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HOUSE OF REPRESENTATIVES

{ REPORT
107-84

ECONOMIC GROWTH AND TAX RELIEF
RECONCILIATION ACT OF 2001

CONFERENCE REPORT

TO ACCOMPANY

H.R. 1836



MAY 26 (legislative day, May 25), 2001.—Ordered to be printed

ECONOMIC GROWTH AND TAX RELIEF RECONCILIATION
ACT OF 2001

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Mr. THOMAS, from the committee of conference,
submitted the following

CONFERENCE REPORT

[To accompany H.R. 1836]

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 1836), to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the State amendment, insert the following:

SECTION 1. SHORT TITLE; REFERENCES; TABLE OF CONTENTS.

(a) *SHORT TITLE.*—This Act may be cited as the “Economic Growth and Tax Relief Reconciliation Act of 2001”.

(b) *AMENDMENT OF 1986 CODE.*—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

(c) *TABLE OF CONTENTS.*—The table of contents of this Act is as follows:

Sec. 1. *Short title; references; table of contents.*

TITLE I—INDIVIDUAL INCOME TAX RATE REDUCTIONS

Sec. 101. *Reduction in income tax rates for individuals.*

Sec. 102. *Repeal of phaseout of personal exemptions.*

Sec. 103. *Phaseout of overall limitation on itemized deductions.*

TITLE II—TAX BENEFITS RELATING TO CHILDREN

Sec. 201. *Modifications to child tax credit.*

Sec. 202. *Expansion of adoption credit and adoption assistance programs.*

- Sec. 203. Refunds disregarded in the administration of Federal programs and federally assisted programs.*
- Sec. 204. Dependent care credit.*
- Sec. 205. Allowance of credit for employer expenses for child care assistance.*

TITLE III—MARRIAGE PENALTY RELIEF

- Sec. 301. Elimination of marriage penalty in standard deduction.*
- Sec. 302. Phaseout of marriage penalty in 15-percent bracket.*
- Sec. 303. Marriage penalty relief for earned income credit; earned income to include only amounts includible in gross income; simplification of earned income credit.*

TITLE IV—AFFORDABLE EDUCATION PROVISIONS

Subtitle A—Education Savings Incentives

- Sec. 401. Modifications to education individual retirement accounts.*
- Sec. 402. Modifications to qualified tuition programs.*

Subtitle B—Educational Assistance

- Sec. 411. Extension of exclusion for employer-provided educational assistance.*
- Sec. 412. Elimination of 60-month limit and increase in income limitation on student loan interest deduction.*
- Sec. 413. Exclusion of certain amounts received under the National Health Service Corps Scholarship Program and the F. Edward Hebert Armed Forces Health Professions Scholarship and Financial Assistance Program.*

Subtitle C—Liberalization of Tax-Exempt Financing Rules for Public School Construction

- Sec. 421. Additional increase in arbitrage rebate exception for governmental bonds used to finance educational facilities.*
- Sec. 422. Treatment of qualified public educational facility bonds as exempt facility bonds.*

Subtitle D—Other Provisions

- Sec. 431. Deduction for higher education expenses.*

TITLE V—ESTATE, GIFT, AND GENERATION-SKIPPING TRANSFER TAX PROVISIONS

Subtitle A—Repeal of Estate and Generation-Skipping Transfer Taxes

- Sec. 501. Repeal of estate and generation-skipping transfer taxes.*

Subtitle B—Reductions of Estate and Gift Tax Rates

- Sec. 511. Additional reductions of estate and gift tax rates.*

Subtitle C—Increase in Exemption Amounts

- Sec. 521. Increase in exemption equivalent of unified credit, lifetime gifts exemption, and GST exemption amounts.*

Subtitle D—Credit for State Death Taxes

- Sec. 531. Reduction of credit for State death taxes.*
- Sec. 532. Credit for State death taxes replaced with deduction for such taxes.*

Subtitle E—Carryover Basis at Death; Other Changes Taking Effect With Repeal

- Sec. 541. Termination of step-up in basis at death.*
- Sec. 542. Treatment of property acquired from a decedent dying after December 31, 2009.*

Subtitle F—Conservation Easements

- Sec. 551. Expansion of estate tax rule for conservation easements.*

Subtitle G—Modifications of Generation-Skipping Transfer Tax

- Sec. 561. Deemed allocation of GST exemption to lifetime transfers to trusts; retroactive allocations.*
- Sec. 562. Severing of trusts.*
- Sec. 563. Modification of certain valuation rules.*
- Sec. 564. Relief provisions.*

Subtitle H—Extension of Time for Payment of Estate Tax

- Sec. 571. Increase in number of allowable partners and shareholders in closely held businesses.*
- Sec. 572. Expansion of availability of installment payment for estates with interests qualifying lending and finance businesses.*
- Sec. 572. Clarification of availability of installment payment.*

Subtitle I—Other Provisions

- Sec. 581. Waiver of statute of limitation for taxes on certain farm valuations.*

TITLE VI—PENSION AND INDIVIDUAL RETIREMENT ARRANGEMENT PROVISIONS

Subtitle A—Individual Retirement Accounts

- Sec. 601. Modification of IRA contribution limits.*
- Sec. 602. Deemed IRAs under employer plans.*

Subtitle B—Expanding Coverage

- Sec. 611. Increase in benefit and contribution limits.*
- Sec. 612. Plan loans for subchapter S owners, partners, and sole proprietors.*
- Sec. 613. Modification of top-heavy rules.*
- Sec. 614. Elective deferrals not taken into account for purposes of deduction limits.*
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- Sec. 617. Option to treat elective deferrals as after-tax Roth contributions.*
- Sec. 618. Nonrefundable credit to certain individuals for elective deferrals and IRA contributions.*
- Sec. 619. Credit for pension plan startup costs of small employers.*
- Sec. 620. Elimination of user fee for requests to IRS regarding pension plans.*
- Sec. 621. Treatment of nonresident aliens engaged in international transportation services.*

Subtitle C—Enhancing Fairness for Women

- Sec. 631. Catch-up contributions for individuals age 50 or over.*
- Sec. 632. Equitable treatment for contributions of employees to defined contribution plans.*
- Sec. 633. Faster vesting of certain employer matching contributions.*
- Sec. 634. Modification to minimum distribution rules.*
- Sec. 635. Clarification of tax treatment of division of section 457 plan benefits upon divorce.*
- Sec. 636. Provisions relating to hardship distributions.*
- Sec. 637. Waiver of tax on nondeductible contributions for domestic or similar workers.*

Subtitle D—Increasing Portability for Participants

- Sec. 641. Rollovers allowed among various types of plans.*
- Sec. 642. Rollovers of IRAs into workplace retirement plans.*
- Sec. 643. Rollovers of after-tax contributions.*
- Sec. 644. Hardship exception to 60-day rule.*
- Sec. 645. Treatment of forms of distribution.*
- Sec. 646. Rationalization of restrictions on distributions.*
- Sec. 647. Purchase of service credit in governmental defined benefit plans.*
- Sec. 648. Employers may disregard rollovers for purposes of cash-out amounts.*
- Sec. 649. Minimum distribution and inclusion requirements for section 457 plans.*

Subtitle E—Strengthening Pension Security and Enforcement

PART I—GENERAL PROVISIONS

- Sec. 651. Repeal of 160 percent of current liability funding limit.*
- Sec. 652. Maximum contribution deduction rules modified and applied to all defined benefit plans.*
- Sec. 653. Excise tax relief for sound pension funding.*
- Sec. 654. Treatment of multiemployer plans under section 415.*
- Sec. 655. Protection of investment of employee contributions to 401(k) plans.*
- Sec. 656. Prohibited allocations of stock in S corporation ESOP.*
- Sec. 657. Automatic rollovers of certain mandatory distributions.*
- Sec. 658. Clarification of treatment of contributions to multiemployer plan.*

PART II—TREATMENT OF PLAN AMENDMENTS REDUCING FUTURE BENEFIT ACCRUALS

Sec. 659. Excise tax on failure to provide notice by defined benefit plans significantly reducing future benefit accruals.

