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CQ MONITOR NEWS

HOUSE GOP AIMS TO PLEASE ALL FACTIONS WITH RULE ON *MINIMUM WAGE*, TAX PACKAGE

By Julie R. Hirschfeld, CQ Staff Writer

Mar. 9, 2000 - Armed with painstakingly crafted floor procedures and a newly minted bill designed to please both extremes of their party, House GOP leaders are set Thursday to proceed with legislation to raise the *minimum wage* by \$1 an hour.

Under procedures agreed to by the leadership Wednesday night, the House will first consider legislation (HR 3081) providing some \$46 billion over five years of tax cuts for businesses. Then it will take up a new bill (HR 3846) that would phase in the wage hike over three years and allow states to opt out of the increase altogether. After votes on both, the two measures are to be linked for conference with the Senate.

Republicans have been careful in approaching today's debate on a wage increase many in their party oppose, knowing the vast majority of Democrats and GOP moderates support a two-year increase and could prevail.

Moderates told GOP leaders Wednesday that their failure last year to move a bipartisan three-year proposal makes a faster raise appropriate this time around. Their alliance with Democrats could push through the two-year increase despite Republican leaders' best intentions.

The leadership's focus in crafting procedures for House action on the matter has been two-fold: to fight tooth and nail against a faster increase and to do everything possible to ensure the success of a massive package of business tax breaks meant to sweeten legislation that leaves a bitter taste in the business community's mouth.

But President Clinton, who along with congressional Democrats has been pushing hard for an increase in the federal *minimum wage* since last year, has said he will veto any bill with those two components. "I will veto any legislation that holds this *minimum wage* increase hostage to provisions that delay this overdue pay raise or jeopardize our ability to strengthen Social Security and Medicare and pay down the debt by 2013 for future generations," Clinton wrote yesterday in a letter to House Speaker J. Dennis Hastert, III.

Battle Over the Rule. Democrats are expected to oppose the rule, which would allow them to offer a proposal to increase the \$5.15 *minimum wage* over just two years, but would not give them the opportunity to pitch their own tax relief package.

But Republican leaders jumped through hoops Wednesday to ensure that enough members of their own party will support the rules. The result was a convoluted procedure that affords conservatives the chance to pass the provision allowing states to opt out of the wage increase while also giving moderates a chance to defeat that plan.

"It's a difficult balancing act," House Rules Committee Chairman David Dreier, R-Calif., said Wednesday afternoon. "It appears that a majority of this House wants to have an

increase in the **minimum wage**, but there are people who feel very strongly about certain provisions, and that has to be weighed."

Majority Whip Tom DeLay, Texas, the House's chief vote-counter, said the rule will determine the success or failure of Republican leaders' strategy on the **minimum wage**. "You can be real creative in writing the rule," DeLay said Wednesday. "We've just got to find out where that point is where the members come on board."

The maneuvering began last week with the leadership's decision to use a "bifurcated rule" to structure the debate, which provides for separate votes on the business tax relief package and the **minimum wage** increase bill, and then joins them together after passage of both.

The strategy is designed to allow both extremes of the GOP to vote for their favorite aspects of the bill, giving moderates the chance to support the wage hike and conservatives an opportunity to vote for a tax relief bill.

It continued Wednesday when -- under pressure from conservatives who insisted their state flexibility proposal be attached to one of the bills, and moderates who said they would jump ship if it was included -- GOP leaders figured out how to have the best of both worlds. To appease conservatives, they introduced a three-year **minimum wage** increase that incorporates the state opt-out provision; but they also threw a bone to moderates by allowing Michael N. Castle, R-Del., the chance to offer an amendment to strike that provision.

The GOP **minimum wage** increase bill, sponsored by John Shimkus, R-Ill., would spread the hike over three years and provide an exemption from **minimum wage** and overtime laws for certain workers whose professions by their nature entail unusual hours or special payment arrangements.

It would exempt computer professionals, funeral directors and licensed embalmers, who often have erratic work schedules, from **minimum wage** and overtime laws. It also would exempt certain salespeople who have technical knowledge about their wares from the law -- as travelling salespeople always have been -- thus allowing them to receive more lucrative commissions instead of overtime pay.

A Democratic amendment sponsored by Matthew G. Martinez, D-Calif., and James A. Traficant, D-Ohio, would phase in the same \$1 increase by 2001 instead of 2002.

The Republican tax relief package contains a virtual grab-bag of cuts the business community has been seeking for years.

"We are very hopeful that if this **minimum wage** increase passes, and it hurts a lot of small businesses, that we can give them at least some kind of relief with this tax cut," House Ways and Means Committee Chairman Bill Archer, R-Texas, said Wednesday.

The legislation includes a reduction in the top rate for estate, gift and generation-skipping taxes and an increase in the annual contribution limit on tax-advantaged retirement plans. The measure also would increase the deductibility of business meals and allow self-employed individuals to deduct 100 percent of their health insurance costs beginning next year.

Tax Cuts' Cost Estimated. The Joint Committee on Taxation has put a \$45.8 billion five-year price tag on the Republican tax package accompanying the **minimum wage** increase.

The measure's estate and gift tax reductions would account for \$26.9 billion of the total cost. The bill would reduce the estate, gift and generation-skipping transfer taxes beginning

next year, cutting the top rate from 55 percent to 50 percent by 2002 and then reducing all gift and estate tax rates by 1 percent per year in 2003 and 2004. Estates worth more than \$675,000 would be taxed at an 18 percent rate next year, down from the current 37 percent initial rate.

Tax cuts aimed at small businesses would cost a comparatively modest \$10.7 billion, with the most expensive item in that category an increase in the deductibility of business meals from 50 percent currently to 55 percent t next year and 60 percent beginning in 2002.

Proposed tax changes designed to encourage employers to provide pension plans and to liberalize rules governing 401(k) retirement savings would cost an estimated \$6.1 billion.

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Round-the-clock coverage of news from Capitol Hill.
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CQ MONITOR NEWS

HOUSE OPTS FOR TWO-YEAR *MINIMUM WAGE* INCREASE

By Julie R. Hirschfeld and Mary Dalrymple, CQ Staff Writers

Mar. 9, 2000 - House Republican leaders avoided an embarrassing procedural defeat Thursday, but only to see the House embrace legislation most in their party oppose.

After a lengthy debate, the House passed on a 282-143 vote a bill (HR 3846) that would increase the *minimum wage* by \$1 over two years.

Earlier, a \$46 billion business tax-cut package (HR 3081) was passed 257-169 with the support of 41 Democrats.

The *minimum wage* hike was attached to HR 3081 after action on both measures.

President Clinton has promised to veto the *minimum wage* legislation if it reaches his desk containing what he has called the House's "irresponsible" tax cuts. But there are shorter-term obstacles ahead for the legislation, with its path through a House-Senate conference obscured both by parliamentary issues and by substantive differences between House and Senate-passed *minimum wage* bills.

While it was Democrats and GOP moderates who forced floor action this year on increasing the \$5.15-per-hour *minimum wage* for the first time since 1997, conservative Republicans held the fate of the legislation in their hands Thursday when they threatened to defeat the rule providing for floor debate.

"It's hard to get something done that the majority of the conference doesn't want to do, even if the majority of the conference understands that we have to do it," Chief Deputy Whip Roy Blunt, Mo., said.

The conservatives rebelled when GOP leaders granted moderates an opportunity to strike from the *minimum wage* bill a provision that would have allowed states to opt out of the pay raise. After a hastily called meeting just off the House floor, conservatives accepted leadership assurances that their views on upcoming legislation -- specifically a supplemental fiscal 2000 spending bill -- will be considered.

Jim DeMint, R-S.C., who sponsored the state flexibility provision but later asked that it be removed from the bill, said he expects House leaders to work more closely with conservatives. "If they don't, they can't expect cooperation," he warned.

"There was a very strong message sent and received by the leadership of a greater involvement of the conservative Republican view," said Wally Herger, R-Calif. "We know we only have a five-vote margin, and we have a concern about policy being driven by people who do not share the view of the majority of the Republican party."

While the original GOP bill would have spread the pay raise over three years, an

amendment offered by Democrats James A. Traficant Jr., Ohio, and Matthew G. Martinez, Calif., that would phase in the increase over two years received enough support from GOP moderates to win adoption, 246-179.

Thursday's debate highlighted the ideological gulf between Democrats and most Republicans on the *minimum wage* issue. Republicans spoke out against any increase, arguing that a wage boost would jeopardize economic growth by increasing labor costs and prompting employers to hire fewer workers.

"This is clearly then an attempt on our part to mandate something that we cannot mandate, and that's prosperity," said Roscoe G. Bartlett, R-Md. "The marketplace determines -- we cannot determine -- the value of a job."

But Democrats and GOP moderates argued that a *minimum wage* increase is long overdue, especially since Republican leaders blocked an increase last year.

"We are in the midst of the longest economic expansion in American history," said Martin Frost, D-Texas. "Surely we can afford a modest increase in salary for working Americans."

Democrats also criticized the Republican-written tax package as a poison pill for the wage increase. "For every penny that will go to low-income Americans, Republicans want to give a dime to the wealthiest," Minority Leader Richard A. Gephardt, Mo., complained.

The Democrats also picked up the White House argument that the tax bill was part of a Republican strategy to enact, piece-by-piece, tax cuts similar to those in the \$792 billion tax-cut package (HR 2488) that Clinton vetoed last year.

Republicans argued that small businesses need the proposed tax cuts to offset the cost of the wage hike. Ways and Means Chairman Bill Archer, R-Texas, said the tax bill would "help the diesel engine of our economy and the job creation factory of our country, America's small businesses."

About 60 percent of the tax bill's five-year cost would result from provisions that would reduce the estate tax, a move that Washington Republican Jennifer Dunn called "a down payment toward the ultimate repeal of the death tax."

Other provisions would make health insurance premiums paid by the self-employed fully deductible by 2001, two years ahead of the schedule under current law, and allow increased deductions for business meals and equipment.

Proposed revisions of pension and 401(k) laws, designed to encourage small businesses to offer the retirement plans to more employees, would cost \$6.1 billion. But critics said some of the changes, which would increase the maximum allowed contributions but reduce the required employer match, would harm middle- and low-income workers.

Already this year, before the House has voted on a fiscal 2001 budget resolution, the Republican leadership has moved tax-related legislation that would cost \$305 billion over 10 years.

The *minimum wage* tax package carries a \$123 billion 10-year price tag. Added to a \$182 billion tax relief bill for married couples (HR 6) passed by the House in February, the two bills would spend one-third of the 10-year, \$893 billion non-Social Security budget surplus projected under one spending scenario by the Congressional Budget Office.

and Mary Dalrymple

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CQ MONITOR NEWS

MINIMUM WAGE HIKE PASSED; NOW WHAT?

By Julie R. Hirschfeld, CQ Staff Writer

Mar. 9, 2000 - House leaders jumped through political hoops to engineer Thursday's passage of a ***minimum wage*** and business tax relief package (HR 3081), and now leaders on both sides of the Capitol will have to perform procedural gymnastics as the measure moves to conference with the Senate.

In a strange turn of events, the fate of the House-passed legislation is tied to that of a bankruptcy law overhaul.

The Senate last month attached to its version of the bankruptcy measure (HR 833) a ***minimum wage*** increase accompanied by tax breaks for businesses and the self-employed that would cost more than \$18 billion over five years. House and Senate Republican leaders face a legislative puzzle as they attempt to advance all three pieces of legislation -- bankruptcy overhaul, a ***minimum wage*** increase and tax cuts.

In its current form, the bankruptcy measure would be ruled out of order if the House attempted to send it to a conference with the Senate, since the Constitution requires that tax legislation originate in the House.

The House could link its bankruptcy measure to its ***minimum wage*** increase and tax cuts, sending the resulting package to conference with the Senate-passed bankruptcy bill. Or the Senate could separate its bankruptcy and ***minimum wage*** packages, allowing each piece to proceed to a separate conference.

Leaders on both sides of the Capitol said Thursday they have not decided what to do. "We'll wait and see how the House acts; then we'll decide how to proceed," said Senate Majority Leader Trent Lott, Miss.

Pete Jeffries, a spokesman for House Speaker J. Dennis Hastert, Ill., said "the two chambers need to talk about it and see what works best for both."

Procedural problems aside, there are significant differences between the House and Senate ***minimum wage*** and tax packages that would have to be resolved in conference. The Senate endorsed a \$1 per hour increase in the \$5.15 minimum over three years, while the House would implement it wage hike over two years. The House's tax package would cost an estimated \$46 billion over five years.

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Round-the-clock coverage of news from Capitol Hill.
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BNN WHITE HOUSE BULLETIN - IN THE WHITE HOUSE AND AROUND TOWN

Clinton Says House *Minimum Wage* Bill Is A "Dead Letter"

Mar. 10, 2000 - At a transportation ceremony today, President Clinton took a moment to address *minimum wage* legislation passed yesterday by the House of Representatives. Clinton said, "I have called for a simple \$1 increase in the *minimum wage* to help millions of families. Last night, dozens of Republicans joined us in forming a majority to raise the *minimum wage* by a dollar over two years. But unfortunately the leadership turned that common sense act into a dead letter by insisting they would only have a *minimum wage* increase if we turn back overtime protections for over a million workers and use the bill to give a large tax cut, which both disproportionately benefits the wealthiest Americans and would put our prosperity at risk by making it impossible for us to continue to pay down the debt and to save Social Security and Medicare." Clinton continued, "Now, I think the American people question why Congress can't do something as simple as raising the *minimum wage* without loading it up with special favors, and I think it's a good question. The right answer is to send me a clean bill, a bill simple and clear that could fit on side of one piece of paper. In fact, if you look at it, that's exactly what our *minimum wage* bill does. Not very big, not very complicated. And I hope that we can pass it. I'm looking forward to working with the Congress; I have not given up on this and I have given -- been given some encouraging signals that we might yet be able to reach an agreement. So I will keep working on it."

Daschle Also Takes A Shot At House Package.

