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IN THE SENATE OF THE UNITED STATES

OCTOBER 24, 2001

Received; read twice and referred to the Committee on Finance

NOVEMBER 9, 2001

Reported by Mr. BAUCUS, with an amendment and an amendment to the title

[Strike out all after the enacting clause and insert the part printed in italic]

AN ACT

To provide tax incentives for economic recovery.

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

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

4 (a) ~~SHORT TITLE.~~—This Act may be cited as the
5 ~~“Economic Security and Recovery Act of 2001”.~~

6 (b) ~~REFERENCES TO INTERNAL REVENUE CODE OF~~
7 ~~1986.~~—Except as otherwise expressly provided, whenever
8 in this Act an amendment or repeal is expressed in terms
9 of an amendment to, or repeal of, a section or other provi-
10 sion, the reference shall be considered to be made to a

1 section or other provision of the Internal Revenue Code
 2 of 1986.

3 (c) TABLE OF CONTENTS.—

See: 1. Short title; etc.

TITLE I—BUSINESS PROVISIONS

See: 101. Special depreciation allowance for certain property acquired after
 September 10, 2001, and before September 11, 2004.

See: 102. Temporary increase in expensing under section 179.

See: 103. Repeal of alternative minimum tax on corporations.

See: 104. Carryback of certain net operating losses allowed for 5 years.

See: 105. Recovery period for depreciation of certain leasehold improvements.

TITLE II—INDIVIDUAL PROVISIONS

See: 201. Acceleration of 25 percent individual income tax rate.

See: 202. Repeal of 5-year holding period requirement for reduced individual
 capital gains rates.

See: 203. Temporary increase in deduction for capital losses of taxpayers other
 than corporations.

See: 204. Temporary expansion of penalty-free retirement plan distributions for
 health insurance premiums of unemployed individuals.

TITLE III—EXTENSIONS OF CERTAIN EXPIRING PROVISIONS

Subtitle A—Two-Year Extensions

See: 301. Allowance of nonrefundable personal credits against regular and min-
 imum tax liability.

See: 302. Credit for qualified electric vehicles.

See: 303. Credit for electricity produced from renewable resources.

See: 304. Work opportunity credit.

See: 305. Welfare-to-work credit.

See: 306. Deduction for clean-fuel vehicles and certain refueling property.

See: 307. Taxable income limit on percentage depletion for oil and natural gas
 produced from marginal properties.

See: 308. Qualified zone academy bonds.

See: 309. Cover over of tax on distilled spirits.

See: 310. Parity in the application of certain limits to mental health benefits.

See: 311. Delay in effective date of requirement for approved diesel or kerosene
 terminals.

Subtitle B—One-Year Extensions

See: 321. One-year extension of availability of medical savings accounts.

Subtitle C—Permanent Extensions

See: 331. Subpart F exemption for active financing.

Subtitle D—Other Provisions

See: 341. Excluded cancellation of indebtedness income of S corporation not to
 result in adjustment to basis of stock of shareholders.

Sec. 342. Limitation on use of nonaccrual experience method of accounting.

TITLE IV—SUPPLEMENTAL REBATE; OTHER PROVISIONS

Sec. 401. Supplemental rebate.

Sec. 402. Special Reed Act transfer in fiscal year 2002.

TITLE V—HEALTH CARE ASSISTANCE FOR THE UNEMPLOYED

Sec. 501. Health care assistance for the unemployed.

1 TITLE I—BUSINESS PROVISIONS

2 SEC. 101. SPECIAL DEPRECIATION ALLOWANCE FOR CER-
3 TAIN PROPERTY ACQUIRED AFTER SEP-
4 TEMBER 10, 2001, AND BEFORE SEPTEMBER
5 11, 2004.

6 (a) IN GENERAL.—Section 168 (relating to acceler-
 7 ated cost recovery system) is amended by adding at the
 8 end the following new subsection:

9 “(k) SPECIAL ALLOWANCE FOR CERTAIN PROPERTY
 10 ACQUIRED AFTER SEPTEMBER 10, 2001, AND BEFORE
 11 SEPTEMBER 11, 2004.—

12 “(1) ADDITIONAL ALLOWANCE.—In the case of
 13 any qualified property—

14 “(A) the depreciation deduction provided
 15 by section 167(a) for the taxable year in which
 16 such property is placed in service shall include
 17 an allowance equal to 30 percent of the ad-
 18 justed basis of the qualified property, and

19 “(B) the adjusted basis of the qualified
 20 property shall be reduced by the amount of
 21 such deduction before computing the amount

1 otherwise allowable as a depreciation deduction
2 under this chapter for such taxable year and
3 any subsequent taxable year.

4 ~~“(2) QUALIFIED PROPERTY.—~~For purposes of
5 this subsection—

6 ~~“(A) IN GENERAL.—~~The term ‘qualified
7 property’ means property—

8 ~~“(i)(I) to which this section applies~~
9 ~~which has a recovery period of 20 years or~~
10 ~~less or which is water utility property, or~~

11 ~~“(II) which is computer software (as~~
12 ~~defined in section 167(f)(1)(B)) for which~~
13 ~~a deduction is allowable under section~~
14 ~~167(a) without regard to this subsection,~~

15 ~~“(ii) the original use of which com-~~
16 ~~mences with the taxpayer after September~~
17 ~~10, 2001,~~

18 ~~“(iii) which is—~~

19 ~~“(I) acquired by the taxpayer~~
20 ~~after September 10, 2001, and before~~
21 ~~September 11, 2004, but only if no~~
22 ~~written binding contract for the acqui-~~
23 ~~sition was in effect before September~~
24 ~~11, 2001, or~~

1 “(H) acquired by the taxpayer
2 pursuant to a written binding contract
3 which was entered into after Sep-
4 tember 10, 2001, and before Sep-
5 tember 11, 2004, and

6 “(iv) which is placed in service by the
7 taxpayer before January 1, 2005.

8 “(B) EXCEPTIONS.—

9 “(i) ALTERNATIVE DEPRECIATION
10 PROPERTY.—The term ‘qualified property’
11 shall not include any property to which the
12 alternative depreciation system under sub-
13 section (g) applies, determined—

14 “(I) without regard to paragraph
15 (7) of subsection (g) (relating to elec-
16 tion to have system apply), and

17 “(II) after application of section
18 280F(b) (relating to listed property
19 with limited business use).

20 “(ii) ELECTION OUT.—If a taxpayer
21 makes an election under this clause with
22 respect to any class of property for any
23 taxable year, this subsection shall not
24 apply to all property in such class placed
25 in service during such taxable year.

1 ~~“(iii) REPAIRED OR RECONSTRUCTED~~
2 ~~PROPERTY.—~~Except as otherwise provided
3 ~~in regulations,~~ the term ‘qualified property’
4 ~~shall not include any repaired or recon-~~
5 ~~structed property.~~

6 ~~“(iv) QUALIFIED LEASEHOLD IM-~~
7 ~~PROVEMENT PROPERTY.—~~The term ‘quali-
8 ~~fied property’ shall not include any quali-~~
9 ~~fied leasehold improvement property (as~~
10 ~~defined in section 168(e)(6)).~~

11 ~~“(C) SPECIAL RULES RELATING TO ORIGI-~~
12 ~~NAL USE.—~~

13 ~~“(i) SELF-CONSTRUCTED PROP-~~
14 ~~ERTY.—~~In the case of a taxpayer manufac-
15 ~~turing, constructing, or producing property~~
16 ~~for the taxpayer’s own use, the require-~~
17 ~~ments of clause (iii) of subparagraph (A)~~
18 ~~shall be treated as met if the taxpayer be-~~
19 ~~gins manufacturing, constructing, or pro-~~
20 ~~ducing the property after September 10,~~
21 ~~2001, and before September 11, 2004.~~

22 ~~“(ii) SALE-LEASEBACKS.—~~For pur-
23 ~~poses of subparagraph (A)(ii), if~~
24 ~~property—~~

1 “(I) is originally placed in service
2 after September 10, 2001, by a per-
3 son, and

4 “(II) sold and leased back by
5 such person within 3 months after the
6 date such property was originally
7 placed in service,

8 such property shall be treated as originally
9 placed in service not earlier than the date
10 on which such property is used under the
11 leaseback referred to in subclause (II).

12 “(D) COORDINATION WITH SECTION
13 280F.—For purposes of section 280F—

14 “(i) AUTOMOBILES.—In the case of a
15 passenger automobile (as defined in section
16 280F(d)(5)) which is qualified property,
17 the Secretary shall increase the limitation
18 under section 280F(a)(1)(A)(i) by \$4,600.

19 “(ii) LISTED PROPERTY.—The deduc-
20 tion allowable under paragraph (1) shall be
21 taken into account in computing any re-
22 capture amount under section
23 280F(b)(2).”

24 (b) ALLOWANCE AGAINST ALTERNATIVE MINIMUM
25 TAX.—

1 (1) ~~IN GENERAL.~~—Section 56(a)(1)(A) (relat-
 2 ing to depreciation adjustment for alternative min-
 3 imum tax) is amended by adding at the end the fol-
 4 lowing new clause:

5 “(iii) ~~ADDITIONAL ALLOWANCE FOR~~
 6 CERTAIN PROPERTY ACQUIRED AFTER SEP-
 7 TEMBER 10, 2001, AND BEFORE SEP-
 8 TEMBER 11, 2004.—The deduction under
 9 section 168(k) shall be allowed.”

10 (2) ~~CONFORMING AMENDMENT.~~—Clause (i) of
 11 section 56(a)(1)(A) is amended by striking “clause
 12 (ii)” both places it appears and inserting “clauses
 13 (ii) and (iii)”.

14 (e) ~~EFFECTIVE DATE.~~—The amendments made by
 15 this section shall apply to property placed in service after
 16 September 10, 2001, in taxable years ending after such
 17 date.

18 **SEC. 102. TEMPORARY INCREASE IN EXPENSING UNDER**
 19 **SECTION 179.**

20 (a) ~~IN GENERAL.~~—The table contained in section
 21 179(b)(1) (relating to dollar limitation) is amended to
 22 read as follows:

“If the taxable year begins in:	The applicable amount is:
2001	\$24,000
2002 or 2003	\$35,000
2004 or thereafter	\$25,000.”

1 (b) TEMPORARY INCREASE IN AMOUNT OF PROP-
 2 ERTY TRIGGERING PHASEOUT OF MAXIMUM BENEFIT.—
 3 Paragraph (2) of section 179(b) is amended by inserting
 4 before the period “(\$225,000 in the case of taxable years
 5 beginning during 2002 or 2003)”.

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

9 **SEC. 103. REPEAL OF ALTERNATIVE MINIMUM TAX ON COR-**
 10 **PORATIONS.**

11 (a) IN GENERAL.—So much of section 55 as precedes
 12 subsection (b)(2) is amended to read as follows:

13 **“SEC. 55. ALTERNATIVE MINIMUM TAX FOR TAXPAYERS**
 14 **OTHER THAN CORPORATIONS.**

15 “(a) IN GENERAL.—In the case of a taxpayer other
 16 than a corporation, there is hereby imposed (in addition
 17 to any other tax imposed by this subtitle) a tax equal to
 18 the excess (if any) of—

19 “(1) the tentative minimum tax for the taxable
 20 year, over

21 “(2) the regular tax for the taxable year.

22 “(b) TENTATIVE MINIMUM TAX.—For purposes of
 23 this part—

24 “(1) AMOUNT OF TENTATIVE TAX.—

1 “(A) IN GENERAL.—The tentative minimum tax for the taxable year is the sum of—

2 “(i) 26 percent of so much of the taxable excess as does not exceed \$175,000;

3 plus

4 “(ii) 28 percent of so much of the taxable excess as exceeds \$175,000.

5 The amount determined under the preceding sentence shall be reduced by the alternative minimum tax foreign tax credit for the taxable year.

6 “(B) TAXABLE EXCESS.—For purposes of this subsection, the term ‘taxable excess’ means so much of the alternative minimum taxable income for the taxable year as exceeds the exemption amount.

7 “(C) MARRIED INDIVIDUAL FILING SEPARATE RETURN.—In the case of a married individual filing a separate return, clause (i) shall be applied by substituting ‘\$87,500’ for ‘\$175,000’ each place it appears. For purposes of the preceding sentence, marital status shall be determined under section 7703.”

8 (b) CONFORMING AMENDMENTS.—

1 (1) Paragraph (3) of section 55(b) is amended
2 by striking “paragraph (1)(A)(i)” and inserting
3 “paragraph (1)(A)”.

4 (2) Paragraph (1) of section 55(c) is amended
5 by striking “, the section 936 credit allowable under
6 section 27(b); and the Puerto Rico economic activity
7 credit under section 30A”.

8 (3)(A) Paragraph (1) of section 55(d) is
9 amended by—

10 (i) by striking “FOR TAXPAYERS OTHER
11 THAN CORPORATIONS” in the heading; and

12 (ii) by striking “In the case of a taxpayer
13 other than a corporation; the” and inserting
14 “The”.

15 (B) Section 55(d) is amended by striking para-
16 graph (2) and by redesignating paragraph (3) as
17 paragraph (2).

18 (C) Subparagraph (A) of section 55(d)(2), as so
19 redesignated is amended by striking “or (2)”.

20 (4) Section 55 is amended by striking sub-
21 section (e).

22 (5)(A) The designation and heading for sub-
23 section (a) of section 56 is amended to read as fol-
24 lows:

25 “(a) GENERAL RULES.—”.

1 (B) Paragraph (1) of section 56(a) is amended
2 by striking subparagraph (D).

3 (C) Paragraph (6) of section 56(a) is
4 amended—

5 (i) by striking “paragraph (2) or sub-
6 section (b)(2)” and inserting “paragraph (2) or
7 (9)”, and

8 (ii) by striking “or (5), or subsection
9 (b)(2)” and inserting “(5), or (9)”.

10 (6)(A) Subsection (b) of section 56 is amended
11 by striking so much of such subsection as precedes
12 paragraph (1) and by redesignating paragraphs (1),
13 (2), and (3) as paragraphs (8), (9), and (10), re-
14 spectively, of subsection (a).

15 (B) Paragraph (9) of section 56(a), as so redес-
16 igned, is amended by striking subparagraph (C)
17 and by redesignating subparagraph (D) as subpara-
18 graph (C).

19 (7) Section 56 is amended by striking sub-
20 sections (e) and (g) and by redesignating subsections
21 (d) and (e) as subsections (b) and (c), respectively.

22 (8) Subparagraph (E) of section 57(a)(2) is
23 amended—

24 (A) by striking “FOR INDEPENDENT PRO-
25 DUCERS” in the heading, and

1 (B) by striking clause (i) and inserting the
2 following new clause:

3 “(i) IN GENERAL.—This paragraph
4 shall not apply to any taxable year begin-
5 ning after December 31, 1992.”

6 (9) Subsection (a) of section 58 is amended by
7 striking paragraph (3) and by redesignating para-
8 graph (4) as paragraph (3).

9 (10)(A) Section 59 is amended by striking sub-
10 sections (b) and (f) and by redesignating subsections
11 (c), (d), (e), (g), (h), (i), and (j) as subsections (b),
12 (c), (d), (e), (f), (g), and (h), respectively.

13 (B) Paragraph (2) of section 59(d), as so redesi-
14 gnated, is amended by striking “(determined with-
15 out regard to section 291)”.

16 (C) Sections 173(b), 174(f)(2), 263(e),
17 263A(e)(6), 616(e), 617(i), and 1016(a)(20) are
18 each amended by striking “59(c)” each place it ap-
19 pears and inserting “59(d)”.

20 (11) Subsection (d) of section 11 is amended by
21 striking “the taxes imposed by subsection (a) and
22 section 55” and inserting “the tax imposed by sub-
23 section (a)”.

24 (12) Section 12 is amended by striking para-
25 graph (7).

1 (13) Paragraph (6) of section 29(b) is amended
2 to read as follows:

3 “~~(6) APPLICATION WITH OTHER CREDITS.—~~
4 The credit allowed by subsection (a) for any taxable
5 year shall not exceed the excess (if any) of the reg-
6 ular tax for the taxable year reduced by the sum of
7 the credits allowable under subpart A and section
8 27. In the case of a taxpayer other than a corpora-
9 tion, such excess shall be further reduced (but not
10 below zero) by the tentative minimum tax for the
11 taxable year.”

12 (14) Paragraph (3) of section 30(b) is amended
13 to read as follows:

14 “~~(3) APPLICATION WITH OTHER CREDITS.—~~
15 The credit allowed by subsection (a) for any taxable
16 year shall not exceed the excess (if any) of the reg-
17 ular tax for the taxable year reduced by the sum of
18 the credits allowable under subpart A and sections
19 27 and 29. In the case of a taxpayer other than a
20 corporation, such excess shall be further reduced
21 (but not below zero) by the tentative minimum tax
22 for the taxable year.”

23 (15)(A) Paragraph (1) of section 38(e) is
24 amended to read as follows:

25 “~~(1) IN GENERAL.—~~

1 “(A) CORPORATIONS.—In the case of a
2 corporation, the credit allowed under subsection
3 (a) for any taxable year shall not exceed the ex-
4 cess (if any) of the taxpayer’s net income tax
5 over 25 percent of so much of the taxpayer’s
6 net regular tax liability as exceeds \$25,000.

7 “(B) TAXPAYERS OTHER THAN CORPORA-
8 TIONS.—In the case of a taxpayer other than a
9 corporation, the credit allowed under subsection
10 (a) for any taxable year shall not exceed the ex-
11 cess (if any) of the taxpayer’s net income tax
12 over the greater of—

13 “(i) the tentative minimum tax for the
14 taxable year, or

15 “(ii) 25 percent of so much of the tax-
16 payer’s net regular tax liability as exceeds
17 \$25,000.

18 “(C) DEFINITIONS.—For purposes of this
19 paragraph—

20 “(i) the term ‘net income tax’ means
21 the sum of the regular tax liability and the
22 tax imposed by section 55, reduced by the
23 credits allowable under subparts A and B
24 of this part, and

1 “(ii) the term ‘net regular tax liability’ means the regular tax liability reduced
2 by the sum of the credits allowable under
3 subparts A and B of this part.”

4
5 (B) Clause (ii) of section 38(e)(2)(A) is amended to read as follows:

6
7 “(ii) for purposes of applying paragraph (1) to such credit—

8
9 “(I) the applicable limitation
10 under paragraph (1) (as modified by
11 subclause (II) in the case of a taxpayer other than a corporation) shall
12 be reduced by the credit allowed
13 under subsection (a) for the taxable
14 year (other than the empowerment
15 zone employment credit); and

16
17 “(II) in the case of a taxpayer
18 other than a corporation, 75 percent
19 of the tentative minimum tax shall be
20 substituted for the tentative minimum
21 tax under subparagraph (B)(i) thereof.”

22
23 (C) Paragraph (3) of section 38(e) is amended
24 by striking “subparagraph (B) of” each place it appears.
25

1 (16)(A) Subclause (I) of section 53(d)(1)(B)(ii)
2 is amended by striking “subsection (b)(1)” and in-
3 serting “subsection (a)(8)”.

4 (B) Clause (iv) of section 53(d)(1)(B) is hereby
5 repealed.

6 (17)(A) Part VII of subchapter A of chapter 1
7 is hereby repealed.

8 (B) The table of parts for subchapter A of
9 chapter 1 is amended by striking the item relating
10 to part VII.

11 (C) Paragraph (2) of section 26(b) is amended
12 by striking subparagraph (B) and by redesignating
13 the succeeding subparagraphs accordingly.

14 (D) Subsection (e) of section 30A is amended
15 by striking paragraph (1) and redesignating the suc-
16 ceeding paragraphs accordingly.

17 (E) Subsection (a) of section 164 is amended
18 by striking paragraph (5).

19 (F) Subsection (a) of section 275 is amended
20 by striking “Paragraph (1) shall not apply to the
21 tax imposed by section 59A.”

22 (G) Paragraph (1) of section 882(a) is amended
23 by striking “59A.”

1 (H) Paragraph (3) of section 936(a) is amend-
2 ed by striking subparagraph (A) and redesignating
3 the succeeding subparagraphs accordingly.

4 (I) Subsection (a) of section 1561 is amended
5 by adding “and” at the end of paragraph (2), by
6 striking “, and” at the end of paragraph (3) and in-
7 serting a period, and by striking paragraph (4).

8 (J) Subparagraph (A) of section 6425(e)(1) is
9 amended by adding “plus” at the end of clause (i),
10 by striking “plus” at the end of clause (ii) and in-
11 serting “over”, and by striking clause (iii).

12 (18) Section 382(l) (relating to limitation on
13 net operating loss carryforwards and certain built-in
14 losses following ownership change) is amended by
15 striking paragraph (7) and by redesignating para-
16 graph (8) as paragraph (7).

17 (19) Paragraph (2) of section 815(e) (relating
18 to distributions to shareholders from pre-1984 pol-
19 icyholders surplus account) is amended by striking
20 the last sentence.

21 (20) Section 847 (relating to special estimated
22 tax payments) is amended—

23 (A) in paragraph (9), by striking the last
24 sentence; and

1 ~~(B)~~ in paragraph ~~(10)~~, by inserting “and”
2 at the end of subparagraph (A) and by striking
3 subparagraph ~~(B)~~ and redesignating subpara-
4 graph ~~(C)~~ as subparagraph ~~(B)~~.

5 ~~(21)~~ Section 848 (relating to capitalization of
6 certain policy acquisition expenses) is amended by
7 striking subsection (i) and by redesignating sub-
8 section (j) as subsection (i).

9 ~~(22)~~ Paragraph ~~(1)~~ of section 882(a) (relating
10 to tax on income of foreign corporations connected
11 with United States business) is amended by striking
12 “55,”.

13 ~~(23)~~ Paragraph ~~(1)~~ of section 962(a) (relating
14 to election by individuals to be subject to tax at cor-
15 porate rates) is amended by striking “sections 11
16 and 55” and inserting “section 11”.

17 ~~(24)~~ Subsection ~~(a)~~ of section 1561 (relating to
18 limitations on certain multiple tax benefits in the
19 case of certain controlled corporations) is amended
20 by striking the last sentence.

21 ~~(25)~~ Subparagraph ~~(A)~~ of section 6425(c)(1)
22 (defining income tax liability), as amended by para-
23 graph ~~(17)~~ is amended to read as follows:

1 “~~(A)~~ the tax imposed by section ~~11~~ or
2 ~~1201(a)~~, or subchapter ~~L~~ of chapter ~~1~~, which-
3 ever is applicable, ~~over~~”.

4 ~~(26)(A)~~ Paragraph ~~(2)~~ of section ~~6655(e)~~ is
5 amended—

6 (i) by striking “, alternative minimum tax-
7 able income, and modified alternative minimum
8 taxable income” each place it appears in sub-
9 paragraphs ~~(A)~~ and ~~(B)(i)~~, and

10 (ii) by striking clause (iii) of subparagraph
11 ~~(B)~~.

12 ~~(B)~~ Subparagraph ~~(A)~~ of section ~~6655(g)(1)~~
13 (relating to failure by corporation to pay estimated
14 income tax), is amended to read as follows:

15 “~~(A)~~ the sum of—

16 “~~(i)~~ the tax imposed by section ~~11~~ or
17 ~~1201(a)~~, or subchapter ~~L~~ of chapter ~~1~~,
18 whichever applies, plus

19 “~~(ii)~~ the tax imposed by section ~~887~~,
20 ~~over~~”.

21 ~~(27)~~ The table of sections for part ~~VI~~ of sub-
22 chapter ~~A~~ of chapter ~~1~~ is amended by striking the
23 item relating to section ~~55~~ and inserting the fol-
24 lowing new item:

“Sec. ~~55~~. Alternative minimum tax for taxpayers other than cor-
porations.”

1 (e) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 2000.

4 (d) REFUND OF UNUSED MINIMUM TAX CREDIT.—

5 (1) IN GENERAL.—In the case of a
6 corporation—

7 (A) section 53(e) of the Internal Revenue
8 Code of 1986 shall not apply to such corpora-
9 tion's first taxable year beginning after Decem-
10 ber 31, 2000, and

11 (B) for purposes of such Code (other than
12 section 53 of such Code), the credit allowed by
13 section 53 of such Code for such first taxable
14 year shall be treated as if it were allowed by
15 subpart C of part IV of subchapter A of chap-
16 ter 1 of such Code (relating to refundable cred-
17 its).

18 (2) SPECIAL RULES RELATING TO
19 CARRYBACKS.—In the case of a carryback of a cor-
20 poration from a taxable year beginning after Decem-
21 ber 31, 2000, to a taxable year beginning before
22 January 1, 2001—

23 (A) the tax imposed by section 55 of such
24 Code shall not be increased or decreased by rea-
25 son of such a carryback,

1 (B) tentative minimum tax shall not be in-
 2 creased or decreased by reason of such a
 3 carryback for purposes of determining the
 4 amount of any credit other than the credit al-
 5 lowed by section 38, and

6 (C) the amount of such a carryback which
 7 is taken into account in determining tentative
 8 minimum tax for purposes of section 38(e) shall
 9 be the amount of such carryback which is taken
 10 into account in determining regular tax liability.

11 **SEC. 104. CARRYBACK OF CERTAIN NET OPERATING**
 12 **LOSSES ALLOWED FOR 5 YEARS.**

13 (a) **IN GENERAL.**—Paragraph (1) of section 172(b)
 14 (relating to years to which loss may be carried) is amended
 15 by adding at the end the following new subparagraph:

16 “(H) In the case of a taxpayer which has
 17 a net operating loss for any taxable year ending
 18 after September 10, 2001, and before Sep-
 19 tember 11, 2004, subparagraph (A)(i) shall be
 20 applied by substituting ‘5’ for ‘2’ and subpara-
 21 graph (F) shall not apply.”.

22 (b) **ELECTION TO DISREGARD 5-YEAR**
 23 **CARRYBACK.**—Section 172 (relating to net operating loss
 24 deduction) is amended by redesignating subsection (j) as

1 subsection (k) and by inserting after subsection (i) the fol-
 2 lowing new subsection:

3 “(j) ~~ELECTION TO DISREGARD 5-YEAR CARRYBACK~~
 4 ~~FOR CERTAIN NET OPERATING LOSSES.~~—Any taxpayer
 5 entitled to a 5-year carryback under subsection (b)(1)(H)
 6 from any loss year may elect to have the carryback period
 7 with respect to such loss year determined without regard
 8 to subsection (b)(1)(H). Such election shall be made in
 9 such manner as may be prescribed by the Secretary and
 10 shall be made by the due date (including extensions of
 11 time) for filing the taxpayer’s return for the taxable year
 12 of the net operating loss. Such election, once made for any
 13 taxable year, shall be irrevocable for such taxable year.”.

14 “(e) ~~TEMPORARY SUSPENSION OF 90 PERCENT LIMIT~~
 15 ~~ON CERTAIN NOL CARRYBACKS.~~—Subparagraph (A) of
 16 section 56(b)(1) (relating to general rule defining alter-
 17 native tax net operating loss deduction), as amended by
 18 section 103, is amended to read as follows:

19 “(A) the amount of such deduction shall
 20 not exceed the sum of—

21 “(i) the lesser of—

22 “(I) the amount of such deduc-
 23 tion attributable to net operating
 24 losses (other than the deduction at-

1 tributable to carrybacks described in
2 clause (ii)(I)), or

3 ~~“(H) 90 percent of alternate~~
4 minimum taxable income determined
5 without regard to such deduction, plus
6 ~~“(ii) the lesser of—~~

7 ~~“(I) the amount of such deduc-~~
8 tion attributable to carrybacks of net
9 operating losses for taxable years end-
10 ing after September 10, 2001, and be-
11 fore September 11, 2004, or

12 ~~“(H) alternate minimum taxable~~
13 income determined without regard to
14 such deduction reduced by the amount
15 determined under clause (i), and”.

16 (d) **EFFECTIVE DATE.**—The amendments made by
17 this section shall apply to net operating losses for taxable
18 years ending after September 10, 2001.

19 **SEC. 105. RECOVERY PERIOD FOR DEPRECIATION OF CER-**
20 **TAIN LEASEHOLD IMPROVEMENTS.**

21 (a) **15-YEAR RECOVERY PERIOD.**—Subparagraph
22 ~~(E)~~ of section 168(c)(3) (relating to 15-year property) is
23 amended by striking “and” at the end of clause (ii), by
24 striking the period at the end of clause (iii) and inserting

1 “, and”, and by adding at the end the following new
2 clause:

3 “(iv) any qualified leasehold improve-
4 ment property.”

5 (b) QUALIFIED LEASEHOLD IMPROVEMENT PROP-
6 erty.—Subsection (c) of section 168 is amended by add-
7 ing at the end the following new paragraph:

8 “(6) QUALIFIED LEASEHOLD IMPROVEMENT
9 PROPERTY.—

10 “(A) IN GENERAL.—The term ‘qualified
11 leasehold improvement property’ means any im-
12 provement to an interior portion of a building
13 which is nonresidential real property if—

14 “(i) such improvement is made under
15 or pursuant to a lease (as defined in sub-
16 section (h)(7))—

17 “(I) by the lessee (or any subles-
18 see) of such portion, or

19 “(II) by the lessor of such por-
20 tion,

21 “(ii) such portion is to be occupied ex-
22 clusively by the lessee (or any sublessee) of
23 such portion, and

1 ~~“(iii) such improvement is placed in~~
2 ~~service more than 3 years after the date~~
3 ~~the building was first placed in service.~~

4 ~~“(B) CERTAIN IMPROVEMENTS NOT IN-~~
5 ~~CLUDED.—Such term shall not include any im-~~
6 ~~provement for which the expenditure is attrib-~~
7 ~~utable to—~~

8 ~~“(i) the enlargement of the building,~~

9 ~~“(ii) any elevator or escalator,~~

10 ~~“(iii) any structural component bene-~~
11 ~~fitting a common area, and~~

12 ~~“(iv) the internal structural frame-~~
13 ~~work of the building.~~

14 ~~“(C) DEFINITIONS AND SPECIAL RULES.—~~

15 ~~For purposes of this paragraph—~~

16 ~~“(i) COMMITMENT TO LEASE TREAT-~~
17 ~~ED AS LEASE.—A commitment to enter~~
18 ~~into a lease shall be treated as a lease, and~~
19 ~~the parties to such commitment shall be~~
20 ~~treated as lessor and lessee, respectively.~~

21 ~~“(ii) RELATED PERSONS.—A lease be-~~
22 ~~tween related persons shall not be consid-~~
23 ~~ered a lease. For purposes of the preceding~~
24 ~~sentence, the term ‘related persons’~~
25 ~~means—~~

1 “(I) members of an affiliated
2 group (as defined in section 1504),
3 and

4 “(II) persons having a relation-
5 ship described in subsection (b) of
6 section 267; except that, for purposes
7 of this clause, the phrase ‘80 percent
8 or more’ shall be substituted for the
9 phrase ‘more than 50 percent’ each
10 place it appears in such subsection.

11 “(D) IMPROVEMENTS MADE BY LESSOR.—

12 “(i) IN GENERAL.—In the case of an
13 improvement made by the person who was
14 the lessor of such improvement when such
15 improvement was placed in service, such
16 improvement shall be qualified leasehold
17 improvement property (if at all) only so
18 long as such improvement is held by such
19 person.

20 “(ii) EXCEPTION FOR CHANGES IN
21 FORM OF BUSINESS.—Property shall not
22 cease to be qualified leasehold improve-
23 ment property under clause (i) by reason
24 of—

25 “(I) death,

1 “(II) a transaction to which sec-
2 tion 381(a) applies; or

3 “(III) a mere change in the form
4 of conducting the trade or business so
5 long as the property is retained in
6 such trade or business as qualified
7 leasehold improvement property and
8 the taxpayer retains a substantial in-
9 terest in such trade or business.”

10 (e) REQUIREMENT TO USE STRAIGHT LINE METH-
11 OD.—Paragraph (3) of section 168(b) is amended by add-
12 ing at the end the following new subparagraph:

13 “(G) Qualified leasehold improvement property
14 described in subsection (e)(6).”

15 (d) ALTERNATIVE SYSTEM.—The table contained in
16 section 168(g)(3)(B) is amended by adding at the end the
17 following new item:

 “(E)(iv) 15”

18 (e) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to qualified leasehold improvement
20 property placed in service after September 10, 2001.

1 **TITLE II—INDIVIDUAL**
2 **PROVISIONS**

3 **SEC. 201. ACCELERATION OF 25 PERCENT INDIVIDUAL IN-**
4 **COME TAX RATE.**

5 (a) **IN GENERAL.**—The table contained in paragraph
6 (2) of section 1(i) (relating to reductions in rates after
7 June 30, 2001) is amended—

8 (1) by striking “27.0%” and inserting
9 “25.0%”, and

10 (2) by striking “26.0%” and inserting
11 “25.0%”.

12 (b) **REDUCTION NOT TO INCREASE MINIMUM TAX.**—

13 (1) Subparagraph (A) of section 55(d)(1) is
14 amended by striking “(\$49,000 in the case of tax-
15 able years beginning in 2001, 2002, 2003, and
16 2004)” and inserting “(\$49,000 in the case of tax-
17 able years beginning in 2001, \$52,200 in the case of
18 taxable years beginning in 2002 or 2003, and
19 \$50,700 in the case of taxable years beginning in
20 2004)”.

21 (2) Subparagraph (B) of section 55(d)(1) is
22 amended by striking “(\$35,750 in the case of tax-
23 able years beginning in 2001, 2002, 2003, and
24 2004)” and inserting “(\$35,750 in the case of tax-
25 able years beginning in 2001, \$37,350 in the case of

1 taxable years beginning in 2002 or 2003, and
 2 \$36,600 in the case of taxable years beginning in
 3 2004”.

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

7 (d) SECTION 15 NOT TO APPLY.—No amendment
 8 made by this section shall be treated as a change in a
 9 rate of tax for purposes of section 15 of the Internal Rev-
 10 enue Code of 1986 :

11 **SEC. 202. REPEAL OF 5-YEAR HOLDING PERIOD REQUIRE-**
 12 **MENT FOR REDUCED INDIVIDUAL CAPITAL**
 13 **GAINS RATES.**

14 (a) IN GENERAL.—

15 (1) Sections 1(h)(1)(B) and 55(b)(3)(B) are
 16 each amended by striking “10 percent” and insert-
 17 ing “8 percent”.

18 (2) The following sections are each amended by
 19 striking “20 percent” and inserting “18 percent”:

20 (A) Section 1(h)(1)(C).

21 (B) Section 55(b)(3)(C).

22 (C) Section 1445(e)(1).

23 (D) The second sentence of section
 24 7518(g)(6)(A).

1 (E) The second sentence of section
2 607(h)(6)(A) of the Merchant Marine Act,
3 1936.

4 (b) CONFORMING AMENDMENTS.—

5 (1) Subsection (e) of section 311 of the Tax-
6 payer Relief Act of 1997 is repealed.

7 (2) Section 1(h) is amended—

8 (A) by striking paragraphs (2) and (9),

9 (B) by redesignating paragraphs (3)
10 through (8) as paragraphs (2) through (7), re-
11 spectively, and

12 (C) by redesignating paragraphs (10),
13 (11), and (12) as paragraphs (8), (9), and (10),
14 respectively.

15 (3) Paragraph (3) of section 55(b) is amended
16 by striking “In the case of taxable years beginning
17 after December 31, 2000, rules similar to the rules
18 of section 1(h)(2) shall apply for purposes of sub-
19 paragraphs (B) and (C).”.

20 (4) Paragraph (7) of section 57(a) is amended
21 by striking the last sentence and by striking “42
22 percent” and inserting “28 percent”.

23 (e) TRANSITIONAL RULES FOR TAXABLE YEARS
24 WHICH INCLUDE OCTOBER 12, 2001.—For purposes of
25 applying section 1(h) of the Internal Revenue Code of

1 1986 in the case of a taxable year which includes October
2 12, 2001—

3 (1) The amount of tax determined under sub-
4 paragraph (B) of section 1(h)(1) of such Code shall
5 be the sum of—

6 (A) 8 percent of the lesser of—

7 (i) the sum of—

8 (I) the net capital gain taking
9 into account only gain or loss properly
10 taken into account for the portion of
11 the taxable year on or after October
12 12, (determined without regard to col-
13 lectibles gain or loss, gain described in
14 section (1)(h)(6)(A)(i) of such Code,
15 and section 1202 gain), and

16 (II) the qualified 5-year gain (as
17 defined in section 1(h)(9) of the Inter-
18 nal Revenue Code of 1986, as in ef-
19 fect on the day before the date of the
20 enactment of this Act) properly taken
21 into account for the portion of the
22 taxable year before October 12, 2001,
23 or

1 (ii) the amount on which a tax is de-
2 termined under such subparagraph (with-
3 out regard to this subsection); plus

4 ~~(B) 10 percent of the excess (if any) of—~~

5 (i) the amount on which a tax is de-
6 termined under such subparagraph (with-
7 out regard to this subsection); over

8 (ii) the amount on which a tax is de-
9 termined under subparagraph ~~(A)~~.

