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106TH CONGRESS
1ST SESSION

H. R. 2488

AN ACT

To provide for reconciliation pursuant to sections 105 and 211 of the concurrent resolution on the budget for fiscal year 2000.

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AN ACT

To provide for reconciliation pursuant to sections 105 and 211 of the concurrent resolution on the budget for fiscal year 2000.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE; ETC.**

2 (a) **SHORT TITLE.**—This Act may be cited as the
3 “Financial Freedom Act of 1999”.

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

10 (c) **SECTION 15 NOT TO APPLY.**—No amendment
11 made by this Act shall be treated as a change in a rate
12 of tax for purposes of section 15 of the Internal Revenue
13 Code of 1986.

14 (d) **TABLE OF CONTENTS.**—The table of contents for
15 this Act is as follows:

Sec. 1. Short title; etc.

TITLE I—BROAD-BASED TAX RELIEF

Subtitle A—10-Percent Reduction in Individual Income Tax Rates

Sec. 101. 10-percent reduction in individual income tax rates.

Subtitle B—Marriage Penalty Tax Relief

Sec. 111. Elimination of marriage penalty in standard deduction.

Sec. 112. Elimination of marriage penalty in deduction for interest on edu-
cation loans.

Sec. 113. Rollover from regular IRA to Roth IRA.

Subtitle C—Repeal of Alternative Minimum Tax on Individuals

Sec. 121. Repeal of alternative minimum tax on individuals.

**TITLE II—RELIEF FROM TAXATION ON SAVINGS AND
INVESTMENTS**

Sec. 201. Exemption of certain interest and dividend income from tax.

Sec. 202. Reduction in individual capital gain tax rates.

- Sec. 203. Capital gains tax rates applied to capital gains of designated settlement funds.
- Sec. 204. Special rule for members of uniformed services and foreign service, and other employees, in determining exclusion of gain from sale of principal residence.
- Sec. 205. Treatment of certain dealer derivative financial instruments, hedging transactions, and supplies as ordinary assets.
- Sec. 206. Worthless securities of financial institutions.

TITLE III—INCENTIVES FOR BUSINESS INVESTMENT AND JOB CREATION

- Sec. 301. Reduction in corporate capital gain tax rate.
- Sec. 302. Repeal of alternative minimum tax on corporations.

TITLE IV—EDUCATION SAVINGS INCENTIVES

- Sec. 401. Modifications to education individual retirement accounts.
- Sec. 402. Modifications to qualified tuition programs.
- Sec. 403. Exclusion of certain amounts received under the National Health Service Corps scholarship program, the F. Edward Hebert Armed Forces Health Professions Scholarship and Financial Assistance Program, and certain other programs.
- Sec. 404. Additional increase in arbitrage rebate exception for governmental bonds used to finance educational facilities.
- Sec. 405. Modification of arbitrage rebate rules applicable to public school construction bonds.
- Sec. 406. Repeal of 60-month limitation on deduction for interest on education loans.

TITLE V—HEALTH CARE PROVISIONS

- Sec. 501. Deduction for health and long-term care insurance costs of individuals not participating in employer-subsidized health plans.
- Sec. 502. Long-term care insurance permitted to be offered under cafeteria plans and flexible spending arrangements.
- Sec. 503. Expansion of availability of medical savings accounts.
- Sec. 504. Additional personal exemption for taxpayer caring for elderly family member in taxpayer's home.
- Sec. 505. Expanded human clinical trials qualifying for orphan drug credit.
- Sec. 506. Inclusion of certain vaccines against streptococcus pneumoniae to list of taxable vaccines.
- Sec. 507. Above-the-line deduction for prescription drug insurance coverage of medicare beneficiaries if certain medicare and low-income assistance provisions in effect.

