

AMENDMENT TO H.R. 3090
OFFERED BY MR. THOMAS

In the amendment of the Senate, strike the matter proposed to be inserted by the Senate and insert the following:

1 SECTION 1. SHORT TITLE; ETC.

2 (a) **SHORT TITLE.**—This Act may be cited as the
3 “Job Creation and Worker Assistance Act of 2002”.

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

11 (c) **TABLE OF CONTENTS.**—

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Sec. 102. Carryback of certain net operating losses allowed for 5 years; temporary suspension of 90 percent AMT limit.

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- Sec. 613. Incentives for Indian employment and property on Indian reservations.
- Sec. 614. Subpart F exemption for active financing.
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- Sec. 616. Reauthorization of TANF supplemental grants for population increases for fiscal year 2002.
- Sec. 617. 1-year extension of contingency fund under the TANF program.

1 TITLE I—BUSINESS PROVISIONS

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

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

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

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

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

19 “(B) the adjusted basis of the qualified
20 property shall be reduced by the amount of
21 such deduction before computing the amount
22 otherwise allowable as a depreciation deduction



1 under this chapter for such taxable year and
2 any subsequent taxable year.

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

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

7 “(i)(I) to which this section applies
8 which has a recovery period of 20 years or
9 less,

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

14 “(III) which is water utility property,
15 or

16 “(IV) which is qualified leasehold im-
17 provement property,

18 “(ii) the original use of which com-
19 mences with the taxpayer after September
20 10, 2001,

21 “(iii) which is—

22 “(I) acquired by the taxpayer
23 after September 10, 2001, and before
24 September 11, 2004, but only if no
25 written binding contract for the acqui-



1 sition was in effect before September
2 11, 2001, or

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

8 “(iv) which is placed in service by the
9 taxpayer before January 1, 2005, or, in
10 the case of property described in subpara-
11 graph (B), before January 1, 2006.

12 “**(B) CERTAIN PROPERTY HAVING LONGER**
13 **PRODUCTION PERIODS TREATED AS QUALIFIED**
14 **PROPERTY.—**

15 “(i) **IN GENERAL.—**The term ‘quali-
16 fied property’ includes property—

17 “(I) which meets the require-
18 ments of clauses (i), (ii), and (iii) of
19 subparagraph (A),

20 “(II) which has a recovery period
21 of at least 10 years or is transpor-
22 tation property, and

23 “(III) which is subject to section
24 263A by reason of clause (ii) or (iii)
25 of subsection (f)(1)(B) thereof.



1 “(ii) ONLY PRE-SEPTEMBER 11, 2004,
2 BASIS ELIGIBLE FOR ADDITIONAL ALLOW-
3 ANCE.—In the case of property which is
4 qualified property solely by reason of
5 clause (i), paragraph (1) shall apply only
6 to the extent of the adjusted basis thereof
7 attributable to manufacture, construction,
8 or production before September 11, 2004.

9 “(iii) TRANSPORTATION PROPERTY.—
10 For purposes of this subparagraph, the
11 term ‘transportation property’ means tan-
12 gible personal property used in the trade
13 or business of transporting persons or
14 property.

15 “(C) EXCEPTIONS.—

16 “(i) ALTERNATIVE DEPRECIATION
17 PROPERTY.—The term ‘qualified property’
18 shall not include any property to which the
19 alternative depreciation system under sub-
20 section (g) applies, determined—

21 “(I) without regard to paragraph
22 (7) of subsection (g) (relating to elec-
23 tion to have system apply), and



1 “(II) after application of section
2 280F(b) (relating to listed property
3 with limited business use).

4 “(ii) QUALIFIED NEW YORK LIBERTY
5 ZONE LEASEHOLD IMPROVEMENT PROP-
6 ERTY.—The term ‘qualified property’ shall
7 not include any qualified New York Lib-
8 erty Zone leasehold improvement property
9 (as defined in section 1400L(c)(2)).

10 “(iii) ELECTION OUT.—If a taxpayer
11 makes an election under this clause with
12 respect to any class of property for any
13 taxable year, this subsection shall not
14 apply to all property in such class placed
15 in service during such taxable year.

16 “(D) SPECIAL RULES.—

17 “(i) SELF-CONSTRUCTED PROP-
18 ERTY.—In the case of a taxpayer manufac-
19 turing, constructing, or producing property
20 for the taxpayer’s own use, the require-
21 ments of clause (iii) of subparagraph (A)
22 shall be treated as met if the taxpayer be-
23 gins manufacturing, constructing, or pro-
24 ducing the property after September 10,
25 2001, and before September 11, 2004.



1 “(ii) SALE-LEASEBACKS.—For pur-
2 poses of subparagraph (A)(ii), if
3 property—

4 “(I) is originally placed in service
5 after September 10, 2001, by a per-
6 son, and

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

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

15 “(E) COORDINATION WITH SECTION
16 280F.—For purposes of section 280F—

17 “(i) AUTOMOBILES.—In the case of a
18 passenger automobile (as defined in section
19 280F(d)(5)) which is qualified property,
20 the Secretary shall increase the limitation
21 under section 280F(a)(1)(A)(i) by \$4,600.

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



1 “(F) DEDUCTION ALLOWED IN COMPUTING
 2 MINIUMUM TAX.—For purposes of determining
 3 alternative minimum taxable income under sec-
 4 tion 55, the deduction under subsection (a) for
 5 qualified property shall be determined under
 6 this section without regard to any adjustment
 7 under section 56.

8 “(3) QUALIFIED LEASEHOLD IMPROVEMENT
 9 PROPERTY.—For purposes of this subsection—

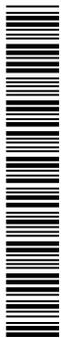
10 “(A) IN GENERAL.—The term ‘qualified
 11 leasehold improvement property’ means any im-
 12 provement to an interior portion of a building
 13 which is nonresidential real property if—

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

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

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

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



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

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

8 “(i) the enlargement of the building,

9 “(ii) any elevator or escalator,

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

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

14 “(C) DEFINITIONS AND SPECIAL RULES.—

15 For purposes of this paragraph—

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

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



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

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

11 (b) **EFFECTIVE DATE.**—The amendments made by
12 this section shall apply to property placed in service after
13 September 10, 2001, in taxable years ending after such
14 date.

15 **SEC. 102. CARRYBACK OF CERTAIN NET OPERATING**
16 **LOSSES ALLOWED FOR 5 YEARS; TEMPORARY**
17 **SUSPENSION OF 90 PERCENT AMT LIMIT.**

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

21 “(H) In the case of a taxpayer which has
22 a net operating loss for any taxable year ending
23 during 2001 or 2002, subparagraph (A)(i) shall
24 be applied by substituting ‘5’ for ‘2’ and sub-
25 paragraph (F) shall not apply.”.



1 (b) ELECTION TO DISREGARD 5-YEAR
2 CARRYBACK.—Section 172 (relating to net operating loss
3 deduction) is amended by redesignating subsection (j) as
4 subsection (k) and by inserting after subsection (i) the fol-
5 lowing new subsection:

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

17 (c) TEMPORARY SUSPENSION OF 90 PERCENT LIMIT
18 ON CERTAIN NOL CARRYOVERS.—

19 (1) IN GENERAL.—Subparagraph (A) of section
20 56(d)(1) (relating to general rule defining alter-
21 native tax net operating loss deduction) is amended
22 to read as follows:

23 “(A) the amount of such deduction shall
24 not exceed the sum of—

25 “(i) the lesser of—



1 “(I) the amount of such deduc-
 2 tion attributable to net operating
 3 losses (other than the deduction at-
 4 tributable to carryovers described in
 5 clause (ii)(I)), or

6 “(II) 90 percent of alternative
 7 minimum taxable income determined
 8 without regard to such deduction, plus
 9 “(ii) the lesser of—

10 “(I) the amount of such deduc-
 11 tion attributable to the sum of
 12 carrybacks of net operating losses for
 13 taxable years ending during 2001 or
 14 2002 and carryforwards of net oper-
 15 ating losses to taxable years ending
 16 during 2001 and 2002, or

17 “(II) alternative minimum tax-
 18 able income determined without re-
 19 gard to such deduction reduced by the
 20 amount determined under clause (i),
 21 and”.

22 (2) EFFECTIVE DATE.—The amendment made
 23 by this subsection shall apply to taxable years end-
 24 ing before January 1, 2003.



1 (d) EFFECTIVE DATE.—Except as provided in sub-
2 section (c), the amendments made by this section shall
3 apply to net operating losses for taxable years ending after
4 December 31, 2000.

5 **TITLE II—UNEMPLOYMENT**
6 **ASSISTANCE**

7 **SEC. 201. SHORT TITLE.**

8 This title may be cited as the “Temporary Extended
9 Unemployment Compensation Act of 2002”.

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

11 (a) IN GENERAL.—Any State which desires to do so
12 may enter into and participate in an agreement under this
13 title with the Secretary of Labor (in this title referred to
14 as the “Secretary”). Any State which is a party to an
15 agreement under this title may, upon providing 30 days’
16 written notice to the Secretary, terminate such agreement.

17 (b) PROVISIONS OF AGREEMENT.—Any agreement
18 under subsection (a) shall provide that the State agency
19 of the State will make payments of temporary extended
20 unemployment compensation to individuals who—

21 (1) have exhausted all rights to regular com-
22 pensation under the State law or under Federal law
23 with respect to a benefit year (excluding any benefit
24 year that ended before March 15, 2001);



1 (2) have no rights to regular compensation or
2 extended compensation with respect to a week under
3 such law or any other State unemployment com-
4 pensation law or to compensation under any other
5 Federal law;

6 (3) are not receiving compensation with respect
7 to such week under the unemployment compensation
8 law of Canada; and

9 (4) filed an initial claim for regular compensa-
10 tion on or after March 15, 2001.

11 (c) EXHAUSTION OF BENEFITS.—For purposes of
12 subsection (b)(1), an individual shall be deemed to have
13 exhausted such individual's rights to regular compensation
14 under a State law when—

15 (1) no payments of regular compensation can
16 be made under such law because such individual has
17 received all regular compensation available to such
18 individual based on employment or wages during
19 such individual's base period; or

20 (2) such individual's rights to such compensa-
21 tion have been terminated by reason of the expira-
22 tion of the benefit year with respect to which such
23 rights existed.

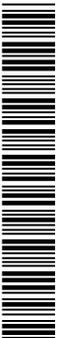
24 (d) WEEKLY BENEFIT AMOUNT, ETC.—For purposes
25 of any agreement under this title—



1 (1) the amount of temporary extended unem-
2 ployment compensation which shall be payable to
3 any individual for any week of total unemployment
4 shall be equal to the amount of the regular com-
5 pensation (including dependents' allowances) payable
6 to such individual during such individual's benefit
7 year under the State law for a week of total unem-
8 ployment;

9 (2) the terms and conditions of the State law
10 which apply to claims for regular compensation and
11 to the payment thereof shall apply to claims for tem-
12 porary extended unemployment compensation and
13 the payment thereof, except—

14 (A) that an individual shall not be eligible
15 for temporary extended unemployment com-
16 pensation under this title unless, in the base pe-
17 riod with respect to which the individual ex-
18 hausted all rights to regular compensation
19 under the State law, the individual had 20
20 weeks of full-time insured employment or the
21 equivalent in insured wages, as determined
22 under the provisions of the State law imple-
23 menting section 202(a)(5) of the Federal-State
24 Extended Unemployment Compensation Act of
25 1970 (26 U.S.C. 3304 note); and



1 (B) where otherwise inconsistent with the
2 provisions of this title or with the regulations or
3 operating instructions of the Secretary promul-
4 gated to carry out this title; and

5 (3) the maximum amount of temporary ex-
6 tended unemployment compensation payable to any
7 individual for whom a temporary extended unem-
8 ployment compensation account is established under
9 section 203 shall not exceed the amount established
10 in such account for such individual.

11 (e) ELECTION BY STATES.—Notwithstanding any
12 other provision of Federal law (and if State law permits),
13 the Governor of a State that is in an extended benefit pe-
14 riod may provide for the payment of temporary extended
15 unemployment compensation in lieu of extended com-
16 pensation to individuals who otherwise meet the require-
17 ments of this section. Such an election shall not require
18 a State to trigger off an extended benefit period.

19 **SEC. 203. TEMPORARY EXTENDED UNEMPLOYMENT COM-**
20 **PENSATION ACCOUNT.**

21 (a) IN GENERAL.—Any agreement under this title
22 shall provide that the State will establish, for each eligible
23 individual who files an application for temporary extended
24 unemployment compensation, a temporary extended un-



1 employment compensation account with respect to such in-
2 dividual's benefit year.

3 (b) AMOUNT IN ACCOUNT.—

4 (1) IN GENERAL.—The amount established in
5 an account under subsection (a) shall be equal to the
6 lesser of—

7 (A) 50 percent of the total amount of reg-
8 ular compensation (including dependents' allow-
9 ances) payable to the individual during the indi-
10 vidual's benefit year under such law, or

11 (B) 13 times the individual's average week-
12 ly benefit amount for the benefit year.

13 (2) WEEKLY BENEFIT AMOUNT.—For purposes
14 of this subsection, an individual's weekly benefit
15 amount for any week is the amount of regular com-
16 pensation (including dependents' allowances) under
17 the State law payable to such individual for such
18 week for total unemployment.

19 (c) SPECIAL RULE.—

20 (1) IN GENERAL.—Notwithstanding any other
21 provision of this section, if, at the time that the indi-
22 vidual's account is exhausted, such individual's State
23 is in an extended benefit period (as determined
24 under paragraph (2)), then, such account shall be
25 augmented by an amount equal to the amount origi-



1 nally established in such account (as determined
2 under subsection (b)(1)).

3 (2) EXTENDED BENEFIT PERIOD.—For pur-
4 poses of paragraph (1), a State shall be considered
5 to be in an extended benefit period if, at the time
6 of exhaustion (as described in paragraph (1))—

7 (A) such a period is then in effect for such
8 State under the Federal-State Extended Unem-
9 ployment Compensation Act of 1970; or

10 (B) such a period would then be in effect
11 for such State under such Act if section 203(d)
12 of such Act were applied as if it had been
13 amended by striking “5” each place it appears
14 and inserting “4”.

