''(2) any other interest in a trust which the individual is treated as holding under the rules of section 679(e) (determined by treating such section as applying to foreign and domestic trusts), and

''(3) any other interest in property specified by the Secretary as necessary or appropriate to carry out the purposes of this section.

''(d) EXCEPTIONS.—The following property shall not be treated as sold for purposes of this section:

''(1) UNITED STATES REAL PROPERTY INTERESTS.—Any United States real property interest (as defined in section 897(c)(1)), other than stock of a United States real property holding corporation which does not, on the date the individual relinquishes his citizenship or ceases to be subject to tax as a resident, meet the requirements of section 897(c)(2).

''(2) INTEREST IN CERTAIN RETIREMENT PLANS.—

''(A) IN GENERAL.—Any interest in a qualified retirement plan (as defined in section 4974(d)), other than any interest attributable to contributions which are in excess of any limitation or which violate any condition for tax-favored treatment.

''(B) FOREIGN PENSION PLANS.—

''(i) IN GENERAL.—Under regulations prescribed by the Secretary, interests in foreign pension plans or similar retirement arrangements or programs.

''(ii) LIMITATION.—The value of property which is treated as not sold by reason of this subparagraph shall not exceed $500,000.

''(e) DEFINITIONS.—For purposes of this section—

''(1) RELINQUISHMENT OF CITIZENSHIP.—A citizen shall be treated as relinquishing his United States citizenship on the date the United States Department of State issues to the individual a certificate of loss of nationality or on the date a court of the United States cancels a naturalized citizen's certificate of naturalization.

''(2) LONG-TERM RESIDENT.—

''(A) IN GENERAL.—The term 'long-term resident' means any individual (other than a citizen of the United States) who is a lawful permanent resident of the United States and, as a result of such status, has been subject to tax as a resident in at least 10 taxable years during the period of 15 taxable years ending with the taxable year during which the sale under subsection (a) is treated as occurring.

''(B) SPECIAL RULE.—For purposes of subparagraph (A), there shall not be taken into account—

''(i) any taxable year during which any prior sale is treated under subsection (a) as occurring, or

''(ii) any taxable year prior to the taxable year referred to in clause (i).

''(f) TERMINATION OF DEFERRALS, ETC.—On the date any property held by an individual is treated as sold under subsection (a)—

''(1) any period deferring recognition of income or gain shall terminate, and

''(2) any extension of time for payment of tax shall cease to apply and the unpaid portion of such tax shall be due and payable.

''(g) ELECTION BY EXPATRIATING RESIDENTS.—Solely for purposes of determining gain under subsection (a)—

''(1) IN GENERAL.—At the election of a resident not a citizen of the United States, property—

''(A) which was held by such resident on the date the individual first became a resident of the United States during the period of long-term residency to which the treatment under subsection (a) relates, and

''(B) which is treated as sold under subsection (a),

shall be treated as having a basis on such date of not less than the fair market value of such property on such date.

''(2) ELECTION.—Such an election shall apply to all property described in paragraph (1), and, once made, shall be irrevocable.

''(h) DEFERRAL OF TAX ON CLOSELY HELD BUSINESS INTERESTS.—The District Director may enter into an agreement with any individual which permits such individual to defer payment for not more than 5 years of any tax imposed by subsection (a) by reason of holding any interest in a closely held business (as defined in section 6166(b)) other than a United States real property interest described in subsection (d)(1).

''(i) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section.

''(j) CROSS REFERENCE.—

''For termination of United States citizenship for tax purposes, see section 7701(a)(47).''

(b) DEFINITION OF TERMINATION OF UNITED STATES CITIZENSHIP.—Section 7701(a) of such Code is amended by adding at the end the following new paragraph:

''(47) TERMINATION OF UNITED STATES CITIZENSHIP.—An individual shall not cease to be treated as a United States citizen before the date on which the individual's citizenship is treated as relinquished under section 877A(e)(1).''

(c) CONFORMING AMENDMENTS.—

(1) Section 877 of such Code is amended by adding at the end of the following new subsection:

''(f) TERMINATION.—This section shall not apply to any individual who is subject to the provisions of section 877A.''

(2) Paragraph (10) of section 7701(b) of such Code is amended by adding at the end the following new sentence: ''This paragraph shall not apply to any individual who is subject to the provisions of section 877A.''