TITLE VI—ESTATE TAX RELIEF

Subtitle A—Repeal of Estate, Gift, and Generation-Skipping Taxes; Repeal of Step Up in Basis At Death

- Sec. 601. Repeal of estate, gift, and generation-skipping taxes.
- Sec. 602. Termination of step up in basis at death.
- Sec. 603. Carryover basis at death.

Subtitle B—Reductions of Estate and Gift Tax Rates Prior to Repeal

- Sec. 611. Additional reductions of estate and gift tax rates.

Subtitle C—Unified Credit Replaced With Unified Exemption Amount

Sec. 621. Unified credit against estate and gift taxes replaced with unified exemption amount.

Subtitle D—Modifications of Generation-Skipping Transfer Tax

Sec. 631. Deemed allocation of GST exemption to lifetime transfers to trusts; retroactive allocations.

Sec. 632. Severing of trusts.

Sec. 633. Modification of certain valuation rules.

Sec. 634. Relief provisions.

TITLE VII—TAX RELIEF FOR DISTRESSED COMMUNITIES AND INDUSTRIES

Subtitle A—American Community Renewal Act of 1999

Sec. 701. Short title.

Sec. 702. Designation of and tax incentives for renewal communities.

Sec. 703. Extension of expensing of environmental remediation costs to renewal communities.

Sec. 704. Extension of work opportunity tax credit for renewal communities

Sec. 705. Conforming and clerical amendments.

Sec. 706. Evaluation and reporting requirements.

Subtitle B—Farming Incentive

Sec. 711. Production flexibility contract payments.

Subtitle C—Oil and Gas Incentives

Sec. 721. 5-year net operating loss carryback for losses attributable to operating mineral interests of independent oil and gas producers.

Sec. 722. Deduction for delay rental payments.

Sec. 723. Election to expense geological and geophysical expenditures.

Sec. 724. Temporary suspension of limitation based on 65 percent of taxable income.

Sec. 725. Determination of small refiner exception to oil depletion deduction.

Subtitle D—Timber Incentives

Sec. 731. Temporary suspension of maximum amount of amortizable reforestation expenditures.

Sec. 732. Capital gain treatment under section 631(b) to apply to outright sales by land owner.

Subtitle E—Steel Industry Incentive

Sec. 741. Minimum tax relief for steel industry.

TITLE VIII—RELIEF FOR SMALL BUSINESSES

Sec. 801. Deduction for 100 percent of health insurance costs of self-employed individuals.

Sec. 802. Increase in expense treatment for small businesses.

Sec. 803. Repeal of Federal unemployment surtax.

Sec. 804. Restoration of 80 percent deduction for meal expenses.

TITLE IX—INTERNATIONAL TAX RELIEF

- Sec. 901. Interest allocation rules.
- Sec. 902. Look-thru rules to apply to dividends from noncontrolled section 902 corporations.
- Sec. 903. Clarification of treatment of pipeline transportation income.
- Sec. 904. Subpart F treatment of income from transmission of high voltage electricity.
- Sec. 905. Recharacterization of overall domestic loss.
- Sec. 906. Treatment of military property of foreign sales corporations.
- Sec. 907. Treatment of certain dividends of regulated investment companies.
- Sec. 908. Repeal of special rules for applying foreign tax credit in case of foreign oil and gas income.
- Sec. 909. Study of proper treatment of European Union under same country exceptions.
- Sec. 910. Application of denial of foreign tax credit with respect to certain foreign countries.
- Sec. 911. Advance pricing agreements treated as confidential taxpayer information.
- Sec. 912. Increase in dollar limitation on section 911 exclusion.

TITLE X—PROVISIONS RELATING TO TAX-EXEMPT ORGANIZATIONS

- Sec. 1001. Exemption from income tax for State-created organizations providing property and casualty insurance for property for which such coverage is otherwise unavailable.
- Sec. 1002. Modification of special arbitrage rule for certain funds.
- Sec. 1003. Charitable split-dollar life insurance, annuity, and endowment contracts.
- Sec. 1004. Exemption procedure from taxes on self-dealing.
- Sec. 1005. Expansion of declaratory judgment remedy to tax-exempt organizations.
- Sec. 1006. Modifications to section 512(b)(13).