15 **SEC. 204. PAYMENTS TO STATES HAVING AGREEMENTS FOR**
16 **THE PAYMENT OF TEMPORARY EXTENDED**
17 **UNEMPLOYMENT COMPENSATION.**

18 (a) GENERAL RULE.—There shall be paid to each
19 State that has entered into an agreement under this title
20 an amount equal to 100 percent of the temporary extended
21 unemployment compensation paid to individuals by the
22 State pursuant to such agreement.

23 (b) TREATMENT OF REIMBURSABLE COMPENSA-
24 TION.—No payment shall be made to any State under this
25 section in respect of any compensation to the extent the



1 State is entitled to reimbursement in respect of such com-
2 pensation under the provisions of any Federal law other
3 than this title or chapter 85 of title 5, United States Code.
4 A State shall not be entitled to any reimbursement under
5 such chapter 85 in respect of any compensation to the ex-
6 tent the State is entitled to reimbursement under this title
7 in respect of such compensation.

8 (c) DETERMINATION OF AMOUNT.—Sums payable to
9 any State by reason of such State having an agreement
10 under this title shall be payable, either in advance or by
11 way of reimbursement (as may be determined by the Sec-
12 retary), in such amounts as the Secretary estimates the
13 State will be entitled to receive under this title for each
14 calendar month, reduced or increased, as the case may be,
15 by any amount by which the Secretary finds that the Sec-
16 retary's estimates for any prior calendar month were
17 greater or less than the amounts which should have been
18 paid to the State. Such estimates may be made on the
19 basis of such statistical, sampling, or other method as may
20 be agreed upon by the Secretary and the State agency of
21 the State involved.

22 **SEC. 205. FINANCING PROVISIONS.**

23 (a) IN GENERAL.—Funds in the extended unemploy-
24 ment compensation account (as established by section
25 905(a) of the Social Security Act (42 U.S.C. 1105(a)) of



1 the Unemployment Trust Fund (as established by section
2 904(a) of such Act (42 U.S.C. 1104(a)) shall be used for
3 the making of payments to States having agreements en-
4 tered into under this title.

5 (b) CERTIFICATION.—The Secretary shall from time
6 to time certify to the Secretary of the Treasury for pay-
7 ment to each State the sums payable to such State under
8 this title. The Secretary of the Treasury, prior to audit
9 or settlement by the General Accounting Office, shall
10 make payments to the State in accordance with such cer-
11 tification, by transfers from the extended unemployment
12 compensation account (as so established) to the account
13 of such State in the Unemployment Trust Fund (as so
14 established).

15 (c) ASSISTANCE TO STATES.—There are appro-
16 priated out of the employment security administration ac-
17 count (as established by section 901(a) of the Social Secu-
18 rity Act (42 U.S.C. 1101(a)) of the Unemployment Trust
19 Fund, without fiscal year limitation, such funds as may
20 be necessary for purposes of assisting States (as provided
21 in title III of the Social Security Act (42 U.S.C. 501 et
22 seq.)) in meeting the costs of administration of agree-
23 ments under this title.

24 (d) APPROPRIATIONS FOR CERTAIN PAYMENTS.—
25 There are appropriated from the general fund of the



1 Treasury, without fiscal year limitation, to the extended
2 unemployment compensation account (as so established)
3 of the Unemployment Trust Fund (as so established) such
4 sums as the Secretary estimates to be necessary to make
5 the payments under this section in respect of—

6 (1) compensation payable under chapter 85 of
7 title 5, United States Code; and

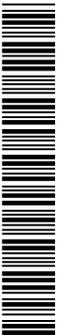
8 (2) compensation payable on the basis of serv-
9 ices to which section 3309(a)(1) of the Internal Rev-
10 enue Code of 1986 applies.

11 Amounts appropriated pursuant to the preceding sentence
12 shall not be required to be repaid.

13 **SEC. 206. FRAUD AND OVERPAYMENTS.**

14 (a) IN GENERAL.—If an individual knowingly has
15 made, or caused to be made by another, a false statement
16 or representation of a material fact, or knowingly has
17 failed, or caused another to fail, to disclose a material fact,
18 and as a result of such false statement or representation
19 or of such nondisclosure such individual has received an
20 amount of temporary extended unemployment compensa-
21 tion under this title to which he was not entitled, such
22 individual—

23 (1) shall be ineligible for further temporary ex-
24 tended unemployment compensation under this title
25 in accordance with the provisions of the applicable



1 State unemployment compensation law relating to
2 fraud in connection with a claim for unemployment
3 compensation; and

4 (2) shall be subject to prosecution under section
5 1001 of title 18, United States Code.

6 (b) REPAYMENT.—In the case of individuals who
7 have received amounts of temporary extended unemploy-
8 ment compensation under this title to which they were not
9 entitled, the State shall require such individuals to repay
10 the amounts of such temporary extended unemployment
11 compensation to the State agency, except that the State
12 agency may waive such repayment if it determines that—

13 (1) the payment of such temporary extended
14 unemployment compensation was without fault on
15 the part of any such individual; and

16 (2) such repayment would be contrary to equity
17 and good conscience.

18 (c) RECOVERY BY STATE AGENCY.—

19 (1) IN GENERAL.—The State agency may re-
20 cover the amount to be repaid, or any part thereof,
21 by deductions from any temporary extended unem-
22 ployment compensation payable to such individual
23 under this title or from any unemployment com-
24 pensation payable to such individual under any Fed-
25 eral unemployment compensation law administered



1 by the State agency or under any other Federal law
2 administered by the State agency which provides for
3 the payment of any assistance or allowance with re-
4 spect to any week of unemployment, during the 3-
5 year period after the date such individuals received
6 the payment of the temporary extended unemploy-
7 ment compensation to which they were not entitled,
8 except that no single deduction may exceed 50 per-
9 cent of the weekly benefit amount from which such
10 deduction is made.

11 (2) OPPORTUNITY FOR HEARING.—No repay-
12 ment shall be required, and no deduction shall be
13 made, until a determination has been made, notice
14 thereof and an opportunity for a fair hearing has
15 been given to the individual, and the determination
16 has become final.

17 (d) REVIEW.—Any determination by a State agency
18 under this section shall be subject to review in the same
19 manner and to the same extent as determinations under
20 the State unemployment compensation law, and only in
21 that manner and to that extent.

22 **SEC. 207. DEFINITIONS.**

23 In this title, the terms “compensation”, “regular
24 compensation”, “extended compensation”, “additional
25 compensation”, “benefit year”, “base period”, “State”,



1 “State agency”, “State law”, and “week” have the respec-
2 tive meanings given such terms under section 205 of the
3 Federal-State Extended Unemployment Compensation Act
4 of 1970 (26 U.S.C. 3304 note).

5 **SEC. 208. APPLICABILITY.**

6 An agreement entered into under this title shall apply
7 to weeks of unemployment—

8 (1) beginning after the date on which such
9 agreement is entered into; and

10 (2) ending before January 1, 2003.

11 **SEC. 209. SPECIAL REED ACT TRANSFER IN FISCAL YEAR**

12 **2002.**

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

15 (1) IN GENERAL.—The following provisions of
16 section 903 of the Social Security Act (42 U.S.C.
17 1103) are repealed:

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

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

20 (2) SAVINGS PROVISION.—Any amounts trans-
21 ferred before the date of enactment of this Act
22 under the provision repealed by paragraph (1)(A)
23 shall remain subject to section 903 of the Social Se-
24 curity Act, as last in effect before such date of en-
25 actment.



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

4 “Special Transfer in Fiscal Year 2002

5 “(d)(1) The Secretary of the Treasury shall transfer
6 (as of the date determined under paragraph (5)) from the
7 Federal unemployment account to the account of each
8 State in the Unemployment Trust Fund the amount deter-
9 mined with respect to such State under paragraph (2).

10 “(2)(A) The amount to be transferred under this sub-
11 section to a State account shall (as determined by the Sec-
12 retary of Labor and certified by such Secretary to the Sec-
13 retary of the Treasury) be equal to—

14 “(i) the amount which would have been re-
15 quired to have been transferred under this section to
16 such account at the beginning of fiscal year 2002
17 if—

18 “(I) section 209(a)(1) of the Temporary
19 Extended Unemployment Compensation Act of
20 2002 had been enacted before the close of fiscal
21 year 2001, and

22 “(II) section 5402 of Public Law 105–33
23 (relating to increase in Federal unemployment
24 account ceiling) had not been enacted,

25 minus



1 “(ii) the amount which was in fact transferred
2 under this section to such account at the beginning
3 of fiscal year 2002.

4 “(B) Notwithstanding the provisions of subparagraph
5 (A)—

6 “(i) the aggregate amount transferred to the
7 States under this subsection may not exceed a total
8 of \$8,000,000,000; and

9 “(ii) all amounts determined under subpara-
10 graph (A) shall be reduced ratably, if and to the ex-
11 tent necessary in order to comply with the limitation
12 under clause (i).

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

17 “(i) to individuals with respect to their unem-
18 ployment, and

19 “(ii) which are allowable under subparagraph
20 (B) or (C).

21 “(B)(i) At the option of the State, cash benefits
22 under this paragraph may include amounts which shall be
23 payable as—

24 “(I) regular compensation, or



1 “(II) additional compensation, upon the exhaus-
2 tion of any temporary extended unemployment com-
3 pensation (if such State has entered into an agree-
4 ment under the Temporary Extended Unemployment
5 Compensation Act of 2002), for individuals eligible
6 for regular compensation under the unemployment
7 compensation law of such State.

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

12 “(C)(i) At the option of the State, cash benefits
13 under this paragraph may include amounts which shall be
14 payable to 1 or more categories of individuals not other-
15 wise eligible for regular compensation under the unem-
16 ployment compensation law of such State, including those
17 described in clause (iii).

18 “(ii) The benefits paid under this subparagraph to
19 any individual may not, for any period of unemployment,
20 exceed the maximum amount of regular compensation au-
21 thorized under the unemployment compensation law of
22 such State for that same period, plus any additional com-
23 pensation (described in subparagraph (B)(i)) which could
24 have been paid with respect to that amount.



1 “(iii) The categories of individuals described in this
2 clause include the following:

3 “(I) Individuals who are seeking, or available
4 for, only part-time (and not full-time) work.

5 “(II) Individuals who would be eligible for reg-
6 ular compensation under the unemployment com-
7 pensation law of such State under an alternative
8 base period.

9 “(D) Amounts transferred to a State account under
10 this subsection may be used in the payment of cash bene-
11 fits to individuals only for weeks of unemployment begin-
12 ning after the date of enactment of this subsection.

13 “(4) Amounts transferred to a State account under
14 this subsection may be used for the administration of its
15 unemployment compensation law and public employment
16 offices (including in connection with benefits described in
17 paragraph (3) and any recipients thereof), subject to the
18 same conditions as set forth in subsection (c)(2) (exclud-
19 ing subparagraph (B) thereof, and deeming the reference
20 to ‘subsections (a) and (b)’ in subparagraph (D) thereof
21 to include this subsection).

22 “(5) Transfers under this subsection shall be made
23 within 10 days after the date of enactment of this para-
24 graph.”.



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

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

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

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

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

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

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



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

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

8 **TITLE III—TAX INCENTIVES FOR**
9 **NEW YORK CITY AND DIS-**
10 **TRESSED AREAS**

11 **SEC. 301. TAX BENEFITS FOR AREA OF NEW YORK CITY**
12 **DAMAGED IN TERRORIST ATTACKS ON SEP-**
13 **TEMBER 11, 2001.**

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

16 **“Subchapter Y—New York Liberty Zone**
17 **Benefits**

“Sec. 1400L. Tax benefits for New York Liberty Zone.

18 **“SEC. 1400L. TAX BENEFITS FOR NEW YORK LIBERTY ZONE.**

19 **“(a) EXPANSION OF WORK OPPORTUNITY TAX**
20 **CREDIT.—**

21 **“(1) IN GENERAL.—**For purposes of section 51,
22 a New York Liberty Zone business employee shall be
23 treated as a member of a targeted group.



1 “(2) NEW YORK LIBERTY ZONE BUSINESS EM-
2 PLOYEE.—For purposes of this subsection—

3 “(A) IN GENERAL.—The term ‘New York
4 Liberty Zone business employee’ means, with
5 respect to any period, any employee of a New
6 York Liberty Zone business if substantially all
7 the services performed during such period by
8 such employee for such business are performed
9 in the New York Liberty Zone.

10 “(B) INCLUSION OF CERTAIN EMPLOYEES
11 OUTSIDE THE NEW YORK LIBERTY ZONE.—

12 “(i) IN GENERAL.—In the case of a
13 New York Liberty Zone business described
14 in subclause (II) of subparagraph (C)(i),
15 the term ‘New York Liberty Zone business
16 employee’ includes any employee of such
17 business (not described in subparagraph
18 (A)) if substantially all the services per-
19 formed during such period by such em-
20 ployee for such business are performed in
21 the City of New York, New York.

22 “(ii) LIMITATION.—The number of
23 employees of such a business that are
24 treated as New York Liberty zone business



1 employees on any day by reason of clause
2 (i) shall not exceed the excess of—

3 “(I) the number of employees of
4 such business on September 11, 2001,
5 in the New York Liberty Zone, over

6 “(II) the number of New York
7 Liberty Zone business employees (de-
8 termined without regard to this sub-
9 paragraph) of such business on the
10 day to which the limitation is being
11 applied.

12 The Secretary may require any trade or
13 business to have the number determined
14 under subclause (I) verified by the New
15 York State Department of Labor.

16 “(C) NEW YORK LIBERTY ZONE BUSI-
17 NESS.—

18 “(i) IN GENERAL.—The term ‘New
19 York Liberty Zone business’ means any
20 trade or business which is—

21 “(I) located in the New York
22 Liberty Zone, or

23 “(II) located in the City of New
24 York, New York, outside the New
25 York Liberty Zone, as a result of the



1 physical destruction or damage of
2 such place of business by the Sep-
3 tember 11, 2001, terrorist attack.

