Expan-**
10 **sion of Empowerment Zone In-**
11 **centives**

12 **SEC. 111. AUTHORITY TO DESIGNATE 9 ADDITIONAL EM-**
13 **POWERMENT ZONES.**

14 Section 1391 is amended by adding at the end the
15 following new subsection:

16 “(h) ADDITIONAL DESIGNATIONS PERMITTED.—

17 “(1) IN GENERAL.—In addition to the areas
18 designated under subsections (a) and (g), the appro-
19 priate Secretaries may designate in the aggregate an
20 additional 9 nominated areas as empowerment zones
21 under this section, subject to the availability of eligi-
22 ble nominated areas. Of that number, not more than
23 seven may be designated in urban areas and not
24 more than 2 may be designated in rural areas.

1 “(2) PERIOD DESIGNATIONS MAY BE MADE AND
2 TAKE EFFECT.—A designation may be made under
3 this subsection after the date of the enactment of
4 this subsection and before January 1, 2002. Subject
5 to subparagraphs (B) and (C) of subsection (d)(1),
6 such designations shall remain in effect during the
7 period beginning on January 1, 2002, and ending on
8 December 31, 2009.

9 “(3) MODIFICATIONS TO ELIGIBILITY CRITERIA,
10 ETC.—The rules of subsection (g)(3) shall apply to
11 designations under this subsection.

12 “(4) EMPOWERMENT ZONES WHICH BECOME
13 RENEWAL COMMUNITIES.—The number of areas
14 which may be designated as empowerment zones
15 under this subsection shall be increased by 1 for
16 each area which ceases to be an empowerment zone
17 by reason of section 1400E(e). Each additional area
18 designated by reason of the preceding sentence shall
19 have the same urban or rural character as the area
20 it is replacing.”

21 **SEC. 112. EXTENSION OF EMPOWERMENT ZONE TREAT-**
22 **MENT THROUGH 2009.**

23 Subparagraph (A) of section 1391(d)(1) (relating to
24 period for which designation is in effect) is amended to
25 read as follows:

1 “(A)(i) in the case of an empowerment
2 zone, December 31, 2009, or

3 “(ii) in the case of an enterprise commu-
4 nity, the close of the 10th calendar year begin-
5 ning on or after such date of designation.”.

6 **SEC. 113. 20 PERCENT EMPLOYMENT CREDIT FOR ALL EM-**
7 **POWERMENT ZONES.**

8 (a) 20 PERCENT CREDIT.—Subsection (b) of section
9 1396 (relating to empowerment zone employment credit)
10 is amended to read as follows:

11 “(b) APPLICABLE PERCENTAGE.—For purposes of
12 this section, the applicable percentage is 20 percent.”.

13 (b) ALL EMPOWERMENT ZONES ELIGIBLE FOR
14 CREDIT.—Section 1396 is amended by striking subsection
15 (e).

16 (c) CONFORMING AMENDMENT.—Subsection (d) of
17 section 1400 is amended to read as follows:

18 “(d) SPECIAL RULE FOR APPLICATION OF EMPLOY-
19 MENT CREDIT.—With respect to the DC Zone, section
20 1396(d)(1)(B) (relating to empowerment zone employ-
21 ment credit) shall be applied by substituting ‘the District
22 of Columbia’ for ‘such empowerment zone’.”.

23 (d) EFFECTIVE DATE.—The amendments made by
24 this section shall apply to wages paid or incurred after
25 December 31, 2001.

1 **SEC. 114. INCREASED EXPENSING UNDER SECTION 179.**

2 (a) IN GENERAL.—Subparagraph (A) of section
3 1397A(a)(1) is amended by striking “\$20,000” and in-
4 serting “\$35,000”.

5 (b) EXPENSING FOR PROPERTY USED IN DEVELOP-
6 ABLE SITES.—Section 1397A is amended by striking sub-
7 section (c).

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

11 **SEC. 115. HIGHER LIMITS ON TAX-EXEMPT EMPOWERMENT**

12 **ZONE FACILITY BONDS.**

13 (a) IN GENERAL.—Paragraph (3) of section 1394(f)
14 (relating to bonds for empowerment zones designated
15 under section 1391(g)) is amended to read as follows:

16 “(3) EMPOWERMENT ZONE FACILITY BOND.—
17 For purposes of this subsection, the term ‘empower-
18 ment zone facility bond’ means any bond which
19 would be described in subsection (a) if—

20 “(A) in the case of obligations issued be-
21 fore January 1, 2002, only empowerment zones
22 designated under section 1391(g) were taken
23 into account under sections 1397C and 1397D,
24 and

25 “(B) in the case of obligations issued after
26 December 31, 2001, all empowerment zones

1 (other than the District of Columbia Enterprise
2 Zone) were taken into account under sections
3 1397C and 1397D.”.

4 (b) EFFECTIVE DATE.—The amendments made by
5 this section shall apply to obligations issued after Decem-
6 ber 31, 2001.

7 **SEC. 116. NONRECOGNITION OF GAIN ON ROLLOVER OF**
8 **EMPOWERMENT ZONE INVESTMENTS.**

9 (a) IN GENERAL.—Part III of subchapter U of chap-
10 ter 1 is amended—

11 (1) by redesignating subpart C as subpart D;

12 (2) by redesignating sections 1397B and 1397C
13 as sections 1397C and 1397D, respectively; and

14 (3) by inserting after subpart B the following
15 new subpart:

16 **“Subpart C—Nonrecognition of Gain on Rollover of**
17 **Empowerment Zone Investments**

“Sec 1397B. Nonrecognition of Gain on Rollover of Empower-
ment Zone Investments.

18 **“SEC. 1397B. NONRECOGNITION OF GAIN ON ROLLOVER OF**
19 **EMPOWERMENT ZONE INVESTMENTS.**

20 “(a) NONRECOGNITION OF GAIN.—In the case of any
21 sale of a qualified empowerment zone asset held by the
22 taxpayer for more than 1 year and with respect to which
23 such taxpayer elects the application of this section, gain

1 from such sale shall be recognized only to the extent that
2 the amount realized on such sale exceeds—

3 “(1) the cost of any qualified empowerment
4 zone asset (with respect to the same zone as the
5 asset sold) purchased by the taxpayer during the 60-
6 day period beginning on the date of such sale, re-
7 duced by

8 “(2) any portion of such cost previously taken
9 into account under this section.

10 “(b) DEFINITIONS AND SPECIAL RULES.—For pur-
11 poses of this section—

12 “(1) QUALIFIED EMPOWERMENT ZONE
13 ASSET.—

14 “(A) IN GENERAL.—The term ‘qualified
15 empowerment zone asset’ means any property
16 which would be a qualified community asset (as
17 defined in section 1400F) if in section 1400F—

18 “(i) references to empowerment zones
19 were substituted for references to renewal
20 communities,

21 “(ii) references to enterprise zone
22 businesses (as defined in section 1397C)
23 were substituted for references to renewal
24 community businesses, and

1 “(iii) the date of the enactment of this
2 paragraph were substituted for ‘December
3 31, 2001’ each place it appears.

4 “(B) TREATMENT OF DC ZONE.—The Dis-
5 trict of Columbia Enterprise Zone shall not be
6 treated as an empowerment zone for purposes
7 of this section.

8 “(2) CERTAIN GAIN NOT ELIGIBLE FOR ROLL-
9 OVER.—This section shall not apply to—

10 “(A) any gain which is treated as ordinary
11 income for purposes of this subtitle, and

12 “(B) any gain which is attributable to real
13 property, or an intangible asset, which is not an
14 integral part of an enterprise zone business.

15 “(3) PURCHASE.—A taxpayer shall be treated
16 as having purchased any property if, but for para-
17 graph (4), the unadjusted basis of such property in
18 the hands of the taxpayer would be its cost (within
19 the meaning of section 1012).

20 “(4) BASIS ADJUSTMENTS.—If gain from any
21 sale is not recognized by reason of subsection (a),
22 such gain shall be applied to reduce (in the order ac-
23 quired) the basis for determining gain or loss of any
24 qualified empowerment zone asset which is pur-
25 chased by the taxpayer during the 60-day period de-

1 scribed in subsection (a). This paragraph shall not
2 apply for purposes of section 1202.

3 “(5) HOLDING PERIOD.—For purposes of deter-
4 mining whether the nonrecognition of gain under
5 subsection (a) applies to any qualified empowerment
6 zone asset which is sold—

7 “(A) the taxpayer’s holding period for such
8 asset and the asset referred to in subsection
9 (a)(1) shall be determined without regard to
10 section 1223, and

11 “(B) only the first year of the taxpayer’s
12 holding period for the asset referred to in sub-
13 section (a)(1) shall be taken into account for
14 purposes of paragraphs (2)(A)(iii), (3)(C), and
15 (4)(A)(iii) of section 1400F(b).”.

16 (b) CONFORMING AMENDMENTS.—

17 (1) Paragraph (23) of section 1016(a) is
18 amended—

19 (A) by striking “or 1045” and inserting
20 “1045, or 1397B”, and

21 (B) by striking “or 1045(b)(4)” and in-
22 serting “1045(b)(4), or 1397B(b)(4)”.

23 (2) Paragraph (15) of section 1223 is amended
24 to read as follows:

1 “(15) Except for purposes of sections
2 1202(a)(2), 1202(c)(2)(A), 1400B(b), and
3 1400F(b), in determining the period for which the
4 taxpayer has held property the acquisition of which
5 resulted under section 1045 or 1397B in the non-
6 recognition of any part of the gain realized on the
7 sale of other property, there shall be included the pe-
8 riod for which such other property has been held as
9 of the date of such sale.”.

10 (3) Paragraph (2) of section 1394(b) is
11 amended—

12 (A) by striking “section 1397C” and in-
13 serting “section 1397D”, and

14 (B) by striking “section 1397C(a)(2)” and
15 inserting “section 1397D(a)(2)”.

16 (4) Paragraph (3) of section 1394(b) is
17 amended—

18 (A) by striking “section 1397B” each place
19 it appears and inserting “section 1397C”, and

20 (B) by striking “section 1397B(d)” and in-
21 serting “section 1397C(d)”.

22 (5) Sections 1400(e) and 1400B(c) are each
23 amended by striking “section 1397B” each place it
24 appears and inserting “section 1397C”.

(6) The table of subparts for part III of subchapter U of chapter 1 is amended by striking the last item and inserting the following new items:

“Subpart C. Nonrecognition of gain on rollover of empowerment zone investments.”

“Subpart D. General provisions.”.

4 (7) The table of sections for subpart D of such
5 part III is amended to read as follows:

"Sec. 1397C. Enterprise zone business defined.
"Sec. 1397D. Qualified zone property defined."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to qualified empowerment zone assets acquired after the date of the enactment of this Act.

9 SEC. 117. INCREASED EXCLUSION OF GAIN ON SALE OF EM-
10 POWERMENT ZONE STOCK.

11 (a) IN GENERAL.—Subsection (a) of section 1202 is
12 amended to read as follows:

13 “(a) EXCLUSION.—

“(1) IN GENERAL.—In the case of a taxpayer other than a corporation, gross income shall not include 50 percent of any gain from the sale or exchange of qualified small business stock held for more than 5 years.

19 “(2) EMPOWERMENT ZONE BUSINESSES.—

“(A) IN GENERAL.—In the case of qualified small business stock acquired after the date of the enactment of this paragraph in a cor-

1 poration which is a qualified business entity (as
2 defined in section 1397C(b)) during substan-
3 tially all of the taxpayer's holding period for
4 such stock, paragraph (1) shall be applied by
5 substituting '60 percent' for '50 percent'.

6 “(B) CERTAIN RULES TO APPLY.—Rules
7 similar to the rules of paragraphs (5) and (7)
8 of section 1400B(b) shall apply for purposes of
9 this paragraph.

10 “(C) GAIN AFTER 2014 NOT QUALIFIED.—
11 Subparagraph (A) shall not apply to gain at-
12 tributable to periods after December 31, 2014.

13 “(D) TREATMENT OF DC ZONE.—The Dis-
14 trict of Columbia Enterprise Zone shall not be
15 treated as an empowerment zone for purposes
16 of this paragraph.”.

17 (b) CONFORMING AMENDMENTS.—

18 (1) Paragraph (8) of section 1(h) is amended
19 by striking “means” and all that follows and insert-
20 ing “means the excess of—

21 “(A) the gain which would be excluded
22 from gross income under section 1202 but for
23 the percentage limitation in section 1202(a),
24 over

1 “(B) the gain excluded from gross income
2 under section 1202.”.

3 (2) The section heading for section 1202 is
4 amended by striking “**50-PERCENT**” and inserting
5 “**PARTIAL**”.

6 (3) The table of sections for part I of sub-
7 chapter P of chapter 1 is amended by striking “50-
8 percent” and inserting “Partial”.

9 (c) EFFECTIVE DATE.—The amendments made by
10 this section shall apply to stock acquired after the date
11 of the enactment of this Act.

12 **Subtitle C—New Markets Tax** 13 **Credit**

14 **SEC. 121. NEW MARKETS TAX CREDIT.**

15 (a) IN GENERAL.—Subpart D of part IV of sub-
16 chapter A of chapter 1 (relating to business-related cred-
17 its) is amended by adding at the end the following new
18 section:

19 **“SEC. 45D. NEW MARKETS TAX CREDIT.**

20 “(a) ALLOWANCE OF CREDIT.—

21 “(1) IN GENERAL.—For purposes of section 38,
22 in the case of a taxpayer who holds a qualified eq-
23 uity investment on a credit allowance date of such
24 investment which occurs during the taxable year, the
25 new markets tax credit determined under this sec-

1 tion for such taxable year is an amount equal to the
2 applicable percentage of the amount paid to the
3 qualified community development entity for such in-
4 vestment at its original issue.

5 “(2) APPLICABLE PERCENTAGE.—For purposes
6 of paragraph (1), the applicable percentage is—

7 “(A) 5 percent with respect to the first 3
8 credit allowance dates, and

9 “(B) 6 percent with respect to the remain-
10 der of the credit allowance dates.

11 “(3) CREDIT ALLOWANCE DATE.—For purposes
12 of paragraph (1), the term ‘credit allowance date’
13 means, with respect to any qualified equity
14 investment—

15 “(A) the date on which such investment is
16 initially made, and

17 “(B) each of the 6 anniversary dates of
18 such date thereafter.

19 “(b) QUALIFIED EQUITY INVESTMENT.—For pur-
20 poses of this section—

21 “(1) IN GENERAL.—The term ‘qualified equity
22 investment’ means any equity investment in a quali-
23 fied community development entity if—

24 “(A) such investment is acquired by the
25 taxpayer at its original issue (directly or

1 through an underwriter) solely in exchange for
2 cash,

3 “(B) substantially all of such cash is used
4 by the qualified community development entity
5 to make qualified low-income community invest-
6 ments, and

7 “(C) such investment is designated for
8 purposes of this section by the qualified com-
9 munity development entity.

10 Such term shall not include any equity investment
11 issued by a qualified community development entity
12 more than 5 years after the date that such entity re-
13 ceives an allocation under subsection (f). Any alloca-
14 tion not used within such 5-year period may be re-
15 allocated by the Secretary under subsection (f).

16 “(2) LIMITATION.—The maximum amount of
17 equity investments issued by a qualified community
18 development entity which may be designated under
19 paragraph (1)(C) by such entity shall not exceed the
20 portion of the limitation amount allocated under
21 subsection (f) to such entity.

22 “(3) SAFE HARBOR FOR DETERMINING USE OF
23 CASH.—The requirement of paragraph (1)(B) shall
24 be treated as met if at least 85 percent of the aggre-
25 gate gross assets of the qualified community devel-

1 opment entity are invested in qualified low-income
2 community investments.

3 “(4) TREATMENT OF SUBSEQUENT PUR-
4 CHASERS.—The term ‘qualified equity investment’
5 includes any equity investment which would (but for
6 paragraph (1)(A)) be a qualified equity investment
7 in the hands of the taxpayer if such investment was
8 a qualified equity investment in the hands of a prior
9 holder.

10 “(5) REDEMPTIONS.—A rule similar to the rule
11 of section 1202(c)(3) shall apply for purposes of this
12 subsection.

13 “(6) EQUITY INVESTMENT.—The term ‘equity
14 investment’ means—

15 “(A) any stock (other than nonqualified
16 preferred stock as defined in section 351(g)(2))
17 in an entity which is a corporation, and

18 “(B) any capital interest in an entity
19 which is a partnership.

20 “(c) QUALIFIED COMMUNITY DEVELOPMENT ENTI-
21 TY.—For purposes of this section—

22 “(1) IN GENERAL.—The term ‘qualified com-
23 munity development entity’ means any domestic cor-
24 poration or partnership if—

1 “(A) the primary mission of the entity is
2 serving, or providing investment capital for,
3 low-income communities or low-income persons,

4 “(B) the entity maintains accountability to
5 residents of low-income communities through
6 their representation on any governing board of
7 the entity or on any advisory board to the enti-
8 ty, and

9 “(C) the entity is certified by the Secretary
10 for purposes of this section as being a qualified
11 community development entity.

12 “(2) SPECIAL RULES FOR CERTAIN ORGANIZA-
13 TIONS.—The requirements of paragraph (1) shall be
14 treated as met by—

15 “(A) any specialized small business invest-
16 ment company (as defined in section
17 1044(c)(3)), and

18 “(B) any community development financial
19 institution (as defined in section 103 of the
20 Community Development Banking and Finan-
21 cial Institutions Act of 1994 (12 U.S.C. 4702)).

22 “(d) QUALIFIED LOW-INCOME COMMUNITY INVEST-
23 MENTS.—For purposes of this section—

24 “(1) IN GENERAL.—The term ‘qualified low-in-
25 come community investment’ means—

1 “(A) any capital or equity investment in,
2 or loan to, any qualified active low-income com-
3 munity business,

4 “(B) the purchase from another qualified
5 community development entity of any loan
6 made by such entity which is a qualified low-in-
7 come community investment,

8 “(C) financial counseling and other serv-
9 ices specified in regulations prescribed by the
10 Secretary to businesses located in, and resi-
11 dents of, low-income communities, and

12 “(D) any equity investment in, or loan to,
13 any qualified community development entity.