10 ~~(2) The amount of tax determined under sub-~~
11 ~~paragraph (C) of section (1)(h)(1) of such Code~~
12 ~~shall be the sum of—~~

13 ~~(A) 18 percent of the lesser of—~~

14 (i) the excess (if any) of the amount
15 of net capital gain determined under sub-
16 paragraph ~~(A)(i)(I)~~ of paragraph ~~(1)~~ of
17 this subsection over the amount on which
18 a tax is determined under subparagraph
19 ~~(A)~~ of paragraph ~~(1)~~ of this subsection; or

20 (ii) the amount on which a tax is de-
21 termined under such subparagraph ~~(C)~~
22 ~~(without regard to this subsection); plus~~

23 ~~(B) 20 percent of the excess (if any) of—~~

1 (i) the amount on which a tax is de-
2 termined under such subparagraph (C)
3 (without regard to this subsection); over

4 (ii) the amount on which a tax is de-
5 termined under subparagraph (A) of this
6 paragraph.

7 ~~(3) For purposes of applying section 55(b)(3)~~
8 ~~of such Code, rules similar to the rules of para-~~
9 ~~graphs (1) and (2) of this subsection shall apply.~~

10 (4) In applying this subsection with respect to
11 any pass-thru entity, the determination of when
12 gains and loss are properly taken into account shall
13 be made at the entity level.

14 (5) Terms used in this subsection which are
15 also used in section 1(h) of such Code shall have the
16 respective meanings that such terms have in such
17 section.

18 ~~(d) EFFECTIVE DATES.—~~

19 ~~(1) IN GENERAL.—~~Except as otherwise pro-
20 vided by this subsection, the amendments made by
21 this section shall apply to taxable years ending on or
22 after October 12, 2001.

23 (2) WITHHOLDING.—The amendment made by
24 subsection ~~(a)(2)(C)~~ shall apply to amounts paid
25 after the date of the enactment of this Act.

1 (3) ~~ELECTION TO RECOGNIZE GAIN ON ASSETS~~
 2 ~~HELD ON JANUARY 1, 2001.~~—The repeal made by
 3 subsection (b)(1) shall take effect as if included in
 4 section ~~311~~ of the Taxpayer Relief Act of 1997, and
 5 the Internal Revenue Code of 1986 shall be applied
 6 and administered as if subsection (c) of such section
 7 ~~311~~ had never been enacted.

8 (4) ~~SMALL BUSINESS STOCK.~~—The amend-
 9 ments made by subsection (b)(4) shall apply to dis-
 10 positions on or after October 12, 2001.

11 **SEC. 203. TEMPORARY INCREASE IN DEDUCTION FOR CAP-**
 12 **ITAL LOSSES OF TAXPAYERS OTHER THAN**
 13 **CORPORATIONS.**

14 (a) ~~IN GENERAL.~~—Subsection (b) of section 1211
 15 (relating to limitation on capital losses for taxpayers other
 16 than corporations) is amended by adding at the end the
 17 following flush sentence:

18 “Paragraph (1) shall be applied by substituting ‘\$4,000’
 19 for ‘\$3,000’ and ‘\$2,000’ for ‘\$1,500’ in the case of tax-
 20 able years beginning in 2001, and by substituting ‘\$5,000’
 21 for ‘\$3,000’ and ‘\$2,500’ for ‘\$1,500’ in the case of tax-
 22 able years beginning in 2002.”.

23 (b) ~~EFFECTIVE DATE.~~—The amendment made by
 24 subsection (a) shall apply to taxable years beginning after
 25 December 31, 2000.

1 **SEC. 204. TEMPORARY EXPANSION OF PENALTY-FREE RE-**
 2 **TIREMENT PLAN DISTRIBUTIONS FOR**
 3 **HEALTH INSURANCE PREMIUMS OF UNEM-**
 4 **PLOYED INDIVIDUALS.**

5 (a) **IN GENERAL.**—Subparagraph (D) of section
 6 72(t)(2) is amended by adding at the end the following
 7 new clause:

8 “(iv) **SPECIAL RULES FOR INDIVID-**
 9 **UALS RECEIVING UNEMPLOYMENT COM-**
 10 **PENSATION AFTER SEPTEMBER 10, 2001,**
 11 **AND BEFORE JANUARY 1, 2003.**—In the
 12 case of an individual who receives unem-
 13 ployment compensation for 4 consecutive
 14 weeks after September 10, 2001, and be-
 15 fore January 1, 2003—

16 “(I) clause (i) shall apply to dis-
 17 tributions from all qualified retire-
 18 ment plans (as defined in section
 19 4974(e)), and

20 “(II) such 4 consecutive weeks
 21 shall be substituted for the 12 con-
 22 secutive weeks referred to in subclause
 23 (I) of clause (i).”

24 (b) **EFFECTIVE DATE.**—The amendment made by
 25 this section shall apply to distributions after the date of
 26 the enactment of this Act.

1 **TITLE III—EXTENSIONS OF**
2 **CERTAIN EXPIRING PROVISIONS**
3 **Subtitle A—Two-Year Extensions**

4 **SEC. 301. ALLOWANCE OF NONREFUNDABLE PERSONAL**
5 **CREDITS AGAINST REGULAR AND MINIMUM**
6 **TAX LIABILITY.**

7 (a) **IN GENERAL.**—Paragraph (2) of section 26(a) is
8 amended—

9 (1) by striking “**RULE FOR 2000 AND 2001.—**”
10 and inserting “**RULE FOR 2000, 2001, 2002, AND**
11 **2003.—**”, and

12 (2) by striking “**during 2000 or 2001,**” and in-
13 serting “**during 2000, 2001, 2002, or 2003,**”.

14 (b) **CONFORMING AMENDMENTS.**—

15 (1) Section 904(h) is amended by striking “**dur-**
16 **ing 2000 or 2001**” and inserting “**during 2000,**
17 **2001, 2002, or 2003**”.

18 (2) The amendments made by sections 201(b),
19 202(f), and 618(f) of the Economic Growth and Tax
20 Relief Reconciliation Act of 2001 shall not apply to
21 taxable years beginning during 2002 and 2003.

22 (c) **TECHNICAL CORRECTION.**—Section 24(d)(1)(B)
23 is amended by striking “**amount of credit allowed by this**
24 **section**” and inserting “**aggregate amount of credits al-**
25 **lowed by this subpart**”.

1 (d) **EFFECTIVE DATES.**—

2 (1) The amendments made by subsections (a)
3 and (b) shall apply to taxable years beginning after
4 December 31, 2001.

5 (2) The amendment made by subsection (c)
6 shall apply to taxable years beginning after Decem-
7 ber 31, 2000.

8 **SEC. 302. CREDIT FOR QUALIFIED ELECTRIC VEHICLES.**

9 (a) **IN GENERAL.**—Section 30 is amended—

10 (1) in subsection (b)(2)—

11 (A) by striking “December 31, 2001,” and
12 inserting “December 31, 2003,” and

13 (B) in subparagraphs (A), (B), and (C), by
14 striking “2002”, “2003”, and “2004”, respec-
15 tively, and inserting “2004”, “2005”, and
16 “2006”, respectively, and

17 (2) in subsection (c), by striking “December 31,
18 2004” and inserting “December 31, 2006”.

19 (b) **CONFORMING AMENDMENTS.**—

20 (1) Subparagraph (C) of section 280F(a)(1) is
21 amended by adding at the end the following new
22 clause

23 “(iii) **APPLICATION OF SUBPARA-**
24 **GRAPH.**—This subparagraph shall apply to

1 property placed in service after August 5,
2 1997, and before January 1, 2007.”.

3 (2) Subsection (b) of section 971 of the Tax-
4 payer Relief Act of 1997 is amended by striking
5 “and before January 1, 2005”.

6 (c) EFFECTIVE DATE.—The amendments made by
7 this section shall take effect on the date of the enactment
8 of this Act.

9 **SEC. 303. CREDIT FOR ELECTRICITY PRODUCED FROM RE-**
10 **NEWABLE RESOURCES.**

11 (a) IN GENERAL.—Subparagraphs (A), (B), and (C)
12 of section 45(c)(3) are each amended by striking “2002”
13 and inserting “2004”.

14 (b) EFFECTIVE DATE.—The amendments made by
15 subsection (a) shall take effect on the date of the enact-
16 ment of this Act.

17 **SEC. 304. WORK OPPORTUNITY CREDIT.**

18 (a) IN GENERAL.—Subparagraph (B) of section
19 51(c)(4) is amended by striking “2001” and inserting
20 “2003”.

21 (b) EFFECTIVE DATE.—The amendment made by
22 subsection (a) shall apply to individuals who begin work
23 for the employer after December 31, 2001.

1 **SEC. 305. WELFARE-TO-WORK CREDIT.**

2 (a) **IN GENERAL.**—Subsection (f) of section 51A is
3 amended by striking “2001” and inserting “2003”.

4 (b) **EFFECTIVE DATE.**—The amendment made by
5 subsection (a) shall apply to individuals who begin work
6 for the employer after December 31, 2001.

7 **SEC. 306. DEDUCTION FOR CLEAN-FUEL VEHICLES AND**
8 **CERTAIN REFUELING PROPERTY.**

9 (a) **IN GENERAL.**—Section 179A is amended—

10 (1) in subsection (b)(1)(B)—

11 (A) by striking “December 31, 2001,” and
12 inserting “December 31, 2003,” and

13 (B) in clauses (i), (ii), and (iii), by striking
14 “2002”, “2003”, and “2004”, respectively, and
15 inserting “2004”, “2005”, and “2006”, respec-
16 tively, and

17 (2) in subsection (f), by striking “December 31,
18 2004” and inserting “December 31, 2006”.

19 (b) **EFFECTIVE DATE.**—The amendments made by
20 subsection (a) shall take effect on the date of the enact-
21 ment of this Act.

1 **SEC. 307. TAXABLE INCOME LIMIT ON PERCENTAGE DEPLE-**
2 **TION FOR OIL AND NATURAL GAS PRODUCED**
3 **FROM MARGINAL PROPERTIES.**

4 (a) **IN GENERAL.**—Subparagraph (H) of section
5 613A(e)(6) is amended by striking “2002” and inserting
6 “2004”.

7 (b) **EFFECTIVE DATE.**—The amendment made by
8 subsection (a) shall apply to taxable years beginning after
9 December 31, 2001.

10 **SEC. 308. QUALIFIED ZONE ACADEMY BONDS.**

11 (a) **IN GENERAL.**—Paragraph (1) of section
12 1397E(e) is amended by striking “2000, and 2001” and
13 inserting “2000, 2001, 2002, and 2003”.

14 (b) **EFFECTIVE DATE.**—The amendment made by
15 subsection (a) shall take effect on the date of the enact-
16 ment of this Act.

17 **SEC. 309. COVER OVER OF TAX ON DISTILLED SPIRITS.**

18 (a) **IN GENERAL.**—Paragraph (1) of section 7652(f)
19 is amended by striking “January 1, 2002” and inserting
20 “January 1, 2004”.

21 (b) **EFFECTIVE DATE.**—The amendment made by
22 subsection (a) shall take effect on the date of the enact-
23 ment of this Act.

1 **SEC. 310. PARITY IN THE APPLICATION OF CERTAIN LIMITS**
2 **TO MENTAL HEALTH BENEFITS.**

3 (a) **IN GENERAL.**—Subsection (f) of section 9812 is
4 amended by striking “2001” and inserting “2003”.

5 (b) **EFFECTIVE DATE.**—The amendment made by
6 subsection (a) shall apply to plan years beginning after
7 December 31, 2001.

8 **SEC. 311. DELAY IN EFFECTIVE DATE OF REQUIREMENT**
9 **FOR APPROVED DIESEL OR KEROSENE TER-**
10 **MINALS.**

11 Paragraph (2) of section 1032(f) of the Taxpayer Re-
12 lief Act of 1997 (Public Law 105-34) is amended by strik-
13 ing “January 1, 2002” and inserting “January 1, 2004”.

14 **Subtitle B—One-Year Extensions**

15 **SEC. 321. ONE-YEAR EXTENSION OF AVAILABILITY OF MED-**
16 **ICAL SAVINGS ACCOUNTS.**

17 (a) **IN GENERAL.**—Paragraphs (2) and (3)(B) of sec-
18 tion 220(i) (defining cut-off year) are each amended by
19 striking “2002” each place it appears and inserting
20 “2003”.

21 (b) **CONFORMING AMENDMENTS.**—

22 (1) Paragraph (2) of section 220(j) is amended
23 by striking “1998, 1999, or 2001” each place it ap-
24 pears and inserting “1998, 1999, 2001, or 2002”.

1 (2) Subparagraph (A) of section 220(j)(4) is
 2 amended by striking “and 2001” and inserting
 3 “2001, and 2002”.

4 (e) EFFECTIVE DATE.—The amendments made by
 5 this section shall take effect on the date of the enactment
 6 of this Act.

7 **Subtitle C—Permanent Extensions**

8 **SEC. 331. SUBPART F EXEMPTION FOR ACTIVE FINANCING.**

9 (a) IN GENERAL.—

10 (1) Section 953(e)(10) is amended—

11 (A) by striking “, and before January 1,
 12 2002,” and

13 (B) by striking the second sentence.

14 (2) Section 954(h)(9) is amended by striking “,
 15 and before January 1, 2002,”.

16 (b) LIFE INSURANCE AND ANNUITY CONTRACTS.—

17 (1) IN GENERAL.—Subparagraph (B) of section
 18 954(i)(4) is amended to read as follows:

19 “(B) LIFE INSURANCE AND ANNUITY CON-
 20 TRACTS.—

21 “(i) IN GENERAL.—Except as pro-
 22 vided in clause (ii), the amount of the re-
 23 serve of a qualifying insurance company or
 24 qualifying insurance company branch for

1 any life insurance or annuity contract shall
2 be equal to the greater of—

3 “(I) the net surrender value of
4 such contract (as defined in section
5 807(e)(1)(A)), or

6 “(II) the reserve determined
7 under paragraph (5).

8 “(ii) RULING REQUEST.—The amount
9 of the reserve under clause (i) shall be the
10 foreign statement reserve for the contract
11 (less any catastrophe, deficiency, equali-
12 zation, or similar reserves), if, pursuant to
13 a ruling request submitted by the taxpayer,
14 the Secretary determines that the factors
15 taken into account in determining the for-
16 eign statement reserve provide an appro-
17 priate means of measuring income.”.

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

1 **Subtitle D—Other Provisions**

2 **SEC. 341. EXCLUDED CANCELLATION OF INDEBTEDNESS**
 3 **INCOME OF S CORPORATION NOT TO RESULT**
 4 **IN ADJUSTMENT TO BASIS OF STOCK OF**
 5 **SHAREHOLDERS.**

6 (a) **IN GENERAL.**—Subparagraph (A) of section
 7 108(d)(7) (relating to certain provisions to be applied at
 8 corporate level) is amended by inserting before the period
 9 “, including by not taking into account under section
 10 1366(a) any amount excluded under subsection (a) of this
 11 section”.

12 (b) **EFFECTIVE DATE.**—The amendment made by
 13 this section shall apply to discharges of indebtedness after
 14 October 11, 2001, in taxable years ending after such date.

15 **SEC. 342. LIMITATION ON USE OF NONACCRUAL EXPERI-**
 16 **ENCE METHOD OF ACCOUNTING.**

17 (a) **IN GENERAL.**—Paragraph (5) of section 448(d)
 18 is amended to read as follows:

19 “~~(5)~~ **SPECIAL RULE FOR CERTAIN SERVICES.**—

20 “~~(A)~~ **IN GENERAL.**—In the case of any
 21 person using an accrual method of accounting
 22 with respect to amounts to be received for the
 23 performance of services by such person, such
 24 person shall not be required to accrue any por-
 25 tion of such amounts which (on the basis of

1 such person's experience) will not be collected
2 if—

3 “(i) such services are in fields referred
4 to in paragraph (2)(A), or

5 “(ii) such person meets the gross re-
6 ceipts test of subsection (e) for all prior
7 taxable years.

8 “(B) EXCEPTION.—This paragraph shall
9 not apply to any amount if interest is required
10 to be paid on such amount or there is any pen-
11 alty for failure to timely pay such amount.

12 “(C) REGULATIONS.—The Secretary shall
13 prescribe regulations to permit taxpayers to de-
14 termine amounts referred to in subparagraph
15 (A) using computations or formulas which,
16 based on experience, accurately reflect the
17 amount of income that will not be collected by
18 such person. A taxpayer may adopt, or request
19 consent of the Secretary to change to, a com-
20 putation or formula that clearly reflects the tax-
21 payer's experience. A request under the pre-
22 ceeding sentence shall be approved only if such
23 computation or formula clearly reflects the tax-
24 payer's experience.”.

25 (b) EFFECTIVE DATE.—

1 (1) IN GENERAL.—The amendments made by
2 this section shall apply to taxable years ending after
3 the date of the enactment of this Act.

4 (2) CHANGE IN METHOD OF ACCOUNTING.—In
5 the case of any taxpayer required by the amend-
6 ments made by this section to change its method of
7 accounting for its first taxable year ending after the
8 date of the enactment of this Act—

9 (A) such change shall be treated as initi-
10 ated by the taxpayer,

11 (B) such change shall be treated as made
12 with the consent of the Secretary of the Treas-
13 ury, and

14 (C) the net amount of the adjustments re-
15 quired to be taken into account by the taxpayer
16 under section 481 of the Internal Revenue Code
17 of 1986 shall be taken into account over a pe-
18 riod of 4 years (or if less, the number of taxable
19 years that the taxpayer used the method per-
20 mitted under section 448(d)(5) of such Code as
21 in effect before the date of the enactment of
22 this Act) beginning with such first taxable year.

1 **TITLE IV—SUPPLEMENTAL**
2 **REBATE; OTHER PROVISIONS**

3 **SEC. 401. SUPPLEMENTAL REBATE.**

4 (a) **IN GENERAL.**—Section 6428 (relating to accel-
5 eration of 10 percent income tax rate bracket benefit for
6 2001) is amended by adding at the end the following new
7 subsection:

8 “(f) **SUPPLEMENTAL REBATE.**—

9 “(1) **IN GENERAL.**—Each individual who was
10 an eligible individual for such individual’s first tax-
11 able year beginning in 2000 and who, before October
12 16, 2001, filed a return of tax imposed by subtitle
13 A for such taxable year shall be treated as having
14 made a payment against the tax imposed by chapter
15 1 for such first taxable year in an amount equal to
16 the supplemental refund amount for such taxable
17 year.

18 “(2) **SUPPLEMENTAL REFUND AMOUNT.**—For
19 purposes of this subsection, the supplemental refund
20 amount is an amount equal to the excess (if any)
21 of—

22 “(A)(i) \$600 in the case of taxpayers to
23 whom section 1(a) applies;

24 “(ii) \$500 in the case of taxpayers to
25 whom section 1(b) applies; and

1 “(iii) \$300 in the case of taxpayers to
2 whom subsections (e) or (d) of section 1 ap-
3 plies, over

4 “(B) the taxpayer’s advance refund
5 amount under subsection (e).

6 “(3) TIMING OF PAYMENTS.—In the case of
7 any overpayment attributable to this subsection, the
8 Secretary shall, subject to the provisions of this title,
9 refund or credit such overpayment as rapidly as pos-
10 sible.

11 “(4) NO INTEREST.—No interest shall be al-
12 lowed on any overpayment attributable to this sub-
13 section.”

14 (b) CONFORMING AMENDMENTS.—

15 (1) Subparagraph (A) of section 6428(d)(1) is
16 amended by striking “subsection (e)” and inserting
17 “subsections (e) and (f)”.

18 (2) Subparagraph (B) of section 6428(d)(1) is
19 amended by striking “subsection (e)” and inserting
20 “subsection (e) or (f)”.

21 (3) Paragraph (3) of section 6428(e) is amend-
22 ed by striking “December 31, 2001” and inserting
23 “the date of the enactment of the Economic Security
24 and Recovery Act of 2001”.

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

4 **SEC. 402. SPECIAL REED ACT TRANSFER IN FISCAL YEAR**
5 **2002.**

6 (a) REPEAL OF CERTAIN PROVISIONS ADDED BY
7 THE BALANCED BUDGET ACT OF 1997.—

8 (1) IN GENERAL.—The following provisions of
9 section 903 of the Social Security Act (42 U.S.C.
10 1103) are repealed:

11 (A) Paragraph (3) of subsection (a).

12 (B) The last sentence of subsection (c)(2).

13 (2) SAVINGS PROVISION.—Any amounts trans-
14 ferred before the date of enactment of this Act
15 under the provision repealed by paragraph (1)(A)
16 shall remain subject to section 903 of the Social Se-
17 curity Act, as last in effect before such date of en-
18 actment.

19 (b) SPECIAL TRANSFER IN FISCAL YEAR 2002.—
20 Section 903 of the Social Security Act is amended by add-
21 ing at the end the following:

22 “Special Transfer in Fiscal Year 2002

23 “(d)(1) The Secretary of the Treasury shall transfer
24 (as of the date determined under paragraph (5)(A)) from
25 the Federal unemployment account to the account of each

1 State in the Unemployment Trust Fund the amount deter-
2 mined with respect to such State under paragraph (2).

3 “(2) The amount to be transferred under this sub-
4 section to a State account shall (as determined by the Sec-
5 retary of Labor and certified by such Secretary to the Sec-
6 retary of the Treasury) be equal to—

7 “(A) the amount which would have been re-
8 quired to have been transferred under this section to
9 such account at the beginning of fiscal year 2002 if
10 section 402(a)(1) of the Economic Security and Re-
11 covery Act of 2001 had been enacted before the close
12 of fiscal year 2001, minus

13 “(B) the amount which was in fact transferred
14 under this section to such account at the beginning
15 of fiscal year 2002.

16 “(3)(A) Except as provided in paragraph (4),
17 amounts transferred to a State account pursuant to this
18 subsection may be used only in the payment of cash
19 benefits—

20 “(i) to individuals with respect to their unem-
21 ployment, and

22 “(ii) which are allowable under subparagraph
23 (B) or (C).

24 “(B)(i) At the option of the State, cash benefits
25 under this paragraph may include amounts which shall be

1 payable as regular or additional compensation for individ-
2 uals eligible for regular compensation under the unemploy-
3 ment compensation law of such State.

4 “(ii) Any additional compensation under clause (i)
5 may not be taken into account for purposes of any deter-
6 mination relating to the amount of any extended com-
7 pensation for which an individual might be eligible.

8 “(C)(i) At the option of the State, cash benefits
9 under this paragraph may include amounts which shall be
10 payable to 1 or more categories of individuals not other-
11 wise eligible for regular compensation under the unem-
12 ployment compensation law of such State.

13 “(ii) The benefits paid under this subparagraph to
14 any individual may not, for any period of unemployment,
15 exceed the maximum amount of regular compensation au-
16 thorized under the unemployment compensation law of
17 such State for that same period, plus any additional bene-
18 fits (described in subparagraph (B)(i)) which could have
19 been paid with respect to that amount.

20 “(D) Amounts transferred to a State account under
21 this subsection may be used in the payment of cash bene-
22 fits to individuals only for weeks of unemployment—

23 “(i) beginning after the date of enactment of
24 this subsection, and

25 “(ii) ending on or before March 11, 2003.

1 “(4) Amounts transferred to a State account under
2 this subsection may be used for the administration of its
3 unemployment compensation law and public employment
4 offices (including in connection with benefits described in
5 paragraph (3) and any recipients thereof), subject to the
6 same conditions as set forth in subsection (e)(2) (exclud-
7 ing subparagraph (B) thereof, and deeming the reference
8 to ‘subsections (a) and (b)’ in subparagraph (D) thereof
9 to include this subsection).

10 “(5) Transfers under this subsection—

11 “(A) shall be made on such date as the Sec-
12 retary of Labor (in consultation with the Secretary
13 of the Treasury) shall determine, but in no event
14 later than 10 days after the date of enactment of
15 this subsection, and

16 “(B) may, notwithstanding any other provision
17 of this subsection, be made only to the extent that
18 they do not to exceed—

19 “(i) the balance in the Federal unemploy-
20 ment account as of the date determined under
21 subparagraph (A), or

22 “(ii) the total amount that was transferred
23 under this section to the Federal unemployment
24 account at the beginning of fiscal year 2002,
25 whichever is less.”

1 (c) ~~LIMITATIONS ON TRANSFERS.~~—Section 903(b) of
2 the Social Security Act shall apply to transfers under sec-
3 tion 903(d) of such Act (as amended by this section). For
4 purposes of the preceding sentence, such section 903(b)
5 shall be deemed to be amended as follows:

6 (1) By substituting “the transfer date described
7 in subsection (d)(5)(A)” for “October 1 of any fiscal
8 year”.

9 (2) By substituting “remain in the Federal un-
10 employment account” for “be transferred to the
11 Federal unemployment account as of the beginning
12 of such October 1”.

13 (3) By substituting “fiscal year 2002 (after the
14 transfer date described in subsection (d)(5)(A))” for
15 “the fiscal year beginning on such October 1”.

16 (4) By substituting “under subsection (d)” for
17 “as of October 1 of such fiscal year”.

18 (5) By substituting “(as of the close of fiscal
19 year 2002)” for “(as of the close of such fiscal
20 year)”.

21 (d) ~~TECHNICAL AMENDMENTS.~~—(1) Sections
22 3304(a)(4)(B) and 3306(f)(2) of the Internal Revenue
23 Code of 1986 are amended by inserting “or 903(d)(4)”
24 before “of the Social Security Act”.

1 (2) Section 303(a)(5) of the Social Security Act is
 2 amended in the second proviso by inserting “or 903(d)(4)”
 3 after “903(e)(2)”.

4 (e) REGULATIONS.—The Secretary of Labor may
 5 prescribe any operating instructions or regulations nec-
 6 essary to carry out this section and the amendments made
 7 by this section.

8 **TITLE V—HEALTH CARE ASSIST-**
 9 **ANCE FOR THE UNEMPLOYED**

10 **SEC. 501. HEALTH CARE ASSISTANCE FOR THE UNEM-**
 11 **PLOYED.**

12 Title XX of the Social Security Act (42 U.S.C. 1397–
 13 1397f) is amended by adding at the end the following:

14 **“SEC. 2008. GRANTS FOR HEALTH CARE ASSISTANCE FOR**
 15 **THE UNEMPLOYED.**

16 “(a) FUNDING.—For purposes of section 2003, the
 17 amount specified in section 2003(e) for fiscal year 2002
 18 is increased by \$3,000,000,000.

19 “(b) USE OF FUNDS.—Notwithstanding any other
 20 provision of this title, to the extent that an amount paid
 21 to a State under section 2002 is attributable to funds
 22 made available by reason of subsection (a) of this
 23 section—

24 “(1) the State shall use the amount to assist an
 25 unemployed individual who is not eligible for Federal

1 health coverage to purchase health care coverage for
 2 the individual or any member of the family of the in-
 3 dividual who is not so eligible; and

4 “(2) the amount—

5 “(A) shall be used to supplement, not sup-
 6 plant, any other Federal, State, or local funds
 7 that are used for the provision of health care
 8 coverage; and

9 “(B) may not be included in determining
 10 the amount of non-Federal contributions re-
 11 quired under any program.

12 “(c) DEFINITIONS.—In this section:

13 “(1) UNEMPLOYED INDIVIDUAL.—The term
 14 ‘unemployed individual’ means an individual who—

15 “(A) is without a job (determined in ac-
 16 cordance with the criteria used by the Bureau
 17 of Labor Statistics of the Department of Labor
 18 in defining individuals as unemployed);

19 “(B) is seeking and available for work; and

20 “(C) has or had a benefit year (within the
 21 meaning of section 205 of the Federal-State
 22 Extended Unemployment Compensation Act of
 23 1970) beginning on or after January 1, 2001.

24 “(2) FEDERAL HEALTH COVERAGE.—

1 “(A) IN GENERAL.—Subject to subpara-
2 graph (B), the term ‘Federal health coverage’
3 means coverage under any medical care pro-
4 gram described in—

5 “(i) title XVIII, XIX, or XXI of this
6 Act (other than under section 1928);

7 “(ii) chapter 55 of title 10, United
8 States Code;

9 “(iii) chapter 17 of title 38, United
10 States Code;

11 “(iv) chapter 89 of title 5, United
12 States Code (other than coverage which is
13 comparable to continuation coverage under
14 section 4980B of the Internal Revenue
15 Code of 1986); or

16 “(v) the Indian Health Care Improve-
17 ment Act.

18 “(B) SPECIAL RULE.—Such term does not
19 include coverage under a qualified long-term
20 care insurance contract.”.

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

22 (a) *SHORT TITLE.*—This Act may be cited as the
23 “*Economic Recovery and Assistance for American Workers*
24 *Act of 2001*”.

1 (b) *REFERENCES TO INTERNAL REVENUE CODE OF*
 2 *1986.—Except as otherwise expressly provided, whenever in*
 3 *this Act an amendment or repeal is expressed in terms of*
 4 *an amendment to, or repeal of, a section or other provision,*
 5 *the reference shall be considered to be made to a section or*
 6 *other provision of the Internal Revenue Code of 1986.*

7 (c) *TABLE OF CONTENTS.—*

Sec. 1. Short title; etc.

TITLE I—SUPPLEMENTAL REBATE FOR INDIVIDUAL TAXPAYERS

Sec. 101. Supplemental rebate.

TITLE II—TEMPORARY BUSINESS RELIEF PROVISIONS

Sec. 201. Special depreciation allowance for certain property.

Sec. 202. Increase in section 179 expensing.

Sec. 203. Carryback of certain net operating losses allowed for 5 years.

*TITLE III—TAX INCENTIVES AND RELIEF FOR VICTIMS OF
 TERRORISM, DISASTERS, AND DISTRESSED CONDITIONS*

Subtitle A—Tax Incentives for New York City and Distressed Areas

*Sec. 301. Expansion of work opportunity tax credit targeted categories to include
 certain employees in New York City.*

*Sec. 302. Tax-exempt private activity bonds for rebuilding portion of New York
 City damaged in the September 11, 2001, terrorist attack.*

*Sec. 303. Gain or loss from property damaged or destroyed in New York Recovery
 Zone.*

*Sec. 304. Reenactment of exceptions for qualified-mortgage-bond-financed loans to
 victims of Presidentially declared disasters.*

*Sec. 305. One-year expansion of authority for Indian tribes to issue tax-exempt
 private activity bonds.*

Subtitle B—Victims of Terrorism Tax Relief

Sec. 310. Short title.

*PART I—RELIEF PROVISIONS FOR VICTIMS OF APRIL 19, 1995, AND
 SEPTEMBER 11, 2001, TERRORIST ATTACKS*

Sec. 311. Income and employment taxes of victims of terrorist attacks.

Sec. 312. Estate tax reduction.

Sec. 313. Payments by charitable organizations treated as exempt payments.

Sec. 314. Exclusion of certain cancellations of indebtedness.

*PART II—GENERAL RELIEF FOR VICTIMS OF DISASTERS AND TERRORISTIC OR
MILITARY ACTIONS*

- Sec. 321. Exclusion for disaster relief payments.*
Sec. 322. Authority to postpone certain deadlines and required actions.
Sec. 323. Internal Revenue Service disaster response team.
Sec. 324. Application of certain provisions to terroristic or military actions.
Sec. 325. Clarification of due date for airline excise tax deposits.
Sec. 326. Coordination with Air Transportation Safety and System Stabilization Act.

*PART III—DISCLOSURE OF TAX INFORMATION IN TERRORISM AND NATIONAL
SECURITY INVESTIGATIONS*

- Sec. 331. Disclosure of tax information in terrorism and national security investigations.*

TITLE IV—EXTENSIONS OF CERTAIN EXPIRING TAX PROVISIONS

- Sec. 401. Allowance of nonrefundable personal credits against regular and minimum tax liability.*
Sec. 402. Work opportunity credit.
Sec. 403. Welfare-to-work credit.
Sec. 404. Credit for electricity produced from renewable resources.
Sec. 405. Taxable income limit on percentage depletion for oil and natural gas produced from marginal properties.
Sec. 406. Qualified zone academy bonds.
Sec. 407. Subpart F exemption for active financing.
Sec. 408. Cover over of tax on distilled spirits.
Sec. 409. Delay in effective date of requirement for approved diesel or kerosene terminals.
Sec. 410. Deduction for clean-fuel vehicles and certain refueling property.
Sec. 411. Credit for qualified electric vehicles.
Sec. 412. Parity in the application of certain limits to mental health benefits.
Sec. 413. Combined employment tax reporting.

*TITLE V—EXTENSION OF CERTAIN TRADE PROVISIONS EXPIRING
IN 2001.*

- Sec. 501. Generalized System of Preferences.*
Sec. 502. Andean Trade Preference Act.
Sec. 503. Reauthorization of trade adjustment assistance.

*TITLE VI—HEALTH INSURANCE COVERAGE OPTIONS FOR
RECENTLY UNEMPLOYED INDIVIDUALS AND THEIR FAMILIES*

- Sec. 601. Premium assistance for COBRA continuation coverage for individuals and their families.*
Sec. 602. State option to provide temporary medicaid coverage for certain uninsured individuals.
Sec. 603. State option to provide temporary coverage under medicaid for the unsubsidized portion of COBRA continuation premiums.
Sec. 604. Temporary increases of medicaid FMAP for fiscal year 2002.
Sec. 605. Definitions.

TITLE VII—TEMPORARY ENHANCED UNEMPLOYMENT BENEFITS

- Sec. 701. Short title.*

- Sec. 702. Federal-State agreements.*
Sec. 703. Temporary supplemental unemployment compensation account.
Sec. 704. Payments to States having agreements under this title.
Sec. 705. Financing provisions.
Sec. 706. Fraud and overpayments.
Sec. 707. Definitions.
Sec. 708. Applicability.

TITLE VIII—EMERGENCY AGRICULTURE ASSISTANCE

Subtitle A—Crop Loss Assistance

- Sec. 801. Crop loss assistance.*
Sec. 802. Livestock assistance program.
Sec. 803. Commodity purchases.

Subtitle B—Rural Development

- Sec. 811. Rural community facilities and utilities.*
Sec. 812. Rural telecommunications loans.
Sec. 813. Telemedicine and distance learning services.
Sec. 814. Environmental quality incentives program.
Sec. 815. Farmland protection program.

Subtitle C—Administration

- Sec. 821. Commodity Credit Corporation.*
Sec. 822. Administrative expenses.
Sec. 823. Regulations.

TITLE IX—ADDITIONAL PROVISIONS

- Sec. 901. Credit to holders of qualified Amtrak bonds.*
Sec. 902. Broadband Internet access tax credit.
Sec. 903. Citrus tree canker relief.
Sec. 904. Allowance of electronic 1099s.
Sec. 905. Clarification of excise tax exemptions for agricultural aerial applicators.
Sec. 906. Recovery period for certain wireless telecommunications equipment.
Sec. 907. No impact on social security trust funds.
Sec. 908. Emergency designation.

1 **TITLE I—SUPPLEMENTAL RE-**
 2 **BATE FOR INDIVIDUAL TAX-**
 3 **PAYERS**

4 **SEC. 101. SUPPLEMENTAL REBATE.**

- 5 (a) *IN GENERAL.*—Section 6428 (relating to accelera-
 6 *tion of 10 percent income tax rate bracket benefit for 2001)*

1 *is amended by adding at the end the following new sub-*
2 *section:*

3 “(f) *SUPPLEMENTAL REBATE.*—

4 “(1) *IN GENERAL.*—*Each individual who was an*
5 *eligible individual for such individual’s first taxable*
6 *year beginning in 2000 and who, before October 16,*
7 *2001—*

8 “(A) *filed a return of tax imposed by sub-*
9 *title A for such taxable year, or*

10 “(B) *filed a return of income tax with the*
11 *government of American Samoa, Guam, the*
12 *Commonwealth of the Northern Mariana Islands,*
13 *the Commonwealth of Puerto Rico, or the Virgin*
14 *Islands of the United States,*

15 *shall be treated as having made a payment against*
16 *the tax imposed by chapter 1 for such first taxable*
17 *year in an amount equal to the supplemental refund*
18 *amount for such taxable year.*

19 “(2) *SUPPLEMENTAL REFUND AMOUNT.*—*For*
20 *purposes of this subsection, the supplemental refund*
21 *amount is an amount equal to the excess (if any) of—*

22 “(A)(i) *\$600 in the case of taxpayers to*
23 *whom section 1(a) applies,*

24 “(ii) *\$500 in the case of taxpayers to whom*
25 *section 1(b) applies, and*

1 “(iii) \$300 in the case of taxpayers to
2 whom subsections (c) or (d) of section 1 applies,
3 over

4 “(B) the amount of any advance refund
5 amount paid to the taxpayer under subsection
6 (e).

