SUMMARIES OF PUBLIC AND PRIVATE BILLS AND RESOLUTIONS ON WHICH ACTION WAS TAKEN BY COMMITTEE—IN NUMERICAL ORDER

H.R. 3 (Mr. Thomas with cosponsors); passed the House Mar. 8, 2001.

H.R. 3, Economic Growth and Tax Relief Act of 2001, was ordered reported, amended, from the Committee on Ways and Means on Mar. 1, 2001, by a vote of 23-15. The bill was reported to the House, amended, on Mar. 6, 2001 (H. Rept. 107-7). H.R. 3 passed the House on Mar. 8 2001, by a recorded vote of 230-198.

The bill would create a new low-rate income tax bracket by reducing the current 15 percent tax rate on the first $12,000 of taxable income for couples and $6,000 of taxable income for singles. A new 12 percent rate would apply retroactively to the beginning of 2001 and for 2002. The rate would be reduced to 11 percent in 2003 through 2005 and to 10 percent in 2006. The taxable income levels for the new low-rate bracket would be adjusted annually for inflation beginning in 2007.

In accordance with the income tax rate reductions in President Bush's plan, the bill would reduce other income tax rates and consolidate rate brackets. By 2006, the present-law structure of five income tax rates (15 percent, 28 percent, 31 percent, 36 percent and 39.6 percent) would be reduced to four rates (10 percent, 15 percent, 25 percent, and 33 percent). The 39.6 percent rate would be reduced to 38 percent in 2002, 37 percent in 2003, 36 percent in 2004, 35 percent in 2002 and 2003, 34 percent in 2004 and 2005, and 33 percent in 2006. The 31 percent bracket would be reduced to 30 percent in 2002, 29 percent in 2003, 28 percent in 2004, 27 percent in 2005, and 25 percent in 2006. The 28 percent bracket would be reduced to 27 percent in 2002 and 2003, 26 percent in 2004 and 2005, and 25 percent in 2006.

The bill would begin to address the growing problem of the alternative minimum tax by repealing the current-law provisions that offset the refundable child credit and the earned income credit by the amount of the alternative minimum tax.

The bill would provide that the long-term financial condition of the Social Security and Medicare Trust Funds would not be affected by the underlying bill.

H.R. 4 (Mr. Tauzin with cosponsors); passed Senate Apr. 25, 2002.

H.R. 4, Securing America's Future Energy Act of 2002, was introduced on July 27, 2001, and incorporated recommendations from the committees of jurisdiction, i.e., Committee on Ways and Means, H.R. 2511; Committee on Energy and Commerce, H.R. 2587; Science Committee, H.R. 2460. H.R. 4 passed the House, amended, on Aug. 2, 2001, by a vote of 240-189. H.R. 4, passed the Senate, after striking all after the enacting clause and inserting in lieu thereof the text of S. 517, as amended, by a vote of 88-11, on Apr. 25, 2002. The Senate insisted on its amendments, and requested a conference. The House disagreed to the Senate amendment and agreed to a conference on June 12, 2002.

For a summary of the provisions under the jurisdiction of the Committee on Ways and Means, see the summary in this section for H.R. 2511 as reported by the Committee.

H.R. 6 (Mr. Weller with cosponsors); passed the House Mar. 29, 2001.

H.R. 6, Marriage Penalty and Family Tax Relief Act of 2001, was ordered reported, with an amendment in the nature of a substitute, from the Committee on Ways and Means on Mar. 22, 2001, by a vote of 23-16. The bill was reported to the House, amended, on Mar. 27, 2001 (H. Rept. 107-29). H.R. 6 passed the House, amended, on Mar. 29, 2001, by a vote of 282-144.

H.R. 6 would lessen the impact of the marriage penalty by: (1) Increasing the basic standard deduction for a married couple filing a joint return to twice the basic standard deduction for an unmarried individual filing a single return, effective in 2002. (2) Setting the 15 percent income tax rate bracket for a married couple filing a joint return at twice the size of the corresponding rate bracket for an unmarried individual filing a single return. The increase would be phased-in over six years beginning in 2004, and would be fully effective beginning in 2009. (3) Increasing the earned income amount used to calculate the earned income credit for a married couple filing a joint return to 110 percent of the earned income amount for all other taxpayers eligible for the earned income credit, effective in 2002. (4) Increasing the alternative minimum tax exemption amount for a married couple filing a joint return from $45,000 to $46,000 in 2005, to $46,500 in 2006, to $47,000 in 2008, and by an additional $500 in every even numbered year thereafter.

The bill would enhance the child credit by: (1) Increasing the child tax credit from $500 to $1,000, phased in over six years as follows: the child tax credit would be $600 in 2001 and 2002, $700 in 2003, $800 in 2004, $900 in 2005, and $1,000 in 2006 and thereafter. (2) Extending the present-law refundability of the child tax credit (which applies to families with three or more children) to families with fewer than three children. (3) Allowing the child tax credit to apply to the extent of the full amount of an individual's regular income tax and alternative minimum tax, and repealing the current-law provision that offsets the refundable child credit and the earned income credit by the amount of alternative minimum tax.

The bill would simplify the earned income credit by excluding nontaxable earned income amounts from the definition of earned income.

H.R. 7 (Mr. Watts with cosponsors); passed the House July 19, 2001.

H.R. 7, Community Solutions Act of 2001, was ordered reported, with an amendment in the nature of a substitute, from the Committee on Ways and Means on July 11, 2001, by a vote of 23-16. The bill was reported to the House on July 16, 2001 (H. Rept. 107-138, pt. 2). H.R. 7 passed the House, amended, on July 19, 2001, by a vote of 233-198. The Senate Finance Committee reported H.R. 7, with an amendment in the nature of a substitute, July 16, 2002 (S.Rept. 107-211).

The bill would provide over $13 billion in tax relief over 10 years. The bill would provide incentives for charitable contributions by individuals and businesses by:

-- Allowing taxpayers who do not itemize deductions to have a deduction from adjusted gross income for charitable contributions paid in cash. The maximum deduction would be phased-in as follows: $25 ($50 in the case of a joint return) in 2002 and 2003; $50 ($100 in the case of a joint return in 2004 through 2006; $75 ($150 in the case of a joint return) in 2007 through 2009; and $100 ($200 in the case of a joint return) in 2010 and thereafter.

-- Providing an exclusion from gross income for otherwise taxable withdrawals from traditional or Roth IRAs that are made for charitable provisions.

-- Increasing the percentage limitation on corporate charitable contributions from 10 percent to 15 percent of modified taxable income. The increase would be phased-in over nine years, starting in taxable years beginning after Dec. 31, 2001.

-- Allowing all trades or businesses, not just C corporations, to be eligible for an enhanced deduction for donations of food inventory, and clarifying the valuation rules that apply to such donations.

-- Modifying the excise tax on the net investment income of private foundations by replacing the two rates of tax under present law with a single rate of tax, and setting the single rate at one percent.

-- Imposing a 100 percent excise tax on the unrelated business taxable income of a charitable remainder trust, instead of removing the income exemption of such a trust for any year in which the trust has an unrelated business taxable income.

-- Modifying the self-constructed property rule that applies to certain charitable contributions of scientific property used for research and computer technology and equipment.

-- Allowing shareholders in an S corporation to increase their basis in their S corporation shares to permit them to take a full charitable deduction for charitable contributions by the S corporation.

OTHER PROVISIONS

The bill would also increase the authorization for the Assets for Independence Act matched savings program, which supports the creation and funding of Individual Development Accounts or IDAs for low-income working families. Under the provisions approved by the Committee, funding for this program would rise from $25 million to $50 million per year beginning in FY 2002, and funds would be available through FY 2008 (rather than only through FY 2003 as under current law).

The bill would also make certain other changes to the program consistent with its extension and additional funding, including: (1) Allowing additional federally-insured credit unions to serve as eligible grant applicants to operate IDA projects; (2) Replacing the current lifetime limit on individual and household receipt of Federal matching grants with an annual limit of up to $500 in Federal matching grants per individual; and (3) Making certain other technical and conforming changes.

The Assets for Independence Act program created in 1998 and amended in 2000, provides demonstration grant funds to nonprofit or governmental organizations, community-development banks, and certain credit unions to operate IDA projects to benefit low-income working families. Individuals may use accumulated savings toward the purchase of a first home, to finance a post-secondary education, or to support a small business enterprise. Individuals participating in Assets for Independence IDA projects may receive between $1 and $8 dollars in matching grants for every dollar they contribute.

H.R. 8 (Ms. Dunn with cosponsors); passed House Apr. 4, 2001.

H.R. 8, the Death Tax Elimination Act of 2001, was ordered reported, with an amendment in the nature of a substitute offered by the Chairman, on Mar. 29, 2001, by a vote of 24-14. On Apr. 3, 2001, the bill was reported to the House amended (H.Rept. 107-37). On Apr. 4, 2001, the bill passed the House, amended, by a vote of 274-154.

H.R. 8 would provide $192.8 billion in tax relief over 10 years. The bill would reduce the estate, gift, and generation-skipping transfer tax rates beginning in 2002, and would fully repeal the taxes beginning in 2011. In 2002, the bill would eliminate the top tax rate of 55 percent, eliminate the 5 percent add-on that takes away the benefit of graduated rates for estates over $10 million, and convert the unified credit into a true exemption so that the first dollar of tax is paid at the lowest tax rate. In 2003, the bill would eliminate tax rates above 50 percent. In 2004-2006, the bill would reduce tax rates across-the-board by one percentage point per year. In 2007-2010, the bill would reduce tax rates across-the-board by two percentage points per year.

During the period from 2002-2010 in which the Federal estate and gift tax rates are being reduced, the bill would reduce the State death tax credit proportionately. The bill would also provide that the lowest Federal estate and gift tax rate and the highest Federal estate and gift tax rate cannot be reduced below the highest Federal income tax rate.

In 2011, the bill would fully repeal the gift, estate, and generation-skipping transfer taxes. The bill would also provide that, starting in 2011, carryover basis apply to property transferred at death, except that additional basis applies to $1.3 million of property, plus $3 million of spousal property. The bill would also provide that the $1.3 million and $3 million amounts are adjusted annually for inflation after 2011, and that the basis of each interest in property cannot be increased above the fair market value of the property at death.

The bill would simplify the rules for the generation-skipping transfer tax, expand the present-law estate tax conservation easement exclusion, and expand the present-law election to pay estate tax in installment payments.

The bill would prevent income tax avoidance schemes and promote compliance with the new basis rules.

H.R. 10 (Mr. Portman with cosponsors); Public Law 107-90; app. Dec. 21, 2001.

H.R. 10, Comprehensive Retirement Security and Pension Reform Act of 2001, was ordered reported, with an amendment in the nature of a substitute, from the Committee on Ways and Means on Apr. 25, 2001, by a vote of 35-6. On May 1, 2001, the Committee reported the bill, amended, to the House (H.Rept. 107-51, pt. 1). The Education and Workforce Committee reported the bill, amended, on May 1, 2001 (H.Rept. 107-51, pt. 2). The rule (H.Res. 127) under which the bill was considered provided for a substitute amendment. The substitute amendment was recommended by the Committee on Ways and Means and the Education and Workforce Committee, which made in order the amendment as the base text of the bill. The substitute amendment combined the two reported versions into a single version. H.R. 10 passed the House, amended, by a vote of 407-24, on May 2, 2001. The provisions of H.R. 10 were incorporated into H.R. 1836, Economic Growth and Tax Relief Reconciliation Act, which became Public Law 107-16.

H.R. 10 passed the Senate, with amendments, on Dec. 5, 2001, by a vote of 90-9. The amendments were in the nature a substituee which consisted of the same provisions as the House passed version of H.R. 1140, the Railroad Retirement and Survivor's Improvement Act. On Dec. 11, 2001, the House agreed to the Senate's amendments to H.R. 10 by a vote of 369 yeas, 33 nays. H.R. 10 was signed into law by the President on Dec. 21, 2001, as P.L. 107-90.

Below is a summary of the pension provisions contained in H.R. 10, which was incorporated into the Economic Growth and Tax Relief Reconciliaiton Act.

The current-law $2,000 Individual Retirement Accounts (IRAs) contribution limit would be increased to $5,000 ($3,000 in 2002, $4,000 in 2003, and $5,000 in 2004), and indexed thereafter. Taxpayers age 50 and above would be permitted to contribute $5,000 to an IRA immediately beginning in 2002 (no phase-in would apply). These "catch-up" contributions would enable older taxpayers to more fully prepare for retirement.

The bill contains over 50 other provisions designed to improve retirement security. The package would permit: (1) Increased contribution, benefit, and deduction limits in tax-favored retirement plans (including phasing in an increase in the limit on salary reduction contributions to 401(k)-type plans to $15,000), (2) $5,000 "catchup" contributions to 401(k)-type plans for workers age 50 and above, (3) Shortened vesting requirements for employer matching contributions, (4) Increased portability of retirement plan assets making it easier for employees to roll over assets when they change jobs, (5) A simplified pension system to encourage small businesses to offer pension plans, and (6) Dividends to be retained in Employee Stock Ownership Plans without loss of the dividend deduction.

H.R. 10, Railroad Retirement and Survivors' Improvement Act

H.R. 10, in its original form, was received in the Senate on May 3, 2001. On Nov. 27, 2001, a motion to proceed to consideration of H.R. 10 in the Senate, with an amendment in the nature of a substitute, was made. The substitute amendment deleted all language of H.R. 10, except the number, and substituted a bill to modernize the financing of the railroad retirement system and to provide enhanced benefits to employees and beneficiaries. On Dec. 5, 2001, H.R. 10, the Senate version, passed the Senate, amended, by a vote of 90-9. On Dec. 11, 2001, the House agreed to the Senate amendments and passed H.R. 10, under suspension of the rules, by a vote of 369-33. H.R. 10 was signed into law by the President on Dec. 21, 2001, as P.L. 107-90. A summary of P.L. 107-90 follows:

H.R. 10, the Railroad Retirement and Survivors' Improvement Act of 2001, amends the Railroad Retirement Act of 1974 to increase benefits to railroad employees and their beneficiaries and to revise financing of the pension part (tier II) of the railroad retirement system. The Act provides for a guaranteed initial minimum amount for surviving spouses of deceased railroad employees. The amount is based on the tier I and tier II benefit that would have been payable to the employee at the time of the award of the surviving spouse's annuity.

The Act repeals the reduction in tier I annuity components for employees and spouses prior to age 62, thus providing for full tier I annuities to employees at age 60 with 30 years of service and to spouses of employees with 30 years of service at age 60. In addition, the Act reduces from ten to five years of service (after 1995) the vesting requirement for railroad retirement benefits for employees and survivors. The Act sets forth computation formulas for individual annuities through railroad retirement and Social Security benefit systems.

The Act repeals a maximum limit on annuity benefits payable to an employee and spouse under the railroad retirement system. The Act establishes a Railroad Retirement Trust Fund (the Fund) and a National Railroad Retirement Investment Trust (the Trust) to manage and invest Fund assets. In addition, the Act abolishes the Railroad Retirement Supplemental Annuity Account and provides for transfer of its funds to the Fund. It provides for transfer to the Fund of certain portions of the Railroad Retirement Account and of Social Security Equivalent Benefit account funds. The Act transfers to the dispersing agent from the Dual Benefits Payments Account the amount necessary to make dual benefit payments. The Railroad Retirement Board is required to calculate the ratio of assets to benefits to determine annual tier II tax rates for employers, employee representatives, and employees.

The Internal Revenue Code is amended to exempt the Trust from taxation. A supplemental annuity tax that railroad employers pay to finance a benefit for long-time rail employees is repealed. The Act provides for adjustments to tier II tax rates for railroad employers, employee representatives, and employees.

H.R. 586 (Mr. Lewis of Kentucky with cosponsors); passed the Senate Feb. 6, 2002.

H.R. 586, Fairness for Foster Care Families Act of 2001, was ordered reported, with an amendment in the nature of a substitute, from the Committee on Ways and Means on May 9, 2001, by voice vote. On May 15, 2001, the Committee reported the bill, amended, to the House (H.Rept. 107-66). H.R. 586 passed the House, amended, under suspension of the rules by a vote of 420-0, on May 15, 2001. On Feb. 6, 2002, the measure was laid before the Senate by unanimous consent, and passed the Senate, with an amendment in the nature of a substitute to accelerate the effective date for the expansion of the adoption tax credit and adoption assistance, by unanimous consent. A summary of the bill as passed the House follows.

Under current law, families who care for foster children in their homes may receive payments from foster care agencies to help compensate them for the expenses they incur. These payments may be excluded from income if: (1) The payment is made by a State or local agency or a tax-exempt placement agency, and (2) The individual was placed by a State or local agency. Payments from tax-exempt placement agencies may be excluded, but only if the child is under the age of 19 at the time of placement.

The bill would expand the types of foster care payments that are eligible for exclusion. Specifically, the bill would allow the exclusion for foster care payments if the arrangements and payments are made by an agency that is licensed or certified by the State. The bill would also eliminate the age restriction for individuals placed by a tax-exempt agency. The provisions would be effective for taxable years beginning after Dec. 31, 2001.

H.R. 586, Tax Relief Guarantee Act of 2002

H.R. 586, in its original form, passed the House May 15, 2001. The bill passed the Senate, with an amendment on Feb. 6, 2002. On Apr. 18, 2002, the House concurred in the Senate amendment with an amendment. The House amendment strikes all after the enacting clause and inserts the Tax Relief Guarantee Act of 2002. On Apr. 18, 2002, the House agreed with the substitute amendment to the Senate amendment by a vote of 229-198. A summary of the amendment follows.

The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) made a number of changes to the Federal tax laws, including reducing individual tax rates, repealing the estate tax, increasing and expanding various child-related credits, providing tax relief to married couples, providing additional education-related tax incentives, and increasing and expanding various pension and retirement-saving incentives. However, in order to comply with reconciliation procedures under the Congressional Budget Act of 1974, EGTRRA included a "sunset" provision, pursuant to which the provisions of EGTRRA expire at the end of 2010.

The House amendment to the Senate amendment to H.R. 586, would repeal the sunset provision of EGTRRA and thus permanently extend all provisions of EGTRRA that expire at the end of 2010.

The amendment also includes provisions of H.R. 3991, Taxpayer Protection and IRS Accountability Act of 2002. The amendment includes the majority of provisions of H.R. 3991 as reported from the Committee on Ways and Means, with the exception of the revisions of Section 527 organization disclosure provisions. For a summary of those provisions please see the summary contained in this section for H.R. 3991.

H.R. 622 (Mr. DeMint with cosponsors); House agreed to the Senate amendments with amendments Feb. 14, 2002.

H.R. 622, Hope for Children Act, was ordered reported, with an amendment in the nature of a substitute, from the Committee on Ways and Means on May 9, 2001, by voice vote. On May 15, 2001, the Committee reported the bill, amended, to the House (H.Rept. 107-64). H.R. 622 passed the House, amended, by a vote of 420-0, on May 17, 2001. On Jan. 23, 2002, a motion to consider the measure was agreed to in the Senate by voice vote. A Senate amendment, in the nature of a substitute consisting of economic recovery incentives, was considered. The Senate continued to consider economic recovery incentives amendments from Jan. 23, 2002 through Feb. 5, 2002. On Feb. 6, 2002, the Senate agreed to a substitute amendment to provide for a program of temporary extended unemployment compensation and an amendment to the title by unanimous consent. On Feb. 14, 2002, the House agreed to the Senate amendments, with amendments. The House amendments inserted, in lieu there of provisions of the Economic Security and Worker Assistance Act, and further in lieu of the title proposed by the Senate amendment to the bill, the following title was inserted: "An act to provide tax incentives for economic recovery and assistance to displaced workers." The House agreed to the amendments to the Senate amendments by a vote of 225 yeas, 199 nays. For a summary of a description of the House amendments to the Senate amendments, please see the summary for H.R. 3090. Below is a summary of H.R. 622 as passed the House to expand the adoption tax credit.

Under current law, families who adopt children with special needs can claim a tax credit of up to $6,000 to help defray the costs associated with the adoption. The bill would increase the maximum credit to $10,000.

Families who adopt children without special needs may claim a credit of up to $5,000. The credit is set to expire after the end of this year. The bill would increase the maximum credit to $10,000 and extend it permanently.

The bill would allow the tax credit to be applied against the alternative minimum tax so that families are not subject to this tax as a result of claiming the credit.

Current law also provides an exclusion for payments received through an employer-provided adoption assistance program. The maximum exclusion is $5,000 ($6,000 for special needs adoptions), and it is set to expire after the end of this year. The bill would permanently extend the exclusion and increase the maximum exclusion to $10,000. The exclusion and credit cannot be claimed in connection with the same adoption expenses (same as current law).

The current law income phase-out range would increase from $75,000 - $115,000 to $150,000 - $190,000 of modified adjusted gross income. The provisions would be effective for taxable years beginning after Dec. 31, 2001.

H.R. 1619 (Ms. Lofgren); reported to the House Oct. 10, 2002.

H.R. 1619, to increase the limitation on capital losses applicable to individuals, was ordered reported, amended, by a vote of 24-11. The bill was reported, amended, to the House on Oct. 10, 2002 (H.Rept. 107-734).

Under present law, taxpayers can deduct up to $3,000 of net capital losses from their income ($1,500 for married persons filing separately). This amount has not been increased since 1978. H.R. 1619 would adjust the 1978 figures for inflation by increasing the net capital loss limits to $8,250 ($4,125 married persons filing separately). The increased limits also would be indexed for inflation for all years after 2002. The provisions is intended to provide some tax relief to the millions of taxpayers who recently lost money in the stock market.

H.R. 1727 (Mr. Ramstad with cosponsors); Public Law 107-15; app. June 5, 2001.

H.R. 1727, Fallen Hero Survivor Benefit Fairness Act of 2001, was ordered reported, with an amendment in the nature of a substitute, from the Committee on Ways and Means on May 9, 2001, by voice vote. On May 15, 2001, the Committee reported the bill, amended, to the House (H.Rept. 107-65). H.R. 1727 passed the House, amended, under suspension of the rules, by a vote of 419-0, on May 15, 2001. The bill passed the Senate on May 22, 2001, by unanimous consent. H.R. 1727 was signed into law by the President on June 5, 2001, as P.L. 107-15.

Under prior law, annuities paid to survivors of public safety officers who are killed in the line of duty may be excluded from income if the officer died after Dec. 31, 1996. If the officer died before this date, the annuities are taxable.

The Act allows survivor annuities to be excluded from income regardless of when the officer died. The provision applies prospectively to annuity payments received after Dec. 31, 2001.

H.R. 1836 (Mr. Thomas); Public Law 107-16; app. June 7, 2001.

H.R. 1836, Economic Growth and Tax Relief Reconciliation Act of 2001, was introduced on May 15, 2001, and was considered by the House under the provisions of rule H.Res. 142. The bill passed the House on May 16, 2001, by a vote of 230-197. On May 17, 2001, the Senate agreed to an amendment in the nature of a substitute (text of S. 896) offered by Senator Grassley by unanimous consent. The bill passed the Senate, amended, on May 23, 2001, by a vote of 62-38. The Senate insisted on its amendment and asked for a conference on May 23, 2001. The House disagreed to the Senate amendment and agreed to a conference on May 23, 2001. The conference report was filed in the House on May 26, 2001. The House agreed to the conference report on May 26, 2001, by a vote of 240-154. The Senate agreed to the conference report on May 26, 2001, by a vote of 58-33. H.R. 1836 was signed into law by the President on June 7, 2001, as P.L. 107-16.

I. MARGINAL TAX RATE REDUCTIONS

A. Individual Income Tax Rate Structure

New 10-percent rate bracket The Act creates a new 10-percent regular income tax bracket for a portion of taxable income that used to be taxed at 15 percent, effective for taxable years beginning after Dec. 31, 2000. The 10-percent rate bracket applies to the first $5,000 of taxable income for single individuals ($7,000 for 2008 and thereafter), $10,000 of taxable income for heads of households, and $12,000 for married couples filing joint returns ($14,000 for 2008 and thereafter).

Reduction in individual income tax rates The Act also reduces the other regular income tax rates, effective July 1, 2001. The prior law regular income tax rates of 28 percent, 31 percent, 36 percent, and 39.6 percent are phased-down over six years to 25 percent, 28 percent, 33 percent, and 35 percent, effective after June 30, 2001.

Rate reduction credit for 2001 The Act includes a rate reduction credit for 2001 to deliver the benefit of the new 10-percent income tax rate bracket during calendar year 2001. Taxpayers are entitled to a credit in tax year 2001 of 5 percent (the difference between the 15-percent rate and the 10-percent rate) of the amount of income that would otherwise be eligible for the new 10-percent rate. Thus, the maximum credit will be $300 in the case of a single individual, $500 in the case of a head of household, and $600 in the case of a married couple filing a joint return. This credit is in lieu of the 10 percent rate bracket for 2001.

Most taxpayers will receive this credit in the form of a check issued by the Department of the Tresury. It is anticipated that the Department of the Treasury will make every effort to issue all checks before Oct. 1, 2001, to taxpayers who timely filed their 2000 tax returns. Taxpayers who filed late or pursuant to extensions will receive their checks later in the fall.

B. Phase-Out of Itemized Deductions

The Act eliminates the overall limitation on itemized deductions for all taxpayers. The otherwise applicable overall limitation on itemized deductions is reduced by one-third in taxable years beginning in 2006 and 2007, and by two-thirds in taxable years beginning in 2008 and 2009. The provision is fully effective for taxable years beginning after Dec. 31, 2009.

II. TAX BENEFITS RELATING TO CHILDREN

A. Increase and Expand the Child Tax Credit

The Act increases the child tax credit to $1,000, phased-in over 10 years, effective for taxable years beginning after Dec. 31, 2000.

The Act makes the child credit refundable to the extent of 20 percent of the taxpayer's earned income in excess of $10,000 for calendar years 2001-2004. The percentage is increased to 15 percent for calendar years 2005 and thereafter. The $10,000 amount is indexed for inflation beginning in 2002. Families with three or more children are allowed a refundable credit for the amount by which the taxpayer's social security taxes exceed the taxpayer's earned income credit (the prior-law rule), if that amount is greater than the refundable credit based on the taxpayer's earned income in excess of $10,000. The Act provides that the refundable portion of the child credit does not constitute income and shall not be treated as resources for purposes of determining eligibility or the amount or nature of benefits or assistance under any Federal program or any State or local program financed with Federal funds.

The Act provides that the refundable child tax credit will no longer be reduced by the amount of the alternative minimum tax. In addition, the Act allows the child tax credit to the extent of the full amount of the individual's regular income tax and alternative minimum tax.

The provision generally is effective for taxable years beginning after Dec. 31, 2000. The provision relating to allowing the child tax credit against alternative minimum tax is effective for taxable years beginning after Dec. 31, 2001.

B. Extension and Expansion of Adoption Tax Benefits

The Act permanently extends the adoption credit for children other than special needs children. The maximum credit is increased to $10,000 per eligible child, including special needs children. In the case of a special needs adoption, the exclusion is provided regardless of whether the taxpayer has qualified adoption expenses. The beginning point of the income phase-out range is increased to $150,000 of modified adjusted gross income. The Act generally is effective for taxable years beginning after Dec. 31, 2001. The provisions that extend the tax credit and exclusion from income for special needs adoptions regardless of whether the taxpayer has qualified adoption expenses are effective for taxable years beginning after Dec. 31, 2002.

C. Expansion of Dependent Care Tax Credit

The Act increases the maximum amount of eligible employment-related expenses from $2,400 to $3,000, if there is one qualifying individual (from $4,800 to $6,000, if there are two or more qualifying individuals) and increases the maximum credit from 30 percent to 35 percent. The Act modifies the phase-down of the credit so that it begins at $15,000 of adjusted gross income. The provision is effective for taxable years beginning after Dec. 31, 2001.

D. Tax Credit for Employer-Provided Child Care Facilities

Taxpayers receive a tax credit equal to 25 percent of qualified expenses for employee child care and 10 percent of qualified expenses for child care resource and referral services. The maximum total credit that may be claimed by a taxpayer cannot exceed $150,000 per taxable year. The provision is effective for taxable years beginning after Dec. 31, 2001.

III. MARRIAGE PENALTY RELIEF PROVISIONS

A. Standard Deduction Marriage Penalty Relief

The Act increases the basic standard deduction for a married couple filing a joint return to twice the basic standard deduction for an unmarried individual filing a single return. This increase is phased-in over five years beginning in 2005 and will be fully phased-in for 2009 and thereafter.

B. Expansion of the 15-Percent Rate Bracket for Married Couples Filing Joint Returns

The Act increases the size of the 15-percent regular income tax rate bracket for a married couple filing a joint return to twice the size of the corresponding rate bracket for an unmarried individual filing a single return. The increase is phased-in over four years, beginning in 2005.