14 “(2) QUALIFIED ACTIVE LOW-INCOME COMMU-
15 NITY BUSINESS.—

16 “(A) IN GENERAL.—For purposes of para-
17 graph (1), the term ‘qualified active low-income
18 community business’ means, with respect to any
19 taxable year, any corporation (including a non-
20 profit corporation) or partnership if for such
21 year—

22 “(i) at least 50 percent of the total
23 gross income of such entity is derived from
24 the active conduct of a qualified business
25 within any low-income community,

1 “(ii) a substantial portion of the use
2 of the tangible property of such entity
3 (whether owned or leased) is within any
4 low-income community,

5 “(iii) a substantial portion of the serv-
6 ices performed for such entity by its em-
7 ployees are performed in any low-income
8 community,

9 “(iv) less than 5 percent of the aver-
10 age of the aggregate unadjusted bases of
11 the property of such entity is attributable
12 to collectibles (as defined in section
13 408(m)(2)) other than collectibles that are
14 held primarily for sale to customers in the
15 ordinary course of such business, and

16 “(v) less than 5 percent of the aver-
17 age of the aggregate unadjusted bases of
18 the property of such entity is attributable
19 to nonqualified financial property (as de-
20 fined in section 1397C(e)).

21 “(B) PROPRIETORSHIP.—Such term shall
22 include any business carried on by an individual
23 as a proprietor if such business would meet the
24 requirements of subparagraph (A) were it incor-
25 porated.

1 “(C) PORTIONS OF BUSINESS MAY BE
2 QUALIFIED ACTIVE LOW-INCOME COMMUNITY
3 BUSINESS.—The term ‘qualified active low-in-
4 come community business’ includes any trades
5 or businesses which would qualify as a qualified
6 active low-income community business if such
7 trades or businesses were separately incor-
8 porated.

9 “(3) QUALIFIED BUSINESS.—For purposes of
10 this subsection, the term ‘qualified business’ has the
11 meaning given to such term by section 1397C(d); ex-
12 cept that—

13 “(A) in lieu of applying paragraph (2)(B)
14 thereof, the rental to others of real property lo-
15 cated in any low-income community shall be
16 treated as a qualified business if there are sub-
17 stantial improvements located on such property,
18 and

19 “(B) paragraph (3) thereof shall not apply.

20 “(e) LOW-INCOME COMMUNITY.—For purposes of
21 this section—

22 “(1) IN GENERAL.—The term ‘low-income com-
23 munity’ means any population census tract if—

24 “(A) the poverty rate for such tract is at
25 least 20 percent, or

1 “(B)(i) in the case of a tract not located
2 within a metropolitan area, the median family
3 income for such tract does not exceed 80 per-
4 cent of statewide median family income, or

5 “(ii) in the case of a tract located within
6 a metropolitan area, the median family income
7 for such tract does not exceed 80 percent of the
8 greater of statewide median family income or
9 the metropolitan area median family income.

10 Subparagraph (B) shall be applied using
11 possessionwide median family income in the case of
12 census tracts located within a possession of the
13 United States.

14 “(2) TARGETED AREAS.—The Secretary may
15 designate any area within any census tract as a low-
16 income community if—

17 “(A) the boundary of such area is contin-
18 uous,

19 “(B) the area would satisfy the require-
20 ments of paragraph (1) if it were a census
21 tract, and

22 “(C) an inadequate access to investment
23 capital exists in such area.

24 “(3) AREAS NOT WITHIN CENSUS TRACTS.—In
25 the case of an area which is not tracted for popu-

1 lation census tracts, the equivalent county divisions
2 (as defined by the Bureau of the Census for pur-
3 poses of defining poverty areas) shall be used for
4 purposes of determining poverty rates and median
5 family income.

6 “(f) NATIONAL LIMITATION ON AMOUNT OF INVEST-
7 MENTS DESIGNATED.—

8 “(1) IN GENERAL.—There is a new markets tax
9 credit limitation for each calendar year. Such limita-
10 tion is—

11 “(A) \$1,000,000,000 for 2001,

12 “(B) \$1,500,000,000 for 2002 and 2003,

13 “(C) \$2,000,000,000 for 2004 and 2005,

14 and

15 “(D) \$3,500,000,000 for 2006 and 2007.

16 “(2) ALLOCATION OF LIMITATION.—The limita-
17 tion under paragraph (1) shall be allocated by the
18 Secretary among qualified community development
19 entities selected by the Secretary. In making alloca-
20 tions under the preceding sentence, the Secretary
21 shall give priority to any entity—

22 “(A) with a record of having successfully
23 provided capital or technical assistance to dis-
24 advantaged businesses or communities, or

1 “(B) which intends to satisfy the require-
2 ment under subsection (b)(1)(B) by making
3 qualified low-income community investments in
4 1 or more businesses in which persons unre-
5 lated to such entity (within the meaning of sec-
6 tion 267(b) or 707(b)(1)) hold the majority eq-
7 uity interest.

8 “(3) CARRYOVER OF UNUSED LIMITATION.—If
9 the new markets tax credit limitation for any cal-
10 endar year exceeds the aggregate amount allocated
11 under paragraph (2) for such year, such limitation
12 for the succeeding calendar year shall be increased
13 by the amount of such excess. No amount may be
14 carried under the preceding sentence to any calendar
15 year after 2014.

16 “(g) RECAPTURE OF CREDIT IN CERTAIN CASES.—

17 “(1) IN GENERAL.—If, at any time during the
18 7-year period beginning on the date of the original
19 issue of a qualified equity investment in a qualified
20 community development entity, there is a recapture
21 event with respect to such investment, then the tax
22 imposed by this chapter for the taxable year in
23 which such event occurs shall be increased by the
24 credit recapture amount.

1 “(2) CREDIT RECAPTURE AMOUNT.—For pur-
2 poses of paragraph (1), the credit recapture amount
3 is an amount equal to the sum of—

4 “(A) the aggregate decrease in the credits
5 allowed to the taxpayer under section 38 for all
6 prior taxable years which would have resulted if
7 no credit had been determined under this sec-
8 tion with respect to such investment, plus

9 “(B) interest at the underpayment rate es-
10 tablished under section 6621 on the amount de-
11 termined under subparagraph (A) for each
12 prior taxable year for the period beginning on
13 the due date for filing the return for the prior
14 taxable year involved.

15 No deduction shall be allowed under this chapter for
16 interest described in subparagraph (B).

17 “(3) RECAPTURE EVENT.—For purposes of
18 paragraph (1), there is a recapture event with re-
19 spect to an equity investment in a qualified commu-
20 nity development entity if—

21 “(A) such entity ceases to be a qualified
22 community development entity,

23 “(B) the proceeds of the investment cease
24 to be used as required of subsection (b)(1)(B),
25 or

1 “(C) such investment is redeemed by such
2 entity.

3 “(4) SPECIAL RULES.—

4 “(A) TAX BENEFIT RULE.—The tax for
5 the taxable year shall be increased under para-
6 graph (1) only with respect to credits allowed
7 by reason of this section which were used to re-
8 duce tax liability. In the case of credits not so
9 used to reduce tax liability, the carryforwards
10 and carrybacks under section 39 shall be appro-
11 priately adjusted.

12 “(B) NO CREDITS AGAINST TAX.—Any in-
13 crease in tax under this subsection shall not be
14 treated as a tax imposed by this chapter for
15 purposes of determining the amount of any
16 credit under this chapter or for purposes of sec-
17 tion 55.

18 “(h) BASIS REDUCTION.—The basis of any qualified
19 equity investment shall be reduced by the amount of any
20 credit determined under this section with respect to such
21 investment. This subsection shall not apply for purposes
22 of sections 1202, 1400B, and 1400F.

23 “(i) REGULATIONS.—The Secretary shall prescribe
24 such regulations as may be appropriate to carry out this
25 section, including regulations—

1 “(1) which limit the credit for investments
2 which are directly or indirectly subsidized by other
3 Federal tax benefits (including the credit under sec-
4 tion 42 and the exclusion from gross income under
5 section 103),

6 “(2) which prevent the abuse of the purposes of
7 this section,

8 “(3) which provide rules for determining wheth-
9 er the requirement of subsection (b)(1)(B) is treated
10 as met,

11 “(4) which impose appropriate reporting re-
12 quirements, and

13 “(5) which apply the provisions of this section
14 to newly formed entities.”.

15 (b) CREDIT MADE PART OF GENERAL BUSINESS
16 CREDIT.—

17 (1) IN GENERAL.—Subsection (b) of section 38
18 is amended by striking “plus” at the end of para-
19 graph (11), by striking the period at the end of
20 paragraph (12) and inserting “, plus”, and by add-
21 ing at the end the following new paragraph:

22 “(13) the new markets tax credit determined
23 under section 45D(a).”.

1 (2) LIMITATION ON CARRYBACK.—Subsection
2 (d) of section 39 is amended by adding at the end
3 the following new paragraph:

4 “(9) NO CARRYBACK OF NEW MARKETS TAX
5 CREDIT BEFORE JANUARY 1, 2001.—No portion of
6 the unused business credit for any taxable year
7 which is attributable to the credit under section 45D
8 may be carried back to a taxable year ending before
9 January 1, 2001.”.

10 (c) DEDUCTION FOR UNUSED CREDIT.—Subsection
11 (c) of section 196 is amended by striking “and” at the
12 end of paragraph (7), by striking the period at the end
13 of paragraph (8) and inserting “, and”, and by adding
14 at the end the following new paragraph:

15 “(9) the new markets tax credit determined
16 under section 45D(a).”.

17 (d) CLERICAL AMENDMENT.—The table of sections
18 for subpart D of part IV of subchapter A of chapter 1
19 is amended by adding at the end the following new item:

 “Sec. 45D. New markets tax credit.”.

20 (e) EFFECTIVE DATE.—The amendments made by
21 this section shall apply to investments made after Decem-
22 ber 31, 2000.

23 (f) GUIDANCE ON ALLOCATION OF NATIONAL LIM-
24 TATION.—Not later than 120 days after the date of the
25 enactment of this Act, the Secretary of the Treasury or

1 the Secretary's delegate shall issue guidance which
2 specifies—

3 (1) how entities shall apply for an allocation
4 under section 45D(f)(2) of the Internal Revenue
5 Code of 1986, as added by this section;

6 (2) the competitive procedure through which
7 such allocations are made; and

8 (3) the actions that such Secretary or delegate
9 shall take to ensure that such allocations are prop-
10 erly made to appropriate entities.

11 (g) AUDIT AND REPORT.—Not later than January 31
12 of 2004, 2007, and 2010, the Comptroller General of the
13 United States shall, pursuant to an audit of the new mar-
14 kets tax credit program established under section 45D of
15 the Internal Revenue Code of 1986 (as added by sub-
16 section (a)), report to Congress on such program, includ-
17 ing all qualified community development entities that re-
18 ceive an allocation under the new markets credit under
19 such section.

1 **Subtitle D—Improvements in Low-**
2 **Income Housing Credit**

3 **SEC. 131. MODIFICATION OF STATE CEILING ON LOW-IN-**
4 **COME HOUSING CREDIT.**

5 (a) IN GENERAL.—Clauses (i) and (ii) of section
6 42(h)(3)(C) (relating to State housing credit ceiling) are
7 amended to read as follows:

8 “(i) the unused State housing credit
9 ceiling (if any) of such State for the pre-
10 ceding calendar year,

11 “(ii) the greater of—

12 “(I) \$1.75 (\$1.50 for 2001) mul-
13 tiplied by the State population, or

14 “(II) \$2,000,000.”.

15 (b) ADJUSTMENT OF STATE CEILING FOR IN-
16 CREASES IN COST-OF-LIVING.—Paragraph (3) of section
17 42(h) (relating to housing credit dollar amount for agen-
18 cies) is amended by adding at the end the following new
19 subparagraph:

20 “(H) COST-OF-LIVING ADJUSTMENT.—

21 “(i) IN GENERAL.—In the case of a
22 calendar year after 2002, the \$2,000,000
23 and \$1.75 amounts in subparagraph (C)
24 shall each be increased by an amount equal
25 to—

1 “(I) such dollar amount, multi-
2 plied by

3 “(II) the cost-of-living adjust-
4 ment determined under section 1(f)(3)
5 for such calendar year by substituting
6 ‘calendar year 2001’ for ‘calendar
7 year 1992’ in subparagraph (B) there-
8 of.

9 “(ii) ROUNDING.—

10 “(I) In the case of the
11 \$2,000,000 amount, any increase
12 under clause (i) which is not a mul-
13 tiple of \$5,000 shall be rounded to the
14 next lowest multiple of \$5,000.

15 “(II) In the case of the \$1.75
16 amount, any increase under clause (i)
17 which is not a multiple of 5 cents
18 shall be rounded to the next lowest
19 multiple of 5 cents.”.

20 (c) CONFORMING AMENDMENTS.—

21 (1) Section 42(h)(3)(C), as amended by sub-
22 section (a), is amended—

23 (A) by striking “clause (ii)” in the matter
24 following clause (iv) and inserting “clause (i)”;
25 and

1 (B) by striking “clauses (i)” in the matter
2 following clause (iv) and inserting “clauses
3 (ii)”.

4 (2) Section 42(h)(3)(D)(ii) is amended—

5 (A) by striking “subparagraph (C)(ii)” and
6 inserting “subparagraph (C)(i)”; and

7 (B) by striking “clauses (i)” in subclause
8 (II) and inserting “clauses (ii)”.

9 (d) EFFECTIVE DATE.—The amendments made by
10 this section shall apply to calendar years after 2000.

11 **SEC. 132. MODIFICATION OF CRITERIA FOR ALLOCATING**
12 **HOUSING CREDITS AMONG PROJECTS.**

13 (a) SELECTION CRITERIA.—Subparagraph (C) of
14 section 42(m)(1) (relating to certain selection criteria
15 must be used) is amended—

16 (1) by inserting “, including whether the project
17 includes the use of existing housing as part of a
18 community revitalization plan” before the comma at
19 the end of clause (iii); and

20 (2) by striking clauses (v), (vi), and (vii) and
21 inserting the following new clauses:

22 “(v) tenant populations with special
23 housing needs,

24 “(vi) public housing waiting lists,

1 “(vii) tenant populations of individ-
2 uals with children, and
3 “(viii) projects intended for eventual
4 tenant ownership.”.

5 (b) PREFERENCE FOR COMMUNITY REVITALIZATION
6 PROJECTS LOCATED IN QUALIFIED CENSUS TRACTS.—
7 Clause (ii) of section 42(m)(1)(B) is amended by striking
8 “and” at the end of subclause (I), by adding “and” at
9 the end of subclause (II), and by inserting after subclause
10 (II) the following new subclause:

11 “(III) projects which are located
12 in qualified census tracts (as defined
13 in subsection (d)(5)(C)) and the devel-
14 opment of which contributes to a con-
15 certed community revitalization
16 plan.”.

17 **SEC. 133. ADDITIONAL RESPONSIBILITIES OF HOUSING**
18 **CREDIT AGENCIES.**

19 (a) MARKET STUDY; PUBLIC DISCLOSURE OF RA-
20 TIONALE FOR NOT FOLLOWING CREDIT ALLOCATION
21 PRIORITIES.—Subparagraph (A) of section 42(m)(1) (re-
22 lating to responsibilities of housing credit agencies) is
23 amended by striking “and” at the end of clause (i), by
24 striking the period at the end of clause (ii) and inserting

1 a comma, and by adding at the end the following new
2 clauses:

3 “(iii) a comprehensive market study
4 of the housing needs of low-income individ-
5 uals in the area to be served by the project
6 is conducted before the credit allocation is
7 made and at the developer's expense by a
8 disinterested party who is approved by
9 such agency, and

10 “(iv) a written explanation is available
11 to the general public for any allocation of
12 a housing credit dollar amount which is
13 not made in accordance with established
14 priorities and selection criteria of the hous-
15 ing credit agency.”.

16 (b) SITE VISITS.—Clause (iii) of section 42(m)(1)(B)
17 (relating to qualified allocation plan) is amended by insert-
18 ing before the period “and in monitoring for noncompli-
19 ance with habitability standards through regular site vis-
20 its”.

21 **SEC. 134. MODIFICATIONS TO RULES RELATING TO BASIS**
22 **OF BUILDING WHICH IS ELIGIBLE FOR CRED-**
23 **IT.**

24 (a) ADJUSTED BASIS TO INCLUDE PORTION OF CER-
25 TAIN BUILDINGS USED BY LOW-INCOME INDIVIDUALS

1 WHO ARE NOT TENANTS AND BY PROJECT EMPLOY-
2 EES.—Paragraph (4) of section 42(d) (relating to special
3 rules relating to determination of adjusted basis) is
4 amended—

5 (1) by striking “subparagraph (B)” in subpara-
6 graph (A) and inserting “subparagraphs (B) and
7 (C)”;

8 (2) by redesignating subparagraph (C) as sub-
9 paragraph (D); and

10 (3) by inserting after subparagraph (B) the fol-
11 lowing new subparagraph:

12 “(C) INCLUSION OF BASIS OF PROPERTY
13 USED TO PROVIDE SERVICES FOR CERTAIN
14 NONTENANTS.—

15 “(i) IN GENERAL.—The adjusted
16 basis of any building located in a qualified
17 census tract (as defined in paragraph
18 (5)(C)) shall be determined by taking into
19 account the adjusted basis of property (of
20 a character subject to the allowance for de-
21 preciation and not otherwise taken into ac-
22 count) used throughout the taxable year in
23 providing any community service facility.

24 “(ii) LIMITATION.—The increase in
25 the adjusted basis of any building which is

1 taken into account by reason of clause (i)
2 shall not exceed 10 percent of the eligible
3 basis of the qualified low-income housing
4 project of which it is a part. For purposes
5 of the preceding sentence, all community
6 service facilities which are part of the same
7 qualified low-income housing project shall
8 be treated as one facility.

9 “(iii) COMMUNITY SERVICE FACIL-
10 ITY.—For purposes of this subparagraph,
11 the term ‘community service facility’
12 means any facility designed to serve pri-
13 marily individuals whose income is 60 per-
14 cent or less of area median income (within
15 the meaning of subsection (g)(1)(B)).”.

16 (b) CERTAIN NATIVE AMERICAN HOUSING ASSIST-
17 ANCE DISREGARDED IN DETERMINING WHETHER BUILD-
18 ING IS FEDERALLY SUBSIDIZED FOR PURPOSES OF THE
19 LOW-INCOME HOUSING CREDIT.—Subparagraph (E) of
20 section 42(i)(2) (relating to determination of whether
21 building is federally subsidized) is amended—

22 (1) in clause (i), by inserting “or the Native
23 American Housing Assistance and Self-Determina-
24 tion Act of 1996 (25 U.S.C. 4101 et seq.) (as in ef-

1 fect on October 1, 1997)” after “this subpara-
2 graph)””; and

3 (2) in the subparagraph heading, by inserting
4 “OR NATIVE AMERICAN HOUSING ASSISTANCE” after
5 “HOME ASSISTANCE”.

