

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

H.R. 3 (Mr. Young of Alaska with cosponsors); Public Law 109-59; app. Aug. 10, 2005.

H.R. 3, Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users, was reported, amended, by the Transportation and Infrastructure Committee on Mar. 7, 2005 (H.Rept. 109-12, pt. 1). The Committee on Transportation and Infrastructure filed a supplemental report on Mar. 8, 2005 (H.Rept. 109-12, pt. 2). H.Res. 144, a rule for House consideration of H.R. 3, provided for a Manager's amendment offered by the Chairman of the Transportation and Infrastructure Committee. The Manager's amendment included the text of H.R. 996 as reported by the Committee on Ways and Means. H.Res. 144 was reported to the House Mar. 9, 2005 (H.Rept. 109-15). H.Res. 144 passed the House by voice vote on Mar. 10, 2005. H.R. 3 passed the House, amended, by a vote of 417-9 on Mar. 10, 2005. The Senate passed the bill on May 17, 2005, with an amendment, by a vote of 89 yeas, 11 nays. On May 26, 2005, the House disagreed to the Senate amendment and requested a conference and appointed conferees. The Senate insisted on its amendment and agreed to a conference and appointed conferees on May 26, 2005. On July 28, 2005, the conference report was filed in the House (H.Rept. 109-203). The conference report was agreed to in the House on July 29, 2005, by a vote of 412-8. The Senate agreed to the conference report by a vote of 91-4 on July 29, 2005. H.R. 3 was signed into law by the President on Aug. 10, 2005 as P.L. 109-59.

Title XI of Public Law 109-59, highway reauthorization and excise tax simplification, are within the jurisdiction of the Committee on Ways and Means. The Act provides \$286.5 billion of funding for the Federal highway programs through fiscal year 2009. It also extends, through 2011, the excise taxes that finance the Highway Trust Fund. A summary of Title XI follows.

Reauthorization

The Act reauthorizes the expenditure authority of the Highway Trust Fund (HTF) and the Aquatic Resources Trust Fund (ARTF) through FY 2009. The Act extends the excise taxes that fund these trust funds through FY 2011 and updates the purposes for which trust fund money may be spent. In addition, the Act modifies the anti-deficit rule so that state apportionments are adjusted if unfunded authorizations exceed four years of expected trust fund receipts (rather than two years as under prior law). The Act dedicates the fuel tax on fuel used in motorboats and small-engine outdoor power equipment to the ARTF beginning in FY 2006.

Reducing Fuel Tax Evasion

Kerosene can be used as diesel or aviation fuel. Since aviation fuel is subject to a lower tax rate than diesel, evasion can occur if individuals pay the lower rate for aviation fuel, but then divert the fuel to highway use. This provision reduces the potential for fraud by taxing kerosene at the diesel rate of 24.4 cents-per-gallon unless it is delivered into the wing of an airplane. A refund is available if the fuel is ultimately used for aviation purposes. This provision raises \$1,918 million for the HTF through FY 2009. Fuel evasion occurs when tax-exempt fuel intended for farming purposes is diverted to taxable use. The Act requires farmers to pay tax when they buy clear (i.e., taxable) diesel and claim a refund for amounts used for farming purposes. Farmers may continue to buy tax-free diesel if it is dyed. Entities liable for the payment of fuel taxes are required to register with the Internal Revenue Service (IRS). The law requires entities to re-register with the IRS upon a change of ownership. Prior law required registration of ships and barges for tax-exempt bulk transfers of fuel. The Act extends this requirement to large draft vessels, which are currently exempt from the registration requirement. The Department of Homeland Security and the Treasury Department are required to trans-

mit information to the IRS pertaining to taxable fuels destined for importation into the United States. Some entities reduce their fuel tax liability by blending untaxed, adulterated fuel with taxable fuel. The Act imposes a \$10,000 penalty for anyone who knowingly sells diesel that does not comply with Environmental Protection Agency low sulfur diesel regulation.

Tax-Exempt Bond Financing

The new law provides \$15 billion of tax-exempt bond financing authority to finance highway projects and rail-truck transfer facilities. Bonding authority will be allocated by the Department of Transportation and are not subject to the aggregate volume caps for private activity bonds. The authority to issue bonds expires after Dec. 31, 2015. Eligible projects must receive Federal assistance under Title 23 (Highways) or Title 49 (Transportation). However, the provision is not intended to expand the scope of any federal requirement beyond its application under prior law and does not broaden the application of any federal requirement under prior law in Title 49.

Miscellaneous Provisions

The Act requires credit card companies that allow tax-exempt fuel purchases on their credit cards to register with the IRS and to be the party responsible for claiming refunds of the tax. A bipartisan Motor Fuel Tax Enforcement Advisory Commission is established to review fuel tax collections and to submit recommendations for improving enforcement of fuel tax collections. A National Surface Transportation Infrastructure Financing Commission is established to report on the sufficiency of HTF revenues and alternative approaches for generating trust fund revenues. The IRS is directed to report on new technologies that can be used to reduce diesel fuel tax evasion, including the use of chemical markers. The Secretary of the Treasury is directed to conduct a study regarding the amount of fuel used by trucks to operate equipment that is not related to the transportation function of the vehicle. The study will propose options for exempting this fuel from tax, if administratively feasible. The Act provides that a railroad real estate investment trust that becomes 100 percent owned by a State will be taxed as if its income from the performance of essential governmental functions accrued directly to the State.

Excise Tax Simplification and Reforms

Highway excise taxes-- The Act exempts limousines weighing more than 6,000 pounds from the gas guzzler tax. Under prior law, all other automobiles above this weight threshold are already exempt from the tax. Tractors weighing 19,500 pounds or less are exempt from the heavy vehicle tax if the gross combined weight of the tractor and a towed vehicle does not exceed 33,000 pounds. Special motor fuels (except methanol) are subject to the full fuel tax and provides a 50-cent excise tax credit. The credit also applies to P-Series fuels, liquified hydrogen, liquid hydrocarbons derived from biomass, and liquid fuel derived from coal using the Fisher-Tropsch process. These provisions increase HTF receipts by \$32 million through FY 2009.

Aquatic excise taxes-- The Aquatic Resources Trust Fund is simplified and restructured. The Harbor Maintenance Tax on exports is repealed. The excise tax on fishing rods and poles is capped at \$10.

Aerial excise taxes-- Agricultural aerial applicators are exempt from aviation fuel taxes. Fixed-wing aircraft engaged in timber activities are exempt from the ticket tax if the aircraft are not using any Federally-funded airport and airway services. This exemption already applies to helicopters under prior law. The Act modifies the definition of a rural airport to include airports that are not connected to another airport by paved roads. Seaplanes are exempt from the ticket tax and aircargo tax

as long as the places where takeoff and landing occur have not received any financial assistance from the Airport and Airways Trust Fund. The Act clarifies that helicopters are not subject to the ticket tax when used solely for sightseeing flights.

Alcohol excise taxes-- Special occupational taxes on producers and marketers of alcoholic beverages are repealed. An income tax credit is provided for distilled spirits wholesalers and control state bailment warehouses to help compensate them for the costs of carrying federal excise taxes on bottled distilled spirits in inventory. The Act simplifies tax reporting for small businesses that pay alcohol excise taxes by allowing quarterly reporting instead of bi-monthly reporting.

Sports excise taxes-- The Act clarifies that custom gunsmiths (i.e., those that manufacture less than 50 items annually) are not subject to the firearms excise because custom firearms are not used for hunting purposes.

H.R. 4 (Mr. Boehner with cosponsors); Public Law 109-280; app. Aug. 17, 2006.

H.R. 4, Pension Protection Act of 2006, was introduced on July 28, 2006, and passed the House the same day by a vote of 279-131. H.R. 4 passed the Senate, without amendment, on Aug. 3, 2006 by a vote of 93-5. H.R. 4 was signed into law by the President on Aug. 17, 2006 as P.L. 109-280.

PENSION PROVISIONS

Permanent retirement and savings incentives-- The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) substantially increased pension and individual retirement (IRA) contribution limits through 2010 as well as making other improvements in pensions and retirement savings through enhanced vesting, portability and reduced regulatory burdens. The Act makes these changes permanent. The Act also indexes the income limits for traditional, spousal and Roth IRAs to prevent these benefits from being eroded by inflation.

Saver's credit made permanent-- The Act makes permanent the Saver's Credit of up to \$2,000. Without this extension, the credit would not have been available after 2006. The Act also indexes the Saver's Credit income limits to prevent this benefit from being eroded by inflation.

Deferred Retirement Option Plans (DROP) for public safety employees-- The Act waives the 10 percent early withdrawal penalty for distributions to public safety employees over age 50 (including police and fireman) who may retire early.

Direct deposit of tax refunds into IRAs-- The Act requires the Internal Revenue Service to establish procedures for depositing tax refunds directly into an IRA.

Automatic enrollment-- The Act creates a safe harbor to encourage employers to offer automatic enrollment in employer-sponsored defined contribution pension plans, which will encourage employee participation.

Treatment of IRA contributions for Guard and Reservists called to active duty-- The Act provides that distributions from an IRA or pension plan taken by members of the National Guard and Reserves called to active duty through 2007 are not subject to early withdrawal penalties. Withdrawn amounts may be repaid to the IRA or pension plan within two years of the distribution without regard to the annual contribution limit.

Long term care/annuity products-- The Act authorizes a new insurance product which allows annuities to carry a long-term care rider, so that annuity earnings can also be used to provide coverage against long-term care needs.

Public safety officer early withdrawals for health and long term care insurance-- Public safety officers who retire or become disabled may make tax-free distributions of up to \$3,000 annually from their governmental pension plans if the distribution is used to purchase health or long-term care insurance.

Corporate-owned life insurance-- The Act codifies "best practices" standards for corporate-owned life insurance.

Clarification of treatment of tribal pension plans-- The Act clarifies the law regarding tribal pension plans. The clarification provides that employees engaged in essential government functions (but no commercial operations such as casinos, hotels or marinas) will be treated as govern-

ment employees under the Code and under the Employee Retirement Income Security Act (ERISA).

Black Lung benefit trust funds-- The Act eliminates the aggregate limit on the use excess funds from black lung benefit trusts to be used to fund retiree health for coal miners.

Transfers of excess defined benefit fund assets for retiree health-- The Act allows assets in excess of 120 percent of current liability to be used to fund retiree health benefits. Further, additional contributions to the defined benefit plan are required when asset values fall below 120 percent of current liability. The provision applies to both single employer plans and collectively bargained plans.

CHARITABLE GIVING PROVISIONS

Tax-free distributions from IRAs for charitable purposes-- The Act provides an exclusion from gross income for certain distributions of up to \$100,000 from a traditional IRA or a Roth IRA, which would otherwise be included in income. To qualify, the charitable distribution must be made to a tax-exempt organization to which deductible contributions can be made. The provisions is effective for two years through 2007.

Charitable deduction for contributions of food inventory-- For donations of food inventory, the Act extends for all trades and businesses an enhanced deduction equal to the lesser of (1) the taxpayer's basis plus one-half of the difference between fair market value and basis, and (2) twice the taxpayer's basis in the contributed inventory.

Basis adjustment to stock of S corporation contributing property-- The Act provides that the amount of a shareholder's basis reduction in the stock of an S corporation, by reason of a charitable contribution made by the corporation, will be equal to the shareholder's pro rata share of the adjusted basis of the contributed property.

Charitable deduction for contributions of book inventory-- The Act extends the prior-law provision that adds public schools to the list of eligible donees for the enhanced deduction for contributions of qualified book inventory by C corporations.

Tax treatment of certain payments to controlling exemption organizations-- Under prior law, rent, royalty, annuity, and interest income paid to a tax-exempt organization by a controlled taxable subsidiary is generally treated as unrelated business income, which is taxable to the tax-exempt parent organization. The Act provides that payments received or accrued by certain exempt parents from taxable controlled subsidiaries will not be treated as unrelated business taxable income. Exempt organizations are required to report certain amounts received from controlled organizations.

Qualified conservation contributions-- The Act raises the charitable deduction limit from 30 percent of adjusted gross income to 50 percent of adjusted gross income for qualified conservation contributions, provided that such contribution does not prevent the use of the donated land for farming or ranching purposes. The charitable deduction limit is raised to 100 percent of adjusted gross income for eligible farmers and ranchers. The Act allows a taxpayer to carry forward the deduction for 15 years, provided that the taxpayer is a farmer or rancher in the year of the carry forward.

Excise tax exemption for blood collector organizations-- The Act provides that certain blood collector organizations are exempt from certain excise taxes with respect to activities related to blood collection.

Treasury report on certain life insurance contracts-- Charitable organizations must report to the Secretary certain acquisitions of interests in certain insurance contracts for two years beginning Aug. 17, 2006. The Secretary is required to issue a report within 30 months after the date of enactment examining if acquisitions of applicable insurance contracts is consistent with the tax-exempt purposes of those charitable organizations that acquire such contracts.

Fines and penalties applicable to charitable organizations-- The Act doubles the amount of excise taxes applicable to certain activities by charities, social welfare organizations, private foundations and exempt organization managers.

Charitable contributions of facade easements-- Under the Act, a charitable deduction is allowed with respect to easements concerning buildings located in a registered historic district. The easement must provide that no portion of the exterior of the building may be changed or altered in a manner inconsistent with the historical character of the exterior. The Act

also clarifies that the charitable deduction is reduced if a rehabilitation tax credit has been claimed with respect to the donated property.

Taxidermy and substantiation of exempt use property-- The Act limits the basis for donated taxidermy property to the cost of preparing, stuffing and mounting an animal. The value of the deduction would be equal to the lesser of basis or fair market value.

Recapture of tax benefit for charitable contributions of exempt use property not used for an exempt use-- The Act provides for the recovery of the tax benefit derived from the contribution of property with respect to which a fair market value deduction was claimed if the property is not used for an exempt purpose of the donee organization.

Clothing and household items-- The Act specifies that no deduction is allowed for charitable contributions of clothing and household items if such items are not in good used condition or better. In addition the Secretary may deny a deduction for any item with minimal monetary value.

Modification of recordkeeping requirements for certain charitable contributions-- The Act requires that in the case of a charitable contribution of money, regardless of the amount, the donor must maintain a cancelled check, bank record or receipt from the donee organization showing the name of the donee organization, the date of the contribution, and the amount of the contribution.

Partial interest in donated property-- The Act requires that charities receiving a fractional interest in an item of tangible personal property must take complete ownership of the item within 10 years or the death of the donor, whichever is first. In addition, the donee must have (1) taken possession of the item at least once during the 10-year period as long as the donor remains alive, and (2) used the item for the organization's exempt purpose. Failure to comply with these requirements results in the recapture of all tax benefits plus interest and the imposition of a 10 percent penalty.

Appraisal reform-- The Act lowers the thresholds for imposing accuracy-related penalties on a taxpayer who claims a deduction for donated property for which a qualified appraisal is required. The Act also applies for purposes of estate tax appraisals and provides definitions of a qualified appraiser and qualified appraisals.

Credit counseling-- The Act imposes certain requirements on tax-exempt organizations that offer credit counseling services, subject to a four-year transition rule to limit the allowable amount of debt management plan (DMP) income to 50 percent of revenues. In order to stem abusive situations, the Act imposes restrictions on organizations offering credit counseling services with respect to loans, fees, and solicitation of contributions from consumers receiving counseling.

Private foundations net investment income excise tax-- The Act amends the definition of gross investment income to include capital gains, national principal contracts, annuities, and other substantially similar investment income.

Convention or association of churches-- The Act clarifies the definition of a convention or association of churches.

Notification requirement for exempt organizations-- The Act requires certain exempt organizations to file an annual containing basic contact and financial information. The requirement applies to organizations that currently do not have an annual filing requirement because their gross receipts are less than \$25,000.

Encourage IRS information-sharing with State charity officials-- The Act provides that upon written request by an appropriate State official the Secretary may disclose information regarding organizations for which the IRS has denied or revoked tax-exempt status, certain other actions that IRS may have taken, and returns filed by tax-exempt organizations.

Treasury study on donor-advised funds and supporting organizations-- The Secretary will undertake a study on the organization and operation of donor-advised funds and of supporting organizations. The study will include an examination of requirements for determining if such organizations are operating in a manner consistent with the purposes or functions constituting the basis for their tax-exempt status.

Improved accountability for donor-advised funds and supporting organizations-- The Act applies an excess benefits transaction tax on any grant, loan, compensation or other similar payments from a donor-advised fund to a person that with respect to such fund is a donor, donor-adviser, or a related person, and from a supporting organization to a substantial contributor or a related person. The Act imposes excess business holdings rules on donor-advised funds and Type III supporting organizations. Transition rules apply to the present holdings of donor-advised funds and

supporting organizations. Supporting organizations that are functionally integrated with their charity would not be subject to any excess business holdings rules.

TRADE PROVISIONS

Tariff suspensions-- The Act provides for the suspension of duties on liquid crystal device (LCD) panel assemblies for use in LCD direct view televisions through 2009. The Act also provides for the continued suspension of duties on ceiling fans through 2009. In addition, the Act provides for the continued suspension of duties on certain nuclear steam generators, reactor vessel heads and pressurizers through 2010.

Suspension of new shipper bonding privilege-- The Act temporarily suspends the ability of importers of subject merchandise from new shippers to choose to post a bond or security in lieu of a cash deposit of estimated duties. The Act also requires the Secretary of the Treasury to report on the effects of this change in law and on problems related to collection of duties.

Wool trust fund and wool fabric duty suspension-- Prior law provided for temporary duty reductions or duty suspensions of certain fabrics made from worsted wool and for payments made under the wool trust fund. The fund consists of three special refund pools for importers of wool fabric, wool yarn, and wool fiber and top, and identifies all persons eligible for the refunds including U.S. manufacturers of these products. The Act extends the prior program for an additional two years through 2009.

Miscellaneous trade provisions-- The Act includes provisions taken from House-passed H.R. 4944, the Miscellaneous Trade and Technical Corrections Act of 2006, for which there are Senate companions introduced, which suspend or reduce the tariff rate on certain selected products. The Act also correct government errors or authorize reliquidations of duties related to certain products.

Vessel repair duties-- The Act clarifies that the 50 percent ad valorem duty on vessel repairs excludes the cost of equipment, repair parts, and materials that are installed on a vessel documented under the laws of the United States and engaged in the foreign or coasting trade, if the installation is done by members of the regular crew of such vessel while the vessel is on the high seas, in foreign waters, or in a foreign port, and does not involve foreign shipyard repairs by foreign labor. The Act applies to vessel equipment, repair parts and materials installed on or after April 25, 2001.

Central America Free Trade Agreement-Dominican Republic (CAFTA-DR) provisions regarding agreement implementation-- The Act extends narrow proclamation authority to the President to implement certain changes to certain apparel rules of origin with respect to countries that have entered into letters of understanding concerning pocketing material with the United States and, subject to certain limitations, with respect to countries which have not entered into such letters of understanding with the United States. In addition, the Act provides a technical correction with respect to application of a retroactive effective date for certain liquidations and reliquidations of co-produced products. The Act also creates a reporting requirement for the U.S. Trade Representative's Office on the status of negotiations related to other CAFTA-DR textile changes concerning socks and technical corrections.

OTHER PROVISIONS

Technical corrections relating to mine safety-- The Act makes technical corrections of the Mine Improvement and New Emergency Response Act of 2006.

Going-To-The-Sun Road-- The Act makes a technical correction to the Safe, Accountable, Flexible, Efficient Transportation Equity Act: a Legacy for Users (SAFETEA-LU) with respect to the treatment of the Going-To-The-Sun Road.

Certain hydroelectric facilities in Alaska-- The Act provides an exception to certain tax-exempt bond rules for certain hydroelectric facilities located in Alaska.

Permanent extension and grant of regulatory authority with respect to Section 529 qualified tuition programs-- The Act permanently extends the rules for Section 529 qualified tuition programs. The Act also provides the Secretary of the Treasury with regulatory authority to prevent tax abuse.

H.R. 6 (Mr. Barton of Texas with cosponsors); Public Law 109-58; app. Aug. 8, 2005.

H.R. 6, Energy Policy Act of 2005, passed the House, amended, on Apr. 21, 2005, by a vote of 249-183. H.R. 6 passed the Senate, amended, on June 28, 2005 by a vote of 85-12. H.R. 6 was referred to the Energy and Commerce Committee and in addition to Education and the Workforce, Financial Services, Agriculture, Resources, Science, Ways and Means and Transportation and Infrastructure Committees. Provisions of H.R. 1541, as reported by the Committee on Ways and Means (H.Rept. 109-45), are included in H.R. 6 as introduced. The bill passed the House, amended, on Apr. 21, 2005, by a vote of 249-183. The Senate passed H.R. 6, amended, on June 28, 2005 by a vote of 85-12. The Senate insisted on its amendment and asked for a conference July 1, 2005. The House disagreed to the Senate amendment and agreed to a conference on July 13, 2005. The Conference report was filed in the House July 27, 2005 (H.Rept. 109-190). The House agreed to the conference report on July 28, 2005 by a vote of 275-176. The Senate agreed to the conference report July 29, 2005 by a vote of 74-26. H.R. 6 was signed into law by the President on Aug. 8, 2005 as P.L. 109-58.

Public Law 109-58 is intended to establish a comprehensive, long-range national energy policy, providing incentives for production of traditional energy sources and also for newer, more efficient energy technologies and conservation. A summary of the provisions within the jurisdiction of the Committee on Ways and Means follows.

Oil and Gas Production, Distribution and Enhanced Refining

The Act reduces the depreciation period for national gas distribution lines from 20 years to 15 years for lines placed in service through Dec. 31, 2010. It allows two-year amortization of geological and geophysical costs incurred in connection with oil and gas exploration in the United States. The Act allows 50 percent expensing of the cost of refinery investments which increase the capacity of an existing refinery by at least 5 percent or increase the through-put of qualified fuels by at least 25 percent. This provision expires Dec. 31, 2011. Under prior law, small refiners were eligible for percentage depletion deductions if their refinery runs did not exceed 40,000 barrels on any day of the year. The Act increases the 50,000 barrel limit to 75,000 barrels and bases the limit on average daily production. A statutory safe harbor exception to the tax-exempt bond arbitrage rules are created which allows public utilities to finance prepayments for natural gas with tax exempt bond proceeds if the natural gas is used to supply the utility's customers. This allows utilities to secure natural gas supplies for their customers at the best prices. The Act clarifies uncertainty under prior law by providing that natural gas gathering lines are subject to seven-year depreciation. The prior law deduction for costs incurred to comply with Environmental Protection Agency (EPA) low sulfur diesel regulations is allowed to be passed through to members of a cooperative.