In a news briefing this morning, Senate Minority Leader Tom Daschle (D-SD) blasted the Republican *minimum wage* package passed by the House yesterday, which he claimed contained tax cuts which overwhelmingly favored the rich. Said Daschle, "Well, they aren't going to bury this issue. This issue is alive, it's going to get attention, and it's going to be addressed properly. I applaud them, the 42 Republicans who crossed over to vote for the two-year bill, giving *minimum wage* recipients the thousand dollars in additional wages that they will get by moving it to two years. What I'm just astounded at is the tax package that they passed. Let me just read a couple of things that I find fascinating. Three-quarters of the benefits will go to taxpayers with incomes over \$319,000. That's the top 1 percent. Three-quarters of the benefits go to taxpayers with incomes over \$319,000. Estates worth \$20 million will receive \$1.7 million in tax benefits. So this is the small business tax package they're talking about." Daschle called the GOP plan a "ruse," and that "holding *minimum wage* workers hostage to this kind of legislative agenda is phenomenally insensitive and extraordinarily hard to understand given the state of our economy today."

Source: BNN White House Bulletin

Providing daily coverage of the executive branch.

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CQ MONITOR NEWS

QUICK INSIGHTS: GOP SAYS TRAFICANT CAN

By Julie R. Hirschfeld, CQ Staff Writer

Mar. 10, 2000 - When things get desperate on Capitol Hill, the most potent political advice can come from the least likely of places.

Faced with revolt in the conservative wing last week that threatened to derail House consideration of *minimum wage* and business tax relief legislation (HR 3081), Republican leaders turned to Democrat James A. Traficant of Ohio, to give their most right-wing members a pep talk.

He told the group how important the *minimum wage* issue is in his district, and stressed that Democrats would hammer away at the topic for political advantage if Republicans dodged it.

Conservatives got the message, Traficant got a rousing round of applause and the House later passed the tax cut and pay raise.

Source: **CQ Monitor News**

Round-the-clock coverage of news from Capitol Hill.

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MINIMUM WAGE INCREASE ACT (House of Representatives - March 09, 2000)

AMENDMENT NO. 2 OFFERED BY MR. TRAFICANT

Mr. TRAFICANT. Mr. Speaker, I offer an amendment.

The SPEAKER pro tempore. The Clerk will designate the amendment.

The text of the amendment is as follows:

Amendment No. 2 offered by Mr. **Trafficant**:

Amend section 1 to read as follows:

SECTION 1. MINIMUM WAGE.

Section 6(a)(1) of the Fair Labor Standards Act of 1938 (29 U.S.C. 206(a)(1)) is amended to read as follows:

`(1) except as otherwise provided in this section, not less than--

`(A) \$5.15 an hour beginning September 1, 1997,

`(B) \$5.65 an hour during the year beginning April 1, 2000, and

`(C) \$6.15 an hour beginning April 1, 2001;'

The SPEAKER pro tempore. Pursuant to House Resolution 434, the gentleman from Ohio (Mr. **Trafficant**) and a Member opposed each will control 15 minutes.

Does the gentleman from North Carolina (Mr. **Ballenger**) seek time in opposition?

Mr. BALLENGER. Yes, Mr. Speaker, I am opposed to the amendment.

The SPEAKER pro tempore. The gentleman will have the time in opposition.

The Chair recognizes the gentleman from Ohio (Mr. **Trafficant**).

Mr. TRAFICANT. Mr. Speaker, I yield such time as he may consume to the gentleman from California (Mr. **Martinez**), the coauthor of this amendment, and as he walks down the aisle, I want to thank him for coming to my district some 15 years ago and helping to save many family homes in my valley. I consider the gentleman to be one of the great Democrats in the House, and I am proud to have him as a coauthor.

Mr. MARTINEZ. Mr. Speaker, I thank the gentleman from Ohio (Mr. **Trafficant**) for his kind remarks.

<u>53</u>	16-MAR	<u>H R 2372</u>	On Agreeing to the Amendment	F	Boehlert of New York Substitute Amendment
<u>52</u>	16-MAR	<u>H R 2372</u>	On Agreeing to the Amendment	F	Watt of North Carolina Amendment
<u>51</u>	16-MAR	<u>H RES 441</u>	On Agreeing to the Resolution	P	Providing for consideration of H.R. 2372; Private Property Rights Implementation Act of 2000
<u>50</u>	15-MAR	<u>H R 1501</u>	On Motion to Instruct Conferees	P	Juvenile Justice Reform Act
<u>49</u>	15-MAR	<u>H R 3843</u>	On Passage	P	Small Business Authorization Act
<u>48</u>	15-MAR	<u>H R 1000</u>	On Agreeing to the Conference Report	P	Wendell H. Ford Aviation Investment and Reform Act for the 21st Century
<u>47</u>	14-MAR	<u>H R 3701</u>	On Motion to Suspend the Rules and Pass	P	Designating the Joseph L. Fisher Post Office Building
<u>46</u>	14-MAR	<u>H R 3699</u>	On Motion to Suspend the Rules and Pass	P	Designating the Joel T. Broyhill Post Office Building
<u>45</u>	9-MAR	<u>H R 3846</u>	On Passage	P	To Amend the Fair Labor Standards Act of 1938 to Increase the Minimum Wage, and for other purposes
<u>44</u>	9-MAR	<u>H R 3846</u>	On Motion to Recommit with Instructions	F	To Amend the Fair Labor Standards Act of 1938 to Increase the Minimum Wage, and for other purposes
<u>43</u>	9-MAR	<u>H R 3846</u>	On Agreeing to the Amendment	A	Traficant of Ohio Amendment
<u>42</u>	9-MAR	<u>H R 3846</u>	Will The House Now Consider The Bill	P	To Amend the Fair Labor Standards Act of 1938 to Increase the Minimum Wage, and for other purposes
<u>41</u>	9-MAR	<u>H R 3081</u>	On Passage	P	Wage and Employment Growth Act
<u>40</u>	9-MAR	<u>H R 3081</u>	On Motion to Recommit with Instructions	F	Wage and Employment Growth Act
<u>39</u>	9-MAR	<u>H RES 434</u>	On Agreeing to the Resolution as Amended	P	Providing for the consideration of H.R. 3081 and H.R. 3846
<u>38</u>	9-MAR	<u>H RES 434</u>	On Ordering Previous Question on Resolution as Amended	P	Providing for the consideration of H.R. 3081 and H.R. 3846
<u>37</u>	9-MAR	<u>H R 1695</u>	On Passage	P	Ivanpah Valley Airport Public Lands Transfer Act
<u>36</u>	9-MAR	<u>H R 1695</u>	On Agreeing to the Amendment	A	Hansen of Utah Amendments (en bloc)
<u>35</u>	9-MAR	JOURNAL	On Approving the Journal	P	
<u>34</u>	9-MAR	<u>H RES 433</u>	On Agreeing to the Resolution	P	Providing for consideration of H.R. 1695; to provide for the conveyance of certain Federal public lands in the Ivanpah Valley, Nevada
<u>33</u>	8-MAR	<u>H J RES 86</u>	On Motion to Suspend the Rules and Pass, as Amended	P	Recognizing the 50th Anniversary of the Korean War and the Service by Members of the Armed Forces
<u>32</u>	8-MAR	<u>S CON RES 91</u>	Suspend the rules and agree	P	Whereas the United States had never recognized the forcible incorporation of the Baltic states of Estonia, Latvia, and Lithuania into the former Soviet Union
<u>31</u>	8-MAR	<u>H R 3018</u>	Suspend the rules and pass, as amended	P	To designate the U.S. Postal Office in Charleston, South Carolina as the Marybelle H. Howe Post Office
<u>30</u>	8-MAR	<u>H R 2952</u>	Suspend the rules and pass	P	To redesignate the Facility of the U.S. Postal Service in Greenville, South Carolina as the Keith D. Oglesby Station

**Bill Summary & Status for the 106th Congress****[NEW SEARCH](#) | [HOME](#) | [HELP](#)****H.RES.434**

Sponsor: Rep Sessions, Pete (introduced 3/8/2000)

Related Bills: [H.R.3081](#), [H.R.3846](#)

Latest Major Action: 3/9/2000 Passed House

Title: Providing for consideration of the bill (H.R. 3081) to increase the Federal minimum wage and to amend the Internal Revenue Code of 1986 to provide tax benefits for small businesses, and for other purposes, and for consideration of the bill (H.R. 3846) to amend the Fair Labor Standards Act of 1938 to increase the minimum wage, and for other purposes.

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TITLE(S): (*italics indicate a title for a portion of a bill*)

• OFFICIAL TITLE AS INTRODUCED:

Providing for consideration of the bill (H.R. 3081) to increase the Federal minimum wage and to amend the Internal Revenue Code of 1986 to provide tax benefits for small businesses, and for other purposes, and for consideration of the bill (H.R. 3846) to amend the Fair Labor Standards Act of 1938 to increase the minimum wage, and for other purposes.

STATUS: (*color indicates Senate actions*)**3/8/2000 10:17pm:**

Rule provides for consideration of [H.R. 3081](#) and [H.R. 3846](#). [H.R. 3081](#) shall be considered in the House and shall be considered as read. In lieu of the amendment recommended by the Committee on Ways and Means now printed in the bill, the text of [H.R. 3832](#) shall be considered as adopted. Debate shall continue for not to exceed two hours, equally divided and controlled, and there shall be one motion to recommit, with or without instructions. [H.R. 3846](#) shall be considered in the House, shall be considered as read, and shall be debatable for one hour, equally divided and controlled. Specified amendments are in order and consist of those printed in the report of the Committee on Rules accompanying this resolution. There shall be one motion to recommit, with or without instructions. Finally, in the engrossment of [H.R. 3081](#), the text of [H.R. 3846](#) as passed by the House shall be added as new matter at the end of [H.R.3081](#), after whi...

3/8/2000 10:33pm:

The House Committee on Rules reported an original measure, H. Rept. [106-516](#), by Mr. Sessions.

3/8/2000 10:34pm:

Placed on the House Calendar, Calendar No. 174.

3/9/2000 1:41pm:

Considered as privileged matter. (consideration: CR [H773-792](#); text of measure as reported in House: CR [H773](#))

3/9/2000 2:51pm:

[H.AMDT.591](#) Amendment (A001) offered by Mr. Sessions. (consideration: CR [H791](#))
Amendment provides for the consideration of the bill [H.R. 3846](#), to amend the Fair Labor Standards Act of 1938 to increase the minimum wage, and for other purposes.

3/9/2000 2:52pm:

[H.AMDT.591](#) On agreeing to the Sessions amendment (A001) Agreed to without objection. (text: CR [H791](#))

3/9/2000 3:14pm:

On ordering the previous question Agreed to by the Yeas and Nays: 216 - 208 ([Roll no. 38](#)). (text: CR [H780-791](#))

3/9/2000 3:25pm:

On agreeing to the resolution Agreed to by recorded vote: 214 - 211 ([Roll No. 39](#)).

 3/9/2000 3:25pm:

Motion to reconsider laid on the table Agreed to without objection.

COMMITTEE(S):**Committee/Subcommittee:**House Rules**Activity:**

Origin, Reporting

RELATED BILL DETAILS: (additional related bills may be identified in Status)**Bill:**H.R.3081H.R.3081H.R.3846H.R.3846**Relationship:**

Related bill as identified by the House Clerk's office

Bill related to rule H.RES.434 in House

Bill related to rule H.RES.434 in House

Bill laid on table by virtue of H.RES.434 passage in House

AMENDMENT(S):

1. H.AMDT.591 to H.RES.434 Amendment provides for the consideration of the bill H.R. 3846, to amend the Fair Labor Standards Act of 1938 to increase the minimum wage, and for other purposes.

Sponsor: Rep Sessions, Pete - **Latest Major Action:** 3/9/2000 House amendment agreed to

COSPONSOR(S):

NONE

SUMMARY AS OF:

3/8/2000--Introduced.

Sets forth the rule (closed) for the consideration of H.R. 3081 (minimum wage increase and tax benefits for small businesses).

Sets forth the rule (modified closed) for the consideration of H.R. 3846 (minimum wage increase).

Directs the Clerk of the House, in the engrossment of H.R. 3081, to await disposition of H.R. 3846, add its text at the end of H.R. 3081, and make appropriate conforming changes.

J

Bill Summary & Status for the 106th Congress**[NEW SEARCH](#) | [HOME](#) | [HELP](#)****H.R.3846**

Sponsor: Rep Shimkus, John (introduced 3/8/2000)

Related Bills: [H.RES.434](#), [H.R.3081](#)

Latest Major Action: 3/9/2000 Pursuant to the provisions of H. Res. 434, H.R. 3846 is laid on the table. (The text of H.R. 3846, as passed the House, was appended to the end of H.R. 3081.) (CR D189-190)

Title: To amend the Fair Labor Standards Act of 1938 to increase the minimum wage, and for other purposes.

Jump to: [Titles](#), [Status](#), [Committees](#), [Related Bill Details](#), [Amendments](#), [Cosponsors](#), [Summary](#)**TITLE(S):** *(italics indicate a title for a portion of a bill)*

- OFFICIAL TITLE AS INTRODUCED:
To amend the Fair Labor Standards Act of 1938 to increase the minimum wage, and for other purposes.

STATUS: *(color indicates Senate actions)***3/8/2000:**

Referred to the House Committee on Education and the Workforce.

3/8/2000 10:17pm:

Rules Committee Resolution H. Res. 434 Reported to House. Rule provides for consideration of [H.R. 3081](#) and [H.R. 3846](#). [H.R. 3081](#) shall be considered in the House and shall be considered as read. In lieu of the amendment recommended by the Committee on Ways and Means now printed in the bill, the text of [H.R. 3832](#) shall be considered as adopted. Debate shall continue for not to exceed two hours, equally divided and controlled, and there shall be one motion to recommit, with or without instructions. [H.R. 3846](#) shall be considered in the House, shall be considered as read, and shall be debatable for one hour, equally divided and controlled. Specified amendments are in order and consist of those printed in the report of the Committee on Rules accompanying this resolution. There shall be one motion to recommit, with or without instructions. Finally, in the engrossment of [H.R. 3081](#), the text of [H.R. 3846](#) as passed by the House shall be added as new matter at the end of [H.R.3081](#), after whi...