6 **SEC. 135. OTHER MODIFICATIONS.**

7 (a) ALLOCATION OF CREDIT LIMIT TO CERTAIN
8 BUILDINGS.—

9 (1) The first sentence of section 42(h)(1)(E)(ii)
10 is amended by striking “(as of” the first place it ap-
11 pears and inserting “(as of the later of the date
12 which is 6 months after the date that the allocation
13 was made or”.

14 (2) The last sentence of section 42(h)(3)(C) is
15 amended by striking “project which” and inserting
16 “project which fails to meet the 10 percent test
17 under paragraph (1)(E)(ii) on a date after the close
18 of the calendar year in which the allocation was
19 made or which”.

20 (b) DETERMINATION OF WHETHER BUILDINGS ARE
21 LOCATED IN HIGH COST AREAS.—The first sentence of
22 section 42(d)(5)(C)(ii)(I) is amended—

23 (1) by inserting “either” before “in which 50
24 percent”; and

1 (2) by inserting before the period “or which has
2 a poverty rate of at least 25 percent”.

3 **SEC. 136. CARRYFORWARD RULES.**

4 (a) IN GENERAL.—Clause (ii) of section 42(h)(3)(D)
5 (relating to unused housing credit carryovers allocated
6 among certain States) is amended by striking “the excess”
7 and all that follows and inserting “the excess (if any) of—
8 “(I) the unused State housing
9 credit ceiling for the year preceding
10 such year, over
11 “(II) the aggregate housing cred-
12 it dollar amount allocated for such
13 year.”.

14 (b) CONFORMING AMENDMENT.—The second sen-
15 tence of section 42(h)(3)(C) (relating to State housing
16 credit ceiling) is amended by striking “clauses (i) and
17 (iii)” and inserting “clauses (i) through (iv)”.

18 **SEC. 137. EFFECTIVE DATE.**

19 Except as otherwise provided in this subtitle, the
20 amendments made by this subtitle shall apply to—

21 (1) housing credit dollar amounts allocated
22 after December 31, 2000; and

23 (2) buildings placed in service after such date
24 to the extent paragraph (1) of section 42(h) of the
25 Internal Revenue Code of 1986 does not apply to

1 any building by reason of paragraph (4) thereof, but
2 only with respect to bonds issued after such date.

3 **Subtitle E—Other Community Re-**
4 **newal and New Markets Assist-**
5 **ance**

6 **PART I—PROVISIONS RELATING TO HOUSING**
7 **AND SUBSTANCE ABUSE PREVENTION AND**
8 **TREATMENT**

9 **SEC. 141. TRANSFER OF UNOCCUPIED AND SUBSTANDARD**
10 **HUD-HELD HOUSING TO LOCAL GOVERN-**
11 **MENTS AND COMMUNITY DEVELOPMENT**
12 **CORPORATIONS.**

13 Section 204 of the Departments of Veterans Affairs
14 and Housing and Urban Development, and Independent
15 Agencies Appropriations Act, 1997 (12 U.S.C. 1715z-
16 11a) is amended—

17 (1) by striking “FLEXIBLE AUTHORITY.—” and
18 inserting “DISPOSITION OF HUD-OWNED PROP-
19 erties. (a) FLEXIBLE AUTHORITY FOR MULTI-
20 FAMILY PROJECTS.—”; and

21 (2) by adding at the end the following new sub-
22 section:

23 “(b) TRANSFER OF UNOCCUPIED AND SUBSTANDARD
24 HOUSING TO LOCAL GOVERNMENTS AND COMMUNITY
25 DEVELOPMENT CORPORATIONS.—

1 “(1) TRANSFER AUTHORITY.—Notwithstanding
2 the authority under subsection (a) and the last sen-
3 tence of section 204(g) of the National Housing Act
4 (12 U.S.C. 1710(g)), the Secretary of Housing and
5 Urban Development shall transfer ownership of any
6 qualified HUD property, subject to the requirements
7 of this section, to a unit of general local government
8 having jurisdiction for the area in which the prop-
9 erty is located or to a community development cor-
10 poration which operates within such a unit of gen-
11 eral local government in accordance with this sub-
12 section, but only to the extent that units of general
13 local government and community development cor-
14 porations consent to transfer and the Secretary de-
15 termines that such transfer is practicable.

16 “(2) QUALIFIED HUD PROPERTIES.—For pur-
17 poses of this subsection, the term ‘qualified HUD
18 property’ means any property for which, as of the
19 date that notification of the property is first made
20 under paragraph (3)(B), not less than 6 months
21 have elapsed since the later of the date that the
22 property was acquired by the Secretary or the date
23 that the property was determined to be unoccupied
24 or substandard, that is owned by the Secretary and
25 is—

1 “(A) an unoccupied multifamily housing
2 project;

3 “(B) a substandard multifamily housing
4 project; or

5 “(C) an unoccupied single family property
6 that—

7 “(i) has been determined by the Sec-
8 retary not to be an eligible asset under sec-
9 tion 204(h) of the National Housing Act
10 (12 U.S.C. 1710(h)); or

11 “(ii) is an eligible asset under such
12 section 204(h), but—

13 “(I) is not subject to a specific
14 sale agreement under such section;
15 and

16 “(II) has been determined by the
17 Secretary to be inappropriate for con-
18 tinued inclusion in the program under
19 such section 204(h) pursuant to para-
20 graph (10) of such section.

21 “(3) TIMING.—The Secretary shall establish
22 procedures that provide for—

23 “(A) time deadlines for transfers under
24 this subsection;

1 “(B) notification to units of general local
2 government and community development cor-
3 porations of qualified HUD properties in their
4 jurisdictions;

5 “(C) such units and corporations to ex-
6 press interest in the transfer under this sub-
7 section of such properties;

8 “(D) a right of first refusal for transfer of
9 qualified HUD properties to units of general
10 local government and community development
11 corporations, under which—

12 “(i) the Secretary shall establish a pe-
13 riod during which the Secretary may not
14 transfer such properties except to such
15 units and corporations;

16 “(ii) the Secretary shall offer qualified
17 HUD properties that are single family
18 properties for purchase by units of general
19 local government at a cost of \$1 for each
20 property, but only to the extent that the
21 costs to the Federal Government of dis-
22 posal at such price do not exceed the costs
23 to the Federal Government of disposing of
24 property subject to the procedures for sin-
25 gle family property established by the Sec-

1 retary pursuant to the authority under the
2 last sentence of section 204(g) of the Na-
3 tional Housing Act (12 U.S.C. 1710(g));

4 “(iii) the Secretary may accept an
5 offer to purchase a property made by a
6 community development corporation only if
7 the offer provides for purchase on a cost
8 recovery basis; and

9 “(iv) the Secretary shall accept an
10 offer to purchase such a property that is
11 made during such period by such a unit or
12 corporation and that complies with the re-
13 quirements of this paragraph;

14 “(E) a written explanation, to any unit of
15 general local government or community develop-
16 ment corporation making an offer to purchase
17 a qualified HUD property under this subsection
18 that is not accepted, of the reason that such
19 offer was not acceptable.

20 “(4) OTHER DISPOSITION.—With respect to
21 any qualified HUD property, if the Secretary does
22 not receive an acceptable offer to purchase the prop-
23 erty pursuant to the procedure established under
24 paragraph (3), the Secretary shall dispose of the
25 property to the unit of general local government in

1 which property is located or to community develop-
2 ment corporations located in such unit of general
3 local government on a negotiated, competitive bid, or
4 other basis, on such terms as the Secretary deems
5 appropriate.

6 “(5) SATISFACTION OF INDEBTEDNESS.—Be-
7 fore transferring ownership of any qualified HUD
8 property pursuant to this subsection, the Secretary
9 shall satisfy any indebtedness incurred in connection
10 with the property to be transferred, by canceling the
11 indebtedness.

12 “(6) DETERMINATION OF STATUS OF PROP-
13 ERTIES.—To ensure compliance with the require-
14 ments of this subsection, the Secretary shall take the
15 following actions:

16 “(A) UPON ENACTMENT.—Upon the enact-
17 ment of this subsection, the Secretary shall
18 promptly assess each residential property owned
19 by the Secretary to determine whether such
20 property is a qualified HUD property.

21 “(B) UPON ACQUISITION.—Upon acquiring
22 any residential property, the Secretary shall
23 promptly determine whether the property is a
24 qualified HUD property.

1 “(C) UPDATES.—The Secretary shall peri-
2 odically reassess the residential properties
3 owned by the Secretary to determine whether
4 any such properties have become qualified
5 HUD properties.

6 “(7) TENANT LEASES.—This subsection shall
7 not affect the terms or the enforceability of any con-
8 tract or lease entered into with respect to any resi-
9 dential property before the date that such property
10 becomes a qualified HUD property.

11 “(8) USE OF PROPERTY.—Property transferred
12 under this subsection shall be used only for appro-
13 priate neighborhood revitalization efforts, including
14 homeownership, rental units, commercial space, and
15 parks, consistent with local zoning regulations, local
16 building codes, and subdivision regulations and re-
17 strictions of record.

18 “(9) INAPPLICABILITY TO PROPERTIES MADE
19 AVAILABLE FOR HOMELESS.—Notwithstanding any
20 other provision of this subsection, this subsection
21 shall not apply to any properties that the Secretary
22 determines are to be made available for use by the
23 homeless pursuant to subpart E of part 291 of title
24 24, Code of Federal Regulations, during the period
25 that the properties are so available.

1 “(10) PROTECTION OF EXISTING CONTRACTS.—

2 This subsection may not be construed to alter, af-
3 fect, or annul any legally binding obligations entered
4 into with respect to a qualified HUD property before
5 the property becomes a qualified HUD property.

6 “(11) DEFINITIONS.—For purposes of this sub-
7 section, the following definitions shall apply:

8 “(A) COMMUNITY DEVELOPMENT COR-
9 PORATION.—The term ‘community development
10 corporation’ means a nonprofit organization
11 whose primary purpose is to promote commu-
12 nity development by providing housing opportu-
13 nities for low-income families.

14 “(B) COST RECOVERY BASIS.—The term
15 ‘cost recovery basis’ means, with respect to any
16 sale of a residential property by the Secretary,
17 that the purchase price paid by the purchaser
18 is equal to or greater than the sum of: (i) the
19 appraised value of the property, as determined
20 in accordance with such requirements as the
21 Secretary shall establish; and (ii) the costs in-
22 curred by the Secretary in connection with such
23 property during the period beginning on the
24 date on which the Secretary acquires title to the

1 property and ending on the date on which the
2 sale is consummated.

3 “(C) MULTIFAMILY HOUSING PROJECT.—
4 The term ‘multifamily housing project’ has the
5 meaning given the term in section 203 of the
6 Housing and Community Development Amend-
7 ments of 1978.

8 “(D) RESIDENTIAL PROPERTY.—The term
9 ‘residential property’ means a property that is
10 a multifamily housing project or a single family
11 property.

12 “(E) SECRETARY.—The term ‘Secretary’
13 means the Secretary of Housing and Urban De-
14 velopment.

15 “(F) SEVERE PHYSICAL PROBLEMS.—The
16 term ‘severe physical problems’ means, with re-
17 spect to a dwelling unit, that the unit—

18 “(i) lacks hot or cold piped water, a
19 flush toilet, or both a bathtub and a show-
20 er in the unit, for the exclusive use of that
21 unit;

22 “(ii) on not less than three separate
23 occasions during the preceding winter
24 months, was uncomfortably cold for a pe-
25 riod of more than 6 consecutive hours due

1 to a malfunction of the heating system for
2 the unit;

3 "(iii) has no functioning electrical
4 service, exposed wiring, any room in which
5 there is not a functioning electrical outlet,
6 or has experienced three or more blown
7 fuses or tripped circuit breakers during the
8 preceding 90-day period;

9 "(iv) is accessible through a public
10 hallway in which there are no working
11 light fixtures, loose or missing steps or
12 railings, and no elevator; or

13 "(v) has severe maintenance problems,
14 including water leaks involving the roof,
15 windows, doors, basement, or pipes or
16 plumbing fixtures, holes or open cracks in
17 walls or ceilings, severe paint peeling or
18 broken plaster, and signs of rodent infesta-
19 tion.

20 "(G) SINGLE FAMILY PROPERTY.—The
21 term 'single family property' means a 1- to 4-
22 family residence.

23 "(H) SUBSTANDARD.—The term 'sub-
24 standard' means, with respect to a multifamily
25 housing project, that 25 percent or more of the

1 dwelling units in the project have severe phys-
2 ical problems.

3 “(I) UNIT OF GENERAL LOCAL GOVERN-
4 MENT.—The term ‘unit of general local govern-
5 ment’ has the meaning given such term in sec-
6 tion 102(a) of the Housing and Community De-
7 velopment Act of 1974.

8 “(J) UNOCCUPIED.—The term ‘unoccu-
9 pied’ means, with respect to a residential prop-
10 erty, that the unit of general local government
11 having jurisdiction over the area in which the
12 project is located has certified in writing that
13 the property is not inhabited.

14 “(12) REGULATIONS.—

15 “(A) INTERIM.—Not later than 30 days
16 after the date of the enactment of this sub-
17 section, the Secretary shall issue such interim
18 regulations as are necessary to carry out this
19 subsection.

20 “(B) FINAL.—Not later than 60 days after
21 the date of the enactment of this subsection,
22 the Secretary shall issue such final regulations
23 as are necessary to carry out this subsection.”.

1 **SEC. 142. TRANSFER OF HUD ASSETS IN REVITALIZATION**

2 **AREAS.**

3 In carrying out the program under section 204(h) of
4 the National Housing Act (12 U.S.C. 1710(h)), upon the
5 request of the chief executive officer of a county or the
6 government of appropriate jurisdiction and not later than
7 60 days after such request is made, the Secretary of Hous-
8 ing and Urban Development shall designate as a revital-
9 ization area all portions of such county that meet the cri-
10 teria for such designation under paragraph (3) of such
11 section.

12 **SEC. 143. RISK-SHARING DEMONSTRATION.**

13 Section 249 of the National Housing Act (12 U.S.C.
14 1715z-14) is amended—

15 (1) by striking the section heading and insert-
16 ing the following:

17 “RISK-SHARING DEMONSTRATION”;

18 (2) by striking “reinsurance” each place such
19 term appears and insert “risk-sharing”;

20 (3) in subsection (a)—

21 (A) in the first sentence, by inserting “and
22 with insured community development financial
23 institutions” after “private mortgage insurers”;

24 (B) in the second sentence—

25 (i) by striking “two” and inserting
26 “four”; and

1 (ii) by striking "March 15, 1988" and
2 inserting "the expiration of the 5-year pe-
3 riod beginning on the date of the enact-
4 ment of the Community Renewal Tax Re-
5 lief Act of 2000"; and

6 (C) in the third sentence—

7 (i) by striking "insured" and inserting
8 "for which risk of nonpayment is shared";
9 and

10 (ii) by striking "10 percent" and in-
11 serting "20 percent";

12 (4) in subsection (b)—

13 (A) in the first sentence—

14 (i) by striking "to provide" and in-
15 serting ", in providing";

16 (ii) by striking "through" and insert-
17 ing ", to enter into"; and

18 (iii) by inserting "and with insured
19 community development financial institu-
20 tions" before the period at the end;

21 (B) in the second sentence, by inserting
22 "and insured community development financial
23 institutions" after "private mortgage insurance
24 companies";

1 (C) by striking paragraph (1) and insert-
2 ing the following new paragraph:

3 “(1) assume a secondary percentage of loss on
4 any mortgage insured pursuant to section 203(b),
5 234, or 245 covering a one- to four-family dwelling,
6 which percentage of loss shall be set forth in the
7 risk-sharing contract, with the first percentage of
8 loss to be borne by the Secretary;” and

9 (D) in paragraph (2)—

10 (i) by striking “carry out (under ap-
11 propriate delegation) such” and inserting
12 “perform or delegate underwriting,”;

13 (ii) by striking “function as the Sec-
14 retary pursuant to regulations,” and in-
15 serting “functions as the Secretary”; and

16 (iii) by inserting before the period at
17 the end the following: “and shall set forth
18 in the risk-sharing contract”;

19 (5) in subsection (c)—

20 (A) in the first sentence—

21 (i) by striking “of” the first place it
22 appears and inserting “for”;

23 (ii) by inserting “received by the Sec-
24 retary with a private mortgage insurer or

1 insured community development financial
2 institution” after “sharing of premiums”
3 (iii) by striking “insurance reserves”
4 and inserting “loss reserves”;
5 (iv) by striking “such insurance” and
6 inserting “such risk-sharing contract”; and
7 (v) by striking “right” and inserting
8 “rights”; and
9 (B) in the second sentence—
10 (i) by inserting “or insured commu-
11 nity development financial institution”
12 after “private mortgage insurance com-
13 pany”; and
14 (ii) by striking “for insurance” and
15 inserting “for risk-sharing”;
16 (6) in subsection (d), by inserting “or insured
17 community development financial institution” after
18 “private mortgage insurance company”; and
19 (7) by adding at the end the following new sub-
20 section:
21 “(e) INSURED COMMUNITY DEVELOPMENT FINAN-
22 CIAL INSTITUTION.—For purposes of this section, the
23 term ‘insured community development financial institu-
24 tion’ means a community development financial institu-
25 tion, as such term is defined in section 103 of Reigle Com-

1 munity Development and Regulatory Improvement Act of
2 1994 (12 U.S.C. 4702) that is an insured depository insti-
3 tution (as such term is defined in section 3 of the Federal
4 Deposit Insurance Act (12 U.S.C. 1813)) or an insured
5 credit union (as such term is defined in section 101 of
6 the Federal Credit Union Act (12 U.S.C. 1752)).”.