Electricity Reliability

The Act reduces the depreciation period for assets used in the transmission and distribution of electricity from 20 years to 15 years. Any taxpayer is allowed to deduct contributions to a qualified nuclear decommissioning fund and allows the fund to accumulate enough reserves to pay 100 percent of the plant's decommissioning costs. Additional contributions are allowed in limited circumstances. The prior-law exception to the "85/15" for tax-exempt electric cooperatives is permanently extended. Electric utilities that sell their transmission assets to a FERC-approved independent company can pay tax on the gains over eight years. This provision extends this rule through 2007. The Act creates a production tax credit for new nuclear power facilities at a rate of 1.8 cents per kWh for electricity produced over an eight-year period. A five-year carryback of net operating losses is allowed of up to 20 percent of the cost of electric transmission capital and pollution control expenditures.

Renewable and Clean Energy Incentives

The renewable electricity production credit is extended through Dec. 31, 2007 for the following qualified facilities: wind, closed-loop biomass, open-loop biomass, geothermal, small irrigation power, landfill gas, and trash combustion. Parity in duration of the credit (10 years) is expanded for all qualifying sources of energy. The credit to incremental hydropower is expanded. In addition, the Act allows pass through of the credit to members of a cooperative. The issuance of \$800 million of tax-

credit bonds is authorized before Dec. 31, 2007 to support renewable investment by municipal power authorities, rural cooperatives and others.

Clean Coal

Three tax credits for investments in clean coal facilities producing electricity are established: (1) 20 percent credit for industrial gasification projects, (2) 20 percent credit for integrated gasification combined cycle projects, and (3) 15 percent credit for other advanced coal-based projects that produce electricity. Power plants are allowed to amortize the cost of air pollution control facilities over 84 months. The Act rationalizes the tax credit for fuel produced from non-conventional sources by including it in the "general business credit." As a result, unused credits may be carried back one year and carried forward for up to 20 years. In addition, the credit is extended to coke and coke gas. The credit expires on Jan. 1, 2010 or four years after the facility was placed in service, whichever is later.

Energy Efficiency and Conservation Measures

Tax credits are provided for the purchase of hybrid, fuel cell, advanced lean burn diesel and other alternative power vehicles. The size of the credit varies depending on the weight class of the vehicle and the rated fuel economy. A 30 percent credit (up to \$30,000) for investments in alternative fuel refueling stations. Qualifying fuels include E-85, natural gas, hydrogen, and biodiesel, among others. The credit expires after Dec. 31, 2007. The small ethanol producer credit is expanded to producers with annual production capacity of 60 million gallons (up from 30 million gallons under prior law). In addition an equivalent credit is created for producers of agri-biodiesel through Dec. 31, 2008. The tax rate on qualifying diesel-water emulsions is reduced from 24.4 to 19.7 cents-per-gallon to reflect the lower Btu content resulting from the water. The income and excise tax credits for biodiesel is extended through Dec. 31, 2008. "Renewable diesel" is allowed to claim similar income and excise tax credits at the \$1.00 rate applicable to agri-biodiesel. A 30-percent tax credit for the purchase of residential solar water heating, photovoltaic equipment, and fuel cell property is created. The maximum credit is \$2,000 (for solar equipment) and \$500 for each kilowatt of capacity (for fuel cells).

A 30-percent business tax credit for the purchase of fuel cell power plants and a 10-percent credit for the purchase of stationary microturbine power plants is created, and expires after Dec. 31, 2007. A 10-percent personal tax credit for energy efficient improvements to existing homes is created, with a maximum credit of \$500 (\$300 for windows), which expires after Dec. 31, 2007. A business tax credit for the construction of new energy efficient homes is created. The credit applies to manufactured homes meeting a 30 percent energy reduction standard and other homes meeting a 50 percent standard. The provision expires Dec. 31, 2007. A deduction is provided for energy efficient commercial buildings meeting a 50 percent energy reduction standard. The maximum deduction is \$1.60 per square foot of the building and will expire after Dec. 31, 2007. A manufacturers' tax credit for energy efficient dishwashers, clothes washers, and refrigerators manufactured in 2006 and 2007 is provided. The Act provides that expenditures to qualified research consortia with respect to energy-related research would be eligible for the 20 percent research and experimentation tax credit for one year.

Other Provisions

The Act reinstates the Oil Spill Liability Trust Fund tax; extends the Leaking Underground Storage Tank Trust tax through Sept. 30, 2011 and applies the tax to dyed fuel. The definition of a super single tire does not include tires to steer the vehicle. The recapture rules for amortizable section 197 intangibles is modified. If multiple section 197 intangibles are sold or disposed of in a single transaction or series of transactions, the seller must calculate recapture as if all of the section 197 intangibles were a single asset.

H.R. 8 (Mr. Hulshof with cosponsors); passed the House Apr. 13, 2005.

H.R. 8, Death Tax Repeal Permanency Act of 2005, passed the House by a vote of 272-162, on Apr. 13, 2005.

H.R. 8 would declare that the sunset provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001, which terminate its application to estates of decedents dying, gifts made, or generation skip-

ping transfers, after Dec. 31, 2010, shall not in fact apply after Dec. 31, 2010. Thus the bill would make the repeal of such taxes permanent.

H.R. 68 (Mr. Culberson with cosponsors); passed the House July 12, 2005.

H.R. 68, NASA and JPL 50th Anniversary Commemorative Coin Act, was reported, amended, by the Committee on Financial Services on June 15, 2005 (H.Rept. 109-133, pt. 1). The bill was referred sequentially to the Committee on Ways and Means for a period ending not later than June 17, 2005. On June 17, 2005, the Committee on Ways and Means was discharged. The House passed the bill, amended, under suspension of the rules, by voice vote on July 12, 2005.

H.R. 68, would direct the Secretary of the Treasury, in commemoration of the 50th anniversary of the establishment of the National Aeronautics and Space Administration (NASA) and the Jet Propulsion Laboratory (JPL) to mint and issue: (1) ten dollar gold coins; (2) five dollar gold coins; (3) one dollar silver coins; and (4) half-dollar silver coins emblematic of the 50 years of exemplary and unparalleled achievements of NASA and JPL. The bill would require that all sales of coins minted under this measure include a surcharge of: (1) \$75 per coin for the ten dollar coin; (2) \$35 per coin for the five dollar coin; (3) \$10 per coin for the one dollar coin; and (4) \$3 for the half-dollar coin, which would be paid by the Secretary to the NASA Family Assistance Fund for the purposes of providing financial assistance to the families of NASA personnel who die as a result of injuries suffered in the performance of their official duties.

H.R. 241 (Mr. Thomas with Mr. Rangel); Public Law 109-1; app. Jan. 7, 2005.

H.R. 241, to accelerate the income tax benefits for charitable cash contributions for the relief of victims of the Indian Ocean tsunami, was considered by the House by unanimous consent and passed without objection on Jan. 6, 2005. The Senate passed the bill, without amendment, by unanimous consent on Jan. 6, 2005. H.R. 241 was signed into law by the President on Jan. 7, 2005, as P.L. 109-1.

The Act allows taxpayers to deduct in 2004 charitable cash contributions made in Jan. 2005 for the relief of victims in areas affected by the Dec. 26, 2004, Indian Ocean tsunami.

H.R. 358 (Mr. Snyder with cosponsors); Public Law 109-146; app. Dec. 22, 2005.

H.R. 358, Little Rock Central High School Desegregation 50th Anniversary Commemorative Coin Act, passed the House under suspension of the rules, by voice vote on June 27, 2005. H.R. 358, was reported, amended, by the Committee on Financial Services on June 15, 2005 (H.Rept. 109-134, pt. 1). On June 15, 2005, the bill was referred sequentially to the Committee on Ways and Means for a period ending not later than June 17, 2005. The Committee on Ways and Means was discharged on June 17, 2005. The bill passed the House, amended, on June 27, 2005. H.R. 358 passed the Senate with an amendment, by unanimous consent on Nov. 18, 2005. On Dec. 18, 2005, under suspension of the rules, the House agreed to the Senate amendment by voice vote. H.R. 358 was signed into law by the President on Dec. 22, 2005, as P.L. 109-146.

H.R. 358 requires the Secretary of the Treasury to mint and issue coins commemorating the 50th anniversary of the desegregation of Little Rock Central High School in Little Rock, Arkansas. The Act specifies that the sale price of such coins and applicable surcharges, and requires the surcharges collected from sales to be used equally for: (1) the Jefferson National Parks Association for support of the activities and mission of Little Rock Central High National Historic Site; and (2) site improvements.

H.R. 996 (Mr. Thomas); reported to the House Mar. 8, 2005.

H.R. 996, Highway Reauthorization Tax Act of 2005, was ordered reported to the House, amended, on Mar. 3, 2005, by voice vote. The bill was reported to the House, amended, on Mar. 8, 2005 (H.Rept. 109-13). H.R. 996 was included in H.R. 3 as part of a manager's amendment provided by H.Res. 144, the rule for consideration of H.R. 3. See H.R. 3 for further action. Below is a summary of H.R. 996 as reported by the

Committee on Ways and Means and included in the text of H.R. 3 as passed the House.

H.R. 966 would extend the excise taxes that finance the Highway Trust Fund through Sept. 30, 2011. The expenditure authority of the Highway Trust Fund and the Aquatic Resources Trust Fund would be extended through Sept. 30, 2009. The bill would update the purposes for which monies may be spent from the Highway Trust Fund and the Aquatic Resources Trust Fund to include H.R. 3, the "Transportation Equity Act: A Legacy for Users." The bill would also make two technical corrections to the highway funding provisions.

H.R. 1053 (Mr. Gerlach with cosponsors); Public Law 109-205; app. Mar. 23, 2006.

H.R. 1053, to authorize the extension of nondiscriminatory treatment (normal trade relations treatment) to the products of Ukraine, passed the House, amended, under suspension of the rules, by a vote of 417-2 on Mar. 8, 2006. The bill passed the Senate, without amendment, by unanimous consent on Mar. 9, 2006. H.R. 1053 was signed into law by the President on Mar. 23, 2006, as P.L. 109-205.

The Act authorizes the extension of permanent normal trade relations treatment to the products of Ukraine.

H.R. 1134 (Mr. Foley with cosponsors); Public Law 109-7; app. Apr. 15, 2005.

H.R. 1134, to provide for the proper tax treatment of certain disaster mitigation payments, passed the House, under suspension of the rules, by voice vote on Mar. 14, 2005. The bill passed the Senate, amended, by unanimous consent on Apr. 13, 2005. The House agreed to the Senate amendment without objection on Apr. 14, 2005. H.R. 1134 was signed into law by the President on Apr. 15, 2005, as P.L. 109-7.

The Federal Emergency Management Agency (FEMA) provides grant funds through State and local governments for businesses and individuals to encourage pre-emptive protection measures against natural disasters. On June 28, 2004 the Internal Revenue Service (IRS) determined that payments received by property owners through the FEMA mitigation programs are taxable income.

The Act prevents the IRS from taxing participants in disaster mitigation programs. The Act removes the tax on any payments made to or for the benefit of the owner of any property for hazard, giving taxpayers the assurance that they can accept assistance without higher taxes. Taxpayers that would receive disaster mitigation grants to improve their property are not permitted to increase the basis of their property due to the improvements made through the grants. As a result, they will not get an additional capital gains advantage if they subsequently sell their home. If property were to be sold or exchanged under a hazard mitigation program, it will qualify for the \$250,000 (\$500,000 for married couples) home sales exclusion or the property owner can opt to have it treated as an involuntary conversion.

H.R. 1160 (Mr. Herger); Public Law 109-4; app. Mar. 25, 2005.

H.R. 1160, to reauthorize the Temporary Assistance for Needy families block grant program through June 30, 2005, passed the House, under suspension of the rules, by voice vote, on Mar. 14, 2005. The Senate passed the bill, by unanimous consent, on Mar. 15, 2005. H.R. 1160 was signed into law by the President on Mar. 25, 2005, as P.L. 109-4.

The Act extends through June 30, 2005, the Temporary Assistance for Needy Families (TANF) program, which is currently authorized through Mar. 31, 2005. The extension continues TANF grants to States, Territories, and Indian tribes, supplemental grants provided to certain States, as well as other related provisions. It also extends funding for mandatory child care, abstinence education, and transitional medical assistance through June 30, 2005. By continuing certain programs not included in the baseline, the Act costs \$237 million over the 2005-2010 period, matching prior short-term extensions.

H.R. 1270 (Mr. Thomas); Public Law 109-6; app. Mar. 31, 2005.

H.R. 1270, to extend the Leaking Underground Storage Tank Trust Fund financing rate, passed the House, under suspension of the rules, by a vote of 431-1, on Mar. 16, 2005. The Senate passed the bill by unanimous consent without amendment on Mar. 17, 2005. H.R. 1270 was signed into law by the President on Mar. 31, 2005, as P.L. 109-6.

The leaking underground storage tank trust fund is financed with an excise tax of 0.1 cent per gallon imposed on the sale of gasoline, diesel, and other motor fuels. This tax was due to expire on Mar. 31, 2005. The Act extends the trust fund's financing through Sept. 30, 2005.

H.R. 1499 (Mrs. Fox with cosponsors); Public Law 109-227; app. May 29, 2006.

H.R. 1499, Heroes Earned Retirement Opportunity Act, passed the House, under suspension of the rules, amended, by voice vote on May 23, 2005. The measure passed the Senate with an amendment by unanimous consent on Nov. 15, 2005. The House agreed to the Senate with an amendment, pursuant to H.Res. 803 on May 9, 2006. On May 18, 2006, the Senate agreed to the House amendment to the Senate amendment by unanimous consent. H.R. 1499 was signed into law by the President on May 29, 2006, as P.L. 109-227.

Contributions to an Individual Retirement Account (IRA) are limited to the lesser of \$4,000 (in 2005) or the individual's taxable compensation. Combat pay is tax-free. As a result, members of the military who receive combat pay as their only source of compensation are not allowed to contribute to an IRA. The Act treats tax-free combat pay as taxable compensation for the purpose of making annual IRA contributions starting in 2005. The Act makes IRA savings available to our troops.

H.R. 1541 (Mr. Thomas); reported to the House Apr. 18, 2005.

H.R. 1541, the Enhanced Energy Infrastructure and Technology Tax Act of 2005, was ordered reported, amended, by a vote of 26-11, on Apr. 13, 2005. The bill was reported to the House, amended, on Apr. 18, 2005 (H.Rept. 109-45).

The bill includes several provisions that would modernize the distribution, transmission, and production of gas and electricity by reducing the cost of investments in infrastructure. The bill would clarify that natural gas gathering lines would be subject to seven-year depreciation. The bill would reduce the depreciation period from 35 to 15 years. Electricity transmission assets depreciation would be reduced from 20 to 15 years. The legislation would allow air pollution control facilities to be depreciated over five years regardless of when the plant was built. H.R. 1541 would repeal the cost of service requirement and the post-1984 limitation for contributions to nuclear decommissioning funds.

The bill includes several provisions that would promote the exploration, development and production of energy within the United States to help meet its growing demand. The bill would create a statutory safe harbor exception to the arbitrage rules for tax-exempt bonds issued by State or local governments. The safe harbor would allow public utilities to finance prepayments for natural gas with tax exempt bond proceeds if the natural gas is used to supply the utility's customers. The bill would allow delayed rental payments to be deducted over two years if they are incurred in connection with the development of oil or gas in the United States. The bill would allow geological and geophysical costs to be deducted over two years if they are incurred in connection with oil and gas exploration in the United States. The legislation would increase the 50,000 barrel limit for percentage depletion to 75,000 barrels and would base the limit on average daily production in the year, to serve as incentives for small oil refiners. H.R. 1541 would make the section 29 credit part of the "general business credit" so that unused credits could be carried back one year and carried forward for up to 20 years.

The bill would create new tax incentives to encourage the development and use of new and improved energy technologies. The legislation would create a nonrefundable personal tax credit for the purchase of residential solar water heating and photovoltaic equipment (i.e., equipment that uses solar energy to generate electricity). The bill would create a nonrefundable tax credit for residential fuel cell property and business installation of fuel cell power plants (i.e., systems that convert fuel into electricity using electrochemical means). The legislation would create a nonrefundable tax credit for the purchase of lean burning technology vehicles, and would create a nonrefundable personal tax credit for energy efficient improvements to existing homes. The credit would equal 20 percent of the cost

of the improvements up to a maximum credit of \$2,000. The bill would reduce the tax rate on qualifying diesel-water emulsions to 19.6 cents-per-gallon to reflect the lower Btu content resulting from the water. The bill would permit the personal energy credits created in the bill to offset Alternative Minimum Tax (AMT) liability and would permit certain business energy credits to offset AMT liability.

H.R. 1631 (Mr. Young of Alaska with cosponsors); reported to the House Feb. 3, 2006.

H.R. 1631, Rail Infrastructure Development and Expansion Act for the 21st Century, was reported to the House by the Committee on Transportation and Infrastructure on Nov. 18, 2006 (H.Rept. 109-314, pt. 1). The bill was reported, amended, by the Committee on Ways and Means on Feb. 3, 2006 (H.Rept. 109-314, pt. 2). A summary of the bill as reported by the Ways and Means Committee follows.

The tax provisions contained in the bill would have increased Federal subsidies for high-speed rail projects. In addition, it would have provided special treatment for an activity which already qualifies for tax-preferred financing under present law. H.R. 1631, as reported by the Committee, struck all of the tax provisions from the bill.

H.R. 1815 (Mr. Hunter); Public Law 109-163; app. Jan. 6, 2006.

H.R. 1815, National Defense Authorization Act for Fiscal Year 2006, was reported by the Committee on Armed Services on May 20, 2005 (H.Rept. 109-89). The bill passed the House on May 25, 2005. On Nov. 15, 2005 the Senate passed the bill with an amendment, and requested a conference. Section 677 of the Senate amendment affects the jurisdiction of the Committee on Ways and Means by extending the eligibility for the Supplemental Security Income (SSI) program. Appointment of conferees from the Committee on Ways and Means was made on Dec. 16, 2005. On Dec. 18, 2005 the conference report was filed in the House (H.Rept. 109-360). The conference report was agreed to in the House on Dec. 19, 2005, and agreed to in the Senate on Dec 21, 2005. H.R. 1815 was signed into law by the President on Jan. 6, 2005, as P.L. 109-163. A summary of the provisions within the jurisdiction of the Committee on Ways and Means follows.

Under prior law, if an individual on SSI became ineligible (due to an increase in the family's income, for example) for more than 12 consecutive months, the individual had to file an entirely new application for benefits in order to again become eligible. The section included in the Defense Authorization Act allows individuals in families that include an adult called to active duty status up to 24 months to regain to SSI eligibility without requiring another disability application. The intent is to help families that may experience a temporary increase in income due to a call up to active duty status in Iraq or elsewhere, which may stretch beyond 12 months, additional opportunity to go back onto SSI seamlessly after the parent returns to his or her former job.

H.R. 1817 (Mr. Cox); passed the House May 18, 2005.

H.R. 1817, the Department of Homeland Security (DHS) Authorization Act of FY 2005, was reported, amended, from the Homeland Security Committee on May 3, 2005 (H.Rept. 109-71, pt. 1). The bill was referred jointly and sequentially to the Committees on Energy and Commerce, Government Reform, the Judiciary, Science, Transportation and Infrastructure, Ways and Means, and Intelligence for consideration of such provisions of the bill and amendment as fall within the jurisdiction of that committee on May 3, 2005. On May 13, 2005, the Committee on Energy and Commerce reported, amended, to the House (H.Rept. 109-71, pt. 2), and the Judiciary Committee reported, amended (H.Rept. 109-71, pt. 3). The Committees on Government Reform, Science, Transportation and Infrastructure, Ways and Means, and Intelligence were discharged on May 13, 2005. The Committee on Ways and Means and the Committee on Homeland Security reached an agreement to address various issues within the jurisdiction of the Committee on Ways and Means to be included in the Manager's Amendment. A copy of the exchange of letters between the two Committees and an outline of the provisions within the agreement were included in the Congressional Record during floor consideration of H.R. 1817 on May 18, 2005. H.R. 1817 passed the House, amended, on May 18, 2005, by a vote of 424-4.

H.R. 1817 would authorize trade and customs revenue functions. In addition, the legislation would include provisions that would require the

creation of a strategy of reviewing the basic trade documents that accompany cross-border shipments and the development of a plan to reduce disparities in customs processing at major airports. The bill would require that certain recommendations of a commercial advisory committee representing the trade community be embodied in new regulations, require a study of the potential merger of the Department of Homeland Security bureau implementing most customs revenue functions with the bureau charged with immigration enforcement. The bill would authorize a program that would merge security and customs revenue inspection equipment and requirements. All of these provisions would have significant involvement of the trade mission of the Department of Homeland Security.

H.R. 2566 (Mr. Don Young with cosponsors); Public Law 109-14; app. May 31, 2005.

H.R. 2566, Surface Transportation Extension Act of 2005, passed the House, under suspension of the rules, by voice vote on May 25, 2005. The bill was agreed to in the Senate without amendment by unanimous consent on May 26, 2005. H.R. 2566 was signed into law by the President on May 31, 2005 as P.L. 109-14.

The Act provides an extension of highway, highway safety, motor carrier safety, transit and other programs funded out of the Highway Trust Fund pending enactment of a law reauthorizing the Transportation Equity Act of the 21st Century (TEA-21). The Act extends funding for expenditures to curb highway use tax evasion until July 1, 2005. The Act extends authorization of the use of the Highway Trust Fund, the Mass Transit Account, and the Aquatic Resources Trust Fund for obligations under TEA-21 before July 1, 2005. The Act extends through FY 2006 the taxable period for the excise tax on the use of certain heavy vehicles.

H.R. 2830 (Mr. Nussle); passed the Senate Mar. 3, 2006.

H.R. 2830, Pension Protection Act of 2005, was reported, amended, by the Committee on Education and the Workforce, on Sept. 22, 2005. H.Rept. 109-232, pt. 1. The Committee on Ways and Means ordered the bill reported, amended, on Nov. 9, 2005 by a vote of 23-17. On Dec. 6, 2005, the bill was reported, amended, to the House, by the Committee on Ways and Means. H.Rept. 109-232, pt. 2. The bill passed the House, amended, by a vote of 294-132, on Dec. 15, 2005. H.R. 2830 passed the Senate, with an amendment (text of S. 1783), by unanimous consent on Mar. 3, 2006. A summary of the provisions under the jurisdiction of the Committee on Ways and Means follows.

Enhancing Retirement Savings in IRAs and Pension Plans

The bill would make permanent the Individual Retirement Account (IRA) and pension provisions enacted under the "Economic Growth and Tax Relief Reconciliation Act of 2001." The 2001 law increased annual contribution limits for IRAs and qualified pension plans, created additional "catch-up" contributions for individuals age 50 and older, and created incentives for small employers to offer pension plans.