TITLE XI—REAL ESTATE PROVISIONS

Subtitle A—Provisions Relating to Real Estate Investment Trusts

PART I—TREATMENT OF INCOME AND SERVICES PROVIDED BY TAXABLE REIT SUBSIDIARIES

- Sec. 1101. Modifications to asset diversification test.
- Sec. 1102. Treatment of income and services provided by taxable REIT subsidiaries.
- Sec. 1103. Taxable REIT subsidiary.
- Sec. 1104. Limitation on earnings stripping.
- Sec. 1105. 100 percent tax on improperly allocated amounts.
- Sec. 1106. Effective date.

PART II—HEALTH CARE REITS

- Sec. 1111. Health care REITs.

PART III—CONFORMITY WITH REGULATED INVESTMENT COMPANY RULES

- Sec. 1121. Conformity with regulated investment company rules.

PART IV—CLARIFICATION OF EXCEPTION FROM IMPERMISSIBLE TENANT
SERVICE INCOME

Sec. 1131. Clarification of exception for independent operators.

PART V—MODIFICATION OF EARNINGS AND PROFITS RULES

Sec. 1141. Modification of earnings and profits rules.

PART VI—STUDY RELATING TO TAXABLE REIT SUBSIDIARIES

Sec. 1151. Study relating to taxable REIT subsidiaries.

Subtitle B—Modification of At-Risk Rules for Publicly Traded Nonrecourse
Debt

Sec. 1161. Treatment under at-risk rules of publicly traded nonrecourse debt.

Subtitle C—Treatment of Construction Allowances and Certain Contributions
to Capital of Retailers

Sec. 1171. Exclusion from gross income of qualified lessee construction allow-
ances not limited for certain retailers to short-term leases.

Sec. 1172. Exclusion from gross income for certain contributions to the capital
of certain retailers.

TITLE XII—PROVISIONS RELATING TO PENSIONS

Subtitle A—Expanding Coverage

Sec. 1201. Increase in benefit and contribution limits.

Sec. 1202. Plan loans for subchapter S owners, partners, and sole proprietors.

Sec. 1203. Modification of top-heavy rules.

Sec. 1204. Elective deferrals not taken into account for purposes of deduction
limits.

Sec. 1205. Repeal of coordination requirements for deferred compensation plans
of State and local governments and tax-exempt organizations.

Sec. 1206. Elimination of user fee for requests to IRS regarding pension plans.

Sec. 1207. Deduction limits.

Sec. 1208. Option to treat elective deferrals as after-tax contributions.

Sec. 1209. Increase in minimum defined benefit limit under section 415.

Subtitle B—Enhancing Fairness for Women

Sec. 1221. Additional salary reduction catch-up contributions.

Sec. 1222. Equitable treatment for contributions of employees to defined con-
tribution plans.

Sec. 1223. Faster vesting of certain employer matching contributions.

Sec. 1224. Simplify and update the minimum distribution rules.

Sec. 1225. Clarification of tax treatment of division of section 457 plan benefits
upon divorce.

Subtitle C—Increasing Portability for Participants

Sec. 1231. Rollovers allowed among various types of plans.

Sec. 1232. Rollovers of IRAs into workplace retirement plans.

Sec. 1233. Rollovers of after-tax contributions.

Sec. 1234. Hardship exception to 60-day rule.

Sec. 1235. Treatment of forms of distribution.

- Sec. 1236. Rationalization of restrictions on distributions.
- Sec. 1237. Purchase of service credit in governmental defined benefit plans.
- Sec. 1238. Employers may disregard rollovers for purposes of cash-out amounts.
- Sec. 1239. Minimum distribution and inclusion requirements for section 457 plans.