7 **SEC. 144. PREVENTION AND TREATMENT OF SUBSTANCE**
8 **ABUSE; SERVICES PROVIDED THROUGH RELI-**
9 **GIOUS ORGANIZATIONS.**

10 Title V of the Public Health Service Act (42 U.S.C.
11 290aa et seq.) is amended by adding at the end the fol-
12 lowing part:

13 “PART G—SERVICES PROVIDED THROUGH RELIGIOUS
14 ORGANIZATIONS

15 **“SEC. 581. APPLICABILITY TO DESIGNATED PROGRAMS.**

16 “(a) DESIGNATED PROGRAMS.—Subject to sub-
17 section (b), this part applies to discretionary and formula
18 grant programs administered by the Substance Abuse and
19 Mental Health Services Administration that make awards
20 of financial assistance to public or private entities for the
21 purpose of carrying out activities to prevent or treat sub-
22 stance abuse (in this part referred to as a ‘designated pro-
23 gram’). Designated programs include the program under
24 subpart II of part B of title XIX (relating to formula
25 grants to the States).

1 “(b) LIMITATION.—This part does not apply to any
2 award of financial assistance under a designated program
3 for a purpose other than the purpose specified in sub-
4 section (a).

5 “(c) DEFINITIONS.—For purposes of this part (and
6 subject to subsection (b)):

7 “(1) The term ‘designated program’ has the
8 meaning given such term in subsection (a).

9 “(2) The term ‘financial assistance’ means a
10 grant, cooperative agreement, or contract.

11 “(3) The term ‘program beneficiary’ means an
12 individual who receives program services.

13 “(4) The term ‘program participant’ means a
14 public or private entity that has received financial
15 assistance under a designated program.

16 “(5) The term ‘program services’ means treat-
17 ment for substance abuse, or preventive services re-
18 garding such abuse, provided pursuant to an award
19 of financial assistance under a designated program.

20 “(6) The term ‘religious organization’ means a
21 nonprofit religious organization.

1 **"SEC. 582. RELIGIOUS ORGANIZATIONS AS PROGRAM PAR-**
2 **TICIPANTS.**

3 “(a) IN GENERAL.—Notwithstanding any other pro-
4 vision of law, a religious organization, on the same basis
5 as any other nonprofit private provider—

6 “(1) may receive financial assistance under a
7 designated program; and

8 “(2) may be a provider of services under a des-
9 ignated program.

10 “(b) RELIGIOUS ORGANIZATIONS.—The purpose of
11 this section is to allow religious organizations to be pro-
12 gram participants on the same basis as any other non-
13 profit private provider without impairing the religious
14 character of such organizations, and without diminishing
15 the religious freedom of program beneficiaries.

16 “(c) NONDISCRIMINATION AGAINST RELIGIOUS OR-
17 GANIZATIONS.—

18 “(1) ELIGIBILITY AS PROGRAM PARTICI-
19 PANTS.—Religious organizations are eligible to be
20 program participants on the same basis as any other
21 nonprofit private organization as long as the pro-
22 grams are implemented consistent with the Estab-
23 lishment Clause and Free Exercise Clause of the
24 First Amendment to the United States Constitution.
25 Nothing in this Act shall be construed to restrict the
26 ability of the Federal Government, or a State or

1 local government receiving funds under such pro-
2 grams, to apply to religious organizations the same
3 eligibility conditions in designated programs as are
4 applied to any other nonprofit private organization.

5 “(2) NONDISCRIMINATION.—Neither the Fed-
6 eral Government nor a State or local government re-
7 ceiving funds under designated programs shall dis-
8 criminate against an organization that is or applies
9 to be a program participant on the basis that the or-
10 ganization has a religious character.

11 “(d) RELIGIOUS CHARACTER AND FREEDOM.—

12 “(1) RELIGIOUS ORGANIZATIONS.—Except as
13 provided in this section, any religious organization
14 that is a program participant shall retain its inde-
15 pendence from Federal, State, and local government,
16 including such organization’s control over the defini-
17 tion, development, practice, and expression of its re-
18 ligious beliefs.

19 “(2) ADDITIONAL SAFEGUARDS.—Neither the
20 Federal Government nor a State shall require a reli-
21 gious organization to—

22 “(A) alter its form of internal governance;

23 or

24 “(B) remove religious art, icons, scripture,

25 or other symbols,

1 in order to be a program participant.

2 “(e) EMPLOYMENT PRACTICES.—Nothing in this sec-
3 tion shall be construed to modify or affect the provisions
4 of any other Federal or State law or regulation that re-
5 lates to discrimination in employment. A religious organi-
6 zation’s exemption provided under section 702 of the Civil
7 Rights Act of 1964 regarding employment practices shall
8 not be affected by its participation in, or receipt of funds
9 from, a designated program.

10 “(f) RIGHTS OF PROGRAM BENEFICIARIES.—

11 “(1) IN GENERAL.—If an individual who is a
12 program beneficiary or a prospective program bene-
13 ficiary objects to the religious character of a pro-
14 gram participant, within a reasonable period of time
15 after the date of such objection such program partic-
16 ipant shall refer such individual to, and the appro-
17 priate Federal, State, or local government that ad-
18 ministers a designated program or is a program par-
19 ticipant shall provide to such individual (if otherwise
20 eligible for such services), program services that—

21 “(A) are from an alternative provider that
22 is accessible to, and has the capacity to provide
23 such services to, such individual; and

24 “(B) have a value that is not less than the
25 value of the services that the individual would

1 have received from the program participant to
2 which the individual had such objection.

3 Upon referring a program beneficiary to an alter-
4 native provider, the program participant shall notify
5 the appropriate Federal, State, or local government
6 agency that administers the program of such refer-
7 ral.

8 “(2) NOTICES.—Program participants, public
9 agencies that refer individuals to designated pro-
10 grams, and the appropriate Federal, State, or local
11 governments that administer designated programs or
12 are program participants shall ensure that notice is
13 provided to program beneficiaries or prospective pro-
14 gram beneficiaries of their rights under this section.

15 “(3) ADDITIONAL REQUIREMENTS.—A program
16 participant making a referral pursuant to paragraph
17 (1) shall—

18 “(A) prior to making such referral, con-
19 sider any list that the State or local government
20 makes available of entities in the geographic
21 area that provide program services; and

22 “(B) ensure that the individual makes con-
23 tact with the alternative provider to which the
24 individual is referred.

1 “(4) NONDISCRIMINATION.—A religious organi-
2 zation that is a program participant shall not in pro-
3 viding program services or engaging in outreach ac-
4 tivities under designated programs discriminate
5 against a program beneficiary or prospective pro-
6 gram beneficiary on the basis of religion or religious
7 belief.

8 “(g) FISCAL ACCOUNTABILITY.—

9 “(1) IN GENERAL.—Except as provided in para-
10 graph (2), any religious organization that is a pro-
11 gram participant shall be subject to the same regula-
12 tions as other recipients of awards of Federal finan-
13 cial assistance to account, in accordance with gen-
14 erally accepted auditing principles, for the use of the
15 funds provided under such awards.

16 “(2) LIMITED AUDIT.—With respect to the
17 award involved, a religious organization that is a
18 program participant shall segregate Federal
19 amounts provided under award into a separate ac-
20 count from non-Federal funds. Only the award funds
21 shall be subject to audit by the government.

22 “(h) COMPLIANCE.—With respect to compliance with
23 this section by an agency, a religious organization may
24 obtain judicial review of agency action in accordance with
25 chapter 7 of title 5, United States Code.

1 **"SEC. 583. LIMITATIONS ON USE OF FUNDS FOR CERTAIN**
2 **PURPOSES.**

3 "No funds provided under a designated program shall
4 be expended for sectarian worship, instruction, or pros-
5 elytization.

6 **"SEC. 584. EDUCATIONAL REQUIREMENTS FOR PERSONNEL**
7 **IN DRUG TREATMENT PROGRAMS.**

8 "(a) FINDINGS.—The Congress finds that—

9 "(1) establishing unduly rigid or uniform edu-
10 cational qualification for counselors and other per-
11 sonnel in drug treatment programs may undermine
12 the effectiveness of such programs; and

13 "(2) such educational requirements for coun-
14 selors and other personnel may hinder or prevent the
15 provision of needed drug treatment services.

16 "(b) NONDISCRIMINATION.—In determining whether
17 personnel of a program participant that has a record of
18 successful drug treatment for the preceding three years
19 have satisfied State or local requirements for education
20 and training, a State or local government shall not dis-
21 criminate against education and training provided to such
22 personnel by a religious organization, so long as such edu-
23 cation and training includes basic content substantially
24 equivalent to the content provided by nonreligious organi-
25 zations that the State or local government would credit

1 for purposes of determining whether the relevant require-
2 ments have been satisfied.”.

3 **PART II—ADVISORY COUNCIL ON COMMUNITY**

4 **RENEWAL**

5 **SEC. 151. SHORT TITLE.**

6 This part may be cited as the “Advisory Council on
7 Community Renewal Act”.

8 **SEC. 152. ESTABLISHMENT.**

9 There is established an advisory council to be known
10 as the “Advisory Council on Community Renewal” (in this
11 part referred to as the “Advisory Council”).

12 **SEC. 153. DUTIES OF ADVISORY COUNCIL.**

13 The Advisory Council shall advise the Secretary of
14 Housing and Urban Development (in this part referred to
15 as the “Secretary”) on the designation of renewal commu-
16 nities pursuant to the amendment made by section 101
17 and on the exercise of any other authority granted to the
18 Secretary pursuant to the amendments made by this title.

19 **SEC. 154. MEMBERSHIP.**

20 (a) NUMBER AND APPOINTMENT.—The Advisory
21 Council shall be composed of 7 members appointed by the
22 Secretary.

23 (b) CHAIRPERSON.—The Chairperson of the Advisory
24 Council (in this part referred to as the “Chairperson”)

1 shall be designated by the Secretary at the time of the
2 appointment.

3 (c) TERMS.—Each member shall be appointed for the
4 life of the Advisory Council.

5 (d) BASIC PAY.—

6 (1) CHAIRPERSON.—The Chairperson shall be
7 paid at a rate equal to the daily rate of basic pay
8 for level III of the Executive Schedule for each day
9 (including travel time) during which the Chairperson
10 is engaged in the actual performance of duties vest-
11 ed in the Advisory Council.

12 (2) OTHER MEMBERS.—Members other than
13 the Chairperson shall each be paid at a rate equal
14 to the daily rate of basic pay for level IV of the Ex-
15 ecutive Schedule for each day (including travel time)
16 during which they are engaged in the actual per-
17 formance of duties vested in the Advisory Council.

18 (e) TRAVEL EXPENSES.—Each member shall receive
19 travel expenses, including per diem in lieu of subsistence,
20 in accordance with applicable provisions under subchapter
21 I of chapter 57 of title 5, United States Code.

22 (f) QUORUM.—Four members of the Advisory Council
23 shall constitute a quorum but a lesser number may hold
24 hearings.

1 (g) MEETINGS.—The Advisory Council shall meet at
2 the call of the Secretary or the Chairperson.

3 **SEC. 155. POWERS OF ADVISORY COUNCIL.**

4 (a) HEARINGS AND SESSIONS.—The Advisory Coun-
5 cil may, for the purpose of carrying out this part, hold
6 hearings, sit and act at times and places, take testimony,
7 and receive evidence as the Advisory Council considers ap-
8 propriate. The Advisory Council may administer oaths or
9 affirmations to witnesses appearing before it.

10 (b) POWERS OF MEMBERS AND AGENTS.—Any mem-
11 ber or agent of the Advisory Council may, if authorized
12 by the Advisory Council, take any action which the Advi-
13 sory Council is authorized to take by this section.

14 (c) OBTAINING OFFICIAL DATA.—The Advisory
15 Council may secure directly from any department or agen-
16 cy of the United States information necessary to enable
17 it to carry out this part. Upon request of the Chairperson
18 of the Advisory Council, the head of that department or
19 agency shall furnish that information to the Advisory
20 Council.

21 **SEC. 156. REPORTS.**

22 (a) ANNUAL REPORTS.—The Advisory Council shall
23 submit to the Secretary an annual report for each fiscal
24 year.

1 (b) INTERIM REPORTS.—The Advisory Council may
2 submit to the Secretary such interim reports as the Advi-
3 sory Council considers appropriate.

4 (c) FINAL REPORT.—The Advisory Council shall
5 transmit a final report to the Secretary not later Sep-
6 tember 30, 2003. The final report shall contain a detailed
7 statement of the findings and conclusions of the Advisory
8 Council, together with any recommendations for legislative
9 or administrative action that the Advisory Council con-
10 siders appropriate.

11 **SEC. 157. TERMINATION.**

12 (a) IN GENERAL.—The Advisory Council shall termi-
13 nate 30 days after submitting its final report under sec-
14 tion 156(c).

15 (b) EXTENSION.—Notwithstanding subsection (a),
16 the Secretary may postpone the termination of the Advi-
17 sory Council for a period not to exceed 3 years after the
18 Advisory Council submits its final report under section
19 156(c).

20 **SEC. 158. APPLICABILITY OF FEDERAL ADVISORY COM-**
21 **MITTEE ACT.**

22 The Federal Advisory Committee Act (5 U.S.C. App.)
23 shall not apply to the Advisory Council.

1 **SEC. 159. RESOURCES.**

2 The Secretary shall provide to the Advisory Council
3 appropriate resources so that the Advisory Council may
4 carry out its duties and functions under this part.

5 **SEC. 160. EFFECTIVE DATE.**

6 This part shall be effective 30 days after the date
7 of its enactment.

8 **Subtitle F—Other Provisions**

9 **SEC. 161. ACCELERATION OF PHASE-IN OF INCREASE IN**
10 **VOLUME CAP ON PRIVATE ACTIVITY BONDS.**

11 (a) IN GENERAL.—Paragraphs (1) and (2) of section
12 146(d) (relating to State ceiling) are amended to read as
13 follows:

14 “(1) IN GENERAL.—The State ceiling applicable
15 to any State for any calendar year shall be the
16 greater of—

17 “(A) an amount equal to \$75 (\$62.50 in
18 the case of calendar year 2001) multiplied by
19 the State population, or

20 “(B) \$225,000,000 (\$187,500,000 in the
21 case of calendar year 2001).

22 “(2) COST-OF-LIVING ADJUSTMENT.—In the
23 case of a calendar year after 2002, each of the dollar
24 amounts contained in paragraph (1) shall be in-
25 creased by an amount equal to—

26 “(A) such dollar amount, multiplied by

1 “(B) the cost-of-living adjustment deter-
2 mined under section 1(f)(3) for such calendar
3 year by substituting ‘calendar year 2001’ for
4 ‘calendar year 1992’ in subparagraph (B)
5 thereof.

6 If any increase determined under the preceding sen-
7 tence is not a multiple of \$5 (\$5,000 in the case of
8 the dollar amount in paragraph (1)(B)), such in-
9 crease shall be rounded to the nearest multiple
10 thereof.”.

11 (b) EFFECTIVE DATE.—The amendment made by
12 this section shall apply to calendar years after 2000.

13 **SEC. 162. MODIFICATIONS TO EXPENSING OF ENVIRON-**
14 **MENTAL REMEDIATION COSTS.**

15 (a) EXPENSING NOT LIMITED TO SITES IN TAR-
16 GETED AREAS.—Subsection (c) of section 198 is amended
17 to read as follows:

18 “(c) QUALIFIED CONTAMINATED SITE.—For pur-
19 poses of this section—

20 “(1) IN GENERAL.—The term ‘qualified con-
21 taminated site’ means any area—

22 “(A) which is held by the taxpayer for use
23 in a trade or business or for the production of
24 income, or which is property described in sec-

1 tion 1221(a)(1) in the hands of the taxpayer,
2 and

3 “(B) at or on which there has been a re-
4 lease (or threat of release) or disposal of any
5 hazardous substance.

6 “(2) NATIONAL PRIORITIES LISTED SITES NOT
7 INCLUDED.—Such term shall not include any site
8 which is on, or proposed for, the national priorities
9 list under section 105(a)(8)(B) of the Comprehen-
10 sive Environmental Response, Compensation, and
11 Liability Act of 1980 (as in effect on the date of the
12 enactment of this section).

13 “(3) TAXPAYER MUST RECEIVE STATEMENT
14 FROM STATE ENVIRONMENTAL AGENCY.—An area
15 shall be treated as a qualified contaminated site with
16 respect to expenditures paid or incurred during any
17 taxable year only if the taxpayer receives a state-
18 ment from the appropriate agency of the State in
19 which such area is located that such area meets the
20 requirement of paragraph (1)(B).

21 “(4) APPROPRIATE STATE AGENCY.—For pur-
22 poses of paragraph (3), the chief executive officer of
23 each State may, in consultation with the Adminis-
24 trator of the Environmental Protection Agency, des-
25 ignate the appropriate State environmental agency

1 within 60 days of the date of the enactment of this
2 section. If the chief executive officer of a State has
3 not designated an appropriate environmental agency
4 within such 60-day period, the appropriate environ-
5 mental agency for such State shall be designated by
6 the Administrator of the Environmental Protection
7 Agency.”.

8 (b) EXTENSION OF TERMINATION DATE.—Sub-
9 section (h) of section 198 is amended by striking “2001”
10 and inserting “2003”.

11 (c) EFFECTIVE DATE.—The amendments made by
12 this section shall apply to expenditures paid or incurred
13 after the date of the enactment of this Act.

14 **SEC. 163. EXTENSION OF DC HOMEBUYER TAX CREDIT.**

15 Section 1400C(i) (relating to application of section)
16 is amended by striking “2002” and inserting “2004”.

17 **SEC. 164. EXTENSION OF DC ZONE THROUGH 2003.**

18 (a) IN GENERAL.—The following provisions are
19 amended by striking “2002” each place it appears and
20 inserting “2003”:

21 (1) Section 1400(f).

22 (2) Section 1400A(b).

23 (b) ZERO CAPITAL GAINS RATE.—Section 1400B
24 (relating to zero percent capital gains rate) is amended—

1 (1) by striking "2003" each place it appears
2 and inserting "2004", and

3 (2) by striking "2007" each place it appears
4 and inserting "2008".

5 **SEC. 165. EXTENSION OF ENHANCED DEDUCTION FOR COR-**
6 **PORATE DONATIONS OF COMPUTER TECH-**
7 **NOLOGY.**

8 (a) EXPANSION OF COMPUTER TECHNOLOGY DONA-
9 TIONS TO PUBLIC LIBRARIES.—

10 (1) IN GENERAL.—Paragraph (6) of section
11 170(e) (relating to special rule for contributions of
12 computer technology and equipment for elementary
13 or secondary school purposes) is amended by strik-
14 ing "qualified elementary or secondary educational
15 contribution" each place it occurs in the headings
16 and text and inserting "qualified computer contribu-
17 tion".