H.R. 2830 would permanently extend the savers' credit, which is scheduled to expire after Dec. 31, 2006. In addition, taxpayers could choose to have the Internal Revenue Service directly deposit the credit to a savings account, IRA or pension plan. The bill would encourage employers to automatically enroll workers in Defined Contribution pension plans. Employees would be given the option to opt-out. The 10-percent early distribution penalty for public safety employees who participate in governmental pension plans with a "Deferred Retirement Option Plan" benefit feature would be waived.

The 10-percent early distribution penalty for military reservists and national guardsmen who are called to active duty for at least 180 days would be waived. Withdrawn amounts may be repaid to the IRA or pension plan within 2 years of the distribution without regard to the annual contribution limits. IRA eligibility for members of the military by treating combat pay as earned income for purposes of IRA contributions would expand. Combat pay would continue to be tax-free.

The legislation would direct the U.S. Department of the Treasury to provide for "split tax refunds" in which taxpayers may direct a portion of their tax refund to be automatically deposited to an IRA of their choice. Tax-free rollovers from the IRA or pension of a deceased individual to an IRA or pension of a designated beneficiary would be allowed. Under current law, such transfers are tax-free only if made to the account of a

spouse. The bill would allow disabled individuals to contribute to an IRA even if they do not have earned income.

Affordability of Health Care and Long-Term Care

H.R. 2830 would allow public safety officers who retire or become disabled to make tax-free distributions of up to \$5,000 annually from governmental pension plans if the distribution is used to purchase health or long-term care insurance. The bill would encourage the development of combination insurance products, which provide consumers with various insurance protections in a single product while also providing a saving feature. Taxpayers would be allowed to carry forward up to \$500 of unused Flexible Spending Account (FSA) balances each year. The unused amount could be carried forward in the FSA or transferred to a Health Savings Account.

Funding Reforms for Single Employer Pension Plans

The bill would strengthen the outdated funding rules to ensure that workers' pensions are adequately funded. Employers would fund up to 100 percent of their pension liabilities. Funding shortfalls would have to be filled within 7 years. Liabilities would be measured using three interest rates calculated from a corporate bond yield curve. A yield curve approach would improve accuracy by using short-term rates to measure short-term liabilities and using longer-term rates to measure longer-term liabilities. Current law requires use of a single interest rate regardless of when benefit obligations are due. This results in inadequate funding by some plans, and overfunding by others. The current-law corporate bond rate would be extended by 1 year until the modified yield curve would begin to take effect. The bill would require use of an updated mortality table and would allow plans to apply for use of a substitute table. Severely underfunded plans would be subject to accelerated funding rules to reduce the risk of plan termination with inadequate funding. Underfunded pension plans could not increase benefits or pay plant shutdown benefits unless those liabilities are paid for up front. Benefits should be increased if employers cannot afford to pay benefits that have already been earned. Plans that are less than 80-percent funded would not be able to use credit balances to avoid minimum required contributions. In addition, the use of credit balances would be reformed so that plans cannot use credit balances to offset both current and future liabilities. Employers would be prohibited from funding executive compensation plans when pension plans of rank-and-file workers are severely underfunded. The bill would create incentives to increase pension contributions during profitable years.

The bill would gradually increase Pension Benefit Guarantee Corporation (PBGC) premiums from \$19 to \$30 per participant and indexes annually to wage growth. In addition, employers that terminate their plans in bankruptcy would have to pay a \$1,250 premium per participant for 3 consecutive years once they emerge from bankruptcy.

Funding Reforms for Multiemployer Pension Plans

Most amortization periods for multiemployer plans would be reduced from 30 years to 15 years. The maximum tax-deductible funding limit would be increased from 100 percent of the full funding limit to 140 percent of current liability.

Triggers would be used to identify financially troubled plans and to measure financial improvement. Plans with a funding status between 65 and 80 percent would be deemed to be endangered ("yellow zone"). The trustees would have to adopt a financial plan to improve funding by one-third within 10 years (or by one-fifth within 15 years, in some cases). Plans that are less than 65 percent funded would be deemed to be critical ("red zone"). Trustees would have to include a combination of measures to reduce cost and increase contributions.

Providing Legal Certainty to Hybrid Pension Plans

The bill would clarify current law by creating a uniform age discrimination standard for all DB plans. A plan would not be age discriminatory if an employee's entire accrued benefit is equal to or greater than that of a similarly situated younger worker in the plan. The bill would clarify that an accrued benefit under a hybrid pension plan may be calculated as the worker's current account balance or the current value of the accumulated percentage of the employee's final average compensation. H.R. 2830 would clarify that hybrid pension plans would not be bound by the so-called "whipsaw" method for calculating minimum lump sum payments.

Other Provisions

The bill would create new notice and disclosure requirements for single and multiemployer pension plans to provide better and more timely information to workers, retirees and the PBGC about the financial condition of the plan. The bill would offer employers the option to give employees access to professional investment advice. In addition, fiduciary responsibilities would be clarified by providing that the fiduciary advisor, not the employer, would be liable for the advice given. The bill would encourage employers to offer lifetime annuities as a distribution option from defined contribution pension plans by clarifying the standards that apply to annuity selection. The bill would direct the Secretary of Labor to issue regulations to clarify that the selection of an annuity as a form of distribution from the plan would be subject to the current applicable fiduciary standards under the Employee Retirement Income Security Act (ERISA). The bill would clarify that health plans may recover benefits paid to a participant once the participant is reimbursed by a third-party for the same expenses. The bill would allow sponsors of participant-directed 401(k) plans to modify investment options when a pension plan changes administrators or replaces existing investment options. The bill would require plans to inform participants that if no contrary instruction is given, the portion of their accounts invested in the fund being eliminated will be "mapped" to a designated plan with similar investment or risk/reward characteristics. If no instruction is given, fiduciary protection would be provided for when investment options are changed.

H.R. 3021 (Mr. Herger); Public Law 109-19; app. July 1, 2005.

H.R. 3021, the TANF Extension Act of 2005, passed the House, under suspension of the rules by voice vote on June 29, 2005. The Senate passed the bill by unanimous consent on June 30, 2005. H.R. 3021 was signed into law by the President on July 1, 2005, as P.L. 109-19.

H.R. 3021, extends through Sept. 30, 2005 the Temporary Assistance for Needy Families (TANF) program, which was authorized through June 30, 2005. The extension continues TANF grants to support welfare programs to States, territories, and Indian tribes, supplemental grants provided to certain States, as well as other related provisions. It also extends funding for mandatory child care, abstinence education, and transitional medical assistance (TMA) for that period. By continuing certain programs not included in the baseline, the bill costs \$238 million over the 2005-2010 period, matching prior short-term extensions and well within the House-passed budget for welfare programs. This is the 10th short-term extension since the original authorization of the TANF program expired in 2002.

H.R. 3045 (Mr. DeLay with cosponsors) Public Law 109-53; app. Aug. 2, 2005.

H.R. 3045, Dominican Republic-Central America-United States Free Trade Agreement Implementation Act was introduced and referred to the Committee on Ways and Means on June 23, 2005. Prior to introduction, the Committee conducted an informal mark-up in order to provide guidance to the Administration on the draft implementing bill and Statement of Administrative Action. Under Trade Promotion Authority (TPA) procedures, once the Administration formally submits these documents to Congress, they may not be amended. Once the administration sends final and formal implementing language to Congress, the bill is introduced in both the House and Senate and considered under TPA. The Ways and Means Committee has 45 legislative days in which to report the bill (no amendments); otherwise it is automatically discharged to the House floor for a vote, unless Members vote to changes in the expediated procedures. Once the bill is reported to the House, the House has 15 days in which to vote on the final implementing legislation. No amendment may be offered, and is it an up-or-down vote. Once the House votes on the legislation, the Senate Finance Committee has 15 days in which to report the bill (or 45 days from introduction in the Senate, if later); otherwise, it is automatically discharged to the Senate floor for a vote. After consideration by the Finance Committee, the Senate then has 15 days in which to vote on the final implementing legislation. No amendment may be offered and it is an up-or-down vote.

On June 15, 2005, the Committee on Ways and Means informally approved draft legislation, amended, by a vote of 26-16. Implementing legislation was introduced and referred to the Committee on Ways and Means on June 23, 2005. The Committee on Ways and Means ordered the bill reported, without amendment, on June 30, 2005, by a vote of 25-16. H.R. 3045 was reported to the House on July 25, 2005 (H.Rept.

109-182). On July 28, 2005, the bill passed the House by a vote of 217-215. The Senate passed H.R. 3045 on July 28, 2005 by a vote of 56-44. H.R. 3045 was signed into law by the President on Aug. 2, 2005, as P.L. 109-53.

Dominican Republic-Central America-United States Free Trade Agreement Implementation Act approves the trade agreement entered into with the governments of Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua (CAFTA-DR), and the statement of administrative action proposed to implement the Agreement. The Act authorizes the President to proclaim such actions, and other appropriate officers of the U.S. Government to issue such regulations, as may be necessary to ensure appropriate implementation of any provision of this Act that takes effect on the date the Agreement enters into force.

The Act provides authority for the President to proclaim tariff modifications to carry out the Agreement and sets out the rules of origin for goods to qualify for preferential treatment. In particular, the Agreement requires a "yarn forward" rule of origin for most textile and apparel goods.

Agricultural safeguard provisions are implemented. It permits the United States to impose an "agricultural safeguard measure," in the form of additional duties, on imports of certain goods of Agreement countries specified in the Schedule of the United States to Annex 3.15 of the Agreement that exceed the volume thresholds set out in that annex.

The Act provides for the exemption from the Customs merchandise processing fee for Dominican Republic and Central American goods and enforcement authority to prevent circumvention of textile or apparel requirements.

A temporary mechanism is provided to impose import relief when increased quantities of Dominican Republic or Central American imports are a substantial cause of serious injury or a threat of serious injury to the domestic industry. Another provision provides a special safeguard relief procedure for textile and apparel imports. The Act exempts from relief any article that is (i) subject to import relief under the global safeguard provisions in U.S. law, or (ii) the product of a de minimis supplying country.

The Act contains miscellaneous provisions on procurement and modifications to the Caribbean Basin Economic Recovery Act (P.L. 98-67, Title II) (CBERA) which preserves existing trade for the CBERA countries that are not DR-CAFTA signatories.

The Act also creates periodic reporting and meeting requirements on labor provisions of the Agreement and White Paper prepared by Agreement countries, in particular capacity building on labor issues.

H.R. 3104 (Mr. Young of Alaska with cosponsors) Public Law 109-20; app. July 1, 2005.

H.R. 3104, Surface Transportation Extension Act of 2005, Part II, was considered by the House by unanimous consent and passed without objection on June 30, 2005. That same day, the Senate passed the bill, without amendment, by unanimous consent. H.R. 3104 was signed into law by the President on July 1, 2005, as P.L. 109-20.

The Act extends federal highway, highway safety, motor carrier safety, and transit programs, and authorizes appropriations, through July 19, 2005. The Act authorizes through July 19, 2005, expenditures for obligations under the Transportation Equity Act for the 21st Century from the following accounts: (1) the Highway Trust Fund; (2) the Mass Transit Account; and (3) the Aquatic Resources Trust Fund.

H.R. 3132 (Mr. Sensenbrenner with cosponsors) passed the House Sept. 14, 2005.

H.R. 3132, Children's Safety Act of 2005, was referred to the Committee on Judiciary, and in addition to the Committee on Ways and Means. The bill was reported, amended, by the Committee on the Judiciary on Sept. 9, 2005 (H.Rept. 109-218), and the Ways and Means Committee was discharged. A supplemental report was filed by the Committee on the Judiciary on Sept. 13, 2005 (H.Rept. 109-218, pt. 2). On Sept. 14, 2005, the bill passed the House, amended, by a vote of 371-52.

Provisions contained in H.R. 3132 under the jurisdiction of the Committee on Ways and Means pertain to foster care and adoption assistance. The legislation would require background checks and checks of national crime information databases and State child abuse registries before licensing or approval of prospective foster or adoptive parents. In addition, access to Federal crime information databases by child welfare agencies for the purposes of conducting a background check on individuals under consideration as prospective foster or adoptive parents would limit an of-

ficer's authority only for the purpose of conducting the background checks.

H.R. 3283 (Mr. English with cosponsors) passed the House July 27, 2005.

H.R. 3283, United States Trade Rights Enforcement Act, was considered under suspension of the rules, amended, on July 26, 2005. The bill failed passage by a vote of 240 yeas, 186 nays, with 2/3 required for passage under suspension of the rules. On July 26, 2005, H.Res. 387, providing for consideration of H.R. 3283 was reported to the House (H.Rept. 109-187). On July 27, 2005, H.R. 3283 was considered under the provisions of H.Res. 387 and passed the House by a vote of 255-168.

H.R. 3283 would authorize the application of the U.S. countervailing duty law to exports from nonmarket economies such as China. In addition, the bill would establish a system of comprehensive monitoring of Chinese compliance with its trade obligations on: intellectual property rights; market access for U.S. goods, services, and agriculture; and accounting of Chinese subsidies. This system would require the President to issue semi-annual reports to Congress on: the specific steps taken by the Chinese government to meet the obligations; an assessment as to whether China is attempting in good faith to meet the commitments; a description of the steps that the President will take to obtain compliance if the President determines that China is failing to meet its commitments, including pursuing U.S. rights under the dispute settlement provisions of the WTO, as appropriate. In the case of obligations to be met by the end of 2005, these reports are to be issued on a monthly basis.

The bill would require the Treasury to submit a report to Congress defining currency manipulation, describing actions of foreign countries that would be considered to be currency manipulation, and describe how statutory provisions addressing currency manipulation could be better clarified administratively to provide for improved and more predictable evaluation.

The bill would authorize funding for the U.S. Trade Representative (USTR) and the International Trade Commission. In addition it would express the sense of the Congress that USTR should identify a Chief Enforcement Officer. The bill would suspend for three years the availability of bonds for new shippers in antidumping cases and instead would require cash deposits to avoid situations in which such shippers default on their obligations. H.R. 3283 would express the sense of Congress that the United States should strive to expand membership in the Government Procurement Agreement of the World Trade Organization, would seek China's entry into the agreement, and would seek a commitment from China to suspend implementation of its law on government procurement pending the conclusion of accession negotiations.

H.R. 3332 (Mr. Young of Alaska with cosponsors) Public Law 109-35; app. July 20, 2005.

H.R. 3332, Surface Transportation Extension Act of 2005, Part III, was considered by the House by unanimous consent and passed without objection on July 19, 2005. That same day, the Senate passed the bill, without amendment, by unanimous consent. H.R. 3332 was signed into law by the President on July 20, 2005, as P.L. 109-35.

The Act extends federal highway, highway safety, motor carrier safety, and transit programs, and authorizes appropriations, through July 21, 2005. The Act authorizes through July 22, 2005, expenditures for obligations under the Transportation Equity Act for the 21st Century from the following accounts: (1) the Highway Trust Fund; (2) the Mass Transit Account; and (3) the Aquatic Resources Trust Fund.

H.R. 3377 (Mr. Young of Alaska) Public Law 109-37; App. July 22, 2005.

H.R. 3377, Surface Transportation Extension Act of 2005, Part IV, was considered by the House by unanimous consent and passed without objection on July 21, 2005. That same day, the Senate passed the bill, without amendment, by unanimous consent. H.R. 3377 was signed into law by the President on July 22, 2005, as P.L. 109-37.

The Act extends federal highway, highway safety, motor carrier safety, and transit programs, and authorizes appropriations, through July 28, 2005. The Act authorizes through July 27, 2005, expenditures for obligations under the Transportation Equity Act for the 21st Century from

the following accounts: (1) the Highway Trust Fund; (2) the Mass Transit Account; and (3) the Aquatic Resources Trust Fund.

H.R. 3453 (Mr. Young of Alaska) Public Law 109-40; app. July 28, 2005.

H.R. 3453, Surface Transportation Extension Act of 2005, Part V, was considered by the House by unanimous consent and passed without objection on July 27, 2005. That same day, the Senate passed the bill, without amendment, by unanimous consent. H.R. 3453 was signed into law by the President on July 28, 2005, as P.L. 109-40.

The Act extends federal highway, highway safety, motor carrier safety, and transit programs, and authorizes appropriations, through July 31, 2005. The Act authorizes through July 30, 2005, expenditures for obligations under the Transportation Equity Act for the 21st Century from the following accounts: (1) the Highway Trust Fund; (2) the Mass Transit Account; and (3) the Aquatic Resources Trust Fund.

H.R. 3512 (Mr. Young of Alaska with cosponsors) Public Law 109-42; app. July 30, 2005.

H.R. 3512, Surface Transportation Extension Act of 2005, Part VI, was considered by the House by unanimous consent and passed without objection on July 29, 2005. That same day, the Senate passed the bill, without amendment, by unanimous consent. H.R. 3512 was signed into law by the President on July 30, 2005, as P.L. 109-42.

The Act extends federal highway, highway safety, motor carrier safety, and transit programs, and authorizes appropriations, through Aug. 14, 2005. The Act authorizes through Aug. 15, 2005, expenditures for obligations under the Transportation Equity Act for the 21st Century from the following accounts: (1) the Highway Trust Fund; (2) the Mass Transit Account; and (3) the Aquatic Resources Trust Fund.

H.R. 3649 (Mr. Young of Alaska with cosponsors); Public Law 109-74; app. Sept. 29, 2005.

H.R. 3649, Sportfishing and Recreational Boating Safety Amendments Act of 2005, passed the House, under suspension of the rules, by a vote of 401-1, on Sept. 13, 2005. The Senate passed the bill, with an amendment, by unanimous consent on Sept. 15, 2005. On Sept. 20, 2005, the House agreed to the Senate amendment, under suspension of the rules by voice vote. H.R. 3649 was signed into law by the President on Sept. 29, 2005 as P.L. 109-74.

Provisions under the jurisdiction of the Committee on Ways and Means contained in the Act amend the Internal Revenue Code to extend through FY 2005 the authorization of expenditures from the Boat Safety Account to carry out state recreational boating safety programs.

H.R. 3672 (Mr. McCrery with cosponsors); Public Law 109-68; Sept. 21, 2005.

H.R. 3672, TANF Emergency Response and Recover Act of 2005, passed the House, under suspension of the rules, by voice vote on Sept. 8, 2005. The bill passed the Senate by unanimous consent on Sept. 15, 2005. H.R. 3672 was signed into law by the President on Sept. 21, 2005, as P.L. 109-68.

In order to speed assistance to families in need across the country, the Act provides all states immediate access to their next quarter's Temporary Assistance to Needy Families (TANF) block grant which would otherwise be available only after Oct. 1, 2005. This immediately makes available \$4.2 billion in flexible funds to all states, for use in supporting those families with children affected by the hurricane. To facilitate this change, the Act also extends the TANF program through the first quarter of FY 2006.

Prior law made available additional TANF funds for states experiencing emergency needs. H.R. 3672 converts the current loan fund, which no state has accessed, into a de facto contingency fund for emergency needs in Louisiana, Mississippi, and Alabama. Those states will receive a 20 percent increase in their federal TANF payment through fiscal year 2006. This increases federal payments by \$33 million in Louisiana \$17 million in Mississippi, and \$19 million in Alabama, for a total of \$69 million in the affected region.

All states are allowed to access the current TANF contingency fund to reimburse them for actual costs of providing emergency cash assistance to evacuees. This makes available up to \$2 billion for this purpose.

Under prior law, unspent prior year TANF funds must be spent in effect on welfare checks, as opposed to other forms of assistance like employment services, child care and bus vouchers to help families work, and other forms of short-term aid. The Act waives prior spending restrictions to provide all states more flexibility in serving families in need as a result of Hurricane Katrina.

To ensure families can focus on getting their lives back together and states can focus on providing immediate assistance to those in need, work requirements and time limits are waived with regard to families in need of short-term assistance as a result of the hurricane. The Act applies in all states through the end of fiscal year 2006, with respect to families affected by the hurricane.

TANF requires financial penalties -- in the form of reduced federal funding -- if states fail to comply with certain program requirements, such as submitting reports, checking with other agencies about an applicant's financial means, and related concerns. The Act waives such penalties if affected states' failure to comply resulted directly from the hurricane or was due to their focusing on hurricane victims' needs and dispensing with normal program operations. This provision would apply through fiscal year 2006, and with respect to Louisiana, Mississippi, and Alabama. However, these states would remain accountable for ensuring TANF funds are spent on program purposes, and that they maintain prior levels of state spending.

H.R. 3768 (Mr. McCrery with cosponsors); Public Law 109-73; app. Sept. 23, 2005.

H.R. 3768, Katrina Emergency Tax Relief Act of 2005, passed the House, under suspension of the rules, amended, by voice vote. The bill passed the Senate, with an amendment in the nature of a substitute, by unanimous consent, on Sept. 15, 2005. On Sept. 21, 2005, the House introduced and passed H.Res. 454. H.Res. 454 provided for the concurrence by the House to the Senate amendment, with an amendment to the Senate amendment. H.Res. 454 passed the House on Sept. 21, 2005 by a vote of 422-0. Pursuant to the provisions of H.Res. 454, the House agreed to the Senate amendment to H.R. 3768 with a further amendment. That same day, the Senate concurred in the House amendment to the Senate amendment by unanimous consent clearing the measure for the President. H.R. 3768 was signed into law by the President on Sept. 23, 2005, as P.L. 109-73.

Relief for Individuals Affected by Hurricane Katrina

Hold families harmless against the loss of tax benefits due to temporary relocations-- Damage caused by the hurricane has displaced hundreds of thousands of individuals, who are temporarily living with family, friends or good samaritans. Under prior law, a prolonged change in their living situation could affect their eligibility for various tax benefits. The Act allows individuals the option of using their 2004 income to calculate the child credit and the Earned Income Credit on their 2005 tax returns. This special rule applies to individuals who were displaced from their principal residence by reason of Hurricane Katrina. The Act also grants the U.S. Treasury Department the authority to ensure that taxpayers do not lose tax benefits or experience a change in filing status in 2005 and 2006 due to temporary relocations.

Ensure that families are not taxed on forgiven debt-- Under prior law, amounts realized from the discharge of indebtedness are generally treated as taxable income to the individual. The Act ensures that individuals affected by the hurricane are not taxed on personal debt relief related to the hurricane, such as the cancellation of a mortgage, provided before 2007.

Provide tax relief for housing assistance to dislocated persons-- The Act creates a special tax deduction for individuals who provide rent-free housing to dislocated persons for at least 60 days. The deduction is \$500 for each dislocated person housed in the individual's principal residence (up to a maximum of \$2,000). The deduction can be claimed in either 2005 or 2006, but cannot be claimed in both years with respect to the same person.

Allow full deductibility of personal casualty losses-- Under prior law, individuals who itemize their deductions may deduct personal casualty losses to the extent they exceed 10 percent of adjusted gross income and

a \$100 floor. The Act waives the 10-percent and \$100 floors, thus allowing individuals to fully deduct their losses.