Subtitle D—Strengthening Pension Security and Enforcement

- Sec. 1241. Repeal of 150 percent of current liability funding limit.
- Sec. 1242. Maximum contribution deduction rules modified and applied to all defined benefit plans.
- Sec. 1243. Excise tax relief for sound pension funding.
- Sec. 1244. Excise tax on failure to provide notice by defined benefit plans significantly reducing future benefit accruals.

Subtitle E—Reducing Regulatory Burdens

- Sec. 1251. Repeal of the multiple use test.
- Sec. 1252. Modification of timing of plan valuations.
- Sec. 1253. Flexibility and nondiscrimination and line of business rules.
- Sec. 1254. ESOP dividends may be reinvested without loss of dividend deduction.
- Sec. 1255. Notice and consent period regarding distributions.
- Sec. 1256. Repeal of transition rule relating to certain highly compensated employees.
- Sec. 1257. Employees of tax-exempt entities.
- Sec. 1258. Clarification of treatment of employer-provided retirement advice.
- Sec. 1259. Provisions relating to plan amendments.
- Sec. 1260. Model plans for small businesses.
- Sec. 1261. Simplified annual filing requirement for plans with fewer than 25 employees.
- Sec. 1262. Improvement of Employee Plans Compliance Resolution System.
- Sec. 1263. Treatment of multiemployer plans under section 415.

TITLE XIII—MISCELLANEOUS PROVISIONS

Subtitle A—Provisions Primarily Affecting Individuals

- Sec. 1301. Exclusion for foster care payments to apply to payments by qualified placement agencies.
- Sec. 1302. Mileage reimbursements to charitable volunteers excluded from gross income.
- Sec. 1303. W-2 to include employer social security taxes.
- Sec. 1304. Consistent treatment of survivor benefits for public safety officers killed in the line of duty.

Subtitle B—Provisions Primarily Affecting Businesses

- Sec. 1311. Distributions from publicly traded partnerships treated as qualifying income of regulated investment companies.
- Sec. 1312. Special passive activity rule for publicly traded partnerships to apply to regulated investment companies.
- Sec. 1313. Large electric trucks, vans, and buses eligible for deduction for clean-fuel vehicles in lieu of credit.
- Sec. 1314. Modifications to special rules for nuclear decommissioning costs.
- Sec. 1315. Consolidation of life insurance companies with other corporations.

Subtitle C—Provisions Relating to Excise Taxes

- Sec. 1321. Consolidation of Hazardous Substance Superfund and Leaking Underground Storage Tank Trust Fund.
- Sec. 1322. Repeal of certain motor fuel excise taxes on fuel used by railroads and on inland waterway transportation.
- Sec. 1323. Repeal of excise tax on fishing tackle boxes.
- Sec. 1324. Clarification of excise tax imposed on arrow components.

Subtitle D—Improvements in Low-Income Housing Credit

- Sec. 1331. Increase in State ceiling on low-income housing credit.
- Sec. 1332. Modification of criteria for allocating housing credits among projects.
- Sec. 1333. Additional responsibilities of housing credit agencies.
- Sec. 1334. Modifications to rules relating to basis of building which is eligible for credit.
- Sec. 1335. Other modifications.
- Sec. 1336. Carryforward rules.
- Sec. 1337. Effective date.

Subtitle E—Entrepreneurial Equity Capital Formation

PART I—TAX-FREE CONVERSIONS OF SPECIALIZED SMALL BUSINESS INVESTMENT COMPANIES INTO PASS-THRU ENTITIES

- Sec. 1341. Modifications to provisions relating to regulated investment companies.
- Sec. 1342. Tax-free reorganization of specialized small business investment company as a partnership.

PART II—ADDITIONAL INCENTIVES RELATED TO INVESTING IN SPECIALIZED SMALL BUSINESS INVESTMENT COMPANIES

- Sec. 1346. Expansion of nonrecognition treatment for securities gain rolled over into specialized small business investment companies.
- Sec. 1347. Modifications to exclusion for gain from qualified small business stock.