18 (2) EXPANSION OF ELIGIBLE DONEES.—Clause
19 (i) of section 170(e)(6)(B) (relating to qualified ele-
20 mentary or secondary educational contribution) is
21 amended by striking "or" at the end of subclause
22 (I), by adding "or" at the end of subclause (II), and
23 by inserting after subclause (II) the following new
24 subclause:

1 “(III) a public library (within the
2 meaning of section 213(2)(A) of the
3 Library Services and Technology Act
4 (20 U.S.C. 9122(2)(A)), as in effect
5 on the date of the enactment of the
6 Community Renewal Tax Relief Act of
7 2000, established and maintained by
8 an entity described in subsection
9 (c)(1),”.

10 (3) EXTENSION OF DONATION PERIOD.—Clause
11 (ii) of section 170(e)(6)(B) is amended by striking
12 “2 years” and inserting “3 years”.

13 (b) CONFORMING AMENDMENTS.—

14 (1) Section 170(e)(6)(B)(iv) is amended by
15 striking “in any grades of the K–12”.

16 (2) The heading of paragraph (6) of section
17 170(e) is amended by striking “ELEMENTARY OR
18 SECONDARY SCHOOL PURPOSES” and inserting
19 “EDUCATIONAL PURPOSES”.

20 (c) EXTENSION OF DEDUCTION.—Section
21 170(e)(6)(F) (relating to termination) is amended by
22 striking “December 31, 2000” and inserting “December
23 31, 2003”.

1 (d) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to contributions made after De-
3 cember 31, 2000.

4 **TITLE II—2-YEAR EXTENSION OF**
5 **AVAILABILITY OF MEDICAL**
6 **SAVINGS ACCOUNTS**

7 **SEC. 201. 2-YEAR EXTENSION OF AVAILABILITY OF MED-**
8 **ICAL SAVINGS ACCOUNTS.**

9 (a) IN GENERAL.—Paragraphs (2) and (3)(B) of sec-
10 tion 220(i) (defining cut-off year) are each amended by
11 striking “2000” each place it appears and inserting
12 “2002”.

13 (b) CONFORMING AMENDMENTS.—

14 (1) Paragraph (2) of section 220(j) is
15 amended—

16 (A) by striking “1998 or 1999” each place
17 it appears and inserting “1998, 1999, 2000, or
18 2001”, and

19 (B) by striking “600,000 (750,000 in the
20 case of 1999)” and inserting “750,000
21 (600,000 in the case of 1998)”.

22 (2) Subparagraph (A) of section 220(j)(4) is
23 amended by striking “, 1998, and 1999” and insert-
24 ing “and of each calendar year after 1997 and be-
25 fore 2002”.

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

4 **SEC. 202. MEDICAL SAVINGS ACCOUNTS RENAMED AS AR-**
5 **CHER MSAS.**

6 (a) IN GENERAL.—The following provisions are
7 amended by striking “medical savings account” each place
8 it appears in the text and inserting “Archer MSA”:

9 (1) Section 26(b)(2)(Q).

10 (2) Section 106(b).

11 (3) Section 138(b).

12 (4) Section 220.

13 (5) Section 848(e)(1)(B)(iv).

14 (6) Subsections (a)(2) and (d) of section 4973.

15 (7) Subsections (c)(4) and (e)(1)(D) of section
16 4975.

17 (8) Subsections (a) and (d)(2)(B) of section
18 4980E.

19 (9) Section 6051(a)(11).

20 (b) OTHER AMENDMENTS.—

21 (1) Paragraph (16) of section 62(a) is amended
22 to read as follows:

23 “(16) ARCHER MSAS.—The deduction allowed
24 by section 220.”

1 (2) The following provisions are each amended
2 by striking “medical savings accounts” each place it
3 appears in the text and inserting “Archer MSAs”:

4 (A) Paragraphs (4) and (7) of section
5 106(b).

6 (B) Subsections (c)(1)(D), (e)(2),
7 (f)(3)(A), (i)(4)(B), and (j) of section 220.

8 (C) Section 4973(d).

9 (D) Subsections (b) and (d)(1) of section
10 4980E.

11 (E) Section 6693(a)(2)(B).

12 (3) Paragraph (1) of section 220(d) is amended
13 by inserting “as a medical savings account” after
14 “United States”.

15 (4) The heading for section 220(d) is amended
16 by striking “MEDICAL SAVINGS ACCOUNT” and in-
17 serting “ARCHER MSA”.

18 (5) The headings for sections 220(d)(1) and
19 3231(e)(10) are each amended by striking “MED-
20 ICAL SAVINGS ACCOUNT” and inserting “ARCHER
21 MSA”.

22 (6) The headings for sections 106(b), 138(f),
23 220(i), and 4973(d) are each amended by striking
24 “MEDICAL SAVINGS ACCOUNTS” and inserting “AR-
25 CHER MSAs”.

1 (7) The headings for section 220(c)(1)(C) and
2 4975(c)(4) are each amended by striking “MEDICAL
3 SAVINGS ACCOUNTS” and inserting “ARCHER MSAS”.

4 (8) The section heading for section 220 is
5 amended to read as follows:

6 **“SEC. 220. ARCHER MSAS.”**

7 (9) The item relating to section 220 in the table
8 of sections for part VII of subchapter B of chapter
9 1 is amended to read as follows:

“Sec. 220. Archer MSAs.”

10 (10) The provisions amended by the preceding
11 provisions of this section are further amended by
12 striking “a Archer” each place it appears and insert-
13 ing “an Archer”.

14 (11) Section 220(e)(1) is further amended by
15 striking “A Archer” and inserting “An Archer”.

16 **TITLE III—ADMINISTRATIVE**
17 **AND TECHNICAL PROVISIONS**
18 **Subtitle A—Administrative**
19 **Provisions**

20 **SEC. 301. EXEMPTION OF CERTAIN REPORTING REQUIRE-**
21 **MENTS.**

22 Section 3003(a)(1) of the Federal Reports Elimini-
23 nation and Sunset Act of 1995 (31 U.S.C. 1113 note)
24 shall not apply to any report required to be submitted
25 under any of the following provisions of law:

1 (1) Section 13031(f) of the Consolidated Omni-
2 bus Budget Reconciliation Act of 1985 (19 U.S.C.
3 58c(f)).

4 (2) Section 16(c) of the Foreign Trade Zones
5 Act (19 U.S.C. 81p(c)).

6 (3) The following provisions of the Tariff Act of
7 1930:

8 (A) Section 330(c)(1) (19 U.S.C.
9 1330(c)(1)).

10 (B) Section 607(c) (19 U.S.C. 1607(c)).

11 (4) Section 5 of the International Coffee Agree-
12 ment Act of 1980 (19 U.S.C. 1356n).

13 (5) Section 351(a)(2) of the Trade Expansion
14 Act of 1962 (19 U.S.C. 1981(a)(2)).

15 (6) Section 502 of the Automotive Products
16 Trade Act of 1965 (19 U.S.C. 2032).

17 (7) Section 3131 of the Customs Enforcement
18 Act of 1986 (19 U.S.C. 2081).

19 (8) The following provisions of the Trade Act of
20 1974 (19 U.S.C. 2101 et seq.):

21 (A) Section 102(b)(4)(A)(ii)(I) (19 U.S.C.
22 2112(b)(4)(A)(ii)(I)).

23 (B) Section 102(e)(1) (19 U.S.C.
24 2112(e)(1)).

1 (C) Section 102(e)(2) (19 U.S.C.
2 2112(e)(2)).

3 (D) Section 104(d) (19 U.S.C. 2114(d)).

4 (E) Section 125(e) (19 U.S.C. 2135(e)).

5 (F) Section 135(e)(1) (19 U.S.C.
6 2155(e)(1)).

7 (G) Section 141(c) (19 U.S.C. 2171(c)).

8 (H) Section 162 (19 U.S.C. 2212).

9 (I) Section 163(b) (19 U.S.C. 2213(b)).

10 (J) Section 163(c) (19 U.S.C. 2213(c)).

11 (K) Section 203(b) (19 U.S.C. 2253(b)).

12 (L) Section 302(b)(2)(C) (19 U.S.C.
13 2412(b)(2)(C)).

14 (M) Section 303 (19 U.S.C. 2413).

15 (N) Section 309 (19 U.S.C. 2419).

16 (O) Section 407(a) (19 U.S.C. 2437(a)).

17 (P) Section 502(f) (19 U.S.C. 2462(f)).

18 (Q) Section 504 (19 U.S.C. 2464).

19 (9) The following provisions of the Trade
20 Agreements Act of 1979 (19 U.S.C. 2501 et seq.):

21 (A) Section 2(b) (19 U.S.C. 2503(b)).

22 (B) Section 3(c) (19 U.S.C. 2504(c)).

23 (C) Section 305(c) (19 U.S.C. 2515(c)).

1 (10) Section 303(g)(1) of the Convention on
2 Cultural Property Implementation Act (19 U.S.C.
3 2602(g)(1)).

4 (11) The following provisions of the Caribbean
5 Basin Economic Recovery Act (19 U.S.C. 2701 et
6 seq.):

7 (A) Section 212(a)(1)(A) (19 U.S.C.
8 2702(a)(1)(A)).

9 (B) Section 212(a)(2) (19 U.S.C.
10 2702(a)(2)).

11 (12) The following provisions of the Omnibus
12 Trade and Competitiveness Act of 1988 (19 U.S.C.
13 2901 et seq.):

14 (A) Section 1102 (19 U.S.C. 2902).

15 (B) Section 1103 (19 U.S.C. 2903).

16 (C) Section 1206(b) (19 U.S.C. 3006(b)).

17 (13) Section 123(a) of the Customs and Trade
18 Act of 1990 (Public Law 101-382) (19 U.S.C.
19 2083).

20 (14) Section 243(b)(2) of the Caribbean Basin
21 Economic Recovery Expansion Act of 1990 (Public
22 Law 101-382).

23 (15) The following provisions of the Internal
24 Revenue Code of 1986:

25 (A) Section 6103(p)(5).

1 (B) Section 7608.

2 (C) Section 7802(f)(3).

3 (D) Section 8022(3).

4 (E) Section 9602(a).

5 (16) The following provisions relating to the
6 revenue laws of the United States:

7 (A) Section 1552(c) of the Tax Reform
8 Act of 1986 (100 Stat. 2753).

9 (B) Section 231 of the Deficit Reduction
10 Act of 1984 (26 U.S.C. 801 note).

11 (C) Section 208 of the Tax Treatment Ex-
12 tension Act of 1977 (26 U.S.C. 911 note).

13 (D) Section 7105 of the Technical and
14 Miscellaneous Revenue Act of 1988 (45 U.S.C.
15 369).

16 (17) Section 4008 of the Employee Retirement
17 Income Security Act of 1974 (29 U.S.C. 1308).

18 (18) Section 426 of the Black Lung Benefits
19 Act (30 U.S.C. 936(b)).

20 (19) Section 7502(g) of title 31, United States
21 Code.

22 (20) The following provisions of the Social Se-
23 curity Act:

24 (A) Section 215(i)(2)(C)(i) (42 U.S.C.
25 415(i)(2)(C)(i)).

1 (B) Section 221(i)(2) (42 U.S.C.
2 421(i)(2)).
3 (C) Section 221(i)(3) (42 U.S.C.
4 421(i)(3)).
5 (D) Section 233(e)(1) (42 U.S.C.
6 433(e)(1)).
7 (E) Section 452(a)(10) (42 U.S.C.
8 652(a)(10)).
9 (F) Section 452(g)(3)(B) (42 U.S.C.
10 652(g)(3)(B)).
11 (G) Section 506(a)(1) (42 U.S.C. 706(a)).
12 (H) Section 908 (42 U.S.C. 1108).
13 (I) Section 1114(f) (42 U.S.C. 1314(f)).
14 (J) Section 1120 (42 U.S.C. 1320).
15 (K) Section 1161 (42 U.S.C. 1320c-10).
16 (L) Section 1875(b) (42 U.S.C. 1395ll(b)).
17 (M) Section 1881 (42 U.S.C. 1395rr).
18 (N) Section 1882 (42 U.S.C.
19 1395ss(f)(2)).
20 (21) Section 104(b) of the Social Security Inde-
21 pendence and Program Improvements Act of 1994
22 (42 USC 904 note).
23 (22) Section 10 of the Railroad Retirement Act
24 of 1937 (45 U.S.C. 231f).

1 (23) The following provisions of the Railroad
2 Retirement Act of 1974:

3 (A) Section 22(a)(1) (45 U.S.C.
4 231u(a)(1)).

5 (B) Section 22(b)(1) (45 U.S.C.
6 231u(b)(1)).

7 (24) Section 502 of the Railroad Retirement
8 Solvency Act of 1983 (45 U.S.C. 231f-1).

9 (25) Section 47121(c) of title 49, United States
10 Code.

11 (26) The following provisions of the Omnibus
12 Budget Reconciliation Act of 1987 (Public Law
13 100-203; 101 Stat. 1330-182):

14 (A) Section 4007(c)(4) (42 U.S.C. 1395ww
15 note).

16 (B) Section 4079 (42 U.S.C. 1395mm
17 note).

18 (C) Section 4205 (42 U.S.C. 1395i-3
19 note).

20 (D) Section 4215 (42 U.S.C. 1396r note).

21 (27) The following provisions of the Inspector
22 General Act of 1978 (Public Law 95-452):

23 (A) Section 5(b).

24 (B) Section 5(d).

1 (28) The following provisions of the Public
2 Health Service Act:

3 (A) In section 308(a) (42 U.S.C.
4 242m(a)), subparagraphs (A), (B), (C), and
5 (D) of paragraph (1).

6 (B) Section 403 (42 U.S.C. 283).

7 (29) Section 404 of the Health Services and
8 Centers Amendments of 1978 (42 U.S.C. 242p)
9 (Public Law 95-626).

10 (30) The following provisions of the Older
11 Americans Act of 1965:

12 (A) Section 206(d) (42 U.S.C. 3017(d)).

13 (B) Section 207 (42 U.S.C. 3018).

14 (31) Section 308 of the Age Discrimination Act
15 of 1975 (42 U.S.C. 6106a(b)).

16 (32) Section 509(c)(3) of the Americans with
17 Disabilities Act Of 1990 (42 U.S.C. 12209(c)(3)).

18 (33) Section 4207(f) of the Omnibus Budget
19 Reconciliation Act of 1990 (42 U.S.C. 1395b-1
20 note).

21 **SEC. 302. EXTENSION OF DEADLINES FOR IRS COMPLIANCE**

22 **WITH CERTAIN NOTICE REQUIREMENTS.**

23 (a) ANNUAL INSTALLMENT AGREEMENT NOTICE.—

24 Section 3506 of the Internal Revenue Service Restruc-

1 turing and Reform Act of 1998 is amended by striking
2 "July 1, 2000" and inserting "September 1, 2001".

3 (b) NOTICE REQUIREMENTS RELATING TO COM-
4 PUTATION OF PENALTY.—Subsection (c) of section 3306
5 of the Internal Revenue Service Restructuring and Reform
6 Act of 1998 is amended—

7 (1) by striking "December 31, 2000" and in-
8 serting "June 30, 2001", and

9 (2) by adding at the end the following: "In the
10 case of any notice of penalty issued after June 30,
11 2001, and before July 1, 2003, the requirements of
12 section 6751(a) of the Internal Revenue Code of
13 1986 shall be treated as met if such notice contains
14 a telephone number at which the taxpayer can re-
15 quest a copy of the taxpayer's assessment and pay-
16 ment history with respect to such penalty."

17 (c) NOTICE REQUIREMENTS RELATING TO INTEREST
18 IMPOSED.—Subsection (c) of section 3308 of the Internal
19 Revenue Service Restructuring and Reform Act of 1998
20 is amended—

21 (1) by striking "December 31, 2000" and in-
22 serting "June 30, 2001", and

23 (2) by adding at the end the following: "In the
24 case of any notice issued after June 30, 2001, and
25 before July 1, 2003, to which section 6631 of the

1 Internal Revenue Code of 1986 applies, the require-
2 ments of section 663i of such Code shall be treated
3 as met if such notice contains a telephone number
4 at which the taxpayer can request a copy of the tax-
5 payer's payment history relating to interest amounts
6 included in such notice."

7 **SEC. 303. EXTENSION OF AUTHORITY FOR UNDERCOVER**
8 **OPERATIONS.**

9 Paragraph (6), and the last sentence, of section
10 7608(c) are each amended by striking "January 1, 2001"
11 and inserting "January 1, 2006".

12 **SEC. 304. CONFIDENTIALITY OF CERTAIN DOCUMENTS RE-**
13 **LATING TO CLOSING AND SIMILAR AGREE-**
14 **MENTS AND TO AGREEMENTS WITH FOREIGN**
15 **GOVERNMENTS.**

16 (a) CLOSING AND SIMILAR AGREEMENTS TREATED
17 AS RETURN INFORMATION.—Paragraph (2) of section
18 6103(b) (defining return information) is amended by
19 striking "and" at the end of subparagraph (B), by insert-
20 ing "and" at the end of subparagraph (C), and by insert-
21 ing after subparagraph (C) the following new subpara-
22 graph:

23 "(D) any agreement under section 7121,
24 and any similar agreement, and any back-

1 ground information related to such an agree-
2 ment or request for such an agreement,”.

3 (b) AGREEMENTS WITH FOREIGN GOVERNMENTS.—

4 (1) IN GENERAL.—Subchapter B of chapter 61
5 (relating to miscellaneous provisions) is amended by
6 inserting after section 6104 the following new sec-
7 tion:

8 **“SEC. 6105. CONFIDENTIALITY OF INFORMATION ARISING**
9 **UNDER TREATY OBLIGATIONS.**

10 “(a) IN GENERAL.—Tax convention information shall
11 not be disclosed.

12 “(b) EXCEPTIONS.—Subsection (a) shall not apply—

13 “(1) to the disclosure of tax convention infor-
14 mation to persons or authorities (including courts
15 and administrative bodies) which are entitled to such
16 disclosure pursuant to a tax convention,

17 “(2) to any generally applicable procedural
18 rules regarding applications for relief under a tax
19 convention, or

20 “(3) in any case not described in paragraphs
21 (1) or (2), to the disclosure of any tax convention
22 information not relating to a particular taxpayer if
23 the Secretary determines, after consultation with
24 each other party to the tax convention, that such
25 disclosure would not impair tax administration.