Waive 10-percent tax on early distributions from IRAs and pensions for individuals-- In general, distributions from IRAs and pensions are subject to a 10-percent penalty if they are made before a certain age. The penalty is intended to discourage individuals from withdrawing funds that are needed for retirement. To ease the financial burden faced by many families in the disaster area, the Act allows eligible individuals to withdraw a maximum of \$100,000 from their IRAs and pensions without paying the 10-percent penalty. Individuals eligible for the waiver may pay income tax on the distribution over three years. Income tax is not due if the distribution is repaid to the account within three years. The Act also increases the limit on loans from pension plans from \$50,000 to \$100,000.

Extend the work opportunity tax credit (WOTC)-- Under prior law, employers are allowed to claim the WOTC if they hire individuals from certain target groups who are considered to face barriers to employment. The credit generally equals 40 percent of the first \$6,000 of wages paid to the employee in the first year (i.e., the maximum credit is \$2,400). The Act temporarily creates a new target group under the WOTC, called Hurricane Katrina employees. The target group is comprised of individuals who, prior to the hurricane, lived in an area that is now eligible for individual and public assistance under the Stafford Act.

Employers located in an area that is eligible for such assistance could claim the WOTC with respect to Hurricane Katrina employees hired over the next two years. Employers located outside of this area could claim the WOTC with respect to Hurricane Katrina employees hired through the end of the 2005 calendar year.

Provide an employee retention tax credit-- Small employers located in a disaster area that is eligible for individual and public assistance under the Stafford Act may claim a tax credit through the end of the 2005 calendar year if they retain an eligible employee on their payroll. The tax credit equals 40 percent of the first \$6,000 of wages paid to the employee between Aug. 28, 2005 and Jan. 1, 2006. The credit is available to small employers (i.e., an average of 200 or fewer employees in the taxable year) whose business is inoperable as a result of damage sustained by Hurricane Katrina. The credit is not affected if the employee reports to work at another location while the business is inoperable.

Provide a longer period of time to replace damaged property without incurring tax-- Under prior law, insurance proceeds were not taxable if they were invested in replacement property within two years (with respect to damaged business property) or four years (with respect to damaged principal residences in Presidentially-declared disaster areas). The proposal increases the reinvestment period to five years as long as the replacement property is located within the disaster area.

Expand the availability of below-market mortgages in the disaster area-- Under prior law, state and local governments could issue mortgage revenue bonds (MRBs) to finance low-interest rate mortgages for first-time homebuyers who meet certain income and purchase price limits. The Act waives the first-time home buyer requirement so that individuals whose homes were rendered uninhabitable by Hurricane Katrina can qualify for these low-interest rate mortgages through 2007. In addition, the Act provides that up to \$150,000 of the loan proceeds may be used to repair damaged homes. To be eligible, the new home must be located in the declared disaster area.

Extension of Deadlines

Extend deadlines for paying excise and employment taxes-- The IRS has taken administrative action to extend the deadlines for filing tax returns and making tax payments until Jan. 3, 2006. These extensions apply to income, estate and gift taxes for those affected by Hurricane Katrina. The Act extends the deadline until Feb. 28, 2006. The Act also applies this extension to excise taxes and employment taxes, in addition to income, estate and gift taxes.

Incentives for Charitable Donations

Encourage cash donations by individuals-- Under prior law, individuals could deduct charitable donations up to 50 percent of their adjusted gross income. Deductions for charitable donations are further limited by the phase-out of itemized deductions. Under the Act, cash donations to charities are exempt from the 50-percent income limitation and the phase-out of itemized deductions if the donations are made before Jan. 2006.

Encourage cash donations by corporations-- Under prior law, corporations could deduct charitable donations up to 10 percent of their taxable income. The Act waives the 10-percent income limitation for cash donations related to Hurricane Katrina if the donations are made before Jan. 2006.

Modify tax treatment when using a personal vehicle for charitable work-- Under prior law, individuals could claim a tax deduction for the costs associated with using a personal vehicle for charitable work. The deduction is calculated by using a personal vehicle for charitable work. The deduction is calculated by using a mileage reimbursement rate of 14 cents-per-mile. The reimbursement rate for business use is set periodically through IRS guidance and was at 48.5 cents-per-mile. The Act sets the mileage reimbursement rate for charitable contributions at 70 percent of the standard business mileage rate. If the individual is a volunteer and is reimbursed for the use of the personal vehicle, the Act ensures that the individual does not have to pay income tax on the reimbursement. Both provisions are effective through Dec. 31, 2006.

Encourage donations of educational books to public schools-- The Act allows a charitable deduction through the end of the 2005 calendar year for donations of educational books to public schools. The value of the deduction is equal to the lesser of two times the basis or basis plus one-half of the added value.

H.R. 3971 (Mr. Deal with cosponsors); Public Law 109-91; app. Oct. 20, 2005.

H.R. 3971, QI, TMA and Abstinence Extension and Hurricane Katrina Unemployment Relief Act of 2005, passed the House on Oct. 6, 2005, under suspension of the rules, by voice vote. The Senate passed the measure with an amendment by unanimous consent on Oct. 7, 2005. H.Res. 501, providing for the concurrency by the House with amendments in the amendment of the Senate to H.R. 3971 passed the House, under suspension of the rules, by voice vote on Oct. 19, 2005. The House agreed to the Senate amendment with amendments pursuant to H.Res. 501 on Oct. 19, 2005. That same day, the Senate agreed to the amendments of the House by unanimous consent. H.R. 3971 was signed into law by the President on Oct. 20, 2005, as P.L. 109-91.

Unemployment Benefits for Individuals Affected by Katrina

The Act provides \$500 million in federal unemployment funds to disaster states to help them pay regular unemployment benefits. \$400 million to Louisiana, \$85 million to Mississippi, and \$15 million to Alabama. Funds are divided among states according to their share of expected increased unemployment benefit payments attributable to Hurricane Katrina. In addition, the Act includes a technical change recommended by the Department of Labor that provides all states the flexibility to use current federal unemployment administrative funds to assist Katrina victims in need of unemployment benefits.

Extension of Health Benefits

The Act extends the Transitional Medical Assistance (TMA) program, which continues Medicaid for families leaving welfare for work, through Dec. 31, 2005. The Medicare Qualified Individual 1 (QI-1), which state Medicaid programs help low-income seniors pay Medicare Part B premiums, is extended through Sept. 30, 2007.

Medicare and Medicaid Savings

Spending in the Act is offset by prohibiting Medicare and Medicaid from covering drugs that treat erectile dysfunction.

H.R. 4096 (Mr. Reynolds with cosponsors); passed the House Dec. 7, 2005.

H.R. 4096, Stealth Tax Relief Act, passed the House, under suspension of the rules without amendment, on Dec. 7, 2005, by a vote of 414-4.

The bill would extend the higher Alternative Minimum Tax (AMT) exemption levels by one year (through 2006) and would index these amounts to reflect inflation.

H.R. 4157 (Mrs Johnson with cosponsors); passed the House July 27, 2006.

H.R. 4157, Health Information Technology Promotion Act of 2006, was reported to the House, amended, by the Committee on Energy and Commerce, on July 27, 2006 (H.Rept. 109-601, pt. 1). The Committee on Ways and Means ordered the bill reported on June 15, 2006, amended, by a vote of 23-17. H.R. 4157 was reported, amended on July 26, 2006 (H.Rept. 109-601, pt. 2). H.R. 4157 passed the House, amended, on July 27, 2006 by a vote of 270-148.

H.R. 4157 would codify the Office of the National Coordinator for Health Information Technology in statute and delineate its ongoing roles and responsibilities to coordinate federal health information technology efforts. The legislation would create exceptions to the self-referral laws to allow certain providers to fund health information technology equipment and services for other providers. A study would be required of Federal and State health privacy laws and standards and, depending on the findings, create a process for Congressional or Administration action to revise and strengthen such laws and standards. The measure would require a modern coding system for patient diagnosis and provider procedures and new administrative transactions standards, and create a streamlined process for the adoption of the Health Insurance Portability and Accountability Act (P.L. 104-191). H.R. 4157 would provide for a report on the American Health Information Community and the development of a strategic plan for coordination of health information technology standards. The bill would provide for three studies regarding coverage of telehealth services.

H.R. 4241 (Mr. Nussle); passed the House Nov. 18, 2005.

H.R. 4241, Deficit Reduction Act of 2005, was reported to the House by the Committee on The Budget as an original measure on Nov. 7, 2005. (H.Rept. 109-276). The Ways and Means Committee reported to the Committee on the Budget, Entitlement Reconciliation Recommendations for Fiscal Year 2006, amended, by a recorded vote of 22-17 on Oct. 26, 2005. The Ways and Means Committee recommendations were incorporated into the Budget Committee report as Title VIII of H.Rept. 109-276 that accompanied H.R. 4241. H.R. 4241 passed the House by a vote of 217-215 on Nov. 28, 2005. On Nov. 17, 2005, the Committee on Rules reported H.Res. 560, the rule for consideration of H.R. 4241 (H.Rept. 109-303). H.Res. 560 provided that after passage of H.R. 4241, it shall be in order to take from the Speaker's table S. 1932 and to consider the Senate bill in the House. It made in order to move to strike all after the enacting clause of the Senate bill and to insert in lieu thereof the provisions of H.R. 4241 as passed the House. H.R. 4241, as passed the House, was inserted in lieu of the text in S. 1932 and the amended S. 1932 was passed by the House. See S. 1932 for further action. A summary of the provisions of H.R. 4241, within the jurisdiction of the Committee on Ways and Means, as passed the House follows.

H.R. 4241 includes welfare reform reauthorization. These provisions would extend the current Temporary Assistance for Needy Families (TANF) block grant program for an additional 5 years. The legislation would also extend TANF supplemental grants, contingency funds, and State maintenance of effort spending requirements. Compared to the Congressional Budget Office baseline, overall spending on TANF and related programs associated with welfare reform would increase by \$1 billion in FY 2006-2010. Building upon the 1996 welfare reform law, TANF work requirements would be strengthened to expect and support participation in work or work-related activities by more families receiving welfare checks.

H.R. 4241 would provide for a total of \$1 billion in Federal funding for States and local organizations to promote healthy marriages and strong families. These funds would be reprogrammed from current TANF "bonus" funds, and reflect the Healthy Marriage Initiative proposed by the President to strengthen families and reduce child poverty. The bill includes a provision which would clarify that marriage promotion services are voluntary, and that providers of such services must describe how they will address issues of domestic violence.

The bill would provide a total of \$500 million in additional mandatory child care funds to support more parents in work. The \$2.717 billion available in FY 2006 would be increased as follows: to \$2.767 billion in FY 2007 (\$50 million increase); to \$2.817 billion in FY 2008 (\$100 million increase); to \$2.867 billion in FY 2009 (\$150 million increase); and to \$2.917 billion in FY 2010 (\$200 million increase).

H.R. 4241 include a number of child support changes that would distribute more child support to families who are on or once were on wel-

fare, update child support orders periodically, and simplify program operation. The bill also include several provisions that would allow more States to operate child welfare demonstration projects, and permit cross-program waivers providing States broader flexibility in simplifying and improving multiple benefits and services to families.

In addition to these welfare reform reauthorization provisions, the bill includes several reforms that would modify program operation and achieve savings:

(1) *Repeal the "Byrd Amendment"*-- The bill would repeal the requirement (commonly known as the "Byrd Amendment," or the Continued Dumping and Subsidy Offset Act (CDSOA) P.L. 106-387) that collected duties be distributed to eligible domestic producers. Instead, the duties would be deposited into the general fund of the Treasury. This is estimated to save \$3.2 billion in FY 2005-2010.

(2) *Gradually Reduce Child Support Administrative Matching Rates*-- The bill would maintain Federal participation in the child support program while gradually reducing the Federal matching rate for child support administrative costs from 66 percent in FY 2006 to 62 percent in FY 2007, 58 percent in FY 2008, 54 percent in FY 2009, and 50 percent in FY 2010 -- the same as the administrative matching rate for food stamps, Medicaid and foster care and adoption today. Gradually reducing the Federal matching rate for child support administrative expenditures is estimated to save a net \$3.3 billion in FY 2006-2010.

(3) *End Federal Matching of Federal Child Support Incentive Payments*-- The bill would end the provision of Federal matching payments when States spend Federal child support incentive payments, effective in FY 2008. This provision is estimated to save \$1.6 billion in FY 2006-2010.

(4) *Treat More Supplemental Security Income (SSI) Lump Sums Under current Law Installment Payments Rules*-- The bill would provide that lump sums of SSI benefits exceeding about \$1,800 (i.e., 3 months of maximum benefits) be paid out in installments. Under current law, when a person is found eligible for SSI benefits, benefits are paid back to the time of initial application; lump sums exceeding about \$7,200 (i.e., 12 months of maximum benefits) must be paid out in three installments. This shift in the timing of the payment of such SSI benefits is estimated to save \$425 million in FY 2006-2010.

(5) *Clarify Eligibility for Foster Care and Adoption Payments*-- The bill would clarify that for purposes of determining eligibility for Federal foster care maintenance and adoption assistance payments, the home from which the child is removed is always either the home that a judge found to be "contrary to the child's welfare" or the home from which the child's parent or legal guardian entered into a voluntary agreement to place the child in foster care. Recent court decisions (including *Rosales v. Thompson* (321 F.3d 835)) have resulted in broadened eligibility for Federal foster care and adoption payments in certain States, contrary to longstanding Federal policy as interpreted by the U.S. Department of Health and Human Services (HHS) that remains in effect in all other States. This clarification, which was included in the President's FY 2006 Budget Proposal, is estimated to save \$397 million in FY 2006-2010.

(6) *Clarify State Eligibility for Federal Foster Care Administrative Costs*-- The bill would clarify rules for States when claiming foster care administrative costs in certain cases, often involving "candidates" for foster care. Under current law, placement of a child in a licensed foster family home or a child care institution is a condition of eligibility for Federal foster care maintenance payments. Consistent with current law and a January 2005 proposed regulation by the HHS, the Committee recommendations would clarify the conditions under which States may claim Federal matching funds for case management, training, data collection, and other administrative costs on behalf of otherwise eligible children who are placed in settings ineligible for title IV-E funding. This provision is estimated to save \$180 million in FY 2006-2010.

H.R. 4297 (Mr. Thomas); Public Law 109-222; app. May 17, 2006.

H.R. 4297, Tax Relief Extension Reconciliation Act of 2005, was ordered reported, amended, to the House on Nov. 15, 2005, by a vote of 24-15. The measure was reported to the House on Nov. 17, 2005 (H.Rept. 109-304). The bill passed the House, amended, by a vote of 234-197 on Dec. 8, 2005. The Senate passed the bill, amended, on Feb. 2, 2006 by a vote of 66-31. The House disagreed to the Senate amendment and asked for a conference on Feb. 8, 2006. The Senate insisted on its amendment and agreed to a conference on Feb. 13, 2006. The confer-

ence report was filed in the House on May 9, 2006 (H.Rept. 109-455). The House agreed to the conference report May 10, 2006 by a vote of 244-185. The Senate agreed the conference report May 11, 2005 by a vote of 54-44. H.R. 4297 was signed into law by the President on May 17, 2006 as P.L. 109-222.

Two-Year Extension of Reduced Rates on Capital Gains and Dividends

Under prior law, capital gains and dividend income were taxed at a minimum rate of 15-percent rate through 2008. For taxpayers in the 10- and 15-percent tax brackets, the tax rate was 5 percent through 2007 and zero in 2008. The Act extends the rates effective in 2008 through 2010.

Alternative Minimum Tax (AMT) Relief

Increase in AMT exemption levels-- The Act extends the AMT exemption levels through the end of 2006 at a higher level than in 2005. The new exemption levels for 2006 are \$62,550 for joint filers and \$42,500 for single filers.

AMT relief for non-refundable personal tax credits-- The tax code includes many non-refundable personal tax credits, such as the dependent care credit, the credit for the elderly and disabled, the credit for interest on certain home mortgages, the Hope Lifetime credit, and the Lifetime Learning credit, among others. Claiming these credits may push an individual into the AMT. The Act extends prior law which allowed most non-refundable personal credits to be claimed against the AMT.

Extension and Modification of Certain Provisions

Two-year extension of enhanced section 179 expensing for small business-- Under prior law, small businesses could expense (i.e., deduct in the first year) up to \$100,000 of investments in depreciable assets. The deduction phases out dollar-for-dollar to the extent the business' annual investments exceed \$400,000. Without action, the expensing limit would have declined to \$25,000 and the phase-out threshold would have declined to \$200,000 after 2007.

Subpart F-- Subpart F of the tax code imposed immediate taxation on foreign subsidiaries of U.S. companies, even if their income had not been brought to the United States. The Act extends an existing exception from Subpart F for active financing income for two years. It also provides a "CFC look-through" rule exception from Subpart F for cross-border payments of dividends, interest, rents, and royalties that are funded with active income that has not been repatriated. This "CFC look-through" rule is effective for taxable years beginning after Dec. 31, 2005 and before Jan. 1, 2009.

Other Provisions

Tax treatment of environmental cleanup funds-- Under prior law, income earned by certain environmental cleanup funds was taxable to the company that contributed to the fund. That was the case even though the taxpayer had permanently surrendered all control and dominion over the money in the fund. The Act treats environmental cleanup settlement funds as governmentally owned (i.e., not subject to tax) if certain standards and requirements are met. Eliminating the tax surcharge will encourage more companies to establish settlement funds devoted to environmental cleanup.

Simplification of active trade or business test-- The Act simplifies the application of the active trade or business test to certain corporate distributions. By applying this test on an affiliated group basis, the Act applies the same standard regardless of whether a business is owned by a holding company or owned directly. As a result, the Act allows corporations to avoid costly and inefficient internal restructurings prior to engaging in certain corporate distributions to their shareholders.

Enhancing veterans' access to affordable mortgages-- Certain States have a qualified veterans' mortgage bond program that allows the State to finance affordable mortgage for veterans. Under prior law, veterans were eligible for these mortgages only if they served prior to 1977 and applied for these mortgages within a 30-year eligibility period after they leave active service. The Act expands eligibility for the program in a number of States by repealing the requirement that veterans must have served before 1977 and reducing the eligibility period from 30 years to 25 years.

Tax treatment of self-created musical works-- The Act provides capital gains treatment for self-created musical works when these works are sold by the artist. Under prior law, such works were taxed as ordinary income.

Modification to the tonnage tax-- The tonnage tax is an alternative tax for U.S.-flagged vessels that participate in commercial foreign trade. Vessels weighing more than 10,000 deadweight tons may elect into the tonnage tax. The Act reduces the weight threshold to 6,000 deadweight tons.

Tax treatment of permanent university fund-- The Act codifies and extends the prior IRS exemption for a portion of the Permanent University Fund from the tax-exempt bond arbitrage rules. This codification preserves a statutory and regulatory exception that has been part of the law for more than 20 years. The Permanent University Fund is used to finance capacity-enhancing infrastructure at certain public universities.

Amortization for songwriters-- The Act allows taxpayers to elect to amortize the costs of creating or acquiring a musical composition over five years. This election could be made in lieu of the income forecast method for these advances.

Industrial development bonds-- Qualified small issue bonds are tax-exempt State and local bonds used to finance private business manufacturing facilities or the acquisition of land and equipment by certain farmers. The bonds are subject to limits on the amount of financing that may be provided. The Act accelerates the application of the increased \$20 million capital expenditure limitation from bonds issued after Sept. 30, 2009 to bonds issued after Dec. 31, 2006.

Loans to qualified continuing care facilities-- The Act reforms the tax treatment of loans to continuing care facilities.

Corporate Estimated Tax Provisions

The timing of certain corporate estimated tax installment payments has been changed. These changes are revenue-neutral over the 2006 to 2015 fiscal year budget period.

Revenue Offset Provisions

Application of earnings stripping rules to C Corporations which are partners-- The Act codifies proposed Treasury regulations attributing partnership interest income, interest expense and liabilities to corporate partners for purposes of applying the earning stripping rules.

Amend information reporting requirements to include interest on tax-exempt bonds-- The Act provides that interest paid on tax-exempt bonds is subject to information reporting in the same manner as interest paid on taxable obligations.

FIRPTA-- The Act modifies the scope of the application of the Foreign Investment in Real Property Tax Act of 1980 (FIRPTA) regime by targeting those qualified investment entities with significant interests in United States real property and modifies the application of FIRPTA for investors that own not more than 5 percent of certain qualified investment entities. The Act also modifies the ability of a foreign investor to avoid the FIRPTA regime by investing in a tiered qualified investment entity. In addition, the Act imposes a FIRPTA obligation on foreign investors that engage in sale and repurchase transactions in order to avoid capital gain distributions that would otherwise subject the foreign investor to FIRPTA withholding.

Limitation on certain corporate "cash rich" spin-off transactions-- The Act denies tax-free treatment to certain spin-offs where either the distributing corporation or the controlled corporation is a "disqualified investment corporation," defined as having investment assets that are two-thirds or more (75 percent or more under a first-year transition rule) of the value of the corporation's total assets.

Impose loan and redemption requirements on pooled financing bonds-- The Act imposes new requirements on pooled financing bonds as a condition of tax-exemption. First, the issuer must reasonably expect that at least 30 percent of the net proceeds of the pooled bonds will be lent to borrowers one year after the date of issue. Second, the Act imposes a 30 percent written loan requirement to restrict the issuance of pooled bonds where potential borrowers have not been identified. Third, the Act requires the redemption of outstanding bonds with proceeds that are not loaned to borrowers within the expected loan origination periods. Finally, the Act eliminates the rule allowing an issuer of pooled financing bonds to disregard the pooled bonds for purposes of determining whether the issuer qualified for the small issuer exception rebate. The written loan

commitment requirement does not apply to bonds issued by States (or an integral part of a State) to provide loans to subordinate government units or State entities created to provide financing for water-infrastructure projects through the EPA-sponsored State Revolving Fund Program.

Offers-in-compromise partial payments-- The Act requires that a taxpayer make a good faith down payment of 20 percent of any lump sum offer-in-compromise with an application for an offer. For periodic payment offers, the taxpayer is required to comply with their own payment schedule while the offer is being considered. The Act also provides that an offer is deemed accepted if the IRS does not make a decision with respect to the offer within two years from the date that the offer was submitted.

Taxation of passive income of minors-- Under prior law, minors under age 14 are taxed on their unearned income (i.e., passive income such as interest) at their parent's marginal tax rate. The Act increases the age of minors subject to this tax to those minors under age 18. The Act also provides an exception for distributions from certain qualified disability trusts.

Withholding on certain payments made by governmental entities-- The Act requires three-percent withholding on payments (including payments made in connection with a government voucher or certificate program, such as payments made under certain Department of Agriculture programs) for property and services made by the Federal government and by all State and local governments (other than local governments with less than \$100 million of annual expenditures) and their instrumentalities. The Act excludes a number of payment types from withholding, including payments related to certain public benefits programs. This provision applies to payments made after Dec. 31, 2010.