Subtitle F—Other Provisions

- Sec. 1351. Increase in volume cap on private activity bonds.
- Sec. 1352. Tax treatment of Alaska Native Settlement Trusts.
- Sec. 1353. Increase in threshold for Joint Committee reports on refunds and credits.
- Sec. 1354. Clarification of depreciation study.

Subtitle G—Tax Court Provisions

- Sec. 1361. Tax Court filing fee in all cases commenced by filing petition.
- Sec. 1362. Expanded use of Tax Court practice fee.
- Sec. 1363. Confirmation of authority of Tax Court to apply doctrine of equitable recoupment.

Subtitle H—Tax-Free Transfer of Bottled Distilled Spirits to Bonded Dealers

- Sec. 1371. Tax-free transfer of bottled distilled spirits from distilled spirits plant to bonded dealer.

- Sec. 1372. Establishment of distilled spirits plant.
- Sec. 1373. Distilled spirits plants.
- Sec. 1374. Bonded dealers.
- Sec. 1375. Time for collecting tax on distilled spirits.
- Sec. 1376. Exemption from occupational tax not applicable.
- Sec. 1377. Technical, conforming, and clerical amendments.
- Sec. 1378. Cooperative agreements.
- Sec. 1379. Effective date.
- Sec. 1380. Study.

TITLE XIV—EXTENSIONS OF EXPIRING PROVISIONS

- Sec. 1401. Research credit.
- Sec. 1402. Subpart F exemption for active financing income.
- Sec. 1403. Taxable income limit on percentage depletion for marginal production.
- Sec. 1404. Work opportunity credit and welfare-to-work credit.

TITLE XV—REVENUE OFFSETS

- Sec. 1501. Returns relating to cancellations of indebtedness by organizations lending money.
- Sec. 1502. Extension of Internal Revenue Service user fees.
- Sec. 1503. Limitations on welfare benefit funds of 10 or more employer plans.
- Sec. 1504. Increase in elective withholding rate for nonperiodic distributions from deferred compensation plans.
- Sec. 1505. Controlled entities ineligible for REIT status.
- Sec. 1506. Treatment of gain from constructive ownership transactions.
- Sec. 1507. Transfer of excess defined benefit plan assets for retiree health benefits.
- Sec. 1508. Modification of installment method and repeal of installment method for accrual method taxpayers.
- Sec. 1509. Limitation on use of nonaccrual experience method of accounting.
- Sec. 1510. Exclusion of like-kind exchange property from nonrecognition treatment on the sale of a principal residence.

TITLE XVI—TECHNICAL CORRECTIONS

- Sec. 1601. Amendments related to Tax and Trade Relief Extension Act of 1998.
- Sec. 1602. Amendments related to Internal Revenue Service Restructuring and Reform Act of 1998.
- Sec. 1603. Amendments related to Taxpayer Relief Act of 1997.
- Sec. 1604. Other technical corrections.
- Sec. 1605. Clerical changes.

TITLE XVII—COMMITMENT TO DEBT REDUCTION

- Sec. 1701. Commitment to debt reduction.

TITLE XVIII—BUDGETARY TREATMENT

- Sec. 1801. Exclusion of effects of this Act from paygo scorecard.