1 “(c) DEFINITIONS.—For purposes of this section—

2 “(1) TAX CONVENTION INFORMATION.—The
3 term ‘tax convention information’ means any—

4 “(A) agreement entered into with the com-
5 petent authority of one or more foreign govern-
6 ments pursuant to a tax convention,

7 “(B) application for relief under a tax con-
8 vention,

9 “(C) any background information related
10 to such agreement or application,

11 “(D) document implementing such agree-
12 ment, and

13 “(E) any other information exchanged pur-
14 suant to a tax convention which is treated as
15 confidential or secret under the tax convention.

16 “(2) TAX CONVENTION.—The term ‘tax conven-
17 tion’ means—

18 “(A) any income tax or gift and estate tax
19 convention, or

20 “(B) any other convention or bilateral
21 agreement (including multilateral conventions
22 and agreements and any agreement with a pos-
23 session of the United States) providing for the
24 avoidance of double taxation, the prevention of
25 fiscal evasion, nondiscrimination with respect to

1 taxes, the exchange of tax relevant information
2 with the United States, or mutual assistance in
3 tax matters.

4 “(d) CROSS REFERENCES.—

“For penalties for the unauthorized disclosure of
tax convention information which is return or re-
turn information, see sections 7213, 7213A, and
7431.”.

5 (2) CLERICAL AMENDMENT.—The table of sec-
6 tions for subchapter B of chapter 61 is amended by
7 inserting after the item relating to section 6104 the
8 following new item:

“Sec. 6105. Confidentiality of information arising under treaty
obligations.”.

9 (c) EXCEPTION FROM PUBLIC INSPECTION AS WRIT-
10 TEN DETERMINATION.—

11 (1) CLOSING AND SIMILAR AGREEMENTS.—
12 Paragraph (1) of section 6110(b) is amended to
13 read as follows:

14 “(1) WRITTEN DETERMINATION.—

15 “(A) IN GENERAL.—The term ‘written de-
16 termination’ means a ruling, determination let-
17 ter, technical advice memorandum, or Chief
18 Counsel advice.

19 “(B) EXCEPTIONS.—Such term shall not
20 include any matter referred to in subparagraph
21 (C) or (D) of section 6103(b)(2).”.

1 (2) AGREEMENTS WITH FOREIGN GOVERN-
2 MENTS.—Paragraph (1) of section 6110(l) is amend-
3 ed by inserting “or 6105” after “6104”.

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

7 **SEC. 305. INCREASE IN THRESHOLD FOR JOINT COM-**
8 **MITTEE REPORTS ON REFUNDS AND CRED-**
9 **ITS.**

10 (a) GENERAL RULE.—Subsections (a) and (b) of sec-
11 tion 6405 are each amended by striking “\$1,000,000” and
12 inserting “\$2,000,000”.

13 (b) EFFECTIVE DATE.—The amendment made by
14 subsection (a) shall take effect on the date of the enact-
15 ment of this Act, except that such amendment shall not
16 apply with respect to any refund or credit with respect
17 to a report that has been made before such date of the
18 enactment under section 6405 of the Internal Revenue
19 Code of 1986.

20 **SEC. 306. TREATMENT OF MISSING CHILDREN WITH RE-**
21 **SPECT TO CERTAIN TAX BENEFITS.**

22 (a) IN GENERAL.—Subsection (c) of section 151 (re-
23 lating to additional exemption for dependents) is amended
24 by adding at the end the following new paragraph:

25 “(6) TREATMENT OF MISSING CHILDREN.—

1 “(A) IN GENERAL.—Solely for the pur-
2 poses referred to in subparagraph (B), a child
3 of the taxpayer—

4 “(i) who is presumed by law enforce-
5 ment authorities to have been kidnapped
6 by someone who is not a member of the
7 family of such child or the taxpayer, and

8 “(ii) who was (without regard to this
9 paragraph) the dependent of the taxpayer
10 for the portion of the taxable year before
11 the date of the kidnapping,

12 shall be treated as a dependent of the taxpayer
13 for all taxable years ending during the period
14 that the child is kidnapped.

15 “(B) PURPOSES.—Subparagraph (A) shall
16 apply solely for purposes of determining—

17 “(i) the deduction under this section,

18 “(ii) the credit under section 24 (re-
19 lating to child tax credit), and

20 “(iii) whether an individual is a sur-
21 viving spouse or a head of a household
22 (such terms are defined in section 2).

23 “(C) COMPARABLE TREATMENT FOR
24 EARNED INCOME CREDIT —For purposes of sec-
25 tion 32, an individual—

1 “(i) who is presumed by law enforce-
2 ment authorities to have been kidnapped
3 by someone who is not a member of the
4 family of such individual or the taxpayer,
5 and

6 “(ii) who had, for the taxable year in
7 which the kidnapping occurred, the same
8 principal place of abode as the taxpayer for
9 more than one-half of the portion of such
10 year before the date of the kidnapping,
11 shall be treated as meeting the requirement of
12 section 32(c)(3)(A)(ii) with respect to a tax-
13 payer for all taxable years ending during the
14 period that the individual is kidnapped.

15 “(D) TERMINATION OF TREATMENT.—
16 Subparagraphs (A) and (C) shall cease to apply
17 as of the first taxable year of the taxpayer be-
18 ginning after the calendar year in which there
19 is a determination that the child is dead (or, if
20 earlier, in which the child would have attained
21 age 18).”

22 (b) EFFECTIVE DATE.—The amendment made by
23 this section shall apply to taxable years ending after the
24 date of the enactment of this Act.

1 **SEC. 307. AMENDMENTS TO STATUTES REFERENCING**

2 **YIELD ON 52-WEEK TREASURY BILLS.**

3 (a) AMENDMENT TO THE ACT OF FEBRUARY 26,
4 1931.—Section 6 of the Act of February 26, 1931 (40
5 U.S.C. 258e–1) (relating to the interest rate on compensa-
6 tion owed for takings of property) is amended—

7 (1) in paragraph (1), by striking “the coupon
8 issue yield equivalent (as determined by the Sec-
9 retary of the Treasury) of the average accepted auc-
10 tion price for the last auction of 52 week United
11 States Treasury bills settled immediately before”
12 and inserting “the weekly average 1-year constant
13 maturity Treasury yield, as published by the Board
14 of Governors of the Federal Reserve System, for the
15 calendar week preceding”; and

16 (2) in paragraph (2), by striking “the coupon
17 issue yield equivalent (as determined by the Sec-
18 retary of the Treasury) of the average accepted auc-
19 tion price for the last auction of 52 week United
20 States Treasury bills settled immediately before”
21 and inserting “the weekly average 1-year constant
22 maturity Treasury yield, as published by the Board
23 of Governors of the Federal Reserve System, for the
24 calendar week preceding”.

25 (b) AMENDMENT TO TITLE 18, UNITED STATES
26 CODE.—Section 3612(f)(2)(B) of title 18, United States

1 Code (relating to the interest rate on unpaid criminal fines
2 and penalties of more than \$2,500) is amended by striking
3 “the coupon issue yield equivalent (as determined by the
4 Secretary of the Treasury) of the average accepted auction
5 price for the last auction of fifty-two week United States
6 Treasury bills settled before” and inserting ‘the weekly av-
7 erage 1-year constant maturity Treasury yield, as pub-
8 lished by the Board of Governors of the Federal Reserve
9 System, for the calendar week preceding.’.”.

10 (c) AMENDMENT TO THE INTERNAL REVENUE
11 CODE.—Section 995(f)(4) (relating to the interest rate on
12 tax-deferred liability of shareholders of domestic inter-
13 national sales corporations) is amended by striking “the
14 average investment yield of United States Treasury bills
15 with maturities of 52 weeks which were auctioned during
16 the 1-year period” and inserting “the average of the 1-
17 year constant maturity Treasury yields, as published by
18 the Board of Governors of the Federal Reserve System,
19 for the 1-year period”.

20 (d) AMENDMENTS TO TITLE 28, UNITED STATES
21 CODE.—

22 (1) AMENDMENT TO SECTION 1961.—Section
23 1961(a) of title 28, United States Code (relating to
24 the interest rate on money judgments in civil cases
25 recovered in Federal district court) is amended by

1 striking “the coupon issue yield equivalent (as deter-
2 mined by the Secretary of the Treasury) of the aver-
3 age accepted auction price for the last auction of
4 fifty-two week United States Treasury bills settled
5 immediately prior to” and inserting “the weekly av-
6 erage 1-year constant maturity Treasury yield, as
7 published by the Board of Governors of the Federal
8 Reserve System, for the calendar week preceding.”.

9 (2) AMENDMENT TO SECTION 2516.—Section
10 2516(b) of title 28, United States Code (relating to
11 the interest rate on a judgment against the United
12 States affirmed by the Supreme Court after review
13 on petition of the United States) is amended by
14 striking “the coupon issue yield equivalent (as deter-
15 mined by the Secretary of the Treasury) of the aver-
16 age accepted auction price for the last auction of
17 fifty-two week United States Treasury bills settled
18 immediately before” and inserting “the weekly aver-
19 age 1-year constant maturity Treasury yield, as pub-
20 lished by the Board of Governors of the Federal Re-
21 serve System, for the calendar week preceding”.

22 **SEC. 308. ADJUSTMENTS FOR CONSUMER PRICE INDEX**
23 **ERROR.**

24 (a) DETERMINATIONS BY OMB.—As soon as prac-
25 ticable after the date of the enactment of this Act, the

1 Director of the Office of Management and Budget shall
2 determine with respect to each applicable Federal benefit
3 program whether the CPI computation error for 1999 has
4 or will result in a shortfall in payments to beneficiaries
5 under such program (as compared to payments that would
6 have been made if the error had not occurred). As soon
7 as practicable after the date of the enactment of this Act,
8 but not later than 60 days after such date, the Director
9 shall direct the head of the Federal agency which admin-
10 isters such program to make a payment or payments that,
11 insofar as the Director finds practicable and feasible—

12 (1) are targeted to the amount of the shortfall
13 experienced by individual beneficiaries, and

14 (2) compensate for the shortfall.

15 (b) COORDINATION WITH FEDERAL AGENCIES.—As
16 soon as practicable after the date of the enactment of this
17 Act, each Federal agency that administers an applicable
18 Federal benefit program shall, in accordance with such
19 guidelines as are issued by the Director pursuant to this
20 section, make an initial determination of whether, and the
21 extent to which, the CPI computation error for 1999 has
22 or will result in a shortfall in payments to beneficiaries
23 of an applicable Federal benefit program administered by
24 such agency. Not later than 30 days after such date, the
25 head of such agency shall submit a report to the Director

1 and to each House of the Congress of such determination,
2 together with a complete description of the nature of the
3 shortfall.

4 (c) IMPLEMENTATION PURSUANT TO AGENCY RE-
5 PORTS.—Upon receipt of the report submitted by a Fed-
6 eral agency pursuant to subsection (b), the Director shall
7 review the initial determination of the agency, the agency's
8 description of the nature of the shortfall, and the com-
9 pensation payments proposed by the agency. Prior to di-
10 recting payment of such payments pursuant to subsection
11 (a), the Director shall make appropriate adjustments (if
12 any) in the compensation payments proposed by the agen-
13 cy that the Director determines are necessary to comply
14 with the requirements of subsection (a) and transmit to
15 the agency a summary report of the review, indicating any
16 adjustments made by the Director. The agency shall make
17 the compensation payments as directed by the Director
18 pursuant to subsection (a) in accordance with the Direc-
19 tor's summary report.

20 (d) INCOME DISREGARD UNDER FEDERAL MEANS-
21 TESTED BENEFIT PROGRAMS.—A payment made under
22 this section to compensate for a shortfall in benefits shall,
23 in accordance with guidelines issued by the Director pur-
24 suant to this section, be disregarded in determining in-

1 come under title VIII of the Social Security Act or any
2 applicable Federal benefit program that is means-tested.

3 (e) FUNDING.—Funds otherwise available under each
4 applicable Federal benefit program for making benefit
5 payments under such program are hereby made available
6 for making compensation payments under this section in
7 connection with such program.

8 (f) NO JUDICIAL REVIEW.—No action taken pursu-
9 ant to this section shall be subject to judicial review.

10 (g) DIRECTOR'S REPORT.—Not later than April 1,
11 2001, the Director shall submit to each House of the Con-
12 gress a report on the activities performed by the Director
13 pursuant to this section.

14 (h) DEFINITIONS.—For purposes of this section:

15 (1) APPLICABLE FEDERAL BENEFIT PRO-
16 GRAM.—The term “applicable Federal benefit pro-
17 gram” means any program of the Government of the
18 United States providing for regular or periodic pay-
19 ments or cash assistance paid directly to individual
20 beneficiaries, as determined by the Director of the
21 Office of Management and Budget.

22 (2) FEDERAL AGENCY.—The term “Federal
23 agency” means a department, agency, or instrumen-
24 tality of the Government of the United States.

1 (3) CPI COMPUTATION ERROR FOR 1999.—The
2 term “CPI computation error for 1999” means the
3 error in the computation of the Consumer Price
4 Index announced by the Bureau of Labor Statistics
5 on September 28, 2000.

6 (i) TAX PROVISIONS.—In the case of taxable years
7 (and other periods) beginning after December 31, 2000,
8 if any Consumer Price Index (as defined in section 1(f)(5)
9 of the Internal Revenue Code of 1986) reflects the CPI
10 computation error for 1999—

11 (1) the correct amount of such Index shall (in
12 such manner and to such extent as the Secretary of
13 the Treasury determines to be appropriate) be taken
14 into account for purposes of such Code, and

15 (2) tables prescribed under section 1(f) of such
16 Code to reflect such correct amount shall apply in
17 lieu of any tables that were prescribed based on the
18 erroneous amount.

19 **SEC. 309. PREVENTION OF DUPLICATION OF LOSS**
20 **THROUGH ASSUMPTION OF LIABILITIES GIV-**
21 **ING RISE TO A DEDUCTION.**

22 (a) IN GENERAL.—Section 358 (relating to basis to
23 distributees) is amended by adding at the end the fol-
24 lowing new subsection:

1 “(h) SPECIAL RULES FOR ASSUMPTION OF LIABIL-
2 ITIES TO WHICH SUBSECTION (d) DOES NOT APPLY.—

3 “(1) IN GENERAL.—If, after application of the
4 other provisions of this section to an exchange or se-
5 ries of exchanges, the basis of property to which
6 subsection (a)(1) applies exceeds the fair market
7 value of such property, then such basis shall be re-
8 duced (but not below such fair market value) by the
9 amount (determined as of the date of the exchange)
10 of any liability—

11 “(A) which is assumed in exchange for
12 such property, and

13 “(B) with respect to which subsection
14 (d)(1) does not apply to the assumption.

15 “(2) EXCEPTIONS.—Except as provided by the
16 Secretary, paragraph (1) shall not apply to any li-
17 ability if—

18 “(A) the trade or business with which the
19 liability is associated is transferred to the per-
20 son assuming the liability as part of the ex-
21 change, or

22 “(B) substantially all of the assets with
23 which the liability is associated are transferred
24 to the person assuming the liability as part of
25 the exchange.

1 “(3) LIABILITY.—For purposes of this sub-
2 section, the term ‘liability’ shall include any fixed or
3 contingent obligation to make payment, without re-
4 gard to whether the obligation is otherwise taken
5 into account for purposes of this title.”

6 (b) DETERMINATION OF AMOUNT OF LIABILITY AS-
7 SUMED.—Section 357(d)(1) is amended by inserting “sec-
8 tion 358(h),” after “section 358(d),”.

9 (c) APPLICATION OF COMPARABLE RULES TO PART-
10 NERSHIPS AND S CORPORATIONS.—The Secretary of the
11 Treasury or his delegate—

12 (1) shall prescribe rules which provide appro-
13 priate adjustments under subchapter K of chapter 1
14 of the Internal Revenue Code of 1986 to prevent the
15 acceleration or duplication of losses through the as-
16 sumption of (or transfer of assets subject to) liabil-
17 ities described in section 358(h)(3) of such Code (as
18 added by subsection (a)) in transactions involving
19 partnerships, and

20 (2) may prescribe rules which provide appro-
21 priate adjustments under subchapter S of chapter 1
22 of such Code in transactions described in paragraph
23 (1) involving S corporations rather than partner-
24 ships.

25 (d) EFFECTIVE DATES.—

1 (1) IN GENERAL.—The amendments made by
2 this section shall apply to assumptions of liability
3 after October 18, 1999.

4 (2) RULES.—The rules prescribed under sub-
5 section (c) shall apply to assumptions of liability
6 after October 18, 1999, or such later date as may
7 be prescribed in such rules.

8 **SEC. 310. DISCLOSURE OF CERTAIN INFORMATION TO CON-**
9 **GRESSIONAL BUDGET OFFICE.**

10 (a) DISCLOSURE OF CERTAIN TAX INFORMATION.—

11 (1) IN GENERAL.—Subsection (j) of section
12 6103 (relating to statistical use) is amended by add-
13 ing at the end the following new paragraph:

14 “(6) CONGRESSIONAL BUDGET OFFICE.—Upon
15 written request by the Director of the Congressional
16 Budget Office, the Secretary shall furnish to officers
17 and employees of the Congressional Budget Office
18 return information for the purpose of, but only to
19 the extent necessary for, long-term models of the so-
20 cial security and medicare programs.”

21 (2) RECORDKEEPING SAFEGUARDS.—Section
22 6103(p) is amended—

23 (A) in paragraph (4).—

24 (i) in the matter preceding subpara-
25 graph (A), by inserting “the Congressional

1 Budget Office,” after “General Accounting
2 Office,”,

3 (ii) in subparagraph (E), by striking
4 “commission or the General Accounting
5 Office” and inserting “commission, the
6 General Accounting Office, or the Congres-
7 sional Budget Office”,

8 (iii) in subparagraph (F)(ii), by strik-
9 ing “or the General Accounting Office,”
10 and inserting “the General Accounting Of-
11 fice, or the Congressional Budget Office,”,
12 and

13 (iv) in the matter following subpara-
14 graph (F), by inserting “or the Congres-
15 sional Budget Office” after “General Ac-
16 counting Office” both places it appears,

17 (B) in paragraph (5), by striking “commis-
18 sions and the General Accounting Office” and
19 inserting “commissions, the General Accounting
20 Office, and the Congressional Budget Office”,
21 and

22 (C) in paragraph (6)(A), by inserting “and
23 the Congressional Budget Office” after “com-
24 missions”.

