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PROCEEDINGS AND DEBATES OF THE 108th CONGRESS, FIRST SESSION

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House of Representatives

The House met at 9 a.m. and was called to order by the Speaker pro tempore (Mr. SIMPSON).

DESIGNATION OF THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore laid before the House the following communication from the Speaker:

WASHINGTON, DC,
May 9, 2003.

I hereby appoint the Honorable MICHAEL K. SIMPSON to act as Speaker pro tempore on this day.

J. DENNIS HASTERT,
Speaker of the House of Representatives.

PRAYER

The Chaplain, the Reverend Daniel P. Coughlin, offered the following prayer:

Lord, You are the lasting defense in battle and the guardian of Your people. Members of Congress have stood with the American people throughout the Iraqi conflict and now rejoice in seeing our military troops returning home. Bless and reward all those who proudly wear the uniforms of the Armed Forces of this Nation. Continue to protect those who are still in harm's way anywhere in the world. Strengthen their families in love and answer the prayers of their children. Bring healing to those who have been injured in military combat and grant eternal peace to those who have died. May their families persevere in faith and find compassion and support in their every need.

May the last 50 days now bear true and lasting results of goodness and peace.

Lord, may the celebration of Mother's Day this weekend celebrate the gift of life and renew the profound significance of family relationships, now and forever.

Amen.

THE JOURNAL

The SPEAKER pro tempore. The Chair has examined the Journal of the last day's proceedings and announces to the House his approval thereof.

Pursuant to clause 1, rule I, the Journal stands approved.

Mr. MCNULTY. Mr. Speaker, pursuant to clause 1, rule I, I demand a vote on agreeing to the Speaker's approval of the Journal.

The SPEAKER pro tempore. The question is on the Speaker's approval of the Journal.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. MCNULTY. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Pursuant to clause 8, rule XX, further proceedings on this question will be postponed.

The point of no quorum is considered withdrawn.

PLEDGE OF ALLEGIANCE

The SPEAKER pro tempore. Will the gentleman from Montana (Mr. REHBERG) come forward and lead the House in the Pledge of Allegiance.

Mr. REHBERG led the Pledge of Allegiance as follows:

I pledge allegiance to the Flag of the United States of America, and to the Republic for which it stands, one nation under God, indivisible, with liberty and justice for all.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore. The Chair will entertain five 1-minute speeches per side.

RELEASE OF DR. SALAI TUN THAN

(Mr. BURNS asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. BURNS. Mr. Speaker, I rise today to announce good news. Dr. Salai Tun Than, University of Georgia graduate and a political prisoner of the Burmese government since December 2001, was released from his 7-year sentence this past Sunday. While many were instrumental in Dr. Tun Than's release, including the University of Georgia Student Government Association and the UGA chapter of Amnesty International, I would like to express my gratitude to Burmese Ambassador Linn Myaing for his assistance and willingness to meet with me to discuss Dr. Tun Than.

While I am grateful for Dr. Tun Than's release, I am concerned that his release was contingent upon conditions restricting his future political engagement, effectively denying him his freedom of speech. I hope that in the future, the Burmese Government will strive for more openness, freedom, and democracy in its political process.

Burma holds more than 1,000 prisoners like Dr. Tun Than in its prisons, many of whom have been there longer than Dr. Tun Than. This situation must change. I urge the Burmese Government not to stop with the release of Dr. Tun Than, but to release other political prisoners. Only then can democracy and individual liberty flourish in Burma.

REPUBLICAN ECONOMIC PLAN FAILS

(Ms. PELOSI asked and was given permission to address the House for 1 minute and to revise and extend her remarks.)

Ms. PELOSI. Mr. Speaker, today the House of Representatives has a historic decision to make. We can get the economy moving again with a fair, fast-acting, and fiscally sound Democratic plan; or we can pass a reckless plan that the Republicans are proposing that does not create jobs.

The debate today is about leadership. Sadly, that leadership is lacking from

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President Bush and from the Republicans in Congress. In 2 years, President Bush and the Republicans in Congress have presided over the most dramatic deterioration in our Nation's economic health in our Nation's history. We have lost 563 jobs every working hour of every working day since President Bush became President. That is 2.7 million jobs.

That is why today is so tragic. We have an opportunity to create jobs and build a strong economy in a fiscally sound way. Instead, the reckless tax plan that the President has proposed has not only set a bad example; it has set in motion a feeding frenzy of one-upmanship on tax cuts.

None of these tax cuts is affordable. None of them creates jobs, and they are not fair. All of them do damage to our long-term economic growth and contribute to the national deficit.

Mr. Speaker, I urge my colleagues to reject the Republican tax cut for millionaires that leaves working families out in the cold. Vote ''no,'' reject the Republican proposal, reject their undermining of opportunity in our country. Unfortunately, we do not have an opportunity for Members to support the Democratic plan because the Republican leadership would not allow the free debate on the floor of this House of another proposal to promote economic growth to create jobs in a fiscally sound way.

H.R. 2 IS TAX RELIEF FOR EVERYONE

(Mr. REHBERG asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. REHBERG. Mr. Speaker, I would like to know just exactly what are tax cuts for the rich? I hear it all of the time from critics of tax relief, so I looked into it and discovered that if we applied the sweeping logic of the antitax relief crowd, the term ''rich people'' would have to include everyone who makes more than $5,000 a year. It turns out everyone is rich, because I am here to tell Members H.R. 2 is tax relief for everyone.

Our bill expands the 10 percent tax bracket beginning this year. Is that a tax cut for the rich? It increases the standard deduction for married couples filing joint returns beginning this year. Are all married couples rich? It provides $1,000 child tax credit beginning this year. Do only rich people have children?

In fact, the House Jobs and Growth Tax Act will create an estimated 1.2 million jobs by the end of 2004. That translates into 2,700 jobs for Montanans this year, another 2,500 next year. It will also provide a tax break for small business and boost our struggling economy.

So let us get this straight. What they are calling tax cuts for the rich is going to bring us new jobs; relief for the poorest Americans; help for married couples; help for small businesses, the backbone of our economy; an increase in the child credit; and an immediate jump-start to our economy. Call it what you like, it is good for Montana.

WHAT ARE REPUBLICANS AFRAID OF?

(Mr. MENENDEZ asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. MENENDEZ. Mr. Speaker, what are Republicans afraid of? Are they afraid of the anger of millions of unemployed when they find out Republicans are passing yet another massive tax cut to the already well-off, while unemployment benefits for hard-hit families are about to run out? Are Republicans afraid of middle-class workers who do not know whether we are going to have another waive of corporate downsizing in this country that will put their jobs, their health care, and their kids' educations at risk?

What is clear is that Republicans are afraid of something because they will not even allow Democrats to offer our alternative plan. Republicans do not want an open debate because they do not want the American middle class to see that they are borrowing hundreds of billions of dollars tomorrow for the tax cuts they pay today.

America cannot be red, white, and broke and meet its challenges both at home and abroad. It is time for the Republicans to realize that a tax cut is not the answer to every problem. For 2½ years it has not worked; ask the 2 million jobs that are now gone. It is time to stop squandering the future of American families and start doing something about this economic mess.

HONORING VERNA ZIEGENHAGEN DURING TEACHER APPRECIATION WEEK

(Mr. KLINE asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. KLINE. Mr. Speaker, I rise today to recognize the achievements of a truly inspirational individual. As we conclude Teacher Appreciation Week, I would like to pay tribute to Minnesota educator Verna Ziegenhagen, and the many dedicated teachers like her who have inspired each of us.

Who among us cannot look back and recall one teacher who made a difference in our lives? Verna Ziegenhagen has been that person for hundreds of Minnesota children. Throughout her 53 years as a teacher, Verna Ziegenhagen instructed and inspired the students of German Lake; Le Center; Heidelberg; Lexington; and Le Seuer, Minnesota.

Following her 53-year teaching career, Verna transplanted to her rural Le Center property a 100-plus-year-old country schoolhouse, which she filled with the mementoes of her teaching career. What began as a personal journey to preserve the memories is now a museum of tribute to her former students and, by extension, a shrine to her own dedication and sacrifice.

Verna's dedication to teaching continues in spite of her retirement. For the past 16 years, this two-time Teacher of the Year has maintained and operated the museum, constantly changing the theme to reflect the seasons and capture the imagination of visitors. This is a wonderful teacher. We thank her.

REPUBLICANS FAIL TO TURN RECESSION AROUND

(Mr. PALLONE asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. PALLONE. Mr. Speaker, our Nation is in a job recession with 2.7 million jobs lost since President Bush took office, the worst jobs record in 40 years. For almost 3 years, the Republicans had the power to turn this recession around, and they have failed miserably.

For the past 2 years, the President and Republicans in Congress have repeatedly chosen tax breaks for the elite, and the American people are still waiting for one job to be created. Today Republicans are at it again with a bill on the floor that amounts to nothing more than a huge payback to the wealthiest Americans in our Nation, a payback that is disguised in the form of breaks on capital gains and stock dividends, two proposals economists conclude will not create jobs or growth in the near future.

Mr. Speaker, at a time when our economy needs a true jolt to reverse America's economic skepticism, the Republican proposal will not stimulate the economy. The Republican record on economic stimulus is uninspiring, and one that should not be extended today. We have had enough of it. Let us not continue down this road and this continued economic downturn.

NEW TAX BILL IS FOR CREATING JOBS

(Mr. BALLENGER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. BALLENGER. Mr. Speaker, North Carolina unemployment is as bad as it is anywhere. Broyhill Industries just announced it is laying off 500 people from their furniture factory.

My little company has been operating wide open in North Carolina, lots of overtime, and that does not cost anything in additional expenditures and investment, but it reduces our efficiency.

The jobs part of the tax bill increasing depreciation writeoffs make it sensible to buy machinery and to cut down on overtime by creating four new jobs

by investing $170,000. We would not do this if it were not a plus in the tax bill. The jobs will be created in the same county where Broyhill laid off 500 people.

Mr. Speaker, I think people who have never been involved in employing people and working together do not recognize what an advantage this new tax bill is for creating jobs.

HERE REPUBLICANS GO AGAIN

(Mr. GEORGE MILLER of California asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. GEORGE MILLER of California. Mr. Speaker, here they go again. When they first took office, the Bush administration said we needed a big tax cut to get the economy moving again. They gave us a big tax cut, financed out of the deficit, financed out of Social Security; and we lost 1.7 million jobs since that tax cut. We have lost 2.5 million jobs since the Bush administration took office.

This morning they want to give us another trillion dollar tax cut to create more jobs, and the fact of the matter is that most of it will be financed out of the Social Security system and out of the deficit. When is this Nation going to learn that these people do not have a plan? They have yet to create a single new job; but what they will do in this tax cut is for those families earning over a million dollars, they will get $93,000 back next year in tax cuts. For the average family, they will get $217 back. In fact, over the next decade those families will take more in tax cuts than 90 percent of the population.

Mr. Speaker, this is once again showering hundreds of billions of dollars on the wealthiest people in the country while 2.5 million people are out of work, while 4 million people have given up looking for work, and three people are looking for every job that exists in this country. The Republicans and President Bush owe America better.

□ 0915

ECONOMIC STIMULUS

(Mr. SHIMKUS asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. SHIMKUS. Mr. Speaker, we have heard a lot of debate this morning already about no opportunities, but of course our friends on the other side will get an opportunity for a motion to recommit; and I think they can use that to highlight the plan, whatever it is that they have to offer.

In southern Illinois we still have some of those old water pumps. You crank that pump and sometimes you crank and crank and there is no water that comes out. So what do you have to do? You have to get water. You have to pour it down to prime it. And then as you use that pump, the water comes up. That is what we are trying to do today.

There are two basic provisions on this tax cut bill, one is for individuals and one is for businesses, directly primarily to small businesses, the main job-creation engine of our country. It is not just individuals who are hurting but local governments are hurting, counties, States, townships, local communities. The best way to get us out of our deficits and our malaise and our problems throughout this country is to get a growing, thriving economy. That is what we are trying to do today. That is what this bill does. That is why I support it.

VOTE NO ON THE TAX BILL

(Mr. HOYER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. HOYER. Mr. Speaker, today this House will vote on the Republicans' wildly irresponsible tax bill which fails to stimulate our economy or create jobs, explodes the budget deficit and the national debt, and robs Social Security and other key priorities of crucial funding. Our Republican friends continue to make wild claims about this tax bill, but the American people need to ask one very simple question: Do I trust TOM DELAY and the Republican majority who said that we would balance the budget, create jobs, and get the economy moving 2 years ago? Or do we trust an individual like Mr. Buffett, the largest investor, perhaps, in America, who recently said that cutting taxes on corporate dividends, an idea incorporated in the GOP bill, unfairly favors the wealthy and doubted that it would stimulate the economy? That is Warren Buffett. That is not one of us. Democrats strongly agree with him, however.

We offered a plan that is fast-acting, fair and fiscally responsible, a plan that would create five times, over a million jobs, as this GOP bill does.

Reject this failed policy.

THE JOURNAL

The SPEAKER pro tempore (Mr. SIMPSON). Pursuant to clause 8 of rule XX, the pending business is the question of the Speaker's approval of the Journal of the last day's proceedings.

The question is on the Speaker's approval of the Journal.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. MCNULTY. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

The vote was taken by electronic device, and there were—yeas 311, nays 72, not voting 51, as follows:

[Roll No. 177]

YEAS—311

Abercrombie
Aderholt
Akin
Alexander
Andrews
Baca
Bachus
Baker
Ballance
Ballenger
Barrett (SC)
Bartlett (MD)
Bass
Beauprez
Becerra
Bell
Bereuter
Berkley
Berman
Biggert
Bilirakis
Bishop (GA)
Bishop (NY)
Bishop (UT)
Blackburn
Blumenauer
Blunt
Boehlert
Boehner
Bonilla
Bonner
Bono
Boozman
Boswell
Boucher
Bradley (NH)
Brady (TX)
Brown (SC)
Brown-Waite, Ginny
Burgess
Burns
Burr
Buyer
Calvert
Camp
Cannon
Cantor
Capps
Cardin
Cardoza
Carson (IN)
Carson (OK)
Carter
Case
Castle
Chabot
Chocola
Clyburn
Coble
Collins
Cox
Cramer
Crenshaw
Culberson
Cummings
Cunningham
Davis (AL)
Davis (CA)
Davis (FL)
Davis (IL)
Davis (TN)
Davis, Jo Ann
Davis, Tom
Deal (GA)
DeGette
DeLauro
DeLay
DeMint
Deutsch
Diaz-Balart, M.
Dicks
Dingell
Dooley (CA)
Doolittle
Doyle
Dreier
Duncan
Dunn
Edwards
Ehlers
Emanuel
Emerson
Eshoo
Etheridge
Evans
Everett
Farr
Ferguson
Flake
Foley
Forbes
Frank (MA)
Franks (AZ)
Frelinghuysen
Frost
Gallegly
Garrett (NJ)
Gerlach
Gibbons
Gilchrest
Gingrey
Goode
Goodlatte
Gordon
Goss
Granger
Graves
Green (WI)
Greenwood
Grijalva
Hall
Harman
Harris
Hastings (WA)
Hayes
Hayworth
Hensarling
Herger
Hill
Hinojosa
Hobson
Hoeffel
Hoekstra
Holden
Honda
Hostettler
Houghton
Hoyer
Hunter
Inslee
Isakson
Israel
Issa
Jackson (IL)
Janklow
Jenkins
John
Johnson (CT)
Johnson (IL)
Jones (NC)
Kanjorski
Keller
Kelly
Kildee
Kind
King (NY)
Kingston
Kirk
Kline
Knollenberg
Kolbe
LaHood
Lampson
Langevin
Lantos
Latham
LaTourette
Leach
Lee
Levin
Lewis (GA)
Lewis (KY)
Linder
Lofgren
Lowey
Lucas (KY)
Lucas (OK)
Lynch
Majette
Manzullo
Markey
Marshall
Matheson
Matsui
McCarthy (MO)
McCarthy (NY)
McCollum
McCotter
McCrery
McGovern
McHugh
McInnis
McIntyre
McKeon
Meehan
Meek (FL)
Meeks (NY)
Menendez
Mica
Michaud
Millender-McDonald
Miller (FL)
Miller (MI)
Miller (NC)
Mollohan
Moran (KS)
Moran (VA)
Murphy
Musgrave
Myrick
Napolitano
Nethercutt
Ney
Norwood
Nunes
Nussle
Obey
Ortiz
Osborne
Ose
Otter
Pallone
Pascrell
Payne
Pearce
Pelosi
Peterson (PA)
Petri
Pickering
Pombo
Pomeroy
Porter
Portman
Price (NC)
Pryce (OH)
Putnam
Radanovich
Rahall
Rangel
Regula
Rehberg
Renzi
Reyes
Reynolds
Rodriguez
Rogers (AL)
Rogers (KY)
Rogers (MI)
Rohrabacher
Ros-Lehtinen
Ross
Rothman
Roybal-Allard
Royce
Ruppersberger
Ryan (OH)
Ryan (WI)
Ryun (KS)
Sandlin
Saxton
Schiff
Scott (GA)
Scott (VA)
Sensenbrenner
Serrano
Sessions
Shaw
Shays
Sherman
Sherwood
Shimkus
Shuster
Simmons
Simpson
Skelton
Slaughter
Smith (NJ)
Smith (TX)
Smith (WA)
Solis
Souder
Stearns
Stenholm
Sullivan
Sweeney
Tauscher

Tauzin
Taylor (NC)
Terry
Thomas
Thornberry
Tiahrt
Tiberi
Tierney
Toomey
Turner (OH)
Turner (TX)
Upton
Van Hollen
Vitter
Walden (OR)
Walsh
Wamp
Watson
Weiner
Whitfield
Wilson (NM)
Wilson (SC)
Wolf
Woolsey
Wynn

NAYS—72

Allen
Baird
Baldwin
Berry
Brady (PA)
Brown (OH)
Brown, Corrine
Capuano
Cooper
Costello
Crowley
DeFazio
Doggett
Engel
English
Fattah
Filner
Fletcher
Ford
Fossella
Gonzalez
Green (TX)
Gutierrez
Gutknecht
Hart
Hastings (FL)
Hefley
Holt
Hooley (OR)
Hulshof
Jackson-Lee (TX)
Johnson, E. B.
Kaptur
Kennedy (MN)
Kennedy (RI)
Kilpatrick
Kucinich
Larsen (WA)
Lipinski
LoBiondo
McDermott
McNulty
Miller, George
Moore
Neal (MA)
Oberstar
Olver
Pastor
Peterson (MN)
Ramstad
Sabo
Sanchez, Linda T.
Sanchez, Loretta
Schakowsky
Shadegg
Snyder
Spratt
Strickland
Stupak
Tanner
Taylor (MS)
Thompson (CA)
Thompson (MS)
Towns
Udall (CO)
Udall (NM)
Velazquez
Visclosky
Waters
Weller
Wicker
Wu

NOT VOTING—51

Ackerman
Barton (TX)
Boyd
Burton (IN)
Capito
Clay
Cole
Combest
Conyers
Crane
Cubin
Delahunt
Diaz-Balart, L.
Feeney
Gephardt
Gillmor
Hinchey
Hyde
Istook
Jefferson
Johnson, Sam
Jones (OH)
King (IA)
Kleczka
Larson (CT)
Lewis (CA)
Maloney
Miller, Gary
Murtha
Nadler
Northup
Owens
Oxley
Paul
Pence
Pitts
Platts
Quinn
Rush
Sanders
Schrock
Smith (MI)
Stark
Tancredo
Watt
Waxman
Weldon (FL)
Weldon (PA)
Wexler
Young (AK)
Young (FL)

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (Mr. SIMPSON) (during the vote.) Members are advised that 2 minutes remain in this vote.

□ 0939

Mr. GONZALEZ changed his vote from ''yea'' to ''nay.''

So the Journal was approved.

The result of the vote was announced as above recorded.

MESSAGE FROM THE SENATE

A message from the Senate by Mr. Monahan, one of its clerks, announced that the Senate has passed without amendment concurrent resolutions of the House of the following titles:

H. Con. Res. 53. Concurrent Resolution authorizing the use of the Capitol Grounds for the Greater Washington Soap Box Derby.

H. Con. Res. 96. Concurrent Resolution authorizing the use of the Capitol Grounds for the National Peace Officers' Memorial Service.

H. Con. Res. 138. Concurrent Resolution authorizing the printing of the Biographical Directory of the United States Congress, 1774–2005.

The message also announced that the Senate has passed bills and concurrent resolution of the following titles in which the concurrence of the House is requested:

S. 113. An act to amend the Foreign Intelligence Surveillance Act of 1978 to cover individuals, other than United States persons, who engage in international terrorism without affiliation with an international terrorist group.

S. 165. An act to improve air cargo security.

S. Con. Res. 26. Concurrent Resolution condemning the punishment of execution by stoning as a gross violation of human rights, and for other purposes.

The message also announced that pursuant to Public Law 106–398, as amended by Public Law 108–7, in accordance with the qualifications specified under section 1237(b)(3)(E) of Public Law 106–398, and upon the recommendation of the Majority Leader, in consultation with the chairmen of the Senate Committee on Armed Services and the Senate Committee on Finance, the Chair, on behalf of the President pro tempore, appoints the following individuals to the United States-China Economic Security Review Commission—

Roger W. Robinson, Jr. of Maryland, for a term expiring December 31, 2005;

Robert F. Ellsworth of California, for a term expiring December 31, 2004; and

Michael A. Leden of Maryland, for a term expiring December 31, 2003.

The message also announced that pursuant to sections 276d–276g of title 22, United States Code, as amended, the Chair, on behalf of the Vice President, appoints the following Senators as members of the Senate Delegation to the Canada-United States Interparliamentary Group during the First Session of the One Hundred Eighth Congress, to be held in Canada, May 15–19, 2003:

The Senator from Vermont (Mr. LEAHY).

The Senator from Hawaii (Mr. AKAKA).

The message also announced that pursuant to the provisions of Senate Resolution 105 (adopted April 13, 1989), as amended by Senate Resolution 149 (adopted October 5, 1993), as amended by Public Law 105–275, further amended by Senate Resolution 75 (adopted March 25, 1999), and Senate Resolution 383 (adopted October 27, 2000), the Chair, on behalf of the Democratic Leader, announces the appointment of the following Senators to serve as members of the Senate National Security Working Group for the One Hundred Eighth Congress:

The Senator from West Virginia (Mr. BYRD) (Democratic Administrative Co-Chairman).

The Senator from Michigan (Mr. LEVIN) (Democratic Co-Chairman).

The Senator from Delaware (Mr. BIDEN) (Democratic Co-Chairman).

The Senator from Massachusetts (Mr. KENNEDY).

The Senator from Maryland (Mr. SARBANES).

The Senator from Massachusetts (Mr. KERRY).

The Senator from North Dakota (Mr. DORGAN).

The Senator from Illinois (Mr. DURBIN).

The Senator from Florida (Mr. NELSON).

The message also announced that pursuant to the provisions of Senate Resolution 105 (adopted April 13, 1989), as amended by Senate Resolution 149 (adopted October 5, 1993), as amended by Public Law 105–275, further amended by Senate Resolution 75 (adopted March 25, 1999), and Senate Resolution 383 (adopted October 27, 2000), the Chair announces, on behalf of the Majority Leader, the appointment of the following Senators to serve as members of the Senate National Security Working Group for the One Hundred Eighth Congress:

The Senator from Tennessee (Mr. FRIST), Majority Leader.

The Senator from Alaska (Mr. STEVENS), President pro tempore (Co-Chairman).

The Senator from Mississippi (Mr. COCHRAN), (Majority Administratve Co-Chairman).

The Senator from Arizona (Mr. KYL) (Co-Chairman).

The Senator from Mississippi (Mr. LOTT), (Co-Chairman).

The Senator from Indiana (Mr. LUGAR).

The Senator from Virginia (Mr. WARNER).

The Senator from Colorado (Mr. ALLARD).

The Senator from Alabama (Mr. SESSIONS).

The Senator from Oklahoma (Mr. NICKLES).

JOBS AND GROWTH RECONCILIATION TAX ACT OF 2003

Mr. REYNOLDS. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 227 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 227

Resolved, That upon the adoption of this resolution it shall be in order without intervention of any point of order to consider in the House the bill (H.R. 2) to amend the Internal Revenue Code of 1986 to provide additional tax incentives to encourage economic growth. The bill shall be considered as read for amendment. The amendment recommended by the Committee on Ways and Means now printed in the bill shall be considered as adopted. All points of order against the bill, as amended, are waived. The previous question shall be considered as ordered on the bill, as amended, to final passage without intervening motion except: (1) one hour of debate on the bill, as amended, equally divided and controlled by the chairman and ranking minority member of the Committee on Ways and Means; and (2) one motion to recommit with or without instructions.

The SPEAKER pro tempore. The gentleman from New York (Mr. REYNOLDS) is recognized for 1 hour.

Mr. REYNOLDS. Mr. Speaker, for the purpose of debate only, I yield the customary 30 minutes to the gentleman from Texas (Mr. FROST), ranking member of the Committee on Rules, pending which I yield myself such time as I

may consume. During consideration of this resolution, all time yielded is for the purpose of debate only.

(Mr. REYNOLDS asked and was given permission to revise and extend his remarks.)

Mr. REYNOLDS. Mr. Speaker, House Resolution 227 is a closed rule providing 1 hour of debate for consideration of H.R. 2, the Jobs and Growth Reconciliation Act of 2003. The rule waives all points of order against the bill, as amended, and against its consideration; provides one motion to recommit with or without instructions.

Mr. Speaker, our economy is a global one, dependent on free markets, free trade and free-flowing exchange of ideas and information. But our economy is also local. Its effects ripple through communities throughout America impacting each and every working family. In the final months of the previous administration, America's economy was beginning to slow. President Bush in one of his first major policy initiatives of his new presidency shepherded through the largest tax reduction package in a generation, needed tax relief for working families that this Congress approved in bipartisan fashion. We lowered rates for American workers, made the Tax Code fairer by easing the marriage penalty, and provided an immediate shot in the arm to overtaxed American families and our national economy by providing a well-deserved rebate to some 95 million taxpayers.

□ 0945

The result? The shortest and shallowest recession in America's history.

Then the unthinkable happened. While positive growth registered in the fourth quarter of 2001, the horrific attacks on our Nation on September 11 left our Nation and our economy traumatized, and nowhere was that impact felt harder than in my home State of New York.

Still, our country rallied and produced positive growth in all four quarters of 2002, according to the National Bureau of Economic Research. But this calculated growth has not always been readily recognizable across America. The American people demand and deserve an energized economy, complete with expanding job opportunities and investment incentives.

As a logical compliment of the Economic Growth and Tax Relief Reconciliation Act, today's bill provides consistent tax relief and growth policies that will generate, on average, 575,000 jobs a year for the next 5 years.

In New York, this will mean nearly 36,000 new jobs every year for 5 years. For my part of the State, which never shared in the economic boom of the 1990s, job growth remains the number one priority, and this type of positive impact is what this and so many other parts of our country need. Plus, it puts more money back in the hands of hard-working Americans. Former President Richard Nixon once said, ''We can never make taxation popular, but we can make taxation fair.''

Two years ago, this Congress started to make the Tax Code more fair, and today we have the opportunity once again to achieve parity and fairness in the Tax Code. For years it has been well-documented that taxpayers in my home State of New York send far more of their hard-earned money to Washington than they get back in Federal programs and services. Frankly, my constituents and their pocketbooks have noticed.

My constituents have expressed their sincere concerns with the double taxation of dividends. Many are middle-class, retired seniors who rely on dividends as parts of their income. This legislation drastically reduces the dividend tax burden, making stocks more valuable and increasing expected rates of return. Stockholders in my district and all across America will have more control over their own money, while at the same time watching it grow at a faster rate.

The effect is twofold: First, to bring fairness to the Tax Code by greatly reducing the double taxation of dividends; second, as dividend paying stocks become more attractive, more potential investors will be brought to the market.

This bill also ensures equal treatment of dividends and capital gains by lowering the rate for each to 15 percent. By lowering the rates on dividends and capital gains, people will be more willing to invest because they will pay less tax on the returns to their investment, and corporate managers may find it more attractive to invest in projects since their cost of capital will decline. When businesses find their cost of capital lowered, it increases the likelihood that they will invest in new machinery, projects and employees. As more people invest, more companies grow and more jobs are created.

Another important component of this job-creating tax relief is our continued effort towards greater corporate accountability. By strengthening dividends, investors will have solid evidence of a company's corporate health, proving the investor's adage that ''profits are an opinion, but cash is a fact.'' By reducing the advantage of paying interest ahead of paying dividends, the incentive for some corporate managers to cook the books will be greatly diminished.

Equally important, this bill accelerates common-sense tax relief for families. By increasing the child tax credit to $1,000 for calendar years 2003 through 2005 and by expediting marriage penalty relief, families will retain valuable resources to help pay for their child's education, make a mortgage payment or help pay off the debt.

As President Bush said, ''If tax relief is good for Americans years from now, it is even better when the American economy needs it today.''

In New York, over 2 million married couples will benefit from marriage penalty relief and over 1.5 married families with children will benefit from the increased child tax credit.

Our country is blessed with a strong entrepreneurial spirit. Under this bill, small businesses will have the option of immediately deducting $100,000 in expenses, a significant increase over the current $25,000 deduction. Because most small businesses pay taxes as individuals, accelerating the top rate reduction means lower taxes for small business owners. That means that millions of entrepreneurs will have more resources to spend on employees, supplies or expansion efforts.

Mr. Speaker, the President has laid out clear goals for a strong, growing economy. Today this body can move one step closer to implementing this plan to create 1.2 million jobs by the end of 2004 alone.

Our country is already facing great challenges, and we must remain diligent in our efforts to tackle what lies ahead. The Jobs and Growth Tax Reconciliation Act confronts head on the serious issues before us, boosting employment levels, lowering the tax burden and growing the economy.

I urge my colleagues to join me in supporting this rule, as well as the crucial underlying legislation.

Mr. Speaker, I reserve the balance of my time.

Mr. FROST. Mr. Speaker, I yield myself such time as I may consume.

(Mr. FROST asked and was given permission to revise and extend his remarks, and include extraneous material.)

Mr. FROST. Mr. Speaker, the rule poses a serious threat to the American economy because it prevents the House from considering anything other than the same old failed Bush economics that have left America with the weakest economy in a generation.

Now, when I am back in my district in Texas, I am often asked a question that is highly relevant to today's debate. That question is, ''Why does the Bush administration continue to insist on more tax breaks for the wealthiest few, while the country is running record deficits?'' So I want to take a few minutes to share with the House the explanation I give to my own constituents.

It all began during the 2000 campaign for President. At the start of that campaign, the Republican candidate from my State of Texas, who now serves as President, made an almost unprecedented decision. He became one of the very few presidential candidates who have ever rejected Federal funding during the primaries. By rejecting Federal funds, of course, he freed himself from the State by State spending limits and, therefore, he was able to outspend his most serious Republican rival for the nomination at a critical point in the primary campaign.

As a part of the decision to reject Federal funds, the Bush campaign established a special group called the ''Pioneers.'' Each Member of this small

elite group agreed to raise at least $100,000 for the Bush campaign.

I submit for the RECORD a list of more than 5 Bush campaign ''Pioneers'' as compiled by Texans for Public Justice. I also submit for the RECORD an article from the May 6, 2003, edition of the Washington Post. Its headline reads, '''Pioneers paved Bush's way with big dollars.'''

UPDATED LIST OF PIONEERS AND POTENTIAL PIONEERS PREPARED FROM AVAILABLE RECORDS

Prefix	FN	MI	LN	State	Trk #	Total as of 3/15/00
	Steve		Albano	MA	1234	
Mr.	David	G.	Albert	MD	2783	
Mr.	**Anthony**	**J.**	**Alexander**	**OH**	**10439**	**$108,100.00**
Mr.	Joe	B.	Allen	TX	1170	$217,550.00
Ms.	Ruth		Altshuler	TX	1270	
	Jeffrey	S.	Amling	MD	1254	
	Lee	S.	Anderson	TX	1228	
Mr.	Paul		Anderson	FL	3801	$38,857.00
	Mark		Andrews	TX	1453	
Mr.	**Scott**		**Andrews**	**VA**	**4282**	**$55,750**
Mr.	**George**		**Argyros**	**CA**	**3011**	**$103,185.00**
	Victor		Arias, Jr.	TX	2660	
	Gaylord		Armstrong	TX	1772	
Mr. & Mrs.	Tobin		Armstrong	TX	1260	
Mr.	Jorge		Arrizurieta	FL	3802	$79,100.00
Mr.	Alfred	S.	Austin	FL	3803	$43,200.00
	Jeanie		Austin	FL		
	John		Avila, Jr.	TX	1542	
	Jeffrey		Barbakow	CA	6756	
Mr.	**Haley**		**Barbour**	**DC**	**2657**	
Mr.	**Doug**		**Barclay**	**NY**	**3206**	**$84,350**
Mr. & Mrs.	Bob		Barnes	TX	2112	
	Gregory	C.	Barnes	TX	1640	
	William	E.	Barnett	TX	1326	
	John	W.	Barnhill, Jr.	TX	1399	
	Sam		Barshop	TX	1102	
	Roger		Barth	DC	4800	
The Hon.	Joe		Barton	TX	1267	$100,055.00
	Roy	Howard	Baskin, III	TX	6750	
Mr.	Lee	M.	Bass	TX	1164	$236,150.00
Mr. and Mrs.	George	S.	Bayoud, Jr.	TX	1101	$124,650.00
Mr.	Henry (Peter)	C.	Beck III	TX	1168	
Mr.	Louis	A.	Beecherl	TX	1200	$131,250.00
	Carter		Beese	DC		
Mr.	Dennis	R.	Berman	TX	1104	$103,875.00
Mrs.	Lea		Berman	DC	9117	
	Wayne		Berman	DC		
	Tom		Bernstein	NY	2650	
	Randy		Best	TX	1105	
Mr.	Roland	W.	Betts	NY	2521	$92,900.00
Mr.	**Eric**		**Bing**	**TX**	**2519**	**$50,904.09**
Senator	Teel		Bivins	TX	1106	$130,180.00
	Tom		Bivins	TX	1107	
	Mari Ann		Blatch	CT	1248	
	Mark	J.	Block	WI	1406	
Mr.	James	J.	Blosser	FL	3808	$85,731.00
	Perry		Bodin	TX	1654	
Mr.	Joseph		Bogosian	VA	4654	$212,861.10

UPDATED LIST OF PIONEERS AND POTENTIAL PIONEERS PREPARED FROM AVAILABLE RECORDS

Prefix	FN	MI	LN	State	Trk #	Total as of 3/15/00
Mr.	Michael	M.	Boone	TX	1109	$98,800.00
Senator	Rudy		Boschwitz	MN	2685	$388,193.00
Ms.	Katherine	E.	Boyd	CA	3086	$344,415.00
	Jimmy		Bradley	TX	1275	
Mr.	Daniel	H.	Branch	TX	1110	$249,950.00
	Theldon	R.	Branch III	TX	1435	
Mr.	Stephen	F.	Brauer	MO	2853	$113,850.00
Mr.	Tim		Bridgewater	UT	1362	$114,675.00
	Tucker		Bridwell	TX	2201	
Ms.	Nancy	G.	Brinker	TX	1111	$170,680.00
Mr.	William	O.	Brisben	OH	2520	$165,250.00
Mr. & Mrs.	Dick		Brooks	TX	1779	
	Richard	E.	Brophy	TX	6753	
Mr.	Les		Brorsen	VA	4301	$136,505.17
Mr.	**Lee**		**Brown**	**KY**	**9926**	**$105,145.00**
Mr.	C. David		Brown II	FL	3810	
	Robert	H.	Brown, Jr.	TX	1153	
	Alan	R.	Buckwalter	TX	1349	
Mr.	**J. Fred**		**Bucy, Jr.**	**TX**		
	J. Bruce		Bugg, Jr.	TX	1113	
Mr. & Mrs.	Jerry		Bullin	TX	1461	
Mr.	Christopher	B.	Burnham	CT	3203	$72,449.00
	Robert		Burt	IL	1641	
Mr.	Jonathan		Bush	CT	3204	$169,000.00
	Neil		Bush	TX	1304	
Mr.	William	H.T.	Bush	MO	2850	$76,700.00
	Roger	P.	Byrne	TX	6814	
Mr. & Mrs.	Doug		Campbell	TX	6822	
Mr.	Joseph	C.	Canizaro	LA	2905	$157,159.00
Mr.	Stephen		Canton	MD	4801	$99,550.00
	David		Carmen	DC	4802	
Mr.	A.R. "Pete"		Carpenter	FL	3830	$90,650.00
Mr.	Claiborne		Carrington	TX	1247	$111,850.00
	Joey		Carter	TX	1182	
Mr.	Charles		Cawley	DE	8330	$369,156.00
Mr. and Mrs.	Bill		Ceverha	TX	1116	$130,030.00
	John	T.	Chain, Jr.	TX	1227	
Ms.	Elaine		Chao	DC	7621	$102,850.00
Ms.	Martha		Chayet	MA	4307	$177,160.00
	Felix	Y.	Chen	TX	1165	
	Deepak		Chopra	CA	4813	
	Donald	O.	Clark	DC	1402	
Mr.	James		Click	AZ	2600	$196,645.00
	Ned		Cloonan	NY	9924	
Mr.	Glenn		Collins	TX		
Mr.	Herb		Collins	MA	2560	$125,025.00
Mr.	**John**		**Collins**	**FL**	**3880**	**$45,975**
Mr.	Peter	R.	Coneway	TX	1180	$141,650.00

UPDATED LIST OF PIONEERS AND POTENTIAL PIONEERS PREPARED FROM AVAILABLE RECORDS

Prefix	FN	MI	LN	State	Trk #	Total as of 3/15/00
Mr.	James		Connolly	MA	9759	$136,910.00
	Lou		Cook			
	Dan	W.	Cook III	TX	1114	
Mr.	Louis		Cordia		3710	
Mr.	**Bob**		**Corker**	**TN**	**8965**	**$198,280.00**
	Will	A.	Courtney, Sr.	TX	1226	
Mr. & Mrs.	Tom		Craddick	TX	1800	
Mr. & Mrs.	Nathan		Crain	TX	1500	
Mr. & Mrs.	Ben		Crenshaw	TX	2652	
	Les		Csorba	TX	1387	
Mr.	Jim		Culbertson	NC	1294	
	Bill		Cunningham	TX	1824	
Mr.	**William**	**J.**	**Danhoff**	**MI**	**2813**	**$185,320.00**
	John	F.	Davis, III	TX	2252	
Mr.	**Robert**		**Day**	**CA**	**3026**	**$193,400.00**
	Francois		de Saint Phall	NY	4804	
Mr.	Robert	H.	Dedman, Jr.	TX	1115	$105,850.00
	John		Delaney	MD	4803	
	Randolph		DeLay	TX	6868	
	Hector		Delgado	TX		
Mr.	Robert		Devlin	TX	1366	$112,000.00
Mr.	Bill		DeWitt	OH	4329	$605,082.12
	Arthur		Diedrick		3224	
	Lacey Neuhaus		Dorn	TX	1191	
	John	E.	Drury	TX	1380	
	Archie	W.	Dunham	TX	1391	
Congresswoman	Jennifer		Dunn	WA	2524	$309,568.24
Mr.	**Alan**	**M.**	**Dunn**	**VA**	**2785**	**$23,100**
Mr.	Patrick		Durkin	CT	3220	$110,400.00
Mr.	Richard		Egan	MA	3400	$167,250.00
Governor	John		Engler	MI	2843	$157,105.00
	Gregg		Engles	TX	7481	
Mr.	Roger		Enrico	CT		
The Hon.	Donald	B.	Ensenat	LA	1091	
	Sheldon		Erikson	TX	1295	
Mr.	Melvyn	J.	Estrin	MD	4152	
Mr.	**Don**		**Evans**	**TX**		
Mr.	Tre		Evers	FL	3826	
Mr.	Nelson		Fairbanks	FL	3827	$76,959.00
Ms.	Martha		Fallgatter	CA	5784	$114,434.00
Mr.	Robert	E.	Fee	NY	7700	$100,150.00
	Alan		Feld	TX	1117	
	James		Finkle		2958	
Mr.	Martin		Fiorentino	FL	3830	$90,650.00
Mr.	**David**		**Fisher**	**IA**	**4117**	**$57,790**
	J. Stuart		Fitts	TX	1503	
	I.D.		Flores III	TX	1659	
Dr.	Ed		Floyd	SC	8846	$107,211.44

UPDATED LIST OF PIONEERS AND POTENTIAL PIONEERS PREPARED FROM AVAILABLE RECORDS

Prefix	FN	MI	LN	State	Trk #	Total as of 3/15/00
Mr.	Tom		Foley	CT	3202	$139,850.00
Mr.	William	P.	Foley, II	CA	8612	$132,110.00
	Gene		Fondren	TX	1225	
The Hon.	Matt		Fong	CA	3004	
Mr.	Jose		Fourquet	NY	4654	$212,861.10
Mr.	Sam		Fox	MO	2856	$118,102.35
	Charles		Francis	DC	1189	
Mr.	James	B.	Francis, Jr.	TX	1100	$109,400.00
	Stephen	E.	Frank	CA	3084	
The Hon.	Barbara Hackman		Franklin	CT	3227	
Mr.	Brad		Freeman	CA	3100	$273,025.00
Mr.	**Russ**		**Freeman**	**ND**	**3031**	**$101,810.00**
	Tom		Frost, Jr.	TX	1638	
Mr.	Jeff		Fuqua	FL		
	Ramiro	A.	Galindo	TX	1355	
	Rich		Gelfond	NY	4805	
	John	T.	Gill	TX	1549	
Mr.	Tony		Gioia	NY	8534	
Mr.	David	F.	Girard-diCarlo	PA	3552	$155,250.00
Mr.	Charles	L.	Glazer	CT	2682	$107,200.00
Mr.	D. Stephen		Goddard	TX	1360	$87,025.00
	Ronald	J.	Goldman	TX	1277	
Mayor	**Steve**		**Goldsmith**	**IN**	**8585**	**$122,000.00**
	Robert	E.	Grady	CA	1786	
Mr.	**Robert**	**T.**	**Grand**	**IN**	**2678**	**$126,550.00**
Mr.	Hank		Greenberg	NY	9924	$83,500.00
	G. Michael		Gruber	TX	1119	
	R. David		Guerra	TX	4474	
Mr.	**Mark**		**Guzzetta**	**FL**	**8199**	**$49,200.00**
	Michael		Haas	TX	1285	
	Rolf		Haberecht	TX	1291	
	Craig		Haffner	CA	3088	
Mrs.	Adele	C.	Hall	KS	9758	$121,552.80
Mr.	Fred	Jones	Hall	OK	5007	
Mr.	Timothy	M.	Hammonds	DC	4004	$57,070.00
	Kent		Hance	TX	1120	
Mr.	Jon		Hanson	NJ	2953	
	John	K.	Harkins	TX	1188	
Mr.	**James**	**H.**	**Harless**	**WV**		
Mr.	**Jim**		**Haslam**	**TN**	**9000**	**$118,475.00**
	Brack	G.	Hattler	PA	1778	
Ms.	Joyce		Haver	AZ	5608	$91,850.01
	Albon	O.	Head, Jr.	TX	1224	
Mr.	Richard		Heath	TX	1121	$112,780.00
	Jeffrey	M.	Heller	TX	6638	
	Raymond	C.	Hemmig	TX	1268	
Mr.	John	M.	Hennessy	NY	9914	$156,300.00
Mr.	**Hans**	**H.**	**Hertell**	**PR**	**10786**	

UPDATED LIST OF PIONEERS AND POTENTIAL PIONEERS PREPARED FROM AVAILABLE RECORDS

Prefix	FN	MI	LN	State	Trk #	Total as of 3/15/00
Mr.	R. Steven		Hicks	TX	1122	$220,700.00
Mr.	Mike		Hightower	FL	3837	
	Elsie	H.	Hillman	PA	3553	
Mr.	J. Roger		Hirl	TX	6660	$65,625.00
	Robert	B.	Hixon	TX	1251	
	James	M.	Hoak	TX	1123	
	Jerry	H.	Hodge	TX	1124	
Mr.	Al		Hoffman	FL	3839	$67,080.00
	Richard	F.	Hohlt	VA	1090	
	Mickey		Holden	TX	6806	
Mr.	Robert	B.	Holland	TX	1125	$115,175.00
	Ned		Holmes	TX	1358	
Mr.	David		Horowitz	CA	4825	$166,297.00
Mr.	**N.**	**D.**	**Horton**	**GA**	**8392**	**$160,950.00**
	Timothy	J.	Howard	CA	1258	
Mr.	**Al**		**Hubbard**	**IN**	**8584**	**$118,000.00**
Ms.	**Kathy**		**Hubbard**	**IN**	**4841**	**$110,050.00**
Mr.	R. D.		Hubbard	CA	3009	$132,175.00
	Albert		Huddleston	TX	1264	
	David		Hudnall	TX	1284	
	Kristen		Hueter	CA	3042	
Mr.	James		Huffines	TX	1126	$103,545.00
Mr.	Richard	E.	Hug	MD	4151	$175,000.00
Mr.	Gaylord	T.	Hughey, Jr.	TX	1127	$37,851.00
Mr.	**J.C.**		**Huizenga**	**MI**	**2800**	**$301,760.00**
	Ralph	T.	Hull	TX	1544	
	Daniel		Huneke		7674	
Mr.	Gary	H.	Hunt	CA	3038	
Mr.	Ray	L.	Hunt	TX	1002	
	William	O.	Hunt	TX	1293	
	Charles		Hurwitz	TX	1177	
	Katherine		Idsal	TX	1176	
	Warren		Idsal	TX	1176	
	Hector		Irastorza	DC	4808	
Mr.	Alphonso		Jackson	TX	1185	
Mr.	**Christopher**	**T.**	**Jenny**	**MA**	**2552**	**$193,550.00**
	David		Johnson	MI	2809	
	John	W.	Johnson	TX	1303	
Ms.	**Karen**		**Johnson**	**TX**	**1375**	**$290,281.21**
Mr.	Robert W. "Woody"		Johnson	NY	9913	$212,100.00
Mr.	Thomas	L.	Johnson	TX	1375	$290,281.21
Mr.	Walter	E.	Johnson	TX	1367	$97,375.00
	George	Dean	Johnson, Jr.	FL	1241	
Mr.	Don	D.	Jordan	TX	1363	$113,876.19
	Robert	W.	Jordan	TX	1550	
	Paul	C.	Jost	VA	1777	
Mr. & Mrs.	Gurumurthy		Kalyanaram	TX	2456	
Mr.	Shelly		Kamins	MD	4268	$7,000.00

UPDATED LIST OF PIONEERS AND POTENTIAL PIONEERS PREPARED FROM AVAILABLE RECORDS

Prefix	FN	MI	LN	State	Trk #	Total as of 3/15/00
	Robert		Kaminski	TX	1167	
Mr.	Stephen		Kass	CA	3139	$147,362.50
Mr.	Craig		Keeland	TX	1551	$100,000.00
Mr.	Ken		Kendrick	AZ	9411	
Mr.	**John**	**W.**	**Kessler**	**OH**	**7524**	**$70,650**
	Aman		Khan	TX	1245	
Mrs.	**Bobbie**		**Kilberg**	**VA**	**2765**	**$46,145.00**
	I.K.	K.	Kim	TX	1292	
	Thomas	R.	Kincaid	TX	1238	
Mr. and Mrs.	Rich and Nancy		Kinder	TX	1202	$188,340.00
Mr.	**Jim**		**Kittle**	**IN**	**10563**	**$102,000.00**
Mr.	Robert		Kjellander	IL	9126	
	David	H.	Knapp	TX	6707	
	Jack		Knox	TX	1128	
Mrs.	Dorothy	B.	Koch	MD	2769	$141,725.00
Mr.	C. Michael		Kojaian	MI	2800	$301,760.00
Mr.	Hersh		Kozlov	NJ	2980	
Mr.	Tom		Kuhn	MD	1178	$35,550.00
Mr.	Floyd		Kvamme	CA	3071	
Mr.	**Rob**		**LaKritz**	**MI**	**6900**	**$44,150**
Mr.	David	M.	Laney	TX	1129	$113,527.40
Mr.	Mark		Langdale	TX	1130	
Mr. and Mrs.	James		Langdon, Jr.	DC	2777	$159,710.00
	Garland	M.	Lasater, Jr.	TX	1196	
	Steve		Late	TX	2106	
Mr. and Mrs.	Frank		Lavin		1408	$117,350.00
	H. Ward		Lay	TX	1131	
Mr. and Mrs.	Kenneth		Lay	TX	1330	$112,050.00
Mr.	**Fred**	**W.**	**Lazenby**	**TN**	**5451**	**$100,450.00**
Mr.	Howard		Leach	CA	3042	$429,610.00
	Winnie		LeClercq-Jac	GA	3458	
Mr.	R. Steve		Letbetter	TX	1363	$113,876.19
	John	P.	Lewis	TX	1297	
	Bill	M.	Lindig	TX	1359	
	Mary		Ling	CA	3188	
	Jack	E.	Little	TX	1309	
The Hon. and Mrs.	Tom and Nancy		Loeffler	TX	1201	$185,326.17
	Robert	L.	Looney	TX	1290	
Mr.	Jorge	Luis	Lopez	FL	8177	
Mr.	Jeff	B.	Love	TX	1327	$100,350.00
	Tom		Luce	TX	1132	
	Wales		Madden, III	TX	1133	
Mr.	John		Mahaffey	MO	9752	$92,975.00
	Matthew	E.	Malouf	TX	1134	
	Jeffrey	A.	Marcus	TX	1135	
Ms.	**Adair**		**Margo**	**TX**	**2142**	**$60,480**
Mr.	Thomas	P.	Marinis	TX	1170	$217,550.00
Mr. & Mrs.	Harold		Marshall	TX	6725	

UPDATED LIST OF PIONEERS AND POTENTIAL PIONEERS PREPARED FROM AVAILABLE RECORDS

Prefix	FN	MI	LN	State	Trk #	Total as of 3/15/00
Governor	Bob		Martinez	FL	3843	$53,500.00
	Vidal	G.	Martinez	TX	1242	
Mr.	**William**		**Martini**	**NJ**	**2958**	**$98,000.00**
	Mark		Masinter	TX	1287	
	Charles		Mathewson	NV	1243	
	Frederick	D.	McClure	TX	1256	
Ms.	Sharon		McCutchin	TX	1111	$170,680.00
	Michael	R.	McElwrath	TX	1431	
	M. Colleen	Colleen	McHugh	TX	1269	
	Gordon		McKenna	TX	1136	
	Drayton		McLane Jr.	TX	1301	
The Hon.	**Ed**		**McMahan**	**FL**	**2680**	
Mr.	**Colin**		**McMillan**	**NM**	**3902**	**$106,750.00**
Mr. and Mrs.	Dean		McWilliams	TX	1172	$100,135.00
	Tom		Mercer	TX	1660	
Mr.	J. Frank		Mermoud	DC	2767	$137,175.00
Mr.	P.		Merritt	TX	2082	
	Jack	L.	Messman	TX	1223	
Mr.	David	A.	Metzner	VA	6826	
Mr.	Fred		Meyer	TX	1006	
Dr.	Adib		Mikhail	TX	1767	
	Charles		Miller	TX	1137	
	Tyree	B.	Miller	TX	1181	
Mr.	Vance	C.	Miller	TX	1138	$101,835.00
The Hon.	David		Miner	NC	2680	$108,900.00
Mr.	Stephan	M.	Minikes	DC	5395	$129,766.66
Ms.	**Suzie**		**Mitchell**	**MI**	**2848**	**$176,250.00**
	Bob		Monahan	PA	4809	
Mr. & Mrs.	Tom		Moncrief	TX	1229	
Mr.	Phil		Montgomery	TX	1139	$93,298.49
	Ike	J.	Monty	TX	2114	
	Jeffrey	S.	Moorad	CA	1222	
	S. Reed		Morian	TX	1379	
	Clifton	H.	Morris Jr.	TX	1221	
	Gene	V.	Morrison	TX	2182	
Mr.	**Gary**		**Morse**	**FL**	**3848**	**$101,050.00**
	Rob		Mosbacher, Jr.	TX	1382	
Mr.	**Dennis**		**Muchmore**	**MI**	**2813**	**$185,320.00**
	Robert	F.	Murchison	TX	1140	
Mr.	**Madison**		**Murphy**	**AR**	**2525**	**$184,632.50**
Mr.	Palmer		Murray	CA	3089	
	John		Muse	*GB*	1512	
Mr.	Charles	D.	Nash, Jr.	TX	1141	$126,900.00
	John	L.	Nau III	TX	1236	
	Jim		Neale	TX	1192	
Mr.	**Patrick**		**Nesbitt**	**CA**	**3049**	**$137,025.00**
	Walter	E.	Neuls	TX	1501	
Mr.	**Andres**		**Nevarez**	**PR**	**10785**	

UPDATED LIST OF PIONEERS AND POTENTIAL PIONEERS PREPARED FROM AVAILABLE RECORDS

Prefix	FN	MI	LN	State	Trk #	Total as of 3/15/00
	Fred	R.	Nichols	TX	1262	
Mr.	Jim		Nicholson	MI	2841	$181,688.50
Mr.	Dennis	E.	Nixon	TX	4426	$82,595.00
Mr.	Alan	P.	Novak	PA	3550	$125,250.00
Mr.	Erle		Nye	TX	1142	$137,594.71
Mr.	Bob		O'Connell	MA	10452	$86,520.00
	Ralph		O'Connor	TX	1286	
Mr.	Joseph	J.	O'Donnell	MA	2551	$62,316.08
	C. Patrick		Oles, Jr.	TX	1166	
Mr.	Joe		O'Neill	TX	1209	$79,200.00
Mr.	John		Ong	OH	8589	$102,075.00
	Robert	R.	Onstead	TX	1333	
Mr.	**H.**	**M.**	**Osteen, Jr.**	**GA**	**8395**	**$54,000**
	Karen		Overbeck and	TX	1199	
Governor	Bill		Owens	CO	9798	$332,683.08
Mr.	Patrick		Oxford	TX	1179	$117,968.00
Mr.	**William**		**Palatucci**	**NJ**	**2952**	**$106,400.00**
Mr.	**John**		**Palmer**	**MS**	**9800**	**$126,950.00**
Mr.	Anthony		Parker	DC	1570	
Mr.	Gerald	L.	Parsky	CA	3050	
Mr.	Jim		Paul,	TX	2109	$120,168.29
	Jim		Paul, Jr.	TX	2109	
The Hon.	Bill		Paxon	VA	5260	
Mr.	Marshall	B.	Payne	Tx	1764	$128,174.00
Mr.	**Stephen**	**P.**	**Payne**	**TX**	**9023**	**$105,359.37**
	John		Pease	TX	1780	
Mr.	**Robert**	**R.**	**Penn**	**TX**		
Mr.	Thomas	F.	Petway III	FL	3849	
Mr.	R.H.		Pickens	TX	1147	$100,000.00
Mr.	**Bryan**		**Pickens**	**TX**		
Mr.	**John T.**	**T.**	**Pickens**	**TX**		
Mr.	**Mike**		**Pickens**	**TX**		
Mr.	**William**	**C.**	**Pickens**	**TX**		
	James		Pikl	TX	6635	
	Lonnie		Pilgrim	TX	2076	
Mr.	**Sergio**		**Pino**	**FL**	**3850**	**$51,500**
	Gary		Polland	TX	2516	
	Judy		Pollock	TX	1769	
	David	M.	Porter	TX	1149	
Mr.	Don		Powell	TX	1204	$135,537.34
	Clinton		Pownall	FL	6711	
	Malcolm	S.	Pray, Jr.	CT	3221	
Mr.	Heinz	C.	Prechter	MI	2800	$301,760.00
Mr.	John		Price	UT	3250	$174,236.00
Mr.	**Chesley**		**Pruet**	**AR**	**3241**	**$142,982.50**
Mr.	John		Rainey	SC	1244	$112,250.00
	Frank		Rapoport	PA	4810	
	Bobby		Ray	TX	1296	

UPDATED LIST OF PIONEERS AND POTENTIAL PIONEERS PREPARED FROM AVAILABLE RECORDS

Prefix	FN	MI	LN	State	Trk #	Total as of 3/15/00
Dr.	Ralph		Reed	GA	2655	
	Michael		Reilly	TX	1278	
Mr.	**James**	**M.**	**Reynolds**	**GA**	**8392**	**$160,950.00**
Mr.	Mercer		Reynolds	OH	4329	$605,082.12
Governor	Tom		Ridge	PA	3577	$251,550.00
	Thomas		Riley	NH	1573	
	Brett		Ringle	TX	1118	
Mr.	Dub		Riter	TX	1203	$101,375.00
	A.W. "Dub"		Riter, Jr.	TX	1203	
	Forrest		Roan	TX	1255	
	Thomas	A.	Roberts	NY	1174	
	Corbin	J.	Robertson, Jr.	TX	1329	
	Marcos		Rodriguez	TX	1233	
Mr.	**Sig**		**Rogich**	**NV**	**7752**	**$100,520.00**
Mr.	Raul	R.	Romero	TX	1375	$290,281.21
Mr.	John	D.	Rood	FL	3852	
	Tim		Rooney	TX	1190	
Mr.	Edward	W.	Rose	TX	1764	$128,174.00
Mr.	Evans		Rose	PA	3556	$73,700.00
	Rusty		Rose	TX		
	Billy		Rosenthal	TX	1219	
	Laura		Rowe	TX	1232	
	Robert		Rowling	TX	1151	
	James	R.	Royer	TX	1371	
Mr.	**Larry**		**Ruvo**	**NV**	**9016**	**$120,575.00**
	Terry		Ryan	TX	2235	
Mr.	**John "Chip"**		**Saltsman, Jr.**	**TN**	**5598**	**$104,000.00**
	Alann	Bedford	Sampson	TX	1218	
Mr.	A. R.		Sanchez, Jr.	TX	1205	$14,175.00
Mr.	**David**		**Saperstein**	**CA**	**3055**	**$75,550**
Mr.	Dwight		Schar	VA	3700	$103,250.00
Mr.	William		Scherer	FL	3895	$120,800.00
	John	P.	Schmitz	DC	6769	
Mr.	**Rock**		**Schnabel**	**CA**	**3056**	**$75,600.00**
	Larry		Schoenbrun	TX	1781	
Ambassador	Peter	F.	Secchia	MI	2816	$124,635.00
Mr.	Nick		Serafy,	TX	1207	$13,950.00
	Dan		Shelley	TX	2157	
	Bud		Shiver	TX		
Mr.	Allan		Shivers	TX	1206	$37,976.06
Mr.	Ned		Siegel	FL	3856	$84,650.00
Mr.	Martin		Silverstein	PA	4811	$100,035.00
Mr.	James		Simmons	AZ	2600	$196,645.00
	L.E.		Simmons	TX	1397	
	Mary Louise		Sinclair	TX	1154	
	Dan		Sitomer	CA	3058	
Ms.	Windy		Sitton	TX	1900	
Mr.	Gregory		Slayton	CA	3117	$103,400.00

UPDATED LIST OF PIONEERS AND POTENTIAL PIONEERS PREPARED FROM AVAILABLE RECORDS

Prefix	FN	MI	LN	State	Trk #	Total as of 3/15/00
	Thomas	W.	Smith	CT	1239	
Mr.	Cliff		Sobel	NJ	2950	$187,935.00
	William	T.	Solomon	TX	1508	
	Lionel		Sosa	TX	1875	
Mr.	Alex		Spanos	CA	2684	$209,350.00
	Rick		Sperry	PA	1282	
Mr.	**Ronald**		**Spogli**	**CA**	**3085**	**$18,000.00**
Mr.	Manny		Stamatakis	PA	3551	$128,200.00
Mr.	Craig		Stapleton	CT	3200	$197,275.00
Mrs.	Debbie		Stapleton	CT	3201	$115,850.00
Mr.	Roger	T.	Staubach	TX	1246	$78,345.00
	Russell	D.	Steagall	TX	1217	
Senator	Glenn		Steil	MI	2801	$106,061.00
Ms.	**Sandra**		**Stein**	**CA**	**4825**	**$159,547**
Mr.	**Tom**		**Stemberg**	**MA**	**2556**	**$72,250**
	Steven		Stodghill	TX	1249	
	Gerald	Harris	Stool	TX	1155	
	Theodore	H.	Strauss	TX	1156	
Mr.	**Butch**		**Swindells**	**OR**	**3325**	
	Jeff		Swope	TX	1259	
	Jack		Taylor	MO		
Mr.	Peter		Terpeluk	DC	1755	$40,300.00
The Hon.	Mac		Thornberry	TX	1265	
	Lee		Thurburn	TX	1299	
	Bart		Tiernan	NY	1271	
	Rice	M.	Tilley, Jr.	TX	1216	
Mr.	**Joe**		**Ting**	**TX**	**1381**	**$51,750**
	Arnel		Trovada	TX	1668	
Mr.	Sol		Trujillo	CO		
Mr.	Dirk		Van Dongen	DC		
Dr.	**Rene**		**Vasquez**	**PR**	**2674**	
	Robert	C.	Vaughn	TX	1158	
Mr.	Jack	C.	Vaughn, Jr.	TX	1157	$117,203.91
	John		Vernon	TX	1515	
	Ed and Ann		**Vetter**			
	Kris Anne		Vogelpohl	TX	1439	
	Jeff		Vogt	CT	2696	
	Paul		Wageman	TX	1171	
Mr.	Raymond	T.	Wagner	MO	4749	$104,000.00
Mr.	**Tom**		**Wagner**	**OH**	**9944**	**$150,720.00**
	Sue		Walden	TX	1184	
	Kent		Waldrep	TX	1235	
	Bill		Walker	LA	2920	
Ms.	**Elsie**		**Walker**	**MD**	**4282**	**$55,750**
Mr.	Roger		Wallace	TX	1161	$123,720.00
	Tony		Walters	PA	4812	
Mrs.	Heather	Hill	Washburne	TX	1162	
	Chuck		Watson	TX	1361	

UPDATED LIST OF PIONEERS AND POTENTIAL PIONEERS PREPARED FROM AVAILABLE RECORDS

Prefix	FN	MI	LN	State	Trk #	Total as of 3/15/00
	Bill		Webb	TX	2503	
Mr.	Fred		Webber	VA	4015	$206,104.36
	Jerry		Weintraub		3007	
Mr.	Ron		Weiser	MI	2803	$588,309.01
Governor	**William**		**Weld**	**MA**	**4307**	**$177,160.00**
Mr.	Paul		Welday	MI	2848	$176,250.00
Ms.	Jimmy		Westcott	TX	1111	$170,680.00
Mr.	Robert	H.	Whilden, Jr.	TX	1170	$217,550.00
Mr.	George	M.	Williams	TX	1252	$98,475.00
Mr.	J. Roger		Williams	TX	1208	$388,266.39
	Phillip	E.	Williams, Jr.	TX	1288	
	Garland		Williamson	TN	1283	
	William		Wise	TX	1302	
Mr. & Mrs.	Blair		Woodall	TX	1253	
Mr.	Bob		Wright	TX	1195	
Mr.	Charles		Wyly	TX	1163	$33,900.00
	Barry		Wynn		4861	
	Bracebridge		Young	MA	1423	
	John	H.	Young	TX	1378	
	Fausto		Yturria, Jr.	TX	1880	
Dr.	Zach	P.	Zachariah	FL	3866	$130,196.00
Mr.	**Ken**		**Zangara**	**NM**	**9432**	**$102,525.00**
	Fred	S.	Zeidman	TX	2516	
	Bob		Zincke	TX	1305	

LAWSUIT REVEALS 312 NEW BUSH ''PIONEER'' FUNDRAISERS

Austin & Boston: Newly released Bush presidential campaign documents reveal 312 previously unknown members of Bush's record-breaking ''Pioneer'' fundraising network. Participants volunteered to help the campaign circumvent a $1,000 federal campaign contribution limit by pledging to bundle checks from family, friends and associates (most Pioneers pledged to raise at least $100,000). Combined with previous disclosures, the new data publicly identify 538 participants in the Pioneer program. Yet the new documents still do not reveal what each participant raised nor the total amount of Pioneer money raised. Indeed, there is some evidence that the campaign has yet to disclose everyone who answered the ''Pioneer'' call.

The new disclosures come in response to a legal challenge to a provision of the McCain-Feingold 2002 Bipartisan Campaign Reform Act that doubled the limit on individual contributions to federal candidates to $2,000 and up to $12,000 in races involving a self-funded candidate. Represented by the National Voting Rights Institute (NVRI), the plaintiffs, known as ''the Adams plaintiffs,'' argued that the increased limits would open the floodgates to donations from the wealthy and make it impossible for candidates without large networks of maximum donors to run for office. The Pioneer program is a leading example of the way that wealthy interests are able to bundle together large contributions to influence elections. A federal court panel ruling on May 2 rejected the arguments made by the Adams plaintiffs.

In response to a September 2002 subpoena from the plaintiffs requesting complete contribution data and other information on the Pioneer program, representatives of the campaign claimed to possess only limited information. For example, Bush attorneys claimed that they could not locate an accounting of the total amount of money raised by each Pioneer fundraiser. Bush lawyers provided only limited financial data on just 212 of the 538 disclosed Pioneer fundraisers. The total amount attributed to these 212 fundraisers through some unknown data in the campaign is $24.9 million, far short of the $60 million to $80 million that observers suspect that the program raised.

''It's time to end the secrecy over who bankrolled the Bush campaign,'' said Craig McDonald, an expert witness for the plaintiffs and director of Texans for Public Justice, a research organization that has tracked Bush's fundraising since his gubernatorial days. ''It just isn't believable that the President's campaign lost most of a $60 million fundraising list. Has anyone checked Donald Evans' laptop?''

''These documents reveal the disproportionate power gained by those who can bundle huge sums of hard money for political campaigns,'' said NVRI Executive Director John C. Bonifaz. ''With the hard money increases in the Bipartisan Campaign Reform Act, elite donors such as the Bush Pioneers will achieve a stranglehold over the electoral process and ordinary voters will be locked out. This offends the basic constitutional promise of political equality for all.''

The newly released information and an accompanying Texans for Public Justice (TPJ) analysis reveals the identities of previously unknown Pioneer fundraisers. Key facts about the newly released Pioneer volunteers include:

The campaign credited each of 21 super Pioneers (or partnerships in which two or three participants shared one Pioneer tracking number) with raising more than $200,000 through some unknown data in the campaign. Topping the list are business partners William DeWitt and Mercer Reynolds, whom the new records reveal supported Bush to an extent rivaled perhaps only by Enron. Sharing the same Pioneer tracking number, these two Men—who bailed out Bush's hemorrhaging Bush Oil Co., in 1984 and invested in the Texas Rangers venture that made Bush a millionaire 15 times over—delivered a minimum of $605,082.

The largest known single individual Pioneer was Michigan real estate magnate Ronald Weiser, who was credited with delivering at least $588,309.

At least 49 of the newly identified fundraisers are Lawyers & Lobbyists Randy DeLay, brother of House Majority Whip Tom DeLay.

At least 44 of the just-disclosed fundraisers come from the Energy and Natural Resources industry, including former Dynergy CEO Chuck Watson and former El Paso Energy CEO William Wise, whose companies were battered by Enronesque allegations of accounting fraud and ''round-trip trading.'' The oil company of Pioneer Ray Hunt has teamed up with Halliburton to build a gas pipeline through a fragile Peruvian rain forest that is home to remote indigenous tribes.

Former Enron chief Ken Lay was credited with raising at least $112,050.

Two-thirds of the new fundraisers (201) come from Bush's home state of Texas, followed by 18 from California and 16 from Washington, D.C.

Critics have long contended that Bush's Pioneer disclosures were incomplete—if not selective. Bush campaign officials told the media that almost 400 individuals already had taken the Pioneer pledge by July 1999. An April 2000 article reported that the campaign had revealed just one-third of the names that appeared on campaign Pioneer lists obtained by The Nation. In fact, six of the eleven Pioneers that The Nation reported by name did not appear in the newly released documents (all of these happen to be current or former corporate lobbyists). Prior to the latest disclosure, the Bush campaign had revealed just 226 Pioneers whom it said had raised at least $100,000 each.

Materials related to the new Pioneer disclosures made available at the TPJ web site include:

1. Previously sealed depositions of Bush for President Committee Finance Director Jack Oliver;

2. A sample of the more than 300 Pioneer tracking forms produced by the campaign;

3. A campaign spreadsheet tracking 505 Pioneer program participants (including limited contribution data on 212 of them);

4. A TPJ-compiled list of all 538 known Pioneer program participants; and

5. A preliminary TPJ analysis of the newly revealed Pioneer participants.

''PIONEERS'' PAVED BUSH'S WAY WITH BIG DOLLARS

Some of the lobbyists and corporate executives who funded President Bush's campaign agreed to raise at least $250,000 apiece, much more than the previously reported goal of $100,000, according to campaign documents.

The documents, released as part of litigation over the nation's new campaign-finance law, show that the Bush campaign's financial appetite made the contribution limit of $1,000 look like little more than a formality.

Although no individual could legally give more than $1,000, the campaign circulated pledge sheets inviting donors to raise $250,000 from their friends and subordinates, then tracked the results with a computer code so the donor would get credit for all the checks.

Those who raised $100,000 were recognized as Pioneers, but the campaign documents show that there was a previously undisclosed class of donor who raised as much as $600,000. When the Pioneer program was created by Bush's presidential exploratory campaign in 1999, the announced goal for members was $100,000, although the campaign always made it clear that they could raise more.

In fact, they were encouraged to do so. The pledge form from the finance committee of the George W. Bush Presidential Exploratory Committee Inc. had an ''I pledge to raise'' section ranging from $25,000 to $250,000.

Republican officials said the campaign made no distinction between the premium Pioneers and the regular ones.

One enthusiastic telemarketing executive was not content with the choices on the form and wrote ''$5.75 million'' in bold letters, although there is no indication he raised that much. At least 26 supporters promised to raise $250,000, one wrote in $500,000 and two pledged $1 million. Many of them fell short.

The form asked donors to give a target date for completing the goal. A corner of the form included a four-digit number that the campaign used to track the contributions on spreadsheets. ''Remember, your Solicitor Tracking Number is your personal tracking number for money that you raise,'' the form said. ''Please place this number on any check that you solicit.''

The campaign also tracked contributions by industry, and Democrats have asserted that the system was set up to expedite reward and punishment. Jack Oliver, the campaign's national finance director, said in a deposition during the campaign-finance litigation that the number was used to prevent disputes over who had raised what.

''The Pioneer system itself, the tracking method was effective because people didn't fight over things like they usually did,'' said Oliver, now the deputy chairman of the Republic National Committee.

Targeted solicitations were made to airline, association and utility executives and Bush's class at Harvard Business School, according to the documents. Some of the letters used campaign stationary, but Oliver said the solicitations were from individual Bush supporters and not the campaign. ''We wanted to reach out as broadly as humanly possible, to touch as many different segments of America as we could,'' Oliver said in the deposition.

Pioneers were given briefings on confidential polling data and were feted at a reception at the Republican National Convention. Since Bush took office, at least 19 have been named ambassadors.

The documents, which were first reported by the Dallas Morning News and the New York Times, showed that at least 27 couples had raised $200,000 or more for Bush by the time he had defeated Sen. John McCain (R–Ariz.) in the 2000 primaries, and the money kept rolling in for several more months.

Many of the super-Pioneers were longtime friends of Bush, but others were executives who stood to benefit substantially from his administration. Frederick L. Webber, credited with raising $206,000 through March 15, 2000, was president and chief executive of the American Chemistry Council until seven months ago. The council, which represents chemical manufacturers, promotes the ''sound science'' approach to environmental regulation that has been a mantra of Bush's administration.

Another of the premium Pioneers was Richard E. Hug of Baltimore, founder and chairman emeritus of Environmental Elements Corp., which makes smokestack scrubbers and other pollution controls. Hug said that Bush's Clear Skies Initiative, which would revise parts of the Clean Air Act and is being considered by Congress, would be ''very beneficial'' to his company

by requiring utilities to upgrade their emission systems, but that it had nothing to do with the $275,000 he raised.

''The Pioneers program really incentivized people to do a great job for the next president,'' said Hug, who was Bush's Maryland Finance chairman. ''There wasn't any financial remuneration or anything like that, but it was just being on the team. I can't imagine there's any Pioneer who won't help George W. again.''

Hug noted with a chuckle that the Pioneers had to pay extra for the sterling silver cufflinks that served as emblems of their service to the campaign.

Bonnie Tenneriello, staff attorney for the National Voting Rights Initiative, which released the documents, said they show that the campaign-finance system gives ''a huge advantage to wealthy individuals who are able to network and effectively aggregate huge amounts.''

Her group went to court to argue against the doubling of the money that can be given to a campaign as a direct contribution, known as hard money, to $2,000 under the new campaign finance law Bush signed last year. On Friday, a three-judge panel of the U.S. District Court for the District of Columbia struck down major provisions of the law, but left in place the higher ceiling for direct contributions to campaigns.

Republican sources said that because of the new limit, Bush's reelection campaign is likely to ask Pioneers to raise at least $200,000.

Mr. Speaker, this is what I point out to my constituents. Had it not been for Candidate Bush's decision to reject Federal funding, he might have lost nomination, and thus never have become President. So, in reality, it was the Bush ''Pioneers'' who elected the 43rd President of the United States.

Mr. Speaker, it should come as no great surprise that the top priority for many of the Bush ''Pioneers'' is to reduce the taxes they pay through the inheritance tax, through the top marginal income tax rate, and through capital gains taxes, and it should come as no great surprise that the Bush administration, from the day it entered office, has made it a priority to reduce taxes on the wealthiest few.

Mr. Speaker, the Republican bill on the House floor today is merely the latest installment in this plan to give budget-busting tax breaks to the wealthiest few. If Republicans were shooting straight with the American people, they would call it the ''Pioneer's Tax Relief Act, Part 2.''

Make no mistake: It is just another phase in the same old budget-busting Republican priorities that have already failed the economy. Part 1 of the Pioneers Tax Relief Act was the package of tax breaks that the Republicans passed in 2001.

To see how badly the Republican economic plan has failed, all we have to do is look around. All in all, some 2.7 million Americans have lost their jobs since George W. Bush became President. In fact, only Herbert Hoover lost more jobs than George W. Bush has.

The stock market is down. Republicans have driven America's deficit so high that the Bush administration's own Treasury Department has twice asked the Congress to raise the debt limit so they can borrow more money. And Alan Greenspan is worried about the long-term economic damage that would be caused by even more budget-busting tax breaks.

Mr. Speaker, in just over 2 years Republicans have compiled a record of unmitigated economic failure. I defy anyone to explain how Bush economics is working for America.

The truth is Americans are still suffering from the second Bush recession in just over a decade. In fact, it is the third Republican recession in the past 20 years. If Republicans keep driving the economy into the ground, colleges will have to start teaching the new basic equation of Economics 101: Republican power plus Republican economic policies equals American recession.

But none of that seems to matter to the Republicans who control the Federal Government right now, because with this bill they are pushing more of the same old Bush failed economics.

It does not seem to matter that those failed policies have left America with the worst economy in a generation, or that America has actually lost jobs since Republicans passed Part 1 of the Pioneer's Tax Relief Act, their 2001 package of tax relief for the wealthiest, or that Part 2, the bill on the floor, will not create any more jobs than Part 1 does.

It does not seem to matter that this bill shortchanges the majority of Americans on tax relief, or that it drives the Nation even deeper into debt, raising the debt tax on all Americans and hurting the economy over the long term.

All that seems to matter to the President and to the Republicans in Congress is this fact: Part 2 of the Pioneers Tax Relief Act gives every millionaire a $93,000 tax break, even as it sticks the rest of America with the bill. To put it in context, the $93,000 tax break for millionaires is almost enough money to qualify as a Bush ''Pioneer.''