Subtitle F—Reducing Regulatory Burdens

Sec. 661. Modification of timing of plan valuations.

Sec. 662. ESOP dividends may be reinvested without loss of dividend deduction.

Sec. 663. Repeal of transition rule relating to certain highly compensated employees.

Sec. 664. Employees of tax-exempt entities.

Sec. 665. Clarification of treatment of employer-provided retirement advice.

Sec. 666. Repeal of the multiple use test.

Subtitle G—Miscellaneous Provisions

Sec. 671. Tax treatment and information requirements of Alaska Native Settlement Trusts.

TITLE VII—ALTERNATIVE MINIMUM TAX

Sec. 701. Increase in alternative minimum tax exemption.

TITLE VIII—OTHER PROVISIONS

Sec. 801. Time for payment of corporate estimated taxes.

Sec. 802. Expansion of authority to postpone certain tax-related deadlines by reason of Presidentially declared disaster.

Sec. 803. No Federal income tax on restitution received by victims of the Nazi regime or their heirs or estates.

TITLE IX—COMPLIANCE WITH CONGRESSIONAL BUDGET ACT

Sec. 901. Sunset of provisions of Act.

TITLE I—INDIVIDUAL INCOME TAX RATE REDUCTIONS

SEC. 101. REDUCTION IN INCOME TAX RATES FOR INDIVIDUALS.

(a) IN GENERAL.—Section 1 (relating to tax imposed) is amended by adding at the end the following new subsection:

“(i) RATE REDUCTIONS AFTER 2000.—

“(1) 10-PERCENT RATE BRACKET.—

“(A) IN GENERAL.—In the case of taxable years beginning after December 31, 2000—

“(i) the rate of tax under subsections (a), (b), (c), and (d) on taxable income not over the initial bracket amount shall be 10 percent, and

“(ii) the 15 percent rate of tax shall apply only to taxable income over the initial bracket amount but not over the maximum dollar amount for the 15-percent rate bracket.

“(B) INITIAL BRACKET AMOUNT.—For purposes of this paragraph, the initial bracket amount is—

“(i) \$14,000 (\$12,000 in the case of taxable years beginning before January 1, 2008) in the case of subsection (a),

“(ii) \$10,000 in the case of subsection (b), and

“(iii) $\frac{1}{2}$ the amount applicable under clause (i) (after adjustment, if any, under subparagraph (C)) in the case of subsections (c) and (d).

“(C) INFLATION ADJUSTMENT.—In prescribing the tables under subsection (f) which apply with respect to taxable years beginning in calendar years after 2000—

“(i) the Secretary shall make no adjustment to the initial bracket amount for any taxable year beginning before January 1, 2009,

and inserting “, or”, and by adding at the end the following new paragraph:

“(7) qualified retirement planning services.”.

(b) **QUALIFIED RETIREMENT PLANNING SERVICES DEFINED.**—Section 132 is amended by redesignating subsection (m) as subsection (n) and by inserting after subsection (l) the following:

“(m) **QUALIFIED RETIREMENT PLANNING SERVICES.**—

“(1) **IN GENERAL.**—For purposes of this section, the term ‘qualified retirement planning services’ means any retirement planning advice or information provided to an employee and his spouse by an employer maintaining a qualified employer plan.

“(2) **NONDISCRIMINATION RULE.**—Subsection (a)(7) shall apply in the case of highly compensated employees only if such services are available on substantially the same terms to each member of the group of employees normally provided education and information regarding the employer’s qualified employer plan.

“(3) **QUALIFIED EMPLOYER PLAN.**—For purposes of this subsection, the term ‘qualified employer plan’ means a plan, contract, pension, or account described in section 219(g)(5).”.

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

SEC. 666. REPEAL OF THE MULTIPLE USE TEST.

(a) **IN GENERAL.**—Paragraph (9) of section 401(m) is amended to read as follows:

“(9) **REGULATIONS.**—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this subsection and subsection (k), including regulations permitting appropriate aggregation of plans and contributions.”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to years beginning after December 31, 2001.

Subtitle G—Miscellaneous Provisions

SEC. 671. TAX TREATMENT AND INFORMATION REQUIREMENTS OF ALASKA NATIVE SETTLEMENT TRUSTS.

(a) **TREATMENT OF ALASKA NATIVE SETTLEMENT TRUSTS.**—Subpart A of part I of subchapter J of chapter 1 (relating to general rules for taxation of trusts and estates) is amended by adding at the end the following new section:

“SEC. 646. TAX TREATMENT OF ELECTING ALASKA NATIVE SETTLEMENT TRUSTS.

“(a) **IN GENERAL.**—If an election under this section is in effect with respect to any Settlement Trust, the provisions of this section shall apply in determining the income tax treatment of the Settlement Trust and its beneficiaries with respect to the Settlement Trust.

“(b) **TAXATION OF INCOME OF TRUST.**—Except as provided in subsection (f)(1)(B)(ii)—

“(1) **IN GENERAL.**—There is hereby imposed on the taxable income of an electing Settlement Trust, other than its net capital gain, a tax at the lowest rate specified in section 1(c).

“(2) **CAPITAL GAIN.**—In the case of an electing Settlement Trust with a net capital gain for the taxable year, a tax is here-

by imposed on such gain at the rate of tax which would apply to such gain if the taxpayer were subject to a tax on its other taxable income at only the lowest rate specified in section 1(c). Any such tax shall be in lieu of the income tax otherwise imposed by this chapter on such income or gain.

“(c) ONE-TIME ELECTION.—

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

“(2) TIME AND METHOD OF ELECTION.—An election under paragraph (1) shall be made by the trustee of such trust—

“(A) on or before the due date (including extensions) for filing the Settlement Trust’s return of tax for the first taxable year of such trust ending after the date of the enactment of this section, and

“(B) by attaching to such return of tax a statement specifically providing for such election.

“(3) PERIOD ELECTION IN EFFECT.—Except as provided in subsection (f), an election under this subsection—

“(A) shall apply to the first taxable year described in paragraph (2)(A) and all subsequent taxable years, and

“(B) may not be revoked once it is made.

“(d) CONTRIBUTIONS TO TRUST.—

“(1) BENEFICIARIES OF ELECTING TRUST NOT TAXED ON CONTRIBUTIONS.—In the case of an electing Settlement Trust, no amount shall be includible in the gross income of a beneficiary of such trust by reason of a contribution to such trust.

“(2) EARNINGS AND PROFITS.—The earnings and profits of the sponsoring Native Corporation shall not be reduced on account of any contribution to such Settlement Trust.

“(e) TAX TREATMENT OF DISTRIBUTIONS TO BENEFICIARIES.—Amounts distributed by an electing Settlement Trust during any taxable year shall be considered as having the following characteristics in the hands of the recipient beneficiary:

“(1) First, as amounts excludable from gross income for the taxable year to the extent of the taxable income of such trust for such taxable year (decreased by any income tax paid by the trust with respect to the income) plus any amount excluded from gross income of the trust under section 103.

“(2) Second, as amounts excludable from gross income to the extent of the amount described in paragraph (1) for all taxable years for which an election is in effect under subsection (c) with respect to the trust, and not previously taken into account under paragraph (1).