25 (b) CONFIDENTIALITY OF RECORDS.—

1 (1) IN GENERAL.—Section 203 of the Congress-
2 sional Budget Act of 1974 (2 U.S.C. 603) is amend-
3 ed by adding at the end the following:

4 “(e) LEVEL OF CONFIDENTIALITY.—With respect to
5 information, data, estimates, and statistics obtained under
6 sections 201(d) and 201(e), the Director shall maintain
7 the same level of confidentiality as is required by law of
8 the department, agency, establishment, or regulatory
9 agency or commission from which it is obtained. Officers
10 and employees of the Congressional Budget Office shall
11 be subject to the same statutory penalties for unauthor-
12 ized disclosure or use as officers or employees of the de-
13 partment, agency, establishment, or regulatory agency or
14 commission from which it is obtained.”.

15 (2) CONFORMING AMENDMENT.—Subsection (a)
16 of section 203 of such Act is amended by striking
17 “subsections (c) and (d)” and inserting “subsections
18 (c), (d), and (e)”.

19 **Subtitle B—Technical Corrections**

20 **SEC. 311. AMENDMENTS RELATED TO TICKET TO WORK** 21 **AND WORK INCENTIVES IMPROVEMENT ACT** 22 **OF 1999.**

23 (a) AMENDMENTS RELATED TO SECTION 502 OF
24 THE ACT. —

1 (1) Section 280C(c)(1) is amended by striking
2 “or credit” after “deduction” each place it appears.

3 (2) Section 30A is amended by redesignating
4 subsections (f) and (g) as subsections (g) and (h),
5 respectively, and by inserting after subsection (e) the
6 following new subsection:

7 “(f) DENIAL OF DOUBLE BENEFIT.—Any wages or
8 other expenses taken into account in determining the cred-
9 it under this section may not be taken into account in de-
10 termining the credit under section 41.”

11 (b) AMENDMENT RELATED TO SECTION 545 OF THE
12 ACT.—Clause (ii) of section 857(b)(7)(B) is amended to
13 read as follows:

14 “(ii) EXCEPTION FOR CERTAIN
15 AMOUNTS.—Clause (i) shall not apply to
16 amounts received directly or indirectly by a
17 real estate investment trust—

18 “(I) for services furnished or ren-
19 dered by a taxable REIT subsidiary
20 that are described in paragraph
21 (1)(B) of section 856(d), or

22 “(II) from a taxable REIT sub-
23 sidiary that are described in para-
24 graph (7)(C)(ii) of such section.”

1 (c) CLARIFICATION RELATED TO SECTION 538 OF
2 THE ACT.—The reference to section 332(b)(1) of the In-
3 ternal Revenue Code of 1986 in Treasury Regulation sec-
4 tion 1.1502-34 shall be deemed to include a reference to
5 section 732(f) of such Code.

6 (d) EFFECTIVE DATE.—Subsection (c) and the
7 amendments made by this section shall take effect as if
8 included in the provisions of the Ticket to Work and Work
9 Incentives Improvement Act of 1999 to which they relate.

10 **SEC. 312. AMENDMENTS RELATED TO TAX AND TRADE RE-**
11 **LIEF EXTENSION ACT OF 1998.**

12 (a) AMENDMENT RELATED TO SECTION 1004(b) OF
13 THE ACT.—Subsection (d) of section 6104 is amended by
14 adding at the end the following new paragraph:

15 “(6) APPLICATION TO NONEXEMPT CHARI-
16 TABLE TRUSTS AND NONEXEMPT PRIVATE FOUNDA-
17 TIONS.—The organizations referred to in paragraphs
18 (1) and (2) of section 6033(d) shall comply with the
19 requirements of this subsection relating to annual
20 returns filed under section 6033 in the same manner
21 as the organizations referred to in paragraph (1).”.

22 (b) AMENDMENT RELATED TO SECTION 4003 OF
23 THE ACT.—Subsection (b) of section 4003 of the Tax and
24 Trade Relief Extension Act of 1998 is amended by insert-
25 ing “(7) (A) (i) (II),” after “(5) (A) (ii) (I),”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall take effect as if included in the provisions
3 of the Tax and Trade Relief Extension Act of 1998 to
4 which they relate.

5 **SEC. 313. AMENDMENTS RELATED TO INTERNAL REVENUE**
6 **SERVICE RESTRUCTURING AND REFORM ACT**
7 **OF 1998.**

8 (a) AMENDMENTS RELATED TO INNOCENT SPOUSE
9 RELIEF.—

10 (1) ELECTION MAY BE MADE ANY TIME AFTER
11 DEFICIENCY ASSERTED.—Subparagraph (B) of sec-
12 tion 6015(c)(3) is amended by striking “shall be
13 made” and inserting “may be made at any time
14 after a deficiency for such year is asserted but”.

15 (2) CLARIFICATION REGARDING DISALLOWANCE
16 OF REFUNDS AND CREDITS UNDER SECTION
17 6015(c).—

18 (A) IN GENERAL.—Section 6015 is amend-
19 ed by redesignating subsection (g) as subsection
20 (h) and by inserting after subsection (f) the fol-
21 lowing new subsection:

22 “(g) CREDITS AND REFUNDS.—

23 “(1) IN GENERAL.—Except as provided in para-
24 graphs (2) and (3), notwithstanding any other law
25 or rule of law (other than section 6511, 6512(b),

1 7121, or 7122), credit or refund shall be allowed or
2 made to the extent attributable to the application of
3 this section.

4 “(2) RES JUDICATA.—In the case of any elec-
5 tion under subsection (b) or (c), if a decision of a
6 court in any prior proceeding for the same taxable
7 year has become final, such decision shall be conclu-
8 sive except with respect to the qualification of the
9 individual for relief which was not an issue in such
10 proceeding. The exception contained in the preceding
11 sentence shall not apply if the court determines that
12 the individual participated meaningfully in such
13 prior proceeding.

14 “(3) CREDIT AND REFUND NOT ALLOWED
15 UNDER SUBSECTION (c).—No credit or refund shall
16 be allowed as a result of an election under sub-
17 section (c).”.

18 (B) CONFORMING AMENDMENT.—Para-
19 graph (3) of section 6015(e) is amended to read
20 as follows:

21 “(3) LIMITATION ON TAX COURT JURISDIC-
22 TION.—If a suit for refund is begun by either indi-
23 vidual filing the joint return pursuant to section
24 6532—

1 “(A) the Tax Court shall lose jurisdiction
2 of the individual’s action under this section to
3 whatever extent jurisdiction is acquired by the
4 district court or the United States Court of
5 Federal Claims over the taxable years that are
6 the subject of the suit for refund, and

7 “(B) the court acquiring jurisdiction shall
8 have jurisdiction over the petition filed under
9 this subsection.”.

10 (3) CLARIFICATIONS REGARDING REVIEW BY
11 TAX COURT.—

12 (A) Paragraph (1) of section 6015(e) is
13 amended in the matter preceding subparagraph
14 (A) by inserting after “individual” the fol-
15 lowing: “against whom a deficiency has been as-
16 serted and”.

17 (B) Subparagraph (A) of section
18 6015(e)(1) is amended to read as follows:

19 “(A) IN GENERAL.—In addition to any
20 other remedy provided by law, the individual
21 may petition the Tax Court (and the Tax Court
22 shall have jurisdiction) to determine the appro-
23 priate relief available to the individual under
24 this section if such petition is filed—

25 “(i) at any time after the earlier of—

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1 “(I) the date the Secretary mails,
2 by certified or registered mail to the
3 taxpayer’s last known address, notice
4 of the Secretary’s final determination
5 of relief available to the individual, or

6 “(II) the date which is 6 months
7 after the date such election is filed
8 with the Secretary, and

9 “(ii) not later than the close of the
10 90th day after the date described in clause
11 (i) (I).”.

12 (C) Subparagraph (B)(i) of section
13 6015(e)(1) is amended—

14 (i) by striking “until the expiration of
15 the 90-day period described in subpara-
16 graph (A)” and inserting “until the close
17 of the 90th day referred to in subpara-
18 graph (A)(ii)”, and

19 (ii) by inserting “under subparagraph
20 (A)” after “filed with the Tax Court”.

21 (D)(i) Subsection (e) of section 6015 is
22 amended by adding at the end the following
23 new paragraph:

24 “(5) WAIVER.—An individual who elects the ap-
25 plication of subsection (b) or (c) (and who agrees

1 with the Secretary's determination of relief) may
2 waive in writing at any time the restrictions in para-
3 graph (1)(B) with respect to collection of the out-
4 standing assessment (whether or not a notice of the
5 Secretary's final determination of relief has been
6 mailed).''.

7 (ii) Paragraph (2) of section 6015(e) is
8 amended to read as follows:

9 ''(2) SUSPENSION OF RUNNING OF PERIOD OF
10 LIMITATIONS.—The running of the period of limita-
11 tions in section 6502 on the collection of the assess-
12 ment to which the petition under paragraph (1)(A)
13 relates shall be suspended—

14 ''(A) for the period during which the Sec-
15 retary is prohibited by paragraph (1)(B) from
16 collecting by levy or a proceeding in court and
17 for 60 days thereafter, and

18 ''(B) if a waiver under paragraph (5) is
19 made, from the date the claim for relief was
20 filed until 60 days after the waiver is filed with
21 the Secretary.''.
22

23 (b) AMENDMENTS RELATED TO PROCEDURE AND
ADMINISTRATION.—

1 (1) DISPUTES INVOLVING \$50,000 OR LESS.—

2 Section 7463 is amended by adding at the end the
3 following new subsection:

4 “(f) ADDITIONAL CASES IN WHICH PROCEEDINGS
5 MAY BE CONDUCTED UNDER THIS SECTION.—At the op-
6 tion of the taxpayer concurred in by the Tax Court or a
7 division thereof before the hearing of the case, proceedings
8 may be conducted under this section (in the same manner
9 as a case described in subsection (a)) in the case of—

10 “(1) a petition to the Tax Court under section
11 6015(e) in which the amount of relief sought does
12 not exceed \$50,000, and

13 “(2) an appeal under section 6330(d)(1)(A) to
14 the Tax Court of a determination in which the un-
15 paid tax does not exceed \$50,000.”.

16 (2) AUTHORITY TO ENJOIN COLLECTION AC-
17 TIONS.—

18 (A) Section 6330(e)(1) is amended by add-
19 ing at the end the following: “Notwithstanding
20 the provisions of section 7421(a), the beginning
21 of a levy or proceeding during the time the sus-
22 pension under this paragraph is in force may be
23 enjoined by a proceeding in the proper court,
24 including the Tax Court. The Tax Court shall
25 have no jurisdiction under this paragraph to en-

1 join any action or proceeding unless a timely
2 appeal has been filed under subsection (d)(1)
3 and then only in respect of the unpaid tax or
4 proposed levy to which the determination being
5 appealed relates.”.

6 (B) Section 7421(a) is amended by insert-
7 ing “6330(e)(1),” after “6246(b),”.

8 (3) CLARIFICATION.—Paragraph (3) of section
9 6331(k) is amended by striking “(3), (4), and (5)”
10 and inserting “(3) and (4)”.

11 (c) AMENDMENT RELATED TO SECTION 1103 OF
12 THE ACT.—Paragraph (6) of section 6103(k) is
13 amended—

14 (1) by inserting “and an officer or employee of
15 the Office of Treasury Inspector General for Tax
16 Administration” after “internal revenue officer or
17 employee”, and

18 (2) by striking “INTERNAL REVENUE” in the
19 heading and inserting “CERTAIN”.

20 (d) AMENDMENT RELATED TO SECTION 3401 OF
21 THE ACT.—Section 6330(d)(1)(A) is amended by striking
22 “to hear” and inserting “with respect to”.

23 (e) AMENDMENT RELATED TO SECTION 3509 OF
24 THE ACT.—Subparagraph (A) of section 6110(g)(5) is

1 amended by inserting “, any Chief Counsel advice,” after
2 “technical advice memorandum”.

3 (f) EFFECTIVE DATES.—The amendments made by
4 subsections (a) and (b) shall take effect on the date of
5 the enactment of this Act. The amendments made by sub-
6 sections (c), (d), and (e) shall take effect as if included
7 in the provisions of the Internal Revenue Service Restruc-
8 turing and Reform Act of 1998 to which they relate.

9 **SEC. 314. AMENDMENTS RELATED TO TAXPAYER RELIEF**

10 **ACT OF 1997.**

11 (a) AMENDMENT RELATED TO SECTION 101 OF THE
12 ACT.—Paragraph (4) of section 6211(b) is amended by
13 striking “sections 32 and 34” and inserting “sections
14 24(d), 32, and 34”.

15 (b) AMENDMENT RELATED TO SECTION 302 OF THE
16 ACT.—The last sentence of section 3405(e)(1)(B) is
17 amended by inserting “(other than a Roth IRA)” after
18 “individual retirement plan”.

19 (c) AMENDMENT TO SECTION 311 OF THE ACT.—
20 Paragraph (3) of section 311(e) of the Taxpayer Relief
21 Act of 1997 (relating to election to recognize gain on as-
22 sets held on January 1, 2001) is amended by adding at
23 the end the following new sentence: “Such an election shall
24 not apply to any asset which is disposed of (in a trans-
25 action in which gain or loss is recognized in whole or in

1 part) before the close of the 1-year period beginning on
2 the date that the asset would have been treated as sold
3 under such election.”

4 (d) AMENDMENT RELATED TO SECTION 402 OF THE
5 ACT.—The flush sentence at the end of clause (ii) of sec-
6 tion 56(a)(1)(A) is amended by inserting before “or to any
7 other property” the following: “(and the straight line
8 method shall be used for such 1250 property)”.

9 (e) AMENDMENTS RELATED TO SECTION 1072 OF
10 THE ACT.—

11 (1) Clause (ii) of section 415(c)(3)(D) and sub-
12 paragraph (B) of section 403(b)(3) are each amend-
13 ed by striking “section 125 or” and inserting “sec-
14 tion 125, 132(f)(4), or”.

15 (2) Paragraph (2) of section 414(s) is amended
16 by striking “section 125, 402(e)(3)” and inserting
17 “section 125, 132(f)(4), 402(e)(3)”.

18 (f) AMENDMENT RELATED TO SECTION 1454 OF THE
19 ACT.—Subsection (a) of section 7436 is amended by in-
20 serting before the period at the end of the first sentence
21 “and the proper amount of employment tax under such
22 determination”.

23 (g) EFFECTIVE DATE.—The amendments made by
24 this section shall take effect as if included in the provisions
25 of the Taxpayer Relief of 1997 to which they relate.

1 **SEC. 315. AMENDMENTS RELATED TO BALANCED BUDGET**

2 **ACT OF 1997.**

3 (a) AMENDMENTS RELATED TO SECTION 9302 OF
4 THE ACT.—

5 (1) Paragraph (1) of section 9302(j) of the Bal-
6 anced Budget Act of 1997 is amended by striking
7 “tobacco products and cigarette papers and tubes”
8 and inserting “cigarettes”.

9 (2)(A) Subsection (h) of section 5702 is amend-
10 ed to read as follows:

11 “(h) MANUFACTURER OF CIGARETTE PAPERS AND
12 TUBES.—‘Manufacturer of cigarette papers and tubes’
13 means any person who manufactures cigarette paper, or
14 makes up cigarette paper into tubes, except for his own
15 personal use or consumption.”

16 (B) Section 5702, as amended by subparagraph
17 (A), is amended by striking subsection (f) and by re-
18 designating subsections (g) through (p) as sub-
19 sections (f) through (o), respectively.

20 (3) Subsection (c) of section 5761 is amended
21 by adding at the end the following: “This subsection
22 and section 5754 shall not apply to any person who
23 relands or receives tobacco products in the quantity
24 allowed entry free of tax and duty under chapter 98
25 of the Harmonized Tariff Schedule of the United
26 States, and such person may voluntarily relinquish

1 to the Secretary at the time of entry any excess of
2 such quantity without incurring the penalty under
3 this subsection. No quantity of tobacco products
4 other than the quantity referred to in the preceding
5 sentence may be relanded or received as a personal
6 use quantity.”.

7 (b) EFFECTIVE DATE.—The amendments made by
8 this section shall take effect as if included in section 9302
9 of the Balanced Budget Act of 1997.

10 **SEC. 316. AMENDMENTS RELATED TO SMALL BUSINESS JOB**
11 **PROTECTION ACT OF 1996.**

12 (a) AMENDMENT RELATED TO SECTION 1201 OF
13 THE ACT.—Subparagraph (B) of section 51(d)(2) is
14 amended—

15 (1) by striking “plan approved” and inserting
16 “program funded”, and

17 (2) by striking “(relating to assistance for
18 needy families with minor children)”.

19 (b) AMENDMENT RELATED TO SECTION 1302 OF
20 THE ACT.—Clause (i) of section 1361(e)(1)(A) is amended
21 by striking “or” before “(III)” and by adding at the end
22 the following: “or (IV) an organization described in section
23 170(c)(1) which holds a contingent interest in such trust
24 and is not a potential current beneficiary,”.

1 (c) AMENDMENT RELATED TO SECTION 1401 OF
2 THE ACT.—Clause (ii) of section 401(k)(10)(B) is amend-
3 ed by adding at the end the following new sentence: “Such
4 term includes a distribution of an annuity contract from—

5 “(I) a trust which forms a part
6 of a plan described in section 401(a)
7 and which is exempt from tax under
8 section 501(a), or

9 “(II) an annuity plan described
10 in section 403(a).”.

11 (d) AMENDMENT RELATED TO SECTION 1427 OF
12 THE ACT.—Clause (ii) of section 219(c)(1)(B) is amended
13 by striking “and” at the end of subclause (I), by redesign-
14 nating subclause (II) as subclause (III), and by inserting
15 after subclause (I) the following new subclause:

16 “(II) the amount of any des-
17 ignated nondeductible contribution (as
18 defined in section 408(o)) on behalf of
19 such spouse for such taxable year,
20 and”.

21 (e) EFFECTIVE DATE.—The amendments made by
22 this section shall take effect as if included in the provisions
23 of the Small Business Job Protection Act of 1996 to which
24 they relate.

1 **SEC. 317. AMENDMENT RELATED TO REVENUE RECONCILI-**
2 **ATION ACT OF 1990.**

3 (a) AMENDMENT RELATED TO SECTION 11511 OF
4 THE ACT.—Subparagraph (C) of section 43(c)(1) is
5 amended—

6 (1) by inserting “(as defined in section
7 193(b))” after “expenses”, and

8 (2) by striking “under section 193”.

