



Legislative Bulletin.....March 6, 2003

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H.R. 13 — The Museum and Library Services Act of 2003 (Hoekstra)

Order of Business: H.R. 13 is scheduled for consideration on Thursday, March 6th, under a unanimous consent agreement. Under the UC agreement, the bill will be debated for one hour, equally divided between the majority and minority, with no amendments or motion to recommit.

Summary: H.R. 13 reauthorizes the Museum and Library Services Act (MLSA, P.L. 104-208). MLSA created the Institute of Museum and Library Services (IMLS), an independent federal agency that provides grant funding to libraries and museums through the Library Services and Technology Act and the Museum Services Act.

IMLS currently administers four grant programs for libraries (grants to State Library Agencies, Native American Library Services, Native Hawaiian Library Services, and National Leadership Grants for Libraries) and five grant programs for museums (General Operating Support, Museum Assessment Program, Conservation Project Support, Conservation Assessment Program, and National Leadership Grants for Museums).

H.R. 13 makes a variety of changes to current law including:

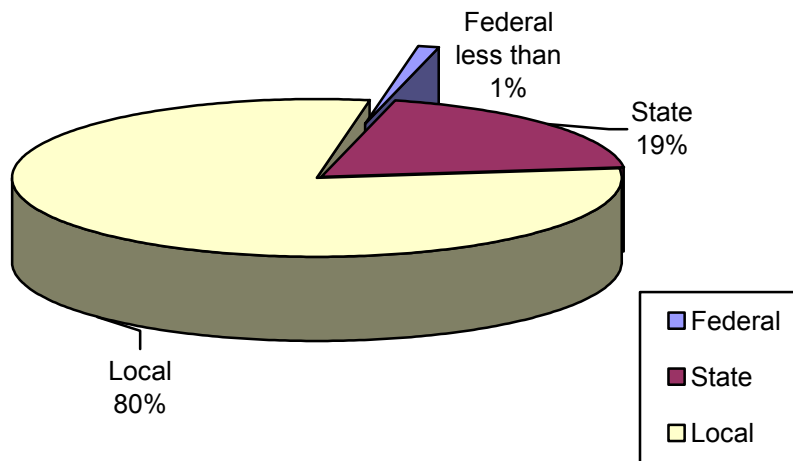
- Requiring the Director of IMLS to ensure that library activities are coordinated with activities conducted through the Improving Literacy Through School Libraries Program authorized in the No Child Left Behind Act of 2001;
- Increasing peer review of grant applications;
- Prohibiting grants to projects that are determined to be obscene under regulations and policies developed by the Director of IMLS;
- Eliminating General Operating Support grants;
- Eliminating advisory duties in current law for the National Commission on Libraries and Information Science and consolidating those duties under the existing Museum Services Board, which will expand to include library services;

- Increasing the federal administrative set-aside under the Library Services and Technology Act from 3 percent to 3.5 percent to allow for an annual analysis of the impact of museum and library services;
- Increasing the minimum state library grant allotment from \$340,000 to \$680,000. A hold harmless provision ensures that no state will receive less funding than was received in fiscal year 2003;
- Expanding the definition of “museum” to include aquariums, arboretums, botanical gardens, art museums, children’s museums, general museums, historic houses and sites, history museums, nature centers, natural history and anthropology museums, planetariums, science and technology centers, specialized museums and zoological parks;
- Authorizing greater collaboration between museums, libraries, schools and other community organizations;
- Increasing authorization levels from \$150 million and such sums to \$210 million and such sums for the Library Services and Technology Act (LSTA) (the Administration’s FY04 budget requested \$208 million for LSTA and the FY03 Omnibus provided \$180 million);
- Increasing authorization levels from \$28.7 million and such sums to \$35 million and such sums for Museum Services (the Administration’s FY04 budget requested \$34 million for Museum Services and the FY03 Omnibus provided \$28.6 million); and
- Removing references to museum and library construction.

Additional Background: IMLS was created in 1996 as part of the Omnibus Consolidated Appropriations Act. The Senate legislation to establish IMLS was sponsored by Senator Jim Jeffords. There was no similar House legislation.

Funding for Public Libraries:

Source: American Library Association



Committee Action: H.R. 13 was referred to the House Committee on Education and the Workforce, but was not considered. Legislation similar to H.R. 13 (H.R. 3784) passed the Committee in the 107th Congress by voice vote.

Cost to Taxpayers: H.R. 13 authorizes \$245 million in spending for IMLS in FY04 with such sums for the following years (through FY09). The Congressional Budget Office estimates that H.R. 13 will cost \$1.3 billion over the 2004-2009 period. **This authorization level and CBO estimate do not take into account the traditional earmarks that have been included in annual appropriations bills for museums and libraries. In the FY03 Omnibus, such earmarks totaled more than \$35 million and included funds for the National Baseball Hall of Fame and Museum, the National Cowgirl Museum and Hall of Fame, and the Please Touch Museum.**

Does the Bill Create New Federal Programs or Rules?: The bill reauthorizes and makes changes to the Institute for Museum and Library Services, as described above.

Constitutional Authority: The Education and the Workforce Committee, in House Report 108-16, cites constitutional authority under Article I, Section 8, Clause 1.