Conversion to Roth IRAs The Act allows more taxpayers to convert to Roth IRAs by removing the modified adjusted gross income limitations on rollovers from an IRA to a Roth IRA. Under the Act, taxpayers can elect to pay tax on amounts converted in 2010 in equal installments in 2011 and 2012.

Repeal FSC/ETI grandfather rules for certain binding contracts-- In compliance with a recent ruling of the World Trade Organization, the Act repeals the rules grandfathering certain binding contracts under the foreign sales corporation/extraterritorial income (FSC/ETI) regimes.

Domestic manufacturing deduction wage limitation-- The domestic manufacturing deduction for a taxable year is limited to 50 percent of the wages paid by the taxpayer during the calendar year that ends in such taxable year. The Act clarifies that only those wages allocable to domestic production gross receipts are included for purposes of this limitation.

Foreign earned income and employer-provided housing exclusion rules for U.S. citizens living abroad-- U.S. citizens living and working abroad may be eligible to exclude from their income for U.S. tax purposes certain foreign earned income and foreign employer-provided housing costs. The Act reforms the rules applicable to these citizens by (i) accelerating indexing of the \$80,000 foreign earned income exclusion cap, (ii) tying the employer-provided housing exclusion to the foreign earned exclusion cap and applying an objective standard in determining the amount of reasonable housing expenses, and (iii) applying a "stacking rule" to ensure that these citizens are subject to the same U.S. tax rates as individuals living and working in the U.S.

Involvement of accommodation parties in tax shelter transactions-- The Act subjects certain exempt entities to penalties for participating in prohibited tax shelter transactions as accommodation parties. A prohibited tax shelter transaction is generally any transaction that the Secretary of the Treasury determines is a listed transaction or a reportable transaction as defined under prior law.

H.R. 4337 (Mr. Jefferson with cosponsors); passed the House Nov. 16, 2005.

H.R. 4337, Gulf Opportunity Zone Public Finance Relief Act of 2005, was considered by unanimous consent and passed the House without objection on Nov. 16, 2005.

H.R. 4337 would allow a tax credit for investment in Gulf tax credit bonds. The bill defines a "Gulf tax credit bond" as any bond: (1) that is issued by Alabama, Louisiana, or Mississippi after Dec. 31, 2005, and before Jan. 1, 2007; (2) 95 percent of the proceeds of which would be used to refinance existing bonds or make loans to localities for such refinancing; and (3) the maturity of which would not exceed two years. The bill

would require states issuing Gulf tax credit bonds to pledge matching amounts equal to the face amount of such bonds.

The bill would limit the amount of eligible Gulf tax credit bonds to \$200 billion for Louisiana, \$100 billion for Mississippi, and \$50 billion for Alabama. The bill would provide for federal guarantees of up to \$3 billion of the bonds issued before Jan. 1, 2008, for the purpose of restoring lost revenue and funding infrastructure in areas affected by Hurricane Katrina. The bill would limit such guarantee to 50% of bond principal.

H.R. 4340 (Mr. Blunt with cosponsor); Public Law 109-169; app. Jan. 11, 2006.

H.R. 4340, United States-Bahrain Free Trade Agreement Implementation Act, was signed into law on Jan. 11, 2006. On Nov. 3, 2005, the Committee on Ways and Means informally approved draft legislation to implement the United States-Bahrain Free Trade Agreement, by a vote of 23-0. The Committee conducted the informal markup in order to provide advice to the Administration on the implementing bill and the State of Administrative Action. On Nov. 18, 2005 the Committee ordered favorably reported H.R. 4340 by voice vote. The President formally transmitted legislation to Congress on Nov. 17, 2005. Under Trade Promotion Authority (P.L. 107-210) procedures, once the Administration has formally transmitted a free trade agreement implementing bill and Statement of Administrative Action, these documents may not be amended. The bill was reported to the House on Dec. 6, 2005 (H.Rept. 109-318). The bill passed the House on Dec. 7, 2005, by a vote of 327-95. The Senate passed the bill, without amendment, by unanimous consent, on Dec. 13, 2005. H.R. 4340 was signed into law by the President on Jan. 11, 2005 as P.L. 109-169. A summary of the Act follows.

Title I provides general congressional approval of the Agreement and procedures for the President to follow in order to execute his authority to implement the Agreement, such as consultation with Congress, layover, and advice from advisory committees.

Title II provides authority for the President to proclaim tariff modifications to carry out the Agreement and sets out the rules of origin for goods to qualify for preferential treatment. In particular, the Agreement requires a "yarn forward" rule of origin for most textile and apparel goods.

The Act provides enforcement authority to prevent circumvention of textile and apparel requirements.

Title III provides a temporary mechanism to impose import relief when increased quantities of Bahraini imports are a substantial cause of serious injury or threat of serious injury to the domestic industry. Another provision provides a special safeguard relief procedure for textile and apparel imports.

With respect to the procurement obligations in the Agreement, Title IV amends the term "eligible product" in section 308(4)(A) of the Trade Agreements Act of 1979 (P.L. 96-39) to provide that, for a party to a free trade agreement that entered into force for the United States after Dec. 31, 2005, and prior to July 2, 2006, an "eligible product" means "a product or service of that country or instrumentality which is covered under the free trade agreement for procurement by the United States." This amended definition, coupled with the President's exercise of his authority under section 301(a) of the Trade Agreement Act, allows procurement of products and services of Bahrain assuming that the Agreement enters into force during the specified time period.

H.R. 4388 (Mr. Thomas with cosponsor); passed the House Dec. 7, 2005.

H.R. 4388, Tax Revision Act of 2005, passed the House, under suspension of the rules, by a vote of 423-0, on Dec. 7, 2005. H.R. 4388 would extend most of the tax provisions that are scheduled to expire this year or in the near future.

Treating Combat Pay as Earned Income under the Earned Income Credit

Under current law, combat pay is ignored for purposes of calculating the Earned Income Credit (EIC). Ignoring combat pay can reduce the EIC in some cases. A special rule gives military personnel the option to include combat pay in the EIC calculation. H.R. 4388 would extend this special rule by one year.

Transfer of Rum Excise Taxes to Puerto Rico and the Virgin Islands

Under current law, distilled spirits are subject to an excise tax equal to \$13.50 per-proof-gallon. Of the total amount collected on imported rum, \$13.25 per-proof-gallon is transferred to Puerto Rico and the Virgin Islands. H.R. 4388 would extend the authority to transfer this amount by one year.

Authority for IRS Undercover Operations

Under current law, the IRS has the authority to use income earned by an undercover operation to pay additional expenses incurred in the undercover operation. This authority would be extended by one year.

Authority for the IRS to Disclose Certain Tax Information

Under current law, the IRS may share certain tax information with certain other Federal and/or State authorities in order to: (1) facilitate combined employment tax reporting, (2) investigate terrorist activities, and (3) facilitate the repayment of student loans that are contingent on income. H.R. 4388 would extend this authority by one year.

Allow U.S. Businesses with Branches in Puerto Rico to Claim the Manufacturing Deduction

H.R. 4388 would allow U.S. Businesses operating as branches in Puerto Rico to claim the domestic manufacturing deduction in 2006. The provision would encourage retention of manufacturing and jobs in Puerto Rico by ensuring fair U.S. taxation of these branches. The bill would extend the deduction for one year.

H.R. 4437 (Mr. Sensenbrenner with cosponsors); passed the House Dec. 16, 2005.

H.R. 4437, Border Protection, Antiterrorism, and Illegal Immigration Control Act of 2005, was reported, amended, by the Committee on Judiciary on Dec. 13, 2005 (H.Rept. 109-345, pt. 1). The bill was referred jointly and sequentially to the Committees on Ways and Means, Homeland Security, and Education and the Workforce on Dec. 13, 2005. The Committees on Ways and Means, Homeland Security, and Education and the Workforce were discharged on Dec. 14, 2005. The bill passed the House, amended, on Dec. 16, 2005. A summary of the provisions within the jurisdiction of the Committee on Ways and Means follows.

Title VII of the bill includes provisions relating to the Employment Eligibility Verification Program. The provisions include language that would make permanent and expand the program which is managed by the Department of Homeland Security with information provided by the Social Security Administration. The bill would provide that no funds would be removed from the OASDI trust funds to pay for the program.

In addition, the bill contains provisions concerning trade issues. The bill would require reports and analyses covering trade and revenue functions at borders. New requirements would be set for inspectors and would require that they retain customs revenue expertise. Requirements related to the involvement of U.S. exporters and importers in setting policy recommendations would be established.

H.R. 4440 (Mr. McCrery with cosponsors); Public Law 109-135; app. Dec. 22, 2005.

H.R. 4440, Gulf Opportunity Zone Act of 2005, passed the House, under suspension of the rules, by a vote of 415-4, on Dec. 7, 2005. On Dec. 16, 2005, the bill passed the Senate, with an amendment in the nature of a substitute, by unanimous consent. The House agreed to the Senate amendment without objection on Dec. 16, 2005. H.R. 4440 was signed into law by the President on Dec. 22, 2005, as P.L. 109-135.

TITLE I: GULF OPPORTUNITY ZONE TAX INCENTIVES

The Act creates a "Gulf Opportunity (GO) Zone" (the "Zone") comprised of the counties and parishes in Louisiana, Mississippi and Alabama that were designated as warranting individual or public and individual assistance by reason of Hurricane Katrina. The Act creates tax incentives to help revitalize and rebuild communities in the Zone.

Housing

Increase incentives to rebuild housing-- The provision would expand the allocation and size of the low-income housing tax credit in the Zone. The bill would provide an emergency allocation of low-income housing tax credits in 2006, 2007 and 2008. The emergency allocation is \$18.00 multiplied by each State's population in the Zone (based on 2004 Census estimates). The increase allocation must be used to build housing in the Zone and could not be carried forward from year to year. In addition, a further allocation of low-income housing tax credits in the amount of \$3.5 million is provided to both Texas and Florida in 2006.

The Act increases the size of the credit from 100 percent of qualifying project costs to 130 percent of such costs by designating the GO Zone, Rita Zone and Wilma Zone each as a "Difficult Development Area" in 2006, 2007 and 2008. The increased credit also applies to historic buildings.

Increase the rehabilitation tax credit to help restore commercial buildings-- The Act increases the credit from 10 percent of qualified expenditures to 13 percent for qualified rehabilitated buildings in the Zone. The credit would be increased from 20 percent to 26 percent for certified historic structures. This provision would apply to qualifying expenses incurred through Dec. 31, 2008.

Employer-provided housing incentives-- For a six-month period, the Act provides employers with a 30-percent tax credit for the cost of employer-provided housing (up to \$600 per month) for employees located in the Zone. In addition, up to \$600 per month of such cost is excluded from the employee's income.

Expands the availability of below-market mortgages in the disaster areas-- Under prior law, state and local governments may issue mortgage revenue bonds (MRBs) to finance low-interest rate mortgages for first-time homebuyers who meet certain income and purchase price limits. The Act waives the first-time homebuyer requirement so that individuals whose homes were rendered uninhabitable by Hurricane Katrina, Rita or Wilma can qualify for these low-interest rate mortgages through 2010. In addition, the Act provides that up to \$150,000 of the loan proceeds may be used to repair damaged homes. To be eligible, the new home must be located in one of the declared disaster areas.

Investment and Rebuilding in the Gulf Opportunity Zone

50-percent bonus depreciation to help businesses rebuild in the Zone-- The Act permits businesses to claim an additional first-year depreciation deduction equal to 50 percent of the cost of new property investments made in the Zone. The additional deduction applies to purchased computer software, leasehold improvements, certain commercial and residential real estate expenditures and equipment. All depreciation deductions (including bonus depreciation) are exempt from the AMT. The Act applies to property placed in service through Dec. 31, 2007 (Dec. 31, 2008 for real property). The Act also authorizes the Secretary of the Treasury to grant taxpayers affected by Hurricane Katrina, Hurricane Rita or Hurricane Wilma an extension of time up to one year to place assets in service in the Zone in order to qualify for the bonus depreciation provided by the Jobs and Growth Tax Relief Act of 2003.

Enhanced section 179 expensing to assist small businesses-- Prior law permitted eligible small businesses to expense up to \$100,000 of qualifying investments. Eligible small businesses are defined as those with less than \$400,000 of annual investments. The Act doubles the amount that may be expensed under section 179 (from \$100,000 to \$200,000) for investments made in the Zone. It also increases the phase-out floor from \$400,000 of annual investments to \$1 million. The higher phase-out ensures that section 179 expensing remains available to small businesses even if they have extraordinary investments in one year due to rebuilding after the hurricane. The provision expires after Dec. 31, 2007.

Net Operating Loss (NOL) carryback-- The Act extends the NOL carryback period from two to five years for losses attributable to (i) new investment and repairing existing investment in the areas damaged by Hurricane Katrina; (ii) business casualty losses caused by Hurricane Katrina; and (iii) moving expenses and temporary housing expenses for employees working in areas damaged by Hurricane Katrina. An additional rule permits taxpayers with casualty losses associated with public utility property caused by Hurricane Katrina to elect to either (i) carryback a net operating loss attributable to certain casualty losses 10 years; or (ii) treat certain casualty losses as having occurred five years prior to the disaster.

NOTE: The GO Zone bonus depreciation, section 179 expensing and extended NOL carryback with respect to certain casualty losses and depreciation expenses will not be extended to certain types of businesses or investments: private or commercial golf courses, country clubs, massage parlors, hot tub facilities; liquor stores gambling or animal racing property. Gambling or animal racing property is defined as (i) any equipment, furniture, software or other property used directly in connection with gambling, the racing of animals or the on-site viewing of such racing, and (ii) the portion of real property (determined by square footage) dedicated to such activities.

Speeds rebuilding efforts by temporarily reducing demolition and cleanup costs-- The Act permits businesses to expense 50 percent of cleanup and demolition costs in the Zone. In addition, brownfield expensing is extended and expanded to include brownfield sites in the Zone that are contaminated by petroleum products. Both incentives expire after Dec. 31, 2007.

Incentives and relief for small timber owners-- The Act allows small timber owners of reforestation to expense \$20,000 of reforestation costs incurred from Aug. 27, 2005 through 2006. In addition, small timber owners can elect a five-year carryback of net operating losses occurred after Aug. 27, 2005 and before 2007. These incentives are also available to eligible counties and parishes affected by Hurricane Rita and Hurricane Wilma.

Expands and extends the Employee Retention Tax Credit-- Employers located in a disaster area that are eligible for individual and public assistance under the Stafford Act may claim a tax credit through the end of the 2005 calendar year if they retain an eligible employee on their payroll. The tax credit equals 40 percent of the first \$6,000 of wages paid to the employee prior to Jan. 1, 2006. The credit is available to employers whose businesses are inoperable as a result of damage sustained by Hurricane Katrina, Hurricane Rita or Hurricane Wilma. The credit is not affected if the employee reports to work at another location while the business is inoperable.

Hope Scholarship and Lifetime Learning Credit-- The provision doubles the Hope Credit dollar amounts so the maximum credit would be \$3,000 and doubles the Lifetime Learning Credit percentage from 20 percent to 40 percent, for a maximum Lifetime Learning Credit of \$4,000. Room and board would also be considered qualified expenses.

New markets tax credit-- The Act provides \$1 billion from 2005 through 2007 in New Markets Tax Credit authority to investments in Community Development Entities with recovery and redevelopment of the Zone as a significant mission.

Bonding Authority

Additional tax-exempt bond authority to help rebuild devastated infrastructure in the GO Zone-- The Act provides Louisiana, Mississippi and Alabama the authority to issue a special class of private activity bonds, called GO Zone Bonds, outside of the state volume caps. Bond authority is approximately \$7.9 billion for Louisiana, \$4.8 billion for Mississippi and \$2.1 billion for Alabama. These amounts are based on each State's population in the Zone, according to 2004 U.S. Census estimates.

GO Zone Bonds can be issued by States and municipalities. Bond proceeds can be used to pay for acquisition, construction, and renovation of nonresidential real property, qualified low-income residential rental housing, single-family residential housing, and public utility property located in the Zone. The prior low-income housing targeting rules are relaxed so that more bond proceeds could be used to rebuild housing in the Zone. Up to \$150,000 of GO Zone mortgage revenue bonds can be used to repair homes. In addition, the first-time homebuyer rule is waived. Interest payments on the bonds are not subject to the AMT. The authority to issue GO Zone Bonds expires after Dec. 31, 2010.

States and municipalities to reduce costs by restructuring outstanding debt-- The Act provides States and municipalities in the Zone with one additional advance refunding before Jan. 1, 2011. The additional authorization is up to \$4.5 billion for Louisiana, \$2.25 billion for Mississippi and \$1.125 billion for Alabama. Advance refunding would allow the bond issuer to restructure eligible debt by refinancing at a lower rate or spreading interest payments over a longer period of time.

Gulf Tax Credit Debt Service Bonds-- The Act authorizes GO Zone States to issue debt service tax credit bonds to help devastated communities meet their debt service requirements as a result of the hurricanes.

Bonds must mature no more than two years after issuance and must be issued before Jan. 1, 2007.

Gulf Coast Recovery Bonds-- The Act expresses the sense of Congress that one or more series of savings bonds should be designated as "Gulf Coast Recovery Bonds."

The GO Zone restoration tax incentives is not extended to the following types of businesses or investments: private or commercial golf courses, country clubs, massage parlors, hot tub facilities, suntan facilities, racetracks or other gambling facilities and liquor stores.

TITLE II: INDIVIDUAL TAX RELIEF RELATED TO HURRICANES RITA AND WILMA

The Katrina Emergency Tax Relief Act of 2005 (P.L. 109-73) provided charitable giving incentives and tax relief for families affected by Hurricane Katrina. The following provisions from P.L. 109-73 are extended to families affected by Hurricanes Rita and Wilma in areas designated for individual or individual and public assistance.

-- The Act waives the 10-percent penalty for early distributions from pensions and IRAs if the taxpayer suffer an economic loss by reason of Hurricane Rita or Hurricane Wilma. The income tax can be paid over three years. Amounts repaid to the pension or IRA within a certain amount of time are not be subject to income tax.

-- The Act allows corporations to claim a charitable deduction for cash contributions related to Hurricanes Rita or Wilma without regard to the 10-percent of taxable income cap.

-- The Act allows full deductibility for individual casualty losses occurring in the Rita or Wilma Zones by eliminating the \$100 and 20 percent of adjusted gross income thresholds for losses related to the hurricane.

-- The Act authorizes the Secretary of the Treasury to adjust rules so that individuals displaced by the hurricanes do not lose tax benefits - such as the Earned Income Credit and the child credit - because of a change in their eligibility status due to a prolonged dislocation.

TITLE III: OTHER PROVISIONS

Treating combat pay as earned income under the Earned Income Credit (EIC)-- Under prior law, combat pay was ignored for purposes of calculating the EIC. Ignoring combat pay can reduce the EIC in some cases. A special rule gives military personnel the option to include combat pay in the EIC calculation.

Authority for IRS undercover operations-- Under prior law, the IRS has the authority to use income earned by an undercover operation to pay additional expenses incurred in the undercover operation. This authority is extended by one year.

Authority for IRS to disclose certain tax information-- Under prior law, the IRS may share certain tax information with certain other Federal and/or State authorities in order to: (1) facilitate combined employment tax reporting, (2) investigate terrorist activities, and (3) facilitate the repayment of student loans that are contingent on income. This disclosure authority is extended by one year.

Elimination of interest suspension-- The requirement that the IRS suspend interest on tax deficiencies determined more than 18 months after the due date of the return is eliminated with respect to certain tax shelters, subject to exceptions for (i) taxpayers participating in the IRS global tax shelter settlement initiative, (ii) taxpayers acting with reasonable cause and good faith, and (iii) certain closed transactions. The provision also eliminates interest suspension on certain amended returns.

TITLE IV: TECHNICAL AND OTHER CORECTIONS

The Act includes technical and other corrections with respect to the American Jobs Creation Act of 2004, CAFTA and other legislation.

H.R. 4472 (Mr. Sensenbrenner with cosponsors); passed the House Mar. 8, 2006.

H.R. 4472, Children's Safety and Violent Crime Reduction Act of 2005, passed the House, amended, under suspension of the rules by voice vote, on Mar. 8, 2005. The Senate passed the bill with amendments on July 20, 2006. The House agreed to the Senate amendments under suspension of the rules on July 25, 2006. H.R. 4472 was signed into law by the President on July 27, 2006, as P.L. 109-248.

A summary of the provisions in the Act under the jurisdiction of the Committee on Ways and Means follows.

The Act requires States to conduct safety checks of would-be foster and adoptive homes regardless of whether they receive federal assistance. States are required to check child abuse registries for potential foster and adoptive parents. In addition, effective two years from now, the Act eliminates the ability of States to opt-out of Federal background check requirements restricting federal support for children placed with foster or adoptive parents with serious criminal histories.

H.R. 4579 (Mr. Boehner); Public Law 109-151; app. Dec. 30, 2005.

H.R. 4579, mental health benefits parity extension, was introduced on Dec. 16, 2005. The bill passed the House, under suspension of the rules, by voice vote. On Dec. 2, 2005, the Senate passed H.R. 4579, without amendment, by unanimous consent. H.R. 4579 was signed into law by the President on Dec. 30, 2005, as P.L. 109-151.

The Act amends the Employee Retirement Income Security Act of 1974, the Public Health Service Act, and the Internal Revenue Code to extend through 2006 mental health parity provisions. These provisions require group health plans to treat equally mental health benefits and medical health benefits and medical and surgical benefits for purposes of lifetime limits or annual limits on benefits covered by the plan.

H.R. 4635 (Mr. Herger); Public Law 109-161; app. Dec. 30, 2005.

H.R. 4635, TANF and Child Care Continuation Act of 2005, was introduced on Dec. 18, 2005. The bill passed the House, without objection on Dec. 19, 2005. On Dec. 22, 2005, the Senate passed the measure, without amendment, by unanimous consent. H.R. 4635 was signed into law by the President on Dec. 30, 2005, as P.L. 109-161.

The Act extends through Mar. 31, 2006, the Temporary Assistance for Needy Families (TANF) program, which was authorized through Dec. 31, 2005. The extension continues TANF grants to States, territories, and Indian tribes, supplemental grants paid to certain States, as well as other related provisions. It also extends funding for mandatory child care.

H.R. 4944 (Mr. Shaw); passed the House Mar. 15, 2006.

H.R. 4944, Miscellaneous Trade and Technical Corrections Act of 2006, passed the House, under suspension of the rules, by a vote of 412-2, on Mar. 15, 2006.

H.R. 4944 would amend the Harmonized Tariff Schedule (HTS) of the United States to modify certain rates of duty, to make technical amendments to trade laws, and for other purposes. For inclusion in the bill, a provision must have been vetted, raised no objection, and be administrable.

The bill would suspend or reduce the tariff rate on over 570 selected products. This reduction of tariff rates would allow these products, many of which are niche chemicals and not available in the United States, to enter without being charged duty.