It is hard to believe, Mr. Speaker, but that is the sad truth. A small elite group, the ''Pioneers,'' and a few people like them, are the focus of Republican economic policy. And no matter how bad the economy gets, the President and this Republican Congress will keep raiding ordinary taxpayers to pay for more tax breaks for the wealthiest of the wealthy, and that is why we are here today, stuck with yet another Republican tax plan that is bad for the economy. As I have said before, it is does not have to be this way. Most Americans believe, as House Democrats do, that it is ridiculous to stick with economic policies that have so clearly failed.

That is why we have proposed the Democratic Jobs and Growth Plan. It is fast-acting, creating 1 million new jobs. It is fair, providing meaningful tax relief to working families. And it is fiscally responsible, completely paid for over 10 years. But Republican leaders are apparently afraid of sound economic policy, because just late last night in the Committee on Rules they blocked the Democratic Jobs and Growth Plan.

Mr. Speaker, Americans have suffered long enough under the same old failed Bush-onomics. It is time for a change, before Republicans do permanent damage to our economy. But the only way to change America's economic policy today is on the important parliamentary vote on the previous question. If we defeat the previous question, I will amend the rule to allow the House to vote on the Democratic Jobs and Growth Plan. That is the only way we can provide immediate job-boosting help to the economy today.

Mr. Speaker, I reserve the balance of my time.

Mr. REYNOLDS. Mr. Speaker, I yield 2 minutes to the gentleman from Georgia (Mr. LINDER), a distinguished member of the Committee on Rules.

Mr. LINDER. Mr. Speaker, I thank the gentleman for yielding me time.

Mr. Speaker, if we just take that last comment by the gentleman from Texas and play it over and over and over, we would have today's debate, because they are concerned that people who pay taxes will get tax relief.

We have over the last 40 years removed 50 percent of the income earners from the tax rolls. This year the top 1 percent of the income earners will pay 38 percent of all the income taxes. The bottom 50 percent collectively will pay less than 3 percent. And, guess what? I do not mean to sound remedial here, but if you are going to cut taxes, the taxpayers are going to get the relief.

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We have done this before in this country. In 1961 President Kennedy said, ''A rising tide lifts all boats.'' They removed the top tax bracket from 90 percent to 70 percent, and guess who got the relief? The top tax bracket.

We reduce taxes in this country for a reason, and it is an economic reason. The less burden the government places on the backs of small businesses and income earners, the more economic activity we will have, and more economic activity means more jobs, and more jobs means more taxpayers, and indeed, more revenues.

In 1980, before the Reagan tax cut, the American people contributed $519 billion to the Federal Government. After those outrageous tax cuts, 10 years later, the American people contributed $1.54 trillion. A rising tide lifts all boats.

If we want to stop this country from going into recession, if we want to build a growing economy, we simply have to remove the heavy burden of government from the backs of small business and income earners and let them create jobs, which will increase revenues.

Mr. FROST. Mr. Speaker, I yield 2 minutes to the gentleman from New York (Mr. RANGEL), the ranking member of the Committee on Ways and Means.

(Mr. RANGEL asked and was given permission to revise and extend his remarks.)

Mr. RANGEL. Mr. Speaker, this is a day that I do not think our country will ever forget. It is a day of infamy. It is a day that the Republican majority has decided that it is their way or the highway. If they have a bill that they are so proud of, why is it that they believe that the Democrats should not be able to at least reveal what we want to do?

Here we are on the brink in history where we are bringing democracy and freedom to Iraq; but at the same time, we are diminishing it here in the House of Representatives.

This bill that is coming up, the secret Bush tax plan that even the President did not know about, came to the Committee on Ways and Means on Tuesday, we voted for it on Friday and never given an opportunity to bring our bill to the floor. I really believe that it should be shameful that in this House of Representatives that we ever forget what they are doing to the American people.

Some people have just said that if you are not rich, you are not entitled to a tax cut. If you are the working poor, if you are unemployed, you are not entitled to any relief. We truly believe in this House, the people's House, what the majority is doing, they are not doing it to the Democrats who are the minority, they are not just doing this to the House of Representatives and the Congress; they are doing it to America, because they are afraid to allow a different point of view to be heard.

I hope we never, never, never forget this day. I hope when the Democrats get the majority, that they never, never, never do what the Republicans are doing today. They should be ashamed of themselves for what they are doing to the legislative process, but more important than anything else, what they are doing to the good people of the United States of America.

Mr. REYNOLDS. Mr. Speaker, I yield myself such time as I may consume.

It is a tough day when I watch some of my colleagues use kind of a class warfare tactic. I would think I was in a political 101 class when I listened to ''pioneers,'' except I know that the President, when he ran as a candidate from being the Governor of Texas, he took all local money from those pioneers. Not all parties can claim that over the recent decade.

But when we look here, I know something about Grand Prairie taxes where my colleague, the ranking member of the Committee on Rules, comes from. My wife lived there; grew up there until she moved to New York with me. I know a little about western New York where I reside, but I know a little about Harlem, where the ranking member of the Committee on Ways and Means resides. They are not rich in my area. They are not rich in Grand Prairie, Texas; and they are not rich in Harlem. But this bill, a typical family of four earning $40,000 will see their taxes go from $1,178 to $45 a year, and 23 million small businesses, whether it is Grand Prairie or Buffalo or Harlem, will be able to create new jobs with new incentives and tax relief under this bill.

Mr. Speaker, I yield 2 minutes to the gentlewoman from Ohio (Ms. PRYCE).

Ms. PRYCE of Ohio. Mr. Speaker, I rise in utter astonishment at my colleagues on the other side of the aisle. Here we are today with a plan before us that has the potential to create 1.2 million jobs by the end of next year, a plan that would raise the total value of the stock market by at least $550 billion, a plan that has the ability to help small businesses invest in more equipment and expand operations, a plan that would guarantee working families more of what they earn through increases in the child tax credit and further reductions in their overall income tax rates.

My colleagues on the other side of the aisle are trying to block it.

I wonder if the small business owners in their home towns would disagree with them if they knew they did not want them to be able to buy that extra piece of equipment or keep a little more of their profit so that they could hire an extra person. I wonder if the single mother of two from their community who is working two jobs just to make ends meet would ask them to support this package so that they could provide her with a little extra spending money for food and clothes and rent. And I wonder if their neighbors, who are trying to save for their children's education and their retirement, would want them to support this pro-growth package that would increase the value of their 401(k)s.

Their questions are the same as mine: Why do they oppose job creation? Why do they want to stop businesses from becoming productive and growing their operations? And why do they think they can spend working families' money better than the families themselves?

Mr. Speaker, it is a clear choice before us today. We can complain, we can bury our heads in the sand and do nothing, pretending that we do not need to inject some lifeblood into this economy, or we can look to the future and understand that right now we have the opportunity and the obligation to create jobs and grow this economy.

Let us get on with it, Mr. Speaker.

Mr. FROST. Mr. Speaker, I yield 3 minutes to the gentleman from Maryland (Mr. HOYER), the distinguished Democratic whip.

Mr. HOYER. Mr. Speaker, I thank the gentleman for yielding me this time.

We just heard a representation of what their bill is going to do. We ought to judge the credibility of those representations. The gentleman from Texas (Mr. DELAY), October 24, 2001: ''This tax plan is the right medicine for our economy. It is the best way to put people back to work and create jobs.''

After we adopted his policy, we have lost 2.7 million jobs in America.

The gentleman from Texas (Mr. DELAY) said, ''The Democrats bring to the floor today a tax package that will cost jobs.'' He said that May 27, 1993. That program resulted in the creation of 22 million jobs over the next 8 years and the reduction of the deficit and the creation of 4 years of surplus for the first time in 80 years.

President Bush said of his last tax bill in 2001: ''Tax relief is central to my plan to encourage economic growth and we can proceed with tax relief without fear of budget deficits.'' We now have the largest budget deficit in the history of this country confronting us after the adoption of his plan; and we have just increased, through the House, it has not passed the Senate, $1 trillion in additional debt. That is a debt tax.

The gentleman from New York (Mr. REYNOLDS) talks about the $45 that they are going to pay in taxes, but the gentleman from New York (Mr. REYNOLDS) does not talk about the additional thousands of dollars that they are going to have to pay on the debt that has been created and the interest that his kids will have to pay.

Mr. Speaker, today this Republican leadership slams the door of democracy in this House in a style befitting a third-rate dictatorship. It utterly ignores the 140 million Americans who are represented by Democrats. While we preach the value and power of democracy in Iraq and elsewhere, the Republican majority is denying it right here in this House right now.

The Republicans have not just refused to give the Democrats an opportunity to offer an alternative to this reckless, unaffordable, and unfair tax bill; they have breached their solemn obligation to let this House work its will, and the gentleman from California (Mr. DREIER) in 1993 said that was wrong. I heard the quote so many times: ''Power corrupts, and absolute power corrupts absolutely.''

The Republicans control the House, they control the Senate, and they control the presidency; and they have corrupted this House with this rule and other rules like it. A closed rule, a gag rule. It does not allow debates, it does not allow alternatives, and it promotes a program that will further decimate the economy of this country and be extraordinarily unfair to middle-income taxpayers while advantaging some wealthy people, not all; and it will be bad for America.

Reject this rule; reject this bill. Let us do fairness for our taxpayers and for America.

Mr. REYNOLDS. Mr. Speaker, I yield myself such time as I may consume.

I did not get here until January of 1999, but I am told since the Republicans took control in January of 1995, every single bill that comes on the floor of this House will have a recommit, and I am here today to tell my

colleagues that this bill will have a recommit so the minority can write it any way they want and it will be up for consideration. We will have a recommit vote, and then we will have final passage, and the will of the House will be done.

Mr. HOYER. Mr. Speaker, will the gentleman yield?

Mr. REYNOLDS. I yield to the gentleman from Maryland, the minority whip.

Mr. HOYER. Mr. Speaker, I thank the gentleman for yielding. I respect the gentleman. He and I served on the Committee on House Administration. The gentleman knows, however, full well, and the American public ought to know, that a motion to recommit, as the gentleman so well knows, is very restricted. And the gentleman knows we cannot offer our substitute under the rules because the Committee on Rules would not give us a waiver.

So saying we have a motion to recommit, which we do, he knows full well that it restricts us in dealing with unemployment insurance, it restricts us in dealing with the sunsets that the Republicans have put on middle-class income workers. The gentleman knows that; am I correct?

Mr. REYNOLDS. Mr. Speaker, I would have to answer the minority whip when we are on my time, and that is I have been reading the minority's press clips since I have been here, and to them it seems to be the biggest deal for mankind what the recommit motion is and how that vote occurred here. So I am confused the gentleman's suggestion today of how restrictive it is, after I read the press releases of so many of the gentleman's colleagues on what they think it is when they moved it before this House.

Mr. HOYER. Let us forget about the press releases.

Mr. REYNOLDS. Mr. Speaker, I yield 1 minute to the gentleman from Texas (Mr. HENSARLING).

Mr. HENSARLING. Mr. Speaker, I thank the gentleman for yielding me this time.

Mr. Speaker, I rise today in strong support of this rule for H.R. 2, the Jobs and Growth Act of 2003. American families need more job opportunities, and they need them now. The Democrats' plan for the American family is the same it has been for 50 years: tax and spend, tax and spend. In other words, to take a larger slice of the family income pie. Our plan, the Republican plan, is to grow the size of that family income pie by growing the economy.

Democrats have a plan to create more government. Republicans have a plan to create more jobs. The Republican plan will create 1.2 million new jobs by the end of 2004 alone. The Democrat budget plan grows the government and erases tax relief, actually increasing taxes by $128 billion on American families and businesses, threatening, dramatically threatening our economic recovery.

Mr. Speaker, we cannot have capitalism without capital. The Democrat plan does nothing for capital formation. It does nothing for jobs. Democrats claim to love jobs; they just seem to hate the people who create them.

Under the Republican jobs and growth plan, 23 million small businesses in America would face a simpler, fairer Tax Code. They will benefit from a reduction in marginal income tax rates and face lower capital gains taxes.

Mr. FROST. Mr. Speaker, I yield 2 minutes to the gentleman from Massachusetts (Mr. MCGOVERN).

Mr. MCGOVERN. Mr. Speaker, I oppose this closed rule and the underlying bill. As everyone here knows, our economy is in very bad shape. Unemployment is at 6 percent and millions of Americans are unable to find work. The deficit is exploding, leading to a crushing debt for our children and our grandchildren. Our States and local communities are facing their worst fiscal crisis in 50 years. Police, firefighters, and teachers are being laid off.

But instead of addressing these issues with sensible, thoughtful, and fair fiscal policy, the Republican majority offers up their usual menu of tax breaks for the wealthy. Part of the problem may be that the Republican majority is so out of touch with the plight of American workers, they cannot even decide what committee has authority over the issue. The chairman of the Committee on Education and the Workforce says it is not his responsibility, and last night, the chairman of the Committee on Ways and Means said it is not his responsibility.

Mr. Speaker, the Americans who are suffering in this economy deserve more than jurisdictional ''hot potato.'' Somehow, though, my Republican friends figured out who was in charge of tax giveaways to the wealthy, because that is the bill we have before us today.

Now, last night in the Committee on Rules, Members from both parties attempted to offer amendments to improve the bill. The Republican majority rejected each of those amendments. In fact, they denied the minority the opportunity to offer a substitute.

So here in the greatest deliberative body in the world, on a bill with enormous implications for the future of our country, this House is denied the ability to deliberate.

□ 1015

We are told that there is not enough time to consider the amendments, that we need to finish our work early today so Members can catch their planes.

Mr. Speaker, that excuse will not fly. We must make the time to debate and vote on thoughtful amendments to a multi-billion dollar tax bill. This past Tuesday, for example, would have been a great day to debate these important issues. On that day this House authorized the printing of bills on how a bill becomes a law, authorized the printing of a biographical directory of the U.S. Congress, and renamed four post offices.

It seems to me we could have found a few minutes in there to debate the tax policies of the United States, not in a closed and undemocratic process, but in an open and fair process that allows Members of both sides to be able to work their will.

Mr. Speaker, the American people deserve a House that has the right priorities, that helps people who need it most, and that does its work responsibly. Today, once again, the American people are getting less than they deserve.

Mr. Speaker, I urge my colleagues to reject this rule and defeat this bill.

Mr. REYNOLDS. Mr. Speaker, may I inquire of the amount of time remaining on both sides?

The SPEAKER pro tempore (Mr. SIMPSON). The gentleman from New York (Mr. REYNOLDS) has 14 minutes remaining. The gentleman from Texas (Mr. FROST) has 15½ minutes remaining.

Mr. REYNOLDS. Mr. Speaker, I yield 1½ minutes to the gentleman from Nevada (Mr. GIBBONS).

(Mr. GIBBONS asked and was given permission to revise and extend his remarks.)

Mr. GIBBONS. Mr. Speaker, I thank my friend and colleague, the gentleman from New York (Mr. REYNOLDS) for yielding me time in which to speak in support of this rule and the underlying bill.

This important legislation will create real job growth in America. In fact, according to some research institutions, it will create close to 6,000 jobs in Nevada next year alone.

Mr. Speaker, that is 6,000 more Nevadans who will be better off, better able to feed their children, better off to save for retirement, better off to pay their mortgage next year as a result of this important economic bill.

With more pages than the Bible, our Tax Code contains many outdated, unnecessary and unfair taxes, many of which place an undue burden on our seniors. One example is the double taxation on dividends which punishes both savings and investment. It is simply unfair. Worse, seniors bear a disproportionate share of the burden under this tax because they typically have higher levels of savings being used as income during their retirement years. In fact, seniors receive an average of 47 percent of their income from dividends every year. With enactment of this bill, seniors will be able to depend on that steady source of income.

In addition, over 230,000 Nevadans who filed returns in 2001 with dividend income will benefit from this bill and be able to reinvest their money, thus providing a real and positive impact on both the Nevada and U.S. economy.

Mr. Speaker, I am disappointed to hear some Members on the other side of the aisle today express their views that this bill is too expensive and unnecessary. I say to them, tell that to

the over 230,000 Nevadans, mostly seniors, who pay taxes on the dividends and the more than 6,000 Nevadans who will find a job as a result of this bill.

I urge all of my colleagues to support the rule and support the underlying bill.

Mr. FROST. Mr. Speaker, I yield 3 minutes to the gentleman from Florida (Mr. HASTINGS).

Mr. HASTINGS of Florida. Mr. Speaker, I thank my good friend and the distinguished ranking member, the gentleman from Texas (Mr. FROST) for yielding me time.

Mr. Speaker, my colleague and good friend, the gentleman from New York (Mr. REYNOLDS) spoke about the fact that Democrats have received a motion to recommit for all the years that he is here. For all the years he is here, if we added up all of the motions to recommit that are allowed by the Republican majority, it would not add up to 9 hours of debate. We are given 10 minutes on a motion to recommit. That does not help very much in a free and open society in what is supposed to be the most deliberative body in the world. That has been curtailed and democracy loses when we close our rules, and democracy loses here today.

Regarding the substance of the matter, envision that you are profoundly in debt and you have only a portion of the money you need to pay for major expenses coming up. What would you do? Would you, instead of working harder, saving more and paying off your debt as soon as possible, run up your credit card balance with expensive gifts for your wealthiest friends? No. The mere idea is preposterous.

Mr. Speaker, if our economy was growing like it was before last year's obese, obtuse and downright obnoxious tax cut, I would be the first one to support cutting taxes, but our economy is not growing. In fact, it is hurting more that we are in a war, the war on terrorism, and we are not funding our homeland security responsibilities. The President and majority argue that further tax cuts will head off recession because to them tax cuts are a one-size-fits-all solution. The President and the majority have a tax cut obsession.

Stretched over 10 years and designed with wrong priorities in mind, the cuts are not aimed where they can light a fire under the economy. Instead, the Thomas tax plan takes money out of needed social programs and gives it to people who are wealthy. Right now America needs an economic plan that focuses on providing relief to low and middle income families hardest hit by the Bush recession. Instead of making tax cuts for families a priority, Republicans make the increase in the child tax credit a temporary afterthought. The so-called increase in the child credit is like a magic trick, sort of like the marriage penalty, it is there and in 3 years it is gone.

Indeed, America's greatness is based on its willingness to sacrifice today for the freedom and prosperity of tomorrow. This tax cut plan is completely out of touch with economic reality in America. It might as well come out of the Iraqi Information Ministry. We know how truthful they are.

House Democrats are proposing a package that is front-loaded and fast acting, a real stimulus plan that will jump-start the economy. I urge my colleagues to vote no on the rule and on the underlying principle: The bigger the wallet, the bigger the benefit.

Mr. Speaker, the following is the story of Thomas Zogg, one of my constituents that e-mailed me, which is emblematic of the problems we are talking about today.

Dear Congressman Hastings, I wanted to bring to your attention that while I most certainly appreciate the help I'm getting from Unemployment, the bi-weekly payment of $550.00 is just not enough.

I was laid off back in August of 2002 and have yet to secure a job that actually pays enough to survive.

So far, I have had to spend all of my savings, cash in my retirement plan, sell my car just to make ends and pay the rent. It's a terrible situation and now that I have nothing of value left to sell, all of my unemployment money needs to go toward paying rent.

All of my bills are falling behind, and there is no money left to buy food. I don't even have any money to relocate even if I could find a job outside of Florida.

I'm not sure what to do next.

I can't get health insurance, and as a diabetic, and I can't afford to pay for a doctor's visit to get a prescription. I can't afford to pay for medication either. Lets hope it gets better soon or I'll be homeless.

Mr. REYNOLDS. Mr. Speaker, I yield 1 minute to the gentleman from Minnesota (Mr. KENNEDY).

Mr. KENNEDY of Minnesota. Mr. Speaker, I rise today in strong support for the rule for H.R. 2.

This is a fair rule for a critically important bill, important to get our economy moving again and create 1.2 million jobs. Before coming to Congress I spent 20 years in business and I know the importance of providing jobs for hardworking Americans. Retroactively lowering rates and expanding the 10 percent bracket will have an immediate stimulative impact on our economy to grow jobs. Accelerating the marriage penalty phaseout and raising the per child tax credit to $1,000 will give families the financial flexibility they need. Reducing the tax rate on dividends will put more money in seniors' pockets. And for small businesses, quadrupling the amounts that companies can immediately expense will help them grow and create jobs.

Mr. Speaker, this is a good rule and a great bill, and I urge all of my colleagues to support it.

Mr. FROST. Mr. Speaker, I yield 2 minutes to the gentleman from Texas (Mr. TURNER).

Mr. TURNER of Texas. Mr. Speaker, in 2001 we approved a tax cut based on the Congressional Budget Office's estimate that we had a surplus over the next 10 years. Today our Republican colleagues come to the floor asking for a tax cut when the Congressional Budget Office projects a deficit over the next decades and as far as the eye can see. In that case, I think it is important for our Republican colleagues to be honest with the American people and go to them and let them know that in order to give this tax cut they have got to borrow the money, and here is the kind of credit application our Republican friends ought to submit to the people of this country.

Typical application from the Members of Congress, always have to list your credit history. Our credit history is that we are in debt today $6.4 trillion. We pay $332 billion in interest. That is almost a billion dollars a day. Our estimated income for the next 10 years is $19.6 trillion. Our estimated expenditures exceed that, 23.6. It is estimated that in 2013 we will owe $12 trillion. And our estimated annual interest payments will be 6 to $700 billion, approaching what it costs to fund the Department of Defense.

So what is our request from our Republicans? We need to borrow $550 billion so we can give a tax cut. The interest cost on it is going to run another $273 billion, and so the whole deal will costs $820 billion. What is the repayment schedule? It is unknown. I suggest that if you present this loan application to your local banker, they would say I am sorry, we are going to have to deny your loan.

That is what we are being asked to do today by our Republican colleagues. Borrow money to finance a tax cut, charge it to the next generations with no prospect of repayment. I suggest this is the wrong direction for America.

We must have a fiscally responsible tax cut like the Democrats propose that was paid for by not increasing our national debt. I urge you to vote no on the Republican proposal.

Mr. REYNOLDS. Mr. Speaker, I yield 1 minute to the gentleman from Indiana (Mr. PENCE).

Mr. PENCE. Mr. Speaker, I thank the gentleman for yielding me time.

Mr. Speaker, despite what the economists tell us America is in recession. My districts in eastern Indiana has seen job loss since the final days of the Clinton administration and that economic collapse has gone forwards unabated. The time for another pro-growth tax cut is now. The Jobs and Growth Act is such a measure.

Now, we have heard already this morning, Mr. Speaker, that cutting taxes on capital gains and dividends is nothing more than a tax cut for the rich. But as a Pittsburg pipefitter said of the same cut in capital gains taxes advanced by President Reagan 20 years ago, ''It may be a tax cut for the rich but I ain't never been hired by a poor man.''

President Kennedy was probably a bit more eloquent when he defended his cuts in the capital gains tax. He said, ''A rising tide lifts all ships.''

Now that the war is behind us, America needs the tide of our economy to

rise again. Let us put politics aside, speed tax relief to working families, small businesses and family farms. Let us pass the Jobs and Growth Act today.

Mr. FROST. Mr. Speaker, I yield 2 minutes to the distinguished gentleman from South Carolina (Mr. SPRATT), the ranking member on the Committee on the Budget.

(Mr. SPRATT asked and was given permission to revise and extend his remarks.)

Mr. SPRATT. Mr. Speaker, first of all, let us be clear, this is not a $550 billion tax cut. Take out the phony sunsets, the false expiration dates, and it is easily over a trillion dollars. By our calculation, the total impact of this tax package, of these tax cuts is $1 trillion 123 billion.

Now, what happens when you force feed another $1 trillion 123 billion to the budget we have got, which is already in deficit? The surplus is gone. It adds dollar for dollar to the bottom line, and here is what happens to the bottom line. This is what you are doing if you vote up this budget, this tax cut today.

The deficit this year in 2003 will go to $426 billion. The deficit next year in 2004 will go to $494 billion. Here is the calculation of it. You cannot see it from there, but come look at it and contest it if you disagree.

From 2004 to 2013 the total amount of deficit that we will incur, this budget will incur over the next 10 years goes to $3 trillion 953 billion, and that is offsetting the deficits with the surpluses in Social Security. If you back out Social Security, if you put it in the lockbox, remember the lockbox, you know what happens. The total debt of the United States, the accumulated deficits over the next 10 years go to $6 trillion 521 billion. That is the legacy that you are leaving your children, our children, and this country if you vote for this tax cut today. That is the course you are putting us on.

Now, here it is stated a different way. The bottom line on this curve shows you that the deficit drops to 3 to $400 billion and never comes out for the next 10 years. There is no recovery. It gets worse and worse if you put the country on this math.

Now, you have to ask yourself is there a better way? Is there some way to do it better?

□ 1030

Mr. REYNOLDS. Mr. Speaker, I yield 1 minute to the gentleman from Nebraska (Mr. OSBORNE).

Mr. OSBORNE. Mr. Speaker, I represent a rural district that has been hit by 3 consecutive years of draught, contains the three poorest counties in the United States, definitely not a wealthy area. We are losing population, particularly our young people.

The best way to keep our young people is to have them start their own business, to be involved in entrepreneurial activity. H.R. 2 is the most small business-friendly piece of legislation I have seen in years. It increases expensing allowance, expands the definition of small business, extends operating loss carryback. Also, the reduction in the capital gains tax to 5 percent for the low-income tax bracket also helps farmers and ranchers whose lands have appreciated in value, but they cannot sell out because of the debt they have accumulated and because of the capital gains tax they would have to pay.

Most people in my district appreciate the child tax credit increase and the elimination of the marriage tax. These are not wealthy people.

I support the rule, and I urge support of H.R. 2.

Mr. FROST. Mr. Speaker, I yield such time as he may consume to the gentleman from New York (Mr. ENGEL).

(Mr. ENGEL asked and was given permission to revise and extend his remarks.)

Mr. ENGEL. Mr. Speaker, I rise in opposition to this outrageous rule and its outrageous tax cut. We are not even given time to debate this bill. We can have democracy in Iraq, but not here on the House floor.

Mr. Speaker, I rise today with mixed emotions. I am angered by the blatant disregard by the Republican majority for the rights of the minority to offer an alternative. On top of that, we have just 1 hour of debate on this bill that will reduce Federal revenues by at least $550 billion. Not only are the views of the minority members being squashed, but the American people are being denied the opportunity to hear a frank and open debate about the future direction of their country. There is democracy in Iraq now, but not on the floor of the U.S. House of Representatives.

I am also saddened. Saddened by the fact that my colleagues on the other side of the aisle, many of them good friends, have abandoned fiscal discipline. They have embraced tax cuts as a panacea for all our ills. They have made a conscious decision to enjoy their cake now and saddle our children, grandchildren and great-children with debt.

Oh how times have changed. In 1995, the Republican Majority Leader, Mr. DELAY. said ''By the year 2002, we can have a Federal Government with a balanced budget or we can continue down the present path towards total fiscal catastrophe.'' I don't often agree with the gentleman from Texas, but on this point I am with him 100 percent.

Democrats have a fiscally sound bill that will provide immediate assistance to the 8 million unemployed Americans.

Democrats have a fiscally sound bill that will provide immediate assistance to States that are being overwhelmed by budget crises of their own.

Democrats have a fiscally sound bill that will provide immediate assistance to small businesses which are the job creators.

Democrats have a fiscally sound bill that will give the majority of Americans tax relief right now.

Republicans offer a plan that has been tried, tried, and tried again. Each and every time it has failed. Giving the wealthiest a tax cut does not spur economic activity. Wealthy people save the extra money. Middle class and low-income families spend the extra money. But, what we have before us today is a whopping permanent tax cut for the rich and a meager temporary tax cut for the rest of us.

Mr. Speaker, I also have some fear in my gut right now. I fear that we will leave many, many children behind because of this foolish tax cut policy. I fear that one again seniors will be forced to choose between paying their rent and buying prescription drugs so that Republicans can provide a boondoggle of tax cut to 1 percent of Americans. I fear that the bipartisan effort that led to a balanced budget and actual payments toward eliminating our national debt has been squandered in a frenzy of demagoguery.

I urge my colleagues on the other side of the aisle to stop. Take a breath. Think about what you are doing. Vote against the rule. Vote against this bill. Don't write out a bill, stuff it into an envelope and mark it to be paid by the next generation.

Mr. FROST. Mr. Speaker, I yield such time as she may consume to the gentlewoman from California (Ms. WOOLSEY).

(Ms. WOOLSEY asked and was given permission to revise and extend her remarks.)

Ms. WOOLSEY. Mr. Speaker, I rise to speak about this rule and this bill of the Republican leadership that clearly engages in a game of make-believe, believing that big tax cuts for the wealthiest, which will not even be enacted for years to come, will ease the pain of today's unemployed workers now.

Mr. Speaker, the Republican leadership is clearly engaging in a game of make-believe as they push their tax plan. In their imaginary world, big tax cuts for the wealthiest—the bulk of which won't be enacted for years to come—would ease the pain of unemployed workers now.

We have already seen what happens when the Republicans legislate in a dream world. Since they passed their last irresponsible tax cut, more than 1½ million America's have lost their jobs. Only in fantasyland is that considered effective economic stimulus.

But America's working families live in the real world. They understand the real damage this plan will cause. I oppose this rule and the Republican's budget and urge my colleagues to do the same.

Mr. FROST. Mr. Speaker, I yield 2 minutes to the gentleman from Texas (Mr. EDWARDS).

(Mr. EDWARDS asked and was given permission to revise and extend his remarks.)

Mr. EDWARDS. Mr. Speaker, we have heard it before, we can afford tax cuts, large increases in national defense and still balance the budget. This is not a new idea. We heard it 22 years ago from President Reagan and Congress. The result, America's national debt quadrupled in just over a decade.

We heard this idea again 2 years ago when House Republicans speaking today proposed a $1 trillion tax cut and said the national debt will be paid off by 2013. The result, last month those same Republicans had to vote to increase the national debt ceiling in 2013 to $12 trillion, a $6 trillion increase. Result: we have gone from the largest

surplus in American history to the largest deficit in American history in just over 2 years and 2.5 million workers have lost their jobs.

Now those same House Republicans want us to follow their lead once again, asking us to ignore their $12 trillion miscalculation just 24 months ago. It is tempting to be swayed by their siren song of simple solutions, cut taxes by trillions, balance the budget, no sacrifice, no tough choices; and how I wish it were that simple. If it were, we could triple the size of this tax cut today and pay off the national debt tomorrow. The free-lunch philosophy might make for good sound bites, but it is fiscally irresponsible policy.

The Congressional Budget Office, headed by President Bush's, one of his top White House economists, just a year or two ago recently concluded that any economic growth in the administration's tax cut proposals would be offset by the long-term drag effect of massive structural deficits as far as the eye can see.

This is a growth bill all right. It will grow our national debt and the taxes our children will have to pay in interest on that debt for the rest of their lives. Once the economy gets on its feet, $300 billion annual deficits, structural deficits will stifle business growth by soaking up capital and driving up interest costs for buying new homes, cars, running businesses or family farms.

The free-lunch philosophy has not worked in the past, and it will not work today. Vote ''no'' on this fiscally irresponsible bill.

Mr. Speaker, we have heard it before: ''We can afford massive tax cuts, large increases in national defense and still balance the budget.'' This is not a new idea. We heard it 22 years ago from Congress and President Reagan. The result? America's national debt quadrupled in just over a decade.

We heard this idea 2 years ago when House Republicans proposed a trillion dollar tax cut and said the national debt will be paid off by 2013. The result? Last month those same Republicans had to vote to increase the national debt in 2013 to $12 trillion, a $6 trillion increase. The result? We have gone from the largest surplus in American history to the largest deficit in American history in just over 2 years and 2½ million workers have lost their jobs.

Now, those same House Republicans want us to follow their lead once again, asking us to ignore their $12 trillion miscalculation just two years ago. ''Let's have more massive tax cuts, increase defense spending, rebuild Afghanistan and Iraq, and oh, yes, we will balance the budget.''

It is tempting to be swayed by the siren song of simple solutions—cut taxes by hundreds of billions of dollars and balance the budget—no sacrifice and no tough choices. How I wish it were that simple. If it were, we could triple the size of this tax cut and pay off the national debt right a way.

The free lunch philosophy might make for good sound bites, but it is fiscally irresponsible policy. That philosophy quadrupled our national debt in the 1980s and it contributed to our going from the largest surplus to the largest deficit in American history.

The Congressional Budget Office, headed by one of President Bush's top White House economists recently concluded that any economic growth from the administration's tax cuts would be offset by the long-term drag effect of massive structural deficits for as far as the eye can see.

I hear supporters of this tax bill say we could pay for the tax cuts with spending cuts. Well, show me the beef. The truth is that the administration is proposing increases in three of the five largest Federal programs: defense, medicare and interest on the national debt.

It took House Republicans all of 2 weeks to completely retreat from their proposals to cut Medicare by $162 billion, Medicaid by $110 billion and veterans benefits by $28 billion. And, frankly, I hope the House will reject the administration plan to cut highway spending and education funds for military children even while their parents are deployed to Iraq.

The dirty little secret in this process is that the tax cut deal in this bill does not mention the fiscal impact of $795 billion in additional tax cuts proposed by the administration or Congressional Republicans.

So, here we go again. Pass massive tax cuts. Talk tough on spending cuts, knowing full well Congress won't pass those spending cuts. The end result? Exactly what it was in 1981 and 2001—tax cuts paid for by massive borrowing from our children and grandchildren.

This is a growth bill all right. It will grow our national debt and the taxes our children will have to pay on the interest on that debt. Once the economy gets on its feet, $300 billion annual deficits will stifle business growth by soaking up capital and driving up interest costs on houses, cars, businesses and farmers.

The free lunch philosophy has not worked in the past and it will not work today.

If we are to have a tax cut, it should focus its stimulus now, not 10 years from now, it should be fair to average working Americans and it should not do damage to our long-term national debt.

Mr. REYNOLDS. Mr. Speaker, I yield 1 minute to the gentlewoman from Michigan (Mrs. MILLER).

(Mrs. MILLER of Michigan asked and was given permission to revise and extend her remarks.)

Mrs. MILLER of Michigan. Mr. Speaker, I am proud to be here today to support this very comprehensive economic stimulus package. This plan actually has three fundamental caveats: number one, jobs; number two, jobs; number three, jobs. Jobs, jobs, jobs. If someone does not have a job and they want a job, this plan is for them. If they do have a job and they want a better-paying job, this plan is for them as well.

Some are saying that this is a plan for the rich because it would reduce double taxation on dividends. Those that are saying that are stuck in an economic time warp because they are out of touch with reality. Today, a huge percentage of the American public is invested in the stock market. Double taxation is not only unfair, it is un-American.

That is why I am supporting this plan because I sincerely believe it is the right vehicle to get us on the right road to economic recovery. This plan is an economic engine that is pro-growth, pro-opportunity and pro-family; and I am talking about the American family, every single one of them.

This is not the time to wring our hands. This is a time to be bold, like the President has been and like our proud troops have been, and I am proud to support this bold plan.

I urge adoption of the rule.

Mr. FROST. Mr. Speaker, how much time is remaining on each side?

The SPEAKER pro tempore (Mr. SIMPSON). The gentleman from Texas (Mr. FROST) has 6½ minutes remaining. The gentleman from New York (Mr. REYNOLDS) has 8½ minutes remaining.

Mr. FROST. Mr. Speaker, I yield such time as she may consume to the gentlewoman from Texas (Ms. JACKSON-LEE).

The SPEAKER pro tempore. The Chair will entertain unanimous consent requests and the request only. Time beyond the unanimous consent request will be timed and subtracted.

(Ms. JACKSON-LEE of Texas asked and was given permission to revise and extend her remarks.)

Ms. JACKSON-LEE of Texas. Mr. Speaker, I vigorously oppose this ridiculous and unsatisfactory——

The SPEAKER pro tempore. Does the gentlewoman have a unanimous consent request to make? Does the gentlewoman have a unanimous consent request to make?

Mr. REYNOLDS. Regular order, please, Mr. Speaker.

Ms. JACKSON-LEE of Texas. Vote down this rule.

Mr. Speaker, I rise in opposition to the rule, H. Res. 227. This rule is an outrageous departure from well-established House procedure.

The minority party is invariably allowed to offer an amendment in the form of a substitute to the majority bill. This extraordinary and malicious rule denies the Democratic Party that opportunity. This closed rule shuts the door on debate of numerous valuable provisions that were included in the Democratic substitute to H.R. 2 as well as many valuable amendments that my Democratic colleagues and I proposed to the bill.

The bill we will debate on this floor today impacts every American citizen regardless of their political affiliation. Both H.R. 2 and the Democratic substitute jobs and tax bill proposed solutions to the longstanding problems of unemployment and economic stagnancy.

At the very least, the American people have the right to have the issue of the best way to create jobs and jumpstart our economy fully debated on the House of Representatives floor. This prohibitive rule strips Americans of that right.

For example, I proposed an amendment to H.R. 2 that was not made in order and will therefore not have the benefit of floor debate. My amendment granted much needed tax relief to Americans who lost their jobs because of the faults of others. Under the provisions of my amendment, the severance packages of employees who lost their jobs because of the criminal activity or corporate malfeasance of their employers, are exempt from taxation.

My amendment would help suffering former employees such as those laid off from Enron. In Houston alone, approximately 4,500 Enron employees lost their jobs. As they were shown the door, Enron employees received a severance package worth at most a mere $13,500. Given the struggles many Enron employees endured this sum was insufficient.

For example, Nathan Childs of Houston was laid off from Enron. He and his wife, Adena, had to give up their apartment. The stress of the unemployment made their oldest son so ill he had to be hospitalized. Adena Childs had a stroke at the young age of 29 years old. Bill Peterson, also of Houston, is another Enron employee laid off in the massive cuts. Mr. Peterson lost his job while undergoing chemotherapy. He and his wife were forced to sell their car and home. For the first time in their married lives they were without life or medical insurance.

My amendment would have kept every penny of the Enron severance in the pockets of struggling Americans like Nathan Childs and Bill Peterson. At the very least families like those who lost their jobs in the Enron debacle are due the opportunity to have their Congressperson engage in debate on their behalf. Likewise, those American who would have benefitted from the Democratic substitute job stimulus bill and those who benefitted from my colleagues various amendments are due vigorous debate on their behalf.

Mr. Speaker, I vehemently oppose H. Res. 227. This rule violates established procedure. This rule take the malicious step of denying the minority party the opportunity to propose a substitute. I also oppose this rule because many provision, in the minority substitute and in proposed amendments, that benefit needy American families will not be heard on the House of Representatives floor.

The SPEAKER pro tempore. Time has been subtracted beyond the unanimous consent request.

Mr. FROST. Mr. Speaker, I yield 2 minutes to the gentleman from New Jersey (Mr. MENENDEZ).

Mr. MENENDEZ. Mr. Speaker, what are Republicans afraid of? Are they afraid of the anger of millions of unemployed when they found out Republicans are passing yet another massive tax cut while unemployment benefits for hard hit families are about to run out?

Are Republicans afraid of middle-class workers who do not know whether we are going to have yet another wave of corporate downsizing in this country that will put their jobs, their health care and their kids education at risk?

What is clear is that Republicans are afraid of something because they will not even allow Democrats to offer our alternative plan. We go halfway around the world to bring democracy to Iraq, and then they stifle democracy here. What a lesson to all those who we seek to spread the benefits of democracy to. They defile this bastion of democracy.

Republicans do not want an open debate because they do not want the American middle class to see what they are doing. They borrow hundreds of billions from tomorrow to pay for tax cuts today, geared to those who already have plenty of income. Republicans create a mountain of debt on this and the next generation of Americans, and they conduct class warfare when they sunset the minimal tax provisions they provide to average Americans in 3 years, but wealthy Americans, they let those provisions continue to ride for quite some time.

America simply cannot be red, white and broke and meet its challenges both at home and abroad in the years to come. It is time for Republicans to realize that their tax cut is not the answer to every problem. For 2½ years it has not worked; ask the 8.8 million Americans who are unemployed.

Let us stop squandering the future of American families and start doing something about the economic mess they have created; and if my colleagues will not, at least allow us to offer an alternative that will put millions of Americans back to work. Give us the opportunity for a vote. What are my colleagues hiding from? Let us show the rest of the world what democracy is really about.

Mr. REYNOLDS. Mr. Speaker, I yield myself such time as I may consume.

Half of the tax relief package in 2003 is directed to the child tax credit, expanding the 10 percent bracket, eliminating the marriage penalty, accelerating the marginal rate cuts, and ensuring that middle-class families do not face the AMT. 9.9 million taxpayers will not pay the AMT because of H.R. 2. Ten million Americans who are our seniors will directly receive assistance from the dividend return they are going to get in their senior income.

If I were able to signal a message to the White House, I would say, Mr. President, we are on our way shortly to have a rule vote and we are no longer talking about your early ideas, should we or should we not have a tax cut. Mr. President, there is going to be a tax cut when the House concludes its business, I predict, and I predict it will pass by a bipartisan support, just as the one did that the President initiated in 2001.

So as we look here today, we are talking some process, but when I sat in that Committee on Rules meeting last night, over half of the amendments introduced by my Democratic colleagues came forth on how they want to deal in tax planning, not to do away with it.

So today we are moving forward. We are going to have a rule vote, and then we are going to take the bill on the floor, if it passes the rule, and we are going to have an opportunity to debate what the tax policy will be for this country. I believe, not only in my district and my State, but the country wants that money back in their pockets rather than the Federal Government spending it.

Mr. Speaker, I yield 1 minute to the gentleman from New Hampshire (Mr. BRADLEY).

Mr. BRADLEY of New Hampshire. Mr. Speaker, I rise in support of the jobs and growth package and the rule that accompanies it.

Mr. Speaker, our economy is in the doldrums. 525,000 Americans have lost their jobs since February; 95,000 Americans have lost their manufacturing jobs. In my State of New Hampshire, 21 percent of our manufacturing jobs have disappeared; 17,000 of my fellow Granite Staters are out of work.

Mr. Speaker, businesses and families need the 1.2 million jobs represented by H.R. 2; but, Mr. Speaker, it always comes down to individual Americans, and a couple of weeks ago, I spoke with a high-tech worker in Bedford, New Hampshire, who had lost his job and been out of work for several months. That is just one American, but every American who cannot find a job is one American too many, and that is why today we need H.R. 2, to get Americans back to work.

I urge support for the rule and H.R. 2.

Mr. FROST. Mr. Speaker, I yield 1½ minutes to the gentleman from Georgia (Mr. SCOTT).

Mr. SCOTT of Georgia. Mr. Speaker, I think the fundamental question here this morning is what do the American people want. We know what we want; we know what my colleagues want. But what do the American people want?

I will tell my colleagues what the American people want. The American people want a tax plan that will create jobs immediately, stimulate the economy immediately, and is paid for immediately, now, and will not add to the debt of our younger generations to pay for.

The Republican plan does that. It adds to that debt. They cannot argue that. Is it fair to have that generation that went over in Iraq to fight so bravely, for those young men and women to come back here and to have to pay for the war, to pay for the debt?

The Democratic plan that we support gives fair and balanced tax cuts. It gives immediate, targeted tax cuts for working families. It expands the 10 percent income tax bracket. It increases the child tax credit, ends the marriage penalty and, yes, extends unemployment benefits for those that need it.

The American people are hurting. We have more people out of work than we have had in over 20-some years. Under the Republican administration, unemployment has skyrocketed. We need help for those that need it the most. We need help to give to our States.

Under our Democratic plan, for our States' struggling economies, we give $44 billion; for the small businesses and the small manufacturers, $29 billion; and for those employers who will dare go and do the right thing and hire an unemployed person, we give a tax credit of $2,500. That is what is meaningful. That is what our people want, and I urge this House to reject and to vote for the Democratic plan.

Mr. REYNOLDS. Mr. Speaker, I yield 1 minute to the gentleman from California (Mr. CUNNINGHAM), one of the great patriots of this House.

Mr. CUNNINGHAM. Mr. Speaker, I am not on the Committee on Ways and

Means, but I do understand that before the committee the Democrats did not offer a plan. They wanted to do it in the dead of night with no rule, scrutiny and no amendments whatsoever and make press releases.

They demagogue today all the things that they demagogued in 1993 when they had the House, the White House, and the Senate. They cut veterans' COLAs. We restored that. They cut military COLAs. We restored that. Social Security, another demagogue issue, well they increased the tax on Social Security; and they spent every dime out of the Social Security trust fund.

I remember the gentleman from Missouri talking, oh, the lady in the red dress, we need middle-class tax breaks. They increased the tax on the middle class, and then they stand up here without any scrutiny, without bringing their substitute, their motion to recommit before the committee. It is a little disingenuous.

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Mr. FROST. Mr. Speaker, I yield 1 minute to the gentleman from Massachusetts (Mr. CAPUANO).

Mr. CAPUANO. Mr. Speaker, this is all about the Wizard of Oz. What is behind the curtain? They do not want anybody to look. Why? Because what is behind the curtain since President Bush took office is every single hour, and we have been debating this rule for 1 hour, and in that 1 hour, 563 Americans have lost their jobs, and there is nothing in this bill for them. That is obscene. The rule is bad. That is worst.

At the same time, we have been borrowing from our children. Every single minute that President Bush has been in office, we have borrowed $585,000. Since this debate has taken place, about 90 minutes, we have borrowed $52 million, and that does not include what we will have to borrow to pay for this tax cut.

This tax cut is wrong. It will not help the economy. It is targeted to the wrong group of taxpayers, and it will increase the debt we leave to our children. It is irresponsible, and it is a gimmick to keep the American people from looking behind the curtain. We need to vote ''no'' on this rule, and we need to vote ''no'' on this tax bill.

Mr. REYNOLDS. Mr. Speaker, I yield 1 minute to the gentleman from Iowa (Mr. NUSSLE), the chairman of the Committee on the Budget.

(Mr. NUSSLE asked and was given permission to revise and extend his remarks.)

Mr. NUSSLE. Mr. Speaker, just like last year when the Democrats did not have a budget, this year they do not have an economic plan. They have a press release that they rushed to the floor today, had it put into legislative language, but it is basically a press release. What does it do? It spends and it taxes. In fact, in the Committee on Ways and Means, half of the amendments that were introduced raised taxes on the American people.

I do not know what economics book they are reading; but not only do we not raise taxes during a recession, but as the gentleman earlier said, it does not cost the government when we talk about tax cuts. Taxes cost Americans. When we leave money in the pockets of the people that earned the money in the first place, that is what is called America. When we tax and spend, that is what is called liberalism.

Unfortunately, that is what we are offered with more today. The Democratic plan increases the debt actually more than the Republican plan. Just like the gentleman from South Carolina (Mr. SPRATT) said, the plan for the Republicans increases the debt; we have had the Democratic plan scored over 10 years, and it increases the debt $1.7 trillion.

Mr. NUSSLE. Mr. Speaker, I rise in support of H.R. 2—''The Jobs and Growth Act of 2003.''

This bill is appropriately named—it provides tax relief to boost economic growth and create jobs. And that is what workers and their families in Iowa and across the nation need today—a stronger economy and more jobs.

We cannot afford to sit back and do nothing. We are rising to the challenge and taking action to get our economy growing again. We will help ensure that every worker who wants a job can be fully employed.

The economy is struggling to overcome a number of shocks that no one anticipated: the terrorist attacks of September 11, 2001; a recession; the ongoing war on terror; military conflicts in Afghanistan and in Iraq; and a bursting of the stock market bubble. We should be thankful that our Nation's economy has been relatively resilient in the face of such shocks. Things could be much worse.

In 2001, we passed tax relief legislation—including $40 billion in tax rebates—that was perfectly timed to help keep the recession from being worse than it was. Last year, we passed stimulus legislation—''The Job Creation and Worker Assistance Act''—that included business investment incentives and extended unemployment benefits. Without these policies, the economy would be in much worse shape and an additional 1½ million jobs would have been lost.

But things aren't as good as we want them to be. Our economy has lost 2 million jobs over the past 2 years and the unemployment rate is up to 6 percent. We've had a half million jobs lost in just the last 3 months. Real GDP is growing at only 1½ percent over the past 6 months. The evidence is clear: We need to adopt policies to help boost our economy and create jobs.

This bill will do that. It will help families in Iowa. It will help businesses. It will promote investment and jobs. It will help to get our economy growing again. It provides for immediate help for all taxpayers, including lower income tax rates, increased child tax credits, and marriage penalty relief.

When it comes to job creation, small businesses are the engine that keeps our economy pumping. Small business investment in Iowa and across the nation will particularly benefit from the higher depreciation allowances that will reduce the cost of new equipment that businesses need to maintain operations and grow. There will be an improved flow of investment funds for new capital investments from the reduction in capital gains and dividend income tax rates.

We've heard various estimates about how many jobs the President's plan would create; or how many jobs a bill at $550 billion, or at $350 billion would create. Or how many the Democrats want to claim from their proposal. What we know is that this bill, H.R. 2, has more tax relief in FY 2003 and FY 2004 than was even included in the President's plan. It certainly has more tax relief than in the Democrats' plan—and more total stimulus, too. The tax relief of this bill will clearly help to create as many or more jobs than either the President's plan or the Democrats's plan—and the numbers we've heard for those plans are in the range of 1 million to 1.4 million jobs. This bill will boost jobs by well over a million jobs by the end of 2004. This legislation will add an estimated more than 9,000 jobs in Iowa just in 2004 alone.

Our plan will promote sustained growth in the economy and jobs. The Democratic plan is like a rug pulled out from underneath the economy. They want to raise taxes by nearly $200 billion. Their plan would kill economic growth and jobs right when growth was getting started.

As Chairman of the Budget Committee, I can say that the $550 billion of tax relief in H.R. 2 is within the revenue and spending levels provided in the budget resolution. In fact, the budget resolution provides for as much as $1.2 trillion of tax relief. And, I can remind everyone that the budget resolution shows a return to a balanced budget. We are in favor of the tax relief that the bill under consideration provides—but we also provide that tax relief with an eye toward boosting the economy and returning the budget to balance.

I urge my colleagues in the House to support this bill—to support growth in our economy and growth in jobs, and all within a framework of returning the budget to balance.

Mr. FROST. Mr. Speaker, I would inquire of the other side how many speakers they have left.

Mr. REYNOLDS. Mr. Speaker, I have one additional speaker, and I reserve the right to close.

Mr. FROST. Mr. Speaker, we are prepared to close, but customarily we close by preceding the last speaker on the other side.

Mr. REYNOLDS. Mr. Speaker, I yield 3 minutes to the gentleman from California (Mr. DREIER).

Mr. DREIER. Mr. Speaker, I rise in strong support of this rule. When we won the majority back in 1994, we decided that we were going to guarantee that the minority had something that we on numerous occasions were denied. That was an opportunity to offer a motion to recommit.

I will admit that we very much wanted to try to put together a structure whereby we could allow a substitute for the minority. But as we looked at what this bill is called, Mr. Speaker, it is called the Jobs and Growth Tax Act of 2003. What that means is we are putting into place policies that will reduce the tax burden so we can stimulate economic growth.

Unfortunately, the package that was submitted to us yesterday by the minority to be offered as a substitute consisted, as was just said by the chairman of the Committee on the Budget, of tax increases; and it also goes into a wide range of other areas which have nothing to do with the Jobs and Growth Tax Act of 2003. In fact, we would have to provide waivers of almost every single rule imaginable to have made in order their substitute.

That is why, Mr. Speaker, I would argue that we have done the minority a tremendous favor, a tremendous favor by saving them from casting a vote in support of a tax increase as we deal with what Secretary Snow yesterday described as a wobbly recovery. We all acknowledge that we are dealing with economic challenges. As we listen to our friends talk about the unemployment rate, we know jobs have been lost, and we know also that this downturn began the last 2 quarters of 2000 before this administration came into office.

We also know as we looked at the statements that were made by the President in his campaign, he said if we faced war, recession or a national emergency, we would be forced to go into deficit spending. And guess what, we have encountered all three. We are working diligently to ensure that we can climb out, and the best way to climb out is to unleash the potential of the American people which we know is limitless if we can provide that kind of opportunity for them.

So, Mr. Speaker, we have a fair rule which does guarantee them their motion to recommit, and we also will have a chance to put into place a package which will do what President Bush has been arguing consistently, to give the American people a chance to keep some of their own hard-earned monies, generate economic growth, and then have the level of revenues that we need to balance the budget, to meet our priorities when it comes to education and health care and homeland security and national defense.

Mr. Speaker, I think we have a wonderful package here. We have saved the Democrats from themselves. Let us support this rule, move ahead with a rigorous debate, and then pass our growth package.

Mr. FROST. Mr. Speaker, I yield myself the balance of my time.

Mr. Speaker, because this rule is so patently unfair, I urge every Member of this House, even those who do not care about the integrity of the institution itself, to vote against the previous question. If the previous question is defeated, I will offer an amendment to the rule. My amendment will allow the House to consider the Rangel substitute, the Rebuilding America Through Jobs Democratic substitute which was voted down in the Committee on Rules last night by a straight party-line vote.

The Democratic plan provides immediate job-boosting help to the economy. It provides fair tax relief by giving working families a break. It does not pander to the wealthiest of the wealthy. It provides a desperately needed extension of unemployment assistance to the millions of people without jobs under George W. Bush. It stimulates the economy by giving tax incentives to all businesses, especially small businesses and U.S. manufacturing.

Let me make it very clear that a ''no'' vote on the previous question will not stop consideration of Republican Pioneers Tax Relief Act. A ''no'' vote will simply allow the House to consider the Democratic Jobs and Growth Plan; but a ''yes'' vote on the previous question will prevent the House from taking up this responsible alternative. Make no mistake, this vote is the only opportunity the House will have to consider the Rangel substitute. I urge a ''no'' vote on the previous question.

Mr. Speaker, I ask unanimous consent the text of the amendment be printed in the RECORD immediately before the vote on the previous question.

The SPEAKER pro tempore (Mr. SIMPSON). Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. FROST. Mr. Speaker, I yield back the balance of my time.

Mr. REYNOLDS. Mr. Speaker, I yield myself the balance of my time.

Mr. Speaker, our economy is in need of a doctor, but the diagnosis suggests a remedy that is more comprehensive than the Band-Aid approach some of my colleagues suggest. Rather, the economy requires a shock to the system to stimulate a more rapid rate of growth, create incentives to work, save and invest, and encourage more disciplined Federal spending. The prognosis is very promising, but it stipulates immediate attention. That is why I urge a ''yes'' vote on this rule and the underlying legislation. A ''yes'' vote delivers money back into the hands of our constituents, the American taxpayers, and sends jobs to our districts.

The material previously referred to by Mr. FROST is as follows:

In the resolution strike ''and (2)'' and insert the following:

''(2) the amendment printed in Sec. 2 of this resolution if offered by Representative Rangel or a designee, which shall be in order without intervention of any point of order, shall be considered as read, and shall be separately debatable for 60 minutes equally divided and controlled by the proponent and an opponent; and (3)''

Strike all after the enacting clause and insert in lieu thereof the following:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

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

(a) SHORT TITLE.—This Act may be cited as the ''Jobs and Growth Reconciliation Tax Act of 2003''.

(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—IMMEDIATE STIMULUS AND JOB CREATION

Subtitle A—Family Tax Relief

Sec. 101. Acceleration of increase in child tax credit.
Sec. 102. Increase in standard deduction for married taxpayers filing joint returns accelerated.
Sec. 103. Acceleration of 10-percent individual income tax rate bracket expansion.
Sec. 104. Acceleration of elimination of marriage penalty in earned income credit.

Subtitle B—Incentives to Hire the Long-Term Unemployed

Sec. 111. Incentives to hire the long-term unemployed.

Subtitle C—Extension of Unemployment Benefits

Sec. 121. Short title.

PART I—TEMPORARY EXTENDED UNEMPLOYMENT COMPENSATION

Sec. 131. References.
Sec. 132. Extension of the Temporary Extended Unemployment Compensation Act of 2002.
Sec. 133. Entitlement to additional weeks of temporary extended unemployment compensation.
Sec. 134. Extended benefit periods.

PART II—UNEMPLOYMENT BENEFITS FOR INDIVIDUALS QUALIFYING BASED ON PART-TIME WORK OR AN ALTERNATIVE BASE PERIOD

Sec. 141. Federal-State agreements.
Sec. 142. Payments to States having agreements under this part.
Sec. 143. Financing provisions.
Sec. 144. Definitions.
Sec. 145. Applicability.

PART III—ENHANCED UNEMPLOYMENT BENEFITS

Sec. 151. Federal-State agreements.
Sec. 152. Payments to States having agreements under this part.
Sec. 153. Definitions.
Sec. 154. Applicability.

Subtitle D—Trust Fund to Meet Nation's Pressing Needs

Sec. 161. Trust fund to meet nation's pressing needs.

TITLE II—LONG-TERM JOB CREATION AND GROWTH

Sec. 201. Increase and extension of bonus depreciation.
Sec. 202. Increased expensing for small business.
Sec. 203. Deduction relating to income attributable to United States production activities.

TITLE III—FISCAL RESPONSIBILITY AND PROVISIONS ADDRESSING CORPORATE ABUSE

Subtitle A— General Provisions

Sec. 301. Freeze of top individual income tax rates.
Sec. 302. Restoration of phaseouts of deductions for personal exemptions and of itemized deductions.
Sec. 303. Repeal of exclusion for extraterritorial income.

Subtitle B—Abusive Tax Shelter Shutdown and Taxpayer Accountability

PART I—PROVISIONS DESIGNED TO CURTAIL TAX SHELTERS

Sec. 311. Clarification of economic substance doctrine.

Sec. 312. Penalty for failing to disclose reportable transaction.
Sec. 313. Accuracy-related penalty for listed transactions and other reportable transactions having a significant tax avoidance purpose.
Sec. 314. Penalty for understatements attributable to transactions lacking economic substance, etc.
Sec. 315. Modifications of substantial understatement penalty for nonreportable transactions.
Sec. 316. Tax shelter exception to confidentiality privileges relating to taxpayer communications.
Sec. 317. Disclosure of reportable transactions.
Sec. 318. Modifications to penalty for failure to register tax shelters.
Sec. 319. Modification of penalty for failure to maintain lists of investors.
Sec. 320. Modification of actions to enjoin certain conduct related to tax shelters and reportable transactions.
Sec. 321. Understatement of taxpayer's liability by income tax return preparer.
Sec. 322. Penalty on failure to report interests in foreign financial accounts.
Sec. 323. Frivolous tax submissions.
Sec. 324. Regulation of individuals practicing before the department of treasury.
Sec. 325. Penalty on promoters of tax shelters.
Sec. 326. Statute of limitations for taxable years for which listed transactions not reported.
Sec. 327. Denial of deduction for interest on underpayments attributable to nondisclosed reportable and noneconomic substance transactions.

PART II—OTHER PROVISIONS

Sec. 331. Limitation on transfer or importation of built-in losses.
Sec. 332. Disallowance of certain partnership loss transfers.
Sec. 333. No reduction of basis under section 734 in stock held by partnership in corporate partner.
Sec. 334. Repeal of special rules for fasits.
Sec. 335. Expanded disallowance of deduction for interest on convertible debt.
Sec. 336. Expanded authority to disallow tax benefits under section 269.
Sec. 337. Modifications of certain rules relating to controlled foreign corporations.
Sec. 338. Basis for determining loss always reduced by nontaxed portion of dividends.
Sec. 339. Affirmation of consolidated return regulation authority.

Subtitle C—Prevention of Corporate Expatriation To Avoid United States Income Tax

Sec. 341. Prevention of corporate expatriation to avoid United States income tax.

Subtitle D—Inclusion in Gross Income of Funded Deferred Compensation of Corporate Insiders

Sec. 351. Inclusion in gross income of funded deferred compensation of corporate insiders.

TITLE I—IMMEDIATE STIMULUS AND JOB CREATION

Subtitle A—Family Tax Relief

SEC. 101. ACCELERATION OF INCREASE IN CHILD TAX CREDIT.

(a) IN GENERAL.—The items relating to calendar years 2001 through 2008 in the table contained in paragraph (2) of section 24(a) (relating to per child amount) are amended to read as follows:

''2003 thru 2009 ..... $ 800
2010 or thereafter ..... 1,000''.

(b) ACCELERATION OF INCREASE IN REFUNDABLE PORTION OF CREDIT.—

(1) IN GENERAL.—Clause (i) of section 24(d)(1)(B) is amended to read as follows:

''(i) 15 percent of so much of the taxpayer's earned income (within the meaning of section 32) which is taken into account in computing taxable income for the taxable year as exceeds $7,500, or''.

(2) CONFORMING AMENDMENT.—Paragraph (3) of section 24(d) is amended—

(A) by striking ''$10,000'' and inserting ''$7,500'', and

(B) by striking ''2000'' and inserting ''2002''.

(c) EFFECTIVE DATES.—The amendments made by this section shall apply to taxable years beginning after December 31, 2002.

SEC. 102. INCREASE IN STANDARD DEDUCTION FOR MARRIED TAXPAYERS FILING JOINT RETURNS ACCELERATED.

(a) IN GENERAL.—Subparagraph (A) of section 63(c)(2), as amended by the Economic Growth and Tax Relief Reconciliation Act of 2001, is amended by striking ''the applicable percentage of'' and inserting ''twice''.

(b) CONFORMING AMENDMENTS.—

(1) Section 301(d) of the Economic Growth and Tax Relief Reconciliation Act of 2001 is amended by striking ''2004'' and inserting ''2002''.

(2) Section 63(c) is amended by striking paragraph (7).

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2002.

SEC. 103. ACCELERATION OF 10-PERCENT INDIVIDUAL INCOME TAX RATE BRACKET EXPANSION.

(a) IN GENERAL.—Clause (i) of section 1(i)(1)(B) (relating to the initial bracket amount) is amended by striking ''($12,000 in the case of taxable years beginning before January 1, 2008)''.

(b) INFLATION ADJUSTMENT.—Subparagraph (C) of section 1(i)(1) is amended to read as follows:

''(C) INFLATION ADJUSTMENT.—In prescribing the tables under subsection (f)—

''(i) no adjustment shall be made in the $14,000 amount for any taxable year beginning before 2004, and

''(ii) the adjustment in such amount with respect to taxable years beginning after 2003 shall be determined under subsection (f)(3) by substituting '2003' for '1992' in subparagraph (B) thereof.''

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to taxable years beginning after December 31, 2002.

(2) TABLES FOR 2003.—The Secretary of the Treasury shall modify each table which has been prescribed under section 1(f) of the Internal Revenue Code of 1986 for taxable years beginning in 2003 and which relates to the amendment made by this section to reflect such amendment.

SEC. 104. ACCELERATION OF ELIMINATION OF MARRIAGE PENALTY IN EARNED INCOME CREDIT.

(a) IN GENERAL.—Subparagraph (B) of section 32(b)(2) is amended to read as follows:

''(B) JOINT RETURNS.—In the case of a joint return filed by an eligible individual and such individual's spouse, the phaseout amount determined under subparagraph (A) shall be increased by $3,000.''

(b) CONFORMING AMENDMENT.—Clause (ii) of section 32(j)(1)(B) is amended by striking ''2007'' and inserting ''2002''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2002.

Subtitle B—Incentives to Hire the Long-Term Unemployed

SEC. 111. INCENTIVES TO HIRE THE LONG-TERM UNEMPLOYED.

(a) IN GENERAL.—Paragraph (1) of section 51(d) (relating to members of targeted groups) is amended by striking ''or'' at the end of subparagraph (G), by striking the period at the end of subparagraph (H) and inserting '', or'', and by adding at the end the following new subparagraph:

''(I) a qualified long-term unemployed individual.''

(b) QUALIFIED LONG-TERM UNEMPLOYED INDIVIDUAL.—Subsection (d) of section 51 is amended by redesignating paragraphs (10), (11), and (12) as paragraphs (11), (12), and (13), respectively, and by inserting after paragraph (9) the following new paragraph:

''(10) QUALIFIED LONG-TERM UNEMPLOYED INDIVIDUAL.—

''(A) IN GENERAL.—The term 'qualified long-term unemployed individual' means any individual who is certified by the designated local agency—

''(i) as having exhausted, during the 1-year period ending on the hiring date, all rights to regular unemployment compensation under State or Federal law, and

''(ii) as having a hiring date which is during the 1-year period beginning on the date of the enactment of this paragraph.

Subsection (c)(4) shall not apply to any qualified long-term unemployed individual.

''(B) EXHAUSTION OF BENEFITS.—For purposes of subparagraph (A), an individual shall be deemed to have exhausted such individual's rights to regular compensation when—

''(i) no payments of regular compensation can be made under such law because such individual has received all regular compensation available to such individual based on employment or wages during such individual's base period, or

''(ii) such individual's rights to such compensation have been terminated by reason of the expiration of the benefit year with respect to which such rights existed.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to individuals who begin work for the employer after the date of the enactment of this Act.

Subtitle C—Extension of Unemployment Benefits

SEC. 121. SHORT TITLE.

This subtitle may be cited as the ''Unemployment Benefits Extension Act''.

PART I—TEMPORARY EXTENDED UNEMPLOYMENT COMPENSATION

SEC. 131. REFERENCES.

Except as otherwise expressly provided, whenever in this part an amendment is expressed in terms of an amendment to a section or other provision, the reference shall be considered to be made to a section or other provision of the Temporary Extended Unemployment Compensation Act of 2002 (Public Law 107–147; 26 U.S.C. 3304 note).

SEC. 132. EXTENSION OF THE TEMPORARY EXTENDED UNEMPLOYMENT COMPENSATION ACT OF 2002.

(a) EXTENSION OF PROGRAM.—Section 208 is amended to read as follows:

''SEC. 208. APPLICABILITY.

''(a) IN GENERAL.—Subject to subsection (b), an agreement entered into under this title shall apply to weeks of unemployment—

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

''(2) ending before March 1, 2004.

''(b) TRANSITION.—In the case of an individual who is receiving temporary extended unemployment compensation for the week which immediately precedes the first day of

the week that includes March 1, 2004, temporary extended unemployment compensation shall continue to be payable to such individual for any week thereafter from the account from which such individual received compensation for the week immediately preceding that termination date. No compensation shall be payable by reason of the preceding sentence for any week beginning after October 31, 2004.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect as if included in the enactment of the Temporary Extended Unemployment Compensation Act of 2002 (Public Law 107–147; 116 Stat. 21).

SEC. 133. ENTITLEMENT TO ADDITIONAL WEEKS OF TEMPORARY EXTENDED UNEMPLOYMENT COMPENSATION.

(a) WEEKS OF TEUC AMOUNTS.—Paragraph (1) of section 203(b) is amended to read as follows:

''(1) IN GENERAL.—The amount established in an account under subsection (a) shall be equal to 26 times the individual's weekly benefit amount for the benefit year.''.

(b) WEEKS OF TEUC–X AMOUNTS.—Section 203(c)(1) is amended by striking ''an amount equal to the amount originally established in such account (as determined under subsection (b)(1))'' and inserting ''7 times the individual's weekly benefit amount for the benefit year''.

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section—

(A) shall take effect as if included in the enactment of the Temporary Extended Unemployment Compensation Act of 2002 (Public Law 107–147; 116 Stat. 21); but

(B) shall apply only with respect to weeks of unemployment beginning on or after the date of enactment this Act, subject to paragraph (2).

(2) SPECIAL RULES.—In the case of an individual for whom a temporary extended unemployment account was established before the date of enactment of this Act, the Temporary Extended Unemployment Compensation Act of 2002 (as amended by this part) shall be applied subject to the following:

(A) Any amounts deposited in the individual's temporary extended unemployment compensation account by reason of section 203(c) of such Act (commonly known as ''TEUC–X amounts'') before the date of enactment of this Act shall be treated as amounts deposited by reason of section 203(b) of such Act (commonly known as ''TEUC amounts''), as amended by subsection (a).

(B) For purposes of determining whether the individual is eligible for any TEUC–X amounts under such Act, as amended by this part—

(i) any determination made under section 203(c) of such Act before the application of the amendments made by this part shall be disregarded; and

(ii) any such determination shall instead be made by applying section 203(c) of such Act, as amended by this part—

(I) as of the time that all amounts established in such account in accordance with section 203(b) of such Act (as amended by this part, and including any amounts described in subparagraph (A)) are in fact exhausted, except that

(II) if such individual's account was both augmented by and exhausted of all TEUC–X amounts before the date of enactment of this Act, such determination shall be made as if exhaustion (as described in section 203(c)(1) of such Act) had not occurred until such date of enactment.

SEC. 134. EXTENDED BENEFIT PERIODS.

(a) APPLICATION OF REVISED RATE OF INSURED UNEMPLOYMENT.—Section 207 is amended—

(1) by striking ''In'' and inserting ''(a) IN GENERAL.—In''; and

(2) by adding at the end the following:

''(b) INSURED UNEMPLOYMENT RATE.—For purposes of carrying out section 203(c) with respect to weeks of unemployment beginning on or after the date of enactment of this subsection, the term 'rate of insured unemployment', as used in section 203(d) of the Federal-State Extended Unemployment Compensation Act of 1970 (26 U.S.C. 3304 note), has the meaning given such term under section 203(e)(1) of such Act, except that individuals exhausting their right to regular compensation during the most recent 3 calendar months for which data are available before the close of the period for which such rate is being determined shall be taken into account as if they were individuals filing claims for regular compensation for each week during the period for which such rate is being determined, and section 203(d)(1)(A) of such Act shall be applied by substituting 'either (or both)' for 'each'.''.

(b) ADDITIONAL EXTENDED BENEFIT PERIOD TRIGGER.—

(1) IN GENERAL.—Section 203(c) is amended by adding at the end the following:

''(3) ADDITIONAL EXTENDED BENEFIT PERIOD TRIGGER.—

''(A) IN GENERAL.—Effective with respect to compensation for weeks of unemployment beginning on or after the date of enactment of this paragraph, an agreement under this title shall provide that, in addition to any other extended benefit period trigger, for purposes of beginning or ending any extended benefit period under this section—

''(i) there is a State 'on' indicator for a week if—

''(I) the average rate of total unemployment in such State (seasonally adjusted) for the period consisting of the most recent 3 months for which data for all States are published before the close of such week equals or exceeds 6 percent; and

''(II) the average rate of total unemployment in such State (seasonally adjusted) for the 3-month period referred to in subclause (I) equals or exceeds 110 percent of such average rate for either (or both) of the corresponding 3-month periods ending in the 2 preceding calendar years; and

''(ii) there is a State 'off' indicator for a week if either the requirements of subclause (I) or (II) of clause (i) are not satisfied.

''(B) NO EFFECT ON OTHER DETERMINATIONS.—Notwithstanding the provisions of any agreement described in subparagraph (A), any week for which there would otherwise be a State 'on' indicator shall continue to be such a week and shall not be determined to be a week for which there is a State 'off' indicator.

''(C) DETERMINATIONS MADE BY THE SECRETARY.—For purposes of this subsection, determinations of the rate of total unemployment in any State for any period (and of any seasonal adjustment) shall be made by the Secretary.''.

(2) CONFORMING AMENDMENT.—Section 203(c)(1) is amended by inserting ''or (3)'' after ''paragraph (2)''.

PART II—UNEMPLOYMENT BENEFITS FOR INDIVIDUALS QUALIFYING BASED ON PART-TIME WORK OR AN ALTERNATIVE BASE PERIOD

SEC. 141. FEDERAL-STATE AGREEMENTS.

(a) IN GENERAL.—Any State which desires to do so may enter into and participate in an agreement under this part with the Secretary of Labor (hereinafter in this part referred to as the ''Secretary''). Any State which is a party to an agreement under this part may, upon providing 30 days' written notice to the Secretary, terminate such agreement.

(b) PROVISIONS OF AGREEMENT.—

(1) IN GENERAL.—Any agreement under subsection (a) shall provide that the State agency of the State will make payments of regular compensation to individuals in amounts and to the extent that they would be determined if the State law were applied with the modifications described in paragraph (2).

(2) MODIFICATIONS DESCRIBED.—The modifications described in this paragraph are as follows:

(A) In the case of an individual who is not eligible for regular compensation under the State law because of the use of a definition of base period that does not count wages earned in the most recently completed calendar quarter, eligibility for compensation under this part shall be determined by applying a base period ending at the close of the most recently completed calendar quarter.

(B) In the case of an individual who is not eligible for regular compensation under the State law because such individual does not meet requirements relating to availability for work, active search for work, or refusal to accept work, because such individual is seeking, or is available for, less than full-time work, compensation under this part shall not be denied by such State to an otherwise eligible individual who seeks less than full-time work or fails to accept full-time work.

(c) COORDINATION RULE.—The modifications described in subsection (b)(2) shall also apply in determining the amount of benefits payable under any Federal law to the extent that those benefits are determined by reference to regular compensation payable under the State law of the State involved.

SEC. 142. PAYMENTS TO STATES HAVING AGREEMENTS UNDER THIS PART.

(a) GENERAL RULE.—There shall be paid to each State which has entered into an agreement under this part an amount equal to—

(1) 100 percent of any regular compensation made payable to individuals by such State by virtue of the modifications which are described in section 141(b)(2) and deemed to be in effect with respect to such State pursuant to section 141(b)(1), and

(2) 100 percent of any regular compensation—

(A) which is paid to individuals by such State by reason of the fact that its State law contains provisions comparable to the modifications described in section 141(b)(2), but only

(B) to the extent that those amounts would, if such amounts were instead payable by virtue of the State law's being deemed to be so modified pursuant to section 141(b)(1), have been reimbursable under paragraph (1).

(b) DETERMINATION OF AMOUNT.—Sums under subsection (a) payable to any State by reason of such State having an agreement under this part shall be payable, either in advance or by way of reimbursement (as may be determined by the Secretary), in such amounts as the Secretary estimates the State will be entitled to receive under this part for each calendar month, reduced or increased, as the case may be, by any amount by which the Secretary finds that the Secretary's estimates for any prior calendar month were greater or less than the amounts which should have been paid to the State. Such estimates may be made on the basis of such statistical, sampling, or other method as may be agreed upon by the Secretary and the State agency of the State involved.

(c) ADMINISTRATIVE AND OTHER EXPENSES.—There is hereby appropriated out of the employment security administration account of the Unemployment Trust Fund (as established by section 901(a) of the Social Security Act) $500,000,000 to reimburse States for the costs of the administration of agreements under this part (including any improvements in technology in connection

therewith) and to provide reemployment services to unemployment compensation claimants in States having agreements under this part. Each State's share of the amount appropriated by the preceding sentence shall be determined by the Secretary according to the factors described in section 302(a) of the Social Security Act and certified by the Secretary to the Secretary of the Treasury.

SEC. 143. FINANCING PROVISIONS.

(a) IN GENERAL.—Funds in the extended unemployment compensation account (as established by section 905(a) of the Social Security Act), and the Federal unemployment account (as established by section 904(g) of the Social Security Act), of the Unemployment Trust Fund shall be used, in accordance with subsection (b), for the making of payments (described in section 142(a)) to States having agreements entered into under this part.

(b) CERTIFICATION.—The Secretary shall from time to time certify to the Secretary of the Treasury for payment to each State the sums described in section 142(a) which are payable to such State under this part. The Secretary of the Treasury, prior to audit or settlement by the General Accounting Office, shall make payments to the State in accordance with such certification by transfers from the extended unemployment compensation account (or, to the extent that there are insufficient funds in that account, from the Federal unemployment account) to the account of such State in the Unemployment Trust Fund.

SEC. 144. DEFINITIONS.

For purposes of this part:

(1) IN GENERAL.—The terms ''compensation'', ''regular compensation'', ''base period'', ''State'', ''State agency'', ''State law'', and ''week'' have the respective meanings given such terms under section 205 of the Federal-State Extended Unemployment Compensation Act of 1970, subject to paragraph (2).

(2) STATE LAW AND REGULAR COMPENSATION.—In the case of a State entering into an agreement under this part—

(A) ''State law'' shall be considered to refer to the State law of such State, applied in conformance with the modifications described in section 201(b)(2), and

(B) ''regular compensation'' shall be considered to refer to such compensation, determined under its State law (applied in the manner described in subparagraph (A)),

except as otherwise provided or where the context clearly indicates otherwise.