4 “(ii) CREDIT NOT ALLOWED FOR
5 LARGE BUSINESSES.—The term ‘New York
6 Liberty Zone business’ shall not include
7 any trade or business for any taxable year
8 if such trade or business employed an aver-
9 age of more than 200 employees on busi-
10 ness days during the taxable year.

11 “(D) SPECIAL RULES FOR DETERMINING
12 AMOUNT OF CREDIT.—For purposes of applying
13 subpart F of part IV of subchapter B of this
14 chapter to wages paid or incurred to any New
15 York Liberty Zone business employee—

16 “(i) section 51(a) shall be applied by
17 substituting ‘qualified wages’ for ‘qualified
18 first-year wages’,

19 “(ii) the rules of section 52 shall
20 apply for purposes of determining the
21 number of employees under subparagraph
22 (B),

23 “(iii) subsections (c)(4) and (i)(2) of
24 section 51 shall not apply, and



1 “(iv) in determining qualified wages,
2 the following shall apply in lieu of section
3 51(b):

4 “(I) QUALIFIED WAGES.—The
5 term ‘qualified wages’ means wages
6 paid or incurred by the employer to
7 individuals who are New York Liberty
8 Zone business employees of such em-
9 ployer for work performed during cal-
10 endar year 2002 or 2003.

11 “(II) ONLY FIRST \$6,000 OF
12 WAGES PER CALENDAR YEAR TAKEN
13 INTO ACCOUNT.—The amount of the
14 qualified wages which may be taken
15 into account with respect to any indi-
16 vidual shall not exceed \$6,000 per cal-
17 endar year.

18 “(b) SPECIAL ALLOWANCE FOR CERTAIN PROPERTY
19 ACQUIRED AFTER SEPTEMBER 10, 2001.—

20 “(1) ADDITIONAL ALLOWANCE.—In the case of
21 any qualified New York Liberty Zone property—

22 “(A) the depreciation deduction provided
23 by section 167(a) for the taxable year in which
24 such property is placed in service shall include



1 an allowance equal to 30 percent of the ad-
2 justed basis of such property, and

3 “(B) the adjusted basis of the qualified
4 New York Liberty Zone property shall be re-
5 duced by the amount of such deduction before
6 computing the amount otherwise allowable as a
7 depreciation deduction under this chapter for
8 such taxable year and any subsequent taxable
9 year.

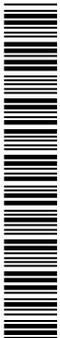
10 “(2) QUALIFIED NEW YORK LIBERTY ZONE
11 PROPERTY.—For purposes of this subsection—

12 “(A) IN GENERAL.—The term ‘qualified
13 New York Liberty Zone property’ means
14 property—

15 “(i)(I) which is described in section
16 168(k)(2)(A)(i), or

17 “(II) which is nonresidential real
18 property, or residential rental property,
19 which is described in subparagraph (B),

20 “(ii) substantially all of the use of
21 which is in the New York Liberty Zone
22 and is in the active conduct of a trade or
23 business by the taxpayer in such Zone,



1 “(iii) the original use of which in the
2 New York Liberty Zone commences with
3 the taxpayer after September 10, 2001,

4 “(iv) which is acquired by the tax-
5 payer by purchase (as defined in section
6 179(d)) after September 10, 2001, but
7 only if no written binding contract for the
8 acquisition was in effect before September
9 11, 2001, and

10 “(v) which is placed in service by the
11 taxpayer on or before the termination date.

12 The term ‘termination date’ means December
13 31, 2006 (December 31, 2009, in the case of
14 nonresidential real property and residential
15 rental property).

16 “(B) ELIGIBLE REAL PROPERTY.—Non-
17 residential real property or residential rental
18 property is described in this subparagraph only
19 to the extent it rehabilitates real property dam-
20 aged, or replaces real property destroyed or
21 condemned, as a result of the September 11,
22 2001, terrorist attack. For purposes of the pre-
23 ceding sentence, property shall be treated as re-
24 placing real property destroyed or condemned
25 if, as part of an integrated plan, such property



1 replaces real property which is included in a
2 continuous area which includes real property
3 destroyed or condemned.

4 “(C) EXCEPTIONS.—

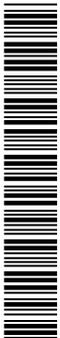
5 “(i) 30 PERCENT ADDITIONAL ALLOW-
6 ANCE PROPERTY.—Such term shall not in-
7 clude property to which section 168(k) ap-
8 plies.

9 “(ii) ALTERNATIVE DEPRECIATION
10 PROPERTY.—The term ‘qualified New York
11 Liberty Zone property’ shall not include
12 any property described in section
13 168(k)(2)(C)(i).

14 “(iii) QUALIFIED NEW YORK LIBERTY
15 ZONE LEASEHOLD IMPROVEMENT PROP-
16 erty.—Such term shall not include any
17 qualified New York Liberty Zone leasehold
18 improvement property.

19 “(iv) ELECTION OUT.—For purposes
20 of this subsection, rules similar to the rules
21 of section 168(k)(2)(C)(iii) shall apply.

22 “(D) SPECIAL RULES.—For purposes of
23 this subsection, rules similar to the rules of sec-
24 tion 168(k)(2)(D) shall apply, except that



1 clause (i) thereof shall be applied without re-
2 gard to ‘and before September 11, 2004’.

3 “(E) ALLOWANCE AGAINST ALTERNATIVE
4 MINIMUM TAX.—For purposes of this sub-
5 section, rules similar to the rules of section
6 168(k)(2)(F) shall apply.

7 “(c) 5-YEAR RECOVERY PERIOD FOR DEPRECIATION
8 OF CERTAIN LEASEHOLD IMPROVEMENTS.—

9 “(1) IN GENERAL.—For purposes of section
10 168, the term ‘5-year property’ includes any quali-
11 fied New York Liberty Zone leasehold improvement
12 property.

13 “(2) QUALIFIED NEW YORK LIBERTY ZONE
14 LEASEHOLD IMPROVEMENT PROPERTY.—For pur-
15 poses of this section, the term ‘qualified New York
16 Liberty Zone leasehold improvement property’
17 means qualified leasehold improvement property (as
18 defined in section 168(k)(3)) if—

19 “(A) such building is located in the New
20 York Liberty Zone,

21 “(B) such improvement is placed in service
22 after September 10, 2001, and before January
23 1, 2007, and



1 “(C) no written binding contract for such
2 improvement was in effect before September 11,
3 2001.

4 “(3) REQUIREMENT TO USE STRAIGHT LINE
5 METHOD.—The applicable depreciation method
6 under section 168 shall be the straight line method
7 in the case of qualified New York Liberty Zone
8 leasehold improvement property.

9 “(4) 9-YEAR RECOVERY PERIOD UNDER ALTER-
10 NATIVE SYSTEM.—For purposes of section 168(g),
11 the class life of qualified New York Liberty Zone
12 leasehold improvement property shall be 9 years.

13 “(d) TAX-EXEMPT BOND FINANCING.—

14 “(1) IN GENERAL.—For purposes of this title,
15 any qualified New York Liberty Bond shall be treat-
16 ed as an exempt facility bond.

17 “(2) QUALIFIED NEW YORK LIBERTY BOND.—
18 For purposes of this subsection, the term ‘qualified
19 New York Liberty Bond’ means any bond issued as
20 part of an issue if—

21 “(A) 95 percent or more of the net pro-
22 ceeds (as defined in section 150(a)(3)) of such
23 issue are to be used for qualified project costs,

24 “(B) such bond is issued by the State of
25 New York or any political subdivision thereof,



1 “(C) the Governor or the Mayor designates
2 such bond for purposes of this section, and

3 “(D) such bond is issued after the the date
4 of the enactment of this section and before Jan-
5 uary 1, 2005.

6 “(3) LIMITATIONS ON AMOUNT OF BONDS.—

7 “(A) AGGREGATE AMOUNT DESIGNATED.—

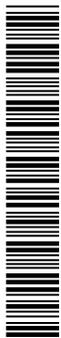
8 The maximum aggregate face amount of bonds
9 which may be designated under this subsection
10 shall not exceed \$8,000,000,000, of which not
11 to exceed \$4,000,000,000 may be designated by
12 the Governor and not to exceed \$4,000,000,000
13 may be designated by the Mayor.

14 “(B) SPECIFIC LIMITATIONS.—The aggre-
15 gate face amount of bonds issued which are to
16 be used for—

17 “(i) costs for property located outside
18 the New York Liberty Zone shall not ex-
19 ceed \$2,000,000,000,

20 “(ii) residential rental property shall
21 not exceed \$1,600,000,000, and

22 “(iii) costs with respect to property
23 used for retail sales of tangible property
24 and functionally related and subordinate
25 property shall not exceed \$800,000,000.



1 The limitations under clauses (i), (ii), and (iii)
2 shall be allocated proportionately between the
3 bonds designated by the Governor and the
4 bonds designated by the Mayor in proportion to
5 the respective amounts of bonds designated by
6 each.

7 “(C) MOVABLE PROPERTY.—No bonds
8 shall be issued which are to be used for movable
9 fixtures and equipment.

10 “(4) QUALIFIED PROJECT COSTS.—For pur-
11 poses of this subsection—

12 “(A) IN GENERAL.—The term ‘qualified
13 project costs’ means the cost of acquisition,
14 construction, reconstruction, and renovation
15 of—

16 “(i) nonresidential real property and
17 residential rental property (including fixed
18 tenant improvements associated with such
19 property) located in the New York Liberty
20 Zone, and

21 “(ii) public utility property (as defined
22 in section 168(i)(10)) located in the New
23 York Liberty Zone.

24 “(B) COSTS FOR CERTAIN PROPERTY OUT-
25 SIDE ZONE INCLUDED.—Such term includes the



1 cost of acquisition, construction, reconstruction,
2 and renovation of nonresidential real property
3 (including fixed tenant improvements associated
4 with such property) located outside the New
5 York Liberty Zone but within the City of New
6 York, New York, if such property is part of a
7 project which consists of at least 100,000
8 square feet of usable office or other commercial
9 space located in a single building or multiple
10 adjacent buildings.

11 “(5) SPECIAL RULES.—In applying this title to
12 any qualified New York Liberty Bond, the following
13 modifications shall apply:

14 “(A) Section 146 (relating to volume cap)
15 shall not apply.

16 “(B) Section 147(d) (relating to acquisi-
17 tion of existing property not permitted) shall be
18 applied by substituting ‘50 percent’ for ‘15 per-
19 cent’ each place it appears.

20 “(C) Section 148(f)(4)(C) (relating to ex-
21 ception from rebate for certain proceeds to be
22 used to finance construction expenditures) shall
23 apply to the available construction proceeds of
24 bonds issued under this section.



1 “(D) Repayments of principal on financing
2 provided by the issue—

3 “(i) may not be used to provide fi-
4 nancing, and

5 “(ii) must be used not later than the
6 close of the 1st semiannual period begin-
7 ning after the date of the repayment to re-
8 deem bonds which are part of such issue.

9 The requirement of clause (ii) shall be treated
10 as met with respect to amounts received within
11 10 years after the date of issuance of the issue
12 (or, in the case of a refunding bond, the date
13 of issuance of the original bond) if such
14 amounts are used by the close of such 10 years
15 to redeem bonds which are part of such issue.

16 “(E) Section 57(a)(5) shall not apply.

17 “(6) SEPARATE ISSUE TREATMENT OF POR-
18 TIONS OF AN ISSUE.—This subsection shall not
19 apply to the portion of an issue which (if issued as
20 a separate issue) would be treated as a qualified
21 bond or as a bond that is not a private activity bond
22 (determined without regard to paragraph (1)), if the
23 issuer elects to so treat such portion.

24 “(e) ADVANCE REFUNDINGS OF CERTAIN TAX-EX-
25 EMPT BONDS.—



1 “(1) IN GENERAL.—With respect to a bond de-
2 scribed in paragraph (2) issued as part of an issue
3 90 percent (95 percent in the case of a bond de-
4 scribed in paragraph (2)(C)) or more of the net pro-
5 ceeds (as defined in section 150(a)(3)) of which were
6 used to finance facilities located within the City of
7 New York, New York (or property which is function-
8 ally related and subordinate to facilities located
9 within the City of New York for the furnishing of
10 water), one additional advanced refunding after the
11 date of the enactment of this section and before
12 January 1, 2005, shall be allowed under the applica-
13 ble rules of section 149(d) if—

14 “(A) the Governor or the Mayor designates
15 the advance refunding bond for purposes of this
16 subsection, and

17 “(B) the requirements of paragraph (4)
18 are met.

19 “(2) BONDS DESCRIBED.—A bond is described
20 in this paragraph if such bond was outstanding on
21 September 11, 2001, and is—

22 “(A) a State or local bond (as defined in
23 section 103(e)(1)) which is a general obligation
24 of the City of New York, New York,



1 “(B) a State or local bond (as so defined)
2 other than a private activity bond (as defined in
3 section 141(a)) issued by the New York Munic-
4 ipal Water Finance Authority or the Metropoli-
5 tan Transportation Authority of the State of
6 New York, or

7 “(C) a qualified 501(c)(3) bond (as defined
8 in section 145(a)) which is a qualified hospital
9 bond (as defined in section 145(c)) issued by or
10 on behalf of the State of New York or the City
11 of New York, New York.

12 “(3) AGGREGATE LIMIT.—For purposes of
13 paragraph (1), the maximum aggregate face amount
14 of bonds which may be designated under this sub-
15 section by the Governor shall not exceed
16 \$4,500,000,000 and the maximum aggregate face
17 amount of bonds which may be designated under
18 this subsection by the Mayor shall not exceed
19 \$4,500,000,000.

20 “(4) ADDITIONAL REQUIREMENTS.—The re-
21 quirements of this paragraph are met with respect
22 to any advance refunding of a bond described in
23 paragraph (2) if—



1 “(A) no advance refundings of such bond
2 would be allowed under any provision of law
3 after September 11, 2001,

4 “(B) the advance refunding bond is the
5 only other outstanding bond with respect to the
6 refunded bond, and

7 “(C) the requirements of section 148 are
8 met with respect to all bonds issued under this
9 subsection.