7 “(3) *TIMING OF PAYMENTS.*—In the case of any
8 overpayment attributable to this subsection, the Sec-
9 retary shall, subject to the provisions of this title, re-
10 fund or credit such overpayment as rapidly as pos-
11 sible.

12 “(4) *NO INTEREST.*—No interest shall be allowed
13 on any overpayment attributable to this subsection.

14 “(5) *SPECIAL RULE FOR CERTAIN NON-*
15 *RESIDENTS.*—The determination under subsection
16 (c)(2) as to whether an individual who filed a return
17 of tax described in paragraph (1)(B) is a nonresident
18 alien individual shall, under rules prescribed by the
19 Secretary, be made by reference to the possession or
20 Commonwealth with which the return was filed and
21 not the United States.”.

22 (b) *TECHNICAL CORRECTION.*—

23 (1) *IN GENERAL.*—Subsection (b) of section 6428
24 is amended to read as follows:

1 “(b) *CREDIT TREATED AS NONREFUNDABLE PER-*
2 *SONAL CREDIT.*—*For purposes of this title, the credit al-*
3 *lowed under this section shall be treated as a credit allow-*
4 *able under subpart A of part IV of subchapter A of chapter*
5 *1.*”.

6 (2) *CONFORMING AMENDMENTS.*—

7 (A) *Subsection (d) of section 6428 is*
8 *amended to read as follows:*

9 “(d) *COORDINATION WITH ADVANCE REFUNDS OF*
10 *CREDIT.*—

11 “(1) *IN GENERAL.*—*The amount of credit which*
12 *would (but for this paragraph) be allowable under*
13 *this section shall be reduced (but not below zero) by*
14 *the aggregate refunds and credits made or allowed to*
15 *the taxpayer under subsection (e). Any failure to so*
16 *reduce the credit shall be treated as arising out of a*
17 *mathematical or clerical error and assessed according*
18 *to section 6213(b)(1).*

19 “(2) *JOINT RETURNS.*—*In the case of a refund or*
20 *credit made or allowed under subsection (e) with re-*
21 *spect to a joint return, half of such refund or credit*
22 *shall be treated as having been made or allowed to*
23 *each individual filing such return.*”.

24 (B) *Paragraph (2) of section 6428(e) is*
25 *amended to read as follows:*

1 “(2) *ADVANCE REFUND AMOUNT.*—*For purposes*
2 *of paragraph (1), the advance refund amount is the*
3 *amount that would have been allowed as a credit*
4 *under this section for such first taxable year if—*

5 “(A) *this section (other than subsections (b)*
6 *and (d) and this subsection) had applied to such*
7 *taxable year, and*

8 “(B) *the credit for such taxable year were*
9 *not allowed to exceed the excess (if any) of—*

10 “(i) *the sum of the regular tax liability*
11 *(as defined in section 26(b)) plus the tax*
12 *imposed by section 55, over*

13 “(ii) *the sum of the credits allowable*
14 *under part IV of subchapter A of chapter 1*
15 *(other than the credits allowable under sub-*
16 *part C thereof, relating to refundable cred-*
17 *its).”.*

18 (c) *CONFORMING AMENDMENTS.*—

19 (1) *Paragraph (1) of section 6428(d), as amend-*
20 *ed by subsection (b), is amended by striking “sub-*
21 *section (e)” and inserting “subsections (e) and (f)”.*

22 (2) *Paragraph (2) of section 6428(d), as amend-*
23 *ed by subsection (b), is amended by striking “sub-*
24 *section (e)” and inserting “subsection (e) or (f)”.*

1 (3) Paragraph (3) of section 6428(e) is amended
2 by striking “December 31, 2001” and inserting “the
3 date of the enactment of the *Economic Recovery and*
4 *Assistance for American Workers Act of 2001*”.

5 (d) *REPORTING REQUIREMENT.*—For purposes of de-
6 termining the individuals who are eligible for the supple-
7 mental rebate under section 6428(f) of the *Internal Revenue*
8 *Code of 1986*, the governments of American Samoa, Guam,
9 the Commonwealth of the Northern Mariana Islands, the
10 Commonwealth of Puerto Rico, and the Virgin Islands of
11 the United States shall provide, at such time and in such
12 manner as provided by the Secretary of the Treasury, the
13 names, addresses, and taxpayer identifying numbers (with-
14 in the meaning of section 6109 of the *Internal Revenue Code*
15 of 1986) of residents who filed returns of income tax with
16 such governments for 2000.

17 (e) *EFFECTIVE DATES.*—

18 (1) *IN GENERAL.*—Except as provided in para-
19 graph (2), the amendments made by this section shall
20 take effect on the date of the enactment of this Act.

21 (2) *TECHNICALS.*—The amendments made by
22 subsection (b) shall take effect as if included in the
23 amendment made by section 101(b)(1) of the *Eco-*
24 *nomic Growth and Tax Relief Reconciliation Act of*
25 2001.

1 **TITLE II—TEMPORARY BUSINESS**
2 **RELIEF PROVISIONS**

3 **SEC. 201. SPECIAL DEPRECIATION ALLOWANCE FOR CER-**
4 **TAIN PROPERTY.**

5 (a) *IN GENERAL.*—Section 168 (relating to accelerated
6 cost recovery system) is amended by adding at the end the
7 following new subsection:

8 “(k) *SPECIAL ALLOWANCE FOR CERTAIN PROPERTY*
9 *ACQUIRED AFTER SEPTEMBER 10, 2001, AND BEFORE*
10 *SEPTEMBER 11, 2002.*—

11 “(1) *ADDITIONAL ALLOWANCE.*—*In the case of*
12 *any qualified property—*

13 “(A) *the depreciation deduction provided by*
14 *section 167(a) for the taxable year in which such*
15 *property is placed in service shall include an al-*
16 *lowance equal to 10 percent of the adjusted basis*
17 *of the qualified property, and*

18 “(B) *the adjusted basis of the qualified*
19 *property shall be reduced by the amount of such*
20 *deduction before computing the amount otherwise*
21 *allowable as a depreciation deduction under this*
22 *chapter for such taxable year and any subsequent*
23 *taxable year.*

24 “(2) *QUALIFIED PROPERTY.*—*For purposes of*
25 *this subsection—*

1 “(A) *IN GENERAL.*—*The term ‘qualified*
2 *property’ means property—*

3 *“(i)(I) to which this section applies*
4 *which has an applicable recovery period of*
5 *20 years or less or which is water utility*
6 *property,*

7 *“(II) which is computer software (as*
8 *defined in section 167(f)(1)(B)) for which a*
9 *deduction is allowable under section 167(a)*
10 *without regard to this subsection,*

11 *“(III) which is qualified leasehold im-*
12 *provement property, or*

13 *“(IV) which is eligible for depreciation*
14 *under section 167(g),*

15 *“(ii) the original use of which com-*
16 *mences with the taxpayer after September*
17 *10, 2001,*

18 *“(iii) which is—*

19 *“(I) acquired by the taxpayer*
20 *after September 10, 2001, and before*
21 *September 11, 2002, but only if no*
22 *written binding contract for the acqui-*
23 *sition was in effect before September*
24 *11, 2001, or*

1 “(II) acquired by the taxpayer
2 pursuant to a written binding contract
3 which was entered into after September
4 10, 2001, and before September 11,
5 2002, and

6 “(iv) which is placed in service by the
7 taxpayer before January 1, 2003.

8 “(B) EXCEPTIONS.—

9 “(i) ALTERNATIVE DEPRECIATION
10 PROPERTY.—The term ‘qualified property’
11 shall not include any property to which the
12 alternative depreciation system under sub-
13 section (g) applies, determined—

14 “(I) without regard to paragraph
15 (7) of subsection (g) (relating to elec-
16 tion to have system apply), and

17 “(II) after application of section
18 280F(b) (relating to listed property
19 with limited business use).

20 “(ii) ELECTION OUT.—If a taxpayer
21 makes an election under this clause with re-
22 spect to any class of property for any tax-
23 able year, this subsection shall not apply to
24 all property in such class placed in service
25 during such taxable year.

1 “(C) *SPECIAL RULES.*—

2 “(i) *SELF-CONSTRUCTED PROPERTY.*—

3 *In the case of a taxpayer manufacturing,*
4 *constructing, or producing property for the*
5 *taxpayer’s own use, the requirements of*
6 *clause (iii) of subparagraph (A) shall be*
7 *treated as met if the taxpayer begins manu-*
8 *facturing, constructing, or producing the*
9 *property after September 10, 2001, and be-*
10 *fore September 11, 2002.*

11 “(ii) *SALE-LEASEBACKS.*—*For pur-*
12 *poses of subparagraph (A)(ii), if property—*

13 “(I) *is originally placed in service*
14 *after September 10, 2001, by a person,*
15 *and*

16 “(II) *sold and leased back by such*
17 *person within 3 months after the date*
18 *such property was originally placed in*
19 *service,*

20 *such property shall be treated as originally*
21 *placed in service not earlier than the date*
22 *on which such property is used under the*
23 *leaseback referred to in subclause (II).*

24 “(D) *COORDINATION WITH SECTION 280F.*—

25 *For purposes of section 280F—*

1 “(i) *AUTOMOBILES.*—*In the case of a*
2 *passenger automobile (as defined in section*
3 *280F(d)(5)) which is qualified property, the*
4 *Secretary shall increase the limitation*
5 *under section 280F(a)(1)(A)(i) by \$1,600.*

6 “(ii) *LISTED PROPERTY.*—*The deduc-*
7 *tion allowable under paragraph (1) shall be*
8 *taken into account in computing any recap-*
9 *ture amount under section 280F(b)(2).*

10 “(3) *QUALIFIED LEASEHOLD IMPROVEMENT*
11 *PROPERTY.*—*For purposes of this subsection—*

12 “(A) *IN GENERAL.*—*The term ‘qualified*
13 *leasehold improvement property’ means any im-*
14 *provement to an interior portion of a building*
15 *which is nonresidential real property if—*

16 “(i) *such improvement is made under*
17 *or pursuant to a lease (as defined in sub-*
18 *section (h)(7))—*

19 “(I) *by the lessee (or any subles-*
20 *see) of such portion, or*

21 “(II) *by the lessor of such portion,*

22 “(ii) *such portion is to be occupied ex-*
23 *clusively by the lessee (or any sublessee) of*
24 *such portion, and*

1 “(iii) such improvement is placed in
2 service more than 3 years after the date the
3 building was first placed in service.

4 “(B) CERTAIN IMPROVEMENTS NOT IN-
5 CLUDED.—Such term shall not include any im-
6 provement for which the expenditure is attrib-
7 utable to—

8 “(i) the enlargement of the building,

9 “(ii) any elevator or escalator,

10 “(iii) any structural component bene-
11 fitting a common area, and

12 “(iv) the internal structural framework
13 of the building.

14 “(C) DEFINITIONS AND SPECIAL RULES.—
15 For purposes of this paragraph—

16 “(i) BINDING COMMITMENT TO LEASE
17 TREATED AS LEASE.—A binding commit-
18 ment to enter into a lease shall be treated
19 as a lease, and the parties to such commit-
20 ment shall be treated as lessor and lessee, re-
21 spectively.

22 “(ii) RELATED PERSONS.—A lease be-
23 tween related persons shall not be considered
24 a lease. For purposes of the preceding sen-
25 tence, the term ‘related persons’ means—

1 “(I) members of an affiliated
2 group (as defined in section 1504), and

3 “(II) persons having a relation-
4 ship described in subsection (b) of sec-
5 tion 267; except that, for purposes of
6 this clause, the phrase ‘80 percent or
7 more’ shall be substituted for the
8 phrase ‘more than 50 percent’ each
9 place it appears in such subsection.

10 “(D) IMPROVEMENTS MADE BY LESSOR.—In
11 the case of an improvement made by the person
12 who was the lessor of such improvement when
13 such improvement was placed in service, such
14 improvement shall be qualified leasehold im-
15 provement property (if at all) only so long as
16 such improvement is held by such person.”.

17 (b) ALLOWANCE AGAINST ALTERNATIVE MINIMUM
18 TAX.—

19 (1) IN GENERAL.—Section 56(a)(1)(A) (relating
20 to depreciation adjustment for alternative minimum
21 tax) is amended by adding at the end the following
22 new clause:

23 “(iii) ADDITIONAL ALLOWANCE FOR
24 CERTAIN PROPERTY ACQUIRED AFTER SEP-
25 TEMBER 10, 2001, AND BEFORE SEPTEMBER

1 11, 2002.—*The deduction under section*
 2 168(k) shall be allowed.”.

3 (2) *CONFORMING AMENDMENT.*—*Clause (i) of*
 4 *section 56(a)(1)(A) is amended by striking “clause*
 5 *(ii)” both places it appears and inserting “clauses (ii)*
 6 *and (iii)”.*

7 (c) *EFFECTIVE DATE.*—*The amendments made by this*
 8 *section shall apply to property placed in service after Sep-*
 9 *tember 10, 2001, in taxable years ending after such date.*

10 **SEC. 202. INCREASE IN SECTION 179 EXPENSING.**

11 (a) *IN GENERAL.*—*The table contained in section*
 12 179(b)(1) (relating to dollar limitation) is amended to read
 13 as follows:

“If the taxable year begins in:	The applicable amount is:
2001	\$24,000
2002	\$35,000
2003 or thereafter	\$25,000.”.

14 (b) *TEMPORARY INCREASE IN AMOUNT OF PROPERTY*
 15 *TRIGGERING PHASEOUT OF MAXIMUM BENEFIT.*—*Para-*
 16 *graph (2) of section 179(b) is amended by inserting before*
 17 *the period “(\$325,000 in the case of taxable years beginning*
 18 *during 2002)”.*

19 (c) *EFFECTIVE DATE.*—*The amendments made by this*
 20 *section shall apply to taxable years beginning after Decem-*
 21 *ber 31, 2000.*

1 **SEC. 203. CARRYBACK OF CERTAIN NET OPERATING LOSSES**
2 **ALLOWED FOR 5 YEARS.**

3 (a) *IN GENERAL.*—Paragraph (1) of section 172(b)
4 (relating to years to which loss may be carried) is amended
5 by adding at the end the following new subparagraph:

6 “(H) In the case of a taxpayer which has
7 a net operating loss for any taxable year ending
8 in 2001, subparagraph (A)(i) shall be applied by
9 substituting ‘5’ for ‘2’ and subparagraph (F)
10 shall not apply.”.

11 (b) *ELECTION TO DISREGARD 5-YEAR CARRYBACK.*—
12 Section 172 (relating to net operating loss deduction) is
13 amended by redesignating subsection (j) as subsection (k)
14 and by inserting after subsection (i) the following new sub-
15 section:

16 “(j) *ELECTION TO DISREGARD 5-YEAR CARRYBACK*
17 *FOR CERTAIN NET OPERATING LOSSES.*—Any taxpayer en-
18 titled to a 5-year carryback under subsection (b)(1)(H)
19 from any loss year may elect to have the carryback period
20 with respect to such loss year determined without regard
21 to subsection (b)(1)(H). Such election shall be made in such
22 manner as may be prescribed by the Secretary and shall
23 be made by the due date (including extensions of time) for
24 filing the taxpayer’s return for the taxable year of the net
25 operating loss. Such election, once made for any taxable
26 year, shall be irrevocable for such taxable year.”.

1 (c) *TEMPORARY SUSPENSION OF 90 PERCENT LIMIT*
2 *ON CERTAIN NOL CARRYBACKS.*—Subparagraph (A) of sec-
3 *tion 56(d)(1) (relating to general rule defining alternative*
4 *tax net operating loss deduction) is amended to read as fol-*
5 *lows:*

6 “(A) *the amount of such deduction shall not*
7 *exceed the sum of—*

8 “(i) *the lesser of—*

9 “(I) *the amount of such deduction*
10 *attributable to net operating losses*
11 *(other than the deduction attributable*
12 *to carrybacks described in clause*
13 *(ii)(I)), or*

14 “(II) *90 percent of alternative*
15 *minimum taxable income determined*
16 *without regard to such deduction, plus*

17 “(ii) *the lesser of—*

18 “(I) *the amount of such deduction*
19 *attributable to carrybacks of net oper-*
20 *ating losses for taxable years ending in*
21 *2001, or*

22 “(II) *alternative minimum tax-*
23 *able income determined without regard*
24 *to such deduction reduced by the*

1 amount determined under clause (i),
2 and”.

3 (d) *EFFECTIVE DATE.*—*The amendments made by this*
4 *section shall apply to net operating losses for taxable years*
5 *ending in 2001.*

6 **TITLE III—TAX INCENTIVES AND**
7 **RELIEF FOR VICTIMS OF TER-**
8 **RORISM, DISASTERS, AND**
9 **DISTRESSED CONDITIONS**
10 **Subtitle A—Tax Incentives for New**
11 **York City and Distressed Areas**

12 **SEC. 301. EXPANSION OF WORK OPPORTUNITY TAX CREDIT**
13 **TARGETED CATEGORIES TO INCLUDE CER-**
14 **TAIN EMPLOYEES IN NEW YORK CITY.**

15 (a) *IN GENERAL.*—*For purposes of section 51 of the*
16 *Internal Revenue Code of 1986 (relating to work oppor-*
17 *tunity credit), a New York Recovery Zone business em-*
18 *ployee shall be treated as a member of a targeted group.*

19 (b) *NEW YORK RECOVERY ZONE BUSINESS EM-*
20 *PLOYEE.*—*For purposes of this section—*

21 (1) *IN GENERAL.*—*The term “New York Recovery*
22 *Zone business employee” means, with respect to the*
23 *period beginning after September 10, 2001, and end-*
24 *ing before January 1, 2003, any employee of a New*
25 *York Recovery Zone business if—*

1 (A) substantially all the services performed
2 during such period by such employee for such
3 business are performed in a trade or business of
4 such business located in an area described in
5 paragraph (2), and

6 (B) with respect to any employee of such
7 business described in paragraph (2)(B), such em-
8 ployee is certified by the New York State Depart-
9 ment of Labor as not exceeding, when added to
10 all other employees previously certified with re-
11 spect to such period as New York Recovery Zone
12 business employees with respect to such business,
13 the number of employees of such business on Sep-
14 tember 11, 2001, in the New York Recovery
15 Zone.

16 (2) *NEW YORK RECOVERY ZONE BUSINESS.*—The
17 term “New York Recovery Zone business” means any
18 business establishment which is—

19 (A) located in the New York Recovery Zone,

20 or

21 (B) located in the City of New York, New
22 York, outside the New York Recovery Zone, as
23 the result of the destruction or damage of such
24 establishment by the September 11, 2001, ter-
25 rorist attack.

1 (3) *NEW YORK RECOVERY ZONE.*—*The term*
2 *“New York Recovery Zone” means the area located on*
3 *or south of Canal Street, East Broadway (east of its*
4 *intersection with Canal Street), or Grand Street (east*
5 *of its intersection with East Broadway) in the Bor-*
6 *ough of Manhattan in the City of New York, New*
7 *York.*

8 (4) *SPECIAL RULES FOR DETERMINING AMOUNT*
9 *OF CREDIT.*—*For purposes of applying subpart E of*
10 *part IV of subchapter B of chapter 1 of the Internal*
11 *Revenue Code of 1986 to wages paid or incurred to*
12 *any New York Recovery Zone business employee—*

13 (A) *section 51(a) of such Code shall be ap-*
14 *plied by substituting “qualified wages” for*
15 *“qualified first-year wages”,*

16 (B) *section 51(d)(12)(A)(i) of such Code*
17 *shall be applied to the certification of individ-*
18 *uals employed by a New York Recovery Zone*
19 *business before April 1, 2002, by substituting*
20 *“on or before May 1, 2002” for “on or before the*
21 *day on which such individual begins work for*
22 *the employer”,*

23 (C) *subsections (e)(4) and (i)(2) of section*
24 *51 of such Code shall not apply, and*

1 (D) *in determining qualified wages, the fol-*
2 *lowing shall apply in lieu of section 51(b) of*
3 *such Code:*

4 (i) *QUALIFIED WAGES.—The term*
5 *“qualified wages” means the wages paid or*
6 *incurred by the employer for work per-*
7 *formed during the period beginning on Sep-*
8 *tember 11, 2001, and ending on December*
9 *31, 2002, to individuals who are New York*
10 *Recovery Zone business employees of such*
11 *employer.*

12 (ii) *ONLY FIRST \$12,000 OF WAGES PER*
13 *TAXABLE YEAR TAKEN INTO ACCOUNT.—The*
14 *amount of the qualified wages which may be*
15 *taken into account with respect to any indi-*
16 *vidual shall not exceed \$12,000 per taxable*
17 *year of the employer.*

18 (c) *CREDIT ALLOWED AGAINST REGULAR AND MIN-*
19 *IMUM TAX.—*

20 (1) *IN GENERAL.—Subsection (c) of section 38*
21 *(relating to limitation based on amount of tax) is*
22 *amended by redesignating paragraph (3) as para-*
23 *graph (4) and by inserting after paragraph (2) the*
24 *following new paragraph:*

1 “(3) *SPECIAL RULES FOR NEW YORK RECOVERY*
2 *ZONE BUSINESS EMPLOYEE CREDIT.*—

3 “(A) *IN GENERAL.*—*In the case of the New*
4 *York Recovery Zone business employee credit—*

5 “(i) *this section and section 39 shall be*
6 *applied separately with respect to such*
7 *credit, and*

8 “(ii) *in applying paragraph (1) to*
9 *such credit—*

10 “(I) *the tentative minimum tax*
11 *shall be treated as being zero, and*

12 “(II) *the limitation under para-*
13 *graph (1) (as modified by subclause*
14 *(I)) shall be reduced by the credit al-*
15 *lowed under subsection (a) for the tax-*
16 *able year (other than the New York Re-*
17 *covery Zone business employee credit).*

18 “(B) *NEW YORK RECOVERY ZONE BUSINESS*
19 *EMPLOYEE CREDIT.*—*For purposes of this sub-*
20 *section, the term ‘New York Recovery Zone busi-*
21 *ness employee credit’ means the portion of work*
22 *opportunity credit under section 51 determined*
23 *under section 301 of the Economic Recovery and*
24 *Assistance for American Workers Act of 2001.’.*

1 (2) *CONFORMING AMENDMENT.*—*Subclause (II)*
2 *of section 38(c)(2)(A)(ii) is amended by inserting “or*
3 *the New York Recovery Zone business employee cred-*
4 *it” after “employment credit”.*

5 (3) *EFFECTIVE DATE.*—*The amendments made*
6 *by this subsection shall apply to taxable years ending*
7 *after September 11, 2001.*

8 (d) *COORDINATION WITH EMERGENCY APPROPRIA-*
9 *TIONS.*—*Notwithstanding any other provision of law, any*
10 *amount otherwise available for disaster recovery activities*
11 *and assistance related to the September 11, 2001, terrorist*
12 *attack in the City of New York, New York, under the 2001*
13 *Emergency Supplemental Appropriations Act for Recovery*
14 *from and Response to Terrorist Attacks on the United*
15 *States (Public Law 107–38) shall be reduced by the aggre-*
16 *gate 10-year cost to the United States Treasury resulting*
17 *from the credits allowed under this section, as estimated for*
18 *purposes of determining whether this Act complies with the*
19 *Congressional Budget Act of 1974.*

20 **SEC. 302. TAX-EXEMPT PRIVATE ACTIVITY BONDS FOR RE-**
21 **BUILDING PORTION OF NEW YORK CITY DAM-**
22 **AGED IN THE SEPTEMBER 11, 2001, TER-**
23 **RORIST ATTACK.**

24 (a) *TREATMENT AS QUALIFIED BONDS.*—*For purposes*
25 *of the Internal Revenue Code of 1986, any qualified NYC*

1 *recovery bond shall be treated as an exempt facility bond*
2 *under section 141(e) of such Code.*

3 (b) *QUALIFIED NYC RECOVERY BOND.*—*For purposes*
4 *of this section, the term “qualified NYC recovery bond”*
5 *means any bond which—*

6 (1) *is issued by the State of New York or any po-*
7 *litical subdivision thereof (or any agency, instrumen-*
8 *tality or constituted authority on behalf thereof), and*

9 (2) *meets the requirements of subsections (c)*
10 *through (f).*

11 (c) *DESIGNATION REQUIREMENTS.*—*A bond meets the*
12 *requirements of this subsection if it is issued as part of an*
13 *issue designated as a qualified NYC recovery bond by the*
14 *Mayor of the City of New York, New York, or an individual*
15 *specifically appointed to make such designation.*

16 (d) *ISSUANCE AND VOLUME REQUIREMENTS.*—

17 (1) *IN GENERAL.*—*Except as provided in para-*
18 *graph (3), a bond issued as part of an issue meets the*
19 *requirements of this subsection if such bond is issued*
20 *during 2002 (or during the period elected under para-*
21 *graph (2)) and the aggregate face amount of the bonds*
22 *issued pursuant to such issue, when added to the ag-*
23 *gregate face amount of qualified NYC recovery bonds*
24 *previously issued, does not exceed \$15,000,000,000.*

1 (2) *ELECTIVE CARRYFORWARD OF UNUSED LIM-*
2 *TATION.—If the volume cap under paragraph (1) ex-*
3 *ceeds the aggregate amount of qualified NYC recovery*
4 *bonds issued during 2002, the issuing authority under*
5 *subsection (b) may elect to carry forward such excess*
6 *volume cap for an additional 3-year period under*
7 *rules similar to the rules of section 146(f) of the Inter-*
8 *nal Revenue Code of 1986 (other than paragraph (2)*
9 *thereof).*

10 (3) *CERTAIN CURRENT REFUNDINGS NOT*
11 *COUNTED.—For purposes of paragraph (1), there*
12 *shall not be taken into account any current refunding*
13 *bond the proceeds of which are used to refund any*
14 *bond described in paragraph (1) to the extent the face*
15 *amount of such current refunding bond does not ex-*
16 *ceed the outstanding face amount of the refunded*
17 *bond.*

18 (e) *QUALIFIED PROJECT REQUIREMENTS.—*

19 (1) *IN GENERAL.—A bond meets the require-*
20 *ments of this subsection if it is issued as part of an*
21 *issue at least 95 percent of the net proceeds of which*
22 *are to be used for qualified project costs.*

23 (2) *QUALIFIED PROJECT COSTS.—For purposes*
24 *of this subsection—*

1 (A) *IN GENERAL.*—*The term “qualified*
2 *project costs” means—*

3 *(i) with respect to a qualified project*
4 *described in paragraph (3)(A)(i), the costs*
5 *of acquisition, construction, reconstruction,*
6 *and renovation of commercial real property*
7 *and residential rental real property,*
8 *including—*

9 *(I) buildings and their structural*
10 *components,*

11 *(II) fixed tenant improvements,*
12 *and*

13 *(III) public utility property, and*

14 *(ii) with respect to a qualified project*
15 *described in paragraph (3)(A)(ii), the costs*
16 *of acquisition, construction, reconstruction,*
17 *and renovation of commercial real property,*
18 *including—*

19 *(I) buildings and their structural*
20 *components, and*

21 *(II) fixed tenant improvements.*

22 (B) *LIMITATIONS.*—

23 *(i) RESIDENTIAL RENTAL REAL PROP-*
24 *ERTY.*—*Such term shall not include costs*
25 *with respect to residential rental real prop-*

1 *erty to the extent such costs for all such*
2 *property exceed 20 percent of the aggregate*
3 *face amount of the bonds issued under this*
4 *section.*

5 *(ii) RETAIL SALES PROPERTY.—Such*
6 *term shall not include costs with respect to*
7 *property used for retail sales of tangible*
8 *property and functionally related and sub-*
9 *ordinate property to the extent such costs*
10 *for all such property exceeds 10 percent of*
11 *the aggregate face amount of the bonds*
12 *issued under this section.*

13 *(iii) MOVABLE FIXTURES AND EQUIP-*
14 *MENT.—Such term shall not include costs*
15 *with respect to movable fixtures and equip-*
16 *ment.*

17 *(3) QUALIFIED PROJECTS.—For purposes of this*
18 *subsection—*

19 *(A) IN GENERAL.—The term “qualified*
20 *project” means any project—*

21 *(i) located within the New York Recov-*
22 *ery Zone, or*

23 *(ii) located within the City of New*
24 *York, New York, but outside of the New*
25 *York Recovery Zone, but only if—*

1 (I) such project consists of at least
2 100,000 square feet of usable office or
3 other commercial space located in a
4 single building or multiple adjacent
5 buildings, and

6 (II) the aggregate face amount of
7 the bonds issued to finance such
8 project, when added to the aggregate
9 face amount of all bonds issued to fi-
10 nance all other projects described in
11 this clause, does not exceed
12 \$7,000,000,000.

13 (B) *NEW YORK RECOVERY ZONE.*—The term
14 “New York Recovery Zone” means the area lo-
15 cated on or south of Canal Street, East Broad-
16 way (east of its intersection with Canal Street),
17 or Grand Street (east of its intersection with
18 East Broadway) in the Borough of Manhattan
19 in the City of New York, New York.

20 (f) *GENERAL REQUIREMENTS.*—A bond meets the re-
21 quirements of this subsection if it is issued as part of an
22 issue which meets the requirements of part IV of subchapter
23 B of chapter 1 of the Internal Revenue Code of 1986 appli-
24 cable to an exempt facility bond, except as follows:

1 (1) Sections 142(d) and 150(b)(2) (relating to
2 qualified residential rental project), and section 146
3 (relating to volume cap) of such Code shall not apply
4 to bonds issued under this section.

5 (2) The application of section 147(c) of such
6 Code (relating to limitation on use for land acquisi-
7 tion) shall be determined by reference to the aggregate
8 authorized face amount of all bonds issued under this
9 section rather than the net proceeds of each issue.

10 (3) Section 147(d) of such Code (relating to ac-
11 quisition of existing property not permitted) shall be
12 applied by substituting “50 percent” for “15 percent”
13 each place it appears.

14 (4) Section 148(f)(4)(C) of such Code (relating to
15 exception from rebate for certain proceeds to be used
16 to finance construction expenditures) shall apply to
17 construction proceeds of bonds issued under this sec-
18 tion.

19 (5) Rules similar to the rules of section
20 143(a)(2)(A)(iv) of such Code (relating to use of loan
21 repayments) shall apply to bonds issued under this
22 section.

23 (g) BOND INTEREST NOT AN AMT PREFERENCE

24 ITEM.—For purposes of section 57(a)(5) of the Internal

1 *Revenue Code of 1986, a qualified NYC recovery bond shall*
2 *not be treated as a specified private activity bond.*

3 *(h) SEPARATE ISSUE TREATMENT OF PORTIONS OF AN*
4 *ISSUE.—This section shall not apply to the portion of the*
5 *proceeds of an issue which (if issued as a separate issue)*
6 *would be treated as a qualified bond or as a bond that is*
7 *not a private activity bond (determined without regard to*
8 *subsection (a)), if the issuer elects to so treat such portion.*

9 *(i) NET PROCEEDS.—For purposes of this section, the*
10 *term “net proceeds” has the meaning given such term by*
11 *section 150(a)(3) of the Internal Revenue Code of 1986.*

12 *(j) INTEREST ON DEBT USED TO PURCHASE OR*
13 *CARRY QUALIFIED NYC RECOVERY BONDS.—*

14 *(1) IN GENERAL.—Section 265(b)(3) (relating to*
15 *exception for certain tax-exempt obligations) is*
16 *amended—*

17 *(A) by inserting “a tax-exempt obligation*
18 *issued pursuant to section 302 of the Economic*
19 *Recovery and Assistance for American Workers*
20 *Act of 2001 or” after “means” in subparagraph*
21 *(B)(i),*

22 *(B) by inserting “other than an obligation*
23 *issued pursuant to section 302 of the Economic*
24 *Recovery and Assistance for American Workers*

1 *Act of 2001” after “of a qualified tax-exempt ob-*
2 *ligation” in subparagraph (D)(ii), and*

3 *(C) by adding at the end of subparagraph*
4 *(D) the following new clause:*

5 *“(iv) REFUNDINGS OF CERTAIN OBLI-*
6 *GATIONS.—In the case of a refunding (or a*
7 *series of refundings) of a qualified tax-ex-*
8 *empt obligation that is an obligation issued*
9 *pursuant to section 302 of the Economic*
10 *Recovery and Assistance for American*
11 *Workers Act of 2001, the refunding obliga-*
12 *tion shall be treated as a qualified tax-ex-*
13 *empt obligation if the refunding obligation*
14 *meets the requirements of such section.”.*

15 *(2) EFFECTIVE DATE.—The amendments made*
16 *by this subsection shall apply to taxable years ending*
17 *on or after the date of the enactment of this Act.*

18 *(k) COORDINATION WITH EMERGENCY APPROPRIA-*
19 *TIONS.—Notwithstanding any other provision of law, any*
20 *amount otherwise available for disaster recovery activities*
21 *and assistance related to the September 11, 2001, terrorist*
22 *attack in the City of New York, New York, under the 2001*
23 *Emergency Supplemental Appropriations Act for Recovery*
24 *from and Response to Terrorist Attacks on the United*
25 *States (Public Law 107–38) shall be reduced by the aggre-*

1 *gate 10-year cost to the United States Treasury of the quali-*
2 *fied NYC recovery bonds issued under this section, as esti-*
3 *mated for purposes of determining whether this Act com-*
4 *plies with the Congressional Budget Act of 1974.*

5 **SEC. 303. GAIN OR LOSS FROM PROPERTY DAMAGED OR DE-**
6 **STROYED IN NEW YORK RECOVERY ZONE.**

7 (a) *GENERAL RULE.*—*For purposes of the Internal*
8 *Revenue Code of 1986, if a taxpayer elects the application*
9 *of this section with respect to any eligible property, then*
10 *any gain or loss on the disposition of the property shall*
11 *be determined without regard to any compensation (by in-*
12 *surance or otherwise) received by the taxpayer for damages*
13 *sustained to the property as a result of the terrorist attacks*
14 *occurring on September 11, 2001. Such election shall be*
15 *made at such time and in such manner as the Secretary*
16 *of the Treasury may prescribe, and, once made, is irrev-*
17 *ocable.*

18 (b) *LIMITATION BASED ON PURCHASE OF REPLACE-*
19 *MENT PROPERTY.*—

20 (1) *IN GENERAL.*—*Subsection (a) shall apply to*
21 *compensation received with respect to eligible prop-*
22 *erty only to the extent of the cost of any qualified re-*
23 *placement property purchased by the taxpayer.*

24 (2) *ALLOCATION.*—*If the aggregate compensation*
25 *received by a taxpayer with respect to all eligible*

1 *property exceeds the aggregate cost of all qualified re-*
2 *placement property purchased by the taxpayer, such*
3 *cost shall be allocated to such eligible property in ac-*
4 *cordance with rules prescribed by the Secretary.*

5 (3) *SPECIAL RULE FOR CONSOLIDATED*
6 *GROUPS.—For purposes of paragraph (1), an affili-*
7 *ated group filing a consolidated return may elect to*
8 *treat any qualified replacement property purchased*
9 *by a member of the group as purchased by another*
10 *member of the group.*

11 (c) *ELIGIBLE PROPERTY.—For purposes of this sec-*
12 *tion, the term “eligible property” means any tangible*
13 *property—*

14 (1) *which is section 1245 property (as defined in*
15 *section 1245(a)(3) of the Internal Revenue Code of*
16 *1986) or qualified leasehold improvement property*
17 *(as defined in section 168(k)(3) of such Code),*

18 (2) *substantially all of the use of which as of*
19 *September 11, 2001, was in a business establishment*
20 *of the taxpayer located in the New York Recovery*
21 *Zone, and*

22 (3) *which was damaged or destroyed in the ter-*
23 *rorist attacks of September 11, 2001.*

24 (d) *QUALIFIED REPLACEMENT PROPERTY.—For pur-*
25 *poses of this section—*

1 (1) *IN GENERAL.*—*The term “qualified replace-*
2 *ment property” means tangible property—*

3 (A) *which is described in subsection (c)(1),*

4 (B) *which is purchased by the taxpayer on*
5 *or after September 11, 2001, and placed in serv-*
6 *ice in the City of New York, New York, before*
7 *January 1, 2007,*

8 (C) *the original use of which in such city*
9 *begins with the taxpayer, and*

10 (D) *substantially all of the use of which is*
11 *reasonably expected to be in connection with a*
12 *business establishment of the taxpayer located in*
13 *such city.*

14 (2) *RECAPTURE.*—*The Secretary shall, by regu-*
15 *lations, provide for the recapture of any Federal tax*
16 *benefit provided by this section in cases where a tax-*
17 *payer ceases to use property as qualified replacement*
18 *property and such recapture is necessary to prevent*
19 *the avoidance of the purposes of this section.*

20 (e) *COORDINATION WITH OTHER PROVISIONS OF*
21 *CODE.*—*For purposes of the Internal Revenue Code of*
22 *1986—*

23 (1) *SPECIAL RULE FOR TREATMENT OF UNREC-*
24 *OGNIZED GAIN IN ELIGIBLE PROPERTY.*—*Sections*
25 *1245 and 1250 of such Code shall not apply to any*

1 *gain on the disposition of eligible property not recog-*
2 *nized by reason of this section.*

3 (2) *LOSS ELECTION NOT TO APPLY TO ELIGIBLE*
4 *PROPERTY.—If a taxpayer elects the application of*
5 *this section with respect to any eligible property, the*
6 *taxpayer may not make an election under section*
7 *165(i) of such Code with respect to any loss attrib-*
8 *utable to the property.*

9 (3) *BASIS ADJUSTMENTS OF QUALIFIED RE-*
10 *PLACEMENT PROPERTY.—*

11 (A) *IN GENERAL.—The basis of any quali-*
12 *fied replacement property shall be reduced by the*
13 *amount of any compensation disregarded by rea-*
14 *son of subsection (a).*

15 (B) *SPECIAL RULES FOR RECAPTURE.—For*
16 *purposes of sections 1245 and 1250 of such Code,*
17 *any reduction under subparagraph (A) shall be*
18 *treated as a deduction allowed for depreciation,*
19 *except that for purposes of section 1250(b) of*
20 *such Code, the determination of what would have*
21 *been the depreciation adjustments under the*
22 *straight line method shall be made as if there*
23 *had been no reduction under subparagraph (A).*

24 (4) *SPECIAL RULES FOR APPLYING SECTION*
25 *1033.—For purposes of applying section 1033 of such*

1 *Code to converted property which is eligible property*
2 *with respect to which an election under subsection (a)*
3 *has been made—*

4 *(A) the amount realized from the eligible*
5 *property shall not include any compensation re-*
6 *ceived by the taxpayer which is disregarded by*
7 *reason of subsection (a), and*

8 *(B) any qualified replacement property*
9 *shall be disregarded in determining whether*
10 *property was acquired for the purposes of replac-*
11 *ing the converted property.*

12 *(f) OTHER DEFINITIONS AND RULES.—For purposes*
13 *of this section—*

14 *(1) NEW YORK RECOVERY ZONE.—The term*
15 *“New York Recovery Zone” means the area located on*
16 *or south of Canal Street, East Broadway (east of its*
17 *intersection with Canal Street), or Grand Street (east*
18 *of its intersection with East Broadway) in the Bor-*
19 *ough of Manhattan in the City of New York, New*
20 *York.*

21 *(2) TIME FOR ASSESSMENT.—Rules similar to*
22 *the rules of subparagraphs (C) and (D) of section*
23 *1033(a)(2) of such Code shall apply for purposes of*
24 *this section.*

1 (3) *RELATED PARTY LIMITATION.*—Section
 2 1033(i) of such Code shall apply for purposes of this
 3 section.