3/9/2000 3:25pm:

Rule H. Res. 434 passed House.

3/9/2000 6:31pm:

Mr. Goodling called up the bill.

3/9/2000 6:32pm:

Point of order raised by Mr. Largent on the content of the measure. Mr. Largent stated that the bill violated section 425(a) of the Congressional Budget Act of 1974 to the extent that it imposed intra-governmental expenses in the form of an unfunded mandate totaling more than \$50 million. The Chair sustained the point of order.

3/9/2000 7:14pm:On motion to consider the bill Agreed to by the Yeas and Nays: 274 - 141 ([Roll no. 42](#)).**3/9/2000 7:15pm:**Considered under the provisions of rule [H. Res. 434](#). (consideration: CR [H879-902](#); text of measure as introduced: CR [H881-882](#))**3/9/2000 7:16pm:**

[H.AMDT.593](#) Amendment (A001) offered by the Committee on Rules. (text: CR [H882](#)) Pursuant to [H. Res. 434](#), as amended, section 5 of [H.R. 3846](#) is stricken.

3/9/2000 8:21pm:[H.AMDT.594](#) Amendment (A002) offered by Mr. Traficant. (consideration: CR [H894-899](#))

J

Amendment provides for increasing the minimum wage by \$1 over a 2-year period.

3/9/2000 9:08pm:

H.AMDT.594 On agreeing to the Traficant amendment (A002) Agreed to by recorded vote: 246 - 179 (Roll no. 43). (text: CR H894)

3/9/2000 9:09pm:

The previous question was ordered pursuant to the rule.

3/9/2000 9:09pm:

Mr. Clay moved to recommit with instructions to Education and Labor.

3/9/2000 9:19pm:

The previous question on the motion to recommit with instructions was ordered without objection.

3/9/2000 9:36pm:

On motion to recommit with instructions Failed by recorded vote: 181 - 243 (Roll no. 44). (text: CR H899-900)

3/9/2000 9:49pm:

On passage Passed by recorded vote: 282 - 143 (Roll no. 45).

3/9/2000 9:49pm:

Motion to reconsider laid on the table Agreed to without objection.

3/9/2000 9:50pm:

The Clerk was authorized to correct section numbers, punctuation, and cross references, and to make other necessary technical and conforming corrections in the engrossment of H.R. 3081.

3/9/2000 9:51pm:

Pursuant to the provisions of H. Res. 434, H.R. 3846 is laid on the table. (The text of H.R. 3846, as passed the House, was appended to the end of H.R. 3081.) (CR D189-190)

COMMITTEE(S):

Committee/Subcommittee:	Activity:
<u>House Education and the Workforce</u>	Referral

RELATED BILL DETAILS: (additional related bills may be indentified in Status)

Bill:	Relationship:
<u>H.RES.434</u>	Rule related to H.R.3846 in House
<u>H.RES.434</u>	Bill that causes H.R.3846 to be laid on table in House
<u>H.R.3081</u>	This bill has text inserted from H.R.3846

AMENDMENT(S):

1. H.AMDT.593 to H.R.3846 Pursuant to H. Res. 434, as amended, section 5 of H.R. 3846 is stricken.

Sponsor: House Rules - **Latest Major Action:** 3/9/2000 House amendment offered

Committees: House Rules

2. H.AMDT.594 to H.R.3846 Amendment provides for increasing the minimum wage by \$1 over a 2-year period.

Sponsor: Rep Traficant, James A., Jr. - **Latest Major Action:** 3/9/2000 House amendment agreed to

COSPONSOR(S):

NONE

SUMMARY AS OF:

3/8/2000--Introduced.

Amends the Fair Labor Standards Act of 1938 (FLSA) to increase the Federal minimum wage (currently \$5.15 per hour) to: (1) \$5.48 per hour during the year beginning April 1, 2000; (2) \$5.81 per hour during the year beginning April 1, 2001; and (3) \$6.15 per hour beginning April 1, 2002.

(Sec. 2) Revises an exemption from FLSA minimum wage and overtime compensation requirements for certain computer professionals to include computer network and database analysts, and computer systems, network, and database designers and developers.

(Sec. 3) Exempts from FLSA minimum wage and overtime compensation requirements any employee in a sales position, if: (1) the employee has specialized or technical knowledge related to products or services being sold; (2) the employee's sales are predominantly to persons who are entities to whom the employee has made previous sales or the employee's position does not involve initiating sales contacts; (3) the employee has a detailed understanding of customers' needs and exercises discretion in offering a variety of products and services; (4) the employee receives a base compensation at a specified minimum rate and additional compensation based on sales attributable to the employee; (5) the employee's aggregate compensation based upon sales reaches a specified minimum level; and (6) the rate of annual compensation or base compensation for an employee who did not work for an employer for an entire calendar year is prorated to reflect annual compensation which would have been earned if the employee had been compensated at the same rate for the entire calendar year. Makes such exemption inapplicable to individuals employed as route sales drivers.

(Sec. 4) Exempts licensed funeral directors and licensed embalmers from FLSA minimum wage and overtime compensation requirements.

(Sec. 5) Allows a State to preempt the Federal minimum wage if the State: (1) sets a minimum wage rate of at least \$5.15 per hour (the current Federal minimum wage); and (2) applies that rate to as many workers in the State as would otherwise be covered by the Federal minimum wage rate.

Bill Summary & Status for the 106th Congress

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H.R.3832

Sponsor: Rep Archer, Bill (introduced 3/6/2000)

Related Bills: H.R.3081

Latest Major Action: 3/6/2000 Referred to the House Committee on Ways and Means. (On March 9, 2000, pursuant to H.Res. 434, the text of H.R. 3832 was considered as adopted in H.R. 3081, in lieu of the Committee on Ways and Means amendment printed in H.R. 3081.) (CR 3/9/2000 D189-190)

Title: To amend the Internal Revenue Code of 1986 to provide tax benefits for small businesses, and for other purposes.

Jump to: Titles, Status, Committees, Related Bill Details, Amendments, Cosponsors, Summary

TITLE(S): (*italics indicate a title for a portion of a bill*)

- **SHORT TITLE(S) AS INTRODUCED:**
Small Business Tax Fairness Act of 2000
American Community Renewal Act of 2000
 - **OFFICIAL TITLE AS INTRODUCED:**
To amend the Internal Revenue Code of 1986 to provide tax benefits for small businesses, and for other purposes.
-

STATUS: (*color indicates Senate actions*)**3/6/2000:**

Referred to the House Committee on Ways and Means. (On March 9, 2000, pursuant to H.Res. 434, the text of H.R. 3832 was considered as adopted in H.R. 3081, in lieu of the Committee on Ways and Means amendment printed in H.R. 3081.) (CR 3/9/2000 D189-190)

COMMITTEE(S):

Committee/Subcommittee:	Activity:
<u>House Ways and Means</u>	Referral

RELATED BILL DETAILS: (additional related bills may be indentified in Status)

Bill:	Relationship:
<u>H.R.3081</u>	This bill has text inserted from H.R.3832

AMENDMENT(S):

NONE

COSPONSOR(S):

NONE

SUMMARY AS OF:

3/6/2000--Introduced.

TABLE OF CONTENTS:

- Title I: Small Business Provisions
- Title II: Pension Provisions
- Subtitle A: Expanding Coverage
- Subtitle B: Enhancing Fairness for Women
- Subtitle C: Increasing Portability for Participants
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- Subtitle A: Reductions of Estate and Gift Tax Rates
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- Subtitle D: Conservation Easements
- Title IV: Tax Relief for Distressed Communities and Industries
- Subtitle A: American Community Renewal Act of 2000
- Subtitle B: Timber Incentives
- Title V: Real Estate Provisions
- Subtitle A: Improvements in Low-Income Housing Credit
- Subtitle B: Private Activity Bond Volume Cap
- Subtitle C: Exclusion from Gross Income for Certain Forgiven Mortgage
- Obligations

Small Business Tax Fairness Act of 2000 - **Title I: Small Business Provisions** - Amends the Internal Revenue Code (the Code) to increase a self-employed individual's deduction for the health insurance costs of self and family to 100 percent. Denies such deduction only for any month the individual actually participates in an employer-subsidized health plan (currently, for any month the individual is eligible to participate).

(Sec. 102) Increases to \$30,000 the aggregate cost taken into account for the option to expense certain depreciable business assets of small businesses.

(Sec. 103) Increases from 50 percent to: (1) 60 percent in 2000 and 55 percent for taxable years beginning in 2001 the deduction for meal and entertainment expenses; and (2) 80 percent the deduction of business meal expenses for individuals subject to Federal limitations on hours of service.

(Sec. 105) Amends the Code to: (1) extend income averaging to income from the trade or business of catching, taking, or harvesting fish intended to enter commerce through sale, barter, or trade; and (2) disregard income averaging for farmers and commercial fishermen in computing the regular alternative minimum tax.

(Sec. 106) Repeals specified occupational taxes relating to distilled spirits, wine, and beer. Revises the record-keeping requirements for wholesale and retail liquor dealers. Makes it unlawful for any liquor dealer (except one selling beer exclusively) to purchase distilled spirits from any person but a wholesale liquor dealer (excluding a wholesale dealer exclusively in beer) subject to specified record-keeping requirements.

(Sec. 107) Amends the Code (as amended by the Ticket to Work and Work Incentives Improvement Act of 1999) to repeal revisions to the Code (made by the Act) which repealed the use of the installment method of accounting for accrual method taxpayers and modified the pledge rules of installment obligations.

Title II: Pension Provisions - Subtitle A: Expanding Coverage - Increases limits on benefits and

contributions under qualified pension plans.

(Sec. 202) Amends the Code with regard to the tax on prohibited transactions, and in particular certain transactions involving trusts which are part of an owner-employee plan, and which are not exempted from the tax. Limits the meaning of owner-employee, with respect to any non-exempt loan of any part of the corpus or income of a plan to an owner-employee or family member (subchapter S owner, partner, or sole proprietor), to: (1) a participant or beneficiary of an individual retirement plan; or (2) an employer or association of employees which establishes such a plan.

(Sec. 203) Modifies top-heavy rules. Redefines certain key employees to: (1) eliminate the ten employees each of whom earns over \$30,000 per year and owns the largest interests in the employer; and (2) include an officer of the employer earning more than \$150,000 per year. Provides that employer matching contributions shall be taken into account for minimum contribution requirements. Declares that aggregate distributions during the last year (or, for in-service distributions, during the past five years) shall be taken into account when determining: (1) the present value of the cumulated accrued benefit for any employee; or (2) the amount of any employee's account.

Excludes from the meaning of top-heavy plan any plan which consists solely of: (1) a cash or deferred arrangement using certain alternative methods of meeting nondiscrimination requirements; and (2) matching contributions which meet certain requirements of a specified additional alternative method of satisfying nondiscrimination tests.

Exempts from the minimum benefit requirement, and determination of any employee's years of service with an employer, any service with an employer occurring during a plan year when the plan benefits no current or former employee (frozen plan).

Declares that, with respect to top-heavy plans, determination of constructive stock ownership by a five-percent owner shall disregard family attribution requirements.

(Sec. 204) Exempts elective deferrals of employer contributions not includable in an employee's gross income from specified limitations on an employer's deductions for such contributions to an employees' trust or annuity plan and compensation under a deferred payment plan.

(Sec. 205) Repeals coordination requirements for deferred compensation plans of State and local governments and tax-exempt organizations.

(Sec. 206) Eliminates the user fee for requests to the Internal Revenue Service (IRS) for determination letters with respect to the qualified status of any pension plan maintained solely by one or more eligible employers or any trust which is a part of the plan.

(Sec. 207) Subjects participant's compensation to specified limits on deductions for employer contributions.

(Sec. 208) Establishes an option to treat employee elective deferrals as qualified plus contributions (which shall not, however, be excludable from gross income).

Subtitle B: Enhancing Fairness for Women - Amends the Code to allow eligible participants age 50 or over to make additional elective deferrals (catch-up contributions) in any plan year according to a schedule of percentage increments (from ten percent to 40 percent) between 2001 and 2004 and thereafter.

(Sec. 222) Increases from 25 percent to 100 percent of compensation (up to \$30,000) the maximum allowable annual addition to a participant's plan account.

(Sec. 223) Provides for faster vesting of certain employer matching contributions.

(Sec. 224) Directs the Secretary of the Treasury (Secretary) to simplify and finalize the regulations

relating to specified minimum distribution requirements, and modify them to: (1) reflect current life expectancy; and (2) revise the required distribution methods so that, under reasonable assumptions, the amount of the required minimum distribution does not decrease over a participant's life expectancy.

(Sec. 225) Amends the Code to provide for distribution or payment (division of benefits) from an eligible deferred compensation plan upon divorce.

(Sec. 226) Directs the Secretary to revise the hardship distribution regulations to provide that six months is the period an employee is prohibited from making elective and employee contributions in order for a distribution to be deemed necessary to satisfy financial need (safe harbor relief for hardship withdrawals from cash or deferred arrangements).

Subtitle C: Increasing Portability for Participants - Amends the Code to provide for rollovers among various specified kinds of plans. Revises the requirements for tax-exempt rollovers of individual retirement accounts (IRAs) into eligible (workplace) retirement plans.

(Sec. 233) Exempts from certain limitations on the amount of a tax-exempt rollover from an exempt trust: (1) any portion of a distribution transferred in a direct trustee-to-trustee transfer to a qualified trust in a defined contribution plan, which is also separately accounted for; and (2) any portion transferred to an eligible retirement plan.

(Sec. 234) Provides a hardship exception to the requirement that a tax-exempt rollover be made within 60 days after distribution.