“(3) Third, as amounts distributed by the sponsoring Native Corporation with respect to its stock (within the meaning of section 301(a)) during such taxable year and taxable to the recipient beneficiary as amounts described in section 301(c)(1), to the extent of current or accumulated earnings and profits of the sponsoring Native Corporation as of the close of such taxable year after proper adjustment is made for all distributions made by the sponsoring Native Corporation during such taxable year.

“(4) Fourth, as amounts distributed by the trust in excess of the distributable net income of such trust for such taxable year.

Amounts distributed to which paragraph (3) applies shall not be treated as a corporate distribution subject to section 311(b), and for purposes of determining the amount of a distribution for purposes of paragraph (3) and the basis to the recipients, section 643(e) and not section 301 (b) or (d) shall apply.

“(f) SPECIAL RULES WHERE TRANSFER RESTRICTIONS MODIFIED.—

“(1) TRANSFER OF BENEFICIAL INTERESTS.—If, at any time, a beneficial interest in an electing Settlement Trust may be disposed of to a person in a manner which would not be permitted by section 7(h) of the Alaska Native Claims Settlement Act (43 U.S.C. 1606(h)) if such interest were Settlement Common Stock—

“(A) no election may be made under subsection (c) with respect to such trust, and

“(B) if such an election is in effect as of such time—

“(i) such election shall cease to apply as of the first day of the taxable year in which such disposition is first permitted,

“(ii) the provisions of this section shall not apply to such trust for such taxable year and all taxable years thereafter, and

“(iii) the distributable net income of such trust shall be increased by the current or accumulated earnings and profits of the sponsoring Native Corporation as of the close of such taxable year after proper adjustment is made for all distributions made by the sponsoring Native Corporation during such taxable year.

In no event shall the increase under clause (iii) exceed the fair market value of the trust’s assets as of the date the beneficial interest of the trust first becomes so disposable. The earnings and profits of the sponsoring Native Corporation shall be adjusted as of the last day of such taxable year by the amount of earnings and profits so included in the distributable net income of the trust.

“(2) STOCK IN CORPORATION.—If—

“(A) stock in the sponsoring Native Corporation may be disposed of to a person in a manner which would not be permitted by section 7(h) of the Alaska Native Claims Settlement Act (43 U.S.C. 1606(h)) if such stock were Settlement Common Stock, and

“(B) at any time after such disposition of stock is first permitted, such corporation transfers assets to a Settlement Trust,

paragraph (1)(B) shall be applied to such trust on and after the date of the transfer in the same manner as if the trust permitted dispositions of beneficial interests in the trust in a manner not permitted by such section 7(h).

“(3) CERTAIN DISTRIBUTIONS.—For purposes of this section, the surrender of an interest in a Native Corporation or an electing Settlement Trust in order to accomplish the whole or partial redemption of the interest of a shareholder or beneficiary in such corporation or trust, or to accomplish the whole or partial liquidation of such corporation or trust, shall be deemed to be

a transfer permitted by section 7(h) of the Alaska Native Claims Settlement Act.

“(g) **TAXABLE INCOME.**—For purposes of this title, the taxable income of an electing Settlement Trust shall be determined under section 641(b) without regard to any deduction under section 651 or 661.

“(h) **DEFINITIONS.**—For purposes of this section—

“(1) **ELECTING SETTLEMENT TRUST.**—The term ‘electing Settlement Trust’ means a Settlement Trust which has made the election, effective for a taxable year, described in subsection (c).

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

“(3) **SETTLEMENT COMMON STOCK.**—The term ‘Settlement Common Stock’ has the meaning given such term by section 3(p) of the Alaska Native Claims Settlement Act (43 U.S.C. 1602(p)).

“(4) **SETTLEMENT TRUST.**—The term ‘Settlement Trust’ means a trust that constitutes a settlement trust under section 3(t) of the Alaska Native Claims Settlement Act (43 U.S.C. 1602(t)).

“(5) **SPONSORING NATIVE CORPORATION.**—The term ‘sponsoring Native Corporation’ means the Native Corporation which transfers assets to an electing Settlement Trust.

“(i) **SPECIAL LOSS DISALLOWANCE RULE.**—Any loss that would otherwise be recognized by a shareholder upon a disposition of a share of stock of a sponsoring Native Corporation shall be reduced (but not below zero) by the per share loss adjustment factor. The per share loss adjustment factor shall be the aggregate of all contributions to all electing Settlement Trusts sponsored by such Native Corporation made on or after the first day each trust is treated as an electing Settlement Trust expressed on a per share basis and determined as of the day of each such contribution.

“(j) **CROSS REFERENCE.**—

“**For information required with respect to electing Settlement Trusts and sponsoring Native Corporations, see section 6039H.**”.

(b) **REPORTING.**—Subpart A of part III of subchapter A of chapter 61 of subtitle F (relating to information concerning persons subject to special provisions) is amended by inserting after section 6039G the following new section:

“SEC. 6039H. INFORMATION WITH RESPECT TO ALASKA NATIVE SETTLEMENT TRUSTS AND SPONSORING NATIVE CORPORATIONS.

“(a) **REQUIREMENT.**—The fiduciary of an electing Settlement Trust (as defined in section 646(h)(1)) shall include with the return of income of the trust a statement containing the information required under subsection (c).

“(b) **APPLICATION WITH OTHER REQUIREMENTS.**—The filing of any statement under this section shall be in lieu of the reporting requirements under section 6034A to furnish any statement to a beneficiary regarding amounts distributed to such beneficiary (and such other reporting rules as the Secretary deems appropriate).

“(c) **REQUIRED INFORMATION.**—The information required under this subsection shall include—

“(1) the amount of distributions made during the taxable year to each beneficiary,

“(2) the treatment of such distribution under the applicable provision of section 646, including the amount that is excludable from the recipient beneficiary’s gross income under section 646, and

“(3) the amount (if any) of any distribution during such year that is deemed to have been made by the sponsoring Native Corporation (as defined in section 646(h)(5)).

“(d) SPONSORING NATIVE CORPORATION.—

“(1) IN GENERAL.—The electing Settlement Trust shall, on or before the date on which the statement under subsection (a) is required to be filed, furnish such statement to the sponsoring Native Corporation (as so defined).

“(2) DISTRIBUTEES.—The sponsoring Native Corporation shall furnish each recipient of a distribution described in section 646(e)(3) a statement containing the amount deemed to have been distributed to such recipient by such corporation for the taxable year.”.

(c) CLERICAL AMENDMENT.—

(1) The table of sections for subpart A of part I of subchapter J of chapter 1 of such Code is amended by adding at the end the following new item:

“Sec. 646. Tax treatment of electing Alaska Native Settlement Trusts.”.

(2) The table of sections for subpart A of part III of subchapter A of chapter 61 of subtitle F of such Code is amended by inserting after the item relating to section 6039G the following new item:

“Sec. 6039H. Information with respect to Alaska Native Settlement Trusts and sponsoring Native Corporations.”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after the date of the enactment of this Act and to contributions made to electing Settlement Trusts for such year or any subsequent year.

TITLE VII—ALTERNATIVE MINIMUM TAX

SEC. 701. INCREASE IN ALTERNATIVE MINIMUM TAX EXEMPTION.

(a) IN GENERAL.—

(1) Subparagraph (A) of section 55(d)(1) (relating to exemption amount for taxpayers other than corporations) is amended by striking “\$45,000” and inserting “\$45,000 (\$49,000 in the case of taxable years beginning in 2001, 2002, 2003, and 2004)”.

(2) Subparagraph (B) of section 55(d)(1) (relating to exemption amount for taxpayers other than corporations) is amended by striking “\$33,750” and inserting “\$33,750 (\$35,750 in the case of taxable years beginning in 2001, 2002, 2003, and 2004)”.