10 “(f) INCREASE IN EXPENSING UNDER SECTION
11 179.—

12 “(1) IN GENERAL.—For purposes of section
13 179—

14 “(A) the limitation under section 179(b)(1)
15 shall be increased by the lesser of—

16 “(i) \$35,000, or

17 “(ii) the cost of section 179 property
18 which is qualified New York Liberty Zone
19 property placed in service during the tax-
20 able year, and

21 “(B) the amount taken into account under
22 section 179(b)(2) with respect to any section
23 179 property which is qualified New York Lib-
24 erty Zone property shall be 50 percent of the
25 cost thereof.



1 “(2) QUALIFIED NEW YORK LIBERTY ZONE
2 PROPERTY.—For purposes of this subsection, the
3 term ‘qualified New York Liberty Zone property’ has
4 the meaning given such term by subsection (b)(2).

5 “(3) RECAPTURE.—Rules similar to the rules
6 under section 179(d)(10) shall apply with respect to
7 any qualified New York Liberty Zone property which
8 ceases to be used in the New York Liberty Zone.

9 “(g) EXTENSION OF REPLACEMENT PERIOD FOR
10 NONRECOGNITION OF GAIN.—Notwithstanding sub-
11 sections (g) and (h) of section 1033, clause (i) of section
12 1033(a)(2)(B) shall be applied by substituting ‘5 years’
13 for ‘2 years’ with respect to property which is compulsorily
14 or involuntarily converted as a result of the terrorist at-
15 tacks on September 11, 2001, in the New York Liberty
16 Zone but only if substantially all of the use of the replace-
17 ment property is in the City of New York, New York.

18 “(h) NEW YORK LIBERTY ZONE.—For purposes of
19 this section, the term ‘New York Liberty Zone’ means the
20 area located on or south of Canal Street, East Broadway
21 (east of its intersection with Canal Street), or Grand
22 Street (east of its intersection with East Broadway) in the
23 Borough of Manhattan in the City of New York, New
24 York.



1 “(i) REFERENCES TO GOVERNOR AND MAYOR.—For
2 purposes of this section, the terms ‘Governor’ and ‘Mayor’
3 mean the Governor of the State of New York and the
4 Mayor of the City of New York, New York, respectively.”.

5 (b) CREDIT ALLOWED AGAINST REGULAR AND MIN-
6 IMUM TAX.—

7 (1) IN GENERAL.—Subsection (c) of section 38
8 (relating to limitation based on amount of tax) is
9 amended by redesignating paragraph (3) as para-
10 graph (4) and by inserting after paragraph (2) the
11 following new paragraph:

12 “(3) SPECIAL RULES FOR NEW YORK LIBERTY
13 ZONE BUSINESS EMPLOYEE CREDIT.—

14 “(A) IN GENERAL.—In the case of the
15 New York Liberty Zone business employee
16 credit—

17 “(i) this section and section 39 shall
18 be applied separately with respect to such
19 credit, and

20 “(ii) in applying paragraph (1) to
21 such credit—

22 “(I) the tentative minimum tax
23 shall be treated as being zero, and

24 “(II) the limitation under para-
25 graph (1) (as modified by subclause



1 (I) shall be reduced by the credit al-
2 lowed under subsection (a) for the
3 taxable year (other than the New
4 York Liberty Zone business employee
5 credit).

6 “(B) NEW YORK LIBERTY ZONE BUSINESS
7 EMPLOYEE CREDIT.—For purposes of this sub-
8 section, the term ‘New York Liberty Zone busi-
9 ness employee credit’ means the portion of work
10 opportunity credit under section 51 determined
11 under section 1400L(a).”.

12 (2) CONFORMING AMENDMENT.—Subclause (II)
13 of section 38(c)(2)(A)(ii) is amended by inserting
14 “or the New York Liberty Zone business employee
15 credit” after “employment credit”.

16 (3) EFFECTIVE DATE.—The amendments made
17 by this subsection shall apply to taxable years end-
18 ing after December 31, 2001.

19 (c) CLERICAL AMENDMENT.—The table of sub-
20 chapters for chapter 1 is amended by adding at the end
21 the following new item:

“Subchapter Y—New York Liberty Zone Benefits.”.



1 **TITLE IV—MISCELLANEOUS AND**
2 **TECHNICAL PROVISIONS**
3 **Subtitle A—General Miscellaneous**
4 **Provisions**

5 **SEC. 401. ALLOWANCE OF ELECTRONIC 1099'S.**

6 Any person required to furnish a statement under
7 any section of subpart B of part III of subchapter A of
8 chapter 61 of the Internal Revenue Code of 1986 for any
9 taxable year ending after the date of the enactment of this
10 Act, may electronically furnish such statement (without
11 regard to any first class mailing requirement) to any re-
12 cipient who has consented to the electronic provision of
13 the statement in a manner similar to the one permitted
14 under regulations issued under section 6051 of such Code
15 or in such other manner as provided by the Secretary.

16 **SEC. 402. EXCLUDED CANCELLATION OF INDEBTEDNESS**
17 **INCOME OF S CORPORATION NOT TO RESULT**
18 **IN ADJUSTMENT TO BASIS OF STOCK OF**
19 **SHAREHOLDERS.**

20 (a) IN GENERAL.—Subparagraph (A) of section
21 108(d)(7) (relating to certain provisions to be applied at
22 corporate level) is amended by inserting before the period
23 “, including by not taking into account under section
24 1366(a) any amount excluded under subsection (a) of this
25 section”.



1 (b) EFFECTIVE DATE.—

2 (1) IN GENERAL.—Except as provided in para-
3 graph (2), the amendment made by this section shall
4 apply to discharges of indebtedness after October
5 11, 2001, in taxable years ending after such date.

6 (2) EXCEPTION.—The amendment made by this
7 section shall not apply to any discharge of indebted-
8 ness before March 1, 2002, pursuant to a plan of re-
9 organization filed with a bankruptcy court on or be-
10 fore October 11, 2001.

11 **SEC. 403. LIMITATION ON USE OF NONACCRUAL EXPERI-**
12 **ENCE METHOD OF ACCOUNTING.**

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

15 “(5) SPECIAL RULE FOR CERTAIN SERVICES.—

16 “(A) IN GENERAL.—In the case of any
17 person using an accrual method of accounting
18 with respect to amounts to be received for the
19 performance of services by such person, such
20 person shall not be required to accrue any por-
21 tion of such amounts which (on the basis of
22 such person’s experience) will not be collected
23 if—

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



1 “(ii) such person meets the gross re-
2 ceipts test of subsection (c) for all prior
3 taxable years.

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

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

21 (b) EFFECTIVE DATE.—

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



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

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

8 (B) such change shall be treated as made
9 with the consent of the Secretary of the Treas-
10 ury, and

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

20 **SEC. 404. EXCLUSION FOR FOSTER CARE PAYMENTS TO**
21 **APPLY TO PAYMENTS BY QUALIFIED PLACE-**
22 **MENT AGENCIES.**

23 (a) IN GENERAL.—The matter preceding subpara-
24 graph (B) of section 131(b)(1) (defining qualified foster
25 care payment) is amended to read as follows:



1 “(1) IN GENERAL.—The term ‘qualified foster
2 care payment’ means any payment made pursuant to
3 a foster care program of a State or political subdivi-
4 sion thereof—

5 “(A) which is paid by—

6 “(i) a State or political subdivision
7 thereof, or

8 “(ii) a qualified foster care placement
9 agency, and”.

10 (b) QUALIFIED FOSTER INDIVIDUALS TO INCLUDE
11 INDIVIDUALS PLACED BY QUALIFIED PLACEMENT AGEN-
12 CIES.—Subparagraph (B) of section 131(b)(2) (defining
13 qualified foster individual) is amended to read as follows:

14 “(B) a qualified foster care placement
15 agency.”.

16 (c) QUALIFIED FOSTER CARE PLACEMENT AGENCY
17 DEFINED.—Subsection (b) of section 131 is amended by
18 redesignating paragraph (3) as paragraph (4) and by in-
19 serting after paragraph (2) the following new paragraph:

20 “(3) QUALIFIED FOSTER CARE PLACEMENT
21 AGENCY.—The term ‘qualified foster care placement
22 agency’ means any placement agency which is li-
23 censed or certified by—

24 “(A) a State or political subdivision there-
25 of, or



1 “(B) an entity designated by a State or
 2 political subdivision thereof,
 3 for the foster care program of such State or political
 4 subdivision to make foster care payments to pro-
 5 viders of foster care.”.

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

9 **SEC. 405. INTEREST RATE RANGE FOR ADDITIONAL FUND-**
 10 **ING REQUIREMENTS.**

11 (a) AMENDMENTS TO THE INTERNAL REVENUE
 12 CODE OF 1986.—

13 (1) SPECIAL RULE.—Clause (i) of section
 14 412(l)(7)(C) (relating to interest rate) is amended
 15 by adding at the end the following new subclause:

16 “(III) SPECIAL RULE FOR 2002
 17 AND 2003.—For a plan year begin-
 18 ning in 2002 or 2003, notwith-
 19 standing subclause (I), in the case
 20 that the rate of interest used under
 21 subsection (b)(5) exceeds the highest
 22 rate permitted under subclause (I),
 23 the rate of interest used to determine
 24 current liability under this subsection
 25 may exceed the rate of interest other-



1 wise permitted under subclause (I);
2 except that such rate of interest shall
3 not exceed 120 percent of the weight-
4 ed average referred to in subsection
5 (b)(5)(B)(ii).”.

6 (2) QUARTERLY CONTRIBUTIONS.—Subsection
7 (m) of section 412 is amended by adding at the end
8 the following new paragraph:

9 “(7) SPECIAL RULES FOR 2002 AND 2004.—In
10 any case in which the interest rate used to deter-
11 mine current liability is determined under subsection
12 (l)(7)(C)(i)(III)—

13 “(A) 2002.—For purposes of applying
14 paragraphs (1) and (4)(B)(ii) for plan years be-
15 ginning in 2002, the current liability for the
16 preceding plan year shall be redetermined using
17 120 percent as the specified percentage deter-
18 mined under subsection (l)(7)(C)(i)(II).

19 “(B) 2004.—For purposes of applying
20 paragraphs (1) and (4)(B)(ii) for plan years be-
21 ginning in 2004, the current liability for the
22 preceding plan year shall be redetermined using
23 105 percent as the specified percentage deter-
24 mined under subsection (l)(7)(C)(i)(II).”.



1 (b) AMENDMENTS TO THE EMPLOYEE RETIREMENT
2 INCOME SECURITY ACT OF 1974.—

3 (1) SPECIAL RULE.—Clause (i) of section
4 302(d)(7)(C) of such Act (29 U.S.C. 1082(d)(7)(C))
5 is amended by adding at the end the following new
6 subclause:

7 “(III) SPECIAL RULE FOR 2002
8 AND 2003.—For a plan year begin-
9 ning in 2002 or 2003, notwith-
10 standing subclause (I), in the case
11 that the rate of interest used under
12 subsection (b)(5) exceeds the highest
13 rate permitted under subclause (I),
14 the rate of interest used to determine
15 current liability under this subsection
16 may exceed the rate of interest other-
17 wise permitted under subclause (I);
18 except that such rate of interest shall
19 not exceed 120 percent of the weight-
20 ed average referred to in subsection
21 (b)(5)(B)(ii).”.

22 (2) QUARTERLY CONTRIBUTIONS.—Subsection
23 (e) of section 302 of such Act (29 U.S.C. 1082) is
24 amended by adding at the end the following new
25 paragraph:



1 “(7) SPECIAL RULES FOR 2002 AND 2004.—In
2 any case in which the interest rate used to deter-
3 mine current liability is determined under subsection
4 (d)(7)(C)(i)(III)—

5 “(A) 2002.—For purposes of applying
6 paragraphs (1) and (4)(B)(ii) for plan years be-
7 ginning in 2002, the current liability for the
8 preceding plan year shall be redetermined using
9 120 percent as the specified percentage deter-
10 mined under subsection (d)(7)(C)(i)(II).

11 “(B) 2004.—For purposes of applying
12 paragraphs (1) and (4)(B)(ii) for plan years be-
13 ginning in 2004, the current liability for the
14 preceding plan year shall be redetermined using
15 105 percent as the specified percentage deter-
16 mined under subsection (d)(7)(C)(i)(II).”.

17 (c) PBGC.—Clause (iii) of section 4006(a)(3)(E) of
18 the Employee Retirement Income Security Act of 1974
19 (29 U.S.C. 1306(a)(3)(E)) is amended by adding at the
20 end the following new subclause:

21 “(IV) In the case of plan years beginning after De-
22 cember 31, 2001, and before January 1, 2004, subclause
23 (II) shall be applied by substituting ‘100 percent’ for ‘85
24 percent’. Subclause (III) shall be applied for such years
25 without regard to the preceding sentence. Any reference



1 to this clause by any other sections or subsections shall
2 be treated as a reference to this clause without regard to
3 this subclause.”.

4 **SEC. 406. ADJUSTED GROSS INCOME DETERMINED BY TAK-**
5 **ING INTO ACCOUNT CERTAIN EXPENSES OF**
6 **ELEMENTARY AND SECONDARY SCHOOL**
7 **TEACHERS.**

8 (a) IN GENERAL.—Section 62(a)(2) (relating to cer-
9 tain trade and business deductions of employees) is
10 amended by adding at the end the following:

11 “(D) CERTAIN EXPENSES OF ELEMENTARY
12 AND SECONDARY SCHOOL TEACHERS.—In the
13 case of taxable years beginning during 2002 or
14 2003, the deductions allowed by section 162
15 which consist of expenses, not in excess of
16 \$250, paid or incurred by an eligible educator
17 in connection with books, supplies (other than
18 nonathletic supplies for courses of instruction in
19 health or physical education), computer equip-
20 ment (including related software and services)
21 and other equipment, and supplementary mate-
22 rials used by the eligible educator in the class-
23 room.”.

24 (b) ELIGIBLE EDUCATOR.—Section 62 is amended by
25 adding at the end the following:



1 “(d) DEFINITION; SPECIAL RULES.—

2 “(1) ELIGIBLE EDUCATOR.—

3 “(A) IN GENERAL.—For purposes of sub-
4 section (a)(2)(D), the term ‘eligible educator’
5 means, with respect to any taxable year, an in-
6 dividual who is a kindergarten through grade
7 12 teacher, instructor, counselor, principal, or
8 aide in a school for at least 900 hours during
9 a school year.