(Sec. 235) Amends the Code to revise the treatment of a plan as failing to meet minimum vesting standards if a participant's accrued benefit is decreased by amendment of the plan. Declares that a defined contribution plan shall not be treated as failing to meet such requirements merely because the transferee plan does not provide some or all of the forms of distribution previously available under another defined contribution plan in specified circumstances.

(Sec. 236) Revises certain restrictions on distributions from qualified cash or deferred arrangements. Eliminates a corporation's disposition of assets or of an interest in a subsidiary as events for which lump-sum distributions are covered (while retaining termination of a plan as a covered event). Changes separation from service to severance from employment as a threshold event for the covered distribution of amounts from a qualified cash or deferred arrangement.

(Sec. 237) Excludes from gross income any amount transferred to a defined benefit governmental plan in a direct trustee-to-trustee transfer if it is for: (1) purchase of a permissive service credit; or (2) a repayment of cash-outs to which certain limitations on contributions do not apply.

(Sec. 238) Amends the Code with respect to restrictions on certain mandatory distributions to allow employers to disregard rollover contributions when determining the present value of nonforfeitable accrued benefits for cash-out purposes.

(Sec. 239) Amends the Code, with respect to deferred compensation plans of State and local governments and tax-exempt organizations, to repeal certain additional minimum distribution requirements. Revises requirements for inclusion of deferred compensation in a participant's gross income to limit the taxable year: (1) to the taxable year in which the compensation or income is paid to the participant in the case of a State or local government; and (2) to the taxable year in which the compensation or income is paid or otherwise made available to the participant or other beneficiary in the case of a tax-exempt organization.

Subtitle D: Strengthening Pension Security and Enforcement - Amends the Code, with respect to the full-funding limitation, to repeal the current liability funding limit percentage in the case of plan years beginning in 1999 or 2000. Sets the applicable percentage of current liability at 160 percent in 2001, 165 percent in 2002, 170 percent in 2003, and nothing afterwards.

(Sec. 242) Revises the special rule for an employer's maximum deductible contribution to change the minimum amount, for plans with more than 100 participants, from the unfunded current liability to the unfunded termination liability. Excludes from termination liability, for plans with under 100 participants, any liability attributable to benefit increases for highly compensated employees resulting from a plan amendment made or effective within the last two years before the termination date.

(Sec. 243) Amends the Code with respect to the excise tax on nondeductible contributions to a qualified employer plan. Allows an employer, in determining the amount of nondeductible contributions, to elect not to take into account any contributions to a defined benefit plan except to the extent they exceed the full-funding limitation.

(Sec. 244) Establishes an excise tax (of \$100 per applicable individual per day) on a defined benefit plan for failing to give notice to participants of any plan amendment providing for a significant reduction in the rate of future benefit accrual.

Subtitle E: Reducing Regulatory Burdens - Amends the Code, with respect to annual valuation of a plan's liability, to require actual valuation only once every three years of a plan whose assets are at least 125 percent of its current liability. Permits use of prior year valuations for any two consecutive plan years, so long as an actual valuation takes place in the third year.

(Sec. 262) Amends the Code to allow the reinvestment in qualifying employer securities of any employee stock ownership plan dividend paid by a C corporation, without loss of the corporation's deduction from gross income.

(Sec. 263) Amend the Tax Reform Act of 1986 to repeal, as of December 31, 2000, the transition rule relating to certain highly compensated employees.

(Sec. 264) Directs the Secretary to modify Treasury Regulations to provide that employees of tax-exempt organizations who are eligible to make contributions under a salary reduction agreement may be treated as excludable from a 401 (k) plan or 401 (m) plan if: (1) no such employee is eligible to participate in such 401(k) plan or 401(m) plan; and (2) 95 percent of other employees are eligible to participate in such a plan.

(Sec. 265) Amends the Code to make a fringe benefit exclusion from gross income of any qualified retirement planning services provided to an employee and his spouse by an employer maintaining a qualified employer plan.

(Sec. 266) Directs the Secretary to modify the annual return filing requirements for one-participant retirement plans (covering only the employer and spouse where the employer owns the entire business, or only one or more partners and spouses in a business partnership) to ensure that any plans with assets of \$250,000 or less as of the close of the plan year need not file a return for that year.

(Sec. 267) Directs the Secretary to continue to update and improve the Employee Plans Compliance Resolution System (or any successor program), giving special attention to certain tasks.

(Sec. 268) Amends Code provisions regarding a tax exclusion for cash reimbursements to repeal the requirement that a voucher or similar item which may be exchanged for a transit pass is not readily available for direct distribution.

(Sec. 269) Repeals the Secretary's mandate, with respect to the nondiscrimination test for matching contributions and employee contributions, to prescribe regulations to prevent the multiple use of the alternative limitation for any highly compensated employee.

(Sec. 270) Directs the Secretary to provide that a plan shall be deemed to satisfy nondiscrimination requirements if it satisfies the facts and circumstances test as in effect before January 1, 1994, but only if: (1) it satisfies conditions prescribed by the Secretary to appropriately limit the availability of such test; and (2) it is submitted to the Secretary for a determination of whether it satisfies such test.

Revises minimum coverage requirements to allow a plan that otherwise fails to meet such requirements to constitute a qualified plan if it meets certain requirements that were in effect immediately before enactment of the Tax Reform Act of 1986. (Such requirements stated that the plan must at least benefit employees qualifying under a classification set up by the employer and found by the Secretary not to be discriminatory in favor of employees who are officers, shareholders, or highly compensated.)

Directs the Secretary to modify certain existing regulations with respect to employers operating separate lines of business to expand the ability of a pension plan to demonstrate compliance with the line of business requirements based upon the facts and circumstances surrounding the design and operation of the plan, even though the plan is unable to satisfy the mechanical tests currently used to determine compliance.

(Sec. 271) Amends the Taxpayer Relief Act of 1997 to extend to international organizations the moratorium on application of certain nondiscrimination rules applicable to State and local governmental plans.

(Sec. 272) Increases from 90 to 180 days certain notice and consent periods regarding distributions. Directs the Secretary to modify certain consent regulations to provide that the description of a participant's right, if any, to defer receipt of a distribution shall also describe the consequences of failing to defer such receipt.

Subtitle F: Plan Amendments - Prescribes application requirements for plan or contract amendments.

Title III: Estate Tax Relief - Subtitle A: Reductions of Estate and Gift Tax Rates - Amends the Code to repeal the two highest estate tax brackets and replace them with a top bracket of "Over \$2,500,000", for which the estate tax rate shall be \$1,025,800, plus 50 percent of the excess over \$2,500,000. Repeals the phase out of graduated rates and the unified credit.

Requires additional reductions in estate and gift tax rates of one percent for calendar 2003 and two percent for calendar 2004 and thereafter.

(Sec. 302) Declares that it is the sense of Congress that the death tax relief in this Act is considered a first step in the effort to repeal this tax.

Subtitle B: Unified Credit Replaced With Unified Exemption Amount - Repeals the unified credits against the estate and gift taxes, and replaces them with a unified exemption amount, determined by specified formulae involving amounts ranging from \$675,000 in calendar year 2001 up to \$1 million in calendar year 2006 and thereafter. Grants up to a \$60,000 exemption to the estate of a nonresident, non-U.S. citizen, with specified variations for residents of U.S. possessions.

Subtitle C: Modifications of Generation-Skipping Transfer Tax - Declares that, if any individual makes an indirect skip during such individual's lifetime, any unused portion of such individual's generation-skipping transfer (GST) exemption shall be allocated to the property transferred to the extent necessary to make the inclusion ratio for such property zero. Requires allocation to the property transferred of the entire unused portion if the amount of the indirect skip exceeds such unused portion.

(Sec. 322) Declares that, if a trust is severed in a qualified severance, the trusts resulting from such severance shall be treated as separate trusts thereafter.

(Sec. 323) Revises valuation rules for gifts for which a gift tax return was filed or deemed allocation made. Provides that, if an allocation of the GST exemption to any transfers of property is deemed to have been made at the close of an estate tax inclusion period, the value of the property shall be its value at such time.

(Sec. 324) Directs the Secretary to prescribe circumstances and procedures under which extensions of time will be granted to make an allocation of GST exemption or an election not to apply specified

allocation requirements to certain lifetime direct skips, indirect skips, or transfers to a particular trust.

Subtitle D: Conservation Easements - Redefines land subject to a qualified conservation easement, for estate tax purposes, to mean land, on the decedent's date of death, located in or within: (1) 50 miles (currently, 25 miles) of a metropolitan area; (2) 50 miles (currently, 25 miles) of a national park or wilderness area; or (3) 25 miles (currently, ten miles) of an Urban National Forest.

Title IV: Tax Relief for Distressed Communities and Industries - Subtitle A: American Community Renewal Act of 2000 - American Community Renewal Act of 2000 - Amends the Code to authorize the Secretary of Housing and Urban Development to designate (upon local or State nomination) up to 15 renewal communities, of which at least three shall be in rural areas.

Requires for nomination purposes that: (1) the area be experiencing high rates of poverty and unemployment and general distress; and (2) State and local governments enter into written contracts with community organizations to promote specified economic growth and employment activities.

Excludes from gross income capital gains on the sale or exchange of a qualified community asset (stock, business property, or partnership interest) held for more than five years.

Allows a specified deduction for amounts paid into a family development account on behalf of an individual or another qualified individual who is a renewal community resident. Excludes from gross income account distributions used for qualified family development expenses (postsecondary education, first-home purchase, business capitalization, medical, and rollovers).

Provides a penalty (with exceptions) in addition to inclusion as gross income for nonqualifying distributions.

Authorizes: (1) designation of earned income tax credit payments for family development account deposit; (2) a commercial building revitalization tax deduction; (3) increased first year expensing for renewal community businesses; (4) extension of environmental remediation cost expensing and the work opportunity credit for renewal communities; and (5) similar tax treatment of renewal communities and enterprise zones for specified youth residence requirements.

(Sec. 405) Permits a deduction for contributions to a family development account whether or not a taxpayer itemizes.

Makes conforming amendments to provisions respecting: (1) tax on excess contributions and prohibited transactions; (2) trust and annuity information; (3) tax exemption applications; and (4) the commercial revitalization credit.

Subtitle B: Timber Incentives - Amends the Code, with respect to the deductible amortization of reforestation expenditures, to increase the limitation on the aggregate amount of amortizable basis acquired during the taxable year from \$10,000 to \$25,000 (and from \$5,000 to \$12,500 in the case of a separate return by a married individual), but suspends the application of such limitation between December 31, 1999, and January 1, 2004.

Title V: Real Estate Provisions - Subtitle A: Improvements in Low-Income Housing Credit - Amends the Code, with respect to the low-income housing credit, to revise the formula for the State housing credit ceiling. Replaces the set multiplicand of \$1.25 (to be multiplied by the State population) with a graduated applicable multiplicand rising from \$1.35 for calendar year 2001 to \$1.65 for calendar year 2004 and thereafter, and a maximum product of \$2 million. Provides for cost-of-living adjustments to the State ceiling.

(Sec. 502) Revises the housing priority selection criteria a housing credit agency must use to develop a qualified plan for allocating housing credit dollar amounts among projects. Requires such criteria to include: (1) whether the project would use existing housing as part of a community revitalization plan; (2) tenant populations of individuals with children; and (3) projects intended for eventual tenant

ownership. Drops from such criteria participation of local tax-exempt organizations. Requires a qualified allocation plan to: (1) give preference in making allocations to projects located in qualified census tracts whose development contributes to a concerted community revitalization plan; and (2) provide a procedure for agency monitoring for noncompliance with habitability standards through regular site visits.

(Sec. 503) Requires housing credit agencies to: (1) provide for a comprehensive market study (by a disinterested party, at the developer's expense) of the housing needs of low-income individuals in the area to be served by the project before the credit allocation is made; and (2) make public a written explanation for any allocation of a housing credit dollar amount not made in accordance with the agency's established priorities and selection criteria.

(Sec. 504) Revises special rules for the determination of the adjusted basis of buildings eligible for the low-income housing credit. Requires adjusted basis to include property used throughout the taxable year in providing any community service facility designed to serve primarily individuals (even if they are not tenants) whose income is 60 percent or less of area median income.

Declares that assistance under the Native American Housing Assistance and Self-Determination Act of 1996 shall be disregarded in determining whether a building is federally subsidized for purposes of the low-income housing credit.

(Sec. 505) Revises the definition of a qualified building (placed in service not later than the second calendar year following a housing credit dollar amount allocation) with respect to which the amount of a low-income housing credit may exceed the credit amount allocated to the building.

Sets an alternative date for valuation of the taxpayer's actual basis in the project of which the building is a part (where the actual basis is more than ten percent of the taxpayer's reasonably expected basis). Allows the valuation of the actual basis to be as of the later of the date which is six months after the date that the allocation was made or (as currently) the close of the calendar year in which the allocation is made. Revises the formula for determination of the amount of State housing credit ceiling returned in a calendar year to include the dollar amount previously allocated to a project which fails to meet the ten percent test on a date after the close of the calendar year in which the allocation was made.

Revises special rules for the increased basis of a building located in certain high cost areas to redefine a qualified census tract to include, as an alternative to existing criteria, a tract with a poverty rate of at least 25 percent.

(Sec. 506) Revises the formula for determining unused housing credit carryovers allocated among certain States.

Subtitle B: Private Activity Bond Volume Cap - Provides for an accelerated phase-in of specified increases in the volume cap on private activity bonds.

Subtitle C: Exclusion From Gross Income for Certain Forgiven Mortgage Obligations - Excludes from gross income the discharge of qualified residential indebtedness. Limits such exclusion to the excess (if any) of the outstanding principal amount of such indebtedness (immediately before discharge) over the sum of any sales proceeds and any other outstanding principal indebtedness secured by such property.

Bill Summary & Status for the 106th Congress

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H.R.3081 (Major Legislation)Sponsor: Rep Lazio, Rick (introduced 10/14/1999)Related Bills: H.RES.434, H.R.3832, H.R.3846, S.1832, S.2281, S.2284

Latest Major Action: 3/23/2000 Senate preparation for floor

Title: To amend the Internal Revenue Code of 1986 to provide tax benefits for small businesses, to amend the Fair Labor Standards Act of 1938 to increase the minimum wage, and for other purposes.