9 (b) EFFECTIVE DATE.—The amendment made by
10 this section shall take effect as if included in section
11 11511 of the Revenue Reconciliation Act of 1990.

12 **SEC. 318. OTHER TECHNICAL CORRECTIONS.**

13 (a) MODIFIED ENDOWMENT CONTRACTS.—

14 (1) Paragraph (2) of section 7702A(a) is
15 amended by inserting “or this paragraph” before the
16 period.

17 (2) Clause (ii) of section 7702A(c)(3)(A) is
18 amended by striking “under the contract” and in-
19 serting “under the old contract”.

20 (3) The amendments made by this subsection
21 shall take effect as if included in the amendments
22 made by section 5012 of the Technical and Miscella-
23 neous Revenue Act of 1988.

24 (b) AFFILIATED CORPORATIONS IN CONTEXT OF
25 WORTHLESS SECURITIES.—

1 (1) Subparagraph (A) of section 165(g)(3) is
2 amended to read as follows:

3 “(A) the taxpayer owns directly stock in
4 such corporation meeting the requirements of
5 section 1504(a)(2), and”.

6 (2) Paragraph (3) of section 165(g) is amended
7 by striking the last sentence.

8 (3) The amendments made by this subsection
9 shall apply to taxable years beginning after Decem-
10 ber 31, 1984.

11 (c) CERTAIN ANNUITIES ISSUED BY TAX-EXEMPT
12 ORGANIZATIONS NOT TREATED AS DEBT INSTRUMENTS
13 UNDER ORIGINAL ISSUE DISCOUNT RULES.—

14 (1) Clause (ii) of section 1275(a)(1)(B) is
15 amended by striking “subchapter L” and inserting
16 “subchapter L (or by an entity described in section
17 501(c) and exempt from tax under section 501(a)
18 which would be subject to tax under subchapter L
19 were it not so exempt)”.

20 (2) The amendment made by this subsection
21 shall take effect as if included in the amendments
22 made by section 41 of the Tax Reform Act of 1984.

23 (d) TENTATIVE CARRYBACK ADJUSTMENTS OF
24 LOSSES FROM SECTION 1256 CONTRACTS.—

1 (1) Subsection (a) of section 6411 is amended
2 by striking “section 1212(a)(1)” and inserting “sub-
3 section (a)(1) or (c) of section 1212”.

4 (2) The amendment made by paragraph (1)
5 shall take effect as if included in the amendments
6 made by section 504 of the Economic Recovery Tax
7 Act of 1981.

8 (e) CORRECTION OF CALCULATION OF AMOUNTS TO
9 BE DEPOSITED IN HIGHWAY TRUST FUND.—

10 (1) Subsection (b) of section 9503 is amended
11 by striking paragraph (5) and redesignating para-
12 graph (6) as paragraph (5).

13 (2) The amendment made by paragraph (1)
14 shall apply with respect to taxes received in the
15 Treasury after the date of the enactment of this Act.

16 (f) EXPENDITURES FROM VACCINE INJURY COM-
17 PENSATION TRUST FUND.—Section 9510(c)(1)(A) is
18 amended by striking “December 31, 1999” and inserting
19 “October 18, 2000”.

20 **SEC. 319. CLERICAL CHANGES.**

21 (1) Clause (i) of section 45(d)(7)(A) is amended
22 by striking “paragraph (3)(A)” and inserting “sub-
23 section (c)(3)(A)”.

1 (2) Subsection (f) of section 67 is amended by
2 striking “the last sentence” and inserting “the sec-
3 ond sentence”.

4 (3) The heading for paragraph (5) of section
5 408(d) is amended to read as follows:

6 “(5) DISTRIBUTIONS OF EXCESS CONTRIBU-
7 TIONS AFTER DUE DATE FOR TAXABLE YEAR AND
8 CERTAIN EXCESS ROLLOVER CONTRIBUTIONS.—”.

9 (4) Paragraph (3) of section 475(g) is amended
10 by striking “267(b) of” and inserting “267(b) or”.

11 (5) The heading for subparagraph (B) of sec-
12 tion 529(e)(3) is amended by striking “UNDER
13 GUARANTEED PLANS”.

14 (6) Clause (iii) of section 530(d)(4)(B) is
15 amended by striking “; or” at the end and inserting
16 “; or”.

17 (7) Paragraphs (1)(C) and (2)(C) of section
18 664(d) are each amended by striking the period
19 after “subsection (g))”.

20 (8)(A) Subsection (e) of section 678 is amended
21 by striking “an electing small business corporation”
22 and inserting “an S corporation”.

23 (B) Clause (v) of section 6103(e)(1)(D) is
24 amended to read as follows:

1 “(v) if the corporation was an S cor-
2 poration, any person who was a share-
3 holder during any part of the period cov-
4 ered by such return during which an elec-
5 tion under section 1362(a) was in effect,
6 or”.

7 (9) Paragraph (7) of section 856(c) is amended
8 by striking “paragraph (4)(B)(ii)(III)” and inserting
9 “paragraph (4)(B)(iii)(III)”

10 (10) Subparagraph (A) of section 856(l)(4) is
11 amended by striking “paragraph (9)(D)(ii)” and in-
12 serting “subsection (d)(9)(D)(ii)”.

13 (11) Subparagraph (B) of section 871(f)(2) is
14 amended by striking “19 U.S.C.” and inserting “(19
15 U.S.C.”.

16 (12) Subparagraph (B) of section 995(b)(3) is
17 amended by striking “the Military Security Act of
18 1954 (22 U.S.C. 1934)” and inserting “section 38
19 of the International Security Assistance and Arms
20 Export Control Act of 1976 (22 U.S.C. 2778)”.

21 (13) Section 1391(g)(3)(C) is amended by
22 striking “paragraph (1)(B)” and inserting “para-
23 graph (1)”.

1 (14)(A) Paragraph (2) of section 2035(c) is
2 amended by striking “paragraph (1)” and inserting
3 “subsection (a)”.

4 (B) Subsection (d) of section 2035 is amended
5 by inserting “and paragraph (1) of subsection (c)”
6 after “Subsection (a)”.

7 (15) Paragraph (5) of section 3121(a) is
8 amended by striking the semicolon at the end of
9 subparagraph (G) and inserting a comma.

10 (16) Subparagraph (B) of section 4946(c)(3) is
11 amended by striking “the lowest rate of compensa-
12 tion prescribed for GS-16 of the General Schedule
13 under section 5332” and inserting “the lowest rate
14 of basic pay for the Senior Executive Service under
15 section 5382”.

16 (17) Subsection (p) of section 6103 is
17 amended—

18 (A) in paragraph (4), in the matter pre-
19 ceding subparagraph (A)—

20 (i) by striking the second comma after
21 “(13)”, and

22 (ii) by striking “(7)” and all that fol-
23 lows through “shall, as a condition” and
24 inserting “(7), (8), (9), (12), (15), or (16)

1 or any other person described in subsection
2 (l) (16) shall, as a condition", and
3 (B) in paragraph (4) (F) (ii), by striking the
4 second comma after "(14)".

5 (18) Paragraph (5) of section 6166(k) is
6 amended by striking "2035(d)(4)" and inserting
7 "2035(c)(2)".

8 (19) Subsection (a) of section 6512 is amended
9 by striking "; and" at the end of paragraphs (1),
10 (2), and (5) and inserting ", and".

11 (20) Paragraph (1) of section 6611(g) is
12 amended by striking the comma after "(b)(3)".

13 (21) Subparagraphs (A) and (B) of section
14 6655(e)(5) are amended by striking "subsections
15 (d)(5) and (l)(3)(B)" and inserting "subsection
16 (d)(5)".

17 (22) The subchapter heading for subchapter D
18 of chapter 67 is amended by capitalizing the first
19 letter of the second word.

20 (23)(A) Section 6724(d)(1)(B) is amended by
21 striking clauses (xiv) through (xvii) and inserting
22 the following:

23 "(xiv) subparagraph (A) or (C) of
24 subsection (c)(4) of section 4093 (relating

1 to information reporting with respect to
2 tax on diesel and aviation fuels),

3 “(xv) section 4101(d) (relating to in-
4 formation reporting with respect to fuels
5 taxes),

6 “(xvi) subparagraph (C) of section
7 338(h)(10) (relating to information re-
8 quired to be furnished to the Secretary in
9 case of elective recognition of gain or loss),
10 or

11 “(xvii) section 264(f)(5)(A)(iv) (relat-
12 ing to reporting with respect to certain life
13 insurance and annuity contracts), and”.

14 (B) Section 6010(o)(4)(C) of the Internal Rev-
15 enue Service Restructuring and Reform Act of 1998
16 is amended by striking “inserting ‘or’, and by add-
17 ing at the end” and inserting “inserting ‘, or’, and
18 by adding after subparagraph (Z)”.

19 (24) Subsection (a) of section 7421 is amended
20 by striking “6672(b)” and inserting “6672(c)”.

21 (25) Paragraph (3) of section 7430(c) is
22 amended—

23 (A) in the paragraph heading, by striking
24 “ATTORNEYS” and inserting “ATTORNEYS’”,
25 and

1 (B) in subparagraph (B), by striking "at-
2 torneys fees" each place it appears and insert-
3 ing "attorneys' fees".

4 (26) Paragraph (2) of section 7603(b) is
5 amended by striking the semicolon at the end of
6 subparagraphs (A), (B), (C), (D), (E), (F), and (G)
7 and inserting a comma.

8 (27) Clause (ii) of section 7802(b)(2)(B) is
9 amended by striking "; and" at the end and insert-
10 ing ", and".

11 (28) Paragraph (3) of section 7811(a) is
12 amended by striking "taxpayer assistance order"
13 and inserting "Taxpayer Assistance Order".

14 (29) Paragraph (1) of section 7811(d) is
15 amended by striking "Ombudsman's" and inserting
16 "National Taxpayer Advocate's".

17 (30) Paragraph (3) of section 7872(f) is
18 amended by striking "foregoing" and inserting "for-
19 going".

1 **TITLE IV—TAX TREATMENT OF**
2 **SECURITIES FUTURES CON-**
3 **TRACTS**

4 **SEC. 401. TAX TREATMENT OF SECURITIES FUTURES CON-**
5 **TRACTS.**

6 (a) IN GENERAL.—Subpart IV of subchapter P of
7 chapter 1 (relating to special rules for determining gains
8 and losses) is amended by inserting after section 1234A
9 the following new section:

10 **“SEC. 1234B. GAINS OR LOSSES FROM SECURITIES FU-**
11 **TURES CONTRACTS.**

12 “(a) TREATMENT OF GAIN OR LOSS.—

13 “(1) IN GENERAL.—Gain or loss attributable to
14 the sale or exchange of a securities futures contract
15 shall be considered gain or loss from the sale or ex-
16 change of property which has the same character as
17 the property to which the contract relates has in the
18 hands of the taxpayer (or would have in the hands
19 of the taxpayer if acquired by the taxpayer).

20 “(2) NONAPPLICATION OF SUBSECTION.—This
21 subsection shall not apply to—

22 “(A) a contract which constitutes property
23 described in paragraph (1) or (7) of section
24 1221(a), and

1 “(B) any income derived in connection
2 with a contract which, without regard to this
3 subsection, is treated as other than gain from
4 the sale or exchange of a capital asset.

5 “(b) SHORT-TERM GAINS AND LOSSES.—Except as
6 provided in the regulations under section 1092(b) or this
7 section, if gain or loss on the sale or exchange of a securi-
8 ties futures contract to sell property is considered as gain
9 or loss from the sale or exchange of a capital asset, such
10 gain or loss shall be treated as short-term capital gain or
11 loss.

12 “(c) SECURITIES FUTURES CONTRACT.—For pur-
13 poses of this section, the term ‘securities futures contract’
14 means any security future (as defined in section
15 3(a)(55)(A) of the Securities Exchange Act of 1934, as
16 in effect on the date of the enactment of this section).

17 “(d) CONTRACTS NOT TREATED AS COMMODITY FU-
18 TURES CONTRACTS.—For purposes of this title, a securi-
19 ties futures contract shall not be treated as a commodity
20 futures contract.

21 “(e) REGULATIONS.—The Secretary shall prescribe
22 such regulations as may be appropriate to provide for the
23 proper treatment of securities futures contracts under this
24 title.”

1 (b) TERMINATIONS, ETC.—Section 1234A is
2 amended—

3 (1) by inserting “(other than a securities fu-
4 tures contract, as defined in section 1234B)” after
5 “right or obligation” in paragraph (1),

6 (2) by striking “or” at the end of paragraph
7 (1),

8 (3) by adding “or” at the end of paragraph (2),
9 and

10 (4) by inserting after paragraph (2) the fol-
11 lowing new paragraph:

12 “(3) a securities futures contract (as so de-
13 fined) which is a capital asset in the hands of the
14 taxpayer,”.

15 (c) NONRECOGNITION UNDER SECTION 1032.—The
16 second sentence of section 1032(a) is amended by insert-
17 ing “, or with respect to a securities futures contract (as
18 defined in section 1234B),” after “an option”.

19 (d) TREATMENT UNDER WASH SALES RULES.—Sec-
20 tion 1091 is amended by adding at the end the following
21 new subsection:

22 “(f) CASH SETTLEMENT.—This section shall not fail
23 to apply to a contract or option to acquire or sell stock
24 or securities solely by reason of the fact that the contract

1 or option settles in (or could be settled in) cash or property
2 other than such stock or securities.”

3 (e) TREATMENT UNDER STRADDLE RULES.—Clause
4 (i) of section 1092(d)(3)(B) is amended by striking “or”
5 at the end of subclause (I), by redesignating subclause (II)
6 as subclause (III), and by inserting after subclause (I) the
7 following new subclause:

8 “(II) a securities futures contract
9 (as defined in section 1234B) with re-
10 spect to such stock or substantially
11 identical stock or securities, or”.

12 (f) TREATMENT UNDER SHORT SALES RULES.—
13 Paragraph (2) of section 1233(e) is amended by striking
14 “and” at the end of subparagraph (B), by striking the
15 period at the end of subparagraph (C) and inserting “;
16 and”, and by adding at the end the following:

17 “(D) a securities futures contract (as de-
18 fined in section 1234B) to acquire substantially
19 identical property shall be treated as substan-
20 tially identical property.”

21 (g) TREATMENT UNDER SECTION 1256.—

22 (1)(A) Subsection (b) of section 1256 is amend-
23 ed by striking “and” at the end of paragraph (3),
24 by striking the period at the end of paragraph (4)

1 and inserting “, and”, and by adding at the end the
2 following:

3 “(5) any dealer securities futures contract.

4 The term ‘section 1256 contract’ shall not include any se-
5 curities futures contract or option on such a contract un-
6 less such contract or option is a dealer securities futures
7 contract.”

8 (B) Subsection (g) of section 1256 is amended
9 by adding at the end the following new paragraph:

10 “(9) DEALER SECURITIES FUTURES CON-
11 TRACT.—

12 “(A) IN GENERAL.—The term ‘dealer secu-
13 rities futures contract’ means, with respect to
14 any dealer, any securities futures contract, and
15 any option on such a contract, which—

16 “(i) is entered into by such dealer (or,
17 in the case of an option, is purchased or
18 granted by such dealer) in the normal
19 course of his activity of dealing in such
20 contracts or options, as the case may be,
21 and

22 “(ii) is traded on a qualified board or
23 exchange.

24 “(B) DEALER.—For purposes of subpara-
25 graph (A), a person shall be treated as a dealer

1 in securities futures contracts or options on
2 such contracts if the Secretary determines that
3 such person performs, with respect to such con-
4 tracts or options, as the case may be, functions
5 similar to the persons described in paragraph
6 (8)(A). Such determination shall be made to the
7 extent appropriate to carry out the purposes of
8 this section.

9 “(C) SECURITIES FUTURES CONTRACT.—

10 The term ‘securities futures contract’ has the
11 meaning given to such term by section 1234B.”

12 (2) Paragraph (4) of section 1256(f) is
13 amended—

14 (A) by inserting “, or dealer securities fu-
15 tures contracts,” after “dealer equity options”
16 in the text, and

17 (B) by inserting “AND DEALER SECURI-
18 TIES FUTURES CONTRACTS” after “DEALER EQ-
19 UITY OPTIONS” in the heading.

20 (3) Paragraph (6) of section 1256(g) is amend-
21 ed to read as follows:

22 “(6) EQUITY OPTION.—The term ‘equity op-
23 tion’ means any option—

24 “(A) to buy or sell stock, or

1 “(B) the value of which is determined di-
2 rectly or indirectly by reference to any stock or
3 any narrow-based security index (as defined in
4 section 3(a)(55) of the Securities Exchange Act
5 of 1934, as in effect on the date of the enact-
6 ment of this paragraph).

7 The term ‘equity option’ includes such an option on
8 a group of stocks only if such group meets the re-
9 quirements for a narrow-based security index (as so
10 defined).”

11 (4) The Secretary of the Treasury or his dele-
12 gate shall make the determinations under section
13 1256(g)(9)(B) of the Internal Revenue Code of
14 1986, as added by this Act, not later than July 1,
15 2001.

16 (h) CONFORMING AMENDMENTS.—

17 (1) Section 1223 is amended by redesignating
18 paragraph (16) as paragraph (17) and by inserting
19 after paragraph (15) the following new paragraph:

20 “(16) If the security to which a securities fu-
21 tures contract (as defined in section 1234B) relates
22 (other than a contract to which section 1256 ap-
23 plies) is acquired in satisfaction of such contract, in
24 determining the period for which the taxpayer has
25 held such security, there shall be included the period

1 for which the taxpayer held such contract if such
2 contract was a capital asset in the hands of the tax-
3 payer.”.

4 (2) The table of sections for subpart IV of sub-
5 chapter P of chapter 1 is amended by inserting after
6 the item relating to section 1234A the following new
7 item:

“Sec. 1234B. Securities futures contracts.”

8 (i) DESIGNATION OF CONTRACT MARKETS.—Section
9 7701 is amended by redesignating subsection (m) as sub-
10 section (n) and by inserting after subsection (l) the fol-
11 lowing new subsection:

12 “(m) DESIGNATION OF CONTRACT MARKETS.—Any
13 designation by the Commodity Futures Trading Commis-
14 sion of a contract market which could not have been made
15 under the law in effect on the day before the date of the
16 enactment of the Commodity Futures Modernization Act
17 of 2000 shall apply for purposes of this title except to the
18 extent provided in regulations prescribed by the Sec-
19 retary.”

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