10 “(B) SCHOOL.—The term ‘school’ means
11 any school which provides elementary education
12 or secondary education (kindergarten through
13 grade 12), as determined under State law.

14 “(2) COORDINATION WITH EXCLUSIONS.—A de-
15 duction shall be allowed under subsection (a)(2)(D)
16 for expenses only to the extent the amount of such
17 expenses exceeds the amount excludable under sec-
18 tion 135, 529(c)(1), or 530(d)(2) for the taxable
19 year.”.

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



1 **Subtitle B—Technical Corrections**

2 **SEC. 411. AMENDMENTS RELATED TO ECONOMIC GROWTH**
3 **AND TAX RELIEF RECONCILIATION ACT OF**
4 **2001.**

5 (a) AMENDMENTS RELATED TO SECTION 101 OF
6 THE ACT.—

7 (1) IN GENERAL.—Subsection (b) of section
8 6428 is amended to read as follows:

9 “(b) CREDIT TREATED AS NONREFUNDABLE PER-
10 SONAL CREDIT.—For purposes of this title, the credit al-
11 lowed under this section shall be treated as a credit allow-
12 able under subpart A of part IV of subchapter A of chap-
13 ter 1.”.

14 (2) CONFORMING AMENDMENTS.—

15 (A) Subsection (d) of section 6428 is
16 amended to read as follows:

17 “(d) COORDINATION WITH ADVANCE REFUNDS OF
18 CREDIT.—

19 “(1) IN GENERAL.—The amount of credit
20 which would (but for this paragraph) be allowable
21 under this section shall be reduced (but not below
22 zero) by the aggregate refunds and credits made or
23 allowed to the taxpayer under subsection (e). Any
24 failure to so reduce the credit shall be treated as



1 arising out of a mathematical or clerical error and
2 assessed according to section 6213(b)(1).

3 “(2) JOINT RETURNS.—In the case of a refund
4 or credit made or allowed under subsection (e) with
5 respect to a joint return, half of such refund or cred-
6 it shall be treated as having been made or allowed
7 to each individual filing such return.”.

8 (B) Paragraph (2) of section 6428(e) is
9 amended to read as follows:

10 “(2) ADVANCE REFUND AMOUNT.—For pur-
11 poses of paragraph (1), the advance refund amount
12 is the amount that would have been allowed as a
13 credit under this section for such first taxable year
14 if—

15 “(A) this section (other than subsections
16 (b) and (d) and this subsection) had applied to
17 such taxable year, and

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

20 “(i) the sum of the regular tax liabil-
21 ity (as defined in section 26(b)) plus the
22 tax imposed by section 55, over

23 “(ii) the sum of the credits allowable
24 under part IV of subchapter A of chapter
25 1 (other than the credits allowable under



1 subpart C thereof, relating to refundable
2 credits).”

3 (b) AMENDMENT RELATED TO SECTION 201 OF THE
4 ACT.—Subparagraph (B) of section 24(d)(1) is amended
5 by striking “amount of credit allowed by this section” and
6 inserting “aggregate amount of credits allowed by this
7 subpart”.

8 (c) AMENDMENTS RELATED TO SECTION 202 OF
9 THE ACT.—

10 (1) CORRECTIONS TO CREDIT FOR ADOPTION
11 EXPENSES.—

12 (A) Paragraph (1) of section 23(a) is
13 amended to read as follows:

14 “(1) IN GENERAL.—In the case of an indi-
15 vidual, there shall be allowed as a credit against the
16 tax imposed by this chapter the amount of the quali-
17 fied adoption expenses paid or incurred by the tax-
18 payer.”

19 (B) Subsection (a) of section 23 is amend-
20 ed by adding at the end the following new para-
21 graph:

22 “(3) \$10,000 CREDIT FOR ADOPTION OF CHILD
23 WITH SPECIAL NEEDS REGARDLESS OF EX-
24 PENSES.—In the case of an adoption of a child with
25 special needs which becomes final during a taxable



1 year, the taxpayer shall be treated as having paid
2 during such year qualified adoption expenses with
3 respect to such adoption in an amount equal to the
4 excess (if any) of \$10,000 over the aggregate quali-
5 fied adoption expenses actually paid or incurred by
6 the taxpayer with respect to such adoption during
7 such taxable year and all prior taxable years.”

8 (C) Paragraph (2) of section 23(a) is
9 amended by striking the last sentence.

10 (D) Paragraph (1) of section 23(b) is
11 amended by striking “subsection (a)(1)(A)” and
12 inserting “subsection (a)”.

13 (E) Subsection (i) of section 23 is amend-
14 ed by striking “the dollar limitation in sub-
15 section (b)(1)” and inserting “the dollar
16 amounts in subsections (a)(3) and (b)(1)”.

17 (F) Expenses paid or incurred during any
18 taxable year beginning before January 1, 2002,
19 may be taken into account in determining the
20 credit under section 23 of the Internal Revenue
21 Code of 1986 only to the extent the aggregate
22 of such expenses does not exceed the applicable
23 limitation under section 23(b)(1) of such Code
24 as in effect on the day before the date of the



1 enactment of the Economic Growth and Tax
2 Relief Reconciliation Act of 2001.

3 (2) CORRECTIONS TO EXCLUSION FOR EM-
4 PLOYER-PROVIDED ADOPTION ASSISTANCE.—

5 (A) Subsection (a) of section 137 is
6 amended to read as follows:

7 “(a) EXCLUSION.—

8 “(1) IN GENERAL.—Gross income of an em-
9 ployee does not include amounts paid or expenses in-
10 curred by the employer for qualified adoption ex-
11 penses in connection with the adoption of a child by
12 an employee if such amounts are furnished pursuant
13 to an adoption assistance program.

14 “(2) \$10,000 EXCLUSION FOR ADOPTION OF
15 CHILD WITH SPECIAL NEEDS REGARDLESS OF EX-
16 PENSES.—In the case of an adoption of a child with
17 special needs which becomes final during a taxable
18 year, the qualified adoption expenses with respect to
19 such adoption for such year shall be increased by an
20 amount equal to the excess (if any) of \$10,000 over
21 the actual aggregate qualified adoption expenses
22 with respect to such adoption during such taxable
23 year and all prior taxable years.”



1 (B) Paragraph (2) of section 137(b) is
2 amended by striking “subsection (a)(1)” and
3 inserting “subsection (a)”.

4 (3) EFFECTIVE DATE.—The amendments made
5 by this subsection shall apply to taxable years begin-
6 ning after December 31, 2002; except that the
7 amendments made by paragraphs (1)(C), (1)(D),
8 and (2)(B) shall apply to taxable years beginning
9 after December 31, 2001.

10 (d) AMENDMENTS RELATED TO SECTION 205 OF
11 THE ACT.—

12 (1) Section 45F(d)(4)(B) is amended by strik-
13 ing “subpart A, B, or D of this part” and inserting
14 “this chapter or for purposes of section 55”.

15 (2) Section 38(b)(15) is amended by striking
16 “45F” and inserting “45F(a)”.

17 (e) AMENDMENTS RELATED TO SECTION 301 OF
18 THE ACT.—

19 (1) Section 63(c)(2) is amended—

20 (A) in subparagraph (A), by striking “sub-
21 paragraph (C)” and inserting “subparagraph
22 (D)”,

23 (B) by striking “or” at the end of subpara-
24 graph (B),



1 (C) by redesignating subparagraph (C) as
2 subparagraph (D),

3 (D) by inserting after subparagraph (B)
4 the following new subparagraph:

5 “(C) one-half of the amount in effect
6 under subparagraph (A) in the case of a mar-
7 ried individual filing a separate return, or”, and

8 (E) by inserting the following flush sen-
9 tence at the end:

10 “If any amount determined under subpara-
11 graph (A) is not a multiple of \$50, such
12 amount shall be rounded to the next lowest
13 multiple of \$50.”

14 (2)(A) Section 63(c)(4) is amended by striking
15 “paragraph (2) or (5)” and inserting “paragraph
16 (2)(B), (2)(D), or (5)”.

17 (B) Section 63(c)(4)(B)(i) is amended by strik-
18 ing “paragraph (2)” and inserting “paragraph
19 (2)(B), (2)(D),”.

20 (C) Section 63(c)(4) is amended by striking the
21 flush sentence at the end (as added by section
22 301(c)(2) of Public Law 107–17).

23 (f) AMENDMENT RELATED TO SECTION 401 OF THE
24 ACT.—Section 530(d)(4)(B)(iv) is amended by striking
25 “because the taxpayer elected under paragraph (2)(C) to



1 waive the application of paragraph (2)” and inserting “by
2 application of paragraph (2)(C)(i)(II)”.

3 (g) AMENDMENTS RELATED TO SECTION 511 OF
4 THE ACT.—

5 (1) Section 2511(c) is amended by striking
6 “taxable gift under section 2503,” and inserting
7 “transfer of property by gift,”.

8 (2) Section 2101(b) is amended by striking the
9 last sentence.

10 (h) AMENDMENT RELATED TO SECTION 532 OF THE
11 ACT.—Section 2016 is amended by striking “any State,
12 any possession of the United States, or the District of Co-
13 lumbia,”.

14 (i) AMENDMENTS RELATING TO SECTION 602 OF
15 THE ACT.—

16 (1) Subparagraph (A) of section 408(q)(3) is
17 amended to read as follows:

18 “(A) QUALIFIED EMPLOYER PLAN.—The
19 term ‘qualified employer plan’ has the meaning
20 given such term by section 72(p)(4)(A)(i); ex-
21 cept that such term shall also include an eligi-
22 ble deferred compensation plan (as defined in
23 section 457(b)) of an eligible employer de-
24 scribed in section 457(e)(1)(A).”.



1 (2) Section 4(c) of Employee Retirement In-
2 come Security Act of 1974 is amended—

3 (A) by inserting “and part 5 (relating to
4 administration and enforcement)” before the
5 period at the end, and

6 (B) by adding at the end the following new
7 sentence: “Such provisions shall apply to such
8 accounts and annuities in a manner similar to
9 their application to a simplified employee pen-
10 sion under section 408(k) of the Internal Rev-
11 enue Code of 1986.”.

12 (j) AMENDMENTS RELATING TO SECTION 611 OF
13 THE ACT.—

14 (1) Section 408(k) is amended—

15 (A) in paragraph (2)(C) by striking
16 “\$300” and inserting “\$450”, and

17 (B) in paragraph (8) by striking “\$300”
18 both places it appears and inserting “\$450”.

19 (2) Section 409(o)(1)(C)(ii) is amended—

20 (A) by striking “\$500,000” both places it
21 appears and inserting “\$800,000”, and

22 (B) by striking “\$100,000” and inserting
23 “\$160,000”.



1 (3) Section 611(i) of the Economic Growth and
2 Tax Relief Reconciliation Act of 2001 is amended by
3 adding at the end the following new paragraph:

4 “(3) SPECIAL RULE.—In the case of plan that,
5 on June 7, 2001, incorporated by reference the limi-
6 tation of section 415(b)(1)(A) of the Internal Rev-
7 enue Code of 1986, section 411(d)(6) of such Code
8 and section 204(g)(1) of the Employee Retirement
9 Income Security Act of 1974 do not apply to a plan
10 amendment that—

11 “(A) is adopted on or before June 30,
12 2002,

13 “(B) reduces benefits to the level that
14 would have applied without regard to the
15 amendments made by subsection (a) of this sec-
16 tion, and

17 “(C) is effective no earlier than the years
18 described in paragraph (2).”.

19 (k) AMENDMENTS RELATING TO SECTION 613 OF
20 THE ACT.—

21 (1) Section 416(c)(1)(C)(iii) is amended by
22 striking “EXCEPTION FOR FROZEN PLAN” and in-
23 sserting “EXCEPTION FOR PLAN UNDER WHICH NO
24 KEY EMPLOYEE (OR FORMER KEY EMPLOYEE) BENE-
25 FITS FOR PLAN YEAR”.



1 (2) Section 416(g)(3)(B) is amended by strik-
 2 ing “separation from service” and inserting “sever-
 3 ance from employment”.

4 (1) AMENDMENTS RELATING TO SECTIONS 614 and
 5 616 OF THE ACT.—

6 (1) Section 404(a)(12) is amended by striking
 7 “(9),” and inserting “(9) and subsection (h)(1)(C),”.

8 (2) Section 404(n) is amended by striking “sub-
 9 section (a),” and inserting “subsection (a) or para-
 10 graph (1)(C) of subsection (h)”.

11 (3) Section 402(h)(2)(A) is amended by strik-
 12 ing “15 percent” and inserting “25 percent”.

13 (4) Section 404(a)(7)(C) is amended to read as
 14 follows:

15 “(C) PARAGRAPH NOT TO APPLY IN CER-
 16 TAIN CASES.—

17 “(i) BENEFICIARY TEST.—This para-
 18 graph shall not have the effect of reducing
 19 the amount otherwise deductible under
 20 paragraphs (1), (2), and (3), if no em-
 21 ployee is a beneficiary under more than 1
 22 trust or under a trust and an annuity plan.

23 “(ii) ELECTIVE DEFERRALS.—If, in
 24 connection with 1 or more defined con-
 25 tribution plans and 1 or more defined ben-



1 efit plans, no amounts (other than elective
2 deferrals (as defined in section 402(g)(3)))
3 are contributed to any of the defined con-
4 tribution plans for the taxable year, then
5 subparagraph (A) shall not apply with re-
6 spect to any of such defined contribution
7 plans and defined benefit plans.”.

8 (m) AMENDMENT RELATING TO SECTION 618 OF
9 THE ACT.—Section 25B(d)(2)(A) is amended to read as
10 follows:

11 “(A) IN GENERAL.—The qualified retire-
12 ment savings contributions determined under
13 paragraph (1) shall be reduced (but not below
14 zero) by the aggregate distributions received by
15 the individual during the testing period from
16 any entity of a type to which contributions
17 under paragraph (1) may be made. The pre-
18 ceding sentence shall not apply to the portion of
19 any distribution which is not includible in gross
20 income by reason of a trustee-to-trustee trans-
21 fer or a rollover distribution.”.