Jump to: Titles, Status, Committees, Related Bill Details, Amendments, Cosponsors, Summary

TITLE(S): (*italics indicate a title for a portion of a bill*)

- **POPULAR TITLE(S):**
Minimum Wage bill (identified by CRS)
- **SHORT TITLE(S) AS INTRODUCED:**
American Community Renewal Act of 1999
Wage and Employment Growth Act of 1999
- **SHORT TITLE(S) AS REPORTED TO HOUSE:**
Wage and Employment Growth Act of 1999
American Community Renewal Act of 1999
- **OFFICIAL TITLE AS INTRODUCED:**
To increase the Federal minimum wage and to amend the Internal Revenue Code of 1986 to provide tax benefits for small businesses, and for other purposes.
- **OFFICIAL TITLE AS AMENDED BY HOUSE:**
To amend the Internal Revenue Code of 1986 to provide tax benefits for small businesses, to amend the Fair Labor Standards Act of 1938 to increase the minimum wage, and for other purposes.

STATUS: (*color indicates Senate actions*) (Floor Actions/Congressional Record Page References)**10/14/1999:**

Referred to the Committee on Ways and Means, and in addition to the Committee on Education and the Workforce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

10/14/1999:

Referred to House Ways and Means

11/9/1999:

Committee Consideration and Mark-up Session Held.

11/9/1999:

Ordered to be Reported (Amended) by the Yeas and Nays: 23 - 14.

10/14/1999:

Referred to House Education and the Workforce

11/11/1999 2:32pm:Reported (Amended) by the Committee on Ways and Means. H. Rept. 106-467, Part I.**11/11/1999 2:33pm:**

House Committee on Education and the Workforce Granted an extension for further consideration ending not later than Nov. 17, 1999.

11/17/1999 11:19pm:

House Committee on Education and the Workforce Granted an extension for further consideration ending not later than Nov. 18, 1999.

11/18/1999 8:46pm:

House Committee on Education and the Workforce Granted an extension for further consideration ending not later than Nov. 19, 1999.

11/19/1999 3:40pm:

House Committee on Education and the Workforce Granted an extension for further consideration ending not later than Nov. 22, 1999.

11/22/1999 4:01pm:

House Committee on Education and the Workforce Granted an extension for further consideration ending not later than Jan. 28, 2000.

1/28/2000 5:21pm:

Committee on Education and the Workforce discharged.

1/28/2000 5:21pm:

Placed on the Union Calendar, Calendar No. 275.

3/8/2000 10:17pm:

Rules Committee Resolution H. Res. 434 Reported to House. Rule provides for consideration of H.R. 3081 and H.R. 3846. H.R. 3081 shall be considered in the House and shall be considered as read. In lieu of the amendment recommended by the Committee on Ways and Means now printed in the bill, the text of H.R. 3832 shall be considered as adopted. Debate shall continue for not to exceed two hours, equally divided and controlled, and there shall be one motion to recommit, with or without instructions. H.R. 3846 shall be considered in the House, shall be considered as read, and shall be debatable for one hour, equally divided and controlled. Specified amendments are in order and consist of those printed in the report of the Committee on Rules accompanying this resolution. There shall be one motion to recommit, with or without instructions. Finally, in the engrossment of H.R. 3081, the text of H.R. 3846 as passed by the House shall be added as new matter at the end of H.R.3081, after whi...

3/9/2000 3:26pm:

Considered under the provisions of rule H. Res. 434. (consideration: CR H792-879; text of measure as reported: CR H792-821)

3/9/2000 3:28pm:

H.AMDT.592 Amendment (A001) offered by the Committee on Rules. (text: CR H821-842) Pursuant to H. Res. 434, the text of H.R. 3832 is adopted as original text in lieu of the amendment in the nature of a substitute recommended by the Committee on Ways and Means.

3/9/2000 5:45pm:

Mr. Rangel moved to recommit with instructions to Ways and Means.

3/9/2000 5:56pm:

The previous question on the motion to recommit with instructions was ordered without objection.

3/9/2000 6:19pm:

On motion to recommit with instructions Failed by the Yeas and Nays: 207 - 218 (Roll no. 40). (text: CR H866-876)

3/9/2000 6:30pm:

On passage Passed by recorded vote: 257 - 169 (Roll No. 41).

3/9/2000 6:30pm:

Motion to reconsider laid on the table Agreed to without objection.

3/20/2000:

Received in the Senate.

3/22/2000:

Read the first time. Placed on Senate Legislative Calendar under Read the First Time.

3/23/2000:

Read the second time. Placed on Senate Legislative Calendar under General Orders. Calendar No. 468.

COMMITTEE(S):

Committee/Subcommittee:House Education and the
WorkforceHouse Ways and Means**Activity:**

Referral, Discharged

Referral, Reporting

RELATED BILL DETAILS: (additional related bills may be indentified in Status)**Bill:**H.RES.434H.RES.434H.R.3832H.R.3846S.1832S.2281S.2284**Relationship:**

Related bill as identified by the House Clerk's office

Rule related to H.R.3081 in House

Text from this bill was inserted in H.R.3081

Text from this bill was inserted in H.R.3081

Related bill as identified by the House Clerk's office

Related bill as identified by the House Clerk's office

Related bill as identified by the House Clerk's office

AMENDMENT(S):

1. H.AMDT.592 to H.R.3081 Pursuant to H. Res. 434, the text of H.R. 3832 is adopted as original text in lieu of the amendment in the nature of a substitute recommended by the Committee on Ways and Means.

Sponsor: House Rules - **Latest Major Action:** 3/9/2000 House amendment offered**Committees:** House Rules

COSPONSORS(9), ALPHABETICAL [followed by Cosponsors withdrawn]: (Sort: by date)Rep Bishop, Sanford D. Jr. - 10/14/1999Rep Condit, Gary A. - 10/14/1999Rep Cramer, Robert E. (Bud) Jr. - 10/14/1999Rep Peterson, Collin C. - 10/14/1999Rep Pickering, Charles (Chip) - 10/14/1999Rep Sherwood, Don - 10/14/1999Rep Shimkus, John - 10/14/1999Rep Shows, Ronnie - 11/2/1999Rep Weller, Jerry - 10/14/1999Rep Hooley, Darlene - 10/14/1999(withdrawn - 10/18/1999)

SUMMARY AS OF:11/11/1999--Reported to House, amended, Part I. (There is 1 other summary)**TABLE OF CONTENTS:**

- Title I: Amendments to Fair Labor Standards Act of 1938
- Title II: Small Business Provisions
- Title III: Pension Provisions
- Subtitle A: Expanding Coverage
- Subtitle B: Enhancing Fairness for Women
- Subtitle C: Increasing Portability for Participants
- Subtitle D: Strengthening Pension Security and Enforcement
- Subtitle E: Reducing Regulatory Burdens
- Subtitle F: Plan Amendments
- Title IV: Extension of Work Opportunity Credit and Welfare-to-Work Credit
- Title V: Estate Tax Relief

- Subtitle A: Reductions of Estate and Gift Tax Rates
- Subtitle B: Unified Credit Replaced With Unified Exemption Amount
- Subtitle C: Modifications of Generation-skipping Transfer Tax
- Subtitle D: Conservation Easements
- Title VI: Tax Relief for Distressed Communities and Industries
- Subtitle A: American Community Renewal Act of 1999
- Subtitle B: Timber Incentives
- Title VII: Real Estate Provisions
- Subtitle A: Improvements in Low-Income Housing Credit
- Subtitle B: Provisions Relating to Real Estate Investment Trusts
- Subtitle C: Private Activity Bond Volume Cap
- Subtitle D: Exclusion From Gross Income for Certain Forgiven Mortgage
- Obligations

Wage and Employment Growth Act of 1999 - Title I: Amendments to Fair Labor Standards Act of 1938 - Amends the Fair Labor Standards Act of 1938 to increase the Federal minimum wage (currently, \$5.15 per hour) to: (1) \$5.48 an hour during the year beginning on April 1, 2000; (2) \$5.81 an hour during the year beginning on April 1, 2001; and (3) \$6.15 an hour during the year beginning on April 1, 2002.

(Sec. 101) Repeals the exclusion from (thus includes in) the meaning of regular rate of remuneration any sums paid as gifts, or in the nature of gifts made at Christmas time or on other special occasions (bonuses).

(Sec. 102) Exempts from minimum wage and overtime requirements: (1) certain network or database analysts, designers, and developers, including any whose primary duty is the management or training of employees performing specified duties related to computer systems or software design, or development; (2) certain sales employees with specialized or technical product or service knowledge and a detailed understanding of customer needs, who earn at least one-and-a-half times the minimum wage, plus commissions, and meet other specified requirements; and (3) licensed funeral directors and embalmers.

Title II: Small Business Provisions - Amends the Internal Revenue Code (the Code) to increase a self-employed individual's deduction for the health insurance costs of self and family to 100 percent. Denies such deduction only for any month the individual actually participates in an employer-subsidized health plan (currently, for any month the individual is eligible to participate).

(Sec. 202) Increases to \$30,000 the aggregate cost taken into account for the option to expense certain depreciable business assets of small businesses.

(Sec. 203) Increases from 50 percent to: (1) 60 percent in 2000 and 55 percent for taxable years beginning in 2001 the deduction for meal and entertainment expenses; and (2) 80 percent the deduction of business meal expenses for individuals subject to Federal limitations on hours of service.

(Sec. 205) Declares that any option to accelerate the receipt of any payment under a production flexibility contract which is payable under the Federal Agriculture Improvement and Reform Act of 1996, as in effect on the date of the enactment of this Act, shall be disregarded in determining the taxable year for which such payment is properly includable in gross income.

(Sec. 206) Amends the Code to: (1) extend income averaging to income from the trade or business of catching, taking, or harvesting fish intended to enter commerce through sale, barter, or trade; and (2) disregard income averaging for farmers and commercial fishermen in computing the regular alternative minimum tax.

(Sec. 207) Repeals specified occupational taxes relating to distilled spirits, wine, and beer. Revises the record-keeping requirements for wholesale and retail liquor dealers. Makes it unlawful for any liquor dealer (except one selling beer exclusively) to purchase distilled spirits from any person but a wholesale liquor dealer (excluding a wholesale dealer exclusively in beer) subject to specified record-keeping

requirements.

Title III: Pension Provisions - Subtitle A: Expanding Coverage - Increases limits on benefits and contributions under qualified pension plans.

(Sec. 302) Amends the Code and the Employee Retirement Income Security Act of 1974 (ERISA) with regard to the tax on prohibited transactions, and in particular certain transactions involving trusts which are part of an owner-employee plan, and which are not exempted from the tax. Limits the meaning of owner-employee, with respect to any non-exempt loan of any part of the corpus or income of a plan to an owner-employee or family member (subchapter S owner, partner, or sole proprietor), to: (1) a participant or beneficiary of an individual retirement plan; or (2) an employer or association of employees which establishes such a plan.

(Sec. 303) Modifies top-heavy rules. Redefines certain key employees to: (1) eliminate the ten employees each of whom earns over \$30,000 per year and owns the largest interests in the employer; and (2) include an officer of the employer earning more than \$150,000 per year. Provides that employer matching contributions shall be taken into account for minimum contribution requirements. Declares that aggregate distributions during the last year (or, for in-service distributions, during the past five years) shall be taken into account when determining: (1) the present value of the cumulated accrued benefit for any employee; or (2) the amount of any employee's account.

Excludes from the meaning of top-heavy plan any plan which consists solely of: (1) a cash or deferred arrangement using certain alternative methods of meeting nondiscrimination requirements; and (2) matching contributions which meet certain requirements of a specified additional alternative method of satisfying nondiscrimination tests.

Exempts from the minimum benefit requirement, and determination of any employee's years of service with an employer, any service with an employer occurring during a plan year when the plan benefits no current or former employee (frozen plan).

Declares that, with respect to top-heavy plans, determination of constructive stock ownership by a five-percent owner shall disregard family attribution requirements.

(Sec. 304) Exempts elective deferrals of employer contributions not includable in an employee's gross income from specified limitations on an employer's deductions for such contributions to an employees' trust or annuity plan and compensation under a deferred payment plan.

(Sec. 305) Repeals coordination requirements for deferred compensation plans of State and local governments and tax-exempt organizations.

(Sec. 306) Eliminates the user fee for requests to the Internal Revenue Service (IRS) for determination letters with respect to the qualified status of any pension plan maintained solely by one or more eligible employers or any trust which is a part of the plan.

(Sec. 307) Subjects participant's compensation to specified limits on deductions for employer contributions.

(Sec. 308) Establishes an option to treat employee elective deferrals as qualified plus contributions (which shall not, however, be excludable from gross income).

(Sec. 309) Amends ERISA to set the Pension Benefit Guaranty Corporation (PBGC) insurance premium rate at \$5 for each individual plan participant in the case of a new single-employer plan maintained by a small employer.

(Sec. 310) Provides for reductions of additional PBGC premiums for new and small plans.

Subtitle B: Enhancing Fairness for Women - Amends the Code to allow eligible participants age 50

or over to make additional elective deferrals (catch-up contributions) in any plan year according to a schedule of percentage increments (from ten percent to 50 percent) between 2001 and 2005 and thereafter.

(Sec. 322) Increases from 25 percent to 100 percent of compensation (up to \$30,000) the maximum allowable annual addition to a participant's plan account.

(Sec. 323) Provides for faster vesting of certain employer matching contributions.

(Sec. 324) Directs the Secretary of the Treasury (Secretary) to simplify and finalize the regulations relating to specified minimum distribution requirements, and modify them to: (1) reflect current life expectancy; and (2) revise the required distribution methods so that, under reasonable assumptions, the amount of the required minimum distribution does not decrease over a participant's life expectancy.

(Sec. 325) Amends the Code to provide for distribution or payment (division of benefits) from an eligible deferred compensation plan upon divorce.