The bill would clamp down on illegal cigarette imports by clarifying that the current personal-use exemption does not apply to imports sold through mail or Internet and would increase coordination between U.S. Customs and states enforcement officials.

Occasional errors occur when the government assesses duties against importers. Such errors are routinely corrected through "reliquidations" of the entry. The bill would correct errors made for certain past entries.

H.R. 4954 (Mr. Lungren with cosponsors); Public Law 109-347; app. Oct. 13, 2006.

H.R. 4954, SAFE Port Act, was reported, amended, by the Committee on Homeland Security on Apr. 28, 2006 (H.Rept. 109-447, pt. 1). The bill passed the House by a vote of 421 - 2 on May 4, 2006. The Senate passed H.R. 4954 with an amendment by a vote of 98-0 on Sept. 14, 2006. On Sept. 28, 2006, the Speaker appointed conferees from the Committee on Ways and Means for consideration of sections 102, 121, 201, 203 and 301 of the House bill, and sections 201, 203, 304, 401-404, 407 and 1105 of the Senate amendment, and modifications committed to conference: Thomas, Shaw, and Rangel. The conference report was

filed in the House on Sept. 29, 2006 (H.Rept. 109-711). On Sept. 30, 2006, the conference report was agreed to in the House by a vote of 409-2. The conference report was agreed to in the Senate on Sept. 30, 2006, by unanimous consent. H.R. 4954 was signed into law by the President on Oct. 13, 2006 as P.L. 109-347.

The SAFE Port Act, includes trade and customs revenue provisions, as well as, provisions that: establish protocols for resuming international trade; require changes to government international trade data systems; authorize the Department of Homeland Security (DHS) to lessen requirements for continuous entry bonds to secure customs duties and the scoring of imports for inspection for customs duties, establish new confidentiality and advance filing requirements for trade import data; and impose new U.S. requirements and calls on the Secretary of Homeland Security to establish international standards regarding imports shipped in containers. The Act requires all containers entering high volume U.S. ports by vessel to be scanned for radiation. The Act requires the resignation of a senior official in DHS to coordinate and report to Congress on DHS trade and customs revenue functions. The Act establishes a Director of Trade Policy in DHS to advise on all aspects of DHS policies relating to trade and customs revenue functions.

H.R. 5403 (Mr. DeLay with cosponsors); Public Law 109-239; app. July 3, 2006.

H.R. 5403, Safe and Timely Interstate Placement of Foster Children Act of 2006, passed the House, under suspension of the rules, by voice vote on May 24, 2006. The Senate passed the bill, without amendment, by unanimous consent, on June 23, 2006. H.R. 5403 was signed into law by the President on July 3, 2006 as P.L. 109-239.

The Act establishes a 60 day Federal deadline for completing interstate home studies. However, through Sept. 30, 2008, States could have 75 days if, among other things, they document circumstances beyond their control that prevented the home study from being completed in 60 days. Incentive payments of \$1,500 is authorized for each interstate home study that a State completes in 30 days which would be required to facilitate the placement of a foster care child with a relative or for adoption. The Act authorizes a total of up to \$10 million per year nationwide for these incentive payments.

The Act encourages, for children who will not be reunified with their parents, identification and consideration of in-state and out-of-state placement options as part of prior required permanency planning activities. The Act requires courts to notify any foster parents, pre-adoptive parents, and relative care givers of a child in foster care of any court proceeding to be held concerning the child and strengthen the right of these individuals to be heard at permanency planning proceedings. The Act also requires States to give children aging out of foster care a free copy of their health and education record.

H.R. 5602 (Mr. Ramstad with cosponsors); failed passage Nov. 13, 2006.

H.R. 5602, to authorize the extension of nondiscriminatory treatment (normal trade relations treatment) to the products of Vietnam, failed passage in the House, under suspension of the rules, by a vote of 228 yeas, 161 nays, on Nov. 13, 2006. However, the provisions were included in H.R. 6406 which passed the House and was engrossed in the House amendment to the Senate amendment to H.R. 6111, which was signed into law as P.L. 109-432.

H.R. 5602 would authorize the President to extend nondiscriminatory treatment (normal trade relations treatment) to the products of Vietnam.

H.R. 5638 (Mr. Thomas with cosponsors); passed the House June 22, 2006.

H.R. 5638, Permanent Estate Tax Relief Act of 2006, passed the House by a vote of 269-156 on June 26, 2006.

The estate tax relief provided in the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) will end in 2010. H.R. 5638 would provide permanent estate and gift tax relief. The bill would reunify the estate, gift and generation-skipping transfer taxes. The exemption amount would increase to \$5 million per person (indexed for inflation) effective Jan. 1, 2010. The rate of tax on estates, up to \$25 million, to the capital gains tax rate (currently 15 percent, set to increase to 20 percent

in 2011 unless extended) would be reduced. The bill would reduce the rate of tax on estates of \$25 million or more to twice the capital gains rate (currently 30 percent, set to increase to 40 percent in 2011). The bill would simplify estate tax planning by allowing married couples to take full advantage of the \$5 million exemption (indexed for inflation) by carrying over any unused exemption to the surviving spouse. The bill would maintain "stepped-up" basis for property acquired from a decedent by repealing the modified carryover basis rules under EGTRRA that will go into effect in 2010.

A tax provision within the bill would create a new 60 percent deduction for qualified timber capital gains. The deduction would alleviate the disparate tax treatment of timber gains under current law to taxpayers who do not itemize. The provision would be effective for qualifying gains recognized from the date of enactment through calendar year 2008.

H.R. 5640 (Mr. Herger with cosponsor); reported to the House July 12, 2006.

H.R. 5640, Child and Family Services Improvement Act of 2006, was ordered reported, amended on June 29, 2006, by voice vote. The bill was reported, amended, July 12, 2006 (H.Rept. 109-555). On July 25, 2006, the House passed S. 3525, with an amendment, text of H.R. 5640.

The legislation would reauthorize the Promoting Safe and Stable Families (PSSF) program through fiscal year (FY 2011) at \$345 million per year in mandatory funding -- a level which reflects a \$40 million per year increase included in the Deficit Reduction Act of 2005 (P.L. 109-171) -- and \$200 million per year in discretionary funding. The \$40 million per year in additional funding would be provided to States that have implemented policies that ensure at least 90 percent of children in foster care are visited by a caseworker on at least a monthly basis, or that States are making consistent progress toward that goal. The funds may be used to support activities with a primary emphasis on caseworker retention, recruitment, training, and access to technology. H.R. 5640 would increase the set-aside for Indian tribes to 3 percent for both mandatory and discretionary funding streams, and would permit tribal consortia to apply for funds from the PSSF program.

Other provisions included in H.R. 5640 would make improvements to the Child Welfare Services (CWS) Program, currently authorized at \$325 million per year. H.R. 5640 would authorize CWS through FY 2011, would institute a 10 percent limit on administrative expenditures, and would ensure CWS funds are focused towards child abuse and neglect prevention activities.

The legislation also would reauthorize the Court Improvement Program through 2011 at the current \$10 million level for general Court Improvement Program activities provided from PSSF funds, and would reauthorize the Mentoring of Children of Prisoners program through FY 2011 at such sums as may be necessary.

Additionally, the legislation would require the Secretary of Health and Human Services to submit biennial reports to the House Committee on Ways and Means and the Senate Committee on Finance regarding how States spend their PSSF and CWS program funds.

H.R. 5684 (Mr. Boehner with cosponsor); Public Law 109-283; app. Sept. 26, 2006.

H.R. 5684, United States-Oman Free Trade Agreement Implementation Act, passed the House on July 20, 2006 by a vote of 221-205. The Senate agreed to the measure, without amendment by a vote of 62-32, on Sept. 19, 2006. H.R. 5684 was signed into law by the President on Sept. 26, 2006, as P.L. 109-283. On May 10, 2006, the Committee on Ways and Means informally approved draft legislation to implement the United States-Oman Free Trade Agreement, by a vote of 23-11, without amendment. The Committee conducted the informal markup in order to provide advice to the Administration on the implementing bill and the Statement of Administrative Action. Once the Administration formally transmits these documents, they may not be amended under Trade Promotion Authority (P.L. 107-210, Division B) procedures.

Title I of the measure provides the general congressional approval of the Agreement and procedures for the President to follow in order to execute his authority to implement the Agreement, such as consultation with Congress, layover, and advice from advisory committees. Title II provides authority for the President to proclaim tariff modifications to carry out the Agreement and sets out the rules of origin for goods to qualify for preferential treatment. In particular, the Agreement does require a "yarn forward" rule of origin for most textile and apparel goods.

The Act provides enforcement authority to prevent circumvention of textile and apparel requirements. Title III provides a temporary mechanism to impose import relief when increased quantities of Omani imports are a substantial cause of serious injury or threat of serious injury to the domestic industry. Another provision provides a special safeguard relief procedure for textile and apparel imports.

H.R. 5865 (Mr. Thomas); Public Law 109-250; app. July 27, 2006.

H.R. 5865, Returned Americans Protection Act, passed the House, under suspension of the rules, by voice vote on July 25, 2006. The Senate passed H.R. 5865, with an amendment by unanimous consent, on July 26, 2006. The House agreed to the Senate amendment without objection on July 26, 2006. H.R. 5865 was signed into law by the President on July 27, 2006, as P.L. 109-250.

The Act amends Title 11 of the Social Security Act to temporarily (through the end of FY 2006) lift the prior \$1 million cap on the "Assistance for U.S. Citizens Returned from Foreign Countries" repatriation program to help meet the need for temporary assistance of U.S. citizens returning to the U.S. due to the current situation in Lebanon. The U.S. Department of Health and Human Services Inspector General is required to report to Congress on how program funds are spent for this purpose. The underlying program is continued through the end of FY 2007, ensuring a full year for the costs associated with the current repatriation from Lebanon.

H.R. 5877 (Ms. Ros-Lehtinen with cosponsors); P.L. 109-267; app. Aug. 4, 2006.

H.R. 5877, to amend the Iran and Libya Sanctions Act of 1996 to extend the authorities provided in such Act until Sept. 29, 2006, passed the House, under suspension of the rules, by voice vote on July 26, 2006. The bill was agreed to in the Senate without amendment by unanimous consent on July 31, 2006. H.R. 5877 was signed into law by the President on Aug. 4, 2006, as P.L. 109-267.

The Act amends the Iran and Libya Sanctions Act of 1996 to extend the authorities provided in such Act until Sept. 29, 2006.

H.R. 5970 (Mr. Thomas with cosponsors); passed the House July 29, 2006.

H.R. 5970, Estate Tax and Extension of Tax Relief Act of 2006, was introduced on July 28, 2006, and passed the House on July 29, 2006, by a vote of 230-180.

The Estate Tax and Extension of Tax Relief Act of 2006 would provide permanent estate and gift tax relief, extension of certain tax relief provisions through 2007, other tax relief provisions and an increase in the Federal minimum wage.

PERMANENT ESTATE AND GIFT TAX RELIEF

H.R. 5970 would provide permanent estate and gift tax relief. Under current law, the estate tax relief provided in the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) will end in 2010. Unless Congress acts, in 2011 the estate tax exemption will drop to \$1 million per person and the maximum estate tax rate will increase to 55 percent.

Unified estate, gift and generation-skipping transfer tax-- The provision would reunify the estate, gift and generation skipping transfer taxes -- giving individuals greater flexibility to make estate planning decisions during life. A non-unified estate and gift tax would provide less favorable tax treatment for gifts made during lifetime than gifts made (through a will) at death.

Increased estate and gift tax exemption-- The provision would phase-in an increased exemption amount to \$5 million per person (indexed for inflation). The \$5 million per person exemption amount would be fully phased-in effective Jan. 1, 2015.

Lower estate and gift tax rates-- The provision would reduce the tax rate on amounts up to \$25 million (indexed for inflation) to the capital gains tax rate (currently 15 percent, set to increase to 20 percent in 2011 unless extended). The provision also would phase-in a reduced tax rate

on amounts in excess of \$25 million (indexed for inflation) to 30 percent. The 30 percent tax rate would be fully phased-in effective Jan. 1, 2015.

Portable spousal estate and gift tax exclusin amount-- The provision would simplify estate tax planning by allowing married couples to take full advantage of the \$5 million per person exemption amount (indexed for inflation) by carrying over any unused exemption to the surviving spouse, subject to the phase-in of the exemption amount.

Guarantees "stepped-up" basis-- The provision would maintain "stepped-up" basis for property acquired from a decedent by repealing the modified carryover basis rules under EGTRRA that would have gone into effect in 2010.

EXTENSION AND MODIFICATION OF CERTAIN PROVISIONS

H.R. 5970 would extend through 2007, and in certain circumstances modify, provisions which either expired at the end of 2005 or will expire at the end of 2006.

Above-the-line deduction for higher education expenses-- The provision would allow taxpayers to deduct up to \$4,000 (depending on their income) of higher education expenses in lieu of claiming the Hope or Lifetime Learning tax credits. The deduction could be claimed by all individual taxpayers regardless of whether they itemize their deductions. The provisions would be extended for two years through 2007.

Extension and modification of the New Markets Tax Credit (NMTC)-- The NMTC provides a tax credit to taxpayers who invest in businesses which are located in qualified low-income neighborhoods. The provision would extend the NMTC for one year. The provision would also require that the Secretary prescribe regulations to ensure that non-metropolitan counties receive a proportional allocation of qualified equity investments.

State and local sales tax deduction-- The provisions would create parity among States by allowing all taxpayers the option to deduct their State and local sales taxes in lieu of their State and local income taxes. The provision would be extended for two years through 2007.

Extension and modification of the Research and Development (R&D) tax credit-- The provision would extend the R&D tax credit for two years through 2007. In addition to the extension, effective Jan. 1, 2007, the provision would increase the value of the alternative incremental credit and would add a new alternative simplified credit.

Work Opportunity Tax Credit (WOTC)-- Employers may claim the WOTC if they hire individuals from groups that are considered to face barriers to employment. The maximum credit is \$2,400 and may be claimed during the individual's first year of employment. The provisions would extend the current WOTC without modification through 2006. Beginning in 2007, the provision would combine the WOTC with the Welfare-to-Work (WTW) credit and would extend the combined provision through 2007. Key modifications of the combined credit would include expanded eligibility for WOTC (raised age ceiling for food stamp recipients from 25 to 40), revised eligibility requirements for ex-felons (without regard to family income) and a modification of the filing deadline for WOTC claimants from 21 to 28 days.

Welfare-to-Work (WTW) tax credit-- Employers may claim the WTW tax credit if they hire individuals who have received public assistance for an extended period of time. The maximum credit is \$3,500 during the employee's first year of employment and \$5,000 during the second year. The provision would extend the WTW credit through 2007 and would combine it with the WOTC credit after 2006.

Treating combat pay as earned income under the earned income credit-- The provision would provide that military personnel have the option of including combat pay in the earned income credit calculation. The provisions would be extended for one year through 2007.

Authority to issue Qualified Zone Academy Bonds (QZABs) for school modernization-- QZABs are tax credit bonds which are issued by States and local governments to help repair schools, purchase school equipment and train teachers in economically distressed areas. The provision would be extended for two years through 2007. The provision would also impose a new requirement that the issuer reasonably expects to and actually spend 95 percent of the proceeds from the sale of QZABs on QZAB property within five years of the date of issuance. The provisions also contains new arbitrage rebate and information reporting requirements.

Above-the-Line deduction for teacher classroom expenses-- The bill would allow teachers to deduct up to \$250 of out-of-pocket costs incurred to purchase books, supplies and other classroom equipment. The de-

duction would be available to all individual taxpayers regardless of whether they itemize their deductions. The provision would be extended for two years through 2007.

Brownfields expensing-- Taxpayers may expense costs incurred in cleaning up certain contaminated sites. The deduction could be claimed against regular tax and alternative minimum tax (AMT). The bill would also expand the definition of an eligible contaminated site to include sites contaminated by petroleum products.

Tax incentives to revitalize the District of Columbia-- Certain economically distressed areas in the District of Columbia are designated as the "D.C. Enterprise Zone." To help encourage development, certain tax benefits are available to eligible businesses in the D.C. Enterprise Zone, such as zero capital gain rates. In addition, first-time homebuyers in D.C. may claim a tax credit of up to \$5,000 on the purchase price of the home. The provision would be extended for two years through 2007.

Tax incentives for business activity on Indian Reservations-- Employers receive a 20-percent tax credit on the first \$20,000 of wages and employee health insurance costs paid to individuals who live on or near Indian reservations to the extent these costs exceed the employer's costs in the baseline year of 1993. The provisions would be extended for two years through 2007. Businesses located on Indian reservations benefit from accelerated depreciation schedules for property that is primarily used to conduct business on the reservation. The provisions would be extended for two years through 2007.

Fifteen-year depreciation for leasehold improvements-- The cost of leasehold improvements is generally depreciated over 39 years. The provisions would reduce the depreciation period for leasehold improvement from 39 years to 15 years. The provision would be extended for two years through 2007.

Fifteen-year depreciation for restaurant improvements and new restaurant properties-- The cost of nonresidential real property is generally depreciated over 39 years. The provision would extend a reduced 15-year depreciation period for restaurant improvements to existing restaurant properties through 2007, and would expand the provision to include new restaurant properties placed in service after the date of enactment.

Transfer of rum excise taxes to Puerto Rico and the Virgin Islands-- Distilled spirits are subject to an excise tax equal to \$13.50 per-proof-gallon. Of the total amount collected on imported rum, \$13.25 per-proof-gallon is transferred to Puerto Rico and the Virgin Islands. The provisions would be extended for two years through 2007.

Excise tax for enforcing mental health parity rules-- Group health plans that provide both medical benefits and mental health benefits are not allowed to impose dollar limits on the mental health benefits if the same limits are not also imposed on medical benefits. In general, employers who violate this rule are subject to a \$100 per day excise tax penalty (up to a cap) until the health plan is brought into compliance. The provisions would be extended for one year through 2007.

Enhanced deduction for certain donations of scientific property and computer equipment-- The provisions would allow corporations to claim an enhanced tax deduction equal to the lesser of basis plus half of the item's appreciation or twice basis for certain donations of certain constructed or assembled scientific property and computer equipment. The provision with respect to donations of scientific property is permanent under current law. The provision would be extended for two years through 2007.

Archer Medical Savings Accounts (MSAs)-- Individuals may make tax-deductible contributions to an Archer MSA to pay for health care expenses. The distributions are tax-free if used to pay for eligible medical expenses. The provision would be extended for two years through 2007.

Suspension of limit on percentage depletion for oil and gas from marginal wells-- Percentage depletion allows independent producers to deduct 25 percent of a marginal well's gross income each year, as long as the deduction does not exceed 100 percent of the well's net income in any year. The provisions would waive the 100 percent limitation so that independent producers could realize the full benefit of percentage depletion. The provision would be extended for two years through 2007.

Economic development credit for American Samoa-- The provisions would provide an economic development credit to certain possessions corporations operating in American Samoa. The provision would be effective for two years.

New York Liberty Zone incentives for transportation infrastructure-- The provision would restructure the New York Liberty Zone incentives in order to provide needed transportation infrastructure in that area. The pro-

vision would repeal the remaining New York Liberty Zone incentives which include special bonus depreciation, accelerated leasehold improvement recovery, increased Section 179 expensing and the extended replacement period for involuntary conversions. The provision would then provide a credit against withholding taxes payable by the City and State of New York. The credit of up to \$1.75 billion could be used to finance qualifying transportation projects in the City of New York.

Certain Gulf Opportunity Zone bonus depreciation-- The provision would modify the bonus depreciation provision that was included in the Gulf Opportunity Zone Act of 2005 by extending the placed-in-service deadline for certain property used in certain highly damaged areas within the Gulf Opportunity Zone.

Authority for IRS undercover operations-- The provision would provide the IRS with the authority to use income earned by an undercover operation to pay additional expenses incurred in such undercover operation. The provision would be extended for one year through 2007.

Authority for the IRS to disclose certain tax information-- These provisions would provide that the IRS may share certain tax information with certain other Federal and/or State authorities in order to: (1) facilitate combined employment tax reporting, (2) investigate terrorist activities, and (3) facilitate the repayment of student loans that are contingent on income. Each of these provisions would be extended for one year through 2007.

OTHER TAX PROVISIONS

Allow U.S. businesses with branches in Puerto Rico to claim the manufacturing deduction-- The provision would allow the U.S. businesses operating as branches in Puerto Rico to claim the domestic manufacturing deduction. The provision would be effective for two years.

Incentive stock option AMT provisions-- The provision would allow individuals to take advantage of a refundable credit with respect to certain long-term unused AMT credits existing prior to Jan. 1, 2013. The annual credit amount, subject to a phase-out, would be the greater of (1) the lesser of \$5,000 or the amount of the long-term unused AMT credit, or (2) 20 percent of the amount of the long-term unused AMT credit.

Mine safety provisions-- This provision would provide 50 percent expensing for certain equipment expenditures related to safety equipment for underground mines located in the United States. In addition, these provisions would provide tax credits for certain mine rescue team training programs. Each of the provisions would be effective for three years through 2008.

Whistleblower reforms-- The provision would reform the reward program for individuals who provide information to the Secretary regarding violations of the tax laws. The provision would establish a reward range for such "whistleblowers" of 15 percent to 30 percent of proceeds collected by the IRS (subject to certain exceptions) where the amount in dispute exceeds \$2,000,000. The provision would also provide the Secretary with regulatory authority to create a Whistleblower Office within the IRS to administer the reward program.

Frivolous tax submissions-- The provisions would increase the penalty for frivolous tax return submission from \$500 to \$5,000 and would expand the penalty to all taxpayers and all types of Federal taxes. This increased penalty also would apply to frivolous submissions for lien and levy collection due process, installment agreements, offers-in-compromise and taxpayer assistance orders.

Meningococcal and human papillomavirus vaccines-- The provision would add the meningococcal and human papillomavirus vaccines to the list of taxable vaccines.

Permanency of certain provisions enacted in the Tax Increase Prevention and Reconciliation Act of 2005-- A number of provisions that were enacted on a temporary basis in the Tax Increase Prevention and Reconciliation Act of 2005 would be made permanent, including: (1) Tax treatment of environmental cleanup funds. (2) Simplification of the active trade or business test. (3) Enhancing Veterans' access to affordable mortgages. (4) Tax treatment of self-created musical works. (5) Modification of the tonnage tax. (6) Tax treatment of the permanent university fund.

Modification of the tonnage tax for Great Lakes shipping-- The provision would permanently modify the treatment of shipping within the Great Lakes to ensure that vessel operators in this region can qualify for the alternative tonnage tax regime.

Modification of the mortgage revenue bond rules for veterans-- The provision would make affordable mortgages more accessible to veterans by providing them with a one-time exception from the mortgage revenue bond first-time homebuyer requirement. This provision would apply to mortgage revenue bonds issued before Jan. 1, 2008.