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (1) of section 55(d) is amended by striking “and” at the end of subparagraph (B), by striking subparagraph (C), and by inserting after subparagraph (B) the following new subparagraphs:

(2) *in the case of title V, to estates of decedents dying, gifts made, or generation skipping transfers, after December 31, 2010.*

(b) *APPLICATION OF CERTAIN LAWS.—The Internal Revenue Code of 1986 and the Employee Retirement Income Security Act of 1974 shall be applied and administered to years, estates, gifts, and transfers described in subsection (a) as if the provisions and amendments described in subsection (a) had never been enacted.*

And the Senate agree to the same.

WILLIAM THOMAS,
DICK ARMEY,
Managers on the Part of the House.

CHUCK GRASSLEY,
ORRIN HATCH,
FRANK H. MURKOWSKI,
DON NICKLES,
PHIL GRAMM,
MAX BAUCUS,
JOHN BREAUX,
Managers on the Part of the Senate.

JOINT EXPLANATORY STATEMENT OF THE COMMITTEE OF CONFERENCE

The managers on the part of the House and the Senate at the conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 1836), to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002, submit the following joint statement to the House and the Senate in explanation of the effect of the action agreed upon by the managers and recommended in the accompanying conference report:

The Senate amendment struck all of the House bill after the enacting clause and inserted a substitute text.

The House recedes from its disagreement to the amendment of the Senate with an amendment that is a substitute for the House bill and the Senate amendment. The differences between the House bill, the Senate amendment, and the substitute agreed to in conference are noted below, except for clerical corrections, conforming changes made necessary by agreements reached by the conferees, and minor drafting and clerical changes.

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I. MARGINAL TAX RATE REDUCTION

A. INDIVIDUAL INCOME TAX RATE STRUCTURE (SECS. 2 AND 3 OF THE HOUSE BILL, SEC. 101 OF THE SENATE AMENDMENT AND SEC. 1 OF THE CODE)

PRESENT LAW

Under the Federal individual income tax system, an individual who is a citizen or a resident of the United States generally is subject to tax on worldwide taxable income. Taxable income is total gross income less certain exclusions, exemptions, and deductions. An individual may claim either a standard deduction or itemized deductions.

An individual's income tax liability is determined by computing his or her regular income tax liability and, if applicable, alternative minimum tax liability.

Regular income tax liability

Regular income tax liability is determined by applying the regular income tax rate schedules (or tax tables) to the individual's taxable income. This tax liability is then reduced by any applicable tax credits. The regular income tax rate schedules are divided into several ranges of income, known as income brackets, and the marginal tax rate increases as the individual's income increases. The

7. Miscellaneous provisions

- (a) Tax treatment of electing Alaska Native Settlement Trusts (section 691 of the Senate amendment and new sections 646 and 6039H of the Code, modifying Code sections including 1(e), 301, 641, 651, 661, and 6034A))

PRESENT LAW

An Alaska Native Corporation (“ANC”) may establish a Settlement Trust (“Trust”) under section 39 of the Alaska Native Claims Settlement Act (“ANCSA”) ¹³⁶ and transfer money or other property to such Trust for the benefit of beneficiaries who constitute all or a class of the shareholders of the ANC, to promote the health, education and welfare of the beneficiaries and preserve the heritage and culture of Alaska Natives.

With certain exceptions, once an ANC has made a conveyance to a Trust, the assets conveyed shall not be subject to attachment, distraint, or sale or execution of judgment, except with respect to the lawful debts and obligations of the Trust.

The Internal Revenue Service (“IRS”) has indicated that contributions to a Trust constitute distributions to the beneficiary-shareholders at the time of the contribution and are treated as dividends to the extent of earnings and profits as provided under section 301 of the Code.¹³⁷ Also, a Trust and its beneficiaries are generally taxed subject to applicable trust rules.¹³⁸

Under general rules regarding the classification of entities, an entity that is taxed as a trust may not engage in business activity and must meet certain other requirements.¹³⁹ Under certain circumstances, a trust can be treated as a “grantor” trust rather than being taxed as a trust; and its income can be taxed directly to the person or persons considered the owner of the trust.¹⁴⁰

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment allows an election under which special rules will apply in determining the income tax treatment of an electing Trust and of its beneficiaries. An electing Trust will pay tax on its income at the lowest rate specified for ordinary income of an individual (or corresponding lower capital gains rate). The provision also specifies the treatment of distributions by an electing Trust to beneficiaries, the reporting requirements associated with such an election, and the consequences of disqualification for these benefits due to the allowance of certain impermissible dispositions of Trust interests, or of ANC stock.

Under the provision, a trust that is a Trust established by an Alaska Native Corporation under section 39 of ANCSA may make

¹³⁶ 43 U.S.C. 1601 et seq. A settlement Trust is subject to certain limitations under ANCSA, including that it may not operate a business. 43 U.S.C. 1629e(b).

¹³⁷ See, e.g., PLR 9824014; PLR 9433021; PLR 9329026 and PLR 9326019.

¹³⁸ See Subchapter J of the Code (secs. 641 et. seq.); Treas. Reg. Sec. 301.7701-4.

¹³⁹ Treas. Reg. Sec. 301.7701-4.

¹⁴⁰ Sec. 671 et. seq.

an election for its first taxable year ending after the date of enactment of the provision to be subject to the rules of the provision rather than otherwise applicable income tax rules. If the election is in effect, no amount will be included in the gross income of a beneficiary of such Trust by reason of a contribution to the Trust.¹⁴¹ In addition, ordinary income of the electing Trust, whether accumulated or distributed, will be taxed only to the Trust (and not to beneficiaries) at the lowest individual tax rate for ordinary income. Capital gains of the electing Trust will similarly be taxed to the Trust at the capital gains rate applicable to individuals subject to such lowest rate. These rates will apply, rather than the higher rates generally applicable to trusts or to higher tax bracket beneficiaries. The election is made on a one-time basis only. The benefits of the election will terminate, however, and other special rules will apply, if the electing Trust or the sponsoring ANC fail to satisfy the restrictions on transferability of Trust beneficial interests or of ANC stock.

The treatment to beneficiaries of amounts distributed by an electing Trust depends upon the amount of the distribution. Solely for purposes of determining what amount has been distributed and thus which treatment applies under these rules, the amount of any distribution of property is the fair market value of the property at the time of the distribution.¹⁴²

Amounts distributed by an electing Trust during any taxable year are excludable from the gross income of the recipient beneficiary to the extent of (1) the taxable income of the Trust for the taxable year and all prior taxable years for which an election was in effect (decreased by any income tax paid by the Trust with respect to the income) plus (2) any amounts excluded from gross income of the Trust under section 103 for those periods.¹⁴³

If distributions to beneficiaries exceed the excludable amounts described above, then such excess distributions are reported and taxed to beneficiaries as if distributed by the ANC in the year of the distribution by the electing Trust to the extent the ANC then has current or accumulated earnings and profits, and are treated as dividends to beneficiaries.¹⁴⁴ Additional distributions in excess of the current or accumulated earnings and profits of the ANC are treated by the beneficiaries as distributions by the Trust in excess of the distributable net income of the Trust for such year.¹⁴⁵

¹⁴¹ If the ANC transfers appreciated property to the Trust, section 311(b) of the Code will apply to the ANC, as under present law, so that the ANC will recognize gain as if it had sold the property for fair market value. The Trust takes the property with a fair market value basis, pursuant to section 301(d) of the Code.