1 **TITLE I—BROAD-BASED TAX**
 2 **RELIEF**
 3 **Subtitle A—10-Percent Reduction**
 4 **in Individual Income Tax Rates**

5 **SEC. 101. 10-PERCENT REDUCTION IN INDIVIDUAL INCOME**
 6 **TAX RATES.**

7 (a) **REGULAR INCOME TAX RATES.**—

8 (1) **IN GENERAL.**—Subsection (f) of section 1 is
 9 amended by adding at the end the following new
 10 paragraph:

11 “(8) **RATE REDUCTIONS.**—In prescribing the
 12 tables under paragraph (1) which apply with respect
 13 to taxable years beginning in a calendar year after
 14 2000, each rate in such tables (without regard to
 15 this paragraph) shall be reduced by the number of
 16 percentage points (rounded to the next lowest tenth)
 17 equal to the applicable percentage (determined in ac-
 18 cordance with the following table) of such rate:

“For taxable years beginning in calendar year—	The applicable percentage is—
2001 through 2003	1.0
2004	2.5
2005 through 2007	5.0
2008	7.5
2009 and thereafter	10.0.

19 In the case of taxable years beginning in calendar
 20 year 2001, the rounding referred to in the preceding
 21 sentence shall be to the next highest tenth.

1 “(B) \$225,000,000.

2 Subparagraph (B) shall not apply to any possession
3 of the United States.”.

4 (b) CONFORMING AMENDMENT.—Sections 25(f)(3)
5 and 42(h)(3)(E)(iii) are each amended by striking “sec-
6 tion 146(d)(3)(C)” and inserting “section 146(d)(2)(C)”.

7 (c) EFFECTIVE DATE.—The amendments made by
8 this section shall apply to calendar years after 1999.

9 **SEC. 1352. TAX TREATMENT OF ALASKA NATIVE SETTLE-**
10 **MENT TRUSTS.**

11 (a) IN GENERAL.—Subpart A of part I of subchapter
12 J of chapter 1 (relating to general rules for taxation of
13 trusts and estates) is amended by adding at the end the
14 following new section:

15 **“SEC. 646. ELECTING ALASKA NATIVE SETTLEMENT**
16 **TRUSTS.**

17 “(a) IN GENERAL.—Except as otherwise provided in
18 this section, the provisions of this subchapter and section
19 1(e) shall apply to all Settlement Trusts.

20 “(b) BENEFICIARIES OF ELECTING TRUST NOT
21 TAXED ON CONTRIBUTIONS.—

22 “(1) IN GENERAL.—In the case of a Settlement
23 Trust for which an election under paragraph (2) is
24 in effect for any taxable year, no amount shall be in-
25 cludible in the gross income of a beneficiary of the

1 Settlement Trust by reason of a contribution to the
2 Settlement Trust made during such taxable year.

3 “(2) ONE-TIME ELECTION.—

4 “(A) IN GENERAL.—A Settlement Trust
5 may elect to have the provisions of this section
6 apply to the trust and its beneficiaries.

7 “(B) TIME AND METHOD OF ELECTION.—
8 An election under subparagraph (A) shall be
9 made—

10 “(i) before the due date (including ex-
11 tensions) for filing the Settlement Trust’s
12 return of tax for the 1st taxable year of
13 the Settlement Trust ending after Decem-
14 ber 31, 1999, and

15 “(ii) by attaching to such return of
16 tax a statement specifically providing for
17 such election.

18 “(C) PERIOD ELECTION IN EFFECT.—Ex-
19 cept as provided in paragraph (3), an election
20 under subparagraph (A)—

21 “(i) shall apply to the 1st taxable year
22 described in subparagraph (B)(i) and all
23 subsequent taxable years, and

24 “(ii) may not be revoked once it is
25 made.

1 “(c) SPECIAL RULES WHERE TRANSFER RESTRIC-
2 TIONS MODIFIED.—

3 “(1) TRANSFER OF BENEFICIAL INTERESTS.—

4 If, at any time, a beneficial interest in a Settlement
5 Trust may be disposed of to a person in a manner
6 which would not be permitted by section 7(h) of the
7 Alaska Native Claims Settlement Act (43 U.S.C.
8 1606(h)) if the interest were Settlement Common
9 Stock—

10 “(A) no election may be made under sub-
11 section (b)(2) with respect to such trust, and

12 “(B) if such an election is in effect as of
13 such time, such election shall cease to apply for
14 purposes of subsection (b)(1) as of the 1st day
15 of the taxable year following the taxable year in
16 which such disposition is first permitted.