C. Marriage Penalty Relief and Simplification Relating to the Earned Income Credit

For married taxpayers who file a joint return, the Act increases the beginning and ending of the earned income credit phase-out by $1,000 in the case of taxable years beginning in 2002-2004; by $2,000 in the case of taxable years beginning in 2005-2007; and by $3,000 in the case of taxable years beginning after 2007. The $3,000 amount is to be adjusted annually for inflation after 2008.

The Act simplifies the definition of earned income by excluding nontaxable employee compensation from the definition of earned income for earned income credit purposes. The Act repeals the prior-law provision that reduced the earned income credit by the amount of an individual's alternative minimum tax.

The Act adopts a simplified definition of a child for purposes of the earned income credit and modifies the prior-law tie-breaking rules. The Act also simplifies the calculation of the earned income credit by replacing modified adjusted gross income with adjusted gross income.

The Act authorizes the Internal Revenue Service (IRS), beginning in 2004, to use math error authority to deny the earned income credit if the Federal Case Registry of Child Support Orders indicates that the taxpayer is the noncustodial parent of the child with respect to whom the credit is claimed.

The Act generally is effective for taxable years beginning after Dec. 31, 2001. The provision to authorize the IRS to use math error authority if the Federal Case Registry of Child Support Orders indicates the taxpayer is the noncustodial parent is effective beginning in 2004.

IV. EDUCATION INCENTIVES

A. Modifications to Education IRAs

The Act increases the annual limit on contributions to education IRAs from $500 to $2,000. The Act expands the definition of qualified education expenses that may be paid tax-free from an education IRA to include elementary and secondary school expenses. The Act increases the phase-out range for married taxpayers filing a joint return so that it is twice the range for single taxpayers. Thus, the phase-out range for married taxpayers filing a joint return is $190,000 to $220,000 of modified adjusted gross income.

The Act provides that various age limitations do not apply to special needs beneficiaries.

The Act clarifies that corporations and other entities (including tax-exempt organizations) are permitted to make contributions to education IRAs, regardless of the income of the corporation or entity during the year of the contribution.

The Act allows a taxpayer to claim a HOPE credit or Lifetime Learning credit for a taxable year and to exclude from gross income amounts distributed (both the contributions and the earnings portions) from an education IRA on behalf of the same student as long as the distribution is not used for the same educational expenses for which a credit was claimed.

The Act provides that a transfer of credits (or other amounts) from one qualified tuition program for the benefit of a designated beneficiary to another qualified tuition program for the benefit of the same beneficiary is not considered a distribution. This rollover treatment does not apply to more than one transfer within any 12-month period with respect to the same beneficiary.

The Act eliminates the prior-law penalty on distributions not used for higher education expenses and instead applies the same additional tax that applies to education IRAs. The Act provides that assets of qualified tuition plans of private institutions must be held in trust.

The provisions are effective for taxable years beginning after Dec. 31, 2001, except that the exclusion from gross income for certain distributions from a qualified tuition program established and maintained by an entity other than a State (or agency or instrumentality thereof) is effective for taxable years beginning after Dec. 31, 2003.

B. Exclusion for Employer-Provided Educational Assistance

The Act extends the exclusion for employer-provided educational assistance to graduate education and makes the exclusion (as applied to both undergraduate and graduate education) permanent, effective with respect to courses beginning after Dec. 31, 2001.

C. Modifications to Student Loan Interest Deduction

The Act increases the income phase-out ranges for eligibility for the student loan interest deduction from $50,000 to $65,000 for single taxpayers and $100,000 to $130,000 for married taxpayers filing joint returns. These income phase-out ranges are adjusted annually for inflation after 2002. The Act repeals both the limit on the number of months during which interest paid on a qualified education loan is deductible and the restriction that voluntary payments of interest are not deductible. The provision is effective for interest paid on qualified education loans after Dec. 31, 2001.

D. Eliminate Tax on Awards Under the National Health Service Corps Scholarship Program and the F. Edward Hebert Armed Forces Health Professions Scholarship and Financial Assistance Program

The Act provides that amounts received by an individual under the National Health Service Corps Scholarship Program or the Armed Forces Scholarship Program are eligible for tax-free treatment as scholarships under section 117, without regard to a service obligation by the recipient. As with other qualified scholarships under section 117, the tax-free treatment does not apply to amounts received by students for regular living expenses, including room and board. The provision is effective for education awards received after Dec. 31, 2001.

E. Tax Benefits for Certain Types of Bonds for Educational Facilities and Activities

The additional amount of governmental bonds for public schools that small governmental units may issue without being subject to the arbitrage rebate requirements is increased from $5 million to $10 million. Thus, these governmental units may issue up to $15 million of governmental bonds in a calendar year provided that at least $10 million of the bonds are used to finance public school construction expenditures.

The private activities for which tax-exempt bonds may be issued are expanded to include elementary and secondary public school facilities which are owed by private, for-profit corporations pursuant to public-private partnership agreements with a State or local educational agency. The term school facility includes school buildings and functionally related and subordinate land (including stadiums or other athletic facilities primarily used for school events) and depreciable personal property used in the school facility. The school facilities for which these bonds are issued must be operated by a public educational agency as part of a system of public schools.

The provisions are effective for bonds issued after Dec. 31, 2001.

F. Deduction for Qualified Higher Education Expenses

The Act permits taxpayers an above-the-line deduction for qualified higher education expenses paid by the taxpayer during a taxable year. Qualified higher education expenses are defined in the same manner as for purposes of the HOPE credit.

In 2002 and 2003, taxpayers with adjusted gross income that does not exceed $65,000 ($130,000 in the case of married couples filing joint returns) are entitled to a maximum deduction of $3,000 per year. Taxpayers with adjusted gross income above these thresholds would not be entitled to a maximum deduction of $4,000 and taxpayers with adjusted gross income that does not exceed $80,000 ($160,000 in the case of married taxpayers filing joint returns) are entitled to a maximum deduction of $4,000 and taxpayers with adjusted gross income that does not exceed $80,000 ($160,000 in the case of married taxpayers filing joint returns) are entitled to a maximum deduction of $2,000.

The provisions are effective for taxable years beginning after Dec. 31, 2001.

V. ESTATE, GIFT, AND GENERATION-SKIPPING TRANSFER TAX PROVISIONS

A. Phase-out and Repeal of Estate and Generation-Skipping Transfer Taxes, Increase in Gift Tax Unified Credit Effective Exemption

Under the Act, in 2002, the 5-percent surtax (which phases out the benefit of the graduated rates) and the rates in excess of 50 percent are repealed. In addition, in 2002, the unified credit effective exemption amount (for both estate and gift tax purposes) is increased to $1 million. In 2003, the estate and gift tax rates in excess of 49 percent are repealed. In 2004, the estate and gift tax rates in excess of 48 percent are repealed, and the unified credit effective exemption amount for estate tax purposes is increased to $1.5 million. (The unified credit effective exemption amount for gift tax purposes remains at $1 million as increased in 2002.) In addition, in 2004, the family-owned business deduction is repealed. In 2005, the estate and gift tax rates in excess of 47 percent are repealed. In 2006, the estate and gift tax rates in excess of 46 percent are repealed, and the unified credit effective exemption amount for estate tax purposes is increased to $2 million. In 2007, the estate and gift tax rates in excess of 45 percent are repealed. In 2009, the unified credit effective exemption amount is increased to $3.5 million. In 2010, the estate and generation-skipping transfer taxes are repealed.

In 2010, the estate and generation-skipping transfer taxes are repealed. Also beginning in 2010, the top gift tax rate will be the top individual income tax rate as provided under the Act, and, except as provided in regulations, a transfer to trust will be treated as a taxable gift, unless the trust is treated as wholly owned by the donor or the donor's spouse under the grantor trust provisions of the Code.

After repeal of the estate and generation-skipping transfer taxes, the prior-law rules providing for a fair market value (i.e., stepped-up) basis for property acquired from a decedent are repealed. A modified carryover basis regime generally takes effect, which provides that recipients of property transferred at the decedent's death will receive a basis equal to the lesser of the adjusted basis of the decedent or the fair market value of the property on the date of the decedent's death.

Under the Act, from 2002 through 2004, the State death tax credit allowable under prior law is reduced as follows: in 2002, the State death tax credit is reduced by 25 percent (from prior law amounts); in 2003, the State death tax credit is reduced by 50 percent (from prior law amounts); and in 2004, the State death tax credit is reduced by 75 percent (from prior law amounts). In 2005, the State death tax credit is repealed, after which there will be a deduction for death taxes (e.g., any estate, inheritance, legacy, or succession taxes) actually paid to any State or the District of Columbia, in respect of property included in the gross estate of the decedent. Such State taxes must have been paid and claimed before the later of: (1) Four years after the filing of the estate tax return; or (2) (a) Sixty days after a decision of the U.S. Tax Court determining the estate tax liability becomes final, (b) The expiration of the period of extension to pay estate taxes over time under section 6166, or (c) The expiration of the period of limitations in which to file a claim for refund or 60 days after a decision of a court in which such refund suit has become final.

The estate and gift rate reductions, increases in the estate tax unified credit exemption equivalent amounts and generation-skipping transfer tax exemption amount, and reductions in and repeal of the State death tax credit are phased-in over time, beginning with estates of decedents dying and gifts and generation-skipping transfers after Dec. 31, 2001.

B. Expand Estate Tax Rule for Conservation Easements

The Act expands availability of qualified conservation easements by eliminating the requirement that the land be located within a certain distance from a metropolitan area, national park, wilderness area, or urban National Forest. Thus, under the Act, a qualified conservation easement may be claimed with respect to any land that is located in the United States or its possessions. The provisions are effective for estates of decedents dying after Dec. 31, 2000.

C. Modify Generation-Skipping Transfer Tax Rules

The Act makes to following modifications to the generation-skipping transfer tax provisions: (1) Deemed allocation of the generation-skipping transfer tax exemption to lifetime transfers to trusts that are not direct skips; (2) Retroactive allocation of the generation-skipping tax exemption; (3) Severing of trust holding property having an inclusion ratio of greater than zero; (4) Modification of certain valuation rules; (5) Relief from late elections; and (6) Substantial compliance.

The provisions are generally effective after Dec. 31, 2000.

D. Availability of Installment Payment Relief

The Act expands the availability of installment payment rules to qualified lending and finance business interests and certain holding company stock. In addition, the Act increases from 15 to 45 the number of partners of a partnership or shareholders in a corporation eligible for installment payments of estate tax. The provisions are effective for decedents dying after Dec. 31, 2001.

E. Estate Tax Recapture from Cash Rents of Specially-Valued Property

The Act provides that, if once the date of enactment or at any time within one year after the date of enactment, a claim for refund or credit of any overpayment of tax resulting from the application of net cash lease provisions for spouses and lineal decendents is barred by operation of law or rule of law, then the refund or credit of such overpayment shall, nonetheless, be allowed if a claim therefore is filed before the date that is one year after the date of enactment. This provision is effective for refund claims filed prior to June 7, 2002.

VI. PENSION AND INDIVIDUAL RETIREMENT ARRANGEMENT PROVISIONS

The Act makes extensive changes to the rules relating to individual retirement arrangements (IRAs) and qualified pension plans. Among the changes included in the Act are the following provisions: (1) Increased contribution limits and catch-up contributions to IRAs; (2) Provisions for expanding coverage, including increased contribution and benefit limits for qualified plans, increases in elective deferral limits, and a credit for certain elective deferrals and IRA contributions; (3) Provisions to enhance fairness for women, including additional catch-up contributions for individuals over age 50; (4) Provisions for increasing portability for plan participants; (5) Provisions for strengthening pension security and enforcement; and (6) Provisions for reducing regulatory burdens.

VII. ALTERNATIVE MINIMUM TAX (AMT) RELIEF

The Act increases the individual AMT exemption amount by $2,000 for single taxpayers and $4,000 for married taxpayers filing joint returns for 2001 through 2004.

VIII. MISCELLANEOUS PROVISIONS

Corporate estimated tax The Act provides that corporate estimated tax payments due on Sept. 15, 2001, are delayed until Oct. 1, 2001, and a portion of corporate estimated tax payments due on Sept. 15, 2004, are delayed until Oct. 1, 2004.

Authority to postpone certain tax-related deadlines by reason of Presidentially declared disaster The Act permits the Secretary of the Treasury to postpone certain tax-related deadlines for up to 120 days for taxpayers determined to be affected by a Presidentially declared disaster. The provision is effective June 7, 2001.

Income tax treatment of certain restitution payments to Holocaust victims The Act provides that excludable restitution payments made to an eligible individual (or the individual's heirs or estate) are: (1) Excluded from gross income; and (2) Not taken into account for any provision of the Code that takes into account excludable gross income in computing adjusted gross income (e.g., taxation of Social Security benefits). The provisions are effective for amounts received on or after Jan. 1, 2001, with no inference with respect to the income tax treatment of any amount received before Jan. 1, 2000.

IX. SUNSET

To ensure compliance with the Congressional Budget Act of 1974, the Act provides that all provisions of the bill generally do not apply for taxable, plan or limitation years beginning after Dec. 31, 2010.

H.R. 1954 (Mr. Gilman with cosponsors); Public Law 107-24; app. Aug. 3, 2001.

H.R. 1954, Iran and Libya Sanctions Extension Act of 2001, was ordered reported, amended, by the Committee on International Relations on June 20, 2001, by a vote of 41-3. On July 12, the Ways and Means Committee ordered reported, with an amendment in the nature of a substitute, by voice vote. The bill was reported to the House by International Relations Committee on June 22, 2001 (H.Rept. 107-107, pt. 1). The Committee on Ways and Means reported to the House, amended, July 16, 2001, (H.Rept. 107-107, pt. 2). The bill passed the House, amended, under suspension, on July 26, 2001, by a vote of 409-6. The Senate passed H.R. 1954, without amendment, by unanimous consent on July 27, 2001. H.R. 1954 was signed into law by the President on Aug. 3, 2001, as P.L. 107-24.

H.R. 1954 extends the Iran and Libya Sanctions Act for five years. The Act requires a report 18 months after enactment on the effectiveness of actions taken under the Iran and Libya Sanctions Act. The report will contain an assessment of the effectiveness of the actions relating to trade taken to achieve the objectives of the Iran and Libya Sanctions Act, as well as any other U.S. foreign policy or national security objectives with respect to Iran and Libya. The reporting requirement will also instruct the Administration to examine the impact of this law on humanitarian interests and on national security, economic, and foreign policy interests of the United States, including relations with countries friendly to the United States, and on the U.S. economy. The Act provides for the termination of the Act before the termination date at anytime after submission of the 18-month report upon the adoption of a joint resolution terminating the Act. The joint resolution would be subject to the expedited procedures provided in section 152 of the Trade Act of 1974.

H.R. 2143 (Mr. Weldon with cosponsors); passed the House June 6, 2002.

H.R. 2143, Permanent Death Tax Repeal Act of 2002, passed the House on June 6, 2002 by a vote of 256-171.

The bill would amend the Economic Growth and Tax Relief Reconciliation Act of 2001 (P.L. 107-16) to repeal the sunset provisions applicable to title V (estate, gift, and generation-skipping transfer taxes) of such Act. The legislation would make the estate tax repeal permanent. The provisions would take effect as if they were included in such Act.

H.R. 2269 (Mr. Boehner with cosponsors); passed the House Nov. 15, 2001.

H.R. 2269, Retirement Security Advice Act of 2001, was reported, amended, from the Committee on Education and the Workforce on Oct. 31, 2001 (H.Rept. 107-262, pt. 1). The Committee on Ways and Means ordered the bill reported, with an amendment in the nature of a substitute, on Nov. 7, 2001, by a vote of 25-15. H.R. 2269 was reported to the House, amended, by the Committee on Ways and Means on Nov. 13, 2001 (H.Rept. 107-262, pt. 2). On Nov. 15, 2001, the bill passed the House, amended, by a vote of 280-144.

H.R. 2269 would allow employers the option of providing workers with access to professional investment advice as long as investment advisors fully disclose any fees and potential conflicts of interest.

The bill would create a new exemption to the prohibited transaction rules of the Employee Retirement Income Security Act and the Internal Revenue Code. Service providers that qualify for the exemption would be allowed to offer investment advice to plan sponsors, plan participants, and beneficiaries of defined contribution plans as long as certain disclosures are made.

The exemption would be available only to "fiduciary advisors." A fiduciary advisor is defined as a registered investment advisor, bank, insurance company, or registered broker dealer. All of these entities are comprehensively regulated under State and Federal laws. An affiliate, employee, agent, or registered representative of these regulated institutions woud also qualify as a fiduciary advisor. These individuals would have to be in compliance with applicable laws that regulate the provision of advice.

Prior to providing advice, a fiduciary advisor would be required to disclose the following information: (1) All fees and potential conflicts of interest, (2) Any affiliation with the investment options in the plan, (3) Any limits placed on the advice provided, (4) The types of advisory services provided, and (5) The advisor's role as a fiduciary. The disclosure would have to be provided in a clear and conspicuous manner when advice is first given. Subsequently, an updated disclosure would have to be provided free of charge: (1) At least annually, (2) Whenever the worker requests the information, and (3) Whenever there is a material change to the advisor's fees or affiliations. These subsequent disclosures would have to be provided in a clear and conspicuous manner.

Employers who choose to provide their workers with access to an investment advisor would be liable for the prudent selection of an investment advisor and the periodic review of that advisor. However, the bill would clarify that employers would not be liable for the specific advice given to their employees. Instead, the liability would fall on the investment advisor and the entity for which he or she works.

In addition to the qualification and disclosure rules, the bill would require that: (1) Any investment decisions must be made by the worker, not the advisor, (2) Any compensation received by the advisor must be reasonable and the terms of any transaction must be at least as favorable as an arm's length transaction, and (3) The advisor must maintain records of compliance for at least six years.

H.R. 2357 (Mr. Walter B. Jones with cosponsors); failed passage Oct. 2, 2002.

H.R. 2357, Houses of Worship Political Speech Protection Act, was considered under suspension of the rules. The bill failed passage on Oct. 2, 2002, by a vote of 178 yeas, 239 nays.

The bill would amend the Internal Revenue Code to permit a church to participate or intervene in a political campaign and maintain its tax-exempt status as long as such participation would not be a substantial part of its activities.

H.R. 2511 (Mr. McCrery); reported to House July 24, 2001.

H.R. 2511, Energy Tax Policy Act of 2001, was ordered reported, amended, from the Committee on Ways and Means on July 18, 2001, by a vote of 24-17. The bill was reported, amended, to the House on July 24, 2001 (H.Rept. 107-157).

H.R. 2511 would provide over $33 billion in tax relief over 10 years. The bill would provide incentives for individuals and businesses to stabilize current energy sources and supply as well as long-term solutions for energy sources and supply.

CONSERVATION

-- Allow a 15-percent credit, up to $2,000, for individuals who purchase qualified photovoltaic or solar water heating property,

-- Extend and expand the section 45 credit for electricity produced from certain renewable resources (wind, closed- and open-loop biomass, and landfill gas) for five years,

-- Allow a 10-percent credit for individuals and businesses, up to $1,000 per kilowatt of capacity, for the purchase of qualified fuel cell power plants,

-- Allow a credit to individuals and businesses who purchase qualified fuel cell motor vehicles, hybrid motor vehicles, alternative fuel motor vehicles, and advanced clean burn vehicles, and extend and expand the existing tax credit for electric vehicles,

-- Allow a business credit for the manufacture of certain high-efficiency appliances,

-- Allow a 20-percent credit, up to $2,000, to individuals who make qualified energy efficiency improvements for their existing homes and a credit to eligible contractors, up to $2,000 for each new home they construct that is 30 percent more efficient than a national model home,

-- Allow a deduction, up to $2.25 per square foot, for energy-efficient commercial building property expenditures that reduces the total energy and power costs by at least 50 percent,

-- Allow a $30 deduction for the installation of qualified energy management devices and a three-year cost recovery period for such devices,

-- Allow a 10-percent credit for the purchase of combined heat and power property,

-- Hold taxpayers harmless from the Alternative Minimum Tax for new credits in the bill,

-- Repeal the 4.3-cent-per-gallon General Fund excise tax on rail and barge fuels,

-- Provide a reduced tax rate for diesel/water emulsion fuel, and

-- Allow a 10-percent investment credit and a production credit for investments in qualified clean coal technologies.

REALIABILITY

-- Clarify that natural gas gathering lines are 7-year property for depreciation purposes,

-- Treat natural gas distribution lines as 10-year property for depreciation purposes,

-- Treat petroleum refining property as 7-year property for depreciation purposes,

-- Allow small refiners 75 percent expensing of capital costs incurred and a credit for production in complying with the Environmental Protection Agency low-sulfer diesel regulations,

-- Define small refiners for purposes of percentage depletion as refiners whose refining operations do not run more than 75,000 barrels of production on a daily average,

-- Modify current law to allow municipal utilities, investor-owned utilities, and rural electric co-operatives to compete in a deregulated electric market,

-- Repeal the diesel fuel and kerosene-dyeing mandate, and

-- Exempt certain prepayments for natural gas for tax-exempt bond arbitrage rules.

PRODUCTION

-- Create a $3 per barrel credit on the first 3 barrels of daily production from such wells and a corresponding 50-cents per thousand cubic feet (Mcf) on the first 18 thousand cubic feet of natural gas from a marginal well, with the credit phasing out when oil prices exceed $15 per barrel or natural gas prices exceed $1.67 per Mcf,

-- Suspend the 65-percent-of-taxable-income limitation on percentage depletion through Dec. 31, 2006, and extends suspension of the 100 percent of net income limit with respect to marginal production through Dec. 31, 2006,

-- Allow delay rental payments (amounts paid for the privilege of deferring the drilling of an oil or gas well under a lease) and geological and geophysical expenditures to be deducted,

-- Create a 5-year carry-back of oil and gas net operating losses for oil and gas producers,

-- Extend and modify credit for producing fuel from non-conventional sources through Dec. 31, 2006,

-- Allow certain business energy credits against the alternative minimum tax,

-- Repeal alternative minimum tax preference for intangible drilling costs, and

-- Extend accelerated depreciation and wage credit benefits for energy-related business on Indian lands through Dec. 31, 2006.

H.R. 2563 (Mr. Ganske with cosponsors); passed the House Aug. 2, 2001.

H.R. 2563, Bipartisan Patient Protection Act, passed the House, amended, on Aug. 2, 2001, by a vote of 226-203. Two major amendments were added to the legislation on the House floor. They included provisions expanding the right to sue for benefits denied, increasing health insurance coverage options (Association Health Plans and Medical Savings Accounts), and defining the ability of states to apply substantially equivalent State laws in lieu of the Federal laws.

Improving Managed Care

Utilization review, claims, and internal and external appeals-- The bill would require a group health plan, and a health insurance issuer, to conduct utilization review activities in connection with the provision of benefits under such plan or coverage only in accordance with an approved utilization review program. The legislation defines "utilization review activities" to mean procedures used to monitor or evaluate the use or coverage, clinical necessity, appropriateness, efficacy, or efficiency of health care services, procedures or settings and includes prospective review, concurrent review, second opinions, case management, discharge planning, or retrospective review. In addition, a utilization review program would be required to, among other things, be: (1) Administered by qualified health care professionals; and (2) Conducted consistent with written policies and procedures that govern all aspects of the program.

H.R. 2563 would set forth procedures concerning initial claims and notice for benefits, including setting forth a timeline for making benefit determinations and expedited determinations any time there is a serious threat to an individual's health or life, and would provide an appeals procedure and appeals timeline.

H.R. 2563 would require a plan and issuer offering health insurance coverage, to provide beneficiaries, and enrollees (or authorized representatives), upon request, with access to an independent external review for any denial of a claim for benefits. The bill would set forth penalties for noncompliance and would set forth standards for reviewers.

The bill would direct the Secretary of Health and Human Services to establish the Health Care Consumer Assistance Fund to be used to award grants to eligible States to carry out consumer assistance activities designed to provide information, assistance, and referrals to consumers of health insurance products.

Access to emergency services-- Some plans require prior authorization for emergency department services. Without it, consumers who go directly to the emergency room, and for whom the plan later determines that emergency care was not medically necessary, may be responsible for the entire bill. The legislation addressed this issue by establishing a "prudent layperson" standard for plans that cover emergency services. This standard would require plans that cover emergency care to cover such care for the treatment of any condition for which a prudent layperson would reasonably believe puts them at serious risk or injury or death. The bill would also prohibit plans or issuers from charging patients more for using non-network provider than would have been charged if the services were provided in-network. The bill includes a provision requiring that emergency ambulance services be subject to the same type of standard.

Access to physicians specializing in OB/GYN and Pediatric care and other specialty services-- Some managed care providers restrict access to specialty care and specialists by requiring referrals from primary care. The bill would include provisions that (1) would require plans that cover obstetrical and gynecological care to allow enrollees to visit physician and non-physician specialists without first receiving a referral and would prohibit prior authorization for the OB/GYN services that are ordered, (2) would require that pediatricians be considered as primary care providers for plans that require such a designation, and (3) would require plans that cover the services of specialists to ensure enrollees have timely access to those specialists.

Continuity of care-- The legislation would require plans to cover some continued care with terminated providers for certain plan enrollees undergoing a course of treatment during a transition period of at lease 90 days.

Point-of-service option-- The bill would require group health plans that have closed panels to provide point-of-service options.

Information disclosure-- The legislation would require extensive information to be provided to individuals at time of enrollment and annually thereafter. Information provided would include specific covered benefit, cost-sharing, disenrollment, service area, provider, preauthorization requirement, experimental and investigational treatment, specialty care, clinical trial, prescription drug coverage, emergency services, claims and appeals, advance directives and organ donation, and other information.

Protecting the doctor-patient relationship-- The bill would prohibit restricting a health care professional from advising a plan, beneficiary, or enrollee about the health status of the individual or medical care or treatment for the individual's condition or disease based on the coverage provided by the plan, if the professional is acting within the lawful scope of practice. The legislation would prohibit a plan from discriminating against a provider, with respect to participation or indemnification, as long as the provider is acting within the scope the provider's license, and from operating any physician incentive system. The bill would require a plan to provide for prompt payment of claims.

Access to prescription drugs and clinical trials-- The bill includes provisions that would require plans that limit coverage of drugs to those on a list, sometimes referred to as a formulary, to develop those formularies with physicians and pharmacists and to allow exceptions from the formulary when a non-listed drug is medically necessary and appropriate. The bill would limit additional cost-sharing for non-formulary drugs.

Discrimination protection for providers-- The bill includes a provision that would prohibit discrimination with respect to participation or indemnification against any provider who is acting in accordance with license or certification under State law.

Amendments to the Employee Retirement Income Security Act

The bill would amend the Employee Retirement Income Security Act of 1974 to require compliance with the patient protection requirements of the Bipartisan Patient Protection Act. The bill would set forth provisions concerning: (1) Certain limitation on class actions; (2) Cooperation between Federal and State authorities; and (3) The sense of the Congress that a court should consider the loss of nonwage earning spouse or parent as an economic loss.

Amendments to the Internal Revenue Code of 1986

The bill would amend the Internal Revenue Code to provide for the application of standards to group health plans relating to patients' bill of rights and women's health and cancer rights. The bill would provide, with respect to Archer Medical Savings Accounts, for increasing the number of permitted account participants, increasing the permitted size of a "small employer" from 50 to 100 or fewer employees, and extending, by two years, the cut-off year. The legislation would provide for 100 percent deduction for the health insurance costs of self-employed individuals. In addition, the bill would allow eligible small employer a limited health insurance expense credit.

The Secretary of Health and Human Services would be required to establish a program to award demonstration grants to States to allow States to demonstrate the effectiveness of innovative ways to increase access to health insurance through market reforms and other innovative means.

Revenue Offsets

Extension of custom user fees-- The bill would extend indefinitely charging for certain customs user fees.

Tax shelter provisions-- The bill would set general and special rules defining economic substance. In addition, it would double the penalty for certain tax accuracy related underpayments, and would penalize the promoter of tax avoidance strategies. The bill would create a new penalty, the penalty for failure to include tax shelter information with a return. The bill would also limit importation or transfer of built-in losses.

H.R. 2603 (Mr. Thomas); Public Law 107-43; app. Sept. 28, 2001.

H.R. 2603, United States-Jordan Free Trade Area Implementation Act of 2001, was ordered reported by the Committee on Ways and Means on July 26, 2001, by voice vote. The bill was reported, amended, to the House on July 31, 2001 (H.Rept. 107-176, pt. 1). The bill passed the House, amended, on July 31, 2001, under suspension of the rules by voice vote. The Senate passed the bill without amendment on Sept. 24, 2001, by voice vote. H.R. 2603 was signed into law by the President on Sept. 28, 2001, as P.L. 107-43.

The United States-Jordan Free-Trade Agreement is America's first free trade agreement (FTA) with an Arab nation and represents the culmination of many years of increasing U.S.-Jordanian economic integration. The agreement also reflects Jordan's commitment to the Middle East peace process, as evidenced by its participation in the 1994 Washington Declaration, which terminated the state of belligerency between Jordan and Israel.

