

**AMENDMENT IN THE NATURE OF A SUBSTITUTE
OFFERED BY MR. RANGEL**

Strike all after the enacting clause and insert the following:

1 **SECTION 1. SHORT TITLE, ETC.**

2 (a) **SHORT TITLE.**—This Act may be cited as the “Fiscal
3 Stimulus and Worker Relief Act of 2001”.

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

10 (c) **TABLE OF CONTENTS.**—The table of contents for this
11 Act is as follows:

Sec. 1. Short title, etc.

TITLE I—TAX PROVISIONS

Subtitle A—Supplemental Rebate

Sec. 101. Supplemental rebate.

Subtitle B—Extensions of Certain Expiring Provisions

Sec. 111. Allowance of nonrefundable personal credits against regular and
minimum tax liability.

Sec. 112. Credit for qualified electric vehicles.

Sec. 113. Credit for electricity produced from renewable resources.

Sec. 114. Work Opportunity Credit.

Sec. 115. Welfare-to-Work credit.

Sec. 116. Deduction for clean-fuel vehicles and certain refueling property.

Sec. 117. Taxable income limit on percentage depletion for oil and natural
gas produced from marginal properties.

Sec. 118. Qualified zone academy bonds.

Sec. 119. Cover over of tax on distilled spirits.

Sec. 120. Parity in the application of certain limits to mental health bene-
fits.

Sec. 121. Delay in effective date of requirement for approved diesel or ker-
osene terminals.

Subtitle C—Other Provisions

Sec. 131. Alternative minimum tax relief with respect to incentive stock op-
tions exercised during 2000.

Sec. 132. Carryback for 2001 and 2002 net operating losses allowed for 5
years.

Sec. 133. Temporary increase in expensing under section 179.



- Sec. 134. Temporary waiver of 90 percent AMT limitations.
- Sec. 135. Expansion of incentives for public schools.

TITLE II—WORKER RELIEF

Subtitle A—Temporary Unemployment Compensation

- Sec. 201. Short title.
- Sec. 202. Federal-State agreements.
- Sec. 203. Temporary Supplemental Unemployment Compensation Account.
- Sec. 204. Payments to States having agreements under this subtitle.
- Sec. 205. Financing provisions.
- Sec. 206. Fraud and overpayments.
- Sec. 207. Definitions.
- Sec. 208. Applicability.

Subtitle B—Premium Assistance For COBRA Continuation Coverage

- Sec. 211. Premium assistance for COBRA continuation coverage.

Subtitle C—Additional Assistance for Temporary Health Insurance Coverage

- Sec. 221. Optional temporary medicaid coverage for certain uninsured employees.
- Sec. 222. Optional temporary coverage for unsubsidized portion of COBRA continuation premiums.

TITLE III—FREEZE OF TOP INDIVIDUAL INCOME TAX RATE AND DOMESTIC SECURITY TRUST FUND

- Sec. 301. Freeze of top individual income tax rate and domestic security trust fund.

1 **TITLE I—TAX PROVISIONS**
 2 **Subtitle A—Supplemental Rebate**

3 **SEC. 101. SUPPLEMENTAL REBATE.**

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

7 “(f) SUPPLEMENTAL REBATE.—

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

16 “(2) SUPPLEMENTAL REFUND AMOUNT.—For pur-
17 poses of this subsection, the supplemental refund amount
18 is an amount equal to the excess (if any) of—



1 “(A)(i) \$600 in the case of taxpayers to whom sec-
2 tion 1(a) applies,

3 “(ii) \$500 in the case of taxpayers to whom sec-
4 tion 1(b) applies, and

5 “(iii) \$300 in the case of taxpayers to whom sub-
6 sections (c) or (d) of section 1 applies, over

7 “(B) the taxpayer’s advance refund amount under
8 subsection (e).

9 “(3) TIMING OF PAYMENTS.—In the case of any over-
10 payment attributable to this subsection, the Secretary shall,
11 to the maximum extent practicable, refund or credit such
12 overpayment before December 31, 2001.

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

15 (b) CONFORMING AMENDMENTS.—

16 (1) Paragraph (1) of section 6428(d) is amended by
17 adding at the end the following new subparagraph:

18 “(C) COORDINATION WITH SUPPLEMENTAL RE-
19 BATE.—No credit shall be allowed under subsection (a)
20 to any individual who is entitled to a supplemental re-
21 bate amount under subsection (f).”

22 (2) Paragraph (3) of section 6428(e) is amended by
23 striking “December 31, 2001” and inserting “the date of
24 the enactment of the Fiscal Stimulus and Worker Relief
25 Act of 2001”.

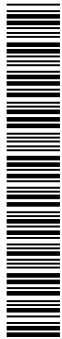
26 (c) EFFECTIVE DATE.—The amendments made by this
27 section shall take effect on the date of the enactment of this
28 Act.

29 **Subtitle B—Extensions of Certain** 30 **Expiring Provisions**

31 **SEC. 111. ALLOWANCE OF NONREFUNDABLE PERSONAL** 32 **CREDITS AGAINST REGULAR AND MINIMUM** 33 **TAX LIABILITY.**

34 (a) IN GENERAL.—Paragraph (2) of section 26(a) is
35 amended—

36 (1) by striking “RULE FOR 2000 AND 2001.—” and in-
37 serting “RULE FOR 2000, 2001, AND 2002.—”, and



1 (2) by striking “during 2000 or 2001,” and inserting
2 “during 2000, 2001, or 2002.”

3 (b) CONFORMING AMENDMENTS.—

4 (1) Section 904(h) is amended by striking “during
5 2000 or 2001” and inserting “during 2000, 2001, or
6 2002”.

7 (2) The amendments made by sections 201(b), 202(f),
8 and 618(f) of the Economic Growth and Tax Relief Rec-
9 onciliation Act of 2001 shall not apply to taxable years be-
10 ginning during 2002.

11 (c) TECHNICAL CORRECTION.—Section 24(d)(1)(B) is
12 amended by striking “amount of credit allowed by this section”
13 and inserting “aggregate amount of credits allowed by this sub-
14 part.”.

15 (d) EFFECTIVE DATES.—

16 (1) The amendments made by subsections (a) and (b)
17 shall apply to taxable years beginning after December 31,
18 2001.

19 (2) The amendment made by subsection (c) shall apply
20 to taxable years beginning after December 31, 2000.

21 **SEC. 112. CREDIT FOR QUALIFIED ELECTRIC VEHICLES.**

22 (a) IN GENERAL.—Section 30 is amended—

23 (1) in subsection (b)(2)—

24 (A) by striking “December 31, 2001,” and insert-
25 ing “December 31, 2002,” and

26 (B) in subparagraphs (A), (B), and (C), by strik-
27 ing “2002”, “2003”, and “2004”, respectively, and in-
28 serting “2003”, “2004”, and “2005”, respectively, and

29 (2) in subsection (e), by striking “December 31,
30 2004” and inserting “December 31, 2005”.

31 (b) EFFECTIVE DATE.—The amendments made by sub-
32 section (a) shall apply to taxable years beginning after Decem-
33 ber 31, 2001.



1 **SEC. 113. CREDIT FOR ELECTRICITY PRODUCED FROM**
2 **RENEWABLE RESOURCES.**

3 (a) IN GENERAL.—Subparagraphs (A), (B), and (C) of
4 section 45(c)(3) are each amended by striking “2002” and in-
5 serting “2003”.

6 (b) EFFECTIVE DATE.—The amendments made by sub-
7 section (a) shall apply to taxable years beginning after Decem-
8 ber 31, 2001.

9 **SEC. 114. WORK OPPORTUNITY CREDIT.**

10 (a) IN GENERAL.—Subparagraph (B) of section 51(c)(4)
11 is amended by striking “2001” and inserting “2002”.

12 (b) EFFECTIVE DATE.—The amendment made by sub-
13 section (a) shall apply to individuals who begin work for the
14 employer after December 31, 2001.

15 **SEC. 115. WELFARE-TO-WORK CREDIT.**

16 (a) IN GENERAL.—Subsection (f) of section 51A is
17 amended by striking “2001” and inserting “2002”.

18 (b) EFFECTIVE DATE.—The amendment made by sub-
19 section (a) shall apply to individuals who begin work for the
20 employer after December 31, 2001.

21 **SEC. 116. DEDUCTION FOR CLEAN-FUEL VEHICLES AND**
22 **CERTAIN REFUELING PROPERTY.**

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

24 (1) in subsection (b)(1)(B)—

25 (A) by striking “December 31, 2001,” and insert-
26 ing “December 31, 2002,” and

27 (B) in clauses (i), (ii), and (iii), by striking
28 “2002”, “2003”, and “2004”, respectively, and insert-
29 ing “2003”, “2004”, and “2005”, respectively, and

30 (2) in subsection (f), by striking “December 31, 2004”
31 and inserting “December 31, 2005”.

32 (b) EFFECTIVE DATE.—The amendments made by sub-
33 section (a) shall apply to taxable years beginning after Decem-
34 ber 31, 2001.



1 **SEC. 117. TAXABLE INCOME LIMIT ON PERCENTAGE DE-**
2 **PLETION FOR OIL AND NATURAL GAS PRO-**
3 **DUCTION FROM MARGINAL PROPERTIES.**

4 (a) IN GENERAL.—Subparagraph (H) of section
5 613A(c)(6) is amended by striking “2002” and inserting
6 “2003”.

7 (b) EFFECTIVE DATE.—The amendment made by sub-
8 section (a) shall apply to taxable years beginning after Decem-
9 ber 31, 2001.

10 **SEC. 118. QUALIFIED ZONE ACADEMY BONDS.**

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

14 (b) EXTENSION OF CARRYOVER OF UNUSED LIMITATION
15 FROM 1998.—Paragraph (4) of section 1397E(e) is amended by
16 striking “3 years for carryforwards from 1998 or 1999” and
17 inserting “4 years for carryforwards from 1998 and 3 years for
18 carryforwards from 1999”.