17 “(2) STOCK IN CORPORATION.—If—

18 “(A) the Settlement Common Stock in any
19 Native Corporation which transferred assets to
20 a Settlement Trust making an election under
21 subsection (b)(2) may be disposed of to a per-
22 son in a manner not permitted by section 7(h)
23 of the Alaska Native Claims Settlement Act (43
24 U.S.C. 1606(h)), and

1 “(B) at any time after such disposition of
2 stock is first permitted, such corporation trans-
3 fers assets to such trust,
4 subparagraph (B) of paragraph (1) shall be applied
5 to such trust on and after the date of the transfer
6 in the same manner as if the trust permitted dis-
7 positions of beneficial interests in the trust in a
8 manner not permitted by such section 7(h).

9 “(c) TAX TREATMENT OF DISTRIBUTIONS TO BENE-
10 FICIARIES.—

11 “(1) IN GENERAL.—In the case of a Settlement
12 Trust for which an election under subsection (b)(2)
13 is in effect for any taxable year, any distribution to
14 a beneficiary shall be included in gross income of the
15 beneficiary as ordinary income to the extent such
16 distribution reduces the earnings and profits of any
17 Native Corporation making a contribution to such
18 Trust.

19 “(2) EARNINGS AND PROFITS.—The earnings
20 and profits of any Native Corporation making a con-
21 tribution to a Settlement Trust shall not be reduced
22 on account thereof at the time of such contribution,
23 but such earnings and profits shall be reduced (up
24 to the amount of such contribution) as distributions

1 are thereafter made by the Settlement Trust which
2 exceed the sum of—

3 “(A) such Trust’s total undistributed net
4 income for all prior years during which an elec-
5 tion under subsection (b)(2) is in effect, and

6 “(B) such Trust’s distributable net income.

7 “(d) DEFINITIONS.—For purposes of this section—

8 “(1) NATIVE CORPORATION.—The term ‘Native
9 Corporation’ has the meaning given such term by
10 section 3(m) of the Alaska Native Claims Settlement
11 Act (43 U.S.C. 1602(m)).

12 “(2) SETTLEMENT TRUST.—The term ‘Settle-
13 ment Trust’ means a trust which constitutes a Set-
14 tlement Trust under section 39 of the Alaska Native
15 Claims Settlement Act (43 U.S.C. 1629e).”.

16 (b) WITHHOLDING ON DISTRIBUTIONS BY ELECTING
17 ANCSA SETTLEMENT TRUSTS.—Section 3402 is amend-
18 ed by adding at the end the following new subsection:

19 “(t) TAX WITHHOLDING ON DISTRIBUTIONS BY
20 ELECTING ANCSA SETTLEMENT TRUSTS.—

21 “(1) IN GENERAL.—Any Settlement Trust (as
22 defined in section 646(d)) for which an election
23 under section 646(b)(2) is in effect (in this sub-
24 section referred to as an ‘electing trust’) and which
25 makes a payment to any beneficiary which is includ-

1 able in gross income under section 646(c) shall de-
2 duct and withhold from such payment a tax in an
3 amount equal to such payment's proportionate share
4 of the annualized tax.

5 “(2) EXCEPTION.—The tax imposed by para-
6 graph (1) shall not apply to any payment to the ex-
7 tent that such payment, when annualized, does not
8 exceed an amount equal to the amount in effect
9 under section 6012(a)(1)(A)(i) for taxable years be-
10 ginning in the calendar year in which the payment
11 is made.

12 “(3) ANNUALIZED TAX.—For purposes of para-
13 graph (1), the term ‘annualized tax’ means, with re-
14 spect to any payment, the amount of tax which
15 would be imposed by section 1(c) (determined with-
16 out regard to any rate of tax in excess of 31 per-
17 cent) on an amount of taxable income equal to the
18 excess of—

19 “(A) the annualized amount of such pay-
20 ment, over

21 “(B) the amount determined under para-
22 graph (2).