H.R. 2603 makes operational the agreement which was negotiated last year between the countries, and which former President Clinton transmitted to the Congress on Jan. 6, 2001 (H.Doc. 107-15).

On July 23, 2001, United States Trade Representative Robert Zoellick and Jordanian Ambassador Marwan Muasher, exchanged official and formal letters which discussed the implementation of the agreement's dispute settlement procedures. In the letters, both countries stated their intention not to apply the agreement's dispute settlement enforcement procedures in a manner that results in blocking trade. The letters also stated that bilateral consultations and other procedures (i.e., alternative mechanisms) would be appropriate measures that will help secure compliance without recourse to traditional trade sanctions.

The agreement is comprehensive, including:

– A 10-year transitional period to phase out almost all duties, leading to near duty-free trade between the United States and Jordan.

– A first-ever bilateral commitment regarding e-commerce. Both countries have agreed to refrain from imposing customs duties on electronic transmissions, or instituting unnecessary barriers to market access for digitized products or for services delivered electronically. The e-commerce commitment is linked to the FTA's services commitments, which together should stimulate investment in new technologies and networks.

– Intellectual property rights protections for trademarks, copyrights, and patents. The FTA specifically mentions the protection of software and pharmaceuticals, which are especially prone to violations. To enforce these protections, the FTA requires each country to set its statutory minimum fines high enough to deter a potential infringer.

– Specific commitments to opening markets in the services sector, including business, communications, construction and engineering, distribution, education, environment, finance, health, tourism, recreation, and transportation.

– A commitment by both countries to enforce their current environmental and labor laws, and affirms the commitment by both countries to the International Labor Organizations' core labor standards.

– The agreement does not include an investment chapter, since those issues were addressed in the 1997 Bilateral Investment Treaty.

H.R. 2603 also establishes the relationship between the FTA and U.S. law as well as State law. With respect to Federal law, it makes clear that no provision of the agreement will be given effect if it is inconsistent with Federal law. It also states that no State law will be declared invalid on the grounds that it conflicts with the agreement, except in an action brought by the United States for such purpose.

Concerning implementation and enforcement, H.R. 2603 authorizes funding for U.S. participation in the United States-Jordan disputes settlement process, and would grant the President the necessary authority to implement the agreement.

H.R. 2646 (Mr. Combest with cosponsor); Public Law 107-171; app. May 13, 2002.

H.R. 2646, Farm Security Act of 2001, was reported from the Agriculture Committee, amended, on Aug. 2, 2001 (H.Rept. 107-191, pt. 1). The International Relations Committee reported the legislation, amended, on Sept. 10, 2001 (pt. 3). H.R. 2646 passed the House, amended, on Oct. 5, 2001, by a vote of 291-120. The Senate passed the bill, amended, on Feb. 13, 2002, by a vote of 58-40. The Senate insisted on its amendment and asked for a conference. The House disagreed to the Senate amendment and agreed to a conference on Feb. 28, 2002. Congressmen Thomas, Herger, and Rangel of the Committee on Ways and Means, were appointed by the Speaker as conferees for consideration of sections 127 and 146 of the House bill and sections 136, 144, 1024, 1038 and 1070 of the Senate amendment. The conference report was filed in the House report on May 1, 2002 (H.Rept. 107-424). The House agreed to the conference May 2, 2002 by a vote of 280-141. The Senate agreed to the conference report on May 8, 2002. H.R. 2646 was signed into law by the President on May 13, 2002, as P.L. 107-171.

Provisions included under the jurisdiction of the Committee on Ways and Means, include trade issues. The Act provides special import quotas for raw cotton and limited import quota for raw upland cotton. The Act renews the 1996 Farm Bill provisions which requires the President to expand the quota in an event of short supply, and to ensure stable stream of inputs to U.S. yarn spinners. The increased imports will generate additional tariff revenue. In addition, the Act requires importers to pay dairy checkoff fee to U.S. Customs. The fee is based upon fluid milk equivalent in a product. Finally, the Act provides conforming amendments to the Animal Health Protection Act in consolidating statutes and repeals section 306 of the Tariff Act of 1930. The Act also repeals statutory requirement for the United States Department of Agriculture to issue ban by regulation and to provide public notice and notice to the U.S. Department of Treasury.

H.R. 2722 (Mr. Houghton with cosponsors); passed the House Nov. 28, 2001.

H.R. 2722, Clean Diamond Trade Act, passed the House, amended, under suspension of the rules, on Nov. 28, 2001, by a vote of 408 yeas, 6 nays.

H.R. 2722 would prohibit the importation of rough diamonds into the United States unless the exporting country is implementing a system of controls on their export or import. The controls would need to: (1) Meet specified requirements, consistent with United Nations General Assembly Resolution 55/56 adopted on Dec. 1, 2000, or would be functionally equivalent; or (2) Meet the requirements of an international agreement which would require such controls and to which the United States is a party.

The bill would prohibit the importation of polished diamonds (including jewelry containing diamonds) into the United States unless the exporting country: (1) Is implementing a system of controls on the export and import of rough diamonds; and (2) Would require that its own imports of diamonds originate from countries that have implemented a system of controls on the export and import of rough diamonds.

In addition, the bill would urge the President to negotiate an international agreement to eliminate trade in diamonds used to support conflict in the country or regions in which such diamonds are mined.

H.R. 2768 (Mrs. Johnson of Connecticut with cosponsors); reported to House Nov. 13, 2001.

H.R. 2768, Medicare Regulatory and Contracting Reform Act of 2001, was reported to the full committee by the Subcommittee on Health on Oct. 4, 2001 by voice vote. The bill was ordered reported, amended, by the Committee on Ways and Means on Oct. 11, 2001, by voice vote. The bill was reported to the House, amended, on Nov. 13, 2001 (H.Rept. 107-288, pt. 1).

The bill would create a more collaborative relationship between providers and the Centers for Medicare and Medicaid Services (CMS). Specifically, H.R. 2768 would streamline the regulatory process, enhance education and technical assistance for doctors and other health care providers, and protect the rights of providers in the audit and recovery process to ensure that the repayment process is fair and open.

The legislation also would give the Secretary of the U.S. Department of Health and Human Services the tools to manage Medicare program operations efficiently. The CMS would be able to competitively contract with the best entities available to process claims, make payments, and answer questions. The Secretary would be authorized to promote quality service to seniors and health care providers by providing incentives for the Medicare Administrative Contractors. The bill's contractor reform initiatives would eliminate artifical distinctions between Medicare's Part A and Part B with regard to contracting practices.

H.R. 2873 (Mr. Herger with cosponsor); Public Law 107-133; app. Jan. 17, 2002.

H.R. 2873, Promoting Safe and Stable Families Amendments of 2001, was forwarded by the Subcommittee on Human Resources to the full Committee, amended, by voice vote on Sept. 25, 2001. The full Committee ordered the bill reported, amended, by voice vote on Oct. 31, 2001. H.R. 2873 was reported, amended, to the House on Nov. 13, 2001 (H.Rept. 107-281). H.R. 2873 was brought up under suspension of the rules and passed, amended, by voice vote on Nov. 13, 2001. On Dec. 13, 2001, the bill passed the Senate, without amendment, by unanimous consent. H.R. 2873 was signed into law by the President on Jan. 17, 2002 as Public Law 107-133.

H.R. 2873 reauthorizes, amends, and expands the Promoting Safe and Stable Families program, which provides grants to States and Indian Tribes for family support, family preservation, time-limited family reunification, and adoption promotion and support services. The Act reauthorizes the program for 5 years, adding a new $200 million authorization on top of the current $305 million in mandatory funding the program received in fiscal year 2001, for a total authorization of $505 million per fiscal year 2002 through 2006. The Secretary of U.S. Department of Health and Human Services (HHS) is authorized to reallot program funds not used by one or more States among other States. Finally, the Act adds new provisions concerning research and technical assistance, for example requiring the Secretary of HHS to give priority to research and evaluation of promising program models, including models designed to address parental substance abuse.

The Act also creates a new matching grant program to support mentoring networks for the children of prisoners. The program authorizes $67 million for competitive grants for each of fiscal years 2002 and 2003, and such sums as may be necessary through fiscal year 2006.

Finally, The Act creates a new program of educational and training vouchers for youths aging out of foster care. For each fiscal year 2002 through 2006, $60 million is authorized for this purpose. The program separately appropriates under the Chafee Foster Care Independence Program for States to provide up to $5,000 per year in vouchers to youths up to age 23 (at State option) for the cost of attendance at postsecondary education and training institutions.

For each of these three purposes -- expanding funding for the Promoting Safe and Stable Families program, creating new grants to support mentoring of children of prisoners, and providing new education and training vouchers for youths aging out of foster care -- H.R. 2873 authorizes all of the funds requested by the President in his Fiscal Year 2002 Budget Proposal.

H.R. 2884 (Mr. Thomas with cosponsors); Public Law 107-134; app. Jan. 23, 2002.

H.R. 2884, Victims Bipartisan Tax Relief, was brought up under unanimous consent and passed the House by a vote of 418-0 on Sept. 13, 2001. The bill was discharged from the Senate Finance Committee and passed the Senate, with amendments on Nov. 16, 2001. On Dec. 13, 2001, the House agreed to the Senate amendments with an amendment without objection. On Dec. 20, 2001, the Senate concurred in the House amendment to the Senate amendment to the text of the bill with a further amendment, by unanimous consent. An amendment in the nature of a substitute, was agreed to in the Senate by voice vote on Dec. 20, 2001. That same day, the House agreed, by unanimous consent, to the Senate amendment to the House amendment to the Senate amendments without objection. Presented to the President on Jan. 11, 2002. H.R. 2884 was signed into law by the President on Jan. 23, 2002, as P.L. 107-134.

I. RELIEF PROVISIONS FOR VICTIMS OF SPECIFIC TERRORIST ATTACKS

Application of relief to victims of September 11, 2001, April 19, 1995, and anthrax attacks-- The Act extends relief similar to present-law treatment of military or civilian employees of the United States who die as a result of terrorist or military activity outside the United States to individuals who die as a result of wounds or injury which were incurred as a result of the terrorist attacks that occurred on September 11, 2001, or the Oklahoma City bombing, or anthrax attacks. Under the Act, such individuals generally are exempt from income tax for the year of death and for prior taxable years beginning with the taxable year prior to the taxable year in which the wounds or injury occurred. The exemptions apply to individuals whether killed in an attack or in rescue or recovery operations. The provisions do not apply to any individual who was a perpetrator of the attack.

Exclusion of certain death benefits-- The Act provides an exclusion from gross income for amounts received if such amounts are paid by an employer by reason of the death of an employee who dies as a result of the terrorist attacks that occurred on September 11, 2001, or the Oklahoma City bombing, or as a result of illness incurred due to an attack involving anthrax. The Exclusion does not apply to amounts that would have been payable if the individual had died for a reason other than the attack. Self-employed individuals are treated as employees for purposes of the exclusion. This provision does not apply to any individual identified to have been a participant or conspirator in any terrorist attack.

Estate tax reduction-- The Act generally treats victims in the same manner as if they were active members of the U.S. Armed Forces killed in action while serving in a combat zone or dying as a result of wounds or injury suffered while serving in a combat zone. Consequently, the estates of the victims is eligible for the reduction in Federal estate tax.

The Act also changes the general operation of section 2201, as it applies to both the estates of service members who qualify for special estate tax treatment under prior law and to the estates of individuals who qualify for the special treatment under the Act. The Federal estate tax is determined in the same manner for all estates that are eligible for Federal estate tax reduction under section 2201.

Payments by charitable organizations treated as exempt payments-- The Act provides organizations described in section 501(c)(3) that make payments by reason of the death, injury wounding, or illness of an individual incurred as a result of the Sept. 11, 2001, attacks, or as a result of an attack involving anthrax occurring on or after Sept. 11, 2001, and before Jan. 1, 2002, are not required to make specific assessment of need for the payments to be related to the purpose or function constituting the basis for the organization's exemption. This rule applies provided that the organizaiton makes the payments in good faith using a reasonable and objective formula which is consistently applied. Charities that make distributions in good faith using a reasonable and objective formula will be treated as acting consistently with exempt purposes.

Exclusion for certain cancellations of indebtedness-- The Act provides that gross income does not include any amount realized from the discharge of indebtedness if the indebtedness is discharged by reason of the death of an individual incurred as a result of the Sept. 11, 2001, attacks, or as a result of a death of an individual incurred as a result of a terrorist attack involving anthrax occurring on or after Sept. 22, 2001, and before Jan. 1, 2001. In all cases, the provision applies only if the indebtedness is discharged because the individual dies as a result of one of the attacks.

II. OTHER RELIEF PROVISIONS

Exclusion of disaster relief payments-- The Act clarifies prior law by codifying the tax-free treatment of disaster relief payments made in connection with terrorist and military actions, Presidentially-declared disasters and certain other disasters.

Rules applicable to charitable organizations making disaster relief payments-- The Act provides tax-free treatment for any award made from the Victims Compensaiton Fund. However, tax reductions, such as those that would be provided by this Act, will not reduce awards from the Victims Compensation Fund. The Act also allows employers to set up private foundations for the purpose of providing benefits to employees' families.

Authority to postpone deadlines-- The Act expands Internal Revenue Service and Department of Labor authority to postpone tax-related and pension-related deadlines for taxpayers affected by terrorist and military actions and Presidentially-declared disasters.

Treatment of purchase of structured settlements-- The Act creates a 40 percent excise tax on transactions in which structured settlement payments are sold for a lump sum unless the transaction is approved by a court as being in the victim's best interest.

Personal exemption deduction for certain disability trusts-- The Act reduces the taxation of disability trusts by providing a higher exemption.

III. DISCLOSURE OF TAX INFORMATION IN TERRORISM AND NATIONAL SECURITY INVESTIGATIONS

Internal Revenue Service disclosure rules-- The Act allows the Internal Revenue Service to share tax return and taxpayer information with Federal law enforcement agencies investigating terrorist attacks.

IV. NO IMPACT ON SOCIAL SECURITY TRUST FUNDS

The bill would provide that the Secretary of the Treasury is to annually estimate the impact of the bill on the income and balances of the Social Security trust fund. If the Secretary determines that the Act has a negative impact on the income and balances of the fund, then the Secretary is to transfer from the general revenues of the Federal government an amount suffficient so as to ensure that the income and balances of the Social Security trust funds would not be reduced as a result of the Act.

H.R. 2899 (Mr. Sweeney with cosponsors); passed the House Oct. 23, 2001.

H.R. 2899, Freedom Bonds Act of 2001, was brought up under suspension of the rules, amended, and passed by voice vote on Oct. 23, 2001.

H.R. 2899 would authorize the Secretary of the Treasury to designate Freedom Bonds in response to the acts of terrorism perpetrated against the United States on Sept. 11, 2001.

The bill would instruct the Commissioner of the Public Debt to study and report to certain congressional committees on the administrative costs of the Bureau of the Public Debt associated with managing the public debt. The study would include various types of debt instruments, interest rate costs and personel and processing costs related to issuing, redeeming, and otherwise administering the instruments on both an annual basis and on a transaction basis.

H.R. 2926 (Mr. Young); Public Law 107–42; app. Sept. 22, 2001.

H.R. 2926, Air Transportation Safety and System Stabilization Act, passed the House on Sept. 21, 2001, by a vote of 356-54, the same day it was introduced. The Senate passed the bill by a voice vote on Sept. 21, 2001. H.R. 2926 was signed into law by the President on Sept. 22, 2001, as P.L. 107-42.

The Act directs the President to take certain actions to compensate air carriers for losses incurred by them as a result of the terrorist attacks on the United States on Sept. 11, 2001, including to: (1) Issue Federal credit instruments (including subsidy amounts for such instruments) to such air carriers; and (2) Compensate them for direct losses incurred as a result of any Federal ground stop order issued by the Government and any incremental losses incurred as a direct result of such attacks.

The Act establishes an Air Transportation Stabilization Board to issue such Federal credit instruments, and urges the Secretary of Transportation to take appropriate action to ensure the continuation of scheduled air service to all communities, including essential air service to small communities.

If an airline carrier accepts a federally-guaranteed loan, the newly-established Board (which oversees the loan program) may enter into a contract with the airline carrier under which the Government would participate in the airline's gains (contingent on the airline's financial success) through the use of warrants, stock options, common or preferred stock, or other appropriate equity instruments. Any amounts collected under these agreements would be deposited in the Treasury as miscellaneous receipts.

The deadline for depositing employment taxes and excise taxes is delayed to Nov. 15, 2001. The Secretary of the Treasury has the authority to further extend the deadline to Jan. 15, 2001. The Act clarifies than any direct compensation paid by the Federal Government to the airline carriers is not excludable from income because this compensation represents lost revenues that would have been taxed.

H.R. 3005 (Mr. Thomas with cosponsors); passed House Dec. 6, 2001.

H.R. 3005, Bipartisan Trade Promotion Authority Act, was ordered reported, amended, on Oct. 9, 2001, by a vote of 26-13. The bill was reported to the House on Oct. 16, 2001 (H.Rept. 107-249, pt. 1). H.R. 3005 passed the House, amended, on Dec. 6, 2001, by a vote of 215 yeas, 214 nays. The bill was reported, amended, from the Senate Committee on Fiance on Feb. 28, 2002 (S.Rept. 107-139). Issues in H.R. 3005 were incorporated in the Senate amendment to H.R. 3009 as passed the Senate. The House incorporated H.R. 3005 pursuant to H.Res. 450 into H.R. 3009 prior to a conference being requested with the Senate on H.R. 3009. See the summary of Public Law 107-210 (H.R. 3009) for further action.

H.R. 3005 would renew the President's authority to negotiate and bring back trade agreements to Congress that will eliminate and reduce trade barriers relating to manufacturing, services, agriculture, intellectual property, investment, e-commerce, transparency, and regulatory practices. Congress would retain the right to vote down implementing legislation for any trade agreement that it does not approve.

The bill would include a negotiating objective on labor and environment to ensure that a party to an agreement does not fail to effectively enforce its own labor and environmental laws in a manner that affects trade. A negotiating objective on enforcement would provide negotiators with direction to treat all principal negotiating objectives equally, and would give the flexibility to determine the mechanism that will most effectively encourage compliance. The new negotiating objective on enforcement would direct U.S. negotiators to seek timely resolution of disputes with the aim of not adversely affecting interests not party to the dispute, while maintaining the effectiveness of the enforcement mechanism.

H.R. 3005 would set forth other priorities for the President, not covered by Trade Promotion Authority (TPA), including: (1) Greater cooperation between World Trade Organization (WTO) and the International Labor Organization (ILO), (2) Consultative mechanisms among parties to trade agreements to strengthen the capacity of U.S. trading partners to promote respect for core labor standards and the environment, and (3) Environmental and employment reviews of trade agreements, (4) Technical assistance on labor issues, (5) Reporting on the child labor laws of U.S. trading partners, and (6) Establishment of mechanisms to examine the trade consequences of significant and unanticipated currency movements. The bill would direct the U.S. Trade Representative to preserve the ability to enforce vigorously U.S. trade remedy laws and avoid agreements which lessen the effectiveness of U.S. antidumping or countervailing duty laws. A negotiating objective regarding investment would (1) Secure for U.S. investors important rights comparable to those that would be available under U.S. law, (2) Increase transparency for the dispute settlement process, (3) Call for standards for expropriation and compensation that are consistent with U.S. legal principles and practice, (4) Eliminate frivolous claims, and (5) Call for an appellate or similar review mechanism to correct manifestly erroneous interpretations of law.

H.R. 3005 would also expand and improve consultations between the Administration and Congress, before, during, and after trade negotiations and in the development of an implementing bill. H.R. 3005 would establish a permanent Congressional Oversight Group to oversee negotiations and consult with the Administration, and would require specific consultations with House and Senate Agriculture Committees. H.R. 3005 woud apply to trade agreements entered into by June 1, 2005, with a possible two-year extension.

H.R. 3008 (Mrs. Johnson of Connecticut with cosponsors); passed the House Dec. 6, 2001.

H.R. 3008, legislation to extend the Trade Adjustment Assistance (TAA), Programs, was ordered reported, without amendment, from the Committee on Ways and Means on Oct. 5, 2001, by voice vote. The bill was reported to the House on Oct. 16, 2001 (H.Rept. 107-244). On Dec. 6, 2001, the bill passed the House, amended, under suspension of the rules, by a vote of 420 yeas, 3 nays. Issues in H.R. 3008 were incorporated in the Senate amendment to H.R. 3009 as passed the Senate. The House incorporated H.R. 3008 pursuant to H.Res. 450 into H.R. 3009 prior to a conference being requested with the Senate on H.R. 3009. See the summary of Public Law 107-210 (H.R. 3009) for further action.

The three TAA programs are (1) TAA for workers, (2) TAA for firms, (3) The North American Free-Trade Agreement (NAFTA)-TAA. The TAA programs were enacted at different times beginning with the Trade Act of 1974. The programs have been renewed since then by Congress. The current authorization expired on Sept. 30, 2001, and has been extended in a Continuing Resolution through Oct. 15, 2001. The programs provide direct assistance and training to workers who are laid off in trade-impacted industries. H.R. 3008 would reauthorize for two years at $507 million per year the three trade adjustment assistance programs. The bill would increase authorizaton by $50 million per year by extending direct benefits for 26 additional weeks in order to bridge the gap with the training requirements. Currently, direct benefits to workers end after 78 weeks, but training continues for 104 weeks. H.R. 3008 would increase direct benefits to cover the full 104 weeks of training.

The legislation would provide $2 billion in 2002 and 2003 for new benefit coverage to workers affected by the September 11th terrorist attack and who would not otherwise be eligible under existing trade adjustment assistance programs. The program would be modeled on current trade adjustment assistance process and benefits, which would include income assistance and training. Coverage would be for workers of firms with significant lay-offs and decreases in production that was the result of the national impact of the terrorist attack. TAA benefits would include direct payments after State unemployment insurance has lapsed, training, job search allowances and relocation allowances.

H.R. 3009 (Mr. Crane with cosponsors); Public Law 107-210; app. Aug. 6, 2002.

H.R. 3009, Andean Trade Promotion and Drug Eradication Act, was ordered reported, amended, from the Committee on Ways and Means on Oct. 5, 2001, by voice vote. The bill was reported to the House, amended, on Nov. 14, 2001 (H.Rept. 107-290). The bill passed the House on Nov. 16, 2001, amended, by voice vote. On Dec. 14, 2001, the bill was reported, amended, from the Senate Finance Committee (S.Rept. 107-126). The Senate passed H.R. 3009, amended, by a vote of 66-30, on May 23, 2002. The Senate amendment to H.R. 3009 included issues contained in H.R. 3005, H.R. 3008, H.R. 3010 and H.R. 3129. On June 26, 2002, the House passed H.Res. 450, by a vote of 216-215, an expanded rule incorporating various trade issue into H.R. 3009 i.e., H.R. 3005, H.R. 3008, H.R. 3010, H.R. 3129, and H.Con.Res. 262, and requested a conference with the Senate. On July 12, 2002, the Senate disagreed to the House amendment to the Senate amendment and agreed to a conference. On July 26, 2002, the conference report was filed in the House (H.Rept. 107-624). The House agreed to the conference report by a vote of 215-212, on July 27, 2002. On Aug. 1, 2002, the Senate agreed to the conference report by a vote of 64-34. H.R. 3009 was signed into law by the President on Aug. 6, 2002, as P.L. 107-210.

The Act authorizes special "trade promotion authority," TPA, formerly known as "fast track" procedures, for the consideration of legislation to implement trade agreements entered into before June 1, 2005 - with the opportunity for an extension to cover agreements entered into before October 1, 2007, unless Congress passes a resolution disapproving such an extension. Specifically, the Act provides the president with authority to negotiate certain tariff reductions, including unlimited authority to negotiate certain tariff reductions, including unlimited authority to negotiate reciprocal duty-elimination on a sector basis within the World Trade Organization (WTO) forum.

Displaced Worker Benefits (TAA)

The Act re-authorizes and expands the Trade Adjustment Assistance program through September 30, 2007. The Act provides trade adjustment assistance (TAA) benefits for workers who lose their jobs or have their wages reduced as a result of increased imports. The Act extends benefits, for the first time, to secondary workers, such as suppliers to trade-affected businesses; and provides benefits, also for the first time, to workers whose plants have moved anywhere overseas. (Prior to enactment, benefits were provided only to workers when their plants move to Mexico or Canada under the North America Free Trade Agreement (NAFTA)).

Health Insurance-- -- Provides advanceable, refundable tax credit for the purchase of specified qualified health insurance. The credit is set at 65%, uncapped, and can be used to subsidize the cost of company-based (COBRA) or pooled health insurance policies, and for individual insurance in cases when workers had purchased such a policy one month prior to job loss. The Act also provides seed and support money for state high-risk pools, and authorizes National Emergency Grant funds to assist workers with health insurance costs on an interim basis.

Wage Insurance for Older Workers-- -- Creates a two-year demonstration project for alternative TAA for older workers, including providing wage insurance for part of the gap between old and new earnings (up to $10,000 over 2 years).

Farmers and Ranchers-- -- Establishes a new TAA program for family farmers and ranchers and calls for a study to extend benefits to fishermen.

Worker Training-- -- Doubles the existing worker training budget to $220 million.

Extends Income Benefits-- -- Extends income benefits for up to two and a half years, harmonizes income maintenance and training time, and provides an additional 26 weeks of income support for workers requiring remedial education, including English as a second language.

Increases Cash Benefits-- Extends the maximum timetable during which a worker may receive trade adjustment allowances from 52 to 78 weeks, increases the maximum job search allowance from $800 per worker to $1,250 per worker and increases maximum relocation allowance from $800 per worker to $1,250 per worker.

Negotiating Objectives

The Act sets a number of overall negotiating objectives - including obtaining more open, equitable and reciprocal market access; obtaining the reduction or elimination of barriers and other trade distorting policies and practices; further strengthening the system of international trading agreements and procedures, including dispute settlement; fostering economic growth and full employment in the U.S. and the global economy; ensuring that trade and the environment are mutually supportive; and promotion of respect for worker rights and the rights of children consistent with International Labor Organization core labor standards.

The Act also lists a number of more specific objectives, including lowering barriers to foreign investment; protection of intellectual property rights; increased transparency, including discriminatory regulatory practices; anti-corruption; promotion of electronic commerce; and support of agriculture.

Labor/Environment The Act also establishes "principal trade negotiating objectives" - including assurances that signatory countries effectively enforce labor and environmental laws. (The provision essentially directs U.S. negotiators to include in any agreement language similar to the labor and environmental sanctions in the U.S.-Jordan trade agreement reached by the Clinton administration and signed by President Bush this year (P.L. 107-43)).

The Act directs negotiators to seek to ensure that a party does not fail to effectively enforce its environmental or labor laws, through a sustained or recurring course of action or inaction, in a manner affecting trade between the United States and that party; to strengthen the capacity of U.S. trading partners to promote respect for core labor standards and to protect the environment through the promotion of sustainable development; to reduce or eliminate governemnt practices or policies that unduly threaten sustainable development; to gain market access for U.S. environmental technologies, goods and services; and to ensure that labor, environmental, health, or safety policies and practices of parties to trade agreements do not arbitrarily or unjustifiably discriminate against U.S. exports or serve as disguised barriers to trade.

Intellectual Property Rights/Pharmaceuticals The Act directs negotiators to respect the declaration on the Trade- Related Aspects of Intellectual Property (TRIPs) Agreement and public health adopted at the WTO Ministerial in November 2001.

The declaration essentially granted poor countries certain exemptions from intellectual property protections afforded to Western produced pharmaceuticals, especially those related to treating HIV/AIDS.

Anti-Dumping The Act states that a principal negotiating objective should be preserving the ability of the United States to enforce rigorously its trade remedy laws. The Act states that negotiators should avoid agreements that lessen the effectiveness of domestic and international safeguards against unfair trade; and directs the President to address and remedy market distortions that lead to dumping and subsidization, including overcapacity, cartels and market-access barriers.

The Act also requires the President to transmit a report to the House Ways and Means and the Senate Finance committees at least 180 days before signing a trade agreement regarding proposals advanced in negotiations which could trade U.S. trade remedy laws. Upon receipt of the report, any member of Congress could introduce non-binding resolution of disapproval. However, there can be only one disapproval resolution per WTO agreement (i.e., approximately five years).

Foreign Investment The Act states that principal negotiating objectives should be ensuring that foreign investors in the United States are not accorded greater substantive rights with respect to investment protections than domestic investors in the United States; establishing standards for fair and equitable treatment consistent with U.S. legal principles and practice, including the principle of due process; and the provision for an appellate body or similar mechanism to provide coherence to the interpretations of investment provisions in trade agreements.

(The provision is aimed at addressing the issue of investors who sue governments if they are subject to acts "tantamount to expropriation," such as a Canadian company which is now suing California because the state is phasing out a gasoline additive found to contaminate water wells.)

Small Business The Act directs negotiators to ensure that trade agreements afford small business strong access to international markets and reduce barriers to small business exports.