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

21 **SEC. 119. COVER OVER OF TAX ON DISTILLED SPIRITS.**

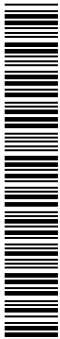
22 (a) IN GENERAL.—Paragraph (1) of section 7652(f) is
23 amended by striking “January 1, 2002” and inserting “Janu-
24 ary 1, 2003”.

25 (b) EFFECTIVE DATE.—The amendment made by sub-
26 section (a) shall take effect on the date of the enactment of this
27 Act.

28 **SEC. 120. PARITY IN THE APPLICATION OF CERTAIN**
29 **LIMITS TO MENTAL HEALTH BENEFITS.**

30 (a) IN GENERAL.—Subsection (f) of section 9812 is
31 amended by striking “2001” and inserting “2002”.

32 (b) EFFECTIVE DATE.—The amendment made by sub-
33 section (a) shall apply to plan years beginning after December
34 31, 2001.



1 **SEC. 121. DELAY IN EFFECTIVE DATE OF REQUIREMENT**
2 **FOR APPROVED DIESEL OR KEROSENE TER-**
3 **MINALS.**

4 Paragraph (2) of section 1032(f) of the Taxpayer Relief
5 Act of 1997 (Public Law 105–34) is amended by striking
6 “January 1, 2002” and inserting “January 1, 2003”.

7 **Subtitle C—Other Provisions**

8 **SEC. 131. ALTERNATIVE MINIMUM TAX RELIEF WITH RE-**
9 **SPECT TO INCENTIVE STOCK OPTIONS EXER-**
10 **CISED DURING 2000.**

11 In the case of an incentive stock option (as defined in sec-
12 tion 422 of the Internal Revenue Code of 1986) exercised dur-
13 ing calendar year 2000 or 2001, the amount taken into account
14 under section 56(b)(3) of such Code by reason of such exercise
15 shall not exceed the amount that would have been taken into
16 account if, on the date of such exercise, the fair market value
17 of the stock acquired pursuant to such option had been—

18 (1) its fair market value as of—

19 (A) April 15, 2001, in the case of options exer-
20 cised during 2000, and

21 (B) December 31, 2001, in the case of options ex-
22 ercised during 2001, or

23 (2) if such stock is sold or exchanged on or before the
24 applicable date under paragraph (1), the amount realized
25 on such sale or exchange.

26 **SEC. 132. CARRYBACK FOR 2001 AND 2002 NET OPER-**
27 **ATING LOSSES ALLOWED FOR 5 YEARS.**

28 (a) IN GENERAL.—Paragraph (1) of section 172(b) (relat-
29 ing to years to which loss may be carried) is amended by add-
30 ing at the end the following new subparagraph:

31 “(H) In the case of a taxpayer which has a net
32 operating loss for any taxable year beginning in 2001
33 or 2002, subparagraph (A)(i) shall be applied by sub-
34 stituting ‘5’ for ‘2’ and subparagraph (F) shall not
35 apply.”.

36 (b) ELECTION TO DISREGARD 5-YEAR CARRYBACK FOR
37 NET OPERATING LOSS ARISING IN 2001 OR 2002.— Section
38 172 of such Code (relating to net operating loss deduction) is



1 amended by redesignating subsection (j) as subsection (k) and
2 by inserting after subsection (i) the following new subsection:

3 “(j) ELECTION TO DISREGARD 5-YEAR CARRYBACK FOR
4 NET OPERATING LOSS ARISING IN 2001 OR 2002.—Any tax-
5 payer entitled to a 5-year carryback under subsection (b)(1)(H)
6 from any loss year may elect to have the carryback period with
7 respect to such loss year determined without regard to sub-
8 section (b)(1)(H). Such election shall be made in such manner
9 as may be prescribed by the Secretary and shall be made by
10 the due date (including extensions of time) for filing the tax-
11 payer’s return for the taxable year of the net operating loss.
12 Such election, once made for any taxable year, shall be irrev-
13 ocable for such taxable year.”.

14 (c) SUSPENSION OF 90 PERCENT AMT LIMIT ON 2001
15 AND 2002 NOL CARRYBACKS.—Subparagraph (A) of section
16 56(d)(1) (relating to general rule defining alternative tax net
17 operating loss deduction) is amended to read as follows:

18 “(A) the amount of such deduction shall not ex-
19 ceed the sum of—

20 “(i) the lesser of—

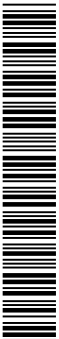
21 “(I) the amount of such deduction attrib-
22 utable to net operating losses (other than the
23 deduction attributable to carrybacks of net op-
24 erating losses for taxable years beginning in
25 2001 or 2002), or

26 “(II) 90 percent of alternate minimum
27 taxable income determined without regard to
28 such deduction, plus

29 “(ii) the lesser of—

30 “(I) the amount of such deduction attrib-
31 utable to carrybacks of net operating losses for
32 taxable years beginning in 2001 or 2002, or

33 “(II) alternate minimum taxable income
34 determined without regard to such deduction
35 reduced by the amount determined under
36 clause (i), and”.



1 (d) EFFECTIVE DATE.—The amendments made by this
2 section shall apply to net operating losses for taxable years be-
3 ginning after 2000.

4 **SEC. 133. TEMPORARY INCREASE IN EXPENSING UNDER**
5 **SECTION 179.**

6 (a) IN GENERAL.—The table contained in section
7 179(b)(1) (relating to dollar limitation) is amended to read as
8 follows:

| “If the taxable year begins in: | The applicable amount is: |
|--|--------------------------------------|
| 2001 or 2002 | \$50,000 |
| 2003 or thereafter | 25,000.” |

9 (b) TEMPORARY INCREASE IN AMOUNT OF PROPERTY
10 TRIGGERING PHASEOUT OF MAXIMUM BENEFIT.—Paragraph
11 (2) of section 179(b) of such Code is amended by inserting be-
12 fore the period “(\$400,000 in the case of taxable years begin-
13 ning during 2001 or 2002)”.

14 (c) EFFECTIVE DATE.—The amendments made by this
15 section shall apply to taxable years beginning after December
16 31, 2000.

17 **SEC. 134. TEMPORARY WAIVER OF 90 PERCENT AMT**
18 **LIMITATIONS.**

19 Subparagraph (A) of section 56(b)(1) of the Internal Rev-
20 enue Code of 1986 and paragraph (2) of section 59(a) of such
21 Code shall not apply in determining alternative minimum tax
22 liability for taxable years beginning in 2001 or 2002.

23 **SEC. 135. EXPANSION OF INCENTIVES FOR PUBLIC**
24 **SCHOOLS.**

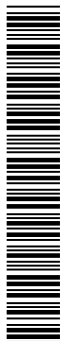
25 (a) IN GENERAL.—Chapter 1 is amended by adding at the
26 end the following new subchapter:

27 **“Subchapter Y—Public School Modernization**
28 **Provisions**

“Sec. 1400K. Credit to holders of qualified public school
modernization bonds.

“Sec. 1400L. Qualified school construction bonds.

“Sec. 1400M. Qualified zone academy bonds.



1 **“SEC. 1400K. CREDIT TO HOLDERS OF QUALIFIED PUB-**
2 **LIC SCHOOL MODERNIZATION BONDS.**

3 “(a) ALLOWANCE OF CREDIT.—In the case of a taxpayer
4 who holds a qualified public school modernization bond on a
5 credit allowance date of such bond which occurs during the tax-
6 able year, there shall be allowed as a credit against the tax im-
7 posed by this chapter for such taxable year an amount equal
8 to the sum of the credits determined under subsection (b) with
9 respect to credit allowance dates during such year on which the
10 taxpayer holds such bond.

11 “(b) AMOUNT OF CREDIT.—

12 “(1) IN GENERAL.—The amount of the credit deter-
13 mined under this subsection with respect to any credit al-
14 lowance date for a qualified public school modernization
15 bond is 25 percent of the annual credit determined with re-
16 spect to such bond.

17 “(2) ANNUAL CREDIT.—The annual credit determined
18 with respect to any qualified public school modernization
19 bond is the product of—

20 “(A) the applicable credit rate, multiplied by

21 “(B) the outstanding face amount of the bond.

22 “(3) APPLICABLE CREDIT RATE.—For purposes of
23 paragraph (1), the applicable credit rate with respect to an
24 issue is the rate equal to an average market yield (as of
25 the day before the date of issuance of the issue) on out-
26 standing long-term corporate debt obligations (determined
27 under regulations prescribed by the Secretary).

28 “(4) SPECIAL RULE FOR ISSUANCE AND REDEMP-
29 TION.—In the case of a bond which is issued during the 3-
30 month period ending on a credit allowance date, the
31 amount of the credit determined under this subsection with
32 respect to such credit allowance date shall be a ratable por-
33 tion of the credit otherwise determined based on the por-
34 tion of the 3-month period during which the bond is out-
35 standing. A similar rule shall apply when the bond is re-
36 deemed.

37 “(c) LIMITATION BASED ON AMOUNT OF TAX.—



1 “(1) IN GENERAL.—The credit allowed under sub-
2 section (a) for any taxable year shall not exceed the excess
3 of—

4 “(A) the sum of the regular tax liability (as de-
5 fined in section 26(b)) plus the tax imposed by section
6 55, over

7 “(B) the sum of the credits allowable under part
8 IV of subchapter A (other than subpart C thereof, re-
9 lating to refundable credits).

10 “(2) CARRYOVER OF UNUSED CREDIT.—If the credit
11 allowable under subsection (a) exceeds the limitation im-
12 posed by paragraph (1) for such taxable year, such excess
13 shall be carried to the succeeding taxable year and added
14 to the credit allowable under subsection (a) for such tax-
15 able year.