4 (g) *COORDINATION WITH EMERGENCY APPROPRIA-*
 5 *TIONS.*—Notwithstanding any other provision of law, any
 6 amount otherwise available for disaster recovery activities
 7 and assistance related to the September 11, 2001, terrorist
 8 attack in the City of New York, New York, under the 2001
 9 Emergency Supplemental Appropriations Act for Recovery
 10 from and Response to Terrorist Attacks on the United
 11 States (Public Law 107–38) shall be reduced by the aggre-
 12 gate 10-year cost to the United States Treasury resulting
 13 from the enactment of this section, as estimated for purposes
 14 of determining whether this Act complies with the Congres-
 15 sional Budget Act of 1974.

16 **SEC. 304. REENACTMENT OF EXCEPTIONS FOR QUALIFIED-**
 17 **MORTGAGE-BOND-FINANCED LOANS TO VIC-**
 18 **TIMS OF PRESIDENTIALLY DECLARED DISAS-**
 19 **TERS.**

20 Section 143(k)(11) (relating to special rules for resi-
 21 dences located in disaster areas) is amended—

22 (1) by inserting “damaged or destroyed by a dis-
 23 aster and” after “In the case of a residence”,

24 (2) by inserting after subparagraph (B) the fol-
 25 lowing new subparagraph:

1 “(C) Paragraph (4) of this subsection shall
 2 be applied by substituting ‘\$25,000’ for
 3 ‘\$15,000.’, and
 4 (3) by inserting “, and after December 31, 2001,
 5 and before January 1, 2003” after “1999” in the last
 6 sentence.

7 **SEC. 305. ONE-YEAR EXPANSION OF AUTHORITY FOR IN-**
 8 **DIAN TRIBES TO ISSUE TAX-EXEMPT PRIVATE**
 9 **ACTIVITY BONDS.**

10 (a) *IN GENERAL.*—Section 7871(c) (relating to addi-
 11 tional requirements for tax-exempt bonds) is amended by
 12 adding at the end the following new paragraph:

13 “(4) *EXCEPTION FOR QUALIFIED INDIAN PRIVATE*
 14 *ACTIVITY BONDS.*—

15 “(A) *IN GENERAL.*—In the case of any
 16 qualified Indian private activity bond—

17 “(i) paragraph (2) shall not apply,

18 “(ii) such bond shall be treated as a
 19 qualified bond under section 141(e), and

20 “(iii) section 146 shall not apply.

21 “(B) *QUALIFIED INDIAN PRIVATE ACTIVITY*
 22 *BOND.*—For purposes of this paragraph, the term
 23 ‘qualified Indian private activity bond’ means
 24 any bond which—

1 “(i) is issued by a qualified Indian
2 tribal government—

3 “(I) as part of an issue 95 percent
4 or more of the net proceeds of which
5 are to be used to provide qualified resi-
6 dential rental projects (as determined
7 under section 142(d), by substituting
8 ‘statewide median gross income’ for
9 ‘area median gross income’),

10 “(II) as part of a qualified mort-
11 gage issue (as defined in section
12 143(a)(2)),

13 “(III) as part of an issue 95 per-
14 cent or more of the net proceeds of
15 which are to be used to provide any fa-
16 cility described in section 1394(b)(1)
17 for any business (whether tribally
18 owned or not) that would qualify as an
19 enterprise zone business if the Indian
20 reservation (as defined in section
21 168(j)(6)) over which the qualified In-
22 dian tribal government exercises gen-
23 eral governmental authority were
24 treated as an empowerment zone, or

1 “(IV) as part of an issue to be
2 used for more than 1 of the purposes
3 described in the preceding subclauses,
4 and

5 “(ii) meets the requirements of sub-
6 paragraphs (D) and (E).

7 “(C) QUALIFIED INDIAN TRIBAL GOVERN-
8 MENT.—For purposes of this paragraph, the
9 term ‘qualified Indian tribal government’ means
10 an Indian tribal government which exercises gen-
11 eral governmental authority over an Indian res-
12 ervation (as so defined) with an unemployment
13 rate among members of the tribe of at least 25
14 percent. For purposes of the preceding sentence,
15 determinations of unemployment shall be made
16 with respect to any issuance of a bond under this
17 section on the basis of the most recent report
18 published by the Bureau of Indian Affairs under
19 section 17(a) of the Indian Employment, Train-
20 ing and Related Services Demonstration Act of
21 1992 (25 U.S.C. 3416(a)) before such issuance.

22 “(D) DESIGNATION REQUIREMENTS.—A
23 bond meets the requirements of this subpara-
24 graph if it is issued as part of an issue des-
25 ignated as a qualified Indian private activity

1 *bond for a purpose described in subclause (I),*
2 *(II), or (III) of subparagraph (B)(i) by the*
3 *qualified Indian tribal government.*

4 “(E) *VOLUME REQUIREMENTS.—*

5 “(i) *IN GENERAL.—A bond issued as*
6 *part of an issue meets the requirements of*
7 *this subparagraph if such bond is issued*
8 *during 2002 (or during the period elected*
9 *under clause (ii)) and the aggregate face*
10 *amount of the bonds issued pursuant to*
11 *such issue, when added to the aggregate face*
12 *amount of qualified Indian private activity*
13 *bonds previously issued by such qualified*
14 *Indian tribal government, does not exceed*
15 *\$10,000,000.*

16 “(ii) *ELECTIVE CARRYFORWARD OF*
17 *UNUSED LIMITATION.—If the volume cap*
18 *under clause (i) exceeds the aggregate*
19 *amount of qualified Indian private activity*
20 *bonds issued during 2002, the qualified In-*
21 *Indian tribal government may elect to carry*
22 *forward such excess volume cap for an addi-*
23 *tional 3-year period under rules similar to*
24 *the rules of section 146(f) (other than para-*
25 *graph (2) thereof).*

1 “(F) *APPLICATION OF SECTION 42 TO RESI-*
2 *DENTIAL RENTAL PROJECTS FINANCED BY BONDS*
3 *UNDER THIS PARAGRAPH.—In the case of bonds*
4 *described in subparagraph (B)(i)(I), issuance*
5 *under the requirements of subparagraph (E)*
6 *shall be treated as issuance under the require-*
7 *ments of section 146 for purposes of determining*
8 *the application of section 42 to projects financed*
9 *by the net proceeds of such bonds.*

10 “(G) *SPECIAL RULE FOR DETERMINING EN-*
11 *TERPRISE ZONE BUSINESS.—For purposes of*
12 *subparagraph (B)(i)(III), an enterprise zone*
13 *business shall not include any facility a prin-*
14 *cipal business of which is the sale of tobacco*
15 *products or highway motor fuels, unless the*
16 *qualified Indian tribal government has entered*
17 *into an agreement with the State in which such*
18 *facility is located to collect applicable State taxes*
19 *on such products or fuels.*

20 “(H) *BOND INTEREST NOT AN AMT PREF-*
21 *ERENCE ITEM.—For purposes of section 57(a)(5),*
22 *a bond designated under subparagraph (D) as a*
23 *qualified Indian private activity bond shall not*
24 *be treated as a specified private activity bond.*

1 “(I) *REPORT.*—*The Secretary shall compile*
2 *necessary data from reports required under sec-*
3 *tion 149(e) relating to the issuance of bonds*
4 *under this paragraph and shall report to the*
5 *Committee on Ways and Means of the House of*
6 *Representatives and the Committee on Finance*
7 *of the Senate not later than September 30 of any*
8 *year following the calendar year in which In-*
9 *Indian tribal governments issued bonds under this*
10 *paragraph and the activities for which such*
11 *bonds were issued.”.*

12 **(b) CONFORMING AMENDMENTS.**—

13 (1) *Section 7871(c)(2) is amended by striking*
14 *“paragraph (3)” and inserting “paragraphs (3) and*
15 *(4)”.*

16 (2) *Section 7871 is amended—*

17 (A) *by striking clause (iii) of subsection*
18 *(c)(3)(E), and*

19 (B) *by adding at the end the following new*
20 *subsection:*

21 “(f) *NET PROCEEDS.*—*For purposes of this section, the*
22 *term ‘net proceeds’ has the meaning given such term by sec-*
23 *tion 150(a)(3).”.*

24 (c) *EFFECTIVE DATE.*—*The amendments made by this*
25 *section shall apply to bonds issued after December 31, 2001.*

1 ***Subtitle B—Victims of Terrorism***
2 ***Tax Relief***

3 **SEC. 310. SHORT TITLE.**

4 *This subtitle may be cited as the “Victims of Terrorism*
5 *Tax Relief Act of 2001”.*

6 **PART I—RELIEF PROVISIONS FOR VICTIMS OF**
7 **APRIL 19, 1995, AND SEPTEMBER 11, 2001, TER-**
8 **RORIST ATTACKS**

9 **SEC. 311. INCOME AND EMPLOYMENT TAXES OF VICTIMS OF**
10 **TERRORIST ATTACKS.**

11 *(a) IN GENERAL.—Section 692 (relating to income*
12 *taxes of members of Armed Forces on death) is amended*
13 *by adding at the end the following new subsection:*

14 *“(d) CERTAIN INDIVIDUALS DYING AS A RESULT OF*
15 *APRIL 19, 1995, AND SEPTEMBER 11, 2001, TERRORIST AT-*
16 *TACKS.—*

17 *“(1) IN GENERAL.—In the case of any individual*
18 *who dies as a result of wounds or injury incurred as*
19 *a result of the terrorist attacks against the United*
20 *States on April 19, 1995, or September 11, 2001, any*
21 *tax imposed by this subtitle shall not apply—*

22 *“(A) with respect to the taxable year in*
23 *which falls the date of such individual’s death,*
24 *and*

1 “(B) with respect to any prior taxable year
2 in the period beginning with the last taxable
3 year ending before the taxable year in which the
4 wounds or injury were incurred.

5 “(2) EXCEPTIONS.—

6 “(A) TAXATION OF CERTAIN BENEFITS.—
7 Subject to such rules as the Secretary may pre-
8 scribe, paragraph (1) shall not apply to the
9 amount of any tax imposed by this subtitle
10 which would be computed by only taking into ac-
11 count the items of income, gain, or other
12 amounts attributable to—

13 “(i) amounts payable in the taxable
14 year by reason of the death of an individual
15 described in paragraph (1) which would
16 have been payable in such taxable year if
17 the death had occurred by reason of an
18 event other than the terrorist attacks
19 against the United States on April 19,
20 1995, or September 11, 2001, or

21 “(ii) amounts payable in the taxable
22 year which would not have been payable in
23 such taxable year but for an action taken
24 after April 19, 1995, or after September 11,
25 2001 (as the case may be).

1 “(B) *NO RELIEF FOR PERPETRATORS.*—
2 *Paragraph (1) shall not apply with respect to*
3 *any individual identified by the Attorney Gen-*
4 *eral to have been a participant or conspirator in*
5 *any such terrorist attack, or a representative of*
6 *such individual.”.*

7 **(b) REFUND OF OTHER TAXES PAID.**—*Section 692, as*
8 *amended by subsection (a), is amended by adding at the*
9 *end the following new subsection:*

10 “(e) *REFUND OF OTHER TAXES PAID.*—*In deter-*
11 *mining the amount of tax under this section to be credited*
12 *or refunded as an overpayment with respect to any indi-*
13 *vidual for any period, such amount shall be increased by*
14 *an amount equal to the amount of taxes imposed and col-*
15 *lected under chapter 21 and sections 3201(a), 3211(a)(1),*
16 *and 3221(a) with respect to such individual for such pe-*
17 *riod.”.*

18 **(c) CONFORMING AMENDMENTS.**—

19 (1) *Section 5(b)(1) is amended by inserting “and*
20 *victims of certain terrorist attacks” before “on death”.*

21 (2) *Section 6013(f)(2)(B) is amended by insert-*
22 *ing “and victims of certain terrorist attacks” before*
23 *“on death”.*

24 **(d) CLERICAL AMENDMENTS.**—

1 (1) *The heading of section 692 is amended to*
2 *read as follows:*

3 **“SEC. 692. INCOME AND EMPLOYMENT TAXES OF MEMBERS**
4 **OF ARMED FORCES AND VICTIMS OF CERTAIN**
5 **TERRORIST ATTACKS ON DEATH.”.**

6 (2) *The item relating to section 692 in the table*
7 *of sections for part II of subchapter J of chapter 1 is*
8 *amended to read as follows:*

*“Sec. 692. Income and employment taxes of members of Armed
Forces and victims of certain terrorist attacks on
death.”.*

9 (d) *EFFECTIVE DATE; WAIVER OF LIMITATIONS.—*

10 (1) *EFFECTIVE DATE.—The amendments made*
11 *by this section shall apply to taxable years ending be-*
12 *fore, on, or after September 11, 2001.*

13 (2) *WAIVER OF LIMITATIONS.—If refund or cred-*
14 *it of any overpayment of tax resulting from the*
15 *amendments made by this section is prevented at any*
16 *time before the close of the 1-year period beginning on*
17 *the date of the enactment of this Act by the operation*
18 *of any law or rule of law (including res judicata),*
19 *such refund or credit may nevertheless be made or al-*
20 *lowed if claim therefor is filed before the close of such*
21 *period.*

22 **SEC. 312. ESTATE TAX REDUCTION.**

23 (a) *IN GENERAL.—Section 2201 is amended to read*
24 *as follows:*

1 **“SEC. 2201. COMBAT ZONE-RELATED DEATHS OF MEMBERS**
2 **OF THE ARMED FORCES AND DEATHS OF VIC-**
3 **TIMS OF CERTAIN TERRORIST ATTACKS.**

4 *“(a) IN GENERAL.—Unless the executor elects not to*
5 *have this section apply, in applying section 2001 to the es-*
6 *tate of a qualified decedent, the rate schedule set forth in*
7 *subsection (c) shall be deemed to be the rate schedule set*
8 *forth in section 2001(c).*

9 *“(b) QUALIFIED DECEDENT.—For purposes of this sec-*
10 *tion, the term ‘qualified decedent’ means—*

11 *“(1) any citizen or resident of the United States*
12 *dying while in active service of the Armed Forces of*
13 *the United States, if such decedent—*

14 *“(A) was killed in action while serving in*
15 *a combat zone, as determined under section*
16 *112(c), or*

17 *“(B) died as a result of wounds, disease, or*
18 *injury suffered while serving in a combat zone*
19 *(as determined under section 112(c)), and while*
20 *in the line of duty, by reason of a hazard to*
21 *which such decedent was subjected as an incident*
22 *of such service, or*

23 *“(2) any individual who died as a result of*
24 *wounds or injury incurred as a result of the terrorist*
25 *attacks against the United States on April 19, 1995,*
26 *or September 11, 2001.*

1 Paragraph (2) shall not apply with respect to any indi-
 2 vidual identified by the Attorney General to have been a
 3 participant or conspirator in any such terrorist attack, or
 4 a representative of such individual.

5 “(c) *RATE SCHEDULE.*—

“If the amount with respect to which the tentative tax to be computed is:	The tentative tax is:
Not over \$150,000	1 percent of the amount by which such amount exceeds \$100,000.
Over \$150,000 but not over \$200,000.	\$500 plus 2 percent of the excess over \$150,000.
Over \$200,000 but not over \$300,000.	\$1,500 plus 3 percent of the excess over \$200,000.
Over \$300,000 but not over \$500,000.	\$4,500 plus 4 percent of the excess over \$300,000.
Over \$500,000 but not over \$700,000.	\$12,500 plus 5 percent of the excess over \$500,000.
Over \$700,000 but not over \$900,000.	\$22,500 plus 6 percent of the excess over \$700,000.
Over \$900,000 but not over \$1,100,000.	\$34,500 plus 7 percent of the excess over \$900,000.
Over \$1,100,000 but not over \$1,600,000.	\$48,500 plus 8 percent of the excess over \$1,100,000.
Over \$1,600,000 but not over \$2,100,000.	\$88,500 plus 9 percent of the excess over \$1,600,000.
Over \$2,100,000 but not over \$2,600,000.	\$133,500 plus 10 percent of the excess over \$2,100,000.
Over \$2,600,000 but not over \$3,100,000.	\$183,500 plus 11 percent of the excess over \$2,600,000.
Over \$3,100,000 but not over \$3,600,000.	\$238,500 plus 12 percent of the excess over \$3,100,000.
Over \$3,600,000 but not over \$4,100,000.	\$298,500 plus 13 percent of the excess over \$3,600,000.
Over \$4,100,000 but not over \$5,100,000.	\$363,500 plus 14 percent of the excess over \$4,100,000.
Over \$5,100,000 but not over \$6,100,000.	\$503,500 plus 15 percent of the excess over \$5,100,000.
Over \$6,100,000 but not over \$7,100,000.	\$653,500 plus 16 percent of the excess over \$6,100,000.
Over \$7,100,000 but not over \$8,100,000.	\$813,500 plus 17 percent of the excess over \$7,100,000.
Over \$8,100,000 but not over \$9,100,000.	\$983,500 plus 18 percent of the excess over \$8,100,000.
Over \$9,100,000 but not over \$10,100,000.	\$1,163,500 plus 19 percent of the excess over \$9,100,000.
Over \$10,100,000	\$1,353,500 plus 20 percent of the excess over \$10,100,000.

1 “(d) *DETERMINATION OF UNIFIED CREDIT.*—*In the*
 2 *case of an estate to which this section applies, subsection*
 3 *(a) shall not apply in determining the credit under section*
 4 *2010.*”.

5 (b) *CONFORMING AMENDMENTS.*—

6 (1) *Section 2011 is amended by striking sub-*
 7 *section (d) and by redesignating subsections (e), (f),*
 8 *and (g) as subsections (d), (e), and (f), respectively.*

9 (2) *Section 2053(d)(3)(B) is amended by strik-*
 10 *ing “section 2011(e)” and inserting “section*
 11 *2011(d)”.*

12 (3) *Paragraph (9) of section 532(c) of the Eco-*
 13 *nomic Growth and Tax Relief Reconciliation Act of*
 14 *2001 is repealed.*

15 (c) *CLERICAL AMENDMENT.*—*The item relating to sec-*
 16 *tion 2201 in the table of sections for subchapter C of chapter*
 17 *11 is amended to read as follows:*

*“Sec. 2201. Combat zone-related deaths of members of the Armed
 Forces and deaths of victims of certain terrorist at-*
tacks.”.

18 (d) *EFFECTIVE DATE; WAIVER OF LIMITATIONS.*—

19 (1) *EFFECTIVE DATE.*—*The amendments made*
 20 *by this section shall apply to estates of decedents—*

21 (A) *dying on or after September 11, 2001,*

22 *and*

1 (B) *in the case of individuals dying as a re-*
2 *sult of the April 19, 1995, terrorist attack, dying*
3 *on or after April 19, 1995.*

4 (2) *WAIVER OF LIMITATIONS.—If refund or cred-*
5 *it of any overpayment of tax resulting from the*
6 *amendments made by this section is prevented at any*
7 *time before the close of the 1-year period beginning on*
8 *the date of the enactment of this Act by the operation*
9 *of any law or rule of law (including res judicata),*
10 *such refund or credit may nevertheless be made or al-*
11 *lowed if claim therefor is filed before the close of such*
12 *period.*

13 **SEC. 313. PAYMENTS BY CHARITABLE ORGANIZATIONS**
14 **TREATED AS EXEMPT PAYMENTS.**

15 (a) *IN GENERAL.—For purposes of the Internal Rev-*
16 *enue Code of 1986—*

17 (1) *payments made by an organization described*
18 *in section 501(c)(3) of such Code by reason of the*
19 *death, injury, or wounding of an individual incurred*
20 *as the result of the terrorist attacks against the*
21 *United States on September 11, 2001, shall be treated*
22 *as related to the purpose or function constituting the*
23 *basis for such organization's exemption under section*
24 *501 of such Code if such payments are made using an*
25 *objective formula which is consistently applied, and*

1 (2) *in the case of a private foundation (as de-*
2 *fin**ed in section 509 of such Code), any payment de-*
3 *scribed in paragraph (1) shall not be treated as made*
4 *to a disqualified person for purposes of section 4941*
5 *of such Code.*

6 (b) *EFFECTIVE DATE.*—*This section shall apply to*
7 *payments made on or after September 11, 2001.*

8 **SEC. 314. EXCLUSION OF CERTAIN CANCELLATIONS OF IN-**
9 **DEBTEDNESS.**

10 (a) *IN GENERAL.*—*For purposes of the Internal Rev-*
11 *enue Code of 1986—*

12 (1) *gross income shall not include any amount*
13 *which (but for this section) would be includible in*
14 *gross income by reason of the discharge (in whole or*
15 *in part) of indebtedness of any taxpayer if the dis-*
16 *charge is by reason of the death of an individual in-*
17 *curring as the result of the terrorist attacks against the*
18 *United States on September 11, 2001, and*

19 (2) *return requirements under section 6050P of*
20 *such Code shall not apply to any discharge described*
21 *in paragraph (1).*

22 (b) *EFFECTIVE DATE.*—*This section shall apply to dis-*
23 *charges made on or after September 11, 2001, and before*
24 *January 1, 2002.*

1 **PART II—GENERAL RELIEF FOR VICTIMS OF DIS-**
2 **ASTERS AND TERRORISTIC OR MILITARY AC-**
3 **TIONS**

4 **SEC. 321. EXCLUSION FOR DISASTER RELIEF PAYMENTS.**

5 (a) *IN GENERAL.*—Part III of subchapter B of chapter
6 1 (relating to items specifically excluded from gross income)
7 is amended by redesignating section 139 as section 140 and
8 inserting after section 138 the following new section:

9 **“SEC. 139. DISASTER RELIEF PAYMENTS.**

10 “(a) *GENERAL RULE.*—Gross income shall not
11 include—

12 “(1) any amount received as payment under sec-
13 tion 406 of the Air Transportation Safety and Sys-
14 tem Stabilization Act, or

15 “(2) any amount received by an individual as a
16 qualified disaster relief payment.

17 “(b) *QUALIFIED DISASTER RELIEF PAYMENT DE-*
18 *FINED.*—For purposes of this section, the term ‘qualified
19 disaster relief payment’ means any amount paid to or for
20 the benefit of an individual—

21 “(1) to reimburse or pay reasonable and nec-
22 essary personal, family, living, or funeral expenses
23 incurred as a result of a qualified disaster,

24 “(2) to reimburse or pay reasonable and nec-
25 essary expenses incurred for the repair or rehabilita-
26 tion of a personal residence or repair or replacement

1 *of its contents to the extent that the need for such re-*
2 *pair, rehabilitation, or replacement is attributable to*
3 *a qualified disaster,*

4 *“(3) by a person engaged in the furnishing or*
5 *sale of transportation as a common carrier by reason*
6 *of the death or personal physical injuries incurred as*
7 *a result of a qualified disaster, or*

8 *“(4) if such amount is paid by a Federal, State,*
9 *or local government, or agency or instrumentality*
10 *thereof, in connection with a qualified disaster in*
11 *order to promote the general welfare,*

12 *but only to the extent any expense compensated by such*
13 *payment is not otherwise compensated for by insurance or*
14 *otherwise.*

15 *“(c) QUALIFIED DISASTER DEFINED.—For purposes*
16 *of this section, the term ‘qualified disaster’ means—*

17 *“(1) a disaster which results from a terroristic or*
18 *military action (as defined in section 692(c)(2)),*

19 *“(2) a Presidentially declared disaster (as de-*
20 *fined in section 1033(h)(3)),*

21 *“(3) a disaster which results from an accident*
22 *involving a common carrier, or from any other event,*
23 *which is determined by the Secretary to be of a cata-*
24 *strophic nature, or*

1 “(4) with respect to amounts described in sub-
2 section (b)(4), a disaster which is determined by an
3 applicable Federal, State, or local authority (as deter-
4 mined by the Secretary) to warrant assistance from
5 the Federal, State, or local government or agency or
6 instrumentality thereof.

7 “(d) *COORDINATION WITH EMPLOYMENT TAXES.*—For
8 purposes of chapter 2 and subtitle C, a qualified disaster
9 relief payment shall not be treated as net earnings from
10 self-employment, wages, or compensation subject to tax.

11 “(e) *NO RELIEF FOR CERTAIN INDIVIDUALS.*—Sub-
12 section (a) shall not apply with respect to any individual
13 identified by the Attorney General to have been a partici-
14 pant or conspirator in a terroristic action (as so defined),
15 or a representative of such individual.”.

16 “(b) *CONFORMING AMENDMENTS.*—The table of sections
17 for part III of subchapter B of chapter 1 is amended by
18 striking the item relating to section 139 and inserting the
19 following new items:

 “Sec. 139. Disaster relief payments.

 “Sec. 140. Cross references to other Acts.”.

20 “(c) *EFFECTIVE DATE.*—The amendments made by this
21 section shall apply to taxable years ending on or after Sep-
22 tember 11, 2001.

1 **SEC. 322. AUTHORITY TO POSTPONE CERTAIN DEADLINES**
2 **AND REQUIRED ACTIONS.**

3 (a) *EXPANSION OF AUTHORITY RELATING TO DISAS-*
4 *TERS AND TERRORISTIC OR MILITARY ACTIONS.*—Section
5 7508A is amended to read as follows:

6 **“SEC. 7508A. AUTHORITY TO POSTPONE CERTAIN DEAD-**
7 **LINES BY REASON OF PRESIDENTIALLY DE-**
8 **CLARED DISASTER OR TERRORISTIC OR MILI-**
9 **TARY ACTIONS.**

10 *“(a) IN GENERAL.*—*In the case of a taxpayer deter-*
11 *mined by the Secretary to be affected by a Presidentially*
12 *declared disaster (as defined in section 1033(h)(3)) or a ter-*
13 *roristic or military action (as defined in section 692(c)(2)),*
14 *the Secretary may specify a period of up to one year that*
15 *may be disregarded in determining, under the internal rev-*
16 *enue laws, in respect of any tax liability of such taxpayer—*

17 *“(1) whether any of the acts described in para-*
18 *graph (1) of section 7508(a) were performed within*
19 *the time prescribed therefor (determined without re-*
20 *gard to extension under any other provision of this*
21 *subtitle for periods after the date (determined by the*
22 *Secretary) of such disaster or action),*

23 *“(2) the amount of any interest, penalty, addi-*
24 *tional amount, or addition to the tax for periods after*
25 *such date, and*

26 *“(3) the amount of any credit or refund.*

1 “(b) *SPECIAL RULES REGARDING PENSIONS, ETC.—*
2 *In the case of a pension or other employee benefit plan, or*
3 *any sponsor, administrator, participant, beneficiary, or*
4 *other person with respect to such plan, affected by a disaster*
5 *or action described in subsection (a), the Secretary may*
6 *specify a period of up to one year which may be disregarded*
7 *in determining the date by which any action is required*
8 *or permitted to be completed under this title. No plan shall*
9 *be treated as failing to be operated in accordance with the*
10 *terms of the plan solely as the result of disregarding any*
11 *period by reason of the preceding sentence.*

12 “(c) *SPECIAL RULES FOR OVERPAYMENTS.—The rules*
13 *of section 7508(b) shall apply for purposes of this section.”.*

14 (b) *CLARIFICATION OF SCOPE OF ACTS SECRETARY*
15 *MAY POSTPONE.—Section 7508(a)(1)(K) (relating to time*
16 *to be disregarded) is amended by striking “in regulations*
17 *prescribed under this section”.*

18 (c) *CONFORMING AMENDMENTS TO ERISA.—*

19 (1) *Part 5 of subtitle B of title I of the Employee*
20 *Retirement Income Security Act of 1974 (29 U.S.C.*
21 *1131 et seq.) is amended by adding at the end the fol-*
22 *lowing new section:*

1 **“SEC. 518. AUTHORITY TO POSTPONE CERTAIN DEADLINES**
2 **BY REASON OF PRESIDENTIALLY DECLARED**
3 **DISASTER OR TERRORISTIC OR MILITARY AC-**
4 **TIONS.**

5 *“In the case of a pension or other employee benefit*
6 *plan, or any sponsor, administrator, participant, bene-*
7 *ficiary, or other person with respect to such plan, affected*
8 *by a Presidentially declared disaster (as defined in section*
9 *1033(h)(3) of the Internal Revenue Code of 1986) or a ter-*
10 *roristic or military action (as defined in section 692(c)(2)*
11 *of such Code), the Secretary may, notwithstanding any*
12 *other provision of law, prescribe, by notice or otherwise, a*
13 *period of up to one year which may be disregarded in deter-*
14 *mining the date by which any action is required or per-*
15 *mitted to be completed under this Act. No plan shall be*
16 *treated as failing to be operated in accordance with the*
17 *terms of the plan solely as the result of disregarding any*
18 *period by reason of the preceding sentence.”.*

19 *(2) Section 4002 of Employee Retirement Income*
20 *Security Act of 1974 (29 U.S.C. 1302) is amended by*
21 *adding at the end the following new subsection:*

22 *“(i) SPECIAL RULES REGARDING DISASTERS, ETC.—*
23 *In the case of a pension or other employee benefit plan, or*
24 *any sponsor, administrator, participant, beneficiary, or*
25 *other person with respect to such plan, affected by a Presi-*
26 *dentially declared disaster (as defined in section 1033(h)(3)*

1 of the Internal Revenue Code of 1986) or a terroristic or
2 military action (as defined in section 692(c)(2) of such
3 Code), the corporation may, notwithstanding any other pro-
4 vision of law, prescribe, by notice or otherwise, a period
5 of up to one year which may be disregarded in determining
6 the date by which any action is required or permitted to
7 be completed under this Act. No plan shall be treated as
8 failing to be operated in accordance with the terms of the
9 plan solely as the result of disregarding any period by rea-
10 son of the preceding sentence.”.

11 (d) *ADDITIONAL CONFORMING AMENDMENTS.*—

12 (1) Section 6404 is amended—

13 (A) by striking subsection (h),

14 (B) by redesignating subsection (i) as sub-
15 section (h), and

16 (C) by adding at the end the following new
17 subsection:

18 “(i) *CROSS REFERENCE.*—

**“For authority of the Secretary to abate certain
amounts by reason of Presidentially declared dis-
aster or terroristic or military action, see section
7508A.”.**

19 (2) Section 6081(c) is amended to read as fol-
20 lows:

1 “(c) *CROSS REFERENCES.*—

“For time for performing certain acts postponed by reason of war, see section 7508, and by reason of Presidentially declared disaster or terroristic or military action, see section 7508A.”.

2 (3) *Section 6161(d) is amended by adding at the*
3 *end the following new paragraph:*

4 “(3) *POSTPONEMENT OF CERTAIN ACTS.*—

“For time for performing certain acts postponed by reason of war, see section 7508, and by reason of Presidentially declared disaster or terroristic or military action, see section 7508A.”.

5 “(d) *CLERICAL AMENDMENTS.*—

6 (1) *The item relating to section 7508A in the*
7 *table of sections for chapter 77 is amended to read as*
8 *follows:*

 “Sec. 7508A. *Authority to postpone certain deadlines by reason of Presidentially declared disaster or terroristic or military actions.*”.

9 (2) *The table of contents for the Employee Re-*
10 *tirement Income Security Act of 1974 is amended by*
11 *inserting after the item relating to section 517 the fol-*
12 *lowing new item:*

 “Sec. 518. *Authority to postpone certain deadlines by reason of Presidentially declared disaster or terroristic or military actions.*”.