SEC. 145. APPLICABILITY.

An agreement entered into under this part shall apply to weeks of unemployment—

(1) beginning after the date on which such agreement is entered into, and

(2) ending before July 1, 2004.

PART III—ENHANCED UNEMPLOYMENT BENEFITS

SEC. 151. FEDERAL-STATE AGREEMENTS.

(a) IN GENERAL.—Any State which desires to do so may enter into and participate in an agreement under this part with the Secretary of Labor (hereinafter in this part referred to as the ''Secretary''). Any State which is a party to an agreement under this part may, upon providing 30 days' written notice to the Secretary, terminate such agreement.

(b) PROVISIONS OF AGREEMENT.—

(1) IN GENERAL.—Any agreement under subsection (a) shall provide that the State agency of the State will make payments of regular compensation to individuals in amounts and to the extent that they would be determined if the State law were applied with the modification described in paragraph (2).

(2) MODIFICATION DESCRIBED.—The modification described in this paragraph is that the amount of regular compensation (including dependents' allowances) payable for any week shall be equal to the amount determined under the State law (before the application of this paragraph), plus an additional—

(A) 15 percent, or

(B) $25,

whichever is greater.

(c) NONREDUCTION RULE.—Each agreement shall provide that such agreement shall not apply (or shall cease to apply) upon a determination by the Secretary that the method governing the computation of regular compensation under the State law of that State has been modified in a way such that—

(1) the average weekly amount of regular compensation which will be payable during the period of the agreement (determined disregarding the modification described in subsection (b)(2)) will be less than

(2) the average weekly amount of regular compensation which would otherwise have been payable during such period under the State law, as in effect on September 11, 2001.

(d) COORDINATION RULE.—The modification described in subsection (b)(2) shall also apply in determining the amount of benefits payable under any Federal law to the extent that those benefits are determined by reference to regular compensation payable under the State law of the State involved.

SEC. 152. PAYMENTS TO STATES HAVING AGREEMENTS UNDER THIS PART.

(a) GENERAL RULE.—There shall be paid to each State which has entered into an agreement under this part an amount equal to 100 percent of any regular compensation made payable to individuals by such State by virtue of the modification described in section 151(b)(2) and deemed to be in effect with respect to such State pursuant to section 151(b)(1).

(b) DETERMINATION OF AMOUNT.—Sums under subsection (a) payable to any State by reason of such State having an agreement under this part shall be payable, either in advance or by way of reimbursement (as may be determined by the Secretary), in such amounts as the Secretary estimates the State will be entitled to receive under this part for each calendar month, reduced or increased, as the case may be, by any amount by which the Secretary finds that the Secretary's estimates for any prior calendar month were greater or less than the amounts which should have been paid to the State. Such estimates may be made on the basis of such statistical, sampling, or other method as may be agreed upon by the Secretary and the State agency of the State involved.

SEC. 153. DEFINITIONS.

For purposes of this part:

(1) IN GENERAL.—The terms ''compensation'', ''regular compensation'', ''extended compensation'', ''additional compensation'', ''benefit year'', ''base period'', ''State'', ''State agency'', ''State law'', and ''week'' have the respective meanings given such terms under section 205 of the Federal-State Extended Unemployment Compensation Act of 1970, subject to paragraph (2).

(2) STATE LAW AND REGULAR COMPENSATION.—In the case of a State entering into an agreement under this part—

(A) ''State law'' shall be considered to refer to the State law of such State, applied in conformance with the modification described in section 151(b)(2), subject to section 151(c), and

(B) ''regular compensation'' shall be considered to refer to such compensation, determined under its State law (applied in the manner described in subparagraph (A)),

except as otherwise provided or where the context clearly indicates otherwise.

SEC. 154. APPLICABILITY.

(a) IN GENERAL.—An agreement entered into under this part shall apply to weeks of unemployment—

(1) beginning after the date on which such agreement is entered into, and

(2) ending before January 1, 2004.

Subtitle D—Trust Fund to Meet Nation's Pressing Needs

SEC. 161. TRUST FUND TO MEET NATION'S PRESSING NEEDS.

(a) CREATION OF TRUST FUND.—There is established in the Treasury of the United States a trust fund to be known as the 'Pressing Domestic Needs Trust Fund', consisting of such amounts as may be transferred to the Trust Fund as provided in this section.

(b) TRANSFERS TO FUND.—There are hereby transferred from the general Fund of the Treasury to the Pressing Domestic Needs Trust Fund so much of the additional amounts received in the Treasury by reason of the amendments made by title III of this Act as does not exceed—

(1) $18,000,000,000 to be used for increasing Federal matching funds under medicaid, and

(2) $26,000,000,000 to be used for infrastructure improvements, homeland security, community development, and education.

(c) EXPENDITURES.—Amounts in the Pressing Domestic Needs Trust Fund shall be available, as provided by appropriation Acts, for purposes and in the amount specified in subsection (b).

Subtitle D—Trust Fund to Meet Nation's Pressing Needs

SEC. 161. TRUST FUND TO MEET NATION'S PRESSING NEEDS.

(a) CREATION OF TRUST FUND.—There is established in the Treasury of the United States a trust fund to be known as the 'Pressing Domestic Needs Trust Fund', consisting of such amounts as may be transferred to the Trust Fund as provided in this section.

(b) TRANSFERS TO FUND.—There are hereby transferred from the general Fund of the Treasury to the Pressing Domestic Needs Trust Fund so much of the additional amounts received in the Treasury by reason of the amendments made by title III of this Act as does not exceed—

(1) $18,000,000,000 to be used for increasing Federal matching funds under medicaid, and

(2) $26,000,000,000 to be used for infrastructure improvements, homeland security, community development, and education.

(c) EXPENDITURES.—Amounts in the Pressing Domestic Needs Trust Fund shall be available, as provided by appropriation Acts, for purposes and in the amount specified in subsection (b).

TITLE II—LONG-TERM JOB CREATION AND GROWTH

SEC. 201. INCREASE AND EXTENSION OF BONUS DEPRECIATION.

(a) IN GENERAL.—Section 168(k) (relating to special allowance for certain property acquired after September 10, 2001, and before September 11, 2004) is amended by adding at the end the following new paragraph:

''(4) 50-PERCENT BONUS DEPRECIATION FOR CERTAIN PROPERTY.—

''(A) IN GENERAL.—In the case of 50-percent bonus depreciation property—

''(i) paragraph (1)(A) shall be applied by substituting '50 percent' for '30 percent', and

''(ii) except as provided in paragraph (2)(C), such property shall be treated as qualified property for purposes of this subsection.

''(B) 50-PERCENT BONUS DEPRECIATION PROPERTY.—For purposes of this subsection, the term '50-percent bonus depreciation property' means property described in paragraph (2)(A)(i)—

''(i) the original use of which commences with the taxpayer after April 30, 2003,

''(ii) which is acquired by the taxpayer after April 30, 2003, and before May 1, 2004, but only if no written binding contract for the acquisition was in effect before May 1, 2003, and

''(iii) which is placed in service by the taxpayer before January 1, 2005, or, in the case of property described in paragraph (2)(B) (as modified by subparagraph (C) of this paragraph), before January 1, 2006.

''(C) SPECIAL RULES.—Rules similar to the rules of subparagraphs (B) and (D) of paragraph (2) shall apply for purposes of this paragraph; except that reference to September 10, 2001, shall be treated as references to April 30, 2003.

''(D) AUTOMOBILES.—Paragraph (2)(E) shall be applied by substituting '$9,200' for '$4,600' in the case of 50-percent bonus depreciation property.

''(E) ELECTION OF 30 PERCENT BONUS.—If a taxpayer makes an election under this subparagraph with respect to any class of property for any taxable year, subparagraph (A)(i) shall not apply to all property in such class placed in service during such taxable year.''

(b) MODIFICATION TO 30-PERCENT BONUS DEPRECIATION PROPERTY.—

(1) PORTION OF BASIS TAKEN INTO ACCOUNT.—Subparagraphs (B)(ii) and (D)(i) of section 168(k)(2) are each amended by striking ''September 11, 2004'' each place it appears and inserting ''January 1, 2005''.

(2) ELECTION.—Clause (iii) of section 168(k)(2)(C) is amended by adding at the end the following: ''The preceding sentence shall be applied separately with respect to property treated as qualified property by paragraph (4) and other qualified property.''

(3) ACQUISITION DATE.—Clause (iii) of section 168(k)(2)(A) is amended by striking ''September 11, 2004'' each place it appears and inserting ''January 1, 2005''.

(c) CONFORMING AMENDMENTS.—

(1) The subsection heading for section 168(k) is amended by striking ''SEPTEMBER 11, 2004'' and inserting ''JANUARY 1, 2005''.

(2) The heading for clause (i) of section 1400L(b)(2)(C) is amended by striking ''30-PERCENT ADDITIONAL ALLOWABLE PROPERTY'' and inserting ''BONUS DEPRECIATION PROPERTY UNDER SECTION 168(K)''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after the date of the enactment of this Act.

SEC. 202. INCREASED EXPENSING FOR SMALL BUSINESS.

(a) IN GENERAL.—Paragraph (1) of section 179(b) (relating to dollar limitation) is amended to read as follows:

''(1) DOLLAR LIMITATION.—The aggregate cost which may be taken into account under subsection (a) for any taxable year shall not exceed $25,000 ($75,000 in the case of taxable years beginning in 2003 or 2004).''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2002.

SEC. 203. DEDUCTION RELATING TO INCOME ATTRIBUTABLE TO UNITED STATES PRODUCTION ACTIVITIES.

(a) IN GENERAL.—Part VIII of subchapter B of chapter 1 (relating to special deductions for corporations) is amended by adding at the end the following new section:

''SEC. 250. INCOME ATTRIBUTABLE TO DOMESTIC PRODUCTION ACTIVITIES.

''(a) IN GENERAL.—In the case of a corporation, there shall be allowed as a deduction an amount equal to 10 percent of the qualified production activities income of the corporation for the taxable year.

''(b) PHASEIN.—In the case of taxable years beginning in 2006, 2007, 2008 or 2009, subsection (a) shall be applied by substituting for the percentage contained therein the transition percentage determined under the following table:

''Taxable years beginning in:	The transition percentage is:
2006	1
2007	2
2008	4
2009	9

''(c) QUALIFIED PRODUCTION ACTIVITIES INCOME.—For purposes of this section, the term 'qualified production activities income' means the product of—

''(1) the portion of the modified taxable income of the taxpayer which is attributable to domestic production activities, and

''(2) the domestic/foreign fraction.

''(d) DETERMINATION OF INCOME ATTRIBUTABLE TO DOMESTIC PRODUCTION ACTIVITIES.—For purposes of this section—

''(1) IN GENERAL.—The portion of the modified taxable income which is attributable to domestic production activities is so much of the modified taxable income for the taxable year as does not exceed—

''(A) the taxpayer's domestic production gross receipts for such taxable year, reduced by

''(B) the sum of—

''(i) the costs of goods sold that are allocable to such receipts,

''(ii) other deductions, expenses, or losses directly allocable to such receipts, and

''(iii) a ratable portion of other deductions, expenses, and losses that are not directly allocable to such receipts or another class of income.

''(2) ALLOCATION METHOD.—Except as provided in regulations, allocations under clauses (ii) and (iii) of paragraph (1)(B) shall be made under the principles used in determining the portion of taxable income from sources within and without the United States.

''(3) SPECIAL RULE.—

''(A) For purposes of determining costs under clause (i) of paragraph (1)(B), any item or service brought into the United States without a transfer price meeting the requirements of section 482 shall be treated as acquired by purchase, and its cost shall be treated as not less than its value when it entered the United States. A similar rule shall apply in determining the adjusted basis of leased or rented property where the lease or rental gives rise to domestic production gross receipts.

''(B) In the case of any property described in subparagraph (A) that had been exported by the taxpayer for further manufacture, the increase in cost (or adjusted basis) under subparagraph (A) shall not exceed the difference between the value of the property when exported and the value of the property when brought back into the United States after the further manufacture.

''(4) MODIFIED TAXABLE INCOME.—The term 'modified taxable income' means taxable income computed without regard to the deduction allowable under this section.

''(e) DOMESTIC PRODUCTION GROSS RECEIPTS.—For purposes of this section—

''(1) IN GENERAL.—The term 'domestic production gross receipts' means the gross receipts of the taxpayer which are derived from—

''(A) any sale, exchange, or other disposition of, or

''(B) any lease, rental or license of,

qualifying production property which was manufactured, produced, grown, or extracted in whole or in significant part by the taxpayer within the United States.

''(2) SPECIAL RULE.—The term 'domestic production gross receipts' includes gross receipts of the taxpayer from the sale, exchange, or other disposition of replacement parts if—

''(A) such parts are sold by the taxpayer as replacement parts for qualified production property produced or manufactured in whole or significant part by the taxpayer in the United States, and

''(B) the taxpayer (or a related party) owns the designs for such parts.

''(3) RELATED PARTY.—The term 'related party' means any corporation which is a member of the taxpayer's expanded affiliated group.

''(f) QUALIFYING PRODUCTION PROPERTY.—For purposes of this section—

''(1) IN GENERAL.—Except as otherwise provided in this paragraph, the term 'qualifying production property' means—

''(A) any tangible personal property,

''(B) any computer software, and

''(C) any films, tapes, records, or similar reproductions.

''(2) EXCLUSIONS FROM QUALIFYING PRODUCTION PROPERTY.—The term 'qualifying production property' shall not include—

''(A) consumable property that is sold, leased, or licensed by the taxpayer as an integral part of the provision of services,

''(B) oil or gas (or any primary product thereof),

''(C) electricity,

''(D) water supplied by pipeline to the consumer,

''(E) any unprocessed timber which is softwood,

''(F) utility services, or

''(G) any property (not described in paragraph (1)(B)) which is a film, tape, recording, book, magazine, newspaper, or similar property the market for which is primarily topical or otherwise essentially transitory in nature.

For purposes of subparagraph (E), the term 'unprocessed timber' means any log, cant, or similar form of timber.

''(g) DOMESTIC/FOREIGN FRACTION.—For purposes of this section—

''(1) IN GENERAL.—The term 'domestic/foreign fraction' means a fraction—

''(A) the numerator of which is the value of the domestic production of the taxpayer, and

''(B) the denominator of which is the value of the worldwide production of the taxpayer.

''(2) VALUE OF DOMESTIC PRODUCTION.—The value of domestic production is the excess of—

''(A) the domestic production gross receipts, over

''(B) the cost of purchased inputs allocable to such receipts that are deductible under this chapter for the taxable year.

''(3) PURCHASED INPUTS.—

''(A) IN GENERAL.—Purchased inputs are any of the following items acquired by purchase:

''(i) Services (other than services of employees) used in manufacture, production, growth, or extraction activities.

''(ii) Items consumed in connection with such activities.

''(iii) Items incorporated as part of the property being manufactured, produced, grown, or extracted.

''(B) SPECIAL RULE.—Rules similar to the rules of subsection (d)(3) shall apply for purposes of this subsection.

''(4) VALUE OF WORLDWIDE PRODUCTION.—

''(A) IN GENERAL.—The value of worldwide production shall be determined under the principles of paragraph (2), except that—

''(i) worldwide production gross receipts shall be taken into account, and

''(ii) paragraph (3)(B) shall not apply.

''(B) WORLDWIDE PRODUCTION GROSS RECEIPTS.—The worldwide production gross receipts is the amount that would be determined under subsection (e) if such subsection

were applied without any reference to the United States.

''(5) SPECIAL RULE FOR AFFILIATED GROUPS.—

''(A) IN GENERAL.—In the case of a taxpayer that is a member of an expanded affiliated group, the domestic/foreign fraction shall be the amount determined under the preceding provisions of this subsection by treating all members of such group as a single corporation.

''(B) EXPANDED AFFILIATED GROUP.—The term 'expanded affiliated group' means an affiliated group as defined in section 1504(a), determined—

''(i) by substituting '50 percent' for '80 percent' each place it appears, and

''(ii) without regard to paragraphs (2), (3), and (4) of section 1504(b).

''(h) DEFINITIONS AND SPECIAL RULES.—

''(1) UNITED STATES.—For purposes of this section, the term 'United States' includes the Commonwealth of Puerto Rico and any other possession of the United States.

''(2) SPECIAL RULE FOR PARTNERSHIPS.—For purposes of this section, a corporation's distributive share of any partnership item shall be taken into account as if directly realized by the corporation.

''(3) COORDINATION WITH MINIMUM TAX.—The deduction under this section shall be allowed for purposes of the tax imposed by section 55; except that for purposes of section 55, alternative minimum taxable income shall be taken into account in determining the deduction under this section.

''(4) ORDERING RULE.—The amount of any other deduction allowable under this chapter shall be determined as if this section had not been enacted.

''(5) COORDINATION WITH TRANSITION RULES.—For purposes of this section—

''(A) domestic production gross receipts shall not include gross receipts from any transaction if the binding contract transition relief of section 303(c)(2) of the Jobs and Growth Reconciliation Tax Act of 2003 applies to such transaction, and

''(B) any deduction allowed under section 2(e) of such Act shall be disregarded in determining the portion of the taxable income which is attributable to domestic production gross receipts.''.

(b) CLERICAL AMENDMENT.—The table of sections for part VIII of subchapter B of chapter 1 is amended by adding at the end the following new item:

''Sec. 250. Income attributable to domestic production activities.''.

(c) EFFECTIVE DATE.—

''(1) IN GENERAL.—The amendments made by this section shall apply to taxable years beginning after 2005.

''(2) APPLICATION OF SECTION 15.—Section 15 of the Internal Revenue Code of 1986 shall apply to the amendments made by this section as if they were changes in a rate of tax.

TITLE III—FISCAL RESPONSIBILITY AND PROVISIONS ADDRESSING CORPORATE ABUSE

Subtitle A—General Provisions

SEC. 301. FREEZE OF TOP INDIVIDUAL INCOME TAX RATES.

(a) FREEZE OF TOP INDIVIDUAL INCOME TAX RATES.—Paragraph (2) of section 1(i) (relating to reductions in rates after June 30, 2001) is amended—

(1) in the column for the highest rate—

(A) by striking ''37.6'' and inserting ''38.6'', and

(B) by striking ''35.0'' and inserting ''38.6'', and

(2) in the column for the next highest rate—

(A) by striking ''34.0'' and inserting ''35.0'', and

(B) by striking ''33.0'' and inserting ''35.0''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2003.

(c) RESTORATION OF RATE REDUCTIONS IF FUNDS NOT COMMITTED TO MEET NATION'S PRESSING NEEDS.—

(1) IN GENERAL.—On December 31, 2003, the Director of the Office of Management and Budget shall determine whether there is a noncommitted balance in the Pressing Domestic Needs Trust Fund (established by section 161 of this Act). If such a noncommitted balance is determined, the Secretary of the Treasury shall reduce the rates otherwise applicable under the amendment made by subsection (a) so that the total revenue raised by such amendment is reduced by the amount of such noncommitted balance.

(2) NONCOMMITTED BALANCE.—For purposes of paragraph (1), the noncommitted balance of the trust fund is the portion of the amounts in the trust fund which are not committed to meeting the pressing needs specified in section 161.

(d) RESTORATION OF RATE REDUCTIONS IF BALANCED BUDGET.—The amendments made by this section shall cease to apply to any taxable year beginning after a calendar year if there is no deficit in the Federal budget for the fiscal year ending in such calendar year.

SEC. 302. RESTORATION OF PHASEOUTS OF DEDUCTIONS FOR PERSONAL EXEMPTIONS AND OF ITEMIZED DEDUCTIONS.

(a) PHASEOUT OF PERSONAL EXEMPTIONS.—Paragraph (3) of section 151(d) is amended by striking subparagraphs (E) and (F).

(b) PHASEOUT OF ITEMIZED DEDUCTIONS.—Section 68 (relating to overall limitation on itemized deductions) is amended by striking subsections (f) and (g).

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2002.

SEC. 303. REPEAL OF EXCLUSION FOR EXTRATERRITORIAL INCOME.

(a) IN GENERAL.—Section 114 is hereby repealed.

(b) CONFORMING AMENDMENTS.—

(1) Subpart E of part III of subchapter N of chapter 1 (relating to qualifying foreign trade income) is hereby repealed.

(2) The table of subparts for such part III is amended by striking the item relating to subpart E.

(3) The table of sections for part III of subchapter B of chapter 1 is amended by striking the item relating to section 114.

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to transactions occurring after the date of the enactment of this Act.

(2) BINDING CONTRACTS.—The amendments made by this section shall not apply to any transaction in the ordinary course of a trade or business which occurs pursuant to a binding contract—

(A) which is between the taxpayer and a person who is not a related person (as defined in section 943(b)(3) of such Code, as in effect on the day before the date of the enactment of this Act), and

(B) which is in effect on April 11, 2003, and at all times thereafter.

For purposes of this paragraph, a binding contract shall include a purchase option, renewal option, or replacement option which is included in such contract.

(d) REVOCATION OF SECTION 943(e) ELECTIONS.—

(1) IN GENERAL.—In the case of a corporation that elected to be treated as a domestic corporation under section 943(e) of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of this Act)—

(A) the corporation may revoke such election, effective as of the date of the enactment of this Act, and

(B) if the corporation does revoke such election—

(i) such corporation shall be treated as a domestic corporation transferring (as of the date of the enactment of this Act) all of its property to a foreign corporation in connection with an exchange described in section 354 of the Internal Revenue Code of 1986, and

(ii) no gain or loss shall be recognized on such transfer.

(2) EXCEPTION.—Subparagraph (B)(ii) of paragraph (1) shall not apply to gain on any asset held by the revoking corporation if—

(A) the basis of such asset is determined in whole or in part by reference to the basis of such asset in the hands of the person from whom the revoking corporation acquired such asset,

(B) the asset was acquired by transfer (not as a result of the election under section 943(e) of such Code) occurring on or after the 1st day on which its election under section 943(e) of such Code was effective, and

(C) a principal purpose of the acquisition was the reduction or avoidance of tax.

(e) GENERAL TRANSITION.—

(1) IN GENERAL.—In the case of a taxable year ending after the date of the enactment of this Act and beginning before January 1, 2009, for purposes of chapter 1 of such Code, each current FSC/ETI beneficiary shall be allowed a deduction equal to the transition amount determined under this subsection with respect to such beneficiary for such year.

(2) CURRENT FSC/ETI BENEFICIARY.—The term ''current FSC/ETI beneficiary'' means any corporation which entered into one or more transactions during its taxable year beginning in calendar year 2001 with respect to which FSC/ETI benefits were allowable.

(3) TRANSITION AMOUNT.—For purposes of this subsection—

(A) IN GENERAL.—The transition amount applicable to any current FSC/ETI beneficiary for any taxable year is the phaseout percentage of the adjusted base period amount.

(B) PHASEOUT PERCENTAGE.—

(i) IN GENERAL.—In the case of a taxpayer using the calendar year as its taxable year, the phaseout percentage shall be determined under the following table:

''Years:	The phaseout percentage is:
2004 and 2005	100
2006	75
2007	75
2008	50
2009 and thereafter	0

(ii) SPECIAL RULE FOR 2003.—The phaseout percentage for 2003 shall be the amount that bears the same ratio to 100 percent as the number of days after the date of the enactment of this Act bears to 365.

(iii) SPECIAL RULE FOR FISCAL YEAR TAXPAYERS.—In the case of a taxpayer not using the calendar year as its taxable year, the phaseout percentage is the weighted average of the phaseout percentages determined under the preceding provisions of this paragraph with respect to calendar years any portion of which is included in the taxpayer's taxable year. The weighted average shall be determined on the basis of the respective portions of the taxable year in each calendar year.

(4) ADJUSTED BASE PERIOD AMOUNT.—For purposes of this subsection—

(A) IN GENERAL.—In the case of a taxpayer using the calendar year as its taxable year, the adjusted base period amount for any taxable year is the base period amount multiplied by the applicable percentage, as determined in the following table:

''Years:	The applicable percentage is:
2003	100
2004	100
2005	105
2006	110
2007	115
2008	120
2009 and thereafter	0

(B) BASE PERIOD AMOUNT.—The base period amount is the aggregate FSC/ETI benefits for the taxpayer's taxable year beginning in calendar year 2001.

(C) SPECIAL RULES FOR FISCAL YEAR TAXPAYERS, ETC.—Rules similar to rules of clauses (ii) and (iii) of paragraph (3)(B) shall apply for purposes of this paragraph.

(5) FSC/ETI BENEFIT.—For purposes of this subsection, the term 'FSC/ETI benefit' means—

(A) amounts excludable from gross income under section 114 of such Code, and

(B) the exempt foreign trade income of related foreign sales corporations from property acquired from the taxpayer (determined without regard to section 923(a)(5) of such Code (relating to special rule for military property), as in effect on the day before the date of the enactment of the FSC Repeal and Extraterritorial Income Exclusion Act of 2000).

In determining the FSC/ETI benefit there shall be excluded any amount attributable to a transaction with respect to which the taxpayer is the lessor unless the leased property was manufactured or produced in whole or in part by the taxpayer.

(6) SPECIAL RULE FOR FARM COOPERATIVES.—Under regulations prescribed by the Secretary, determinations under this subsection with respect to an organization described in section 943(g)(1) of such Code, as in effect on the day before the date of the enactment of this Act, shall be made at the cooperative level and the purposes of this subsection shall be carried out by excluding amounts from the gross income of its patrons.

(7) CERTAIN RULES TO APPLY.—Rules similar to the rules of section 41(f) of such Code shall apply for purposes of this subsection.

(8) COORDINATION WITH BINDING CONTRACT RULE.—The deduction determined under paragraph (1) for any taxable year shall be reduced by the phaseout percentage of any FSC/ETI benefit realized for the taxable year by reason of subsection (c)(2). The preceding sentence shall not apply to any FSC/ETI benefit attributable to a transaction described in the last sentence of paragraph (5).

(9) SPECIAL RULE FOR TAXABLE YEAR WHICH INCLUDES DATE OF ENACTMENT.—In the case of a taxable year which includes the date of the enactment of this Act, the deduction allowed under this subsection to any current FSC/ETI beneficiary shall in no event exceed—

(A) 100 percent of such beneficiary's adjusted base period amount for calendar year 2003, reduced by

(B) the aggregate FSC/ETI benefits of such beneficiary with respect to transactions occurring during the portion of the taxable year ending on the date of the enactment of this Act.

Subtitle B—Abusive Tax Shelter Shutdown and Taxpayer Accountability

PART I—PROVISIONS DESIGNED TO CURTAIL TAX SHELTERS

SEC. 311. CLARIFICATION OF ECONOMIC SUBSTANCE DOCTRINE.

(a) IN GENERAL.—Section 7701 is amended by redesignating subsection (m) as subsection (n) and by inserting after subsection (l) the following new subsection:

''(m) CLARIFICATION OF ECONOMIC SUBSTANCE DOCTRINE; ETC.—

''(1) GENERAL RULES.—

''(A) IN GENERAL.—In applying the economic substance doctrine, the determination of whether a transaction has economic substance shall be made as provided in this paragraph.

''(B) DEFINITION OF ECONOMIC SUBSTANCE.—For purposes of subparagraph (A)—

''(i) IN GENERAL.—A transaction has economic substance only if—

''(I) the transaction changes in a meaningful way (apart from Federal tax effects and, if there is any Federal tax effects, also apart from any foreign, State, or local tax effects) the taxpayer's economic position, and

''(II) the taxpayer has a substantial nontax purpose for entering into such transaction and the transaction is a reasonable means of accomplishing such purpose.

''(ii) SPECIAL RULE WHERE TAXPAYER RELIES ON PROFIT POTENTIAL.—A transaction shall not be treated as having economic substance by reason of having a potential for profit unless—

''(I) the present value of the reasonably expected pre-tax profit from the transaction is substantial in relation to the present value of the expected net tax benefits that would be allowed if the transaction were respected, and

''(II) the reasonably expected pre-tax profit from the transaction exceeds a risk-free rate of return.

''(C) TREATMENT OF FEES AND FOREIGN TAXES.—Fees and other transaction expenses and foreign taxes shall be taken into account as expenses in determining pre-tax profit under subparagraph (B)(ii).

''(2) SPECIAL RULES FOR TRANSACTIONS WITH TAX-INDIFFERENT PARTIES.—

''(A) SPECIAL RULES FOR FINANCING TRANSACTIONS.—The form of a transaction which is in substance the borrowing of money or the acquisition of financial capital directly or indirectly from a tax-indifferent party shall not be respected if the present value of the deductions to be claimed with respect to the transaction is substantially in excess of the present value of the anticipated economic returns of the person lending the money or providing the financial capital. A public offering shall be treated as a borrowing, or an acquisition of financial capital, from a tax-indifferent party if it is reasonably expected that at least 50 percent of the offering will be placed with tax-indifferent parties.

''(B) ARTIFICIAL INCOME SHIFTING AND BASIS ADJUSTMENTS.—The form of a transaction with a tax-indifferent party shall not be respected if—

''(i) it results in an allocation of income or gain to the tax-indifferent party in excess of such party's economic income or gain, or

''(ii) it results in a basis adjustment or shifting of basis on account of overstating the income or gain of the tax-indifferent party.

''(3) DEFINITIONS AND SPECIAL RULES.—For purposes of this subsection—

''(A) ECONOMIC SUBSTANCE DOCTRINE.—The term 'economic substance doctrine' means the common law doctrine under which tax benefits under subtitle A with respect to a transaction are not allowable if the transaction does not have economic substance or lacks a business purpose.

''(B) TAX-INDIFFERENT PARTY.—The term 'tax-indifferent party' means any person or entity not subject to tax imposed by subtitle A. A person shall be treated as a tax-indifferent party with respect to a transaction if the items taken into account with respect to the transaction have no substantial impact on such person's liability under subtitle A.

''(C) SUBSTANTIAL NONTAX PURPOSE.—In applying subclause (II) of paragraph (1)(B)(i), a purpose of achieving a financial accounting benefit shall not be taken into account in determining whether a transaction has a substantial nontax purpose if the origin of such financial accounting benefit is a reduction of income tax.

''(D) EXCEPTION FOR PERSONAL TRANSACTIONS OF INDIVIDUALS.—In the case of an individual, this subsection shall apply only to transactions entered into in connection with a trade or business or an activity engaged in for the production of income.

''(E) TREATMENT OF LESSORS.—In applying subclause (I) of paragraph (1)(B)(ii) to the lessor of tangible property subject to a lease, the expected net tax benefits shall not include the benefits of depreciation, or any tax credit, with respect to the leased property and subclause (II) of paragraph (1)(B)(ii) shall be disregarded in determining whether any of such benefits are allowable.

''(4) OTHER COMMON LAW DOCTRINES NOT AFFECTED.—Except as specifically provided in this subsection, the provisions of this subsection shall not be construed as altering or supplanting any other rule of law, and the requirements of this subsection shall be construed as being in addition to any such other rule of law.

''(5) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this subsection. Such regulations may include exemptions from the application of this subsection.''

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to transactions entered into after February 13, 2003.

SEC. 312. PENALTY FOR FAILING TO DISCLOSE REPORTABLE TRANSACTION.

(a) IN GENERAL.—Part I of subchapter B of chapter 68 (relating to assessable penalties) is amended by inserting after section 6707 the following new section:

''SEC. 6707A. PENALTY FOR FAILURE TO INCLUDE REPORTABLE TRANSACTION INFORMATION WITH RETURN OR STATEMENT.

''(a) IMPOSITION OF PENALTY.—Any person who fails to include on any return or statement any information with respect to a reportable transaction which is required under section 6011 to be included with such return or statement shall pay a penalty in the amount determined under subsection (b).

''(b) AMOUNT OF PENALTY.—

''(1) IN GENERAL.—Except as provided in paragraphs (2) and (3), the amount of the penalty under subsection (a) shall be $50,000.

''(2) LISTED TRANSACTION.—The amount of the penalty under subsection (a) with respect to a listed transaction shall be $100,000.

''(3) INCREASE IN PENALTY FOR LARGE ENTITIES AND HIGH NET WORTH INDIVIDUALS.—

''(A) IN GENERAL.—In the case of a failure under subsection (a) by—

''(i) a large entity, or

''(ii) a high net worth individual,

the penalty under paragraph (1) or (2) shall be twice the amount determined without regard to this paragraph.

''(B) LARGE ENTITY.—For purposes of subparagraph (A), the term 'large entity' means, with respect to any taxable year, a person (other than a natural person) with gross receipts in excess of $10,000,000 for the taxable year in which the reportable transaction occurs or the preceding taxable year. Rules similar to the rules of paragraph (2) and subparagraphs (B), (C), and (D) of paragraph (3) of section 448(c) shall apply for purposes of this subparagraph.

''(C) HIGH NET WORTH INDIVIDUAL.—For purposes of subparagraph (A), the term 'high net worth individual' means, with respect to a reportable transaction, a natural person whose net worth exceeds $2,000,000 immediately before the transaction.

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

''(1) REPORTABLE TRANSACTION.—The term 'reportable transaction' means any transaction with respect to which information is required to be included with a return or statement because, as determined under regulations prescribed under section 6011, such transaction is of a type which the Secretary determines as having a potential for tax avoidance or evasion.

''(2) LISTED TRANSACTION.—Except as provided in regulations, the term 'listed transaction' means a reportable transaction which is the same as, or substantially similar to, a transaction specifically identified by the Secretary as a tax avoidance transaction for purposes of section 6011.

''(d) AUTHORITY TO RESCIND PENALTY.—

''(1) IN GENERAL.—The Commissioner of Internal Revenue may rescind all or any portion of any penalty imposed by this section with respect to any violation if—

''(A) the violation is with respect to a reportable transaction other than a listed transaction,

''(B) the person on whom the penalty is imposed has a history of complying with the requirements of this title,

''(C) it is shown that the violation is due to an unintentional mistake of fact;

''(D) imposing the penalty would be against equity and good conscience, and

''(E) rescinding the penalty would promote compliance with the requirements of this title and effective tax administration.

''(2) DISCRETION.—The exercise of authority under paragraph (1) shall be at the sole discretion of the Commissioner and may be delegated only to the head of the Office of Tax Shelter Analysis. The Commissioner, in the Commissioner's sole discretion, may establish a procedure to determine if a penalty should be referred to the Commissioner or the head of such Office for a determination under paragraph (1).

''(3) NO APPEAL.—Notwithstanding any other provision of law, any determination under this subsection may not be reviewed in any administrative or judicial proceeding.

''(4) RECORDS.—If a penalty is rescinded under paragraph (1), the Commissioner shall place in the file in the Office of the Commissioner the opinion of the Commissioner or the head of the Office of Tax Shelter Analysis with respect to the determination, including—

''(A) the facts and circumstances of the transaction,

''(B) the reasons for the rescission, and

''(C) the amount of the penalty rescinded.

''(5) REPORT.—The Commissioner shall each year report to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate—

''(A) a summary of the total number and aggregate amount of penalties imposed, and rescinded, under this section, and

''(B) a description of each penalty rescinded under this subsection and the reasons therefor.

''(e) PENALTY REPORTED TO SEC.—In the case of a person—

''(1) which is required to file periodic reports under section 13 or 15(d) of the Securities Exchange Act of 1934 or is required to be consolidated with another person for purposes of such reports, and

''(2) which—

''(A) is required to pay a penalty under this section with respect to a listed transaction,

''(B) is required to pay a penalty under section 6662A with respect to any reportable transaction at a rate prescribed under section 6662A(c), or

''(C) is required to pay a penalty under section 6662B with respect to any noneconomic substance transaction,

the requirement to pay such penalty shall be disclosed in such reports filed by such person for such periods as the Secretary shall specify. Failure to make a disclosure in accordance with the preceding sentence shall be treated as a failure to which the penalty under subsection (b)(2) applies.

''(f) COORDINATION WITH OTHER PENALTIES.—The penalty imposed by this section is in addition to any penalty imposed under this title.''

(b) CONFORMING AMENDMENT.—The table of sections for part I of subchapter B of chapter 68 is amended by inserting after the item relating to section 6707 the following:

''Sec. 6707A. Penalty for failure to include reportable transaction information with return or statement.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to returns and statements the due date for which is after the date of the enactment of this Act.

SEC. 313. ACCURACY-RELATED PENALTY FOR LISTED TRANSACTIONS AND OTHER REPORTABLE TRANSACTIONS HAVING A SIGNIFICANT TAX AVOIDANCE PURPOSE.

(a) IN GENERAL.—Subchapter A of chapter 68 is amended by inserting after section 6662 the following new section:

''SEC. 6662A. IMPOSITION OF ACCURACY-RELATED PENALTY ON UNDERSTATEMENTS WITH RESPECT TO REPORTABLE TRANSACTIONS.

''(a) IMPOSITION OF PENALTY.—If a taxpayer has a reportable transaction understatement for any taxable year, there shall be added to the tax an amount equal to 20 percent of the amount of such understatement.

''(b) REPORTABLE TRANSACTION UNDERSTATEMENT.—For purposes of this section—

''(1) IN GENERAL.—The term 'reportable transaction understatement' means the sum of—

''(A) the product of—

''(i) the amount of the increase (if any) in taxable income which results from a difference between the proper tax treatment of an item to which this section applies and the taxpayer's treatment of such item (as shown on the taxpayer's return of tax), and

''(ii) the highest rate of tax imposed by section 1 (section 11 in the case of a taxpayer which is a corporation), and

''(B) the amount of the decrease (if any) in the aggregate amount of credits determined under subtitle A which results from a difference between the taxpayer's treatment of an item to which this section applies (as shown on the taxpayer's return of tax) and the proper tax treatment of such item.

For purposes of subparagraph (A), any reduction of the excess of deductions allowed for the taxable year over gross income for such year, and any reduction in the amount of capital losses which would (without regard to section 1211) be allowed for such year, shall be treated as an increase in taxable income.

''(2) ITEMS TO WHICH SECTION APPLIES.—This section shall apply to any item which is attributable to—

''(A) any listed transaction, and

''(B) any reportable transaction (other than a listed transaction) if a significant purpose of such transaction is the avoidance or evasion of Federal income tax.

''(c) HIGHER PENALTY FOR NONDISCLOSED LISTED AND OTHER AVOIDANCE TRANSACTIONS.—

''(1) IN GENERAL.—Subsection (a) shall be applied by substituting '30 percent' for '20 percent' with respect to the portion of any reportable transaction understatement with respect to which the requirement of section 6664(d)(2)(A) is not met.

''(2) RULES APPLICABLE TO COMPROMISE OF PENALTY.—

''(A) IN GENERAL.—If the 1st letter of proposed deficiency which allows the taxpayer an opportunity for administrative review in the Internal Revenue Service Office of Appeals has been sent with respect to a penalty to which paragraph (1) applies, only the Commissioner of Internal Revenue may compromise all or any portion of such penalty.

''(B) APPLICABLE RULES.—The rules of paragraphs (3), (4), and (5) of section 6707A(d) shall apply for purposes of subparagraph (A).

''(d) DEFINITIONS OF REPORTABLE AND LISTED TRANSACTIONS.—For purposes of this section, the terms 'reportable transaction' and 'listed transaction' have the respective meanings given to such terms by section 6707A(c).

''(e) SPECIAL RULES.—

''(1) COORDINATION WITH PENALTIES, ETC., ON OTHER UNDERSTATEMENTS.—In the case of an understatement (as defined in section 6662(d)(2))—

''(A) the amount of such understatement (determined without regard to this paragraph) shall be increased by the aggregate amount of reportable transaction understatements and noneconomic substance transaction understatements for purposes of determining whether such understatement is a substantial understatement under section 6662(d)(1), and

''(B) the addition to tax under section 6662(a) shall apply only to the excess of the amount of the substantial understatement (if any) after the application of subparagraph (A) over the aggregate amount of reportable transaction understatements and noneconomic substance transaction understatements.

''(2) COORDINATION WITH OTHER PENALTIES.—

''(A) APPLICATION OF FRAUD PENALTY.—References to an underpayment in section 6663 shall be treated as including references to a reportable transaction understatement and a noneconomic substance transaction understatement.

''(B) NO DOUBLE PENALTY.—This section shall not apply to any portion of an understatement on which a penalty is imposed under section 6662B or 6663.

''(3) SPECIAL RULE FOR AMENDED RETURNS.—Except as provided in regulations, in no event shall any tax treatment included with an amendment or supplement to a return of tax be taken into account in determining the amount of any reportable transaction understatement or noneconomic substance transaction understatement if the amendment or supplement is filed after the earlier of the date the taxpayer is first contacted by the Secretary regarding the examination of the return or such other date as is specified by the Secretary.

''(4) NONECONOMIC SUBSTANCE TRANSACTION UNDERSTATEMENT.—For purposes of this subsection, the term 'noneconomic substance transaction understatement' has the meaning given such term by section 6662B(c).

''(5) CROSS REFERENCE.—

''For reporting of section 6662A(c) penalty to the Securities and Exchange Commission, see section 6707A(e).''

(b) DETERMINATION OF OTHER UNDERSTATEMENTS.—Subparagraph (A) of section 6662(d)(2) is amended by adding at the end the following flush sentence:

''The excess under the preceding sentence shall be determined without regard to items to which section 6662A applies and without regard to items with respect to which a penalty is imposed by section 6662B.''

(c) REASONABLE CAUSE EXCEPTION.—

(1) IN GENERAL.—Section 6664 is amended by adding at the end the following new subsection:

''(d) REASONABLE CAUSE EXCEPTION FOR REPORTABLE TRANSACTION UNDERSTATEMENTS.—

''(1) IN GENERAL.—No penalty shall be imposed under section 6662A with respect to any portion of a reportable transaction understatement if it is shown that there was a reasonable cause for such portion and that the taxpayer acted in good faith with respect to such portion.

''(2) SPECIAL RULES.—Paragraph (1) shall not apply to any reportable transaction understatement unless—

''(A) the relevant facts affecting the tax treatment of the item are adequately disclosed in accordance with the regulations prescribed under section 6011,

''(B) there is or was substantial authority for such treatment, and

''(C) the taxpayer reasonably believed that such treatment was more likely than not the proper treatment.

A taxpayer failing to adequately disclose in accordance with section 6011 shall be treated as meeting the requirements of subparagraph (A) if the penalty for such failure was rescinded under section 6707A(d).

''(3) RULES RELATING TO REASONABLE BELIEF.—For purposes of paragraph (2)(C)—

''(A) IN GENERAL.—A taxpayer shall be treated as having a reasonable belief with respect to the tax treatment of an item only if such belief—

''(i) is based on the facts and law that exist at the time the return of tax which includes such tax treatment is filed, and

''(ii) relates solely to the taxpayer's chances of success on the merits of such treatment and does not take into account the possibility that a return will not be audited, such treatment will not be raised on audit, or such treatment will be resolved through settlement if it is raised.

''(B) CERTAIN OPINIONS MAY NOT BE RELIED UPON.—

''(i) IN GENERAL.—An opinion of a tax advisor may not be relied upon to establish the reasonable belief of a taxpayer if—

''(I) the tax advisor is described in clause (ii), or

''(II) the opinion is described in clause (iii).

''(ii) DISQUALIFIED TAX ADVISORS.—A tax advisor is described in this clause if the tax advisor—

''(I) is a material advisor (within the meaning of section 6111(b)(1)) who participates in the organization, management, promotion, or sale of the transaction or who is related (within the meaning of section 267(b) or 707(b)(1)) to any person who so participates,

''(II) is compensated directly or indirectly by a material advisor with respect to the transaction,

''(III) has a fee arrangement with respect to the transaction which is contingent on all or part of the intended tax benefits from the transaction being sustained, or

''(IV) as determined under regulations prescribed by the Secretary, has a continuing financial interest with respect to the transaction.

''(iii) DISQUALIFIED OPINIONS.—For purposes of clause (i), an opinion is disqualified if the opinion—

''(I) is based on unreasonable factual or legal assumptions (including assumptions as to future events),

''(II) unreasonably relies on representations, statements, findings, or agreements of the taxpayer or any other person,

''(III) does not identify and consider all relevant facts, or

''(IV) fails to meet any other requirement as the Secretary may prescribe.''

(2) CONFORMING AMENDMENT.—The heading for subsection (c) of section 6664 is amended by inserting ''FOR UNDERPAYMENTS'' after ''EXCEPTION''.

(d) CONFORMING AMENDMENTS.—

(1) Subparagraph (C) of section 461(i)(3) is amended by striking ''section 6662(d)(2)(C)(iii)'' and inserting ''section 1274(b)(3)(C)''.

(2) Paragraph (3) of section 1274(b) is amended—

(A) by striking ''(as defined in section 6662(d)(2)(C)(iii))'' in subparagraph (B)(i), and

(B) by adding at the end the following new subparagraph:

''(C) TAX SHELTER.—For purposes of subparagraph (B), the term 'tax shelter' means—

''(i) a partnership or other entity,

''(ii) any investment plan or arrangement, or

''(iii) any other plan or arrangement,

if a significant purpose of such partnership, entity, plan, or arrangement is the avoidance or evasion of Federal income tax.''

(3) Section 6662(d)(2) is amended by striking subparagraphs (C) and (D).

(4) Section 6664(c)(1) is amended by striking ''this part'' and inserting ''section 6662 or 6663''.

(5) Subsection (b) of section 7525 is amended by striking ''section 6662(d)(2)(C)(iii)'' and inserting ''section 1274(b)(3)(C)''.

(6)(A) The heading for section 6662 is amended to read as follows:

''SEC. 6662. IMPOSITION OF ACCURACY-RELATED PENALTY ON UNDERPAYMENTS.''

(B) The table of sections for part II of subchapter A of chapter 68 is amended by striking the item relating to section 6662 and inserting the following new items:

''Sec. 6662. Imposition of accuracy-related penalty on underpayments.

''Sec. 6662A. Imposition of accuracy-related penalty on understatements with respect to reportable transactions.''

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after the date of the enactment of this Act.

SEC. 314. PENALTY FOR UNDERSTATEMENTS ATTRIBUTABLE TO TRANSACTIONS LACKING ECONOMIC SUBSTANCE, ETC.

(a) IN GENERAL.—Subchapter A of chapter 68 is amended by inserting after section 6662A the following new section:

''SEC. 6662B. PENALTY FOR UNDERSTATEMENTS ATTRIBUTABLE TO TRANSACTIONS LACKING ECONOMIC SUBSTANCE, ETC.

''(a) IMPOSITION OF PENALTY.—If a taxpayer has an noneconomic substance transaction understatement for any taxable year, there shall be added to the tax an amount equal to 40 percent of the amount of such understatement.

''(b) REDUCTION OF PENALTY FOR DISCLOSED TRANSACTIONS.—Subsection (a) shall be applied by substituting '20 percent' for '40 percent' with respect to the portion of any noneconomic substance transaction understatement with respect to which the relevant facts affecting the tax treatment of the item are adequately disclosed in the return or a statement attached to the return.

''(c) NONECONOMIC SUBSTANCE TRANSACTION UNDERSTATEMENT.—For purposes of this section—

''(1) IN GENERAL.—The term 'noneconomic substance transaction understatement' means any amount which would be an understatement under section 6662A(b)(1) if section 6662A were applied by taking into account items attributable to noneconomic substance transactions rather than items to which section 6662A would apply without regard to this paragraph.

''(2) NONECONOMIC SUBSTANCE TRANSACTION.—The term 'noneconomic substance transaction' means any transaction if—

''(A) there is a lack of economic substance (within the meaning of section 7701(m)(1)) for the transaction giving rise to the claimed tax benefit or the transaction was not respected under section 7701(m)(2), or

''(B) the transaction fails to meet the requirements of any similar rule of law.

''(d) RULES APPLICABLE TO COMPROMISE OF PENALTY.—

''(1) IN GENERAL.—If the 1st letter of proposed deficiency which allows the taxpayer an opportunity for administrative review in the Internal Revenue Service Office of Appeals has been sent with respect to a penalty to which this section applies, only the Commissioner of Internal Revenue may compromise all or any portion of such penalty.

''(2) APPLICABLE RULES.—The rules of paragraphs (3), (4), and (5) of section 6707A(d) shall apply for purposes of paragraph (1).

''(e) COORDINATION WITH OTHER PENALTIES.—Except as otherwise provided in this part, the penalty imposed by this section shall be in addition to any other penalty imposed by this title.

''(f) CROSS REFERENCES.—

''(1) For coordination of penalty with understatements under section 6662 and other special rules, see section 6662A(e).

''(2) For reporting of penalty imposed under this section to the Securities and Exchange Commission, see section 6707A(e).''

(b) CLERICAL AMENDMENT.—The table of sections for part II of subchapter A of chapter 68 is amended by inserting after the item relating to section 6662A the following new item:

''Sec. 6662B. Penalty for understatements attributable to transactions lacking economic substance, etc.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to transactions entered into after February 13, 2003.

SEC. 315. MODIFICATIONS OF SUBSTANTIAL UNDERSTATEMENT PENALTY FOR NONREPORTABLE TRANSACTIONS.

(a) SUBSTANTIAL UNDERSTATEMENT OF CORPORATIONS.—Section 6662(d)(1)(B) (relating to special rule for corporations) is amended to read as follows:

''(B) SPECIAL RULE FOR CORPORATIONS.—In the case of a corporation other than an S corporation or a personal holding company (as defined in section 542), there is a substantial understatement of income tax for any taxable year if the amount of the understatement for the taxable year exceeds the lesser of—

''(i) 10 percent of the tax required to be shown on the return for the taxable year (or, if greater, $10,000), or

''(ii) $10,000,000.''

(b) REDUCTION FOR UNDERSTATEMENT OF TAXPAYER DUE TO POSITION OF TAXPAYER OR DISCLOSED ITEM.—

(1) IN GENERAL.—Section 6662(d)(2)(B)(i) (relating to substantial authority) is amended to read as follows:

''(i) the tax treatment of any item by the taxpayer if the taxpayer had reasonable belief that the tax treatment was more likely than not the proper treatment, or''.

(2) CONFORMING AMENDMENT.—Section 6662(d) is amended by adding at the end the following new paragraph:

''(3) SECRETARIAL LIST.—For purposes of this subsection, section 6664(d)(2), and section 6694(a)(1), the Secretary may prescribe a list of positions for which the Secretary believes there is not substantial authority or there is no reasonable belief that the tax treatment is more likely than not the proper tax treatment. Such list (and any revisions thereof) shall be published in the Federal Register or the Internal Revenue Bulletin.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

SEC. 316. TAX SHELTER EXCEPTION TO CONFIDENTIALITY PRIVILEGES RELATING TO TAXPAYER COMMUNICATIONS.

(a) IN GENERAL.—Section 7525(b) (relating to section not to apply to communications regarding corporate tax shelters) is amended to read as follows:

''(b) SECTION NOT TO APPLY TO COMMUNICATIONS REGARDING TAX SHELTERS.—The privilege under subsection (a) shall not apply to any written communication which is—

''(1) between a federally authorized tax practitioner and—

''(A) any person,

''(B) any director, officer, employee, agent, or representative of the person, or

''(C) any other person holding a capital or profits interest in the person, and

''(2) in connection with the promotion of the direct or indirect participation of the person in any tax shelter (as defined in section 1274(b)(3)(C)).''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to communications made on or after the date of the enactment of this Act.

SEC. 317. DISCLOSURE OF REPORTABLE TRANSACTIONS.

(a) IN GENERAL.—Section 6111 (relating to registration of tax shelters) is amended to read as follows:

''SEC. 6111. DISCLOSURE OF REPORTABLE TRANSACTIONS.

''(a) IN GENERAL.—Each material advisor with respect to any reportable transaction shall make a return (in such form as the Secretary may prescribe) setting forth—

''(1) information identifying and describing the transaction,

''(2) information describing any potential tax benefits expected to result from the transaction, and

''(3) such other information as the Secretary may prescribe.

Such return shall be filed not later than the date specified by the Secretary.

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

''(1) MATERIAL ADVISOR.—

''(A) IN GENERAL.—The term 'material advisor' means any person—

''(i) who provides any material aid, assistance, or advice with respect to organizing, promoting, selling, implementing, or carrying out any reportable transaction, and

''(ii) who directly or indirectly derives gross income in excess of the threshold amount for such aid, assistance, or advice.

''(B) THRESHOLD AMOUNT.—For purposes of subparagraph (A), the threshold amount is—

''(i) $50,000 in the case of a reportable transaction substantially all of the tax benefits from which are provided to natural persons, and

''(ii) $250,000 in any other case.

''(2) REPORTABLE TRANSACTION.—The term 'reportable transaction' has the meaning given to such term by section 6707A(c).

''(c) REGULATIONS.—The Secretary may prescribe regulations which provide—

''(1) that only 1 person shall be required to meet the requirements of subsection (a) in cases in which 2 or more persons would otherwise be required to meet such requirements,

''(2) exemptions from the requirements of this section, and

''(3) such rules as may be necessary or appropriate to carry out the purposes of this section.''

(b) CONFORMING AMENDMENTS.—

(1) The item relating to section 6111 in the table of sections for subchapter B of chapter 61 is amended to read as follows:

''Sec. 6111. Disclosure of reportable transactions.''

(2)(A) So much of section 6112 as precedes subsection (c) thereof is amended to read as follows:

''SEC. 6112. MATERIAL ADVISORS OF REPORTABLE TRANSACTIONS MUST KEEP LISTS OF ADVISEES.

''(a) IN GENERAL.—Each material advisor (as defined in section 6111) with respect to any reportable transaction (as defined in section 6707A(c)) shall maintain, in such manner as the Secretary may by regulations prescribe, a list—

''(1) identifying each person with respect to whom such advisor acted as such a material advisor with respect to such transaction, and

''(2) containing such other information as the Secretary may by regulations require.

This section shall apply without regard to whether a material advisor is required to file a return under section 6111 with respect to such transaction.''

(B) Section 6112 is amended by redesignating subsection (c) as subsection (b).

(C) Section 6112(b), as redesignated by subparagraph (B), is amended—

(i) by inserting ''written'' before ''request'' in paragraph (1)(A), and

(ii) by striking ''shall prescribe'' in paragraph (2) and inserting ''may prescribe''.

(D) The item relating to section 6112 in the table of sections for subchapter B of chapter 61 is amended to read as follows:

''Sec. 6112. Material advisors of reportable transactions must keep lists of advisees.''

(3)(A) The heading for section 6708 is amended to read as follows:

''SEC. 6708. FAILURE TO MAINTAIN LISTS OF ADVISEES WITH RESPECT TO REPORTABLE TRANSACTIONS.''

(B) The item relating to section 6708 in the table of sections for part I of subchapter B of chapter 68 is amended to read as follows:

''Sec. 6708. Failure to maintain lists of advisees with respect to reportable transactions.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to transactions with respect to which material aid, assistance, or advice referred to in section 6111(b)(1)(A)(i) of the Internal Revenue Code of 1986 (as added by this section) is provided after the date of the enactment of this Act.

SEC. 318. MODIFICATIONS TO PENALTY FOR FAILURE TO REGISTER TAX SHELTERS.

(a) IN GENERAL.—Section 6707 (relating to failure to furnish information regarding tax shelters) is amended to read as follows:

''SEC. 6707. FAILURE TO FURNISH INFORMATION REGARDING REPORTABLE TRANSACTIONS.

''(a) IN GENERAL.—If a person who is required to file a return under section 6111(a) with respect to any reportable transaction—

''(1) fails to file such return on or before the date prescribed therefor, or

''(2) files false or incomplete information with the Secretary with respect to such transaction,

such person shall pay a penalty with respect to such return in the amount determined under subsection (b).

''(b) AMOUNT OF PENALTY.—

''(1) IN GENERAL.—Except as provided in paragraph (2), the penalty imposed under subsection (a) with respect to any failure shall be $50,000.

''(2) LISTED TRANSACTIONS.—The penalty imposed under subsection (a) with respect to any listed transaction shall be an amount equal to the greater of—

''(A) $200,000, or

''(B) 50 percent of the gross income derived by such person with respect to aid, assistance, or advice which is provided with respect to the reportable transaction before the date the return including the transaction is filed under section 6111.

Subparagraph (B) shall be applied by substituting '75 percent' for '50 percent' in the case of an intentional failure or act described in subsection (a).

''(c) RESCISSION AUTHORITY.—The provisions of section 6707A(d) (relating to authority of Commissioner to rescind penalty) shall apply to any penalty imposed under this section.

''(d) REPORTABLE AND LISTED TRANSACTIONS.—The terms 'reportable transaction' and 'listed transaction' have the respective meanings given to such terms by section 6707A(c).''.

(b) CLERICAL AMENDMENT.—The item relating to section 6707 in the table of sections for part I of subchapter B of chapter 68 is amended by striking ''tax shelters'' and inserting ''reportable transactions''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to returns the due date for which is after the date of the enactment of this Act.

SEC. 319. MODIFICATION OF PENALTY FOR FAILURE TO MAINTAIN LISTS OF INVESTORS.

(a) IN GENERAL.—Subsection (a) of section 6708 is amended to read as follows:

''(a) IMPOSITION OF PENALTY.—

''(1) IN GENERAL.—If any person who is required to maintain a list under section 6112(a) fails to make such list available upon written request to the Secretary in accordance with section 6112(b)(1)(A) within 20 business days after the date of the Secretary's request, such person shall pay a penalty of $10,000 for each day of such failure after such 20th day.

''(2) REASONABLE CAUSE EXCEPTION.—No penalty shall be imposed by paragraph (1) with respect to the failure on any day if such failure is due to reasonable cause.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to requests made after the date of the enactment of this Act.

SEC. 320. MODIFICATION OF ACTIONS TO ENJOIN CERTAIN CONDUCT RELATED TO TAX SHELTERS AND REPORTABLE TRANSACTIONS.

(a) IN GENERAL.—Section 7408 (relating to action to enjoin promoters of abusive tax shelters, etc.) is amended by redesignating subsection (c) as subsection (d) and by striking subsections (a) and (b) and inserting the following new subsections:

''(a) AUTHORITY TO SEEK INJUNCTION.—A civil action in the name of the United States to enjoin any person from further engaging in specified conduct may be commenced at the request of the Secretary. Any action under this section shall be brought in the district court of the United States for the district in which such person resides, has his principal place of business, or has engaged in specified conduct. The court may exercise its jurisdiction over such action (as provided in section 7402(a)) separate and apart from any other action brought by the United States against such person.

''(b) ADJUDICATION AND DECREE.—In any action under subsection (a), if the court finds—

''(1) that the person has engaged in any specified conduct, and

''(2) that injunctive relief is appropriate to prevent recurrence of such conduct,

the court may enjoin such person from engaging in such conduct or in any other activity subject to penalty under this title.

''(c) SPECIFIED CONDUCT.—For purposes of this section, the term 'specified conduct' means any action, or failure to take action, subject to penalty under section 6700, 6701, 6707, or 6708.''

(b) CONFORMING AMENDMENTS.—

(1) The heading for section 7408 is amended to read as follows:

"SEC. 7408. ACTIONS TO ENJOIN SPECIFIED CONDUCT RELATED TO TAX SHELTERS AND REPORTABLE TRANSACTIONS."

(2) The table of sections for subchapter A of chapter 67 is amended by striking the item relating to section 7408 and inserting the following new item:

''Sec. 7408. Actions to enjoin specified conduct related to tax shelters and reportable transactions.''

(c) EFFECTIVE DATE.—The amendment made by this section shall take effect on the day after the date of the enactment of this Act.

SEC. 321. UNDERSTATEMENT OF TAXPAYER'S LIABILITY BY INCOME TAX RETURN PREPARER.

(a) STANDARDS CONFORMED TO TAXPAYER STANDARDS.—Section 6694(a) (relating to understatements due to unrealistic positions) is amended—

(1) by striking ''realistic possibility of being sustained on its merits'' in paragraph (1) and inserting ''reasonable belief that the tax treatment in such position was more likely than not the proper treatment'',

(2) by striking ''or was frivolous'' in paragraph (3) and inserting ''or there was no reasonable basis for the tax treatment of such position'', and

(3) by striking ''UNREALISTIC'' in the heading and inserting ''IMPROPER''.

(b) AMOUNT OF PENALTY.—Section 6694 is amended—

(1) by striking ''$250'' in subsection (a) and inserting ''$1,000'', and

(2) by striking ''$1,000'' in subsection (b) and inserting ''$5,000''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to documents prepared after the date of the enactment of this Act.

SEC. 322. PENALTY ON FAILURE TO REPORT INTERESTS IN FOREIGN FINANCIAL ACCOUNTS.

(a) IN GENERAL.—Section 5321(a)(5) of title 31, United States Code, is amended to read as follows:

''(5) FOREIGN FINANCIAL AGENCY TRANSACTION VIOLATION.—

''(A) PENALTY AUTHORIZED.—The Secretary of the Treasury may impose a civil money penalty on any person who violates, or causes any violation of, any provision of section 5314.

''(B) AMOUNT OF PENALTY.—

''(i) IN GENERAL.—Except as provided in subparagraph (C), the amount of any civil penalty imposed under subparagraph (A) shall not exceed $5,000.

''(ii) REASONABLE CAUSE EXCEPTIONNo penalty shall be imposed under subparagraph (A) with respect to any violation if—

''(I) such violation was due to reasonable cause, and

''(II) the amount of the transaction or the balance in the account at the time of the transaction was properly reported.

''(C) WILLFUL VIOLATIONS.—In the case of any person willfully violating, or willfully causing any violation of, any provision of section 5314—

''(i) the maximum penalty under subparagraph (B)(i) shall be increased to the greater of—

''(I) $25,000, or

''(II) the amount (not exceeding $100,000) determined under subparagraph (D), and

''(ii) subparagraph (B)(ii) shall not apply.

''(D) AMOUNT.—The amount determined under this subparagraph is—

''(i) in the case of a violation involving a transaction, the amount of the transaction, or

''(ii) in the case of a violation involving a failure to report the existence of an account or any identifying information required to be provided with respect to an account, the balance in the account at the time of the violation.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to violations occurring after the date of the enactment of this Act.

SEC. 323. FRIVOLOUS TAX SUBMISSIONS.

(a) CIVIL PENALTIES.—Section 6702 is amended to read as follows:

"SEC. 6702. FRIVOLOUS TAX SUBMISSIONS.

''(a) CIVIL PENALTY FOR FRIVOLOUS TAX RETURNS.—A person shall pay a penalty of $5,000 if—

''(1) such person files what purports to be a return of a tax imposed by this title but which—

''(A) does not contain information on which the substantial correctness of the self-assessment may be judged, or

''(B) contains information that on its face indicates that the self-assessment is substantially incorrect; and

''(2) the conduct referred to in paragraph (1)—

''(A) is based on a position which the Secretary has identified as frivolous under subsection (c), or

''(B) reflects a desire to delay or impede the administration of Federal tax laws.

''(b) CIVIL PENALTY FOR SPECIFIED FRIVOLOUS SUBMISSIONS.—

''(1) IMPOSITION OF PENALTY.—Except as provided in paragraph (3), any person who submits a specified frivolous submission shall pay a penalty of $5,000.

''(2) SPECIFIED FRIVOLOUS SUBMISSION.—For purposes of this section—

''(A) SPECIFIED FRIVOLOUS SUBMISSION.—The term 'specified frivolous submission' means a specified submission if any portion of such submission—

''(i) is based on a position which the Secretary has identified as frivolous under subsection (c), or

''(ii) reflects a desire to delay or impede the administration of Federal tax laws.

''(B) SPECIFIED SUBMISSION.—The term 'specified submission' means—

''(i) a request for a hearing under—

''(I) section 6320 (relating to notice and opportunity for hearing upon filing of notice of lien), or

''(II) section 6330 (relating to notice and opportunity for hearing before levy), and

''(ii) an application under—

''(I) section 6159 (relating to agreements for payment of tax liability in installments),

''(II) section 7122 (relating to compromises), or

''(III) section 7811 (relating to taxpayer assistance orders).

''(3) OPPORTUNITY TO WITHDRAW SUBMISSION.—If the Secretary provides a person with notice that a submission is a specified frivolous submission and such person withdraws such submission within 30 days after such notice, the penalty imposed under paragraph (1) shall not apply with respect to such submission.

''(c) LISTING OF FRIVOLOUS POSITIONS.—The Secretary shall prescribe (and periodically revise) a list of positions which the Secretary has identified as being frivolous for purposes of this subsection. The Secretary shall not include in such list any position that the Secretary determines meets the requirement of section 6662(d)(2)(B)(ii)(II).

''(d) REDUCTION OF PENALTY.—The Secretary may reduce the amount of any penalty imposed under this section if the Secretary determines that such reduction would promote compliance with and administration of the Federal tax laws.

''(e) PENALTIES IN ADDITION TO OTHER PENALTIES.—The penalties imposed by this section shall be in addition to any other penalty provided by law.''

(b) TREATMENT OF FRIVOLOUS REQUESTS FOR HEARINGS BEFORE LEVY.—

(1) FRIVOLOUS REQUESTS DISREGARDED.—Section 6330 (relating to notice and opportunity for hearing before levy) is amended by adding at the end the following new subsection:

''(g) FRIVOLOUS REQUESTS FOR HEARING, ETC.—Notwithstanding any other provision of this section, if the Secretary determines that any portion of a request for a hearing under this section or section 6320 meets the requirement of clause (i) or (ii) of section 6702(b)(2)(A), then the Secretary may treat such portion as if it were never submitted and such portion shall not be subject to any further administrative or judicial review.''

(2) PRECLUSION FROM RAISING FRIVOLOUS ISSUES AT HEARING.—Section 6330(c)(4) is amended—

(A) by striking ''(A)'' and inserting ''(A)(i)'';

(B) by striking ''(B)'' and inserting ''(ii)'';

(C) by striking the period at the end of the first sentence and inserting ''; or''; and

(D) by inserting after subparagraph (A)(ii) (as so redesignated) the following:

''(B) the issue meets the requirement of clause (i) or (ii) of section 6702(b)(2)(A).''

(3) STATEMENT OF GROUNDS.—Section 6330(b)(1) is amended by striking ''under subsection (a)(3)(B)'' and inserting ''in writing under subsection (a)(3)(B) and states the grounds for the requested hearing''.

(c) TREATMENT OF FRIVOLOUS REQUESTS FOR HEARINGS UPON FILING OF NOTICE OF LIEN.—Section 6320 is amended—

(1) in subsection (b)(1), by striking ''under subsection (a)(3)(B)'' and inserting ''in writing under subsection (a)(3)(B) and states the grounds for the requested hearing'', and

(2) in subsection (c), by striking ''and (e)'' and inserting ''(e), and (g)''.

(d) TREATMENT OF FRIVOLOUS APPLICATIONS FOR OFFERS-IN-COMPROMISE AND INSTALLMENT AGREEMENTS.—Section 7122 is amended by adding at the end the following new subsection:

''(e) FRIVOLOUS SUBMISSIONS, ETC.—Notwithstanding any other provision of this section, if the Secretary determines that any portion of an application for an offer-in-compromise or installment agreement submitted under this section or section 6159 meets the requirement of clause (i) or (ii) of section 6702(b)(2)(A), then the Secretary may treat such portion as if it were never submitted and such portion shall not be subject to any further administrative or judicial review.''

(e) CLERICAL AMENDMENT.—The table of sections for part I of subchapter B of chapter 68 is amended by striking the item relating to section 6702 and inserting the following new item:

''Sec. 6702. Frivolous tax submissions.''

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to submissions made and issues raised after the date on which the Secretary first prescribes a list under section 6702(c) of the Internal Revenue Code of 1986, as amended by subsection (a).

SEC. 324. REGULATION OF INDIVIDUALS PRACTICING BEFORE THE DEPARTMENT OF TREASURY.

(a) CENSURE; IMPOSITION OF PENALTY.—

(1) IN GENERAL.—Section 330(b) of title 31, United States Code, is amended—

(A) by inserting '', or censure,'' after ''Department'', and

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

''The Secretary may impose a monetary penalty on any representative described in the preceding sentence. If the representative was acting on behalf of an employer or any firm or other entity in connection with the conduct giving rise to such penalty, the Secretary may impose a monetary penalty on

such employer, firm, or entity if it knew, or reasonably should have known, of such conduct. Such penalty shall not exceed the gross income derived (or to be derived) from the conduct giving rise to the penalty and may be in addition to, or in lieu of, any suspension, disbarment, or censure.''

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to actions taken after the date of the enactment of this Act.

(b) TAX SHELTER OPINIONS, ETC.—Section 330 of such title 31 is amended by adding at the end the following new subsection:

''(d) Nothing in this section or in any other provision of law shall be construed to limit the authority of the Secretary of the Treasury to impose standards applicable to the rendering of written advice with respect to any entity, transaction plan or arrangement, or other plan or arrangement, which is of a type which the Secretary determines as having a potential for tax avoidance or evasion.''

SEC. 325. PENALTY ON PROMOTERS OF TAX SHELTERS.

(a) PENALTY ON PROMOTING ABUSIVE TAX SHELTERS.—Section 6700(a) is amended by adding at the end the following new sentence: ''Notwithstanding the first sentence, if an activity with respect to which a penalty imposed under this subsection involves a statement described in paragraph (2)(A), the amount of the penalty shall be equal to 50 percent of the gross income derived (or to be derived) from such activity by the person on which the penalty is imposed.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to activities after the date of the enactment of this Act.

SEC. 326. STATUTE OF LIMITATIONS FOR TAXABLE YEARS FOR WHICH LISTED TRANSACTIONS NOT REPORTED.

(a) IN GENERAL.—Section 6501(e)(1) (relating to substantial omission of items for income taxes) is amended by adding at the end the following new subparagraph:

''(C) LISTED TRANSACTIONS.—If a taxpayer fails to include on any return or statement for any taxable year any information with respect to a listed transaction (as defined in section 6707A(c)(2)) which is required under section 6011 to be included with such return or statement, the tax for such taxable year may be assessed, or a proceeding in court for collection of such tax may be begun without assessment, at any time within 6 years after the time the return is filed. This subparagraph shall not apply to any taxable year if the time for assessment or beginning the proceeding in court has expired before the time a transaction is treated as a listed transaction under section 6011.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to transactions after the date of the enactment of this Act in taxable years ending after such date.

SEC. 327. DENIAL OF DEDUCTION FOR INTEREST ON UNDERPAYMENTS ATTRIBUTABLE TO NONDISCLOSED REPORTABLE AND NONECONOMIC SUBSTANCE TRANSACTIONS.

(a) IN GENERAL.—Section 163 (relating to deduction for interest) is amended by redesignating subsection (m) as subsection (n) and by inserting after subsection (l) the following new subsection:

''(m) INTEREST ON UNPAID TAXES ATTRIBUTABLE TO NONDISCLOSED REPORTABLE TRANSACTIONS AND NONECONOMIC SUBSTANCE TRANSACTIONS.—No deduction shall be allowed under this chapter for any interest paid or accrued under section 6601 on any underpayment of tax which is attributable to—

''(1) the portion of any reportable transaction understatement (as defined in section 6662A(b)) with respect to which the requirement of section 6664(d)(2)(A) is not met, or

''(2) any noneconomic substance transaction understatement (as defined in section 6662B(c)).''

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to transactions after the date of the enactment of this Act in taxable years ending after such date.

PART II—OTHER PROVISIONS

SEC. 331. LIMITATION ON TRANSFER OR IMPORTATION OF BUILT-IN LOSSES.

(a) IN GENERAL.—Section 362 (relating to basis to corporations) is amended by adding at the end the following new subsection:

''(e) LIMITATIONS ON BUILT-IN LOSSES.—

''(1) LIMITATION ON IMPORTATION OF BUILT-IN LOSSES.—

''(A) IN GENERAL.—If in any transaction described in subsection (a) or (b) there would (but for this subsection) be an importation of a net built-in loss, the basis of each property described in subparagraph (B) which is acquired in such transaction shall (notwithstanding subsections (a) and (b)) be its fair market value immediately after such transaction.

''(B) PROPERTY DESCRIBED.—For purposes of subparagraph (A), property is described in this paragraph if—

''(i) gain or loss with respect to such property is not subject to tax under this subtitle in the hands of the transferor immediately before the transfer, and

''(ii) gain or loss with respect to such property is subject to such tax in the hands of the transferee immediately after such transfer.

In any case in which the transferor is a partnership, the preceding sentence shall be applied by treating each partner in such partnership as holding such partner's proportionate share of the property of such partnership.

''(C) IMPORTATION OF NET BUILT-IN LOSS.—For purposes of subparagraph (A), there is an importation of a net built-in loss in a transaction if the transferee's aggregate adjusted bases of property described in subparagraph (B) which is transferred in such transaction would (but for this paragraph) exceed the fair market value of such property immediately after such transaction.''

''(2) LIMITATION ON TRANSFER OF BUILT-IN LOSSES IN SECTION 351 TRANSACTIONS.—

''(A) IN GENERAL.—If—

''(i) property is transferred in any transaction which is described in subsection (a) and which is not described in paragraph (1) of this subsection, and

''(ii) the transferee's aggregate adjusted bases of the property so transferred would (but for this paragraph) exceed the fair market value of such property immediately after such transaction,

then, notwithstanding subsection (a), the transferee's aggregate adjusted bases of the property so transferred shall not exceed the fair market value of such property immediately after such transaction.

''(B) ALLOCATION OF BASIS REDUCTION.—The aggregate reduction in basis by reason of subparagraph (A) shall be allocated among the property so transferred in proportion to their respective built-in losses immediately before the transaction.

''(C) EXCEPTION FOR TRANSFERS WITHIN AFFILIATED GROUP.—Subparagraph (A) shall not apply to any transaction if the transferor owns stock in the transferee meeting the requirements of section 1504(a)(2). In the case of property to which subparagraph (A) does not apply by reason of the preceding sentence, the transferor's basis in the stock received for such property shall not exceed its fair market value immediately after the transfer.''

(b) COMPARABLE TREATMENT WHERE LIQUIDATION.—Paragraph (1) of section 334(b) (relating to liquidation of subsidiary) is amended to read as follows:

''(1) IN GENERAL.—If property is received by a corporate distributee in a distribution in a complete liquidation to which section 332 applies (or in a transfer described in section 337(b)(1)), the basis of such property in the hands of such distributee shall be the same as it would be in the hands of the transferor; except that the basis of such property in the hands of such distributee shall be the fair market value of the property at the time of the distribution—

''(A) in any case in which gain or loss is recognized by the liquidating corporation with respect to such property, or

''(B) in any case in which the liquidating corporation is a foreign corporation, the corporate distributee is a domestic corporation, and the corporate distributee's aggregate adjusted bases of property described in section 362(e)(1)(B) which is distributed in such liquidation would (but for this subparagraph) exceed the fair market value of such property immediately after such liquidation.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to transactions after the date of the enactment of this Act.

SEC. 332. DISALLOWANCE OF CERTAIN PARTNERSHIP LOSS TRANSFERS.

(a) TREATMENT OF CONTRIBUTED PROPERTY WITH BUILT-IN LOSS.—Paragraph (1) of section 704(c) is amended by striking ''and'' at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting '', and'', and by adding at the end the following:

''(C) if any property so contributed has a built-in loss—

''(i) such built-in loss shall be taken into account only in determining the amount of items allocated to the contributing partner, and

''(ii) except as provided in regulations, in determining the amount of items allocated to other partners, the basis of the contributed property in the hands of the partnership shall be treated as being equal to its fair market value immediately after the contribution.

For purposes of subparagraph (C), the term 'built-in loss' means the excess of the adjusted basis of the property (determined without regard to subparagraph (C)(ii)) over its fair market value immediately after the contribution.''

(b) ADJUSTMENT TO BASIS OF PARTNERSHIP PROPERTY ON TRANSFER OF PARTNERSHIP INTEREST IF THERE IS SUBSTANTIAL BUILT-IN LOSS.—

(1) ADJUSTMENT REQUIRED.—Subsection (a) of section 743 (relating to optional adjustment to basis of partnership property) is amended by inserting before the period ''or unless the partnership has a substantial built-in loss immediately after such transfer''.