16 “(d) QUALIFIED PUBLIC SCHOOL MODERNIZATION BOND;
17 CREDIT ALLOWANCE DATE.—For purposes of this section—

18 “(1) QUALIFIED PUBLIC SCHOOL MODERNIZATION
19 BOND.—The term ‘qualified public school modernization
20 bond’ means—

21 “(A) a qualified zone academy bond, and

22 “(B) a qualified school construction bond.

23 “(2) CREDIT ALLOWANCE DATE.—The term ‘credit al-
24 lowance date’ means—

25 “(A) March 15,

26 “(B) June 15,

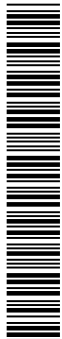
27 “(C) September 15, and

28 “(D) December 15.

29 Such term includes the last day on which the bond is out-
30 standing.

31 “(e) OTHER DEFINITIONS.—For purposes of this
32 subchapter—

33 “(1) LOCAL EDUCATIONAL AGENCY.—The term ‘local
34 educational agency’ has the meaning given to such term by
35 section 14101 of the Elementary and Secondary Education
36 Act of 1965. Such term includes the local educational agen-



1 cy that serves the District of Columbia but does not include
2 any other State agency.

3 “(2) BOND.—The term ‘bond’ includes any obligation.

4 “(3) STATE.—The term ‘State’ includes the District of
5 Columbia and any possession of the United States.

6 “(4) PUBLIC SCHOOL FACILITY.—The term ‘public
7 school facility’ shall not include—

8 “(A) any stadium or other facility primarily used
9 for athletic contests or exhibitions or other events for
10 which admission is charged to the general public, or

11 “(B) any facility which is not owned by a State or
12 local government or any agency or instrumentality of a
13 State or local government.

14 “(f) CREDIT INCLUDED IN GROSS INCOME.—Gross income
15 includes the amount of the credit allowed to the taxpayer under
16 this section (determined without regard to subsection (c)) and
17 the amount so included shall be treated as interest income.

18 “(g) RECAPTURE OF PORTION OF CREDIT WHERE CES-
19 SATION OF COMPLIANCE.—

20 “(1) IN GENERAL.—If any bond which when issued
21 purported to be a qualified public school modernization
22 bond ceases to be a qualified public school modernization
23 bond, the issuer shall pay to the United States (at the time
24 required by the Secretary) an amount equal to the sum
25 of—

26 “(A) the aggregate of the credits allowable under
27 this section with respect to such bond (determined
28 without regard to subsection (c)) for taxable years end-
29 ing during the calendar year in which such cessation
30 occurs and the 2 preceding calendar years, and

31 “(B) interest at the underpayment rate under sec-
32 tion 6621 on the amount determined under subpara-
33 graph (A) for each calendar year for the period begin-
34 ning on the first day of such calendar year.

35 “(2) FAILURE TO PAY.—If the issuer fails to timely
36 pay the amount required by paragraph (1) with respect to
37 such bond, the tax imposed by this chapter on each holder



1 of any such bond which is part of such issue shall be in-
2 creased (for the taxable year of the holder in which such
3 cessation occurs) by the aggregate decrease in the credits
4 allowed under this section to such holder for taxable years
5 beginning in such 3 calendar years which would have re-
6 sulted solely from denying any credit under this section
7 with respect to such issue for such taxable years.

8 “(3) SPECIAL RULES.—

9 “(A) TAX BENEFIT RULE.—The tax for the tax-
10 able year shall be increased under paragraph (2) only
11 with respect to credits allowed by reason of this section
12 which were used to reduce tax liability. In the case of
13 credits not so used to reduce tax liability, the
14 carryforwards and carrybacks under section 39 shall be
15 appropriately adjusted.

16 “(B) NO CREDITS AGAINST TAX.—Any increase in
17 tax under paragraph (2) shall not be treated as a tax
18 imposed by this chapter for purposes of determining —

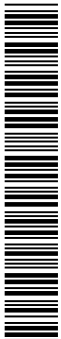
19 “(i) the amount of any credit allowable under
20 this part, or

21 “(ii) the amount of the tax imposed by section
22 55.

23 “(h) BONDS HELD BY REGULATED INVESTMENT COMPA-
24 NIES.—If any qualified public school modernization bond is
25 held by a regulated investment company, the credit determined
26 under subsection (a) shall be allowed to shareholders of such
27 company under procedures prescribed by the Secretary.

28 “(i) CREDITS MAY BE STRIPPED.—Under regulations pre-
29 scribed by the Secretary—

30 “(1) IN GENERAL.—There may be a separation (in-
31 cluding at issuance) of the ownership of a qualified public
32 school modernization bond and the entitlement to the credit
33 under this section with respect to such bond. In case of any
34 such separation, the credit under this section shall be al-
35 lowed to the person who on the credit allowance date holds
36 the instrument evidencing the entitlement to the credit and
37 not to the holder of the bond.



1 “(2) CERTAIN RULES TO APPLY.—In the case of a
2 separation described in paragraph (1), the rules of section
3 1286 shall apply to the qualified public school moderniza-
4 tion bond as if it were a stripped bond and to the credit
5 under this section as if it were a stripped coupon.

6 “(j) TREATMENT FOR ESTIMATED TAX PURPOSES.—Sole-
7 ly for purposes of sections 6654 and 6655, the credit allowed
8 by this section to a taxpayer by reason of holding a qualified
9 public school modernization bonds on a credit allowance date
10 shall be treated as if it were a payment of estimated tax made
11 by the taxpayer on such date.

12 “(k) CREDIT MAY BE TRANSFERRED.—Nothing in any
13 law or rule of law shall be construed to limit the transferability
14 of the credit allowed by this section through sale and repur-
15 chase agreements.

16 “(k) REPORTING.—Issuers of qualified public school mod-
17 ernization bonds shall submit reports similar to the reports re-
18 quired under section 149(e).

19 “(l) PENALTY ON CONTRACTORS FAILING TO PAY PRE-
20 VAILING WAGE.—

21 “(1) IN GENERAL.—If the Secretary of Labor certifies
22 to the Secretary that any contractor on any project funded
23 by any qualified public school modernization bond has
24 failed, during any portion of such contractor’s taxable year,
25 to pay prevailing wages as would be required under section
26 439 of the General Education Provisions Act if such fund-
27 ing were an applicable program under such section, the tax
28 imposed by chapter 1 on such contractor for such taxable
29 year shall be increased by 100 percent of the amount in-
30 volved in such failure. The preceding sentence shall not
31 apply to the extent the Secretary of Labor determines that
32 such failure is due to reasonable cause and not willful ne-
33 glect.

34 “(2) AMOUNT INVOLVED.—For purposes of paragraph
35 (1), the amount involved with respect to any failure is the
36 excess of the amount of wages such contractor would be so



1 required to pay under such section over the amount of
2 wages paid.

3 “(3) NO CREDITS AGAINST TAX.—The tax imposed by
4 this section shall not be treated as a tax imposed by this
5 chapter for purposes of determining—

6 “(A) the amount of any credit allowable under this
7 chapter, or

8 “(B) the amount of the minimum tax imposed by
9 section 55.

10 “(m) TERMINATION.—This section shall not apply to any
11 bond issued after September 30, 2006.

12 **“SEC. 1400L. QUALIFIED SCHOOL CONSTRUCTION**
13 **BONDS.**

14 “(a) QUALIFIED SCHOOL CONSTRUCTION BOND.—For
15 purposes of this subchapter, the term ‘qualified school con-
16 struction bond’ means any bond issued as part of an issue if—

17 “(1) 95 percent or more of the proceeds of such issue
18 are to be used for the construction, rehabilitation, or repair
19 of a public school facility or for the acquisition of land on
20 which such a facility is to be constructed with part of the
21 proceeds of such issue,

22 “(2) the bond is issued by a State or local government
23 within the jurisdiction of which such school is located,

24 “(3) the issuer designates such bond for purposes of
25 this section, and

26 “(4) the term of each bond which is part of such issue
27 does not exceed 15 years.

28 “(b) LIMITATION ON AMOUNT OF BONDS DESIGNATED.—
29 The maximum aggregate face amount of bonds issued during
30 any calendar year which may be designated under subsection
31 (a) by any issuer shall not exceed the sum of—

32 “(1) the limitation amount allocated under subsection
33 (d) for such calendar year to such issuer, and

34 “(2) if such issuer is a large local educational agency
35 (as defined in subsection (e)(4)) or is issuing on behalf of
36 such an agency, the limitation amount allocated under sub-
37 section (e) for such calendar year to such agency.



1 “(c) NATIONAL LIMITATION ON AMOUNT OF BONDS DES-
2 IGNATED.—There is a national qualified school construction
3 bond limitation for each calendar year. Such limitation is—

4 “(1) \$11,000,000,000 for 2002, and

5 “(2) except as provided in subsection (f), zero after
6 2002.

7 “(d) 60 PERCENT OF LIMITATION ALLOCATED AMONG
8 STATES.—

9 “(1) IN GENERAL.—60 percent of the limitation appli-
10 cable under subsection (c) for any calendar year shall be
11 allocated by the Secretary among the States in proportion
12 to the respective numbers of children in each State who
13 have attained age 5 but not age 18 for the most recent fis-
14 cal year ending before such calendar year. The limitation
15 amount allocated to a State under the preceding sentence
16 shall be allocated by the State to issuers within such State.

17 “(2) MINIMUM ALLOCATIONS TO STATES.—

18 “(A) IN GENERAL.—The Secretary shall adjust
19 the allocations under this subsection for any calendar
20 year for each State to the extent necessary to ensure
21 that the sum of—

22 “(i) the amount allocated to such State under
23 this subsection for such year, and

24 “(ii) the aggregate amounts allocated under
25 subsection (e) to large local educational agencies in
26 such State for such year,

27 is not less than an amount equal to such State’s min-
28 imum percentage of the amount to be allocated under
29 paragraph (1) for the calendar year.