13 “(e) *EFFECTIVE DATE.*—*The amendments made by this*
14 *section shall apply to disasters and terroristic or military*
15 *actions occurring on or after September 11, 2001, with re-*
16 *spect to any action of the Secretary of the Treasury, the*
17 *Secretary of Labor, or the Pension Benefit Guaranty Cor-*

1 *poration occurring on or after the date of the enactment*
2 *of this Act.*

3 **SEC. 323. INTERNAL REVENUE SERVICE DISASTER RE-**
4 **SPONSE TEAM.**

5 *(a) IN GENERAL.—Section 7508A, as amended by sec-*
6 *tion 322(a), is amended by adding at the end the following*
7 *new subsection:*

8 *“(d) DUTIES OF DISASTER RESPONSE TEAM.—The*
9 *Secretary shall establish as a permanent office in the na-*
10 *tional office of the Internal Revenue Service a disaster re-*
11 *sponse team which, in coordination with the Federal Emer-*
12 *gency Management Agency, shall assist taxpayers in clari-*
13 *fying and resolving Federal tax matters associated with or*
14 *resulting from any Presidentially declared disaster (as de-*
15 *finied in section 1033(h)(3)) or a terroristic or military ac-*
16 *tion (as defined in section 692(c)(2)).”.*

17 *(b) EFFECTIVE DATE.—The amendment made by this*
18 *section shall take effect on the date of the enactment of this*
19 *Act.*

20 **SEC. 324. APPLICATION OF CERTAIN PROVISIONS TO TER-**
21 **RORISTIC OR MILITARY ACTIONS.**

22 *(a) EXCLUSION FOR DEATH BENEFITS.—Section 101*
23 *(relating to certain death benefits) is amended by adding*
24 *at the end the following new subsection:*

1 “(i) *CERTAIN EMPLOYEE DEATH BENEFITS PAYABLE*
2 *BY REASON OF DEATH FROM TERRORISTIC OR MILITARY*
3 *ACTIONS.*—

4 “(1) *IN GENERAL.*—*Gross income does not in-*
5 *clude amounts which are received (whether in a single*
6 *sum or otherwise) if such amounts are paid by an*
7 *employer by reason of the death of an employee in-*
8 *curring as a result of a terroristic or military action*
9 *(as defined in section 692(c)(2)).*

10 “(2) *NO RELIEF FOR CERTAIN INDIVIDUALS.*—
11 *Paragraph (1) shall not apply with respect to any in-*
12 *dividual identified by the Attorney General to have*
13 *been a participant or conspirator in a terroristic ac-*
14 *tion (as so defined), or a representative of such indi-*
15 *vidual.*

16 “(3) *TREATMENT OF SELF-EMPLOYED INDIVID-*
17 *UALS.*—*For purposes of this subsection, the term ‘em-*
18 *ployee’ includes a self-employed person (as described*
19 *in section 401(c)(1)).”.*

20 “(b) *DISABILITY INCOME.*—*Section 104(a)(5) (relating*
21 *to compensation for injuries or sickness) is amended by*
22 *striking “a violent attack” and all that follows through the*
23 *period and inserting “a terroristic or military action (as*
24 *defined in section 692(c)(2)).”.*

1 (c) *EXEMPTION FROM INCOME TAX FOR CERTAIN*
2 *MILITARY OR CIVILIAN EMPLOYEES.*—Section 692(c) is
3 *amended—*

4 (1) *by striking “outside the United States” in*
5 *paragraph (1), and*

6 (2) *by striking “SUSTAINED OVERSEAS” in the*
7 *heading.*

8 (d) *EFFECTIVE DATE.*—*The amendments made by this*
9 *section shall apply to taxable years ending on or after Sep-*
10 *tember 11, 2001.*

11 **SEC. 325. CLARIFICATION OF DUE DATE FOR AIRLINE EX-**
12 **CISE TAX DEPOSITS.**

13 (a) *IN GENERAL.*—*Paragraph (3) of section 301(a) of*
14 *the Air Transportation Safety and System Stabilization*
15 *Act (Public Law 107–42) is amended to read as follows:*

16 “(3) *AIRLINE-RELATED DEPOSIT.*—*For purposes*
17 *of this subsection, the term ‘airline-related deposit’*
18 *means any deposit of taxes imposed by subchapter C*
19 *of chapter 33 of such Code (relating to transportation*
20 *by air).”.*

21 (b) *EFFECTIVE DATE.*—*The amendment made by this*
22 *section shall take effect as if included in section 301 of the*
23 *Air Transportation Safety and System Stabilization Act*
24 *(Public Law 107–42).*

1 **SEC. 326. COORDINATION WITH AIR TRANSPORTATION**
2 **SAFETY AND SYSTEM STABILIZATION ACT.**

3 *No reduction in Federal tax liability by reason of any*
4 *provision of, or amendment made by, this title shall be con-*
5 *sidered as being received from a collateral source for pur-*
6 *poses of section 402(4) of the Air Transportation Safety and*
7 *System Stabilization Act (Public Law 107-42).*

8 **PART III—DISCLOSURE OF TAX INFORMATION IN**
9 **TERRORISM AND NATIONAL SECURITY IN-**
10 **VESTIGATIONS**

11 **SEC. 331. DISCLOSURE OF TAX INFORMATION IN TER-**
12 **RORISM AND NATIONAL SECURITY INVES-**
13 **TIGATIONS.**

14 *(a) DISCLOSURE WITHOUT A REQUEST OF INFORMA-*
15 *TION RELATING TO TERRORIST ACTIVITIES, ETC.—Para-*
16 *graph (3) of section 6103(i) (relating to disclosure of return*
17 *information to apprise appropriate officials of criminal ac-*
18 *tivities or emergency circumstances) is amended by adding*
19 *at the end the following new subparagraph:*

20 *“(C) TERRORIST ACTIVITIES, ETC.—*

21 *“(i) IN GENERAL.—Except as provided*
22 *in paragraph (6), the Secretary may dis-*
23 *close in writing return information (other*
24 *than taxpayer return information) that*
25 *may be related to a terrorist incident,*
26 *threat, or activity to the extent necessary to*

1 *apprise the head of the appropriate Federal*
2 *law enforcement agency responsible for in-*
3 *vestigating or responding to such terrorist*
4 *incident, threat, or activity. The head of the*
5 *agency may disclose such return informa-*
6 *tion to officers and employees of such agen-*
7 *cy to the extent necessary to investigate or*
8 *respond to such terrorist incident, threat, or*
9 *activity.*

10 *“(i) DISCLOSURE TO THE DEPART-*
11 *MENT OF JUSTICE.—Returns and taxpayer*
12 *return information may also be disclosed to*
13 *the Attorney General under clause (i) to the*
14 *extent necessary for, and solely for use in*
15 *preparing, an application under paragraph*
16 *(7)(D).*

17 *“(iii) TAXPAYER IDENTITY.—For pur-*
18 *poses of this subparagraph, a taxpayer’s*
19 *identity shall not be treated as taxpayer re-*
20 *turn information.*

21 *“(iv) TERMINATION.—No disclosure*
22 *may be made under this subparagraph after*
23 *December 31, 2003.”.*

24 *(b) DISCLOSURE UPON REQUEST OF INFORMATION*
25 *RELATING TO TERRORIST ACTIVITIES, ETC.—Subsection*

1 *(i) of section 6103 (relating to disclosure to Federal officers*
2 *or employees for administration of Federal laws not relat-*
3 *ing to tax administration) is amended by redesignating*
4 *paragraph (7) as paragraph (8) and by inserting after*
5 *paragraph (6) the following new paragraph:*

6 “(7) *DISCLOSURE UPON REQUEST OF INFORMA-*
7 *TION RELATING TO TERRORIST ACTIVITIES, ETC.—*

8 “(A) *DISCLOSURE TO LAW ENFORCEMENT*
9 *AGENCIES.—*

10 “(i) *IN GENERAL.—Except as provided*
11 *in paragraph (6), upon receipt by the Sec-*
12 *retary of a written request which meets the*
13 *requirements of clause (iii), the Secretary*
14 *may disclose return information (other than*
15 *taxpayer return information) to officers and*
16 *employees of any Federal law enforcement*
17 *agency who are personally and directly en-*
18 *gaged in the response to or investigation of*
19 *terrorist incidents, threats, or activities.*

20 “(ii) *DISCLOSURE TO STATE AND*
21 *LOCAL LAW ENFORCEMENT AGENCIES.—The*
22 *head of any Federal law enforcement agency*
23 *may disclose return information obtained*
24 *under clause (i) to officers and employees of*
25 *any State or local law enforcement agency*

1 *but only if such agency is part of a team*
2 *with the Federal law enforcement agency in*
3 *such response or investigation and such in-*
4 *formation is disclosed only to officers and*
5 *employees who are personally and directly*
6 *engaged in such response or investigation.*

7 “(iii) *REQUIREMENTS.—A request*
8 *meets the requirements of this clause if—*

9 “(I) *the request is made by the*
10 *head of any Federal law enforcement*
11 *agency (or his delegate) involved in the*
12 *response to or investigation of terrorist*
13 *incidents, threats, or activities, and*

14 “(II) *the request sets forth the spe-*
15 *cific reason or reasons why such disclo-*
16 *sure may be relevant to a terrorist in-*
17 *cident, threat, or activity.*

18 “(iv) *LIMITATION ON USE OF INFORMA-*
19 *TION.—Information disclosed under this*
20 *subparagraph shall be solely for the use of*
21 *the officers and employees to whom such in-*
22 *formation is disclosed in such response or*
23 *investigation.*

24 “(B) *DISCLOSURE TO INTELLIGENCE AGEN-*
25 *CIES.—*

1 “(i) *IN GENERAL.*—*Except as provided*
2 *in paragraph (6), upon receipt by the Sec-*
3 *retary of a written request which meets the*
4 *requirements of clause (ii), the Secretary*
5 *may disclose return information (other than*
6 *taxpayer return information) to those offi-*
7 *cers and employees of the Department of*
8 *Justice, the Department of the Treasury,*
9 *and other Federal intelligence agencies who*
10 *are personally and directly engaged in the*
11 *collection or analysis of intelligence and*
12 *counterintelligence information or inves-*
13 *tigation concerning terrorists and terrorist*
14 *organizations and activities. For purposes*
15 *of the preceding sentence, the information*
16 *disclosed under the preceding sentence shall*
17 *be solely for the use of such officers and em-*
18 *ployees in such investigation, collection, or*
19 *analysis.*

20 “(ii) *REQUIREMENTS.*—*A request*
21 *meets the requirements of this subparagraph*
22 *if the request—*

23 “(I) *is made by an individual de-*
24 *scribed in clause (iii), and*

1 “(II) sets forth the specific reason
2 or reasons why such disclosure may be
3 relevant to a terrorist incident, threat,
4 or activity.

5 “(iii) *REQUESTING INDIVIDUALS.*—An
6 individual described in this subparagraph
7 is an individual—

8 “(I) who is an officer or employee
9 of the Department of Justice or the De-
10 partment of the Treasury who is ap-
11 pointed by the President with the ad-
12 vice and consent of the Senate or who
13 is the Director of the United States Se-
14 cret Service, and

15 “(II) who is responsible for the
16 collection and analysis of intelligence
17 and counterintelligence information
18 concerning terrorists and terrorist or-
19 ganizations and activities.

20 “(iv) *TAXPAYER IDENTITY.*—For pur-
21 poses of this subparagraph, a taxpayer’s
22 identity shall not be treated as taxpayer re-
23 turn information.

24 “(C) *DISCLOSURE UNDER EX PARTE OR-*
25 *DERS.*—

1 “(i) *IN GENERAL.*—*Except as provided*
2 *in paragraph (6), any return or return in-*
3 *formation with respect to any specified tax-*
4 *able period or periods shall, pursuant to*
5 *and upon the grant of an ex parte order by*
6 *a Federal district court judge or magistrate*
7 *under clause (ii), be open (but only to the*
8 *extent necessary as provided in such order)*
9 *to inspection by, or disclosure to, officers*
10 *and employees of any Federal law enforce-*
11 *ment agency or Federal intelligence agency*
12 *who are personally and directly engaged in*
13 *any investigation, response to, or analysis*
14 *of intelligence and counterintelligence infor-*
15 *mation concerning any terrorist activity or*
16 *threats. Return or return information*
17 *opened pursuant to the preceding sentence*
18 *shall be solely for the use of such officers*
19 *and employees in the investigation, re-*
20 *sponse, or analysis, and in any judicial,*
21 *administrative, or grand jury proceedings,*
22 *pertaining to any such terrorist activity or*
23 *threat.*

24 “(ii) *APPLICATION FOR ORDER.*—*The*
25 *Attorney General, the Deputy Attorney Gen-*

1 *eral, the Associate Attorney General, any*
2 *Assistant Attorney General, or any United*
3 *States attorney may authorize an applica-*
4 *tion to a Federal district court judge or*
5 *magistrate for the order referred to in clause*
6 *(i). Upon such application, such judge or*
7 *magistrate may grant such order if he de-*
8 *termines on the basis of the facts submitted*
9 *by the applicant that—*

10 *“(I) there is reasonable cause to*
11 *believe, based upon information be-*
12 *lieved to be reliable, that the return or*
13 *return information may be relevant to*
14 *a matter relating to such terrorist ac-*
15 *tivity or threat, and*

16 *“(II) the return or return infor-*
17 *mation is sought exclusively for use in*
18 *a Federal investigation, analysis, or*
19 *proceeding concerning terrorist activ-*
20 *ity, terrorist threats, or terrorist orga-*
21 *nizations.*

22 *“(D) SPECIAL RULE FOR EX PARTE DISCLO-*
23 *SURE BY THE IRS.—*

24 *“(i) IN GENERAL.—Except as provided*
25 *in paragraph (6), the Secretary may au-*

1 *thorize an application to a Federal district*
2 *court judge or magistrate for the order re-*
3 *ferred to in subparagraph (C)(i). Upon such*
4 *application, such judge or magistrate may*
5 *grant such order if he determines on the*
6 *basis of the facts submitted by the applicant*
7 *that the requirements of subparagraph*
8 *(C)(ii)(I) are met.*

9 “(ii) *LIMITATION ON USE OF INFORMA-*
10 *TION.—Information disclosed under clause*
11 *(i)—*

12 “(I) *may be disclosed only to the*
13 *extent necessary to apprise the head of*
14 *the appropriate Federal law enforce-*
15 *ment agency responsible for inves-*
16 *tigating or responding to a terrorist*
17 *incident, threat, or activity, and*

18 “(II) *shall be solely for use in a*
19 *Federal investigation, analysis, or pro-*
20 *ceeding concerning terrorist activity,*
21 *terrorist threats, or terrorist organiza-*
22 *tions.*

23 *The head of such Federal agency may dis-*
24 *close such information to officers and em-*
25 *ployees of such agency to the extent nec-*

1 *essary to investigate or respond to such ter-*
2 *rorist incident, threat, or activity.*

3 *“(E) TERMINATION.—No disclosure may be*
4 *made under this paragraph after December 31,*
5 *2003.”.*

6 *(c) CONFORMING AMENDMENTS.—*

7 *(1) Section 6103(a)(2) is amended by inserting*
8 *“any local law enforcement agency receiving informa-*
9 *tion under subsection (i)(7)(A),” after “State,”.*

10 *(2) The heading of section 6103(i)(3) is amended*
11 *by inserting “OR TERRORIST” after “CRIMINAL”.*

12 *(3) Paragraph (4) of section 6103(i) is*
13 *amended—*

14 *(A) in subparagraph (A) by inserting “or*
15 *(7)(C)” after “paragraph (1)”, and*

16 *(B) in subparagraph (B) by striking “or*
17 *(3)(A)” and inserting “(3)(A) or (C), or (7)”.*

18 *(4) Paragraph (6) of section 6103(i) is*
19 *amended—*

20 *(A) by striking “(3)(A)” and inserting*
21 *“(3)(A) or (C)”, and*

22 *(B) by striking “or (7)” and inserting “(7),*
23 *or (8)”.*

24 *(5) Section 6103(p)(3) is amended—*

1 (A) in subparagraph (A) by striking
2 “(7)(A)(ii)” and inserting “(8)(A)(ii)”, and

3 (B) in subparagraph (C) by striking
4 “(i)(3)(B)(i)” and inserting “(i)(3)(B)(i) or
5 (7)(A)(ii)”.

6 (6) Section 6103(p)(4) is amended—

7 (A) in the matter preceding subparagraph
8 (A)—

9 (i) by striking “or (5),” the first place
10 it appears and inserting “(5), or (7),”, and

11 (ii) by striking “(i)(3)(B)(i),” and in-
12 serting “(i)(3)(B)(i) or (7)(A)(ii),”, and

13 (B) in subparagraph (F)(ii) by striking “or
14 (5),” the first place it appears and inserting “(5)
15 or (7),”.

16 (7) Section 6103(p)(6)(B)(i) is amended by
17 striking “(i)(7)(A)(ii)” and inserting “(i)(8)(A)(ii)”.

18 (8) Section 6105(b) is amended—

19 (A) by striking “or” at the end of para-
20 graph (2),

21 (B) by striking “paragraphs (1) or (2)” in
22 paragraph (3) and inserting “paragraph (1),
23 (2), or (3)”,

24 (C) by redesignating paragraph (3) as
25 paragraph (4), and

1 (D) by inserting after paragraph (2) the fol-
2 lowing new paragraph:

3 “(3) to the disclosure of tax convention informa-
4 tion on the same terms as return information may be
5 disclosed under paragraph (3)(C) or (7) of section
6 6103(i), except that in the case of tax convention in-
7 formation provided by a foreign government, no dis-
8 closure may be made under this paragraph without
9 the written consent of the foreign government, or”.

10 (9) Section 7213(a)(2) is amended by striking
11 “(i)(3)(B)(i),” and inserting “(i)(3)(B)(i) or
12 (7)(A)(ii),”.

13 (d) *EFFECTIVE DATE.*—The amendments made by this
14 section shall apply to disclosures made on or after the date
15 of the enactment of this Act.

16 **TITLE IV—EXTENSIONS OF**
17 **CERTAIN EXPIRING PROVISIONS**

18 **SEC. 401. ALLOWANCE OF NONREFUNDABLE PERSONAL**
19 **CREDITS AGAINST REGULAR AND MINIMUM**
20 **TAX LIABILITY.**

21 (a) *IN GENERAL.*—Paragraph (2) of section 26(a) is
22 amended—

23 (1) by striking “*RULE FOR 2000 AND 2001.*—”
24 and inserting “*RULE FOR 2000, 2001, AND 2002.*—”,
25 and

1 (2) *by striking “during 2000 or 2001,” and in-*
2 *serting “during 2000, 2001, or 2002,”.*

3 **(b) CONFORMING AMENDMENTS.—**

4 (1) *Section 904(h) is amended by striking “dur-*
5 *ing 2000 or 2001” and inserting “during 2000, 2001,*
6 *or 2002”.*

7 (2) *The amendments made by sections 201(b),*
8 *202(f), and 618(b) of the Economic Growth and Tax*
9 *Relief Reconciliation Act of 2001 shall not apply to*
10 *taxable years beginning during 2002.*

11 **(c) TECHNICAL CORRECTION.—***Section 24(d)(1)(B) is*
12 *amended by striking “amount of credit allowed by this sec-*
13 *tion” and inserting “aggregate amount of credits allowed*
14 *by this subpart”.*

15 **(d) EFFECTIVE DATES.—**

16 (1) *The amendments made by subsections (a)*
17 *and (b) shall apply to taxable years beginning after*
18 *December 31, 2001.*

19 (2) *The amendment made by subsection (c) shall*
20 *apply to taxable years beginning after December 31,*
21 *2000.*

22 **SEC. 402. WORK OPPORTUNITY CREDIT.**

23 **(a) IN GENERAL.—***Subparagraph (B) of section*
24 *51(c)(4) is amended by striking “2001” and inserting*
25 *“2002”.*

1 (b) *EFFECTIVE DATE.*—The amendment made by sub-
2 section (a) shall apply to individuals who begin work for
3 the employer after December 31, 2001.

4 **SEC. 403. WELFARE-TO-WORK CREDIT.**

5 (a) *IN GENERAL.*—Subsection (f) of section 51A is
6 amended by striking “2001” and inserting “2002”.

7 (b) *EFFECTIVE DATE.*—The amendment made by sub-
8 section (a) shall apply to individuals who begin work for
9 the employer after December 31, 2001.

10 **SEC. 404. CREDIT FOR ELECTRICITY PRODUCED FROM RE-**
11 **NEWABLE RESOURCES.**

12 (a) *IN GENERAL.*—Subparagraphs (A), (B), and (C)
13 of section 45(c)(3) are each amended by striking “2002”
14 and inserting “2003”.

15 (b) *EFFECTIVE DATE.*—The amendments made by sub-
16 section (a) shall take effect on the date of the enactment
17 of this Act.

18 **SEC. 405. TAXABLE INCOME LIMIT ON PERCENTAGE DEPLE-**
19 **TION FOR OIL AND NATURAL GAS PRODUCED**
20 **FROM MARGINAL PROPERTIES.**

21 (a) *IN GENERAL.*—Subparagraph (H) of section
22 613A(c)(6) is amended by striking “2002” and inserting
23 “2003”.

1 (b) *EFFECTIVE DATE.*—*The amendment made by sub-*
 2 *section (a) shall apply to taxable years beginning after De-*
 3 *cember 31, 2001.*

4 **SEC. 406. QUALIFIED ZONE ACADEMY BONDS.**

5 (a) *IN GENERAL.*—*Paragraph (1) of section 1397E(e)*
 6 *is amended by striking “2000, and 2001” and inserting*
 7 *“2000, 2001, and 2002”.*

8 (b) *EFFECTIVE DATE.*—*The amendment made by sub-*
 9 *section (a) shall take effect on the date of the enactment*
 10 *of this Act.*

11 **SEC. 407. SUBPART F EXEMPTION FOR ACTIVE FINANCING.**

12 (a) *IN GENERAL.*—

13 (1) *Section 953(e)(10) is amended—*

14 (A) *by striking “2002” and inserting*
 15 *“2003”, and*

16 (B) *by striking “2001” and inserting*
 17 *“2002”.*

18 (2) *Section 954(h)(9) is amended by striking*
 19 *“2002” and inserting “2003”.*

20 (b) *EFFECTIVE DATE.*—*The amendments made by this*
 21 *section shall apply to taxable years beginning after Decem-*
 22 *ber 31, 2001.*

23 **SEC. 408. COVER OVER OF TAX ON DISTILLED SPIRITS.**

24 (a) *IN GENERAL.*—*Paragraph (1) of section 7652(f) is*
 25 *amended by striking “2002” and inserting “2003”.*

1 (b) *EFFECTIVE DATE.*—*The amendment made by sub-*
 2 *section (a) shall take effect on the date of the enactment*
 3 *of this Act.*

4 **SEC. 409. DELAY IN EFFECTIVE DATE OF REQUIREMENT**
 5 **FOR APPROVED DIESEL OR KEROSENE TER-**
 6 **MINALS.**

7 *Paragraph (2) of section 1032(f) of the Taxpayer Re-*
 8 *lief Act of 1997 (Public Law 105–34) is amended by strik-*
 9 *ing “2002” and inserting “2003”.*

10 **SEC. 410. DEDUCTION FOR CLEAN-FUEL VEHICLES AND**
 11 **CERTAIN REFUELING PROPERTY.**

12 (a) *IN GENERAL.*—*Section 179A is amended—*

13 (1) *in subsection (b)(1)(B)—*

14 (A) *by striking “December 31, 2001,” and*
 15 *inserting “December 31, 2002,” and*

16 (B) *in clauses (i), (ii), and (iii), by striking*
 17 *“2002”, “2003”, and “2004”, respectively, and*
 18 *inserting “2003”, “2004”, and “2005”, respec-*
 19 *tively, and*

20 (2) *in subsection (f), by striking “2004” and in-*
 21 *serting “2005”.*

22 (b) *EFFECTIVE DATE.*—*The amendments made by sub-*
 23 *section (a) shall take effect on the date of the enactment*
 24 *of this Act.*

1 **SEC. 411. CREDIT FOR QUALIFIED ELECTRIC VEHICLES.**

2 (a) *IN GENERAL.*—Section 30 is amended—

3 (1) *in subsection (b)(2)*—

4 (A) *by striking “December 31, 2001,” and*
5 *inserting “December 31, 2002,” and*

6 (B) *in subparagraphs (A), (B), and (C), by*
7 *striking “2002”, “2003”, and “2004”, respec-*
8 *tively, and inserting “2003”, “2004”, and*
9 *“2005”, respectively, and*

10 (2) *in subsection (e), by striking “2004” and in-*
11 *serting “2005”.*

12 (b) *CONFORMING AMENDMENTS.*—

13 (1) *Subparagraph (C) of section 280F(a)(1) is*
14 *amended by adding at the end the following new*
15 *clause*

16 “(iii) *APPLICATION OF SUBPARA-*
17 *GRAPH.*—*This subparagraph shall apply to*
18 *property placed in service after August 5,*
19 *1997, and before January 1, 2005.”.*

20 (2) *Subsection (b) of section 971 of the Taxpayer*
21 *Relief Act of 1997 is amended by striking “and before*
22 *January 1, 2005”.*

23 (c) *EFFECTIVE DATE.*—*The amendments made by this*
24 *section shall take effect on the date of the enactment of this*
25 *Act.*

1 **SEC. 412. PARITY IN THE APPLICATION OF CERTAIN LIMITS**
2 **TO MENTAL HEALTH BENEFITS.**

3 (a) *IN GENERAL.*—Subsection (f) of section 9812 is
4 amended by striking “2001” and inserting “2002”.

5 (b) *EFFECTIVE DATE.*—The amendment made by sub-
6 section (a) shall apply to plan years beginning after Decem-
7 ber 31, 2001.

8 **SEC. 413. COMBINED EMPLOYMENT TAX REPORTING.**

9 (a) *DEMONSTRATION PROJECT.*—Section 976 of the
10 *Taxpayer Relief Act of 1997* is amended by striking “with
11 the date which is 5 years after the date of the enactment
12 of this Act” and inserting “on December 31, 2002”.

13 (b) *EFFECTIVE DATE.*—The amendment made by this
14 section shall take effect on the date of the enactment of this
15 Act.

16 **TITLE V—EXTENSION OF ADDI-**
17 **TIONAL PROVISIONS EXPIR-**
18 **ING IN 2001.**

19 **SEC. 501. GENERALIZED SYSTEM OF PREFERENCES.**

20 (a) *EXTENSION OF DUTY-FREE TREATMENT UNDER*
21 *SYSTEM.*—Section 505 of the *Trade Act of 1974* (19 U.S.C.
22 2465) is amended by striking “September 30, 2001” and
23 inserting “December 31, 2002”.

24 (b) *RETROACTIVE APPLICATION FOR CERTAIN LIQ-*
25 *UIDATIONS AND RELIQUIDATIONS.*—

26 (1) *IN GENERAL.*—

1 (A) *ENTRY OF CERTAIN ARTICLES.*—Not-
2 withstanding section 514 of the Tariff Act of
3 1930 or any other provision of law, and subject
4 to paragraph (2), the entry—

5 (i) of any article to which duty-free
6 treatment under title V of the Trade Act of
7 1974 would have applied if the entry had
8 been made on September 30, 2001;

9 (ii) that was made after September 30,
10 2001, and before the date of enactment of
11 this Act; and

12 (iii) to which duty-free treatment
13 under title V of that Act did not apply,
14 shall be liquidated or reliquidated as free of
15 duty, and the Secretary of the Treasury shall re-
16 fund any duty paid with respect to such entry.

17 (B) *ENTRY.*—In this subsection, the term
18 “entry” includes a withdrawal from warehouse
19 for consumption.

20 (2) *REQUESTS.*—Liquidation or reliquidation
21 may be made under paragraph (1) with respect to an
22 entry only if a request therefor is filed with the Cus-
23 toms Service, within 180 days after the date of enact-
24 ment of this Act, that contains sufficient information
25 to enable the Customs Service—

1 (A) to locate the entry; or

2 (B) to reconstruct the entry if it cannot be
3 located.

4 (c) *EFFECTIVE DATE.*—The amendment made by sub-
5 section (a) shall take effect on October 1, 2001.

6 **SEC. 502. ANDEAN TRADE PREFERENCE ACT.**

7 (a) *IN GENERAL.*—Section 208(b) of the Andean Trade
8 Preference Act (19 U.S.C. 3206(b)) is amended by striking
9 “10 years after December 4, 1991” and inserting “after
10 June 4, 2002”.

11 (b) *EFFECTIVE DATE.*—The amendment made by sub-
12 section (a) shall take effect on December 5, 2001.

13 **SEC. 503. REAUTHORIZATION OF TRADE ADJUSTMENT AS-**
14 **SISTANCE.**

15 (a) *ASSISTANCE FOR WORKERS.*—Section 245 of the
16 Trade Act of 1974 (19 U.S.C. 2317) is amended by striking
17 “October 1, 1998, and ending September 30, 2001,” each
18 place it appears and inserting “October 1, 2001, and end-
19 ing December 31, 2002,”.

20 (b) *ASSISTANCE FOR FIRMS.*—Section 256(b) of the
21 Trade Act of 1974 (19 U.S.C. 2346(b)) is amended by strik-
22 ing “October 1, 1998, and ending September 30, 2001” and
23 inserting “October 1, 2001, and ending December 31,
24 2002,”.

1 (c) *TERMINATION.*—Section 285(c) of the Trade Act of
 2 1974 (19 U.S.C. 2771 note) is amended in paragraphs (1)
 3 and (2)(A), by striking “September 30, 2001” and inserting
 4 “December 31, 2002”.

5 (d) *TRAINING LIMITATION UNDER NAFTA PRO-*
 6 *GRAM.*—Section 250(d)(2) of the Trade Act of 1974 (19
 7 U.S.C. 2331(d)(2)) is amended by striking “October 1,
 8 1998, and ending September 30, 2001” and inserting “Oc-
 9 tober 1, 2001, and ending December 31, 2002”.

10 (e) *EFFECTIVE DATE.*—The amendments made by this
 11 section shall take effect on the date of enactment of this Act.

12 **TITLE VI—HEALTH INSURANCE**
 13 **COVERAGE OPTIONS FOR RE-**
 14 **CENTLY UNEMPLOYED INDI-**
 15 **VIDUALS AND THEIR FAMI-**
 16 **LIES**

17 **SEC. 601. PREMIUM ASSISTANCE FOR COBRA CONTINU-**
 18 **ATION COVERAGE FOR INDIVIDUALS AND**
 19 **THEIR FAMILIES.**

20 (a) *ESTABLISHMENT.*—

21 (1) *IN GENERAL.*—Not later than 30 days after
 22 the date of enactment of this Act, the Secretary of the
 23 Treasury, in consultation with the Secretary of
 24 Labor, shall establish a program under which 75 per-

1 *cent of the premium for COBRA continuation cov-*
2 *erage shall be provided for an individual who—*

3 *(A) at any time during the period that be-*
4 *gins on September 11, 2001, and ends on Decem-*
5 *ber 31, 2002, is separated from employment; and*

6 *(B) is eligible for, and has elected coverage*
7 *under, COBRA continuation coverage.*

8 *(2) INCLUSION OF CERTAIN INDIVIDUALS.—For*
9 *purposes of paragraph (1), the spouse, child, or other*
10 *individual who was an insured under health insur-*
11 *ance coverage of an individual who was killed as a*
12 *result of the terrorist-related aircraft crashes on Sep-*
13 *tember 11, 2001, or as a result of any other terrorist-*
14 *related event occurring during the period described in*
15 *that paragraph, and who is eligible for, and has elect-*
16 *ed coverage under, COBRA continuation coverage*
17 *shall be eligible for premium assistance under the*
18 *program established under this section.*

19 *(3) STATE OPTION TO ELECT ADMINISTRATION*
20 *OF PROGRAM.—*

21 *(A) IN GENERAL.—A State may elect to ad-*
22 *minister the premium assistance program estab-*
23 *lished under this section if the State submits to*
24 *the Secretary of the Treasury, not later than*
25 *January 1, 2002, a plan that describes how the*

1 *State will administer such program on behalf of*
2 *the individuals described in paragraph (1) or (2)*
3 *who reside in the State beginning on that date.*

4 *(B) STATE ENTITLEMENT.—In the case of a*
5 *State that submits a plan under subparagraph*
6 *(A), the Secretary of the Treasury shall pay to*
7 *each such State an amount for each quarter*
8 *equal to the total amount of premium subsidies*
9 *provided in that quarter on behalf of such indi-*
10 *viduals.*

11 *(4) IMMEDIATE IMPLEMENTATION.—The pro-*
12 *gram established under this section shall be imple-*
13 *mented without regard to whether or not final regula-*
14 *tions to carry out such program have been promul-*
15 *gated by the date described in paragraph (1).*

16 *(b) LIMITATION OF PERIOD OF PREMIUM ASSIST-*
17 *ANCE.—*

18 *(1) IN GENERAL.—Premium assistance provided*
19 *in accordance with this section shall end with respect*
20 *to an individual on the earlier of—*

21 *(A) the date the individual is no longer cov-*
22 *ered under COBRA continuation coverage; or*

23 *(B) 12 months after the date the individual*
24 *is first enrolled in the premium assistance pro-*
25 *gram established under this section.*

1 (2) *NO ASSISTANCE AFTER DECEMBER 31, 2002.*—
2 *No premium assistance (including payment for such*
3 *assistance) may be provided under this section after*
4 *December 31, 2002.*

5 (c) *PAYMENT ARRANGEMENTS; CREDITING OF ASSIST-*
6 *ANCE.*—

7 (1) *PROVISION OF ASSISTANCE.*—

8 (A) *IN GENERAL.*—*Premium assistance*
9 *shall be provided under the program established*
10 *under this section through direct payment ar-*
11 *rangements with a group health plan (including*
12 *a multiemployer plan), an issuer of health insur-*
13 *ance coverage, an administrator, or an employer*
14 *as appropriate with respect to the individual*
15 *provided such assistance.*

16 (B) *ADDITIONAL OPTION FOR STATE-RUN*
17 *PROGRAM.*—*In the case of a State that elects to*
18 *administer the program established under this*
19 *section, such assistance may be provided through*
20 *the State public employment office or other agen-*
21 *cy responsible for administering the State unem-*
22 *ployment compensation program.*

23 (2) *PREMIUMS PAYABLE BY INDIVIDUAL RE-*
24 *DUCED BY AMOUNT OF ASSISTANCE.*—*Premium as-*
25 *istance provided under this section shall be credited*

1 *by the group health plan, issuer of health insurance*
2 *coverage, or an administrator against the premium*
3 *otherwise owed by the individual involved for COBRA*
4 *continuation coverage.*

5 *(d) PROGRAM REQUIREMENTS.—Premium assistance*
6 *shall be provided under the program established under this*
7 *section consistent with the following:*

8 *(1) ALL QUALIFYING INDIVIDUALS MAY APPLY.—*
9 *All individuals described in paragraph (1) or (2) of*
10 *subsection (a) may apply for such assistance at any*
11 *time during the period described in subsection*
12 *(a)(1)(A).*

13 *(2) SELECTION ON FIRST-COME, FIRST-SERVED*
14 *BASIS.—Such assistance shall be provided to such in-*
15 *dividuals who apply for the assistance in the order in*
16 *which they apply.*

17 *(e) LIMITATION ON ENTITLEMENT.—Nothing in this*
18 *section shall be construed as establishing any entitlement*
19 *of individuals described in paragraph (1) or (2) of sub-*
20 *section (a) to premium assistance under this section.*

21 *(f) DISREGARD OF SUBSIDIES FOR PURPOSES OF FED-*
22 *ERAL AND STATE PROGRAMS.—Notwithstanding any other*
23 *provision of law, any premium assistance provided to, or*
24 *on behalf of, an individual under this section, shall not be*
25 *considered income or resources in determining eligibility*

1 *for, or the amount of assistance or benefits provided under,*
2 *any other Federal public benefit or State or local public*
3 *benefit.*

4 (g) *CHANGE IN COBRA NOTICE.—*

5 (1) *GENERAL NOTICE.—*

6 (A) *IN GENERAL.—In the case of notices*
7 *provided under section 4980B(f)(6) of the Inter-*
8 *nal Revenue Code of 1986, section 2206 of the*
9 *Public Health Service Act (42 U.S.C. 300bb–6),*
10 *section 606 of the Employee Retirement Income*
11 *Security Act of 1974 (29 U.S.C. 1166), or section*
12 *8905a(f)(2)(A) of title 5, United States Code,*
13 *with respect to individuals who, during the pe-*
14 *riod described in subsection (a)(1)(A), become*
15 *entitled to elect COBRA continuation coverage,*
16 *such notices shall include an additional notifica-*
17 *tion to the recipient of the availability of pre-*
18 *mium assistance for such coverage under this*
19 *section and for temporary medicaid assistance*
20 *under section 603 for the remaining portion of*
21 *COBRA continuation premiums.*

22 (B) *ALTERNATIVE NOTICE.—In the case of*
23 *COBRA continuation coverage to which the no-*
24 *tice provision under such sections does not*
25 *apply, the Secretary of the Treasury, in con-*

1 *sultation with the Secretary of Labor, shall, in*
2 *coordination with administrators of the group*
3 *health plans (or other entities) that provide or*
4 *administer the COBRA continuation coverage*
5 *involved, assure the provision of such notice.*

6 (C) *FORM.*—*The requirement of the addi-*
7 *tional notification under this paragraph may be*
8 *met by amendment of existing notice forms or by*
9 *inclusion of a separate document with the notice*
10 *otherwise required.*

11 (2) *SPECIFIC REQUIREMENTS.*—*Each additional*
12 *notification under paragraph (1) shall include—*

13 (A) *the forms necessary for establishing eli-*
14 *gibility and enrollment in the premium assist-*
15 *ance program established under this section in*
16 *connection with the coverage with respect to each*
17 *covered employee or other qualified beneficiary;*

18 (B) *the name, address, and telephone num-*
19 *ber necessary to contact the administrator and*
20 *any other person maintaining relevant informa-*
21 *tion in connection with the premium assistance;*
22 *and*

23 (C) *the following statement displayed in a*
24 *prominent manner:*

1 *“You may be eligible to receive assistance with pay-*
2 *ment of 75 percent of your COBRA continuation coverage*
3 *premiums and with temporary medicaid coverage for the*
4 *remaining premium portion for a duration of not to exceed*
5 *12 months.”.*

6 (3) *NOTICE RELATING TO RETROACTIVE COV-*
7 *ERAGE.—In the case of such notices previously trans-*
8 *mitted before the date of enactment of this Act in the*
9 *case of an individual described in paragraph (1) who*
10 *has elected (or is still eligible to elect) COBRA con-*
11 *tinuation coverage as of the date of enactment of this*
12 *Act, the administrator of the group health plan (or*
13 *other entity) involved or the Secretary of the Treas-*
14 *ury, in consultation with the Secretary of Labor, (in*
15 *the case described in the paragraph (1)(B)) shall pro-*
16 *vide (within 60 days after the date of enactment of*
17 *this Act) for the additional notification required to be*
18 *provided under paragraph (1).*

19 (4) *MODEL NOTICES.—Not later than 30 days*
20 *after the date of enactment of this Act, the Secretary*
21 *of the Treasury shall prescribe models for the addi-*
22 *tional notification required under this subsection.*

23 (h) *REPORTS.—Beginning on January 1, 2002, and*
24 *every 3 months thereafter until January 1, 2003, the Sec-*
25 *retary of the Treasury shall submit a report to Congress*

1 regarding the premium assistance program established
2 under this section that includes the following:

3 (1) *The status of the implementation of the pro-*
4 *gram.*

5 (2) *The number of individuals provided assist-*
6 *ance under the program as of the date of the report.*

7 (3) *The average dollar amount (monthly and an-*
8 *nually) of the premium assistance provided under the*
9 *program.*

10 (4) *The number and identification of the States*
11 *that have elected to administer the program.*

12 (5) *The total amount of expenditures incurred*
13 *(with administrative expenditures noted separately)*
14 *under the program as of the date of the report.*

15 (i) *APPROPRIATION.—*

16 (1) *IN GENERAL.—Out of any funds in the*
17 *Treasury not otherwise appropriated, there is appro-*
18 *priated to carry out this section, such sums as are*
19 *necessary for each of fiscal years 2002 and 2003.*

20 (2) *OBLIGATION OF FUNDS.—This section con-*
21 *stitutes budget authority in advance of appropria-*
22 *tions Acts and represents the obligation of the Federal*
23 *Government to provide for the payment of premium*
24 *assistance under this section.*

1 (j) *SUNSET.*—No premium assistance (including pay-
 2 ment for such assistance) may be provided under this sec-
 3 tion after December 31, 2002.