(Sec. 326) Directs the Secretary to revise the hardship distribution regulations to provide that six months is the period an employee is prohibited from making elective and employee contributions in order for a distribution to be deemed necessary to satisfy financial need (safe harbor relief for hardship withdrawals from cash or deferred arrangements).

Subtitle C: Increasing Portability for Participants - Amends the Code to provide for rollovers among various specified kinds of plans. Revises the requirements for tax-exempt rollovers of individual retirement accounts (IRAs) into eligible (workplace) retirement plans.

(Sec. 333) Exempts from certain limitations on the amount of a tax-exempt rollover from an exempt trust: (1) any portion of a distribution transferred in a direct trustee-to-trustee transfer to a qualified trust in a defined contribution plan, which is also separately accounted for; and (2) any portion transferred to an eligible retirement plan.

(Sec. 334) Provides a hardship exception to the requirement that a tax-exempt rollover be made within 60 days after distribution.

(Sec. 335) Amends the Code and ERISA to revise the treatment of a plan as failing to meet minimum vesting standards if a participant's accrued benefit is decreased by amendment of the plan. Declares that a defined contribution plan shall not be treated as failing to meet such requirements merely because the transferee plan does not provide some or all of the forms of distribution previously available under another defined contribution plan in specified circumstances.

(Sec. 336) Revises certain restrictions on distributions from qualified cash or deferred arrangements. Eliminates a corporation's disposition of assets or of an interest in a subsidiary as events for which lump-sum distributions are covered (while retaining termination of a plan as a covered event). Changes separation from service to severance from employment as a threshold event for the covered distribution of amounts from a qualified cash or deferred arrangement.

(Sec. 337) Excludes from gross income any amount transferred to a defined benefit governmental plan in a direct trustee-to-trustee transfer if it is for: (1) purchase of a permissive service credit; or (2) a repayment of cash-outs to which certain limitations on contributions do not apply.

(Sec. 338) Amends the Code and ERISA with respect to restrictions on certain mandatory distributions to allow employers to disregard rollover contributions when determining the present value of nonforfeitable accrued benefits for cash-out purposes.

(Sec. 339) Amends the Code, with respect to deferred compensation plans of State and local governments and tax-exempt organizations, to repeal certain additional minimum distribution requirements. Revises requirements for inclusion of deferred compensation in a participant's gross

income to limit the taxable year: (1) to the taxable year in which the compensation or income is paid to the participant in the case of a State or local government; and (2) to the taxable year in which the compensation or income is paid or otherwise made available to the participant or other beneficiary in the case of a tax-exempt organization.

Subtitle D: Strengthening Pension Security and Enforcement - Amends the Code and ERISA, with respect to the full-funding limitation, to repeal the 155 percent of current liability funding limit in the case of plan years beginning in 1999 or 2000. Sets the applicable percentage of current liability at 160 percent in 2001, 165 percent in 2002, 170 percent in 2003, and nothing afterwards.

(Sec. 342) Revises the special rule for an employer's maximum deductible contribution to change the minimum amount, for plans with more than 100 participants, from the unfunded current liability to the unfunded termination liability. Excludes from termination liability, for plans with under 100 participants, any liability attributable to benefit increases for highly compensated employees resulting from a plan amendment made or effective within the last two years before the termination date.

(Sec. 343) Amends ERISA with respect to transfer to the PBGC of a missing participant's benefits upon termination of a single-employer plan. Requires the PBGC to prescribe for multiemployer plans missing participant benefit transfer rules similar to those for single-employer plans. Authorizes the plan administrator of a pension plan not otherwise subject to ERISA to elect to transfer to the PBGC a missing participant's benefits upon plan termination.

(Sec. 344) Revises the requirements for periodic pension benefits statements.

(Sec. 345) Changes from mandatory to discretionary the Secretary of Labor's authority to assess civil penalties against fiduciaries or other persons. Changes the penalty amount from 20 percent of the applicable recovery amount to any amount up to 20 percent of the applicable recovery amount. Revises the meaning of applicable recovery amount. Makes a person jointly and severally liable for the penalty to the same extent that such person is jointly and severally liable for the applicable recovery amount on which the penalty is based. Conditions the assessment of any penalty upon notice to the person and the opportunity for a hearing on the violation and the applicable recovery amount.

(Sec. 346) Amends the Code with respect to the excise tax on nondeductible contributions to a qualified employer plan. Allows an employer, in determining the amount of nondeductible contributions, to elect not to take into account any contributions to a defined benefit plan except to the extent they exceed the full-funding limitation.

(Sec. 347) Establishes an excise tax (of \$100 per applicable individual per day) on a defined benefit plan for failing to give notice to participants of any plan amendment providing for a significant reduction in the rate of future benefit accrual.

(Sec. 348) Amends the Taxpayer Relief Act of 1997 with respect to certain limitations on investment in employer securities and employer real property by cash or deferred arrangements. Exempts from such limitations any elective deferral invested in assets consisting of qualifying employer securities, qualifying employer real property, or both, if such assets were acquired before January 1, 1999.

(Sec. 350) Amends ERISA to require the convening of a National Summit on Retirement Income Savings at the White House in September 2009. Authorizes the Secretary of Labor to enter into a cooperative agreement with the American Savings Education Council with respect to the planning and operation of such Summit. Revises and adds to the list of required participants in the Summit. Repeals the limitation of additional Summit participants to 200. Provides for presidential appointment of over 100 participants, according to specified rules. Grants the Secretary of Labor reception and representation authority limited specifically to Summit events.

(Sec. 351) Directs the Secretary of Labor to develop model language for: (1) the spousal consent required to waive the qualified joint and survivor annuity benefit or qualified preretirement survivor annuity benefit; and (2) a qualified domestic relations order with regard to alternate payees.

(Sec. 352) Bars the Secretary of Labor, in certain circumstances (except when the Secretary files a complaint before final court approval of a settlement), from litigating class action or derivative action claims already resolved by a court-approved settlement agreement.

Subtitle E: Reducing Regulatory Burdens - Amends the Code and ERISA, with respect to annual valuation of a plan's liability, to require actual valuation only once every three years of a plan whose assets are at least 125 percent of its current liability. Permits use of prior year valuations for any two consecutive plan years, so long as an actual valuation takes place in the third year.

(Sec. 362) Amends the Code to allow the reinvestment in qualifying employer securities of any employee stock ownership plan dividend paid by a C corporation, without loss of the corporation's deduction from gross income.

(Sec. 363) Amend the Tax Reform Act of 1986 to repeal, as of December 31, 2000, the transition rule relating to certain highly compensated employees.

(Sec. 364) Directs the Secretary to modify Treasury Regulations to provide that employees of tax-exempt organizations who are eligible to make contributions under a salary reduction agreement may be treated as excludable from a 401 (k) plan or 401 (m) plan if: (1) no such employee is eligible to participate in such 401(k) plan or 401(m) plan; and (2) 95 percent of other employees are eligible to participate in such a plan.

(Sec. 365) Amends the Code to make a fringe benefit exclusion from gross income of any qualified retirement planning services provided to an employee and his spouse by an employer maintaining a qualified employer plan.

(Sec. 366) Directs the Secretary to modify the annual return filing requirements for one-participant retirement plans (covering only the employer and spouse where the employer owns the entire business, or only one or more partners and spouses in a business partnership) to ensure that any plans with assets of \$250,000 or less as of the close of the plan year need not file a return for that year.

(Sec. 367) Directs the Secretary to continue to update and improve the Employee Plans Compliance Resolution System (or any successor program), giving special attention to certain tasks.

(Sec. 368) Amends ERISA, with respect to limitations on the guarantee of single-employer plan benefits, to rename a "substantial owner" a "majority owner," who owns either the entire interest in an unincorporated trade or business, or: (1) 50 percent or more (currently, more than ten percent) of either the capital interest or the profits interest in a partnership; or (2) 50 percent or more (currently, more than ten percent) in value of either the voting stock of a corporation or all its stock. Revises the formula for the amount of benefits guaranteed for a majority owner of a plan which is in effect for less than 60 months when the plan terminates. Prescribes priorities for the allocation of assets to benefits when the assets available for the initial allocation are insufficient to satisfy in full the accrued benefits of all the individuals derived from their contributions.

(Sec. 369) Amends the Code to repeal the restriction to situations where vouchers are not available of the exclusion from gross income of cash reimbursements as a qualified transportation fringe.

(Sec. 370) Repeals the Secretary's mandate, with respect to the nondiscrimination test for matching contributions and employee contributions, to prescribe regulations to prevent the multiple use of the alternative limitation for any highly compensated employee.

(Sec. 371) Directs the Secretary to provide that a plan shall be deemed to satisfy nondiscrimination requirements if it satisfies the facts and circumstances test as in effect before January 1, 1994, but only if: (1) it satisfies conditions prescribed by the Secretary to appropriately limit the availability of such test; and (2) it is submitted to the Secretary for a determination of whether it satisfies such test.

Revises minimum coverage requirements to allow a plan that otherwise fails to meet such requirements to constitute a qualified plan if it meets certain requirements that were in effect immediately before enactment of the Tax Reform Act of 1986. (Such requirements stated that the plan must at least benefit employees qualifying under a classification set up by the employer and found by the Secretary not to be discriminatory in favor of employees who are officers, shareholders, or highly compensated.)

Directs the Secretary to modify certain existing regulations with respect to employers operating separate lines of business to expand the ability of a pension plan to demonstrate compliance with the line of business requirements based upon the facts and circumstances surrounding the design and operation of the plan, even though the plan is unable to satisfy the mechanical tests currently used to determine compliance.

(Sec. 372) Amends the Taxpayer Relief Act of 1997 to extend to international organizations the moratorium on application of certain nondiscrimination rules applicable to State and local governmental plans.

(Sec. 373) Increases from 90 to 180 days certain notice and consent periods regarding distributions. Directs the Secretary to modify certain consent regulations to provide that the description of a participant's right, if any, to defer receipt of a distribution shall also describe the consequences of failing to defer such receipt.

(Sec. 374) Amends ERISA to revise the requirement that a plan administrator furnish an annual report to each participant to permit the administrator to furnish such reports only upon each participant's request.

(Sec. 375) Revises the definition of excess benefit plan.

(Sec. 376) Directs the Secretary of Labor to modify a certain regulation to provide that, except in the case of employment, after commencement of benefit payments, with a former employer, any required benefit suspension notice: (1) may be included in the summary plan description rather than in a separate notice; and (2) need not include a copy of the relevant plan provisions.

(Sec. 377) Declares that, for purposes of determining the status under State insurance law of a church plan that is a welfare plan, such church plan (and any trust under it) shall be deemed a single-employer plan that: (1) reimburses costs from general church assets; (2) purchases insurance coverage with general church assets; or (3) both. Defines the term "reimbursing costs from general church assets" to mean engaging in a practice that does not have the effect of transferring or spreading risk.

Subtitle F: Plan Amendments - Prescribes application requirements for plan or contract amendments.

Title IV: Extension of Work Opportunity Credit and Welfare-to-Work Credit - Amends the Code to extend from June 30, 1999, through December 31, 2001, the employer's work opportunity credit and welfare-to-work credit.

(Sec. 401) Revises the exclusion from the work opportunity credit of wages paid to an employer's nonqualifying rehires to repeal the restriction of such exclusion to individuals previously employed by the employer at any time during which the individual was not a member of a targeted group (thus extending such exclusion to any individuals previously employed by the employer, regardless of whether they were or were not members of a targeted group).

Sets forth a special rule that credits earned by taxpayers for expenditures incurred after June 30, 1999, shall not be claimed or taken into account for estimated taxes or otherwise before October 1, 2000. Permits taxpayers to file for expedited refunds after September 30, 2000.

Title V: Estate Tax Relief - Subtitle A: Reductions of Estate and Gift Tax Rates - Amends the Code to repeal the two highest estate tax brackets and replace them with a top bracket of "Over \$2,500,000", for which the estate tax rate shall be \$1,025,800, plus 50 percent of the excess over \$2,500,000. Repeals the phase out of graduated rates and the unified credit. Requires additional reductions in estate and gift

tax rates of one percent for calendar 2003 and two percent for calendar 2004 and thereafter.

(Sec. 502) Declares that it is the sense of Congress that the death tax relief in this Act is considered a first step in the effort to repeal this tax.

Subtitle B: Unified Credit Replaced With Unified Exemption Amount - Repeals the unified credits against the estate and gift taxes, and replaces them with a unified exemption amount, determined by specified formulae involving amounts ranging from \$675,000 in calendar year 2001 up to \$1 million in calendar year 2006 and thereafter. Grants a \$60,000 exemption to the estate of a nonresident, non-U.S. citizen, with specified variations for residents of U.S. possessions.

Subtitle C: Modifications of Generation-Skipping Transfer Tax - Declares that, if any individual makes an indirect skip during such individual's lifetime, any unused portion of such individual's generation-skipping transfer (GST) exemption shall be allocated to the property transferred to the extent necessary to make the inclusion ratio for such property zero. Requires allocation to the property transferred of the entire unused portion if the amount of the indirect skip exceeds such unused portion.

(Sec. 522) Declares that, if a trust is severed in a qualified severance, the trusts resulting from such severance shall be treated as separate trusts thereafter.

(Sec. 523) Revises valuation rules for gifts for which a gift tax return was filed or deemed allocation made. Provides that, if an allocation of the GST exemption to any transfers of property is deemed to have been made at the close of an estate tax inclusion period, the value of the property shall be its value at such time.

(Sec. 524) Directs the Secretary to prescribe circumstances and procedures under which extensions of time will be granted to make an allocation of GST exemption or an election not to apply specified allocation requirements to certain lifetime direct skips, indirect skips, or transfers to a particular trust.

Subtitle D: Conservation Easements - Redefines land subject to a qualified conservation easement to mean land, on the decedent's date of death, located in or within: (1) 50 miles (currently, 25 miles) of a metropolitan area; (2) 50 miles (currently, 25 miles) of a national park or wilderness area; or (3) 25 miles (currently, ten miles) of an Urban National Forest.