30 “(B) MINIMUM PERCENTAGE.—A State’s min-
31 imum percentage for any calendar year is the minimum
32 percentage described in section 1124(d) of the Elemen-
33 tary and Secondary Education Act of 1965 (20 U.S.C.
34 6334(d)) for such State for the most recent fiscal year
35 ending before such calendar year.

36 “(3) ALLOCATIONS TO CERTAIN POSSESSIONS.—The
37 amount to be allocated under paragraph (1) to any posses-



1 sion of the United States other than Puerto Rico shall be
2 the amount which would have been allocated if all alloca-
3 tions under paragraph (1) were made on the basis of re-
4 spective populations of individuals below the poverty line
5 (as defined by the Office of Management and Budget). In
6 making other allocations, the amount to be allocated under
7 paragraph (1) shall be reduced by the aggregate amount al-
8 located under this paragraph to possessions of the United
9 States.

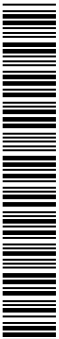
10 “(4) ALLOCATIONS FOR INDIAN SCHOOLS.—In addi-
11 tion to the amounts otherwise allocated under this sub-
12 section, \$200,000,000 for calendar year 2002, and
13 \$200,000,000 for calendar year 2003, shall be allocated by
14 the Secretary of the Interior for purposes of the construc-
15 tion, rehabilitation, and repair of schools funded by the Bu-
16 reau of Indian Affairs. In the case of amounts allocated
17 under the preceding sentence, Indian tribal governments
18 (as defined in section 7871) shall be treated as qualified
19 issuers for purposes of this subchapter.

20 “(e) 40 PERCENT OF LIMITATION ALLOCATED AMONG
21 LARGEST SCHOOL DISTRICTS.—

22 “(1) IN GENERAL.—40 percent of the limitation appli-
23 cable under subsection (c) for any calendar year shall be
24 allocated under paragraph (2) by the Secretary among local
25 educational agencies which are large local educational agen-
26 cies for such year.

27 “(2) ALLOCATION FORMULA.—The amount to be allo-
28 cated under paragraph (1) for any calendar year shall be
29 allocated among large local educational agencies in propor-
30 tion to the respective amounts each such agency received
31 for Basic Grants under subpart 2 of part A of title I of
32 the Elementary and Secondary Education Act of 1965 (20
33 U.S.C. 6331 et seq.) for the most recent fiscal year ending
34 before such calendar year.

35 “(3) ALLOCATION OF UNUSED LIMITATION TO
36 STATE.—The amount allocated under this subsection to a
37 large local educational agency for any calendar year may be



1 reallocated by such agency to the State in which such agen-
2 cy is located for such calendar year. Any amount reallo-
3 cated to a State under the preceding sentence may be allo-
4 cated as provided in subsection (d)(1).

5 “(4) LARGE LOCAL EDUCATIONAL AGENCY.—For pur-
6 poses of this section, the term ‘large local educational agen-
7 cy’ means, with respect to a calendar year, any local edu-
8 cational agency if such agency is—

9 “(A) among the 100 local educational agencies
10 with the largest numbers of children aged 5 through 17
11 from families living below the poverty level, as deter-
12 mined by the Secretary using the most recent data
13 available from the Department of Commerce that are
14 satisfactory to the Secretary, or

15 “(B) 1 of not more than 25 local educational
16 agencies (other than those described in subparagraph
17 (A)) that the Secretary of Education determines (based
18 on the most recent data available satisfactory to the
19 Secretary) are in particular need of assistance, based
20 on a low level of resources for school construction, a
21 high level of enrollment growth, or such other factors
22 as the Secretary deems appropriate.

23 “(f) CARRYOVER OF UNUSED LIMITATION.—If for any
24 calendar year—

25 “(1) the amount allocated under subsection (d) to any
26 State, exceeds

27 “(2) the amount of bonds issued during such year
28 which are designated under subsection (a) pursuant to such
29 allocation,

30 the limitation amount under such subsection for such State for
31 the following calendar year shall be increased by the amount
32 of such excess. A similar rule shall apply to the amounts allo-
33 cated under subsection (d)(4) or (e).

34 “(g) SPECIAL RULES RELATING TO ARBITRAGE.—

35 “(1) IN GENERAL.—A bond shall not be treated as
36 failing to meet the requirement of subsection (a)(1) solely
37 by reason of the fact that the proceeds of the issue of



1 which such bond is a part are invested for a temporary pe-
2 riod (but not more than 36 months) until such proceeds are
3 needed for the purpose for which such issue was issued.

4 “(2) BINDING COMMITMENT REQUIREMENT.—Para-
5 graph (1) shall apply to an issue only if, as of the date of
6 issuance, there is a reasonable expectation that—

7 “(A) at least 10 percent of the proceeds of the
8 issue will be spent within the 6-month period beginning
9 on such date for the purpose for which such issue was
10 issued, and

11 “(B) the remaining proceeds of the issue will be
12 spent with due diligence for such purpose.

13 “(3) EARNINGS ON PROCEEDS.—Any earnings on pro-
14 ceeds during the temporary period shall be treated as pro-
15 ceeds of the issue for purposes of applying subsection
16 (a)(1) and paragraph (1) of this subsection.

17 **“SEC. 1400M. QUALIFIED ZONE ACADEMY BONDS.**

18 “(a) QUALIFIED ZONE ACADEMY BOND.—For purposes of
19 this subchapter—

20 “(1) IN GENERAL.—The term ‘qualified zone academy
21 bond’ means any bond issued as part of an issue if—

22 “(A) 95 percent or more of the proceeds of such
23 issue are to be used for a qualified purpose with re-
24 spect to a qualified zone academy established by a local
25 educational agency,

26 “(B) the bond is issued by a State or local govern-
27 ment within the jurisdiction of which such academy is
28 located,

29 “(C) the issuer—

30 “(i) designates such bond for purposes of this
31 section,

32 “(ii) certifies that it has written assurances
33 that the private business contribution requirement
34 of paragraph (2) will be met with respect to such
35 academy, and



1 “(iii) certifies that it has the written approval
2 of the local educational agency for such bond
3 issuance, and

4 “(D) the term of each bond which is part of such
5 issue does not exceed 15 years.

6 Rules similar to the rules of section 1400L(g) shall apply
7 for purposes of paragraph (1).

8 “(2) PRIVATE BUSINESS CONTRIBUTION REQUIRE-
9 MENT.—

10 “(A) IN GENERAL.—For purposes of paragraph
11 (1), the private business contribution requirement of
12 this paragraph is met with respect to any issue if the
13 local educational agency that established the qualified
14 zone academy has written commitments from private
15 entities to make qualified contributions having a
16 present value (as of the date of issuance of the issue)
17 of not less than 10 percent of the proceeds of the issue.

18 “(B) QUALIFIED CONTRIBUTIONS.—For purposes
19 of subparagraph (A), the term ‘qualified contribution’
20 means any contribution (of a type and quality accept-
21 able to the local educational agency) of—

22 “(i) equipment for use in the qualified zone
23 academy (including state-of-the-art technology and
24 vocational equipment),

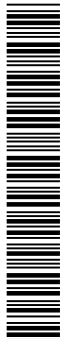
25 “(ii) technical assistance in developing cur-
26 riculum or in training teachers in order to promote
27 appropriate market driven technology in the class-
28 room,

29 “(iii) services of employees as volunteer men-
30 tors,

31 “(iv) internships, field trips, or other edu-
32 cational opportunities outside the academy for stu-
33 dents, or

34 “(v) any other property or service specified by
35 the local educational agency.

36 “(3) QUALIFIED ZONE ACADEMY.—The term ‘qualified
37 zone academy’ means any public school (or academic pro-



1 gram within a public school) which is established by and
2 operated under the supervision of a local educational agen-
3 cy to provide education or training below the postsecondary
4 level if—

5 “(A) such public school or program (as the case
6 may be) is designed in cooperation with business to en-
7 hance the academic curriculum, increase graduation
8 and employment rates, and better prepare students for
9 the rigors of college and the increasingly complex work-
10 force,

11 “(B) students in such public school or program
12 (as the case may be) will be subject to the same aca-
13 demic standards and assessments as other students
14 educated by the local educational agency,

15 “(C) the comprehensive education plan of such
16 public school or program is approved by the local edu-
17 cational agency, and

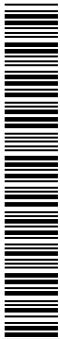
18 “(D)(i) such public school is located in an em-
19 powerment zone or enterprise community (including
20 any such zone or community designated after the date
21 of the enactment of this section), or

22 “(ii) there is a reasonable expectation (as of the
23 date of issuance of the bonds) that at least 35 percent
24 of the students attending such school or participating
25 in such program (as the case may be) will be eligible
26 for free or reduced-cost lunches under the school lunch
27 program established under the National School Lunch
28 Act.

29 “(4) QUALIFIED PURPOSE.—The term ‘qualified pur-
30 pose’ means, with respect to any qualified zone academy—

31 “(A) constructing, rehabilitating, or repairing the
32 public school facility in which the academy is estab-
33 lished,

34 “(B) acquiring the land on which such facility is
35 to be constructed with part of the proceeds of such
36 issue,



1 “(C) providing equipment for use at such acad-
2 emy,

3 “(D) developing course materials for education to
4 be provided at such academy, and

5 “(E) training teachers and other school personnel
6 in such academy.

7 “(b) LIMITATIONS ON AMOUNT OF BONDS DES-
8 IGNATED.—

9 “(1) IN GENERAL.—There is a national zone academy
10 bond limitation for each calendar year. Such limitation is—

11 “(A) \$400,000,000 for 1998,

12 “(B) \$400,000,000 for 1999,

13 “(C) \$400,000,000 for 2000,

14 “(D) \$400,000,000 for 2001,

15 “(E) \$1,400,000,000 for 2002, and

16 “(F) except as provided in paragraph (3), zero
17 after 2002.