(2) ADJUSTMENT.—Subsection (b) of section 743 is amended by inserting ''or with respect to which there is a substantial built-in loss immediately after such transfer'' after ''section 754 is in effect''.

(3) SUBSTANTIAL BUILT-IN LOSS.—Section 743 is amended by adding at the end the following new subsection:

''(d) SUBSTANTIAL BUILT-IN LOSS.—

''(1) IN GENERAL.—For purposes of this section, a partnership has a substantial built-in loss with respect to a transfer of an interest in a partnership if the transferee partner's proportionate share of the adjusted basis of the partnership property exceeds by more than $250,000 the basis of such partner's interest in the partnership.

''(2) REGULATIONS.—The Secretary shall prescribe such regulations as may be appropriate to carry out the purposes of paragraph

(1) and section 734(d), including regulations aggregating related partnerships and disregarding property acquired by the partnership in an attempt to avoid such purposes.''

(4) CLERICAL AMENDMENTS.—

(A) The section heading for section 743 is amended to read as follows:

''SEC. 743. ADJUSTMENT TO BASIS OF PARTNERSHIP PROPERTY WHERE SECTION 754 ELECTION OR SUBSTANTIAL BUILT-IN LOSS.''

(B) The table of sections for subpart C of part II of subchapter K of chapter 1 is amended by striking the item relating to section 743 and inserting the following new item:

''Sec. 743. Adjustment to basis of partnership property where section 754 election or substantial built-in loss.''

(c) ADJUSTMENT TO BASIS OF UNDISTRIBUTED PARTNERSHIP PROPERTY IF THERE IS SUBSTANTIAL BASIS REDUCTION.—

(1) ADJUSTMENT REQUIRED.—Subsection (a) of section 734 (relating to optional adjustment to basis of undistributed partnership property) is amended by inserting before the period ''or unless there is a substantial basis reduction''.

(2) ADJUSTMENT.—Subsection (b) of section 734 is amended by inserting ''or unless there is a substantial basis reduction'' after ''section 754 is in effect''.

(3) SUBSTANTIAL BASIS REDUCTION.—Section 734 is amended by adding at the end the following new subsection:

''(d) SUBSTANTIAL BASIS REDUCTION.—

''(1) IN GENERAL.—For purposes of this section, there is a substantial basis reduction with respect to a distribution if the sum of the amounts described in subparagraphs (A) and (B) of subsection (b)(2) exceeds $250,000.

''(2) REGULATIONS.—

''For regulations to carry out this subsection, see section 743(d)(2).''

(4) CLERICAL AMENDMENTS.—

(A) The section heading for section 734 is amended to read as follows:

''SEC. 734. ADJUSTMENT TO BASIS OF UNDISTRIBUTED PARTNERSHIP PROPERTY WHERE SECTION 754 ELECTION OR SUBSTANTIAL BASIS REDUCTION.''

(B) The table of sections for subpart B of part II of subchapter K of chapter 1 is amended by striking the item relating to section 734 and inserting the following new item:

''Sec. 734. Adjustment to basis of undistributed partnership property where section 754 election or substantial basis reduction.''

(d) EFFECTIVE DATES.—

(1) SUBSECTION (a).—The amendment made by subsection (a) shall apply to contributions made after the date of the enactment of this Act.

(2) SUBSECTION (b).—The amendments made by subsection (b) shall apply to transfers after the date of the enactment of this Act.

(3) SUBSECTION (c).—The amendments made by subsection (c) shall apply to distributions after the date of the enactment of this Act.

SEC. 333. NO REDUCTION OF BASIS UNDER SECTION 734 IN STOCK HELD BY PARTNERSHIP IN CORPORATE PARTNER.

(a) IN GENERAL.—Section 755 is amended by adding at the end the following new subsection:

''(c) NO ALLOCATION OF BASIS DECREASE TO STOCK OF CORPORATE PARTNER.—In making an allocation under subsection (a) of any decrease in the adjusted basis of partnership property under section 734(b)—

''(1) no allocation may be made to stock in a corporation which is a partner in the partnership, and

''(2) any amount not allocable to stock by reason of paragraph (1) shall be allocated under subsection (a) to other partnership property.

Gain shall be recognized to the partnership to the extent that the amount required to be allocated under paragraph (2) to other partnership property exceeds the aggregate adjusted basis of such other property immediately before the allocation required by paragraph (2).''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to distributions after the date of the enactment of this Act.

SEC. 334. REPEAL OF SPECIAL RULES FOR FASITS.

(a) IN GENERAL.—Part V of subchapter M of chapter 1 (relating to financial asset securitization investment trusts) is hereby repealed.

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (6) of section 56(g) is amended by striking ''REMIC, or FASIT'' and inserting ''or REMIC''.

(2) Clause (ii) of section 382(l)(4)(B) is amended by striking ''a REMIC to which part IV of subchapter M applies, or a FASIT to which part V of subchapter M applies,'' and inserting ''or a REMIC to which part IV of subchapter M applies,''.

(3) Paragraph (1) of section 582(c) is amended by striking '', and any regular interest in a FASIT,''.

(4) Subparagraph (E) of section 856(c)(5) is amended by striking the last sentence.

(5) Paragraph (5) of section 860G(a) is amended by adding ''and'' at the end of subparagraph (B), by striking '', and'' at the end of subparagraph (C) and inserting a period, and by striking subparagraph (D).

(6) Subparagraph (C) of section 1202(e)(4) is amended by striking ''REMIC, or FASIT'' and inserting ''or REMIC''.

(7) Subparagraph (C) of section 7701(a)(19) is amended by adding ''and'' at the end of clause (ix), by striking '', and'' at the end of clause (x) and inserting a period, and by striking clause (xi).

(8) The table of parts for subchapter M of chapter 1 is amended by striking the item relating to part V.

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after December 31, 2003.

(2) EXCEPTION FOR EXISTING FASITS.—

(A) IN GENERAL.—Paragraph (1) shall not apply to any FASIT in existence on the date of the enactment of this Act.

(B) TRANSFER OF ADDITIONAL ASSETS NOT PERMITTED.—Except as provided in regulations prescribed by the Secretary of the Treasury or the Secretary's delegate, subparagraph (A) shall cease to apply as of the earliest date after the date of the enactment of this Act that any property is transferred to the FASIT.

SEC. 335. EXPANDED DISALLOWANCE OF DEDUCTION FOR INTEREST ON CONVERTIBLE DEBT.

(a) IN GENERAL.—Paragraph (2) of section 163(l) is amended by striking ''or a related party'' and inserting ''or equity held by the issuer (or any related party) in any other person''.

(b) CONFORMING AMENDMENT.—Paragraph (3) of section 163(l) is amended by striking ''or a related party'' in the material preceding subparagraph (A) and inserting ''or any other person''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to debt instruments issued after the date of the enactment of this Act.

SEC. 336. EXPANDED AUTHORITY TO DISALLOW TAX BENEFITS UNDER SECTION 269.

(a) IN GENERAL.—Subsection (a) of section 269 (relating to acquisitions made to evade or avoid income tax) is amended to read as follows:

''(a) IN GENERAL.—If—

''(1)(A) any person acquires stock in a corporation, or

''(B) any corporation acquires, directly or indirectly, property of another corporation and the basis of such property, in the hands of the acquiring corporation, is determined by reference to the basis in the hands of the transferor corporation, and

''(2) the principal purpose for which such acquisition was made is evasion or avoidance of Federal income tax by securing the benefit of a deduction, credit, or other allowance,

then the Secretary may disallow such deduction, credit, or other allowance.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to stock and property acquired after February 13, 2003.

SEC. 337. MODIFICATIONS OF CERTAIN RULES RELATING TO CONTROLLED FOREIGN CORPORATIONS.

(a) LIMITATION ON EXCEPTION FROM PFIC RULES FOR UNITED STATES SHAREHOLDERS OF CONTROLLED FOREIGN CORPORATIONS.—Paragraph (2) of section 1297(e) (relating to passive investment company) is amended by adding at the end the following flush sentence:

''Such term shall not include any period if there is only a remote likelihood of an inclusion in gross income under section 951(a)(1)(A)(i) of subpart F income of such corporation for such period.''

(b) DETERMINATION OF PRO RATA SHARE OF SUBPART F INCOME.—Subsection (a) of section 951 (relating to amounts included in gross income of United States shareholders) is amended by adding at the end the following new paragraph:

''(4) SPECIAL RULES FOR DETERMINING PRO RATA SHARE OF SUBPART F INCOME.—The pro rata share under paragraph (2) shall be determined by disregarding—

''(A) any rights lacking substantial economic effect, and

''(B) stock owned by a shareholder who is a tax-indifferent party (as defined in section 7701(m)(3)) if the amount which would (but for this paragraph) be allocated to such shareholder does not reflect such shareholder's economic share of the earnings and profits of the corporation.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years on controlled foreign corporation beginning after February 13, 2003, and to taxable years of United States shareholder in which or with which such taxable years of controlled foreign corporations end.

SEC. 338. BASIS FOR DETERMINING LOSS ALWAYS REDUCED BY NONTAXED PORTION OF DIVIDENDS.

(a) IN GENERAL.—Section 1059 (relating to corporate shareholder's basis in stock reduced by nontaxed portion of extraordinary dividends) is amended by redesignating subsection (g) as subsection (h) and by inserting after subsection (f) the following new subsection:

''(g) BASIS FOR DETERMINING LOSS ALWAYS REDUCED BY NONTAXED PORTION OF DIVIDENDS.—The basis of stock in a corporation (for purposes of determining loss) shall be reduced by the nontaxed portion of any dividend received with respect to such stock if this section does not otherwise apply to such dividend.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to dividends received after the date of the enactment of this Act.

SEC. 339. AFFIRMATION OF CONSOLIDATED RETURN REGULATION AUTHORITY.

(a) IN GENERAL.—Section 1502 (relating to consolidated return regulations) is amended by adding at the end the following new sentence: ''In prescribing such regulations, the Secretary may prescribe rules applicable to corporations filing consolidated returns under section 1501 that are different from other provisions of this title that would apply if such corporations filed separate returns.''

(b) RESULT NOT OVERTURNED.—Notwithstanding subsection (a), the Internal Revenue Code of 1986 shall be construed by treating Treasury regulation §1.1502–20(c)(1)(iii) (as in effect on January 1, 2001) as being inapplicable to the type of factual situation in 255 F.3d 1357 (Fed. Cir. 2001).

(c) EFFECTIVE DATE.—The provisions of this section shall apply to taxable years beginning before, on, or after the date of the enactment of this Act.

Subtitle C—Prevention of Corporate Expatriation To Avoid United States Income Tax

SEC. 341. PREVENTION OF CORPORATE EXPATRIATION TO AVOID UNITED STATES INCOME TAX.

(a) IN GENERAL.—Paragraph (4) of section 7701(a) (defining domestic) is amended to read as follows:

''(4) DOMESTIC.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), the term 'domestic' when applied to a corporation or partnership means created or organized in the United States or under the law of the United States or of any State unless, in the case of a partnership, the Secretary provides otherwise by regulations.

''(B) CERTAIN CORPORATIONS TREATED AS DOMESTIC.—

''(i) IN GENERAL.—The acquiring corporation in a corporate expatriation transaction shall be treated as a domestic corporation.

''(ii) CORPORATE EXPATRIATION TRANSACTION.—For purposes of this subparagraph, the term 'corporate expatriation transaction' means any transaction if—

''(I) a nominally foreign corporation (referred to in this subparagraph as the 'acquiring corporation') acquires, as a result of such transaction, directly or indirectly substantially all of the properties held directly or indirectly by a domestic corporation, and

''(II) immediately after the transaction, more than 80 percent of the stock (by vote or value) of the acquiring corporation is held by former shareholders of the domestic corporation by reason of holding stock in the domestic corporation.

''(iii) LOWER STOCK OWNERSHIP REQUIREMENT IN CERTAIN CASES.—Subclause (II) of clause (ii) shall be applied by substituting '50 percent' for '80 percent' with respect to any nominally foreign corporation if—

''(I) such corporation does not have substantial business activities (when compared to the total business activities of the expanded affiliated group) in the foreign country in which or under the law of which the corporation is created or organized, and

''(II) the stock of the corporation is publicly traded and the principal market for the public trading of such stock is in the United States.

''(iv) PARTNERSHIP TRANSACTIONS.—The term 'corporate expatriation transaction' includes any transaction if—

''(I) a nominally foreign corporation (referred to in this subparagraph as the 'acquiring corporation') acquires, as a result of such transaction, directly or indirectly properties constituting a trade or business of a domestic partnership,

''(II) immediately after the transaction, more than 80 percent of the stock (by vote or value) of the acquiring corporation is held by former partners of the domestic partnership or related foreign partnerships (determined without regard to stock of the acquiring corporation which is sold in a public offering related to the transaction), and

''(III) the acquiring corporation meets the requirements of subclauses (I) and (II) of clause (iii).

''(v) SPECIAL RULES.—For purposes of this subparagraph—

''(I) a series of related transactions shall be treated as 1 transaction, and

''(II) stock held by members of the expanded affiliated group which includes the acquiring corporation shall not be taken into account in determining ownership.

''(vi) OTHER DEFINITIONS.—For purposes of this subparagraph—

''(I) NOMINALLY FOREIGN CORPORATION.—The term 'nominally foreign corporation' means any corporation which would (but for this subparagraph) be treated as a foreign corporation.

''(II) EXPANDED AFFILIATED GROUP.—The term 'expanded affiliated group' means an affiliated group (as defined in section 1504(a) without regard to section 1504(b)).

''(III) RELATED FOREIGN PARTNERSHIP.—A foreign partnership is related to a domestic partnership if they are under common control (within the meaning of section 482), or they shared the same trademark or tradename.''

(b) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendment made by this section shall apply to corporate expatriation transactions completed after September 11, 2001.

(2) SPECIAL RULE.—The amendment made by this section shall also apply to corporate expatriation transactions completed on or before September 11, 2001, but only with respect to taxable years of the acquiring corporation beginning after December 31, 2003.

Subtitle D—Inclusion in Gross Income of Funded Deferred Compensation of Corporate Insiders

SEC. 351. INCLUSION IN GROSS INCOME OF FUNDED DEFERRED COMPENSATION OF CORPORATE INSIDERS.

(a) IN GENERAL.—Subpart A of part I of subchapter D of chapter 1 is amended by adding at the end the following new section:

''SEC. 409A. INCLUSION IN GROSS INCOME OF FUNDED DEFERRED COMPENSATION OF CORPORATE INSIDERS.

''(a) IN GENERAL.—If an employer maintains a funded deferred compensation plan—

''(1) compensation of any disqualified individual which is deferred under such funded deferred compensation plan shall be included in the gross income of the disqualified individual or beneficiary for the 1st taxable year in which there is no substantial risk of forfeiture of the rights to such compensation, and

''(2) the tax treatment of any amount made available under the plan to a disqualified individual or beneficiary shall be determined under section 72 (relating to annuities, etc.).

''(b) FUNDED DEFERRED COMPENSATION PLAN.—For purposes of this section—

''(1) IN GENERAL.—The term 'funded deferred compensation plan' means any plan providing for the deferral of compensation unless—

''(A) the employee's rights to the compensation deferred under the plan are no greater than the rights of a general creditor of the employer, and

''(B) all amounts set aside (directly or indirectly) for purposes of paying the deferred compensation, and all income attributable to such amounts, remain (until made available to the participant or other beneficiary) solely the property of the employer (without being restricted to the provision of benefits under the plan), and

''(C) the amounts referred to in subparagraph (B) are available to satisfy the claims of the employer's general creditors at all times (not merely after bankruptcy or insolvency).

Such term shall not include a qualified employer plan.

''(2) SPECIAL RULES.—

''(A) EMPLOYEE'S RIGHTS.—A plan shall be treated as failing to meet the requirements of paragraph (1)(A) unless—

''(i) the compensation deferred under the plan is payable only upon separation from service, death, or at a specified time (or pursuant to a fixed schedule), and

''(ii) the plan does not permit the acceleration of the time such deferred compensation is payable by reason of any event.

If the employer and employee agree to a modification of the plan that accelerates the time for payment of any deferred compensation, then all compensation previously deferred under the plan shall be includible in gross income for the taxable year during which such modification takes effect and the taxpayer shall pay interest at the underpayment rate on the underpayments that would have occurred had the deferred compensation been includible in gross income on the earliest date that there is no substantial risk of forfeiture of the rights to such compensation.

''(B) CREDITOR'S RIGHTS.—A plan shall be treated as failing to meet the requirements of paragraph (1)(B) with respect to amounts set aside in a trust unless—

''(i) the employee has no beneficial interest in the trust,

''(ii) assets in the trust are available to satisfy claims of general creditors at all times (not merely after bankruptcy or insolvency), and

''(iii) there is no factor that would make it more difficult for general creditors to reach the assets in the trust than it would be if the trust assets were held directly by the employer in the United States.

Except as provided in regulations prescribed by the Secretary, such a factor shall include the location of the trust outside the United States.

''(c) DISQUALIFIED INDIVIDUAL.—For purposes of this section, the term 'disqualified individual' means, with respect to a corporation, any individual—

''(1) who is subject to the requirements of section 16(a) of the Securities Exchange Act of 1934 with respect to such corporation, or

''(2) who would be subject to such requirements if such corporation were an issuer of equity securities referred to in such section.

''(d) OTHER DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

''(1) QUALIFIED EMPLOYER PLAN.—The term 'qualified employer plan' means—

''(A) any plan, contract, pension, account, or trust described in subparagraph (A) or (B) of section 219(g)(5), and

''(B) any other plan of an organization exempt from tax under subtitle A.

''(2) PLAN INCLUDES ARRANGEMENTS, ETC.—The term 'plan' includes any agreement or arrangement.

''(3) SUBSTANTIAL RISK OF FORFEITURE.—The rights of a person to compensation are subject to a substantial risk of forfeiture if such person's rights to such compensation are conditioned upon the future performance of substantial services by any individual.

''(4) TREATMENT OF EARNINGS.—Except for purposes of subsection (a)(1) and the last sentence of (b)(2)(A), references to deferred compensation shall be treated as including references to income attributable to such compensation or such income.''

(b) CLERICAL AMENDMENT.—The table of sections for such subpart A is amended by adding at the end the following new item:

''Sec. 409A. Inclusion in gross income of funded deferred compensation of corporate insiders.''

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts deferred after July 10, 2002.

Mr. REYNOLDS. Mr. Speaker, I yield back the balance of my time, and I move the previous question on the resolution.

The SPEAKER pro tempore. The question is on ordering the previous question.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. FROST. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

Pursuant to clause 9 of rule XX, the Chair will reduce to 5 minutes the minimum time for any electronic vote, if ordered, on the question of adoption of the resolution.

The vote was taken by electronic device, and there were—yeas 219, nays 203, not voting 12, as follows:

[Roll No. 178]

YEAS—219

Aderholt
Akin
Bachus
Baker
Ballenger
Barrett (SC)
Bartlett (MD)
Barton (TX)
Bass
Beauprez
Bereuter
Biggert
Bilirakis
Bishop (UT)
Blackburn
Blunt
Boehlert
Boehner
Bonilla
Bonner
Bono
Boozman
Bradley (NH)
Brown (SC)
Brown-Waite, Ginny
Burgess
Burns
Burr
Burton (IN)
Buyer
Calvert
Camp
Cannon
Cantor
Capito
Carter
Castle
Chabot
Chocola
Coble
Collins
Cox
Crane
Crenshaw
Cubin
Culberson
Cunningham
Davis, Jo Ann
Davis, Tom
Deal (GA)
DeLay
DeMint
Diaz-Balart, L.
Diaz-Balart, M.
Doolittle
Dreier
Duncan
Dunn
Ehlers
Emerson
English
Everett
Ferguson
Flake
Fletcher
Foley
Forbes
Fossella
Franks (AZ)
Frelinghuysen
Gallegly
Garrett (NJ)
Gerlach
Gibbons
Gilchrest
Gillmor
Gingrey
Goode
Goodlatte
Goss
Granger
Graves
Green (WI)
Greenwood
Gutknecht
Harris
Hart
Hastings (WA)
Hayes
Hayworth
Hefley
Hensarling
Hobson
Hoekstra
Hostettler
Houghton
Hulshof
Hunter
Hyde
Isakson
Issa
Istook
Janklow
Jenkins
Johnson (CT)
Johnson (IL)
Johnson, Sam
Jones (NC)
Keller
Kelly
Kennedy (MN)
King (NY)
Kingston
Kirk
Kline
Knollenberg
Kolbe
LaHood
Latham
LaTourette
Leach
Lewis (CA)
Lewis (KY)
Linder
LoBiondo
Lucas (OK)
Manzullo
McCotter
McCrery
McHugh
McInnis
McKeon
Mica
Miller (FL)
Miller (MI)
Moran (KS)
Murphy
Musgrave
Myrick
Nethercutt
Ney
Norwood
Nunes
Nussle
Osborne
Ose
Otter
Oxley
Paul
Pearce
Pence
Peterson (PA)
Petri
Pickering
Pitts
Platts
Pombo
Porter
Portman
Pryce (OH)
Putnam
Quinn
Radanovich
Ramstad
Regula
Rehberg
Renzi
Reynolds
Rogers (AL)
Rogers (KY)
Rogers (MI)
Rohrabacher
Ros-Lehtinen
Royce
Ryan (WI)
Ryun (KS)
Saxton
Sensenbrenner
Sessions
Shadegg
Shaw
Shays
Sherwood
Shimkus
Shuster
Simmons
Simpson
Smith (MI)
Smith (NJ)
Smith (TX)
Souder
Stearns
Sullivan
Sweeney
Tancredo
Tauzin
Taylor (NC)
Terry
Thomas
Thornberry
Tiahrt
Tiberi
Toomey
Turner (OH)
Upton
Vitter
Walden (OR)
Walsh
Wamp
Weldon (FL)
Weldon (PA)
Weller
Whitfield
Wicker
Wilson (NM)
Wilson (SC)
Wolf
Young (AK)
Young (FL)

NAYS—203

Abercrombie
Ackerman
Alexander
Allen
Andrews
Baca
Baird
Baldwin
Ballance
Becerra
Bell
Berkley
Berman
Berry
Bishop (GA)
Bishop (NY)
Blumenauer
Boswell
Boucher
Brady (PA)
Brown (OH)
Brown, Corrine
Capps
Capuano
Cardin
Cardoza
Carson (IN)
Carson (OK)
Case
Clay
Clyburn
Cooper
Costello
Cramer
Crowley
Cummings
Davis (AL)
Davis (CA)
Davis (FL)
Davis (IL)
Davis (TN)
DeFazio
DeGette
Delahunt
DeLauro
Deutsch
Dicks
Dingell
Doggett
Dooley (CA)
Doyle
Edwards
Emanuel
Engel
Eshoo
Etheridge
Evans
Farr
Fattah
Filner
Ford
Frank (MA)
Frost
Gonzalez
Gordon
Green (TX)
Grijalva
Gutierrez
Hall
Harman
Hastings (FL)
Hill
Hinchey
Hinojosa
Hoeffel
Holden
Holt
Honda
Hooley (OR)
Hoyer
Inslee
Israel
Jackson (IL)
Jackson-Lee (TX)
Jefferson
John
Johnson, E. B.
Jones (OH)
Kanjorski
Kaptur
Kennedy (RI)
Kildee
Kilpatrick
Kind
Kleczka
Kucinich
Lampson
Langevin
Lantos
Larsen (WA)
Larson (CT)
Lee
Levin
Lewis (GA)
Lipinski
Lofgren
Lowey
Lucas (KY)
Lynch
Majette
Maloney
Markey
Marshall
Matheson
Matsui
McCarthy (MO)
McCarthy (NY)
McCollum
McDermott
McGovern
McIntyre
McNulty
Meehan
Meek (FL)
Meeks (NY)
Menendez
Michaud
Millender-McDonald
Miller (NC)
Miller, George
Mollohan
Moore
Moran (VA)
Murtha
Nadler
Napolitano
Neal (MA)
Oberstar
Obey
Olver
Ortiz
Owens
Pallone
Pascrell
Pastor
Payne
Pelosi
Peterson (MN)
Pomeroy
Price (NC)
Rahall
Rangel
Reyes
Rodriguez
Ross
Rothman
Roybal-Allard
Ruppersberger
Rush
Ryan (OH)
Sabo
Sanchez, Linda T.
Sanchez, Loretta
Sanders
Sandlin
Schakowsky
Schiff
Scott (GA)
Scott (VA)
Serrano
Sherman
Skelton
Slaughter
Smith (WA)
Snyder
Solis
Spratt
Stark
Stenholm
Strickland
Stupak
Tanner
Tauscher
Taylor (MS)
Thompson (CA)
Thompson (MS)
Tierney
Towns
Turner (TX)
Udall (CO)
Udall (NM)
Van Hollen
Velazquez
Visclosky
Waters
Watson
Watt
Waxman
Weiner
Wexler
Woolsey
Wu
Wynn

NOT VOTING—12

Boyd
Brady (TX)
Cole
Combest
Conyers
Feeney
Gephardt
Herger
King (IA)
Miller, Gary
Northup
Schrock

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (Mr. SIMPSON) (during the vote). Members are advised that a minimum of 2 minutes remain in this vote.

□ 1113

Mr. WYNN and Mr. BALLANCE changed their vote from ''yea'' to ''nay.''

Mr. LEWIS of California and Mr. PAUL changed their vote from ''nay'' to ''yea.''

So the previous question was ordered.

The result of the vote was announced as above recorded.

The SPEAKER pro tempore. The question is on the resolution.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

RECORDED VOTE

Mr. MCGOVERN. Mr. Speaker, I demand a recorded vote.

A recorded vote was ordered.

The SPEAKER pro tempore. This will be a 5-minute vote.

The vote was taken by electronic device, and there were—ayes 220, noes 203, not voting 11, as follows:

[Roll No. 179]

AYES—220

Aderholt
Akin
Bachus
Baker
Ballenger
Barrett (SC)
Bartlett (MD)
Barton (TX)
Bass
Beauprez
Bereuter
Biggert
Bilirakis
Bishop (UT)
Blackburn
Blunt
Boehlert
Boehner
Bonilla
Bonner
Bono
Boozman
Bradley (NH)
Brady (TX)
Brown (SC)
Brown-Waite, Ginny
Burgess
Burns
Burr
Burton (IN)
Buyer
Calvert
Camp
Cannon
Cantor
Capito
Carter
Castle
Chabot
Chocola
Coble
Collins
Cox
Crane
Crenshaw
Cubin
Culberson
Cunningham
Davis, Jo Ann
Davis, Tom
Deal (GA)
DeLay
DeMint
Diaz-Balart, L.
Diaz-Balart, M.
Doolittle
Dreier
Duncan
Dunn
Ehlers
Emerson
English
Everett
Ferguson
Flake
Fletcher
Foley
Forbes
Fossella
Franks (AZ)
Frelinghuysen
Gallegly
Garrett (NJ)
Gerlach
Gibbons
Gilchrest
Gillmor
Gingrey
Goode
Goodlatte
Goss
Granger
Graves
Green (WI)
Greenwood
Gutknecht
Harris
Hart
Hastings (WA)
Hayes
Hayworth
Hefley
Hensarling
Herger
Hobson
Hoekstra
Hostettler
Houghton
Hulshof
Hyde
Isakson
Issa
Istook
Janklow
Jenkins
Johnson (CT)
Johnson (IL)
Johnson, Sam
Jones (NC)
Keller
Kelly
Kennedy (MN)
King (NY)
Kingston
Kirk
Kline
Knollenberg
Kolbe
LaHood
Latham
LaTourette
Leach
Lewis (CA)
Lewis (KY)
Linder
LoBiondo
Lucas (OK)
Manzullo
McCotter
McCrery
McHugh
McInnis
McKeon
Mica
Miller (FL)
Miller (MI)
Moran (KS)
Murphy
Musgrave
Myrick
Nethercutt
Ney
Norwood
Nunes
Nussle
Osborne
Ose
Otter
Oxley
Paul
Pearce
Pence
Peterson (PA)
Petri
Pickering
Pitts
Platts
Pombo
Porter
Portman
Pryce (OH)
Putnam
Quinn
Radanovich

Ramstad
Regula
Rehberg
Renzi
Reynolds
Rogers (AL)
Rogers (KY)
Rogers (MI)
Rohrabacher
Ros-Lehtinen
Royce
Ryan (WI)
Ryun (KS)
Saxton
Sensenbrenner
Sessions
Shadegg
Shaw
Shays
Sherwood
Shimkus
Shuster
Simmons
Simpson
Smith (MI)
Smith (NJ)
Smith (TX)
Souder
Stearns
Sullivan
Sweeney
Tancredo
Tauzin
Taylor (NC)
Terry
Thomas
Thornberry
Tiahrt
Tiberi
Toomey
Turner (OH)
Upton
Vitter
Walden (OR)
Walsh
Wamp
Weldon (FL)
Weldon (PA)
Weller
Whitfield
Wicker
Wilson (NM)
Wilson (SC)
Wolf
Young (AK)
Young (FL)

NOES—203

Abercrombie
Ackerman
Alexander
Allen
Andrews
Baca
Baird
Baldwin
Ballance
Becerra
Bell
Berkley
Berman
Berry
Bishop (GA)
Bishop (NY)
Blumenauer
Boswell
Boucher
Brady (PA)
Brown (OH)
Brown, Corrine
Capps
Capuano
Cardin
Cardoza
Carson (IN)
Carson (OK)
Case
Clay
Clyburn
Conyers
Cooper
Costello
Crowley
Cummings
Davis (AL)
Davis (CA)
Davis (FL)
Davis (IL)
Davis (TN)
DeFazio
DeGette
Delahunt
DeLauro
Deutsch
Dicks
Dingell
Doggett
Dooley (CA)
Doyle
Edwards
Emanuel
Engel
Eshoo
Etheridge
Evans
Farr
Fattah
Filner
Ford
Frank (MA)
Frost
Gonzalez
Gordon
Green (TX)
Grijalva
Gutierrez
Hall
Harman
Hastings (FL)
Hill
Hinchey
Hinojosa
Hoeffel
Holden
Holt
Honda
Hooley (OR)
Hoyer
Inslee
Israel
Jackson (IL)
Jackson-Lee (TX)
Jefferson
John
Johnson, E. B.
Jones (OH)
Kanjorski
Kaptur
Kennedy (RI)
Kildee
Kilpatrick
Kind
Kleczka
Kucinich
Lampson
Langevin
Lantos
Larsen (WA)
Larson (CT)
Lee
Levin
Lewis (GA)
Lipinski
Lofgren
Lowey
Lucas (KY)
Lynch
Majette
Maloney
Markey
Marshall
Matheson
Matsui
McCarthy (MO)
McCarthy (NY)
McCollum
McDermott
McGovern
McIntyre
McNulty
Meehan
Meek (FL)
Meeks (NY)
Menendez
Michaud
Millender-McDonald
Miller (NC)
Miller, George
Mollohan
Moore
Moran (VA)
Murtha
Nadler
Napolitano
Neal (MA)
Oberstar
Obey
Olver
Ortiz
Owens
Pallone
Pascrell
Pastor
Payne
Pelosi
Peterson (MN)
Pomeroy
Price (NC)
Rahall
Rangel
Reyes
Rodriguez
Ross
Rothman
Roybal-Allard
Ruppersberger
Rush
Ryan (OH)
Sabo
Sanchez, Linda T.
Sanchez, Loretta
Sanders
Sandlin
Schakowsky
Schiff
Scott (GA)
Scott (VA)
Serrano
Sherman
Skelton
Slaughter
Smith (WA)
Snyder
Solis
Spratt
Stark
Stenholm
Strickland
Stupak
Tanner
Tauscher
Taylor (MS)
Thompson (CA)
Thompson (MS)
Tierney
Towns
Turner (TX)
Udall (CO)
Udall (NM)
Van Hollen
Velazquez
Visclosky
Waters
Watson
Watt
Waxman
Weiner
Wexler
Woolsey
Wu
Wynn

NOT VOTING—11

Boyd
Cole
Combest
Cramer
Feeney
Gephardt
Hunter
King (IA)
Miller, Gary
Northup
Schrock

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (Mr. SIMPSON) (during the vote). Members are advised there are 2 minutes remaining in this vote.

□ 1121

So the resolution was agreed to.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

Mr. THOMAS. Mr. Speaker, pursuant to House Resolutions 227, I call up the bill (H.R. 2) to amend the Internal Revenue Code of 1986 to provide additional tax incentives to encourage economic growth, and ask for its immediate consideration.

The Clerk read the title of the bill.

The SPEAKER pro tempore. Pursuant to House Resolution 227, the bill is considered read for amendment.

The text of H.R. 2 is as follows:

H.R. 2

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

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

(a) SHORT TITLE.—This Act may be cited as the ''Jobs and Growth Tax Act of 2003''.

(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—ACCELERATION OF CERTAIN PREVIOUSLY ENACTED TAX REDUCTIONS; INCREASED EXPENSING FOR SMALL BUSINESSES

Sec. 101. Acceleration of 10-percent individual income tax rate bracket expansion.
Sec. 102. Acceleration of reduction in individual income tax rates.
Sec. 103. Acceleration of 15-percent individual income tax rate bracket expansion for married taxpayers filing joint returns.
Sec. 104. Acceleration of increase in standard deduction for married taxpayers filing joint returns.
Sec. 105. Acceleration of increase in child tax credit.
Sec. 106. Increased expensing for small business.
Sec. 107. Minimum tax relief to individuals.
Sec. 108. Application of EGTRRA sunset to this title.

TITLE II—DIVIDEND EXCLUSION TO ELIMINATE DOUBLE TAXATION OF CORPORATE EARNINGS

Sec. 201. Dividend exclusion to eliminate double taxation of corporate earnings.
Sec. 202. Rules for application of dividend exclusion and retained earnings basis adjustments.
Sec. 203. Treatment of regulated investment companies and real estate investment trusts.
Sec. 204. Treatment of insurance companies.
Sec. 205. Treatment of S corporations.
Sec. 206. Repeal of accumulated earnings tax and personal holding company tax.
Sec. 207. Effective dates.

TITLE I—ACCELERATION OF CERTAIN PREVIOUSLY ENACTED TAX REDUCTIONS; INCREASED EXPENSING FOR SMALL BUSINESSES

SEC. 101. ACCELERATION OF 10-PERCENT INDIVIDUAL INCOME TAX RATE BRACKET EXPANSION.

(a) IN GENERAL.—Clause (i) of section 1(i)(1)(B) (relating to the initial bracket amount) is amended by striking ''($12,000 in the case of taxable years beginning before January 1, 2008)''.

(b) INFLATION ADJUSTMENT BEGINNING IN 2003.—Section 1(i)(1)(C) (relating to inflation adjustment) is amended to read as follows:

''(C) INFLATION ADJUSTMENT.—In prescribing the tables under subsection (f) which apply with respect to taxable years beginning in calendar years after 2002—

''(i) the cost-of-living adjustment used in making adjustments to the initial bracket amount shall be determined under subsection (f)(3) by substituting '2001' for '1992' in subparagraph (B) thereof, and

''(ii) such adjustment shall not apply to the amount referred to in subparagraph (B)(iii).

If any amount after adjustment under the preceding sentence is not a multiple of $50, such amount shall be rounded to the next lowest multiple of $50.''.

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to taxable years beginning after December 31, 2002.

(2) TABLES FOR 2003.—The Secretary of the Treasury shall modify each table which has been prescribed for taxable years beginning in 2003 and which relates to any amendment made by this section, section 102, or section 103 to reflect each such amendment.

SEC. 102. ACCELERATION OF REDUCTION IN INDIVIDUAL INCOME TAX RATES.

(a) IN GENERAL.—The table in paragraph (2) of section 1(i) (relating to reductions in rates after June 30, 2001) is amended to read as follows:

''In the case of taxable years beginning during calendar year:	The corresponding percentages shall be substituted for the following percentages:			
	28%	31%	36%	39.6%
2001	27.5%	30.5%	35.5%	39.1%
2002	27.0%	30.0%	35.0%	38.6%
2003 and thereafter	25.0%	28.0%	33.0%	35.0%''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2002.

SEC. 103. ACCELERATION OF 15-PERCENT INDIVIDUAL INCOME TAX RATE BRACKET EXPANSION FOR MARRIED TAXPAYERS FILING JOINT RETURNS.

(a) IN GENERAL.—Paragraph (8) of section 1(f) (relating to phaseout of marriage penalty in 15-percent bracket) is amended to read as follows:

''(8) ELIMINATION OF MARRIAGE PENALTY IN 15-PERCENT BRACKET.—With respect to taxable years beginning after December 31, 2002, in prescribing the tables under paragraph (1)—

''(A) the maximum taxable income in the 15 percent rate bracket in the table contained in subsection (a) (and the minimum taxable income in the next higher taxable income bracket in such table) shall be 200 percent of the maximum taxable income in the 15-percent rate bracket in the table contained in subsection (c) (after any other adjustment under this subsection), and

''(B) the comparable taxable income amounts in the table contained in subsection (d) shall be ½ of the amounts determined under subparagraph (A).''.

(b) CONFORMING AMENDMENTS.—

(1) The heading for subsection (f) of section 1 is amended by striking ''PHASEOUT'' and inserting ''ELIMINATION''.

(2) Section 302(c) of the Economic Growth and Tax Relief Reconciliation Act of 2001 is amended by striking ''2004'' and inserting ''2002''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2002.

SEC. 104. ACCELERATION OF INCREASE IN STANDARD DEDUCTION FOR MARRIED TAXPAYERS FILING JOINT RETURNS.

(a) IN GENERAL.—Paragraph (2) of section 63(c) (relating to basic standard deduction) is amended to read as follows:

''(2) BASIC STANDARD DEDUCTION.—For purposes of paragraph (1), the basic standard deduction is—

''(A) 200 percent of the dollar amount in effect under subparagraph (C) for the taxable year in the case of—

''(i) a joint return, or

''(ii) a surviving spouse (as defined in section 2(a)),

''(B) $4,400 in the case of a head of household (as defined in section 2(b)), or

''(C) $3,000 in any other case.''.

(b) CONFORMING AMENDMENTS.—

(1) Section 63(c)(4) is amended by striking ''(2)(D)'' each place it occurs and inserting ''(2)(C)''.

(2) Section 63(c) is amended by striking paragraph (7).

(3) Section 301(d) of the Economic Growth and Tax Relief Reconciliation Act of 2001 is amended by striking ''2004'' and inserting ''2002''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2002.

SEC. 105. ACCELERATION OF INCREASE IN CHILD TAX CREDIT.

(a) IN GENERAL.—Subsection (a) of section 24 (relating to child tax credit) is amended to read as follows:

''(a) ALLOWANCE OF CREDIT.—There shall be allowed as a credit against the tax imposed by this chapter for the taxable year with respect to each qualifying child of the taxpayer an amount equal to $1,000.''.

(b) ADVANCE PAYMENT OF PORTION OF INCREASED CREDIT IN 2003.—

(1) IN GENERAL.—Subchapter B of chapter 65 (relating to abatements, credits, and refunds) is amended by adding at the end the following new section:

''SEC. 6429. ADVANCE PAYMENT OF PORTION OF INCREASED CHILD CREDIT.

''(a) IN GENERAL.—Each eligible taxpayer shall be treated as having made a payment against the tax imposed by chapter 1 for such taxpayer's first taxable year beginning in 2002 in an amount equal to the child tax credit refund amount.

''(b) ELIGIBLE TAXPAYER.—For purposes of this section, the term 'eligible taxpayer' means any taxpayer if—

''(1) such taxpayer was allowed a credit under section 24 for such taxpayer's first taxable year beginning in 2002, and

''(2) at least one qualifying child (as defined in section 24(c)) of the taxpayer for such year meets the age requirement for 2003.

''(c) CHILD TAX CREDIT REFUND AMOUNT.—

''(1) IN GENERAL.—For purposes of this section, the child tax credit refund amount is equal to the excess (if any) of—

''(A) the amount which would have been allowed as a credit under section 24 for the taxpayer's first taxable year beginning in 2002 if—

''(i) the per child amount for such year were $1,000, and

''(ii) only qualifying children (as defined in section 24(c)) of the taxpayer for such year who meet the age requirement for 2003 were taken into account, over

''(B) the amount which would have been allowed as a credit under section 24 for the taxpayer's first taxable year beginning in 2002 if only qualifying children (as defined in section 24(c)) of the taxpayer for such year who meet the age requirement for 2003 were taken into account.

''(2) ADJUSTMENTS.—The amounts described in subparagraphs (A) and (B) of paragraph (1) shall be determined—

''(A) without regard to section 24(d)(1)(B)(ii), and

''(B) as if the credit allowed under section 24(d) were allowed under section 24.

''(d) AGE REQUIREMENT.—A child of a taxpayer meets the age requirement for 2003 if such child meets the requirement of section 24(c)(1)(B) for the taxpayer's first taxable year beginning in 2003.

''(e) TIMING OF PAYMENTS.—In the case of any overpayment attributable to this section, the Secretary shall, subject to the provisions of this title, refund or credit such overpayment as rapidly as possible and, to the extent practicable, before December 31, 2003.

''(f) COORDINATION WITH CHILD TAX CREDIT.—

''(1) IN GENERAL.—The amount of credit which would (but for this paragraph) be allowable under section 24 for the taxpayer's first taxable year beginning in 2003 shall be reduced (but not below zero) by the aggregate refunds and credits made or allowed to the taxpayer under this section. Any failure to so reduce the credit shall be treated as arising out of a mathematical or clerical error and assessed according to section 6213(b)(1).

''(2) JOINT RETURNS.—In the case of a refund or credit made or allowed under this section with respect to a joint return, half of such refund or credit shall be treated as having been made or allowed to each individual filing such return.

''(g) NO INTEREST.—No interest shall be allowed on any overpayment attributable to this section.''.

(2) CLERICAL AMENDMENT.—The table of sections for subchapter B of chapter 65 is amended by adding at the end the following new item:

''Sec. 6429. Advance payment of portion of increased child credit.''.

(c) EFFECTIVE DATES.—

(1) SUBSECTION (a).—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2002.

(2) SUBSECTION (b).—The amendments made by subsection (b) shall take effect on the date of the enactment of this Act.

SEC. 106. INCREASED EXPENSING FOR SMALL BUSINESS.

(a) IN GENERAL.—Paragraph (1) of section 179(b) (relating to dollar limitation) is amended to read as follows:

''(1) DOLLAR LIMITATION.—The aggregate cost which may be taken into account under subsection (a) for any taxable year shall not exceed $75,000.''.

(b) INCREASE IN QUALIFYING INVESTMENT AT WHICH PHASEOUT BEGINS.—Paragraph (2) of section 179(b) (relating to reduction in limitation) is amended by striking ''$200,000'' and inserting ''$325,000''.

(c) OFF-THE-SHELF COMPUTER SOFTWARE.—Paragraph (1) of section 179(d) (defining section 179 property) is amended to read as follows:

''(1) SECTION 179 PROPERTY.—For purposes of this section, the term 'section 179 property' means property—

''(A) which is—

''(i) tangible property (to which section 168 applies), or

''(ii) computer software (as defined in section 197(e)(3)(B)) which is described in section 197(e)(3)(A)(i) and to which section 167 applies,

''(B) which is section 1245 property (as defined in section 1245(a)(3)), and

''(C) which is acquired by purchase for use in the active conduct of a trade or business. Such term shall not include any property described in section 50(b) and shall not include air conditioning or heating units.''.

(d) ADJUSTMENT OF DOLLAR LIMIT AND PHASEOUT THRESHOLD FOR INFLATION.—Subsection (b) of section 179 (relating to limitations) is amended by adding at the end the following new paragraph:

''(5) INFLATION ADJUSTMENTS.—

''(A) IN GENERAL.—In the case of any taxable year beginning in a calendar year after 2003, the dollar amounts in paragraphs (1) and (2) shall each be increased by an amount equal to—

''(i) such dollar amount, multiplied by

''(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, by substituting 'calendar year 2002' for 'calendar year 1992' in subparagraph (B) thereof.

''(B) ROUNDING.—

''(i) DOLLAR LIMITATION.—If the amount in paragraph (1) as increased under subparagraph (A) is not a multiple of $1,000, such amount shall be rounded to the nearest multiple of $1,000.

''(ii) PHASEOUT AMOUNT.—If the amount in paragraph (2) as increased under subparagraph (A) is not a multiple of $10,000, such amount shall be rounded to the nearest multiple of $10,000.''.

(e) REVOCATION OF ELECTION.—Paragraph (2) of section 179(c) (relating to election irrevocable) is amended to read as follows:

''(2) REVOCATION OF ELECTION.—The taxpayer may revoke an election under paragraph (1), and any specification contained in any such election, with respect to any property. Such revocation, once made, shall be irrevocable.''.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2002.

SEC. 107. MINIMUM TAX RELIEF TO INDIVIDUALS.

(a) IN GENERAL.—So much of paragraph (1) of section 55(d) (relating to exemption amount for taxpayers other than corporations) as precedes subparagraph (C) thereof is amended to read as follows:

''(1) EXEMPTION AMOUNT FOR TAXPAYERS OTHER THAN CORPORATIONS.—In the case of a taxpayer other than a corporation, the term 'exemption amount' means as follows:

''(A) JOINT RETURN AND SURVIVING SPOUSE.—In the case of a joint return or a surviving spouse, the amount under the following table:

''In the case of taxable years beginning:	**The exemption amount is:**
Before 2001	$45,000
In 2001 and 2002	$49,000
In 2003, 2004, and 2005	$57,000
After 2005	$45,000.

''(B) INDIVIDUAL NOT MARRIED AND NOT A SURVIVING SPOUSE.—In the case of an individual who is not a married individual and is not a surviving spouse, the amount under the following table:

''In the case of taxable years beginning:	**The exemption amount is:**
Before 2001	$33,750
In 2001 and 2002	$35,750
In 2003, 2004, and 2005	$39,750
After 2005	$33,750.''.

(b) CONFORMING AMENDMENTS.—

(1) Section 55(d)(1)(C) is amended—

(A) by striking '', and'' and inserting a period, and

(B) by striking ''50 percent'' and inserting ''MARRIED INDIVIDUAL FILING A SEPARATE RETURN.—50 percent''.

(2) Section 55(d)(1)(D) is amended by striking ''$22,500'' and inserting ''ESTATE AND TRUST.—$22,500''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2002.

SEC. 108. APPLICATION OF EGTRRA SUNSET TO THIS TITLE.

Each amendment made by this title (other than section 106) shall be subject to title IX of the Economic Growth and Tax Relief Reconciliation Act of 2001 to the same extent and in the same manner as the provision of such Act to which such amendment relates.

TITLE II—DIVIDEND EXCLUSION TO ELIMINATE DOUBLE TAXATION OF CORPORATE EARNINGS

SEC. 201. DIVIDEND EXCLUSION TO ELIMINATE DOUBLE TAXATION OF CORPORATE EARNINGS.

(a) IN GENERAL.—Part III of subchapter B of chapter 1 is amended by inserting after section 115 the following new section:

''SEC. 116. DIVIDEND EXCLUSION TO ELIMINATE DOUBLE TAXATION OF CORPORATE EARNINGS.

''(a) EXCLUSION.—Gross income does not include the excludable portion (as defined in section 281) of any amount received as a dividend.

''(b) COMPARABLE TREATMENT FOR RETAINED EARNINGS.—If the excludable dividend amount (as defined in section 281) of any corporation for any calendar year exceeds the dividends paid by the corporation in such calendar year, the basis of stock in the corporation shall be increased in the manner and to the extent provided in section 282.

''(c) REPORTING TO SHAREHOLDERS.—For reporting to shareholders, see section 6042.''

(b) CLERICAL AMENDMENT.—The table of sections for such part III is amended by inserting after the item relating to section 115 the following new item:

''Sec. 116. Dividend exclusion to eliminate double taxation of corporate earnings.''

SEC. 202. RULES FOR APPLICATION OF DIVIDEND EXCLUSION AND RETAINED EARNINGS BASIS ADJUSTMENTS.

(a) IN GENERAL.—Subchapter B of chapter 1 (as amended by subsection (d)) is amended by inserting after part IX the following new part:

''PART X—RULES FOR APPLICATION OF DIVIDEND EXCLUSION AND RETAINED EARNINGS BASIS ADJUSTMENTS.

''Sec. 281. Excludable portion of dividends.
''Sec. 282. Retained earnings basis adjustments.
''Sec. 283. Treatment of distributions after previous retained earnings basis adjustments.
''Sec. 284. Special rules for credits and refunds.
''Sec. 285. Special rules for foreign corporations and shareholders.
''Sec. 286. Other special rules.
''Sec. 287. Regulations.

''SEC. 281. EXCLUDABLE PORTION OF DIVIDENDS.

''(a) EXCLUDABLE PORTION.—For purposes of section 116, the term 'excludable portion' means, with respect to any dividend paid by a corporation in a calendar year, an amount which bears the same ratio to such dividend as the excludable dividend amount of such corporation for the calendar year bears to the total amount of dividends paid by such corporation in such calendar year.

''(b) EXCLUDABLE DIVIDEND AMOUNT.—For purposes of this part and section 116—

''(1) IN GENERAL.—The term 'excludable dividend amount' means, with respect to any corporation for any calendar year, the excess of—

''(A) the sum of—

''(i) the fully taxed earnings amount for the preceding calendar year,

''(ii) the aggregate amount of dividends received by the corporation during such preceding year which are excluded from gross income under section 116(a), and

''(iii) the aggregate amount of increases during such preceding year under section 116(b) in the basis of stock held by the corporation, over

''(B) the amount of applicable income tax taken into account under subparagraph (A)(i).

''(2) CARRYOVER OF EXCESS OF EXCLUDABLE DIVIDEND AMOUNT OVER EARNINGS AND PROFITS.—The excludable dividend amount of a corporation for any calendar year shall be increased by the excess of—

''(A) the excludable dividend amount of such corporation for the preceding calendar year, over

''(B) the maximum amount which could have been paid by the corporation as dividends during such preceding calendar year.

''(c) FULLY TAXED EARNINGS AMOUNT.—

''(1) IN GENERAL.—The fully taxed earnings amount for any calendar year is the amount of the applicable income tax shown on applicable returns for such year divided by the highest rate of tax specified in section 11.

''(2) INCREASE FOR PRIOR YEAR ASSESSMENTS.—The fully taxed earnings amount for any calendar year shall be increased by the amount of any applicable income tax (not previously taken into account under paragraph (1)) which is assessed during such year divided by the highest rate of tax specified in section 11.

''(3) LIMITATION TO AMOUNT PAID.—If an amount described in paragraph (1) or (2) is paid after the close of the calendar year in which such amount would (but for this paragraph) be taken into account, such amount shall be taken into account for the calendar year in which paid.

''(4) HIGHEST RATE OF TAX.—For purposes of this subsection, the highest rate of tax specified in section 11 with respect to any applicable income tax shall be such highest rate for the taxable year for which (or by reference to which) such tax is determined.

''(d) DEFINITIONS.—For purposes of this part—

''(1) APPLICABLE INCOME TAX.—

''(A) IN GENERAL.—The term 'applicable income tax' means the excess (if any) of—

''(i) the sum of the taxes imposed by sections 11, 55, 511, 801, 831, 882, 1201, 1291 (without regard to section 1291(c)(1)(B)), and 1374, over

''(ii) the sum of the credits under part IV of subchapter A (other than subpart C and section 27(a)).

''(B) TRANSITIONAL RULES.—

''(i) IN GENERAL.—Such term shall not include any tax imposed for any taxable year ending before April 1, 2001.

''(ii) TREATMENT OF MINIMUM TAX CREDIT.—The applicable income tax shall not be reduced by the credit under section 53 attributable (determined as if such credit were used on a first-in first-out basis) to taxable years ending before April 1, 2001.

''(iii) SECTION 1374.—The reference to section 1374 in subparagraph (A)(i) shall not apply to taxable years beginning before January 1, 2003.

''(iv) OTHER TAXES INCLUDED.—The taxes imposed by sections 531 and 541 (as in effect before their repeal) shall be taken into account under subparagraph (A)(i) for taxable years ending after March 30, 2001, and beginning before January 1, 2003.

''(2) APPLICABLE RETURN.—

''(A) IN GENERAL.—The term 'applicable return' means, with respect to a calendar year, any return of applicable income tax for a taxable year if the 15th day of the 8th month following the close of such taxable year occurs during such calendar year.

''(B) FILING REQUIREMENT.—If a return is filed after the close of the calendar year with respect to which such return would (but for this subparagraph) be treated as an applicable return under subparagraph (A), such return shall be treated as an applicable return for the calendar year in which filed.

''SEC. 282. RETAINED EARNINGS BASIS ADJUSTMENTS.

''(a) IN GENERAL.—If any portion of the excess described in section 116(b) is allocated to a share of stock in a corporation under subsection (b), the basis of such share shall be increased by the amount so allocated.

''(b) ALLOCATION OF EXCESS.—

''(1) IN GENERAL.—A corporation may allocate the excess described in section 116(b) for any calendar year to shares of stock in the corporation at 1 or more times during the calendar year to the extent that cash in the amount of such excess, if distributed at the time of such allocation, would be a dividend.

''(2) MANNER.—Except as provided in regulations prescribed by the Secretary, any amount allocated under paragraph (1) shall be allocated in the same manner as if cash in such amount were actually distributed as dividends. No allocation shall be effective before the date on which it is made by the corporation.

''(3) EXCEPTION FOR CERTAIN PREFERRED STOCK.—No amount may be allocated under this subsection to stock described in section 1504(a)(4) (determined without regard to subparagraph (A) thereof).

''(c) EFFECT ON EARNINGS AND PROFITS.—Earnings and profits of a corporation making an allocation under subsection (b), and of a corporation receiving such an allocation, shall be adjusted in the same manner as if the allocation were treated as a dividend.

''(d) AUTHORITY TO ALLOW CARRYOVER OF UNALLOCATED EXCESS EXCLUDABLE DIVIDEND AMOUNT.—Notwithstanding section 281, the Secretary may by regulation allow a corporation to increase the excludable dividend amount for any calendar year by the amount of the excess described in section 116(b) for

the preceding calendar year which is not allocated under subsection (b).

"SEC. 283. TREATMENT OF DISTRIBUTIONS AFTER PREVIOUS RETAINED EARNINGS BASIS ADJUSTMENTS.

''(a) TREATMENT OF DISTRIBUTIONS.—

''(1) IN GENERAL.—If a corporation makes distributions described in section 301(a) with respect to any class of stock in any calendar year which are not excludable under section 116(a), such distributions shall not be treated as dividends (and paragraphs (2) and (3) of section 301(c) shall apply to such distributions) to the extent such distributions do not exceed the corporation's cumulative retained earnings basis adjustment amount for such class as of the beginning of such year. If such distributions exceed such amount, this paragraph shall be applied to a proportionate share of each such distribution.

''(2) SPECIAL RULES FOR RECHARACTERIZED DIVIDENDS.—If any dividend (determined without regard to this subsection) during any calendar year with respect to any class of stock in a corporation is treated as a distribution other than a dividend under paragraph (1), such treatment shall be disregarded for purposes of—

''(A) determining the excludable portion under section 281 of dividends paid by the corporation during the calendar year, and

''(B) determining whether any distribution during the calendar year with respect to stock in the corporation is treated as a dividend.

''(b) CUMULATIVE RETAINED EARNINGS BASIS ADJUSTMENT AMOUNT.—For purposes of this section, the term 'cumulative retained earnings basis adjustment amount' means, with respect to any class of stock for any calendar year, the excess (if any) of—

''(1) the aggregate of the excess described in section 116(b) allocated to shares of such class of stock under section 282 for all preceding calendar years, over

''(2) the aggregate amount of distributions to which subsection (a)(1) applies with respect to such class of stock for all preceding calendar years.

"SEC. 284. SPECIAL RULES FOR CREDITS AND REFUNDS.

''(a) IN GENERAL.—No overpayment of an applicable income tax may be allowed as a credit or refund to the extent that the overpayment exceeds the sum of—

''(1) the aggregate applicable income taxes for the calendar year in which the credit or refund would otherwise be allowed or made, and

''(2) an amount equal to the lesser of—

''(A) the product of the corporation's excludable dividend amount for such calendar year and the fraction the numerator of which is the highest rate of tax specified in section 11 (within the meaning of section 281(c)(4)) and the denominator of which is 1 minus such highest rate, or

''(B) the amount specified by the corporation for purposes of this paragraph.

''(b) ADJUSTMENTS TO EXCLUDABLE DIVIDEND AMOUNTS RESULTING FROM CREDITS AND REFUNDS.—If subsection (a) applies to any credit or refund which is allowed or made in a calendar year—

''(1) the applicable income taxes described in subsection (a)(1) otherwise taken into account under section 281 for determining the excludable dividend amount for the succeeding calendar year shall be reduced (but not below zero) by the amount of the credit or refund, and

''(2) the excludable dividend amount for the calendar year shall be reduced by the excess of—

''(A) the amount determined under subsection (a)(2) divided by the highest rate of tax specified in section 11, over

''(B) the amount determined under subsection (a)(2).

''(c) DISALLOWED OVERPAYMENT NOT LOST.—Nothing in subsection (a) shall be construed to reduce the amount of any overpayment for which credit or refund is not allowed by reason of subsection (a), and such overpayment shall continue to be taken into account in applying subsection (a) for succeeding calendar years until a credit or refund is allowed or made.

''(d) EXCEPTION FOR FOREIGN TAX CREDIT.—This section shall not apply to any overpayment to the extent that such overpayment is attributable to the credit allowed under section 27(a).

''(e) DENIAL OF INTEREST.—No interest shall be allowed on any overpayment during the period that credit or refund of such overpayment is not allowed by reason of this section.

"SEC. 285. SPECIAL RULES FOR FOREIGN CORPORATIONS AND SHAREHOLDERS.

''(a) COMPUTATION OF EXCLUDABLE DIVIDEND AMOUNTS OF FOREIGN CORPORATIONS.—

''(1) REDUCTION IN EXCLUDABLE DIVIDEND AMOUNT FOR CERTAIN TAXES.—The reduction under section 281(b)(1)(B) (without regard to this subparagraph) shall be increased by the sum of—

''(A) the taxes imposed by section 884 (relating to branch profits tax), and

''(B) so much of the taxes imposed by section 881 as are attributable to dividends which would (but for subsection (b)) be excludable under section 116 or are attributable to distributions which are described in section 283(a).

''(2) TREATMENT OF DISALLOWED EXCLUSIONS AND ADJUSTMENTS.—Notwithstanding subsection (b)—

''(A) the excludable dividend amount of a foreign corporation for a calendar year shall be increased by—

''(i) the dividends received by the corporation which (but for subsection (b)) would be excludable under section 116(a), and

''(ii) the distributions received by such corporation during such year which are described in section 283(a), and

''(B) the earnings and profits of a foreign corporation—

''(i) shall be increased by the amount described in subparagraph (A)(ii), and

''(ii) shall not be increased by any excess described in section 116(b) allocated to such corporation for which an increase in basis is not allowed by reason of subsection (b)(2).

''(b) TAXATION OF FOREIGN SHAREHOLDERS.—In the case of a shareholder who is a nonresident alien individual or a foreign corporation—

''(1) no dividends shall be excludable under section 116(a),

''(2) there shall be no increase in basis for any excess described in section 116(b) allocated to such individual or corporation under section 282, and

''(3) any distribution described in section 283 shall be treated as a dividend for purposes of sections 871 and 881 and chapter 3.

''(c) RULES RELATING TO FOREIGN TAX CREDIT.—

''(1) IN GENERAL.—No credit shall be allowed under section 901 for any taxes paid or accrued (or deemed paid under section 902 or 960) with respect to any dividend excludable under section 116 and any distribution described in section 283(a).

''(2) EXCLUDABLE DIVIDEND AMOUNT.—The excludable dividend amount of a corporation for any calendar year shall be determined without regard to a reduction in the credit allowed by section 27(a) on an applicable return for a prior calendar year.

"SEC. 286. OTHER SPECIAL RULES.

''(a) REDEMPTIONS.—If a corporation makes a distribution to a shareholder during any calendar year with respect to its stock and section 301 does not apply to such distribution, the excludable dividend amount for the calendar year, and the cumulative retained earnings basis adjustment amount as of the beginning of the calendar year in which the distribution is made, shall be reduced by the ratable share of such amounts attributable to the stock so redeemed.

''(b) COORDINATION WITH SECTION 246(C).—

''(1) HOLDING PERIOD REQUIREMENTS.—If a shareholder disposes of any share of stock before the holding period requirements of section 246(c) are met—

''(A) the basis of such share shall be reduced by the amount of dividends received with respect to such share which are excludable under section 116(a), and

''(B) there shall be no increase in basis for any excess described in section 116(b) allocated to the shareholder of such stock under section 282.

''(2) RELATED PAYMENTS.—No deduction shall be allowed under this chapter for any related payments described in section 246(c)(1)(B) with respect to any dividend excludable under section 116(a) or basis increase under section 116(b) with respect to any share of stock to the extent that such payments do not exceed the amount of such dividend or basis increase.

''(3) TREATMENT OF DISALLOWED EXCLUSIONS AND ADJUSTMENTS.—The excludable dividend amount of any corporation for a calendar year, and its earnings and profits, shall not be increased by—

''(A) the dividends received by the corporation which are excludable under section 116(a) and which resulted in a basis reduction under paragraph (1)(A), and

''(B) the aggregate increases in basis which (but for paragraph (1)(B)) would be made in stock held by the corporation.

''(c) TREATMENT OF REGULATED INVESTMENT COMPANIES AND REAL ESTATE INVESTMENT TRUSTS.—

''(1) IN GENERAL.—Except as provided in regulations, the excludable dividend amount of a regulated investment company or real estate investment trust shall be zero.

''(2) CROSS REFERENCE.—

"For special rules relating to application of this part to regulated investment companies and real estate investment trusts, see section 852(g).

''(d) EXCLUSION AND BASIS ALLOCATION REDUCED WHERE PORTFOLIO STOCK HELD BY CORPORATION IS DEBT-FINANCED.—

''(1) TREATMENT OF EXCLUDABLE DIVIDEND.—In the case of any debt-financed portfolio stock (within the meaning of section 246A), the amount excluded under section 116(a) with respect to any dividend received with respect to such stock shall be an amount equal to the product of—

''(A) the amount which would be excluded under section 116(a) without regard to this paragraph, and

''(B) 100 percent minus the average indebtedness percentage (within the meaning of section 246A(d)).

''(2) TREATMENT OF BASIS INCREASE.—In the case of any debt-financed portfolio stock (within the meaning of section 246A) with respect to which there is an increase in basis under section 116(b) during any taxable year, the gross income of the taxpayer shall be increased by an amount equal to the product of—

''(A) the amount of the increase under section 116(b), and

''(B) the average indebtedness percentage (within the meaning of section 246A(d)).

''(3) LIMITATION.—The aggregate amount of reductions under paragraph (1) and increases in gross income under paragraph (2) with respect to any debt-financed portfolio stock

shall not exceed the amount of interest deduction (including any deductible short sale expense) allocable to such stock.

''(4) TREATMENT OF INCREASE IN GROSS INCOME.—The excludable dividend amount of a corporation for a calendar year shall not be increased by reason of any increase in gross income under paragraph (2).

''(5) EXCEPTION.—This subsection shall not apply to any dividend described in paragraph (1) or (2) of section 246A(b).

''(e) COOPERATIVES.—In the case of a cooperative to which subchapter T applies—

''(1) the excludable dividend amount of such cooperative shall be allocated for purposes of section 116 and this part between shares of such cooperative held by patrons and shares held by other persons in such manner as the Secretary shall prescribe by regulations, and

''(2) no deduction shall be allowed to the cooperative under this chapter for any dividend paid to a patron which is excludable under section 116(a) or for any distribution described in section 283(a) which reduced the basis of stock held by the cooperative under section 301(c)(2).

''(f) ESOP STOCK.—Any dividend allowed as a deduction under section 404(k) shall not be treated as a dividend for purposes of section 116 and this part, and any stock with respect to which such a dividend may be paid shall not be taken into account in making any allocation under 282 or any distribution described in section 283(a).

''SEC. 287. REGULATIONS.

''The Secretary shall prescribe such regulations as may be appropriate to carry out section 116 and this part, including regulations—

''(1) providing for the treatment of options and convertible debt as stock, including modification of the attribution rules under section 318(a)(4),

''(2) providing for the allocation of the excludable dividend amount and the cumulative retained earnings basis adjustment amount in the case of transactions described in section 312(h),

''(3) waiving the application of section 246(c)(4) for purposes of sections 286(b) and 1059(g),

''(4) modifying the consolidated return regulations to the extent necessary or appropriate to apply the provisions of this part, including regulations that accelerate the inclusion in the excludable dividend amount of a higher-tier member with respect to—

''(A) activities of lower-tier members of the group,

''(B) dividends excludable under section 116(a) received from such lower-tier members, and

''(C) increases in basis allocated under section 282 to stock in such lower-tier members,

''(5) providing for the application of section 116 and this part in the case of pass-thru entities, including appropriate adjustments to basis, and

''(6) as are necessary to further the purposes of section 116 and this part and to prevent the circumvention of such purposes.

Any regulations under paragraph (4) may be effective as of the effective date of this part.''

(b) REPORTING OF EXCLUDABLE DIVIDENDS AND RETAINED EARNINGS BASIS ADJUSTMENTS.—

(1) IN GENERAL.—Section 6042(a) (relating to returns regarding payments of dividends and corporate earnings and profits) is amended to read as follows:

''(a) REQUIREMENT OF REPORTING.—

''(1) IN GENERAL.—Every person—

''(A) who makes payments of dividends aggregating $10 or more to any other person during any calendar year,

''(B) who allocates under section 282 increases in basis of stock in a corporation aggregating $10 or more to any other person during any calendar year,

''(C) who makes distributions described in section 283(a) aggregating $10 or more to any other person during any calendar year, or

''(D) who receives such payments of dividends, allocations of increases in basis, or distributions as a nominee and who makes payments or allocates increases aggregating $10 or more during any calendar year to any other person with respect to the dividends, allocations, or distributions received,

shall make a return at the time and in the manner prescribed by the Secretary, setting forth the information described in paragraph (3).

''(2) RETURNS REQUIRED BY SECRETARY.—Every person who makes payments of dividends, allocations under section 282, or distributions described in section 283(a) to which paragraph (1) does not apply shall, when required by the Secretary, make a return setting forth the information described in paragraph (3).

''(3) INFORMATION REPORTED.—Information described in this paragraph includes—

''(A) the aggregate amount of dividends, including the portion of such amount excludable from gross income under section 116(a),

''(B) the amount of each allocation of basis under section 282 with respect to each share of stock and the date of such increase,

''(C) the amount of each distribution described in section 283(a), including the portion of such amount to which paragraph (2) or (3) of section 301(c) applies and the date of such distribution, and

''(D) such other information as the Secretary may require.

In the case of a nominee described in paragraph (1)(D), this paragraph shall apply with respect to the payments and allocations made by the nominee.''

(2) APPLICATION TO FOREIGN PERSONS.—Section 6042 is amended by adding at the end the following new subsection:

''(e) APPLICATION TO FOREIGN PERSONS.—The Secretary may provide for the application of this section to payments, allocations, and distributions made by or to a foreign person to the extent necessary to carry out the provisions of section 116 and part X of subchapter B of chapter 1.''

(3) CONFORMING AMENDMENTS.—

(A) Section 6042(b)(3) is amended by striking ''or (B)'' and inserting ''or (D)''.

(B) Section 6042(c)(2) is amended to read as follows:

''(2) the information described in subsection (a)(3) required to be shown on the return.''

(c) AMENDMENTS TO OTHER SECTIONS.—

(1) MINIMUM TAX.—Clause (i) of section 56(g)(4)(B) is amended by striking ''or under section 114'' and inserting '', section 114, or section 116''.

(2) COORDINATION WITH DIVIDEND RECEIVED DEDUCTIONS.—

(A) Section 246 is amended by adding at the end the following new subsection:

''(f) COORDINATION WITH DIVIDEND EXCLUSION.—No deduction shall be allowed under section 243, 244, or 245 with respect to the amount of any dividend excluded from gross income under section 116 or would be so excluded but for sections 285(b)(1) and 286(d).''

(B) Section 243 is amended by adding at the end the following new subsection:

''(f) TERMINATION.—Paragraph (1) of subsection (a) shall not apply to any dividend—

''(1) paid from earnings and profits accumulated in taxable years ending after April 1, 2001,

''(2) made with respect to stock issued after February 2, 2003, or

''(3) received by a corporation after December 31, 2005.''

(3) CARRYOVERS IN CERTAIN CORPORATION ACQUISITIONS.—Section 381(c) is amended by adding at the end the following new paragraph:

''(27) EDA AND CREBAA.—The acquiring corporation shall take into account (to the extent proper to carry out the purposes of this section, section 116, and part X of subchapter B, and under such regulation as may be prescribed by the Secretary) the excludable dividend amount and the cumulative retained earnings basis adjustment amount in respect of the distributor or transferor.''

(4) TRUSTS AND ESTATES.—Subsection (a) of section 643 is amended—

(A) by redesignating paragraph (7) as paragraph (8) and by inserting after paragraph (6) the following new paragraph:

''(7) DIVIDENDS, ETC.—There shall be included the amount of any dividends excluded from gross income under section 116 and the amount of any distribution described in section 283.'', and

(B) by striking ''and (6)'' in the last sentence and inserting '', (6), and (7)''.

(5) PARTNERSHIPS.—

(A) Paragraph (5) of section 702(a) is amended to read as follows:

''(5) dividends with respect to which there is an exclusion under section 116 or a deduction under part VIII of subchapter B,''.

(B) Section 705(a)(1) is amended by striking ''and'' at the end of subparagraph (B), by striking the semicolon at the end of subparagraph (C) and inserting '', and'', and by adding at the end the following new subparagraph:

''(D) increases in basis under section 116(b) allocated to the partnership;''.

(6) EXTRAORDINARY DIVIDENDS.—

(A) IN GENERAL.—Section 1059 is amended by redesignating subsection (g) as subsection (h) and by inserting after subsection (f) the following new subsection:

''(g) TREATMENT OF EXCLUDABLE DIVIDENDS AND RETAINED EARNINGS BASIS ADJUSTMENTS AS EXTRAORDINARY DIVIDENDS.—

''(1) IN GENERAL.—For purposes of this section, any dividend excludable under section 116(a) or increase in basis under section 116(b) shall be treated as an extraordinary dividend, except that this section shall be applied by substituting '1 year (or such other period as the Secretary may prescribe)' for '2 years' each place it appears.

''(2) TREATMENT OF DEEMED EXTRAORDINARY DIVIDENDS.—The excludable dividend amount of any corporation for a calendar year, and its earnings and profits, shall not be increased by—

''(A) the dividends received by the corporation which are treated as extraordinary dividends by reason of paragraph (1), and

''(B) the aggregate increases in basis under section 116(b) which are so treated.

''(3) REGULATIONS.—The Secretary may by regulation provide for exceptions to the application of paragraph (1).''

(B) Paragraph (3) of section 1059(d) is amended by inserting ''section 1223(11) shall not apply and'' after ''subsection (a),''.

(C)(i) Section 1059 is amended by striking ''corporation'' each place it appears in subsection (a) and inserting ''taxpayer''.

(ii) The section heading for section 1059 is amended by striking ''corporate'' and by inserting ''and excludable'' before ''dividends''.

(iii) The item relating to section 1059 in the table of sections for part IV of subchapter O of chapter 1 is amended by striking ''corporate'' and by inserting ''and excludable'' before ''dividends''.

(7) PRIVATE FOUNDATIONS.—Section 4940(c) is amended by adding at the end the following new paragraph:

''(6) COORDINATION WITH DIVIDEND EXCLUSION.—For purposes of this section, gross investment income shall not include—

''(A) a dividend to the extent excluded from gross income under section 116(a), and

''(B) a distribution described in section 283.''

(d) CONFORMING AMENDMENTS.—

(1)(A) Part X of subchapter B of chapter 1, as in effect on the day before the date of the enactment of this Act, is hereby moved after part XI of such subchapter B and redesignated as part XII.

(B) Section 281, as so in effect, is redesignated as section 296.

(C) The table of sections for such part XII, as so designated, is amended by striking ''Sec. 281'' and inserting ''Sec. 296.''

(D) The table of parts for subchapter B of chapter 1 is amended by striking the items relating to parts X and XI and inserting the following new items:

''Part X. Rules for application of dividend exclusion and retained earnings basis adjustments.

''Part XI. Special rules relating to corporate preference items.

''Part XII. Terminal railroad corporations and their shareholders.''

(2) Subsection (f) of section 301 is amended by adding at the end the following new paragraph:

''(4) For exclusion from gross income of certain dividends, see section 116.''

SEC. 203. TREATMENT OF REGULATED INVESTMENT COMPANIES AND REAL ESTATE INVESTMENT TRUSTS.

(a) IN GENERAL.—Section 852 is amended by adding at the end the following new subsection:

''(g) SPECIAL RULES RELATING TO SECTION 116 AND PART X OF SUBCHAPTER B.—

''(1) EXCLUDABLE PORTION.—

''(A) IN GENERAL.—For purposes of section 116(a), the excludable portion of any dividend paid by any qualified investment entity shall be the amount so designated by such entity in a written notice mailed to its shareholders not later than 60 days after the close of its taxable year in which such dividend is paid.

''(B) LIMITATION.—If the aggregate amount so designated with respect to a taxable year (including dividends paid after the close of the taxable year as described in section 855) exceeds the aggregate amount of dividends received by such entity during such year which are excludable from gross income under section 116(a), then the amount of a dividend otherwise excludable by reason of a designation under subparagraph (A) shall be reduced by an amount which bears the same ratio to the amount otherwise excludable as such excess bears to the total amount designated under subparagraph (A).

''(C) TREATMENT OF CAPITAL GAIN AND EXEMPT-INTEREST DIVIDENDS.—Any amount designated under subparagraph (A) as excludable under section 116 may not be treated as a capital gain dividend or an exempt-interest dividend.

''(D) COORDINATION WITH SECTION 853.—The election under section 853 shall not apply to dividends excludable under section 116 and distributions described in section 283(a) received by a qualified investment entity.

''(2) RETAINED EARNINGS BASIS ADJUSTMENTS.—

''(A) IN GENERAL.—A qualified investment entity may allocate any increase in basis allocated to the entity under section 282 to shares of stock in the entity at 1 or more times during the taxable year in the manner and the time prescribed in paragraphs (2) and (3) of section 282(b).

''(B) DESIGNATION.—For purposes of section 116(b), the increase in basis allocated to any share of stock in the entity shall be the amount so designated by such entity in a written notice mailed to its shareholders not later than 60 days after the close of its taxable year in which such allocation is made.

''(C) LIMITATION.—Rules similar to the rules of paragraph (1)(B) shall apply to amounts allocated under this paragraph.

''(D) SHAREHOLDER TREATMENT OF AMOUNTS DESIGNATED.—Shareholders of such entity who receive an allocation under this paragraph from such entity shall take into account such allocation as if it were an allocation under section 282.

''(E) EARNINGS AND PROFITS.—Earnings and profits of the entity making such an allocation shall be adjusted in the same manner as provided in section 282(c).

''(3) CERTAIN DISTRIBUTIONS AFTER PREVIOUS RETAINED EARNINGS BASIS ADJUSTMENTS.—

''(A) IN GENERAL.—If any qualified investment entity receives during any taxable year distributions described in section 283(a) which reduced the basis of stock held by such entity under section 301(c)(2), the entity may designate any distributions described in section 301(a) made by such entity in such taxable year which are not excludable under section 116(a) (after the application of paragraph (1)) as distributions described in section 283(a). Such designations shall be made in a written notice mailed to its shareholders not later than 60 days after the close of its taxable year in which such distribution is made.