Child Labor The Act directs U.S. negotiators to seek commitments by trade agreement parties to vigorously enforce their own laws prohibiting the worst forms of child labor.

Textiles The Act states that a principal negotiating objective be reciprocal market access for U.S. exports of textiles and apparel.

Implementation & Enforcement

The Act requires the President to submit to Congress a plan for implementating and enforcing any trade agreement resulting from this Act. The report is to be submitted simultaneously with the text of the agreement and must include a review of the executive branch personnel needed to enforce the agreement as well as an assessment of any U.S. Customs Service infrastructure improvements required.

Congressional Consultations

The Act requires the U.S. Trade Repsentative (USTR) to consult with statutory trade advisors, relevant committees, a newly created congressional oversight group, and Agriculture committees before signing any agreement. The Act's procedures would not apply if both houses of Congress agree to a procedural disapproval resolution stating that the administration has failed to consult with Congress.

Congrersional Oversight Group The Act establishes a congressional oversight group, comprised of the chairman and ranking member of the Ways and Means and Finance committees, together with three additional members of those committees, and the chairman and ranking member of committees with jurisdiction over laws affected by specific trade agreements.

The Act directs that the members be accredited as official advisers to U.S. delegations negotiating agreements.

The Act also directs USTR to develop guidelines to facilitate useful and timely exchange of information, including regular briefings, access to pertinent documents; and coordination with Congress at all critical periods during negotiations, including at negotiation sites.

Congressional Notifications The Act requires the President, before initiating negotiations, to provide written notice and consult with relevant committees and the congressional oversight group at least 90 calendar days prior to entering into negotiations.

Special Agriculture/Textile Consultations The Act establishes a special consultation requirement for agriculture and textiles. Specifically, the Act requires the President - before initiating negotiations concerning tariff reductions in agriculture and textiles - to assess whether U.S. tariffs on agriculture products bound by the Uruguay Round Agreements are lower than the tariffs set by the countries with which the President is negotiating, and whether the negotiation provides an opportunity to address any such disparity.

The Act also requires the President to consult with the House Ways and Means and Agriculture committees and the Senate Finance and Agriculture committees concerning the results of this assessment, whether it is appropriate for the United States to agree to further tariff reductions under such circumstances and how all applicable negotiating objectives would be met.

Finally, the Act includes a new definition of import sensitive agriculture to encompass products subject to tariff rate quotas, as well as products subject to the lowest tariff reductions in the Uruguay Road Agreement.

Procedures for Congressional Consultation

The Act requires the President, after entering into a trade agreement, to submit the draft agreement, the implementing legislation, and a statement of administrative action to Congress. Procedures of the Trade Act of 1974 would then apply. Specifically, the same day the President formally submits the legislation, the bill would be introduced (by request) by the majority leaders of the House and Senate. After formal introduction of the legislation, the House committees of jurisdiction would have 45 legislative days to report the bill. The House would be required to vote on the bill within 15 legislative days after the measure was reported or discharged from the committees. Fifteen additional days would be provided for Senate committee consideration (assuming the implementing bill was a revenue bill), while Senate floor action would be required within 15 additional days. Accordingly, the maximum period for congressional consideration of the implementing bill from the date of introduction would be 90 legislative days.

Advisory committe reports would have to be provided no later than 30 days after the date on which the President notifies Congress of his intent to enter into an agreement.

These procedures are similar to the expired provisions previously used to implement such agreements as NAFTA, and the Uruguay Round of the GATT (which established the WTO) - with modifications to clarify that the procedures would apply only to provisions that are directly related to the trade negotiating objectives set forth in the bill, or that define and clarify, or are related to, the operation and effect of the trade agreement.

Changing Existing Laws The Act adds a new procedural step requiring the President to submit to Congress, within 60 days of signing an agreement, a preliminary list of existing laws that he considers would be required to bring the United States into compliance with the accord.

Mock Mark-Up As with the expired fast-track provisions, once the implementing bill has been formally introduced, no amendments would be permitted either in committee or on the House or Senate floors, and a straight "up or down" vote would be required. However, before formal introduction, the bill could be developed by the committees of jurisdiction together with the administration during the informal committee "mock mark-up" process. (Such a process was used to produce the final NAFTA and Uruguay Round implementing bills.) After the "mock markups," the resulting bill could then be formally introduced, and could not be amended by Congress.

As with past "fast-track" authority, there would be no deadline for the submission of legislation by the President once the agreement has been concluded, because, notes the report, the committee intends that the relevant committees and the administration have as much time as necessary to consider the content of the legislation. However, after the formal introduction, certain deadlines are appropriate because Congress has already conducted its process informally. The committee believes that the informal mark-up process conducted before final submission of the implementing bill provides the Congress, the public, and the private sector ample opportunity to participate in the development of the proposed legislation and to provide their views to the administration.

Andean Trade

The Act reinstates, through 2006, the duty-free treatment of more than 6,000 products granted under the Preference Act (ATPA) of 1991. The Act also ends tariffs, under most cirucmstances, on several goods currently exempted from the law, including certain types of tuna, petroleum products, footwear and sugar. All preferential treatment under the bill would expire on December 31, 2006.

Eligibility Expansion The Act authorizes the President to proclaim duty-free treatment for any of several articles that were previously excluded from such treatment - if the President determines that the article is not import-sensitive (i.e., it would not adversely affect the equivalent U.S. industry).

Such products include various makes of footwear; petroleum, or any product derived from petroleum; watches and watch parts (including cases, bracelets and straps); handbags; luggage; flat goods; work gloves; and leather apparel that was not previously designated as eligible articles for purposes of the Generalized System of Preferences (providing preferntial treatment for goods from developing countries). Eligible articles must meet specified rule-of-origin requirements, including a minimum 35% Andean content (which may include content from Caribbean Basin Initiative benficiary countries, Puerto Rico and the U.S. Virgin Islands, and up to 15% of U.S. content).

Tun imports, prepared or preserved in airtight flexible containers (not cans) weighting less than 6.8 kilograms each, would receive immediate duty- free treatment if caught from U.S.- or Andean-flagged vessels.

The Act also extends benefits for certain Andean apparel made of U.S. fabric, which must be dyed and finished in the United States; and expands benefits for Andean apparel made from regional fabric, subject to a current cap of 3% of U.S. imports, before rising to 6% in 2006 or the establishment of a new trade agreement.

Some imports would continue to be ineligible for duty-free treatment - textiles subject to textile agreements; sugar, syrups and molasses subject to over-quota tariffs; certain rums; and apparel products other than those specifically described below.

Trans-Shipment & Other Penalties If an exporter is determined to have engaged in illegal trans-shipment of textile and apparel products from an Andean country, the Act requires the President to deny all benefits under the Act to that exporter for a period of two years. Trans-shippers and countries who fail to cooperate with the United States to prevent trans-shipment would also be subject to triple charges to existing textile and apparel quotas. Finally, the Act allows the President to suspend duty-free treatment for national security reasons, or impose emergency relief on imports of perishable agricultural products from Andean countries within seven days after a recommendation from the Agriculture secretary.

Beneficiary Status In determining whether a country is eligible for the new benefits, the Act directs the President to consider new conditions, including whether a country has demonstrated a commitment to undertake its WTO obligations and participate in negotiations toward the completion of a new trade agreement; the extent to which the country provides intellectual property protection consistent with or greater than that afforded under the Agreement on Trade-Related Aspects of Intellectual Property Rights; the extent to which the country provides internationally recognized workers rights; whether the country has implemented its commitments to eliminate the worst forms of child labor; and the extent to which a country has taken steps to become a party and to implement the Inter-American Convention Against Corruption.

The Act allows the President to withdraw or suspend beneficiary country status or duty-free treatment on any article if he determines the country should be barred from designation as a result of changed circumstances.

Reports The Act requires the International Trade Commission to submit an annual report to Congress on the economic impact of the bill on U.S. industries and consumers; and the effect of duty-free treatment on drug-related crop eradication and crop substitution by beneficiary countries.

The Act also requires the Labor Department to submit an annual report to Congress on a continuing review of the impact of the bill with respect to U.S. workers; and the Customs Service to report on compliance with tran-shipment of textiles.

African & Caribbean Trade The Act extends duty-free treatment to apparel made in beneficiary countries from yarns or fabrics produced in the United States or a nation covered by ATPA. The Act also amends the Africa and Caribbean Basin trade law enacted last year by clarifying that so-called knot-to-shape items, such as T-shirts, made in the beneficiary countries are eligible for duty-free treatment.

In addition, the Act doubles the cap for the duty-free treatment of apparel made in Africa from regional fabric made with regional yarn - no increase for apparel made of third-country fabric. Under the Act, apparel assembled from regional fabrics would also receive preferential treatment if they do not exceed certain percentages of imports on apparel articles.

Finally, the Act allows Botswana and Namibia to use third country fabric for a transition period and allows certain benefits for merino wool sweaters.

Customs Service Authorization

The Act contains a number of provisions related to the reauthorization of the Customs Service.

Non-Commercial Operations The Act authorizes $887 million in FY 2003, and $909 million for FY 2004 for non-commercial operations of the Customs Service. These include functions related to individuals entering and exiting the United States.

Commercial Operations The Act also authorizes roughly $1.6 billion in each of fiscal years 2003 and 2004 for commercial operations of the Customs Service. Commercial operations include the import and export of goods by commercial entities. The total includes $308 million in each year for the Customs Service's automated commercial environment computer system. The Act requires the Customs Service to provide a report to Congress demonstrating that the computer system is being built in a cost-effective manner and meets the modernization requirements of the North American Free Trade Agreement (NAFTA). The Act also authorizes $182 million in FY 2003 and $187 million in FY 2004 for air and marine interdiction operations of the Customs Service.

Anti-Terrorist/Illicit Narcotics Prevention The Act authorizes $90 million for acquisition and deployment of anti -terrorist and illicit narcotics detection equipment along the U.S.-Mexico border, along the U.S. Canada border, in Florida and at the Gulf Coast seaports. The equipment would include vehicle and other inspection systems. The Act also provides the Customs Service with fexibility in using these funds, and allows for the acquisition of new updated technology not anticipated when the bill was drafted.

Immunity for Customs Officers The Act grants Customs Service officers immunity from lawsuits stemming from personal searches of people entering the country - so long as the officers conduct the searches in good faith.

The statement of managers states that the means used to conduct such searches must be reasonable and that to be covered by the immunity exception, inspectors must follow Customs Service inspection rules including those relating to the prohibition on the conduct of profiling of passengers based on race.

Border Search Authority The Act provides authority to investigators to search unsealed, outbound U.S. mail for unreported monetary instruments, weapons of mass destruction, firearms and other contraband only for mail and packages weighing 16 ounces or more. For mail weighing 16 ounces or less, a search warrant would be required.

The reading of any mail would not be authorized unless Customs Service officers obtained a search warrant.

Cyild Cyber-Smuggling Center The Act authorizes $10 million to the Customs Service for the Child Cyber-Smuggling Center. The center tries to prevent the distribution of child pornography and other materials that sexually exploit children. The Act directs that some of these funds be provided to the National Center for Missing and Exploited Children for the operation of its child pornography cyber tipline.

U.S.-Canada Border The Act earmarks $25 million for 285 new personnel at the U.S.-Canada border.

Textile Trans-Shipments The Act requires the GAO to audit the systems at the Customs Service to monitor and enforce textile trans-shipment and report to Congress on recommendations for improvements. The Act also authorizes $10 million to enhance the Customs Service's textile trans-shipment enforcement operations. (The amount is in addition to U.S. Customs' base authorization and the authorization to re-establish teh destroyed textile monitoring and enforcement operations at the World Trade Center.)

The Act also authorizes $1.3 million for the Customs Service to provide technical assistance to sub-Saharan African countries to develop and implement effective visa and anti-trans-shipment systems to prevent the illegal trans-shipment of textiles and other goods as required in the African Growth and Opportunity Act (PL 106-200).

World Trade Center The Act authorizes funds to re-establish Customs Service operations formerly located at the World Trade Center in New York. The Congressional Budget Office (CBO) estimates it will cost $100 million to replace the lost facilities.

Reports The Act requires the Customs Service to report to Congress on a number of its personnel practices, including performance standards; the effect of the collective bargaining process on customs drug interdiction efforts; and a comparison of duty rotations policies of the Customs Service and other federal agencies of similarly situated enforcement personnel.

The Act also requires the Customs Sercie to conduct a study to ensure that the appropriate training is being provided to personnel who are responsible for financially auditing importers; mandates the imposition of a cost-accounting system for the Customs Service to effectively explain its expenditures; and directs the General Accounting Office to determine whether current user fees are appropriately set at a level commensurate with the service provided for the fee.

Other Provisions

The Act also does the following:

-- General System of Preferences - Extends through 2006 tariff breaks for developing nations under the General System of Preferences, except for those engaged in the "worst" forms of child labor, those not conforming to certain "fundamental" labor rights and not supporting U.S. efforts against terrorism.

-- Worsted Wool - Extends temporary duty reductions on worsted wool fabric from 2003 to 2005 and extends payments to U.S. manufacturers.

-- Nuclear Generators - Provides duty benefits for nuclear steam generators.

-- WTO Dispute Fund - Authorizes a $50 million fund within the United States Trade Representative's office for use in settling disputes at the WTO.

-- Sugar Tariff Circumvention - Directs the Agriculture Department and Customs Service to monitor articles that are circumventing tariff quotas on sugars and syrups and to devise a plan to counter such practices.

H.R. 3010 (Mr. Crane); reported to House Oct. 16, 2001.

H.R. 3010, legislation to extend the Generalized System of Preferences Program (GSP), was ordered reported, without amendment, from the Committee on Ways and Means on Oct. 5, 2001, by voice vote. The bill was reported to the House on Oct. 16, 2001 (H.Rept. 107-245). Issues in H.R. 3010 were incorporated in the Senate amendment to H.R. 3009 as passed the Senate. The House incorporated H.R. 3010 pursuant to H.Res. 450 into H.R. 3009 prior to a conference being requested with the Senate on H.R. 3009. See the summary of Public Law 107-210 (H.R. 3009) for further action.

Title V of the Trade Act of 1974 established the GSP, whereby the President may provide duty-free treatment on imports of eligible articles from developing countries and territories, subject to certain conditions and limitations, GSP expired on Sept. 30, 2001. H.R. 3010 would renew GSP for the period of Oct. 1, 2001, through Dec. 31, 2002. H.R. 3010 would also include a retroactive provision which would provide duty-free treatment for items imported after Sept. 30 that would have qualified for GSP coverage if GSP had not expired.

H.R. 3090 (Mr. Thomas); Public Law 107-147; app. Mar. 9, 2002.

H.R. 3090, Economic Security and Recovery Act of 2001, was ordered reported, amended, on Oct. 12, 2001, by a vote of 23-14. On Oct. 17, 2001, the bill was reported, amended, to the House (H.Rept. 107-251). H.R. 3090 passed the House, amended, on Oct. 24, 2001, by a vote of 216-214. On Feb. 14, 2002, the Senate considered the measure. An amendment, in the nature of a substitute, to provide for a program of temporary extended unemployment compensation, was agreed to in the Senate by voice vote. On Mar. 6, 2002, H.Res. 360, the rule providing for consideration of the Senate amendment, with a House amendment (text for the Job Creation and Worker Assistance Act of 2002) was reported to the House (H.Rept. 107-367). On Mar. 7, 2002, the motion that the House agree to the Senate amendment with an amendment (text for the Job Creation and Worker Assistance Act of 2002) was agreed to by a vote of 417-3. On Mar. 8, 2002, the Senage agreed to motion to concur in the amendment of the House to the amendment of the Senate. H.R. 3090 was signed into law by the President on Mar. 9, 2002, as P.L. 107-147.

I - BUSINESS PROVISIONS

A. Special Depreciation Allowance for Certain Property

H.R. 3090 allows an additional first-year depreciation deduction equal to 30 percent of the adjusted basis of qualified property. The additional first-year depreciation deduction is allowed for both regular tax and alternative minimum tax purposes for the taxable year in which the property is placed in service. The basis of the property and the depreciation allowance in the year of purchase and later years are appropriately adjusted to reflect the additinal first-year depreciation deduction. In addition, the Act provides that there would be no adjustment to the allowable amount of depreciation for purposes of computing a taxpayer's alternative minimum taxable income with respect to property to which the provision applies. A taxpayer is allowed to elect out of the additional first-year depreciation for any class of property for any taxable year. 2005. Qualified property includes: (1) property with Modified Accelerated Cost Recovery System (MACRS) lives of 20 years or less (except leasehold improvements), (2) water utility property, or (3) purchased computer software, or (4) qualified leasehold improvement property. The original use of the property must commence with the taxpayer on or after Sept. 11, 2001. The taxpayer must purchase (or begin construction of) the property after Sept. 10, 2001, and before Sept. 11, 2004 (binding contract rules apply). The property generally must be placed in service before Jan. 1, 2005.

B. Five-Year Carryback of Net Operating Losses

The Act temporarily extends the general net operating loss (NOL) carryback period to five years (from two years) for NOLs arising in taxable years ending in 2001 and 2002. In addition, the five-year carryback period applies to NOLs from these years that qualify under prior law for a three-year carryback period. A taxpayer can irrevocably elect to forgo the five-year caryback period. If a taxpayer elects to forgo the five-year carryback period, then the losses are subject to the rules that otherwise would apply section 172 absent the provision.

The Act also allows an NOL deduction attributable to NOL carrybacks arising in taxable years ending in 2001 and 2002, as well as NOL carryforwards to these taxable yers, to offset 100 percent of taxpayer's alternative minimum taxable income.

II - UNEMPLOYMENT ASSISTANCE PROVISIONS

A. Unemployment Assistance

The Act provides for up to 13 weeks of temporary extended unemployment benefits for eligible displaced workers. These benefits are available in any State entering into an agreement with the Secretary of Labor to provide such extended benefits. Benefits are available to workers who filed an initial claim for unemployment benefits on or after Mar. 15, 2001 and who remain unable to find work after having exhausted their regular unemployment benefits.

In States continuing to experience a high rate of unemployment (those with an insured unemployment rate of at least 4%) displaced workers who exhaust their up to 13 weeks of temporary extended unemployment benefits provided nationwide, would be eligible for up to an additional 13 weeks of temporary extended unemployment benefits.

The benefits are 100 percent federally funded and are available through Dec. 31, 2002, or until a State terminates its agreement, if sooner.

B. Special Reed Act Transfer in Fiscal Year 2002

When three Federal account in the Unemployment Trust Fund (UTF) reach their statutory limits at the end of a Federal fiscal year, any excess funds are transferred to the individual state accounts in the UTF. These transfers are called "Reed Act" distributions. States generally can use this funding for payment of cash benefits and administering their unemployment compensation and employment service programs. The Balanced Budget Act of 1997 limited Reed Act transfers to States to $100 million after each of fiscal years 1999, 2000, and 2001 and limited these funds' use to paying administrative expenses of unemployment compensation laws.

The $100 million limit on distributions from excess federal funds at the end of fiscal year 2001 is repealed. The Act also repeals the limitation on the use of funds applied to the $100 million special distribution under the Balanced Budget Act of 1997.

The Secretary of the Treasury will transfer excess Federal Unemployment Trust Fund (UTF) balances as of the close of fiscal year 2001 into the account of each State in the UTF. Total transfers are capped at no more than $8 billion.

III - TAX BENEFITS FOR AREA OF NEW YORK CITY DAMAGED IN TERRORIST ATTCKS ON SEPTEMBER 11, 2001

A. Expansion of Work Opportunity Tax Credit Targeted Categories to Include Certain Employees in New York City

The Act creates a new target group for the work opportunity tax credit (WOTC). For the new category, the maximum credit is $2,400 (40 percent of $6,000 of qualified wage) per qualified employee in each taxable year. The portion of each employer's WOTC credit attributable to the new targeted group is allowed against the alternative minimum tax.

Generally, the new targeted group is individuals who perform substantially all their services for a business located in the "New York Liberty Zone". The new targeted group also includes individuals who perform substantially all their services in New York City for a business that relocated from the New york Liberty Zone elsewhere within New York City due to the physical destruction or damage of their workplaces within the New york Liberty Zone by the Sept. 11, 2001, terrorist attack. Generally qualified wages for purposes of this targeted group are wages paid or incurred for work performed in the New York Liberty Zone after Dec. 31, 2001, and before Jan. 1, 2004, by such qualified individuals. No credit for this new category of workers is allowed if the otherwise qualifying employer employed on average more than 200 employees during the taxable year in question.

The provision is effective in taxable years ending after Dec. 31, 2001 (for wages paid or incurred ot qualified individuals for work after Dec. 31, 2001 and before Jan. 1, 2004).

B. Special Depreciation Allowance for Certain Property

The Act allows an additional first-year depreciation deduction equal to 30 percent of the adjusted basis of qualified New York Liberty Zone property. The additional first-year depreciation deduction is allowed for both regular tax and alternative minimum tax purposes for the taxable year in which the property is placed in service. The basis of the property and the depreciation allowances in the year of purchase and later years are appropriately adjusted to reflect the additional first-year depreciation deduction.

In order for property to qualify for the additional first-year depreciation deduction it generally must meet all of the following requirements. First, the property must be property to which the general rules of MACRS apply with (1) an applicable recovery period of 20 years or less, (2) water utility property, (3) certain nonresidential real property and residential rental property, or (4) computer software other than computer software covered by section 197. A special rule precludes the additional first year depreciation under this provisions for (1) qualified New York Liberty Zone leasehold improvement property and, (2) property eligible for the additional first year depreciation under section 168(k). Second, substantially all of the use of such property must be in the New York Liberty Zone. Third, the original use of the property in the New York Liberty Zone must commence with the taxpayer on or after Sept. 11, 2001 (except for leased property). Finally, the property must be acquired by the taxpayer (after Sept. 10, 2001, and placed in service on or before Dec. 31, 2006. For qualifying nonresidential real property and residential rental property the property must be placed in service on or before Dec. 31, 2009. Property will not qualify if a binding written contract for the acquisition of such property is in effect before Sept. 11, 2001.

Nonresidential real property and residential rental property is eligible for the additional first-year depreciation only to the extent such property rehabilitates real property damaged, or replaces real property destroyed or condemned as a result of the terrorist attacks of Sept. 11, 2001.

C. Authorize Issuance of Tax-Exempt Private Activity Bonds for Rebuilding the Portion of New York City Damaged in the Sept. 11, 2001, Terrorist Attack

The Act authorizes issuance during calendar years 2002, 2003, and 2004 of an aggregate amount of $8 billion of tax-exempt private activity bonds to finance the construction and rehabilitation of nonresidential real property and residential rental real property in a newly designated Liberty Zone of New York City. Property eligible for financing with these bonds includes buildings and their structural components, fixed tenant improvements, and public utility property. Issuance of bonds authorized under the provision is limited to projects approved by the Mayor of New York City or the Governor of New York State, whom may designate up to $4 billion of the bonds authorized under the Act.

D. Allow one Additional Advance Refunding for Certain Previously Refunded Bonds for Facilities Located in New York City

The Act permits certain bonds for facilities located in New York City to be advance refunded one additional time. These bonds include only bonds for which all prior-law advance refunding authority was exhausted before Sept. 11, 2001, and with respect to which the advance refunding bonds authorized under prior law were outstanding on Sept. 11, 2001. To be eligible for the additional advance refunding, at least 90 percent of the refunded bonds must have been used to finance facilities located in New York City.

E. Increase in Expensing Treatment for Business Property Used in the New York Liberty Zone

The Act increases the amount a taxpayer can deduct under section 179 for qualifying property used in the New York Liberty Zone. Specifically, the Act increases the maximum dollar amount that may be deducted under section 179 by the lesser of (1) $35,000 or (2) the cost of qualifying property placed in service during the taxable year. This amount is in addition to the amount otherwise deductible under section 179.

F. Extension of Replacement Period for Certain Property Involuntarily Converted in the New York Liberty Zone

The Act extends the replacement period to five years for a taxpayer to purchase property to replace property that was involuntarily converted within the New York Liberty Zone as a result of the terrorist attacks that occurred on Sept. 11, 2001. However, the five-year period is available only if substantially all of the use of the replacement property is in New York City.

G. Treatment of Qualified Leasehold Improvement Property

The Act provides that 5-year property for purposes of the depreciation rules of section 168 includes qualified New York Liberty Zone leasehold improvement property ("qualified NYLZ leasehold improvement property"). The term Qualified NYLZ leasehold improvement property means property that is placed in service after Sept. 10, 2001 and before Jan. 1, 2007 (and not subject to a binding contract on Sept. 10, 2001) in the New York Liberty Zone.

IV - MISCELLANEOUS AND TECHNICAL PROVISIONS

A. Allowance of Electronic Forms 1099

The Act removes the statutory impediment to providing copies of specified information returns to taxpayers electronically. Accordingly these copies may be furnished electronically to a recipient who has consented to this; the copies may be furnished in a manner similar to the one permitted with respect to Form W-2 or in another manner provided by the Secretary.

B. Discharge of Indebtedness of an S Corporation

The Act provides that income from the discharge of indebtedness of an S corporation that is excluded from the S corportion's income is not taken into account as an item of income by any shareholder and thus does not increase the basis of any shareholder's stock in the corporation.

C. Limitation in Use of Non-Accrual Experience Method of Accounting

The non-accrual experience method of accounting is available only for amounts to be received for the performance of qualified services and for Qualified services are services in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts or consulting.

Under a special rule, the non-accrual experience method of accounting continues to be available for the performance of non-qualified services if the average annual gross receipts of the taxpayer does not exceed $5 million.

D. Expansion of Exclusion from Income for Qualified Foster Care Payments

The Act makes two modifications to the prior-law exclusion for qualified foster care payments. First, the Act expands the definition of qualified foster care payments to include payments by any placement agency that is licensed or certified by a State or mecal government, or an entity designated by a State or local governemnt to make payments to providers of foster care. Second, the Act expands the definition of a qualified foster care individual by including foster care individuals placed by a qualified foster care placement agency regardless of the individual's age at the time of placement.

E. Interest Rates Used in Determining Additonal Required Contributions to Defined Benefits Plans and Pension Benefit Guarantee Corporation (PBGC) Variable Rate Premiums

The Act expands the permissible range of the statutory interest rate used in calculating a plan's current liability for purposes of applying the additional contribution requirements for plan years beginning after Dec. 31, 2001, and before Jan. 1, 2004. Under the Act, the permissible range is from 90 percent to 120 percent for these years. Use of a higher interest rate under the expanded range will affect the plan's current liability, which may in turn affect the need to make additional contributions and the amount of any additional contributions.

Under the Act, the interest rate used in determining the amount of unfunded vested benefits for variable rate premium purposes is increased to 100 percent of the interest rate on 30-year Treasury securities for the month preceding the month in which the plan year begins.

F. Deduction for Classroom Materials

The Act provides an above-the-line deduction for up to $250 annually of expenses paid or incurred by an eligible educator for books, supplies computer equipment, and other equipment, and supplementary materials used by the eligible educator in the classroom. To be eligible for this deduction, the expenses must be otherwise deductible as a trade or business expense.

An eligible educator is a kindergarten through grade 12 teacher, instructor, counselor, or principal in a school for at least 900 hours during a school year.

V - TAX TECHNICAL CORRECTIONS

The Act contains technical corrections to recently enacted tax legislation.

VI - NO IMPACT ON SOCIAL SECURITY TRUST FUNDS

The Act provides that the Secretary of the Treasury is to annually estimate the impact of the legislation on the income and balances of the Social Security trust fund. If the Secretary determines that the Act has a negative impact on the income and balances of the fund, then the Secretary is to transfer from the general revenues of the federal government an amount sufficient so as to ensure that the income and balances of the Social Security trust funds are not reduced as a result of the Act.

VII - EMERGENCY DESIGNATION

The Act designates any revenue loss, new budget authority, and new outlays under the Act in excess of those allowed under th FY 2002 budget resolution as emergency requirements pursuant to section 252(e) of the Balanced Budget and Emergency Deficit Control Act of 1985.

VIII - EXTENSIONS OF CERTAIN EXPIRING PROVISIONS

The Act provides an extension of the following tax provisions that are scheduled to expire in 2001:

-- special rule that allows non-refundable personal credits to offset the alternative minimum tax for two years.

-- extend credit for purchase of electric vehicles for two years,

-- credit for the domestic production of electricity from wind, closed-loop biomass, and poultry litter,

-- Work Opportunity tax credit,

-- Welfare-to-Work tax credit,

-- phase-down in the deduction for qualified clean-fuel vehicle properties and qualified clean-fuel vehicle refueling properties,

-- taxable income limit on percentage depletion for oil and natural gas produced from marginal properties,

-- authority to issue Qualified Zone Academy Bonds,

-- extension of increased coverover payments to Puerto Rico and the Virgin Islands,

-- tax on failure to comply with mental health parity requirements,

-- suspension of reduction of deductions for mutual life insurance companies,

-- extension of Archer Medical Savings Accounts,

-- extension of tax incentives for investment on Indian reservations,

-- extension and modification of exceptions under subpart F for active financing income, and

-- repeal of dyed-fuel requirement for registered diesel or kerosene terminals.