22 (n) AMENDMENTS RELATING TO SECTION 619 OF
23 THE ACT.—

24 (1) Section 45E(e)(1) is amended by striking
25 “(n)” and inserting “(m)”.



1 (2) Section 619(d) of the Economic Growth and
2 Tax Relief Reconciliation Act of 2001 is amended by
3 striking “established” and inserting “first effective”.

4 (o) AMENDMENTS RELATING TO SECTION 631 OF
5 THE ACT.—

6 (1) Section 402(g)(1) is amended by adding at
7 the end the following:

8 “(C) CATCH-UP CONTRIBUTIONS.—In ad-
9 dition to subparagraph (A), in the case of an el-
10 igible participant (as defined in section 414(v)),
11 gross income shall not include elective deferrals
12 in excess of the applicable dollar amount under
13 subparagraph (B) to the extent that the
14 amount of such elective deferrals does not ex-
15 ceed the applicable dollar amount under section
16 414(v)(2)(B)(i) for the taxable year (without
17 regard to the treatment of the elective deferrals
18 by an applicable employer plan under section
19 414(v)).”.

20 (2) Section 401(a)(30) is amended by striking
21 “402(g)(1)” and inserting “402(g)(1)(A)”.

22 (3) Section 414(v)(2) is amended by adding at
23 the end the following:

24 “(D) AGGREGATION OF PLANS.—For pur-
25 poses of this paragraph, plans described in



1 clauses (i), (ii), and (iv) of paragraph (6)(A)
2 that are maintained by the same employer (as
3 determined under subsection (b), (c), (m) or
4 (o)) shall be treated as a single plan, and plans
5 described in clause (iii) of paragraph (6)(A)
6 that are maintained by the same employer shall
7 be treated as a single plan.”.

8 (4) Section 414(v)(3)(A)(i) is amended by strik-
9 ing “section 402(g), 402(h), 403(b), 404(a), 404(h),
10 408(k), 408(p), 415, or 457” and inserting “section
11 401(a)(30), 402(h), 403(b), 408, 415(c), and
12 457(b)(2) (determined without regard to section
13 457(b)(3))”.

14 (5) Section 414(v)(3)(B) is amended by striking
15 “section 401(a)(4), 401(a)(26), 401(k)(3),
16 401(k)(11), 401(k)(12), 403(b)(12), 408(k), 408(p),
17 408B, 410(b), or 416” and inserting “section
18 401(a)(4), 401(k)(3), 401(k)(11), 403(b)(12),
19 408(k), 410(b), or 416”.

20 (6) Section 414(v)(4)(B) is amended by insert-
21 ing before the period at the end the following: “, ex-
22 cept that a plan described in clause (i) of section
23 410(b)(6)(C) shall not be treated as a plan of the
24 employer until the expiration of the transition period



1 with respect to such plan (as determined under
2 clause (ii) of such section)”.

3 (7) Section 414(v)(5) is amended—

4 (A) by striking “, with respect to any plan
5 year,” in the matter preceding subparagraph
6 (A),

7 (B) by amending subparagraph (A) to read
8 as follows:

9 “(A) who would attain age 50 by the end
10 of the taxable year,” and

11 (C) in subparagraph (B) by striking “plan
12 year” and inserting “plan (or other applicable)
13 year”.

14 (8) Section 414(v)(6)(C) is amended to read as
15 follows:

16 “(C) EXCEPTION FOR SECTION 457
17 PLANS.—This subsection shall not apply to a
18 participant for any year for which a higher limi-
19 tation applies to the participant under section
20 457(b)(3).”.

21 (9) Section 457(e) is amended by adding at the
22 end the following new paragraph:

23 “(18) COORDINATION WITH CATCH-UP CON-
24 TRIBUTIONS FOR INDIVIDUALS AGE 50 OR OLDER.—

25 In the case of an individual who is an eligible partic-



1 participant (as defined by section 414(v)) and who is a
2 participant in an eligible deferred compensation plan
3 of an employer described in paragraph (1)(A), sub-
4 sections (b)(3) and (c) shall be applied by sub-
5 stituting for the amount otherwise determined under
6 the applicable subsection the greater of—

7 “(A) the sum of—

8 “(i) the plan ceiling established for
9 purposes of subsection (b)(2) (without re-
10 gard to subsection (b)(3)), plus

11 “(ii) the applicable dollar amount for
12 the taxable year determined under section
13 414(v)(2)(B)(i), or

14 “(B) the amount determined under the ap-
15 plicable subsection (without regard to this para-
16 graph).”.

17 (p) AMENDMENTS RELATING TO SECTION 632 OF
18 THE ACT.—

19 (1) Section 403(b)(1) is amended in the matter
20 following subparagraph (E) by striking “then
21 amounts contributed” and all that follows and in-
22 serting the following:

23 “then contributions and other additions by such
24 employer for such annuity contract shall be excluded
25 from the gross income of the employee for the tax-



1 able year to the extent that the aggregate of such
2 contributions and additions (when expressed as an
3 annual addition (within the meaning of section
4 415(c)(2))) does not exceed the applicable limit
5 under section 415. The amount actually distributed
6 to any distributee under such contract shall be tax-
7 able to the distributee (in the year in which so dis-
8 tributed) under section 72 (relating to annuities).
9 For purposes of applying the rules of this subsection
10 to contributions and other additions by an employer
11 for a taxable year, amounts transferred to a contract
12 described in this paragraph by reason of a rollover
13 contribution described in paragraph (8) of this sub-
14 section or section 408(d)(3)(A)(ii) shall not be con-
15 sidered contributed by such employer.”.

16 (2) Section 403(b) is amended by striking para-
17 graph (6).

18 (3) Section 403(b)(3) is amended—

19 (A) in the first sentence by inserting the
20 following before the period at the end: “, and
21 which precedes the taxable year by no more
22 than five years”, and

23 (B) in the second sentence by striking “or
24 any amount received by a former employee after



1 the fifth taxable year following the taxable year
2 in which such employee was terminated”.

3 (4) Section 415(c)(7) is amended to read as fol-
4 lows:

5 “(7) SPECIAL RULES RELATING TO CHURCH
6 PLANS.—

7 “(A) ALTERNATIVE CONTRIBUTION LIM-
8 TATION.—

9 “(i) IN GENERAL.—Notwithstanding
10 any other provision of this subsection, at
11 the election of a participant who is an em-
12 ployee of a church or a convention or asso-
13 ciation of churches, including an organiza-
14 tion described in section 414(e)(3)(B)(ii),
15 contributions and other additions for an
16 annuity contract or retirement income ac-
17 count described in section 403(b) with re-
18 spect to such participant, when expressed
19 as an annual addition to such participant’s
20 account, shall be treated as not exceeding
21 the limitation of paragraph (1) if such an-
22 nual addition is not in excess of \$10,000.

23 “(ii) \$40,000 AGGREGATE LIMITA-
24 TION.—The total amount of additions with
25 respect to any participant which may be



1 taken into account for purposes of this
2 subparagraph for all years may not exceed
3 \$40,000.

4 “(B) NUMBER OF YEARS OF SERVICE FOR
5 DULY ORDAINED, COMMISSIONED, OR LICENSED
6 MINISTERS OR LAY EMPLOYEES.—For purposes
7 of this paragraph—

8 “(i) all years of service by—

9 “(I) a duly ordained, commis-
10 sioned, or licensed minister of a
11 church, or

12 “(II) a lay person,
13 as an employee of a church, a convention
14 or association of churches, including an or-
15 ganization described in section
16 414(e)(3)(B)(ii), shall be considered as
17 years of service for 1 employer, and

18 “(ii) all amounts contributed for an-
19 nuity contracts by each such church (or
20 convention or association of churches) or
21 such organization during such years for
22 such minister or lay person shall be consid-
23 ered to have been contributed by 1 em-
24 ployer.



1 “(C) FOREIGN MISSIONARIES.—In the case
2 of any individual described in subparagraph (D)
3 performing services outside the United States,
4 contributions and other additions for an annu-
5 ity contract or retirement income account de-
6 scribed in section 403(b) with respect to such
7 employee, when expressed as an annual addition
8 to such employee’s account, shall not be treated
9 as exceeding the limitation of paragraph (1) if
10 such annual addition is not in excess of the
11 greater of \$3,000 or the employee’s includible
12 compensation determined under section
13 403(b)(3).

14 “(D) ANNUAL ADDITION.—For purposes of
15 this paragraph, the term ‘annual addition’ has
16 the meaning given such term by paragraph (2).

17 “(E) CHURCH, CONVENTION OR ASSOCIA-
18 TION OF CHURCHES.—For purposes of this
19 paragraph, the terms ‘church’ and ‘convention
20 or association of churches’ have the same mean-
21 ing as when used in section 414(e).”.

22 (5) Section 457(e)(5) is amended to read as fol-
23 lows:

24 “(5) INCLUDIBLE COMPENSATION.—The term
25 ‘includible compensation’ has the meaning given to



1 the term ‘participant’s compensation’ by section
2 415(c)(3).”.

3 (6) Section 402(g)(7)(B) is amended by strik-
4 ing “2001.” and inserting “2001.”.

5 (q) AMENDMENTS RELATING TO SECTION 643 OF
6 THE ACT.—

7 (1) Section 401(a)(31)(C)(i) is amended by in-
8 serting “is a qualified trust which is part of a plan
9 which is a defined contribution plan and” before
10 “agrees”.

11 (2) Section 402(c)(2) is amended by adding at
12 the end the following flush sentence:

13 “In the case of a transfer described in subparagraph
14 (A) or (B), the amount transferred shall be treated
15 as consisting first of the portion of such distribution
16 that is includible in gross income (determined with-
17 out regard to paragraph (1)).”.

18 (r) AMENDMENTS RELATING TO SECTION 648 OF
19 THE ACT.—

20 (1) Section 417(e) is amended—

21 (A) in paragraph (1) by striking “exceed
22 the dollar limit under section 411(a)(11)(A)”
23 and inserting “exceed the amount that can be
24 distributed without the participant’s consent
25 under section 411(a)(11)”, and



1 (B) in paragraph (2)(A) by striking “ex-
2 ceeds the dollar limit under section
3 411(a)(11)(A)” and inserting “exceeds the
4 amount that can be distributed without the par-
5 ticipant’s consent under section 411(a)(11)”.

6 (2) Section 205(g) of the Employee Retirement
7 Income Security Act of 1974 is amended—

8 (A) in paragraph (1) by striking “exceed
9 the dollar limit under section 203(e)(1)” and
10 inserting “exceed the amount that can be dis-
11 tributed without the participant’s consent under
12 section 203(e)”, and

13 (B) in paragraph (2)(A) by striking “ex-
14 ceeds the dollar limit under section 203(e)(1)”
15 and inserting “exceeds the amount that can be
16 distributed without the participant’s consent
17 under section 203(e)”.

18 (s) AMENDMENT RELATING TO SECTION 652 OF THE
19 ACT.—Section 404(a)(1)(D)(iv) is amended by striking
20 “PLANS MAINTAINED BY PROFESSIONAL SERVICE EM-
21 PLOYERS” and inserting “SPECIAL RULE FOR TERMI-
22 NATING PLANS”.

23 (t) AMENDMENTS RELATING TO SECTION 657 OF
24 THE ACT.—Section 404(c)(3) of the Employee Retirement
25 Income Security Act of 1974 is amended—



1 (1) by striking “the earlier of” in subparagraph
2 (A) the second place it appears, and

3 (2) by striking “if the transfer” and inserting
4 “a transfer that”.

5 (u) AMENDMENTS RELATING TO SECTION 659 OF
6 THE ACT.—

7 (1) Section 4980F is amended—

8 (A) in subsection (e)(1) by striking “writ-
9 ten notice” and inserting “the notice described
10 in paragraph (2)”,

11 (B) by amending subsection (f)(2)(A) to
12 read as follows:

13 “(A) any defined benefit plan described in
14 section 401(a) which includes a trust exempt
15 from tax under section 501(a), or”, and

16 (C) in subsection (f)(3) by striking “sig-
17 nificantly” both places it appears.

18 (2) Section 204(h)(9) of the Employee Retire-
19 ment Income Security Act of 1974 is amended by
20 striking “significantly” both places it appears.

21 (3) Section 659(c)(3)(B) of the Economic
22 Growth and Tax Relief Reconciliation Act of 2001 is
23 amended by striking “(or” and inserting “(and”.

24 (v) AMENDMENTS RELATING TO SECTION 661 OF
25 THE ACT.—



1 (1) Section 412(c)(9)(B) is amended—

2 (A) in clause (ii) by striking “125 percent”
3 and inserting “100 percent”, and

4 (B) by adding at the end the following new
5 clause:

6 “(iv) LIMITATION.—A change in fund-
7 ing method to use a prior year valuation,
8 as provided in clause (ii), may not be made
9 unless as of the valuation date within the
10 prior plan year, the value of the assets of
11 the plan are not less than 125 percent of
12 the plan’s current liability (as defined in
13 paragraph (7)(B)).”.

14 (2) Section 302(c)(9)(B) of the Employee Re-
15 tirement Income Security Act of 1974 is amended—

16 (A) in clause (ii) by striking “125 percent”
17 and inserting “100 percent”, and

18 (B) by adding at the end the following new
19 clause:

20 “(iv) A change in funding method to use a prior year
21 valuation, as provided in clause (ii), may not be made un-
22 less as of the valuation date within the prior plan year,
23 the value of the assets of the plan are not less than 125
24 percent of the plan’s current liability (as defined in para-
25 graph (7)(B)).”.