18 “(2) ALLOCATION OF LIMITATION.—

19 “(A) ALLOCATION AMONG STATES.—

20 “(i) 1998, 1999, 2000, AND 2001 LIMITA-
21 TIONS.—The national zone academy bond limita-
22 tions for calendar years 1998, 1999, 2000, and
23 2001 shall be allocated by the Secretary among the
24 States on the basis of their respective populations
25 of individuals below the poverty line (as defined by
26 the Office of Management and Budget).

27 “(ii) LIMITATION AFTER 2001.—The national
28 zone academy bond limitation for any calendar year
29 after 2001 shall be allocated by the Secretary
30 among the States in proportion to the respective
31 amounts each such State received for Basic Grants
32 under subpart 2 of part A of title I of the Element-
33 ary and Secondary Education Act of 1965 (20
34 U.S.C. 6331 et seq.) for the most recent fiscal year
35 ending before such calendar year.

36 “(B) ALLOCATION TO LOCAL EDUCATIONAL AGEN-
37 CIES.—The limitation amount allocated to a State



1 under subparagraph (A) shall be allocated by the State
2 to qualified zone academies within such State.

3 “(C) DESIGNATION SUBJECT TO LIMITATION
4 AMOUNT.—The maximum aggregate face amount of
5 bonds issued during any calendar year which may be
6 designated under subsection (a) with respect to any
7 qualified zone academy shall not exceed the limitation
8 amount allocated to such academy under subparagraph
9 (B) for such calendar year.

10 “(3) CARRYOVER OF UNUSED LIMITATION.—If for any
11 calendar year—

12 “(A) the limitation amount under this subsection
13 for any State, exceeds

14 “(B) the amount of bonds issued during such year
15 which are designated under subsection (a) (or the cor-
16 responding provisions of prior law) with respect to
17 qualified zone academies within such State,

18 the limitation amount under this subsection for such State
19 for the following calendar year shall be increased by the
20 amount of such excess.”

21 (b) REPORTING.—Subsection (d) of section 6049 (relating
22 to returns regarding payments of interest) is amended by add-
23 ing at the end the following new paragraph:

24 “(8) REPORTING OF CREDIT ON QUALIFIED PUBLIC
25 SCHOOL MODERNIZATION BONDS.—

26 “(A) IN GENERAL.—For purposes of subsection
27 (a), the term ‘interest’ includes amounts includible in
28 gross income under section 1400K(f) and such
29 amounts shall be treated as paid on the credit allow-
30 ance date (as defined in section 1400K(d)(2)).

31 “(B) REPORTING TO CORPORATIONS, ETC.—Ex-
32 cept as otherwise provided in regulations, in the case
33 of any interest described in subparagraph (A) of this
34 paragraph, subsection (b)(4) of this section shall be ap-
35 plied without regard to subparagraphs (A), (H), (I),
36 (J), (K), and (L)(i).



1 “(C) REGULATORY AUTHORITY.—The Secretary
 2 may prescribe such regulations as are necessary or ap-
 3 propriate to carry out the purposes of this paragraph,
 4 including regulations which require more frequent or
 5 more detailed reporting.”

6 (c) CONFORMING AMENDMENTS.—

7 (1) Subchapter U of chapter 1 is amended by striking
 8 part IV, by redesignating part V as part IV, and by redesi-
 9 gnating section 1397F as section 1397E.

10 (2) The table of subchapters for chapter 1 is amended
 11 by adding at the end the following new item:

 “Subchapter Y. Public school modernization provisions.”

12 (3) The table of parts of subchapter U of chapter 1
 13 is amended by striking the last 2 items and inserting the
 14 following item:

 “Part IV. Regulations.”

15 (e) EFFECTIVE DATES.—

16 (1) IN GENERAL.—Except as otherwise provided in
 17 this subsection, the amendments made by this section shall
 18 apply to obligations issued after December 31, 2001.

19 (2) REPEAL OF RESTRICTION ON ZONE ACADEMY
 20 BOND HOLDERS.—In the case of bonds to which section
 21 1397E of the Internal Revenue Code of 1986 (as in effect
 22 before the date of the enactment of this Act) applies, the
 23 limitation of such section to eligible taxpayers (as defined
 24 in subsection (d)(6) of such section) shall not apply after
 25 the date of the enactment of this Act.

26 **TITLE II—WORKER RELIEF**
 27 **Subtitle A—Temporary**
 28 **Unemployment Compensation**

29 **SEC. 201. SHORT TITLE.**

30 This subtitle may be cited as the “Temporary Unemploy-
 31 ment Compensation Act of 2001”.

32 **SEC. 202. FEDERAL-STATE AGREEMENTS.**

33 (a) IN GENERAL.—Any State which desires to do so may
 34 enter into and participate in an agreement under this subtitle



1 with the Secretary of Labor (hereinafter in this subtitle re-
2 ferred to as the “Secretary”). Any State which is a party to
3 an agreement under this subtitle may, upon providing 30 days’
4 written notice to the Secretary, terminate such agreement.

5 (b) PROVISIONS OF AGREEMENT.—

6 (1) IN GENERAL.—Any agreement under subsection
7 (a) shall provide that the State agency of the State will
8 make—

9 (A) payments of regular compensation to individ-
10 uals in amounts and to the extent that they would be
11 determined if the State law were applied with the modi-
12 fications described in paragraph (2), and

13 (B) payments of temporary supplemental unem-
14 ployment compensation to individuals who—

15 (i) have exhausted all rights to regular com-
16 pensation under the State law,

17 (ii) do not, with respect to a week, have any
18 rights to compensation (excluding extended com-
19 pensation) under the State law of any other State
20 (whether one that has entered into an agreement
21 under this subtitle or otherwise) nor compensation
22 under any other Federal law (other than under the
23 Federal-State Extended Unemployment Compensation
24 Act of 1970), and are not paid or entitled to
25 be paid any additional compensation under any
26 State or Federal law, and

27 (iii) are not receiving compensation with re-
28 spect to such week under the unemployment com-
29 pensation law of Canada.

30 (2) MODIFICATIONS DESCRIBED.—The modifications
31 described in this paragraph are as follows:

32 (A) An individual shall be eligible for regular com-
33 pensation if the individual would be so eligible, deter-
34 mined by applying—

35 (i) the base period that would otherwise apply
36 under the State law if this subtitle had not been
37 enacted, or



1 (ii) a base period ending at the close of the
2 calendar quarter most recently completed before
3 the date of the individual's application for benefits,
4 whichever results in the greater amount.

5 (B) An individual shall not be denied regular com-
6 pensation under the State law's provisions relating to
7 availability for work, active search for work, or refusal
8 to accept work, solely by virtue of the fact that such
9 individual is seeking, or available for, only part-time
10 (and not full-time) work.

11 (C)(i) Subject to clause (ii), the amount of regular
12 compensation (including dependents' allowances) pay-
13 able for any week shall be equal to the amount deter-
14 mined under the State law (before the application of
15 this subparagraph), plus an additional—

16 (I) 25 percent, or

17 (II) \$65,

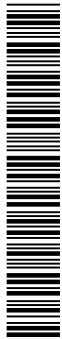
18 whichever is greater.

19 (ii) In no event may the total amount determined
20 under clause (i) with respect to any individual exceed
21 the average weekly insured wages of that individual in
22 that calendar quarter of the base period in which such
23 individual's insured wages were the highest (or one
24 such quarter if his wages were the same for more than
25 one such quarter).

26 (c) NONREDUCTION RULE.—Under the agreement, sub-
27 section (b)(2)(C) shall not apply (or shall cease to apply) with
28 respect to a State upon a determination by the Secretary that
29 the method governing the computation of regular compensation
30 under the State law of that State has been modified in a way
31 such that—

32 (1) the average weekly amount of regular compensa-
33 tion which will be payable during the period of the agree-
34 ment (determined disregarding the modifications described
35 in subsection (b)(2)) will be less than

36 (2) the average weekly amount of regular compensa-
37 tion which would otherwise have been payable during such



1 period under the State law, as in effect on September 11,
2 2001.

3 (d) COORDINATION RULES.—

4 (1) REGULAR COMPENSATION PAYABLE UNDER A FED-
5 ERAL LAW.—The modifications described in subsection
6 (b)(2) shall also apply in determining the amount of bene-
7 fits payable under any Federal law to the extent that those
8 benefits are determined by reference to regular compensa-
9 tion payable under the State law of the State involved.

10 (2) TSUC TO SERVE AS SECOND-TIER BENEFITS.—
11 Notwithstanding any other provision of law, extended bene-
12 fits shall not be payable to any individual for any week for
13 which temporary supplemental unemployment compensation
14 is payable to such individual.

15 (e) EXHAUSTION OF BENEFITS.—For purposes of sub-
16 section (b)(1)(B)(i), an individual shall be considered to have
17 exhausted such individual's rights to regular compensation
18 under a State law when—

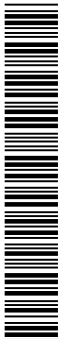
19 (1) no payments of regular compensation can be made
20 under such law because such individual has received all reg-
21 ular compensation available to such individual based on em-
22 ployment or wages during such individual's base period, or

23 (2) such individual's rights to such compensation have
24 been terminated by reason of the expiration of the benefit
25 year with respect to which such rights existed.