IX - TEMPORARY ASSISTANCE TO NEEDY FAMILIES PROVISIONS

The Temporary Assistance for Needy Families (TANF) Supplemental Grant program is reauthorized and appropriations are provided for one year (fiscal year 2002) with individual State grant amonts frozen at the exact amount received by the State in fiscal year 2001. In addition, the TANF contingency fund is reauthorized for one year.

H.R. 3100 (Mr. LaFalce with cosponsors); passed the House Oct. 7, 2002.

H.R. 3100, to allow for the expansion of areas designated as renewal communities based on 2000 census data, was considered by unanimous consent and passed without objection on Oct. 7, 2002.

H.R. 3100 would amend the Internal Revenue Code to allow for the expansion of areas designated as renewal communities based upon 2000 census population and poverty rate data. The bill would be effective as if it had been included in the Community Renewal Tax Relief Act of 2000.

H.R. 3129 (Mr. Crane); passed the House May 22, 2002.

H.R. 3129, Customs Border Security Act of 2001, was ordered reported, amended, by voice vote on Oct. 31, 2001. The bill was reported, amended, to the House on Dec. 5, 2001 (H.Rept. 107-320). H.R. 3129 failed to pass, under suspension of the rules, by a vote of 256 yeas, 168 nays (2/3 required) on Dec. 6, 2001. On May 22, 2002, the legislation was considered under rule H.Res. 426. H.R. 3129 passed the House, amended, by a vote of 327-101 on May 22, 2002.

H.R. 3129 would authorize appropriations for fiscal year FY 2002 and FY 2003 for the U.S. Customs Service, including specific authorization for anti-terrorism, drug interdiction and the prevention of child pornography. The bill would also provide more funding to textile transshipment efforts and assistance to African countries for implementation of the African Growth and Opportunities Act. The bill would further dedicate resources to reestablish the New York Customs offices formerly at the World Trade Center, which was destroyed in the terrorist attack of September 11th, and it would provide more resources to the Northern Border. H.R. 3129 would also authorize full funding for the Customs Automated Commercial Environment, the Office of the United States Trade Representative (USTR) and the International Trade Commission (ITC).

The bill would also give the U.S. Customs Service authority to fight against terrorism and drug smugglers through several new tools. Customs inspectors would be immune from civil suits as a result of personal searches at the border if they act in good faith. Customs Service would have the authority to search outbound mail so long as privacy and Fourth Amendment protections are observed. The Treasury Department would also be required to build a system through the regulatory process to handle the collection of advanced information for inbound cargo, as well as inbound and outbound passengers, from carriers for the purpose of targeting both terrorist activity and smuggling.

The legislation would authorize several studies and reports on Customs' operations including a report on the personnel practices of the Customs Service, on the accounting and auditing procedures of Customs, on the monitoring and enforcement of textile transshipment, on Customs' anticipated improvements to stop delays in issuing prospective rulings, and on determining the proper level of fees charged by Customs on importers. The bill would permanently raise the duty exemption on U.S. residents returning from abroad from the current $400 to $800.

H.R. 3210 (Mr. Oxley with cosponsors); Public Law 107-297; app. Nov. 26, 2002.

H.R. 3210, Terrorism Risk Protection Act, was ordered reported, amended, by the Financial Services Committee by voice vote on Nov. 7, 2001. The Committee on Ways and Means ordered the bill reported, with an amendment in the nature of a substitute, by voice vote on Nov. 16, 2001. On Nov. 19, 2001, the Committees on Financial Services and Ways and Means, reported, amended, to the House (H.Rept. 107-300, pt. 1 and pt. 2). On Nov. 28, 2001, the Rules Committee reported to the House H.Res. 297 to provide for consideration of H.R. 3210. H.Res. 297 provided that in lieu of the amendments recommended by the Committee on Financial Services and the Committee on Ways and Means, an amendment in the nature of a sutstitute consisting of the text of H.R. 3357 shall be considered as adopted. H.Res. 297 passed the House thus substituting the text of H.R. 3357. H.R. 3210 passed the House by a vote of 227 yeas, 193 nays on Nov. 29, 2001. On July 25, 2002, the bill passed the Senate, with an amendment in the nature of a substitute (text of S. 2600) by voice vote. On July 27, 2002, the House disagreed with the Senate amendment and agreed to a conference. The conference report was filed in the House on Nov. 13, 2002 (H.Rept. 107-779). On Nov. 14, 2002, the House agreed to the conference report by voice vote. The Senate agreed to the conference report by a vote of 86-11 on Nov. 19, 2002. H.R. 3210 was signed into law by the President on Nov. 26, 2002 as P.L. 107-297.

The bill included a provision relating to a tax reserve for terrorism coverage under commercial lines of business that is within the jurisdiction of the Committee on Ways and Means. H.R. 3210 as reported, deleted the tax provisions of the bill. The same provision was included in H.R. 3357.

The bill would also have required the Secretary of the Treasury to conduct a study of issues relating to permitting property and casualty insurance companies to establish deductible reserves against losses for future acts of terrorism. No later than 4 months after the date of enactment, the Secretary would be required to report to Congress the results of the study, with recommendations for changes to the Internal Revenue Code of 1986 or other appropriate action. These provision were removed from the legislation prior to enactment.

H.R. 3323 (Mr. Hobson with cosponsors); Public Law 107-105; app. Dec. 27, 2001.

H.R. 3323, Administative Simplification Compliance Act, passed the House, amended, under suspension of the rules, on Dec. 4, 2001, by a vote of 410-0. On Dec. 12, 2001, the Senate passed the bill, without amendment, by unanimous consent. H.R. 3323 was signed into law by the President on Dec. 27, 2001, as P.L. 107-105.

The Health Insurance Portability and Accountability Act of 1996 (HIPPA) includes provisions to improve administrative efficiency in the health care industry by facilitating electronic transactions between health plans and health care providers. The U.S. Department of Health and Human Services (HHS) estimates these administrative simplifications will result in net savings of $29.9 billion over 10 years. The first phase of these simplifications is scheduled to go into effect in Oct. 2002.

As of Oct. 2002, health plans and providers must either be HIPAA compliant or submit a compliance plan to the Secretary of Health and Human Services. This document must summarize the entity's budget, schedule, work plan, and implementation strategy for becoming compliant by Oct. 2003. The Secretary will publish a model form for compliance plans by Apr. 2002. An advisory body will review a sample of the submitted plans and publish reports addressing the most common or challenging problems entities are encountering in their implementation efforts.

The extension will be available only for compliance with the standards for electronic transactions and code sets. The health information privacy standards, currently scheduled to go into effect in Apr. 2003, will not be affected.

The Secretary of HHS will have the discretion to exclude from Medicare any health plan or provider that has not become compliant with the transactions standards, or submitted a compliance plan, by Oct. 2002.

As of Oct. 2003, all Medicare claims will have to be submitted electronically, except where there is no method of submitting the claim other than in writing, the person submitting the claim is a small plan, provider, or in other appropriate circumstances as prescribed by the Secretary.

The Act authorizes $44.2 million for the Secretary of HHS to adopt HIPAA standards and to provide technical assistance, education and outreach, and enforcement related to the standards. These resources are contingent on timely publication of the model compliance form.

H.R. 3346 (Mr. Manzullo); Public Law 107-131; app. Jan. 16, 2002.

H.R. 3346, to simplify the reporting requirement relating to higher education tuition and related expenses, passed the House on Dec. 4, 2001, under suspension of the rules, by voice vote. The bill passed the Senate on Dec. 20, 2001, without amendment, by unanimous consent. H.R. 3346 was signed into law by the President on Jan. 16, 2002 as P.L. 107-131.

The Taxpayer Relief Act of 1997 created the HOPE and Lifetime Learning tax credits and the deduction for interest on student loans. The law also created reporting requirements to help the Internal Revenue Service administer these new benefits. H.R. 3346 modifies the statutory requirements to reduce the regulatory burden imposed on educational institutions. Specifically, the Act allows educational institutions the option of reporting "amounts billed" for tuition rather than "payments received." The Act also eliminates the requirement that schools report the name, address, and Taxpayer Identification Number of any individual who can claim the student as a dependent. Other conforming changes are also made.

H.R. 3391 (Mrs. Johnson of Connecticut with cosponsors); passed the House Dec. 4, 2001.

H.R. 3391, Medicare Regulatory and Contracting Reform Act, passed the House by a vote of 408 yeas, 0 nays, under suspension of the rules, on Dec. 4, 2001. H.R. 3391 is a substitute for H.R. 2768 which was reported by the Committee on Ways and Means on Nov. 13, 2001 (H.Rept. 107-288 pt. 1). Both bills were referred to the Committees on Ways and Means and Energy and Commerce. Neither bill was acted upon by the Committee on Energy and Commerce. H.R. 3391, reflects the recommendations of both Committees. H.R. 3391 would simplify the regulatory process, would provide education and technical assistance to health care providers, would protect the rights of providers when audited, and would move toward a more collaborative partnership between Medicare and doctors.

TITLE I - REGULATORY REFORM

H.R. 3391 would consolidate promulgation of regulations to once a month, and would create specific time frames for progression of new regulations from proposed to final rules. The legislation would require additional comment period and prohibit retroactive application of substantive changes. H.R. 3391 would establish that a substantive change would not become effective until 30 days after the change is announced. The bill would require the General Accounting Office to study the feasibility and appropriateness of establishing legally binding advisory opinions.

TITLE II - CONTRACTING REFORM

The bill would reform the contracting system by permitting the Secretary of Health and Human Services to contract with separate contractors for discrete duties; would allow greater flexibility in selecting contractors; and would eliminate provider nomination of national 147State organizations for contracting purposes. The bill would expand the kind of entities eligible to serve as contractors and would establish new evaluation criteria. Medicare contractors would be required to develop contractor-wide information security programs for their Medicare-related business.

TITLE III - EDUCATION AND OUTREACH

The bill would coordinate provider education funds and would create incentives to improve contractor performance related to education and outreach. Access to and prompt responses from contractors would be required, including general written responses to inquiries within 45 days and responses to toll free lines. Contractor responses would be monitored for accuracy. The bill would authorize enhanced resources for provider education, and would establish special outreach for small providers. The bill would create a Beneficiary Assistance Demonstration Program to restore Medicare specialists in selected Social Security offices to answer beneficiary questions on Medicare issues.

TITLE IV - APPEALS AND RECOVERY

H.R. 3391 would require the Secretary of HHS and the Social Security Commissioner to develop and implement a plan to transfer the functions of Medicare Administrative Law Judges to HHS by 2003. In addition, it would expedite access to judicial review for issues that cannot be resolved administratively and would require full and early presentation of evidence in appeals. Notice requirements for determinations and redeterminations would be established, and eligibility requirements for qualified independent contractors would be created. H.R. 3391 would set forth standards for the conduct of random prepayment reviews and would prohibit recovery of overpayments until the qualified independent contractor level of appeal is exercised. This legislation would set up a process for seniors and their doctors to find out in advance whether certain services are covered by Medicare after receiving an advanced beneficiary notice.

TITLE V - MISCELLANEOUS PROVISIONS

The bill would require pilot testing of new evaluation and management guidelines prior to implementation and would also request studies if simpler systems of documentation for physician claims. The bill would establish a Council for Technology and Innovation to coordinate the activities of coverage, coding, and payment for new technologies, procedures, and drugs. The bill includes other miscellaneous provisions.

H.R. 3525 (Mr. Sensenbrenner); Public Law 107-173; app. May 14, 2002.

H.R. 3525, Enhanced Border Seurity and Visa Entry Reform Act of 2001, passed the House, amended under suspension of the rules on Dec. 19, 2001, by voice vote. The bill was considered Apr. 12, 15, 2002 in the Senate and passed with amendments on Apr. 18, 2002, by a vote of 97-0. On May 8, 2002, the House agreed to Senate amendment with amendments pursuant to H.Res. 365. H.Res. 365 provides for the concurrence by the House with amendments to the amendment of the Senate to H.R. 1885 and incorporates the text of H.R. 3525 into H.R. 1885. H.Res. 365 was agreed to by a vote of 275-137 under suspension of the rules. H.R. 3525 was signed into law by the President on May 14, 2002 as P.L. 107-173.

H.R. 3525 contains trade provisions within the jurisdiction of the Committee on Ways and Means. A change in the definition of "Immigration Officer" is made. Provisions relating to passenger manifest involve customs inspections. In addition, a provision requires the Secretary of the Treasury to report to Congress on U.S.-Canada inspection projects.

H.R. 3529 (Mr. Thomas); passed Senate Nov. 14, 2002.

H.R. 3529, Economic Security and Worker Assistance Act of 2001, was considered by the House under provisions of the rule H.Res. 320 on Dec. 20, 2001. The bill passed the House by a vote of 224 yeas, 193 nays, without amendment, on Dec. 20, 2001. H.R. 3529 is a modified version of H.R. 3090, Eonomic Security and Recovery Act. Unlike H.R. 3090, H.R. 3529 does not repeal the corporate alternative minimum income tax (AMT), nor does it refund past AMT payments or cut capital gains taxes. Unlike H.R. 3090, H.R. 3529 does include extension of unemployment benefits and tax credits for health insurance. On Nov. 14, 2002, the Senate passed H.R. 3529, with an amendment in the nature of a substitute, by unanimous consent. The Senate amendment provides for an extension of the Temporary Unemployment Compensation Act of 2002.

A summary of the bill as passed the House follows.

I. SUPPLEMENTAL STIMULUS PAYMENTS

The bill provides for new supplemental stimulus payments. Taxpayers are eligible for maximum payment amount for their filing status ($300 single or married filing separately, $500 head of household, $600 joint filers) minus the amount (if any) of any previous rebate check.

II. INDIVIDUAL PROVISIONS

Accelerated rate reduction-- The bill would reduce the current 27.5% tax rate to 25% effective Jan. 1, 2002.

Alternative Minimum Tax (AMT) relief-- For 2002 and 2003, the $49,000 exemption amount would be increased by $3,200; the $35,750 exemption amount would be increased by $1,600; and the $24,500 exemption amount is increased by $1,600. For 2004, the $49,000 exemption amount is increased by $1,700; the $35,750 exemption amount is increased by $850; and the $24,500 exemption amount is increased by $850. The bill would hold harmless so that accelerated rate reduction does not subject taxpyers to the AMT. In addition, the bill would repeal the depreciation preference under the AMT and the 90% liminations on use of foreign tax credits and net operating losses.

III. BUSINESS PROVISIONS

Special depreciation allowance for certain property-- The bill would allow an additional first-year depreciation deduction equal to 30 percent of the adjusted basis of qualified property. The additional first-year depreciation deduction would be allowed for both regular tax and AMT purposes for the taxable year in which the property is placed in service. The basis of the property and the depreciation allowances in the year of purchase and later years would be apppropriately adjusted to reflect the additional first-year depreciation deduction.

Temporary increase small business expensing-- The bill would increase the amount that could be expensed under sec. 179 from $24,000 to $35,000 in taxable years beginning after Dec. 31, 2001, and before Jan. 1, 2004. In addition, the bill would increase the beginning of the phase-out threshold from $200,000 to $325,000.

Modify ATM-- The bill would repeal the minimum tax depreciation adjustments. In addition, the bill would repeal the 90-percent limitations on the use of the net operating loss deduction and foreign tax credits.

Five-year carryback of net operating losses (NOL)-- H.R. 3529 would allow taxpayers the option of extending the NOL carryback period from 2 years to 5 years. The 5-year carryback period would be allowed for losses generated in 2001 - 2002.

Treatment of leasehold improvements-- The provision would provide that 15-year property for purposes of the depreciation rules of section 168 would include qualified leasehold improvement property. The straight line method would be required to be used with repect to qualified leasehold improvement property. The bill would reduce the cost recovery period for leasehold improvements from 39 years to 15 years.

IV. EXTENSIONS OF CERTAIN EXPIRING PROVISIONS

H.R. 3529 would extend the following provisions for two years: -- treatment of non-refundable personal credits under the AMT,

-- Work Oportunity tax credit,

-- Welfare-to-Work tax credit,

-- tax credit for electricity produced from wind, closed-loop biomass and poultry litter,

-- suspension of 100% net income limitations on percentage depletion method for oil and gas produced from marginal wells,

-- qualified Zone Academy Bonds,

-- increase in cover-over rate for rum excise taxes paid to Puerto Rico and Virgin Islands,

-- deduction for clean fuel vehicles and refueling property,

-- tax credit for electric vehicles,

-- mental health parity compliance tax, and

-- suspension of reduction of deductions for mutual life insurance companies.

H.R. 3529 would extend the following provisions for one year: -- Archer Medical Savings Accounts, and

-- accelerated depreciation and employment tax credit for incentives on tribal land.

H.R. 3529 would extend the following provision permanently: -- suspension of diesel and kerosene dying mandate.

V. TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) PROVISIONS

H.R. 3529 would reauthorize TANF supplemental grants for population increases for fiscal year 2002. In addition, the bill would extend for one year the contingency fund under the TANF program.

VI. TAX BENEFITS FOR AREA OF NEW YORK CITY DAMAGED IN TERRORIST ATTACKS ON SEPTMEBER 11, 2001

Special depreciation allowance for certain property-- The provisions would allow an additional first-year depreciation deduction equal to 30 percent of the adjusted basis of qualified New York Liberty Zone ("Liberty Zone") property. H.R. 3529 would enhance the 30 percent bonus depreciation provision by: (1) Extending the placed in service date to Dec. 31, 2006 (or Dec. 31, 2009 in the case of buildings.) Property financed with Liberty Bonds would also qualify for the bonus depreciation.

Treatment of qualified leasehold improvement property-- The bill would reduce the cost recovery period for leasehold improvements from 15 years to 5 years for leasehold improvements made to commercial buildings located in the Liberty Zone. The provision would sunset for property placed in service after Dec. 31, 2006.

Increase in expensing treatment for business property used in the New York Liberty Zone-- H.R. 3529 would enhance the provision for qualifying property used in the Liberty Zone by: (1) Increasing the amount that may be expensed by an additional $35,000 (for a total of $70,000) and, (2) Provide that only 50% of the cost of qualifying would be used to determine the phase-out.

Authorize issuance of tax-exempt private actvity bonds for rebuilding the portion of New York City damaged in the September 11, 2001 terrorist attack-- H.R. 3529 would authorize the issuance of up to $15 billion of tax-exempt Liberty Bonds over the next three years for financing commercial, residential rental, and public utility property in the Liberty Zone.

Extension of replacement period for certain property involuntarily converted in the New York Liberty Zone-- The bill would allow taxpayers to defer taxes on gains from insurance proceeds as long as the gains are reinvested in New York City within 5 years. Current law provides a 2-year time period in most cases.

VII. VICTIMS TAX RELIEF

A. Relief Provisions for Victims of Specific Terrorist Attacks

Income tax relief-- The bill would waive income tax liability for the year of death and the year prior to death for victims. A special rule would provide a minimum benefit of $10,000 to each victim.

Estate tax relief-- The bill would provide a new estate tax rate structure that would effectively shield the first $8.5 million of the estate from Federal estate tax and the first $3 million of the estate from State estate tax.

Exclusion for special death benefits-- H.R. 3529 would privide tax-free treatment of death benefits paid by an employer to an employee solely because the employee died as a result of the September 11, Oklahoma City bombing or anthrax attacks.

Charitable organizations and private foundations-- The bill would allow charitable organizations to make pro rata payments prospectively to families of victims without demonstrating financial need. In addition, employers would be allowed to set up private foundations for the purpose of making payments to families of employees who died.

Discharge of indebtedness-- The bill would provide that income resulting from the discharge of indebtedness in 2001 would be tax-free.

B. Other Relief Provisions

Exclusion of disaster relief payments-- The bill would clarify that disaster relief payments (including payments made from the Victims Compensation Fund) would be tax-free.

Authority to postpone certain deadlines and required actions-- The bill would expand the Internal Revenue Service, Department of Labor, and Pension Benefit Guarantee Corporation authority to postpone tax-related and pension-related deadlines for taxpayers affected by these disasters.

Application of certain provisions to terroristic or military actions-- The bill would expand the present-law exclusion from gross income for disability income of U.S. civilian employees attributable to a terrorist attack outside the United States to apply to disability income received by any individual attributable to a terroristic or military action.

Treatment of purchase of structured settlements-- The bill would protect victims who sell structured settlements.

Personal exemption deduction for certain disability trusts-- The bill would increase the exemption amount for disability trusts from $100/$300 to $3,000.

Disclosure for tax information in terrorism and national security investigations-- The bill would allow the Internal Revenue Service to share tax return and taxpayer information with Federal law enforcement agencies investigating terrorist attacks. The new rules would sunset after three years.

VIII. MISCELLANEOUS AND TECHNICAL PROVISIONS

-- Would authorize the electronic filing of 1099s as long as a recipient consented,

-- Would reverse Gitlitz Supreme Court decision,

-- Would allow foster care parents to deduct foster care payments made from private agencies as well as public agencies,

-- Would increase interest rate band for the 30-year bond index applicable to pension funding and PBGC premium purposes. The provision would be effective for 2 years, and

--Would allow above-the-line deduction in 2001 and 2002 for teachers incurring classroom expenses.

IX. UNEMPLOYMENT ASSISTANCE PROVISIONS

Unemployment assistance-- The bill would provide up to thirteen weeks of extended benefits available in any State for those who became unemployed after Mar. 21, 2001 (approximate start of recession) and who have exhausted their regular benefits.

Special Reed Act transfer in fiscal year 2002-- The bill would allow transfer of $9 billion in surplus Federal unemployment funds to States. This provision specifies that States would have the option to use these funds to provide coverage for individuals seeking only part-time work, as well as those who would qualify under an alternative base period.

X. HEALTH INSURANCE ASSISTANCE

Displaced worker health insurance credit-- The bill would provide a refundable tax credit of up to 60% (no cap) of premiums paid by involuntarily unemployed workers.

Employment and training assistance and temporary health care coverage assistance-- The National Emergency Grants would temporarily be expanded by providing $4 billion to assist dislocated workers. This emergency expansion would be maintained for obligations in fiscal years 2002, 2003 and 2004.

Temporary State health care assistance-- The bill would allocate $4.6 billion directly to States to expend on health care services. States would not be permitted to use these resources to match other federal expenditures or in any other manner that would result in an increase of federal spending in excess of the amounts provided.

XI. NO IMPACT ON SOCIAL SECURITY TRUST FUNDS

H.R. 3529 would provide that the Secretary of the Treasury is to annually estimate the impact of the income and balances of the Social Security trust fund. If the Secretary would determine that the bill has a negative impact on the income and balances of the fund, then the Secretary will transfer from the general revenues an amount sufficient to ensure that the income and balances of the Social Security trust funds are not reduced as a result of the bill.

XII. EMERGENCY DESIGNATION

The bill would designate any revenue loss, new budget authority, and new outlays under the bill in excess of those allowed under the FY 2002 budget resolution as emergency requirements pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985.

H.R. 3669 (Mr. Portman with cosponsors); Reported to House Mar. 20, 2002.

H.R. 3669, Employee Retirement Savings Bill of Rights, was ordered reported, amended, on Mar. 14, 2002, by a vote of 36-2. On Mar. 20, 2002, the bill was reported to the House (H.Rept. 107-382, pt. 1). H.R. 3762, Pension Security Act of 2002, was reported by the Committee on Education and the Workforce on Apr. 4, 2002, (H.Rept 107-383, pt. 1). H.R. 3762 was scheduled for floor consideration and required a rule. The rule under which the bill was considered, H.Res. 386, incorporated H.R. 3669, as reported from Ways and Means and H.R. 3762 as reported from the Committee on Education and the Workforce, in a managers amendment in the nature of a substitute printed in the Rules Committee Report (H.Rept. 107-396). A summary of the provisions under the jurisdiction of the Ways and Means Committee follows.

Investment education-- Plan administrators would be required to provide employees with a quarterly statement describing generally accepted investment principles, including risk management and diversification. This statement could be provided electronically. Failure to comply with the notice requirements would result in an excise tax penalty.

Advance notice of blackouts-- Plan administrators would be required to notify employees at least 30 days in advance of a blackout to provide employees with an opportunity to change investment options before any restrictions are imposed. Notices could be provided electronically. Failure to comply with the notice requirement would result in an excise tax penalty.

Diversification rights-- Plans would be required to offer at least three investment options (other than company stock) and to allow employees to change investment options at least quarterly. Employers would be prohibited from requiring employees to invest their own contributions in company stock. Employer contributions could be made in the form of company stock, but employees would have a right to sell their stock and diversify into other assets after three years (or five years) of service, depending on the type of contribution. The new diversification rules would apply only to plans that hold publicly-traded employer securities and to plans that are not pure employee Stock Ownership Plans. Applicable plans that fail to comply with the diversification rules would lose their tax-qualified status.

Improving access to retirement planning services-- Employees would be allowed to purchase retirement planning services (including professional investment advice) using pre-tax dollars that are automatically deducted from their paychecks. Qualified advisors would have to be regulated under applicable laws.

Pension funding relief-- The interest rate that can be used to determine minimum funding requirements for defined benefit plans has already been adjusted for a plan years 2002 and 2003 to better reflect actual funding needs. The bill would extend this relief to plan year 2001 because the rate that must be used by plans to determine 2001 funding requirements is also unrealistically low. The provisions would apply only prospectively to contributions due this year. In addition, certain frozen pension plans maintained by intercity bus carriers would be allowed to use more realistic mortality tables that better reflect the mortality experience of their plan participants. This adjustment would be consistent with a 1997 law that provided funding relief to these plans based on their unique characteristics.

Tax treatment of statutory stock options-- Last year, the Internal Revenue Service (IRS) issued proposed regulations announcing its intention to impose payroll taxes on statutory stock options that are exercised beginning next year. The proposed regulations would be inconsistent with long-standing IRS practice and Congressional intent. Moreover, they represent a significant tax increase for millions of rank-and-file workers who participate in Emplpyee Stock Purchase Plans. The bill would clarify the current-law tax treatment of statutory stock options to ensure they are not subject to payroll taxes.

Pension reform provisions-- Additional pension reform provisions include:

-- Simplified pension reporting requirements for one-participant plans and certain plans with fewer than 25 employees.

-- Improvements to the Employee Plans Compliance Resolution System.

-- Flexibility in demonstrating compliance with line of business, nondiscrimination, and minimum coverage requirements.

-- Exemption of all government plans from nondiscrimination and minimum participation rules.

-- Extension of the notice and consent period regarding distributions.

-- Reduced Pension Benefit Guaranty Corporation (PBGC) premiums for small and new plans.

-- Authorization for PBGC to pay interest on overpayments made by premium payors.

-- Modification of PBGC guaranteed benefit phase-in rules for substantial owners who participate in terminated plans.

-- Authorization of a study to examine the effects of the pension provisions enacted in the Economic Growth and Tax Relief Reconciliation Act of 2001 (P.L. 107-16).

H.R. 3762 (Mr. Boehner with cosponsor); Passed House Apr. 11, 2002.

H.R. 3762, Pension Security Act, was reported from the Committee on Education and the Workforce, amended, on Apr. 4, 2002 (H.Rept. 107-383, pt. 1). The bill was considered on the floor under of the provisions of H.Res. 386, the Rule providing for consideration. H.Res. 386 incorporated H.R. 3669, as reported from Ways and Means and H.R. 3762 as reported from the Committee on Education and the Workforce, in a managers amendment in the nature of a substitute printed in the Rules Committee Report (H.Rept. 107-396). Thus, H.R. 3669 and H.R. 3762 were combined for floor consideration of H.R. 3762. H.R. 3762 passed the House, amended, by a vote of 255-163 on Apr. 11, 2002. For a summary of provisions within the Ways and Means jurisdiction, please see summary of H.R. 3669.

H.R. 3991 (Mr. Houghton); failed passage Apr. 10, 2002.

H.R. 3991, Taxpayer Protection and IRS Accountability Act of 2002, was ordered reported on Mar. 20, 2002, by a vote of 34-6. The bill was reported, amended, on Apr. 9, 2002 (H.Rept. 107-394). H.R. 3991, failed passage, under suspension of the rules, on Apr. 10, 2002.

H.R. 3391 contains provisions that would assist taxpayers by reforming the penalty and interest sections of the Internal Revenue Code and provide new safeguards against unfair Internal Revenue Service (IRS) collection procedures. The bill would improve the efficiency of tax administration and would increase confidentiality of taxpayer information. The bill would increase the authorization for Low-Income Taxpayer Clinics that provide valuable assistance to taxpayers and would make clear that the intent of the program is to provide IRS controversy assistance, not routine tax preparation services.

Reforms penalty and interest-- The bill would grant a first-time penalty waiver to individual taxpayers in cases where minor negligence results in a liability that is disproportionate and unreasonable. The bill would convert the estimated tax penalty to an interest charge and simplify its calculation. In addition, the application of the penalty from failure to make a deposit in the required manner to prevent inappropriate application of the 10 percent penalty would be clarified.