¹⁴² Section 661 of the Code, which provides a deduction to the trust for certain distributions, does not apply to an electing Trust under the provision unless the election is terminated by disqualification. Similarly, the inclusion provisions of section 662 of the Code, relating to amounts to be included in income of beneficiaries, also do not apply to a qualified electing Trust.

¹⁴³ In the case of any such excludable distribution that involves a distribution of property other than cash, the basis of such property in the hands of the recipient beneficiary will generally be the adjusted basis of the property in the hands of the Trust, unless the Trust makes an election to pay tax, in which case the basis in the hands of the beneficiary would be the fair market value of the property. See Code sections 643(e) and 643(e)(3).

¹⁴⁴ The treatment of such amounts distributed by an electing Trust as a dividend applies even if all or any part of the contributions by an ANC to a Trust would not have been dividends at the time of the contribution under present law; for example, because the ANC had no current or accumulated earnings and profits, or because the contribution was made from Alaska Native Fund amounts that may not have been taxable. See 43 U.S.C. 1605.

¹⁴⁵ Such distributions would not be taxable to the beneficiaries. In the case of any such non-taxable distribution that involves a distribution of property other than cash, the basis of such

The fiduciary of an electing Trust must report to the IRS, with the Trust tax return, the amount of distributions to each beneficiary, and the tax treatment to the beneficiary of such distributions under the provision (either as exempt from tax to the beneficiary, or as a distribution deemed made by the ANC). The electing Trust must also furnish such information to the ANC. In the case of distributions that are treated as if made by the ANC, the ANC must then report such amounts to the beneficiaries and must indicate whether they are dividends or not, in accordance with the earnings and profits of the ANC. The reporting thus required by an electing Trust will be in lieu of, and will satisfy, the reporting requirements of section 6034A (and such other reporting requirements as the Secretary of the Treasury may deem appropriate).

The earnings and profits of an ANC will not be reduced by the amount of its contributions to an electing Trust at the time of the contributions. However, the ANC earnings and profits will be reduced as and when distributions are thereafter made by the electing Trust that are taxed to beneficiaries under the provision as dividends from the ANC to the Trust beneficiaries.

If in any taxable year the beneficial interests in the electing Trust may be disposed of to a person in a manner that would not be permitted under ANCSA if the interests were Settlement Common Stock (generally, to a person other than an Alaska Native),¹⁴⁶ then the special provisions applicable to electing Trusts, including the favorable ordinary income tax rate and corresponding lower capital gains tax rate, cease to apply as of the beginning of such taxable year. The distributable net income of the Trust is increased up to the amount of current and accumulated earnings and profits of the ANC as of the end of that year, but such increase shall not exceed the fair market value of the assets of the Trust as of the date the beneficial interests of the Trust became disposable.¹⁴⁷ Thereafter, the Trust and its beneficiaries are generally subject to the rules of subchapter J and to the generally applicable trust income tax rates. Thus, the increase in distributable net income will result in the Trust being taxed at regular trust rates to the extent the recomputed distributable net income is not distributed to beneficiaries; and beneficiaries will be taxed to the extent there are distributions. Normal reporting rules applicable to trusts and their beneficiaries will apply. The basis of any property distributed to beneficiaries will also be determined under normal trust rules. The same rules apply if any stock of the ANC may be disposed of to a person in a manner that would not be permitted under ANCSA if the stock were Settlement Common Stock and the ANC makes a transfer to the Trust.

property in the hands of the recipient beneficiary will generally be the adjusted basis of the property in the hands of the Trust, unless the Trust makes an election to pay tax, in which case the basis in the hands of the beneficiary will be the fair market value of the property. See Code sections 643(e) and 643(e)(3).

¹⁴⁶ Under ANCSA, Settlement Common Stock is subject to restrictions on transferability, generally limiting transfers. However, if changes are made to permit transfers of stock that would not be permitted for Settlement Common Stock, then the Settlement Common Stock is cancelled and Replacement Common Stock is issued. See 43 U.S.C. 1602(p), 1606(h) and 1629c.

¹⁴⁷ To the extent the earnings and profits of the ANC increase distributable net income of the Trust under this provision, the ANC will have a corresponding adjustment reducing its earnings and profits.

The provision contains a special loss disallowance rule that reduces any loss that would otherwise be recognized by a shareholder upon the disposition of a share of stock of a sponsoring ANC by a "per share loss adjustment factor". This factor reflects the aggregate of all contributions to an electing Trust sponsored by such ANC made on or after the first day the trust is treated as an electing Trust, expressed on a per share basis and determined as of the day of each such contribution.

The special loss disallowance rule is intended to prevent the allowance of noneconomic losses if the ANC stock owned by beneficiaries ever becomes transferable in any type of transaction that could cause the recognition of taxable gain or loss, (including a redemption by the ANC) where the basis of the stock in the hands of the beneficiary (or in the hands of any transferee of a beneficiary) fails to reflect the allocable reduction in corporate value attributable to amounts transferred by the ANC into the Trust.

Effective date.—The provision is effective for taxable years of Trusts, their beneficiaries, and sponsoring Alaska Native Corporations ending after the date of enactment, and to contributions made to electing Trusts during such year and thereafter.

CONFERENCE AGREEMENT

The conference agreement follows the Senate amendment.

The conferees wish to state certain technical clarifications of the description of the Senate amendment, which also apply under the conference agreement.

Under the Senate amendment and the conference agreement, a Trust that makes the election remains subject to the generally applicable requirements for classification and taxation as a trust, in order to obtain the benefits of the provision.

Under the Senate amendment and the conference agreement, the per share loss adjustment factor for stock of an ANC is the aggregate of all contributions to all electing Trusts sponsored by such ANC made on or after the first day each such Trust is treated as an electing Trust expressed on a per share basis and determined as of the day of each such contribution.

Under the Senate amendment and the conference agreement, the restrictions on transfer of stock or beneficial interests under the provision are those that would apply to Settlement Common Stock under section 7(h) of ANSCA¹⁴⁸ (whether or not the interest or stock in question is in fact Settlement Common Stock). To the extent section 7(h) of ANSCA permits certain transfers of Settlement Common stock on death or in other special circumstances, those are also permitted under the provision. Also, the mere transferability of ANC stock in manner that would not be permitted for Settlement Common Stock (but without such transferability of any Trust interests) will not destroy the beneficial treatment of an existing electing Trust unless and until the ANC thereafter makes a transfer to the Trust.

Under the Senate amendment and the conference agreement, the surrender of an interest in an ANC or an electing Trust in order to accomplish the whole or partial redemption of the interest

¹⁴⁸ 43 U.S.C. 1606(h).

of a shareholder or beneficiary in such ANC or Trust, or to accomplish the whole or partial liquidation of such ANC or Trust, is deemed to be a transfer permitted by section 7(h) of ANSCA for purposes of the provision.

The conferees also wish to clarify the effect of the general sunset rule of the legislation on this provision. The general sunset is effective for taxable years beginning after December 31, 2010. For such taxable years, the tax consequences of any election previously made under this provision, and any right to make a future election, shall be terminated. Thus, for taxable years beginning after December 31, 2010, any electing Trust then in existence, its beneficiaries, and the sponsoring ANC shall be taxed under the provisions of law in effect immediately prior to the enactment of this provision.

8. Provisions relating to plan amendments (sec. 801 of the House bill)

PRESENT LAW

Plan amendments to reflect amendments to the law generally must be made by the time prescribed by law for filing the income tax return of the employer for the employer's taxable year in which the change in law occurs.