4 **SEC. 602. STATE OPTION TO PROVIDE TEMPORARY MED-**
 5 **ICAID COVERAGE FOR CERTAIN UNINSURED**
 6 **INDIVIDUALS.**

7 (a) *STATE OPTION.*—Notwithstanding any other pro-
 8 vision of law, a State may elect to provide under its med-
 9 icaid program under title XIX of the Social Security Act
 10 medical assistance in the case of an individual—

11 (1) *who at any time during the period that be-*
 12 *gins on September 11, 2001, and ends on December*
 13 *31, 2002, is separated from employment;*

14 (2) *who is not eligible for COBRA continuation*
 15 *coverage;*

16 (3) *who is uninsured; and*

17 (4) *whose assets, resources, and earned or un-*
 18 *earned income (or both) do not exceed such limita-*
 19 *tions (if any) as the State may establish.*

20 (b) *LIMITATION OF PERIOD OF COVERAGE.*—Medical
 21 assistance provided in accordance with this section shall
 22 end with respect to an individual on the earlier of—

23 (1) *the date the individual is no longer unin-*
 24 *sured; or*

1 (2) *subject to subsection (c)(4), 12 months after*
2 *the date the individual first receives such assistance.*

3 (c) *SPECIAL RULES.—In the case of medical assistance*
4 *provided under this section—*

5 (1) *the Federal medical assistance percentage*
6 *under section 1905(b) of the Social Security Act (42*
7 *U.S.C. 1396d(b)) shall be the enhanced FMAP (as de-*
8 *finied in section 2105(b) of such Act (42 U.S.C.*
9 *1397ee(b));*

10 (2) *a State may elect to apply any income, asset,*
11 *or resource limitation permitted under the State med-*
12 *icaid plan or under title XIX of such Act;*

13 (3) *the provisions of section 1916(g) of the Social*
14 *Security Act (42 U.S.C. 1396o) shall apply to the*
15 *provision of such assistance in the same manner as*
16 *the provisions of such section apply with respect to*
17 *individuals provided medical assistance only under*
18 *subclause (XV) or (XVI) of section 1902(a)(10)(A)(ii)*
19 *of such Act (42 U.S.C. 1396a(a)(10)(A)(ii));*

20 (4) *a State may elect to provide such assistance*
21 *in accordance with section 1902(a)(34) of the Social*
22 *Security Act (42 U.S.C. 1396a(a)(34)) and any as-*
23 *sistance provided with respect to a month described in*
24 *that section shall not be included in the determina-*
25 *tion of the 12-month period under subsection (b)(2);*

1 (5) a State may elect to make eligible for such
2 medical assistance a dependent spouse or children of
3 an individual eligible for medical assistance under
4 subsection (a), if such spouse or children are unin-
5 sured;

6 (6) individuals eligible for medical assistance
7 under this section shall be deemed to be described in
8 the list of individuals described in the matter pre-
9 ceding paragraph (1) of section 1905(a) of such Act
10 (42 U.S.C. 1396d(a));

11 (7) a State may elect to provide such medical as-
12 sistance without regard to any limitation under sec-
13 tions 401(a), 402(b), 403, and 421 of the Personal Re-
14 sponsibility and Work Opportunity Reconciliation
15 Act of 1996 (8 U.S.C. 1611(a), 1612(b), 1613, and
16 1631) and no debt shall accrue under an affidavit of
17 support against any sponsor of an individual who is
18 an alien who is provided such assistance, and the cost
19 of such assistance shall not be considered as an unre-
20 imbursed cost; and

21 (8) the Secretary of Health and Human Services
22 shall not count, for purposes of section 1108(f) of the
23 Social Security Act (42 U.S.C. 1308(f)), such amount
24 of payments under this section as bears a reasonable
25 relationship to the average national proportion of

1 (C) who is receiving premium assistance
2 under the program established under section 601;
3 and

4 (D) whose family income does not exceed
5 200 percent of the poverty line.

6 (2) *INCLUSION OF CERTAIN INDIVIDUALS.*—For
7 purposes of paragraph (1), the spouse, child, or other
8 individual who was an insured under health insur-
9 ance coverage of an individual who was killed as a
10 result of the terrorist-related aircraft crashes on Sep-
11 tember 11, 2001, or as a result of any other terrorist-
12 related event occurring during the period described in
13 that paragraph, and who satisfies the requirements of
14 subparagraphs (B), (C), and (D) of paragraph (1)
15 shall be eligible for medical assistance under this sec-
16 tion.

17 (b) *LIMITATION OF PERIOD OF COVERAGE.*—Medical
18 assistance provided in accordance with this section shall
19 end with respect to an individual on the earlier of—

20 (1) the date the individual is no longer covered
21 under COBRA continuation coverage; or

22 (2) 12 months after the date the individual first
23 receives such assistance under this section.

24 (c) *SPECIAL RULES.*—In the case of medical assistance
25 provided under this section—

1 (1) *such assistance may be provided without re-*
2 *gard to—*

3 (A) *whether the State otherwise has elected*
4 *to make medical assistance available for COBRA*
5 *premiums under section 1902(a)(10)(F) of the*
6 *Social Security Act (42 U.S.C. 1396a(a)(10)(F));*
7 *or*

8 (B) *the conditions otherwise imposed for the*
9 *provision of medical assistance for such COBRA*
10 *premiums under clause (XII) of the matter fol-*
11 *lowing section 1902(a)(10)(G) of the Social Se-*
12 *curity Act (42 U.S.C. 1396a(a)(10)(G)), or para-*
13 *graphs (1)(B), (1)(C), (1)(D), and (4) of section*
14 *1902(u) of such Act (42 U.S.C. 1396a(u)); and*
15 *(2) paragraphs (1), (2), (4), (5), (7), and (8) of*
16 *subsection (c) of section 602 apply to such assistance*
17 *in the same manner as such paragraphs apply to the*
18 *provision of medical assistance under that section.*

19 (d) *SUNSET.—No medical assistance may be provided*
20 *under this section after December 31, 2002.*

21 **SEC. 604. TEMPORARY INCREASES OF MEDICAID FMAP FOR**
22 **FISCAL YEAR 2002.**

23 (a) *PERMITTING MAINTENANCE OF FISCAL YEAR 2001*
24 *FMAP.—Notwithstanding any other provision of law, but*
25 *subject to subsection (d), if the FMAP determined without*

1 regard to this section for a State for fiscal year 2002 is
2 less than the FMAP as so determined for fiscal year 2001,
3 the FMAP for the State for fiscal year 2001 shall be sub-
4 stituted for the State's FMAP for fiscal year 2002, before
5 the application of this section.

6 (b) *GENERAL 1.50 PERCENTAGE POINTS INCREASE.*—
7 Notwithstanding any other provision of law, but subject to
8 subsections (d) and (e), for each State for each calendar
9 quarter in fiscal year 2002, the FMAP (taking into account
10 the application of subsection (a)) shall be increased by 1.50
11 percentage points.

12 (c) *FURTHER INCREASE FOR STATES WITH HIGH UN-*
13 *EMPLOYMENT RATES.*—

14 (1) *IN GENERAL.*—Notwithstanding any other
15 provision of law, but subject to subsections (d) and
16 (e), the FMAP for a high unemployment State for a
17 calendar quarter in fiscal year 2002 (and any subse-
18 quent calendar quarter in such fiscal year regardless
19 of whether the State continues to be a high unemploy-
20 ment State for a calendar quarter in such fiscal year)
21 shall be increased (after the application of subsections
22 (a) and (b)) by 1.50 percentage points.

23 (2) *HIGH UNEMPLOYMENT STATE.*—For purposes
24 of this subsection, a State is a high unemployment
25 State for a calendar quarter if, for any 3 consecutive

1 *months beginning on or after June 2001 and ending*
2 *with the second month before the beginning of the cal-*
3 *endar quarter, the State has an unemployment rate*
4 *that exceeds the national average unemployment rate.*
5 *Such unemployment rates for such months shall be*
6 *determined based on publications of the Bureau of*
7 *Labor Statistics of the Department of Labor.*

8 *(d) 1-YEAR INCREASE IN CAP ON MEDICAID PAY-*
9 *MENTS TO TERRITORIES.—Notwithstanding any other pro-*
10 *vision of law, with respect to fiscal year 2002, the amounts*
11 *otherwise determined for Puerto Rico, the Virgin Islands,*
12 *Guam, the Northern Mariana Islands, and American*
13 *Samoa under section 1108 of the Social Security Act (42*
14 *U.S.C. 1308) shall each be increased by an amount equal*
15 *to 3.093 percentage points of such amounts.*

16 *(e) SCOPE OF APPLICATION.—The increases in the*
17 *FMAP for a State under this section shall apply only for*
18 *purposes of title XIX of the Social Security Act and shall*
19 *not apply with respect to—*

20 *(1) disproportionate share hospital payments de-*
21 *scribed in section 1923 of such Act (42 U.S.C. 1396r-*
22 *4); and*

23 *(2) payments under titles IV and XXI of such*
24 *Act (42 U.S.C. 601 et seq. and 1397aa et seq.).*

1 (f) *STATE ELIGIBILITY.*—A State is eligible for an in-
2 crease in its *FMAP* under subsection (b) or (c) only if the
3 eligibility under its State plan under title XIX of the Social
4 Security Act (including any waiver under such title or
5 under section 1115 of such Act (42 U.S.C. 1315)) is no more
6 restrictive than the eligibility under such plan (or waiver)
7 as in effect on October 1, 2001.

8 **SEC. 605. DEFINITIONS.**

9 In this title:

10 (1) *ADMINISTRATOR.*—The term “administrator”
11 has the meaning given that term in section 3(16)(A)
12 of the *Employee Retirement Income Security Act of*
13 *1974* (29 U.S.C. 1002(16)(A)).

14 (2) *COBRA CONTINUATION COVERAGE.*—

15 (A) *IN GENERAL.*—The term “COBRA con-
16 tinuation coverage” means coverage under a
17 group health plan provided by an employer pur-
18 suant to title XXII of the *Public Health Service*
19 *Act*, section 4980B of the *Internal Revenue Code*
20 *of 1986*, part 6 of subtitle B of title I of the *Em-*
21 *ployee Retirement Income Security Act of 1974*,
22 *or section 8905a of title 5, United States Code.*

23 (B) *APPLICATION TO EMPLOYERS IN STATES*
24 *REQUIRING SUCH COVERAGE.*—Such term in-
25 cludes such coverage provided by an employer in

1 *a State that has enacted a law that requires the*
2 *employer to provide such coverage even though*
3 *the employer would not otherwise be required to*
4 *provide such coverage under the provisions of*
5 *law referred to in subparagraph (A).*

6 (3) *COVERED EMPLOYEE.*—*The term “covered*
7 *employee” has the meaning given that term in section*
8 *607(2) of the Employee Retirement Income Security*
9 *Act of 1974 (29 U.S.C. 1167(2)).*

10 (4) *FEDERAL PUBLIC BENEFIT.*—*The term “Fed-*
11 *eral public benefit” has the meaning given that term*
12 *in section 401(c) of the Personal Responsibility and*
13 *Work Opportunity Reconciliation Act of 1996 (8*
14 *U.S.C. 1611(c)).*

15 (5) *FMAP.*—*The term “FMAP” means the Fed-*
16 *eral medical assistance percentage, as defined in sec-*
17 *tion 1905(b) of the Social Security Act (42 U.S.C.*
18 *1396d(b)).*

19 (6) *GROUP HEALTH PLAN.*—*The term “group*
20 *health plan” has the meaning given that term in sec-*
21 *tion 2791(a) of the Public Health Service Act (42*
22 *U.S.C. 300gg–91(a)) and in section 607(1) of the Em-*
23 *ployee Retirement Income Security Act of 1974 (29*
24 *U.S.C. 1167(1)).*

1 (7) *HEALTH INSURANCE COVERAGE.*—*The term*
2 *“health insurance coverage” has the meaning given*
3 *that term in section 2791(b)(1) of the Public Health*
4 *Service Act (42 U.S.C. 300gg–91(b)(1)).*

5 (8) *MULTIEMPLOYER PLAN.*—*The term “multi-*
6 *employer plan” has the meaning given that term in*
7 *section 3(37) of the Employee Retirement Income Se-*
8 *curity Act of 1974 (29 U.S.C. 1002(37)).*

9 (9) *POVERTY LINE.*—*The term “poverty line”*
10 *has the meaning given that term in section 2110(c)(5)*
11 *of the Social Security Act (42 U.S.C. 1397jj(c)(5)).*

12 (10) *QUALIFIED BENEFICIARY.*—*The term*
13 *“qualified beneficiary” has the meaning given that*
14 *term in section 607(3) of the Employee Retirement*
15 *Income Security Act of 1974 (29 U.S.C. 1167(3)).*

16 (11) *STATE.*—*The term “State” has the meaning*
17 *given such term for purposes of title XIX of the Social*
18 *Security Act (42 U.S.C. 1396 et seq.).*

19 (12) *STATE OR LOCAL PUBLIC BENEFIT.*—*The*
20 *term “State or local public benefit” has the meaning*
21 *given that term in section 411(c) of the Personal Re-*
22 *sponsibility and Work Opportunity Reconciliation*
23 *Act of 1996 (8 U.S.C. 1621(c)).*

24 (13) *UNINSURED.*—

1 (A) *IN GENERAL.*—The term “uninsured”
 2 means, with respect to an individual, that the
 3 individual is not covered under—

4 (i) a group health plan;

5 (ii) health insurance coverage; or

6 (iii) a program under title XVIII,
 7 XIX, or XXI of the Social Security Act
 8 (other than under such title XIX pursuant
 9 to section 602).

10 (B) *EXCLUSION.*—Such coverage under
 11 clause (i) or (ii) shall not include coverage con-
 12 sisting solely of coverage of excepted benefits (as
 13 defined in section 2791(c) of the Public Health
 14 Service Act (42 U.S.C. 300gg–91(c)).

15 **TITLE VII—TEMPORARY EN-**
 16 **HANCED UNEMPLOYMENT**
 17 **BENEFITS**

18 **SEC. 701. SHORT TITLE.**

19 *This title may be cited as the “Temporary Unemploy-*
 20 *ment Compensation Act of 2001”.*

21 **SEC. 702. FEDERAL-STATE AGREEMENTS.**

22 (a) *IN GENERAL.*—Any State which desires to do so
 23 may enter into and participate in an agreement under this
 24 title with the Secretary of Labor (in this title referred to
 25 as the “Secretary”). Any State which is a party to an

1 *agreement under this title may, upon providing 30 days'*
2 *written notice to the Secretary, terminate such agreement.*

3 *(b) PROVISIONS OF AGREEMENT.—*

4 *(1) IN GENERAL.—Any agreement under sub-*
5 *section (a) shall provide that the State agency of the*
6 *State will make—*

7 *(A) payments of regular compensation to*
8 *individuals in amounts and to the extent that*
9 *such payments would be determined if the State*
10 *law were applied with the modifications de-*
11 *scribed in paragraph (2); and*

12 *(B) payments of temporary supplemental*
13 *unemployment compensation to individuals*
14 *who—*

15 *(i) have exhausted all rights to regular*
16 *compensation under the State law;*

17 *(ii) do not, with respect to a week,*
18 *have any rights to compensation (excluding*
19 *extended compensation) under the State law*
20 *of any other State (whether one that has en-*
21 *tered into an agreement under this title or*
22 *otherwise) nor compensation under any*
23 *other Federal law (other than under the*
24 *Federal-State Extended Unemployment*
25 *Compensation Act of 1970 (26 U.S.C. 3304*

1 note)), and are not paid or entitled to be
2 paid any additional compensation under
3 any Federal or State law; and

4 (iii) are not receiving compensation
5 with respect to such week under the unem-
6 ployment compensation law of Canada.

7 (2) *MODIFICATIONS DESCRIBED.*—The modifica-
8 tions described in this paragraph are as follows:

9 (A) *ALTERNATIVE BASE PERIOD.*—An indi-
10 vidual shall be eligible for regular compensation
11 if the individual would be so eligible, determined
12 by applying—

13 (i) the base period that would other-
14 wise apply under the State law if this title
15 had not been enacted; or

16 (ii) a base period ending at the close of
17 the calendar quarter most recently com-
18 pleted before the date of the individual's ap-
19 plication for benefits, provided that wage
20 data for that quarter has been reported to
21 the State;

22 whichever results in the greater amount.

23 (B) *PART-TIME EMPLOYMENT.*—An indi-
24 vidual shall not be denied regular compensation
25 under the State law's provisions relating to

1 *availability for work, active search for work, or*
2 *refusal to accept work, solely by virtue of the fact*
3 *that such individual is seeking, or is available*
4 *for, only part-time (and not full-time) work, if—*

5 *(i) the individual's employment on*
6 *which eligibility for the regular compensa-*
7 *tion is based was part-time employment; or*

8 *(ii) the individual can show good cause*
9 *for seeking, or being available for, only*
10 *part-time (and not full-time) work.*

11 (C) *INCREASED BENEFITS.—*

12 *(i) IN GENERAL.—The amount of reg-*
13 *ular compensation (including dependents'*
14 *allowances) payable for any week shall be*
15 *equal to the amount determined under the*
16 *State law (before the application of this*
17 *subparagraph), plus an amount equal to the*
18 *greater of—*

19 *(I) 15 percent of the amount so*
20 *determined; or*

21 *(II) \$25.*

22 *(ii) ROUNDING.—For purposes of de-*
23 *termining the amount under clause (i)(I),*
24 *such amount shall be rounded to the dollar*
25 *amount specified under State law.*

1 (c) *NONREDUCTION RULE.*—Under the agreement, sub-
2 section (b)(2)(C) shall not apply (or shall cease to apply)
3 with respect to a State upon a determination by the Sec-
4 retary that the method governing the computation of reg-
5 ular compensation under the State law of that State has
6 been modified in a way such that—

7 (1) the average weekly amount of regular com-
8 pensation which will be payable during the period of
9 the agreement (determined disregarding the modifica-
10 tions described in subsection (b)(2)) will be less than

11 (2) the average weekly amount of regular com-
12 pensation which would otherwise have been payable
13 during such period under the State law, as in effect
14 on September 11, 2001.

15 (d) *COORDINATION RULES.*—

16 (1) *REGULAR COMPENSATION PAYABLE UNDER A*
17 *FEDERAL LAW.*—The modifications described in sub-
18 section (b)(2) shall also apply in determining the
19 amount of benefits payable under any Federal law to
20 the extent that those benefits are determined by ref-
21 erence to regular compensation payable under the
22 State law of the State involved.

23 (2) *TSUC TO SERVE AS SECOND-TIER BENE-*
24 *FITS.*—Notwithstanding any other provision of law,
25 extended benefits shall not be payable to any indi-

1 *vidual for any week for which temporary supple-*
2 *mental unemployment compensation is payable to*
3 *such individual.*

4 *(e) EXHAUSTION OF BENEFITS.—For purposes of sub-*
5 *section (b)(1)(B)(i), an individual shall be considered to*
6 *have exhausted such individual’s rights to regular com-*
7 *pensation under a State law when—*

8 *(1) no payments of regular compensation can be*
9 *made under such law because such individual has re-*
10 *ceived all regular compensation available to such in-*
11 *dividual based on employment or wages during such*
12 *individual’s base period; or*

13 *(2) such individual’s rights to such compensation*
14 *have been terminated by reason of the expiration of*
15 *the benefit year with respect to which such rights ex-*
16 *isted.*

17 *(f) WEEKLY BENEFIT AMOUNT, TERMS AND CONDI-*
18 *TIONS, ETC. RELATING TO TSUC.—For purposes of any*
19 *agreement under this title—*

20 *(1) the amount of temporary supplemental un-*
21 *employment compensation which shall be payable to*
22 *an individual for any week of total unemployment*
23 *shall be equal to the amount of regular compensation*
24 *(including dependents’ allowances) payable to such*

1 *individual under the State law for a week for total*
2 *unemployment during such individual's benefit year;*

3 *(2) the terms and conditions of the State law*
4 *which apply to claims for regular compensation and*
5 *to the payment thereof shall apply to claims for tem-*
6 *porary supplemental unemployment compensation*
7 *and the payment thereof, except where inconsistent*
8 *with the provisions of this title or with the regula-*
9 *tions or operating instructions of the Secretary pro-*
10 *mulgated to carry out this title; and*

11 *(3) the maximum amount of temporary supple-*
12 *mental unemployment compensation payable to any*
13 *individual for whom a temporary supplemental un-*
14 *employment compensation account is established*
15 *under section 703 shall not exceed the amount estab-*
16 *lished in such account for such individual.*

17 **SEC. 703. TEMPORARY SUPPLEMENTAL UNEMPLOYMENT**
18 **COMPENSATION ACCOUNT.**

19 *(a) IN GENERAL.—Any agreement under this title*
20 *shall provide that the State will establish, for each eligible*
21 *individual who files an application for temporary supple-*
22 *mental unemployment compensation, a temporary supple-*
23 *mental unemployment compensation account.*

24 *(b) AMOUNT IN ACCOUNT.—*

1 (1) *IN GENERAL.*—*The amount established in an*
2 *account under subsection (a) shall be equal to the less-*
3 *er of—*

4 (A) *50 percent of the total amount of reg-*
5 *ular compensation (including dependents' allow-*
6 *ances) payable to the individual during the indi-*
7 *vidual's benefit year under such law; or*

8 (B) *13 times the individual's weekly benefit*
9 *amount.*

10 (2) *WEEKLY BENEFIT AMOUNT.*—*For purposes of*
11 *this subsection, an individual's weekly benefit amount*
12 *for any week is the amount of regular compensation*
13 *(including dependents' allowances) under the State*
14 *law payable to such individual for such week for total*
15 *unemployment.*

16 (3) *RULE OF CONSTRUCTION.*—*For purposes of*
17 *any computation under paragraph (1) (and any de-*
18 *termination of amount under section 702(f)(1)), the*
19 *modification described in section 702(b)(2)(C) (relat-*
20 *ing to increased benefits) shall be deemed to have been*
21 *in effect with respect to the entirety of the benefit year*
22 *involved.*

1 **SEC. 704. PAYMENTS TO STATES HAVING AGREEMENTS**
2 **UNDER THIS TITLE.**

3 (a) *GENERAL RULE.*—*There shall be paid to each*
4 *State which has entered into an agreement under this title*
5 *an amount equal to—*

6 (1) *100 percent of any regular compensation*
7 *made payable to individuals by such State by virtue*
8 *of the modifications which are described in section*
9 *702(b)(2) and deemed to be in effect with respect to*
10 *such State pursuant to section 702(b)(1)(A);*

11 (2) *100 percent of any regular compensation—*

12 (A) *which is paid to individuals by such*
13 *State by reason of the fact that its State law*
14 *contains provisions comparable to the modifica-*
15 *tions described in subparagraphs (A) and (B) of*
16 *section 702(b)(2); but only*

17 (B) *to the extent that those amounts would,*
18 *if such amounts were instead payable by virtue*
19 *of the State law's being deemed to be so modified*
20 *pursuant to section 702(b)(1)(A), have been re-*
21 *imbursable under paragraph (1); and*

22 (3) *100 percent of the temporary supplemental*
23 *unemployment compensation paid to individuals by*
24 *the State pursuant to such agreement.*

25 (b) *DETERMINATION OF AMOUNT.*—*Sums under sub-*
26 *section (a) payable to any State by reason of such State*

1 *having an agreement under this title shall be payable, either*
2 *in advance or by way of reimbursement (as may be deter-*
3 *mined by the Secretary), in such amounts as the Secretary*
4 *estimates the State will be entitled to receive under this title*
5 *for each calendar month, reduced or increased, as the case*
6 *may be, by any amount by which the Secretary finds that*
7 *the Secretary's estimates for any prior calendar month were*
8 *greater or less than the amounts which should have been*
9 *paid to the State. Such estimates may be made on the basis*
10 *of such statistical, sampling, or other method as may be*
11 *agreed upon by the Secretary and the State agency of the*
12 *State involved.*

13 (c) *ADMINISTRATIVE EXPENSES, ETC.—There is here-*
14 *by appropriated out of the employment security adminis-*
15 *tration account of the Unemployment Trust Fund (as estab-*
16 *lished by section 901(a) of the Social Security Act (42*
17 *U.S.C. 1101(a))) \$500,000,000 to reimburse States for the*
18 *costs of the administration of agreements under this title*
19 *(including any improvements in technology in connection*
20 *therewith) and to provide reemployment services to unem-*
21 *ployment compensation claimants in States having agree-*
22 *ments under this title. Each State's share of the amount*
23 *appropriated by the preceding sentence shall be determined*
24 *by the Secretary according to the factors described in section*

1 302(a) of the Social Security Act (42 U.S.C. 501(a)) and
2 certified by the Secretary to the Secretary of the Treasury.

3 **SEC. 705. FINANCING PROVISIONS.**

4 (a) *IN GENERAL.*—Funds in the extended unemploy-
5 ment compensation account (as established by section
6 905(a) of the Social Security Act (42 U.S.C. 1105(a))), and
7 the Federal unemployment account (as established by sec-
8 tion 904(g) of such Act (42 U.S.C. 1104(g))), of the Unem-
9 ployment Trust Fund (as established by section 904(a) of
10 such Act (42 U.S.C. 1104(a))) shall be used, in accordance
11 with subsection (b), for the making of payments (described
12 in section 704(a)) to States having agreements entered into
13 under this title.

14 (b) *CERTIFICATION.*—The Secretary shall from time to
15 time certify to the Secretary of the Treasury for payment
16 to each State the sums described in section 704(a) which
17 are payable to such State under this title. The Secretary
18 of the Treasury, prior to audit or settlement by the General
19 Accounting Office, shall make payments to the State in ac-
20 cordance with such certification by transfers from the ex-
21 tended unemployment compensation account, as so estab-
22 lished (or, to the extent that there are insufficient funds in
23 that account, from the Federal unemployment account, as
24 so established) to the account of such State in the Unem-
25 ployment Trust Fund (as so established).

1 **SEC. 706. FRAUD AND OVERPAYMENTS.**

2 (a) *IN GENERAL.*—If an individual knowingly has
3 made, or caused to be made by another, a false statement
4 or representation of a material fact, or knowingly has
5 failed, or caused another to fail, to disclose a material fact,
6 and as a result of such false statement or representation
7 or of such nondisclosure such individual has received any
8 regular compensation or temporary supplemental unem-
9 ployment compensation under this title to which he was not
10 entitled, such individual—

11 (1) shall be ineligible for any further benefits
12 under this title in accordance with the provisions of
13 the applicable State unemployment compensation law
14 relating to fraud in connection with a claim for un-
15 employment compensation; and

16 (2) shall be subject to prosecution under section
17 1001 of title 18, United States Code.

18 (b) *REPAYMENT.*—In the case of individuals who have
19 received any regular compensation or temporary supple-
20 mental unemployment compensation under this title to
21 which such individuals were not entitled, the State shall
22 require such individuals to repay those benefits to the State
23 agency, except that the State agency may waive such repay-
24 ment if it determines that—

25 (1) the payment of such benefits was without
26 fault on the part of any such individual; and

1 (2) *such repayment would be contrary to equity*
2 *and good conscience.*

3 (c) *RECOVERY BY STATE AGENCY.—*

4 (1) *IN GENERAL.—The State agency may recover*
5 *the amount to be repaid, or any part thereof, by de-*
6 *ductions from any regular compensation or tem-*
7 *porary supplemental unemployment compensation*
8 *payable to such individual under this title or from*
9 *any unemployment compensation payable to such in-*
10 *dividual under any Federal unemployment compensa-*
11 *tion law administered by the State agency or under*
12 *any other Federal law administered by the State*
13 *agency which provides for the payment of any assist-*
14 *ance or allowance with respect to any week of unem-*
15 *ployment, during the 3-year period after the date such*
16 *individuals received the payment of the regular com-*
17 *pen-sation or temporary supplemental unemployment*
18 *compensation to which such individuals were not en-*
19 *titled, except that no single deduction may exceed 50*
20 *percent of the weekly benefit amount from which such*
21 *deduction is made.*

22 (2) *OPPORTUNITY FOR HEARING.—No repayment*
23 *shall be required, and no deduction shall be made,*
24 *until a determination has been made, notice thereof*
25 *and an opportunity for a fair hearing has been given*

1 to the individual, and the determination has become
2 final.

3 (d) *REVIEW.*—Any determination by a State agency
4 under this section shall be subject to review in the same
5 manner and to the same extent as determinations under
6 the State unemployment compensation law, and only in
7 that manner and to that extent.

8 **SEC. 707. DEFINITIONS.**

9 For purposes of this title:

10 (1) *IN GENERAL.*—The terms “compensation”,
11 “regular compensation”, “extended compensation”,
12 “additional compensation”, “benefit year”, “base pe-
13 riod”, “State”, “State agency”, “State law”, and
14 “week” have the respective meanings given such terms
15 under section 205 of the Federal-State Extended Un-
16 employment Compensation Act of 1970, subject to
17 paragraph (2).

18 (2) *STATE LAW AND REGULAR COMPENSATION.*—
19 In the case of a State entering into an agreement
20 under this title—

21 (A) “State law” shall be considered to refer
22 to the State law of such State, applied in con-
23 formance with the modifications described in sec-
24 tion 702(b)(2), subject to section 702(c); and

1 (B) “regular compensation” shall be consid-
2 ered to refer to such compensation, determined
3 under its State law (applied in the manner de-
4 scribed in subparagraph (A));
5 except as otherwise provided or where the context
6 clearly indicates otherwise.

7 **SEC. 708. APPLICABILITY.**

8 (a) *IN GENERAL.*—An agreement entered into under
9 this title shall apply to weeks of unemployment—

10 (1) beginning after the date on which such agree-
11 ment is entered into; and

12 (2) ending before January 1, 2003.

13 (b) *SPECIFIC RULES.*—

14 (1) *IN GENERAL.*—Under such an agreement, the
15 following rules shall apply:

16 (A) *ALTERNATIVE BASE PERIODS.*—The
17 modification described in section 702(b)(2)(A)
18 (relating to alternative base periods) shall not
19 apply except in the case of initial claims filed on
20 or after the first day of the week that includes
21 September 11, 2001.

22 (B) *PART-TIME EMPLOYMENT AND IN-*
23 *CREASED BENEFITS.*—The modifications de-
24 scribed in subparagraphs (B) and (C) of section
25 702(b)(2) (relating to part-time employment and

1 *increased benefits, respectively) shall apply to*
2 *weeks of unemployment described in subsection*
3 *(a), regardless of the date on which an individ-*
4 *ual's initial claim for benefits is filed.*

5 (C) *ELIGIBILITY FOR TSUC.*—*The payments*
6 *described in section 702(b)(1)(B) (relating to*
7 *temporary supplemental unemployment com-*
8 *ensation) shall not apply except in the case of*
9 *individuals exhausting their rights to regular*
10 *compensation (as described in clause (i) of such*
11 *section) on or after the first day of the week that*
12 *includes September 11, 2001.*

13 (2) *REAPPLICATION PROCESS.*—

14 (A) *ALTERNATIVE BASE PERIODS.*—*In the*
15 *case of an individual who filed an initial claim*
16 *for regular compensation on or after the first*
17 *day of the week that includes September 11,*
18 *2001, and before the date that the State entered*
19 *into an agreement under subsection (a)(1) that*
20 *was denied as a result of the application of the*
21 *base period that applied under the State law*
22 *prior to the date on which the State entered into*
23 *the such agreement, such individual—*

24 (i) *may refile a claim for regular com-*
25 *ensation based on the modification de-*

1 scribed in section 702(b)(2)(A) (relating to
2 alternative base periods) on or after the
3 date on which the State enters into such
4 agreement and before the date on which
5 such agreement terminates; and

6 (ii) if eligible, shall be entitled to such
7 compensation only for weeks of unemploy-
8 ment described in subsection (a) beginning
9 on or after the date on which the individual
10 files such claim.