Improves the fairness of IRS collection procedures-- The bill would allow taxpayers to enter into installment agreements for less than the full amount of their tax liability.

Improves the efficiency of tax administration-- The bill would allow electronic filers until Apr. 30 to file their individual income tax returns.

Improves the efficiency of tax administration--

Enhancing taxpayer information confidentiality-- H.R. 3991 would limit IRS inspection of return preparers when they conduct taxpayer examinations, and prohibit the disclosure of taxpayer information in Offers-in-Compromise.

Authorization for low-income taxpayer clinics-- The legislation would increase authorization from $6 million to $9 million for 2002, $12 million for 2003, and $15 million for 2004.

Section 527 organization disclosure-- The bill would eliminate notification reports for State and local candidates and officeholders. Double reporting by State and local organizations would be eliminated. The bill would allow the IRS to waive penalties for unintentional violations.

H.R. 4019 (Mr. Weller with cosponsors); Passed House June 13, 2002.

H.R. 4019, to provide that the marriage penalty relief provisions of the Economic Growth and Tax Releif Reconciliation Act of 2001 shall be made permanent, passed the House on June 13, 2002, by a vote of 271-142.

H.R. 4019 would make permanent provisions relating to the so-called marriage penalty included in the Economic Growth and Tax Relief Reconciliation Act (P.L. 107-16). These provisions would include an increase in the standard deduction for married couples to twice that of single taxpayers, and an increase in the upper income limit of the 15% tax bracket for married couples to twice that for single taxpayers. The legislation would also expand the earned-income tax credit for married couples.

H.R. 4069 (Mr. Shaw with cosponsors); Passed House May 14, 2002.

H.R. 4069, Social Security Benefits Enhancement for Women, was brought to the House and passed, under suspension of the rules, on May 14, 2002, by a vote of 418 yeas, 0 nays.

The bill would amend title II of the Old Age, Survivors and Disability Insurance of the Social Security Act. It would repeal the seven year restriction on eligibility for widow's and widower's insurance benefits based on disability. The bill would waive the two-year waiting period for a divorced spouse's benefits upon the other spouse's remarriage. In addition, the legislation would disregard months ending after a deceased individual's death in applying early retirement rules with respect to the deceased individual for purposes of the limitation on widow's and widower's benefits.

H.R. 4069 would exclude from gross income interest paid on any overpayment of income tax by individuals. The measure would allow a taxpayer to make cash deposits to pay any tax not yet assessed in order to suspend the running of interest on any potential future underpayments. In addition, the bill would permit partial collection of tax liability in installment agreements (currently allowed only for full collections).

H.R. 4070 (Mr. Shaw with cosponsors); passed the Senate Nov. 18, 2002

H.R. 4070, Social Security Program Protection Act, was ordered reported from the Subcommittee on Social Security to the full Committee on Apr. 25, 2002 by voice vote, and was reported to the full Committee on May 14, 2002. H.R. 4070 passed the House, amended, under suspension of the rules by a vote of 425 yeas, 0 nays on June 26, 2002. The bill passed the Senate, with an amendment in the nature of a substitute, on Nov. 18, 2002. A summary of the bill as passed the House follows.

H.R. 4070 would direct, with certain limitations, the Commissioner of Social Seurity to fully reimburse Social Security beneficiaries for any part of their benefit that was misused by a representative payee. The bill would establish that a representative payee that is not a Federal, State or local government agency will be held liable for misuse of funds and for lying or withholding information relevant to his right to be a representative.

The legislation would forbid a prospective representative of a beneficiary from serving if he has been convicted of any offense under Federal or State law resulting in imprisonment for more than one year unless the Commissioner deems it appropriate. The bill would forbid a fugitive felon from serving as a representative and would identify attorneys who have received certain sanctions as ineligible to be representatives.

H.R. 4070 would establish that certain individuals fleeing prosecution or confinement should not be allowed benefits unless the Commissioner finds good cause to allow them. The bill forbids benefits from being distributed to individuals violating probation or parole under State or Federal law. In addition, the legislation would forbid payment of benefits to individuals removed from the United States.

The bill would set a cap of $100 on assessments owed by attorney representatives upon receiving payments for the past-due benefits. In addition, the bill would set a cap of 25% of the amount of payment of past-due beenfits for a payment from the commissioner to an attorney representative.

The bill would define "disabeled beneficiary" and extend availability of federal and state work incentive services to additional individuals.

H.R. 4090 (Mr. Herger with cosponsors); reported May 14, 2002.

H.R. 4090, Personal Responsibility, Work, and Family Promotion Act of 2002 was reported, amended, by the Subcommittee on Human Resources to the Full Committee by a vote of 6 yeas, 4 nays on Apr. 18, 2002. The Full Committee ordered the bill reported, amended, on May 2, 2002 by a vote of 23-16. H.R. 4090 was reported, amended, to the House on May 14, 2002 (H.Rept. 107-460, pt. 1.) H.R. 4090, was reported from the Committee on Ways and Means, and provisions of H.R. 4092, as reported from the Education and the Workfore Committee were incorporated into H.R. 4700. Subsequent action moved to H.R. 4735 and then to H.R. 4737, the Personal Responsibility, Work, and Family Promotion Act. A summary of H.R. 4090 as reported from the Committee on Ways and Means follows.

The legislation would extend and make improvements to the Temporary Assistance for Needy Families (TANF) program and related programs under the Committee's jurisdiction. The TANF program, first authorized by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193), currently provides cash assistance to more than 2 million low-income families through a program of temporary cash benefits, work supports, and other purposes. The program expires on Sept. 30, 2002.

H.R. 4090 would provide $16.6 billion in annual TANF block grants to the States and territories, as well as $2.7 billion in annual child care funding, and up to $300 million for the Promoting Healthy Marriages initiative. The legislation would gradually increase the work requirementrs so that by 2007, States are expected to engage 70 percent of adult TANF recipients in at least 24 hours of direct work per week. States may define other activities for an additional 16 hours per week for individuals to full count toward the States' work participation rate. The bill also would incrase States' ability to transfer TANF funds to the Child Care and Development and Social Services Block Grants; would provide authority for a $20 million per year Fatherhood initiative; would provide incentives for States to pass through certain child support collections to families on or leaving welfare; and would authorize new "superwaiver" authority to encourage innovative demonstration projects by States that would align and improve programs serving low-income families. Finally, the bill would allow States to receive a credit toward the work participation requirement for caseload declines the States achieve after 1996.

Significant modifications reflected in H.R. 4090 would:

(1) Add "reducing poverty through promoting job preparation, work and marriage" as program purpose;

(2) Expand from 3 to 4 months the length of time in any 24-month period that education leading to work may be counted towards State work rate requirements for individuals engaged in education or training activities directly linked to an available job in the local areas;

(3) Allow States to count participation in activities as defined by the State towards the work rate requirements in any 3 months, rather than only in 3 consecutive months, out of any 24-month period;

(4) Assist 17 States that achieved caseload declines of more than 60 percent between fiscal years 1995 and 2001 in meeting rising work rate requirements by providing a new "superachiever" credit. Given their large past caseload declines, these States would receive a percentage reduction in future work requirements based on the percentage decline above 60 percent. The credit would take into consideration the difficulty these States would have in further reducing caseloads, which would otherwise reduce the rising work rate requirements. The "superachiever" credit in any year may not reduce work rates to less than 50 percent in any year. For a number of "superachiever" States, this would maintain the effective work rate requirement at the current 50 percent level for several or all of the next five fiscal years. All States -- including those receiving "superachiever" credits -- would be able to receive additional credits under the recalibrated net caseload reduction credit provision also included in the legislation.

(5) Provide an exception to the "full check sanction" provisions for States with Constitutional requirements to provide asistance to needy families;

(6) Allow for the continuation of all current waiver program until expiration;

(7) Provide $10 million over fiscal years 2003 through 2007 for demonstration projects coordinating the provision of child welfare and TANF services to tribal families, and allowing tribal organizations to access employment achievement bonus funds; and (8) Require that superwaiver applications of the TANF and Social Servie Block Grant programs not denied within 90 days be deemed approved.

H.R. 4156 (Mr. Ramstad with cosponsors); Public Law 107-181; app. May 20, 2002.

H.R. 4156, Clergy Housing Allowance Clarification Act of 2002, was brought to the House and passed under suspension of the rules by a vote of 408-0 on Apr. 16, 2002. The legislation was passed by the Senate without amendment by unanimous consent on May 2, 2002. H.R. 4156 was signed into law by the President on May 20, 2002, as P.L. 107-181.

The Act amends the Internal Revenue Code to specify that the parsonage allowance exclusion from gross income cannot exceed the fair rental value of the home, including furnishings and appurtenances such as a garage, plus the cost of utilities. The Act generally is applicable for taxable years beginning after Dec. 31, 2001.

H.R. 4626 (Mr. Houghton with cosponsor); passed the House May 21, 2002.

H.R. 4626, Encouraging Work and Supporting Marriage Act of 2002, was ordered reported, amended, on May 2, 2002, by voice vote. The bill was reported to the House, amended, on May 14, 2002 (H.Rept. 107-457). On May 21, 2002, H.R. 4626 passed the House, amended, under suspension of the rules by a vote of 409 yeas 1 nay.

The bill would amend the Internal Revenue Code by gradually increasing the standard deduction for married couples filing jointly beginning in 2003. H.R. 4626 would combine the Work Opportunity Tax Credit (WOTC) and the Welfare to Work Tax Credit (WWT) and conform most of their rules.

Under present law, employers can claim the WOTC for hiring ex-felons who meet a household income test which requires States to document the income of all members in the ex-felon's household. The test represents a significant impediment to hiring ex-felons -- a group that tends to be economically disadvantaged because of their status. H.R. 4626 would eliminate the household income test for this group.

Under present law, employers can claim the WOTC for hiring certain food stamp recipients between the age of 18 and 25. H.R. 4626 would increase the food stamp recipient age limit to 30. This change would qualify more low-income men, including absentee fathers, under the WOTC. Currently, about 80 percent of the individuals hired under the WOTC program are women.

Under present law, employers can claim the WOTC for hiring an individual with a disability who receives rehabilitative services under a State-approved or Veteran rehabilitation plan. The Ticket to Work and Work Incentives Improvement Act of 1999 (P.L. 106-170) creates private employment networks as an alternative to the State-approved agencies. H.R. 4626 would allow employers to claim the WOTC for hiring individuals who are referred by a private employer network.

H.R. 4737 (Ms. Pryce with cosponsor); reported to Senate July 25, 2002.

H.R. 4737, Personal Responsibility, Work, and Family Promotion Act of 2002 was introduced on May 15, 2002. Provisions of H.R. 4090, as reported from the Committee on Ways and Means, and provisions of H.R. 4092, as reported from the Committee on Education and the Workforce, were previously incorported in H.R. 4700. Subsequent action moved to H.R. 4735 and then to H.R. 4737. The legislation passed the House, without amendment, on May 16, 2002, by a vote of 229-197. On July 25, 2002, H.R. 4737 was reported, amended, by the Senate Finance Committee (S.Rept. 107-221).

I. TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF)

The bill would reauthorize the TANF block grant program through FY 2007, continuing funding at the current level of $16.5 billion each year. ($300 single or married filing separately, $500 head of household.

H.R. 4737 would require States to express in their State TANF plans how they would operate programs to encourage equitable treatment of married, two-parent families. The bill would provide for healthy marriage promotion grants, replacing current bonuses to reward State decreases in illegitimacy ratio, and would make appropriations for such grants for FY 2003 through FY 2007. Under the bill, these funds could be used for a variety of programs, including public advertising campaigns about the value of marriage and the skills needed to enhance marital stability, and education programs.

The legislation would replace the high performance bonus with a bonus to reward employment achievement, and would make appropriations for FY 2004 through 2008 at a specified level greater than the level for the high performance bonus program.

H.R. 4737 would reestablish a $2 billion contingency fund in FY 2003 through 2007 and would permit States to count child care spending and all spending in separate State programs toward the maintenance of effort requirement for accessing the contingency fund. The legislation would revise the annual reconciliation process and the definition of a "needy State" under the food stamp program.

The bill would modify requirements on the use of grants: (1) allow States to use grant funds for any purposes or activities for which the State was authorized to use amounts received under TANF or permitted before enactment of TANF; (2) repeal requirements on treatment of interstate immigrants; (3) increase to 50 percent the overall limit on transfers from State TANF grants for other purposes; (4) increase the limit on transfers from State TANF grants to carry out State programs for FY 2003 and each succeeding fiscal year; (5) permitting States to use carry-over TANF funds for any TANF benefit or service without fiscal year limitation; and (6) expressly allow a State or tribe to designate any portion of a grant made to it under TANF as a contingency reserve.

The legislation would eliminate the current State plan requirement for a parent or caretaker receiving TANF assistance to engage in work, replacing it with requirements for parents in families receiving TANF assistance to engage in work or alternative self-sufficiency activities. Current law requires that at least 50% of the families receiving TANF assistance in each State must engage in work or work-related activities. The bill would increase this requirement by 5% each year, so that by FY 2007, the measure would require that 70% of the families in each State receiving TANF assistance engage in work activities. Thus, under the bill, States receiving TANF funds would have to achieve a minimum work participation rate of 55% in FY 2004, 60% in FY 2005, 65% in FY 2006, and 70% in FY 2007 and thereafter. In addition, the bill would increase the number of hours per week that welfare recipients must work or engage in work-related activities from the current 30 per week to 40 per week. The bill would require that at least 24 of these 40 hours be spent in a set of "direct work activities" -- such as paid work (including subsidized and unsubsidized employment), on-the-job training and unpaid work such as "workfare" in which parents "work off" their welfare benefits.

H.R. 4737 would continue the existing maintenance of effort requirements through FY 2008 and authorize a State, territorial, or tribal organization to which a Federal TANF grant is made for marriage promotion to use a grant made under any other provision of TANF for marriage promotion activities. The amount of any such grant so used would be considered State funds for purposes of such grant program. The bill would also declare that any Federal TANF funds so used, however, my not be counted towards State maintenance of effort requirements.

The bill would repeal State TANF plan special requirements requiring community service employment after two months of benefits. The bill would require a State to describe strategies to improve program management and performance.

The legislation would require a tribal assistance plan that would provide assurance that the State in which the tribe is located has been consulted regarding the plan and its design.

The bill would revise the factors for the annual ranking of States for success in placing TANF recipients. The bill would repeal the requirement that private sector jobs be long-term and would add employment retention and wage increase factors.

The bill would make appropriations for FY 2003 through 2007 to the Secretary of Health and Human Services (HHS) for: (1) research and demonstration projects by public or private entities; and (2) technical assistance to States, Indian tribal organizations, and other entities receiving a TANF grant, primarily for activities described under the marriage promotion grants. In addition, the bill would continue funding of studies and demonstration programs through FY 2007 under research, evaluations and national studies requirements.

The bill would amend the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 to add a new title. The new title would become title IV Part C -- Fatherhood Program -- which would provide for projects and activities by public entities and nonprofit community entities to test approaches for: (1) promoting responsible, caring, and effective parenting and encouraging positive father involvement; (2) enhancing the abilities and commitment of unemployed or low-income fathers to provide material support for their families and to avoid or leave welfare; (3) improve fathers' ability to effectively manage family business affairs; and (4) to encourage and support healthy marriages and married fatherhood. The bill would require the Fatherhood Program to (1) improve outcomes for children such as increased family income and economic security, improved school performance, better health, improved emotional and behavioral stability and social adjustment, and reduced risk of delinquency, crime, substance abuse, child abuse and neglect, teen sexual activity, and teen suicide; and (2) evaluate approaches and disseminate findings to encourage and facilitate replication of effective approaches to accomplishing the desired outcomes for both parents and children. The bill would authorize appropriations for FY 2003 and 2007.

The bill would amend the TANF program to provide that a State TANF program would be considered a mandatory one-stop employment training center partner unless after enactment of this legislation the Governor of the State notifies the Secretaries of HHS and Labor of his or her decision not to make the State program a mandatory partner.

II. TAXPAYER PROTECTIONS

H.R. 4737 would amend the Internal Revenue Code to: (1) exclude from gross income interest paid on any overpayment of income tax by individuals; (2) allow a taxpayer to make cash deposits to pay any tax on yet assessed; and (3) permit partial collection of tax liability in installment agreements (currently allowed only for full collections).

III. CHILD SUPPORT

The legislation would provide for Federal matching funds to a State for a specified limited pass through of child support payments to families receiving TANF. If the family has left TANF, States could distribute to it the full amount of child support collected on its behalf. The bill would reduce from $5,000 to $2,500 the amount of child support arrearage that would trigger passport denial, revocation, or limitation. The Federal income tax refund offset program would be allowed to be used to collect child support arrearages in which the child is not a minor.

The bill would change the treatment of disability compensation benefits of veterans for purposes of paying child support. It would allow withholding to pay child support if the veteran is 60 days or more in arrears. In addition, the bill would limit to not more than 50 percent of any compensation payment the amount of disability payment than can be withheld.

IV. CHILD WELFARE

H.R. 4737 would extend through FY 2007 the Secretary's authority to permit States to conduct demonstration projects and remove the limitation on the number of deomonstration projects the Secretary may authorize in each fiscal year.

V. SUPPLEMENTAL SECURITY INCOME

H.R. 4737 would require the Commissioner of Social Security to review State agency determinations that adult applicants are blind or disabled as of a specified onset date before any action is taken to implement the determination.

VI. STATE AND LOCAL FLEXIBILITY

The bill would establish a program of demonstration projects in a State or part of a State in order to coordinate federal program effectiveness or coordinate a range of programs in order to improve service delivery. Eligible programs would include TANF, Food Stamps, Public Housing, Workforce Investment Act, and Child Care, among others.

H.R. 4775 (Mr. Young); Public Law 107-206; app. Aug. 2, 2002.

H.R. 4775, 2002 Supplemental Appropriations Act, was reported to the House on May 20, 2002 (H.Rept. 107-480), by the Appropriatons Committee. The bill passed the House, amended, on May 24, 2002, by a vote of 280-138. The Senate passed the measure with an amendment, by a vote of 71-22 on June 7, 2002. The Senate insisted on its amendment, and asked for a conference. On June 12, 2002, the House disagreed to the Senate amendment, and agreed to a conference. The conference report was filed in the House on July 18, 2002 (H.Rept. 107-593). The House agreed to the conference report by a vote of 397-32 on July 23, 2002. On July 24, 2002, the Senate agreed to the conference reporty bo a vote of 92-7. H.R. 4775 was signed into law by the President on Aug. 2, 2002, as P.L. 107-206.

During House consideration, the rule under which the bill was considered, provided that the amendments printed in the report on the rule should be considered as adopted. Included in the amendments, were provisions of fabric origin requirements for regional trade preference agreements under the jurisdiction of the Committee on Ways and Means.

The Act creates a new requirement that apparel made of U.S. knit or woven fabric assembled in Caribbean Basin beneficiary country qualifies for benefits only if the U.S. knit or woven fabric is dyed and finished in the United States. Apparel made of U.S. knit or woven fabric assembled in an Andean beneficiary country quaifies for benefits only of the U.S. knit or woven fabric is dyed and finished in the United States.

H.R. 4800 (Mr. Camp); passed the House June 4, 2002.

H.R. 4800, to repeal the sunset of the Economic Growth and Tax Relief Reconciliation Act of 2001 with respect to the expansion of the adoption credit and adoption assistance programs, passed the House under suspension of the rules by a vote of 391-1, on June 4, 2002.

H.R. 4800 would amend the Economic Growth and Tax Relief Reconciliation Act of 2001 (P.L. 107-16) to make the sunset provisions inapplicable to section 202, which expanded and increased the adoption credit and adoption assistance programs under the Internal Revenue Code.

H.R. 4823 (Mr. Shaw); Public Law 107-358; app. Dec. 17, 2002.

H.R. 4823, Holocaust Restitution Tax Fairness Act of 2002, passed the House, under suspension of the rules, by a vote of 392-1 on June 4, 2002. The Senate passed the bill on Nov. 20, 2002. H.R. 4823 was signed into law by the President on Dec. 17, 2002, as P.L. 107-358.

The Act amends the Economic Growth and Tax Relief Reconciliation Act of 2001 (P.L. 107-16) to make the sunset provisions inapplicable to section 803. Section 803 excludes from income specified restitution payments received by persons (or heirs) persecuted by Nazi Germany because of race, religion, physical or mental disability, or sexual orientation.

H.R. 4889 (Mrs. Johnson with cosponsors); reported to the House Oct. 1, 2002.

H.R. 4889, Patient Safety Improvement Act of 2002, was ordered reported, amended, on Sept 18, 2002, by a vote of 33-4. The bill was reported to the House on Oct. 1, 2002 (H.Rept. 107-714, pt.1).

H.R. 4889 would diminish healthcare errors by promoting voluntary and confidential reporting of errors and "close calls" to newly created private Patient Safety Organizations (PSOs) certified by the U.S. Department of Health and Human Services (HHS). The PSOs would analyze reported mistakes, provide feedback designed to prevent future accidents, and forward non-identifiable information to the Center for Quality Improvement and Patient Safety within HHS, which would be the focal point of Administration policy on patient safety. This center would administer a new medical errors database of non = identifiable information that researchers would use to identify national trends and encourage best practices to prevent errors and improve health quality.

The bill would provide for new voluntary standards for computer interoperability. The bill would establish a new technology advisory board to provide expert advice to the Secretary of HHS in creating these standards. Because clinical and administrative efficiencies would accrue by facilitating communication between computer systems, this provision would be expected to save signifiant resources across all medical providers, including in the Medicare program.

The bill would make clear that no State law mandatory reporting requirement would be preempted or affected by the legislation. The Secretary of HHS would provide technical assistance to the States in maintaining or implementing state-reporting systems.

H.R. 4931 (Mr. Portman with cosponsor); passed House June 21, 2002.

H.R. 4931, Retirement Savings Security Act of 2002, passed the House on June 21, 2002, by a vote of 308-70.

H.R. 4931 would make the sunset provisions in Title IX of the Economic Growth and Tax Relief Reconciliation Act of 2001 inapplicable to the pension and individual retirement provisions, which would thus be made permanent.

H.R. 4946 (Mr. Hayworth with cosponsor); passed House July 25, 2002.

H.R. 4946, Improving Access to Long-Term Care Act of 2002, was ordered reported, amended, by a vote of 29-6, on June 19, 2002. The bill was reported to the House, amended on July 15, 2002 (H.Rept. 107-572). H.R. 4946 passed the House, amended, under suspension of the rules by a vote of 362-61 on July 25, 2002.

ABOVE-THE-LINE DEDUCTION FOR LONG-TERM CARE

Under current law, individuals may claim an itemized deduction for the cost of eligible long-term care insurance premiums, but only to the extent that such eligible long-term care premiums, combined with the taxpayer's additional medical expenses, exceeds 7.5 percent of adjusted gross income (AGI). This bill would provide an above-the-line deduction for a percentage of eligible long-term care premiums for which the taxpayer pays at least 50 percent of the cost of coverage.

-- The deduction would be available for eligible long-term care insurance that covers the taxpayer, the taxpayer's spouse, or the taxpayer's dependents.

-- The deduction would be phased-in as follows: 25 percent in 2003 through 2005, 30 percent in 2006 and 2007, 35 percent in 2008 and 2009, 40 percent in 2010 and 2011, and 50 percent in 2012 and thereafter.

-- The deduction would be available to individuals with AGI between $20,000 and $40,000 (twice the amount in the case of married taxpayers filing a joint return). The $20,000 starting-point for the income limitation is adjusted annually for inflation and rounded to the nearest $1,000.

ADDITIONAL PERSONAL EXEMPTION FOR EACH QUALIFIED FAMILY MEMBER WITH LONG-TERM CARE NEEDS

Under current law, individuals are entitled to a personal exemption deduction ($3,000 in 2002) for taxpayer, the taxpayer's spouse, and each dependent. The personal exemption amount is phased-out for taxpayer's with AGI above certain thresholds. The bill would provide the taxpayer with an additional personal exemption for each qualified family member with long-term care needs. The exemption would be phased-in as follows: $500 in 2003 and 2004, $1,000 for 2005 and 2006, $1,500 for 2007 and 2008, $2,000 for 2009 and 2010, $2,500 for 2011, and a full personal exemption ($3,000 adjusted for inflation) would be allowed in 2012 and thereafter.

HEPATITIS A VACCINE ADDED TO LIST OF TAXABLE VACCINES

A manufacturer's excise tax is currently imposed at a rate of 75 cents per dose on certain vaccines that are routinely recommended for administration to children. This bill would add any vaccine administered to prevent Hepatitis A to the list of taxable vaccines.

-- Vaccine excise taxes would be deposited in the Vaccine Injury Compensation Trust Fund. The trust funds would be used to compensate individuals who experience an adverse reaction as a result of receiving a vaccine that is subject to the excise tax and of the Federal Vaccine Injury Compensation Program.

-- The Federal Vaccine Injury Compensation Program provides a Federal "no- fault" type insurance system for State-law tort and private liability insurance systems otherwise applicable to vaccine manufacturers.

EXPANSION OF ORPHAN DRUG TAX CREDIT

Taxpayers can currently claim a 50-percent credit for expenses relating to human clinical testing of certain drugs for rare diseases or conditions, which are referred to as "orphan drugs." The qualifying tax credit is available for expenses to paid or incurred by the taxpayer after the drug has been declared to be an "orphan drug" by the Food and Drug Administration (FDA). This bill would expand the definition of qualifying expenses to include those expenses paid or incurred after the date the taxpayer files an application with the FDA (but only if the drug is ultimately certified as an "orphan drug" by the FDA). The expansion of the credit would encourage drug manufacturers to begin the process of human clinical testing of orphan drugs prior to FDA approval and expedite the manufacturing and availability of drugs designated as potential treatment for rare diseases or conditions.

CONFORMING AMENDMENT TO COMBINED FUND

Under current law, certain employers are required to make contributions to the Combined Fund, which is administered for the benefit of retired coal industry workers, to defray the cost of providing retiree benefits. This bill would provide that payments made by contributors to the Combined Fund will be reduced by the amount the Combined Fund will receive as a subsidy payment as provided in H.R. 4954, the "Medicare Modernization and Prescription Drug Act of 2002."

ALLOW EMPLOYER CONTRIBUTIONS TO ARCHER MSA's ON BEHALF OF M+C MSA ACCOUNT HOLDERS

Currently, there are two types of MSAs, Archer MSAs and M+C MSAs. This bill would allow employers of former employers to make contributions to an Archer MSA on behalf of a Medicare eligible individual. The bill would treat policies selected as part of the M + C MSA as a high deductible plan for purposes of Archer MSAs and would allow those individuals who have a M + C MSA to also have and Archer MSA.

H.R. 4954 (Mrs. Johnson with cosponsor); passed House June 28, 2002.

H.R. 4954, Medicare Modernization and Prescription Drug Act of 2002, was ordered reported, amended by the Committee on Ways and Means on June 19, 2002 by a vote of 22-16. The bill was reported to the House on June 26, 2002 (H.Rept. 107-539, pt. 1). On June 28, 2002, the House passed the bill with an amendment in the nature of a substitute, provided for in the rule (H.Res. 465) under which the bill was considered, by a vote of 221-208. H.Res. 465 incorporated the recommendations of the Committee on Ways and Means, and Energy and Commerce Committee. A summary of the provisions within the jurisdiction of the Committee on Ways and Means follows.

MEDICARE PRESCRIPTION DRUG BENEFIT

The bill would establish a new voluntary prescription drug benefit in Medicare that is available to all Medicare beneficiaries entitled to Part A or enrolled in Part B. The program would be administered by a new agency within the U.S. Depeartment of Health and Human Services (HHS) called the Medicare Benefits Administration (MBA).

The coverage would be provied under a prescription drug plan (PDP) such as an insurance carrier or a pharmaceutical benefits manager, or a Medicare + Choice (M + C) plan. Coverage is defined as either "standard coverage" or actuarially equivalent coverage, if approved by Medicare. For 2005, "standard coverage" would be defined as having a $250 deductible, 20-percent cost sharing up to $1,000, 50-percent cost sharing for costs between $1,001 and $2,000, and catastrophic protection at $3,700 in out-of-pocket spending. Once the beneficiary reached the catastrophic limit, full coverage would be provided. Plans would not be permitted to offer an actuarially equivalent benefit if it is substantially different than the standard benefit. Plans could offer more generous benefits, and would have to offer access to negotiated price discounts, even when no benefits were payable because of the application of cost sharing.

Plans would be required to provide seniors with convenient access to "brick and mortar" pharmacies as defined by Medicare. In addition, drug plans could not solely offer mail order plans. Finally, the plan would be required to establish an optional point-of-service plan under which beneficiaries would have access to any or all pharmacies that are not participating pharmacies in its network.

If a plan etablishes a formulary, it would have to establish a pharmaceutical and therapeutics committee, a majority of which would be physicians or pharmacists. The formulary would have to include drugs within each therapeutic category and class of covered outpatient drugs, although not necessarily all drugs within such categories or classes.