HOUSE BILL

The House bill permits certain plan amendments made pursuant to the changes made by the bill (or regulations issued under the provisions of the House bill) to be retroactively effective. If the plan amendment meets the requirements of the bill, then the plan is treated as being operated in accordance with its terms and the amendment does not violate the prohibition of reductions of accrued benefits. In order for this treatment to apply, the plan amendment must be made on or before the last day of the first plan year beginning on or after January 1, 2004 (January 1, 2006, in the case of a governmental plan). If the amendment is required to be made to retain qualified status as a result of the changes in the bill (or regulations) the amendment must be made retroactively effective as of the date on which the change became effective with respect to the plan and the plan must be operated in compliance until the amendment is made. Amendments that are not required to retain qualified status but that are made pursuant to the changes made by the bill (or applicable regulations) may be made retroactive as of the first day the plan was operated in accordance with the amendment.

A plan amendment is not considered to be pursuant to the bill (or applicable regulations) if it has an effective date before the effective date of the provision of the House bill (or regulations) to which it relates. Similarly, the House bill does not provide relief from section 411(d)(6) for periods prior to the effective date of the relevant provision of the House bill (or regulations) or the plan amendment.

The Secretary is authorized to provide exceptions to the relief from the prohibition on reductions in accrued benefits. It is intended that the Secretary will not permit inappropriate reductions in contributions or benefits that are not directly related to the pro-

ESTIMATED BUDGET EFFECTS OF THE CONFERENCE AGREEMENT FOR H.R. 1836 [1]

Fiscal Years 2001 - 2011

[Millions of Dollars]

Provision	Effective	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2001-06	2001-11
Marginal Rate Reduction Provisions (Sunset 12/31/10)														
1. Create new 10% bracket in 2001 through 2007 for the first \$6,000 of taxable income for singles, first \$10,000 for heads of households, and first \$12,000 for married couples, and in 2008, first \$7,000 of taxable income for singles, first \$10,000 for heads of households, and first \$14,000 for married couples; and index beginning in 2009; credit with advanced payment in lieu of rate for 2001	lyea 12/31/00	-38,186	-33,421	-40,223	-40,396	-40,201	-40,203	-40,065	-43,422	-45,359	-46,034	-13,871	-532,570	-421,321
2. Reduce the various income tax rates (39.6% rate reduced to 35% in 2001 through 2003, 35% in 2004 and 2005, 35% in 2006 and thereafter, 36% rate reduced to 35% in 2001 through 2003, and 34% in 2004 and 2005, and 33% in 2006 and thereafter; 31% rate reduced to 30% in 2001 through 2003, 29% in 2004 and 2005, 28% in 2006 and thereafter; 28% rate reduced to 27% in 2001 through 2003, 26% in 2004 and 2005, and 25% in 2006 and thereafter)	7/1/01	-2,005	-21,100	-21,256	-23,049	-32,774	-50,524	-59,378	-60,401	-61,652	-63,033	-19,035	-157,107	-420,606
3. Phasein repeal of Pease outback of itemized deductions over 5 years	lyea 12/31/05	---	---	---	---	---	-1,285	-2,566	-4,003	-5,414	-7,168	-4,456	-1,265	-24,872
4. Phasein repeal of the personal exemption phaseout over 5 years	lyea 12/31/05	---	---	---	---	---	-473	-955	-1,382	-1,793	-2,216	-1,323	-473	-8,140
Total of Marginal Rate Reductions Provisions (Sunset 12/31/10)		-40,191	-54,521	-61,479	-69,385	-72,975	-92,665	-102,964	-109,206	-114,216	-116,451	-38,685	-391,415	-574,939
Increase the Child Tax Credit From \$500 to \$600 in 2001 through 2004, \$700 in 2005 through 2008, \$800 in 2009 and \$1,000 in 2010. Make Refundable up to Greater of 15% (10% for 2001 through 2004) of Earned Income in Excess of \$10,000 (Indexed in 2002) or Present Law; Allow Credit Permanently Against the AMT; Repeal AMT Offset of Refundable Credits; Sunset 12/31/10														
	lyea 12/31/00	-518	-9,291	-9,927	-10,602	-12,786	-18,320	-19,000	-19,408	-20,532	-25,200	-26,197	-61,444	-171,782
Marriage Penalty Relief Provisions (Sunset 12/31/10)														
1. Standard deduction set at 2 times single for married filing jointly, phased in over 5 years	lyea 12/31/04	---	---	---	---	-685	-1,954	-2,580	-2,772	-3,164	-2,932	-431	-2,639	-14,918
2. 15% rate bracket set at 2 times single for married filing jointly, phased in over 4 years	lyea 12/31/04	---	---	---	---	-4,208	-6,204	-6,559	-5,876	-4,737	-4,001	-1,150	-10,412	-32,734

Provision	Effective	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2001-06	2001-11
3. EIC Modification and Simplification - Increase in joint returns beginning and ending income level for phaseout by \$1,000 in 2002 through 2004, \$2,000 in 2005 through 2007, and \$3,000 in 2008, and indexed thereafter; simplify definition of earned income; AGI for child tax credit and credit for those in ICT simplification study; and allow safe error procedure with Federal Case registry data beginning in 2004 [2]	lyba 12/31/01	---	-8	-847	-1,277	-1,243	-1,817	-1,819	-1,787	-2,258	-2,240	-2,348	-5,191	-15,643
Total of Marriage Penalty Relief Provisions (Sunset 12/31/10)	lyba 12/31/10	---	-8	-847	-1,277	-6,136	-9,975	-10,358	-10,435	-10,159	-9,173	-4,329	-16,242	-63,295
Education Provisions (Sunset 12/31/10)														
1. Education IRAs - Increase the annual contribution limit to \$2,000; allow education IRA contributions for special needs beneficiaries above the age of 18; allow corporations and other entities to contribute to education IRAs; allow contributions until April 15 of the following year; allow a taxpayer to exclude Ed IRA distributions from gross income and claim the HOPE or Lifetime Learning credits as long as they are not used for the same expenses; repeal excise tax on contributions made to education IRA when contribution made by anyone on behalf of same beneficiary in OTR; allow postsecondary expenses for married taxpayers; allow tax-free expenditures for elementary and secondary school expenses to include certain computers and related items	lyba 12/31/01	---	-203	-365	-461	-561	-667	-778	-892	-1,013	-1,136	-285	-2,256	-6,370
2. Qualified Tuition Plans - tax-free distributions from State plans; allow private institutions to offer prepaid tuition plans, tax-deferred in 2002, with tax-free distributions beginning in 2004; allow a taxpayer to exclude QTP distributions from gross income and claim the HOPE or Lifetime Learning credits as long as they are not used for the same expenses; expand definition of family member to include cousins; allow tax-free distributions for actual living expenses; and coordinate with the deduction for higher education expenses	lyba 12/31/01	---	-24	-53	-81	-111	-141	-170	-200	-234	-256	-64	-410	-1,334
3. Employer Provided Assistance - permanently extend the exclusion for undergraduate courses and graduate level courses	cba 12/31/01	---	-519	-720	-760	-804	-852	-904	-958	-1,012	-1,068	-267	-3,656	-7,865
4. Student loan interest - eliminate the 60-month rule; increase phaseout ranges to \$50,000-\$65,000 single/\$100,000-\$130,000 joint; indexed for inflation after 2002	lpa 12/31/01	---	-170	-245	-262	-277	-289	-305	-321	-338	-356	-89	-1,243	-2,651

[illegible]