26 (f) WEEKLY BENEFIT AMOUNT, TERMS AND CONDITIONS,
27 ETC. RELATING TO TSUC.—For purposes of any agreement
28 under this subtitle—

29 (1) the amount of temporary supplemental unemploy-
30 ment compensation which shall be payable to an individual
31 for any week of total unemployment shall be equal to the
32 amount of regular compensation (including dependents' al-
33 lowances) payable to such individual under the State law
34 for a week for total unemployment during such individual's
35 benefit year,

36 (2) the terms and conditions of the State law which
37 apply to claims for regular compensation and to the pay-



1 ment thereof shall apply to claims for temporary supple-
2 mental unemployment compensation and the payment
3 thereof, except where inconsistent with the provisions of
4 this subtitle or with the regulations or operating instruc-
5 tions of the Secretary promulgated to carry out this sub-
6 title, and

7 (3) the maximum amount of temporary supplemental
8 unemployment compensation payable to any individual for
9 whom a temporary supplemental unemployment compensa-
10 tion account is established under section 203 shall not ex-
11 ceed the amount established in such account for such indi-
12 vidual.

13 **SEC. 203. TEMPORARY SUPPLEMENTAL UNEMPLOY-**
14 **MENT COMPENSATION ACCOUNT.**

15 (a) IN GENERAL.—Any agreement under this subtitle shall
16 provide that the State will establish, for each eligible individual
17 who files an application for temporary supplemental unemploy-
18 ment compensation, a temporary supplemental unemployment
19 compensation account.

20 (b) AMOUNT IN ACCOUNT.—

21 (1) IN GENERAL.—The amount established in an ac-
22 count under subsection (a) shall be equal to the product ob-
23 tained by multiplying an individual's weekly benefit amount
24 by the applicable factor under paragraph (3).

25 (2) WEEKLY BENEFIT AMOUNT.—For purposes of this
26 subsection, an individual's weekly benefit amount for any
27 week is the amount of regular compensation (including de-
28 pendents' allowances) under the State law payable to such
29 individual for a week of total unemployment in such indi-
30 vidual's benefit year.

31 (3) APPLICABLE FACTOR.—

32 (A) GENERAL RULE.—The applicable factor under
33 this paragraph is 13, unless the individual's benefit
34 year begins or ends during a period of high unemploy-
35 ment within such individual's State, in which case the
36 applicable factor is 26.



1 (B) PERIOD OF HIGH UNEMPLOYMENT.—For pur-
 2 poses of this paragraph, a period of high unemploy-
 3 ment within a State shall begin and end, if at all, in
 4 a way (to be set forth in the State’s agreement under
 5 this subtitle) similar to the way in which an extended
 6 benefit period would under section 203 of the Federal-
 7 State Extended Unemployment Compensation Act of
 8 1970, subject to the following:

9 (i) To determine if there is a State “on” or
 10 “off” indicator, apply section 203(f) of such Act,
 11 but—

12 (I) substitute “5 percent” for “6.5 per-
 13 cent” in paragraph (1)(A)(i) thereof, and

14 (II) disregard paragraph (1)(A)(ii) thereof
 15 and the last sentence of paragraph (1) thereof.

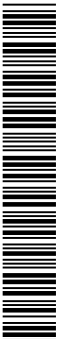
16 (ii) To determine the beginning and ending
 17 dates of a period of high unemployment within a
 18 State, apply section 203(a) and (b) of such Act, ex-
 19 cept that—

20 (I) in applying such section 203(a), deem
 21 paragraphs (1) and (2) thereof to be amended
 22 by striking “the third week after”, and

23 (II) in applying such section 203(b), deem
 24 paragraph (1)(A) thereof amended by striking
 25 “thirteen” and inserting “twenty-six” and
 26 paragraph (1)(B) thereof amended by striking
 27 “fourteenth” and inserting “twenty-seventh”.

28 (4) RULE OF CONSTRUCTION.—For purposes of any
 29 computation under paragraph (1) (and any determination
 30 of amount under section 202(f)(1)), the modification de-
 31 scribed in section 202(b)(2)(C) (relating to increased bene-
 32 fits) shall be deemed to have been in effect with respect to
 33 the entirety of the benefit year involved.

34 (c) ELIGIBILITY PERIOD.—An individual whose applicable
 35 factor under subsection (b)(3) is 26 shall be eligible for tem-
 36 porary supplemental unemployment compensation for each
 37 week of total unemployment in his benefit year which begins in



1 the State's period of high unemployment and, if his benefit
2 year ends within such period, any such weeks thereafter which
3 begin in such period of high unemployment, not to exceed a
4 total of 26 weeks.

5 **SEC. 204. PAYMENTS TO STATES HAVING AGREEMENTS**
6 **UNDER THIS SUBTITLE.**

7 (a) GENERAL RULE.—There shall be paid to each State
8 which has entered into an agreement under this subtitle an
9 amount equal to—

10 (1) 100 percent of any regular compensation made
11 payable to individuals by such State by virtue of the modi-
12 fications which are described in section 202(b)(2) and
13 deemed to be in effect with respect to such State pursuant
14 to section 202(b)(1)(A),

15 (2) 100 percent of any regular compensation—

16 (A) which is paid to individuals by such State by
17 reason of the fact that its State law contains provisions
18 comparable to the modifications described in section
19 202(b)(2)(A)–(B), but only

20 (B) to the extent that those amounts would, if
21 such amounts were instead payable by virtue of the
22 State law's being deemed to be so modified pursuant to
23 section 202(b)(1)(A), have been reimbursable under
24 paragraph (1), and

25 (3) 100 percent of the temporary supplemental unem-
26 ployment compensation paid to individuals by the State
27 pursuant to such agreement.

28 (b) DETERMINATION OF AMOUNT.—Sums under sub-
29 section (a) payable to any State by reason of such State having
30 an agreement under this subtitle shall be payable, either in ad-
31 vance or by way of reimbursement (as may be determined by
32 the Secretary), in such amounts as the Secretary estimates the
33 State will be entitled to receive under this subtitle for each cal-
34 endar month, reduced or increased, as the case may be, by any
35 amount by which the Secretary finds that the Secretary's esti-
36 mates for any prior calendar month were greater or less than
37 the amounts which should have been paid to the State. Such



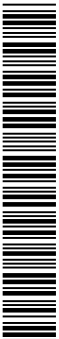
1 estimates may be made on the basis of such statistical, sam-
2 pling, or other method as may be agreed upon by the Secretary
3 and the State agency of the State involved.

4 (c) ADMINISTRATIVE EXPENSES, ETC.—There is hereby
5 appropriated out of the employment security administration ac-
6 count of the Unemployment Trust Fund (as established by sec-
7 tion 901(a) of the Social Security Act) \$500,000,000 to reim-
8 burse States for the costs of the administration of agreements
9 under this subtitle (including any improvements in technology
10 in connection therewith) and to provide reemployment services
11 to unemployment compensation claimants in States having
12 agreements under this subtitle. Each State's share of the
13 amount appropriated by the preceding sentence shall be deter-
14 mined by the Secretary according to the factors described in
15 section 302(a) of the Social Security Act and certified by the
16 Secretary to the Secretary of the Treasury.

17 **SEC. 205. FINANCING PROVISIONS.**

18 (a) IN GENERAL.—Funds in the extended unemployment
19 compensation account (as established by section 905(a) of the
20 Social Security Act), and the Federal unemployment account
21 (as established by section 904(g) of the Social Security Act),
22 of the Unemployment Trust Fund shall be used, in accordance
23 with subsection (b), for the making of payments (described in
24 section 204(a)) to States having agreements entered into under
25 this subtitle.

26 (b) CERTIFICATION.—The Secretary shall from time to
27 time certify to the Secretary of the Treasury for payment to
28 each State the sums described in section 204(a) which are pay-
29 able to such State under this subtitle. The Secretary of the
30 Treasury, prior to audit or settlement by the General Account-
31 ing Office, shall make payments to the State in accordance
32 with such certification by transfers from the extended unem-
33 ployment compensation account (or, to the extent that there
34 are insufficient funds in that account, from the Federal unem-
35 ployment account) to the account of such State in the Unem-
36 ployment Trust Fund.



1 **SEC. 206. FRAUD AND OVERPAYMENTS.**

2 (a) IN GENERAL.—If an individual knowingly has made,
3 or caused to be made by another, a false statement or represen-
4 tation of a material fact, or knowingly has failed, or caused an-
5 other to fail, to disclose a material fact, and as a result of such
6 false statement or representation or of such nondisclosure such
7 individual has received any regular compensation or temporary
8 supplemental unemployment compensation under this subtitle
9 to which he was not entitled, such individual—

10 (1) shall be ineligible for any further benefits under
11 this subtitle in accordance with the provisions of the appli-
12 cable State unemployment compensation law relating to
13 fraud in connection with a claim for unemployment com-
14 pensation, and

15 (2) shall be subject to prosecution under section 1001
16 of title 18, United States Code.

17 (b) REPAYMENT.—In the case of individuals who have re-
18 ceived any regular compensation or temporary supplemental
19 unemployment compensation under this subtitle to which they
20 were not entitled, the State shall require such individuals to
21 repay those benefits to the State agency, except that the State
22 agency may waive such repayment if it determines that—

23 (1) the payment of such benefits was without fault on
24 the part of any such individual, and

25 (2) such repayment would be contrary to equity and
26 good conscience.

27 (c) RECOVERY BY STATE AGENCY.—

28 (1) IN GENERAL.—The State agency may recover the
29 amount to be repaid, or any part thereof, by deductions
30 from any regular compensation or temporary supplemental
31 unemployment compensation payable to such individual
32 under this subtitle or from any unemployment compensa-
33 tion payable to such individual under any Federal unem-
34 ployment compensation law administered by the State
35 agency or under any other Federal law administered by the
36 State agency which provides for the payment of any assist-
37 ance or allowance with respect to any week of unemploy-



1 ment, during the 3-year period after the date such individ-
2 uals received the payment of the regular compensation or
3 temporary supplemental unemployment compensation to
4 which they were not entitled, except that no single deduc-
5 tion may exceed 50 percent of the weekly benefit amount
6 from which such deduction is made.

7 (2) OPPORTUNITY FOR HEARING.—No repayment
8 shall be required, and no deduction shall be made, until a
9 determination has been made, notice thereof and an oppor-
10 tunity for a fair hearing has been given to the individual,
11 and the determination has become final.