11 (B) *PART-TIME EMPLOYMENT.*—In the case
12 of an individual who before the date that the
13 State entered into an agreement under subsection
14 (a)(1) was denied regular compensation under
15 the State law’s provisions relating to availability
16 for work, active search for work, or refusal to ac-
17 cept work, solely by virtue of the fact that such
18 individual is seeking, or available for, only part-
19 time (and not full-time) work, such individual—

20 (i) may refile a claim for regular compensa-
21 tion based on the modification described in sec-
22 tion 702(b)(2)(B) (relating to part-time employ-
23 ment) on or after the date on which the State en-
24 ters into the agreement under subsection (a)(1)

1 *and before the date on which such agreement ter-*
 2 *minates; and*

3 *(ii) if eligible, shall be entitled to such com-*
 4 *pen- sation only for weeks of unemployment de-*
 5 *scribed in subsection (a) beginning on or after*
 6 *the date on which the individual files such claim.*

7 (3) *NO RETROACTIVE PAYMENTS FOR WEEKS*
 8 *PRIOR TO AGREEMENT.*—*No amounts shall be payable*
 9 *to an individual under an agreement entered into*
 10 *under this title for any week of unemployment prior*
 11 *to the week beginning after the date on which such*
 12 *agreement is entered into.*

13 ***TITLE VIII—EMERGENCY***
 14 ***AGRICULTURE ASSISTANCE***
 15 ***Subtitle A—Crop Loss Assistance***

16 ***SEC. 801. CROP LOSS ASSISTANCE.***

17 (a) *IN GENERAL.*—*The Secretary of Agriculture (re-*
 18 *ferred to in this title as the “Secretary”) shall use*
 19 *\$1,800,000,000 of funds of the Commodity Credit Corpora-*
 20 *tion to make emergency financial assistance available to*
 21 *producers on a farm that have incurred qualifying losses*
 22 *for the 2001 crop.*

23 (b) *ADMINISTRATION.*—*The Secretary shall make as-*
 24 *sistance available under this section in the same manner*
 25 *as provided under section 815 of the Agriculture, Rural De-*

1 *velopment, Food and Drug Administration, and Related*
2 *Agencies Appropriations Act, 2001 (Public Law 105–277;*
3 *114 Stat. 1549A–55), including using the same loss thresh-*
4 *olds for the quantity and economic losses as were used in*
5 *administering that section.*

6 (c) *USE OF FUNDS FOR CASH PAYMENTS.—The Sec-*
7 *retary may use funds made available under this section to*
8 *make, in a manner consistent with this section, cash pay-*
9 *ments not for crop disasters, but for income loss to carry*
10 *out the purposes of this section.*

11 **SEC. 802. LIVESTOCK ASSISTANCE PROGRAM.**

12 (a) *IN GENERAL.—The Secretary shall use*
13 *\$500,000,000 of the funds of the Commodity Credit Cor-*
14 *poration to make and administer payments for livestock*
15 *losses to producers for 2001 losses in a county that has re-*
16 *ceived an emergency designation by the President or the*
17 *Secretary after January 1, 2001.*

18 (b) *ADMINISTRATION.—The Secretary shall make as-*
19 *sistance available under this section in the same manner*
20 *as provided under section 806 of the Agriculture, Rural De-*
21 *velopment, Food and Drug Administration, and Related*
22 *Agencies Appropriations Act, 2001 (Public Law 105–277;*
23 *114 Stat. 1549A–51).*

1 **SEC. 803. COMMODITY PURCHASES.**

2 (a) *IN GENERAL.*—*The Secretary shall use*
3 *\$220,000,000 of funds of the Commodity Credit Corporation*
4 *to purchase agricultural commodities, especially agricul-*
5 *tural commodities that have experienced low prices during*
6 *the 2001 crop year, as determined by the Secretary.*

7 (b) *GEOGRAPHIC DIVERSITY.*—*The Secretary is en-*
8 *couraged to purchase agricultural commodities under this*
9 *section in a manner that reflects the geographic diversity*
10 *of agricultural production in the United States, particu-*
11 *larly agricultural production in the Northeast and Mid-At-*
12 *lantic States.*

13 (c) *OTHER PURCHASES.*—*The Secretary shall ensure*
14 *that purchases of agricultural commodities under this sec-*
15 *tion are in addition to purchases by the Secretary under*
16 *any other law.*

17 (d) *TRANSPORTATION AND DISTRIBUTION COSTS.*—
18 *The Secretary may use not more than \$20,000,000 of the*
19 *funds made available under subsection (a) to provide assist-*
20 *ance to States to cover costs incurred by the States in trans-*
21 *porting and distributing agricultural commodities pur-*
22 *chased under this section.*

23 (e) *PURCHASES FOR SCHOOL NUTRITION PRO-*
24 *GRAMS.*—*The Secretary shall use not less than \$55,000,000*
25 *of the funds made available under subsection (a) to pur-*
26 *chase agricultural commodities of the type distributed*

1 *under section 6(a) of the Richard B. Russell National*
2 *School Lunch Act (42 U.S.C. 1755(a)) for distribution to*
3 *schools and service institutions in accordance with section*
4 *6(a) of that Act.*

5 ***Subtitle B—Rural Development***

6 **SEC. 811. RURAL COMMUNITY FACILITIES AND UTILITIES.**

7 *(a) FUNDING.—*

8 *(1) IN GENERAL.—Not later than 30 days after*
9 *the date of enactment of this Act, out of any funds in*
10 *the Treasury not otherwise appropriated, the Sec-*
11 *retary of the Treasury shall transfer to the Secretary*
12 *of Agriculture—*

13 *(A) \$130,100,000 for the cost of water or*
14 *waste disposal direct loans under section*
15 *306(a)(1) of the Consolidated Farm and Rural*
16 *Development Act (7 U.S.C. 1926(a)(1));*

17 *(B) \$1,074,798,000 for water or waste dis-*
18 *posal grants under section 306(a)(2) of that Act;*

19 *(C) \$8,362,000 for the cost of community*
20 *facility direct loans under section 306(a)(1) of*
21 *that Act; and*

22 *(D) \$60,000,000 for community facility*
23 *grants under paragraph (19), (20), or (21) of*
24 *section 306(a)(1) of that Act.*

1 (2) *RECEIPT AND ACCEPTANCE.*—*The Secretary*
2 *shall be entitled to receive, shall accept, and shall use*
3 *in accordance with paragraph (1) the funds trans-*
4 *ferred under paragraph (1), without further appro-*
5 *priation.*

6 (3) *AVAILABILITY OF FUNDS.*—*Funds transferred*
7 *under paragraph (1) shall remain available until ex-*
8 *pended.*

9 (4) *APPLICABILITY OF OTHER LAWS.*—*For the*
10 *purposes of the Federal Credit Reform Act of 1990 (2*
11 *U.S.C. 661a et seq.), this section shall be treated as*
12 *if enacted in an Act of appropriation.*

13 (5) *APPROPRIATED AMOUNTS.*—*Funds made*
14 *available under this subsection shall be available to*
15 *the Secretary—*

16 (A) *to provide funds for pending applica-*
17 *tions for loans, loan guarantees, and grants de-*
18 *scribed in paragraph (1); and*

19 (B) *only to the extent that funds for the*
20 *loans, loan guarantees, and grants appropriated*
21 *in the annual appropriations Act for fiscal year*
22 *2002 have been exhausted.*

23 (b) *COMMUNITY FACILITY GUARANTEED LOANS.*—*The*
24 *Secretary may guarantee an additional \$128,000,000 for*
25 *community facility guaranteed loans under section*

1 306(a)(1) of the Consolidated Farm and Rural Development
2 Act (7 U.S.C. 1926(a)(1)).

3 **SEC. 812. RURAL TELECOMMUNICATIONS LOANS.**

4 (a) *IN GENERAL.*—Not later than 30 days after the
5 date of enactment of this Act, out of any funds in the Treas-
6 ury not otherwise appropriated, the Secretary of the Treas-
7 ury shall transfer to the Secretary of Agriculture to make
8 insured cost of money rural telecommunications loans
9 under sections 305 and 306 of the Rural Electrification Act
10 of 1936 (7 U.S.C. 935, 936) \$40,000,000, to remain avail-
11 able until expended.

12 (b) *RECEIPT AND ACCEPTANCE.*—The Secretary shall
13 be entitled to receive, shall accept, and shall use to carry
14 out this section the funds transferred under subsection (a),
15 without further appropriation.

16 (c) *APPLICABILITY OF OTHER LAWS.*—For the pur-
17 poses of the Federal Credit Reform Act of 1990 (2 U.S.C.
18 661a et seq.), this section shall be treated as if enacted in
19 an Act of appropriation.

20 **SEC. 813. TELEMEDICINE AND DISTANCE LEARNING SERV-**
21 **ICES.**

22 (a) *IN GENERAL.*—The Secretary may make addi-
23 tional loans and grants for the broadband pilot program
24 and for telemedicine and distance learning services under
25 chapter 1 of subtitle D of title XXIII of the Food, Agri-

1 *culture, Conservation, and Trade Act of 1990 (7 U.S.C.*
2 *950aaa et seq.).*

3 (b) *AMOUNT OF LOANS.*—*The Secretary shall make*
4 *loans under this section in an amount not to exceed*
5 *\$400,000,000.*

6 (c) *FUNDING.*—

7 (1) *IN GENERAL.*—*Not later than 30 days after*
8 *the date of enactment of this Act, out of any funds in*
9 *the Treasury not otherwise appropriated, the Sec-*
10 *retary of the Treasury shall transfer to the Secretary*
11 *of Agriculture for the cost of loans and grants under*
12 *this section \$5,000,000, to remain available until ex-*
13 *pended.*

14 (2) *RECEIPT AND ACCEPTANCE.*—*The Secretary*
15 *shall be entitled to receive, shall accept, and shall use*
16 *to carry out this section the funds transferred under*
17 *paragraph (1), without further appropriation.*

18 (3) *APPLICABILITY OF OTHER LAWS.*—*For the*
19 *purposes of the Federal Credit Reform Act of 1990 (2*
20 *U.S.C. 661a et seq.), this subsection shall be treated*
21 *as if enacted in an Act of appropriation.*

22 **SEC. 814. ENVIRONMENTAL QUALITY INCENTIVES PRO-**
23 **GRAM.**

24 *In addition to funds otherwise available, the Secretary*
25 *shall use \$1,400,000,000 of funds of the Commodity Credit*

1 Corporation to carry out the environmental quality incen-
2 tives program established under chapter 4 of subtitle D of
3 title XII of the Food Security Act of 1985 (16 U.S.C.
4 3839aa et seq.), including technical assistance under the
5 program.

6 **SEC. 815. FARMLAND PROTECTION PROGRAM.**

7 In addition to funds otherwise available, the Secretary
8 shall use \$150,000,000 of funds of the Commodity Credit
9 Corporation to carry out the farmland protection program
10 established under section 388 of the Federal Agriculture Im-
11 provement and Reform Act of 1996 (16 U.S.C. 3830 note;
12 Public Law 104–127).

13 **Subtitle C—Administration**

14 **SEC. 821. COMMODITY CREDIT CORPORATION.**

15 The Secretary shall use the funds, facilities, and au-
16 thorities of the Commodity Credit Corporation to carry out
17 subtitle A.

18 **SEC. 822. ADMINISTRATIVE EXPENSES.**

19 (a) *IN GENERAL.*—In addition to funds otherwise
20 available, not later than 30 days after the date of enactment
21 of this Act, out of any funds in the Treasury not otherwise
22 appropriated, the Secretary of the Treasury shall transfer
23 to the Secretary of Agriculture to pay the salaries and ex-
24 penses of the Department of Agriculture in carrying out this
25 title \$104,500,000, to remain available until expended.

1 (b) *RECEIPT AND ACCEPTANCE.*—*The Secretary shall*
2 *be entitled to receive, shall accept, and shall use to carry*
3 *out this section the funds transferred under subsection (a),*
4 *without further appropriation.*

5 **SEC. 823. REGULATIONS.**

6 (a) *IN GENERAL.*—*The Secretary may promulgate*
7 *such regulations as are necessary to implement this title.*

8 (b) *PROCEDURE.*—*The promulgation of the regulations*
9 *and administration of this subtitle shall be made without*
10 *regard to—*

11 (1) *the notice and comment provisions of section*
12 *553 of title 5, United States Code;*

13 (2) *the Statement of Policy of the Secretary of*
14 *Agriculture effective July 24, 1971 (36 Fed. Reg.*
15 *13804), relating to notices of proposed rulemaking*
16 *and public participation in rulemaking; and*

17 (3) *chapter 35 of title 44, United States Code*
18 *(commonly known as the “Paperwork Reduction*
19 *Act”).*

20 (c) *CONGRESSIONAL REVIEW OF AGENCY RULE-*
21 *MAKING.*—*In carrying out this section, the Secretary shall*
22 *use the authority provided under section 808 of title 5,*
23 *United States Code.*

1 **TITLE IX—ADDITIONAL**
 2 **PROVISIONS**

3 **SEC. 901. CREDIT TO HOLDERS OF QUALIFIED AMTRAK**
 4 **BONDS.**

5 (a) *IN GENERAL.*—Part IV of subchapter A of chapter
 6 1 (relating to credits against tax) is amended by adding
 7 at the end the following new subpart:

8 **“Subpart H—Nonrefundable Credit for Holders of**
 9 **Qualified Amtrak Bonds**

 “Sec. 54. Credit to holders of qualified Amtrak bonds.

10 **“SEC. 54. CREDIT TO HOLDERS OF QUALIFIED AMTRAK**
 11 **BONDS.**

12 “(a) *ALLOWANCE OF CREDIT.*—In the case of a tax-
 13 payer who holds a qualified Amtrak bond on a credit allow-
 14 ance date of such bond which occurs during the taxable
 15 year, there shall be allowed as a credit against the tax im-
 16 posed by this chapter for such taxable year an amount equal
 17 to the sum of the credits determined under subsection (b)
 18 with respect to credit allowance dates during such year on
 19 which the taxpayer holds such bond.

20 “(b) *AMOUNT OF CREDIT.*—

21 “(1) *IN GENERAL.*—The amount of the credit de-
 22 termined under this subsection with respect to any
 23 credit allowance date for a qualified Amtrak bond is

1 25 percent of the annual credit determined with re-
2 spect to such bond.

3 “(2) ANNUAL CREDIT.—The annual credit deter-
4 mined with respect to any qualified Amtrak bond is
5 the product of—

6 “(A) the applicable credit rate, multiplied
7 by

8 “(B) the outstanding face amount of the
9 bond.

10 “(3) APPLICABLE CREDIT RATE.—For purposes
11 of paragraph (2), the applicable credit rate with re-
12 spect to an issue is the rate equal to an average mar-
13 ket yield (as of the day before the date of sale of the
14 issue) on outstanding long-term corporate debt obliga-
15 tions (determined in such manner as the Secretary
16 prescribes).

17 “(4) CREDIT ALLOWANCE DATE.—For purposes
18 of this section, the term ‘credit allowance date’
19 means—

20 “(A) March 15,

21 “(B) June 15,

22 “(C) September 15, and

23 “(D) December 15.

24 Such term includes the last day on which the bond is
25 outstanding.

1 “(5) *SPECIAL RULE FOR ISSUANCE AND REDEMP-*
2 *TION.—In the case of a bond which is issued during*
3 *the 3-month period ending on a credit allowance date,*
4 *the amount of the credit determined under this sub-*
5 *section with respect to such credit allowance date*
6 *shall be a ratable portion of the credit otherwise deter-*
7 *mined based on the portion of the 3-month period*
8 *during which the bond is outstanding. A similar rule*
9 *shall apply when the bond is redeemed.*

10 “(c) *LIMITATION BASED ON AMOUNT OF TAX.—*

11 “(1) *IN GENERAL.—The credit allowed under*
12 *subsection (a) for any taxable year shall not exceed*
13 *the excess of—*

14 “(A) *the sum of the regular tax liability (as*
15 *defined in section 26(b)) plus the tax imposed by*
16 *section 55, over*

17 “(B) *the sum of the credits allowable under*
18 *this part (other than this subpart and subpart*
19 *C).*

20 “(2) *CARRYOVER OF UNUSED CREDIT.—If the*
21 *credit allowable under subsection (a) exceeds the limi-*
22 *tation imposed by paragraph (1) for such taxable*
23 *year, such excess shall be carried to the succeeding*
24 *taxable year and added to the credit allowable under*
25 *subsection (a) for such taxable year.*

1 “(d) *CREDIT INCLUDED IN GROSS INCOME.*—Gross in-
2 come includes the amount of the credit allowed to the tax-
3 payer under this section (determined without regard to sub-
4 section (c)) and the amount so included shall be treated as
5 interest income.

6 “(e) *QUALIFIED AMTRAK BOND.*—For purposes of this
7 part, the term ‘qualified Amtrak bond’ means any bond
8 issued as part of an issue if—

9 “(1) 95 percent or more of the proceeds from the
10 sale of such issue are to be used for expenditures in-
11 curred after the date of the enactment of this section
12 for any qualified project,

13 “(2) the bond is issued by the National Railroad
14 Passenger Corporation, is in registered form, and
15 meets the bond limitation requirements under sub-
16 section (f),

17 “(3) the issuer designates such bond for purposes
18 of this section,

19 “(4) the issuer certifies that it meets the State
20 contribution requirement of subsection (k) with re-
21 spect to such project, as in effect on the date of
22 issuance,

23 “(5) the issuer certifies that it has obtained the
24 written approval of the Secretary of Transportation
25 for such project in accordance with subsection (l),

1 “(6) the term of each bond which is part of such
2 issue does not exceed 20 years,

3 “(7) the payment of principal with respect to
4 such bond is the obligation of the National Railroad
5 Passenger Corporation, and

6 “(8) the issue meets the requirements of sub-
7 section (g) (relating to arbitrage).

8 “(f) *LIMITATION ON AMOUNT OF BONDS DES-*
9 *IGNATED.—*

10 “(1) *NATIONAL LIMITATION.—*There is a quali-
11 *fied Amtrak bond limitation for each calendar year.*
12 *Such limitation is—*

13 “(A) for 2002—

14 “(i) with respect to qualified projects
15 described in subparagraphs (A), (B), and
16 (C) of subsection (j)(1), \$7,000,000,000, and

17 “(ii) with respect to the qualified
18 project described in subsection (j)(1)(D),
19 \$2,000,000,000, and

20 “(B) except as provided in paragraph (4),
21 zero thereafter.

22 “(2) *LIMITS ON BONDS FOR NORTHEAST RAIL*
23 *CORRIDOR AND INDIVIDUAL STATES.—*

24 “(A) *NORTHEAST RAIL CORRIDOR.—*Not
25 more than \$2,000,000,000 of the limitation

1 *under paragraph (1) may be designated for*
2 *qualified projects on the northeast rail corridor*
3 *between Washington, D.C., and Boston, Massa-*
4 *chusetts.*

5 “(B) *INDIVIDUAL STATES.*—*Not more than*
6 *\$2,000,000,000 of the limitation under para-*
7 *graph (1) may be designated for any individual*
8 *State. The dollar limitation under this subpara-*
9 *graph is in addition to the dollar limitation for*
10 *the qualified projects described in subparagraph*
11 *(A).*

12 “(3) *SET ASIDE FOR BONDS FOR NON-FEDER-*
13 *ALLY DESIGNATED HIGH-SPEED RAIL CORRIDOR*
14 *PROJECTS.*—*Not less than 15 percent of the limitation*
15 *under paragraph (1) shall be designated for qualified*
16 *projects described in subsection (j)(1)(C).*

17 “(4) *CARRYOVER OF UNUSED LIMITATION.*—*If*
18 *for any calendar year—*

19 “(A) *the qualified Amtrak limitation*
20 *amount, exceeds*

21 “(B) *the amount of bonds issued during*
22 *such year which are designated under subsection*
23 *(e)(3),*

1 *the qualified Amtrak limitation amount for the fol-*
2 *lowing calendar year shall be increased by the*
3 *amount of such excess.*

4 *Any carryforward of a qualified Amtrak limitation amount*
5 *may be carried only to calendar year 2003 or 2004.*

6 “(g) *SPECIAL RULES RELATING TO ARBITRAGE.*—

7 “(1) *IN GENERAL.*—*Subject to paragraph (2), an*
8 *issue shall be treated as meeting the requirements of*
9 *this subsection if as of the date of issuance, the issuer*
10 *reasonably expects—*

11 “(A) *to spend at least 95 percent of the pro-*
12 *ceeds from the sale of the issue for 1 or more*
13 *qualified projects within the 3-year period begin-*
14 *ning on such date,*

15 “(B) *to incur a binding commitment with*
16 *a third party to spend at least 10 percent of the*
17 *proceeds from the sale of the issue, or to com-*
18 *mence construction, with respect to such projects*
19 *within the 6-month period beginning on such*
20 *date, and*

21 “(C) *to proceed with due diligence to com-*
22 *plete such projects and to spend the proceeds*
23 *from the sale of the issue.*

24 “(2) *RULES REGARDING CONTINUING COMPLI-*
25 *ANCE AFTER 3-YEAR DETERMINATION.*—*If at least 95*

1 *percent of the proceeds from the sale of the issue is not*
2 *expended for 1 or more qualified projects within the*
3 *3-year period beginning on the date of issuance, but*
4 *the requirements of paragraph (1) are otherwise met,*
5 *an issue shall be treated as continuing to meet the re-*
6 *quirements of this subsection if either—*

7 *“(A) the issuer uses all unspent proceeds*
8 *from the sale of the issue to redeem bonds of the*
9 *issue within 90 days after the end of such 3-year*
10 *period, or*

11 *“(B) the following requirements are met:*

12 *“(i) The issuer spends at least 75 per-*
13 *cent of the proceeds from the sale of the*
14 *issue for 1 or more qualified projects within*
15 *the 3-year period beginning on the date of*
16 *issuance.*

17 *“(ii) Either—*

18 *“(I) the issuer spends at least 95*
19 *percent of the proceeds from the sale of*
20 *the issue for 1 or more qualified*
21 *projects within the 4-year period be-*
22 *ginning on the date of issuance, or*

23 *“(II) the issuer pays to the Fed-*
24 *eral Government any earnings on the*
25 *proceeds from the sale of the issue that*

1 *accrue after the end of the 3-year pe-*
2 *riod beginning on the date of issuance*
3 *and uses all unspent proceeds from the*
4 *sale of the issue to redeem bonds of the*
5 *issue within 90 days after the end of*
6 *the 4-year period beginning on the date*
7 *of issuance.*

8 “(h) *RECAPTURE OF PORTION OF CREDIT WHERE*
9 *CESSATION OF COMPLIANCE.—*

10 “(1) *IN GENERAL.—If any bond which when*
11 *issued purported to be a qualified Amtrak bond ceases*
12 *to be such a qualified bond, the issuer shall pay to the*
13 *United States (at the time required by the Secretary)*
14 *an amount equal to the sum of—*

15 “(A) *the aggregate of the credits allowable*
16 *under this section with respect to such bond (de-*
17 *termined without regard to subsection (c)) for*
18 *taxable years ending during the calendar year in*
19 *which such cessation occurs and the 2 preceding*
20 *calendar years, and*

21 “(B) *interest at the underpayment rate*
22 *under section 6621 on the amount determined*
23 *under subparagraph (A) for each calendar year*
24 *for the period beginning on the first day of such*
25 *calendar year.*

1 “(2) *FAILURE TO PAY.*—*If the issuer fails to*
2 *timely pay the amount required by paragraph (1)*
3 *with respect to such bond, the tax imposed by this*
4 *chapter on each holder of any such bond which is part*
5 *of such issue shall be increased (for the taxable year*
6 *of the holder in which such cessation occurs) by the*
7 *aggregate decrease in the credits allowed under this*
8 *section to such holder for taxable years beginning in*
9 *such 3 calendar years which would have resulted sole-*
10 *ly from denying any credit under this section with re-*
11 *spect to such issue for such taxable years.*

12 “(3) *SPECIAL RULES.*—

13 “(A) *TAX BENEFIT RULE.*—*The tax for the*
14 *taxable year shall be increased under paragraph*
15 *(2) only with respect to credits allowed by reason*
16 *of this section which were used to reduce tax li-*
17 *ability. In the case of credits not so used to re-*
18 *duce tax liability, the carryforwards and*
19 *carrybacks under section 39 shall be appro-*
20 *priately adjusted.*

21 “(B) *NO CREDITS AGAINST TAX.*—*Any in-*
22 *crease in tax under paragraph (2) shall not be*
23 *treated as a tax imposed by this chapter for pur-*
24 *poses of determining—*

1 “(i) the amount of any credit allowable
2 under this part, or

3 “(ii) the amount of the tax imposed by
4 section 55.

5 “(i) TRUST ACCOUNT.—

6 “(1) IN GENERAL.—The following amounts shall
7 be held in a trust account by a trustee independent
8 of the National Railroad Passenger Corporation:

9 “(A) The proceeds from the sale of all bonds
10 designated for purposes of this section.

11 “(B) The amount of any matching contribu-
12 tions with respect to such bonds.

13 “(C) The investment earnings on proceeds
14 from the sale of such bonds.

15 “(D) Any earnings on any amounts de-
16 scribed in subparagraph (A), (B), or (C).

17 “(2) USE OF FUNDS.—Amounts in the trust ac-
18 count may be used only to pay costs of qualified
19 projects and redeem qualified Amtrak bonds, except
20 that amounts withdrawn from the trust account to
21 pay costs of qualified projects may not exceed the ag-
22 gregate proceeds from the sale of all qualified Amtrak
23 bonds issued under this section.

24 “(3) USE OF REMAINING FUNDS IN TRUST AC-
25 COUNT.—Upon the redemption of all qualified Am-

1 *trak bonds issued under this section, any remaining*
2 *amounts in the trust account described in paragraph*
3 *(1) shall be available to the issuer for any qualified*
4 *project.*

5 “(j) *QUALIFIED PROJECT.*—*For purposes of this*
6 *section—*

7 “(1) *IN GENERAL.*—*The term ‘qualified project’*
8 *means—*

9 “(A) *the acquisition, financing, or refi-*
10 *nancing of equipment, rolling stock, and other*
11 *capital improvements (including the introduc-*
12 *tion of new high-speed technologies such as mag-*
13 *netic levitation systems), including track or sig-*
14 *nal improvements or the elimination of grade*
15 *crossings, for the northeast rail corridor between*
16 *Washington, D.C., and Boston, Massachusetts,*

17 “(B) *the acquisition, financing, or refi-*
18 *nancing of equipment, rolling stock, and other*
19 *capital improvements (including the introduc-*
20 *tion of new high-speed technologies such as mag-*
21 *netic levitation systems), including development*
22 *of intermodal facilities, track or signal improve-*
23 *ments, or the elimination of grade crossings, for*
24 *the improvement of train speeds or safety (or*
25 *both) on the high-speed rail corridors designated*

1 *under section 104(d)(2) of title 23, United States*
2 *Code, as in effect on the date of the enactment*
3 *of this section,*

4 “(C) *the acquisition, financing, or refi-*
5 *nancing of equipment, rolling stock, and other*
6 *capital improvements, including station rehabili-*
7 *tation or construction, development of inter-*
8 *modal facilities, track or signal improvements,*
9 *or the elimination of grade crossings, for the im-*
10 *provement of train speeds or safety (or both) for*
11 *other intercity passenger rail corridors and for*
12 *the Alaska Railroad, and*

13 “(D) *construction, installation of facilities,*
14 *performance of railroad force account work, and*
15 *environmental impact studies that facilitate and*
16 *maximize intercity and regional rail system ca-*
17 *capacity and connectivity intended to benefit all*
18 *users, including the National Passenger Rail*
19 *Corporation, related to the construction of the*
20 *Trans Hudson Tunnel, an additional railroad*
21 *passenger tunnel connecting Newark, New Jersey*
22 *to the City of New York, New York.*

23 “(2) *REFINANCING RULES.—For purposes of*
24 *paragraph (1), a refinancing shall constitute a quali-*
25 *fied project only if the indebtedness being refinanced*

1 *(including any obligation directly or indirectly refi-*
2 *nanced by such indebtedness) was originally incurred*
3 *by the issuer—*

4 “(A) *after the date of the enactment of this*
5 *section,*

6 “(B) *for a term of not more than 3 years,*

7 “(C) *to finance or acquire capital improve-*
8 *ments described in paragraph (1), and*

9 “(D) *in anticipation of being refinanced*
10 *with proceeds of a qualified Amtrak bond.*

11 “(k) *STATE CONTRIBUTION REQUIREMENTS.—*

12 “(1) *IN GENERAL.—For purposes of subsection*
13 *(e)(4), the State contribution requirement of this sub-*
14 *section is met with respect to any qualified project if*
15 *the National Railroad Passenger Corporation has re-*
16 *ceived from 1 or more States, not later than the date*
17 *of issuance of the bond, matching contributions of not*
18 *less than 20 percent of the cost of the qualified project.*

19 “(2) *NO STATE CONTRIBUTION REQUIREMENT*
20 *FOR CERTAIN QUALIFIED PROJECTS.—The State con-*
21 *tribution requirement of this subsection is zero with*
22 *respect to any project described in subsection (j)(1)(C)*
23 *for the Alaska Railroad.*

24 “(3) *STATE MATCHING CONTRIBUTIONS MAY NOT*
25 *INCLUDE FEDERAL FUNDS.—For purposes of this sub-*

1 *section, State matching contributions shall not be de-*
2 *ri ved, directly or indirectly, from Federal funds, in-*
3 *cluding any transfers from the Highway Trust Fund*
4 *under section 9503.*

5 *“(l) DEPARTMENT OF TRANSPORTATION APPROVAL*
6 *FOR QUALIFIED PROJECTS.—*

7 *“(1) IN GENERAL.—The written approval of a*
8 *qualified project by the Secretary of Transportation*
9 *required for purposes of subsection (e)(5) shall*
10 *include—*

11 *“(A) the finding by the Inspector General of*
12 *the Department of Transportation described in*
13 *paragraph (2),*

14 *“(B) the certification by the Secretary of*
15 *Transportation described in paragraph (3), and*

16 *“(C) the agreement by the National Rail-*
17 *road Passenger Corporation described in para-*
18 *graph (4).*

19 *“(2) FINDING BY INSPECTOR GENERAL.—For*
20 *purposes of paragraph (1), the finding described in*
21 *this paragraph is a finding by the Inspector General*
22 *of the Department of Transportation that there is a*
23 *reasonable likelihood that the proposed project will re-*
24 *sult in a positive financial contribution to the Na-*
25 *tional Railroad Passenger Corporation and that the*

1 *investment evaluation process includes consideration*
2 *of a return on investment, leveraging of funds (in-*
3 *cluding State capital and operating contributions),*
4 *cost effectiveness, safety improvement, mobility im-*
5 *provement, and feasibility.*

6 “(3) *CERTIFICATION.*—*For purposes of para-*
7 *graph (1), the certification described in this para-*
8 *graph is a certification by the Secretary of Transpor-*
9 *tation that the issuer of the qualified Amtrak bond—*

10 “(A) *except with respect to projects de-*
11 *scribed in subsection (j)(1)(C), has entered into*
12 *a written agreement with the owners of rail*
13 *properties which are to be improved by the*
14 *project to be funded by the qualified Amtrak*
15 *bond, as to the scope and estimated cost of such*
16 *project and the impact on rail freight capacity,*
17 *and*

18 “(B) *has met the State contribution require-*
19 *ments described in subsection (k).*

20 *The National Railroad Passenger Corporation shall*
21 *not exercise its rights under section 24308(a)(2) of*
22 *title 49, United States Code, to resolve disputes with*
23 *respect to a project to be funded by a qualified Am-*
24 *trak bond, or with respect to the cost of such a project,*

1 *unless the project is intended to result in railroad*
2 *speeds of 79 miles per hour or less.*

3 *“(4) AGREEMENT BY AMTRAK TO ISSUE ADDI-*
4 *TIONAL BONDS FOR PROJECTS OF OTHER CAR-*
5 *RIERS.—*

6 *“(A) IN GENERAL.—For purposes of para-*
7 *graph (1), the agreement described in this para-*
8 *graph is an agreement by the National Railroad*
9 *Passenger Corporation with the Secretary of*
10 *Transportation to issue bonds which meet the re-*
11 *quirements of this section for use in financing*
12 *projects described in subparagraph (B).*

13 *“(B) PROJECTS COVERED.—For purposes of*
14 *subparagraph (A), the projects described in this*
15 *subparagraph are any project described in sub-*
16 *section (j)(1)(B) or (j)(1)(C) for an intercity rail*
17 *passenger carrier other than the National Rail-*
18 *road Passenger Corporation or for the Alaska*
19 *Railroad.*

20 *“(C) RESPONSIBILITY OF INTERCITY RAIL*
21 *PASSENGER CARRIER.—Any project financed by*
22 *bonds referred to in subparagraph (A) shall be*
23 *carried out by the intercity rail passenger car-*
24 *rier other than the National Railroad Passenger*
25 *Corporation, through a contract entered into by*

1 *the National Railroad Passenger Corporation*
2 *with such carrier.*

3 “(D) *INTERCITY RAIL PASSENGER CARRIER*
4 *DEFINED.—For purposes of this paragraph, the*
5 *term ‘intercity rail passenger carrier’ means any*
6 *rail carrier (as defined in section 24102(7) of*
7 *such title 49, as in effect on the date of the enact-*
8 *ment of this section) which is part of the inter-*
9 *state system of rail transportation and which*
10 *provides intercity rail passenger transportation*
11 *(as defined in section 24102(5) of such title 49*
12 *(as so in effect)).*

13 “(5) *ADDITIONAL SELECTION CRITERIA.—In de-*
14 *termining projects to be approved under this sub-*
15 *section (other than projects for the Alaska Railroad),*
16 *or to be included in an agreement under paragraph*
17 *(4), the Secretary of Transportation—*

18 “(A) *shall base such approval on—*

19 “(i) *the results of alternatives analysis*
20 *and preliminary engineering, and*

21 “(ii) *a comprehensive review of mobil-*
22 *ity improvements, environmental benefits,*
23 *cost effectiveness, and operating efficiencies,*
24 *and*

25 “(B) *shall give preference to—*

1 “(i) projects supported by evidence of
2 stable and dependable financing sources to
3 construct, maintain, and operate the system
4 or extension,

5 “(ii) projects expected to have a sig-
6 nificant impact on air traffic congestion,

7 “(iii) projects expected to also improve
8 commuter rail operations,

9 “(iv) projects that anticipate fares de-
10 signed to recover costs and generate a re-
11 turn on investment, and

12 “(v) projects that promote regional bal-
13 ance in infrastructure investment and the
14 national interest in ensuring the develop-
15 ment of a nationwide high-speed rail trans-
16 portation network.

17 “(m) *OTHER DEFINITIONS AND SPECIAL RULES.*—For
18 purposes of this section—

19 “(1) *BOND.*—The term ‘bond’ includes any obli-
20 gation.

21 “(2) *TREATMENT OF CHANGES IN USE.*—For
22 purposes of subsection (e)(1), the proceeds from the
23 sale of an issue shall not be treated as used for a
24 qualified project to the extent that the issuer takes
25 any action within its control which causes such pro-

1 *ceeds not to be used for a qualified project. The Sec-*
2 *retary shall specify remedial actions that may be*
3 *taken (including conditions to taking such remedial*
4 *actions) to prevent an action described in the pre-*
5 *ceding sentence from causing a bond to fail to be a*
6 *qualified Amtrak bond.*

7 *“(3) PARTNERSHIP; S CORPORATION; AND OTHER*
8 *PASS-THRU ENTITIES.—In the case of a partnership,*
9 *trust, S corporation, or other pass-thru entity, rules*
10 *similar to the rules of section 41(g) shall apply with*
11 *respect to the credit allowable under subsection (a).*

12 *“(4) BONDS HELD BY REGULATED INVESTMENT*
13 *COMPANIES.—If any qualified Amtrak bond is held by*
14 *a regulated investment company, the credit deter-*
15 *mined under subsection (a) shall be allowed to share-*
16 *holders of such company under procedures prescribed*
17 *by the Secretary.*

18 *“(5) REPORTING.—Issuers of qualified Amtrak*
19 *bonds shall submit reports similar to the reports re-*
20 *quired under section 149(e).”.*

21 *(b) AMENDMENTS TO OTHER CODE SECTIONS.—*

22 *(1) REPORTING.—Subsection (d) of section 6049*
23 *(relating to returns regarding payments of interest) is*
24 *amended by adding at the end the following new*
25 *paragraph:*

1 “(8) *REPORTING OF CREDIT ON QUALIFIED AM-*
2 *TRAK BONDS.—*

3 “(A) *IN GENERAL.—For purposes of sub-*
4 *section (a), the term ‘interest’ includes amounts*
5 *includible in gross income under section 54(d)*
6 *and such amounts shall be treated as paid on the*
7 *credit allowance date (as defined in section*
8 *54(b)(4)).*

9 “(B) *REPORTING TO CORPORATIONS, ETC.—*
10 *Except as otherwise provided in regulations, in*
11 *the case of any interest described in subpara-*
12 *graph (A), subsection (b)(4) shall be applied*
13 *without regard to subparagraphs (A), (H), (I),*
14 *(J), (K), and (L)(i) of such subsection.*

15 “(C) *REGULATORY AUTHORITY.—The Sec-*
16 *retary may prescribe such regulations as are nec-*
17 *essary or appropriate to carry out the purposes*
18 *of this paragraph, including regulations which*
19 *require more frequent or more detailed report-*
20 *ing.”.*

21 (2) *TREATMENT FOR ESTIMATED TAX PUR-*
22 *POSES.—*

23 (A) *INDIVIDUAL.—Section 6654 (relating to*
24 *failure by individual to pay estimated income*
25 *tax) is amended by redesignating subsection (m)*

1 as subsection (n) and by inserting after sub-
2 section (l) the following new subsection:

3 “(m) *SPECIAL RULE FOR HOLDERS OF QUALIFIED*
4 *AMTRAK BONDS.*—For purposes of this section, the credit
5 allowed by section 54 to a taxpayer by reason of holding
6 a qualified Amtrak bond on a credit allowance date shall
7 be treated as if it were a payment of estimated tax made
8 by the taxpayer on such date.”.

9 (B) *CORPORATE.*—Section 6655 (relating to
10 failure by corporation to pay estimated income
11 tax) is amended by adding at the end of sub-
12 section (g) the following new paragraph:

13 “(5) *SPECIAL RULE FOR HOLDERS OF QUALIFIED*
14 *AMTRAK BONDS.*—For purposes of this section, the
15 credit allowed by section 54 to a taxpayer by reason
16 of holding a qualified Amtrak bond on a credit allow-
17 ance date shall be treated as if it were a payment of
18 estimated tax made by the taxpayer on such date.”.