1 (w) AMENDMENTS RELATING TO SECTION 662 OF
2 THE ACT.—

3 (1) Section 404(k) is amended—

4 (A) in paragraph (1) by striking “during
5 the taxable year”,

6 (B) in paragraph (2)(B) by striking
7 “(A)(iii)” and inserting “(A)(iv)”,

8 (C) in paragraph (4)(B) by striking “(iii)”
9 and inserting “(iv)”, and

10 (D) by redesignating subparagraph (B) of
11 paragraph (4) (as amended by subparagraph
12 (C)) as subparagraph (C) of paragraph (4) and
13 by inserting after subparagraph (A) the fol-
14 lowing new subparagraph:

15 “(B) REINVESTMENT DIVIDENDS.—For
16 purposes of subparagraph (A), an applicable
17 dividend reinvested pursuant to clause (iii)(II)
18 of paragraph (2)(A) shall be treated as paid in
19 the taxable year of the corporation in which
20 such dividend is reinvested in qualifying em-
21 ployer securities or in which the election under
22 clause (iii) of paragraph (2)(A) is made, which-
23 ever is later.”.

24 (2) Section 404(k) is amended by adding at the
25 end the following new paragraph:



1 “(7) FULL VESTING.—In accordance with sec-
 2 tion 411, an applicable dividend described in clause
 3 (iii)(II) of paragraph (2)(A) shall be subject to the
 4 requirements of section 411(a)(1).”.

5 (x) EFFECTIVE DATE.—Except as provided in sub-
 6 section (c), the amendments made by this section shall
 7 take effect as if included in the provisions of the Economic
 8 Growth and Tax Relief Reconciliation Act of 2001 to
 9 which they relate.

10 **SEC. 412. AMENDMENTS RELATED TO COMMUNITY RE-**
 11 **NEWAL TAX RELIEF ACT OF 2000.**

12 (a) AMENDMENT RELATED TO SECTION 101 OF THE
 13 ACT.—Section 469(i)(3)(E) is amended by striking
 14 clauses (ii), (iii), and (iv) and inserting the following:

15 “(ii) second to the portion of such loss
 16 to which subparagraph (C) applies,

17 “(iii) third to the portion of the pas-
 18 sive activity credit to which subparagraph
 19 (B) or (D) does not apply,

20 “(iv) fourth to the portion of such
 21 credit to which subparagraph (B) applies,
 22 and”.

23 (b) AMENDMENT RELATED TO SECTION 306 OF THE
 24 ACT.—Section 151(c)(6)(C) is amended—



1 (1) by striking “FOR EARNED INCOME CRED-
2 IT.—For purposes of section 32, an” and inserting
3 “FOR PRINCIPAL PLACE OF ABODE REQUIRE-
4 MENTS.—An”, and

5 (2) by striking “requirement of section
6 32(c)(3)(A)(ii)” and inserting “principal place of
7 abode requirements of section 2(a)(1)(B), section
8 2(b)(1)(A), and section 32(c)(3)(A)(ii)”.

9 (c) AMENDMENT RELATED TO SECTION 309 OF THE
10 ACT.—Subparagraph (A) of section 358(h)(1) is amended
11 to read as follows:

12 “(A) which is assumed by another person
13 as part of the exchange, and”.

14 (d) AMENDMENTS RELATED TO SECTION 401 OF
15 THE ACT.—

16 (1)(A) Section 1234A is amended by inserting
17 “or” after the comma at the end of paragraph (1),
18 by striking “or” at the end of paragraph (2), and
19 by striking paragraph (3).

20 (B)(i) Section 1234B is amended in subsection
21 (a)(1) and in subsection (b) by striking “sale or ex-
22 change” the first place it appears in each subsection
23 and inserting “sale, exchange, or termination”.

24 (ii) Section 1234B is amended by adding at the
25 end the following new subsection:



1 “(f) CROSS REFERENCE.—

“**For special rules relating to dealer securities futures contracts, see section 1256.**”

2 (2) Section 1091(e) is amended—

3 (A) in the heading, by striking “SECURI-
4 TIES.—” and inserting “SECURITIES AND SE-
5 CURITIES FUTURES CONTRACTS TO SELL.—”,

6 (B) by inserting after “closing of a short
7 sale of” the following: “(or the sale, exchange,
8 or termination of a securities futures contract
9 to sell)”,

10 (C) in paragraph (2), by inserting after
11 “short sale of” the following: “(or securities fu-
12 tures contracts to sell)”, and

13 (D) by adding at the end the following:

14 “For purposes of this subsection, the term ‘securities fu-
15 tures contract’ has the meaning provided by section
16 1234B(e).”.

17 (3)(A) Section 1233(e)(2) is amended by strik-
18 ing “and” at the end of subparagraph (C), by strik-
19 ing the period and inserting “; and” at the end of
20 subparagraph (D), and inserting after subparagraph
21 (D) the following:

22 “(E) entering into a securities futures con-
23 tract (as so defined) to sell shall be considered
24 to be a short sale, and the settlement of such



1 contract shall be considered to be the closing of
2 such short sale.”.

3 (B) Section 1234B(b) is amended by inserting
4 after “or this section,” the following: “or in section
5 1233,”

6 (e) EFFECTIVE DATE.—The amendments made by
7 this section shall take effect as if included in the provisions
8 of the Community Renewal Tax Relief Act of 2000 to
9 which they relate.

10 **SEC. 413. AMENDMENTS RELATED TO THE TAX RELIEF EX-**
11 **TENSION ACT OF 1999.**

12 (a) AMENDMENTS RELATED TO SECTION 545 OF
13 THE ACT.—Section 857(b)(7) is amended—

14 (1) in clause (i) of subparagraph (B), by strik-
15 ing “the amount of which” and inserting “to the ex-
16 tent the amount of the rents”, and

17 (2) in subparagraph (C), by striking “if the
18 amount” and inserting “to the extent the amount”.

19 (b) EFFECTIVE DATE.—The amendments made by
20 this section shall take effect as if included in section 545
21 of the Tax Relief Extension Act of 1999.



1 **SEC. 414. AMENDMENTS RELATED TO THE TAXPAYER RE-**
2 **LIEF ACT OF 1997.**

3 (a) AMENDMENTS RELATED TO SECTION 311 OF
4 THE ACT.—Section 311(e) of the Taxpayer Relief Act of
5 1997 (Public Law 105–34; 111 Stat. 836) is amended—

6 (1) in paragraph (2)(A), by striking “recog-
7 nized” and inserting “included in gross income”,
8 and

9 (2) by adding at the end the following new
10 paragraph:

11 “(5) DISPOSITION OF INTEREST IN PASSIVE AC-
12 TIVITY.—Section 469(g)(1)(A) of the Internal Rev-
13 enue Code of 1986 shall not apply by reason of an
14 election made under paragraph (1).”.

15 (b) EFFECTIVE DATE.—The amendments made by
16 this section shall take effect as if included in section 311
17 of the Taxpayer Relief Act of 1997.

18 **SEC. 415. AMENDMENT RELATED TO THE BALANCED BUDG-**
19 **ET ACT OF 1997.**

20 (a) AMENDMENT RELATED TO SECTION 4006 OF
21 THE ACT.—Section 26(b)(2) is amended by striking
22 “and” at the end of subparagraph (P), by striking the
23 period and inserting “, and” at the end of subparagraph
24 (Q), and by adding at the end the following new subpara-
25 graph:



1 “(R) section 138(c)(2) (relating to penalty
2 for distributions from Medicare+Choice MSA
3 not used for qualified medical expenses if min-
4 imum balance not maintained).”.

5 (b) EFFECTIVE DATE.—The amendment made by
6 this section shall take effect as if included in section 4006
7 of the Balanced Budget Act of 1997.

8 **SEC. 416. OTHER TECHNICAL CORRECTIONS.**

9 (a) COORDINATION OF ADVANCED PAYMENTS OF
10 EARNED INCOME CREDIT.—

11 (1) Section 32(g)(2) is amended by striking
12 “subpart” and inserting “part”.

13 (2) The amendment made by this subsection
14 shall take effect as if included in section 474 of the
15 Tax Reform Act of 1984.

16 (b) SPECIAL RULE RELATED TO WASH SALE
17 LOSSES.—

18 (1) Section 1256(f) is amended by adding at
19 the end the following new paragraph:

20 “(5) SPECIAL RULE RELATED TO
21 LOSSES.—Section 1091 (relating to loss from
22 wash sales of stock or securities) shall not apply
23 to any loss taken into account by reason of
24 paragraph (1) of subsection (a).”.



1 (2) The amendment made by this subsection
2 shall take effect as if included in section 5075 of the
3 Technical and Miscellaneous Revenue Act of 1988.

4 (c) DISCLOSURE BY SOCIAL SECURITY ADMINISTRA-
5 TION TO FEDERAL CHILD SUPPORT AGENCIES.—

6 (1) Section 6103(l)(8) is amended—

7 (A) in the heading, by striking “STATE
8 AND LOCAL” and inserting “FEDERAL, STATE,
9 AND LOCAL”, and

10 (B) in subparagraph (A), by inserting
11 “Federal or” before “State or local”.

12 (2) The amendments made by this subsection
13 shall take effect on the date of the enactment of this
14 Act.

15 (d) TREATMENT OF SETTLEMENTS UNDER PART-
16 NERSHIP AUDIT RULES.—

17 (1) The following provisions are each amended
18 by inserting “or the Attorney General (or his dele-
19 gate)” after “Secretary” each place it appears:

20 (A) Paragraphs (1) and (2) of section
21 6224(c).

22 (B) Section 6229(f)(2).

23 (C) Section 6231(b)(1)(C).

24 (D) Section 6234(g)(4)(A).



1 (2) The amendments made by this subsection
2 shall apply with respect to settlement agreements
3 entered into after the date of the enactment of this
4 Act.

5 (e) AMENDMENT RELATED TO PROCEDURE AND AD-
6 MINISTRATION.—

7 (1) Section 6331(k)(3) (relating to no levy
8 while certain offers pending or installment agree-
9 ment pending or in effect) is amended to read as fol-
10 lows:

11 “(3) CERTAIN RULES TO APPLY.—Rules similar
12 to the rules of—

13 “(A) paragraphs (3) and (4) of subsection
14 (i), and

15 “(B) except in the case of paragraph
16 (2)(C), paragraph (5) of subsection (i),
17 shall apply for purposes of this subsection.”.

18 (2) The amendment made by this subsection
19 shall take effect on the date of the enactment of this
20 Act.

21 (f) MODIFIED ENDOWMENT CONTRACTS.—Para-
22 graph (2) of section 318(a) of the Community Renewal
23 Tax Relief Act of 2000 (114 Stat. 2763A–645) is re-
24 pealed, and clause (ii) of section 7702A(c)(3)(A) shall



1 read and be applied as if the amendment made by such
2 paragraph had not been enacted.

3 **SEC. 417. CLERICAL AMENDMENTS.**

4 (1) The subsection (g) of section 25B that re-
5 lates to termination is redesignated as subsection
6 (h).

7 (2) The second sentence of section 42(h)(3)(C)
8 is amended by striking “the amounts described in”
9 and all that follows through the period and inserting
10 “the amounts described in clauses (ii) through (iv)
11 over the aggregate housing credit dollar amount allo-
12 cated for such year.”

13 (3) Clause (ii) of section 42(m)(1)(B) is amend-
14 ed by striking the second “and” at the end of sub-
15 clause (II) and by inserting “and” at the end of sub-
16 clause (III).

17 (4) Section 51A(c)(1) is amended by striking
18 “51(d)(10)” and inserting “51(d)(11)”.

19 (5) The flush sentence at the end of clause (ii)
20 of section 56(a)(1)(A) is amended by striking “such
21 1250” and inserting “such section 1250”.

22 (6) Section 151(c)(6)(B)(iii) is amended by in-
23 serting “as” before “such terms”.

24 (7) Section 170(e)(6)(B)(i)(III) is amended by
25 striking “2000,” and inserting “2000),”.



1 (8) Section 172(b)(1)(F)(i) is amended—

2 (A) by striking “3 years” and inserting “3
3 taxable years”, and

4 (B) by striking “2 years” and inserting “2
5 taxable years”.

6 (9) Section 351(h)(1) is amended by inserting
7 a comma after “liability”.

8 (10) Section 475(g)(3) is amended by striking
9 “sections” and inserting “section”.

10 (11) Section 529(e)(3)(B)(i) is amended by
11 striking “subsection (b)(7)” and inserting “sub-
12 section (b)(6)”.

13 (12) Section 741 is amended by striking “which
14 have appreciated substantially in value”.

15 (13) Section 857(b)(7)(B)(i) is amended by
16 striking “subsection 856(d)” and inserting “section
17 856(d)”.

18 (14) Subparagraph (B) of section 943(e)(4) is
19 amended by aligning the left margin of the flush
20 language with subparagraph (A).

21 (15) Subparagraph (B) of section 995(b)(3) is
22 amended by striking “International Security Assist-
23 ance and Arms Export Control Act of 1976” and in-
24 serting “Arms Export Control Act”.



1 (16) Section 1394(c)(2) is amended by striking
2 “subparagraph (A)” and inserting “paragraph (1)”.

3 (17)(A) The section heading for section 4980E
4 is amended to read as follows:

5 **“SEC. 4980E. FAILURE OF EMPLOYER TO MAKE COM-**
6 **PARABLE ARCHER MSA CONTRIBUTIONS.”.**

7 (B) The item relating to section 4980E in the
8 table of sections for chapter 43 is amended to read
9 as follows:

“Sec. 4980E. Failure of employer to make comparable Archer MSA con-
tributions.”.

10 (18) Section 6105(c)(1) is amended by striking
11 “any” in subparagraphs (C) and (E).

12 (19)(A) Section 6227(d) is amended by striking
13 “subsection (b)” and inserting “subsection (c)”.

14 (B) Section 6228 is amended—

15 (i) in subsection (a)(1), by striking “sub-
16 section (b) of section 6227” and inserting “sub-
17 section (c) of section 6227”,

18 (ii) in subsection (a)(3)(A), by striking
19 “subsection (b) of”, and

20 (iii) in subsections (b)(1) and (b)(2)(A), by
21 striking “subsection (c) of section 6227” and
22 inserting “subsection (d) of section 6227”.



1 (C) Section 6231(b)(2)(B)(i) is amended by
2 striking “section 6227(c)” and inserting “section
3 6227(d)”.

4 (20) Section 1221(b)(1)(B)(i) is amended by
5 striking “1256(b))” and inserting “1256(b))”.