Sale of residences by intelligence officers-- The provision would give non-military intelligence officers parity with active military personnel for the capital gains exclusion on sales of homes provided such officers are stationed abroad. This provision would apply to sales of homes before Jan. 1, 2011.

Coke and coke gas production tax credit-- The provision would eliminate the reference price phase-out provisions for the coke and coke gas production tax credit. The credit would remain subject to the per-facility production caps.

Sale of property by certain Federal judicial officers-- The provision would provide special rollover rules for certain Federal judicial officers who sell property to comply with certain conflict-of-interest requirements.

Premiums for mortgage insurance-- The provision would establish an itemized deduction for the cost of premiums for mortgage insurance on a qualified personal residence. The deduction would be phased-out ratably by 10 percent for each \$1,000 by which the taxpayer's adjusted gross income exceeds \$100,000. The provision would be effective for one year.

Refunds for kerosene used in aviation-- The provision would modify the refund rules with respect to kerosene used for certain exempt aviation purposes.

Qualified timber capital gains-- The provision would create a new 60 percent deduction for qualified timber capital gains. The provision would be effective for qualifying gains recognized from the date of enactment through 2007.

Rural renaissance bonds-- The provision would authorize the issuance of up to \$200 million of tax credit bonds to finance certain rural development projects.

Spousal travel deduction-- The provision would allow employers to deduct the cost of travel expenses incurred by an employee on behalf of a spouse accompanying the employee on business-related travel. The provision would apply to expenses paid or incurred before Jan. 1, 2008.

Technical corrections-- Technical corrections would be made to the Tax Increase Prevention and Reconciliation Act of 2005 and the Gulf Opportunity Zone Act of 2005.

OTHER PROVISIONS

Abandoned Mine Land (AML) program-- The provision would modify the AML program.

Increase in the Federal minimum wage and tip credit fairness-- The provision would increase the current federal minimum wage rate of \$5.15 per hour by \$2.10 over three years in the following increments: \$5.85 an hour effective on Jan. 1, 2007, \$6.55 an hour effective on June 1, 2008 and \$7.25 an hour effective on June 1, 2009. The provision would also provide that tips may be counted towards meeting any future minimum wage increases by employers in those States where State law prohibits tips from being calculated as part of the minimum wage.

H.R. 6111 (Ms. Tauscher); Public Law 109-432; app. Dec. 20, 2006.

H.R. 6111, Tax Relief and Health Care Act of 2006, was introduced to provide that the Tax Court may review claims for equitable innocent spouse relief and to suspend the running on the period of limitations while such claims are pending on Sept. 19, 2006. The bill passed the House, under suspension of the rules, by voice vote on Dec. 5, 2006. The bill passed the Senate, with an amendment, by unanimous consent on Dec. 7, 2006. On Dec. 8, 2006, the House agreed with amendments to the Senate amendment by a vote of 367-45. H.Res. 1099, the rule for consideration of H.R. 6111 as amended by the Senate, made in order a motion by the Chairman of the Committee on Ways and Means to concur in the Senate amendment with an amendment (text of H.R. 6408, Tax Relief and Health Care Act of 2006). In addition, H.Res. 1100, providing for consideration of H.R. 6406, provided that the text of H.R. 6406, as passed by the House, be added to H.R. 6111 as new matter at the end of engrossment of H.R. 6111. See the summary of H.R. 6406, for a de-

scription of the provisions engrossed and enacted in H.R. 6111. The Senate agreed to the House amendments to the Senate amendment on Dec. 9, 2006, by unanimous consent. H.R. 6111 was signed into law by the President on Dec. 20, 2006 as P.L. 109-323.

H.R. 6111 provides that the Tax Court may review claims for equitable innocent spouse relief. The House amendment to H.R. 6111 added the following: (1) The complete text of H.R. 6408, the Tax Relief and Health Care Act of 2006, which provides extension and modification of certain tax relief provisions through 2007, extension of certain expiring energy provisions and other energy provisions, health savings account (HSA) provisions, other tax relief provisions and miscellaneous provisions. (2) Provisions with respect to White Pine County, Nevada wilderness conservation, recreation and development. (3) Temporary duty reductions for certain cotton shirting fabric and cotton trust fund provisions. (4) A provision that allows Medicare beneficiaries who are enrolled in traditional fee-for-service but not enrolled in a prescription drug plan to enroll in a Medicare Advantage plan that does not offer drug coverage after their enrollment period ended. These beneficiaries would be allowed to make this change once during the year, after their enrollment period had ended. This provision will sunset in two years. (5) The text of H.R. 6111 as passed the House was retained in the House amendment to the Senate amendment to H.R. 6111.

EXTENSION AND MODIFICATION OF CERTAIN TAX RELIEF PROVISIONS

The Act extends through 2007, and in certain circumstances modifies, provisions which either expired at the end of 2005 or would have expired at the end of 2006.

1. Above-the-line deduction for higher education expenses.
2. Extension of new markets tax credit and modification for rural counties.
3. State and local sales tax deduction.
4. Extension of the Research and Development Tax Credit and expansion to enhance alternative methods of determining the credit.
5. Extension and expansion of the Work Opportunity Tax Credit (WOTC) for hiring individuals who face barriers to employment, and combination of the credit with the Welfare-to-Work Tax Credit in 2007.
6. Welfare-to-Work Tax Credit for hiring individuals who have received public assistance for an extended period of time, and combination with the WOTC in 2007.
7. Treating combat pay as earned income for purposes of the earned income credit calculation.
8. Authority to issue Qualified Zone Academy Bonds (QZABs) for school modernization, equipment and teacher training in high-poverty areas.
9. Above-the-line deduction for out-of-pocket teacher classroom expenses.
10. Expensing of brownfields remediation costs. In addition to the extension, the definition of a contaminated site is expanded to include sites contaminated by petroleum products.
11. Tax incentives to revitalize the District of Columbia.
12. Incentives for business activity on Indian reservations.
13. Fifteen-year depreciation for leasehold improvements.
14. Fifteen-year depreciation for restaurant improvements.
15. Transfer of rum excise taxes to Puerto Rico and the Virgin Islands.
16. Mental health benefit parity rules.
17. Enhanced charitable deduction for scientific property and computer donations.
18. Availability of Archer MSAs (Medical Savings Accounts).

19. Suspension of limit on percentage depletion for oil and gas produced from marginal wells.
20. Creation of the economic development credit for American Samoa.
21. Extension of Gulf Opportunity Zone bonus depreciation to certain highly damaged areas.
22. Authority for IRS undercover operations.
23. Authority for the IRS to disclose certain tax information for certain purposes.
24. Special rule for election under expired provisions.

EXTENSION OF CERTAIN EXPIRING ENERGY PROVISIONS AND OTHER ENERGY PROVISIONS

The Act provides an extension through 2008 of numerous energy provisions that would have expired at the end of 2007. The Act also contains a package of other energy provisions.

1. Extension of credit for electricity produced from certain renewable resources.
2. Extension of credit to holders of clean renewable energy bonds.
3. Modification of the clean coal gasification tax credit.
4. Extension of deduction for energy efficient commercial buildings.
5. Extension of credit for new energy efficient homes.
6. Extension of credit for residential energy efficient property.
7. Extension of energy credit for businesses producing electricity from solar energy, fuel cells or microturbines.
8. Extension of reduced excise tax rate for qualified methanol or ethanol fuel produced from coal.
9. New special depreciation allowance for cellulosic biomass ethanol plant property.
10. Expands qualified expenditures permitted from the Leaking Underground Storage Tank (LUST) Trust Fund.
11. Modification of the coke and coke gas production tax credit.

HEALTH SAVINGS ACCOUNT PROVISIONS

The Act also contains a package of provisions designed to improve Health Savings Accounts (HSAs).

1. FSA and HRA terminations to fund HSAs and allows rollovers from health FSAs and HRAs into HSAs. Certain FSA coverage is treated as disregard coverage.
2. Repeal of annual plan deductible limitation on HSA contributions.
3. Modification of cost-of-living adjustment.
4. Expanded contribution limitation for part-year coverage.
5. Modification of employer comparable contribution requirements for contributions made to non-highly compensated employees.
6. One-time rollovers from IRAs into HSAs.

OTHER TAX RELIEF PROVISIONS

The Act also contains a package of other tax provisions designed to provide additional tax relief and certainty to taxpayers.

1. Manufacturing deduction for U.S. businesses with branches in Puerto Rico.

2. Refundable credit with respect to certain long-term unused AMT credits.
3. Mine safety tax incentives.
4. Reform of the IRS Whistleblower Program.
5. Increase and expansion of the frivolous tax submission penalty.
6. Addition of the meningococcal and human papillomavirus vaccines to the list of taxable vaccines.
7. Permanency of certain provisions enacted in the Tax Increase Prevention and Reconciliation Act of 2005.
8. Modification of the treatment of shipping within the Great Lakes to ensure that vessel operators in this region can qualify for the alternative tonnage tax regime.
9. Modification of the mortgage revenue bond rules to make affordable mortgages more accessible to veterans.

MEDICARE PROVISIONS

Medicare Improved Quality and Provider Payments

Increases payments for physician services and implements a quality reporting system for physician services-- The Act prevents physician payment cuts in 2007 by freezing payment rates for physicians services. The Act provides a 1.5 percent bonus-incentive payment to physicians who report on quality measures in 2007. In addition the Act establishes a fund to promote physician payment stability and physician quality initiatives in 2008.

Extends the Medicare Modernization Act (MMA) floor on the Medicare work geographic adjustment for physician services-- The Act establishes a floor on the work component of the physician geographic adjustor in 2007 to raise payments in certain rural areas.

Increases payments for dialysis services-- The Act provides a 1.6 percent update to end stage renal disease (ESRD) facilities for 2007.

Extends the treatment of certain physician pathology services under Medicare-- The Act continues direct billing for the technical component for pathology services by independent laboratories, rather than hospitals.

Extends the Medicare reasonable cost payments for lab tests furnished in small rural hospitals in low population areas-- The Act extends the payments for lab tests in small rural hospitals.

Corrects Medicare Part A issues and requires reports-- The Act corrects mid-year expiration of the Medicare hospital wage index reclassifications, and requires the Medicare Payment Advisory Commission and Centers for Medicare and Medicaid Services to issue reports on the wage index. In addition, the Act eliminates unnecessary reports.

Extends the MMA payment rule for brachytherapy-- The Act allows brachytherapy to be paid based on hospital costs for another year. It establishes codes for certain brachytherapy devices by July 1, 2007.

Clarifies the payment process under the Competitive Acquisition Program-- The Act allows for a post-payment review process to ensure that payment is made for a drug or biological only if the drug or biological is delivered for administration to a beneficiary.

Requires the development of quality reporting for hospital outpatient services and ambulatory surgical center (ASC) services-- The Act provides a full update to hospital outpatient and ambulatory surgical facilities that choose to provide designated quality data starting no sooner than 2009. The Act requires CMS to develop quality measures for hospital outpatient and ambulatory surgery services.

Requires reporting of anemia quality indicators for cancer anti-anemia drugs-- The Act requires physicians to report anemia quality indicators when administering cancer anti-anemia drugs.

Medicare Beneficiary Protections

Ensures access to needed therapy-- The Act provides a one-year extension of the exceptions process established in the Deficit Reduction Act to allow patients to apply for additional physical, occupational and speech

language therapy services if their treatment is expected to exceed the annual cap on therapy services.

Ensures access to vaccines-- CMS has chosen not to reimburse providers for administering vaccines that are covered under the new Medicare prescription drug benefit (Part D). If doctors and their staff are not being paid to provide these vaccines, it will undoubtedly create access problems to these important preventive medicines. The Act ensures that providers will be paid for their services through Part B funds in 2007 and through Part D thereafter.

Provides for OIG study regarding medical services that directly harm Medicare patients-- The Act provides that the Office of Inspector General will conduct and report on a study involving the prevalence of, and payment for, "never events" in the Medicare population. Never events are medical services that the clinical community feels should never occur and result in the death or serious disability of the patient.

Establishes a Medical Home Demonstration program-- The Act establishes a three-year demonstration on the concept of a medical home model. The medical home model redesigns health care delivery system to provide targeted and coordinated care to patients suffering from one or more chronic conditions. A personal physician and physician practice work together to better manage these patients, so continuity of care is not disrupted.

Clarifies the rural Program of All-Inclusive Care for the Elderly (PACE) provider grant program. The Act retains previously appropriated outlier payment funds through 2010.

Medicare Program Integrity Efforts

Reduces the Medicare Advantage (MA) Stabilization Fund-- The Act partially off-sets the cost of the health related provisions in this Act by reducing the funds available in the Stabilization Fund.

Reduces Medicare overpayments by extending and expanding the recovery audit contractor (RAC) program-- The Act expands to all states the recovery audit program to identify and collect inaccurate Medicare overpayments and underpayments by specialized contractors.

Provides funding for the Health Care Fraud and Abuse Control Account-- The Act provides a four-year funding stream to the HCFA through the application of the Consumer Price Index (CPI) to help reduce or eliminate fraud and abuse.

Other Health Provisions

Extends the Transitional Medical Assistance (TMA) and abstinence education programs-- The TMA program, which continues Medicaid health benefits for families leaving welfare for work, and the abstinence education programs are extended through June 30, 2007.

The Act establishes grants to develop vaccines against Valley Fever and provide \$40 million in grants through 2012. Limit on provider taxes are reduced from 6 percent to 5.5 percent from Jan. 1, 2008 to Sept. 30, 2011. The Act provides DSH allotments for fiscal year 2007 for Tennessee and Hawaii.

H.R. 6131 (Mr. Chocola with cosponsor); Public Law 109-433; app. Dec. 20, 2006.

H.R. 6131, to permit certain expenditures from the Leaking Underground Storage Tank (LUST) Trust Fund, passed the House, under suspension of the rules, by voice vote on Sept. 26, 2006. The bill passed the Senate without amendment by unanimous consent on Dec. 8, 2006. H.R. 6131 was signed into law by the President on Dec. 20, 2006 as P.L. 109-433.

The Act authorizes expenditures from the LUST Trust Fund to carry out various programs enacted by the Energy Policy Act of 2005. The funds will be used to protect groundwater, including underground storage tank and piping secondary containment, maintenance of government-owned tanks, tank inspection, training for tank operators, state compliance and enforcement activities, prevention of delivery of a regulated substance into a tank, and protection of tanks on Indian reservations or tribal lands.

H.R. 6134 (Mr. Cantor with cosponsors); reported to the House Sept. 29, 2006.

H.R. 6134, Health Opportunity Patient Empowerment Act of 2006, was ordered reported to the House on Sept. 26, 2006, by a vote of 24-14. The bill was reported to the House, amended, on Sept. 29, 2006 (H.Rept. 109-704).

H.R. 6134 would allow employees to fund Health Savings Accounts (HSA) with Flexible Spending Account (FSA) and Health Reimbursement Arrangement (HRA) funds. Under this bill, employees would have the ability to start an HSA by making a one-time tax-free transfer of FSA and HRA amounts in their accounts as of Sept. 21, 2006 to an HSA, which would belong to the account holder. The transfer must be made before Jan. 1, 2012. In addition, the bill would: (1) simplify compliance with the contribution limits by setting the limits at indexed amounts (currently \$2,700 for single coverage and \$5,450 for family coverage). (2) Require the Secretary of the Treasury to announce adjustments to the amounts by June 1 of each year, thus simplifying planning decisions for both employees and employers. (3) Permit taxpayers starting an HSA during the year to contribute an amount up to the full annual limit. Taxpayers would be required to maintain a high deductible plan for a full year beginning in the HSA begins or pay tax on the contribution and a 10 percent penalty. The recapture of HSA benefits would not apply in cases of disability, death or the taxpayer's becoming eligible for Part A Medicare benefits. (4) Allow an employer to make higher contributions for non-highly compensated employees, thus permitting employers to provide additional resources to employees who are neither owners of 5 percent or more of the business or among the most highly-paid in the company. (5) Allow taxpayers to make a one-time distribution from an Individual Retirement Account to an HSA, so HSA funds are immediately available to meet family health needs. The "roll-over" cannot exceed the HSA contribution limit for the year and is subject to the recapture taxes applicable to the partial year coverage provision described above.

H.R. 6406 (Mr. Thomas); engrossed in Public Law 109-432; app. Dec. 20, 2006.

H.R. 6406, to modify temporarily certain rates of duty and make other technical amendments to the trade laws, to extend certain trade preference programs, and for other purposes, passed the House by a vote of 212-184 on Dec. 8, 2006. Pursuant to section 2 of H.Res. 1100, the text of H.R. 6406, as passed the House, was appended to the engrossment of the House amendment to the Senate amendment to H.R. 6111. H.Res. 1100, the rule under which H.R. 6406 was considered, was reported to the House Dec. 7, 2006 (H.Rept. 109-723). H.Res. 1100 passed the House on Dec. 8, 2006, by a vote of 207-193. H.R. 6111 was signed into law on Dec. 20, 2006 as Public Law 109-432.

Generalized System of Preferences (GSP)

The bill would extend GSP for two years, consistent with the President's budget request. After a six-month delay, the bill would tighten rules on competitive need limit waivers to tailor the program for use by lesser developed countries that need help exporting to the United States. The President would be given discretion to end waivers on products that constitute 150 percent of the competitive need limit or 75 percent of U.S. imports of that product.

African Growth and Opportunity Act (AGOA)

The bill would extend current provision allowing benefits for apparel made with fabric from third countries until 2012, with a 3.5 percent cap. The bill would provide an exception to the third country fabric benefit for apparel goods made from components that are in "abundant supply" in Africa. The purpose would be to remove current disincentives for the investment in fabric production in Africa. In particular, denim would be deemed to be in abundant supply because of known production in Lesotho. H.R. 6406 would allow duty free treatment for lesser developed countries for certain textiles (non-apparel) of wholly made African fabric.

Haitian Hemispheric Opportunity through Partnership Encouragement (HOPE) Act

H.R. 6406 would apply the same political, economic, and labor criteria, and the same textile and apparel transshipment requirements as the African Growth and Opportunity Act (AGOA). In addition to current Caribbean Basin Initiative (CBI) benefits, H.R. 6406 would provide new rules of origin for apparel: (1) 50 percent of the value of the finished product must be of U.S., Haitian, FTA, or preference program origin in years one through three; in year four, the percentage grows to 55 percent and in year five, to 60 percent; also allows the new test to be applied on an annual, aggregated basis. (2) Caps the amount of trade under the new test at 1 percent of U.S. apparel imports in year one, growing by 0.25 percentage points per year through year five. (3) Allows a "single transformation" rule of origin for bras, so that components can be sourced from anywhere as long as they are assembled in Haiti.

The bill would provide a small tariff preference level (TPL) for woven apparel, of 50 million square meter equivalents (SMEs) in years one and two and 33.5 million SMEs in year three. The bill would liberalize the rule of origin for wire harnesses, providing benefits if 50 percent of the value added is of U.S., Haitian, or FTA origin.

Andean Trade Preferences Extension Act

The bill would grant a straightforward six-month extension for Peru, Colombia, Ecuador, and Bolivia, followed by an additional six-month extension for each country only if the United States and that country both complete their legislative process to approve a trade promotion agreement (the additional six months would be used to finalize implementation in the other country prior to entry into force of the agreement).

Permanent Normal Trade Relations (PNTR) for Vietnam

The bill would grant permanent normal trade relations (PNTR) to Vietnam, thereby eliminating the annual evaluation of Vietnam's emigration practices under the Jackson-Vanik provisions. A subsidies enforcement mechanism would be established to ensure that the Administration acts quickly and decisively if Vietnam grants any prohibited subsidies to its textile and apparel industry in violation of the terms of its accession to the World Trade Organization.

Miscellaneous Trade and Technical Corrections Act (MTB)

The purpose of these provisions is to amend the Harmonized Tariff Schedule of the United States to modify certain rates of duty, to make technical amendments to trade laws, and for other purposes. For inclusion, a provision must have been vetted, raise no objection, and be administrable.

The bill would suspend or reduce the tariff rate on more than 500 selected products. This reduction of tariff rates would allow these products, many of which are niche chemicals and not available in the United States, to enter without being charged duty. In addition, occasional errors occur when the government assesses duties against importers. Such errors are routinely corrected through "reliquidations" of the entry. The bill would correct errors made for certain past entries.

Modifications to the Harmonized Tariff Schedule

The bill would extend the current 15-day window to 30 days for implementation of changes to tariff lines in the Harmonized Tariff Schedule (HTS) of the United States to afford the private sector sufficient time to incorporate all of the changes in their computer systems and avoid costly, time-consuming errors to entries. These changes to the HTSUS are being made to conform to changes agreed upon in the World Customs Organization and have been subject to Congressional notification and layover.

H.R. 6429 (Ms. Bono with cosponsors); Public Law 109-445; app. Dec. 21, 2006.

H.R. 6429, Fallen Firefighters Assistance Tax Clarification Act of 2006, passed the House, without objection on Dec. 9, 2006. The Senate passed the bill, without amendment, by unanimous consent on Dec. 9, 2006. H.R. 6429 was signed into law by the President on Dec. 21, 2006 as P.L. 109-445.

The Act treats payments made on behalf of any firefighter who died as the result of the Oct. 2006 Esperanza Incident fire in southern California as related to such foundation's exempt function. Thus, payments are tax-exempt if such payments are made in good faith using a reasonable and objective formula which is consistently applied.

H.J.Res 27 (Mr. Sanders with cosponsors); failed passage of the House June 9, 2005.

H.J.Res. 27, withdrawing the approval of the United States from the agreement establishing the World Trade Organization, was ordered reported, adversely, by the Committee on May 24, 2005, by voice vote. H.J.Res. 27 was reported to the House, adversely, on May 26, 2005 (H.Rept. 109-100). H.J.Res. 26 failed passage on June 9, 2005, by a vote 86-338.

Sections 123-125 of the Uruguay Round Agreements Act (URAA) (P.L. 103-465) require the President to submit a special report on U.S. participation in the World Trade Organization (WTO) every five years from the date the U.S. first joined the WTO. Congress received the first of these five-year reports on Mar. 2, 2000 and the second report on Mar. 1, 2005.

Following receipt of the report, any Member of either Houses of Congress can introduce a joint resolution to withdraw Congressional approval of the WTO agreement. Congress then has 90 session days from receipt of the report to act on the joint resolution. The resolution is privileged and cannot be amended. Additionally, the Committee on Ways and Means has 45 session days after introduction of the resolution within which to act on it or be automatically discharged.

H.J.Res. 27, a joint resolution which would withdraw approval of the United States from the agreement establishing the WTO, was introduced Mar. 2, 2005, by Rep. Bernard Sanders.

H.J.Res 47; Public Law 109-182; app. Mar. 20, 2006.