(d) CLERICAL AMENDMENT.—The table of sections for subpart A of part II of subchapter N of chapter 1 of such Code is amended by inserting after the item relating to section 877 the following new item:

''Sec. 877A. Tax responsibilities of expatriation.''

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to—

(1) United States citizens who relinquish (within the meaning of section 877A(e)(1) of the Internal Revenue Code of 1986, as added by this section) United States citizenship on or after October 1, 1996, and

(2) Long-term residents (as defined in such section) who cease to be subject to tax as residents of the United States on or after such date.

At the end of the bill insert the following new title:

TITLE VII—HOUSE BUDGET COMMITTEE TO REPORT NEW DISCRETIONARY SPENDING LIMITS

SEC. 701. HOUSE BUDGET COMMITTEE TO REPORT NEW DISCRETIONARY SPENDING LIMITS.

Not later than 20 days after the date of the enactment of this Act, the Committee on the Budget of the House of Representatives shall report legislation which provides general discretionary spending limits as follows:

(1) With respect to fiscal year 1996: $514,998,000,000 in new budget authority and $547,245,000,000 in outlays.

(2) With respect to fiscal year 1997: $521,281,000,000 in new budget authority and $542,111,000,000 in outlays.

(3) With respect to fiscal year 1998: $528,024,000,000 in new budget authority and $544,594,000,000 in outlays.

(4) With respect to fiscal year 1999: $527,051,000,000 in new budget authority and $543,130,000,000 in outlays.

(5) With respect to fiscal year 2000: $525,091,000,000 in new budget authority and $541,082,000,000 in outlays.

Make necessary conforming changes in title and section designations and in the tables of contents.

By unanimous consent, the previous question was ordered on the motion to recommit with instructions.

The question being put, viva voce,

Will the House recommit said bill with instructions?

The SPEAKER pro tempore, Mr. DREIER, announced that the nays had it.

Mr. GEPHARDT demanded a recorded vote on agreeing to said motion, which demand was supported by one-fifth of a quorum, so a recorded vote was ordered.

The vote was taken by electronic device.

It was decided in the negative ..... { Yeas ..... 168 / Nays 265

¶56.14 [Roll No. 293]

AYES—168

Abercrombie	Ganske	Olver
Ackerman	Gejdenson	Ortiz
Andrews	Gephardt	Owens
Baldacci	Gonzalez	Pallone
Barcia	Gordon	Pastor
Barrett (WI)	Green	Payne (NJ)
Beilenson	Gutierrez	Pelosi
Bentsen	Harman	Peterson (MN)
Berman	Hastings (FL)	Pomeroy
Bevill	Hayes	Poshard
Bishop	Hefner	Rahall
Bonior	Hilliard	Rangel
Borski	Hinchey	Reed
Boucher	Holden	Richardson
Browder	Jackson-Lee	Rivers
Brown (FL)	Jacobs	Rose
Brown (OH)	Jefferson	Roybal-Allard
Bryant (TX)	Johnson (SD)	Rush
Chapman	Johnson, E. B.	Sabo
Clay	Johnston	Sanders
Clayton	Kennedy (MA)	Sawyer
Clement	Kennedy (RI)	Schroeder
Clyburn	Kennelly	Schumer
Coleman	Kildee	Scott
Collins (IL)	LaFalce	Serrano
Collins (MI)	Lantos	Skelton
Condit	Levin	Slaughter
Conyers	Lewis (GA)	Spratt
Costello	Lincoln	Stokes
Cramer	Lofgren	Studds
Danner	Lowey	Stupak
de la Garza	Luther	Tanner
DeLauro	Maloney	Taylor (MS)
Dellums	Manton	Tejeda
Deutsch	Markey	Thompson
Dicks	Martinez	Thornton
Dingell	Mascara	Thurman
Dixon	Matsui	Torres
Doggett	McCarthy	Torricelli
Doyle	McDermott	Towns
Durbin	McHale	Traficant
Edwards	McKinney	Tucker
Engel	Meehan	Velazquez
Eshoo	Meek	Vento
Evans	Menendez	Visclosky
Farr	Mfume	Volkmer
Fattah	Miller (CA)	Ward
Fazio	Mineta	Waters
Fields (LA)	Minge	Watt (NC)
Filner	Mink	Waxman
Flake	Moakley	Williams
Foglietta	Moran	Wise
Ford	Nadler	Woolsey
Frank (MA)	Neal	Wyden
Frost	Oberstar	Wynn
Furse	Obey	Yates