''(B) LIMITATION.—If the aggregate amount so designated with respect to a taxable year (including distributions paid after the close of the taxable year as provided in section 855(e)) exceeds the aggregate distributions described in section 283(a) which reduced the basis of stock held by such entity under section 301(c)(2) for such taxable year, then the amount of a distribution otherwise treated as a distribution described in section 283(a) by reason of a designation under subparagraph (A) shall be reduced by an amount which bears the same ratio to the amount otherwise so treated as such excess bears to the total amount designated under subparagraph (A).

''(C) SHAREHOLDER TREATMENT OF AMOUNTS DESIGNATED.—Shareholders of such entity who receive a distribution from such entity which is designated under this paragraph shall treat such distribution as a distribution described in section 283(a).

''(D) TREATMENT OF CAPITAL GAIN AND EXEMPT-INTEREST DIVIDENDS.—Any distribution designated under subparagraph (A) may not be treated as a capital gain dividend or an exempt-interest dividend.

''(E) ADJUSTMENTS.—No adjustment shall be made in the earnings and profits of a qualified investment entity with respect to a distribution by such entity which is designated under subparagraph (A).

''(4) COORDINATION WITH DIVIDENDS PAID DEDUCTION.—No allocation or distribution designated under paragraph (2) or (3) shall be treated as a dividend for purposes of section 561.

''(5) DEFINITIONS.—For purposes of this subsection—

''(A) QUALIFIED INVESTMENT ENTITY.—The term 'qualified investment entity' means—

''(i) a regulated investment company, and

''(ii) a real estate investment trust.

''(B) EXEMPT-INTEREST DIVIDEND.—The term 'exempt-interest dividend' has the meaning given to such term by subsection (b)(5).''

(b) OTHER RULES RELATING TO REGULATED INVESTMENT COMPANIES.—

(1) DISTRIBUTION REQUIREMENTS.—

(A) Clause (i) of section 852(a)(1)(B) is amended by inserting ''and its dividend income excludable under section 116(a),'' before ''over''.

(B) Section 852(a) is amended by striking ''and'' at the end of paragraph (1), by redesignating paragraph (2) as paragraph (3), and by inserting after paragraph (1) the following new paragraph:

''(2) 90 percent of the distributions described in section 283(a)—

''(A) which are received by such company during the taxable year, and

''(B) which reduce under section 301(c)(2) the basis of stock held by such company,

are distributed during such year under subsection (g)(3)(A), and''.

(C) Section 855 is amended by adding at the end the following new subsection:

''(e) DISTRIBUTION OF PREVIOUSLY RETAINED EARNINGS BASIS ADJUSTMENTS.—Rules similar to the rules of the preceding provisions of this section shall apply to distributions described in section 852(g)(3)(A).''

(2) TAXATION OF ENTITY AND SHAREHOLDERS.—

(A) The material following paragraph (3) of section 851(b) is amended—

(i) by inserting '', dividends excludable from gross income under section 116(a), and distributions described in section 283(a) which reduce the basis of stock under section 301(c)(2)'' after ''103(a)'' in the third sentence, and

(ii) by adding at the end the following new sentence: ''For purposes of paragraph (2), distributions described in section 283(a) which reduce the basis of stock under section 301(c)(2) shall be treated as dividends.''

(B) Section 852(b)(2)(D) is amended by striking ''and exempt-interest dividends'' and inserting '', exempt-interest dividends, and any dividends excludable under section 116(a)''.

(C) Subparagraph (B) of section 852(b)(4) is amended to read as follows:

''(B) LOSS ATTRIBUTABLE TO EXEMPT DIVIDENDS.—If—

''(i) a shareholder of a regulated investment company receives an exempt-interest dividend, a dividend excludable under section 116(a), or an allocation under subsection (g)(2), with respect to any share, and

''(ii) such share is held by the taxpayer for 6 months or less,

then any loss on the sale or exchange of such share shall, to the extent of the sum of the amounts of such dividends and allocations, be disallowed.''

(D) Paragraph (3) of section 4982(c) is amended by striking ''and'' at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting '', and'', and by adding at the end the following new subparagraph:

''(C) any dividend excludable from gross income under section 116(a).''

(c) OTHER RULES RELATING TO REAL ESTATE INVESTMENT TRUSTS.—

(1) DISTRIBUTION REQUIREMENTS.—

(A) Subparagraph (A) of section 857(a)(1) is amended by striking ''and'' at the end of clause (i), by striking ''minus'' at the end of clause (ii), and by inserting at the end the following new clause:

''(iii) 90 percent of its dividend income excludable under section 116(a); minus''

(B) Subsection (a) of section 857 is amended by redesignating paragraph (2) as paragraph (3) and by inserting after paragraph (1) the following new paragraph:

''(2) 90 percent of the distributions described in section 283(a)—

''(A) which are received by such trust during the taxable year, and

''(B) which reduce under section 301(c)(2) the basis of stock held by such trust,

are distributed during such year under subsection (g)(3)(A); and''.

(C) Section 858 is amended by adding at the end the following new subsection:

''(d) DISTRIBUTION OF PREVIOUSLY RETAINED EARNINGS BASIS ADJUSTMENTS.—Rules similar to the rules of the preceding provisions of this section shall apply to distributions described in section 852(g)(3).''

(2) TAXATION OF ENTITY AND SHAREHOLDERS.—

(A)(i) Section 856(c)(2) is amended—

(I) by inserting ''(including dividends excludable from gross income under section 116(a)) and distributions described in section 283(a) which reduce the basis of stock under section 301(c)(2)'' after ''dividends'' in subparagraph (A), and

(II) by inserting ''(including tax-exempt interest)'' after ''interest'' in subparagraph (B).

(ii) Section 856(c) is amended by adding at the end the following new paragraph:

''(8) GROSS INCOME TESTS.—For purposes of paragraphs (2) and (3), gross income shall be treated as including tax-exempt interest, dividends excludable from gross income under section 116(a), and distributions described in section 283(a) which reduce the basis of stock under section 301(c)(2).''

(B) Section 857(b)(2)(B) is amended by inserting '' or any dividends paid which are excludable under section 116(a)'' after ''subparagraph (D)''.

(C) Section 857(b) is amended by adding at the end the following new paragraph:

''(10) LOSS ATTRIBUTABLE TO EXEMPT DIVIDENDS.—If—

''(A) a shareholder of a real estate investment trust receives a dividend excludable under section 116(a) or an allocation under section 852(g)(2) with respect to any share, and

''(B) such share is held by the taxpayer for 6 months or less,

then any loss on the sale or exchange of such share shall, to the extent of the sum of the amounts of such dividends and allocations, be disallowed.''

(D) Subsection (g) of section 857 is amended to read as follows:

''(g) CROSS REFERENCES.—

''(1) For provisions relating to excise tax based on certain real estate investment trust taxable income not distributed during the taxable year, see section 4981.

''(2) For special rules relating to application of dividend exclusion and retained earnings basis adjustments, see section 852(g).''

(E) Paragraph (1) of section 4981(c) is amended by striking ''and'' at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting '', and'', and by adding at the end the following new subparagraph:

''(C) any dividend excludable from gross income under section 116(a).''

SEC. 204. TREATMENT OF INSURANCE COMPANIES.

(a) LIFE INSURANCE COMPANIES.—

(1) Section 803 is amended by adding at the end the following new subsection:

''(c) SPECIAL RULES FOR EXCLUDABLE DIVIDENDS AND RETAINED EARNINGS BASIS ADJUSTMENTS.—

''(1) IN GENERAL.—The exclusion under section 116(a) with respect to any dividend received by a life insurance company shall only apply to such company's share (as determined under section 812) of such dividend.

''(2) RETAINED EARNINGS BASIS ADJUSTMENTS.—In the case of any increase in basis under section 116(b) allocated under section 282 to stock held by a life insurance company—

''(A) the life insurance company's and policyholders' shares of such allocation shall be determined in accordance with section 812 in the same manner as if it were a dividend, and

''(B) life insurance company gross income of such company shall be increased by the policyholders' share of such allocation.

''(3) RULES FOR SEGREGATED ASSET ACCOUNTS.—In the case of stock held in a segregated asset account (within the meaning of section 817), this subsection shall be applied as if the policyholders' share of the excludable portion of any dividend, or any increase in basis under section 116(b), with respect to such stock were 100 percent.

''(4) COMPUTATION OF EXCLUDABLE DIVIDEND AMOUNT.—In the case of a life insurance company, the increase under clause (ii) or (iii) of section 281(b)(1)(A) in the company's excludable dividend amount shall be limited to the company's share (as determined under section 812) of the dividends or increases in basis described in either such clause.''

(2) Section 812(d)(1)(A) is amended by inserting ''(including dividends excludable under section 116(a))'' after ''dividends''.

(3) Section 815(c)(2)(A)(iii) is amended by adding ',the amount of dividends excludable under section 116(a) (as modified by section 803(c)(1)), and the amount of basis increase under section 116(b) (as modified by section 803(c)(2))'' after ''section 103''.

(b) OTHER INSURANCE COMPANIES.—

(1) Section 832(b)(5)(B) is amended by striking ''and'' at the end of clause (ii), by striking the period at the end of clause (iii) and inserting '', and'', and by adding after clause (iii) the following new clause:

''(iv) any dividend excludable under section 116(a) which is received during such taxable year and any increase in basis under section 116(b) which is allocated under section 282 to such company during such taxable year.''

(2) Section 832(c) is amended by striking ''and'' at the end of paragraph (12), by striking the period at the end of paragraph (13) and inserting ''; and'', and by adding at the end the following new paragraph:

''(14) the amount of dividends received during the taxable year which are excluded from gross income under section 116(a).''

(3) Section 833(b)(3)(E) is amended—

(A) by striking ''and'' at the end of clause (i), by striking the period at the end of clause (ii) and inserting '', and'', and by inserting after clause (ii) the following new clause:

''(iii) the aggregate amount excluded for the taxable year under section 116(a).'', and

(B) by adding at the end the following: ''The amount determined under clause (iii) shall be reduced by the amount of any decrease in such deductions for the taxable year by reason of section 832(b)(5)(B) to the extent such decrease is attributable to the exclusion under section 116(a).''

(4) Section 834(c) is amended by adding at the end the following new paragraph:

''(10) EXCLUDABLE DIVIDENDS.—The amount of dividends received during the taxable year which are excluded from gross income under section 116(a).''

SEC. 205. TREATMENT OF S CORPORATIONS.

(a) BASIS ADJUSTMENTS RELATING TO DIVIDENDS.—Section 1367(a)(1) is amended by striking ''and'' at the end of subparagraph (B), by striking the period at the end of subparagraph (C) and inserting '', and'', and by adding at the end the following new subparagraph:

''(D) increases in basis under section 116(b) allocated to the S corporation.''.

(b) APPLICATION OF SECTION 116 AND PART X OF SUBCHAPTER B TO S CORPORATIONS.—Section 1368 is amended by adding at the end the following new subsection:

''(f) COORDINATION WITH DIVIDEND EXCLUSION AND RETAINED EARNINGS BASIS ADJUSTMENTS.—

''(1) DETERMINATION OF EXCLUDED DIVIDENDS AMOUNT.—

''(A) IN GENERAL.—Clauses (ii) and (iii) of section 281(b)(1)(A) shall not apply to amounts received or allocated in a taxable year for which the corporation is an S corporation.

''(B) CROSS REFERENCE.—

''For treatment of taxes imposed by section 1374, see section 281(d)(1).

''(2) DISTRIBUTIONS.—Subject to regulations prescribed by the Secretary, the preceding provisions of this section shall not apply to any dividend excludable from gross income under section 116(a) and any distribution described in section 283(a).''

(c) MODIFICATION TO TREATMENT OF SECTION 1374 TAX.—

(1) Paragraph (2) of section 1366(f) is amended to read as follows:

''(2) TREATMENT OF TAX IMPOSED ON BUILT-IN GAINS.—The amount of the items of the net recognized built-in-gain taken into account under section 1374(b)(1) (reduced by any deduction allowed under section 1374(b)(2)) shall not be taken into account under this section.''

(2)(A) Subsection (c) of section 1371 is amended by adding at the end the following new paragraph:

''(B) EARNINGS AND PROFITS.—The accumulated earnings and profits of the corporation shall be increased at the beginning of the taxable year by the amount not taken into account under section 1366 by reason of section 1366(f)(2) (determined without regard any reduction of such amount under section 1374(b)(2)) reduced by the tax imposed by section 1374 (net of credits allowed).''

(B) Paragraph (1) of section 1371(c) is amended by striking ''and (3)'' and inserting '', (3), and (4)''.

(d) REPEAL OF TAX AND TERMINATION WHERE EXCESS PASSIVE INVESTMENT INCOME.—

(1) REPEAL OF TAX.—

(A) IN GENERAL.—Section 1375 is repealed.

(B) CONFORMING AMENDMENTS.—Sections 26(b)(2)(J) and 1366(f)(3) are repealed.

(2) REPEAL OF TERMINATION.—Section 1362(d) is amended by striking paragraph (3).

SEC. 206. REPEAL OF ACCUMULATED EARNINGS TAX AND PERSONAL HOLDING COMPANY TAX.

(a) IN GENERAL.—Parts I and II of subchapter G of chapter 1 (relating to corporations improperly accumulating surplus and to personal holding companies) are hereby repealed.

(b) CONFORMING AMENDMENTS.—

(1) Section 12 is amended by striking paragraph (2) and by redesignating paragraphs (3), (4), (5), (6), and (7) as paragraphs (2), (3), (4), (5), and (6), respectively.

(2) Section 26(b)(2) is amended by striking subparagraphs (F) and (G).

(3) Section 30A(c) is amended by inserting ''or'' at the end of paragraph (1), by striking paragraphs (2) and (3), and by redesignating paragraph (4) as paragraph (2).

(4) Section 41(e)(7)(E) is amended by adding ''and'' at the end of clause (i), by striking clause (ii), and by redesignating clause (iii) as clause (ii).

(5) Section 56(b)(2) is amended by striking subparagraph (C) and by redesignating subparagraph (D) as subparagraph (C).

(6) Section 111 is amended by striking subsection (d).

(7) Section 170(e)(4)(D) is amended by adding ''and'' at the end of clause (i), by striking clause (ii), and by redesignating clause (iii) as clause (ii).

(8) Sections 170(f)(10)(A), 508(d), 4947, and 4948(c)(4) are each amended by striking ''545(b)(2),'' each place it appears.

(9)(A) Section 316(b) is amended by striking paragraph (2) and by redesignating paragraph (3) as paragraph (2).

(B) Section 331(b) is amended by striking ''(other than a distribution referred to in paragraph (2)(B) of section 316(b))''.

(10) Section 341(d) is amended—

(A) by striking ''section 544(a) (relating to personal holding companies)'' and inserting ''section 465(f) (relating to constructive ownership rules)'', and

(B) by inserting before the period at the end of the next to the last sentence ''and such paragraph (2) shall be applied by inserting 'or by or for his partner' after 'his family' ''.

(11) Section 381(c) is amended by striking paragraphs (14) and (17).

(12) Section 443(e) is amended by striking paragraphs (1) and (2) and by redesignating paragraphs (3), (4), and (5) as paragraphs (1), (2), and (3), respectively.

(13) Section 447(g)(4)(A) is amended by striking ''other than—'' and all that follows and inserting ''other than an S corporation.''

(14)(A) Section 465(a)(1)(B) is amended to read as follows:

''(B) a C corporation which is closely held,''.

(B) Section 465(a)(3) is amended to read as follows:

''(3) CLOSELY HELD DETERMINATION.—For purposes of paragraph (1), a corporation is closely held if, at any time during the last half of the taxable year, more than 50 percent in value of its outstanding stock is owned, directly or indirectly, by or for not more than 5 individuals. For purposes of this paragraph, an organization described in section 401(a), 501(c)(17), or 509(a) or a portion of a trust permanently set aside or to be used exclusively for the purposes described in section 642(c) shall be considered an individual.''

(C) Section 465(c)(7)(B) is amended by striking clause (i) and by redesignating clauses (ii) and (iii) as clauses (i) and (ii), respectively.

(D) Section 465(c)(7)(G) is amended to read as follows:

''(G) LOSS OF 1 MEMBER OF AFFILIATED GROUP MAY NOT OFFSET INCOME OF PERSONAL SERVICE CORPORATION.—Nothing in this paragraph shall permit any loss of a member of an affiliated group to be used as an offset against the income of any other member of such group which is a personal service corporation (as defined in section 269A(b) but determined by substituting '5 percent' for '10 percent' in section 269A(b)(2)).''

(E) Section 465 is amended by adding at the end the following new subsection:

''(f) CONSTRUCTIVE OWNERSHIP RULES.—For purposes of subsection (a)(3)—

''(1) STOCK NOT OWNED BY INDIVIDUAL.—Stock owned, directly or indirectly, by or for a corporation, partnership, estate, or trust shall be considered as being owned proportionately by its shareholders, partners, or beneficiaries.

''(2) FAMILY OWNERSHIP.—An individual shall be considered as owning the stock owned, directly or indirectly, by or for his family. For purposes of this paragraph, the family of an individual includes only his brothers and sisters (whether by the whole or half blood), spouse, ancestors, and lineal descendants.

''(3) OPTIONS.—If any person has an option to acquire stock, such stock shall be considered as owned by such person. For purposes of this paragraph, an option to acquire such an option, and each one of a series of such options, shall be considered as an option to acquire such stock.

''(4) APPLICATION OF FAMILY AND OPTION RULES.—Paragraphs (2) and (3) shall be applied if, but only if, the effect is to make the corporation closely held under subsection (a)(3).

''(5) CONSTRUCTIVE OWNERSHIP AS ACTUAL OWNERSHIP.—Stock constructively owned by a person by reason of the application of paragraph (1) or (3), shall, for purposes of applying paragraph (1) or (2), be treated as actually owned by such person; but stock constructively owned by an individual by reason of the application of paragraph (2) shall not be treated as owned by him for purposes of again applying such paragraph in order to make another the constructive owner of such stock.

''(6) OPTION RULE IN LIEU OF FAMILY RULE.—If stock may be considered as owned by an individual under either paragraph (2) or (3) it shall be considered as owned by him under paragraph (3).

''(7) CONVERTIBLE SECURITIES.—Outstanding securities convertible into stock (whether or not convertible during the taxable year) shall be considered as outstanding stock if the effect of the inclusion of all such securities is to make the corporation closely held under subsection (a)(3). The requirement under the preceding sentence that all convertible securities must be included if any are to be included shall be subject to the exception that, where some of the outstanding securities are convertible only after a later date than in the case of others, the class having the earlier conversion date may be included although the others are not included, but no convertible securities shall be included unless all outstanding securities having a prior conversion date are also included.''

(15)(A) Section 553(a)(1) is amended by striking ''section 543(d)'' and inserting ''subsection (c)''.

(B) Section 553 is amended by adding at the end the following new subsection:

''(c) ACTIVE BUSINESS COMPUTER SOFTWARE ROYALTIES.—

''(1) IN GENERAL.—For purposes of subsection (a), the term 'active business computer software royalties' means any royalties—

''(A) received by any corporation during the taxable year in connection with the licensing of computer software, and

''(B) with respect to which the requirements of paragraphs (2), (3), and (4) are met.

''(2) ROYALTIES MUST BE RECEIVED BY CORPORATION ACTIVELY ENGAGED IN COMPUTER SOFTWARE BUSINESS.—The requirements of this paragraph are met if the royalties described in paragraph (1)—

''(A) are received by a corporation engaged in the active conduct of the trade or business of developing, manufacturing, or producing computer software, and

''(B) are attributable to computer software which—

''(i) is developed, manufactured, or produced by such corporation (or its predecessor) in connection with the trade or business described in subparagraph (A), or

''(ii) is directly related to such trade or business.

''(3) ROYALTIES MUST CONSTITUTE AT LEAST 50 PERCENT OF INCOME.—The requirements of this paragraph are met if the royalties described in paragraph (1) constitute at least 50 percent of the ordinary gross income of the corporation for the taxable year.

''(4) DEDUCTIONS UNDER SECTIONS 162 AND 174 RELATING TO ROYALTIES MUST EQUAL OR EXCEED 25 PERCENT OF ORDINARY GROSS INCOME.—

''(A) IN GENERAL.—The requirements of this paragraph are met if—

''(i) the sum of the deductions allowable to the corporation under sections 162, 174, and 195 for the taxable year which are properly allocable to the trade or business described in paragraph (2) equals or exceeds 25 percent of the ordinary gross income of such corporation for such taxable year, or

''(ii) the average of such deductions for the 5-taxable year period ending with such taxable year equals or exceeds 25 percent of the average ordinary gross income of such corporation for such period.

If a corporation has not been in existence during the 5-taxable year period described in clause (ii), then the period of existence of such corporation shall be substituted for such 5-taxable year period.

''(B) DEDUCTIONS ALLOWABLE UNDER SECTION 162.—For purposes of subparagraph (A), a deduction shall not be treated as allowable under section 162 if it is specifically allowable under another section.

''(C) LIMITATION ON ALLOWABLE DEDUCTIONS.—For purposes of subparagraph (A), no deduction shall be taken into account with respect to compensation for personal services rendered by the 5 individual shareholders holding the largest percentage (by value) of the outstanding stock of the corporation. For purposes of the preceding sentence individuals holding less than 5 percent (by value) of the stock of such corporation shall not be taken into account.''

(16) Section 556(b)(1) is amended by striking '', but not including'' and all that follows and inserting a period.

(17) Section 561(a) is amended by striking paragraph (3), by inserting ''and'' at the end of paragraph (1), and by striking '', and'' at the end of paragraph (2) and inserting a period.

(18) Section 562(b) is amended to read as follows:

''(b) DISTRIBUTIONS IN LIQUIDATION.—Except in the case of a foreign personal holding company described in section 552—

''(1) in the case of amounts distributed in liquidation, the part of such distribution which is properly chargeable to earnings and profits accumulated after February 28, 1913, shall be treated as a dividend for purposes of computing the dividends paid deduction, and

''(2) in the case of a complete liquidation occurring within 24 months after the adoption of a plan of liquidation, any distribution within such period pursuant to such plan shall, to the extent of the earnings and profits (computed without regard to capital losses) of the corporation for the taxable year in which such distribution is made, be treated as a dividend for purposes of computing the dividends paid deduction.

For purposes of paragraph (1), a liquidation includes a redemption of stock to which section 302 applies. Except to the extent provided in regulations, the preceding sentence shall not apply in the case of any mere holding or investment company which is not a regulated investment company.''

(19) Section 563 is amended by striking subsections (a) and (b), by redesignating subsections (c) and (d) as subsections (a) and (b), and by striking '', (b), or (c)'' in subsection (b) (as so redesignated).

(20) Section 564 is hereby repealed.

(21) Section 631(c) is amended by striking the next to the last sentence and inserting the following: ''This subsection shall have no application for purposes of applying subchapter G (relating to corporations used to avoid income tax on shareholders).''.

(22) Section 852(b)(1) is amended by striking ''which is a personal holding company (as defined in section 542) or''.

(23)(A) Section 856(h)(1) is amended to read as follows:

''(1) IN GENERAL.—For purposes of subsection (a)(6), a corporation, trust, or association is closely held if the stock ownership requirement of section 465(a)(3) is met.''.

(B) Section 856(h)(3)(A)(i) is amended by striking ''section 542(a)(2)'' and inserting ''section 465(a)(3)''.

(C) Paragraph (3) of section 856(h) is amended by striking subparagraph (B) and by redesignating subparagraphs (C) and (D) as subparagraphs (B) and (C), respectively.

(D) Subparagraph (C) of section 856(h)(3), as redesignated by the preceding subparagraph, is amended by striking ''subparagraph (C)'' and inserting ''subparagraph (B)''.

(24) The last sentence of section 882(c)(2) is amended to read as follows:

''The preceding sentence shall not be construed to deny the credit provided by section 33 for tax withheld at source or the credit provided by section 34 for certain uses of gasoline.''.

(25) Section 936(a)(3) is amended by striking subparagraphs (B) and (C), by inserting ''or'' at the end of subparagraph (A), and by redesignating subparagraph (D) as subparagraph (B).

(26) Section 936 is amended by striking subsection (g).

(27) Section 992(d) is amended by striking paragraph (2) and by redesignating paragraphs (3), (4), (5), (6), and (7) as paragraphs (2), (3), (4), (5), and (6), respectively.

(28) Section 992 is amended by striking subsection (e).

(29) Section 1202(e)(8) is amended by striking ''section 543(d)(1)'' and inserting ''section 553(c)(1)''.

(30) Section 1298(b) is amended by striking paragraph (8) and redesignating paragraph (9) as paragraph (8).

(31) Section 1504(c)(2)(B) is amended by adding ''and'' at the end of clause (i), by striking clause (ii), and by redesignating clause (iii) as clause (ii).

(32)(A) Section 1551(a) is amended by striking ''or the accumulated earnings credit'' and all that follows and inserting ''unless such transferee corporation shall establish by the clear preponderance of the evidence that the securing of such benefits was not a major purpose of such transfer.''.

(B) The section heading for section 1551 is amended by striking ''and accumulated earnings credit''.

(C) The item relating to section 1551 in the table of sections for part I of subchapter B of chapter 6 is amended by striking ''and accumulated earnings credit''.

(33)(A) Section 1561(a) is amended—

(i) by striking paragraph (2),

(ii) by redesignating paragraphs (3) and (4) as paragraphs (2) and (3),

(iii) by striking ''paragraph (3)'' each place it appears and inserting ''paragraph (2)'',

(iv) by striking ''paragraph (4)'' and inserting ''paragraph (3)'', and

(v) by striking the third sentence.

(B) Section 1561(b) is amended to read as follows:

''(b) CERTAIN SHORT TAXABLE YEARS.—If a corporation has a short taxable year which does not include a December 31 and is a component member of a controlled group of corporations with respect to such taxable year, then for purposes of this subtitle, the amount in each taxable income bracket in the tax table in section 11(b) for such corporation for such taxable year shall be the amount specified in subsection (a)(1), divided by the number of corporations which are component members of such group on the last day of such taxable year. For purposes of the preceding sentence, section 1563(b) shall be applied as if such last day were substituted for December 31.''.

(34) Section 2057(e)(2)(C) is amended by adding at the end the following new sentence: ''References to sections 542 and 543 in the preceding sentence shall be treated as references to such sections as in effect on the day before their repeal.''

(35) Sections 6422 is amended by striking paragraph (3) and by redesignating paragraphs (4) through (12) and paragraphs (3) through (11), respectively.

(36) Section 6501 is amended by striking subsection (f).

(37) Section 6503(k) of such Code is amended by striking paragraph (1) and by redesignating paragraphs (2) through (5) as paragraphs (1) through (4), respectively.

(38) Section 6515 is amended by striking paragraph (1) and by redesignating paragraphs (2) through (6) as paragraphs (1) through (5), respectively.

(39) Section 6601(b) is amended by striking paragraph (4) and redesignating paragraph (5) as paragraph (4).

(40) Subsections (d)(1)(B) and (e)(2) of section 6662 of such Code are each amended by striking ''or a personal holding company (as defined in section 542)''.

(41) Section 6683 is hereby repealed.

(42) Section 7518(c)(1) is amended by inserting ''and'' at the end of subparagraph (C), by striking '', and'' at the end of subparagraph (D) and inserting a period, and by striking subparagraph (E).

(c) CLERICAL AMENDMENTS.—

(1) The table of parts for subchapter G of chapter 1 of such Code is amended by striking the items relating to parts I and II.

(2) The table of sections for part IV of such subchapter G is amended by striking the item relating to section 564.

(3) The table of sections for part I of subchapter B of chapter 68 of such Code is amended by striking the item relating to section 6683.

SEC. 207. EFFECTIVE DATES.

(a) IN GENERAL.—Except as otherwise provided in this section, the amendments made by this title shall apply to distributions received, and basis allocations made under section 282 of the Internal Revenue Code of 1986 (as added by this title), after December 31, 2002.

(b) SPECIAL RULES.—

(1) SECTION 1374 TAX.—In applying the amendments made by this title, any tax imposed by section 1374 of the Internal Revenue Code of 1986 for any taxable year beginning before January 1, 2003, shall not be taken into account.

(2) SECTION 205(d) AND 206.—The amendments made by sections 205(d) and 206 shall apply to taxable years beginning after December 31, 2002; except that—

(A) section 547 of such Code (as in effect before its repeal) shall continue to apply to deficiency dividends (as defined in section 547(d) of such Code) relating to taxable years beginning before January 1, 2003, and

(B) subsections (a) and (b) of section 563 of such Code (as so in effect) shall continue to apply to dividends relating to taxable years beginning before January 1, 2003.

Notwithstanding subparagraphs (A) and (B), such dividends shall not be taken into account in applying section 116 of such Code or part X of subchapter B of chapter 1 of such Code.

The SPEAKER pro tempore. The amendment printed in the bill is adopted.

The text of H.R. 2, as amended, is as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

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

(a) SHORT TITLE.—This Act may be cited as the ''Jobs and Growth Reconciliation Tax Act of 2003''.

(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—ACCELERATION OF CERTAIN PREVIOUSLY ENACTED TAX REDUCTIONS

Sec. 101. Acceleration of increase in child tax credit.

Sec. 102. Acceleration of 15-percent individual income tax rate bracket expansion for married taxpayers filing joint returns.

Sec. 103. Acceleration of increase in standard deduction for married taxpayers filing joint returns.

Sec. 104. Acceleration of 10-percent individual income tax rate bracket expansion.

Sec. 105. Acceleration of reduction in individual income tax rates.

Sec. 106. Minimum tax relief to individuals.

TITLE II—GROWTH INCENTIVES FOR BUSINESS

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TITLE IV—CORPORATE ESTIMATED TAX PAYMENTS FOR 2003

Sec. 401. Time for payment of corporate estimated taxes.

TITLE I—ACCELERATION OF CERTAIN PREVIOUSLY ENACTED TAX REDUCTIONS

SEC. 101. ACCELERATION OF INCREASE IN CHILD TAX CREDIT.

(a) IN GENERAL.—The items relating to calendar years 2001 through 2008 in the table contained in paragraph (2) of section 24(a) (relating to per child amount) are amended to read as follows:

''2003, 2004, 2005 ..... $1,000
2006, 2007, or 2008 ..... 700''.

(b) ADVANCE PAYMENT OF PORTION OF INCREASED CREDIT IN 2003.—

(1) IN GENERAL.—Subchapter B of chapter 65 (relating to abatements, credits, and refunds) is amended by inserting after section 6428 the following new section:

''SEC. 6429. ADVANCE PAYMENT OF PORTION OF INCREASED CHILD CREDIT FOR 2003.

''(a) IN GENERAL.—Each taxpayer who claimed a credit under section 24 on the return for the taxpayer's first taxable year beginning in 2002 shall be treated as having made a payment against the tax imposed by chapter 1 for such taxable year in an amount equal to the child tax credit refund amount (if any) for such taxable year.

''(b) CHILD TAX CREDIT REFUND AMOUNT.—For purposes of this section, the child tax credit refund amount is the amount by which the aggregate credits allowed under part IV of subchapter A of chapter 1 for such first taxable year would have been increased if—

''(1) the per child amount under section 24(a)(2) for such year were $1,000,

''(2) only qualifying children (as defined in section 24(c)) of the taxpayer for such year who had not attained age 17 as of December 31, 2003, were taken into account, and

''(3) section 24(d)(1)(B)(ii) did not apply.

''(c) TIMING OF PAYMENTS.—In the case of any overpayment attributable to this section, the Secretary shall, subject to the provisions of this title, refund or credit such overpayment as

rapidly as possible and, to the extent practicable, before October 1, 2003. No refund or credit shall be made or allowed under this section after December 31, 2003.

''(d) COORDINATION WITH CHILD TAX CREDIT.—

''(1) IN GENERAL.—The amount of credit which would (but for this subsection and section 26) be allowed under section 24 for the taxpayer's first taxable year beginning in 2003 shall be reduced (but not below zero) by the payments made to the taxpayer under this section. Any failure to so reduce the credit shall be treated as arising out of a mathematical or clerical error and assessed according to section 6213(b)(1).

''(2) JOINT RETURNS.—In the case of a payment under this section with respect to a joint return, half of such payment shall be treated as having been made to each individual filing such return.

''(e) NO INTEREST.—No interest shall be allowed on any overpayment attributable to this section.''.

(2) CLERICAL AMENDMENT.—The table of sections for subchapter B of chapter 65 is amended by adding at the end the following new item:

''Sec. 6429. Advance payment of portion of increased child credit for 2003.''.

(c) EFFECTIVE DATES.—

(1) SUBSECTION (a).—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2002.

(2) SUBSECTION (b).—The amendments made by subsection (b) shall take effect on the date of the enactment of this Act.

SEC. 102. ACCELERATION OF 15-PERCENT INDIVIDUAL INCOME TAX RATE BRACKET EXPANSION FOR MARRIED TAXPAYERS FILING JOINT RETURNS.

(a) IN GENERAL.—The item relating to 2005 in the table contained in subparagraph (B) of section 1(f)(8) (relating to applicable percentage) is amended to read as follows:

''2003, 2004, and 2005 ..... 200''.

(b) CONFORMING AMENDMENTS.—

(1) Section 1(f)(8)(A) is amended by striking ''2004'' and inserting ''2002''.

(2) Section 302(c) of the Economic Growth and Tax Relief Reconciliation Act of 2001 is amended by striking ''2004'' and inserting ''2002''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2002.

SEC. 103. ACCELERATION OF INCREASE IN STANDARD DEDUCTION FOR MARRIED TAXPAYERS FILING JOINT RETURNS.

(a) IN GENERAL.—The item relating to 2005 in the table contained in paragraph (7) of section 63(c) (relating to applicable percentage) is amended to read as follows:

''2003, 2004, and 2005 ..... 200''.

(b) CONFORMING AMENDMENT.—Section 301(d) of the Economic Growth and Tax Relief Reconciliation Act of 2001 is amended by striking ''2004'' and inserting ''2002''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2002.

SEC. 104. ACCELERATION OF 10-PERCENT INDIVIDUAL INCOME TAX RATE BRACKET EXPANSION.

(a) IN GENERAL.—Clause (i) of section 1(i)(1)(B) (relating to the initial bracket amount) is amended by striking ''($12,000 in the case of taxable years beginning before January 1, 2008)'' and inserting ''($12,000 in the case of taxable years beginning after December 31, 2005, and before January 1, 2008)''.

(b) INFLATION ADJUSTMENT.—Subparagraph (C) of section 1(i)(1) is amended to read as follows:

''(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 $12,000 initial bracket amount for any taxable year,

''(ii)(I) the Secretary shall make no adjustment to the $14,000 initial bracket amount for any taxable year beginning before January 1, 2004,

''(II) the cost-of-living adjustment used in making adjustments to the $14,000 initial bracket amount for any taxable year beginning during 2004 or 2005 shall be determined under subsection (f)(3) by substituting '2002' for '1992' in subparagraph (B) thereof, and

''(III) the cost-of-living adjustment used in making adjustments to the $14,000 initial bracket amount for any taxable year beginning after December 31, 2008, shall be determined under subsection (f)(3) by substituting '2007' for '1992' in subparagraph (B) thereof, and

''(iii) the adjustments under clause (ii) shall not apply to the amount referred to in subparagraph (B)(iii).

If any amount after adjustment under the preceding sentence is not a multiple of $50, such amount shall be rounded to the next lowest multiple of $50.''

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to taxable years beginning after December 31, 2002.

(2) TABLES FOR 2003.—The Secretary of the Treasury shall modify each table which has been prescribed under section 1(f) of the Internal Revenue Code of 1986 for taxable years beginning in 2003 and which relates to the amendment made by this section to reflect such amendment.

SEC. 105. ACCELERATION OF REDUCTION IN INDIVIDUAL INCOME TAX RATES.

(a) IN GENERAL.—The table in paragraph (2) of section 1(i) (relating to reductions in rates after June 30, 2001) is amended to read as follows:

''In the case of taxable years beginning during calendar year:	*The corresponding percentages shall be substituted for the following percentages:*			
	28%	*31%*	*36%*	*39.6%*
2001	*27.5%*	*30.5%*	*35.5%*	*39.1%*
2002	*27.0%*	*30.0%*	*35.0%*	*38.6%*
2003 and thereafter.	*25.0%*	*28.0%*	*33.0%*	*35.0%''.*

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2002.

SEC. 106. MINIMUM TAX RELIEF TO INDIVIDUALS.

(a) IN GENERAL.—

(1) Subparagraph (A) of section 55(d)(1) is amended by striking ''$49,000 in the case of taxable years beginning in 2001, 2002, 2003, and 2004'' and inserting ''$64,000 in the case of taxable years beginning in 2003, 2004, and 2005''.

(2) Subparagraph (B) of section 55(d)(1) is amended by striking ''$35,750 in the case of taxable years beginning in 2001, 2002, 2003, and 2004'' and inserting ''$43,250 in the case of taxable years beginning in 2003, 2004, and 2005''.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to taxable years beginning after December 31, 2002.

TITLE II—GROWTH INCENTIVES FOR BUSINESS

SEC. 201. INCREASE AND EXTENSION OF BONUS DEPRECIATION.

(a) IN GENERAL.—Section 168(k) (relating to special allowance for certain property acquired after September 10, 2001, and before September 11, 2004) is amended by adding at the end the following new paragraph:

''(4) 50-PERCENT BONUS DEPRECIATION FOR CERTAIN PROPERTY.—

''(A) IN GENERAL.—In the case of 50-percent bonus depreciation property—

''(i) paragraph (1)(A) shall be applied by substituting '50 percent' for '30 percent', and

''(ii) except as provided in paragraph (2)(C), such property shall be treated as qualified property for purposes of this subsection.

''(B) 50-PERCENT BONUS DEPRECIATION PROPERTY.—For purposes of this subsection, the term '50-percent bonus depreciation property' means property described in paragraph (2)(A)(i)—

''(i) the original use of which commences with the taxpayer after May 5, 2003,

''(ii) which is acquired by the taxpayer after May 5, 2003, and before January 1, 2006, but only if no written binding contract for the acquisition was in effect before May 6, 2003, and

''(iii) which is placed in service by the taxpayer before January 1, 2006, or, in the case of property described in paragraph (2)(B) (as modified by subparagraph (C) of this paragraph), before January 1, 2007.

''(C) SPECIAL RULES.—Rules similar to the rules of subparagraphs (B) and (D) of paragraph (2) shall apply for purposes of this paragraph; except that references to September 10, 2001, shall be treated as references to May 5, 2003.

''(D) AUTOMOBILES.—Paragraph (2)(E) shall be applied by substituting '$9,200' for '$4,600' in the case of 50-percent bonus depreciation property.

''(E) ELECTION OF 30 PERCENT BONUS.—If a taxpayer makes an election under this subparagraph with respect to any class of property for any taxable year, subparagraph (A)(i) shall not apply to all property in such class placed in service during such taxable year.''

(b) EXTENSION OF PLACED IN SERVICE DATES, ETC. FOR 30-PERCENT BONUS DEPRECIATION PROPERTY.—

(1) IN GENERAL.—Clause (iv) of section 168(k)(2)(A) is amended—

(A) by striking ''January 1, 2005'' and inserting ''January 1, 2006'', and

(B) by striking ''January 1, 2006'' (as in effect before the amendment made by subparagraph (A)) and inserting ''January 1, 2007''.

(2) PORTION OF BASIS TAKEN INTO ACCOUNT.—

(A) Subparagraphs (B)(ii) and (D)(i) of section 168(k)(2) are each amended by striking ''September 11, 2004'' each place it appears in the text and inserting ''January 1, 2006''.

(B) Clause (ii) of section 168(k)(2)(B) is amended by striking ''PRE-SEPTEMBER 11, 2004'' in the heading and inserting ''PRE-JANUARY 1, 2006''.

(3) ACQUISITION DATE.—Clause (iii) of section 168(k)(2)(A) is amended by striking ''September 11, 2004'' each place it appears and inserting ''January 1, 2006''.

(4) ELECTION.—Clause (iii) of section 168(k)(2)(C) is amended by adding at the end the following: ''The preceding sentence shall be applied separately with respect to property treated as qualified property by paragraph (4) and other qualified property.''

(c) CONFORMING AMENDMENTS.—

(1) The subsection heading for section 168(k) is amended by striking ''SEPTEMBER 11, 2004'' and inserting ''JANUARY 1, 2006''.

(2) The heading for clause (i) of section 1400L(b)(2)(C) is amended by striking ''30-PERCENT ADDITIONAL ALLOWABLE PROPERTY'' and inserting ''BONUS DEPRECIATION PROPERTY UNDER SECTION 168(k)''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after the date of the enactment of this Act.

SEC. 202. INCREASED EXPENSING FOR SMALL BUSINESS.

(a) IN GENERAL.—Paragraph (1) of section 179(b) (relating to dollar limitation) is amended to read as follows:

''(1) DOLLAR LIMITATION.—The aggregate cost which may be taken into account under subsection (a) for any taxable year shall not exceed $25,000 ($100,000 in the case of taxable years beginning after 2002 and before 2008).''.

(b) INCREASE IN QUALIFYING INVESTMENT AT WHICH PHASEOUT BEGINS.—Paragraph (2) of

section 179(b) (relating to reduction in limitation) is amended by inserting ''($400,000 in the case of taxable years beginning after 2002 and before 2008)'' after ''$200,000''.

(c) OFF-THE-SHELF COMPUTER SOFTWARE.—Paragraph (1) of section 179(d) (defining section 179 property) is amended to read as follows:

''(1) SECTION 179 PROPERTY.—For purposes of this section, the term 'section 179 property' means property—

''(A) which is—

''(i) tangible property (to which section 168 applies), or

''(ii) computer software (as defined in section 197(e)(3)(B)) which is described in section 197(e)(3)(A)(i), to which section 167 applies, and which is placed in service in a taxable year beginning after 2002 and before 2008,

''(B) which is section 1245 property (as defined in section 1245(a)(3)), and

''(C) which is acquired by purchase for use in the active conduct of a trade or business.

Such term shall not include any property described in section 50(b) and shall not include air conditioning or heating units.''.

(d) ADJUSTMENT OF DOLLAR LIMIT AND PHASEOUT THRESHOLD FOR INFLATION.—Subsection (b) of section 179 (relating to limitations) is amended by adding at the end the following new paragraph:

''(5) INFLATION ADJUSTMENTS.—

''(A) IN GENERAL.—In the case of any taxable year beginning in a calendar year after 2003 and before 2008, the $100,000 and $400,000 amounts in paragraphs (1) and (2) shall each be increased by an amount equal to—

''(i) such dollar amount, multiplied by

''(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, by substituting 'calendar year 2002' for 'calendar year 1992' in subparagraph (B) thereof.

''(B) ROUNDING.—

''(i) DOLLAR LIMITATION.—If the amount in paragraph (1) as increased under subparagraph (A) is not a multiple of $1,000, such amount shall be rounded to the nearest multiple of $1,000.

''(ii) PHASEOUT AMOUNT.—If the amount in paragraph (2) as increased under subparagraph (A) is not a multiple of $10,000, such amount shall be rounded to the nearest multiple of $10,000.''.

(e) REVOCATION OF ELECTION.—Paragraph (2) of section 179(c) (relating to election irrevocable) is amended to read as follows:

''(2) REVOCATION OF ELECTION.—An election under paragraph (1) with respect to any taxable year beginning after 2002 and before 2008, and any specification contained in any such election, may be revoked by the taxpayer with respect to any property. Such revocation, once made, shall be irrevocable.''.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2002.

SEC. 203. 5-YEAR CARRYBACK OF CERTAIN NET OPERATING LOSSES.

(a) IN GENERAL.—Subparagraph (H) of section 172(b)(1) is amended—

(1) by inserting ''5-YEAR CARRYBACK OF CERTAIN LOSSES.—'' after ''(H)'', and

(2) by striking ''or 2002'' and inserting '', 2002, 2003, 2004 or 2005''.

(b) TEMPORARY SUSPENSION OF 90 PERCENT LIMIT ON CERTAIN NOL CARRYBACKS.—Subclause (I) of section 56(d)(1)(A)(ii) is amended—

(1) by striking ''or 2002'' and inserting '', 2002, 2003, 2004, or 2005'', and

(2) by striking ''and 2002'' and inserting '', 2002, 2003, 2004, or 2005''.

(c) TECHNICAL CORRECTIONS.—

(1) Subparagraph (H) of section 172(b)(1) is amended by striking ''a taxpayer which has''.

(2) Section 102(c)(2) of the Job Creation and Worker Assistance Act of 2002 (Public Law 107–147) is amended by striking ''before January 1, 2003'' and inserting ''after December 31, 1990''.

(3)(A) Subclause (I) of section 56(d)(1)(A)(i) is amended by striking ''attributable to carryovers''.

(B) Subclause (I) of section 56(d)(1)(A)(ii) is amended—

(i) by striking ''for taxable years'' and inserting ''from taxable years'', and

(ii) by striking ''carryforwards'' and inserting ''carryovers''.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to net operating losses for taxable years ending after December 31, 2002.

(2) TECHNICAL CORRECTIONS.—The amendments made by subsection (c) shall take effect as if included in the amendments made by section 102 of the Job Creation and Worker Assistance Act of 2002.

(3) ELECTION.—In the case of a net operating loss for a taxable year ending during 2003—

(A) any election made under section 172(b)(3) of such Code may (notwithstanding such section) be revoked before November 1, 2003, and

(B) any election made under section 172(j) of such Code shall (notwithstanding such section) be treated as timely made if made before November 1, 2003.

TITLE III—REDUCTION IN TAXES ON DIVIDENDS AND CAPITAL GAINS

SEC. 301. REDUCTION IN CAPITAL GAINS RATES FOR INDIVIDUALS; REPEAL OF 5-YEAR HOLDING PERIOD REQUIREMENT.

(a) IN GENERAL.—

(1) Sections 1(h)(1)(B) and 55(b)(3)(B) are each amended by striking ''10 percent'' and inserting ''5 percent''.

(2) The following sections are each amended by striking ''20 percent'' and inserting ''15 percent'':

(A) Section 1(h)(1)(C).

(B) Section 55(b)(3)(C).

(C) Section 1445(e)(1).

(D) The second sentence of section 7518(g)(6)(A).

(E) The second sentence of section 607(h)(6)(A) of the Merchant Marine Act, 1936.

(b) CONFORMING AMENDMENTS.—

(1) Section 1(h) is amended—

(A) by striking paragraphs (2) and (9),

(B) by redesignating paragraphs (3) through (8) as paragraphs (2) through (7), respectively, and

(C) by redesignating paragraphs (10), (11), and (12) as paragraphs (8), (9), and (10), respectively.

(2) Paragraph (3) of section 55(b) is amended by striking ''In the case of taxable years beginning after December 31, 2000, rules similar to the rules of section 1(h)(2) shall apply for purposes of subparagraphs (B) and (C).''.

(3) Paragraph (7) of section 57(a) is amended—

(A) by striking ''42 percent'' the first place it appears and inserting ''7 percent'', and

(B) by striking the last sentence.

(c) TRANSITIONAL RULES FOR TAXABLE YEARS WHICH INCLUDE MAY 6, 2003.—For purposes of applying section 1(h) of the Internal Revenue Code of 1986 in the case of a taxable year which includes May 6, 2003—

(1) The amount of tax determined under subparagraph (B) of section 1(h)(1) of such Code shall be the sum of—

(A) 5 percent of the lesser of—

(i) the net capital gain determined by taking into account only gain or loss properly taken into account for the portion of the taxable year on or after May 6, 2003 (determined without regard to collectibles gain or loss, gain described in section 1(h)(6)(A)(i) of such Code, and section 1202 gain), or

(ii) the amount on which a tax is determined under such subparagraph (without regard to this subsection),

(B) 8 percent of the lesser of—

(i) the qualified 5-year gain (as defined in section 1(h)(9) of the Internal Revenue Code of 1986, as in effect on the day before the date of the enactment of this Act) properly taken into account for the portion of the taxable year before May 6, 2003, over

(ii) the excess (if any) of—

(I) the amount on which a tax is determined under such subparagraph (without regard to this subsection), over

(II) the amount on which a tax is determined under subparagraph (A), plus

(C) 10 percent of the excess (if any) of—

(i) the amount on which a tax is determined under such subparagraph (without regard to this subsection), over

(ii) the sum of the amounts on which a tax is determined under subparagraphs (A) and (B).

(2) The amount of tax determined under subparagraph (C) of section (1)(h)(1) of such Code shall be the sum of—

(A) 15 percent of the lesser of—

(i) the excess (if any) of the amount of net capital gain determined under subparagraph (A)(i) of paragraph (1) of this subsection over the amount on which a tax is determined under subparagraph (A) of paragraph (1) of this subsection, or

(ii) the amount on which a tax is determined under such subparagraph (C) (without regard to this subsection), plus

(B) 20 percent of the excess (if any) of—

(i) the amount on which a tax is determined under such subparagraph (C) (without regard to this subsection), over

(ii) the amount on which a tax is determined under subparagraph (A) of this paragraph.

(3) For purposes of applying section 55(b)(3) of such Code, rules similar to the rules of paragraphs (1) and (2) of this subsection shall apply.

(4) In applying this subsection with respect to any pass-thru entity, the determination of when gains and loss are properly taken into account shall be made at the entity level.

(5) For purposes of applying section 1(h)(11) of such Code, as added by section 302 of this Act, to this subsection, dividends which are qualified dividend income shall be treated as gain properly taken into account for the portion of the taxable year on or after May 6, 2003.

(6) Terms used in this subsection which are also used in section 1(h) of such Code shall have the respective meanings that such terms have in such section.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as otherwise provided by this subsection, the amendments made by this section shall apply to taxable years ending on or after May 6, 2003.

(2) WITHHOLDING.—The amendment made by subsection (a)(2)(C) shall apply to amounts paid after the date of the enactment of this Act.

(3) SMALL BUSINESS STOCK.—The amendments made by subsection (b)(3) shall apply to dispositions on or after May 6, 2003.

SEC. 302. DIVIDENDS OF INDIVIDUALS TAXED AT CAPITAL GAIN RATES.

(a) IN GENERAL.—Section 1(h) (relating to maximum capital gains rate), as amended by section 301, is amended by adding at the end the following new paragraph:

''(11) DIVIDENDS TAXED AS NET CAPITAL GAIN.—

''(A) IN GENERAL.—For purposes of this subsection, the term 'net capital gain' means net capital gain (determined without regard to this paragraph), increased by qualified dividend income.

''(B) QUALIFIED DIVIDEND INCOME.—For purposes of this paragraph—

''(i) IN GENERAL.—The term 'qualified dividend income' means dividends received during the taxable year from domestic corporations.

''(ii) CERTAIN DIVIDENDS EXCLUDED.—Such term shall not include—

''(I) any dividend from a corporation which for the taxable year of the corporation in which the distribution is made, or the preceding taxable year, is a corporation exempt from tax under section 501 or 521,

''(II) any amount allowed as a deduction under section 591 (relating to deduction for dividends paid by mutual savings banks, etc.), and

''(III) any dividend described in section 404(k).

''(iii) EXCLUSION OF CERTAIN DIVIDENDS.—Such term shall not include any dividend on any share of stock—

''(I) with respect to which the holding period requirements of section 246(c) are not met, or

''(II) to the extent that the taxpayer is under an obligation (whether pursuant to a short sale or otherwise) to make related payments with respect to positions in substantially similar or related property.

''(C) SPECIAL RULES.—

''(i) AMOUNTS TAKEN INTO ACCOUNT AS INVESTMENT INCOME.—Qualified dividend income shall not include any amount which the taxpayer takes into account as investment income under section 163(d)(4)(B).

''(ii) EXTRAORDINARY DIVIDENDS.—If an individual receives, with respect to any share of stock, qualified dividend income from 1 or more dividends which are extraordinary dividends (within the meaning of section 1059(c)), any loss on the sale or exchange of such share shall, to the extent of such dividends, be treated as long-term capital loss.

''(iii) TREATMENT OF DIVIDENDS FROM REGULATED INVESTMENT COMPANIES AND REAL ESTATE INVESTMENT TRUSTS.—A dividend received from a regulated investment company or a real estate investment trust shall be subject to the limitations prescribed in sections 854 and 857.''

(b) EXCLUSION OF DIVIDENDS FROM INVESTMENT INCOME.—Subparagraph (B) of section 163(d)(4) (defining net investment income) is amended by adding at the end the following flush sentence:

''Such term shall include qualified dividend income (as defined in section 1(h)(11)(B)) only to the extent the taxpayer elects to treat such income as investment income for purposes of this subsection.''

(c) TREATMENT OF DIVIDENDS FROM REGULATED INVESTMENT COMPANIES.—

(1) Subsection (a) of section 854 (relating to dividends received from regulated investment companies) is amended by inserting ''section 1(h)(11) (relating to maximum rate of tax on dividends and interest) and'' after ''For purposes of''.

(2) Paragraph (1) of section 854(b) (relating to other dividends) is amended by redesignating subparagraph (B) as subparagraph (C) and by inserting after subparagraph (A) the following new subparagraph:

''(B) MAXIMUM RATE UNDER SECTION 1(h).—

''(i) IN GENERAL.—If the aggregate dividends received by a regulated investment company during any taxable year are less than 95 percent of its gross income, then, in computing the maximum rate under section 1(h)(11), rules similar to the rules of subparagraph (A) shall apply.

''(ii) GROSS INCOME.—For purposes of clause (i), in the case of 1 or more sales or other dispositions of stock or securities, the term 'gross income' includes only the excess of—

''(I) the net short-term capital gain from such sales or dispositions, over

''(II) the net long-term capital loss from such sales or dispositions.''

(3) Subparagraph (C) of section 854(b)(1), as redesignated by paragraph (2), is amended by striking ''subparagraph (A)'' and inserting ''subparagraph (A) or (B)''.

(4) Paragraph (2) of section 854(b) is amended by inserting ''the maximum rate under section 1(h)(11) and'' after ''for purposes of''.

(5) Subsection (b) of section 854 is amended by adding at the end the following new paragraph:

''(5) COORDINATION WITH SECTION 1(h)(11).—For purposes of paragraph (1)(B), an amount shall be treated as a dividend only if the amount is qualified dividend income (within the meaning of section 1(h)(11)(B)).''

(d) TREATMENT OF DIVIDENDS RECEIVED FROM REAL ESTATE INVESTMENT TRUSTS.—Section 857(c) (relating to restrictions applicable to dividends received from real estate investment trusts) is amended to read as follows:

''(c) RESTRICTIONS APPLICABLE TO DIVIDENDS RECEIVED FROM REAL ESTATE INVESTMENT TRUSTS.—

''(1) SECTION 243.—For purposes of section 243 (relating to deductions for dividends received by corporations), a dividend received from a real estate investment trust which meets the requirements of this part shall not be considered a dividend.

''(2) SECTION 1(h)(11).—For purposes of section 1(h)(11) (relating to maximum rate of tax on dividends), rules similar to the rules of section 854(b)(1)(B) shall apply to dividends received from a real estate trust which meets the requirements of this part.''

(e) CONFORMING AMENDMENTS.—

(1) Paragraph (3) of section 1(h), as redesignated by section 301, is amended to read as follows:

''(3) ADJUSTED NET CAPITAL GAIN.—For purposes of this subsection, the term 'adjusted net capital gain' means the sum of—

''(A) net capital gain (determined without regard to paragraph (11)) reduced (but not below zero) by the sum of—

''(i) unrecaptured section 1250 gain, and

''(ii) 28-percent rate gain, plus

''(B) qualified dividend income (as defined in paragraph (11)).''

(2) Subsection (f) of section 301 is amended adding at the end the following new paragraph:

''(4) For taxation of dividends received by individuals at capital gain rates, see section 1(h)(11).''

(3) Paragraph (1) of section 306(a) is amended by adding at the end the following new subparagraph:

''(D) TREATMENT AS DIVIDEND.—For purposes of section l(h)(11), any amount treated as ordinary income under this paragraph shall be treated as a dividend received from the corporation.''

(4)(A) Subpart C of part II of subchapter C of chapter 1 (relating to collapsible corporations) is repealed.

(B)(i) Section 338(h) is amended by striking paragraph (14).

(ii) Sections 467(c)(5)(C), 1255(b)(2), and 1257(d) are each amended by striking '', 341(e)(12),''.

(iii) The table of subparts for part II of subchapter C of chapter 1 is amended by striking the item related to subpart C.

(5) Section 531 is amended by striking ''equal to'' and all that follows and inserting ''equal to 15 percent of the accumulated taxable income.''

(6) Section 541 is amended by striking ''equal to'' and all that follows and inserting ''equal to 15 percent of the undistributed personal holding company income.''

(7) Section 584(c) is amended by adding at the end the following new flush sentence:

''The proportionate share of each participant in the amount of dividends received by the common trust fund and to which section 1(h)(11) applies shall be considered for purposes of such paragraph as having been received by such participant.''

(8) Paragraph (5) of section 702(a) is amended to read as follows:

''(5) dividends with respect to which section 1(h)(11) or part VII of subchapter B applies,''.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2002.

SEC. 303. SUNSET OF TITLE.

All provisions of, and amendments made by, this title shall not apply to taxable years beginning after December 31, 2012, and the Internal Revenue Code of 1986 shall be applied and administered to such years as if such provisions and amendments had never been enacted.

TITLE IV—CORPORATE ESTIMATED TAX PAYMENTS FOR 2003

SEC. 401. TIME FOR PAYMENT OF CORPORATE ESTIMATED TAXES.

Notwithstanding section 6655 of the Internal Revenue Code of 1986, 52 percent of the amount of any required installment of corporate estimated tax which is otherwise due in September 2003 shall not be due until October 1, 2003.

The SPEAKER pro tempore. The gentleman from California (Mr. THOMAS) and the gentleman from New York (Mr. RANGEL) each will control 30 minutes.

The Chair recognizes the gentleman from California (Mr. THOMAS).

Mr. THOMAS. Mr. Speaker, I yield myself such time as I may consume.

The Members should know that we have a statement of administration policy on this bill, and it reads in part: ''The administration strongly supports House passage of H.R. 2 and commends the House for including all the elements of the jobs and growth plan proposed by the President.'' I would also like to call Members' attention to today's CONGRESSIONAL RECORD. In the CONGRESSIONAL RECORD, beginning on page 3829 is the first analysis of a tax bill by the Joint Committee on Taxation utilizing the power provided to the joint committee by rule XIII. It says in part that ''in accordance with House rule XIII, this document, prepared by the staff of the Joint Committee on Taxation . . . provides a macroeconomic analysis of H.R. 2.

''The analysis presents the results of simulating the changes contained in H.R. 2 under three economic models of the economy. The models employ a variety of assumptions regarding Federal fiscal policy, monetary policy, and behavioral responses to the proposed changes in law.''

It then goes on on page 3830, 3831, 3832, to examine this bill under those three macroeconomic models, and it explains in detail the models that are used. It says, for example, if Members take the time to look on page 3831 of the May 8 CONGRESSIONAL RECORD, in part: ''The estimated change in Gross Domestic Product ('GDP') due to this proposal can range at least from a 0.3 percent (an average of $43 billion) to a 1.5 percent (an average of $183 billion) increase in nominal, or current dollar GDP over the first 5 years, and 0.2 to a 1.2 percent increase over the second 5 years.''

This bill, according to the bipartisan professional staff at the Joint Committee on Taxation, says this bill grows the economy. In addition, they say, that up to 900,000 jobs in the first 5 years will be created ''as the effects of the acceleration of individual rate cuts, and the initial increase in investment prevail. Employment increases in the first 5 years because of both the positive labor supply incentive from the individual rate cuts, and the economic stimulus effect of the proposals taken as a whole.'' The bipartisan, professional Joint Committee on Taxation says this bill creates jobs and stimulates the economy.

It probably would be more fun for either side to read the effects of the bill

based upon some particular ax-grinding institute that has a really fair-sounding name that is funded by various organizations because the hyperbole in the way they examine the bill is a whole lot more fun. It is not very realistic, but it is a whole lot more fun.

This is the professional bipartisan staff of the Joint Committee on Tax under rule XIII concluding on page 3831: ''As the simulations indicate, depending on how much temporary demand stimulus is generated by the proposal, the revenue feedback,'' money coming back to the Federal Government by spending money in this bill to cut people's taxes, give it back to them, ''the revenue feedback could range from 5.8 percent to 27.5 percent in the first 5 years, and'' between ''2.6 and 23.4 percent over the 10-year budget period.''

It stimulates the economy, creates jobs, brings more revenue back to the Federal Government. That is what this bill is about.

Mr. Speaker, I reserve the balance of my time.

PARLIAMENTARY INQUIRY

Mr. RANGEL. Mr. Speaker, parliamentary inquiry.

The SPEAKER pro tempore. The gentleman may inquire.

Mr. RANGEL. Mr. Speaker, last evening in the Committee on Rules, the chairman of the Committee on Ways and Means said that he would allow the Democrats to bring their substitute to the floor but only under the conditions that no waivers of points of order be made; and then he went further and told the committee, the Committee on Rules, that is, that he did not want any waivers of points of order himself.

□ 1130

So, Mr. Speaker, my parliamentary inquiry is that there is a provision of the Budget Act that makes it not in order to consider legislation in the House that reduces amounts deposited in the Social Security Trust Fund. It is clear that the bill before us today will reduce the amounts deposited into both the Social Security and Medicare Trust Fund.

In view of the fact that the gentleman from California (Mr. THOMAS) has asked that points of order not be waived, is not this bill before us today in violation of that rule?

The SPEAKER pro tempore (Mr. SIMPSON). The Chair cannot make a hypothetical ruling. The House did adopt House Resolution 227, which waives all points of order.

Mr. RANGEL. Mr. Speaker, it is difficult for me to hear you. The House is not in order.

The SPEAKER pro tempore. The House will be in order.

The Chair cannot make a hypothetical ruling on what might have been said in the Committee on Rules. The House did adopt House Resolution 227, which provides for consideration of this bill without intervention of any point of order.

Mr. RANGEL. The Speaker is saying that the Committee on Rules waived the points of order that the chairman of the Committee on Ways and Means said last night was not necessary. Is that the ruling of the Chair?

The SPEAKER pro tempore. The House adopted the resolution waiving all points of order.

Mr. THOMAS. Will the gentleman yield?

The SPEAKER pro tempore. At this time the Chair is entertaining a parliamentary inquiry.

The gentleman from New York is recognized.

Mr. RANGEL. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, it is clear that this is a day that is going to be remembered in America, in this House of Representatives. A bill has come on the floor. The chairman said he did not want points of order. It is clear that the bill is in violation of the parliamentary rules of this House unless the points of order were waived. It is clear that they planned in the middle of the night to say it is ''their way or the highway.''

It is a bad bill. But to deny Democrats an opportunity for an alternative, knowing that they have the votes, I think has damaged the reputation of this House of Representatives for days and for months and for years to come. Shame on you for doing it.

Mr. Speaker, I reserve the balance of my time.

Mr. THOMAS. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, on my time, to respond to the gentleman from New York, I asked that the measures be treated equally and fairly. That was my position. But apparently the Committee on Rules rejected my position, and, notwithstanding the fact that I was trying to support the gentleman from New York, in the opinion of the Committee on Rules, apparently the gentleman's bill was so far out of the normal procedure that they determined not to make it in order.

I had asked that the Committee on Rules treat both bills the same way, and I was denied in my request to the Committee on Rules.

Mr. Speaker, it is my pleasure to yield 2 minutes to the gentleman from Texas (Mr. SAM JOHNSON), a member of the committee.

(Mr. SAM JOHNSON of Texas asked and was given permission to revise and extend his remarks.)

Mr. SAM JOHNSON of Texas. Mr. Speaker, I rise in support of the Jobs and Growth Tax Reconciliation Act. This bill is going to provide much-needed tax relief for individuals and businesses to help create jobs today, while generating long-term economic growth for the future.

According to the Heritage Foundation, this bill creates 67,000 jobs in Texas in this year alone. That is great news for those who want a paycheck, not an unemployment benefit.

The bonus depreciation and small business expensing provisions effectively put business purchases ''on sale.'' These provisions are vital to the telecommunications corridor in North Texas, because businesses that have delayed replacing their telecom equipment should find it easier to make these purchases.

Our economy has been driven by consumer spending, and these depreciation and expensing provisions should help jump-start business purchases.

The rate cuts, marriage penalty relief and child credit improvements help families as well as sole proprietorships, for whom the individual tax rate is their corporate rate.

I am glad to have a significant reduction in the double taxation of dividends. This is not necessarily the proposal I would have written, because I believe, like the President, we ought to eliminate double taxation of dividends. But reducing the tax on dividends from an individual's normal tax rate to the 5 percent or 15 percent rate will help millions of seniors who depend upon dividend income for their day-to-day expenses, as well as help millions of other Americans who own stock.

Mr. Speaker, it is time to give this economy a jump-start by passing this bill today.

I rise in support of the jobs and growth tax act.

This bill will provide much-needed tax relief for individuals and businesses to help create jobs today, while generating long-term economic growth for the future.

According to the Heritage Foundation, this bill creates 67,000 jobs in Texas in 2004 alone! That's great news for those who want a pay check, not an unemployment benefit.

The bonus depreciation and small business expensing provisions effectively put business purchases ''on sale.'' These provisions are vital to the telecommunications corridor in north Texas because businesses that have delayed replacing their telecom equipment should find it easier to make these purchases.

Our economy has been driven by consumer spending and these depreciation and expensing provisions should help to jump start business purchases.

The rate cuts, marriage penalty relief and child credit improvements will help families as well as sole proprietorships, for whom the individual tax rate is their corporate rate.

I am glad to have a significant reduction in the double taxation of dividends. This is not the proposal I would have written because I want to eliminate the double taxation of dividends.

Reducing the tax on dividends from an individual's normal tax rate to the 5 percent or 15 percent rate will help millions of seniors who depend upon dividend income for their day-to-day expenses as well as help millions of other Americans who own stock.

I will qualify my support for the dividends portion of this bill due to the fact that it discriminates against Americans who own stock in foreign companies.

Among the thousands of employee-shareholders in my district who would be seriously affected are the employees of Nortel, Aegon, Nokia, Alcatel Ericsson and Gadbury Schweppes.

I want this penalty to be gone the next time we vote on tax relief.

It is time to give this economy a jumpstart by passing this bill today.

PARLIAMENTARY INQUIRY

Mr. RANGEL. Mr. Speaker, I have a parliamentary inquiry.

The SPEAKER pro tempore. The gentleman will state it.

Mr. RANGEL. Mr. Speaker, the staff has given me four violations of the Budget Act, section 401, section 311, and other violations of the House rules.

Am I to assume that the initial ruling of the Chair on the waiving of points of order would apply to all of the violations that Republicans have as it relates to the rules of the House?

The SPEAKER pro tempore. The Chair would advise the Member that the House just moments ago by majority vote adopted House Resolution 227, which provides that upon its adoption, it shall be in order without intervention of any point of order to consider in the House H.R. 2.

It waives all points of order that might otherwise be argued to lie. Therefore, the question is moot.

Mr. RANGEL. Mr. Speaker, will this apply to other violations that the minority is not even aware of now?

The SPEAKER pro tempore. The Chair will repeat that it waives all points of order.

Mr. RANGEL. I thank the gentleman. Mr. Speaker, in view of that protection that the majority gave itself, I yield 1 minute to the gentleman from Michigan (Mr. DINGELL), the Dean of the House of Representatives.

(Mr. DINGELL asked and was given permission to revise and extend his remarks.)

Mr. DINGELL. Mr. Speaker, this is a bad bill and a bad rule. It is unfair. It is a bill which could best be entitled ''leave no millionaire behind.'' It has not worked before, it will not work again.

If this bill passes, it will cost my State of Michigan $111 million in revenue. I would note that the millionaires will get $100,000 a year back. Ordinary citizens are going to be lucky if they get $100. It is going to raid Social Security, Medicare and Medicaid. It is going to put the education of our kids at risk, and put our State and local governments in more of a straitjacket than they already are financially.

I would note there is one outrageous provision in this piece of legislation which defines American corporations like Chrysler, Mazda, National Steel and BASF as foreigners. Chrysler employs better than 100,000 American workers and contributes to the American economy better than 1 percent of its total gross domestic product.

I would urge the President or my Republican friends over there to come back to Michigan to see the new plant being built at Dundee, Michigan, to provide jobs and opportunities for the American people.

This is an outrageous procedure, an outrageous bill, and it should be voted down.

Mr. THOMAS. Mr. Speaker, I yield such time as he may consume to the gentleman from Wisconsin (Mr. RYAN), a member of the committee, for the purpose of a colloquy.

Mr. RYAN of Wisconsin. Mr. Speaker, I would like to engage the chairman of the Committee on Ways and Means in a colloquy. I would like to speak specifically about one provision in the bill before the House today regarding the double taxation of dividends.

As drafted, the bill applies a new 15 percent-5 percent rate structure to dividends paid by domestic corporations, while dividends paid by foreign corporations will be taxed at the new individual rates of 10 percent, 15 percent, 25 percent, 28 percent, 33 percent, and as much as 35 percent.

U.S. subsidiaries of foreign-based firms are a very important part of our economy and economic recovery. These companies employ 5.6 million workers right here in America. Furthermore, American taxpayers own approximately $1.8 trillion worth of foreign stocks. Approximately 900 non-U.S. companies are traded on U.S. stock changes.

Will the chairman correct this discrepancy as we move forward so as to ensure that the final bill passed by Congress reduces taxes on the dividends paid by both domestic and foreign-owned corporations and treats them equally?

Mr. THOMAS. Mr. Speaker, will the gentleman yield?

Mr. RYAN of Wisconsin. I yield to the gentleman from California.

Mr. THOMAS. I will tell the gentleman he raises an important point, but it is also a part of a larger tax policy problem.

Currently, as the gentleman may know, under the U.S. Tax Code we punish U.S. corporations for being U.S. corporations. Several provisions of our Tax Code put U.S. corporations at a disadvantage versus their international competitors. These flaws in the Tax Code force U.S. companies to move their headquarters overseas in order to compete. We must reform our Tax Code to improve our international competitiveness. The Committee on Ways and Means will be addressing this larger issue in this Congress.

With regard to the specific issue of dividend payments to U.S. citizens by foreign corporations, it is my intent as the legislation process proceeds to craft a solution that treats all American shareholders of either domestic or foreign-owned corporations fairly and equally, while improving the competitiveness of the U.S. Tax Code.

Mr. RYAN of Wisconsin. Mr. Speaker, reclaiming my time, I thank the chairman for engaging in this colloquy.

PARLIAMENTARY INQUIRY

Mr. RANGEL. Mr. Speaker, I have a parliamentary inquiry.

The SPEAKER pro tempore. The gentleman will state it.

Mr. RANGEL. Mr. Speaker, in view of the fact that the majority has waived the points of order on their major tax cut bill, and further that the minority will not have the opportunity to introduce a substitute, under the rule, does the minority have the opportunity to have a motion to recommit?

The SPEAKER pro tempore. Under the rule, a motion to recommit will be available.

Mr. RANGEL. Will the minority then have the same advantage as the majority in terms of waiving the points of order at least for the 10 minutes that the minority would have on its motion to recommit?

The SPEAKER pro tempore. The rule allows for a motion to recommit that is otherwise in order under the rules.

Mr. RANGEL. Mr. Speaker, I understand that you are saying that we are entitled to the motion to recommit. The parliamentary inquiry is will the points of order be waived for the minority under the motion to recommit?

The SPEAKER pro tempore. The rule does not waive points of order for the motion to recommit.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from California (Mr. STARK), a senior member of the Committee on Ways and Means and the ranking member on the Subcommittee on Health.

(Mr. STARK asked and was given permission to revise and extend his remarks.)

Mr. STARK. Mr. Speaker, I rise today to oppose H.R. 2, which benefits only the wealthy among us. It is interesting as this bill becomes law my 2003 tax cut will be equal to my daughter's entire annual income as a fifth grade teacher in California, while she will receive less than $8 a week as a tax cut, and that is wrong.

Republicans are throwing $550 billion down the drain to the richest 5 percent among us. Let us take a moment to see who loses. Nearly 9 million unemployed workers are going to lose out, because they will get no unemployment benefits. Our children will lose out, because they will be left behind and they will get no education benefits. America's seniors will see Medicare and Social Security weakened. Low income mothers and children who depend on Medicaid and CHIP for their health care will lose out because these programs are being slashed.

Why are Republicans pursuing this tax cut? They hate poor people.

Mr. THOMAS. Mr. Speaker, it is my pleasure to yield 2 minutes to the gentlewoman from Washington (Ms. DUNN), a member of the committee.

Ms. DUNN. Mr. Speaker, I rise in support of this legislation to strengthen our economy, to create jobs and to provide tax relief to millions of America's workers and their families. This is a sensible, thoughtful approach to stimulate economic growth and job creation.

The people I represent in Washington State are particularly aware of the need in our economy for a stimulus. Our State's unemployment rate is approximately 7 percent. My State is ranked consistently in the top three States with the highest unemployment rate in the Nation.

In this Congress we have been especially sensitive in extending numerous times unemployment benefits to provide a safety net for those workers who have lost their jobs, but we also all know that the very best safety net for our workers is to stimulate the job market so these folks can go back to work.

□ 1145

Estimators predict that this legislation will create over 1 million jobs by the end of 2004. In Washington State alone, this legislation would create 17,000 jobs within the next 18 months.

These jobs are going to be created largely by the millions of small businesses in our Nation. We all know that small business is the engine of our economy. Nearly 80 percent of the benefits from reducing the highest marginal tax rates will help small business owners.

Equally important, this legislation touches the lives of tens of millions of American individuals and their families. Beyond the stimulus of economic effects, we ensure that taxpayers can keep more of their own money.

By raising the child tax credit, parents can pay for the child care services their children may need.

By reducing the marginal income tax rates, individuals will have more take-home pay through lower withholding. By eliminating the marriage penalty sooner rather than later, couples can save for their first home.

By reducing the tax on dividends, we are directly helping senior citizens who depend on dividend income to supplement their Social Security payments; and by reducing capital gains taxes, we are also helping older parents whose children have moved away and who now are downsizing by selling their homes.

This constructive tax cut package will stimulate economic growth, it will create jobs, and it will leave more money with the people who earned those dollars in the first place.

This is exactly how we should help our economy, Mr. Speaker; and I urge my colleagues to join in support for this bill.

Mr. RANGEL. Mr. Speaker, may I inquire from the chairman of the Committee on Ways and Means, since so few Republicans want to speak in support of the bill, whether he would consider yielding some time to the Democrats.

Mr. THOMAS. Mr. Speaker, will the gentleman yield?

Mr. RANGEL. I yield to the gentleman from California.

Mr. THOMAS. Mr. Speaker, in examining the number of Members who are enthusiastic on my side of the aisle about this bill, what I am trying to do is figure out a way to allow for senior members on the committee to have a full expression of their support in a particular manner, and there are many other Members of the Republican Conference who are not on the committee and have requested time to speak as well. And what I am trying to do is manage the time in a way that the more-senior members have an opportunity to present the particulars of the bill and that the other Members also have a chance to speak.

So we are going to be working on trying to fit all of the people in.

Mr. RANGEL. Mr. Speaker, reclaiming my time, I want to thank the gentleman from California for whatever he said.

Mr. Speaker, I yield 1 minute to the gentleman from Michigan (Mr. LEVIN), a senior member of the Committee on Ways and Means and the ranking member of the Subcommittee on Trade.

(Mr. LEVIN asked and was given permission to revise and extend his remarks.)

Mr. LEVIN. Mr. Speaker, the Republican bill is not a growth bill; it is fiscally irresponsible for this Nation and is unfair to individual taxpayers. Only 9 percent of the tax cuts will take effect this year. It would mean more and more and more deficits. This bill should carry on with the sign, ''Deficits don't Matter.'' A family with $1 million in income this year would save 95,000 bucks in taxes. A family with $40,000 to $75,000, only $218.

A rising tide of tax breaks for the very, very, very wealthy will not raise all boats, only very big yachts. I urge a ''no'' vote.