19 (3) *EXCLUSION FROM GROSS INCOME OF CON-*
20 *TRIBUTIONS BY AMTRAK TO OTHER RAIL CAR-*
21 *RIERS.*—

22 (A) *IN GENERAL.*—Section 118 (relating to
23 contributions to the capital of a corporation) is
24 amended by redesignating subsection (d) as sub-

1 *section (e) and by inserting after subsection (c)*
2 *the following new subsection:*

3 “(d) *SPECIAL RULE FOR CONTRIBUTIONS BY AMTRAK*
4 *TO OTHER RAIL CARRIERS.—For purposes of this section,*
5 *the term ‘contribution to the capital of the taxpayer’ in-*
6 *cludes any contribution by the National Railroad Passenger*
7 *Corporation of personal or real property funded by the pro-*
8 *ceeds of qualified Amtrak bonds under section 54.”.*

9 (B) *CONFORMING AMENDMENT.—Subsection*
10 *(b) of such section 118 is amended by striking*
11 *“subsection (c)” and inserting “subsections (c)*
12 *and (d)”.*

13 (4) *PROTECTION OF HIGHWAY TRUST FUND.—*
14 *Section 9503 (relating to Highway Trust Fund) is*
15 *amended by adding at the end the following new sub-*
16 *section:*

17 “(g) *SPECIAL RULES RELATING TO NATIONAL RAIL-*
18 *ROAD PASSENGER CORPORATION.—*

19 (1) *IN GENERAL.—Except as provided in sub-*
20 *section (c), as in effect on the date of the enactment*
21 *of this subsection, amounts in the Highway Trust*
22 *Fund may not be used, either directly or indirectly*
23 *through a State or local transit authority, to provide*
24 *funds to the National Railroad Passenger Corporation*
25 *for any purpose, including issuance of any qualified*

1 *Amtrak bond pursuant to section 54. The preceding*
2 *sentence may not be waived by any provision of law*
3 *which is not contained or referenced in this title,*
4 *whether such provision of law is a subsequently en-*
5 *acted provision or directly or indirectly seeks to waive*
6 *the application of such sentence.*

7 “(2) *CERTIFICATION BY THE SECRETARY.—The*
8 *issuance of any qualified Amtrak bonds by the Na-*
9 *tional Railroad Passenger Corporation pursuant to*
10 *section 54 is conditioned on certification by the Sec-*
11 *retary, after consultation with the Secretary of Trans-*
12 *portation, within 30 days of a request by the issuer,*
13 *that with respect to funds of the Highway Trust Fund*
14 *described under paragraph (1), the issuer either—*

15 “(A) *has not received such funds during cal-*
16 *endar years commencing with 2002 and ending*
17 *before the calendar year the bonds are issued, or*

18 “(B) *has repaid to the Highway Trust*
19 *Fund any such funds which were received during*
20 *such calendar years.*

21 “(3) *NO RETROACTIVE EFFECT.—Nothing in this*
22 *subsection shall adversely affect the entitlement of the*
23 *holders of qualified Amtrak bonds to the tax credit al-*
24 *lowed pursuant to section 54 or to repayment of prin-*
25 *cipal upon maturity.”*

1 (c) *CLERICAL AMENDMENTS.*—

2 (1) *The table of subparts for part IV of sub-*
3 *chapter A of chapter 1 is amended by adding at the*
4 *end the following new item:*

*“Subpart H. Nonrefundable Credit for Holders of Qualified Amtrak
Bonds.”.*

5 (2) *Section 6401(b)(1) is amended by striking*
6 *“and G” and inserting “G, and H”.*

7 (d) *ANNUAL REPORT BY TREASURY ON AMTRAK*
8 *TRUST ACCOUNT.*—*The Secretary of the Treasury shall an-*
9 *nually report to Congress as to whether the amount depos-*
10 *ited in the trust account established by the National Rail-*
11 *road Passenger Corporation under section 54(i) of the In-*
12 *ternal Revenue Code of 1986, as added by this section, is*
13 *sufficient to fully repay at maturity the principal of any*
14 *outstanding qualified Amtrak bonds issued pursuant to sec-*
15 *tion 54 of such Code (as so added), together with amounts*
16 *expected to be deposited into such account, as certified by*
17 *the National Railroad Passenger Corporation in accordance*
18 *with procedures prescribed by the Secretary of the Treasury.*

19 (e) *EFFECTIVE DATE.*—*The amendments made by this*
20 *section shall apply to obligations issued after the date of*
21 *the enactment of this Act.*

22 (f) *MULTI-YEAR CAPITAL SPENDING PLAN AND OVER-*
23 *SIGHT.*—

24 (1) *AMTRAK CAPITAL SPENDING PLAN.*—

1 (A) *IN GENERAL.*—*The National Railroad*
2 *Passenger Corporation shall annually submit to*
3 *the President and Congress a multi-year capital*
4 *spending plan, as approved by the Board of Di-*
5 *rectors of the Corporation.*

6 (B) *CONTENTS OF PLAN.*—*Such plan shall*
7 *identify the capital investment needs of the Cor-*
8 *poration over a period of not less than 5 years*
9 *and the funding sources available to finance such*
10 *needs and shall prioritize such needs according*
11 *to corporate goals and strategies.*

12 (C) *INITIAL SUBMISSION DATE.*—*The first*
13 *plan shall be submitted before the issuance of*
14 *any qualified Amtrak bonds by the National*
15 *Railroad Passenger Corporation pursuant to sec-*
16 *tion 54 of the Internal Revenue Code of 1986 (as*
17 *added by this section).*

18 (2) *OVERSIGHT OF AMTRAK TRUST ACCOUNT AND*
19 *QUALIFIED PROJECTS.*—

20 (A) *TRUST ACCOUNT OVERSIGHT.*—*The Sec-*
21 *retary of the Treasury shall annually report to*
22 *Congress as to whether the amount deposited in*
23 *the trust account established by the National*
24 *Railroad Passenger Corporation under section*
25 *54(i) of such Code (as so added) is sufficient to*

1 *fully repay at maturity the principal of any out-*
2 *standing qualified Amtrak bonds issued pursu-*
3 *ant to section 54 of such Code (as so added), to-*
4 *gether with amounts expected to be deposited into*
5 *such account, as certified by the National Rail-*
6 *road Passenger Corporation in accordance with*
7 *procedures prescribed by the Secretary of the*
8 *Treasury.*

9 *(B) PROJECT OVERSIGHT.—The National*
10 *Railroad Passenger Corporation shall contract*
11 *for an annual independent assessment of the*
12 *costs and benefits of the qualified projects fi-*
13 *nanced by such qualified Amtrak bonds, includ-*
14 *ing an assessment of the investment evaluation*
15 *process of the Corporation. The annual assess-*
16 *ment shall be included in the plan submitted*
17 *under paragraph (1).*

18 **SEC. 902. BROADBAND INTERNET ACCESS TAX CREDIT.**

19 *(a) IN GENERAL.—Subpart E of part IV of chapter*
20 *1 (relating to rules for computing investment credit) is*
21 *amended by inserting after section 48 the following:*

22 **“SEC. 48A. BROADBAND CREDIT.**

23 *“(a) GENERAL RULE.—For purposes of section 46, the*
24 *broadband credit for any taxable year is the sum of—*

1 “(1) *the current generation broadband credit,*
2 *plus*

3 “(2) *the next generation broadband credit.*

4 “(b) *CURRENT GENERATION BROADBAND CREDIT;*
5 *NEXT GENERATION BROADBAND CREDIT.—For purposes of*
6 *this section—*

7 “(1) *CURRENT GENERATION BROADBAND CRED-*
8 *IT.—The current generation broadband credit for any*
9 *taxable year is equal to 10 percent of the qualified ex-*
10 *penditures incurred with respect to qualified equip-*
11 *ment providing current generation broadband services*
12 *to qualified subscribers and taken into account with*
13 *respect to such taxable year.*

14 “(2) *NEXT GENERATION BROADBAND CREDIT.—*
15 *The next generation broadband credit for any taxable*
16 *year is equal to 20 percent of the qualified expendi-*
17 *tures incurred with respect to qualified equipment*
18 *providing next generation broadband services to*
19 *qualified subscribers and taken into account with re-*
20 *spect to such taxable year.*

21 “(c) *WHEN EXPENDITURES TAKEN INTO ACCOUNT.—*
22 *For purposes of this section—*

23 “(1) *IN GENERAL.—Qualified expenditures with*
24 *respect to qualified equipment shall be taken into ac-*

1 *count with respect to the first taxable year in*
2 *which—*

3 “(A) *current generation broadband services*
4 *are provided through such equipment to qualified*
5 *subscribers, or*

6 “(B) *next generation broadband services are*
7 *provided through such equipment to qualified*
8 *subscribers.*

9 “(2) *LIMITATION.—*

10 “(A) *IN GENERAL.—Qualified expenditures*
11 *shall be taken into account under paragraph (1)*
12 *only with respect to qualified equipment—*

13 “(i) *the original use of which com-*
14 *mences with the taxpayer, and*

15 “(ii) *which is placed in service,*
16 *after December 31, 2001.*

17 “(B) *LEASED EQUIPMENT.—Except as pro-*
18 *vided in regulations, rules similar to the rules of*
19 *section 203(b)(3) of the Tax Reform Act of 1986*
20 *shall apply.*

21 “(d) *SPECIAL ALLOCATION RULES.—*

22 “(1) *CURRENT GENERATION BROADBAND SERV-*
23 *ICES.—For purposes of determining the current gen-*
24 *eration broadband credit under subsection (a)(1) with*
25 *respect to qualified equipment through which current*

1 *generation broadband services are provided, if the*
2 *qualified equipment is capable of serving both quali-*
3 *fied subscribers and other subscribers, the qualified ex-*
4 *penditures shall be multiplied by a fraction—*

5 *“(A) the numerator of which is the sum of*
6 *the number of potential qualified subscribers*
7 *within the rural areas and the underserved areas*
8 *which the equipment is capable of serving with*
9 *current generation broadband services, and*

10 *“(B) the denominator of which is the total*
11 *potential subscriber population of the area which*
12 *the equipment is capable of serving with current*
13 *generation broadband services.*

14 *“(2) NEXT GENERATION BROADBAND SERV-*
15 *ICES.—For purposes of determining the next genera-*
16 *tion broadband credit under subsection (a)(2) with re-*
17 *spect to qualified equipment through which next gen-*
18 *eration broadband services are provided, if the quali-*
19 *fied equipment is capable of serving both qualified*
20 *subscribers and other subscribers, the qualified ex-*
21 *penditures shall be multiplied by a fraction—*

22 *“(A) the numerator of which is the sum*
23 *of—*

1 “(i) the number of potential qualified
2 subscribers within the rural areas and un-
3 derserved areas, plus

4 “(ii) the number of potential qualified
5 subscribers within the area consisting only
6 of residential subscribers not described in
7 clause (i),

8 which the equipment is capable of serving with
9 next generation broadband services, and

10 “(B) the denominator of which is the total
11 potential subscriber population of the area which
12 the equipment is capable of serving with next
13 generation broadband services.

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

15 “(1) *ANTENNA.*—The term ‘antenna’ means any
16 device used to transmit or receive signals through the
17 electromagnetic spectrum, including satellite equip-
18 ment.

19 “(2) *CABLE OPERATOR.*—The term ‘cable oper-
20 ator’ has the meaning given such term by section
21 602(5) of the Communications Act of 1934 (47 U.S.C.
22 522(5)).

23 “(3) *COMMERCIAL MOBILE SERVICE CARRIER.*—
24 The term ‘commercial mobile service carrier’ means
25 any person authorized to provide commercial mobile

1 *radio service as defined in section 20.3 of title 47,*
2 *Code of Federal Regulations.*

3 “(4) *CURRENT GENERATION BROADBAND SERV-*
4 *ICE.—The term ‘current generation broadband serv-*
5 *ice’ means the transmission of signals at a rate of at*
6 *least 1,000,000 bits per second to the subscriber and*
7 *at least 128,000 bits per second from the subscriber.*

8 “(5) *MULTIPLEXING OR DEMULTIPLEXING.—The*
9 *term ‘multiplexing’ means the transmission of 2 or*
10 *more signals over a single channel, and the term*
11 *‘demultiplexing’ means the separation of 2 or more*
12 *signals previously combined by compatible multi-*
13 *plexing equipment.*

14 “(6) *NEXT GENERATION BROADBAND SERVICE.—*
15 *The term ‘next generation broadband service’ means*
16 *the transmission of signals at a rate of at least*
17 *22,000,000 bits per second to the subscriber and at*
18 *least 5,000,000 bits per second from the subscriber.*

19 “(7) *NONRESIDENTIAL SUBSCRIBER.—The term*
20 *‘nonresidential subscriber’ means a person who pur-*
21 *chases broadband services which are delivered to the*
22 *permanent place of business of such person.*

23 “(8) *OPEN VIDEO SYSTEM OPERATOR.—The term*
24 *‘open video system operator’ means any person au-*

1 *thorized to provide service under section 653 of the*
2 *Communications Act of 1934 (47 U.S.C. 573).*

3 “(9) *OTHER WIRELESS CARRIER.*—*The term*
4 *‘other wireless carrier’ means any person (other than*
5 *a telecommunications carrier, commercial mobile*
6 *service carrier, cable operator, open video system op-*
7 *erator, or satellite carrier) providing current genera-*
8 *tion broadband services or next generation broadband*
9 *service to subscribers through the radio transmission*
10 *of energy.*

11 “(10) *PACKET SWITCHING.*—*The term ‘packet*
12 *switching’ means controlling or routing the path of a*
13 *digitized transmission signal which is assembled into*
14 *packets or cells.*

15 “(11) *PROVIDER.*—*The term ‘provider’ means,*
16 *with respect to any qualified equipment—*

17 “(A) *a cable operator,*

18 “(B) *a commercial mobile service carrier,*

19 “(C) *an open video system operator,*

20 “(D) *a satellite carrier,*

21 “(E) *a telecommunications carrier, or*

22 “(F) *any other wireless carrier,*

23 *providing current generation broadband services or*
24 *next generation broadband services to subscribers*
25 *through such qualified equipment.*

1 “(12) *PROVISION OF SERVICES.*—A provider
2 shall be treated as providing services to a subscriber
3 if—

4 “(A) a subscriber has been passed by the
5 provider’s equipment and can be connected to
6 such equipment for a standard connection fee,

7 “(B) the provider is physically able to de-
8 liver current generation broadband services or
9 next generation broadband services, as applica-
10 ble, to such subscribers without making more
11 than an insignificant investment with respect to
12 any such subscriber,

13 “(C) the provider has made reasonable ef-
14 forts to make such subscribers aware of the avail-
15 ability of such services,

16 “(D) such services have been purchased by
17 one or more such subscribers, and

18 “(E) such services are made available to
19 such subscribers at average prices comparable to
20 those at which the provider makes available
21 similar services in any areas in which the pro-
22 vider makes available such services.

23 “(13) *QUALIFIED EQUIPMENT.*—

24 “(A) *IN GENERAL.*—The term ‘qualified
25 equipment’ means equipment which provides

1 *current generation broadband services or next*
2 *generation broadband services—*

3 “(i) *at least a majority of the time*
4 *during periods of maximum demand to*
5 *each subscriber who is utilizing such serv-*
6 *ices, and*

7 “(ii) *in a manner substantially the*
8 *same as such services are provided by the*
9 *provider to subscribers through equipment*
10 *with respect to which no credit is allowed*
11 *under subsection (a)(1).*

12 “(B) *ONLY CERTAIN INVESTMENT TAKEN*
13 *INTO ACCOUNT.—Except as provided in subpara-*
14 *graph (C) or (D), equipment shall be taken into*
15 *account under subparagraph (A) only to the ex-*
16 *tent it—*

17 “(i) *extends from the last point of*
18 *switching to the outside of the unit, build-*
19 *ing, dwelling, or office owned or leased by*
20 *a subscriber in the case of a telecommuni-*
21 *cations carrier,*

22 “(ii) *extends from the customer side of*
23 *the mobile telephone switching office to a*
24 *transmission/receive antenna (including*
25 *such antenna) owned or leased by a sub-*

1 *scriber in the case of a commercial mobile*
2 *service carrier,*

3 *“(iii) extends from the customer side of*
4 *the headend to the outside of the unit, build-*
5 *ing, dwelling, or office owned or leased by*
6 *a subscriber in the case of a cable operator*
7 *or open video system operator, or*

8 *“(iv) extends from a transmission/re-*
9 *ceive antenna (including such antenna)*
10 *which transmits and receives signals to or*
11 *from multiple subscribers to a transmission/*
12 *receive antenna (including such antenna)*
13 *on the outside of the unit, building, dwell-*
14 *ing, or office owned or leased by a sub-*
15 *scriber in the case of a satellite carrier or*
16 *other wireless carrier, unless such other*
17 *wireless carrier is also a telecommuni-*
18 *cations carrier.*

19 *“(C) PACKET SWITCHING EQUIPMENT.—*
20 *Packet switching equipment, regardless of loca-*
21 *tion, shall be taken into account under subpara-*
22 *graph (A) only if it is deployed in connection*
23 *with equipment described in subparagraph (B)*
24 *and is uniquely designed to perform the function*
25 *of packet switching for current generation*

1 *broadband services or next generation broadband*
2 *services, but only if such packet switching is the*
3 *last in a series of such functions performed in*
4 *the transmission of a signal to a subscriber or*
5 *the first in a series of such functions performed*
6 *in the transmission of a signal from a sub-*
7 *scriber.*

8 “(D) *MULTIPLEXING AND DEMULTIPLEXING*
9 *EQUIPMENT.—Multiplexing and demultiplexing*
10 *equipment shall be taken into account under sub-*
11 *paragraph (A) only to the extent it is deployed*
12 *in connection with equipment described in sub-*
13 *paragraph (B) and is uniquely designed to per-*
14 *form the function of multiplexing and*
15 *demultiplexing packets or cells of data and mak-*
16 *ing associated application adaptations, but only if*
17 *such multiplexing or demultiplexing equipment*
18 *is located between packet switching equipment*
19 *described in subparagraph (C) and the sub-*
20 *scriber’s premises.*

21 “(14) *QUALIFIED EXPENDITURE.—*

22 “(A) *IN GENERAL.—The term ‘qualified ex-*
23 *penditure’ means any amount—*

24 “(i) *chargeable to capital account with*
25 *respect to the purchase and installation of*

1 *qualified equipment (including any up-*
2 *grades thereto) for which depreciation is al-*
3 *lowable under section 168, and*

4 *“(ii) incurred after December 31, 2001,*
5 *and before January 1, 2003.*

6 *“(B) CERTAIN SATELLITE EXPENDITURES*
7 *EXCLUDED.—Such term shall not include any*
8 *expenditure with respect to the launching of any*
9 *satellite equipment.*

10 *“(15) QUALIFIED SUBSCRIBER.—The term*
11 *‘qualified subscriber’ means—*

12 *“(A) with respect to the provision of current*
13 *generation broadband services—*

14 *“(i) a nonresidential subscriber main-*
15 *taining a permanent place of business in a*
16 *rural area or underserved area, or*

17 *“(ii) a residential subscriber residing*
18 *in a dwelling located in a rural area or un-*
19 *derserved area which is not a saturated*
20 *market, and*

21 *“(B) with respect to the provision of next*
22 *generation broadband services—*

23 *“(i) a nonresidential subscriber main-*
24 *taining a permanent place of business in a*
25 *rural area or underserved area, or*

1 “(ii) a residential subscriber.

2 “(16) *RESIDENTIAL SUBSCRIBER.*—The term
3 ‘residential subscriber’ means an individual who pur-
4 chases broadband services which are delivered to such
5 individual’s dwelling.

6 “(17) *RURAL AREA.*—The term ‘rural area’
7 means any census tract which—

8 “(A) is not within 10 miles of any incor-
9 porated or census designated place containing
10 more than 25,000 people, and

11 “(B) is not within a county or county
12 equivalent which has an overall population den-
13 sity of more than 500 people per square mile of
14 land.

15 “(18) *RURAL SUBSCRIBER.*—The term ‘rural
16 subscriber’ means a residential subscriber residing in
17 a dwelling located in a rural area or nonresidential
18 subscriber maintaining a permanent place of business
19 located in a rural area.

20 “(19) *SATELLITE CARRIER.*—The term ‘satellite
21 carrier’ means any person using the facilities of a
22 satellite or satellite service licensed by the Federal
23 Communications Commission and operating in the
24 Fixed-Satellite Service under part 25 of title 47 of the
25 Code of Federal Regulations or the Direct Broadcast

1 *Satellite Service under part 100 of title 47 of such*
2 *Code to establish and operate a channel of commu-*
3 *nications for distribution of signals, and owning or*
4 *leasing a capacity or service on a satellite in order*
5 *to provide such distribution.*

6 “(20) *SATURATED MARKET.*—*The term ‘satu-*
7 *rated market’ means any census tract in which, as of*
8 *the date of the enactment of this section—*

9 “(A) *current generation broadband services*
10 *have been provided by one or more providers to*
11 *85 percent or more of the total number of poten-*
12 *tial residential subscribers residing in dwellings*
13 *located within such census tract, and*

14 “(B) *such services can be utilized—*

15 “(i) *at least a majority of the time*
16 *during periods of maximum demand by*
17 *each such subscriber who is utilizing such*
18 *services, and*

19 “(ii) *in a manner substantially the*
20 *same as such services are provided by the*
21 *provider to subscribers through equipment*
22 *with respect to which no credit is allowed*
23 *under subsection (a)(1).*

24 “(21) *SUBSCRIBER.*—*The term ‘subscriber’*
25 *means a person who purchases current generation*

1 *broadband services or next generation broadband serv-*
2 *ices.*

3 “(22) *TELECOMMUNICATIONS CARRIER.*—*The*
4 *term ‘telecommunications carrier’ has the meaning*
5 *given such term by section 3(44) of the Communica-*
6 *tions Act of 1934 (47 U.S.C. 153(44)), but—*

7 “(A) *includes all members of an affiliated*
8 *group of which a telecommunications carrier is*
9 *a member, and*

10 “(B) *does not include a commercial mobile*
11 *service carrier.*

12 “(23) *TOTAL POTENTIAL SUBSCRIBER POPU-*
13 *LATION.*—*The term ‘total potential subscriber popu-*
14 *lation’ means, with respect to any area and based on*
15 *the most recent census data, the total number of po-*
16 *tential residential subscribers residing in dwellings*
17 *located in such area and potential nonresidential sub-*
18 *scribers maintaining permanent places of business lo-*
19 *cated in such area.*

20 “(24) *UNDERSERVED AREA.*—*The term ‘under-*
21 *served area’ means any census tract which is located*
22 *in—*

23 “(A) *an empowerment zone or enterprise*
24 *community designated under section 1391,*

1 “(B) *the District of Columbia Enterprise*
2 *Zone established under section 1400,*

3 “(C) *a renewal community designated*
4 *under section 1400E, or*

5 “(D) *a low-income community designated*
6 *under section 45D.*

7 “(25) *UNDERSERVED SUBSCRIBER.—The term*
8 *‘underserved subscriber’ means a residential sub-*
9 *scriber residing in a dwelling located in an under-*
10 *served area or nonresidential subscriber maintaining*
11 *a permanent place of business located in an under-*
12 *served area.*

13 “(f) *DESIGNATION OF CENSUS TRACTS.—The Sec-*
14 *retary shall, not later than 90 days after the date of the*
15 *enactment of this section, designate and publish those census*
16 *tracts meeting the criteria described in paragraphs (17),*
17 *(20), and (24) of subsection (e). In making such designa-*
18 *tions, the Secretary shall consult with such other depart-*
19 *ments and agencies as the Secretary determines appro-*
20 *priate.”.*

21 “(b) *CREDIT TO BE PART OF INVESTMENT CREDIT.—*
22 *Section 46 (relating to the amount of investment credit) is*
23 *amended by striking “and” at the end of paragraph (2),*
24 *by striking the period at the end of paragraph (3) and in-*
25 *serting “, and”, and by adding at the end the following:*

1 “(4) the broadband credit.”

2 (c) *SPECIAL RULE FOR MUTUAL OR COOPERATIVE*
3 *TELEPHONE COMPANIES.*—Section 501(c)(12)(B) (relating
4 to list of exempt organizations) is amended by striking “or”
5 at the end of clause (iii), by striking the period at the end
6 of clause (iv) and inserting “; or”, and by adding at the
7 end the following:

8 “(v) from the sale of property subject to
9 a lease described in section 48A(c)(2)(B),
10 but only to the extent such income does not
11 in any year exceed an amount equal to the
12 credit for qualified expenditures which
13 would be determined under section 48A for
14 such year if the mutual or cooperative tele-
15 phone company was not exempt from tax-
16 ation and was treated as the owner of the
17 property subject to such lease.”.

18 (d) *CONFORMING AMENDMENT.*—The table of sections
19 for subpart E of part IV of subchapter A of chapter 1 is
20 amended by inserting after the item relating to section 48
21 the following:

 “Sec. 48A. *Broadband credit.*”.

22 (e) *REGULATORY MATTERS.*—

23 (1) *PROHIBITION.*—No Federal or State agency
24 or instrumentality shall adopt regulations or rate-
25 making procedures that would have the effect of con-

1 *fiscating any credit or portion thereof allowed under*
2 *section 48A of the Internal Revenue Code of 1986 (as*
3 *added by this section) or otherwise subverting the*
4 *purpose of this section.*

5 (2) *TREASURY REGULATORY AUTHORITY.—It is*
6 *the intent of Congress in providing the broadband*
7 *credit under section 48A of the Internal Revenue Code*
8 *of 1986 (as added by this section) to provide incen-*
9 *tives for the purchase, installation, and connection of*
10 *equipment and facilities offering expanded broadband*
11 *access to the Internet for users in certain low income*
12 *and rural areas of the United States, as well as to*
13 *residential users nationwide, in a manner that main-*
14 *tains competitive neutrality among the various classes*
15 *of providers of broadband services. Accordingly, the*
16 *Secretary of the Treasury shall prescribe such regula-*
17 *tions as may be necessary or appropriate to carry out*
18 *the purposes of section 48A of such Code, including—*

19 (A) *regulations to determine how and when*
20 *a taxpayer that incurs qualified expenditures*
21 *satisfies the requirements of section 48A of such*
22 *Code to provide broadband services, and*

23 (B) *regulations describing the information,*
24 *records, and data taxpayers are required to pro-*
25 *vide the Secretary to substantiate compliance*

1 with the requirements of section 48A of such
2 Code.

3 Until the Secretary prescribes such regulations, tax-
4 payers may base such determinations on any reason-
5 able method that is consistent with the purposes of
6 section 48A of such Code.

7 (f) *EFFECTIVE DATE.*—The amendments made by this
8 section shall apply to expenditures incurred after December
9 31, 2001, and before January 1, 2003.

10 **SEC. 903. CITRUS TREE CANKER RELIEF.**

11 (a) *EXPANSION OF PERIOD WITHIN WHICH CON-*
12 *VERTED CITRUS TREE PROPERTY MUST BE REPLACED.*—

13 (1) *IN GENERAL.*—Section 1033 (relating to pe-
14 riod within which property must be replaced) is
15 amended by redesignating subsection (k) as subsection
16 (l) and by inserting after subsection (j) the following
17 new subsection:

18 “(k) *COMMERCIAL TREES DESTROYED BECAUSE OF*
19 *CITRUS TREE CANKER.*—In the case of commercial citrus
20 trees which are compulsorily or involuntarily converted
21 under a public order as a result of the citrus tree canker,
22 clause (i) of subsection (a)(2)(B) shall be applied as if such
23 clause reads: ‘4 years after the close of the taxable year in
24 which a State or Federal plant health authority determines

1 *that the land on which such trees grew is free from the bac-*
 2 *teria that causes citrus tree canker’.*”

3 (2) *EFFECTIVE DATE.*—*The amendments made*
 4 *by paragraph (1) shall apply to taxable years begin-*
 5 *ning before, on, or after the date of the enactment of*
 6 *this Act.*

7 (b) *10-YEAR RATABLE INCOME INCLUSION FOR CIT-*
 8 *RUS CANKER TREE PAYMENTS.*—

9 (1) *IN GENERAL.*—*Part I of subchapter Q of*
 10 *chapter 1 (relating to income averaging) is amended*
 11 *by inserting after section 1301 the following new sec-*
 12 *tion:*

13 **“SEC. 1302. 10-YEAR RATABLE INCOME INCLUSION FOR CIT-**
 14 **RUS CANKER TREE PAYMENTS.**

15 “(a) *IN GENERAL.*—*At the election of the taxpayer,*
 16 *any amount taken into account as income or gain by reason*
 17 *of receiving a citrus canker tree payment shall be included*
 18 *in the income of the taxpayer ratably over the 10-year pe-*
 19 *riod beginning with the taxable year in which the payment*
 20 *is received or accrued by the taxpayer. Any election under*
 21 *the preceding sentence shall be irrevocable.*

22 “(b) *CITRUS CANKER TREE PAYMENT.*—*For purposes*
 23 *of subsection (a), the term ‘citrus canker tree payment’*
 24 *means a payment made to an owner of a commercial citrus*
 25 *grove to recover income that was lost as a result of the re-*

1 *moval of commercial citrus trees to control canker under*
2 *the amendments to the citrus canker regulations (7 C.F.R.*
3 *301) made by the final rule published in the Federal Reg-*
4 *ister by the Secretary of Agriculture on June 18, 2001 (66*
5 *Fed. Reg. 32713, Docket No. 00-37-4).”.*

6 (2) *CLERICAL AMENDMENT.—The table of sec-*
7 *tions for part I of subchapter Q of chapter 1 is*
8 *amended by inserting after the item relating to sec-*
9 *tion 1301 the following new item:*

“Sec. 1302. 10-year ratable income inclusion for citrus canker tree pay-
ments.”.

10 (3) *EFFECTIVE DATE.—The amendments made*
11 *by this subsection shall apply to payments made be-*
12 *fore, on, or after the date of the enactment of this Act.*

13 **SEC. 904. ALLOWANCE OF ELECTRONIC 1099S.**

14 *Except as otherwise provided by the Secretary of the*
15 *Treasury, any person required to furnish a statement under*
16 *any section of subpart B of part III of subchapter A of*
17 *chapter 61 of the Internal Revenue Code of 1986 for any*
18 *taxable year ending after the date of the enactment of this*
19 *Act and before January 1, 2003, may electronically furnish*
20 *such statement to any recipient who has consented to the*
21 *electronic provision of the statement in a manner similar*
22 *to the one permitted under regulations issued under section*
23 *6051 of such Code or in such other manner as provided*
24 *by the Secretary.*

1 **SEC. 905. CLARIFICATION OF EXCISE TAX EXEMPTIONS FOR**
2 **AGRICULTURAL AERIAL APPLICATORS.**

3 (a) *NO WAIVER BY FARM OWNER, TENANT, OR OPER-*
4 *ATOR NECESSARY.*—Subparagraph (B) of section
5 6420(c)(4) (relating to certain farming use other than by
6 owner, etc.) is amended to read as follows:

7 “(B) if the person so using the gasoline is
8 an aerial or other applicator of fertilizers or
9 other substances and is the ultimate purchaser of
10 the gasoline, then subparagraph (A) of this para-
11 graph shall not apply and the aerial or other ap-
12 plicator shall be treated as having used such gas-
13 oline on a farm for farming purposes.”.

14 (b) *EXEMPTION INCLUDES FUEL USED BETWEEN AIR-*
15 *FIELD AND FARM.*—Section 6420(c)(4), as amended by sub-
16 section (a), is amended by adding at the end the following
17 new flush sentence:

18 “For purposes of this paragraph, in the case of an
19 aerial applicator, gasoline shall be treated as used on
20 a farm for farming purposes if the gasoline is used
21 for the direct flight between the airfield and 1 or more
22 farms.”.

23 (c) *EXEMPTION FROM TAX ON AIR TRANSPORTATION*
24 *OF PERSONS FOR FORESTRY PURPOSES EXTENDED TO*
25 *FIXED-WING AIRCRAFT.*—Subsection (f) of section 4261 (re-

1 *lating to tax on air transportation of persons) is amended*
2 *to read as follows:*

3 “(f) *EXEMPTION FOR CERTAIN USES.*—No tax shall be
4 *imposed under subsection (a) or (b) on air transportation—*

5 “(1) *by helicopter for the purpose of transporting*
6 *individuals, equipment, or supplies in the exploration*
7 *for, or the development or removal of, hard minerals,*
8 *oil, or gas, or*

9 “(2) *by helicopter or by fixed-wing aircraft for*
10 *the purpose of the planting, cultivation, cutting, or*
11 *transportation of, or caring for, trees (including log-*
12 *ging operations),*

13 *but only if the helicopter or fixed-wing aircraft does not*
14 *take off from, or land at, a facility eligible for assistance*
15 *under the Airport and Airway Development Act of 1970,*
16 *or otherwise use services provided pursuant to section 44509*
17 *or 44913(b) or subchapter I of chapter 471 of title 49,*
18 *United States Code, during such use. In the case of heli-*
19 *copter transportation described in paragraph (1), this sub-*
20 *section shall be applied by treating each flight segment as*
21 *a distinct flight.”.*

22 “(d) *EFFECTIVE DATE.*—The amendments made by this
23 *section shall apply to fuel use or air transportation after*
24 *December 31, 2001, and before January 1, 2003.*

1 **SEC. 906. RECOVERY PERIOD FOR CERTAIN WIRELESS**
2 **TELECOMMUNICATIONS EQUIPMENT.**

3 (a) *5-YEAR RECOVERY PERIOD FOR CERTAIN WIRE-*
4 *LESS TELECOMMUNICATIONS EQUIPMENT.—*

5 (1) *IN GENERAL.—Subparagraph (A) of section*
6 *168(i)(2) (defining qualified technological equipment)*
7 *is amended by striking “and” at the end of clause*
8 *(ii), by striking the period at the end of clause (iii)*
9 *and inserting “, and”, and by adding at the end the*
10 *following:*

11 “(iv) *any wireless telecommunication*
12 *equipment.”.*

13 (2) *DEFINITION OF WIRELESS TELECOMMUNI-*
14 *CATION EQUIPMENT.—Paragraph (2) of section 168(i)*
15 *is amended by adding at the end the following:*

16 “(D) *WIRELESS TELECOMMUNICATION*
17 *EQUIPMENT.—For purposes of this paragraph—*

18 “(i) *IN GENERAL.—The term ‘wireless*
19 *telecommunication equipment’ means equip-*
20 *ment which is—*

21 “(I) *used in the transmission, re-*
22 *ception, coordination, or switching of*
23 *wireless telecommunications service,*
24 *and*

25 “(II) *placed in service before Sep-*
26 *tember 11, 2002.*

1 For purposes of this clause, the term ‘wire-
2 less telecommunications service’ includes
3 any commercial mobile radio service as de-
4 fined in title 47 of the Code of Federal Reg-
5 ulations.

6 “(ii) *EXCEPTION.*—The term ‘wireless
7 telecommunication equipment’ shall not in-
8 clude towers, buildings, T–1 lines, or other
9 cabling which connects cell sites to mobile
10 switching centers.”.

11 (b) *EFFECTIVE DATE.*—The amendments made by this
12 section shall apply to property placed in service after Sep-
13 tember 10, 2001.

14 **SEC. 907. NO IMPACT ON SOCIAL SECURITY TRUST FUND.**

15 (a) *IN GENERAL.*—Nothing in this Act (or an amend-
16 ment made by this Act) shall be construed to alter or amend
17 title II of the Social Security Act (or any regulation pro-
18 mulgated under that Act).

19 (b) *TRANSFERS.*—

20 (1) *ESTIMATE OF SECRETARY.*—The Secretary of
21 the Treasury shall annually estimate the impact that
22 the enactment of this Act has on the income and bal-
23 ances of the trust funds established under section 201
24 of the Social Security Act (42 U.S.C. 401).

1 (2) *TRANSFER OF FUNDS.*—If, under paragraph
2 (1), the Secretary of the Treasury estimates that the
3 enactment of this Act has a negative impact on the
4 income and balances of the trust funds established
5 under section 201 of the Social Security Act (42
6 U.S.C. 401), the Secretary shall transfer, not less fre-
7 quently than quarterly, from the general revenues of
8 the Federal Government an amount sufficient so as to
9 ensure that the income and balances of such trust
10 funds are not reduced as a result of the enactment of
11 this Act.

12 **SEC. 908. EMERGENCY DESIGNATION.**

13 Congress designates as emergency requirements pursu-
14 ant to section 252(e) of the Balanced Budget and Emer-
15 gency Deficit Control Act of 1985 the following amounts:

16 (1) An amount equal to the amount by which
17 revenues are reduced by this Act below the rec-
18 ommended levels of Federal revenues for fiscal year
19 2002, the total of fiscal years 2002 through 2006, and
20 the total of fiscal years 2002 through 2011, provided
21 in the conference report accompanying H. Con. Res.
22 83, the concurrent resolution on the budget for fiscal
23 year 2002.

24 (2) Amounts equal to the amounts of new budget
25 authority and outlays provided in this Act in excess

1 *of the allocations under section 302(a) of the Congres-*
2 *sional Budget Act of 1974 to the Committee on Fi-*
3 *nance of the Senate for fiscal year 2002, the total of*
4 *fiscal years 2002 through 2006, and the total of fiscal*
5 *years 2002 through 2011.*

Amend the title so as to read: “An Act to provide incentives for an economic recovery and tax relief for victims of terrorism, and for other purposes.”.

Calendar No. 223

107TH CONGRESS
1ST SESSION

H.R. 3090

AN ACT

To provide tax incentives for economic recovery.

NOVEMBER 9, 2001

Reported with an amendment and an amendment to the
title