NOES—265

Allard	Barton	Bonilla
Archer	Bass	Bono
Armey	Bateman	Brewster
Bachus	Becerra	Brown (CA)
Baesler	Bereuter	Brownback
Baker (CA)	Bilbray	Bryant (TN)
Baker (LA)	Bilirakis	Bunn
Ballenger	Bliley	Bunning
Barr	Blute	Burr
Barrett (NE)	Boehlert	Burton
Bartlett	Boehner	Buyer

Callahan	Heineman	Payne (VA)
Calvert	Herger	Peterson (FL)
Camp	Hilleary	Petri
Canady	Hobson	Pickett
Cardin	Hoekstra	Pombo
Castle	Hoke	Porter
Chabot	Horn	Portman
Chambliss	Hostettler	Pryce
Chenoweth	Houghton	Quillen
Christensen	Hoyer	Quinn
Chrysler	Hunter	Radanovich
Clinger	Hutchinson	Ramstad
Coble	Hyde	Regula
Coburn	Inglis	Riggs
Collins (GA)	Istook	Roberts
Combest	Johnson (CT)	Roemer
Cooley	Johnson, Sam	Rogers
Cox	Jones	Rohrabacher
Coyne	Kanjorski	Ros-Lehtinen
Crane	Kaptur	Roth
Crapo	Kasich	Roukema
Cremeans	Kelly	Royce
Cubin	Kim	Salmon
Cunningham	King	Sanford
Davis	Kingston	Saxton
Deal	Kleczka	Scarborough
DeFazio	Klink	Schaefer
DeLay	Klug	Schiff
Diaz-Balart	Knollenberg	Seastrand
Dickey	Kolbe	Sensenbrenner
Dooley	LaHood	Shadegg
Doolittle	Largent	Shaw
Dornan	Latham	Shays
Dreier	LaTourette	Shuster
Duncan	Laughlin	Sisisky
Dunn	Lazio	Skaggs
Ehlers	Leach	Skeen
Ehrlich	Lewis (CA)	Smith (MI)
Emerson	Lewis (KY)	Smith (NJ)
English	Lightfoot	Smith (TX)
Ensign	Linder	Smith (WA)
Everett	Lipinski	Solomon
Ewing	Livingston	Souder
Fawell	LoBiondo	Spence
Fields (TX)	Longley	Stark
Flanagan	Lucas	Stearns
Foley	Manzullo	Stenholm
Forbes	Martini	Stockman
Fowler	McCollum	Stump
Fox	McCrery	Talent
Franks (CT)	McDade	Tate
Franks (NJ)	McHugh	Tauzin
Frelinghuysen	McInnis	Taylor (NC)
Frisa	McIntosh	Thomas
Funderburk	McKeon	Thornberry
Gallegly	McNulty	Tiahrt
Gekas	Metcalf	Torkildsen
Geren	Meyers	Upton
Gibbons	Mica	Vucanovich
Gilchrest	Miller (FL)	Waldholtz
Gillmor	Molinari	Walker
Gilman	Mollohan	Walsh
Goodlatte	Montgomery	Wamp
Goodling	Moorhead	Watts (OK)
Goss	Morella	Weldon (FL)
Graham	Murtha	Weldon (PA)
Greenwood	Myers	Weller
Gunderson	Myrick	White
Gutknecht	Nethercutt	Whitfield
Hall (OH)	Neumann	Wicker
Hall (TX)	Ney	Wilson
Hamilton	Norwood	Wolf
Hancock	Nussle	Young (AK)
Hansen	Orton	Young (FL)
Hastert	Oxley	Zeliff
Hastings (WA)	Packard	Zimmer
Hayworth	Parker	
Hefley	Paxon	

NOT VOTING—1

Reynolds

So the motion to recommit with instructions was not agreed to.

¶56.15 POINT OF ORDER

Mr. MORAN, having previously cited clause 5(c) of rule XXI in a parliamentary inquiry as being appliable to the bill, made a point of order, and said:

''Mr. Speaker, I made a parliamentary inquiry, but I would state a point of order that any vote on this bill should require a three-fifths vote. If it does not require that, then I would appeal the ruling of the Chair.''.

Mr. ARCHER was recognized to speak to the point of order, and said:

''Mr. Speaker, I would be pleased to try to help the Chair to support his ruling.