Mr. THOMAS. Mr. Speaker, it is my pleasure to yield 1½ minutes to the gentleman from Georgia (Mr. COLLINS), a member of the Committee on Ways and Means.

Mr. COLLINS. Mr. Speaker, this is a workers' bill. This bill will benefit the American worker. It will open jobs, 1.2 million by the end of 2004, half a million by the end of this year. This is good news for the American worker.

We hear about 6 percent unemployment, but we do not hear the flip side: 94 percent of Americans are employed. This bill is about maintaining those jobs and adding jobs and making workers more competitive in the global marketplace.

There is talk about unemployment benefits. Mr. Speaker, the best unemployment benefit is a job so that people in this country can collect a paycheck. This bill does that.

This bill helps businesses grow so jobs will grow. Provisions of this bill will keep American companies here in America and keep those jobs here.

There is nothing that the American worker cannot do. Given a level playing field of tax policies, American workers can out-produce, out-compete, and out-perform any other nation's workforce.

Some people claim this tax bill is only for the rich. That is wrong, and they know it. The President has submitted a tax bill here that will help 104 million American taxpayers. Two-thirds of this workers' bill goes to child tax credits, expanding the number of taxpayers in the 10 percent bracket, eliminating the marriage penalty, accelerating marginal rate cuts, and ensuring that middle-income families do not face the alternative minimum tax.

Mr. Speaker, this is a good bill. The biggest problem is that it does not go far enough. I would like to see more. However, it will stimulate the economy, it will grow jobs, it will make American workers more competitive than foreign workers. I support this bill and urge my colleagues to do the same.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from Maryland (Mr. CARDIN), a senior member of the Committee on Ways and Means and an outstanding Member of the Congress.

Mr. CARDIN. Mr. Speaker, I thank the gentleman from New York for yielding me this time.

Make no mistake about it, this bill is extreme and reckless. Mr. Speaker, $550 billion-plus, every dollar must be borrowed. The Republican budget, by its own numbers, doubles the national debt from $6 trillion to $12 trillion over the next 10 years. Two-thirds of the relief on the capital gains and on the dividend exclusion goes to those people who have incomes over $200,000. Yet, not one dime for the unemployed.

Yes, we have an urgent need. We have an urgent need to act to extend unemployment insurance benefits that expire at the end of this month. That is immediate, fiscally responsible. We have the money in our trust account, and it will help create jobs. Two million Americans in the next 6 months will exhaust their State unemployment insurance benefits and will get no relief.

This bill is extreme, it is reckless, and it is wrong.

Mr. THOMAS. Mr. Speaker, it is my pleasure to yield 2 minutes to the gentleman from Illinois (Mr. WELLER), a member of the Committee on Ways and Means.

Mr. WELLER. Mr. Speaker, I rise in very strong support of this legislation that deserves bipartisan support. The jobs and growth package that is before us today is projected by independent economists to generate 1.2 million jobs over the next couple of years, and we do it in 2 ways: by putting extra money in the pocketbooks of working Americans, by raising their take-home pay, by lowering their taxes, and by providing incentives for businesses to invest. If we want to create jobs, we need investment and we need consumers to spend.

Two-thirds of this tax package goes to individuals. In fact, the average family, the average tax-paying family, if you pay taxes, Federal taxes, you benefit from this proposal. Two-thirds of this package goes to working Americans, individuals. Over $1,000, it is projected, the average family will see in higher take-home pay by doubling the child tax credit, this year; by lowering the rates for everybody, this year; and by eliminating the marriage penalty,

this year. In fact, I have a couple in my district I have often talked about, Jose and Magdalena Castillo of Jolie, Illinois, laborers, construction workers. As a result of this legislation, their marriage tax penalty will be eliminated this year. This is $1,400 that they will be able to spend back home. Think about that. Spend it back home in Jolie, Illinois, rather than back here in Washington, as some do.

But this legislation also creates jobs. It is estimated that it is going to create jobs by encouraging business investment, up to 1.2 million new jobs. The way it does that is that it encourages investment in manufacturing jobs, technology jobs, real estate and development jobs for construction workers. In fact, by doing this, we provide for the bonused appreciation or what some called accelerated appreciation, 50 percent expensing. We should think about that. If we are investing in a business, investing in new security for a plant or a workplace to protect workers and customers and visitors, we will be able to deduct 50 percent of the cost of that this year, creating a job for a technology worker, or someone that is producing that security product. The same thing if it is a machine tool or a company car, or telecommunications equipment.

We encourage business to purchase a product, which the bonused appreciation will do now, and that is why this legislation is going to be so effective in jump-starting the economy now, creating 1.2 million jobs. These are all good provisions and are going to create good jobs for working Americans.

Mr. RANGEL. Mr. Speaker, it is a great pleasure to yield 1 minute to the gentleman from Texas (Mr. RODRIGUEZ), a national leader in his own right, a leader in the Congress, and the chairman of the Hispanic Caucus.

(Mr. RODRIGUEZ asked and was given permission to revise and extend his remarks.)

Mr. RODRIGUEZ. Mr. Speaker, there is a little saying that goes that if you dig yourself into a hole, one of the only ways to get out of that hole is to stop digging.

Well, the Republicans have dug ourselves into a hole, including us, and promised jobs with the first $1.3 trillion tax cut that we had the first year of the administration. Where are the jobs? The only way we can get out of it is to stop digging.

Unemployment is growing, the Federal deficit is growing, the sense of frustration and despair among hardworking Americans is growing. The only thing that is not growing is the economy. And the tax bill we are debating today fails to deliver on the promise of new jobs.

The President and the Republicans here in Congress are continuing to push for more and more tax cuts and, at the same time, not allowing us to have the opportunity under a democratic process to be able to submit our own alternative. The tax cut bill we are debating today does little to alleviate the problems facing our families. While the bill under consideration today promises jobs and growth, the tax cuts are targeted primarily at the wealthiest of this country. It is greed, and that greed is going to choke the economy.

Mr. THOMAS. Mr. Speaker, I really have a difficult time understanding the concept that giving people back their own money is greed.

Mr. Speaker, it is my pleasure to yield 1½ minutes to the gentleman from California (Mr. HERGER), a member of the Committee on Ways and Means.

Mr. HERGER. Mr. Speaker, I rise in strong support of the legislation before us appropriately titled the Jobs and Growth Act of 2003. That is exactly what our efforts today are all about: growing our economy and creating jobs.

This legislation provides immediate tax relief while also making our Tax Code more investor-friendly and less of an impediment to future economic growth. Specifically, this bill accelerates the income tax rate reductions enacted 2 years ago, rather than phasing in over the next several years as previously planned. These lower rates would take effect beginning this year.

This legislation will increase the child tax credit from $600 per child to $1,000 per child. This means real tax relief for families struggling to make ends meet.

This bill also speeds up relief from the unfair marriage tax penalty and increases the exemption amount for the alternative minimum tax, or AMT, meaning that fewer families will be subjected to this burdensome tax.

I am especially pleased that this legislation makes it easier for small businesses to make new business purchases by raising the amount of new investment that small businesses can deduct from their taxes, from $25,000 a year to $100,000 a year. This provision will be of great benefit to millions of small businesses across America.

Mr. Speaker, the government cannot grow the economy or create new jobs. Good government policies, however, can allow the ingenuity of the American people to flourish. Let us get our economy moving again. I urge all of my colleagues to support this bill.

□ 1200

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from Washington (Mr. MCDERMOTT), a member of the Committee on Ways and Means and an outstanding Member of the House.

Mr. MCDERMOTT. Mr. Speaker, the Chair, in a rare moment of clarity last night in the Committee on Rules, told us this is like a poker game. The money on the table at the end of the game is just the same as when you started, just different people have the money than they did at the beginning. And he is absolutely right. The rich get the money in this bill and the middle class gets stiffed.

We cannot trust the middle class to make decent decisions. Eighty percent of this money, of the $500 billion goes to people above $75,000; $105,000 for millionaires; $325 for people making $40,000.

Now, Mr. Speaker, this is not a poker game. This is a crap game we are in, and we have got loaded dice. It is crooked and we have got to shut this game down in 2004 or the middle class is going to be slaughtered.

This Congress is only one thing, and I brought what everybody ought to get. I got one of these. It says here, I approve of everything George Bush does, Member of Congress. This is the rubber stamp, crooked crap game Congress.

Mr. THOMAS. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, one of the things I really do enjoy about the gentleman from Washington (Mr. MCDERMOTT) is that he is consistent. His description of my quote and the meaning of it is consistent with the way in which he presents his version of the facts.

Mr. Speaker, I yield 2 minutes to the gentlewoman from Connecticut (Mrs. JOHNSON), a member of the committee.

Mrs. JOHNSON of Connecticut. Mr. Speaker, I rise in strong support of this bill and congratulate the gentleman from California (Mr. THOMAS) on a very strong and timely proposal to help people and to get our economy moving.

In my district, manufacturing is struggling. Small manufacturers are at risk. Jobs from those industries, the machine tool industry, the electronic components industry, the aircraft industry are hemorrhaging, reaching 20 percent in the last 2 years. We have got to act.

This bill provides not only the right to go back for 5 years and, carry net operating losses back to recover taxes paid, but also some dramatic, incentives, the most generous expensing provisions enhanced depreciation bonuses, to help companies invest in the equipment they need to compete with China and the equipment they need to hire more people. You can go back and recapture. In my district a lot of small manufacturing companies are losing money this year. They lost money last year. But now they can go back and recapture tax dollars to keep themselves going, to keep employment up, to stay alive during this period or to invest in new machinery and equipment to make themselves more productive and more competitive in the future.

This is the best bill for manufacturing that has ever come to the floor of the House in my 21 years in this Congress, because it puts more money in the pockets of the people of America through accelerating the brackets and it strengthens small manufacturing. The capital gains and dividend provisions will also strengthen the economy and provide some real stimulus at a time when economic activity is all too flat and the number of unemployed is all too great.

So if you want a strong manufacturing and a vibrant economy to get moving, this is a good bill at the right time.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from Wisconsin (Mr. KLECZKA), an outstanding member of the committee and the Congress.

Mr. KLECZKA. Mr. Speaker, jobs, jobs, jobs. Two years ago the Republicans in Congress passed a tax cut totaling $1.3 trillion, and that bill was to stimulate the economy, create jobs, get this country moving again, $1.3 trillion. And you know what happened? We lost 2 million jobs in this country. So now the Republicans have another way to create jobs and that is another tax cut bill. This one totals about $1 trillion if you add up the true cost of the bill.

The problem with that is 70 percent of the benefits are going to go to the richest 5 percent of households in the country. And you do not create jobs by giving rich people capital gains breaks, profits in stocks and bonds or on dividends. That is not going to create jobs. The only thing that this bill is going to stimulate, the only thing that is going to be stimulated with an election next year is campaign contributions to those who support it.

Mr. THOMAS. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I invite the gentleman from Wisconsin to perhaps read page 3831 of the CONGRESSIONAL RECORD in which the Bipartisan Joint Committee on Taxation says that up to 900,000 new jobs in the first 5 years will be created by the acceleration of individual rate cuts and the initial increase in investments prevail.

The gentleman does not want to believe and he has every right not to believe; but, frankly, the facts refute his position.

Mr. Speaker, I yield 2 minutes to the gentleman from Arizona (Mr. HAYWORTH), a member of the Committee on Ways and Means.

Mr. HAYWORTH. Mr. Speaker, I thank the gentleman, the chairman of the full committee, for his work on this legislation and would urge my colleagues to adopt it.

Let me start with a point of agreement with the preceding speaker in the well, my good friend, the gentleman from Wisconsin (Mr. KLECZKA). Jobs, jobs, and more jobs. That is precisely what this legislation is about, to offer economic opportunities, to create new jobs. We can do that. And, indeed, I would commend to my friend a bill we passed a couple of years ago where we reduced the top rate on capital gains taxation, where we offered primary residential exemption. What did we do for our friends in construction, in the building trades? We put people to work. People were buying homes. People had more of their money to save, spend, and invest. And rather than the notion of economic passive visit, and rather than the notion of greed, quite the contrary has been true.

When the American people have more of their own money, it helps Main Street. It helps Wall Street. Mr. Speaker, it helps your street, because people have money to spend. New jobs will be created. The chairman pointed out the findings. We know it has worked. It has worked time and again so it will work in this instance.

Support this legislation precisely because we want to create jobs. Support this legislation precisely because we want to promote economic growth.

Now on a sad note of discord, this Chamber has been compared to many different settings. It is sad that some on the left want to compare this to the Grand Old Opry because in the words of that great country ballad, that is their story and they are sticking to it, that somehow this only helps the rich.

Let me tell you, Mr. Speaker, we are talking about real money staying in the pockets of real families. We are talking about accelerating the per child tax credit to $1,000 this year. We are talking about eliminating the marriage penalty this year. We are talking about moving forward this year to help our economy grow, to create jobs, and to get it done now rather than hesitating, rather than waiting, rather than remaining in the economic doldrums. Support the legislation.

Mr. RANGEL. Mr. Speaker, I ask unanimous consent, in view of the overwhelming interest in America and in the House on this bill, that the amount of time for debate be extended an additional hour.

Mr. CUNNINGHAM. Mr. Speaker, I object.

The SPEAKER pro tempore. Objection is heard.

Mr. RANGEL. Mr. Speaker, I ask the chairman of the committee whether he would join with me since he was so cooperative yesterday in the Committee on Rules.

The SPEAKER pro tempore. There is an objection heard.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from Georgia (Mr. LEWIS), the conscience of the Congress and a civil rights leader, since the Republicans object to the discussion.

Mr. LEWIS of Georgia. Mr. Speaker, I rise today to express my outrage at this irresponsible and unfair tax bill. Those at the very top would get a generous tax cut, but those at the bottom would do no better. And there is no evidence that this bill would create even one job.

We can do better. We have the ability. We have the capacity to do better and we must do better. We owe it to the hardworking American who will not benefit under this bill, and we owe it to the 2.7 million people who have lost their jobs since President Bush took office.

This bill has no compassion, not one ounce of compassion. It is a shame and it is a disgrace and I just do not understand it. I cannot for the life of me understand how we can spend billions of dollars to rebuild Iraq, to build schools, to provide health care, and yet we cannot find a cent for the unemployed here at home. That is not right. That is not fair and that is not just. As a great Nation we must do better. I ask my colleagues to vote down this irresponsible and unfair deal.

Mr. THOMAS. Mr. Speaker, I yield such time as he may consume to the gentleman from Minnesota (Mr. RAMSTAD), a member of the committee.

(Mr. RAMSTAD asked and was given permission to revise and extend his remarks.)

Mr. RAMSTAD. Mr. Speaker, I thank the gentleman for yielding me time. I rise in strong support of this economic growth package to put Minnesotans back to work.

Mr. Speaker, too many people in Minnesota have lost their jobs, and, as a result, too many families are hurting.

Nationally, over 1 million Americans have lost their jobs over the last 2 years because of sagging economic growth.

We must pass H.R. 2, the economic growth and jobs package, to stimulate economic growth and create jobs. Economists predict this package of tax incentives and tax reductions will result in the creation of at least 1.4 million new jobs in the next 2 years.

Unfortunately, our friends on the other side who oppose this job-creating legislation fail to understand that economic growth is the key not only to job creation, but also to increased tax revenues to fund the necessary functions of government.

More jobs mean more taxpayers, which mean more revenues, the fundamental point missed by critics of this economy growth package from our Ways and Means Committee.

This critical job-creating legislation will accelerate the rate cuts, marriage penalty elimination and child tax credits; increase small business expensing to provide the core of our economy with incentives to grow; and cut taxes on corporate dividends and capital gains to give the stock market a boost and promote private investment.

Mr. Speaker, Minnesotans looking for work need jobs. The economy needs a boost. We need to increase business spending, consumer spending and investment. This legislation will provide the incentives and tax relief for the economic growth and job creation we need now.

Let's pass this legislation and help put people back to work.

Mr. THOMAS. Mr. Speaker, might I inquire about the division of time.

The SPEAKER pro tempore. The gentleman from California (Mr. THOMAS) has 9 minutes remaining. The gentleman from New York (Mr. RANGEL) has 20½ minutes remaining.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from Massachusetts (Mr. NEAL), an outstanding member of Committee on Ways and Means.

Mr. NEAL of Massachusetts. Mr. Speaker, I thank the gentleman from New York (Mr. RANGEL).

Mr. Speaker, let me stand in opposition today to this Republican deficit plan and remind my colleagues of the warning that is often cited about not learned from the mistakes of history.

Let us talk about the wise reflections today of David Stockman, who essentially said that what was proposed 20 years ago was fiscal folly and suggested in his memoirs that not only was it irresponsible, it represented a threat to the long term fiscal stability of this Nation. He concluded that more debt would be rolled up than all of the debts accumulated by Reagan's 39 predecessors. And after leaving as Reagan's Budget Director he said, ''We were not headed toward a brave new world as I had thought in February. We were not headed toward a vindication of the President's half-revolution, as Don Regan and the supply-siders fatuously insisted in November. Where we were headed was toward fiscal catastrophe.''

These tax cuts are geared and aimed towards the wealthiest of Americans. Again, the argument in this Chamber essentially is this: It is okay today to have a huge deficit after this economy soared when we repaired that philosophy just a few years ago.

Fiscal catastrophe indeed, Mr. Speaker, that is where we are headed.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from New York (Mr. MCNULTY), my colleague and a member of the Committee on Ways and Means.

Mr. MCNULTY. Mr. Speaker, let us talk for a moment about deficit and debts. I am willing to give the President the benefit of the doubt when he first proposed that huge tax cut in the year 2001. Maybe we did not quite know where the economy was going. We certainly did not know about September 11 and the impact that would have on the economy. But we know where we are today.

Last year we had a $159 billion budget deficit. According to the President's own numbers, this year we will have a $347 billion deficit, the biggest in the history of the country. Next year $385 billion, then the biggest in the history of the country. The following year $295 billion. Do the quick math. Over the next 3 years a trillion dollars added to an already existing $6.4 trillion in national debt upon which we paid $332 billion in interest last year.

Let us stop mortgaging the future of our children and our grandchildren. This must stop. Reject this bill.

Always remembering the famous words of my friend, the gentleman from Texas (Mr. STENHOLM), when he said, Down where I come from, you find yourself in a deep hole, the first rule is stop digging.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from Louisiana (Mr. JEFFERSON), an outstanding member of the Committee on Ways and Means.

Mr. JEFFERSON. Mr. Speaker, I thank the gentleman for yielding me time.

Mr. Speaker, the folks at home must be really confused about this debate today. A few years ago we heard the Republican leadership come to the floor with a tax bill saying we were awash in cash and we needed to give the people back their money. And the government should not have the money, the people should have it.

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The trouble is before we could give the folks their money back, the government spent the money. Now we are back telling them the same thing, it is the people's money, we ought to give them back their money, but the only way to give them back the money this time is to borrow the money.

This does not make any sense. It is about like a businessperson saying I do not have any money, do not have any cash, do not have any profits, but I want to give my folks a distribution. I am going to go borrow money at the bank, give it back and give folks a distribution and pay for it later somehow, some way.

This is called a stimulus package but a stimulus package ought to be temporary in effect. It ought to stimulate consumption. The only stimulus package we can have to make any sense is have consumption on the part of States, on individuals or on the part of business.

We leave the folks out of this package who could probably provide the stimulus that we are looking for. The folks who are in the 10 and 15 percent bracket do not get a break under this deal. The folks who work every day and who do not pay income taxes, who pay payroll taxes through the nose, do not get a break under this bill. These folks would actually consume something in this economy if we put the money back in their hands.

This is a wrong-headed bill. I urge it be voted down.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from Tennessee (Mr. TANNER), a member of the Committee on Ways and Means.

Mr. TANNER. Mr. Speaker, I adopt everything that has been said about the debt of this country. We are going broke, if anybody looks at it, but I want to say one thing here this morning.

This is a sad day. My colleagues can hide a lot of things around theories of job creation and so forth, but there is one thing they cannot hide today, and that is we are borrowing money after we sent young men and women in uniform to die in Iraq. We buried one in west Tennessee last week, and my colleagues cannot deny the fact that what is going on here this morning is shameful.

They are borrowing money to give a tax cut to people like me, to give the bill to the kids that died in Vietnam and Cambodia and everywhere else over there, but today in Iraq and Afghanistan they are doing it. They are borrowing the money and giving them a bill and they have got to pay interest on it. There is no honor in that. No President and no Congress since the war of 1812 has sent people into war and then tried in no way to pay for it, no way, and what they are doing is there is no honor here this morning. This room reeks with the stain of what we are doing.

Mr. RANGEL. Mr. Speaker, could I get some understanding of the time that is remaining?

The SPEAKER pro tempore (Mr. SIMPSON). The gentleman from New York (Mr. RANGEL) has 16½ minutes remaining. The gentleman from California (Mr. THOMAS) has 9 minutes remaining.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from California (Mr. BECERRA), a member of Committee on Ways and Means.

Mr. BECERRA. Mr. Speaker, I think my colleague from Tennessee was right.

We talk these days about shared sacrifice. We have men and women in uniform who are returning from service where they were in harm's way. These are individuals, all of our enlisted men and women, who earn incredibly less than $30,000 a year. They put their life on the line for us. They are looking to come back home and have a job.

It is true, jobs, jobs, jobs are what matter. Yet today we are hemorrhaging 75,000 jobs per month in this country. We have lost nearly 3 million jobs since President Bush took office in 2001. We need jobs, not deficits. Yet, that is what we are getting from this tax cut bill. Deficits do matter.

A $550 billion tax cut mostly for the wealthy will blow up the bank. We have a $350 billion deficit for this year. We pay a quarter of a trillion dollars a year in interest on the national debt.

What is the message to our returning soldiers? It is $100,000 for a millionaire in tax cuts. They will get about $200 for the year, about enough to pay for a tank of gas a month. Our children will pay for this tax cut. Let us defeat this bill.

Mr. THOMAS. Mr. Speaker, it is my pleasure to yield 1½ minutes to the gentleman from Michigan (Mr. CAMP), a member of the Committee on Ways and Means.

Mr. CAMP. Mr. Speaker, I rise to commend the chairman for putting together a balanced jobs bill. This legislation helps families, wage earners and employers by improving incentives for job creation, work and savings.

The child credit is doubled, strengthening families. For wage earners the marriage penalty relief and tax rate cuts are accelerated, particularly effective in small and medium businesses and family farms. These flow-through family businesses result for more than 40 percent of the net income in this country.

The legislation provides job creation incentives for all employers by increasing expensing for small business employers, by increasing the bonus depreciation element for other employers.

Michigan has the largest unemployment they have had in 9 years. By lowering the Federal tax burden, we will help expand the economy. Faster economic growth would create jobs and,

particularly in the small business area, will allow them to remain the engine of economic growth in this country.

Vote for this bill.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from Texas (Mr. DOGGETT), a member of the Committee on Ways and Means.

Mr. DOGGETT. Mr. Speaker, when it comes to turning around this economy, assisting the many who have lost their jobs since President Bush got his, this Administration does not have a clue. With a deficit larger than a fleet of aircraft carriers, these Republicans have no idea how to bring our struggling economy in for a soft landing.

As always, their snake oil cure-all is the same old ''Dr. George's red-ink elixir.'' No matter how irresponsible, no matter how many lives are endangered, they award more tax breaks to the fat cats, and if you are not among the elite few, than, frankly, my dear, they do not give a flip.

With the largest deficit in American history adding to a national debt spiraling to almost unimaginable heights, extremists borrow more from us all in order to give tax breaks to a few, and the funds they so freely loot are the very hard-earned dollars we contribute for our Social Security and Medicare.

In Texas, we are suffering a freeze on hiring teachers, no new textbooks, and meanwhile while the President breaks his promise to fund $9 billion of the ''Leave no child behind'' law. This revenue depleting vote is the major education vote of the year. The bill does not raise all boats. It hangs an immense anchor of debt on the necks of our children to whom it denies opportunity.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from North Dakota (Mr. POMEROY), a member of the Committee on Ways and Means.

Mr. POMEROY. Mr. Speaker, we have before us a bill that will add more than half a trillion dollars to the national debt. Advertised as a jobs bill, 89 percent of this budget buster does not do a thing this calendar year. According to the New York Times, the benefits go overwhelmingly to the wealthiest few in this country.

We could do so much better and it is pretty darn clear they cannot even defend this monstrosity. Why else would they reduce debate to a single hour? Why else would they deny all amendments? Why else would they deprive the minority of our historic right to offer an alternative, one that stimulates the economy with tax cuts to small businesses and working families without exploding the deficit?

If the majority was so confident about this proposal, one would think they would welcome debate. One would think they would love a side-by-side vote, their proposal and our proposal. Instead, they are shamefully jamming this proposal through this House, sticking our children with hundreds of hundreds of billions of dollars of additional national debt to fund a tax cut windfall to the wealthiest few in this country.

Reject this shameful bill.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentlewoman from Ohio (Mrs. JONES), a member of the Committee on Ways and Means.

(Mrs. JONES of Ohio asked and was given permission to revise and extend her remarks.)

Mrs. JONES of Ohio. Mr. Speaker, over the past 5 months I have had the opportunity to have my first service on the Committee on Ways and Means, and I must say it has been very, very interesting and a wonderful experience.

Right now, in the State of Ohio where my colleague who sits on Ways and Means with me, we have 57,000 jobs that were lost in the City of Cleveland, 167,000 jobs that were lost in the State of Ohio, since this President took office.

What I would have wanted to see is the people of the State of Ohio who have been laid off and blocked out having to have the opportunity to get unemployment benefits. What I wanted to see is when we are in a terrible situation, a recession, that my State would have received some money to help the people who need a prescription drug benefit, the kids who need child care and day care. What I did not see in this tax cut proposal presented by the chairman of the committee is any help for them.

I understand business and business wants support, but all the business people in my community said do not give me a tax cut, help the poor.

Mr. THOMAS. Mr. Speaker, it is my pleasure to yield 1½ minutes to the gentleman from Ohio (Mr. PORTMAN), one of the most senior members of the Committee on Ways and Means.

Mr. PORTMAN. Mr. Speaker, I thank the chairman for yielding me the time, and I thank my colleague from Ohio who just spoke.

One thing that excites me about this bill is it will create 1.2 million new jobs by the end of next year, including over 34,000 new jobs in the State of Ohio. The folks from Cincinnati where I come from who are unemployed want a job, and that is what this bill is all about.

I congratulate the chairman, I congratulate the President for taking us down this track. This bill addresses what ails us in our economy.

First, consumer demand is down. We provide more money in people's pockets this year. Someone just said it is not this year. It is this year. Companies will withhold less this year. They will have more money to spend, increasing consumer demand.

Second, it helps small business, very directly, and that is the engine of new economic growth and new jobs.

Third, and most importantly I believe, it gets business investment back where it ought to be. In the last 3 years, every economist, right, left or center, will tell my colleagues the same thing, business investment is down. We have got to increase that. That is what the dividends tax piece is about. That is what the capital gains piece is about. It is to get businesses back in the business of expanding plant and equipment and creating new jobs.

I would ask my colleagues on the other side, what it is their idea? I know some of my colleagues think by sending money from Washington back to the States it creates jobs, but that is government-to-government transfer. I do not see that as creating jobs to ensure that unemployment does go down. It is 6 percent now. It is too high. It is too high in Ohio, it is too high around the country.

To ensure that the stock market goes up, which this bill will do, the economists, again, regardless of their affiliation with what organization, right, left or center, say it will help bring the stock market up.

Finally, in order to get this economy on a growth path again, I strongly support this legislation. I hope my colleagues will do so on a bipartisan basis.

Mr. RANGEL. Mr. Speaker, I yield myself such time as I may consume.

The gentleman from Ohio had the audacity to say what is our idea after they stayed up all night to deny us the opportunity to express our ideas. I am telling my colleagues, in New York they call that hutzpah.

Mr. Speaker, I yield such time as she may consume to the gentlewoman from California (Ms. WATERS).

(Ms. WATERS asked and was given permission to revise and extend her remarks.)

Ms. WATERS. Mr. Speaker, I rise in strong opposition to the Thomas tax plan. The reckless tax cut contained in the Thomas plan is unfair and is irresponsible.

Mr. Speaker, I rise in strong opposition to the Thomas Tax Plan. The reckless tax cut contained in the Thomas bill is unfair, fiscally irresponsible, and the perverse and persistent Republican obsession with dividend cuts will do nothing to create the jobs that our people so desperately need.

Mr. Speaker, mark my words: This bill will continue the pattern of tax increases in states and municipalities throughout our country as our state and local governments struggle to replace the resources that the Federal government no longer is providing.

True to the Republican Party's credo, the Thomas bill is a rich persons' bill, with relief completely targeted toward those who need it least. It will load up our children and grandchildren with massive debt, debt that middle class families simply cannot carry. The Republicans will euphemistically call this a jobs bill, but just whom do they think that they are kidding?

This bill is hostile to families and loaded with accounting gimmicks calculated to conceal the size and cost of the Thomas proposal. Can you imagine that anyone genuinely interested in middle class families would offer a bill with a $1000 child tax credit for 2005 that actually reduces the child tax credit to $700 in 2006?

While this bill is a very bad deal for low-and middle-income families, it's an answered prayer for millionaires. According to the Tax Policy

Center, on average, the House GOP tax package would provide tax cuts of $93,500 to those making over $1 million, while the typical taxpayer would get an average tax cut of $217 (even less than the President's plan)—less than 60 cents a day. In fact, 53 percent of taxpayers would get less than $100 under the House GOP plan.

Mr. Speaker, our fiscal future is on the line. Where is the targeted tax relief for middle-class families in this bill? Do we want a plan that will create more than 1 million jobs and promote long-term economic growth as the Democrats have proposed, or do we just want to continue the Republican predisposition to pay attention solely to the wealthy?

I will continue to stand for low-and middle-income families, for Main Street, not Wall Street. All of us should. Reject the Republicans' latest early Christmas gift to the wealthy. Reject this ill-considered tax cut. Reject the Thomas bill.

Mr. RANGEL. Mr. Speaker, I yield such time as she may consume to the gentlewoman from Texas (Ms. JACKSON-LEE).

(Ms. JACKSON-LEE of Texas asked and was given permission to revise and extend her remarks.)

Ms. JACKSON-LEE of Texas. Mr. Speaker, I thank the gentleman very much for yielding to me.

I rise in vigorous opposition to this very horrific bill.

Mr. Speaker, I rise in vehement opposition to H.R. 2, the ''Job and Growth Reconciliation Tax Act of 2003.'' I am completely against this bill for many reasons. First, and foremost, the provisions of this bill fail to address the employment and economic needs of struggling Americans. Second, I oppose H.R. 2 because the rule governing debate of the bill did not allow for consideration of the Democratic substitute, a better bill for Americans and the economy.

H.R. 2 VS. DEMOCRATIC STIMULUS PLAN

The economic plan set out in H.R. 2 is neither fair, nor fast-acting, nor fiscally responsible. H.R. 2, like the President's plan before it, proposes a reckless tax cut that will not create jobs and will hurt long-term economic growth by saddling our children with massive debt. The Democrats' substitute plan will create more than 1 million jobs and promote long-term ecnomic growth.

To jumpstart the economy, my Democratic colleagues have offered a real economic growth plan that would create more than 1 million jobs in 2003, with significant investments and tax relief in 2003 for middle-class families. In contrast, the Republicans' plan, set out in H.R. 2, only puts in place 11 percent of the tax cuts this year, when it is essential to provide rapid economic growth.

Like President Bush's plan, H.R. 2 centers on a tax proposal, a dividend tax cut, and a capital gains tax cut. None of these measures will create jobs. Not only do my Democratic colleagues oppose H.R. 2, expert economists and Wall Street financiers have said that the dividend tax cut in the Republican proposal is one of the least efficient means to stimulate economic growth.

H.R. 2 IS A PHONY ECONOMIC STIMULUS

H.R. 2 is an economic sham. The Republicans have focused on tax cuts, which is fiscally irresponsible. When the Bush administration took office, the United States had a projected $5.6 trillion 10-year surplus. If the tax cuts in H.R. 2 are passed they will have created a $2 trillion deficit over the next 10 years. That is a loss of $7.6 trillion.

Even Federal Reserve Chairman Alan Greenspan, says that these huge deficits actually threaten economic growth. On April 30, 2003, in testimony before the Senate Banking Committee, Chairman Greenspan said, ''It is very important for us to maintain the degree of fiscal restraint over the years ahead, because it's only under those conditions that I think we can create a fiscal policy which significantly assists in acceleration of economic growth.''

The increased Child Tax Credit is also a sham. The Republicans make the increase in the child tax credit a temporary afterthought. The so-called increase proposed in H.R. 2 for the child tax credit will drop in 2006 from $1000 to $700. This is no way to put families and our children first. In H.R. 2 the Republicans clearly display their priorities. The Republicans give tax breaks to the wealthy, while America's middle class and poor families are shortchanged.

SHORTCHANGING THE FUTURE

Next year, the Republican plan proposes tax cuts totaling nearly $44 billion to individuals who make $374,000 a year or more. The Republican tax cuts not only shortchange families and children, but also America's senior citizens.

At the beginning of this Administration, the government was projected to save every dollar of the Social Security surplus. However, under H.R. 2, Republicans would borrow and spend all of the money from the Social Security Trust Fund over the next 10 years. Furthermore, H.R. 2 provides tax cuts of $93,500 to those making over $1 million. Yet, taxpayers in the low to middle income bracket would get an average tax cut of only $217, far too little to stimulate our sluggish economy.

THE 18TH DISTRICT OF TEXAS

A tax cut that saves Americans an average of only 60 cents per day is insufficient. In my district, the 18th Congressional District of Texas, which includes Houston, Harris County and other areas, the Republican plan will cut $13,508 for taxpayers making the top 2 percent of area incomes. For taxpayers in the lower 56 percent of incomes, the Republican plan cuts merely $136. Clearly, the Republican tax cuts do little for the majority of taxpayers in my district.

The Republican's capital gains provisions likewise do little for my District. Ninety percent of taxpayers in the 18th District of Texas earn less than $100,000 per year. Those individuals would received an average of $38 from the capital gains and dividend tax cut. In my District, 82 percent of taxpayers would receive no benefit at all from the reduction of capital gains taxes, while 79 percent of taxpayers in my district would receive no benefit from the reduction of dividend taxes.

One might call H.R. 2 the ''do little'' tax plan. In my district, many could call this the ''do nothing'' plan because nothing is what they will receive if the Republican bill passes. H.R. 2 will not create real growth in my District or anywhere else in our economy. Similarly, H.R. 2 will not create real relief for the many Americans who are struggling to provide for themselves and their families during these trying economic times.

Although the unemployment rate continues to climb, the Republican bill causes the extended unemployment benefits program to expire on May 31. That will lead to millions of families being denied needed unemployment insurance at the end of this month. Not only would extending benefits help the families of nearly 5 million out-of-work Americans pay their bills. It would also efficiently put money into the pockets of consumers who will stimulate the economy through spending.

H.R. 2 professes to create about 1 million jobs in this country with a $550 billion tax cut. In other words, those new jobs, even if they were created, would come at a cost of over $550,000 per job. Let me say that another way, the Republicans plan to create only 2 jobs for every $1 million dollars of federal investment. That is a terrible return.

A better investment would be to put that $1 million into state and local health care programs. An investment in those programs would support 26 jobs, instead of just 2. Investing $1 million into the public schools creates 28 jobs.

In other state and local programs such as homeland security, police or fire protection $1 million can produce 27 jobs. Putting $1 million into these programs create 13 or 14 times more jobs than the Republican plan. The Democratic plan costs less and produces more. Our plan invests money where it will make the most significant and immediate impact. Under our plan, the money goes to the people and states that will spend, and create jobs right now.

DEMOCRATIC SUBSTITUTE CREATES JOBS AND PROMOTES GROWTH

In January, Democrats unveiled a short-term economic growth plan to help jump-start the economy now. Now, Democrats have built on that plan by focusing on both short-term and long-term strategies to create jobs. Our plan, which does not add to the deficit, includes economic proposals that are worthy of this country.

The Minority party has heard the cries of our constituents, we have listened to economic experts, and we know that tax cuts for the middle-class encourage spending and create jobs. The Democratic plan increases the current child tax credit to $800, and speeds up marriage penalty relief and the expansion of the 10 percent bracket.

FUNDS FOR FINANCIALLY-PRESSED FAMILIES AND THE UNEMPLOYED

The Democratic plan pumps money into the economy by extending unemployment benefits to the millions of unemployed workers who cannot get jobs. The Democratic bill would continue the extended unemployment benefits program for an additional 9 months. The Democratic plan will also double the duration of unemployment benefits from 3 to 26 weeks, and provide more coverage for millions of workers who have already exhausted their federal unemployment benefits but are still out of work. Economists have estimated that each $1.00 of unemployment benefits leads to $1.73 in economic growth.

SUPPORT FOR STATES AND LOCALITIES

Almost every state in America is burdened with a deficit. Many states are laying off teachers and canceling needed maintenance on school buildings. Yet, the Republican economic plan fails to provide one penny for state aid, while calling for $1.2 trillion in new tax cuts. Fiscal crises in the states are forcing tax increases and cuts not only in education but also in other critical programs in the states.

The cuts undermine the economy's recovery and decimate planning for the future. The Democratic plan provides states with $44 billion this year to avoid these cuts.

Allocating $44 billion to the states will address critical needs for our constituents in the areas of health care, education, homeland security, transportation, and infrastructure. Among other things, the Democratic plan provides $18 billion for a 1-year increase in the Medicaid payments to states for children, low-income seniors, people in nursing homes, and the disabled. Funding programs such as these create more economic stimulus than hefty tax cuts for the wealthy.

BUSINESS INCENTIVES FOR JOB CREATION

The Democratic plan includes $32 billion in tax relief for the small businesses that are the backbone of our economy, as well as other business investments. The Democratic plan provides immediate tax relief for small businesses and enables them to generate investment and jobs in 2003 and 2004. The Democratic plan triples the amount small businesses can write off their taxes for new investments made in 2003 and in 2004 from $25,000 to $75,000.

In addition, the Democratic plan provides immediate tax relief for all businesses to invest in new plant and equipment in 2003. Specifically, the plan speeds up bonus depreciation provisions, so that businesses can write off 50 percent for investments in plants and equipment in 2003. These provisions will encourage new investments now when the economy needs it most.

The Democratic plan also includes a business tax cut that directly helps the long-term unemployed get new jobs. This tax cut encourage business to hire people who have been out of work at least 6 months, the plan provides these companies with a tax credit worth up to $2,400 (40 percent of the first $6000 in annual wages).

By encouraging companies to start hiring again, this credit helps grow the economy by putting people back to work at the same time as it helps the specific businesses that hire people.

CONCLUSION

Mr. Speaker, for these many reasons I oppose H.R. 2, and encourage my colleagues not to pass this misguided legislation.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from Mississippi (Mr. TAYLOR).

Mr. TAYLOR of Mississippi. Mr. Speaker, 2 years ago today, my son's 13th birthday, the gentleman from California (Mr. THOMAS) told us that his tax breaks then would create jobs. It did, 229 of them, but the rest of America lost 2 million jobs. He said it would stimulate growth. It did, $817 billion of new debt that my kids and other kids and those kids coming home from Afghanistan, those kids coming home from Iraq are going to have to pay.

I think it is incredibly important that 2 years to the day that my colleagues have increased the debt by $817 billion, they are saying let us do it again, and when I go home and see my son tonight, I have got to look him in the eye and say, I failed you, I failed you because I let folks think for the present at the expense of the future. I let folks like the gentleman from California (Mr. THOMAS) and others who promised to be for a balanced budget, who promised to be fiscally responsible, I failed because I did not get them to keep their promise.

I am going to keep my promise and be fiscally responsible. I beg my colleagues to do the same.

Mr. THOMAS. Mr. Speaker, it is my pleasure to yield 15 seconds to the gentleman from California (Mr. CUNNINGHAM).

□ 1230

Mr. CUNNINGHAM. Mr. Speaker, in response to the gentleman from Mississippi (Mr. TAYLOR), when I first came here, there was a $5.2 trillion debt. That is nearly a billion dollars a day. We paid off over $400 billion in debt when we balanced the budget. It is hard to decrease that when we inherit a 5.3.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from Texas (Mr. STENHOLM), a voice that is heard in the Congress and throughout the United States.

(Mr. STENHOLM asked and was given permission to revise and extend his remarks.)

Mr. STENHOLM. Mr. Speaker, we can shout down the gentleman from Mississippi, but the facts are the debt is going to go up $1.4 trillion in less than 2 years' time under the leadership of this side of the aisle. That is more than occurred in the first 205 years of this country. This tax cut that we vote today will borrow $800-plus billion over the next 10 years just to pay for it.

I am standing up for my grandchildren today. The other side of the aisle can continue to ignore it; but let me point out all of the charts we have seen up here today, I assume for this moment they are all accurate, doing everything they profess to do over their economic game plan, we will owe $12 trillion at the end of 10 years' time. And some time between now and July 1, they are going to have to stand up and vote to increase the debt ceiling to pay for that which they argue for today.

Do they really want to do that for our grandchildren? Or should we start looking into the future and not continue to look for what is good for us today? My vote today is with my grandchildren, not for us.

Mr. RANGEL. Mr. Speaker, can I get a reading on the remaining time on this short debate?

The SPEAKER pro tempore (Mr. SIMPSON). The gentleman from New York (Mr. RANGEL) has 10 minutes remaining, and the gentleman from California (Mr. THOMAS) has 6¼ minutes remaining.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from Maine (Mr. MICHAUD).

(Mr. MICHAUD asked and was given permission to revise and extend his remarks.)

Mr. MICHAUD. Mr. Speaker, today in some parts of Maine, unemployment is over 30 percent. Under this plan, 94 percent of the people in my district will get an average tax cut totaling only $52 from the cuts on capital gains and dividends. How will this plan put money in their pockets to spend and consume so we can stimulate the economy? How will this help them get jobs?

I spent the last 29 years before I was elected to Congress working in a paper mill. I know what working people need, and this bill will not help the working people at all. I have no problem with tax cuts. I support the marriage penalty relief, estate relief tax, bonus depreciation, additional expensing, and expanding the 10 percent tax bracket; but we have got to choose measures that we can afford, and we have to choose measures that actually stimulate the economy.

Let us not run up a greater deficit or put Social Security in danger with a tax cut that even Alan Greenspan thinks will not help the economy.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from South Carolina (Mr. SPRATT), one of the major drafters of the substitute bill.

Mr. SPRATT. Mr. Speaker, when I was last up here on the rule, we had this chart here which shows what happens, the damage done to the deficit, to the bottom line. It is $426 billion this year, $494 billion, totalling $4 trillion over 10 years. I ask the question: Is there not a better way? Indeed, we had a better way. We had an alternative which, for no impact on the deficit long term, we could have added, according to the macroeconomic economic adviser's model, the same one they are using, 1 million new jobs stimulating the economy to that effect in calendar year 2003 for seven times the amount of money.

For the $550 billion tax cut here, we only get 600,000 jobs. Why would they not at least allow us to come here in the well of this House, this free market, this forum for America, and present what is manifestly a better plan if we want to create jobs, twice as many jobs as their proposal will create, and it has no long-term effect on the budget? That is because what we are going to do here is start up the economy, but we are not going to increase the deficit and the idea is because that will stifle growth and kill jobs. We had a better plan, and they would not let us offer it. The question is why.

Mr. RANGEL. Mr. Speaker, I yield such time as he may consume to the gentleman from Virginia (Mr. MORAN).

(Mr. MORAN of Virginia asked and was given permission to revise and extend his remarks.)

Mr. MORAN of Virginia. Mr. Speaker, I rise today to oppose this reckless Republican tax cut in a budget already plagued by deficits as far as the eye can see.

In light of the worst fiscal reversal in the nation's history, the Republican leadership has decided to propose more of the same failed policies. In addition, the leadership is stymieing debate by bringing a closed rule to the floor and prohibiting the Democrats from offering an alternative proposal.

This proposal to be debated today will do nothing to stimulate the economy, create jobs, increase investor confidence, or put money back in the hands of the people who need it the most. In fact, all this tax bill will do give tax breaks to people who don't need it on the backs of our children and grandchildren.

The Republican tax bill is cloaked in a series of half-truths. The leadership has placed a $550 billion price tag on this measure, but we all know that because major provisions of the bill are scheduled to expire after the three years, the true cost of the tax cut will be much higher.

How can this body even justify considering large upper-bracket tax cuts that will worsen the long-term deficit to $1.2 trillion over the next 10 years? We should be paying down the national debt to prepare for the retirement of the baby boom generation, set to begin in 5 years.

If Democrats were given the opportunity to offer our plan, the Democratic Jobs and Economic Growth Plan, people would see a true contrast. They would see a responsible economic proposal designed to stimulate the economy now. Our plan is a fair, fast-acting, and fiscally sound alternative.

The Democratic plan includes tax cuts for working families and small businesses, and creates more than one million jobs by the end of 2003 and does not inflict the long-term damage to the budget that the Republican plan does.

Finally, by providing tax cuts to working families and extending unemployment benefits, the Democratic plan helps average Americans, the people most likely to spend money and boost consumer demand, thus creating jobs.

I am sure this body will end up passing this dangerous Republican tax bill, and when it does, we will be adding another $2 trillion of debt that our children and grandchildren are going to have to pay. It is almost criminal to be saddling future generations with having to finance a tax cut for us today.

Mr. Speaker, this tax cut is reckless and irresponsible and not in the best interests of this nation. I strongly urge this body to oppose this measure.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from California (Mr. GEORGE MILLER).

Mr. GEORGE MILLER of California. Mr. Speaker, we are now $2 trillion into the Republican economic scheme. First, they gave away a trillion dollars because we had such a big surplus, they wanted to return it to the people. Now we have trillions of dollars of debt. Now they want another trillion dollars, and they have not created a single job. The American people have been waiting for 2, 2.5 years for jobs, and this bill does nothing to create a job.

This bill does nothing but increase the deficit. It does nothing but increase the giveaways to the wealthiest people in this country. Yet the American people and their families are waiting to have the opportunity to go back to work, to stimulate the economy. But that is not what this legislation does. This legislation ignores the needs of working people in this country, ignores the needs of those families of working people in this country, and ignores the needs of those children who live in those families of working people in this country. How does it do it? By simply showering a trillion dollars over the next 10 years on Americans who do not need this money, many of whom have come to us and said, do something productive with it, and ignores the problems in the economy of this country.

Mr. THOMAS. Mr. Speaker, I yield 1½ minutes to the gentleman from Louisiana (Mr. MCCRERY), a member of the Committee on Ways and Means.

Mr. MCCRERY. Mr. Speaker, I believe the Federal Reserve's recent warning about the dangers of deflation is worth noting in the context of this debate. The spectre of deflation, I believe, raises the stakes in this debate over a growth and jobs plan. In fact, the May 6 statement of the Federal Reserve Board's Open Market Committee can itself be read as a plea to Congress to take the steps necessary to spur economic growth and prevent deflation.

The Wall Street Journal on its editorial page recently said, ''In any case, Mr. Greenspan's main duty is monetary policy, and that is where his words really matter. His deflation warning ought to be a wake-up call to Congress.''

Lower tax rates to stimulate growth and greater liquidity to prevent deflation is exactly the right policy mix. The Fed has supplied the liquidity; it is up to us in the Congress to supply the lower tax rates.

Our Nation's economy is in trouble. Americans expect the President and the Congress to take action to get the economy out of the ditch, back on the road creating jobs. Republicans and Democrats may differ on how best to use fiscal policy to help the economy, but to do nothing should not be an option. This President should be given a chance to use his policies to turn around our economy. This bill does just that. It obtains all of the elements of the President's economic growth and jobs proposal. Let us pass this bill; give the President a chance to lead us out of economic darkness.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from Tennessee (Mr. FORD).

Mr. FORD. Mr. Speaker, this debate has boiled down to simply a difference in priorities. I agree with a lot of my colleagues that a tax cut is probably needed; but we followed the advice of the other side of the aisle 2 years ago, and we have heard my colleagues, and the other side knows the facts because they hear from their constituents as well. Their package produced 2 million less jobs, 1 million people with fewer insurance.

What we are asking for on this side is that more people have the opportunity to enjoy a tax cut, not simply rich people or poor people, the wrong people. I do not accept some of the language. I just think more people should benefit. The Republican Party used to stand for that. The Republican Party used to stand for balancing budgets and not running a deficit. I guess power breeds a different kind of mentality here.

Mr. Speaker, the last thing I would say is this, every State for every Member here is running a deficit. My State is running a $400 million deficit, North Carolina has already cut $2 billion and has to cut $400 million more. Michigan has a $1.8 billion deficit; and I would say to the gentleman from Michigan (Mr. CAMP), we should help the States.

We made an argument to help the airlines, and it was the right thing to do. States do not have the advantage we have here at the Federal level. They cannot go borrowing and borrowing and borrowing. They have to make ends meet. We should help them because we would save jobs and save their economy.

Last, I speak to the University of Tennessee graduates tomorrow at 9 a.m. about jobs. I cannot brag about what the other side is doing, and they cannot either. Let us pass a real jobs package; let us reject the Republican package and accept the Democratic package.

The SPEAKER pro tempore. The gentleman's time has expired.

The Chair would ask Members to respect the time yielded to them.

Mr. FORD. Mr. Speaker, I ask unanimous consent for 5 additional minutes.

Mr. HULSHOF. I object.

The SPEAKER pro tempore. Objection is heard.

Mr. FORD. Mr. Speaker, I ask unanimous consent for 5 additional minutes on this side and 5 additional minutes on the Republican side.

Mr. HULSHOF. I object.

The SPEAKER pro tempore. Objection is heard. The gentleman will take his seat.

Mr. RANGEL. Mr. Speaker, has the Chair ruled on the unanimous consent request of the gentleman from Tennessee (Mr. FORD)?

The SPEAKER pro tempore. An objection was heard.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from California (Mr. FARR).

(Mr. FARR asked and was given permission to revise and extend his remarks.)

Mr. FARR. Mr. Speaker, I rise in strong opposition to this bill. I rise in opposition because the author of this bill is from the great State of California. This bill cuts $850 million out of the State budget, a budget that is already bankrupt. That bankruptcy affects every school district in California, every city and county in California, every hospital in California, every police force and fire department in California.

How can Members say at a time when these States are in such financial need we are going to help them by pulling the rug out from underneath them? This tax cut is the worse thing that could happen to the State of California, and it is shameful that a Republican from California is offering it.

Mr. Speaker, I rise today to read some headlines from my state of California. These

are just from the last few days, but they are illustrative of the kinds of headlines that we have been seeing across our state during the past year: ''Parents scramble to save popular school programs'', the San Francisco Chronicle, May 8th; ''San Jose faces service cuts, fee increases: Budget plan calls for loss of 231 jobs'', San Jose Mercury, May 3rd; ''Budget anxiety—California's teachers worry about layoff'', Los Angeles Times, May 6th; ''Financial crunch hits extra hard'', Monterey Herald, May 4th; and ''Proposed Section 8 changes feared'', Santa Cruz Sentinel, May 2nd.

Across the state of California, both statewide government agencies and local municipalities are feeling the crush of the approximately $35 billion budget shortfall. The state is looking for help. We are asking, much like New York City did in 1975, for help from our national leaders. And, much like Ford did in that day, the President and Republican leaders here in Congress are sending a message to California: G.O.P. to California: Drop dead.

The so-called ''stimulus package'' proposed by Representative THOMAS calls for—depending on who you listen to—somewhere between $300 and $500 billion in tax cuts. Included in this package is legislation that would do away with taxes on dividends.

What the President and the Republicans, and even Representative THOMAS, a California, have not told you is that this elimination of taxes on dividends will not just affected the amount of revenue coming into the federal government, it will also affect the amount of money collected by the states. The Legislative Analysis office of the State of California has calculated the State will lose approximately $850 million in income tax revenues if dividends are no longer counted as taxable income. $850 million. This will only serve to increase the budget gap that already exists. I am fairly certain the returns to individual California as a result proposed will not be as great as the losses the entire state.

Unlike the Senate proposal. THOMAS' proposal does not include any direct assistance to the states. In fact, the President is seeking to cut funding entirely to programs that have been beneficial to California.

The COPs program has been a wildly successful program in the state of California, which provided 437 more police officers on the streets in California last year. What does Bush do? He eliminates the funding from his proposed budget.

The State Criminal Alien Assistance Program assists California in jailing alien criminals. What does Bush do? He eliminates the funding in his proposed budget.

Section 8 housing funds for low-income citizens, administered by the HUD, has provided millions of families into housing across the nation. Sure, it's not a perfect program, but the President would like to see the states administrater the program instead. He claims this will save the Federal government money—but it he at all concerned with the costs, administrative and otherwise, but will be passed onto the states as a result?

There is not one penny in this legislation to assist the states. There is not one shred of hope for the state of California, or the nearly 250,000 people who are unemployed, in this bill. How can anyone in the California delegation allow our state to suffer? How can you present them with this kind of legislation and not offer them any kind of assistance? I urge my colleagues to vote against this bill and allow the Democratic substitute to be debated—which includes $40 billion in direct assistance to the states. Otherwise, I can see the headlines now: ''State Falls Deeper into Debt''; ''More jobs eliminated''; and ''Schools closing across California.''

Let's change the headlines. Let's do it now, vote down the THOMAS bill and consider the democratic alternative immediately.

Mr. THOMAS. Mr. Speaker, I yield 1 minute to the gentleman from Pennsylvania (Mr. ENGLISH), a member of the Committee on Ways and Means who understands when someone stands up and says give us more, that is all they ever talk about, just give us more.

Mr. ENGLISH. Mr. Speaker, the bill before us is perhaps the most important bill for our economy that we are going to be voting on this year, and I strongly support it because it is a measure that provides a powerful tonic for economic growth and job creation.

We estimate that over a million jobs will be created as a result of this bill, and what I want to underscore here is that this bill is strongly and powerfully pro-manufacturing. It will stimulate manufacturing jobs in a sector which has been battered by the economic slowdown. Two provisions, the increase on the business expensing allowance and a 5-year carryback of net operating losses, will go directly toward preserving and creating high-paying manufacturing jobs in our economy.

A strong expensing allowance is the right medicine for the ailing manufacturing sector. It significantly reduces the cost of capital so that manufacturers can invest in new equipment and machinery and in the process dramatically increase workers' productivity. Allowing businesses to deduct more quickly the cost of capital investments makes those investments more affordable. This is seed corn for the economy. We need it now, and I urge passage of this legislation.

Mr. RANGEL. Mr. Speaker, could I have information as to how much limited time remains.

The SPEAKER pro tempore. The gentleman from New York (Mr. RANGEL) has 5 minutes remaining, and the gentleman from California (Mr. THOMAS) has 3¾ minutes remaining.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from Texas (Mr. GREEN).

(Mr. GREEN of Texas asked and was given permission to revise and extend his remarks.)

Mr. GREEN of Texas. Mr. Speaker, I rise in opposition to this legislation. I think it is misguided and will not produce the economic stimulus that our Nation needs. The lesson we do not need to learn twice is that 2 years ago we enacted a tax cut that was heavily tilted toward the wealthy. It failed to stimulate our economy, and it wiped out every last bit of what budget surplus we had.

Mr. Speaker, it is high time we learn from our mistakes. We want to stimulate our economy. We need to get businesses investing in our customers and spending; but in cutting dividend and capital gains taxes, this bill is a long way from doing the job.

Mr. Speaker, in my home district, the 29th Congressional District of Texas, 94 percent of my taxpayers bring home less than $100,000.

□ 1245

How do these tax cuts affect them? The dividend tax cut will give them a whopping $39 in tax savings. Ninety-four percent will receive $39. That is not incentive. I have a district that consumes, they are people that work and they will spend the money, but let us give it to the folks that actually do that. Some 80 percent of my constituents do not report any capital gains or dividend income on their tax returns. Four out of five of my constituents see no tax relief from these cuts and that is not right.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from Illinois (Mr. EMANUEL).

Mr. EMANUEL. Mr. Speaker, I thank the gentleman from New York for yielding time.

The American people find themselves in the middle of a job recession. This tax bill does nothing to kick-start the economy. In Illinois, in Chicago, we have lost 56,000 jobs, one of the greatest losses. Fifteen months ago, we passed one of the largest tax cuts in history. The net result? 2.5 million Americans have lost their jobs, 5 million Americans have lost their health care, $1 trillion worth of corporate assets have been foreclosed on and 2 million Americans who were at one time in the middle class are now in poverty. That has been the net result of a tax plan that was passed 14 months ago. That is how it has affected the American people.

This tax cut only does exactly what the first tax cut did. It puts its foot on the accelerator and does nothing to focus its benefits on the economy and the job recession the American people find themselves in today. If we would focus on jobs and job creation, we would have a tax plan that would get bipartisan support. That is the goal of what our plan does, which is to produce jobs and kick-start the economy today so we can get economic growth. Less than 10 percent of this tax plan is designed on the economy today. That is why it will continue the sluggishness that our U.S. Treasury Secretary acknowledged the economy is in and continue the jobless recession that has been produced by the first tax cut of 2001.

Mr. THOMAS. Mr. Speaker, it is my pleasure to yield 1 minute to the gentleman from Missouri (Mr. HULSHOF).

Mr. HULSHOF. Mr. Speaker, in the real world if a family's house's foundation begins to crumble and the family does not have savings enough to make the necessary repairs, they would take out a home equity loan, a short-term

loan, in order to rebuild the foundation of their family's home. It seems that the majority opinion on the minority side is to repudiate the economic policies of President John F. Kennedy, that a rising tide lifts all boats. The substitute that was offered last night says that in order to stimulate the economy we should spend more money. Were that the case, America would never experience a recession because Congress always spends more money.

The other side has said that the judgment of individual Members of Congress seems to be superior to the judgement of America's families as they sit around the kitchen table trying to pay the bills. We are trying to embrace consumer confidence and investor confidence.

Mr. Speaker, I urge passage of H.R. 2. Our economy's foundation is crumbling and it is time that we repair it.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from North Carolina (Mr. BALLANCE).

Mr. BALLANCE. Mr. Speaker, I thank the gentleman from New York (Mr. RANGEL) for yielding me this time.

As a new Member of this 108th Congress, I recently traveled throughout the rural areas of North Carolina. I find that the people who sent me down to Washington, D.C. are hurting. We are losing manufacturing jobs. When I go into the farm community, our farmers are suffering. They have huge tractors that they do not need and they cannot pay for. They have built barns that cost $15,000 that they do not have any tobacco to put in them. I find that many of these same farmers have hired workers to take care of their crops. They no longer have an opportunity to pay these people who can then support their families.

We are hurting in rural America. We need an opportunity to put some money in the pockets of people who will spend it and spur this economy, not this plan that is being sent by the majority.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from Ohio (Mr. RYAN).

Mr. RYAN of Ohio. Mr. Speaker, I thank the gentleman for yielding me this time and I appreciate the opportunity.

I think the main point that we all need to understand is we are going to borrow $550 billion, not to invest in education, not to invest in health care but a giveaway to the top 1 percent. Four out of five people in my congressional district will see no benefit from the capital gains. Four out of five people in my district will not see any benefit from the dividend tax. If you make $40,000 a year in Akron, Ohio or in Youngstown, Ohio, you get 100 bucks. Meanwhile, tuition is up 12 percent. Health care is up 12 percent.

This is voodoo economics. It is bait and switch. It is an economic joke and it reminds me of the old country song that the gentleman cited a few minutes ago: You get the elevator; we get the shaft.

Mr. THOMAS. Mr. Speaker, it is my pleasure to yield 30 seconds to the gentleman from Texas (Mr. BRADY).

Mr. BRADY of Texas. Mr. Speaker, common sense tells you the best thing we can do to balance the budget and pay down our debt is to get people back to work, because when you are not working, you are not paying Federal taxes, you are not paying into Social Security, you are not helping States balance their budget.

In my home State of Texas, the President's job bill will create 42,000 new jobs each year. That is the equivalent of taking the Pentagon, the world's largest office building, building it in Texas and filling it each and every year with new Texas workers. This is real jobs at a time when we need it the most. And with so many new jobs waiting to occur, we ought not wait another day to get this to the President's desk.

The SPEAKER pro tempore (Mr. SIMPSON). The gentleman from New York (Mr. RANGEL) has 1 minute remaining and the gentleman from California (Mr. THOMAS) has 2¼ minutes remaining.

Mr. RANGEL. Mr. Speaker, I yield such time as she may consume to the gentlewoman from Michigan (Ms. KILPATRICK).

(Ms. KILPATRICK asked and was given permission to revise and extend her remarks.)

Ms. KILPATRICK. Mr. Speaker, I rise in strong opposition to this bill that America does not want. America needs jobs.

Mr. Speaker, I come to the floor of the House today with a profound sense of outrage. I am outraged that the majority has once again brought a tax cut bill to the floor that will further exacerbate the spiraling deficits that confront our government. I am also outraged that the majority has denied Democrats the opportunity to offer and debate a substitute. Finally, I am outraged at the disservice that the American public has to endure because they will not be afforded the opportunity to witness a full debate on the merits of the bill we are considering.

The bill under consideration provides tax cuts for individuals and businesses totaling $549.5 billion over 11 years. The facts of the matter are, this horrific bill fails to provide real solutions to the problems of stagnant economic growth, unemployment and the fiscal crises in the States. This bill is overwhelmingly skewed toward the wealthy. According to the Center on Budget and Policy Priorities and the Tax Policy Center, taxpayers with incomes of more than $1 million will receive an average tax cut of $105,600 in 2003, with $42,800 of that coming from cuts in the capital gains and dividends tax rate. Middle income taxpayers would receive an average tax cut of just $218. The top 5 percent of households would receive 75 percent of the benefits. Only one-fifth of households with income between $40,000 and $50,000 a year receive any benefit at all.

A look at the facts reveals that this bill will result in staggering long-term deficits that will burden future generations, forcing cuts in vital programs such as Social Security and Medicare and further weakening economic growth. I am astonished that my colleagues have the temerity to bring this bill to the floor, especially when Federal Reserve Chairman Alan Greenspan recently warned against costly new tax cuts when the government is already facing record-high deficits. It is very interesting that the majority will tout Chairman Greenspan when it suits them, and discounts his counsel when it runs counter to their political agenda.

I am also outraged the bill before us does absolutely noting to address the budget crises affecting States. States are facing their worst budget gaps since World War II.

Unlike the Federal Government, States must balance their budgets every year and have been forced to cut programs and lay off thousands of workers. I believe that the best way to stimulate the economy is to put money into the coffers of State governments, and into the hands of a everyday workers like those who live and work in my district. This bill will do nothing to support programs related to education and health care, hiring back furloughed employees, or extending unemployment benefits to millions of the unemployed.

My concerns are quite simple, unemployment is now at 6 percent and the number of workers who have been unemployed for more than 6 months account for 20 percent of all unemployed workers, the largest proportion in a decade. The economy has lost 2.7 million jobs in the last 2 years, but this bill does nothing to help the unemployed. Contrary to what the bill's supporters believe, a tax cut for wealthy investors does nothing to help unemployed workers pay the bills.

This is the third economic stimulus package of the Bush administration. The first two did little to stimulate the economy and this one will only increase the misery index for many Americans. America cannot endure another stimulus plan that results in more economic stagnation, sagging consumer confidence and rising unemployment. This bill does not include a 26-week extension of unemployment benefits nor temporary grants to States to provide benefits to low-wage and part-time workers.

Mr. Speaker, today the majority is engaged in another reckless tax cut endeavor that is steeped in unfairness and will contribute to staggering deficits. I am outraged that Democrats have been denied the opportunity to provide a viable alternative and Americans are being deprived of the opportunity to hear a full and open debate.

I cannot and will not support this bill and urge my colleagues to be courageous and hold and similarly cast a dissenting vote.

Mr. RANGEL. Mr. Speaker, I would like for our minority leader to close the debate on behalf of the Democrats that were denied the substitute. So could I make inquiry of the chairman of the Committee on Ways and Means as to how many speakers he has remaining?

Mr. THOMAS. I believe we have at least three remaining.

Mr. RANGEL. Would you mind if I waited until they got down to one?

The SPEAKER pro tempore. Does the gentleman reserve the balance of his time?

Mr. RANGEL. Yes.

Mr. THOMAS. Mr. Speaker, I yield 1 minute to the gentleman from Florida (Mr. FOLEY), a member of the Committee on Ways and Means.

Mr. FOLEY. Mr. Speaker, between the Senate's attempt to raise taxes and the Democrats' desire to spend more of your money, we will never see economic growth in this country. There is a reason the Joint Economic Committee calls this bill near-term stimulus and long-term growth.

I understand on the other side of the aisle their Small Business Caucus must be very small because they must have missed the business and investment incentives: Bonus depreciation, small business expensing, net operating loss carryback. They must have missed for children and families the child tax credit which increases to $1,000 the credit available for parents trying to raise their children. An expansion of the 10 percent bracket. Marriage penalty relief. These are good things to stimulate the economy. Yet the only thing they can come up with is a complaint that our Chief Executive and Commander in Chief landed his plane on an aircraft carrier.

People need jobs. This bill is about jobs. People need tax relief. This bill is about tax relief. I owned a small business. I know how to work our way out of a difficult economy. I wish we had more cooperation. I wish we had more participation.

Mr. THOMAS. Mr. Speaker, it is my pleasure to yield 30 seconds to the gentleman from Texas (Mr. DELAY), the majority leader of the House of Representatives.

Mr. DELAY. I thank the gentleman for yielding me this time.

Mr. Speaker, this bill before us will lower taxes for individuals, married couples, parents, small businesses, investors, and workers at every income level, and it will create jobs. I thank Chairman THOMAS for producing a great bill, and I thank him for agreeing to perfect it as this process moves forward.

Mr. Speaker, this jobs and growth package will not only grow the national economy but through that growth it will help us support and fund the war on terror and our other priorities for years to come. The American people understand the relationship between the war on terror and economic recovery, even if the opposition does not.

They understand success in one depends on the other. Indeed, history has proven, even in the last 19 months, that prosperity without security is fleeting and security without prosperity is impossible. Today the United States may be the most prosperous and secure Nation on Earth, but make no mistake about it, people are hurting. Unemployment is on the rise and anxiety runs high. Investment is chilled and the stock market is stagnant. Many Americans are unsure about their jobs and many small businesses are on the brink.

Mr. Speaker, on behalf of the Republican majority: This will not stand. Great nations do not cringe when their prosperity and security are threatened. But that is exactly what the opposition proposed.

Last month when Americans cheered as Allied troops liberated 24 million Iraqis and removed a terrorist dictator from power, Democrats grumbled that we could have brought down that statue for a lot less money. And now this month they have the gall to suggest that we twiddle our thumbs as Americans struggle to feed their families. They make time to block qualified judicial nominees and critique the President's travel wardrobe, but not to develop a serious plan that creates jobs. So embarrassing is the minority's lack of leadership on the economy that they did not even propose a remedy to the economy until just yesterday. And that proposal? To raise taxes. How unimaginative. How pathetic. How typical.

Just as they failed to propose serious alternatives to the energy bill, the budget and Operation Iraqi Freedom, the Democrats have once again walked away from the national debate. They have ignored the troubles of the American people and surrendered the field of public discourse. And they demonstrated once again that they are unwilling—indeed incapable—of governing in these very serious times. So be it. The American people saw the differences between the parties on how best to deal with threats to our security, and today they will see our differences on how best to deal with threats to our prosperity.

To those who would follow the timid path of the do-nothing Democrats, I have to thank you. Your vote will only make those differences all the clearer to the American people. But to those who would join the President and the majority today to pass this bill, you will be remembered, years from now, as the men and women of the 108th who got our economy moving again and who made the United States a safer and a more prosperous place.

For your vote, I do not have to thank you. History will.

Mr. RANGEL. Mr. Speaker, I yield the balance of my time to the gentlewoman from California (Ms. PELOSI).

Ms. PELOSI. I thank the ranking member for yielding me this time.

Mr. Speaker, today the House of Representatives has a very historic decision to make. Other speakers have referenced the sacrifice of our young men and women in uniform in Iraq and the gratitude we have to them for the sacrifice that they were willing to make. They were successful in their mission. Our mission is to build a future worthy of their sacrifice. That cannot be done by voting for the reckless, irresponsible proposal put forth by the Republican majority on this floor today.

The distinguished majority leader said we did not have a plan until yesterday. We had a plan the day before the President had a plan in January, a plan that was fair, fast-acting and fiscally sound.

□ 1300

And the plan that we brought to the Committee on Rules yesterday was consistent with those provisions and those principles. But so frightened were the Republicans of the truth on this floor that they would not allow the Democratic plan for job creation and economic growth to be brought to this floor. So frightened were they of the truth that they have tried to silence the voice of over 100 million people in our country who are represented on this side of the aisle.

We are building a visitors center outside for people to come and witness democracy. What do we tell them when we say that so many Americans cannot have their voices heard on this floor around the debate of a proposal for economic growth and job creation?

This day is a historic day. In many ways it is a sad day. And I would like to put it in perspective. Ten years ago, faced with a struggling economy and a growing deficit, a new Congress and a new President courageously passed a budget bill that took us on a path to fiscal soundness. The stock markets responded, the economy prospered, and we had a record of economic growth that is unsurpassed in our Nation's history. We did that with Democratic votes only. Not one Republican was willing to step up to the plate for fiscal soundness and economic growth and job creation. At the end of the Clinton administration, by the end of the Clinton administration, 22 million new jobs were created. The country was on the path of a record surplus of $5.6 trillion, and the unemployment rate was at an all-time low. To achieve that, it took leadership and it took courage.

Mr. Speaker, the debate today is about leadership. Sadly, that leadership is lacking from both President Bush and from the Republican Congress. What a difference 2 years makes. President Bush and the Republicans in Congress have presided over the most dramatic deterioration in our economic health in our Nation's history. Since President Bush took office, we have gone from the strongest economy ever in the United States to a weak, struggling economy that was described by the majority leader just a moment ago. We have gone from historically low unemployment rate to losing 2.7 million jobs in the first 2 years of the President's term. In fact it is 27 months, 2.7 million jobs, the worst record of job creation in nearly 6 decades.

I call my colleagues' attention to this chart. Every President since World War II is on the upside of the line of job creation. Every President except one, George W. Bush. President Clinton, 22 million jobs in 8 years. President Bush, losing 2.7 million jobs in the first 2 years of his term. That was a result of his failed economic policies.

And what is his answer to this record unemployment? The same warmed-over stew. The same recipe for economic disaster. This number, 563, drives home the point in a personal way. Since President Bush became President, every working hour of every working

day, 563 Americans lose their jobs. A little more than the number of people who serve in the Congress, House and Senate combined, lose their jobs every hour of every working day since the President has taken office. Under the Republican leadership, April's unemployment rate reached 6 percent. Nearly 9 million Americans are out of work, the worst job slump since the Great Depression. Another 9 million have either given up looking for work at all or are working part time. That is why today is so tragic. Tragedy is about missed opportunities.

We have an opportunity today to create jobs and build a strong economy without endangering our fiscal responsibility. Instead, the reckless tax plan the President and the Republicans in Congress have set forth is not only irresponsible in its substance; it is irresponsible in the bad example that the President and the White House set. They created a feeding frenzy of tax cuts, of trying to outdo each other, making matters worse. That is what is lacking in leadership. Not leadership to grow the economy and create jobs, but a bad example to take us on the opposite course.

So instead of having our plan on the floor today which is fair, fast-acting in creating jobs, again, fair in who benefits from it, and a fiscally sound plan that is paid for, instead we have a reckless tax plan that the President has proposed. None of these proposals, the President's, the House Republicans', the Senate Republicans', none of them is affordable. They do not create jobs and certainly in no way are commensurate with the cost involved.

Give them the benefit of the doubt. They keep saying they are going to create 550,000 new jobs, fewer jobs than were lost in January and February of this year and at the cost of a tax bill of $550 billion, a cost of $1 million a job. Where is the fiscal soundness in that? Where is the taxpayer getting his or her money's worth? The Republican plan spends every penny of the Social Security trust fund that comes in over the next decade just as the baby boomers begin to retire.

This is so irresponsible, but do not just take my word for it. The Committee for Economic Development, a 60-year-old independent group of CEOs and civic leaders, calls the President's tax plan ''arsenic poisoning for the economy'' which worsens ''a fiscal crisis that threatens our future standard of living.'' Four hundred economists including 10 Nobel Laureates warn that ''passing these tax cuts will worsen the long-term budget outlook, adding to the Nation's projected chronic deficits'' and will ''reduce the capacity of the Government to finance Social Security and Medicare benefits as well as investments in schools, health, (and) infrastructure.''

The American people want, they expect, and they deserve an economic recovery plan that is fair, fast-acting, and fiscally responsible. The Republican tax plan fails on all three counts. They are profoundly unfair to working families. They do not create jobs. Even the President's own economic advisors admit that his plan will not create enough jobs to make up for those lost in the first 2 months, much less in the last 2 years. And the Republican tax cuts are a fiscal budgetary disaster.

Now Republicans claim that the stark deficits somehow do not matter and that they will be erased by a growing economy. But Federal Reserve Chairman Alan Greenspan testified before Congress: ''There's no question that as deficits go up,'' he said, ''contrary to what some have said, it does affect long-term interest rates. It does have a negative impact on the economy,'' and, ''Economic growth alone cannot be safely counted on to eliminate deficits.''

Americans need to understand what these huge Republican deficits will mean for the future of our country. The President's own projections show that the interest we will pay on the national debt will exceed all discretionary spending foreclosing the opportunity to make critical and necessary investments in the future, again, in education, homeland security, health care for seniors, transportation, and the environment for years to come.

With that, Mr. Speaker, I want to say that it is within our power in this body for us to do what is right for the American people. It is within our power to support, although the Republicans will not let us bring it to the floor, a Democratic plan for real job growth and real economic growth, one that actually creates jobs and economic growth now and is fully paid for. The Democratic plan stands in stark contrast to the Republican recklessness. The Democratic plan, again, is fair, it gives tax cuts to all taxpayers, all taxpayers, including those most likely to spend it, low- and middle-income working families.

One of our colleagues on the other side said earlier our answer to this was to spend more money. Our plan is paid for, and those initiatives to help small businesses which in turn create jobs and create capital are fiscally sound. Our support for extending the unemployment benefits, it is the most dynamic investment we can make. It injects demand into the economy, putting purchasing power into the hands of working families, especially those who are out of work and are going to purchase necessities. We get $1.73 of value for every dollar spent on that unemployment benefit extension. We get 9 cents for every dollar spent on the dividend tax exclusion.

So I say to my colleagues this is the choice that America faces. This is the choice we should have been able to debate and to vote on today. But the Republican leaders know that our plan is fair, fast-acting, and fiscally responsible, and theirs is not. So they will not even allow us the opportunity to bring to the floor, to this people's House our plan for an up-or-down vote. The Republican plan harms the economy and repeats the failed policies that have deepened this job slump. Instead of investing in our children, the plan indebts them.

Mr. Speaker, I urge my colleagues to reject this reckless, irresponsible Republican tax cut for millionaires that leaves working families out in the cold. I urge my colleagues to say no to raiding the Social Security trust fund. I urge my colleagues to say no to indebting our children instead of investing in them and their future. I urge my colleague to say no to the unfairness of the Republican tax plan that overwhelmingly benefits those who need it least at the expense of working families of America, job creation, and economic growth. And I urge my colleagues to reject their plan because it is not true, it is not faithful to our mission to make a future worthy of the sacrifice that was made by our young men and women so recently for our country.

Mr. THOMAS. Mr. Speaker, has all time expired on the other side of the aisle?

The SPEAKER pro tempore (Mr. SIMPSON). All time has expired for the gentleman from New York (Mr. RANGEL).

Mr. THOMAS. Mr. Speaker, it is my pleasure, then, to yield the remainder of my time to the honorable Speaker of the House of Representatives, the gentleman from Illinois (Mr. HASTERT).

□ 1315

Mr. HASTERT. Mr. Speaker, I thank the chairman for yielding me time.