Provision	Effective	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2001-06	2001-11
b. Retroactive allocation of the generation-skipping tax exemption	generally 12/31/00	---	-1	-4	-6	-6	-6	-6	-6	-6	-6	-6	-23	-53
c. Severing of trusts holding property having an inclusion ratio of greater than zero	---	---	---	---	---	---	---	---	---	---	---	---	---	---
d. Modification of certain valuation rules	---	---	---	---	---	---	---	---	---	---	---	---	---	---
e. Relief from rate elections	---	---	---	---	---	---	---	---	---	---	---	---	---	---
f. Section 6166 compliance	---	---	---	---	---	---	---	---	---	---	---	---	---	---
4. Expanded availability of installment payment relief	---	---	---	---	---	---	---	---	---	---	---	---	---	---
a. Under Section 6166, to	---	---	---	---	---	---	---	---	---	---	---	---	---	---
a. Increase from 15 to 45 the number of partners of a partnership or shareholders in a corporation eligible for installment payments of estate tax under section 6166	dda 12/31/01	---	---	-285	-297	-330	-364	-394	-383	-381	-371	-358	-1,276	-3,163
b. Qualified lending and finance business interests	dda 12/31/01	---	---	-103	-84	-64	-43	-21	-22	-24	-25	-27	-298	-413
c. Certain holding company stock	dda 12/31/01	---	---	-171	-140	-107	-72	-34	-47	-49	-42	-45	-491	-688
5. Waiver of statute of limitations for refunds of recapture of estate tax under section 2035A	DOE	---	-100	-25	---	---	---	---	---	---	---	---	-125	-125
Total of Estate and Gift Provisions (Sunset 12/31/10)		---	-105	-6,993	-5,690	-7,594	-4,570	-10,186	-12,358	-13,201	-23,523	-53,904	-24,854	-138,006
Pension and IRA Provisions (Generally Sunset 12/31/10)														
1. Modification of Retirement Provisions														
a. Modification of IRA contribution limits to increase the maximum contribution limit for traditional and Roth IRAs to: \$5,000 in 2002 through 2004, \$4,000 in 2005 through 2007, and \$5,000 in 2008; index in years thereafter	yba 12/31/01	---	-369	-847	-1,054	-1,693	-2,346	-2,582	-3,148	-3,817	-4,243	-3,033	-6,308	-23,132
2. IRA Catch-Up Contributions - increase maximum contribution limits for traditional and Roth IRAs for individuals age 50 and above by \$500 in 2002 and \$1,000 in 2006	yba 12/31/01	---	-69	-151	-174	-176	-225	-253	-292	-211	-234	-162	-785	-1,988
3. Deemed IRAs under employee plans	yba 12/31/02	---	-437	-998	-1,228	-1,869	-2,571	-2,875	-3,400	-4,028	-4,477	-3,215	-7,103	-25,100
Total of Individual Retirement Arrangement Provisions		---	---	---	---	---	---	---	---	---	---	---	---	---
Provisions for Expanding Coverage														
1. Increase contribution and benefit limits:														
a. Increase limit on voluntary contributions for defined plans to: \$11,000 in 2002, \$12,000 in 2003, \$13,000 in 2004, \$14,000 in 2005, and \$15,000 in 2006; index thereafter [4] [5]	yba 12/31/01	---	---	-100	-328	-500	-636	-708	-753	-797	-880	-436	-1,564	-5,138
b. Increase limitation on SIMPLE elective contributions to: \$7,000 in 2002, \$8,000 in 2003, \$9,000 in 2004, and \$10,000 in 2005; index thereafter [4] [5]	yba 12/31/01	---	-10	-30	-42	-51	-55	-59	-63	-66	-69	-35	-188	-480
c. Increase defined benefit dollar limit to \$160,000	yba 12/31/01	---	-23	-42	-46	-47	-49	-49	-54	-57	-50	-8	-207	-432
d. Lower early retirement age to 62; lower normal retirement age to 65	yba 12/31/01	---	-3	-4	-4	-5	-5	-5	-5	-5	-5	-2	-21	-43
a. Increase limit on annual benefit for defined contribution plans to \$40,000 with indexing in \$1,000 increments [4]	yba 12/31/01	---	-7	-15	-18	-21	-17	-17	-20	-23	-27	-14	-79	-180

Provision	Effective	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2001-06	2001-11
1. Increase qualified plan compensation limit to \$200,000 with indexing in \$5,000 increments [4] and self-employed individuals who are exempt from the self-employment tax by reason of their religious beliefs	yba 12/31/01 & tyba 12/31/01	---	-55	-119	-125	-143	-141	-157	-154	-170	-184	-98	-583	-1,346
g. Increase limits on deferrals under deferred compensation plans of State and local governments and tax-exempt organizations to: \$11,000 in 2002, \$12,000 in 2003, \$13,000 in 2004, \$14,000 in 2005, and \$15,000 in 2006; index thereafter [4] [5]	yba 12/31/01	---	-29	-61	-87	-108	-127	-138	-147	-155	-164	-84	-411	-1,088
2. Plan loans for S corporation owners, partners, and sole proprietors	yba 12/31/01	---	-21	-32	-34	-38	-39	-41	-44	-47	-49	-19	-182	-362
3. Modification of top-heavy rules	yba 12/31/01	---	-4	-8	-10	-11	-13	-14	-17	-17	-19	-10	-45	-121
4. Elective deferrals not taken into account for purposes of deduction limits	yba 12/31/01	---	-47	-88	-103	-111	-119	-127	-135	-144	-152	-103	-468	-1,129
5. Repeal of coordination requirements for deferred compensation plans of State and local governments and tax-exempt organizations [4]	yba 12/31/01	---	-16	-27	-27	-25	-23	-24	-24	-24	-24	-14	-118	-228
6. Elimination of user fee for certain requests regarding small employer pension plans with at least one non-highly compensated employee [6]	rma 12/31/01	---	-7	-10	---	---	---	---	---	---	---	---	-17	-17
7. Definition of compensation for purposes of deduction limits [4]	yba 12/31/01	---	-1	-3	-3	-3	-3	-4	-4	-4	-4	-2	-14	-31
8. Increase allocations and profit-sharing plan deduction limit from 25% to 25% [4]	yba 12/31/01	---	-7	-14	-16	-18	-19	-21	-23	-24	-26	-14	-75	-182
9. Option to treat elective deferrals as after-tax Roth contributions	yba 12/31/05	---	---	---	---	---	185	236	172	90	-5	-368	185	320
10. Nonrefundable credit to certain individuals for elective deferrals and IRA contributions (sunset 12/31/06)	tyba 12/31/01	---	-1,036	-2,096	-1,963	-1,856	-1,746	-920	-102	-91	-89	-86	-8,688	-9,987
11. Small business (100 or fewer employees) tax credit for new retirement plan expenses - first 3 years of the plan	[7]	---	-3	-12	-21	-29	-29	-29	-27	-26	-25	-22	-94	-223
12. Treatment of nonresident aliens engaged in international transportation services	tyba 12/31/01	---	-2	-7	-7	-7	-8	-8	-8	-8	-8	-5	-31	-68
Total of Provisions for Expanding Coverage		---	-1,271	-2,668	-2,835	-2,971	-2,843	-2,085	-1,407	-1,568	-1,786	-1,310	-12,590	-20,745
Provisions for Enhancing Fairness for Women														
1. Additional catch-up contributions for individuals age 50 and above - increase the otherwise applicable catch-up contribution from \$1,000 to \$1,500 by \$1,000 in 2002, \$2,000 in 2003, \$3,000 in 2004, \$4,000 in 2005, and \$5,000 in 2006 and thereafter; index in \$500 increments after 2006; SIMPLE plan catch-ups would be 50% of that applicable to other plans; (nondiscrimination rules would not apply) [4]	tyba 12/31/01	---	-124	-243	-234	-164	-100	-84	-76	-63	-57	-38	-865	-1,184
2. Equitable treatment for contributions of employees to defined contribution plans [4]	yba 12/31/01	---	-45	-84	-98	-106	-113	-121	-129	-136	-144	-75	-446	-1,051