6 (21) Section 159 of the Community Renewal
7 Tax Relief Act of 2000 (114 Stat. 2763A–624) is
8 amended by striking “fuctions” and inserting “func-
9 tions”.

10 (22) The amendment to section
11 170(e)(6)(B)(iv) made by section 165(b)(1) of the
12 Community Renewal Tax Relief Act of 2000 (114
13 Stat. 2763A–626) shall be applied as if it struck “in
14 any of the grades K–12”.

15 (23) Section 618(b)(2) of the Economic Growth
16 and Tax Relief Reconciliation Act of 2001 (Public
17 Law 107–16; 115 Stat. 108) is amended—

18 (A) in subparagraph (A) by striking
19 “203(d)” and inserting “202(f)”, and

20 (B) in subparagraphs (C), (D), and (E) by
21 striking “203” and inserting “202(f)”.

22 (24)(A) Section 525 of the Ticket to Work and
23 Work Incentives Improvement Act of 1999 (Public
24 Law 106–170; 113 Stat. 1928) is amended by strik-
25 ing “7200” and inserting “7201”.



1 (B) Section 532(c)(2) of such Act (113 Stat.
2 1930) is amended—

3 (i) in subparagraph (D), by striking
4 “341(d)(3)” and inserting “341(d)”, and

5 (ii) in subparagraph (Q), by striking
6 “954(c)(1)(B)(iii) and inserting
7 “954(c)(1)(B)”.

8 **SEC. 418. ADDITIONAL CORRECTIONS.**

9 (a) AMENDMENTS RELATED TO SECTION 202 OF
10 THE ECONOMIC GROWTH AND TAX RELIEF RECONCILI-
11 ATION ACT OF 2001.—

12 (1) Subsection (h) of section 23 is amended—

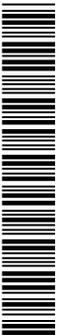
13 (A) by striking “subsection (a)(1)(B)” and
14 inserting “subsection (a)(3)”, and

15 (B) by adding at the end the following new
16 flush sentence:

17 “If any amount as increased under the preceding sentence
18 is not a multiple of \$10, such amount shall be rounded
19 to the nearest multiple of \$10.”

20 (2) Subsection (f) of section 137 is amended by
21 adding at the end the following new flush sentence:

22 “If any amount as increased under the preceding sentence
23 is not a multiple of \$10, such amount shall be rounded
24 to the nearest multiple of \$10.”



1 (b) AMENDMENTS RELATED TO SECTION 204 OF
2 THE ECONOMIC GROWTH AND TAX RELIEF RECONCILI-
3 ATION ACT OF 2001.—Section 21(d)(2) is amended—

4 (1) in subparagraph (A) by striking “\$200”
5 and inserting “\$250”, and

6 (2) in subparagraph (B) by striking “\$400”
7 and inserting “\$500”.

8 (c) EFFECTIVE DATE.—The amendments made by
9 this section shall take effect as if included in the provisions
10 of the Economic Growth and Tax Relief Reconciliation Act
11 of 2001 to which they relate.

12 **TITLE V—SOCIAL SECURITY**
13 **HELD HARMLESS; BUDG-**
14 **ETARY TREATMENT OF ACT**

15 **SEC. 501. NO IMPACT ON SOCIAL SECURITY TRUST FUNDS.**

16 (a) IN GENERAL.—Nothing in this Act (or an amend-
17 ment made by this Act) shall be construed to alter or
18 amend title II of the Social Security Act (or any regulation
19 promulgated under that Act).

20 (b) TRANSFERS.—

21 (1) ESTIMATE OF SECRETARY.—The Secretary
22 of the Treasury shall annually estimate the impact
23 that the enactment of this Act has on the income
24 and balances of the trust funds established under



1 section 201 of the Social Security Act (42 U.S.C.
2 401).

3 (2) TRANSFER OF FUNDS.—If, under para-
4 graph (1), the Secretary of the Treasury estimates
5 that the enactment of this Act has a negative impact
6 on the income and balances of the trust funds estab-
7 lished under section 201 of the Social Security Act
8 (42 U.S.C. 401), the Secretary shall transfer, not
9 less frequently than quarterly, from the general reve-
10 nues of the Federal Government an amount suffi-
11 cient so as to ensure that the income and balances
12 of such trust funds are not reduced as a result of
13 the enactment of this Act.

14 **SEC. 502. EMERGENCY DESIGNATION.**

15 Congress designates as emergency requirements pur-
16 suant to section 252(e) of the Balanced Budget and Emer-
17 gency Deficit Control Act of 1985 the following amounts:

18 (1) An amount equal to the amount by which
19 revenues are reduced by this Act below the rec-
20 ommended levels of Federal revenues for fiscal year
21 2002, the total of fiscal years 2002 through 2006,
22 and the total of fiscal years 2002 through 2011, pro-
23 vided in the conference report accompanying H.
24 Con. Res. 83, the concurrent resolution on the budg-
25 et for fiscal year 2002.



1 (2) Amounts equal to the amounts of new budg-
2 et authority and outlays provided in this Act in ex-
3 cess of the allocations under section 302(a) of the
4 Congressional Budget Act of 1974 to the Committee
5 on Finance of the Senate for fiscal year 2002, the
6 total of fiscal years 2002 through 2006, and the
7 total of fiscal years 2002 through 2011.

8 **TITLE VI—EXTENSIONS OF**
9 **CERTAIN EXPIRING PROVISIONS**

10 **SEC. 601. ALLOWANCE OF NONREFUNDABLE PERSONAL**
11 **CREDITS AGAINST REGULAR AND MINIMUM**
12 **TAX LIABILITY.**

13 (a) IN GENERAL.—Paragraph (2) of section 26(a) is
14 amended—

15 (1) by striking “RULE FOR 2000 AND 2001.—”
16 and inserting “RULE FOR 2000, 2001, 2002, AND
17 2003.—”, and

18 (2) by striking “during 2000 or 2001,” and in-
19 serting “during 2000, 2001, 2002, or 2003,”.

20 (b) CONFORMING AMENDMENTS.—

21 (1) Section 904(h) is amended by striking “dur-
22 ing 2000 or 2001” and inserting “during 2000,
23 2001, 2002, or 2003”.

24 (2) The amendments made by sections 201(b),
25 202(f), and 618(b) of the Economic Growth and Tax



1 Relief Reconciliation Act of 2001 shall not apply to
2 taxable years beginning during 2002 and 2003.

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

6 **SEC. 602. CREDIT FOR QUALIFIED ELECTRIC VEHICLES.**

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

8 (1) in subsection (b)(2)—

9 (A) by striking “December 31, 2001,” and
10 inserting “December 31, 2003,” and

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

15 (2) in subsection (e), by striking “December 31,
16 2004” and inserting “December 31, 2006”.

17 (b) CONFORMING AMENDMENTS.—

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

21 “(iii) APPLICATION OF SUBPARA-
22 GRAPH.—This subparagraph shall apply to
23 property placed in service after August 5,
24 1997, and before January 1, 2007.”.



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

4 **SEC. 606. DEDUCTION FOR CLEAN-FUEL VEHICLES AND**
5 **CERTAIN REFUELING PROPERTY.**

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

7 (1) in subsection (b)(1)(B)—

8 (A) by striking “December 31, 2001,” and
9 inserting “December 31, 2003,” and

10 (B) in clauses (i), (ii), and (iii), by striking
11 “2002”, “2003”, and “2004”, respectively, and
12 inserting “2004”, “2005”, and “2006”, respec-
13 tively, and

14 (2) in subsection (f), by striking “December 31,
15 2004” and inserting “December 31, 2006”.

16 (b) EFFECTIVE DATE.—The amendments made by
17 subsection (a) shall apply to property placed in service
18 after December 31, 2001.

19 **SEC. 607. TAXABLE INCOME LIMIT ON PERCENTAGE DEPLE-**
20 **TION FOR OIL AND NATURAL GAS PRODUCED**
21 **FROM MARGINAL PROPERTIES.**

22 (a) IN GENERAL.—Subparagraph (H) of section
23 613A(c)(6) is amended by striking “2002” and inserting
24 “2004”.



1 (b) EFFECTIVE DATE.—The amendment made by
2 subsection (a) shall apply to taxable years beginning after
3 December 31, 2001.

4 **SEC. 608. QUALIFIED ZONE ACADEMY BONDS.**

5 (a) IN GENERAL.—Paragraph (1) of section
6 1397E(e) is amended by striking “2000, and 2001” and
7 inserting “2000, 2001, 2002, and 2003”.

8 (b) EFFECTIVE DATE.—The amendment made by
9 subsection (a) shall apply to obligations issued after the
10 date of the enactment of this Act.

11 **SEC. 609. COVER OVER OF TAX ON DISTILLED SPIRITS.**

12 (a) IN GENERAL.—Paragraph (1) of section 7652(f)
13 is amended by striking “January 1, 2002” and inserting
14 “January 1, 2004”.

15 (b) EFFECTIVE DATE.—The amendment made by
16 subsection (a) shall apply to articles brought into the
17 United States after December 31, 2001.

18 **SEC. 610. PARITY IN THE APPLICATION OF CERTAIN LIMITS**

19 **TO MENTAL HEALTH BENEFITS.**

20 (a) IN GENERAL.—Subsection (f) of section 9812, as
21 amended by the Departments of Labor, Health and
22 Human Services, and Education, and Related Agencies
23 Appropriations Act, 2002, is amended to read as follows:

24 “(f) APPLICATION OF SECTION.—This section shall
25 not apply to benefits for services furnished—



1 **SEC. 612. AVAILABILITY OF MEDICAL SAVINGS ACCOUNTS.**

2 (a) IN GENERAL.—Paragraphs (2) and (3)(B) of sec-
3 tion 220(i) (defining cut-off year) are each amended by
4 striking “2002” each place it appears and inserting
5 “2003”.

6 (b) CONFORMING AMENDMENTS.—

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

10 (2) Subparagraph (A) of section 220(j)(4) is
11 amended by striking “and 2001” and inserting
12 “2001, and 2002”.

13 (c) EFFECTIVE DATE.—The amendments made by
14 this section shall take effect on January 1, 2002.

15 **SEC. 613. INCENTIVES FOR INDIAN EMPLOYMENT AND**
16 **PROPERTY ON INDIAN RESERVATIONS.**

17 (a) EMPLOYMENT.—Subsection (f) of section 45A is
18 amended by striking “December 31, 2003” and inserting
19 “December 31, 2004”.

20 (b) PROPERTY.—Paragraph (8) of section 168(j) is
21 amended by striking “December 31, 2003” and inserting
22 “December 31, 2004”.

23 **SEC. 614. SUBPART F EXEMPTION FOR ACTIVE FINANCING.**

24 (a) IN GENERAL.—

25 (1) Section 953(e)(10) is amended—



1 (A) by striking “January 1, 2002” and in-
2 serting “January 1, 2007”, and

3 (B) by striking “December 31, 2001” and
4 inserting “December 31, 2006”.

5 (2) Section 954(h)(9) is amended by striking
6 “January 1, 2002” and inserting “January 1,
7 2007”.

8 (b) LIFE INSURANCE AND ANNUITY CONTRACTS.—

9 (1) IN GENERAL.—Subparagraph (B) of section
10 954(i)(4) is amended to read as follows:

11 “(B) LIFE INSURANCE AND ANNUITY CON-
12 TRACTS.—

13 “(i) IN GENERAL.—Except as pro-
14 vided in clause (ii), the amount of the re-
15 serve of a qualifying insurance company or
16 qualifying insurance company branch for
17 any life insurance or annuity contract shall
18 be equal to the greater of—

19 “(I) the net surrender value of
20 such contract (as defined in section
21 807(e)(1)(A)), or

22 “(II) the reserve determined
23 under paragraph (5).

24 “(ii) RULING REQUEST, ETC.—The
25 amount of the reserve under clause (i)



1 shall be the foreign statement reserve for
2 the contract (less any catastrophe, defi-
3 ciency, equalization, or similar reserves), if,
4 pursuant to a ruling request submitted by
5 the taxpayer or as provided in published
6 guidance, the Secretary determines that
7 the factors taken into account in deter-
8 mining the foreign statement reserve pro-
9 vide an appropriate means of measuring
10 income.”.

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

14 **SEC. 615. REPEAL OF REQUIREMENT FOR APPROVED DIE-**
15 **SEL OR KEROSENE TERMINALS.**

16 (a) IN GENERAL.—Subsection (e) of section 4101 is
17 hereby repealed.

18 (b) EFFECTIVE DATE.—The amendment made by
19 subsection (a) shall take effect on January 1, 2002.

20 **SEC. 616. REAUTHORIZATION OF TANF SUPPLEMENTAL**
21 **GRANTS FOR POPULATION INCREASES FOR**
22 **FISCAL YEAR 2002.**

23 Section 403(a)(3) of the Social Security Act (42
24 U.S.C. 603(a)(3)) is amended by adding at the end the
25 following:



1 “(H) REAUTHORIZATION OF GRANTS FOR
2 FISCAL YEAR 2002.—Notwithstanding any other
3 provision of this paragraph—

4 “(i) any State that was a qualifying
5 State under this paragraph for fiscal year
6 2001 or any prior fiscal year shall be enti-
7 tled to receive from the Secretary for fiscal
8 year 2002 a grant in an amount equal to
9 the amount required to be paid to the
10 State under this paragraph for the most
11 recent fiscal year in which the State was a
12 qualifying State;

13 “(ii) subparagraph (G) shall be ap-
14 plied as if ‘2002’ were substituted for
15 ‘2001’; and

16 “(iii) out of any money in the Treas-
17 ury of the United States not otherwise ap-
18 propriated, there are appropriated for fis-
19 cal year 2002 such sums as are necessary
20 for grants under this subparagraph.”.

21 **SEC. 617. 1-YEAR EXTENSION OF CONTINGENCY FUND**
22 **UNDER THE TANF PROGRAM.**

23 Section 403(b) of the Social Security Act (42 U.S.C.
24 603(b)) is amended—



- 1 (1) in paragraph (2), by striking “and 2001”
- 2 and inserting “2001, and 2002”; and
- 3 (2) in paragraph (3)(C)(ii), by striking “2001”
- 4 and inserting “2002”.