Each PDP sponsor would be required to have meaningful procedures for the hearing and resolving any grievances. A beneficiary in a plan that provided for tiered cost-sharing could request coverage of a non-preferred drug on the same conditions applicable to preferred drugs if the prescribing physician determined that the preferred drug was not as effective for the enrollee or had adverse effects for the enrollee. Similarly, a beneficiary could appeal to obtain coverage for a drug not on the formulary if the prescribing physician determined that the formulary drug for treatment of the same condition was not as effective for the individual or had adverse effects for the individual. In general, PDP sponsors would be required to meet the requirements for independent review of coverage denials and appeals in the same manner that such requirements apply to M + C plans.

To ensure medication compliance and avert ineractions, the PDP sponsor would be required to have an effective cost and drug utilization management program, quality assurance measures including a medication therapy management program operated by pharmacists.

Plans would be required to assume financial insurance risk on a prospective basis for covered benefits except as covered by subsidies or as covered by Federal incentive payments to encourage plans to expand service areas for existing plans or to establish new plans. The Medicare Benefits Administrator would be required to assure that all Medicare beneficiaries would have a choice of enrollment in at least two qualifying plan options in their area of residence. The requirement would not be satisfied if only one PDP sponsor or M + C organization offered all the qualifying plans in the area. If necessary to ensure such access, the Administrator would be authorized to provide financial incentives, including the partial underwriting of risk, for a PDP sponsor to expand its service area under an existing prescription drug plan to adjoining or additional areas, or to establish such a plan, including offering such plan on a regional or nationwide basis.

Individuals with incomes below 150 percent of poverty would receive an additional subsidy equal to 100 percent of the value of standard drug coverage provided under the plan. For individuals between 150 percent and 175 percent of poverty, there would be a sliding scale premium and full cost-sharing subsidies. However, for both groups, beneficiary cost sharing would be reduced to an amount not to exceed $2 for a multiple source or generic drug and $5 for a non-preferred drug.

Total subsidies for non-low income beneficiaries would total 67 percent. Direct subsidies would comprise 35 percent and reinsurance (which subsidizes plans for beneficiaries with high costs) would constitute 30 percent. The beneficiary would be required to pay a premium for the 35 percent not covered by premium subsidies, except if the beneficiary was low income as outlined above.

MEDICARE + CHOICE REVITALIZATION

The M + C plans would receive a fourth payment option: 100 percent of fee-for-services (FFS), as recommended by Medicare Payment Advisory Commission (MedPAC). In addition, costs for Medicare beneficiaries entitled to benefits from facilities of the U.S. Department of Veterans Affairs (VA) and the U.S. Department of Defense (DOD) will be included.

The bill will also fund the blend by repealing the budget neutrality provision for 2003 and 2004, but it is terminated in 2005. In addition, the national average used in the calculation of the blend would be revised, to reflect the only M + C enrollees, rather than all beneficiaries. For 2003 and 2004, the minimum percentage would be 3 percent above the previous year's amount rather than 2 percent.

The bill would clarify that Federal standards would supersede any State law or regulation (other than State lisensing laws or State lawas relating to plan solvency), with respect to M + C plans offered by M + C organizations, effective on the date of enactment.

The bill would establish a new M + C option-specialized M + C plans for special needs beneficiaries (such as the EverCare demonstration).

The bill would make Medicare Medical Savings Accounts (MSAs) permanent and removes the enrollment camp. This provision would eliminate the requirement that Medicare MSA plans track encounter data since these are bank accounts.

H.R. 4954 would allow a reasonable cost contract to be extended or renewed beyond December 31, 2004, if there were no coordinated care M + C plans in its service area. Social HMOs would be extended through December 31, 2004, and could become M + C plans thereafter.

MEDICARE + CHOICE COMPETITION PROGRAM

Beginning in 2005 when the drug benefit is implemented, a new M + C payment system would be established based on competitive bidding.

The bid amount would indicate the proportion of the bid attributable to the provision of: (1) statutory non-drug benefits, (2) statutory prescription drug benefits, and (3) non-statutory benefits. Plans would be required to submit this information and the actuarial basis for determining these amounts. The bid amount could not vary by enrollees within a plan.

The Administrator would have authority to negotiate monthly bid amounts (including portions of the bid), and may reject a bid amount, or a portion of it, that is not supported by the actuarial bases provided by the plan.

The FFS area-specific non-drug benchmark would be set at the largest of the minimum update, the floor, or a percentage of FFS costs (100 percent of FFS in 2005-2007 and 95 percent FFS therafter). The percentage of FFS costs would be set at the adjusted average per capital cost that year.

If plans bid below the risk-adjusted benchmark, beneficiaries would save 75 percent of the difference and taxpayers would save 25 percent. The 75 percent can be rebated to the beneficiary, or reduce their prescription drug or supplementary premiums. If instead, the monthly bid exceeded the risk-adjusted benchmark, then enrollees would pay the difference.

DEMONSTRATION PROGRAM

A demonstration program for "competitive demonstration areas" defined as a Metropolitan Statistical Area designated by the Secretary of HHS with at least two M + C plans by different organizations and at least 50 percent of the beneficiaries enrolled in M + C plans would be established. The demonstration program would be limited to a maximum of four sites and for a period of 2 years per site.

For each competitive-demonstration area, the Administrator shall annually determine the choice non-drug benchmark amount defined as the sum of the weighted FFS and M + C components. The weighted FFS component would be defined as the nationwide proportion of FFS enrollees, thereby giving FFS a disproportionate influence in establishing the benchmark for that area. The M + C component would equal the national market share of M + C plans, thereby decreasing M + C influence in establishing the weighted average bid. But unlike the M + C competition program, M + C plans' bids can affect the benchmark.

Beneficiaries who choose plans that bid below the benchmark would save 75 percent of the savings, and taxpayers would retain 25 percent of the savings. If the bid is above the benchmark, the beneficiary would pay the excess amount.

MUNICIPAL HEALTH SERVICE AMENDMENT

The Municipal Health Service demonstration projects would be extended 5 years from 2004 to 2009 with respect to individuals who reside in the city in which the project is operated.

RURAL HEALTHCARE IMPROVEMENTS

H.R. 4954 would provide:

-- Sole community hospitals with a full market basket index (MBI) update from 2.75 percent to 3.3 percent in 2003,

-- Rural hospitals and urban hospitals with fewer than than 100 beds would receive higher Medicare Disproportionate Share Hospital payments, which would be phased-in over 5 years from 5.25 percent to 10 percent, and

-- Two-year phased-in increase of small urban and rural standardized amount to achieve a single, uniform standardized amount: Medicare pays for inpatient services in acute hospitals in large urban areas using a standardized amount used to reimburse hospitals in other areas (both rural areas and smaller, under 1 million in population, urban areas). This provision would close the 1.6 percent differential by raising payments for rural and small urban hospitals on the standardized amount over a 2-year period (50 percent in 2003 and remainder in 2004).

The bill would direct the Secretary to revise the MBI cost weights to reflect the most currently available data and to establish a schedule for revising the cost weights more often then once every 5 years.

The bill would reinstate periodic interim payment (PIP), condition for application of special physician payment adjustment, flexibility in-bed limitation for hospitals with strong seasonal census fluctuations, and 5-year extension of the authorization for appropriations for grant program.

H.R. 4954 would also provide:

-- A 2-year extension of the 10-percent rural home payment provision,

-- A 10-percent increase in payment for hospice care furnished in a frontier area, and

-- Allows a U.S. General Accounting Office study of geographic differences in payments for physician services.

Finally, the bill would provide a temporary 5-percent bonus for 3 years to rural hospitals in States where the average rural inpatient margin is negative and urban hospitals in States that have fewer than a 3-percent inpatient margin. There are 14 States with low Medicare reimbursement rates that qualify all or in part under this provision.

PROVIDING SAFE HARBOR UNDER FEDERALLY QUALIFIED HEALTH CENTERS

Remuneration in the form of a contract, lease, grant, loan, or other agreement between a public or non-profit private health center and an individual, or entity providing goods, or services to the health center would not be a violation of the anti-kickback statute if such an agreement would contribute to the ability of the health center to maintain or increase the availability or quality of services provided to a medically underserved population.

INPATIENT HOSPITAL SERVICES

For fiscal year 2003, all hospitals would receive an update of MBI minus 0.25. This reflects a 3.05 percent update for Medicare payments over last year.

A 2-year increase in the level of adjustment for indirect costs of medical education would be included to provide for a better phase-in so that payments would be 6 percent higher in 2003 adn 5.9 percent in 2004.

RECOGNITION OF NEW MEDICAL TECHNOLOGIES UNDER INPATIENT HOSPITAL PROSPECTIVE PAYMENT SYSTEM (PPS)

-- The Secretary would be required to establish a biannual process for adding new codes to facilitate the tracking of use of new technology.

-- After a technology receives an ICD-9 code, it would be deemed as new for 2 to 3 years.

-- When establishing whether Diagnosis Related Group (DRG) payments are inadequate, the Secretary would be required to apply a threshold that is 50 percent of the national standardized amount ($4,275 for large urban) and all DRGs or one standard deviation for the DRG involved.

-- The Secretary would be required to deem that a technology is substantial improvement on an existing treatment if it receives priority review, orphan, or breakthrough technology.

-- If a new technology can be appropriately assigned and paid to a new DRG,
preference would be given to doing that over an outlier methodology.

PHASE-IN OF FEDERAL RATE FOR HOSPITALS IN PUERTO RICO

Under H.R. 4954, Puerto Rico hospitals would have their rates increased to a 75/25 Federal/Puerto Rico rate over 5 years, beginning in 2004.

SKILLED NURSING FACILITIES

This provision would provide coverage for hospice consulation services and a 10-percent increase in payment for hospice care furnished in frontier areas. In addition, there would be a rural hospice demonstration project and a demonstration project for use of recovery audit contractors.

HOSPICE

This provision would provide coverage for hospice consultation services and a 10-percent increase in payment for hospice care furnished in frontier areas. In addition, there would be a rural hospice demonstration project for use of recovery audit contractors.

OUTPATIENT DEPARTMENT SERVICES

Beneficiary hospital outpatient coinsurance would be reduced from around 40 percent to 20 percent, saving beneficiaries about $10 billion over the next 10 years.

PROVISIONS REFORMING PHYSICIAN PAYMENT FORMULA

Physicians received a 5.4-percent cut this year and are projected to receive significant payment cuts through 2006 under current law. This bill would provide physicians with a 3-year solution, which results in about 2 percent updates for 2003-2005.

The Sustainable Growth Rate (SGR) formula would be suspended for 3 years and the following policies would be put in place:

-- Reset the base by using actual data (not projected data which excluded 1 million beneficiaries and national coverage decisions),

-- Use GDP plus 1 percent as the update factor, and

-- Apply a 10-year rolling average for GDP to minimize oscillation.

ACQUISITION OF CERTAIN ITEMS AND SERVICES

The Secretary would competitively bid acquisition for durable medical equipment and off-the-shelf orthotics. The Secretary would be permitted to exempt areas that were not competitive due to low population density. The Secretary would be permitted to be able to exempt items and services for which the application of competitive acquisition was not likely to result in significant savings.

The Secretary may not award a winner-take-all contract, and multiple providers would have to be maintained. Competition would have to be on the basis of both price and quality. The provision would require the Secretary to conduct a demonstration project on the application of competitive acquisition to clinical diagnosis laboratory tests.

PAYMENT FOR AMBULANCE SERVICES

The provision would increase the rates paid under the phase-in of the ambulance fee schedule and add an extra year for high-costs regions. The provision would increase mileage payments by 25 percent for ground ambulance trips more than 50 miles.

TWO-YEAR EXTENSION OF MORATORIUM ON THERAPY CAPS

The provision suspends application of the $1,500 therapy caps for two additional years through 2004.

COVERAGE OF AN INITIAL PREVENTIVE PHYSICAL EVALUATION

Medicare covers a number of preventive services. However, it does not cover routine physical examinations. The provision would authorize coverage of a free initial preventive physical examination upon eligibility for Medicare.

RENAL DIALYSIS SERVICES

The provision would increase the composite rate 1.2 percent for renal dialysis facility services furnished in 2004. The prohibition on exceptions to the composite rate would not apply to pediatric facilities, as of October 1, 2002, that did not have an exception rate as of that date.

TRICARE AMENDMENT

This provision would eliminate the Medicare Part B late enrollment penalty for enrollees who sign up between January 1, 2001 and December 31, 2003, and would create a continuous enrollment period through 2003 (so retirees can sign up immediately).

CHOLESTEROL SCREENING AMENDMENT

The bill would provide coverage of cholesterol and blood lipid screenings under the Medicare program. The Secretary would establish standards regarding frequency and type of cholesterol and blood lipid screening tests.

UPDATE IN HOME HEALTH SERVICES

Updates would be set at 2 percent in 2003, 1.1 percentage point for 2004, and by 2.7 percent for 2005. The provision would limit the total amount of outlier payments or payment adjustments for home health care in a fiscal year to no more than 3 percent of total projected payments, beginning in 2003.

OUTCOMES ASSESSMENT INFORMATION SYSTEM (OASIS)

The bill would also:

-- Require establishment of OASIS task Force, and

-- Exempt private patients from OASIS data collection.

DIRECT GRADUATE MEDICAL EDUCATION

Extension of Update Limitation on High-Cost Programs; Hospitals with per resident amounts above 140 percent of the geographically adjusted national average amount in 2002 would be frozen at that amount for 10 years.

REDISTRIBUTION OF UNUSED RESIDENT POSITIONS

Currently there are caps on residency of the paid slots for each teaching hospital. This provision would enable the Secretary to reassign 75 percent slots that had remained unused for at least 3 years to other teaching hospitals. A preference would given to rural and other underserved areas in an effort to encourage more physicians to practice in those areas.

MODIFICATIONS TO MEDICARE PAYMENT ADVISORY COMMISSION

MedPAC would be required to examine the budget consequences of its recommendations prior to issuing such recommendations, and would consider the efficiency of services as well as collect more current data on hospitals.

DEMONSTRATION PROJECT FOR DISEASE MANAGEMENT FOR CERTAIN MEDICARE BENEFICIARIES WITH DIABETES

The Secretary would be required to conduct a demonstration project, for up to 3 years, to examine the impact on costs and health outcomes of applying disease management to Hispanic Medicare beneficiaries who are diagnosed with diabetes.

DEMONSTRATION PROJECT FOR MEDICAL ADULT CARE

The Secretary would be required to establish a demonstration project under which a home health agency, directly or under arrangement with a medical adult day care facility, would provide medical adult day care services as a substitute for a portion of home health services otherwise provided in a beneficiary's home.

MEDICARE BENEFITS ADMINISTRATOR

This provision would create MBA as an agency established within HHS with the task of managing Part C (M+C) and Part D (prescription drug) of Medicare benefit.

An Administrator appointed by the President with the advice and consent of the Senate for a 5-year term would head the agency. The MBA would be able to hire qualified private sector employees and negotiate contracts and establish a Medicare Policy Advisory Board to discuss Part C and D recommendations.

REGULATORY REDUCTION AND CONTRACTING REFORM

This title consists of the entire Johnson-Starks bill, H.R. 3391, "Medicare Regulatory and Contracting Reform Act of 2001," unanimously passed by this Committee and by the House last December. The provisions of this title do not change the bill that passed in any substantive way except it would modify implementation dates (since it is being considered 6 months later) and recognize legislation which has become law regarding M+C lock-in and adjusted community rate filing dates.

H.R. 5005 (Mr. Armey with cosponsors); Public Law 107-296; app. Nov. 25, 2002.

H.R. 5005, Homeland Security Act of 2002, was reported, amended, by the Select Committee on Homeland Security on July 24, 2002 (H. Rept. 107-609, pt. 1). On July 10, 2002, the Committee on Ways and Means approved recommendations, as amended, to be submitted to the Select Committee on Homeland Security for incorporation into a final bill that consolidates relevent House committee recommendations. The bill was reported, amended by the Committee on Homeland Security on July 24, 2002 (H.Rept. 107-609, pt. 1). The bill passed the House, amended on July 26, 2002, by a vote of 295-132. On Nov. 19, 2002, the Senate passed H.R. 5005 with an amendment (text of H.R. 5710 as passed the House) by a vote of 90-9. The House agreed to the Senate amendment on Nov. 22, 2002, by voice vote. H.R. 5005 was signed into law by the President on Nov. 25, 2002, as P.L. 107-296. A summary of the provisions under the jurisdiction of the Committee on Ways and Means follows.

On June 18, 2002, President Bush proposed to transfer all of the authority and assets of the U.S. Customs Service, as well as many other Federal agencies, to a new U.S. Department of Homeland Security. This proposal was incorporated in to H.R. 5005, which was introduced on June 24, 2002. Specifically, the Customs Service is placed under an Under Secretariat for Border Transportation Security along with the Immigration and Naturalization Service, the Animal and Plant Health Inspection Service, the U.S. Coast Guard, and the Transportation Security Administration. Unlike the Coast Guard, the law does not require that the Customs Service be maintained as a separate entity.

Under the Act, the Secretary of Homeland Security is vested with the functions, personnel, assets, and liabilities of the Customs Service of the U.S. Department of the Treasury, including the functions of the Secretary of the Treasury relating thereto.

The Customs Service is transferred to the new Homeland Security in its entirety. A core group of revenue collecting personnel and offices are identified and are kept intact without further reorganization or reduction in staff or resources. The Treasury Department continues to hold direct statutory revenue-collecting authority, but is able to delegate authority to Homeland Security, just as Treasury was delegating to the Customs Service.

-- Authorize transfer of functions, personnel, assets, and liabilities of the Customs Service in their entirety to the Division for Border and Transportation Security.

-- Identify revenue-related offices and functions within the Customs Service, identify this grouping as the Customs Service, and prohibit reorganization or decrease in their funding or staff or reductions to their Title V pay and benefits levels in order to preserve these critical trade functions.

-- Require that adequate staffing of customs revenue services shall be maintained, and notice to Congress of actions that would reduce such service.

-- Maintain Commissioner of Customs as Senate-confirmed.

-- Transfer all authority exercised by the Customs Service to Homeland Security with the exception of revenue collecting authority which would remain at the Treasury Department. The Treasury Department may delegate this authority to Homeland Security. The Treasury Department shall consult with Homeland Security on all matters regulations affecting customs functions.

-- Provide that all reports now provided to Congress from the Customs Service shall continue to be forwarded to the House Committee on Ways and Means and the Senate Committee on Finance.

-- Specify that a portion of the Customs Merchandise Processing Fee (19 U.S.C. 58c(a)(9)(A)) must go to build the new Customs Service Computer.

-- Require customs fees to continue to be used for currently authorized functions and prohibit transfer of funds outside of the Customs Service.

-- Require a separate budget request from the Administration on the customs revenue functions within the Homeland Security.

-- Require a separate budget request from the Administration on the customs revenue functions within the Homeland Security.

-- Require the implementation of a cost accounting system in order to determine and track the use of $1.5 billion of Customs user fees.

-- Change current merchandise entry process to monthly billing with no authority to defer duty.

In addition, the Customs Serice is prohibited from entering into contracts with subsidiaries of certain corporations that are incorporated in a tax haven country.

H.R. 5063 (Mr. Houghton with cosponsor); passed Senate Oct. 3, 2002.

H.R. 5063, Armed Forces Tax Fairness Act of 2002, passed the House, under suspension of the rules, by a vote of 413-0 on July 9, 2002. The bill was reported by the Senate Finance Committee on Sept. 17, 2002 (S.Rept. 107-283). H.R. 5063 passed the Senate, with amendments on Oct. 3, 2002, by unanimous consent. See H.R. 5557 for further action regarding the Armed Forces Tax Fairness Act of 2002. This legislation was introduced On Oct. 7, 2002, titled Armed Forces Tax Fairness Act, and passed the House, under suspension of the rules, by a vote of 412 yeas, 0 nays. On Nov. 13, 2002, the House Rules Committee provided a rule, H.Res. 609, providing for consideration of the Senate amendments to H.R. 5063. The rule provides an amendment, in the nature of a substitute, that strikes all after the enacting clause and inserts provisions relating to unemployment compensation, welfare, and Medicare physician payments. H.Res. 609 passed the House on Nov. 14, 2002. That same day, the House agreed with amendments to the Senate amendments by voice vote. A summary of H.R. 5063 as amended by the House and returned to the Senate follows.

Welfare-- The bill would provide a full extension through Mar. 31, 2003 of current funding and program rules in the TANF, child care, abstinence education, and transitional medical assistance programs.

Unemployment-- The legislation would extend Federally-funded temporary unemployment benefits of current recipients and those in certain high unemployment States through Jan. 2003. The bill would extend Federally funded unemployment benefits for up to 5 added weeks per individual by removing the current Dec. 28, 2002 cutoff on benefits.

Medicare-- The bill would clarify that the Administration may not be sued for any redeterminations for prior fiscal years concerning its calculation of physician payments.

H.R. 5193 (Mr. Schaffer with cosponsors); reported to House Sept. 11, 2002.

H.R. 5193, Back to School Tax Relief Act of 2002, was ordered reported, amended, on Sept. 5, 2002, by a vote of 22-14. The bill was reported, amended, to the House on Sept. 11, 2002 (H.Rept. 107-650).

H.R. 5193 would alow families to claim an above-the-line deduction of up to $3,000 for qualified Kindergarten through 12th grade educational expenses at a public, private, religious, or home school. Qualified educational expenses would include tuition, fees, academic tutoring, special needs services, books, supplies, uniforms, transportation, and expenses for the purchase of computer technology and equipment. The deduction would be available to families with incomes of $20,000 or less ($40,000 or less for married couples). An above-the-line deduction for higher education exists under current law.

H.R. 5203 (Mr. Hulshof); failed passage Sept. 4, 2002.

H.R. 5203, Education Savings and School Excellence Permanence Act of 2002, was brought to the House under suspension of the rules on Sept. 4, 2002. The bill failed passage by a vote of 213-188 (2/3 required).

The bill would make the sunset provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 inapplicable to provisions of such Act relating to education savings incentives, thus making those provisions permanent. The legislation would provide for tax-free expenditures from education savings accounts for elementary and secondary education expenses at home schools (current law provides for tax-free treatment of expenses at public, private, and religious schools only).

H.R. 5385 (Mr. Crane); passed the House Oct. 7, 2002.

H.R. 5383, Miscellaneous Trade and Technical Corrections Act of 2002, was ordered reported, amended, on Sept. 18, 2002, by voice vote. The bill passed the House, as amended, under suspension of the rules, by voice vote on Oct. 7, 2002.

The bill contains provisions involving the suspension of duties on narrowly defined products, miscellaneous trade-related items, and technical corrections to the Trade and Development Act of 2002. The bill has over 350 provisions drawn largely from Member introduced legislation. This legislation would: (1) enable U.S. companies to produce goods more efficiently, which would allow them to be more competitive and function more cost effectively, (2) help create jobs for American workers, and (3) reduce costs for U.S. consumers.

The bill also includes provisions that would provide non-controversial trade benefits to Turkey (Qualified Industrial Zones) and exporters of rugs under the Generalized System of Preferences (e.g., Pakistan). The bill would make technical and clarifying corrections to provide benefits for Caribbean and sub-Sahara African countries. The preferential trade benefits for these countries would support U.S. trade policy to improve trade networks and opportunities for American firms while helping key American allies in the fight against terrorism and illegal drug traffic. Finally, the bill would provide Normal Trade Relations status to Yugoslavia, which had been revoked in 1992, if the President certifies that the government is cooperating with the International War Crimes Tribunal and is complying with the Dayton Peace Accords.

H.R. 5557 (Mr. Thomas); passed the Senate Nov. 14, 2002.

H.R. 5557, Armed Forces Tax Fairness Act of 2002, was considered under suspension of the rules and passed the House on Oct. 9, 2002, by a vote of 412-0. On Nov. 14, 2002, the Senate passed H.R. 5557, with an amendment, by unanimous consent. A summary of the legislation, as passed the House follows.

H.R. 5557 would include provisions that would provide that death gratuity payments received by families of deceased members of the military would be tax-free. Members of the Armed Services, who are away from their residence on official duty would be able to exclude up to $250,000 ($500,000 for married couples) of gain from the sale of a principle residence by ignoring time spent transferred away from home on active duty in determining the five-year ownership test.

The bill would provide members of the Armed Forces with tax-free payments under the Homeowners' Assistance Program to compensate them for the drop in home values resulting from military base closures or realignments.

H.R. 5557 would extend deadlines for filing tax returns, making tax payments, and other acts to certain individuals serving in "contingency operations," which are operations where personnel are, or may become, involved in military actions during a war or a Presidentially-declared national emergency.

The legislation would expand the definition of a veterans' organization by allowing lineal descendents to qualify under one of the eligibility tests. In addition, the bill would clarify that dependent care benefits provided under a military dependent care assistance program would be excludible from income.

H.R. 5558 (Mr. Thomas); reported to House Oct. 10, 2002.

H.R. 5558, Retirement Savings and Security Act of 2002, was ordered reported, amended, on Oct. 8, 2002, by a vote of 24 yeas, 10 nays. The bill was reported to the House, amended, on Oct. 10, 2002 (H.Rept. 107-733).

Under present law, seniors are required to start makng minimum distributions from tax-favored retirement arrangements, such as Individual Retirement Accounts (IRAs) or 401(k) plans, no later than Apr. 1 of the calendar year following the year in which they attain age 70 1/2. H.R. 5558 would gradually increase the minimum distribution age from 70 1/2 to 75. The provisions is intended to provide individuals with more control and flexibility over their retirement savings.

Under present law, the annual contribution limits under tax-favored retirement arrangements is gradually increasing over the next several years. H.R. 5558 would accelerate the scheduled increase so that the higher limits would take effect beginning next year. The contribution limits would be accelerated as follows:

-- The limit on annual contributions to an IRA would increase from $3,000 this year to $5,000 in 2003 instead of 2008.

-- The limit on annual elective deferrals to a qualified arrangement (such as 401(k) plan or tax-sheltered annuity) would increase

-- The limit on annual deferrals to an eligible deferred compensation plan of a tax-exempt or State or local government employer (457 plan) would increase from $11,000 this year to $15,000 in 2003 instead of 2006.

-- The limit on annual elective deferrals to a SIMPLE plan would increase from $7,000 this year to $10,000 in 2003 instead of 2005.

Under present law, individuals who have attained age 50 can make additional catch-up contributions to tax-favored arrangements. The amount of the catch-up contribution is gradually increasing over the next several yeras. H.R. 5558 would accelerate the scheduled increases in catch-up contribution limits as follows:

-- The catch-up contribution limit for IRAs would icrease from $500 this year to $1,000 in 2003 instead of 2006.

-- The catch-up contribution limit for qualified arrangements and sections 457 plans would increase from $1,000 this year to $5,000 in 2003 instead of 2006.

-- The catch-up contribution limit for SIMPLE plans would increase from $500 this year to $2,500 in 2003 instead of 2006.

H.R. 5596 (Mr. Brady of Texas with cosponsors); Public Law 107-276; app. Nov. 2, 2002.

H.R. 5596, to amend Section 527 of the Internal Revenue Code, passed the House on Oct. 16, 2002, by unanimous consent. On Oct. 17, 2002, the legislation passed the Senate without amendment by unanimous consent. H.R. 5596 was signed into law by the President on Nov. 2, 2002, as P.L. 107-276.

H.R. 5596 amends section 527 of the Inernal Revenue Code to eliminate notification and return requirements for State and local party committees and candidate committees. The act relieves these organizations from the burdens of duplicative reporting requirements of information required to be reported and made publicly available under State law.

H.R. 5603 (Mr. Thune with cosponsors); passed the House Oct. 16, 2002.

H.R. 5603, to suspend the tax-exempt status of designated terrorist organizaitons, was considered by unanimous consent and passed without objection on Oct. 16, 2002.

The bill would amend the Internal Revenue Code to: (1) suspend the tax-exempt status of an organization designated by an Executive order as a terrorist organizaiton; (2) prohibit taking a deduction for a contribution to any such organization; (3) prohibit challenging such a suspension or denial in any administrative or judicial proceeding relating to Federal tax liability; and (4) treat an erroneous designation as having not been made.

H.R. 5728 (Mr. Thomas); passed the House Nov. 15, 2002.

H.R. 5728, Tax Administration Reform Act of 2002, passed the House without objection on Nov. 15, 2002.

The bill would assist taxpayers by reforming the tax collection provisions of the Internal Revenue Code. It would allow taxpayers to enter into installment agreements for less than the full amount of the tax liability. Under present law, taxpayers must agree to pay the full amount, or they are ineligible to pay by installment. In addition, the bill would extend the time limit for contesting an Internal Revenue Service levy, generally, from 9 months to 2 years, and the Internal Revenue Service would be required to study and report to Congress on tax liens and levies.