23 “(4) ANNUALIZATION.—For purposes of this
24 subsection, amounts shall be annualized in the man-
25 ner prescribed by the Secretary.

1 “(5) ALTERNATE WITHHOLDING PROCE-
2 DURES.—At the election of an electing trust, the tax
3 imposed by this subsection on any payment made by
4 such trust shall be determined in accordance with
5 such tables or computational procedures as may be
6 specified in regulations prescribed by the Secretary
7 (in lieu of in accordance with paragraphs (2) and
8 (3)).

9 “(6) COORDINATION WITH OTHER SECTIONS.—
10 For purposes of this chapter and so much of subtitle
11 F as relates to this chapter, payments which are
12 subject to withholding under this subsection shall be
13 treated as if they were wages paid by an employer
14 to an employee.”.

15 (c) REPORTING.—Section 6041 is amended by adding
16 at the end the following new subsection:

17 “(f) APPLICATION TO ALASKA NATIVE SETTLEMENT
18 TRUSTS.—In the case of any distribution from a Settle-
19 ment Trust (as defined in section 646(d)) to a beneficiary
20 which is includable in gross income under section 646(c),
21 this section shall apply, except that—

22 “(1) this section shall apply to such distribution
23 without regard to the amount thereof,

24 “(2) the Settlement Trust shall include on any
25 return or statement required by this section infor-

1 mation as to the character of such distribution (if
2 applicable) and the amount of tax imposed by chap-
3 ter 1 which has been deducted and withheld from
4 such distribution, and

5 “(3) the filing of any return or statement re-
6 quired by this section shall satisfy any requirement
7 to file any other form or schedule under this title
8 with respect to distributive share information (in-
9 cluding any form or schedule to be included with the
10 trust’s tax return).”.

11 (d) CLERICAL AMENDMENT.—The table of sections
12 for subpart A of part I of subchapter J of chapter 1 is
13 amended by adding at the end the following new item:

“Sec. 646. Electing Alaska Native Settlement Trusts.”.

14 (e) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to taxable years of Settlement
16 Trusts ending after December 31, 1999, and to contribu-
17 tions to such trusts after such date.

18 **SEC. 1353. INCREASE IN THRESHOLD FOR JOINT COM-**
19 **MITTEE REPORTS ON REFUNDS AND CRED-**
20 **ITS.**

21 (a) GENERAL RULE.—Subsections (a) and (b) of sec-
22 tion 6405 are each amended by striking “\$1,000,000” and
23 inserting “\$2,000,000”.

24 (b) EFFECTIVE DATE.—The amendment made by
25 subsection (a) shall take effect on the date of the enact-

1 (2) the Federal budget is projected to produce
2 a surplus each year in the next 10 fiscal years; and

3 (3) refunding taxes and reducing the national
4 debt held by the public will assure continued eco-
5 nomic growth and financial freedom for future gen-
6 erations.

7 (b) SENSE OF THE CONGRESS.—It is the sense of
8 the Congress that the national debt held by the public
9 shall be reduced from \$3.619 trillion to a level below \$1.61
10 trillion by fiscal year 2009.

11 **TITLE XVIII—BUDGETARY**
12 **TREATMENT**

13 **SEC. 1801. EXCLUSION OF EFFECTS OF THIS ACT FROM**
14 **PAYGO SCORECARD.**

15 Upon the enactment of this Act, the Director of the
16 Office of Management and Budget shall not make any es-
17 timate of changes in direct spending outlays and receipts
18 under section 252(d) of the Balanced Budget and Emer-
19 gency Deficit Control Act of 1985 resulting from the en-
20 actment of this Act.

 Passed the House of Representatives July 22, 1999.

 Attest:

Clerk.