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H.R. 878—Armed Forces Tax Fairness Act (Thomas)

Order of Business: The bill is scheduled to be considered on Thursday, March 6th, under a closed rule (H.Res. 126).

A self-executing amendment in the rule would impose a moratorium on any corporate inversions from March 4, 2003, until December 31, 2004. In addition, the amendment includes findings that explain that is the excessively burdensome U.S. tax code (particularly when compared to the tax codes of other countries) that it is forcing companies to invert. The amendment also expresses the sense of Congress that passage of legislation fixing the underlying problems in our tax code (that cause companies to invert) is essential and should be completed as soon as possible.

Summary: The original portion of H.R. 878 would amend the Internal Revenue Code to:

- 1) Alter how capital gains taxes are computed for homes of Armed Services and Foreign Service members and their spouses, if the members are serving on qualified extended duty at least 150 miles away from their principal residence. Currently, a homeowner is exempt from capital gains taxes if he sells one home and he had lived in it for a total of two out of the last five years. The bill would essentially suspend the five-year timeline if the serviceman is away for a period in excess of 180 days. In other words, when the home is sold, the home still must have been the primary residence for a *total* of 2 years, but not necessarily in the past 5 consecutive years.
- 2) Provide complete tax-free treatment of death gratuity payments paid to survivors of members of the armed services, starting with deaths after September 10, 2001. (Currently, only half of a death gratuity payment is tax-free.)

- 3) Exempt from the personal income tax amounts received under the DOD Homeowners Assistance Program (regarding drops in home values due to military base realignments).
- 4) Expand combat-zone tax-filing rules to cover contingency operations.
- 5) Expand tax-exempt status for organizations of the lineal descendants of veterans.
- 6) Treat service academy appointments as scholarships for purposes of qualified tuition programs and Coverdell Education Savings Accounts.
- 7) Suspend the tax-exempt status of terrorist organizations (as identified by the Executive Branch) as long as such organizations are identified as such. The ability for taxpayers to deduct contributions to such organizations would also be suspended.
- 8) Establish a new above-the-line tax deduction (beginning with tax-year 2003) of up to \$500 for travel expenses incurred by National Guard and Reserve members while more than 100 miles from home on official business.

The bill clarifies that Social Security would remain unaffected by any provision in this legislation.

In committee mark-up, additional provisions were added to:

- Extend to Peace Corps members the capital gains exclusion from the underlying bill;
- Strengthen the current individual expatriation rules by providing objective, rather than the current-law subjective rules, for determining whether an individual who renounces his U.S. citizenship or long-term residency is subject to the individual expatriation alternate tax regime;
- Extend Victims Tax Relief Act benefits to astronauts who die in the line of duty;
- Adjust farmer coop dividend allocation;
- Loosen certain requirements for the health insurance tax credit;
- Allow non-resident aliens to bet on U.S. horse racing;
- Give the Evergreen Forest Trust access to tax-exempt bonds (under a pilot program) to buy a 104,000-acre parcel of land adjacent to Seattle;
- Ease capital gains rules for timber sales by the owners of land on which timber is cut;
- Lower the diesel fuel tax rate (from 24.3 cents to 19.7 cents a gallon) on diesel-water emulsions;
- Repeal the 10% excise tax on fishing tackle boxes (a similar tax is not currently imposed on non-tackle utility boxes that are virtually identical to fishing tackle boxes);
- Ensure that farmers are not hit by the Alternative Minimum Tax (AMT) if they elect income averaging;
- Extend the reinvestment period for livestock due to drought;
- Add Hepatitis A to the list of taxable vaccines and allow the “Orphan Drug Tax Credit” to be claimed as soon as an FDA application for “orphan” designation has been filed (rather than after the FDA actually grants such designation);

- Allow cooperatives to pay dividends on capital stock without the dividends reducing net earnings eligible for certain dividend deduction benefits;
- Incorporate publicly-traded real estate debt into the “at-risk” rules for real estate financing; and
- Impose an excise tax on completed arrows imported into the U.S. and to reduce the excise tax on bows weighing less than 30 pounds. Under present law, the arrow excise tax is imposed only on arrow components—completed arrows are not subject to the tax. As a result, the tax can be avoided if arrows are assembled overseas and imported into the United States. This puts domestic manufacturers at a competitive disadvantage.

Additional Background: The original portion of the Armed Forces Tax Fairness Act incorporates similar provisions passed by the House as H.R. 5063 on July 9, 2002, by a vote of 413-0. The distance-from-home provision was 250 miles last year, while it is 150 miles this year.

Committee Action: The House Ways & Means Committee marked up the bill on February 27, 2003, and reported favorably an amended version (reflected in the above summary).

Cost to Taxpayers: The Joint Committee on Taxation estimated that H.R. 878 (as amended) would save taxpayers **\$74 million** in FY2003 and **\$259 million** over the FY2003-FY2007 period.

Does the Bill Create New Federal Programs or Rules?: The bill would make clarifications and changes to the Internal Revenue Code, as detailed above.

Constitutional Authority: Though House Report 108-23 citing constitutional authority is not yet available, Article I, Section 8, Clause 1 of the Constitution grants Congress the “power to lay and collect taxes, duties, imposts and excises....” Additionally, the 16th Amendment grants Congress the “power to lay and collect taxes on incomes, from whatever source derived....”

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