H.R. 5728 would increase authorization for Low Income Taxpayer Clinics to $12 million for 2003 and $15 million for 2004 and subsequent years.

The bill contains provisions that would encourage electronic filing and improve Internal Revenue Service personnel management. The bill would enhance taxpayer confidentiality and require the Internal Revenue Service to study ways to improve communication with taxpayers.

The bill also contains provisions that would assist taxpayers by reforming the penalty and interest sections of the Internal Revenue Code.

H.J.Res. 50 (Mr. Rohrabacher); failed passage July 19, 2001.

H.J.Res. 50, disapproving the extension of the waiver authority contained in section 402(c) of the Trade Act of 1974 with respect to the People's Republic of China, was ordered reported, adversely by voice vote, on July 12, 2001. The Committee ordered the bill reported to the House on July 18, 2001 (H.Rept. 107-145). The bill failed passage of the House on July 19, 2001, by a vote of 169-259.

The Jackson-Vanik provisions of the Trade Act of 1974 also govern the extension of Normal Trade Relations (NTR) to the People's Republic of China. NTR status was first granted to the People's Republic of China on Feb. 1, 1980, and has been renewed annually since then on the basis of a Presidential waiver of the freedom of emigration requirements. A valid trade agreement, as required by Jackson-Vanik, has remained in force during that time. On June 1, 2001, the President announced his attention to waive the freedom of emigration requirements with respect to the People's Republic of China for another year, beginning July 3, 2001 (H.Doc. 107-79).

H.J.Res. 50 states that the Congress does not approve the extension of the waiver authority contained in section 402 (c) of the Trade Act of 1974, recommended by the President to the Congress on June 1, 2001, with respect to the People's Republic of China, for the period beginning July 3, 2001, through July 2, 2002. The effect of this resolution would be to withdraw NTR to the products of China.

H.J.Res. 51 (Mr. Armey with cosponsors); Public Law 107-52; app. Oct. 16, 2001.

H.J.Res. 51, approval of the extension of nondiscriminatory treatment with respect to the products of the Socialist Republic of Vietnam, was ordered reported on July 26, 2001, by voice vote. The bill was reported, without amendment, on Sept. 5, 2001. (H.Rept 107-198). H.J.Res. 51 passed the House on Sept. 6, 2001, by voice vote. The measure passed the Senate on Oct. 3, 2001, by a vote of 88-12. H.J. Res. 51 was signed into law by the President on Oct. 16, 2001, as P.L. 107-52.

Vietnam's trade status is subject to the "Jackson-Vanik" provisions in the Trade Act of 1974 (the Act). This provision of law governs the extension of normal trade relations (NTR), including NTR tariff treatment, and access to U.S. Government credits, credit guarantees, or investment guarantees, to nonmarket economy countries ineligible for NTR treatment as of the enactment of the Act.

In order to receive NTR tariff treatment, a country subject to Jackson-Vanik must meet two requirements. First, a country must either comply with the freedom of emigration requirements under the Act, or receive an annual waiver of such requirements by the President. On June 1, 2001, the President issued a 12-month renewal of the waiver for Vietnam for the period July 3, 2001, through July 2, 2002. Second, the extension of NTR tariff treatment also requires the conclusion and approval by Congress of a bilateral trade agreement (BTA) with the United States providing for reciprocal nondiscriminatory treatment.

In 1996, the United States and Vietnam began negotiating a BTA. The BTA was signed on July 13, 2000, and the President transmitted the agreement to Congress for its approval on June 8, 2001 (H.Doc. 107-85). Should Congress approve the agreement, the President would then be able to extend NTR on an annual basis subject to the Jackson-Vanik freedom of emigration requirements (similar to the process for China prior to its accession to the World Trade Organization). Overall, the BTA commits Vietnam to open its goods and services markets, implement significant economic reforms, expand rule of law, and broaden economic freedom.

On June 12, 2001, H.J.Res. 51 was introduced by request (as required by the Act), the effect of which would be to extend NTR status to Vietnam and approve the U.S.-Vietnam BTA.

H.J.Res. 51 states that Congress approves the extension of nondiscriminatory treatment with respect to the products of the Socialist Republic of Vietnam. The effect of this resolution is Congressional approval of the U.S.–Vietnam BTA, which grants temporary NTR treatment to Vietnam, subject to an annual review by the President (similar to the process for China prior to its accession to the World Trade Organization).

H.J.Res. 55 (Mr. Rohrabacher); failed passage July 26, 2001.

H.J.Res. 55, disapproving the extension of the waiver authority contained in section 402(c) of the Trade Act of 1974 with respect to Vietnam, was ordered reported, adversely, by voice vote on July 12, 2001. The bill was reported to the House on July 23, 2001 (H.Rept. 107-154). On July 26, 2001, the House failed to pass H.J.Res. 55, by a vote of 91-324.

Vietnam's trade status is subject to the Jackson-Vanik provisions in Title IV of the Trade Act of 1974. Title IV sets forth three requirements relating to freedom of emigration which must be met or waived by the President in order for a nonmarket economy country to gain access to U.S. Government credits, or credit or investment guarantees, and be granted Normal Trade Relations (NTR) status. On June 1, 2001, the President issued an extension of the waiver from the Jackson-Vanik freedom of emigration requirements for Vietnam (H. Doc. 107-82).

The President's waiver of the freedom of emigration requirements for Vietnam currently gives U.S. exporters doing business in Vietnam access to U.S. Government credits, or credit or investment guarantees, such as those administered by the Overseas Private Investment Corporation, the Export-Import Bank, and U.S. Department of Agriculture, provided that Vietnam meets the relevant program criteria.

The President's waiver authority expires at midnight on July 2 of each year and may be extended on an annual basis upon a Presidential determination and report to Congress that such extension will substantially promote the freedom of emigration objectives in the Act. The waiver authority continues in effect unless disapproved by the Congress, either generally or with respect to a specific country, within 60 calendar days after the expiration of the existing authority.

H.J.Res. 55 states that Congress does not approve the extension of the authority contained in section 402(c) of the Trade Act of 1974 as recommended by the President to Congress on June 1, 2001, with respect to Vietnam. The effect of this resolution would be to withdraw the Jackson-Vanik waiver with respect to Vietnam, and thereby denying U.S. exporters doing business in Vietnam access to U.S. Government credits or investment guarantees.

H.J.Res. 84 (Mr. Jefferson); laid on the table May 8, 2002.

H.J.Res. 84, disapproving the President's actions regarding steel imports, was ordered reported, adversely, by voice vote on Apr. 24, 2002. The bill was reported to the House on May 7, 2002 (H.Rept. 107-437). On May 8, 2002, the House agreed to H.Res. 414, the rule providing that upon adoption of the resolution, H.Res. 84 is laid on the table. H.Res. 414 passed the House by a vote of 386-30, therefore, H.J.Res. 84 was laid on the table.

H.J.Res. 84 states that Congress disapproves the action taken by the President under section 203 of the Trade Act of 1974 regarding steel imports, which was transmitted to Congress on Mar. 5, 2002. The effect of the resoultion would be to enact instead the remedy recommendations of the U.S. International Trade Commission transmitted to the President on Dec. 19, 2001.

According to section 152(d) of the Trade Act of 1974, the disapproval resolution is not amendable and is highly privileged on the floor.

H.J.Res. 101 (Mr. Rohrabacher); failed passage July 23, 2002.

H.J. Res. 101, a joint resolution disapproving the extension of the waiver authority contained in section 402(c) of the Trade Act of 1974 with respect to Vietnam, was ordered adversely reported from the Committee on Ways and Means on Thursday, July 18, 2002, by voice vote. The bill was reported to the House on July 22, 2002 (H. Rept. 107-602). H.J. Res. 101 failed passage in the House on July 23, 2002, by a vote of 91-338.

Vietnam's trade status is subject to the "Jackson-Vanik" provisions in Title IV of the Trade Act of 1974. Title IV sets forth requirements relating to freedom of emigration which must be met or waived by the President in order for a nonmarket economy country to gain access to U.S. Government credits, or credit investment guarantees, and be granted Normal Trade Relations (NTR) status. On June 4, 2002, the President issued an extension of the waiver from the Jackson-Vanik freedom of emigration requirements for Vietnam (H. Doc. 107-221).

The President's waiver of the freedom of emigration requirements for Vietnam grants NTR status to products imported from Vietnam and gives U.S. exporters doing business in Vietnam access to U.S. Government credits, or credit or investment guarantees, such as those administered by the Overseas Private Investment Corporation, the Export-Import Bank, and the U.S. Department of Agriculture, provided that Vietnam meets the relevant program criteria. The President's waiver authority expires at midnight on July 2 of each year and may be extended on an annual basis upon a Presidential determination and report to Congress that such extension will substantially promote the freedom of emigration objectives in the Act. The waiver authority continues in effect unless diapproved by the Congress, either generally or with respect toa specific country, within 60 calendar days after the expiration of the existing authority.

H.J. Res. 101 was introduced by Representative Rohrabacher of California on June 25, 2002, and states that Congress does not approve the extension of the authority contained in section 402(c) of the Trade Act of 1974 as recommended by the President to Congress on June 4, 2002, with respect to Vietnam. The effect of this Resolution would be to withdraw the President's Jackson-Vanik waiver for Vietnam.

H.Con.Res. 83 (Mr. Nussle); Conference report agreed to May 10, 2001.

H.Con.Res. 83, establishing the congressional budget for the United States Government for fiscal year 2002, revising the congressional budget for the United States Government for fiscal year 2001, and setting forth appropriate budgetary levels for each of fiscal years 2003 through 2011, was reported by the Budget Committee as an original measure to the House on Mar. 23, 2001 (H.Rept 107-26). On Mar. 28, 2001, the House passed the measure, amended, by a vote 222-205. The Senate passed the measure, amended, on Apr. 6, 2001, by a vote of 65-35. On Apr. 23, 2001, the Senate insisted on its amendment and asked for a conference. The House disagreed to the Senate amendment and agreed to a conference on Apr. 24, 2001. A conference report was filed in the House on May 3, 2001 (H.Rept. 107-55. The House recommitted the conference report pursuant to H.Res. 134 on May 8, 2001. The conference report was again filed in the House on May 8, 2001 (H.Rept. 107-60). The House agreed to the conference report on May 9, 2001, by a vote of 221-207. The Senate agreed to the conference report on May 10, 2001, by a vote of 53-47.

H.Con.Res. 83 sets forth the congressional budget for the Government for FY 2002, including the appropriate budgetary levels for FY 2003 through 2011.

I. RECOMMENDED LEVELS AND AMOUNTS

The legislation lists recommended budgetary levels and amounts for FY 2001 through 2011 with respect to: (1) Federal revenues, (2) New budget authority, (3) Budget outlays, (4) Surpluses, (5) Public debt, and (7) Social Security revenues, outlays and administrative expenses. In addition, appropriate levels of new budget authority and outlays for specified major functional categories for FY 2001 through 2011 are listed.

The resolution directs the Senate Finance Committee to report a reconciliation bill by May 18, 2001, that consists of changes in laws within the jurisdiction sufficient to reduce revenues by no more than $1.25 trillion and increase the total level of outlays by no more than $100 billion for the period of FY 2001 through 2011. It requires that $100 billion of such revenues and outlays to be available only for FY 2001 through 2002. The measure prohibits such legislation, when taken together with all previously enacted legislation from reducing the on-budget surplus below the level of the Medicare Hospital Insurance Trust Fund surplus in any fiscal year covered by this resolution.

The resolution expresses the sense of the Congress that of the total amount reconciled in this section, $100 billion will be for an economic stimulus package over the next two years.

The measure provides a reconciliation instruction for the House Committee on Ways and Means similar to that set forth for the Senate in the proceding section.

II. BUDGET ENFORCEMENT AND RULEMAKING

A. Budget Enforcement

The legislation sets forth prohibitions on advance appropriations in the House and Senate, and expresses the sense of Congress that the Budget Enforcement Act of 1990 should be amended to address procedures for advance appropriations for fiscal years beginning with FY 2003.

H.Con.Res. 83 requires, in the House, that the joint explanatory statement accompanying the conference report on any budget resolution include in the allocation to the Appropriations Committee amounts for the discretionary administrative expenses of the Social Security Administration (SSA). It also requires, in the House, that estimates of the level of total new budget authority and outlays provided by a measure pursuant to the Congressional Budget Act of 1974 include any discretionary amounts provided for the SSA.

B. Reserve Funds

The legislation authorizes the appropriate Budget Committee chairman, if the Senate Finance Committee or House Committees on Ways and Means or Energy and Commerce reports legislation to reform Medicare and improve the access of beneficiaries to prescription drugs, to revise committee allocations, aggregates and allocations of budget authority, and outlays in this resolution by the amount provided in such legislation, with a specified limitation.

The measure authorizes the appropriate chairman of the Budget Committee, of the Senate Finance Committee or House Committees on Ways and Means or Energy and Commerce reports legislation that repeals the 15 percent reduction in payments under the Medicare program to home health agencies enacted by the Balanced Budget Act of 1997 and scheduled to go into effect on Oct. 1, 2002, to increase the allocation of new budget authority and outlays and other budgetary aggregates and levels by the amount provided in such legislation with specified limitations and subject to the condition that the legislation may not, when taken together with all previously-enacted legislation (except for Medicare reform legislation), reduce the on-budget surplus below the level of the Medicare Trust Fund surplus in any fiscal year covered by this resolution.

The resolution authorizes the appropriate Budget Committee chairman, if the Senate Finance Committee or House Ways and Means Committee reports legislation that provides health insurance for the uninsured, to revise committee allocations and other budgetary aggregates and allocations of new budget authority and outlays and revise revenue aggregates and other aggregates and allocations by the amount provided by such legislation, with specified limitations and subject to the condition that such legislation, when taken together with all previously-enacted legislation may not reduce the on-budget surplus below the level of the Medicare Trust Fund surplus in any fiscal year covered by this resolution.

III. SENSE OF THE CONGRESS

The resolution expresses the sense of the Congress regarding: (1) Expansion of Individual Development Accounts for asset building of the working poor, (2) Support of the Assistance to Firefighters grant program, (3) Funding for graduate medical education conducted at independent children's teaching hospitals, emphasis on community health centers, and the Ryan White CARE Act, (4) Concurrent retirement and disability benefits to retired members of the armed forces, (5) Parallel adjustments of Federal civilian and military pay, and (6) Deductibility of State sales tax.

H.Con.Res. 228 (Ms. Jackson-Lee with cosponsors); passed the House Nov. 15, 2001.

H.Con.Res. 228, Put Our Children First Resolution of 2001, passed the House, amended, under suspension of the rules, on Nov. 15, 2001, by a vote of 418 yeas, 0 nays.

The resolution would express the gratitude to and recognize Federal, State, and local agencies for their actions to deliver prompt services to the children and families impacted by the events of September 11, 2001.

In addition, the legislation would express the sense of Congress that the children who lost one or both parents or a guardian in the World Trade Center and Pentagon tragedies or the aircraft crash in Somerset County, Pennsylvania, should be provided with such immediate assistance, services, and benefits for which they are eligible and which are necessary for their well-being, including foster care or adoption assistance, medical, nutritional, and psychological care, and educational services. The measure would urge each responsible agency to act to provide such assistance, services, and benefits within 60 days of the determination of the death of the child's parents or guardian.

H.Con.Res. 262 (Mr. English with cosponsors); passed House Nov. 7, 2001.

H.Con.Res. 262, expressing the sense of Congress that the President, at the WTO round of negotiations to be held at Doha, Qatar, from Nov. 9-13, 2001, and at any subsequent round of negotiations, should preserve the ability of the United States to enforce rigorously its trade laws and should ensure that United States exports are not subject to the abusive use of trade laws by other countries, passed the House, under suspension of the rules, on Nov. 7, 2001, by a vote of 410-4.

H.Con.Res. 262 expresses the sense of Congress that the President, at the upcoming World Trade Organization (WTO) round of negotiations at Doha, Qatar, Nov. 9-13, 2001, and at any subsequent round of WTO negotiations, should: (1) Preserve the U.S. ability to enforce its trade laws rigorously, including antidumping and countervailing duty laws, and avoid agreements which lessen the effectiveness of domestic and international disciplines on unfair trade, especially dumping and subsidies, in order to ensure that U.S. workers, agricultural producers, and firms can compete fully on fair terms and enjoy the benefits of reciprocal trade concessions; and (2) Ensure that U.S. exports are not subject to the abusive use of trade laws, including antidumping and countervailing duty laws, by other countries.

H.Con.Res. 282 (Mr. Shaw); passed House Dec. 12, 2001.

On Dec. 12, 2001, H.Con.Res. 282, Keeping the Social Security Promise Initiative, was brought up under suspension of the rules, and passed the House by a vote of 415-5.

H.Con.Res. 282 expresses the sense of the Congress that the President's Commission should present in its recommendations to the Congress innovative ways to protect worker's financial commitment to Social Security without lowering benefits or increasing taxes. In addition, the President and the Congress should join to develop legislation to strengthen Social Security as soon as possible. The resolution should recognize the obstacles women face, recognize the unique needs of minorities, and guarantee current law promised benefits, including cost-of-living increases for current and future retirees without increasing taxes.

H.Con.Res. 312 (Mr. Bachus with cosponsors); failed passage in the House Feb. 6, 2002.

H.Con.Res. 312, expressing the sense of the House of Representatives that the scheduled tax relief provided for by the Economic Growth and Tax Relief Reconciliation Act of 2001 passed by a bipartisan majority in the Congress should not be suspended or repealed, was brought up under suspension of the rules. The Resolution failed passage, under suspension of the rules, by a vote of 235 yeas, 181 nays on Feb. 6, 2002.

H.Con.Res. 312 would declare that it is the sense of the House of Representatives that: (1) the scheduled tax relief provided for by the Economic Growth and Tax Relief Reconciliation Act of 2001, passed by a bipartisan majority in Congress, should not be suspended or repealed, (2) suspending, repealing, or delaying provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 is a tax increase, (3) increasing taxes in the midst of a recession would not be helpful to the Nation's economy or American workers, and (4) instead of increasing taxes, Congress should be working with the President to promote long-term economic growth through a fair tax code that puts the last possible burden on taxpayers.

H.Con.Res. 353 (Mr. Nussle); passed House Mar. 20, 2002.

H.Con.Res. 353, establishing the congressional budget for the United States Government for fiscal year 2003 and setting forth appropriate budgetary levels for each of fiscal years 2004 through 2007, was reported by the Budget Committee on Mar. 15, 2002 (H.Rept. 107-376). The resolution passed the House, amended, by a vote of 221-209 on Mar. 20, 2002.

I. RECOMMENDED LEVELS AND AMOUNTS

The resolution would recommend budgetary levels and amounts, for fiscal years 2003 through 2007, with respect to: (1) Federal revenues; (2) new budget authority; (3) budget outlays; (4) on-budget deficits; (5) public debt; and (6) debt held by the public. In addition the legislation would set for the appropriate levels of new budget authority and outays for homeland security for fiscal year 2003. The measure would list the appropriate levels of new budget authority and outlays for specified major functional categoreis for fiscal year 2003 through 2007.

II. RESERVE AND CONTINGENCY FUNDS

A. Reserve Funds for Legislation Assumed in Aggregates

The legislation would create a reserve fund for the war on terrorism that requires the Chairman of the House Budget Committee to adjust the allocation of budget authority to the Committee on Appropriations or the Committee on Armed Services for any measure that would provide funding for such war for fiscal year 2003, up to a specified level.

In addition the measure would establish reserve funds for: (1) Medicare modernization, prescription drug coverage, and adjustments to the Medicare program on a fee-for-service, capitated, or other basis for fiscal year 2003 through 2012; (2) special education education (grants to States under part B of the Individuals with Disabilities Education Act) for fiscal year 2003 and for fiscal year 2004 through 2007; and (3) the obligation limitation for fiscal year 2003 for programs, projects and activities within the highway category of the Balanced Budget and Emergency Deficit Control Act of 1085. The legislation would authorize the Chairman of the House Budget Committee to revise applicable allocations in new budget authority and/or outlays for such funds, up to specified levels and subject to certain conditions, in response to subsequent House or conference committee action.

B. Additional Surpluses Reserved for Debt Reduction

The legislation would establish a contingency fund for additional surpluses. H.Con.Res. 353 would authorize the Chairman of the Budget Committee to increase the surplus or reduce the deficit, as applicable, and reduce the level of the public debt and debt held by the public by the amount (if any) the estimated unified surplus for fiscal year 2003 and for the period of fiscal year 2003 through 2007, as set forth in the report Budget and Ecomonic Outlook: Update, exceeds the estimated unified surplus for fiscal yar 2003 and for htat period as set forth in the report for H.Con.Res. 353.

C. Contingency Funds for Accounting Changes

The legislation would establish a contingency fund for accrual accounting of Federal retirement and health benefits charged to Federal agencies. The measure would authorize the chairman of the Budget Committee to revise specified allocations for the House Committee on Appropriations if such legislation is enacted in the House and the House Appropriations Comittee reports a measure providing new budget authority to carry out such legislation. H.Con.Res. 353 would prohibit such amounts from exceeding the resulting reduction in mandatory budget authority estimated by the Director of the Congressional Budget Office.

The measure would establish a contingency fund for reclassification of student accounts if the House enacts legislation amending the Higher Education Act to make student aid administration subject to annual appropriations. The legislation would require an offsetting reduction in the allocation to the Committee on Education and the Workforce.

D. Implementation of Contingency and Reserve Funds

H.Con.Res 353 would permit adjustments of allocations and aggregate made pursuant to the resolution only during the interval that the legislation is under consideration, not to take effect until enactment.

The measure would make a separate allocation to the appropriate committees for Medicare. In addition it would set forth committee instructions for the enforcement of such separate allocation.

III. BUDGET ENFORCEMENT

The measure would include the administrative expenses related to Social Security in the allocation to the Appropriations Committees.

The Measure would require the Congressional Budget Office report to include: (1) a comparison of the differing impact between forecasted economic variables used to model a year's projections and what actually happened; (2) technical factors that contributed to forecasting inaccuracies; (3) a variance analysis between forecasted and actual budget results; and (4) recommendations for forecasting improvement.

IV. SENSE OF CONGRESS AND SENSE OF HOUSE PROVISIONS

The measure would express the sense of Congress concerning: (1) combating infectious diseases; (2) asset building for the working poor; (3) Pacific Northwest salmon recovery; and (4) federal fire prevention assistance.

The legislation would express the sense of the House on (1) federal employee pay; (2) Medicare+Choice regional disparities; and (3) border security and anti-terrorism.

H.Res. 240 (Mr. Thomas); passed House Sept. 20, 2001. (Returning to the Senate H.R. 2500.)

On Sept. 13, 2001, the Senate passed H.R. 2500, making appropriations for the Departments of Commerce, Justice, and State, the Judiciary and related agencies for the fiscal year ending Sept. 30, 2002. During consideration in the Senate, an amendment was agreed to that embodied S. 1084 in the appropriations bill. S. 1084 would ban the importation of diamonds not certified as originating outside conflict zones.

On Sept. 20, 2001, Mr. Thomas sent to the Speaker's desk H.Res. 240, a privileged resolution. The resolution states that H.R. 2500, as passed the Senate, in the opinion of the House, contravenes the first clause of the seventh section of the first article of the Constitution of the United States and is an infringement of the privileges of the House. H.Res. 240 passed the House by voice vote on Sept. 20, 2001.

H.Res. 385 (Mr. Istook with cosponsors); passed the House Apr. 23, 2002.

H.Res. 385, honoring the men and women of the United States Customs Service, 6 World Trade enter offices, for their hard work, commitment, and compassion during and immediately following the terrorist attacks on the World Trade Center on September 11, 2001, was considered under suspension of the rules, and passed the House by voice vote on Apr. 23, 2002.

H.Res. 385 would honor the continued dedication of the men and women assigned to the US. Customs Service, New York operations, and would recognize the critical importance of the Service on the frontline of our national security efforts. In addition the resolution would support providing the necessary resources to ensure the full operation of the Service, New York operations, and that of Customs nationwide.

H.Res. 524 (Mr. Nussle with cosponsors); passed the House Sept. 19, 2002.

H.Res 524, expressing the sense of the House that Congress should complete action on the Permanent Death Tax Repeal Act of 2002, was brought to the House for consideration pursuant to H.Res. 527, the Rules Committee Resolution. H.Res. 524 passed the House on Sept. 19, 2002, by a vote of 242-158.

The legislation declares the sense of the House of Representatives that Congress should complete action on the Permanent Death Tax Repeal Act of 2002, and present it to the President before adjournment.

H.Res. 525 (Ms. Northup with cosponsors); passed the House Sept. 19, 2002.

H.Res 525, expressing the sense of the House that the 107th Congress should complete action on and present to the President, before Sept. 30, 2002, legislation extending and strengthening the successful 1996 welfare reforms. The bill was brought directly to the House and passed the House on Sept. 19, 2002, by a vote of 280-123.

The legislation declares the sense of the House of Representatives that the 107th Congress should complete action on and present to the President, before Setp. 30, 2002, legislation extending and strengthening the 1996 welfare reforms.

H.Res. 540 (Mr. Pickering with cosponsors); passed the House Sept. 25, 2002.

H.Res 540, expressig the sense of the House that Congress should complete action on H.R. 3762, the Pension Security Act of 2002, passed the House on Sept. 25, 2002, by a vote of 258-152.

The resolution declares the sense of the House of Representatives that the Congress should complete action in the 107th Congress on the Pension Security Act of 2002 and present it to the President for his signature before adjournment.

H.Res. 543 (Mr. Weller with cosponsor); passed the House Oct. 2, 2002.

H.Res. 543, expressing the sense of the House that Congress should complete action on H.R. 4019, making marriage tax relief permanent, passed the House on Oct. 2, 2002, by a vote of 285-130.

H.Res. 543, declares the sense of the House of Representatives that Congress should compete action on H.R. 4019, Marriage Penalty Relief Act of 2002, and present it to the President before adjournment of the 107th Congress, so that 36,000,000 married couples can benefit from the permanent marriage penalty tax relief.

H.Res. 544 (Mr. Sullivan); passed the House Sept. 25, 2002.

H.Res. 544, expressing the sense of the House of Representatives on permanency of pension reform provisions, passed the House on Sept. 25, 2002, by a vote of 291-118.

The resolution expresses the sense of the House of Representatives that the Congress should complete action in the 107th Congress on the Retirement Security Savings Act of 2002 and should present such legislation to the President for his signature prior to adjournment, so that workers can be assured that certain pension reforms under current law, which are permanently extended by such Act, will not be eliminated.

S. 1190 (Senator Lott with cosponsor); Public Law 107-22; app. July 26, 2001.

S. 1190, to rename the education individual retirement accounts as the Coverdell education savings account, was introduced in the Senate on July 18, 2001, and considered, and passed without amendment by unanimous consent. On July 19, 2001, the bill was received in the House and referred to the Committee on Ways and Means. On July 23, 2001, the legislation was discharged from the Committee on Ways and Means. On July 23, 2001, the bill was considered by unanimous consent, and passed without objection. S. 1190 was signed into law by the President on July 26, 2001, as P.L. 107-22.

The Act amends the Internal Revenue Code to rename the education individual retirement accounts as the Coverdell education savings account.

S. 1447 (Senator Hollins with cosponsors); Public Law 107-71; app. Nov. 19, 2001.

S. 1447, Aviation Security Act, passed the Senate, with amendemnts, on Oct. 11, 2001, by a vote of 100 yeas, 0 nays. The House considered the measure by unanimous consent on Nov. 6, 2001. The House struck all after the enacting clause and inserted in lieu thereof the provisions of a similar measure H.R. 3150. S. 1190 passed the House without objection, and H.R. 3150 was laid on the table on Nov. 6, 2001. The House asked for a conference and appointed conferees. The Senate disagreed to the House amendment and agreed to a conference on Nov. 7, 2001. The conference report was filed in the House on Nov. 16, 2001 (H.Rept. 107-296). That same day the Senate agreed to the conference report by voice vote. The House agreed to the conference report by a vote of 410 yeas, 9 nays on Nov. 16, 2001. S. 1190 was signed into law by the President on Nov. 19, 2001, as P.L. 107-71.

The Committee on Ways and Means provided the Transportation and Infrasturcture Committee a conforming amendment to the Airport and Airway Trust Fund which was inserted in the version of H.R. 3150 considered on the floor. The conforming amendment is also contained in S. 1447 as passed the House and the Public Law.

S. 2578 (Senator Daschle); Public Law 107-199; app. June 28, 2002.

S. 2578, a bill to amend title 31 of the United States Code to increase the public debt limit, passed the Senate by a vote of 68-29 on June 11, 2002. The House passed the bill on June 27, 2002 by a vote of 215-214. S. 2578 was signed into law by the President on June 28, 2002 as P.L. 107-199.

The Act increases the limit on borrowing by the United States government by $450 billion to a total of $6.4 trillion. The Treasury Department estimtes that this increase will be sufficient to keep the government solvent at least until the middle of Dec., 2002, and possibly into early 2003.