Title VI: Tax Relief for Distressed Communities and Industries - Subtitle A: American Community Renewal Act of 1999 - American Community Renewal Act of 1999 - **Title I: Designation of and Tax Incentives for Renewal Communities** - Amends the Code to authorize the Secretary of Housing and Urban Development to designate (upon local or State nomination) up to 15 renewal communities, of which at least three shall be in rural areas.

(Sec. 602) Requires for nomination purposes that: (1) the area be experiencing high rates of poverty and unemployment and general distress; and (2) State and local governments enter into written contracts with community organizations to promote specified economic growth and employment activities.

Excludes from gross income capital gains on the sale or exchange of a qualified community asset (stock, business property, or partnership interest) held for more than five years.

Allows a specified deduction for amounts paid into a family development account on behalf of an individual or another qualified individual who is a renewal community resident. Excludes from gross income account distributions used for qualified family development expenses (postsecondary education, first-home purchase, business capitalization, medical, and rollovers). Provides a penalty (with exceptions) in addition to inclusion as gross income for nonqualifying distributions.

Authorizes: (1) designation of earned income tax credit payments for family development account deposit; (2) a commercial building revitalization tax deduction; (3) increased first year expensing for renewal community businesses; (4) extension of environmental remediation cost expensing and the work opportunity credit for renewal communities; and (5) similar tax treatment of renewal communities and

enterprise zones for specified youth residence requirements.

(Sec. 605) Permits a deduction for contributions to a family development account whether or not a taxpayer itemizes.

Makes conforming amendments to provisions respecting: (1) tax on excess contributions and prohibited transactions; (2) trust and annuity information; (3) tax exemption applications; and (4) the commercial revitalization credit.

Subtitle B: Timber Incentives - Amends the Code, with respect to the deductible amortization of reforestation expenditures, to increase the limitation on the aggregate amount of amortizable basis acquired during the taxable year from \$10,000 to \$25,000 (and from \$5,000 to \$12,500 in the case of a separate return by a married individual), but suspends the application of such limitation between December 31, 1999, and January 1, 2004.

Title VII: Real Estate Provisions - Subtitle A: Improvements in Low-Income Housing Credit - Amends the Code, with respect to the low-income housing credit, to revise the formula for the State housing credit ceiling. Replaces the set multiplicand of \$1.25 (to be multiplied by the State population) with a graduated applicable multiplicand rising from \$1.35 for calendar year 2000 to \$1.75 for calendar year 2004 and thereafter, and a maximum product of \$2 million. Provides for cost-of-living adjustments to the State ceiling.

(Sec. 702) Revises the housing priority selection criteria a housing credit agency must use to develop a qualified plan for allocating housing credit dollar amounts among projects. Requires such criteria to include: (1) whether the project would use existing housing as part of a community revitalization plan; (2) tenant populations of individuals with children; and (3) projects intended for eventual tenant ownership. Drops from such criteria participation of local tax-exempt organizations. Requires a qualified allocation plan to: (1) give preference in making allocations to projects located in qualified census tracts whose development contributes to a concerted community revitalization plan; and (2) provide a procedure for agency monitoring for noncompliance with habitability standards through regular site visits.

(Sec. 703) Requires housing credit agencies to: (1) provide for a comprehensive market study (by a disinterested party, at the developer's expense) of the housing needs of low-income individuals in the area to be served by the project before the credit allocation is made; and (2) make public a written explanation for any allocation of a housing credit dollar amount not made in accordance with the agency's established priorities and selection criteria.

(Sec. 704) Revises special rules for the determination of the adjusted basis of buildings eligible for the low-income housing credit. Requires adjusted basis to include property used throughout the taxable year in providing any community service facility designed to serve primarily individuals (even if they are not tenants) whose income is 60 percent or less of area median income.

Declares that assistance under the Native American Housing Assistance and Self-Determination Act of 1996 shall be disregarded in determining whether a building is federally subsidized for purposes of the low-income housing credit.

(Sec. 705) Revises the definition of a qualified building (placed in service not later than the second calendar year following a housing credit dollar amount allocation) with respect to which the amount of a low-income housing credit may exceed the credit amount allocated to the building. Sets an alternative date for valuation of the taxpayer's actual basis in the project of which the building is a part (where the actual basis is more than ten percent of the taxpayer's reasonably expected basis). Allows the valuation of the actual basis to be as of the later of the date which is six months after the date that the allocation was made or (as currently) the close of the calendar year in which the allocation is made. Revises the formula for determination of the amount of State housing credit ceiling returned in a calendar year to include the dollar amount previously allocated to a project which fails to meet the ten percent test on a date after the close of the calendar year in which the allocation was made.

Revises special rules for the increased basis of a building located in certain high cost areas to redefine a qualified census tract to include, as an alternative to existing criteria, a tract with a poverty rate of at least 25 percent.

(Sec. 706) Revises the formula for determining unused housing credit carryovers allocated among certain States.

Subtitle B: Provisions Relating to Real Estate Investment Trusts - Amends the Code with respect the real estate investment trusts (REITs). Modifies the asset diversification test for a REIT to disregard in calculating the permissible 25 percent of total assets represented by securities any straight debt meeting specified requirements.

(Sec. 712) Excludes from impermissible tenant service income (thus including as rents from real property meeting the requirements of a REIT) any amount received or accrued by the REIT for services furnished or rendered, or management or operation provided, through a taxable REIT subsidiary.

Sets forth a special rule including in rents from real property, if specified rental and lodging facility requirements are met, any amounts paid to a REIT by a taxable REIT subsidiary.

(Sec. 713) Defines taxable REIT subsidiary.

(Sec. 714) Disqualifies for the corporate deduction for interest on indebtedness any interest paid or accrued (directly or indirectly) by a taxable REIT subsidiary to the REIT (earnings stripping).

(Sec. 715) Imposes on a REIT a tax equal to 100 percent of redetermined rents, redetermined deductions, and excess interest.

(Sec. 721) Sets forth a special foreclosure rule for health care properties acquired by a REIT as the result of the termination of a lease of such property (other than a termination by reason of a default, or the imminence of a default, on the lease).

Requires disregard of income derived or received by a REIT from an independent contractor to the extent it is attributable to: (1) any lease of property in effect on the date the REIT acquired the qualified health care property; or (2) any lease of property entered into after such date if a lease of such property from the trust was in effect on such date, and under the terms of the new lease, the REIT receives a substantially similar or lesser benefit in comparison to the first kind of lease.

(Sec. 731) Reduces from 95 to 90 percent of REIT income and of the excess of the net income from foreclosure property over the tax on foreclosure property specified components of the formula for determination of the amount of dividend deductions which help establish the taxability of REIT income.

Reduces from 95 to 90 percent of REIT gross income a specified component of the formula for determining the amount of tax imposed on a REIT for failure to meet certain requirements.

(Sec. 741) Requires that only persons who own, directly or indirectly, more than five percent of a certain class of stock regularly traded on an established securities market be taken into account as owning any of the stock of such class for purposes of the 35-percent ownership rule determining whether a person is (under 35- percent ownership) or is not (over 35-percent ownership) an independent contractor for purposes of determining rents from real property, and of the special rules for foreclosure property, with respect to REIT taxation.

(Sec. 751) Declares that any distribution by a regulated investment company (RIC) made in order to comply with certain tax requirements shall be treated as made from the earliest earnings and profits accumulated in any taxable year to which certain other requirements did not apply (non-RIC year) rather than the most recently accumulated earnings and profits.

Subtitle C: Private Activity Bond Volume Cap - Provides for an accelerated phase-in of specified increases in the volume cap on private activity bonds.

Subtitle D: Exclusion From Gross Income for Certain Forgiven Mortgage Obligations - Excludes from gross income the discharge of qualified residential indebtedness, that is, the excess (if any) of the outstanding principal amount of such indebtedness (immediately before discharge), over the sum of any sales proceeds and any other outstanding principal indebtedness secured by such property.

J. Dennis Hastert
Fourteenth District
Illinois



(202) 225-0600

Office of the Speaker
United States House of Representatives
Washington, DC 20515
August 28, 2000

The President
The White House
Washington D.C.

Dear Mr. President:

I have enjoyed working with you on several issues where we have found common ground. We have been quite successful this year in working together on repealing the Social Security Earnings Limit, fighting the war on drugs in Columbia, opening new markets in our poorest communities in America, and opening new markets overseas in China, Africa, and the Caribbean.

I would like to propose that we work over the next month to find common ground on your desire to increase the minimum wage by \$1 and our desire to help alleviate the burdens on small businesses that would shoulder the costs of such an increase.

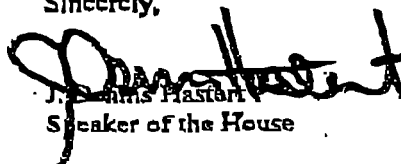
It is very clear that a vast majority of Congressional Democrats and Republicans would like to see a balanced approach achieved before we adjourn. While the House and the Senate have passed legislation that attempts to strike this balance, a variety of procedural hurdles have prevented us from getting that legislation to your desk for signature.

Our proposal is to increase the minimum wage by \$1 in 50 cent increments that begin January 1st of next year and the remaining 50 cents on January 1st of 2002. We are also offering to drop the death tax and pension provisions in the bill that you regrettably find objectionable.

The remaining provisions are designed to assist small business with the costs of this wage increase and have a revenue impact of \$24 billion over 5 years and roughly \$76 billion over the next 10 years. We find this to be a reasonable and balanced offer that deserves your consideration.

I believe that we can work together to pass this legislation when we return in September with strong bipartisan majorities in the House and Senate. I have spoken with Senate Majority Leader Trent Lott and I believe he wants to achieve such a balanced approach as well. We would like your input and your assistance in getting this legislation to your desk before we adjourn this year. We will certainly need your help in removing the procedural roadblocks constructed to block such an effort. I look forward to working with you on this issue over the August recess.

Sincerely,


J. Dennis Hastert
Speaker of the House



UNITED STATES DEPARTMENT OF LABOR

FACSIMILE TRANSMISSION

OFFICE OF CONGRESSIONAL AND INTERGOVERNMENTAL AFFAIRS

200 Constitution Avenue,
N.W.
Room S-1325
Washington, DC 20210

Confirmation:
202/693-4600
September 6,
2000/10:41AM

To: GERALD LIPPARD

DEPARTMENT/COMPANY: WH LEG.

FACSIMILE NUMBER: 456-2604

FROM: LESLIE PLATT *WW*

NUMBER OF PAGES INCLUDING COVER:

FACSIMILE REPLIES:	CONGRESSIONAL AFFAIRS	202/693-4642
	INTERGOVERNMENTAL AFFAIRS	202/693-4643
	IMMEDIATE OFFICE OF THE ASSISTANT SECRETARY	202/693-4641

MESSAGE:

Background FLSA mat'l attached.

H.R. 2710 - REWARDING PERFORMANCE IN COMPENSATION ACT

H.R. 2710, a proposal to exclude bonuses and commissions from the regular rate of pay used to determine overtime pay due under the Fair Labor Standards Act (FLSA), would decrease overtime pay due to every American worker who works long hours and receives bonuses and commissions as part of their compensation.

The FLSA's overtime requirements were designed to dissuade employers from working their employees excessively long hours by requiring time-and-one-half premium pay on hours worked over 40 in a workweek so that those same employers would have an incentive to spread available work to more employees. To ensure that the law effectively discouraged long work hours, Congress required that essentially all remuneration (except for a few named exclusions) paid to or on behalf of an employee be included in the "regular rate" for computing the time-and-one-half overtime rate.

H.R. 2710 will encourage employers to drastically cut the wage component of an employee's compensation and provide instead, the promise or expectation of increased payments in bonuses or commissions paid at the **employer's** discretion. As the practice grows, the overall effect will be a downward pressure on the wages of all working men and women. This practice may lead to the following undesirable consequences:

- An employee's newly-lowered regular wage (which could be as low as the minimum wage) may no longer be sufficient to meet his/her current obligations, and the employee would have no guarantee that his/her total compensation (now dependent on "promised" bonuses or commissions) will ever reach its previous level.
- An employee's total compensation, based partially on bonus and commissions, may fluctuate wildly from pay period to pay period, to the detriment of the employee's ability to plan expenditures and for the future.
- An employee will be entirely dependent on the employer's willingness to pay promised bonuses or commissions. Employers that suffer difficult economic times, fail to realize a profit, or simply wish to increase their profit margin, may choose unilaterally to eliminate bonuses or commissions.
- An employee will be forced to forego an FLSA overtime pay guarantee for a non-guarantee of bonuses or commissions, which an employer can decide not to pay at any time.
- An employer may transfer its business risk to employees. Employees, for example, who are asked to work longer hours at a lower regular wage with the expectation that they will increase the company's profits (and thus their own compensation) will be disadvantaged if their efforts fail to generate the desired profits. Employers, on other hand, would assume very little of the burden associated with working their employees longer hours because they no longer have to compensate employees the additional time-and-one-half overtime premium at the higher "regular rate." Under these circumstances, the employees rather than their employers assume all of the risk associated with the success or failure of the business.
- An employee who works longer hours in anticipation of bonuses that are never paid will not

receive just compensation for the excess hours envisioned by the FLSA overtime provisions.

- To eliminate administrative burdens associated with determining the rate at which time-and-one-half should be computed, employers may provide a bonus based upon a percentage of an employee's total earnings (both straight-time and overtime). For example, a yearly bonus based on an employee's total combined straight-time and overtime earnings does not create any additional FLSA overtime liability, yet still provides incentives to the employees.

Tip Credit Provisions of the Fair Labor Standards Act

1996 FLSA Amendment: Changed the employer's minimum cash wage obligation to tipped employees from the former rate of 50 percent of the current minimum wage to its 1996 dollar equivalent -- \$2.13 per hour. As a result, tipped employees' direct cash wages from their employers were permanently locked in at the pre-1996 level, even after the statutory minimum wage went up. Thus, the 1996 and 1997 minimum wage increases did not increase employers' direct wage payment obligation to tipped employees. Unless the tip credit provision is further amended, any general increase enacted in the minimum wage (now or in the future) will not increase (or apply to) an employer's wage payment obligation to tipped employees (although they must receive the balance of the hourly minimum wage in the tips they actually receive).