I rise today to make a simple plea: Support this bill and support job creation in this country.

Before I got into this game of politics I taught economics and history. In the study of history you find that sometimes two people look back at the same event and see different occurrences and that different things happened. There a lot of different interpretations of the Civil War, the War Between the States, whatever you might have.

I think there are also a lot of interpretations of what happened in the nineties to the economy. I remember that vote that the minority leader talked about that night. It was at a time when the Clinton administration was in the doldrums, it was a time when their economy was floundering. They did have a vote, and I think the subsequent result of that was we came with a Republican majority. But there are a lot of different views on how history develops.

Today we see the result of that bubble of the nineties deflating. We see the result, where businesses and corporations who based their growth on debt found out that maybe that was wrong-minded. We find it is a time that maybe we need to make investments, so corporations, the creator of jobs, and small businesses, the creator of jobs, actually put out dollars, so that you can create jobs, and not debt,

where you could grow on debt because it is deductible on your taxes.

What we want is for people to invest their money. We want small businesses to say we are going to invest in that new pickup truck, or that new product, or a tractor, so that we can put somebody on it, so we can create a job, so that we can expense it and create more economic activity in this country.

Our unemployment rate is now at 6 percent. I have to say that that is unacceptable and we have to do something about it.

We have heard that onomatopoeia of rhetoric, of negative words, but words only last so long. Words sometimes are an important tool in this place, but the fact is truth is important, and the truth is we need to get the economy going again.

There are a couple of ways to do it. You can bring consumer confidence back. You can give families the confidence they need so they can start to buy and invest in this economy.

You can make sure that small business people feel that they have the confidence and they have the capital that they need to invest in jobs and create jobs. You can create an environment to make people feel comfortable to invest their money, and that is almost all of us. Anybody who has a 401(k) or a pension plan or a mutual fund, we are all investors, and we have seen in these rocky times some of those investments go down. But we need to give those folks the confidence that they can invest in this economy and see it grow again.

Mr. Speaker, the Committee on Ways and Means and the chairman of the Committee on Ways and Means put together a bill that does those things. Eighty percent of all jobs are created by small business, so the gentleman from California (Chairman THOMAS) and the Committee on Ways and Means made sure that this legislation takes steps to ease the burden on small business. This is one way to help them grow, so they are going to expand and so business will hire more workers.

Consumers drive this economy, so this package is designed to put more money in the hands of the consumers so that they can invest in the economy. That is why we accelerate the tax cuts passed last year. That is why we accelerate the marriage penalty relief. That is why we speed up the child tax deduction.

That is not for rich people. That is for real people, people that go to work every day, people that punch a time clock, people that make this economy work.

Finally, yes, we need to get some confidence back in the market. Almost every family has lost some of their wealth because of the decline in our economy. We have had a decline in the economy; we have had 9/11; we have had a war in Iraq; and we have had a war in Afghanistan. But it is time to change the focus, it is time to get this economy going again, and there is one way to do it, and that is, today, put your card in that slot and say let us get this economy going again.

Vote for this package. Get America back on its feet. It is our responsibility to create that environment for the economy, and we have this chance to do it today. Let us do it.

Mr. KING of Iowa. Mr. Speaker, I support the Jobs and Growth Package, H.R. 2, and want to express my appreciation to President Bush, House Leadership and the Ways and Means Committee members for their commitment to tax relief for Americans. Tax relief and simplification are desperately needed by working Americans all across this country and in my home state of Iowa. At a time when many families are feeling the pinch, it is essential that we allow Americans to keep more of their hard-earned dollars. Two hundred billion dollars will be brought into the economy by the end of next year with this legislation, giving much needed relief to over-taxed Americans and businesses.

Small business and farming are the backbone of Iowa's economy. What I believe may be the most important components of this tax package are the provisions encouraging business investment. Accelerated depreciation incentives and increasing the amount small businesses can expense to $100,000 are crucial to the success of entrepreneurs in Iowa. Our tax code is laden with anti-business provisions, and I am delighted that my colleagues in the House of Representatives have reversed trends and are growing American pocketbooks and not government. Our collective appreciation should really be for all the innovative and dedicated entrepreneurs who have run the gauntlet of high taxes and excessive regulation. Overall, this measure will create over 9,000 jobs in my home state in just the first year.

One of the most damaging elements of our tax code is the capital gains tax. It is unconscionable that we deliberately punish success. America's capital gains tax rates affect the cost of capital, investment and our economy's overall growth. By bringing down those rates in H.R. 2, we promote growth, raise the value of stocks and retirement plans, reduce tax on savings, and inject fairness into our tax code. I wholly expect that we will do much more in the very near future to rid this blight on America's economy.

I applaud the President for his unyielding support for a reduction in the tax paid by individuals on stock dividends. Half of all Americans who receive dividend income are seniors. As I represent one of the most senior districts in the country, I am grateful that the House of Representatives has chosen to support this vital priority of the President.

There is much more to like about the tax relief efforts included in H.R. 2. This initiative leads us in the right direction toward simplification and limiting government interference. Hopefully soon we can simplify the tax code right out of existence. As our economy grows, we should heed the lessons of unburdening Americans. If a lot of tax relief helps, what would a little do? H.R. 2 reduces the marriage penalty.

The House of Representatives has done well to support the overwhelming majority of Americans who support and need tax relief. Americans seeking jobs, need, and expect us, to free up investment. H.R. 2 will have a positive impact in stimulating the economy and growing the private sector and that means more jobs. I support tax cuts, I support our President and I support H.R. 2.

Ms. McCARTHY of Missouri. Mr. Speaker, I rise in support of the Democratic Jobs and Economic Growth Plan and in opposition to the Republican tax cut. The Democratic package is fair, fast acting, and fiscally responsible, while the Republican plan is not fiscally responsible nor will it stimulate the economy. Unfortunately, debate has once again been stifled and we will not even have the opportunity to vote on the Democratic package which provides real tax relief to more Americans at no cost to the Federal Treasury over 10 years. By continuing down the path of irresponsible tax cuts that add to deficits and increase long term costs, the Republican plan will do nothing to stimulate the economy. Federal Reserve Chairman Alan Greenspan has said that by increasing the budget deficit through tax cuts, as the majority party is attempting to do today, Congress will ''induce a rise in long-term interest rates . . . significantly undercutting the benefits that would be achieved from the tax cuts.''

I am a long time supporter of lower capital gains taxes, but the bill before us takes an irresponsible approach. I am proud to be an original cosponsor of H.R. 44, the Investment Tax Incentive Act. This bill would take a responsible and stimulative approach to cutting the capital gains tax by creating a 2 year investment window allowing investors to lock in lower rates on capital gains by purchasing new assets now. The higher cost of the Republican tax plan before us today does not result in increased economic stimulus because $115 billion of the $297 billion from the capital gains portion will go to the 184,000 households who make more than $1 million annually. This results in an investment tax cut of $625,000 per millionaire household over 10 years. Accelerating income tax rates as lucrative as the dividend tax proposal, so that it returns funds to only a few Americans without putting money in the hands of the middle class, who will spend the money. According to the Urban Institute, the average American household will receive $217 per year in tax relief, which will do little if anything to spark economic growth. On May 2, a Goldman Sachs Economics Analyst said ''the dividend tax exclusion looks especially ineffective as a stimulative measure, providing only 8 cents on the dollar.'' Let's not drive future generations further into debt with irresponsible and ineffective financial policy.

The Democratic growth package offers $44 billion in aid to prevent sales and property tax increases and education cuts. If these cuts continue at the state level, economic growth will continue to slow, regardless of what Congress does. For less than 20 percent of the cost of the Republican dividend tax cut, we would give states $50 billion to prevent sales and property tax increases and education cuts during these difficult economic times. Rather than act responsibly, the Republicans have again turned to failed tax cuts policies which have resulted in the loss of 2.7 million jobs since January 2001. History has demonstrated that the failed tax policies of 1981 revisited in the tax policy before us today will result in the same dire consequences for working men and woman in America.

To avoid raising taxes, the Missouri House and Senate agreed Wednesday to cut elementary and secondary education fundings by $200 million, which will result in fewer teachers, larger class sizes, and other adverse conditions. As a former Missouri State Representative, I know firsthand the difficulties that the states are facing today having experienced similar budget shortfalls in the 1980's when the economy was soft and impacted by the Regan era tax cuts. Also, a former teacher, it breaks my heart to see critically needed investments removed from educating our children. Instead of the House passing tax cuts that create larger deficits, we should create policies which invest in children, not borrow from them.

The Democratic package focuses on job creation and helping all Americans, not just millionaires. The plan expands the 10 percent income tax bracket, giving each working American a tax cut. In addition, the package immediately increases the child tax credit to $800 per child and eases the marriage penalty. I strongly support these two provisions alone for their immediate benefits to working men and women. For businesses, the plan encourages investment and creates jobs by increasing small business expensing and accelerating depreciation for all businesses. These provisions will help business invest today when the economy needs it most. The package also provides 6 months of extended unemployment benefits and broadens coverage to include low wage earners and part time workers. Economy.com cites this as the top way to stimulate the economy, injecting $1.72 into the economy for each federal dollar spent. Best of all, the Democratic package is fiscally responsible, and it is 100 percent offset by freezing top income tax brackets at today's rates and closing offshore tax shelters.

I urge my colleagues to oppose the reckless tax plan and vote on a plan which will offer real tax relief for all Americans without breaking the budget. Our future generations must not be forced to pay for our actions today.

Ms. LORETTA SANCHEZ of California. Mr. Speaker, I rise today to express my disappointment over the Rules Committee's decision that the amendment offered by myself and several other distinguished members of the Select Committee on Homeland Security's Subcommittee on Infrastructure and Border Security was not ruled in order.

Furthermore, debate was once again stifled in this House by the majority's decision not to allow even the democratic substitute offered by my friend, Mr. RANGEL.

My amendment would have addressed critical vulnerabilities in our nation's infrastructure, vulnerabilities that if exploited by our enemies will have terrible costs in both lives and dollars.

It would have done this by delaying for only one year the implementation of the dividend portion of the tax cut.

As I speak, several areas of critical infrastructure remain vulnerable to terrorist attacks.

We are, without a doubt, still living in a dangerous time. Neither Saddam Hussein nor his weapons of mass destruction have been found.

The next attack on America could come at any time. We cannot afford to wait any longer to shore up our homeland defenses.

Due to the urgent nature of this request, we felt that delaying a portion of the tax cut package was the obvious way to pay for these critical projects.

That delay would have generated 4 billion dollars. That represents only seven-tenths of one percent of the tax cut we are discussing today. Seven-tenths of one percent!

For that comparatively small cost, the citizens of this country could have been made a lot safer.

That tiny fraction of this tax package would have been used to:

Help safeguard millions of our citizens by completing necessary chemical plant vulnerability assessments;

Increase the National Guard's Civil Support teams so that they are protecting the citizens of all 50 states;

Provide needed physical security at federal dams and waterways all across this country;

Enhance port security by funding port security grants;

Increase the size of our Coast Guard;

Increase the number of inspectors at our border;

Enhance the safety and efficacy of our firefighters with firefighter assistance grants and grants for interoperability with police and emergency medical personnel;

And provide more security to our Nation's food and water supplies. And this is only a portion of the programs my amendment would fund.

Once again, I must highlight how much we could have gotten—for so little. As I said earlier, this amendment would not have affected 99.3 percent of the tax cut package.

Sadly, the message from the Republicans is clear: They care more about cutting taxes for the wealthy than protecting the public.

They will not even sacrifice less than one percent of their ill-advised tax cut to help keep the citizens of our country safe from terrorist threats.

H.R. 2 violates 4 Rules of the House, so the Rules Committee granted H.R. 2 special protections. Instead of being fair and granting the same protections to my amendment or the Democratic Substitute, they refused and ruled us out of order.

They did the same thing to all the other important amendments offered by the Democrats.

The Republicans have turned this House, the people's House, into a dark place where debate is feared because it just might shine some light on the unjust policies that they want to shove down the throats of the American people.

This is not right, it is not fair, it is un-democratic, and it is un-American.

Mr. CASTLE. Mr. Speaker, I oppose H.R. 2, the ''Jobs and Growth Reconciliation Tax Act of 2003'' as currently drafted. I applaud the President's leadership in trying to strengthen our economy. However, to accomplish this goal I believe that any legislation intended to help the economy must be targeted to help working Americans and business now, and not worsen our long-term budget situation. In its current from, this legislation does not meet these two important tests. The bill goes beyond what is needed to provide immediate tax to American workers and families and its overall cost could jeopardize our ability to get the budget back in balance as soon as possible.

Throughout my public service, I have been a strong supporter of balanced budgets. A balanced budget tells our citizens its government is managing their money well. That increases confidence and strengthens the economy. When I served as Governor of Delaware, we balanced our state budget every year and cut taxes three separate times for both individuals and businesses. When I came to Congress, one of my top priorities was to help balance the federal budget. I was proud to support the Balanced Budget Act of 1997 which helped lead to a balanced federal budget from 1998 to 2001, and included the largest tax relief since 1981. In 2001, when the federal government projected a $4 trillion surplus for the next ten years, I supported President Bush's $1.35 trillion of tax cut that delivered broad based income tax relief and marriage penalty relief to hundreds of thousands of Delawareans.

As a result of an economic downturn made worse by terrorist attacks on our nation, the federal budget is facing deficits for the foreseeable future. At the same time we have critical demands to fight the war on terrorism, rebuild Iraq, protect our nation at home, and pay for important programs like health and education. In particular, we are still trying to address the need for a Medicare prescription drugs plan and its significant costs. With these challenges we must review all spending and revenue changes carefully to ensure they are absolutely needed. We are rightly limiting new government spending in our budget, but we must also take a hard look at any cuts that are not narrowly targeted toward immediate economic stimulus or do not take into account the long term consequences of federal deficits.

Some have argued that we must have the largest tax cut possible, stating that it will pay for itself because stimulating the economy will produce new tax revenue for the federal government. I have listened to these arguments, but reports from independent sources like the Congressional Budget Office indicated that deficits will increase an additional $2.7 trillion by 2013 if the tax cut and spending initially proposed were enacted.

Others have argued that the deficit is still small as a percentage of Gross National Product, that it will not damage the economy, and that Congress should not be concerned about the impact this tax cut will have on the deficit. Again, I have listened to these arguments, but far more persuasive are the warnings by independent, conservative economists like Federal Reserve Chairman Alan Greenspan and the fiscal conservatives at the Concord Coalition who state that both large tax cuts and spending increases must be paid for or they will worsen the looming deficit problems our country will face when the baby boom generation retires and begins drawing down their Social Security and Medicare benefits.

Americans want prudent action, fairness and common sense from their government. In Delaware, the average hardworking person is not asking for the largest tax cut possible. They would support a reasonable plan to help boost the economy that does not put our economic future at risk. I have studied the tax relief proposals and it is clear that we could provide immediate tax relief to every working American, as well as help to businesses, especially small businesses within a package of $350 billion over ten years. That could include speeding up the reductions in all individual tax rates from the 2001 tax bill, increasing the tax credit for children to $1,000, eliminating the marriage penalty, and providing expensing and accelerated depreciation relief for businesses. Even the Wall Street Journal agrees

that speeding up the reduction in tax rates would have the most immediate stimulus on the economy by putting money in peoples' pockets and giving businesses relieve for their investment in equipment and other expenses.

Unfortunately, in the current bill, the most costly single provision remains the sharp reduction in the tax on dividends. In fact, the shape and long-term cost of the bill is distorted by the effort to maximize the reduction in dividend and capital gains taxes. The bill would phase-out much of the tax relief for families and individuals to pay for this section. The alternative is to extend those tax provisions later, but initial estimates indicate that would cost another $210 billion, which is $34 billion more than what President Bush requested in tax relief. If we are serious about keeping the deficit in check and giving straightforward tax relief, that is not the right decision. Although some reduction in dividend taxes is reasonable, we must acknowledge that we simply cannot afford steep reductions in taxes on dividends at this time. Further reductions in taxes on dividends should be addressed as part of a long-term tax reform effort when we are not facing the deficits that are a real threat to the federal budget and our economy.

Effective governing requires careful decisions and often painful compromises. There are those who honestly believe that tax relief is absolutely necessary at this time. There are others who urge caution to protect against deficits at a time when we face the dual challenges of a war on terrorism and the needs of an aging population. Enacting some tax relief to immediately strengthen the economy is a fair compromise, but this bill does not achieve that goal. It is possible that a more affordable tax relief bill will emerge from final negotiations with the Senate. I urge the leaders of both the House and the Senate to work toward a bill that provides immediate relief now to all working Americans. We need a bill that does not exacerbate long-term deficits or the need to address prescription drug relief, the war on terrorism, and Social Security. I think those goals can be accomplished in a $350 billion tax package or one slightly higher if Congress can come to agreement on closing abusive tax loopholes.

I must oppose this legislation and will continue to work toward a more fiscally responsible bill that helps all Americans without jeopardizing our budget and economic future.

Ms. DELAURO. Mr. Speaker, I rise in strong opposition to this legislation. At a time when 8.8 million Americans are out of work, when their unemployment benefits are about to expire and when our economy has not created a new job in nearly two-and-a-half years, Congress should be rushing to get our economy moving again.

But by cutting taxes for only the wealthiest taxpayers, this bill will do nothing to jumpstart job creation. In fact, Goldman Sachs has rated the dividend tax cut as one of the least effective options in terms of stimulating economic growth. Under this plan, people making more than $1 million will get a $93,537 tax break—while those making between $20,000 and $30,000 will get only $189.

Our States are already facing fiscal crises and cuts in vital services. They are cutting education, child care and health services. In fact, half of the Nation's Governors—Democrat and Republican alike—have already proposed tax increases out of necessity. This bill does nothing to provide aid to States, and in fact, the budget chief for my State's Republican Governor said the President's dividends tax plan would cost Connecticut $100 million.

Instead of a dividend tax cut that will cost States millions—a tax cut even Alan Greenspan says will explode the deficit—the Democratic plan provides real tax cuts for working families. Our plan proposes an immediate increase in the child tax credit to $800 per child, refundable for low-wage families. It provides investment tax incentives for business and targeted assistance for those looking for work, including a long-overdue extension in fiscal relief, so that we do not end up leaving them with no choice but to raise taxes.

Let's do the right thing for our families, turn aside this bill and pass a meaningful economic package that provides tax cuts for families and ensures long-term growth for our economy.

Mr. MANZULLO. Mr. Speaker, today we are considering H.R. 2, the Jobs and Growth Tax Act of 2003. The bill will provide tax cuts for American taxpayers of $550 billion over the next 10 years. This reduction in taxes is an appropriate measure to kick-start a lackluster economy and will permit the economy to grow at a faster rate for many years to come.

As Chairman of the House Small Business Committee, I am particularly pleased that the bill before us includes a number of significant provisions to assist America's small business owners. By quadrupling small business expensing from $25,000 to $100,000, many small business owners will be able to increase capital investment in their businesses. The increase in the overall investment limit to $400,000 and the fact these figures will be indexed for inflation are also tremendously helpful.

The acceleration of the tax rate cuts, originally enacted in 2001, will also greatly assist small business owners. More than 85 percent of all small businesses pay individual, instead of corporate, income taxes. Accelerating the scheduled reduction in the individual income tax rates will immediately put money back into the hands of small business owners, allowing those owners to infuse their businesses with much needed capital.

Also, according to the Joint Economic Committee, small business owners receive 80 percent of the tax relief from reducing the top marginal rate to 35 percent. Marginal rate cuts increase the likelihood that a small business owner will hire additional employees and will lead to higher wages and/or benefits for those workers.

Lastly, the reduction in the taxation of capital gains also will benefit small business owners who sell their businesses at retirement or at other times. In addition, small business owners will benefit from the general improvement in the economy that will result from the lower taxation of capital gains and dividends generally.

I urge my colleagues to join with me in support of America's small businesses. Join with me in voting for the bill on final passage.

Mr. LEACH. Mr. Speaker, it is with great reluctance that I rise to oppose this tax cut at this time. I do so recognizing that the bill contains a number of attractive features—a reduction in capital gains, greater flexibility for business depreciation schedules, for instance. I also acknowledge that the Ways and Means Committee has markedly improved on the administration's initial proposal, reducing by several hundred billion the magnitude of the tax cut and tying dividend income to capital gains rates rather than eliminating taxes on dividends entirely.

But as appealing as all tax cuts are, they must meet tests of appropriateness and fairness. These tests are not met.

It is true that the national and world economy is to some degree stalled. It is not true, however, that fiscal policy changes are always stimulative, particularly in the short run. Monetary policy—the interest rate and money supply controls of the Federal Reserve—are more effective short term stimulus instruments. They must, however, work within the constraints of fiscal policy. To the degree they are blunted by deficit financing, stimulus may be weakened. Here, it should be noted that deficit financing is definitely linked to interest rate hikes. While deficits that are tax cut driven may not be as harmful to the general economy as those that are spending related, they nevertheless have cost of capital implications.

Here it should be noted that liberals in Congress in general favor stimulating the economy with substantial programmatic spending increases. Conservatives, on the other hand, tend to favor tax cuts. I find the conservative case preferable to the liberal one, but I believe the case for a steady rudder is more compelling than either. I voted for the House budget resolution which sets limits on how much Congress can appropriate and reduce taxes because I believe the case for holding spending increases to levels near or at inflation levels is reasonable, but I have grave doubts about a significant tax cut at this time. Whether one believes the war with Iraq was wise, or will prove to accelerate or decelerate international terrorism, it and its aftermath must be fiscally accommodated. Wars cannot be paid for with tax cuts.

Advocates of the tax cut properly point out that in relation to the GNP the tax cut might be considered more modest than the hyperbolic rhetoric that has been associated with it. This may be true, but at some point a difference in degree can become one in kind.

For a variety of reasons related to foreign challenges and a weakened domestic economy we have returned to deficits at the Federal as well as State levels of government. But there is a profound distinction between a $50 to $100 billion deficit and a half trillion dollar one. Legislative budgets, like family budgets, must be subjected to common sense discipline. At the governmental level this is particularly the case in the coming decade which will be characterized by a three to four Americans of working are relative to retired. In the decades after, significant demographic changes will take place in our society and the number of retired citizens relative to working age Americans will increase. If we cannot operate with fiscal prudence today, we will have a calamitously difficult time managing our economy in the future.

One aspect of the economy today makes deficits and the attendant need for debt repayment even more problemsome. Debt management is generally easier at lower rates of interest but in deflationary times such as the 1930s debt repayment even at low interest rates become the singularly most difficult challenge in the economy. Today we have general deflation and sectoral deflation, but the intertwining of international politics, particularly terrorism,

with the competitive pressures wrought by the global living will make general deflationary pressures real. In this circumstance prudent debt management is critical for government as well as the family. Deficits might have to be contemplated but interest rates could be more difficult to manage than in inflationary times when dollars become cheapened and easier to acquire, whether in business through profits or government through taxes.

As for fairness, I have always believed there is a compelling case for tax simplification—a reduction in rates tied to the elimination of the vast majority of deductions that have come to dominate our tax code. But I also believe in credible progressivity. A well-to-do citizen should pay a somewhat higher rate than a less well-to-do individual. So I have had doubts about flat taxes. But what the proposal before us today does is invert the curve. Not only will taxes not be flat, but high income citizens who receive dividends will pay a lower rate of taxes than the working middle class. Economists call this regressive taxation. Some Americans will benefit. Others will consider it unfair. Tax systems depend on social acceptance. The approach before us today may undercut the faith of a lot of Americans in the system and as importantly take pressure off the need for fundamental tax reform.

The precept that an extremely well-to-do person who receives dividends and may not hold a job should pay taxes at a substantially lower rate than a middle class citizen who works for a living demands review.

At issue is the question of wealth distribution and wealth divisions in society. In the decade of the '90s the divisions between rich and poor widened. What this tax bill does is accentuate these divisions. Government tax policy will be redistributive in ways never before countenanced. Burdens will be shifted from the rich to the middle class.

At the risk of presumption, let me turn for a minute to the problems State governments are having, which the changes contemplated today may exacerbate. Many State income tax codes are based on a percentage of the Federal obligation, so a tax cut at the Federal level becomes one at the State, too. Perhaps State governments will react by cutting services further or raising taxes, but they, like the Federal Government, seem inclined to take the less disciplined way out and deficit finance.

In my home State, in the name of ''economic development'' a lot of new funding is being proposed subject to bonds being issued. The problem is that just as tax cuts are advanced by conservatives as ''stimulative,'' bonding is proposed by liberals as good for ''economic development.'' But precepts are conjectural.

There is, of course, a profound case in a State like Iowa for bonding facility construction for public services such as a new hygienics lab or dormitories for students, but States should not presume to be banks, sources for credit that would otherwise be available to the private sector. Iowa, for instance, has more a jobs than a credit crunch. What attracts business to come to or stay in the State is less likely to relate to availability of State development funds as it will to whether the State has quality services and competitive levels of taxation. All States have a budget crunch. To the degree Iowa can distinguish itself with fiscal balance, it will be the long term beneficiary.

My concern is that if common sense fiscal discipline is abandoned by legislatures at all levels, there will be a run on governmental confidence. A run on governmental confidence can produce a run on our economic system.

What is needs is a sense of proportion. Good ideas must be measured against social costs. To grow an economy we must recognize that discipline is essential. Good tax cut ideas, just as good spending initiatives, cannot always be afforded.

Mr. CASTLE. Mr. Speaker, I oppose H.R. 2, the ''Jobs and Growth Reconciliation Tax Act of 2003'' as currently drafted. I applaud the President's leadership in trying to strengthen our economy. However, to accomplish this goal I believe that any legislation intended to help the economy must be targeted to help working Americans and businesses now, and not worsen our long-term budget situation. In its current form, this legislation does not meet these two important tests. The bill goes beyond what is needed to provide immediate tax relief to American workers and families and its overall cost could jeopardize our ability to get the budget back in balance as soon as possible.

Throughout my public service, I have been a strong supporter of balanced budgets. A balanced budget tells our citizens its government is managing their money well. That increases confidence and strengthens the economy. When I served as Governor of Delaware, we balanced our State budget every year and cut taxes three separate times for both individuals and businesses. When I came to Congress, one of my top priorities was to help balance the Federal budget. I was proud to support the Balanced Budget Act of 1997 which helped lead to a balanced Federal budget from 1998 to 2001, and included the largest tax relief since 1981. In 2001, when the Federal Government projected a $4 trillion surplus for the next 10 years, I supported President Bush's $1.35 trillion tax cut that delivered broad based income tax relief and marriage penalty relief to hundreds of thousands of Delawareans.

As a result of an economic downturn made worse by terrorist attacks on our Nation, the Federal budget is facing deficits for the foreseeable future. At the same time we have critical demands to fight the war on terrorism, rebuild Iraq, protect our Nation at home, and pay for important programs like health care and education. In particular, we are still trying to address the need for a Medicare prescription drug plan and its significant costs. With these challenges we must review all spending and revenue changes carefully to ensure they are absolutely needed. We are rightly limiting new Government spending in our budget, but we must also take a hard look at any tax cuts that are not narrowly targeted toward immediate economic stimulus or do not take into account the long term consequences of Federal deficits.

Some have argued that we must have the largest tax cut possible, stating that it will pay for itself because stimulating the economy will produce new tax revenue for the Federal Government. I have listened to these arguments, but reports from independent sources like the Congressional Budget Office indicate that deficits will increase an additional $2.7 trillion by 2013 if the tax cut and spending initially proposed were enacted.

Others have argued that the deficit is still small as a percentage of Gross National Product, that it will not damage the economy, and that Congress should not be concerned about the impact this tax cut will have on the deficit. Again, I have listened to these arguments, but far more persuasive are the warnings by independent, conservative economists like Federal Reserve Chairman Alan Greenspan and the fiscal conservatives at the Concord Coalition who state that both large tax cuts and spending increases must be paid for or they will worsen the looming deficit problems our country will face when the baby boom generation retires and begins drawing down their Social Security and Medicare benefits.

Americans want prudent action, fairness and common sense from their government. In Delaware, the average hardworking person is not asking for the largest tax cut possible. They would support a reasonable plan to help boost the economy that does not put our economic future at risk. I have studied the tax relief proposals and it is clear that we could provide immediate tax relief to every working American, as well as help to businesses, especially small businesses within a package of $350 billion over ten years. That could include speeding up the reductions in all individual tax rates from the 2001 tax bill, increasing the tax credit for children to $1,000, eliminating the marriage penalty, and providing expensing and accelerated depreciation relief for businesses. Even the Wall Street Journal agrees that speeding up the reduction in tax rates would have the most immediate stimulus on the economy by putting money in people's pockets and giving businesses relief for their investment in equipment and other expenses.

Unfortunately, in the current bill, the most costly single provision remains the sharp reduction in the tax on dividends. In fact, the shape and long-term cost of the bill is distorted by the effort to maximize the reduction in dividend and capital gains taxes. The bill would phase-out much of the tax relief for families and individuals to pay for this section. The alternative is to extend those tax provisions later, but initial estimates indicate that would cost another $210 billion, which is $34 billion more than what President Bush requested in tax relief. If we are serious about keeping the deficit in check and giving straight forward tax relief, that is not the right decision. Although some reduction in dividend taxes is reasonable, we must acknowledge that we simply cannot afford steep reductions in taxes on dividends at this time. Further reductions in taxes on dividends should be addressed as part of a long-term tax reform effort when we are not facing the deficits that are a real threat to the Federal budget and our economy.

Effective governing requires careful decisions and often painful compromises. There are those who honestly believe that tax relief is absolutely necessary at this time. There are others who urge caution to protect against deficits at a time when we face the dual challenges of a war on terrorism and the needs of an aging population. Enacting some tax relief to immediately strengthen the economy is a fair compromise, but this bill does not achieve that goal. It is possible that a more affordable tax relief bill will emerge from final negotiations with the Senate. I urge the leaders of both the House and the Senate to work toward a bill that provides immediate relief now to all working Americans. We need a bill that does not exacerbate long-term deficits or the need to address prescription drug relief, the

war on terrorism, and Social Security. I think those goals can be accomplished in a $350 billion tax package or one slightly higher if Congress can come to agreement on closing some abusive tax loopholes.

I must oppose this legislation and will continue to work toward a more fiscally responsible bill that helps all Americans without jeopardizing our budget and economic future.

Mr. FILNER. Mr. Speaker, I rise in opposition to the Republican majority's ineffective stimulus package. This plan will not accomplish its stated goal of stimulating the economy. In order for tax relief to be effective and fair in stimulating the economy quickly, it must be targeted at those who need it and those who will actually spend it. Giving money to those who will spend it is the most effective way to pump money into the economy.

The Republicans refuse to acknowledge the importance of targeting relief appropriately. The vast majority of the benefits in the Republican plan will go to wealthy individuals. It ignores many groups that are in dire need and attempts to placate others by offering temporary benefits. The benefits for the rich are long term and this administration intends them to be permanent. Rather than calling this an economic stimulus, let's call it what it really is: the renewal of trickle-down economics.

The Democratic alternative provides tax relief to those who need it and those who will spend the money that they receive. Families need a tax cut and the Democratic plan delivers with a permanent increase in the child tax credit, an immediate expansion of the 10-percent tax-rate bracket, and elimination of the marriage penalty. This relief will go to low- and middle-income Americans who will put it back into the American economy immediately. Those who lost their job in the economic slowdown need assistance and the Democratic package helps them with an extension of their unemployment benefits. This money will be spent right away to pay bills and provide for the needs of their families. The States are in need of economic assistance and the Democratic package gives them the direct aid that they need to the tune of $44 billion over 10 years. This is money that will be immediately invested in education, healthcare, and homeland security so that States won't have to layoff any more workers and can begin to hire some back. Small businesses need a stimulus and the Democratic package provides them with tax incentives that encourage investment, foster expansion, and reward those who hire workers who have been unemployed for at least 6 months.

I believe we should go even further in targeting relief to those who need it. I have proposed a plan that provides an exemption from approximately the first $20,000 of payroll tax, FICA, for all taxpayers and businesses. This will put about $1,300 into the pockets of those who will spend it to stimulate the economy and be a big boon to small business. Ask any low- and middle-income family how they would spend a couple of thousand dollars and they will give you a list of things they need right now. To keep the Social Security Fund whole, the bill eliminates the current $87,000 cap on FICA contributions—meaning that those earning more than $107,000 a year would pay their fair share.

These alternative proposals would be fast-acting and effective. Equally important, they would be fully paid for. They don't add one dime to our record deficits.

The contrast could not be clearer—the President only seems to trust the richest Americans to receive more of their money back, while my proposal, and the Democratic plan, would provide a significant benefit to low- and middle-income families who would actually spend the money to stimulate the economy—and be an equally significant benefit to small business.

Mr. ORTIZ. Mr. Speaker, in August 2001, this Government began a reckless rush towards higher deficits under the guise of ''tax cuts.'' Obviously the 2001 attacks and subsequent wars added to the deficit, but it was precisely the August 2001 tax cut that began this Government's return to deficit spending.

While ''tax cuts'' should mean the Government already has the money to ''return'' to taxpayers—in 21st Century politics, ''tax cuts'' are made without having the money to do it. They are billed as ''economic development'' but really mean: wealthier Americans get nearly all the tax breaks; the greater tax burden is moved to working Americans; and tax increases are now part of the equation among Republicans in order to stem the flow of red ink from this country.

Government should always pay its way and not run such enormous deficits. If we are returning taxpayers' money, it must already be in hand, not just hoped for. In a democracy, governments have an open debate about adding $549.5 billion to the Nation's already escalating debt. Today, in the House of Representatives, the leadership is ramming this bill through without allowing Democrats to offer an alternative out of fear that anything else offered on the floor would beat this awful bill

It might be another story if there were any evidence that tax cuts worked, in a healthy or unhealthy economy. We know from past painful, expensive, experience that tax cuts do not stimulate the economy, in fact: the weaker the economy, the more damage they do to the economy.

I oppose this bill with fuzzy Enron math that adds hundreds of billions of dollars to an already outrageous deficit.

Mr. SMITH of Texas. Mr. Speaker, the Jobs and Growth Tax Act of 2003 includes relief from the marriage tax, child care tax credits, small business expensing, and a dividend tax reduction.

According to an analysis by the Heritage Foundation, the bill creates approximately 1.2 million jobs by the end of 2004. This includes 61,000 jobs in Texas. In addition, it will inject $200 billion into the economy to help drive consumer spending and job creation.

A key piece of this legislation is dividend relief. It also promotes investment by reducing the tax on capital gains. These two modifications simplify the tax code by creating similar tax treatment for both capital gains and dividends.

Eighty-four million or over 50 percent of adult Americans invest in the stock market. And over 70 million own a home. The Jobs and Growth Tax Act puts dollars back into the pockets of millions of families by reducing the tax on dividends and capital gains to 5 percent for the lowest two tax brackets and 15 percent for the remaining brackets. This increases economic growth, as well as the incomes of working Americans.

Seniors, who tend to own a larger share of stocks than other age group will benefit greatly from the much-needed tax relief in this bill.

What does our economy need? The answer is before the House today: more jobs and tax relief. We must create more jobs and the best way to help companies, investors and entrepreneurs to create good, private-sector jobs is to reduce taxes across-the-board. And the best way to refuel the economy and ensure our ability to compete is to reduce taxes.

I urge my colleagues to support this bill.

Mr. UDALL of Colorado. Mr. Speaker, I cannot vote for this bill. The bill does include some features that I support—but, overall, it does too little to address the real needs of the economy and the country, and it does too much to make our budgetary problems worse. The bill's supporters, reading from a script written by the White House, say that the bill will create jobs. That sounds like good salesmanship, because in fact there is a desperate need for an increase in employment to begin to make up for the millions of jobs that have disappeared over the last two years. But as any salesman knows, a good slogan can't disguise a product that won't perform—and when it comes to creating jobs, I am convinced this bill won't perform as advertised.

No analysis I have seen—whether by the Congressional Budget Office, Federal Reserve Chairman Alan Greenspan, or any other expert—supports the claim that enacting this bill will help put very many people back to work anytime soon. Of course, the bill's supporters—like the pitchman in the old TV ad—say we have their word on it. Excuse my doubts, but I don't think that's proof enough.

On the other hand, while its claimed benefits are doubtful, there is no doubt about how the bill will affect the federal budget—it will throw it further out of balance and lead to much deeper deficits. I think this is well summarized by the analyses of the Tax Policy Center and the Center on Budget and Policy Priorities, which show that the bill's effect on revenues is much greater than claimed.

In fact, according to those experts, the bill ''fit[s] within the $550 billion allotted to the Ways and Means Committee only by using gimmicks that cloak its true cost. If the provisions scheduled to terminate before 2013 are extended—as Chairman Thomas envisions and as Congress would be likely to do—the total cost of the plan would be between $865 billion and $1.1 trillion through 2013. In other words . . . the plan could be twice as costly as advertised. [It] . . . thus manages both to be more tilted to the very well-off and more expensive than the original Bush proposal, which would cost $726 billion through 2013.''

This concerns me because I think we need to take deficits seriously, for reasons well stated in recent testimony by The Concord Coalition's President, Peter G. Peterson to the Committee on Financial Services.

I was struck by Mr. PETERSON's statement that ''A future of mounting deficits is a cause for grave concern. Mounting deficits can slow and even halt the steady growth in material living standards that has always nourished the American Dream. When such deficits are incurred in order to fund a rising transfer from young to old, they also constitute an injustice against future generations . . . This policy, after all, constitutes an explicit decision by today's adults to collectively shift the current cost of government from themselves to their children and grandchildren.''

In other words, because it would lead to deeper deficits, this bill would do just what

President Bush, in his State of the Union address, said we should not do—instead of meeting today's challenges, it would simply create new problems for our children.

I don't think that is sound policy—especially when a better alternative is available. And that is why I voted for the motion to recommit offered by Representative RANGEL. If that motion had been approved, that alternative would have come to the floor.

That alternative included very meaningful tax cuts. It included an increase in the child tax credit to $800 per child, an immediate expansion of the 10-percent tax-rate bracket to levels that under the 2001 tax bill would be reached in 2008, and immediate elimination of the ''marriage penalty'' aspect of the income tax. It also included investment tax credits for small businesses, such as business expensing up to $75,000 and bonus depreciation.

Those cuts would immediately put money into the pockets of middle-income Americans, who are the people most likely to spend it promptly, boosting consumer demand and thus helping set the stage for an increase business investment needed to meet that demand.

The alternative also had other important provisions to respond to the immediate needs of our country and the American people.

It provided for extending and expanding unemployment insurance, whose benefits go to the families most affected by the economic downturn—the ones who need real help now. And it included a provision to create a permanent, revenue-neutral corporate tax deduction to encourage American manufacturing companies to expand their operations, as well as a new tax incentive to provide a tax credit of up to $2,400 to businesses that hire people who now are unemployed.

And, while the administration and our Republican colleagues seem ready to forget the states, which are experiencing their worst fiscal crisis since World War II, the alternative did not. It would have provided $44 billion over 10 years in direct aid to states for homeland security, education, health care for senior citizens, and highway and other infrastructure improvements.

And, just as important as everything else, the alternative was fiscally responsible—fully paid for over 10 years. So, it would have added as many as a million new jobs without adding anything to the deficit.

Mr. Speaker, I don't know why the Republican leadership refused to let the House even consider that alternative—but maybe those salesmen didn't want us to have that choice. For me, the choice would have been clear. I would have voted for the alternative—but I cannot vote for the bill.

Mr. DAVIS of Illinois. Mr. Speaker, I rise today again speaking on our need to ''Build a Sound Economy''. Taxation is a financial burden that must be equally shared by all Americans, blessed with the ability to earn an income. Thomas Paine, an American Free-thinker once reminded us that; ''War involves in its progress such a train of unforeseen and unsupposed circumstances that no human wisdom can calculate the end. It has but one thing certain, and that is to increase taxes.'' And yet, at the end of our War efforts in Iraq, we are at this time considering the reduction of taxes.

Through Taxation, we as Americans are afforded the opportunity to ensure the prosperity of our nation, and our citizens. Whether our citizens are from the Farms of Iowa, the Factories of Tennessee, or the Financial Districts of New York City or my home District of Chicago, their earning power and its fruits are what make America Great. Many Americans have worked all their lives, and are now in retirement. Others are still working in the various industries which breathe the life blood into our Great Nation. And yet, still others, whether due to underage, infirmity, or other unique circumstances are unable to impart into the American Economy, but their contributions in their communities are cherished by those who know them.

When the President took office, the government was projected to save every dollar of the Social Security surplus. But under the GOP tax plan, Republicans in the House would borrow and spend all of the money from the Social Security Trust Fund over the next 10 years, just as the Baby Boomers are about to retire. The single issue which we must not forget when we consider the Stability of our Economy is that it is closely tied to the Equality of our Tax System, and our governance over the Social Security Trust Funds. Our Tax System is a means to ensure an equitable distribution of the responsibility of paying taxes. Plato, the noted Philosopher once said, ''When there is an income tax, the just man will pay more and the unjust less on the same amount of income.'' This is our opportunity to learn from Plato. In the President's Tax Plan, the two provisions making up more than half of the tax package, (cutting the tax on stock dividends by more than a half and the capital gains tax cut), primarily benefit the wealthy and in fact are the only permanent tax cuts in the plan.

Voltaire, the famed writer stated, ''In the matter of taxation, every privilege is an injustice''. We must work diligently to root out the injustices currently being considered for inclusion in our Tax System. The citizens of my home state of Illinois are waiting for us, their elected officials to come together to ensure that we protect them, and guard their earnings against any and all unfair concessions.

Mr. Speaker, Gentlemen and Ladies of the House let us not fail our citizens in our efforts to place us finally on the Road to Economic Growth. We must remain steadfast in our efforts to accomplish that heavy task, to clearly and evenly mete out portions of the tax burden amongst our citizens.

Mr. OWENS. Mr. Speaker, I rise in opposition to the voodoo economics of the Republican 550 billion dollar tax package. I support the more practical and better targeted Democratic alternative legislation. We are taking action today; however, the quest for a meaningful tax policy for our nation must continue with the widest possible participation in the debate. One constructive component of a new and fairer tax policy must be a greater allocation of the tax burden to the corporate sector. We must have less pain for individual and family income tax payers and more responsibility shouldered by profit making corporations. This process should start now with a surcharge imposed on corporate profits to pay for the Iraq war and occupation.

Mr. Speaker, I have introduced the Domestic Budget Protection Act, H.R. 1804, which will eliminate the Iraqi War competition for federal funds and allow the Congress to resume the necessary funding for vital domestic programs. The following important facts must be considered:

While the Congress has allocated 79 billion dollars for the Iraq War and occupation, unprecedented hardship devastates state, local, and education agencies—

Thousands of teachers and government employees are threatened with layoffs—

Since the Bush Administration offers no revenue sharing relief, taxes are being increased in states and localities across the nation—

During past wars a surcharge on corporate profits has lessened the competition of the military budget with domestic budget priorities—

In H.R. 1804, the following is cited: The Congress finds that there is an established precedent for the long-term financing of a U.S. War effort. A special tax on the profits of the nation's largest corporations would be in accordance with previous precedents: World War I, World War II, Korea and Vietnam.

The Congress finds that in the last 25 years corporations have steadily borne less and less of the overall tax burden. The corporate share of the tax burden has dropped from a high of 35 percent in 1945 to a level of 8 percent in the year 2002. At the same time the individual income tax share of the tax burden has grown from 13 percent in 1940 to 46 percent in 2002.

The Congress finds that it is necessary to suspend further reductions in assistance to domestic programs. It is also imperative that any increases in basic revenue be utilized to increase assistance to vital domestic programs.

Historically, a special tax placed on the profits of the nation's largest corporations has been used to fund the U.S. War effort. The Domestic Budget Protection Act follows in these historic steps and offers a solution to increase assistance to domestic programs by placing a surcharge on corporations with assets greater than 10 million dollars. This special revenue will be used to fund the war and occupation and thus free up other revenue to fund domestic programs. In the last 25 years corporations have borne less and less of the overall tax burden. Their share, while dropping as low as 6 percent within the last 20 years, is currently 8 percent. On the other hand, individual income taxes as a share of the overall burden has risen from 13.6 percent in 1940 to the present level of 46.3 percent.

In conclusion, Mr. Speaker, let me emphasize the fact that the Republican Majority is determined to hide: America is the richest nation that ever existed on the face of the earth. We have the resources to do whatever we decide is important. Our greatest untapped pool of wealth is the pool of corporate profits which grow boundlessly as a result of the favorable economic, political, and militarily security environment maintained by the American people. We must have less pain for the family taxpayers and more revenue responsibility by corporations. Members should begin by supporting the Domestic Budget Protection Act—H.R. 1804.

Mr. COSTELLO. Mr. Speaker, I rise today in opposition to H.R. 2, the Republican Jobs and Growth Tax Reconciliation Act.

This bill will not put unemployed Americans back to work. The tax cuts that were enacted in 2001 have done little to stimulate the economy over the last two years. Instead, unemployment is up, and governments on every level—from local to federal—are facing severe deficits.

I am extremely disappointed that the Republicans adopted a rule that prohibited the Democrats from offering a substitute. The Republican bill will cost the U.S. taxpayer $549.5 billion over the life of the bill while the Democratic bill is fully paid for over that same time period.

The Democratic alternative would have provided immediate stimulus and jobs creation by extending benefits for the long-term unemployed and expanding the work opportunity jobs credit. It targets tax relief to those who needed it most, by increasing the child tax credit and providing this credit to more Americans, accelerating the widening of the 10 percent tax-bracket and accelerating marriage penalty relief.

It also provides funds immediately to the states to meet their critical needs by including funding for Medicaid, homeland security, and transportation infrastructure.

The Democratic alternative would also provide for long-term job creation and growth by expanding the amount of new investments that a small business can deduct and by allowing all companies an accelerated depreciation of 50 percent for 12 months. It also reduces corporate tax rates by 3.5 percent.

In addition, the Democratic alternative would have prevented companies from expatriating to tax-shelter countries like Bermuda and stopped top corporate executives from protecting their own retirement benefits at the expense of their workers.

I am deeply disappointed that we will not have an opportunity to fully debate this bill's impact on the economy, and that we were unable to offer any amendments to the Republican bill. The Republican bill is flawed and I urge my colleagues to join me in voting no on this bill, which will not help our hard-working and unemployed Americans.

Mr. EVANS. Mr. Speaker, I am here today to address my concerns regarding the pending tax cut legislation. This so-called ''economic growth'' bill will do nothing to grow the economy, increase the number of jobs, or help the middle or low income families that make up the backbone of this great nation.

This program is directed at cutting the taxes of the rich in an attempt to resurrect fiscal policies that have been proven to fail. The only way to stimulate growth is to employ people, providing them with good paying jobs and an income that allows for purchasing the items that we produce. That means that we need a plan that creates jobs and assists those who are currently unemployed. The Democrat plan does that, the plan that is on this floor does not. It cuts taxes that advantage the top 1 percent of the population. That means we do not affect the other 99 percent, which by my accounting seems to mean that the majority of Americans are left behind looking for work with no support from those of us who were sent here to help.

Additionally, the plan before us will do nothing stimulate the economy now, and sacrifices the economy of the future. Without jobs now, without assistance to the states now, without sensible policies now, we will simply create a shortfall that will be paid for out of Social Security and our children's future. Currently, schools are closing early, the unemployment rate is growing, and states are struggling to provide basic services at minimal levels. The direction taken in this legislation is fiscally irresponsible if we expect to live up to the promise we made to the people of the United States.

I urge my colleagues to vote against this irresponsible legislation and set this Congress in the direction of true job and economic growth.

Mr. TOM DAVIS of Virginia. Mr. Speaker, I rise today in support of H.R. 2, the Jobs and Growth Tax Act of 2003.

Although there is general consensus among many economic forecasters that our economy is poised to grow at a faster pace than it has over the last year, action is necessary in order to hasten the recovery. While GDP has continued to increase, the modest increases we have been witnessing are not sufficient to stabilize employment. Consumer confidence and spending have improved, however business and investor confidence have not followed suit. The legislation before us today will stimulate growth and investment, and expedite our economic recovery.

First, this legislation will increase purchasing power for all Americans through an acceleration of the 2001 tax cuts for individuals. Accelerating tax relief from the marriage penalty, increasing the child tax credit, expansion of the 10 percent tax bracket and providing working families with relief from the AMT will help to give our economy an immediate stimulus.

Secondly, this package creates business and investment incentives to spur business growth, ultimately leading to job creation. Increases in depreciation allowances for business and an increased allowance for expensing capital purchases for small business will promote capital investment, putting more money back into the economy and creating more jobs. These provisions will work to counteract the general climate of caution in the business sector that has resulted in layoffs, a reluctance to invest in new capacities, and aggressive actions to maintain low levels of inventories.

Finally, the bill reduces the tax rate on dividends and capital gains to spur investment and business growth. Today, we are faced with the simple fact that the overall economy cannot improve until the stock market recovers. Additionally, today, eighty-four million Americans, over 50 percent of our population, are invested in the stock market, and investment plays an increasingly important role in our individual financial security. With much of this investment in 401(k)s, IRAs and pension plans, it is vital to many Americans that we do all we can to increase the growth of the stock market. Additionally, capital gains tax reductions have historically resulted in freeing stranded capital locked in mature investments as well as increasing capital for new investment. The reduction of the tax rate on dividends and capital gains to 5 percent and 15 percent will increase the purchasing power of individuals, stimulate investment and capital formation in business, and increase job creation through business growth.

For these reasons, Mr. Speaker, I rise in support of this measure, in support of an immediate stimulus and infusion of confidence in our economy, in support of creating jobs, and in support of long-term economic stability and growth for the future.

Mr. CRENSHAW. Mr. Speaker, the way the other side shapes this debate, you'd think keeping money in Washington is going to boost the economy, create jobs, and give business owners the incentive to hire more workers. Nothing could be further from reality. But that's where this debate has gone.

''We can't afford it,'' they say. ''It's too much money,'' they argue. ''Deficits until the cows come home,'' they claim. The reality is that taxes are the leg irons on economic growth. That's the big picture. We are in a situation where economic growth has plodded along at a snail's pace since 1999. Then we were hit by a number of circumstances beyond our control—but each with a huge impact on the economy.

So what do we propose? Well, the best way to create jobs is to kick-start our economy. The best way to improve our economy is to let people keep more of their money. The vehicle that will get us there is H.R. 2, the Jobs and Growth package. H.R. 2 will empower consumers, encourage investment, and enhance the retirement of our senior citizens.

The Jobs and Growth package is $550 billion in job creation. It lets families keep more of the money they've earned creating opportunities for every American who wants to work. On that note: Every American who wants to work, ought to have an opportunity. Who are we to stand in the way of growth and prosperity?

You simply can't keep pooling the money here in Washington and expect the economy to grow. This package creates 1.2 million new jobs this year, 45,000 of those in my home State of Florida. H.R. 2 is pro job, pro family, and pro economy. This package creates work opportunities, and accelerates real relief for real families this year. This package increases the child tax credit to $1,000.

This package reduces the marriage tax penalty. This bill will allow a family to buy a new washing machine this year, save for their child's education next year, and buy a new car the year after that. This package lets 27 million taxpayers benefit from the increased child tax credit. Two-thirds of this package goes to individuals.

This plan provides some relief to 10 million senior citizens who currently pay the wrong and immoral double taxation of dividends. This will relieve at least some of their worry that they'll outlive their retirement nest egg.

This plan gives the backbone of our economy—small business owners—the freedom to invest in their business, hire more employees, and create more taxpayers. The federal government is not going to spend us out of a slowdown. That is not an option. You want to increase the tax rolls? Then increase the opportunities for work. You do that by empowering consumers, employing workers, growing the economy.

This is the taxpayer's money, not the federal government's. I urge my colleagues to pass this bill. H.R. 2 is the kick-start this economy needs.

Mr. BLUMENAUER. Mr. Speaker, in Oregon the economic pain of unemployment and state budget deficits is not an abstraction. The nation's highest unemployment rate of 7.6 percent is compounded by failure of the federal government to meet its commitments for hometown security, healthcare and education. Not only is the rate of unemployment high, many are experiencing long-term unemployment. Nationally, nearly 2 million workers have been out of work for at least 6 months, the highest level in 20 years.

Oregonians are clear about their priorities:

(a) Education—We must fully fund IDEA and the President's own signature education bill.

(b) Healthcare—Oregon's budget crisis is forcing reductions, cuts and closures to critical programs for our seniors, disadvantaged, and poor. We must fund these basic services.

(c) Spending on Crumbling Bridges—Infrastructure investments put people to work tomorrow, improve economic efficiency and better our communities. Replacing Oregon's bridges will cost over $4 billion and would provide 190,000 jobs and $25 billion in economic activity.

(d) Hometown Security—My constituents are concerned about security from terrorism and health threats such as SARS. We should invest in projects and programs that will make our communities safer and healthier.

(e) Unemployment Benefits—We need to extend the unemployment benefits due to expire.

We should reject the Enron-style accounting used in this tax bill, which distorts the true costs and intent of the tax cut package. The Republican estimate of ''only'' $550 billion was accomplished by putting in unrealistic ''sunsets'' to various tax provisions. The tax cuts they have every intention of making permanent will increase deficits by over $1.1 trillion if in place over the next 10 years.

Current budget realities, a wavering economy, and international conflicts have resulted in tumultuous and complicated times. However, a simple course of fiscal responsibility and domestic security can be achieved by taking common sense actions:

No tax cuts before we meet our obligations;

Be honest about the actual costs of tax cuts and spending;

Meet federal obligations to programs that are staggering state and local budgets;

Help those who need it the most, not the least;

Don't mortgage the future by playing fast and loose with the truth today and the economy tomorrow.

Mr. MARKEY. Mr. Speaker, it's been said that the French drink champagne only when they're happy or when they're sad. Otherwise, they never touch it . . . unless they're thirsty.

This is kind of like the Republicans' approach to tax cuts. Republicans propose tax cuts when the budget is in surplus. They propose tax cuts when the budget is in deficit. Otherwise, they never propose tax cuts . . . unless they're thirsty for more giveaways for the rich.

President Bush took office with a projected $5.6 trillion budget surplus and the Republicans immediately called for a huge tax cut. Now the Republicans have turned that surplus into what will be a $4.0 trillion budget deficit by 2011, and they are still calling for a huge tax cut.

Republicans have violated the First Law of Holes, which is ''When you're in one, stop digging.''

Although the war in Iraq has ended, but President Bush has dropped his own version of the MOAB—the Mother Of All Budgets—on the American economy.

Unlike the Army's MOAB, the Bush MOAB devastates the Medicare program and the Social Security trust fund.

The Bush MOAB pounds the Social Security and Medicare trust funds for the Greatest Generation who built this country.

The Bush MOAB shells funding for health care for America's veterans.

And the Bush MOAB obliterates education funding for our children and jobs for Americans out of work.

As the Bush administration and this Republican Congress drop a MOAB on the American people and our economy, they are also air dropping bottles of champagne on the wealthiest individuals and corporations in our country who will be the primary beneficiaries of this selfish and unprecedented tax cut. Because according to the GOP, there is no bad time for a tax cut—if you ask a majority of Americans, they'll tell you that in a devastated economy at a time of war, it is IMMORAL to cut taxes for the wealthiest at the expense of the poorest Americans.

We should be putting funds aside to help care for the estimated 14 million Americans who will have Alzheimer's by the middle of the century, the more than 1 million people who suffer from Parkinson's Disease, or the 30,000 Americans afflicted with Lou Gehrig's Disease.

We should be putting funds aside to care for the Baby Boomers, who will be retiring in huge numbers at the end of the decade. This group will soon begin drawing an estimated $25 trillion in Social Security and Medicare benefits, which are currently unfunded.

This Republican tax cut and Bush MOAB blows up our country's fiscal future and the potential for our government to take care of those who built this country and fought for this country.

Mr. HOLT. Mr. Speaker, I favor cutting taxes, but in balanced and fiscally responsible ways. That's why I have been one of the few Democrats in Congress who has been willing to cross party lines to vote for eliminating the estate tax, to vote for eliminating the marriage penalty, to vote for cutting taxes for small businesses, to vote for cutting taxes to help people pay for education and retirement, and to vote for cutting taxes for senior citizens.

With a war in Iraq and looming postwar costs, increased expenses for domestic security and a ballooning budget deficit, Congress must exercise restraint on both revenues and spending to prevent fiscal policy from spiraling out of control. The consensus in favor of balancing the budget over the long term must be re-established.

The fiscal outlook is much worse than official administration projections indicate. These projections assume that the tax cuts enacted in 2001 will expire at the end of 2010. They also assume that discretionary spending, the part of the budget that pays for national defense, domestic security, education and transportation, will shrink continuously as a share of the economy. Neither of these assumptions is realistic.

We need a tax bill that recognizes the ballooning budget deficit and address the economic realities of the world we are facing.

No one denies that our economy needs an immediate stimulus. Unfortunately, this measure fails to provide such a stimulus, but instead gives away billions to the wealthy while creating precious few jobs.

This tax bill is completely out of touch with the economic realities facing the federal government, the states, and millions of American taxpayers and workers. It fails to provide real solutions to the problems of stagnant economic growth, unemployment and the fiscal crises in the states. For the past two and a half years, this Congress has given the President everything he wanted on economic policy, and it has led to a total economic disaster. We've lost more jobs than any time since the Second World War. Why would we want to vote for more of the same?

In addition to being ineffective, today's bill is also unfair. Benefits targeted to low- and middle-income families, such as the expansion of the 10 percent tax bracket and the increase in the child tax credit, are temporary, while the centerpiece of the measure—a massive cut in the dividend and capital gains tax rates costing nearly $280 billion—is essentially permanent, sun setting at the end of the budget period.

According to the Center on Budget and Policy Priorities and the Tax Policy Center, taxpayers with incomes of more than $1 million will receive an average tax cut of $105,600 in 2003, with $42,800 of that coming from cuts in the capital gains and dividends tax rate, while middle income taxpayers would receive an average tax cut of just $218. The top 5 percent of households would receive 75 percent of the benefits from the dividend and capital gains rate cut, while only one-fifth of households with income between $40,000 and $50,000 a year receive any benefit at all.

In return for cutting taxes for the wealthy, the government will be saddled with staggering long-term deficits that will burden future generations. As a result, it will reduce our ability to support vital programs such as Social Security and Medicare, as well as make needed investments in schools, health care, infrastructure, and basic research.

Long-term deficits also weaken economic growth. Just last week, Federal Reserve Chairman Alan Greenspan warned against costly new tax cuts when the government is already facing record-high deficits. Wall Street analysts estimate that annual deficits over the next 10 years could total $4 trillion, with a possible budget deficit this year alone of nearly $500 billion—the highest annual deficit in the history of the republic. Just two years ago, the projected surplus was $5.6 trillion. As the deficits increases, interest rates go up—which makes it harder on families to pay for mortgages, education loans, credit card bills, and car payments.

Further, the bill does nothing to address the budget crises affecting the states, which are facing their worst budget gaps since World War II. Unlike the federal government, states must balance their budgets every year and have been forced to cut programs and lay off thousands of workers.

Mr. Speaker the unemployment rate is now at 6 percent and the number of workers who have been unemployed for more than six months account for 20 percent of all unemployed workers, the largest proportion in a decade. There are almost 9 million officially unemployed Americans and another 9 million who are either working part-time because they can't find full-time work or who are so completely discouraged that they have stopped looking for work. The economy has lost over 2 million jobs in the last two years, but this bill does nothing to help the unemployed.

In his State of the Union address earlier this year, the president said that ''we will not pass along our problems to other Congresses, other presidents, and other generations.'' But this bill does exactly that. This is the third ''economic stimulus'' package of the Bush administration. The first two did little to stimulate the economy and no one, including the Congressional Budget Office, expects this bill will do much better. Why on earth would we want to saddle today's children with debt to give bonuses to wealthy people, knowing full well that

economic benefits will not trickle down to middle income people? We need real stimulus that will create jobs, fuel the economy, and help our states through their current fiscal crises.

Mr. CHOCOLA. Mr. Speaker, last week, Congress received some troubling economic news. The unemployment rate is now at 6 percent.

That news ought to send a clear signal to members of this body that we need a strong economic recovery plan.

You see, when the economy grows, somebody is more likely to find work. Therefore, we ought to be asking the questions: How do we encourage economic growth? What can this Congress do to promote job creation here in America?

The other day I was speaking with someone who doesn't agree that cutting taxes are a good thing. They expressed to me their concern that if we continue to cut taxes that we will only continue deeper into deficits. They said, ''Aren't you at all concerned about deficits?''

I responded that of course I was concerned and there are three proven steps we can take to control them.

I said, ''The way I see it, there are three things we can do to control deficits—we can either raise taxes, control spending, or cut taxes.''

I asked if they were in favor of raising taxes. Of course not, was their immediate response.

I then asked, which programs do you want to significantly cut to control spending. They responded they couldn't think of anything that should be cut.

I then said, well, you have to be for cutting taxes. It's the only other option for controlling deficits.

They sat there silent for a second, thinking about what I had said. They then turned to me and said, you know what—you're right.

Mr. Speaker, I believe the best way to achieve growth is for hard working people to keep more of their own money. This bill achieves the result of putting money back into the taxpayer's pocket, which will in turn stimulate economic activity, and create much needed jobs.

The Jobs and Growth Tax Act before us today is an important sign that members of both parties in the House of Representatives now recognize that tax relief helps create jobs.

This legislation will lower taxes on capital gains, lower taxes on dividends that small businesses could write off, and reduce individual income tax rates.

If you're interested in job creation, if you're interested in a pro-growth package, then let's enact meaningful tax relief and pass this bill so more Americans can find work.

Mr. KIND. Mr. Speaker, today we are considering the legislative follow-up to the majority's irresponsible budget resolution narrowly passed earlier this year. It is another chance to ask ourselves if what we are doing is the right choice for America, and the right choice for future generations. I can only hope that this House reflects on past performance, and switches course away from the path toward fiscal oblivion that the majority is leading our nation.

Based on the policies promoted by the President and the majority, the Federal Government will be running deficits as far as the eye can see, with a record $400 billion deficit in 2004 alone. Just to keep things in perspective, the Congressional Budget Office estimated in 2000 that by 2010, we would have a $5.6 trillion budget surplus. That projected surplus has turned into a projected $2 trillion deficit over ten years—a reverse of $8 trillion since President Bush took office.

Now, it is understandable that in a time of economic slowdown, increased terrorist threats, and military action in Iraq, government spending priorities change, and we may have to run some short-term budget deficits to meet new challenges. However, the most disturbing thing about the majority's fiscal policy is that they make no effort to stem this deficit trend.

This is an important problem because deficits do matter. Contrary to what the President and the congressional leadership are claiming to the American people that deficits somehow, some way, magically do not matter anymore in regards to economic performance, history, and leading economists, tell us different.

In an opinion article printed in the New York Times on April 9, 2003, titled ''No New Tax Cuts,'' members of the nonpartisan and widely respected Concord Coalition, including former Senators Bob Kerrey, Sam Nunn, and Warren B. Rudman, former cabinet secretaries Peter G. Peterson and Robert E. Rubin, and former Federal Reserve chairman Paul A. Volcker, outlined their opposition to the majority's plan because of its long-term fiscal impacts.

In the article, they state that ''Congress cannot simply conclude that deficits don't matter. Over the long term, deficits matter a great deal. They lower future economic growth by reducing the level of national savings that can be devoted to productive investments. They raise interest rates higher than they would be otherwise. They raise interest payments on the national debt. They reduce the fiscal flexibility to deal with unexpected developments. If we forget these economic consequences, we risk creating an insupportable tax burden for the next generation.''

We cannot in good conscience pass along an unconquerable debt to future generations. Further, we should not be enacting unbalanced tax cuts that will fail to stimulate the economy.

For example, the Republican tax package is heavily weighted toward the top 0.1 percent of income earners (those making over $1 million annually) with approximately 25 percent of the $550 billion package going to this top 0.1 percent. This amount is equal to what 90 percent of the rest of all taxpayers will see from the proposal.

This imbalance is highlighted in the most talked about portions of this legislation, the dividend and capital gains tax cuts. These cuts will do little if anything to stimulate the economy and will be of very little benefit to most Americans. In fact, nearly 80 percent of Americans making less than $100,000 per year report no dividend income. Further, the Republicans attempt to mask the total cost of their proposal by sunseting many of their cuts after five years. With a plan that excludes the vast majority of Americans, it is not surprising that economic experts from across the political spectrum have stated clearly that the Republican plan makes little sense at this time.

A statement issued by ten Nobel prize winning economists on February 10, 2003, supports this point. It reads ''regardless of how one views the specifics of the Bush plan, there is wide agreement that its purpose is a permanent change in the tax structure and not the creation of jobs and growth in the near-term. The permanent dividend tax cut, in particular, is not credible as short-term stimulus. As tax reform, the dividend tax cut is misdirected in that it targets individuals rather than corporations, is overly complex, and could be, but is not, part of a revenue-neutral tax reform effort.''

What makes the least sense is that the Republicans are moving this ineffective tax cut package at exactly the worst moment in our Nation's history, when we have 80 million baby boomers rapidly approaching retirement age and starting to enter the Social Security and Medicare systems. Instead of the irresponsible budget before us, we should be practicing fiscal discipline to get the Nation on sound fiscal footing in anticipation of that demographic time bomb going off.

We have an alternative proposal ready that offers real and responsible economic stimulus, while ensuring the viability of Social Security and Medicare. Unfortunately, the majority has refused to allow debate on this Democratic alternative.

The alternative focuses on the middle class by permanently increasing the child tax credit, ending the marriage penalty tax, and providing $32 billion to small businesses so they can expand and create jobs. Most importantly, however, the Democratic plan is fast acting, will create more jobs than the Republican plan, and is fully paid for so our children and grandchildren are not left holding a bag full of I.O.U.s and debt.

The Democratic plan also extends unemployment benefits to some of the 2.7 million workers who have lost their jobs, mostly in manufacturing, since President Bush took office. This is particularly important for my home state of Wisconsin, which had the third highest rate of new unemployment filings in March. Economists estimate this investment in our workforce will yield $1.73 in economic growth for every $1 invested, compared to $0.09 for every dollar spent in the majority's plan.

The President has gotten everything he has requested for the economy from Congress, and the results show the worst economic performance under any President in the last 50 years. Now is the time to stop the bleeding, and start making responsible fiscal decisions. It is time to start investing in our children, instead of borrowing against their future.

I urge my colleagues to reject the majority's irresponsible tax package and pass the motion to recommit so that we can bring forward the Democratic alternative.

Mr. LEWIS of Georgia. Mr. Speaker, I rise today to express my outrage at this irresponsible, not to mention unfair, tax bill that the majority has concocted.

This bill is full of gimmicks to hide its real cost, but when all is said and done, the total cost of the President's package combined with his previously enacted tax cuts will result in a $2.8 trillion deficit by 2013.

$2.8 trillion.

That's some feat considering that this President inherited a $5.6 trillion surplus.

This bill is beyond irresponsible. And, if that weren't bad enough, this plan is unfair.

Those at the very top will get a generous tax cut, but those at the bottom will do no better.

In the first year, households with incomes of more than $1 million would receive an average tax cut of over $93,000, while households

earning between $40,000 and $50,000 would average a cut of only $452.

Despite their claims to the contrary, there is no evidence that this bill will create even one job.

Nor will it lead to sustained, long-term economic growth. It will undermine our economy and create record deficits that will burden our future generations.

The simple truth is that Republicans designed this bill to give their wealthy friends huge tax breaks, while offering nothing for those who truly need tax relief—the working families and individuals of America.

What little help they do offer to the middle class expires at the end of 2005, while the capital gains and dividend tax cuts continue through 2013. But, it's not secret that the majority intends to extend them indefinitely thereafter.

They did it before, and you had better believe that they'd do it again. And when they do, this $550 billion plan will end up costing us more than $1 trillion.

This bill is unacceptable.

We can do better. We have the ability, we have the capacity to do better, and we must do better. We owe it to the hardworking Americans who won't benefit under this bill.

And, we owe it to the 2.7 million people who've lost their jobs since President Bush took office. This bill has no compassion for them. They're left out in the cold under this proposal.

It is a shame and it is a disgrace. I just don't understand it.

I can't for the life of me understand how we can spend billions of dollars to rebuild Iraq—to build schools, to provide health care—yet we can't find a cent for our unemployed here at home.

That is not right, that is not fair, and that is not just.

As a great nation, we must do better.

I urge my colleagues to vote no on this irresponsible and unfair bill.

Mr. THOMPSON of California. Mr. Speaker, on April 24, President Bush told the workers of Canton, Ohio that the best way to solve the deficit is to grow the revenues—and have fiscal sanity in Washington, DC.

As a member of the Blue Dog Coalition, I've been championing fiscal sanity since I first came to Congress. But, I just don't see the fiscal sanity of passing a $550 billion tax cut package that we flat out can't afford.

Especially when it's a tax package touted as help for the working person and the elderly but structured to help those in the top income brackets.

The corner stone of this bill is a proposal to reduce the tax paid on dividends and capital gains.

We've heard all about how this is going to stimulate the economy and create jobs, and boy is it ever going to help out seniors, with over half of them receiving dividend income.

Well, yes. Over half of our Nation's seniors receive dividend income. And, this bill will cut their taxes. But, if they make less than $50,000 a year, their tax cut will be a grand total of $44.

Since the average senior income is far less than $50,000, it doesn't seem that this bill is going to help seniors as much as some might like you to think.

And, this bill certainly doesn't help America's workers as much as some might like you to think.

The White House claims that this bill will create 190,000 jobs in this year alone. That's great, because the Labor Department says that we just lost 190,000 jobs in March and April. In fact, we've lost 2.7 million jobs since the last round of tax cuts were passed—over 239,000 in California alone.

And this new tax bill doesn't mean more jobs for California. In fact, this tax bill doesn't do anything good for California.

Over 146,000 jobs will be lost and state revenue will be cut by more than $1.2 billion. And, at the end of the day, most Californians, 47 percent, will get a tax cut of less than $100.

Where's the fiscal sanity in growing the deficit through a $550 billion tax cut, when the people who really need our help aren't the ones who are getting it?

Right now, this country is over $6.4 trillion in debt.

We increased our debt limit by $450 billion just 10 months ago—and we've already spent all of it. Now, we are trying to increase the debt limit by an additional $980 billion.

But, it doesn't look like that increase will come in time; it seems we've spent our money so quickly that we need to borrow an additional $79 billion just to meet our bills in May and June.

If we can't pay our bills now, how are we going to do it once we've shrunk revenues by $550 billion? Will we just borrow more?

At the rate we're going, this Nation is going to be over $12 trillion in debt within 10 years.

And, don't forget—we pay interest on that debt. Today, it costs us over $1 billion a day. Ten years from now, under a best case scenario of interest rates not going up, it will cost us over $2 billion a day.

Some say that debt only matters in comparison to our GDP. Well, if things don't change, by 2013 our debt will be almost 50 percent of our GDP. That matters. And, it matters now, when debt is almost 35 percent of our GDP.

Debt does matter. Deficits do matter.

They matter less in times of war, but they are still critically important factors in our overall economic security.

And, passing measures that will only worsen our economic projections and pass the buck—and the bill—to future generations is neither fiscally responsible nor fiscally sane.

Mr. BACA. Mr. Speaker, I rise in opposition to H.R. 2. This is simply another tax cut for the rich that will have no real effect on the economy. Its only effect will be to put more Americans out of work, and leave more Americans out of luck.

Let's be honest with the American people, this bill is about overhauling the Tax Code bit by bit until working families pay the lion's share of the taxes. It has nothing to do with getting the economy moving again.

This package fails to create jobs or create the conditions for an economic recovery. Ironically enough, this bill that the Republicans are calling an economic stimulus plan actually does the exact opposite.

It fails to extend the unemployment benefits that millions of Americans are depending on to pay for groceries, utilities, and rent, and makes it more difficult for Americans to get back to work.

And it pushes us into the abyss of deficit spending, which will only create more drag on the economy.

It just doesn't make sense.

Four hundred economists, including eight Nobel Prize winners and FED Chairman Greenspan, have all expressed severe doubts about whether this bill will do anything other than jeopardize Social Security and increase the deficit to $1.4 trillion.

While school districts are suffering from the nationwide State budget crisis, Republicans aim to deny States the money owed to them from the No Child Left Behind Act. While the shelves at food banks are empty Republicans are cutting back on government programs like food stamps, welfare and others that help people during difficult times.

How is this bill going to stimulate the economy? Only 9 percent of the tax cuts would take place this year. The rest of the plan centers on the President's dividend tax cut. It cuts the tax on stocks and dividends by more than 50 percent. American working families don't live from dividend check to dividend check; they live from paycheck to paycheck.

Last, we should remember that the war in Iraq didn't cause the massive budget deficit. The deficit is due to the millionaire-only tax cut that Congress passed 2 years ago. The deficit has only grown worse because of the Bush economy, the war, and corporate scandals in the last year.

We cannot afford to make the same mistake twice. American working families deserve better.

Mr. Speaker, I will not vote for this, and I encourage my colleagues on both sides of the aisle to call for a real economic stimulus plan and a budget that will help put American working families back on their feet.

Mr. FRELINGHUYSEN. Mr. Speaker, today, I rise in strong support of H.R. 2, the Jobs and Growth Tax Act. It is clear our Nation's economy needs a spark, and I believe H.R. 2 will provide that needed spark.

The President said that we need more demand for goods and services so more Americans can find work, and I agree. The best way to encourage demand for goods and services is to let taxpayers keep their hard-earned money.

Our economic growth plan calls for speeding up the historic tax relief we passed in 2001 so individuals and families get the benefits of those tax cuts today, when we need it most. Under the House plan, nearly every American who pays income taxes will get much needed tax relief.

This tax relief will help small business men and women expand their businesses. The job growth measures contained in this bill means an average of nearly 20,000 jobs will be created in New Jersey, each year for the next 4 years—with 25,000 jobs created in 2004 alone.

It will also mean for nearly 800,000 parents in New Jersey, a check—this year, within weeks of the bill's signing—for up to $400 for each eligible child who qualifies for the increased child tax credit, which under current law stands at $600 per child, but under the bill we passed today would be increased to $1,000.

Ninety-two million American taxpayers would receive, on average, a tax cut of $1,083 in 2003—putting nearly $100 billion back into the economy over the next 12 months.

Three million moderate-income families would see their income tax burden eliminated entirely.

The marriage tax penalty would be reduced for working couples this year, instead of waiting until 2009. In New Jersey, this means relief for nearly 1.2 million married couples.

America has made tremendous strides in the strengthening of our national security, and now we must take steps that are just as bold to protect our economic security. Tax relief that will help create jobs, let taxpayers keep more of the hard-earned money and immediately inject millions into our market-based economy is the answer.

For those reasons and more, H.R. 2 is an important step on the path toward renewed economic growth and job security for all Americans. I urge my colleagues to vote in favor of H.R. 2.

Mr. WELDON of Florida. Mr. Speaker, I rise in strong support of H.R. 2, the Jobs and Growth Tax Reconciliation Act of 2003. This economic plan will lead to the creation of jobs and stimulate our economy both in the short-term and the long-term.

This plan provides much needed tax relief for seniors, families and for small businesses all with the aim of creating jobs and getting our economy going.

First, as an age group, senior citizens will be the most benefited by cutting the dividend tax. Seniors are more likely than most Americans to own dividend-paying stocks, receiving 47 percent of all dividends.

Since 1978, half of all dividend-paying stocks have stopped paying dividends, primarily because they are double taxed by the Federal Government. A drastic reduction in the dividend tax will (1) encourage businesses to pay higher dividends, (2) give a more dependable return on investments, and (3) lead to better corporate accountability.

Many seniors took the necessary steps to provide for their retirement and double taxation of dividends hurts them and must be eliminated. Eliminating the double taxation of dividends will put billions of dollars back into the economy each year and enhance the retirement savings of all Americans.