Provision	Effective	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2001-06	2001-11
3. Faster vesting of certain employer matching contributions	cl pyba 12/31/01													
4. Simplify and update the minimum distribution rules by modifying post-death distribution rules	yba 12/31/01	---	[3]	-1	-1	-2	-2	-2	-2	-2	-3	-3	-6	-18
5. Clarification of tax treatment of division of section 457 plan benefits upon divorce	tdapma 12/31/01													
6. Modification of safe harbor relief for hardship withdrawals from 401(k) plans	yba 12/31/01													
7. Waiver of tax on nondeductible contributions for domestic or similar workers	tyba 12/31/01	---	[3]	[3]	-1	-2	-4	-6	-8	-10	-12	-14	-8	-57
Total of Provisions for Enhancing Fairness for Women		---	-169	-328	-334	-274	-219	-213	-215	-211	-216	-130	-1,325	-2,310
Provisions for Increasing Portability for Participants														
1. Rollovers allowed among governmental section 457 plans, section 403(b) plans, and qualified plans	da 12/31/01	---	27	-4	-4	-5	-5	-5	-6	-6	-7	-43	10	-57
2. Rollovers of IRAs to workplace retirement plans	dma 12/31/01													
3. Rollovers of after-tax retirement plan contributions	da 12/31/01													
4. Waiver of early withdrawal penalties	yba 12/31/01													
5. Treatment of qualified plan distributions	da 12/31/01													
6. Rationalization of restrictions on distributions	da 12/31/01													
7. Purchase of service credit in governmental defined benefit plans	la 12/31/01													
8. Employers may disregard rollovers for cash-out amounts	da 12/31/01													
9. Minimum distribution and inclusion requirements for section 457 plans	da 12/31/01													
Total of Provisions for Increasing Portability for Participants		---	27	-4	-4	-5	-5	-5	-6	-6	-7	-43	10	-57
Provisions for Strengthening Pension Security and Enforcement														
1. Phase-in repeal of 160% of current liability funding limit; extend maximum deduction rule	pyba 12/31/01	---	-14	-20	-36	-36	-38	-38	-39	-41	-42	-22	-144	-326
2. Excess tax relief for sound pension funding	yba 12/31/01	---	-2	-3	-3	-3	-3	-3	-3	-3	-3	-3	-14	-29
3. Rates of significant reduction in plan benefit	patelsa DOE													
4. Repeal 100% of compensation limit for multiemployer plans	yba 12/31/01	---	-2	-4	-4	-4	-4	-5	-5	-5	-5	-3	-18	-41
5. Modification of section 415 aggregation rules for multiemployer plans	tyba 12/31/01	---	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-4	-8
6. Investment of employee contributions in 401(k) plans	aili TRA'97													
7. Prohibited allocations of stock in an ESOP S corporation	[8]	---	3	5	6	8	8	9	10	10	10	11	30	81
8. Automatic rollovers of certain mandatory distributions	dma trap	---	---	---	-7	-29	-30	-32	-33	-33	-34	-26	-66	-224
9. Clarification of treatment of contributions to multiemployer plans	yea DOE	---	---	-11	-19	-32	-38	-35	-30	-26	-19	-14	-100	-224
Total of Provisions for Strengthening Pension Security and Enforcement		---	-16	-34	-64	-97	-106	-105	-101	-99	-94	-58	-316	-771

[illegible]

Provision	Effective	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2001-06	2001-11
4. Dependent care tax credit: increase the credit rate to 35%, increase the eligible expense to \$5,000 for one child and \$8,000 for two or more children (not indexed), and increase the start of the phase-out to \$15,000 of AGI	tyba 12/31/02	--	--	-336	-432	-413	-393	-380	-352	-317	-296	-73	-1,573	-2,981
Total of Miscellaneous Provisions (Generally Sunset 12/31/10)		--	-99	-638	-816	-851	-877	-901	-908	-911	-827	-830	-3,283	-7,562
NET TOTAL [15] [16]		-73,808	-37,763	-90,602	-107,702	-107,399	-135,202	-151,661	-160,067	-167,821	-187,001	-129,528	-552,480	-1,348,537
Joint Committee on Taxation														
NOTE: Details may not add to totals due to rounding.														
Legend for "Effective" column:														
all TRA-97 = as if included in the Taxpayer Relief Act of 1997														
aria = amounts received on or after														
bia = bonds issued after														
caa = courses beginning after														
ca = contributions for														
ba = bonds issued after														
da = distributions after														
dda = decedents dying after														
doa = disasters occurring after														
dna = distributions made after														
DOE = date of enactment														
frap = Federal regulations are prescribed														
gma = gifts made after														
lappret = interest accruing for periods beginning not earlier than														
year interest paid after														
patka = plan amendments taking effect on or after														
pea = plans established after														
pyba = plan years beginning after														
rma = requests made after														
ta = transfers after														
tdapma = transfers, distributions, and payments made after														
tyba = taxable years beginning after														
yea = years beginning after														
yea = years ending after														
[1] The estimates presented in this table include the effects of certain behavioral responses to the tax proposals, including shifts between nontaxable and taxable sources of income, changes in amounts of charitable giving, and changes in the timing of realization of some sources of income. While the estimates do not include the effects of these proposals on economic growth, the proposals are likely to result in modest increases in growth of the economy during the 10-year budget estimating period. The largest component of the proposals, the marginal rate cuts, will provide incentives for more work, investment, and savings.														
[2] Estimate assumes that any constitutional challenge based on the use of Federal Case registry data would not be successful.														
[3] Loss of less than \$500,000.														
[4] Provision includes interaction with other provisions in Provisions for Expanding Coverage.														
[5] Provision includes interaction with the Individual Retirement Arrangement Provisions.														
[6] Estimate provided by the Congressional Budget Office.														
[7] Effective for costs paid or incurred in taxable years beginning after December 31, 2001, with respect to qualified employer plans established after such date.														
[8] Generally effective with respect to years beginning after December 31, 2004. In the case of an ESOP established after March 14, 2001, or an ESOP established on or before such date if the employer maintaining the plan was not an S corporation on such date, the proposal would be effective with respect to plan years ending after March 14, 2001.														
[9] Directs the Secretary of the Treasury to modify rules through regulations.														
[10] Effective for distributions from terminating plans that occur after the PBGC has adopted final regulations implementing provision.														
[11] Special Federal income tax rules would apply if the Trust makes an election for its first taxable year ending after the date of enactment.														
[12] Effective for taxable years of electing Settlement Trusts ending after the date of enactment, and to contributions made to such trust made after the date of enactment.														
[13] Loss of less than \$1 million.														
[14] Loss of less than \$5 million.														
[15] Includes the following effect on fiscal year outlays (millions):														
Outlays (millions)		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2001-06	2001-11
Outlays (millions)		---	6,226	6,000	7,006	7,081	9,597	9,542	9,360	9,668	11,080	12,844	36,510	88,404
Taxpayers affected by the AMT: Present Law (millions of taxpayers)		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2001-06	2001-11
Taxpayers affected by the AMT: Proposal (millions of taxpayers)		1.4	2.7	3.3	5.3	13.0	19.6	20.9	29.1	32.1	35.5	20.7		

WILLIAM THOMAS,
DICK ARMEY,
Managers on the Part of the House.

CHUCK GRASSLEY,
ORRIN HATCH,
FRANK H. MURKOWSKI,
DON NICKLES,
PHIL GRAMM,
MAX BAUCUS,
JOHN BREAUX,
Managers on the Part of the Senate.