H.J.Res. 47, increasing the statutory limit on the public debt, was deemed passed on Apr. 28, 2005, by the House. Pursuant to Rule XXVII, as a result of the adoption by the House and the Senate of the conference report on H.Con.Res. 95 (Congressional Budget Resolution), H.J.Res. 47, has been engrossed and is deemed to have passed the House. On Mar. 16, 2006, the resolution passed the Senate, without amendment, by a vote of 52-48. H.J.Res. 47 was signed into law by the President on Mar. 20, 2006 as P.L. 109-182.

H.J.Res. 47 amends Federal law to increase the statutory limit on the public debt from \$8,184 trillion to \$8,965 trillion.

H.J.Res. 52 (Mr. Lantos with cosponsors); Public Law 109-39; app. July 27, 2005.

H.J.Res. 52, approving the renewal of import restrictions contained in the Burmese Freedom and Democracy Act of 2003, passed the House under suspension of the rules, by a vote of 423-2, on June 21, 2005. The measure was agreed to in the Senate, without amendment by a vote of 97 yeas, 1 nay. H.J.Res. 52 was signed into law by the President on July 27, 2005, as P.L. 109-39.

In 2003, Congress passed the Burmese Freedom and Democracy Act (P.L. 108-61), which, among other things, imposed a one-year import ban on products of Burma. In 2004, Congress renewed the import ban for a second year, and the import sanctions are set to expire on July 28, 2005. H.J.Res. 52 extends the sanctions for a third year.

H.J.Res 86 (Mr. Lantos with cosponsors); Public Law 109-251; app. Aug. 1, 2006.

H.J.Res. 86, approving the renewal of import restrictions contained in the Burmese Freedom and Democracy Act of 2003, passed the House July 11, 2006, under suspension of the rules by voice vote. The resolution was agreed to in the Senate without amendment by voice vote on July 26, 2006. H.J.Res. 86 was signed into law by the President on Aug. 2, 2006.

In 2003, Congress passed the Burmese Freedom and Democracy Act (P.L. 109-61), which, among other things, imposed a one-year import ban on products from Burma. The 2003 legislation provided that the import sanctions expire in July each year unless Congress approves a privileged joint resolution to continue them for another year. The 2003 law allowed Congress to apply sanctions against Burma for a total of three years (with annual renewals), ending 2006.

H.J.Res. 86 extends the import ban for another year, and gives Congress the option to annually extend the import ban for two additional

years beyond this year if Burma does not make progress in its human rights record and if Congress determines that continued import sanctions are the most appropriate policy to induce change by the Government of Burma.

H.J.Res. 86 continues the policy framework established in the 2003 Burmese Freedom and Democracy Act.

H.Con.Res. 95 (Mr. Nussle); Conference Report agreed to in the House and in the Senate Apr. 28, 2005.

H.Con.Res. 95, establishing the congressional budget for the United States Government for fiscal year 2006, revising appropriate budgetary levels for fiscal year 2005, and setting forth appropriate budgetary levels for fiscal years 2007 through 2010, conference report was agreed to in the House and in the Senate on Apr. 28, 2005. The House Committee on the Budget report an original measure on Mar. 11, 2005 (H.Rept. 109-17). The legislation passed the House on Mar 17, 2005, by a vote of 218-214. On Apr. 4, 2005, the Senate agreed to the resolution in lieu of S.Con.Res. 18 with an amendment by unanimous consent. On Apr. 28, 2005, the conference report was filed in the House. H.Rept. 109-62. On Apr. 28, 2005, the conference report was agreed to in the House by a vote of 214-211. The conference report was agreed to in the Senate, on Apr. 28, 2005, by a vote of 52-47.

H.Con.Res. 95 lists recommended budgetary levels and amounts, for FY 2005 through 2010, with respect to (1) Federal revenues; (2) new budget authority; (3) budget outlays; (4) deficits; (5) debt subject to limit, and (6) debt held by the public. The legislation lists the appropriate levels of new budget authority, outlays, and administrative expenses for Social Security and specified major functional categories for FY 2005 through 2010.

The Committee on Ways and Means is instructed to reduce the deficit by \$250 million in FY 2006 and by \$1 billion for FY 2006-2010. These changes are to be submitted to the House Budget Committee by Sept. 16, 2005. The resolution instructs the Committee to report a reconciliation bill to the House floor by Sept. 23, 2005; this measure is to reduce the level of revenue collected by the Federal Government by \$11 billion in FY 2006 and by \$70 billion for FY 2006-2010. In addition, the resolution instructs the Ways and Means Committee to report a reconciliation bill to change the public debt limit to \$8.865 trillion by Sept. 30, 2005.

H.Con.Res. 230 (Mr. Issa with cosponsors); passed the Senate Dec. 22, 2005.

H.Con.Res. 230, expressing the sense of the Congress that the Russian Federation must protect intellectual property rights, passed the House under suspension of the rules, by a vote of 421-2, on Nov. 16, 2005. The Senate agreed to the resolution, without amendment, by unanimous consent, on Dec. 22, 2005.

H.Con. Res. 230 expresses the sense of Congress that the Russian Federation should provide effective protection of intellectual property rights or it would risk losing its eligibility to participate in the Generalized System of Preferences program.

H.Con.Res. 370 (Mr. Shaw with cosponsors); passed the House Apr. 5, 2006.

H.Con.Res. 370, expressing the sense of the Congress that Saudi Arabia should fully live up to its World Trade Organization commitments and end all aspects of any boycott on Israel, passed the House, under suspension of the rules, by voice vote on Apr. 5, 2006.

The bill expresses the sense of Congress that: 1) Saudi should live up to its World Trade Organization (WTO) commitments and end all aspects of any boycott on Israel; and 2) the President, the U.S. Trade Representative, and the Secretary of State should urge the government of Saudi Arabia to comply with its WTO obligations and end any boycott on Israel.

H.Con.Res. 438 (Mr. Shaw with cosponsors); passed the House July 18, 2006.

H.Con.Res. 438, expressing the sense of the Congress that continuation of the welfare reforms provided for in the Personal Responsibility and

Work Opportunity Reconciliation Act of 1996 should remain a priority, passed the House, under suspension of the rules by voice vote, on July 18, 2006.

The resolution expresses the sense of Congress concerning the importance of success in moving families from welfare to work, as well as in promoting healthy marriage and other means of improving child well-being.

H.Res. 170 (Mr. Kucinich with cosponsors); reported to the House, Apr. 27, 2005.

H.Res. 170, resolution of inquiry requesting the President to transmit certain information to the House of Representatives respecting a claim made by the President on February 16, 2005, at a meeting at Portsmouth, New Hampshire, that there is not a Social Security trust, was ordered adversely reported, by a vote of 22-1 on Apr. 25, 2005. The resolution was reported to the House, adversely, on Apr. 27, 2005 (H.Rept. 109-58).

H.Res. 170 would request the President to transmit to Congress information in possession of the President to the U.S. House of Representatives that provides specific evidence regarding a statement made by the President about the Social Security trust in Portsmouth, New Hampshire.

H.Res. 261 (Mr. Hall with cosponsors); passed the House Oct. 6, 2005.

H.Res. 261, expressing the sense of the House of Representatives that the Centers for Medicare and Medicaid Services should be commended for implementing the Medicare demonstration project to assess the quality of care of cancer patients undergoing chemotherapy, and should extend the project, at least through 2006, subject to any appropriate modifications, passed the House as amended, under suspension of the rules, by voice vote on Oct. 6, 2005.

The Resolution urges the Centers for Medicare and Medicaid Services to extend through at least 2006 the Medicare demonstration project that assesses the quality of care for patients undergoing chemotherapy by collecting data on the impact of chemotherapy on cancer patients' quality of life.

H.Res. 261 calls for the continuation of payments to physicians for participation in the demonstration project to ensure that Medicare patients with cancer have access to chemotherapy treatment.

H.Res. 802 (Mrs. Johnson); passed the House May 11, 2006.

H.Res. 802, encouraging all eligible Medicare beneficiaries who have not yet elected to enroll in the new Medicare Part D benefit to review the available options and to determine whether enrollment in a Medicare prescription drug plan best meets their current and future needs for prescription drug coverage, passed the House, under suspension of the rules, by a vote of 406 yeas, 0 nays, on May 11, 2006.

The legislation encourages all Medicare beneficiaries who are not yet enrolled in part D (Voluntary Prescription Drug Benefit Program) of title XVIII (Medicare) of the Social Security Act to: (1) review carefully all of the options available to them; and (2) determine whether enrollment in a Medicare prescription drug plan best meets their current and future needs for prescription drug coverage.

H.Res. 959 (Mr. Camp with cosponsors); passed the House Sept. 29, 2006.

H.Res. 959, recognizing and supporting the success of the Adoption and Safe Families Act of 1997 in increasing adoption and the efforts the Act has spurred including National Adoption Day and National Adoption Month, and encouraging adoption throughout the year, passed the House, under suspension of the rules, on Sept. 19, 2006, by voice vote.

S. 1778 (Senator Grassley with cosponsor); passed the Senate Sept. 29, 2005.

S. 1270, Medicare Cost-Sharing and Welfare Extension Act of 2005, passed the Senate, amended, by unanimous consent on Sept. 29, 2005.

The bill would extend Medicare cost-sharing for qualifying individuals through Sept. 2006. In addition, the bill would extend the Temporary Assistance for Needy Families Program, transitional medical assistance under the Medicaid Program, and replated programs through Mar. 31, 2006. The bill would also eliminate coverage under the Medicare and Medicaid programs for drugs when used for treatment of erectile dysfunction.

S. 1894 (Senator Inhofe with cosponsor); Public Law 109-113; app. Nov. 22, 2005.

S. 1894, Fair Access Foster Care Act of 2005, passed the Senate, without amendment, by unanimous consent on Oct. 19, 2005. On Oct. 20, 2005, the bill was referred to the Committee on Ways and Means. The House passed S. 1894 on Nov. 9, 2005, under suspension of the rules by a vote of 408 yeas, 1 nay. S. 1894 was signed into law by the President on Nov. 22, 2005 as P.L. 109-113.

The Act provides for the transmission of foster care maintenance payments to pay public or private agency that assists families who care for foster children. The Act makes a technical correction to allow for-profit agencies to operate on the same footing as all other such agencies. States continue to decide which agencies to use, based on their ability to best serve children and families.

S. 1932 (Senator Gregg); Public Law 109-171; app. Feb. 8, 2006.

S. 1932, Deficit Reduction Omnibus Reconciliation Act of 2005, was reported to the Senate as an original measure without a written report, by the Senate Committee on the Budget on Oct. 27, 2005. The bill passed the Senate, with amendments, on Nov. 3, 2005, by a vote of 52-47. S. 1932 passed the House, with an amendment that inserted H.R. 4241, as passed the House, in lieu of the text of S. 1932, without objection under unanimous consent on Nov. 18, 2005. For a summary of the legislation, as passed the House, see H.R. 4241 in the summary section. The conference report was filed in the House on Dec. 19, 2005 (H.Rept. 109-362). On Dec. 19, 2005, the House agreed to the conference report by a vote of 212-206. On Dec. 19, 2005, the conference report was defeated in the Senate by operation of the Budget Act. On Dec. 21, 2005 the Senate concurred in the House amendment with an amendment by a vote of 51-50. On Dec. 21, an amendment was agreed to in the Senate by unanimous consent and a message on the Senate action was sent to the House. On Jan. 31, 2006, H.Res. 653, providing for consideration of S. 1932, and upon adoption of the resolution, the House shall be deemed to have agreed to the Senate amendment to the House amendment to S. 1932, was reported to the House (H.Rept. 109-366). On Feb. 1, 2006, the House agreed to the Senate amendment to the House amendment pursuant to H.Res. 653. S. 1932 was signed into law by the President on Feb. 8, 2006 as P.L. 109-171. A summary of the provisions, under the jurisdiction of the Committee on Ways and Means, within the Act follows.

HUMAN RESOURCES PROVISIONS

Temporary Assistance for Needy Families (TANF) and child care-- The Act reauthorizes TANF through FY 2010 at current funding level, and increases child care by \$1 billion.

Welfare to Work-- The Act increases effective TANF work rate target from 0 percent to 50 percent in FY 2007-2010 by rebasing caseload reduction credit to provide credit only for future caseload declines (i.e. since FY 2005, not since FY 1995). The provision includes separate state programs in work calculation, thus closing a loophole. There are no changes in hours of work, target work rates or definition of work.

Marriage and family-- The Act provides \$500 million for healthy marriage promotion and adds \$250 million in new funds for promoting responsible fatherhood. These pro-family funds are paid for by eliminating TANF bonuses, yielding \$750 million in net savings across these provisions.

Child support-- The Act revises child support enforcement collection mechanisms, and provides financial incentives to States that pass through more child support to current and former TANF families. The provision ends federal matching of state expenditure of federal child support incentive funds, effective in FY 2008. The Act changes to 66 percent the federal matching rate for laboratory costs incurred in determining paternity,

and determinations regarding foster care placement, termination of parental rights, and recognition of adoptions.

Foster care-- The measure specifies in which cases, and for how long, states may seek reimbursement of foster care administrative costs only on behalf of otherwise federally eligible children who are living with unlicensed relatives, in another ineligible setting, or who have not yet entered foster care.

Supplemental Security Income (SSI)-- The Act provides that lump sums exceeding about \$1,800 (i.e., three months of maximum benefits) be paid out in installments. This change does not reduce benefits for any recipient -- it simply spreads out more lump sum payments, consistent with current policy.

MEDICARE PROVISIONS

Subtitle A -- Provisions Relating to Part A

Hospital quality-- The requirements for required hospital quality reporting are expanded. The Act requires hospitals to report on existing complications and comorbidities upon admission in FY 2007. The Secretary selects (at least two) hospital-acquired infections that have been determined by the Centers for Disease Control and Prevention (CDC), specialty societies and others to be preventable from best evidence-based guidelines in FY 2007. The provision implements an offset to account for extra payments above the base payment that result from the (selected) hospital-acquired infections in 2008.

Determination of Medicaid patient days for disproportionate share-- The Act codifies policy regarding exclusion of patient populations receiving medical assistance under section 1115 expansion waiver demonstration programs, and excludes patients not receiving hospital benefits under such authority from the Medicaid days component of the calculation for purposes of Medicare disproportionate share inpatient hospital payments.

Payments to Medicare-dependent hospitals-- The special payment adjustment for the hospitals categorized as "Medicare Dependent" is extended from Oct. 1, 2006 to Oct. 1, 2011. The provision increases the amount of payment available to Medicare Dependent hospitals and updates the cost year for purposes of determining the payment.

Payments to skilled nursing facilities for bad debt-- Medicare program payments are reduced for unpaid coinsurance by individuals who are not dually eligible for Medicaid to 70 percent. Bad debt payment at 100 percent for dual eligible beneficiaries is retained.

Phase-in of the inpatient rehabilitation facility classification criteria-- An additional year in the transition period for the 75 percent rule is added. The 60 percent threshold for 2006 is retained. Threshold increases to 65 percent in 2007 and to 75 percent in 2008 will occur.

Physician investment in specialty hospitals-- The provisions suspend issuance of new provider numbers at the earlier of six months or until the Department of Health and Human Services issue a strategic implementation plan on specialty hospitals to address investment, care for low income and uncompensated care. The Act requires consultation with Congress in devising the strategic plan.

Post-acute care demonstration-- A three-year demonstration program is created by Jan 1, 2008 to analyze costs and outcomes across different post-acute care settings following hospitalization. It will provide participating patients and providers standardized tools to review and improve patient conditions for effective, focused post-acute care.

Medicare gainsharing demonstration-- The Act creates a demonstration program to evaluate gainsharing arrangements between hospitals and other providers at up to six sites, beginning on Jan. 1, 2007. A final report will be required to be submitted to Congress on the outcome of the project by May 1, 2010.

Subtitle B -- Provisions Relating to Part B

Beneficiary ownership of certain durable medical equipment (DME)-- Beneficiary ownership is provided of certain items of DME after the 13th month of rental (for items for which rental begins after Jan. 1, 2006.) Beneficiary ownership is provided for oxygen equipment after 36th month of rental. Service and maintenance is paid for such DME when such maintenance is actually provided. The prior law first month purchase option for power wheelchairs continues.

Payments for imaging services-- Savings are achieved from reductions in reimbursements for multiple images on contiguous body parts in 2006 and 2007. These savings will be returned to taxpayers rather than to physicians as increased practice expenses for other services. Payment rates for imaging services delivered in physician offices will not exceed payment rates for identical imaging services delivered in hospital outpatient departments is ensured.

Payments for procedures in ambulatory surgical centers (ASCs)-- The Act ensures that payment rates for services delivered in ASCs do not exceed payment rates for the same services in hospital outpatient departments beginning Jan. 1, 2007.

Payments for physician services-- The measure prevents physician payment cuts in 2006 by providing a freeze in payment rates for physician services.

Three-year transition of hold harmless payments for small rural hospitals-- The measure provides a phased transition from the pre-August 2000 payment policy to the hospital outpatient payment system for small rural hospitals.

Payment for dialysis services-- The measure provides a 1.6 percent update to end-stage renal disease facilities for 2006.

Payment for therapy services-- Therapy caps are allowed to take effect in 2006. Patients are allowed to apply for additional therapy services if their treatment is expected to exceed the cap. The Centers for Medicare and Medicaid Services (CMS) are required to improve coding to reduce inappropriate payments for therapy services.

Implementation of income-relating the Part B premium-- The Act changes the phase-in of income relating the Part B premium, (which begins in 2007 as enacted in the Medicare Modernization Act) from five years to three years for the highest income seniors.

Preventive benefits-- The Act provides preventive screening for abdominal aortic aneurysms for beneficiaries at risk during a Welcome to Medicare physical exam. The deductible for the screening is waived. The Deductible for colorectal cancer screening tests that are covered by Medicare is also waived.

Delivery of services at federally-qualified health centers (FQHCs)-- The measure adds diabetes self-management training and nutrition therapy benefits, as covered under Medicare, to additional services that may be covered under the all-inclusive per-visit payment rate for these centers.

Part B late enrollment penalty for certain international volunteers-- Part B late enrollment penalty is waived for volunteers who are overseas for 12 months serving with a 501(c)(3) organization. Such volunteers are required to prove that they purchased alternative health insurance while overseas to qualify for the waiver.

Subtitle C -- Provisions Relating to Parts A and B

Home health payments-- A one year freeze is provided in the home health payment rate for 2006. A 5 percent rural add-on is included for rural home health agencies for 2006. Quality reporting is instituted for home health in 2007. Agencies that report receive the market basket update, and those that do not report market basket minus 2 percentage points.

Period for providing payment for claims that are not submitted electronically-- The period for payment of non-electronic claims is extended from 26 days to 28 days to encourage electronic submission.

Subtitle D -- Provisions Relating to Part C

Phase-out of budget neutrality for risk adjustment for Medicare Advantage (MA) plans-- The measure codifies the Administration's phase out of the budget neutrality adjustment during 2006-2010. The Secretary is required to conduct a study to determine if there are differences in coding patterns between MA and fee for service. To the extent that there are differences, the Secretary makes adjustments to risk scores and the budget neutrality factor. If no difference is identified, no adjustment is made. The measure only allows for an adjustment, if any, during 2008, 2009, and 2010. The Act makes no permanent changes to MA payment calculations.

Grant program for rural Programs for All-inclusive Care for the Elderly (PACE) sites-- The Act provides grants to help start up rural PACE sites and provides limited payments for outlier cases in the first three years of a site's operation. PACE sites provide services to older individuals who

are nursing home eligible in a manner that enables them to remain in the community as long as possible.

TRADE PROVISIONS

Continued Dumping and Subsidy Offset Act (CDSOA) - also known as the "Byrd amendment"-- Under prior law, the Continued Dumping and Subsidy Offset Act (CDSOA) requires that duties collected under anti-dumping and countervailing duty orders must be distributed to eligible domestic producers that supported the petition which resulted in the imposition of the duties. The Act repeals the requirement that collected duties be distributed to eligible domestic producers. The duties are deposited into the general fund of the Treasury. The provisions provide a phase-out, allowing disbursement of duties on entries of goods before Oct. 1, 2007.

S. 3525 (Senator Grassley with cosponsor); Public Law 109-288; app. Sept. 28, 2006.

S. 3525, Child and Family Services Improvement Act of 2006, passed the Senate with an amendment by unanimous consent on July 13, 2006. On July 25, 2006, the House passed S. 3525 with an amendment (text of H.R. 5640) under suspension of the rules by voice vote. On Sept. 20, 2006, the Senate concurred to the House amendments with an amendment and an amendment to the title by unanimous consent. On Sept. 26, 2006, the House agreed to the Senate amendments to the House amendments, under suspension of the rules, by voice vote. S. 3525 was signed into law by the President on Sept. 28, 2006 as P.L. 109-288.

The Act reauthorizes the Promoting Safe and Stable Families (PSSF) program through fiscal year (FY) 2011 at prior levels of \$345 million per year in mandatory funds and \$200 million per year in discretionary funds. The Act results in no additional costs compared to prior law, according to the Congressional Budget Office.

The Act targets \$40 million in PSSF funds. The Act directs a total of \$145 million for increased efforts to combat substance abuse, including methamphetamine abuse. A total of \$95 million for improved monitoring of children is directed. The Act requires States to document monthly caseworker visits for a least 90 percent of foster children by FY 2012. States that do not achieve this minimum standard must increase their share of spending under the Child Welfare Services (CWS) program by up to 5 percentage points (from the spending under current 25 percent to as much as 30 percent of program spending) or risk losing Federal CWS funds.

The Act extends the Court Improvement Program through FY 2011 at its prior funding level, and increases the PSSF tribal set-aside to 3 percent for both mandatory and discretionary funds and permits tribal consortia to apply for grants.

The Act makes a series of technical and conforming changes to the CWS program to update current State plan requirements, cap administrative spending at 10 percent of total expenditures, and promote spending for prevention services by limiting Federal CWS expenditures for other activities to no more than FY 2005 levels.

The Act reauthorizes the Mentoring Children of Prisoners program and provides for a limited number of vouchers to be available to expand utilization of mentoring services. The agreement ensures no less than \$25 million per year must be available for mentoring grants to organizations, in addition to any spending on the voucher program.

S. 4091 (Senator Grassley with cosponsor); Public Law 109-465; app. Dec. 22, 2006.

S. 4091, Social Security Trust Funds Restoration Act of 2006, passed the Senate, without amendment, by unanimous consent on Dec. 7, 2006. The bill was agreed to in the House, without objection, on Dec. 9, 2006. S. 4091 was signed into law by the President on Dec. 22, 2006, as PL. 109-465.

The Social Security Trusts Funds Restoration Act of 2006 makes appropriations to the federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund to restore amounts erroneously overpaid from the Trust Funds to the general fund of the Treasury between 1999 and 2005 as transfers, under the voluntary withholding program, of anticipated taxes on benefit payments under title II of the Social Security Act.