Background: The original tip credit provisions were added by the 1966 FLSA Amendments, at 50% of the applicable minimum wage. This allowed employers of tipped employees to take credit for 1/2 of their minimum wage obligation by the tips that their employees received from customers. Only employees who customarily and regularly received more than \$20 in tips a month (raised to \$30 on 1/1/78) were covered by the tip credit.

The tip credit provisions were modified by the 1977, 1989, and 1996 FLSA Amendments, as reflected below:

<u>Date</u>	<u>Minimum Wage</u>	<u>Max. Tip Credit</u>		<u>Employer Cash Wage Required</u>
		<u>\$</u>	<u>%</u>	
1/1/78	\$2.65	\$1.32	(50%)	\$1.33
1/1/79	\$2.90	\$1.30	(45%)	\$1.60
1/1/80	\$3.10	\$1.24	(40%)	\$1.86
1/1/81	\$3.35	\$1.34	(40%)	\$2.01
1/1/90	\$3.80	\$1.71	(45%)	\$2.09
1/1/91	\$4.25	\$2.125	(50%)	\$2.12 1/2
10/1/96	\$4.75	\$2.62	(55%)	\$2.13
9/1/97	\$5.15	\$3.02	(59%)	\$2.13

Effect: Tipped employees (*i.e.*, delivery personnel, waiters and waitresses, servers and buspersons, *etc.*) have seen their required cash wage payments from their employers eroded by inflation over the years, even as the minimum wage has been increased. Since 1981, they have seen their legally-required cash wage increase by only 12 cents an hour -- while the full minimum wage increased by \$1.80 per hour.

A tip is a sum presented by a customer as a gift or gratuity in recognition of the quality or character of the service performed for him or her. Whether a tip is to be given at all, and its amount, are matters determined solely by the customer, who can even determine who shall receive the gratuity. Before transferring even more of the employer's minimum wage obligations to the customers who frequent the employer's establishment, a fundamental question to ask is whether this is the appropriate policy choice for upholding fair labor standards among some of the Nation's most vulnerable and lowest wage workers.

DRAFT**Industry Trends**

In the past, most funeral homes were independently owned and operated, and licensed funeral directors, as independent owner-operators, were exempt from requirements to receive overtime compensation when they worked long hours. Today, licensed funeral directors who still independently own and operate the smaller funeral homes are still exempt. But we have seen a trend in recent years where larger corporate chains (some foreign-owned) are buying up the smaller, independent funeral homes to make them part of larger enterprises. Based on data from the BLS, less than one in four of the 33,000 funeral directors in 1996 were self-employed. The average (mean) wage for 25,120 employed Funeral Directors/Morticians was \$17.70 in 1996.

As employees (and not owners) of the large corporate chains, some licensed funeral directors may perform enough management and supervisory duties to qualify for exemption from overtime as "executives" of the enterprise (see discussion of "Executives" above). These large corporate chains also have many scheduling options available to them under current law which could prevent any adverse impact from overtime, and which would allow the licensed funeral directors the flexibility to spend more time with their families.

The funeral industry has become a lucrative business — \$16 Billion a year in 1996 alone.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

June 9, 1998 (SENT)
(House Rules)

STATEMENT OF ADMINISTRATION POLICY

(THIS STATEMENT HAS BEEN COORDINATED BY OMB WITH THE CONCERNED AGENCIES.)

H.R. 2888 - Sales Incentive Compensation Act (Fawell (R) II, and 52 others)

The Administration opposes H.R. 2888, because it would deny an estimated 1.5 million sales employees overtime pay when they work extra hours. The low salary guarantee provided in the bill is not fair compensation for the loss of overtime pay. In addition, the multi-test exemption in the bill as reported is overly complex. It would be extremely difficult and burdensome for employers, affected employees, and the Department of Labor to implement, and could lead to needless and costly litigation. The bill would benefit employers at the expense of employees' existing overtime protections and would remove a basic Fair Labor Standards Act principle - to limit excessive hours of work by employees and provide them just compensation for working overtime.

DRAFT

June 8, 1998

H.R. 2888, the "Sales Incentive Compensation Act"

This bill exempts, from both minimum wage and overtime pay, any covered sales employee who receives guaranteed base compensation of one-and-one-half times the current minimum wage (\$5.15 x 1.5) multiplied by 2,080, or only \$16,068.00, who also receives additional compensation based upon sales equal to 40 percent of base compensation (i.e., \$6,427.20), for total compensation of \$22,495.20. Thus, the exemption will apply if covered employees are paid slightly more than \$16,000 a year and receive about \$6,500 in commissions. Although the bill's guarantee is calculated based upon a 40-hour workweek, the exemption will apply regardless of the number of hours worked by an employee in the week.

While currently the average sales representative earns approximately \$40,000 per year in the absence of the exemption, eliminating overtime pay for all those with earnings as low as 44 percent of the average within the pay distribution will certainly lower, in the future, both total and average earnings if this proposal is enacted.

The guaranteed base compensation of \$16,068 is below the poverty level for a family of four (\$16,404). Adding sales-based compensation of \$6,430 raises the amount to only 27 percent above this poverty level.

The effects of this bill run counter to the basic principles underlying the Fair Labor Standards Act. The bill would encourage employers to work employees for excessive hours yet require no additional compensation (except for any additional commissions the employee might earn) in exchange for working the long hours. If the affected workers are to be deprived their existing rights to overtime pay under this bill, they should at least be entitled to receive in exchange a guaranteed level of compensation – at least much closer to the average earnings for this class of employees – that enables them to live beyond poverty levels.

Expanding Computer Industry Exemptions

The FLSA is the original family friendly legislation designed to protect workers who work long hours. The humanitarian purposes of the overtime requirement of the FLSA— in time and –one-half pay for hours worked over 40 hours in a week— were intended to fairly compensate employees for the burdens of working long hours. Proposals to expand the current exemption from the overtime requirements are attacks on the 40-hour workweek and a roll back of existing worker rights to fair labor standards protections.

Prior to 1990 For employees to be exempt as a learned “professional” from overtime protections, they needed to have duties that required advanced knowledge in a field obtained by specialized intellectual instruction as distinguished from a general academic education. They had to consistently exercise discretion and judgment on important matters, and be paid on a salary basis.

1990 Exemption Public Law 101-580 required computer systems analysts, computer programmers, software engineers, and similarly skilled workers to qualify for the professional exemption from overtime requirements. This was the first time the exemption was permitted for positions that did not require an advanced degree. The exemption further provided that hourly workers in the computer industry were exempt if they earned more than 6.5 times the minimum wage.

1996 Exemption In 1996, FLSA protections for the computer industry were further eroded. The exemption’s compensation test for hourly workers was frozen at the 6.5 times the “old” minimum wage (i.e. \$27.63 per hour)—so that future minimum wage increase would not apply to the compensation test for the exemption. Therefore, any minimum wage related incentive to increase the wage levels for these exempt workers into the future, which was one of the principal built in trade offs that formed the foundation for the exemption, was eliminated.

The 1999 Exemption This year the exemption being proposed is a further attack on worker’s rights to overtime after 40 hours of work. Positions that are at a lower skill level will be added to both the exemption based upon hourly rates and the exemption as a professional employee. Adding network and database analysts and designers, and carving out a new exempt category for those who manage or train employees named in the exemptions will further reduce the number of workers who receive overtime protections and continues the reduction. In addition, given the compensation test continues to be frozen at 1996 levels, fewer computer industry workers will be entitled to a 40 hour work week

DRAFT**S. 2405**

A bill to amend the Fair Labor Standards Act (FLSA) to exempt licensed funeral directors from the FLSA's minimum wage and overtime pay requirements.

According to Senator Faircloth (R-NC) when he introduced S. 2405, requiring overtime pay for licensed funeral directors forces small business owners to allocate revenues for that purpose, thereby inhibiting salaries and bonuses. He suggests that the nature of their work – on-duty or on-call 24 hours a day, seven days a week, 365 days a year – places an economic hardship on small funeral homes and the families of funeral directors. With erratic and unpredictable work hours, most licensed funeral directors would prefer the option of comp time instead of overtime pay so they can spend more time with their families, according to Senator Faircloth.

The purpose of this bill seems inconsistent with its anticipated effects on affected workers. The FLSA's overtime requirement – time-and-one-half the regular rate for hours worked over 40 in a week – is the original “family-friendly” legislation designed to protect employees who labor long hours. The humanitarian purposes in enacting the FLSA's premium pay requirements were two-fold: (1) to fairly compensate employees for the burden of working extended hours for their employer; and (2) to spread employment by placing financial pressure on employers to hire more workers.

The bill, as drafted, exempts licensed funeral directors from *both* minimum wage and overtime, although the purported focus is on the overtime impact of the FLSA on “small business owners.”

- Small, independent funeral homes grossing less than \$500,000 annually are not covered by the FLSA. Unless the funeral director regularly engages in interstate activities (e.g., ordering embalming supplies, caskets, preparing remains for shipment, etc.), he or she would not be subject to minimum wage and overtime.
- Some funeral directors may qualify for exemption as “executive” (managerial/supervisory) employees under section 13(a)(1), if their primary duty is management of the establishment, they regularly supervise at least two other employees, and they are paid a guaranteed salary of not less than certain amounts.
- Funeral homes generally are considered to be “retail or service” establishments; thus, some commission (incentive) based compensation methods would be available for funeral directors under FLSA section 7(i) which would eliminate the need for additional overtime premium pay or the need to worry about bonuses when calculating overtime pay.
- On-call time generally does not have to be paid as work time if the employee is not required to remain on the employer's premises and is required only to leave work where he or she may be reached if called into work. If an employee resides on the employer's premises, sleeping periods and other time may be excluded pursuant to an agreement.

Youth Minimum Wage

Prior law:

At the time of the 1996 Amendments to the Fair Labor Standards Act (FLSA) (enacting the last minimum wage increase), there was no youth sub-minimum wage. However, the 1989 FLSA Amendments provided for a temporary youth "training wage," which ended in 1993.

Workers under 20 could be paid a training wage of 85% of the minimum wage for the first 90 days of employment. They could be paid the same sub-minimum training wage for a second 90-day period with a **different** employer if that employer met certain on-the-job training requirements.

Current law:

The 1996 Amendments established a different youth sub-minimum wage. FLSA-covered employers may pay a sub-minimum wage of \$4.25 an hour (the minimum wage prior to the 1996 Amendments; the current minimum wage is \$5.15) to employees who are under 20 years of age during the first 90 consecutive calendar days after initial employment.

A worker can only be "initially employed" once by a given employer. However, a worker under 20 can be "initially employed" by more than one employer. Thus, a particular young worker may receive the sub-minimum wage upon initial employment by different employers, so long as the worker is less than 20 years old.

Employers are prohibited from displacing an employee (discharge or reduction in hours, wages or benefits) in order to hire someone at the youth minimum wage.

Tip Credit

Prior law:

Prior to the 1996 Amendments, an employer was required to pay tipped employees a cash wage equal to 50% of the minimum wage, and could count tips received by employees as wages to satisfy the full minimum wage. If the total of employer-paid cash wage plus tips equaled less than the full minimum wage, the employer had to make up the difference.

Current law:

The 1996 Amendments abandoned the "percent of minimum wage" approach, and froze the cash wage employers must pay at \$2.13 an hour -- the dollar amount equal to 50% of the minimum wage at the time of the amendments. If the total of employer-paid cash wage plus tips equals less than the full minimum wage, the employer must make up the difference.

Thus, under current law the amount of cash wage the employer must pay tipped employees will stay the same notwithstanding any subsequent increase in the minimum wage, so long as tips cover the difference. As the minimum wage increases, so will the amount of employee tips that the employer may count towards the minimum wage and the employer's cash wage obligation will remain fixed.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

March 8, 2000
(House Rules)

STATEMENT OF ADMINISTRATION POLICY

(THIS STATEMENT HAS BEEN COORDINATED BY OMB WITH THE CONCERNED AGENCIES.)

H.R. 3833 - Minimum Wage Increase
(Shimkus (R) Illinois)

H.R. 3832 - Small Business Tax Fairness Act
(Archer (R) Texas)

If Congress presents the President with legislation that either unacceptably delays a minimum wage increase or contains fiscally irresponsible tax cuts, the President will veto the legislation.

H.R. 3833 - Minimum Wage Increase

Congress should pass a straightforward bill to raise the minimum wage by \$1 in two equal steps, as proposed by the President. H.R. 3835, which would extend a minimum wage increase over a three-year period, would unacceptably delay the American worker's much-needed pay raise, costing a full-time, year-round worker more than \$900 over two years. The Administration strongly urges Congress to enact a minimum wage bill as proposed by the President, unencumbered by measures to repeal important overtime protections for workers or regressive, fiscally irresponsible tax cuts that threaten Social Security, Medicare, and debt reduction.

A modest increase in the minimum wage of \$1 would merely restore the real value of the minimum wage to the 1982 level. Recent history has shown that those who argue that even a reasonable increase in the minimum wage would harm the economy are wrong. Since the last minimum wage increase of 90 cents over two years, enacted in 1996, the unemployment rate has fallen from 5.2 percent to 4.1 percent -- around the lowest in 30 years -- and more than 10 million new jobs have been created. That last minimum wage increase provided a significant incentive to work, contributing to the 44 percent decline in the welfare caseload, and bringing the welfare rolls down to their lowest level in three decades. It also has been a crucial factor in contributing to rising incomes for even the poorest groups, reversing their income declines of the previous decade.

Minimum wage legislation should not be used as a vehicle to repeal important overtime protections for American workers, and the Administration would oppose adding such provisions. For example, the Administration is concerned about provisions in the bill that would repeal overtime protections for 1.5 million American sales employees, funeral workers, and computer professionals.