''First, as a result of the enactment of the 50 percent exclusion applicable generally, taxpayers, other than those described in the following two paragraphs, would have a tax rate lower than 28 percent. Thus, the 28 percent maximum rate of section 1(h) of current law would not cause a reduction in tax liability as compared with that under current law; that is, as relates to current law liability, the provision would be inoperative.

''No. 2, the 50 percent exclusion would not apply to collectibles. Under H.R. 1215, for this group of taxpayers the maximum rate of 28 percent is retained in H.R. 1215.

''No. 3, a question has been raised as to the potential application of the 28 percent maximum rate under current law for taxpayers currently qualifying for the special rules of existing section of the law, 1202. In light of the fact that this provision would be repealed by 1215, the maximum rate of 28 percent would have no further application. Moreover, it should be noted that the special rules in section 1202 are an exclusion provision rather than a rate provision.

''Further, it should be noted that concerns as to whether repeal of current law, section 1202, in conjunction with the repeal of current law, section 1(h), constitutes a rate increase, are focused on the effective rate impact rather than the occurrence of any income tax rate increase.

''The House rule in question is not intended to apply to effective rate changes.''.

Mr. MORAN was recognized to speak further to the point of order, and said:

''Mr. Speaker, I would like to underscore the last comment that was made by the distinguished chairman of the Committee on Ways and Means that the House rule in question is not intended to apply to effective tax rate changes. There was never any reference to effective rate changes. In fact, it was any income tax rate increase. I read the debate again that occurred on the first day of this session. We are now making a distinction between effective rate changes apparently and statutory rate changes, although both apply here. I do have a letter from the Treasury Department explaining that this is a tax rate increase.

''How it occurred, Mr. Speaker, is in the 1993 Omnibus Budget Reconciliation Act we did pass a capital gains tax rate reduction. What it said is that when people invest in small capitalized firms for five years, their capital gains tax is reduced by 50 percent. What this bill did was to strike the capital gains rate of 28 percent, raise it to 39.6 percent, and then apply the 50 percent preference for capital gains investment. What that means is that the effective capital gains rate is 19.8 percent if this bill were to pass, whereas today there are investors getting a 14 percent tax rate on capital gains investments.

''Now, this is not an obscure provision. It is a $725 million capital gains provision that was passed in the 1993 Budget Reconciliation Act. What we have done is for some investors who have invested hundreds of millions of dollars in small capitalized firms, is increased their tax rate from 14 percent to 19.8 percent. That is an increase in the income tax rate. It is both a statutory increase, in that we remove the 28 percent level and put in 39.6 percent. It is also an effective rate increase because it changes from 14 percent to 19.8 percent. That is what the letter from both the Treasury Department and the Small Business Administration underscores, that in fact investors would be paying a higher capital gains rate.''.

Mr. CARDIN was recognized to speak to the point of order, and said:

''Mr. Speaker, I do.

''Mr. Speaker, this is a very important ruling. It is the first one that the Chair has had to make on the new rule XXI that requires an extraordinary vote on a tax rate increase. The language, as I understand it, is when the Federal tax rate increase applies we need a three-fifths vote.

''If I understand the potential ruling of the Chair, if the Chair rules that this bill does not raise a rate and therefore does not need an extraordinary vote, what the Chair is saying is that legislation which subjects a larger percentage of a taxpayer's income to an existing tax rate would not be a tax rate increase under the provisions of rule XXI. That would mean that we could effectively raise tax rates in this country by just subjecting a larger amount of a person's income to the tax rate, thereby accomplishing the effect of a tax rate increase under the potential ruling of the Chair without raising the rate.

''I just really want to point that out to the Chair before he makes his ruling, because effectively if he rules against the gentleman from Virginia [Mr. MORAN] rule XXI is meaningless.''.

Mr. SKAGGS was recognized to speak to the point of order, and said:

''Mr. Speaker, one further point I think needs to be made on this.

''During the debate on opening day, it was touted that this rules change was remedial in nature. It was to be viewed expansively as remedying a propensity of the House that needed to be curtailed. A narrow reading such as is advocated by the chairman of the Committee on Ways and Means a few minutes ago flies in the face of all of the advocacy, the legislative history, if you will, of this rules change, which is the only basis that the House has and that the Chair has for informing a ruling.

''To take a provision that was intended to be remedial, and therefore viewed expansively, and interpret it narrowly belies the absurdity of the rules change to begin with.''.