12 (d) REVIEW.—Any determination by a State agency under
13 this section shall be subject to review in the same manner and
14 to the same extent as determinations under the State unem-
15 ployment compensation law, and only in that manner and to
16 that extent.

17 **SEC. 207. DEFINITIONS.**

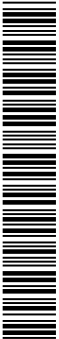
18 For purposes of this subtitle:

19 (1) IN GENERAL.—The terms “compensation”, “reg-
20 ular compensation”, “extended compensation”, “additional
21 compensation”, “benefit year”, “base period”, “State”,
22 “State agency”, “State law”, and “week” have the respec-
23 tive meanings given such terms under section 205 of the
24 Federal-State Extended Unemployment Compensation Act
25 of 1970, subject to paragraph (2).

26 (2) STATE LAW AND REGULAR COMPENSATION.—In
27 the case of a State entering into an agreement under this
28 subtitle—

29 (A) “State law” shall be considered to refer to the
30 State law of such State, applied in conformance with
31 the modifications described in section 202(b)(2), sub-
32 ject to section 202(c), and

33 (B) “regular compensation” shall be considered to
34 refer to such compensation, determined under its State
35 law (applied in the manner described in subparagraph
36 (A)),



1 except as otherwise provided or where the context clearly
2 indicates otherwise.

3 **SEC. 208. APPLICABILITY.**

4 (a) IN GENERAL.—An agreement entered into under this
5 subtitle shall apply to weeks of unemployment—

6 (1) beginning after the date on which such agreement
7 is entered into, and

8 (2) ending before January 1, 2003.

9 (b) SPECIFIC RULES.—Under such an agreement—

10 (1) the modification described in section 202(b)(2)(A)
11 (relating to alternative base periods) shall not apply except
12 in the case of initial claims filed after September 11, 2001,

13 (2) the modifications described in section
14 202(b)(2)(B)–(C) (relating to part-time employment and
15 increased benefits, respectively) shall apply to weeks of un-
16 employment (described in subsection (a)), irrespective of
17 the date on which an individual’s claim for benefits is filed,
18 and

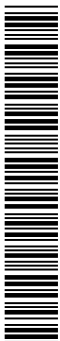
19 (3) the payments described in section 202(b)(1)(B)
20 (relating to temporary supplemental unemployment com-
21 pensation) shall not apply except in the case of individuals
22 exhausting their rights to regular compensation (as de-
23 scribed in clause (i) thereof) after September 11, 2001.

24 **Subtitle B—PREMIUM ASSISTANCE**
25 **FOR COBRA CONTINUATION**
26 **COVERAGE**

27 **SEC. 211. PREMIUM ASSISTANCE FOR COBRA CONTINU-**
28 **ATION COVERAGE.**

29 (a) ESTABLISHMENT.—

30 (1) IN GENERAL.—Not later than 60 days after the
31 date of enactment of this Act, the Secretary of the Treas-
32 ury, in consultation with the Secretary of Labor, shall es-
33 tablish a program under which premium assistance for
34 COBRA continuation coverage shall be provided for quali-
35 fied individuals under this section.



1 (2) QUALIFIED INDIVIDUALS.—For purposes of this
2 section, a qualified individual is an individual who—

3 (A) establishes that the individual—

4 (i) on or after July 1, 2001, and before the
5 end of the 1-year period beginning on the date of
6 the enactment of this Act, became entitled to elect
7 COBRA continuation coverage; and

8 (ii) has elected such coverage; and

9 (B) enrolls in the premium assistance program
10 under this section by not later than the end of such 1-
11 year period.

12 (b) LIMITATION OF PERIOD OF PREMIUM ASSISTANCE.—
13 Premium assistance provided under this subsection shall end
14 with respect to an individual on the earlier of—

15 (1) the date the individual is no longer covered under
16 COBRA continuation coverage; or

17 (2) 12 months after the date the individual is first en-
18 rolled in the premium assistance program established under
19 this section.

20 (c) PAYMENT, AND CREDITING OF ASSISTANCE.—

21 (1) AMOUNT OF ASSISTANCE.—Premium assistance
22 provided under this section shall be equal to 75 percent of
23 the amount of the premium required for the COBRA con-
24 tinuation coverage.

25 (2) PROVISION OF ASSISTANCE.—Premium assistance
26 provided under this section shall be provided through the
27 establishment of direct payment arrangements with the ad-
28 ministrator of the group health plan (or other entity) that
29 provides or administers the COBRA continuation coverage.
30 It shall be a fiduciary duty of such administrator (or other
31 entity) to enter into such arrangements under this section.

32 (3) PREMIUMS PAYABLE BY QUALIFIED INDIVIDUAL
33 REDUCED BY AMOUNT OF ASSISTANCE.—Premium assist-
34 ance provided under this section shall be credited by such
35 administrator (or other entity) against the premium other-
36 wise owed by the individual involved for such coverage.

37 (d) CHANGE IN COBRA NOTICE.—



1 (1) GENERAL NOTICE.—

2 (A) IN GENERAL.—In the case of notices provided
3 under section 4980B(f)(6) of the Internal Revenue
4 Code of 1986 with respect to individuals who, on or
5 after July 1, 2001, and before the end of the 1-year
6 period beginning on the date of the enactment of this
7 Act, become entitled to elect COBRA continuation cov-
8 erage, such notices shall include an additional notifica-
9 tion to the recipient of the availability of premium as-
10 sistance for such coverage under this section.

11 (B) ALTERNATIVE NOTICE.—In the case of
12 COBRA continuation coverage to which the notice pro-
13 vision under section 4980B(f)(6) of the Internal Rev-
14 enue Code of 1986 does not apply, the Secretary of the
15 Treasury shall, in coordination with administrators of
16 the group health plans (or other entities) that provide
17 or administer the COBRA continuation coverage in-
18 volved, assure provision of such notice.

19 (C) FORM.—The requirement of the additional no-
20 tification under this paragraph may be met by amend-
21 ment of existing notice forms or by inclusion of a sepa-
22 rate document with the notice otherwise required.

23 (2) SPECIFIC REQUIREMENTS.—Each additional notifi-
24 cation under paragraph (1) shall include—

25 (A) the forms necessary for establishing eligibility
26 under subsection (a)(2)(A) and enrollment under sub-
27 section (a)(2)(B) in connection with the coverage with
28 respect to each covered employee or other qualified ben-
29 eficiary;

30 (B) the name, address, and telephone number nec-
31 essary to contact the plan administrator and any other
32 person maintaining relevant information in connection
33 with the premium assistance; and

34 (C) the following statement displayed in a promi-
35 nent manner:



1 “You may be eligible to receive assistance with payment
2 of 75 percent of your COBRA continuation coverage premiums
3 for a duration of not to exceed 12 months.”.

4 (3) NOTICE RELATING TO RETROACTIVE COVERAGE.—

5 In the case of such notices previously transmitted before
6 the date of the enactment of this Act in the case of an indi-
7 vidual described in paragraph (1) who has elected (or is
8 still eligible to elect) COBRA continuation coverage as of
9 the date of the enactment of this Act, the administrator of
10 the group health plan (or other entity) involved or the Sec-
11 retary of the Treasury (in the case described in the para-
12 graph (1)(B)) shall provide (within 60 days after the date
13 of the enactment of this Act) for the additional notification
14 required to be provided under paragraph (1).

15 (4) MODEL NOTICES.—The Secretary shall prescribe
16 models for the additional notification required under this
17 subsection.

18 (f) OBLIGATION OF FUNDS.—This section constitutes
19 budget authority in advance of appropriations Acts and rep-
20 represents the obligation of the Federal Government to provide for
21 the payment of premium assistance under this section.

22 (g) PROMPT ISSUANCE OF GUIDANCE.—The Secretary of
23 the Treasury, in consultation with the Secretary of Labor, shall
24 issue guidance under this section not later than 30 days after
25 the date of the enactment of this Act.

26 (h) DEFINITIONS.—In this section:

27 (1) ADMINISTRATOR.—The term “administrator” has
28 the meaning given such term in section 3(16) of the Em-
29 ployee Retirement Income Security Act of 1974.

30 (2) COBRA CONTINUATION COVERAGE.—The term
31 “COBRA continuation coverage” means continuation cov-
32 erage provided pursuant to title XXII of the Public Health
33 Service Act, section 4980B of the Internal Revenue Code
34 of 1986 (other than subsection (f)(1) of such section inso-
35 far as it relates to pediatric vaccines), part 6 of subtitle B
36 of title I of the Employee Retirement Income Security Act
37 of 1974 (other than under section 609), section 8905a of



1 title 5, United States Code, or under a State program that
 2 provides continuation coverage comparable to such continu-
 3 ation coverage.

4 (3) GROUP HEALTH PLAN.—The term “group health
 5 plan” has the meaning given such term in section 9832(a)
 6 of the Internal Revenue Code of 1986.

7 (4) STATE.—The term “State” includes the District of
 8 Columbia, the Commonwealth of Puerto Rico, the Virgin
 9 Islands, Guam, American Samoa, and the Commonwealth
 10 of the Northern Mariana Islands.

11 **Subtitle C—Additional Assistance for**
 12 **Temporary Health Insurance Cov-**
 13 **erage**

14 **SEC. 221. OPTIONAL TEMPORARY MEDICAID COVERAGE**
 15 **FOR CERTAIN UNINSURED EMPLOYEES.**

16 (a) IN GENERAL.—Notwithstanding any other provision of
 17 law, with respect to any month before the ending month, a
 18 State may elect to provide, under its medicaid program under
 19 title XIX of the Social Security Act, medical assistance in the
 20 case of an individual—

21 (1)(A) who has become totally or partially separated
 22 from employment on or after July 1, 2001, and before the
 23 end of such ending month; or

24 (B) whose hours of employment have been reduced on
 25 or after July 1, 2001, and before the end of such ending
 26 month;

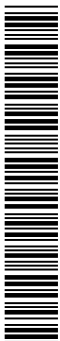
27 (2) who is not eligible for COBRA continuation cov-
 28 erage; and

29 (3) who is uninsured.

30 (b) LIMITATION OF PERIOD OF COVERAGE.—Assistance
 31 under this section shall end with respect to an individual on the
 32 earlier of—

33 (1) the date the individual is no longer uninsured; or

34 (2) 12 months after the date the individual is first de-
 35 termined to be eligible for medical assistance under this
 36 section.



1 (c) SPECIAL RULES.—In the case of medical assistance
2 provided under this section—

3 (1) the Federal medical assistance percentage under
4 section 1905(b) of the Social Security Act shall be the en-
5 hanced FMAP (as defined in section 2105(b) of such Act);

6 (2) a State may elect to apply alternative income,
7 asset, and resource limitations and the provisions of section
8 1916(g) of such Act, except that in no case shall a State
9 cover individuals with higher family income without cov-
10 ering individuals with a lower family income;

11 (3) such medical assistance shall not be provided for
12 periods before the date the individual becomes uninsured;

13 (4) a State may elect to make eligible for such assist-
14 ance a spouse or children of an individual eligible for med-
15 ical assistance under paragraph (1), if such spouse or chil-
16 dren are uninsured;

17 (5) individuals eligible for medical assistance under
18 this section shall be deemed to be described in the list of
19 individuals described in the matter preceding paragraph (1)
20 of section 1905(a) of such Act; and

21 (6) the Secretary of Health and Human Services shall
22 not count, for purposes of section 1108(f) of the Social Se-
23 curity Act, such amount of payments under this section as
24 bears a reasonable relationship to the average national pro-
25 portion of payments made under this section for the 50
26 States and the District of Columbia to the payments other-
27 wise made under title XIX for such States and District.

28 (d) DEFINITIONS.—For purposes of this subtitle:

29 (1) UNINSURED.—The term “uninsured” means, with
30 respect to an individual, that the individual is not covered
31 under—

32 (A) a group health plan (as defined in section
33 2791(a) of the Public Health Service Act),

34 (B) health insurance coverage (as defined in sec-
35 tion 2791(b)(1) of the Public Health Service Act), or



1 (C) a program under title XVIII, XIX, or XXI of
2 the Social Security Act, other than under such title
3 XIX pursuant to this section.

4 For purposes of this paragraph, such coverage under sub-
5 paragraph (A) or (B) shall not include coverage consisting
6 solely of coverage of excepted benefits (as defined in section
7 2791(c) of the Public Health Service Act).

8 (2) COBRA CONTINUATION COVERAGE.—The term
9 “COBRA continuation coverage” means coverage under a
10 group health plan provided by an employer pursuant to
11 title XXII of the Public Health Service Act, section 4980B
12 of the Internal Revenue Code of 1986, part 6 of subtitle
13 B of title I of the Employee Retirement Income Security
14 Act of 1974, or section 8905a of title 5, United States
15 Code.

16 (3) STATE.—The term “State” has the meaning given
17 such term for purposes of title XIX of the Social Security
18 Act.

19 (4) ENDING MONTH.—The term “ending month”
20 means the last month that begins before the date that is
21 1 year after the date of the enactment of this Act.

22 (e) EFFECTIVE DATE.—This section shall take effect upon
23 its enactment, whether or not regulations implementing this
24 section are issued.

25 (f) LIMITATION ON ELECTION.—A State may not elect to
26 provide coverage under this section unless the State elects to
27 provide coverage under section 222.

28 **SEC. 222. OPTIONAL TEMPORARY COVERAGE FOR UN-**
29 **SUBSIDIZED PORTION OF COBRA CONTINU-**
30 **ATION PREMIUMS.**

31 (a) IN GENERAL.—Notwithstanding any other provision of
32 law, with respect to COBRA continuation coverage provided for
33 any month through the ending month, a State may elect to pro-
34 vide payment of the unsubsidized portion of the premium for
35 COBRA continuation coverage in the case of any individual—



1 (1)(A) who has become totally or partially separated
2 from employment on or after July 1, 2001, and before the
3 end of the ending month; or

4 (B) whose hours of employment have been reduced on
5 or after July 1, 2001, and before the end of such ending
6 month; and

7 (2) who is eligible for, and has elected coverage under,
8 COBRA continuation coverage.

9 (b) LIMITATION OF PERIOD OF COVERAGE.—Premium as-
10 sistance under this section shall end with respect to an indi-
11 vidual on the earlier of—

12 (1) the date the individual is no longer covered under
13 COBRA continuation coverage; or

14 (2) 12 months after the date the individual is first de-
15 termined to be eligible for premium assistance under this
16 section.

17 (c) FINANCIAL PAYMENT TO STATES.—A State providing
18 premium assistance under this section shall be entitled to pay-
19 ment under section 1903(a) of the Social Security Act with re-
20 spect to such assistance (and administrative expenses relating
21 to such assistance) in the same manner as such State is enti-
22 tled to payment with respect to medical assistance (and such
23 administrative expenses) under such section, except that, for
24 purposes of this subsection, any reference to the Federal med-
25 ical assistance percentage shall be deemed a reference to the
26 enhanced FMAP (as defined in section 2105(b) of such Act).
27 The provisions of subsection (c)(6) of section 221 shall apply
28 with respect to this section in the same manner as it applies
29 under such section.

30 (d) UNSUBSIDIZED PORTION OF PREMIUM FOR COBRA
31 CONTINUATION COVERAGE.—For purposes of this section, the
32 term ‘unsubsidized portion of premium for COBRA continu-
33 ation coverage’ means that portion of the premium for COBRA
34 continuation coverage for which there is no financial assistance
35 available under 211.



1 (e) EFFECTIVE DATE.—This section shall take effect upon
2 its enactment, whether or not regulations implementing this
3 section are issued.

4 (f) LIMITATION ON ELECTION.—A State may not elect to
5 provide coverage under this section unless the State elects to
6 provide coverage under section 221.

7 **TITLE III—FREEZE OF TOP INDIVIDUAL INCOME TAX RATE AND**
8 **DOMESTIC SECURITY TRUST**
9 **FUND**
10

11 **SEC. 301. FREEZE OF TOP INDIVIDUAL INCOME TAX**
12 **RATE AND DOMESTIC SECURITY TRUST**
13 **FUND.**

14 (a) FREEZE OF TOP INDIVIDUAL INCOME TAX RATE.—
15 Paragraph (2) of section 1(i) (relating to reductions in rates
16 after June 30, 2001) is amended—

17 (A) by striking “37.6” and inserting “38.6”, and

18 (B) by striking “35.0” and inserting “38.6”.

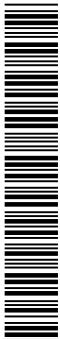
19 (b) DOMESTIC SECURITY TRUST FUND.—Subchapter A of
20 chapter 98 (relating to trust fund code) is amended by adding
21 at the end the following new section:

22 **“SEC. 9511. DOMESTIC SECURITY TRUST FUND.**

23 “(a) CREATION OF TRUST FUND.—There is established in
24 the Treasury of the United States a trust fund to be known
25 as the ‘Domestic Security Trust Fund’, consisting of such
26 amounts as may be transferred or credited to the Trust Fund
27 as provided in this section and section 9602(b).

28 “(b) TRANSFERS TO FUND.—There are hereby transferred
29 from the General Fund of the Treasury to the Domestic Secu-
30 rity Trust Fund so much of the additional amounts received in
31 the Treasury by reason of the amendment made by section
32 301(a) of the Fiscal Stimulus and Worker Relief Act of 2001
33 (relating to freeze in top individual income tax rate) as does
34 not exceed the sum of—

35 “(1) \$32,000,000,000, plus



1 “(2) the amount determined by the Secretary to be
2 necessary to pay the interest on any repayable advance
3 made to the Trust Fund.

4 “(c) EXPENDITURES.—Amounts in the Domestic Security
5 Trust Fund shall be available, as provided by appropriation
6 Acts, for purposes of making the following expenditures to the
7 extent such expenditures are hereafter authorized by law:

8 “(1) \$7,000,000,000 for domestic economic develop-
9 ment programs.

10 “(2) \$25,000,000,000 for programs to significantly
11 enhance safety and security of transportation systems, fa-
12 cilities, and environmental protection, including the emer-
13 gency management systems and emergency response train-
14 ing.

15 “(d) REPAYABLE ADVANCES.—

16 “(1) IN GENERAL.—If amounts in the Trust Fund are
17 not sufficient for the purposes of subsection (c), the Sec-
18 retary shall transfer from the General Fund of the Treas-
19 ury to the Trust Fund such additional amounts as may be
20 necessary for such purposes. Such amounts shall be trans-
21 ferred as repayable advances.

22 “(2) REPAYMENT OF ADVANCES.—

23 “(A) IN GENERAL.—Advances made to the Trust
24 Fund shall be repaid, and interest on such advances
25 shall be paid, to the General Fund of the Treasury
26 when the Secretary determines that moneys are avail-
27 able for such purposes in the Trust Fund.

28 “(B) RATE OF INTEREST.—Interest on advances
29 made to the Trust Fund shall be at a rate determined
30 by the Secretary of the Treasury (as of the close of the
31 calendar month preceding the month in which the ad-
32 vance is made) to be equal to the current average mar-
33 ket yield on outstanding marketable obligations of the
34 United States with remaining periods to maturity com-
35 parable to the anticipated period during which the ad-
36 vance will be outstanding and shall be compounded an-
37 nually.”.



1 (c) CLERICAL AMENDMENT.—The table of sections for
2 subchapter A of chapter 98 is amended by adding at the end
3 the following new item:

 “Sec. 9511. Domestic security trust fund.”.

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