Small businesses are the backbone of our economy and unfortunately they are being taxed out of business. Passage of the President's tax plan will provide small businesses with significant tax incentives to expand their operations. Specifically, the bill will boost the economy by allowing small businesses to write-off in the first year, $100,000 in new equipment purchases. Current law allows them to deduct only $25,000. This level of tax relief will lead to equipment purchases, which will in turn create jobs and increase productivity.

In addition to the provisions above, other provisions of the tax bill will further benefit American families, who are hardest hit by Federal tax policies.

Adoption of the President's tax plan will increase and expand the child tax credit to $1,000 per child today, instead of waiting until 2010 as is in the current law. The bill also cuts the marriage penalty, which unfairly forces married couples to pay more in taxes.

Increasing the per child tax credit and cutting the marriage penalty, empower American families by letting them keep more of the money they have worked so hard to earn.

This is vital legislation and I urge my colleagues, for the sake of America's workers, seniors and families, to vote yes for H.R. 2, the Jobs Growth Tax Reconciliation Act of 2003.

Mr. SCHIFF. Mr. Speaker, scores of Americans continue to lose their jobs each day, the deficit climbs to new and unprecedented heights, states and local communities struggle to find the resources to protect their communities from potential terrorist threats, and we have only made a down payment on the expenses of the war on terrorism.

These are not circumstances which cry out for a half-trillion dollar tax cut. Far from it—they call for prudence, for fiscal responsibility, and for an acknowledgement that the government cannot denude itself of the ability to defend itself by increasing spending and cutting taxes with no end in sight.

I rise today to urge my colleagues to oppose this fiscally irresponsible tax plan that will only saddle future generations with enormous debt and put us on a path of almost permanent deficits.

Over the last 2 years, a staggering 2.7 million private sector jobs have been lost and the number of people unemployed for 6 months or longer has tripled. My Democratic colleagues have responded to this crisis by delivering a job creation plan to jumpstart our economy and put Americans back to work. By putting money directly in the pockets of those who need it most and those most likely to spend it, the Democratic plan will get our economy moving again.

The House leadership plan, on the other hand, ignores the desires and demands of Americans. By making room for a dividend tax cut proposal and tax cuts for the wealthy, the House leadership has indicated a willingness to sacrifice funding for important domestic priorities such as education, health care, and a significant Medicare prescription drug benefit.

We must work harder, we must do better, to ensure that budget decisions are made in a balanced and thoughtful way that maintains fiscal discipline, continues to pay down our debt, and supports priorities like Social Security and Medicare.

In years past, my colleagues on the other side of the aisle have touted the virtues of fiscal responsibility. I urge them to return to that position by joining us in embracing a fiscally responsible approach to stimulating our economy and providing relief and investment for all Americans.

Mr. CROWLEY. Mr. Speaker, this debate is all about jobs and job creation. One side has a plan, and the other side has failed ideas that have yet to help America or create one new job. Since George Bush assumed the Presidency, America has seen 2.7 million American jobs disappear. But what does the President and the Republicans think we should do—give millionaires a tax break on their stock dividends.

This will not create one new job. Even the conservative Wall Street Journal has stated that this Republican tax give-away will actually destroy job creation in America, something the Republicans have become very good at in 3 short years.

The Wall Street Journal states, ''The elimination of taxes on dividends will diminish the abilities of businesses to take tax incentives on capital investment and R&D—things that actually create jobs''.

All the while, Democrats support a plan that will actually create one million new jobs here in America, while extending unemployment benefits for the millions of Americans who have lost their jobs due to the failed economic policies of George Bush and the Republican Party.

Oppose Bush-onomics, which has seen the disappearance of over 3,100 jobs a day since January 2001 and start to fight for Americans and American jobs.

Mr. PASTOR. Mr. Speaker, I rise today in total and complete opposition to this ill-advised legislation that masquerades as a vehicle for creating jobs. There is nothing, I repeat, nothing in this bill that will create any jobs.

The President has traveled throughout the country saying this is a jobs bill and if we, once again, give massive tax cuts to the top 10 percent of earners in this country, we will have more jobs. Nothing could be further from the truth.

Have we forgotten that in this very month, just 2 years ago, we passed the Economic Growth and Tax Relief Act Reconciliation Act which cut taxes by $1.35 trillion. And, do the Members of this House realize that unemployment, now, 2 years later, remains at 6 percent. This House passed one of the largest tax cuts in the history of the Nation in 2001, in hopes of creating jobs and growing the economy, and we have created no jobs, in fact, we have lost almost 2.7 million private sector jobs, and the economy grows at a measly 1.6 percent, the weakest economic growth in 50 years.

Bottom line, Mr. Chairman, huge tax cuts for upper income individuals do nothing to create jobs.

What this bill will do, though, is continue to add to the Nation's debt. This tax cut will mean that we will have annual budget deficits year after year after year. This House has already passed a budget resolution with a projected deficit of $385 billion in fiscal year 2004. And, if we don't use the Social Security trust fund to mask this deficit, we are going to put ourselves $558.4 billion further in debt just this year.

Economist after economist, including Alan Greenspan who testified to the Financial Service Committee just last week, say that the increased deficits caused by these tax cuts will actually damage the economy. Even our own Congressional Budget Office has said that the effect of this tax cut is not obvious.

Mr. Chairman, over 74,000 hardworking Americans are losing their jobs every month. In the last 3 months, more than a half million people have lost their jobs. The President and this House choose to address that crisis by providing another massive tax cut to the wealthiest of Americans, in hopes that this will somehow put these people back to work. I must admit that I am missing the logic in this argument. And the millions of Americans who have lost their jobs since the last tax cut in May 2001 are also missing the logic, in fear.

Mr. Chairman, we should send this bill back to the committee and to the White House and ask that they come back with meaningful and serious proposals to move this economy forward. If we want to cut taxes, cut the taxes of those middle class Americans who will actually put that money back into the economy. If we want to create jobs, let's pass legislation that increases educational and training programs and makes sure that large and small businesses invest their funds in programs to put people back to work. This bill does neither.

It is time for serious solutions to serious problems. Politically motivated tax cuts for the wealthiest of Americans will not help the elderly pay for their prescription drugs. These tax

cuts will not help the unemployed father live his dream of putting his children through college. These tax cuts will do nothing to help the single mother, who works in a factory or cleans 50 hotel rooms a day, find a better job in hopes of giving her children a better life.

Let us reject this masquerade. Let us do something to help those who need our help.

Mrs. MCCARTHY of New York. Mr. Speaker, I rise in opposition to this bill because it is a shortsighted attempt to appease special interests at the expense of driving our country deeper into debt and shortchanging important programs.

America is going through very trying times. The economy is stagnant, unemployment is up, consumer confidence is down and our Armed Forces have just fought a war with Iraq. Tax relief and stimulating the economy for Long Island have been my priorities since I came to Congress, and given the current state of the economy, are critical now more than ever.

The debate surrounding an economic stimulus package comes down to simply asking the question, ''What stimulates the economy?'' There is a fine balance between giving our economy a shot in the arm, slowing the growth of the deficit, giving families and small businesses the tax relief they need and protecting our country's national security concerns.

Today's proposal falls short from achieving this balance because the bulk of its stimulus is aimed at providing dividend and capital gains tax relief. This $280 billion proposal, more than half the cost of the entire bill, does not provide our economy the bang for the buck needed for future growth.

In fact, I'm concerned this proposal could actually have serious impacts on other segments of the economy. For example, if we provide special tax treatment for companies that offer dividends, what happens to smaller companies who do not offer dividends, but instead use additional income to invest in their company, i.e. technology, etc.? Would they have a difficult time attracting investors? Moreover, what happens to the bond market? Municipalities rely heavily on bonds to finance school construction and other public works projects. How will they compete against companies that offer dividends with this new tax treatment?

Instead of spending the bulk of a stimulus plan on a proposal that only benefits companies offering dividends, we should help the areas of our economy that could benefit most from a stimulus. For example, State and local governments are struggling as the faltering economy has caused huge fiscal problems for the States, at the same time that States need to spend more on critical investments, such as homeland security, healthcare, and education. In fact, States are facing budget deficits in the range of $60 to $85 billion for State fiscal year 2004, larger than any time in the last half-century.

We can help our States by investing in infrastructure and homeland security projects that create jobs and lowers unemployment. In addition, it would cost a fraction of the $280 billion dividend proposal Republicans insist on passing today.

What I find equally upsetting is the disregard for our national debt. This bill pushes our country $550 billion deeper into debt. And although Republicans claim that going deeper in debt is necessary to get out of debt, you must carefully examine the polices that claim to bring us back into balance. Unfortunately, Republicans have failed to show why we should support a dividend tax break instead of helping our States and middle-income households. If we are going into debt, it shouldn't be on the back of flawed policy.

As the majority, House leadership could have allowed plenty of time to debate the merits of their proposal, but instead they choose not to allow anyone to offer amendments and limit debate to 2 hours. This balant disregard of the Democratic process is yet another example of this Republican Congress cowering to special interests and forcing another flawed policy on the American people. This take it or leave it attitude does nothing to improve the state of our ailing economy. It does, however, jeopardize what we leave behind to our children.

Mr. UDALL of New Mexico. Mr. Speaker, as the national data continue to show how bad this Bush recession really is hurting the American people, the GOP majority has once again missed a golden opportunity to pass an economic growth plan that really helps working men and women, the very people who have suffered the most under this administration's unsound policies.

Today, we have before us an irresponsible $550 billion Republican tax bill that is based on the President's goal of eliminating taxes on dividend income and continues the Republican mismanagement of our Nation's economy by recklessly borrowing from future generations to reward the wealthy.

I support an alternative economic growth plan that creates over 1 million jobs, provides assistance to individuals, small businesses and States through a fair distribution of benefits without gimmicks, and makes investments in homeland security, infrastructure, and health care. I support a plan that provides for greater economic stability by committing to fiscal responsibility, preserving Social Security, and ensuring minimal long-term debt. Even Federal Reserve Chairman Alan Greenspan recently has reiterated his position that the Nation is best served when the cost of any new tax cuts are offset, something the Rangel plan does. The cost of the Rangel plan is offset by suspending scheduled future tax cuts for the top two income tax brackets—taxpayers with incomes about $151,300.

The plan I support, offered by Mr. Rangel, provides a stark contrast to the Bush administration's indifference to the growing unemployment crisis. Over 2 million job shave been lost since 2001. It is therefore critical that we extend emergency unemployment benefits for another 6 months and also increase benefits by 13 weeks to 26 weeks total. The Rangel plan does exactly that. But again, just like last year, the majority is not addressing these real needs to help the unemployed—those who are, in fact, most likely to actually spent money and get our economy back on track. We cannot wait for unemployment benefits to expire before we act.

Another stark contrast between the Rangel plan and the Bush plan is the assistance provided for State and local governments. With collective State and local deficits of $200 billion from fiscal year 2002–2004, the Federal Government has a major responsibility to help our State and local governments in many key areas such as health care, homeland security and infrastructure. We should provide assistance to State and local governments. This will bolster national security and create job by temporarily expanding the Federal Medicaid Assistance Percentage (FMAP). We should target money to Homeland Security and infrastructure projects that are ready to go.

The Rangel plan would also expand the child tax credit, thereby covering nearly 2 million additional children and boosting the level of the child tax credit from $600 to $800 per child. The income threshold would be dropped from $10,000 to $7,500 and the percentage of the credit that would be refundable for lower-income taxpayers would be increased from 10 to 15 percent. In addition, I would accelerate the start of marriage penalty relief, boosting current law standard deduction and EITC provisions.

I also believe that we should accelerate the 10 percent income bracket and immediately expand the 10 percent marginal income tax rate to 2008 levels, from $6,000 to $7,000 for single individuals and from $12,000 to $14,000 for married taxpayers filing jointly. Providing the targeted tax relief to this bracket and marginal income tax rate will have a much stronger stimulating effect on the economy instead of targeting the wealthiest in America who will end up saving instead of spending anyway.

Furthermore, I believe Congress and the President must focus on job creation for small businesses and foster U.S.-based production by including business investment incentives to create and retain jobs in the United States.

This can be done by allowing greater small business expensing and bonus depreciation and by closing the most egregious tax shelter loopholes and corporate expatriation techniques. Under the Rangel plan, small businesses would be allowed to expense up to $75,000 of new investment costs, a $50,000 increase from the current $25,000 that businesses are allowed to expense. Additionally, all companies would benefit from bonus depreciation that is revised to provide for 50 percent bonus depreciation over the next 12 months and a 30 percent bonus for the last half of 2004. Also, the Rangel plan would repeal the Foreign Sales Corporation (FSC)/Extraterritorial Income (ETI) Tax Program and replace it with a corporate rate deduction for domestic manufacturers. This would provide American companies with a strong incentive to maintain and expand their operations in the United States, protect and create jobs and allow U.S. manufacturers to remain competitive in the global marketplace.

Our country needs responsible tax policies that do not further increase the deficit already built up under this administration's watch. Apparently the majority believes the only way to create jobs is by borrowing more money, ignoring the current deficit, and increasing the national debt. I disagree with this strategy. I disagree with their plan. And I strongly oppose passage of this misnamed jobs and growth plan.

Unfortunately, the Rangel plan will not be given the vote it deserves on the House floor today. I am confident that if the American people really knew what was in the Thomas plan, every Member of Congress would hear the outcry from their constituents to vote no on it. Apparently the majority is concerned about the same. How else can one explain the all-too-familiar blow they strike at the Democratic process by not allowing a substitute to come to the floor?

I urge my colleagues to vote no on the Thomas plan, vote yes on the motion to recommit and support a responsible and effective stimulus plan.

The SPEAKER pro tempore (Mr. SIMPSON). All time for debate has expired.

Pursuant to House Resolution 227, the previous question is ordered on the bill, as amended.

The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

MOTION TO RECOMMIT OFFERED BY MR. RANGEL

Mr. RANGEL. Mr. Speaker, I offer a motion to recommit.

The SPEAKER pro tempore. Is the gentleman opposed to the bill?

Mr. RANGEL. I am, Mr. Speaker, in its present form.

The SPEAKER pro tempore. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. RANGEL moves to recommit the bill, H.R. 2, with instructions to report the same back to the House forthwith with the following amendment:

Strike all after the enacting clause and insert the following:

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

(a) SHORT TITLE.—This Act may be cited as the ''Jobs and Growth Reconciliation Tax Act of 2003''.

(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—IMMEDIATE STIMULUS AND JOB CREATION

Subtitle A—Family Tax Relief

Sec. 101. Acceleration of increase in child tax credit.
Sec. 102. Increase in standard deduction for married taxpayers filing joint returns accelerated.
Sec. 103. Acceleration of 10-percent individual income tax rate bracket expansion.
Sec. 104. Acceleration of elimination of marriage penalty in earned income credit.

Subtitle B—Incentives to Hire the Long-Term Unemployed

Sec. 111. Incentives to hire the long-term unemployed.

Subtitle C—Extension of Unemployment Benefits

Sec. 121. Short title.

PART I—TEMPORARY EXTENDED UNEMPLOYMENT COMPENSATION

Sec. 131. References.
Sec. 132. Extension of the Temporary Extended Unemployment Compensation Act of 2002.
Sec. 133. Entitlement to additional weeks of temporary extended unemployment compensation.
Sec. 134. Extended benefit periods.

PART II—UNEMPLOYMENT BENEFITS FOR INDIVIDUALS QUALIFYING BASED ON PART-TIME WORK OR AN ALTERNATIVE BASE PERIOD

Sec. 141. Federal-State agreements.
Sec. 142. Payments to States having agreements under this part.
Sec. 143. Financing provisions.
Sec. 144. Definitions.
Sec. 145. Applicability.

PART III—ENHANCED UNEMPLOYMENT BENEFITS

Sec. 151. Federal-State agreements.
Sec. 152. Payments to States having agreements under this part.
Sec. 153. Definitions.
Sec. 154. Applicability.

Subtitle D—Trust Fund to Meet Nation's Pressing Needs

Sec. 161. Trust fund to meet nation's pressing needs.

TITLE II—LONG-TERM JOB CREATION AND GROWTH

Sec. 201. Increase and extension of bonus depreciation.
Sec. 202. Increased expensing for small business.
Sec. 203. Deduction relating to income attributable to United States production activities.

TITLE III—FISCAL RESPONSIBILITY AND PROVISIONS ADDRESSING CORPORATE ABUSE

Subtitle A— General Provisions

Sec. 301. Freeze of top individual income tax rates.
Sec. 302. Restoration of phaseouts of deductions for personal exemptions and of itemized deductions.
Sec. 303. Repeal of exclusion for extraterritorial income.

Subtitle B—Abusive Tax Shelter Shutdown and Taxpayer Accountability

PART I—PROVISIONS DESIGNED TO CURTAIL TAX SHELTERS

Sec. 311. Clarification of economic substance doctrine.
Sec. 312. Penalty for failing to disclose reportable transaction.
Sec. 313. Accuracy-related penalty for listed transactions and other reportable transactions having a significant tax avoidance purpose.
Sec. 314. Penalty for understatements attributable to transactions lacking economic substance, etc.
Sec. 315. Modifications of substantial understatement penalty for nonreportable transactions.
Sec. 316. Tax shelter exception to confidentiality privileges relating to taxpayer communications.
Sec. 317. Disclosure of reportable transactions.
Sec. 318. Modifications to penalty for failure to register tax shelters.
Sec. 319. Modification of penalty for failure to maintain lists of investors.
Sec. 320. Modification of actions to enjoin certain conduct related to tax shelters and reportable transactions.
Sec. 321. Understatement of taxpayer's liability by income tax return preparer.
Sec. 322. Penalty on failure to report interests in foreign financial accounts.
Sec. 323. Frivolous tax submissions.
Sec. 324. Regulation of individuals practicing before the department of treasury.
Sec. 325. Penalty on promoters of tax shelters.
Sec. 326. Statute of limitations for taxable years for which listed transactions not reported.
Sec. 327. Denial of deduction for interest on underpayments attributable to nondisclosed reportable and noneconomic substance transactions.

PART II—OTHER PROVISIONS

Sec. 331. Limitation on transfer or importation of built-in losses.
Sec. 332. Disallowance of certain partnership loss transfers.
Sec. 333. No reduction of basis under section 734 in stock held by partnership in corporate partner.
Sec. 334. Repeal of special rules for fasits.
Sec. 335. Expanded disallowance of deduction for interest on convertible debt.
Sec. 336. Expanded authority to disallow tax benefits under section 269.
Sec. 337. Modifications of certain rules relating to controlled foreign corporations.
Sec. 338. Basis for determining loss always reduced by nontaxed portion of dividends.
Sec. 339. Affirmation of consolidated return regulation authority.

Subtitle C—Prevention of Corporate Expatriation To Avoid United States Income Tax

Sec. 341. Prevention of corporate expatriation to avoid United States income tax.

Subtitle D—Inclusion in Gross Income of Funded Deferred Compensation of Corporate Insiders

Sec. 351. Inclusion in gross income of funded deferred compensation of corporate insiders.

TITLE I—IMMEDIATE STIMULUS AND JOB CREATION

Subtitle A—Family Tax Relief

SEC. 101. ACCELERATION OF INCREASE IN CHILD TAX CREDIT.

(a) IN GENERAL.—The items relating to calendar years 2001 through 2008 in the table contained in paragraph (2) of section 24(a) (relating to per child amount) are amended to read as follows:

''2003 thru 2009 ..... $ 800
2010 or thereafter ..... 1,000''.

(b) ACCELERATION OF INCREASE IN REFUNDABLE PORTION OF CREDIT.—

(1) IN GENERAL.—Clause (i) of section 24(d)(1)(B) is amended to read as follows:

''(i) 15 percent of so much of the taxpayer's earned income (within the meaning of section 32) which is taken into account in computing taxable income for the taxable year as exceeds $7,500, or''.

(2) CONFORMING AMENDMENT.—Paragraph (3) of section 24(d) is amended—

(A) by striking ''$10,000'' and inserting ''$7,500'', and

(B) by striking ''2000'' and inserting ''2002''.

(c) EFFECTIVE DATES.—The amendments made by this section shall apply to taxable years beginning after December 31, 2002.

SEC. 102. INCREASE IN STANDARD DEDUCTION FOR MARRIED TAXPAYERS FILING JOINT RETURNS ACCELERATED.

(a) IN GENERAL.—Subparagraph (A) of section 63(c)(2), as amended by the Economic Growth and Tax Relief Reconciliation Act of 2001, is amended by striking ''the applicable percentage of'' and inserting ''twice''.

(b) CONFORMING AMENDMENTS.—

(1) Section 301(d) of the Economic Growth and Tax Relief Reconciliation Act of 2001 is amended by striking ''2004'' and inserting ''2002''.

(2) Section 63(c) is amended by striking paragraph (7).

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2002.

SEC. 103. ACCELERATION OF 10-PERCENT INDIVIDUAL INCOME TAX RATE BRACKET EXPANSION.

(a) IN GENERAL.—Clause (i) of section 1(i)(1)(B) (relating to the initial bracket

amount) is amended by striking ''($12,000 in the case of taxable years beginning before January 1, 2008)''.

(b) INFLATION ADJUSTMENT.—Subparagraph (C) of section 1(i)(1) is amended to read as follows:

''(C) INFLATION ADJUSTMENT.—In prescribing the tables under subsection (f)—

''(i) no adjustment shall be made in the $14,000 amount for any taxable year beginning before 2004, and

''(ii) the adjustment in such amount with respect to taxable years beginning after 2003 shall be determined under subsection (f)(3) by substituting '2003' for '1992' in subparagraph (B) thereof.''

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to taxable years beginning after December 31, 2002.

(2) TABLES FOR 2003.—The Secretary of the Treasury shall modify each table which has been prescribed under section 1(f) of the Internal Revenue Code of 1986 for taxable years beginning in 2003 and which relates to the amendment made by this section to reflect such amendment.

SEC. 104. ACCELERATION OF ELIMINATION OF MARRIAGE PENALTY IN EARNED INCOME CREDIT.

(a) IN GENERAL.—Subparagraph (B) of section 32(b)(2) is amended to read as follows:

''(B) JOINT RETURNS.—In the case of a joint return filed by an eligible individual and such individual's spouse, the phaseout amount determined under subparagraph (A) shall be increased by $3,000.''

(b) CONFORMING AMENDMENT.—Clause (ii) of section 32(j)(1)(B) is amended by striking ''2007'' and inserting ''2002''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2002.

Subtitle B—Incentives to Hire the Long-Term Unemployed

SEC. 111. INCENTIVES TO HIRE THE LONG-TERM UNEMPLOYED.

(a) IN GENERAL.—Paragraph (1) of section 51(d) (relating to members of targeted groups) is amended by striking ''or'' at the end of subparagraph (G), by striking the period at the end of subparagraph (H) and inserting '', or'', and by adding at the end the following new subparagraph:

''(I) a qualified long-term unemployed individual.''

(b) QUALIFIED LONG-TERM UNEMPLOYED INDIVIDUAL.—Subsection (d) of section 51 is amended by redesignating paragraphs (10), (11), and (12) as paragraphs (11), (12), and (13), respectively, and by inserting after paragraph (9) the following new paragraph:

''(10) QUALIFIED LONG-TERM UNEMPLOYED INDIVIDUAL.—

''(A) IN GENERAL.—The term 'qualified long-term unemployed individual' means any individual who is certified by the designated local agency—

''(i) as having exhausted, during the 1-year period ending on the hiring date, all rights to regular unemployment compensation under State or Federal law, and

''(ii) as having a hiring date which is during the 1-year period beginning on the date of the enactment of this paragraph.

Subsection (c)(4) shall not apply to any qualified long-term unemployed individual.

''(B) EXHAUSTION OF BENEFITS.—For purposes of subparagraph (A), an individual shall be deemed to have exhausted such individual's rights to regular compensation when—

''(i) no payments of regular compensation can be made under such law because such individual has received all regular compensation available to such individual based on employment or wages during such individual's base period, or

''(ii) such individual's rights to such compensation have been terminated by reason of the expiration of the benefit year with respect to which such rights existed.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to individuals who begin work for the employer after the date of the enactment of this Act.

Subtitle C—Extension of Unemployment Benefits

SEC. 121. SHORT TITLE.

This subtitle may be cited as the ''Unemployment Benefits Extension Act''.

PART I—TEMPORARY EXTENDED UNEMPLOYMENT COMPENSATION

SEC. 131. REFERENCES.

Except as otherwise expressly provided, whenever in this part an amendment is expressed in terms of an amendment to a section or other provision, the reference shall be considered to be made to a section or other provision of the Temporary Extended Unemployment Compensation Act of 2002 (Public Law 107–147; 26 U.S.C. 3304 note).

SEC. 132. EXTENSION OF THE TEMPORARY EXTENDED UNEMPLOYMENT COMPENSATION ACT OF 2002.

(a) EXTENSION OF PROGRAM.—Section 208 is amended to read as follows:

''SEC. 208. APPLICABILITY.

''(a) IN GENERAL.—Subject to subsection (b), an agreement entered into under this title shall apply to weeks of unemployment—

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

''(2) ending before March 1, 2004.

''(b) TRANSITION.—In the case of an individual who is receiving temporary extended unemployment compensation for the week which immediately precedes the first day of the week that includes March 1, 2004, temporary extended unemployment compensation shall continue to be payable to such individual for any week thereafter from the account from which such individual received compensation for the week immediately preceding that termination date. No compensation shall be payable by reason of the preceding sentence for any week beginning after October 31, 2004.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect as if included in the enactment of the Temporary Extended Unemployment Compensation Act of 2002 (Public Law 107–147; 116 Stat. 21).

SEC. 133. ENTITLEMENT TO ADDITIONAL WEEKS OF TEMPORARY EXTENDED UNEMPLOYMENT COMPENSATION.

(a) WEEKS OF TEUC AMOUNTS.—Paragraph (1) of section 203(b) is amended to read as follows:

''(1) IN GENERAL.—The amount established in an account under subsection (a) shall be equal to 26 times the individual's weekly benefit amount for the benefit year.''.

(b) WEEKS OF TEUC–X AMOUNTS.—Section 203(c)(1) is amended by striking ''an amount equal to the amount originally established in such account (as determined under subsection (b)(1))'' and inserting ''7 times the individual's weekly benefit amount for the benefit year''.

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section—

(A) shall take effect as if included in the enactment of the Temporary Extended Unemployment Compensation Act of 2002 (Public Law 107–147; 116 Stat. 21); but

(B) shall apply only with respect to weeks of unemployment beginning on or after the date of enactment this Act, subject to paragraph (2).

(2) SPECIAL RULES.—In the case of an individual for whom a temporary extended unemployment account was established before the date of enactment of this Act, the Temporary Extended Unemployment Compensation Act of 2002 (as amended by this part) shall be applied subject to the following:

(A) Any amounts deposited in the individual's temporary extended unemployment compensation account by reason of section 203(c) of such Act (commonly known as ''TEUC–X amounts'') before the date of enactment of this Act shall be treated as amounts deposited by reason of section 203(b) of such Act (commonly known as ''TEUC amounts''), as amended by subsection (a).

(B) For purposes of determining whether the individual is eligible for any TEUC–X amounts under such Act, as amended by this part—

(i) any determination made under section 203(c) of such Act before the application of the amendments made by this part shall be disregarded; and

(ii) any such determination shall instead be made by applying section 203(c) of such Act, as amended by this part—

(I) as of the time that all amounts established in such account in accordance with section 203(b) of such Act (as amended by this part, and including any amounts described in subparagraph (A)) are in fact exhausted, except that

(II) if such individual's account was both augmented by and exhausted of all TEUC–X amounts before the date of enactment of this Act, such determination shall be made as if exhaustion (as described in section 203(c)(1) of such Act) had not occurred until such date of enactment.

SEC. 134. EXTENDED BENEFIT PERIODS.

(a) APPLICATION OF REVISED RATE OF INSURED UNEMPLOYMENT.—Section 207 is amended—

(1) by striking ''In'' and inserting ''(a) IN GENERAL.—In''; and

(2) by adding at the end the following:

''(b) INSURED UNEMPLOYMENT RATE.—For purposes of carrying out section 203(c) with respect to weeks of unemployment beginning on or after the date of enactment of this subsection, the term 'rate of insured unemployment', as used in section 203(d) of the Federal-State Extended Unemployment Compensation Act of 1970 (26 U.S.C. 3304 note), has the meaning given such term under section 203(e)(1) of such Act, except that individuals exhausting their right to regular compensation during the most recent 3 calendar months for which data are available before the close of the period for which such rate is being determined shall be taken into account as if they were individuals filing claims for regular compensation for each week during the period for which such rate is being determined, and section 203(d)(1)(A) of such Act shall be applied by substituting 'either (or both)' for 'each'.''.

(b) ADDITIONAL EXTENDED BENEFIT PERIOD TRIGGER.—

(1) IN GENERAL.—Section 203(c) is amended by adding at the end the following:

''(3) ADDITIONAL EXTENDED BENEFIT PERIOD TRIGGER.—

''(A) IN GENERAL.—Effective with respect to compensation for weeks of unemployment beginning on or after the date of enactment of this paragraph, an agreement under this title shall provide that, in addition to any other extended benefit period trigger, for purposes of beginning or ending any extended benefit period under this section—

''(i) there is a State 'on' indicator for a week if—

''(I) the average rate of total unemployment in such State (seasonally adjusted) for the period consisting of the most recent 3 months for which data for all States are published before the close of such week equals or exceeds 6 percent; and

''(II) the average rate of total unemployment in such State (seasonally adjusted) for the 3-month period referred to in subclause (I) equals or exceeds 110 percent of such average rate for either (or both) of the corresponding 3-month periods ending in the 2 preceding calendar years; and

''(ii) there is a State 'off' indicator for a week if either the requirements of subclause (I) or (II) of clause (i) are not satisfied.

''(B) NO EFFECT ON OTHER DETERMINATIONS.—Notwithstanding the provisions of any agreement described in subparagraph (A), any week for which there would otherwise be a State 'on' indicator shall continue to be such a week and shall not be determined to be a week for which there is a State 'off' indicator.

''(C) DETERMINATIONS MADE BY THE SECRETARY.—For purposes of this subsection, determinations of the rate of total unemployment in any State for any period (and of any seasonal adjustment) shall be made by the Secretary.''.

(2) CONFORMING AMENDMENT.—Section 203(c)(1) is amended by inserting ''or (3)'' after ''paragraph (2)''.

PART II—UNEMPLOYMENT BENEFITS FOR INDIVIDUALS QUALIFYING BASED ON PART-TIME WORK OR AN ALTERNATIVE BASE PERIOD

SEC. 141. FEDERAL-STATE AGREEMENTS.

(a) IN GENERAL.—Any State which desires to do so may enter into and participate in an agreement under this part with the Secretary of Labor (hereinafter in this part referred to as the ''Secretary''). Any State which is a party to an agreement under this part may, upon providing 30 days' written notice to the Secretary, terminate such agreement.

(b) PROVISIONS OF AGREEMENT.—

(1) IN GENERAL.—Any agreement under subsection (a) shall provide that the State agency of the State will make payments of regular compensation to individuals in amounts and to the extent that they would be determined if the State law were applied with the modifications described in paragraph (2).

(2) MODIFICATIONS DESCRIBED.—The modifications described in this paragraph are as follows:

(A) In the case of an individual who is not eligible for regular compensation under the State law because of the use of a definition of base period that does not count wages earned in the most recently completed calendar quarter, eligibility for compensation under this part shall be determined by applying a base period ending at the close of the most recently completed calendar quarter.

(B) In the case of an individual who is not eligible for regular compensation under the State law because such individual does not meet requirements relating to availability for work, active search for work, or refusal to accept work, because such individual is seeking, or is available for, less than full-time work, compensation under this part shall not be denied by such State to an otherwise eligible individual who seeks less than full-time work or fails to accept full-time work.

(c) COORDINATION RULE.—The modifications described in subsection (b)(2) shall also apply in determining the amount of benefits payable under any Federal law to the extent that those benefits are determined by reference to regular compensation payable under the State law of the State involved.

SEC. 142. PAYMENTS TO STATES HAVING AGREEMENTS UNDER THIS PART.

(a) GENERAL RULE.—There shall be paid to each State which has entered into an agreement under this part an amount equal to—

(1) 100 percent of any regular compensation made payable to individuals by such State by virtue of the modifications which are described in section 141(b)(2) and deemed to be in effect with respect to such State pursuant to section 141(b)(1), and

(2) 100 percent of any regular compensation—

(A) which is paid to individuals by such State by reason of the fact that its State law contains provisions comparable to the modifications described in section 141(b)(2), but only

(B) to the extent that those amounts would, if such amounts were instead payable by virtue of the State law's being deemed to be so modified pursuant to section 141(b)(1), have been reimbursable under paragraph (1).

(b) DETERMINATION OF AMOUNT.—Sums under subsection (a) payable to any State by reason of such State having an agreement under this part shall be payable, either in advance or by way of reimbursement (as may be determined by the Secretary), in such amounts as the Secretary estimates the State will be entitled to receive under this part for each calendar month, reduced or increased, as the case may be, by any amount by which the Secretary finds that the Secretary's estimates for any prior calendar month were greater or less than the amounts which should have been paid to the State. Such estimates may be made on the basis of such statistical, sampling, or other method as may be agreed upon by the Secretary and the State agency of the State involved.

(c) ADMINISTRATIVE AND OTHER EXPENSES.—There is hereby appropriated out of the employment security administration account of the Unemployment Trust Fund (as established by section 901(a) of the Social Security Act) $500,000,000 to reimburse States for the costs of the administration of agreements under this part (including any improvements in technology in connection therewith) and to provide reemployment services to unemployment compensation claimants in States having agreements under this part. Each State's share of the amount appropriated by the preceding sentence shall be determined by the Secretary according to the factors described in section 302(a) of the Social Security Act and certified by the Secretary to the Secretary of the Treasury.

SEC. 143. FINANCING PROVISIONS.

(a) IN GENERAL.—Funds in the extended unemployment compensation account (as established by section 905(a) of the Social Security Act), and the Federal unemployment account (as established by section 904(g) of the Social Security Act), of the Unemployment Trust Fund shall be used, in accordance with subsection (b), for the making of payments (described in section 142(a)) to States having agreements entered into under this part.

(b) CERTIFICATION.—The Secretary shall from time to time certify to the Secretary of the Treasury for payment to each State the sums described in section 142(a) which are payable to such State under this part. The Secretary of the Treasury, prior to audit or settlement by the General Accounting Office, shall make payments to the State in accordance with such certification by transfers from the extended unemployment compensation account (or, to the extent that there are insufficient funds in that account, from the Federal unemployment account) to the account of such State in the Unemployment Trust Fund.

SEC. 144. DEFINITIONS.

For purposes of this part:

(1) IN GENERAL.—The terms ''compensation'', ''regular compensation'', ''base period'', ''State'', ''State agency'', ''State law'', and ''week'' have the respective meanings given such terms under section 205 of the Federal-State Extended Unemployment Compensation Act of 1970, subject to paragraph (2).

(2) STATE LAW AND REGULAR COMPENSATION.—In the case of a State entering into an agreement under this part—

(A) ''State law'' shall be considered to refer to the State law of such State, applied in conformance with the modifications described in section 201(b)(2), and

(B) ''regular compensation'' shall be considered to refer to such compensation, determined under its State law (applied in the manner described in subparagraph (A)),

except as otherwise provided or where the context clearly indicates otherwise.

SEC. 145. APPLICABILITY.

An agreement entered into under this part shall apply to weeks of unemployment—

(1) beginning after the date on which such agreement is entered into, and

(2) ending before July 1, 2004.

PART III—ENHANCED UNEMPLOYMENT BENEFITS

SEC. 151. FEDERAL-STATE AGREEMENTS.

(a) IN GENERAL.—Any State which desires to do so may enter into and participate in an agreement under this part with the Secretary of Labor (hereinafter in this part referred to as the ''Secretary''). Any State which is a party to an agreement under this part may, upon providing 30 days' written notice to the Secretary, terminate such agreement.

(b) PROVISIONS OF AGREEMENT.—

(1) IN GENERAL.—Any agreement under subsection (a) shall provide that the State agency of the State will make payments of regular compensation to individuals in amounts and to the extent that they would be determined if the State law were applied with the modification described in paragraph (2).

(2) MODIFICATION DESCRIBED.—The modification described in this paragraph is that the amount of regular compensation (including dependents' allowances) payable for any week shall be equal to the amount determined under the State law (before the application of this paragraph), plus an additional—

(A) 15 percent, or

(B) $25,

whichever is greater.

(c) NONREDUCTION RULE.—Each agreement shall provide that such agreement shall not apply (or shall cease to apply) upon a determination by the Secretary that the method governing the computation of regular compensation under the State law of that State has been modified in a way such that—

(1) the average weekly amount of regular compensation which will be payable during the period of the agreement (determined disregarding the modification described in subsection (b)(2)) will be less than

(2) the average weekly amount of regular compensation which would otherwise have been payable during such period under the State law, as in effect on September 11, 2001.

(d) COORDINATION RULE.—The modification described in subsection (b)(2) shall also apply in determining the amount of benefits payable under any Federal law to the extent that those benefits are determined by reference to regular compensation payable under the State law of the State involved.

SEC. 152. PAYMENTS TO STATES HAVING AGREEMENTS UNDER THIS PART.

(a) GENERAL RULE.—There shall be paid to each State which has entered into an agreement under this part an amount equal to 100 percent of any regular compensation made payable to individuals by such State by virtue of the modification described in section 151(b)(2) and deemed to be in effect with respect to such State pursuant to section 151(b)(1).

(b) DETERMINATION OF AMOUNT.—Sums under subsection (a) payable to any State by reason of such State having an agreement under this part shall be payable, either in advance or by way of reimbursement (as may be determined by the Secretary), in such amounts as the Secretary estimates the State will be entitled to receive under this part for each calendar month, reduced or increased, as the case may be, by any amount by which the Secretary finds that the Secretary's estimates for any prior calendar month were greater or less than the amounts which should have been paid to the State. Such estimates may be made on the basis of such statistical, sampling, or other method as may be agreed upon by the Secretary and the State agency of the State involved.

SEC. 153. DEFINITIONS.

For purposes of this part:

(1) IN GENERAL.—The terms ''compensation'', ''regular compensation'', ''extended compensation'', ''additional compensation'', ''benefit year'', ''base period'', ''State'', ''State agency'', ''State law'', and ''week'' have the respective meanings given such terms under section 205 of the Federal-State Extended Unemployment Compensation Act of 1970, subject to paragraph (2).

(2) STATE LAW AND REGULAR COMPENSATION.—In the case of a State entering into an agreement under this part—

(A) ''State law'' shall be considered to refer to the State law of such State, applied in conformance with the modification described in section 151(b)(2), subject to section 151(c), and

(B) ''regular compensation'' shall be considered to refer to such compensation, determined under its State law (applied in the manner described in subparagraph (A)),

except as otherwise provided or where the context clearly indicates otherwise.

SEC. 154. APPLICABILITY.

(a) IN GENERAL.—An agreement entered into under this part shall apply to weeks of unemployment—

(1) beginning after the date on which such agreement is entered into, and

(2) ending before January 1, 2004.

Subtitle D—Trust Fund to Meet Nation's Pressing Needs

SEC. 161. TRUST FUND TO MEET NATION'S PRESSING NEEDS.

(a) CREATION OF TRUST FUND.—There is established in the Treasury of the United States a trust fund to be known as the 'Pressing Domestic Needs Trust Fund', consisting of such amounts as may be transferred to the Trust Fund as provided in this section.

(b) TRANSFERS TO FUND.—There are hereby transferred from the general Fund of the Treasury to the Pressing Domestic Needs Trust Fund so much of the additional amounts received in the Treasury by reason of the amendments made by title III of this Act as does not exceed—

(1) $18,000,000,000 to be used for increasing Federal matching funds under medicaid, and

(2) $26,000,000,000 to be used for infrastructure improvements, homeland security, community development, and education.

(c) EXPENDITURES.—Amounts in the Pressing Domestic Needs Trust Fund shall be available, as provided by appropriation Acts, for purposes and in the amount specified in subsection (b).

TITLE II—LONG-TERM JOB CREATION AND GROWTH

SEC. 201. INCREASE AND EXTENSION OF BONUS DEPRECIATION.

(a) IN GENERAL.—Section 168(k) (relating to special allowance for certain property acquired after September 10, 2001, and before September 11, 2004) is amended by adding at the end the following new paragraph:

''(4) 50-PERCENT BONUS DEPRECIATION FOR CERTAIN PROPERTY.—

''(A) IN GENERAL.—In the case of 50-percent bonus depreciation property—

''(i) paragraph (1)(A) shall be applied by substituting '50 percent' for '30 percent', and

''(ii) except as provided in paragraph (2)(C), such property shall be treated as qualified property for purposes of this subsection.

''(B) 50-PERCENT BONUS DEPRECIATION PROPERTY.—For purposes of this subsection, the term '50-percent bonus depreciation property' means property described in paragraph (2)(A)(i)—

''(i) the original use of which commences with the taxpayer after April 30, 2003,

''(ii) which is acquired by the taxpayer after April 30, 2003, and before May 1, 2004, but only if no written binding contract for the acquisition was in effect before May 1, 2003, and

''(iii) which is placed in service by the taxpayer before January 1, 2005, or, in the case of property described in paragraph (2)(B) (as modified by subparagraph (C) of this paragraph), before January 1, 2006.

''(C) SPECIAL RULES.—Rules similar to the rules of subparagraphs (B) and (D) of paragraph (2) shall apply for purposes of this paragraph; except that reference to September 10, 2001, shall be treated as references to April 30, 2003.

''(D) AUTOMOBILES.—Paragraph (2)(E) shall be applied by substituting '$9,200' for '$4,600' in the case of 50-percent bonus depreciation property.

''(E) ELECTION OF 30 PERCENT BONUS.—If a taxpayer makes an election under this subparagraph with respect to any class of property for any taxable year, subparagraph (A)(i) shall not apply to all property in such class placed in service during such taxable year.''

(b) MODIFICATION TO 30-PERCENT BONUS DEPRECIATION PROPERTY.—

(1) PORTION OF BASIS TAKEN INTO ACCOUNT.—Subparagraphs (B)(ii) and (D)(i) of section 168(k)(2) are each amended by striking ''September 11, 2004'' each place it appears and inserting ''January 1, 2005''.

(2) ELECTION.—Clause (iii) of section 168(k)(2)(C) is amended by adding at the end the following: ''The preceding sentence shall be applied separately with respect to property treated as qualified property by paragraph (4) and other qualified property.''

(3) ACQUISITION DATE.—Clause (iii) of section 168(k)(2)(A) is amended by striking ''September 11, 2004'' each place it appears and inserting ''January 1, 2005''.

(c) CONFORMING AMENDMENTS.—

(1) The subsection heading for section 168(k) is amended by striking ''SEPTEMBER 11, 2004'' and inserting ''JANUARY 1, 2005''.

(2) The heading for clause (i) of section 1400L(b)(2)(C) is amended by striking ''30-PERCENT ADDITIONAL ALLOWABLE PROPERTY'' and inserting ''BONUS DEPRECIATION PROPERTY UNDER SECTION 168(K)''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after the date of the enactment of this Act.

SEC. 202. INCREASED EXPENSING FOR SMALL BUSINESS.

(a) IN GENERAL.—Paragraph (1) of section 179(b) (relating to dollar limitation) is amended to read as follows:

''(1) DOLLAR LIMITATION.—The aggregate cost which may be taken into account under subsection (a) for any taxable year shall not exceed $25,000 ($75,000 in the case of taxable years beginning in 2003 or 2004).''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2002.

SEC. 203. DEDUCTION RELATING TO INCOME ATTRIBUTABLE TO UNITED STATES PRODUCTION ACTIVITIES.

(a) IN GENERAL.—Part VIII of subchapter B of chapter 1 (relating to special deductions for corporations) is amended by adding at the end the following new section:

''SEC. 250. INCOME ATTRIBUTABLE TO DOMESTIC PRODUCTION ACTIVITIES.

''(a) IN GENERAL.—In the case of a corporation, there shall be allowed as a deduction an amount equal to 10 percent of the qualified production activities income of the corporation for the taxable year.

''(b) PHASEIN.—In the case of taxable years beginning in 2006, 2007, 2008 or 2009, subsection (a) shall be applied by substituting for the percentage contained therein the transition percentage determined under the following table:

''Taxable years beginning in:	The transition percentage is:
2006	1
2007	2
2008	4
2009	9

''(c) QUALIFIED PRODUCTION ACTIVITIES INCOME.—For purposes of this section, the term 'qualified production activities income' means the product of—

''(1) the portion of the modified taxable income of the taxpayer which is attributable to domestic production activities, and

''(2) the domestic/foreign fraction.

''(d) DETERMINATION OF INCOME ATTRIBUTABLE TO DOMESTIC PRODUCTION ACTIVITIES.—For purposes of this section—

''(1) IN GENERAL.—The portion of the modified taxable income which is attributable to domestic production activities is so much of the modified taxable income for the taxable year as does not exceed—

''(A) the taxpayer's domestic production gross receipts for such taxable year, reduced by

''(B) the sum of—

''(i) the costs of goods sold that are allocable to such receipts,

''(ii) other deductions, expenses, or losses directly allocable to such receipts, and

''(iii) a ratable portion of other deductions, expenses, and losses that are not directly allocable to such receipts or another class of income.

''(2) ALLOCATION METHOD.—Except as provided in regulations, allocations under clauses (ii) and (iii) of paragraph (1)(B) shall be made under the principles used in determining the portion of taxable income from sources within and without the United States.

''(3) SPECIAL RULE.—

''(A) For purposes of determining costs under clause (i) of paragraph (1)(B), any item or service brought into the United States without a transfer price meeting the requirements of section 482 shall be treated as acquired by purchase, and its cost shall be treated as not less than its value when it entered the United States. A similar rule shall apply in determining the adjusted basis of leased or rented property where the lease or rental gives rise to domestic production gross receipts.

''(B) In the case of any property described in subparagraph (A) that had been exported by the taxpayer for further manufacture, the increase in cost (or adjusted basis) under subparagraph (A) shall not exceed the difference between the value of the property when exported and the value of the property when brought back into the United States after the further manufacture.

''(4) MODIFIED TAXABLE INCOME.—The term 'modified taxable income' means taxable income computed without regard to the deduction allowable under this section.

''(e) DOMESTIC PRODUCTION GROSS RECEIPTS.—For purposes of this section—

''(1) IN GENERAL.—The term 'domestic production gross receipts' means the gross receipts of the taxpayer which are derived from—

''(A) any sale, exchange, or other disposition of, or

''(B) any lease, rental or license of,

qualifying production property which was manufactured, produced, grown, or extracted in whole or in significant part by the taxpayer within the United States.

''(2) SPECIAL RULE.—The term 'domestic production gross receipts' includes gross receipts of the taxpayer from the sale, exchange, or other disposition of replacement parts if—

''(A) such parts are sold by the taxpayer as replacement parts for qualified production property produced or manufactured in whole or significant part by the taxpayer in the United States, and

''(B) the taxpayer (or a related party) owns the designs for such parts.

''(3) RELATED PARTY.—The term 'related party' means any corporation which is a member of the taxpayer's expanded affiliated group.

''(f) QUALIFYING PRODUCTION PROPERTY.—For purposes of this section—

''(1) IN GENERAL.—Except as otherwise provided in this paragraph, the term 'qualifying production property' means—

''(A) any tangible personal property,

''(B) any computer software, and

''(C) any films, tapes, records, or similar reproductions.

''(2) EXCLUSIONS FROM QUALIFYING PRODUCTION PROPERTY.—The term 'qualifying production property' shall not include—

''(A) consumable property that is sold, leased, or licensed by the taxpayer as an integral part of the provision of services,

''(B) oil or gas (or any primary product thereof),

''(C) electricity,

''(D) water supplied by pipeline to the consumer,

''(E) any unprocessed timber which is softwood,

''(F) utility services, or

''(G) any property (not described in paragraph (1)(B)) which is a film, tape, recording, book, magazine, newspaper, or similar property the market for which is primarily topical or otherwise essentially transitory in nature.

For purposes of subparagraph (E), the term 'unprocessed timber' means any log, cant, or similar form of timber.

''(g) DOMESTIC/FOREIGN FRACTION.—For purposes of this section—

''(1) IN GENERAL.—The term 'domestic/foreign fraction' means a fraction—

''(A) the numerator of which is the value of the domestic production of the taxpayer, and

''(B) the denominator of which is the value of the worldwide production of the taxpayer.

''(2) VALUE OF DOMESTIC PRODUCTION.—The value of domestic production is the excess of—

''(A) the domestic production gross receipts, over

''(B) the cost of purchased inputs allocable to such receipts that are deductible under this chapter for the taxable year.

''(3) PURCHASED INPUTS.—

''(A) IN GENERAL.—Purchased inputs are any of the following items acquired by purchase:

''(i) Services (other than services of employees) used in manufacture, production, growth, or extraction activities.

''(ii) Items consumed in connection with such activities.

''(iii) Items incorporated as part of the property being manufactured, produced, grown, or extracted.

''(B) SPECIAL RULE.—Rules similar to the rules of subsection (d)(3) shall apply for purposes of this subsection.

''(4) VALUE OF WORLDWIDE PRODUCTION.—

''(A) IN GENERAL.—The value of worldwide production shall be determined under the principles of paragraph (2), except that—

''(i) worldwide production gross receipts shall be taken into account, and

''(ii) paragraph (3)(B) shall not apply.

''(B) WORLDWIDE PRODUCTION GROSS RECEIPTS.—The worldwide production gross receipts is the amount that would be determined under subsection (e) if such subsection were applied without any reference to the United States.

''(5) SPECIAL RULE FOR AFFILIATED GROUPS.—

''(A) IN GENERAL.—In the case of a taxpayer that is a member of an expanded affiliated group, the domestic/foreign fraction shall be the amount determined under the preceding provisions of this subsection by treating all members of such group as a single corporation.

''(B) EXPANDED AFFILIATED GROUP.—The term 'expanded affiliated group' means an affiliated group as defined in section 1504(a), determined—

''(i) by substituting '50 percent' for '80 percent' each place it appears, and

''(ii) without regard to paragraphs (2), (3), and (4) of section 1504(b).

''(h) DEFINITIONS AND SPECIAL RULES.—

''(1) UNITED STATES.—For purposes of this section, the term 'United States' includes the Commonwealth of Puerto Rico and any other possession of the United States.

''(2) SPECIAL RULE FOR PARTNERSHIPS.—For purposes of this section, a corporation's distributive share of any partnership item shall be taken into account as if directly realized by the corporation.

''(3) COORDINATION WITH MINIMUM TAX.—The deduction under this section shall be allowed for purposes of the tax imposed by section 55; except that for purposes of section 55, alternative minimum taxable income shall be taken into account in determining the deduction under this section.

''(4) ORDERING RULE.—The amount of any other deduction allowable under this chapter shall be determined as if this section had not been enacted.

''(5) COORDINATION WITH TRANSITION RULES.—For purposes of this section—

''(A) domestic production gross receipts shall not include gross receipts from any transaction if the binding contract transition relief of section 303(c)(2) of the Jobs and Growth Reconciliation Tax Act of 2003 applies to such transaction, and

''(B) any deduction allowed under section 2(e) of such Act shall be disregarded in determining the portion of the taxable income which is attributable to domestic production gross receipts.''.

(b) CLERICAL AMENDMENT.—The table of sections for part VIII of subchapter B of chapter 1 is amended by adding at the end the following new item:

''Sec. 250. Income attributable to domestic production activities.''.

(c) EFFECTIVE DATE.—

''(1) IN GENERAL.—The amendments made by this section shall apply to taxable years beginning after 2005.

''(2) APPLICATION OF SECTION 15.—Section 15 of the Internal Revenue Code of 1986 shall apply to the amendments made by this section as if they were changes in a rate of tax.

TITLE III—FISCAL RESPONSIBILITY AND PROVISIONS ADDRESSING CORPORATE ABUSE

Subtitle A— General Provisions

SEC. 301. FREEZE OF TOP INDIVIDUAL INCOME TAX RATES.

(a) FREEZE OF TOP INDIVIDUAL INCOME TAX RATES.—Paragraph (2) of section 1(i) (relating to reductions in rates after June 30, 2001) is amended—

(1) in the column for the highest rate—

(A) by striking ''37.6'' and inserting ''38.6'', and

(B) by striking ''35.0'' and inserting ''38.6'', and

(2) in the column for the next highest rate—

(A) by striking ''34.0'' and inserting ''35.0'', and

(B) by striking ''33.0'' and inserting ''35.0''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2003.

(c) RESTORATION OF RATE REDUCTIONS IF FUNDS NOT COMMITTED TO MEET NATION'S PRESSING NEEDS.—

(1) IN GENERAL.—On December 31, 2003, the Director of the Office of Management and Budget shall determine whether there is a noncommitted balance in the Pressing Domestic Needs Trust Fund (established by section 161 of this Act). If such a noncommitted balance is determined, the Secretary of the Treasury shall reduce the rates otherwise applicable under the amendment made by subsection (a) so that the total revenue raised by such amendment is reduced by the amount of such noncommitted balance.

(2) NONCOMMITTED BALANCE.—For purposes of paragraph (1), the noncommitted balance of the trust fund is the portion of the amounts in the trust fund which are not committed to meeting the pressing needs specified in section 161.

(d) RESTORATION OF RATE REDUCTIONS IF BALANCED BUDGET.—The amendments made by this section shall cease to apply to any taxable year beginning after a calendar year if there is no deficit in the Federal budget for the fiscal year ending in such calendar year.

SEC. 302. RESTORATION OF PHASEOUTS OF DEDUCTIONS FOR PERSONAL EXEMPTIONS AND OF ITEMIZED DEDUCTIONS.

(a) PHASEOUT OF PERSONAL EXEMPTIONS.—Paragraph (3) of section 151(d) is amended by striking subparagraphs (E) and (F).

(b) PHASEOUT OF ITEMIZED DEDUCTIONS.—Section 68 (relating to overall limitation on itemized deductions) is amended by striking subsections (f) and (g).

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2002.

SEC. 303. REPEAL OF EXCLUSION FOR EXTRATERRITORIAL INCOME.

(a) IN GENERAL.—Section 114 is hereby repealed.

(b) CONFORMING AMENDMENTS.—

(1) Subpart E of part III of subchapter N of chapter 1 (relating to qualifying foreign trade income) is hereby repealed.

(2) The table of subparts for such part III is amended by striking the item relating to subpart E.

(3) The table of sections for part III of subchapter B of chapter 1 is amended by striking the item relating to section 114.

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to transactions occurring after the date of the enactment of this Act.

(2) BINDING CONTRACTS.—The amendments made by this section shall not apply to any transaction in the ordinary course of a trade

or business which occurs pursuant to a binding contract—

(A) which is between the taxpayer and a person who is not a related person (as defined in section 943(b)(3) of such Code, as in effect on the day before the date of the enactment of this Act), and

(B) which is in effect on April 11, 2003, and at all times thereafter.

For purposes of this paragraph, a binding contract shall include a purchase option, renewal option, or replacement option which is included in such contract.

(d) REVOCATION OF SECTION 943(e) ELECTIONS.—

(1) IN GENERAL.—In the case of a corporation that elected to be treated as a domestic corporation under section 943(e) of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of this Act)—

(A) the corporation may revoke such election, effective as of the date of the enactment of this Act, and

(B) if the corporation does revoke such election—

(i) such corporation shall be treated as a domestic corporation transferring (as of the date of the enactment of this Act) all of its property to a foreign corporation in connection with an exchange described in section 354 of the Internal Revenue Code of 1986, and

(ii) no gain or loss shall be recognized on such transfer.

(2) EXCEPTION.—Subparagraph (B)(ii) of paragraph (1) shall not apply to gain on any asset held by the revoking corporation if—

(A) the basis of such asset is determined in whole or in part by reference to the basis of such asset in the hands of the person from whom the revoking corporation acquired such asset,

(B) the asset was acquired by transfer (not as a result of the election under section 943(e) of such Code) occurring on or after the 1st day on which its election under section 943(e) of such Code was effective, and

(C) a principal purpose of the acquisition was the reduction or avoidance of tax.

(e) GENERAL TRANSITION.—

(1) IN GENERAL.—In the case of a taxable year ending after the date of the enactment of this Act and beginning before January 1, 2009, for purposes of chapter 1 of such Code, each current FSC/ETI beneficiary shall be allowed a deduction equal to the transition amount determined under this subsection with respect to such beneficiary for such year.

(2) CURRENT FSC/ETI BENEFICIARY.—The term ''current FSC/ETI beneficiary'' means any corporation which entered into one or more transactions during its taxable year beginning in calendar year 2001 with respect to which FSC/ETI benefits were allowable.

(3) TRANSITION AMOUNT.—For purposes of this subsection—

(A) IN GENERAL.—The transition amount applicable to any current FSC/ETI beneficiary for any taxable year is the phaseout percentage of the adjusted base period amount.

(B) PHASEOUT PERCENTAGE.—

(i) IN GENERAL.—In the case of a taxpayer using the calendar year as its taxable year, the phaseout percentage shall be determined under the following table:

''Years:	The phaseout percentage is:
2004 and 2005	100
2006	75
2007	75
2008	50
2009 and thereafter	0

(ii) SPECIAL RULE FOR 2003.—The phaseout percentage for 2003 shall be the amount that bears the same ratio to 100 percent as the number of days after the date of the enactment of this Act bears to 365.

(iii) SPECIAL RULE FOR FISCAL YEAR TAXPAYERS.—In the case of a taxpayer not using the calendar year as its taxable year, the phaseout percentage is the weighted average of the phaseout percentages determined under the preceding provisions of this paragraph with respect to calendar years any portion of which is included in the taxpayer's taxable year. The weighted average shall be determined on the basis of the respective portions of the taxable year in each calendar year.

(4) ADJUSTED BASE PERIOD AMOUNT.—For purposes of this subsection—

(A) IN GENERAL.—In the case of a taxpayer using the calendar year as its taxable year, the adjusted base period amount for any taxable year is the base period amount multiplied by the applicable percentage, as determined in the following table:

''Years:	The applicable percentage is:
2003	100
2004	100
2005	105
2006	110
2007	115
2008	120
2009 and thereafter	0

(B) BASE PERIOD AMOUNT.—The base period amount is the aggregate FSC/ETI benefits for the taxpayer's taxable year beginning in calendar year 2001.

(C) SPECIAL RULES FOR FISCAL YEAR TAXPAYERS, ETC.—Rules similar to rules of clauses (ii) and (iii) of paragraph (3)(B) shall apply for purposes of this paragraph.

(5) FSC/ETI BENEFIT.—For purposes of this subsection, the term 'FSC/ETI benefit' means—

(A) amounts excludable from gross income under section 114 of such Code, and

(B) the exempt foreign trade income of related foreign sales corporations from property acquired from the taxpayer (determined without regard to section 923(a)(5) of such Code (relating to special rule for military property), as in effect on the day before the date of the enactment of the FSC Repeal and Extraterritorial Income Exclusion Act of 2000).

In determining the FSC/ETI benefit there shall be excluded any amount attributable to a transaction with respect to which the taxpayer is the lessor unless the leased property was manufactured or produced in whole or in part by the taxpayer.

(6) SPECIAL RULE FOR FARM COOPERATIVES.—Under regulations prescribed by the Secretary, determinations under this subsection with respect to an organization described in section 943(g)(1) of such Code, as in effect on the day before the date of the enactment of this Act, shall be made at the cooperative level and the purposes of this subsection shall be carried out by excluding amounts from the gross income of its patrons.

(7) CERTAIN RULES TO APPLY.—Rules similar to the rules of section 41(f) of such Code shall apply for purposes of this subsection.

(8) COORDINATION WITH BINDING CONTRACT RULE.—The deduction determined under paragraph (1) for any taxable year shall be reduced by the phaseout percentage of any FSC/ETI benefit realized for the taxable year by reason of subsection (c)(2). The preceding sentence shall not apply to any FSC/ETI benefit attributable to a transaction described in the last sentence of paragraph (5).

(9) SPECIAL RULE FOR TAXABLE YEAR WHICH INCLUDES DATE OF ENACTMENT.—In the case of a taxable year which includes the date of the enactment of this Act, the deduction allowed under this subsection to any current FSC/ETI beneficiary shall in no event exceed—

(A) 100 percent of such beneficiary's adjusted base period amount for calendar year 2003, reduced by

(B) the aggregate FSC/ETI benefits of such beneficiary with respect to transactions occurring during the portion of the taxable year ending on the date of the enactment of this Act.

Subtitle B—Abusive Tax Shelter Shutdown and Taxpayer Accountability

PART I—PROVISIONS DESIGNED TO CURTAIL TAX SHELTERS

SEC. 311. CLARIFICATION OF ECONOMIC SUBSTANCE DOCTRINE.

(a) IN GENERAL.—Section 7701 is amended by redesignating subsection (m) as subsection (n) and by inserting after subsection (l) the following new subsection:

''(m) CLARIFICATION OF ECONOMIC SUBSTANCE DOCTRINE; ETC.—

''(1) GENERAL RULES.—

''(A) IN GENERAL.—In applying the economic substance doctrine, the determination of whether a transaction has economic substance shall be made as provided in this paragraph.

''(B) DEFINITION OF ECONOMIC SUBSTANCE.—For purposes of subparagraph (A)—

''(i) IN GENERAL.—A transaction has economic substance only if—

''(I) the transaction changes in a meaningful way (apart from Federal tax effects and, if there is any Federal tax effects, also apart from any foreign, State, or local tax effects) the taxpayer's economic position, and

''(II) the taxpayer has a substantial nontax purpose for entering into such transaction and the transaction is a reasonable means of accomplishing such purpose.

''(ii) SPECIAL RULE WHERE TAXPAYER RELIES ON PROFIT POTENTIAL.—A transaction shall not be treated as having economic substance by reason of having a potential for profit unless—

''(I) the present value of the reasonably expected pre-tax profit from the transaction is substantial in relation to the present value of the expected net tax benefits that would be allowed if the transaction were respected, and

''(II) the reasonably expected pre-tax profit from the transaction exceeds a risk-free rate of return.

''(C) TREATMENT OF FEES AND FOREIGN TAXES.—Fees and other transaction expenses and foreign taxes shall be taken into account as expenses in determining pre-tax profit under subparagraph (B)(ii).

''(2) SPECIAL RULES FOR TRANSACTIONS WITH TAX-INDIFFERENT PARTIES.—

''(A) SPECIAL RULES FOR FINANCING TRANSACTIONS.—The form of a transaction which is in substance the borrowing of money or the acquisition of financial capital directly or indirectly from a tax-indifferent party shall not be respected if the present value of the deductions to be claimed with respect to the transaction is substantially in excess of the present value of the anticipated economic returns of the person lending the money or providing the financial capital. A public offering shall be treated as a borrowing, or an acquisition of financial capital, from a tax-indifferent party if it is reasonably expected that at least 50 percent of the offering will be placed with tax-indifferent parties.

''(B) ARTIFICIAL INCOME SHIFTING AND BASIS ADJUSTMENTS.—The form of a transaction with a tax-indifferent party shall not be respected if—

''(i) it results in an allocation of income or gain to the tax-indifferent party in excess of such party's economic income or gain, or

''(ii) it results in a basis adjustment or shifting of basis on account of overstating the income or gain of the tax-indifferent party.

''(3) DEFINITIONS AND SPECIAL RULES.—For purposes of this subsection—

''(A) ECONOMIC SUBSTANCE DOCTRINE.—The term 'economic substance doctrine' means

the common law doctrine under which tax benefits under subtitle A with respect to a transaction are not allowable if the transaction does not have economic substance or lacks a business purpose.

''(B) TAX-INDIFFERENT PARTY.—The term 'tax-indifferent party' means any person or entity not subject to tax imposed by subtitle A. A person shall be treated as a tax-indifferent party with respect to a transaction if the items taken into account with respect to the transaction have no substantial impact on such person's liability under subtitle A.

''(C) SUBSTANTIAL NONTAX PURPOSE.—In applying subclause (II) of paragraph (1)(B)(i), a purpose of achieving a financial accounting benefit shall not be taken into account in determining whether a transaction has a substantial nontax purpose if the origin of such financial accounting benefit is a reduction of income tax.

''(D) EXCEPTION FOR PERSONAL TRANSACTIONS OF INDIVIDUALS.—In the case of an individual, this subsection shall apply only to transactions entered into in connection with a trade or business or an activity engaged in for the production of income.

''(E) TREATMENT OF LESSORS.—In applying subclause (I) of paragraph (1)(B)(ii) to the lessor of tangible property subject to a lease, the expected net tax benefits shall not include the benefits of depreciation, or any tax credit, with respect to the leased property and subclause (II) of paragraph (1)(B)(ii) shall be disregarded in determining whether any of such benefits are allowable.

''(4) OTHER COMMON LAW DOCTRINES NOT AFFECTED.—Except as specifically provided in this subsection, the provisions of this subsection shall not be construed as altering or supplanting any other rule of law, and the requirements of this subsection shall be construed as being in addition to any such other rule of law.

''(5) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this subsection. Such regulations may include exemptions from the application of this subsection.''

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to transactions entered into after February 13, 2003.

SEC. 312. PENALTY FOR FAILING TO DISCLOSE REPORTABLE TRANSACTION.

(a) IN GENERAL.—Part I of subchapter B of chapter 68 (relating to assessable penalties) is amended by inserting after section 6707 the following new section:

''SEC. 6707A. PENALTY FOR FAILURE TO INCLUDE REPORTABLE TRANSACTION INFORMATION WITH RETURN OR STATEMENT.

''(a) IMPOSITION OF PENALTY.—Any person who fails to include on any return or statement any information with respect to a reportable transaction which is required under section 6011 to be included with such return or statement shall pay a penalty in the amount determined under subsection (b).

''(b) AMOUNT OF PENALTY.—

''(1) IN GENERAL.—Except as provided in paragraphs (2) and (3), the amount of the penalty under subsection (a) shall be $50,000.

''(2) LISTED TRANSACTION.—The amount of the penalty under subsection (a) with respect to a listed transaction shall be $100,000.

''(3) INCREASE IN PENALTY FOR LARGE ENTITIES AND HIGH NET WORTH INDIVIDUALS.—

''(A) IN GENERAL.—In the case of a failure under subsection (a) by—

''(i) a large entity, or

''(ii) a high net worth individual,

the penalty under paragraph (1) or (2) shall be twice the amount determined without regard to this paragraph.

''(B) LARGE ENTITY.—For purposes of subparagraph (A), the term 'large entity' means, with respect to any taxable year, a person (other than a natural person) with gross receipts in excess of $10,000,000 for the taxable year in which the reportable transaction occurs or the preceding taxable year. Rules similar to the rules of paragraph (2) and subparagraphs (B), (C), and (D) of paragraph (3) of section 448(c) shall apply for purposes of this subparagraph.

''(C) HIGH NET WORTH INDIVIDUAL.—For purposes of subparagraph (A), the term 'high net worth individual' means, with respect to a reportable transaction, a natural person whose net worth exceeds $2,000,000 immediately before the transaction.

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

''(1) REPORTABLE TRANSACTION.—The term 'reportable transaction' means any transaction with respect to which information is required to be included with a return or statement because, as determined under regulations prescribed under section 6011, such transaction is of a type which the Secretary determines as having a potential for tax avoidance or evasion.

''(2) LISTED TRANSACTION.—Except as provided in regulations, the term 'listed transaction' means a reportable transaction which is the same as, or substantially similar to, a transaction specifically identified by the Secretary as a tax avoidance transaction for purposes of section 6011.

''(d) AUTHORITY TO RESCIND PENALTY.—

''(1) IN GENERAL.—The Commissioner of Internal Revenue may rescind all or any portion of any penalty imposed by this section with respect to any violation if—

''(A) the violation is with respect to a reportable transaction other than a listed transaction,

''(B) the person on whom the penalty is imposed has a history of complying with the requirements of this title,

''(C) it is shown that the violation is due to an unintentional mistake of fact;

''(D) imposing the penalty would be against equity and good conscience, and

''(E) rescinding the penalty would promote compliance with the requirements of this title and effective tax administration.

''(2) DISCRETION.—The exercise of authority under paragraph (1) shall be at the sole discretion of the Commissioner and may be delegated only to the head of the Office of Tax Shelter Analysis. The Commissioner, in the Commissioner's sole discretion, may establish a procedure to determine if a penalty should be referred to the Commissioner or the head of such Office for a determination under paragraph (1).

''(3) NO APPEAL.—Notwithstanding any other provision of law, any determination under this subsection may not be reviewed in any administrative or judicial proceeding.

''(4) RECORDS.—If a penalty is rescinded under paragraph (1), the Commissioner shall place in the file in the Office of the Commissioner the opinion of the Commissioner or the head of the Office of Tax Shelter Analysis with respect to the determination, including—

''(A) the facts and circumstances of the transaction,

''(B) the reasons for the rescission, and

''(C) the amount of the penalty rescinded.

''(5) REPORT.—The Commissioner shall each year report to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate—

''(A) a summary of the total number and aggregate amount of penalties imposed, and rescinded, under this section, and

''(B) a description of each penalty rescinded under this subsection and the reasons therefor.

''(e) PENALTY REPORTED TO SEC.—In the case of a person—

''(1) which is required to file periodic reports under section 13 or 15(d) of the Securities Exchange Act of 1934 or is required to be consolidated with another person for purposes of such reports, and

''(2) which—

''(A) is required to pay a penalty under this section with respect to a listed transaction,

''(B) is required to pay a penalty under section 6662A with respect to any reportable transaction at a rate prescribed under section 6662A(c), or

''(C) is required to pay a penalty under section 6662B with respect to any noneconomic substance transaction,

the requirement to pay such penalty shall be disclosed in such reports filed by such person for such periods as the Secretary shall specify. Failure to make a disclosure in accordance with the preceding sentence shall be treated as a failure to which the penalty under subsection (b)(2) applies.

''(f) COORDINATION WITH OTHER PENALTIES.—The penalty imposed by this section is in addition to any penalty imposed under this title.''

(b) CONFORMING AMENDMENT.—The table of sections for part I of subchapter B of chapter 68 is amended by inserting after the item relating to section 6707 the following:

''Sec. 6707A. Penalty for failure to include reportable transaction information with return or statement.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to returns and statements the due date for which is after the date of the enactment of this Act.

SEC. 313. ACCURACY-RELATED PENALTY FOR LISTED TRANSACTIONS AND OTHER REPORTABLE TRANSACTIONS HAVING A SIGNIFICANT TAX AVOIDANCE PURPOSE.

(a) IN GENERAL.—Subchapter A of chapter 68 is amended by inserting after section 6662 the following new section:

''SEC. 6662A. IMPOSITION OF ACCURACY-RELATED PENALTY ON UNDERSTATEMENTS WITH RESPECT TO REPORTABLE TRANSACTIONS.

''(a) IMPOSITION OF PENALTY.—If a taxpayer has a reportable transaction understatement for any taxable year, there shall be added to the tax an amount equal to 20 percent of the amount of such understatement.

''(b) REPORTABLE TRANSACTION UNDERSTATEMENT.—For purposes of this section—

''(1) IN GENERAL.—The term 'reportable transaction understatement' means the sum of—

''(A) the product of—

''(i) the amount of the increase (if any) in taxable income which results from a difference between the proper tax treatment of an item to which this section applies and the taxpayer's treatment of such item (as shown on the taxpayer's return of tax), and

''(ii) the highest rate of tax imposed by section 1 (section 11 in the case of a taxpayer which is a corporation), and

''(B) the amount of the decrease (if any) in the aggregate amount of credits determined under subtitle A which results from a difference between the taxpayer's treatment of an item to which this section applies (as shown on the taxpayer's return of tax) and the proper tax treatment of such item.

For purposes of subparagraph (A), any reduction of the excess of deductions allowed for the taxable year over gross income for such year, and any reduction in the amount of capital losses which would (without regard to section 1211) be allowed for such year, shall be treated as an increase in taxable income.

''(2) ITEMS TO WHICH SECTION APPLIES.—This section shall apply to any item which is attributable to—

''(A) any listed transaction, and

''(B) any reportable transaction (other than a listed transaction) if a significant purpose of such transaction is the avoidance or evasion of Federal income tax.

''(c) HIGHER PENALTY FOR NONDISCLOSED LISTED AND OTHER AVOIDANCE TRANSACTIONS.—

''(1) IN GENERAL.—Subsection (a) shall be applied by substituting '30 percent' for '20 percent' with respect to the portion of any reportable transaction understatement with respect to which the requirement of section 6664(d)(2)(A) is not met.

''(2) RULES APPLICABLE TO COMPROMISE OF PENALTY.—

''(A) IN GENERAL.—If the 1st letter of proposed deficiency which allows the taxpayer an opportunity for administrative review in the Internal Revenue Service Office of Appeals has been sent with respect to a penalty to which paragraph (1) applies, only the Commissioner of Internal Revenue may compromise all or any portion of such penalty.

''(B) APPLICABLE RULES.—The rules of paragraphs (3), (4), and (5) of section 6707A(d) shall apply for purposes of subparagraph (A).

''(d) DEFINITIONS OF REPORTABLE AND LISTED TRANSACTIONS.—For purposes of this section, the terms 'reportable transaction' and 'listed transaction' have the respective meanings given to such terms by section 6707A(c).

''(e) SPECIAL RULES.—

''(1) COORDINATION WITH PENALTIES, ETC., ON OTHER UNDERSTATEMENTS.—In the case of an understatement (as defined in section 6662(d)(2))—

''(A) the amount of such understatement (determined without regard to this paragraph) shall be increased by the aggregate amount of reportable transaction understatements and noneconomic substance transaction understatements for purposes of determining whether such understatement is a substantial understatement under section 6662(d)(1), and

''(B) the addition to tax under section 6662(a) shall apply only to the excess of the amount of the substantial understatement (if any) after the application of subparagraph (A) over the aggregate amount of reportable transaction understatements and noneconomic substance transaction understatements.

''(2) COORDINATION WITH OTHER PENALTIES.—

''(A) APPLICATION OF FRAUD PENALTY.—References to an underpayment in section 6663 shall be treated as including references to a reportable transaction understatement and a noneconomic substance transaction understatement.

''(B) NO DOUBLE PENALTY.—This section shall not apply to any portion of an understatement on which a penalty is imposed under section 6662B or 6663.

''(3) SPECIAL RULE FOR AMENDED RETURNS.—Except as provided in regulations, in no event shall any tax treatment included with an amendment or supplement to a return of tax be taken into account in determining the amount of any reportable transaction understatement or noneconomic substance transaction understatement if the amendment or supplement is filed after the earlier of the date the taxpayer is first contacted by the Secretary regarding the examination of the return or such other date as is specified by the Secretary.

''(4) NONECONOMIC SUBSTANCE TRANSACTION UNDERSTATEMENT.—For purposes of this subsection, the term 'noneconomic substance transaction understatement' has the meaning given such term by section 6662B(c).

''(5) CROSS REFERENCE.—

''For reporting of section 6662A(c) penalty to the Securities and Exchange Commission, see section 6707A(e).''

(b) DETERMINATION OF OTHER UNDERSTATEMENTS.—Subparagraph (A) of section 6662(d)(2) is amended by adding at the end the following flush sentence:

''The excess under the preceding sentence shall be determined without regard to items to which section 6662A applies and without regard to items with respect to which a penalty is imposed by section 6662B.''

(c) REASONABLE CAUSE EXCEPTION.—

(1) IN GENERAL.—Section 6664 is amended by adding at the end the following new subsection:

''(d) REASONABLE CAUSE EXCEPTION FOR REPORTABLE TRANSACTION UNDERSTATEMENTS.—

''(1) IN GENERAL.—No penalty shall be imposed under section 6662A with respect to any portion of a reportable transaction understatement if it is shown that there was a reasonable cause for such portion and that the taxpayer acted in good faith with respect to such portion.

''(2) SPECIAL RULES.—Paragraph (1) shall not apply to any reportable transaction understatement unless—

''(A) the relevant facts affecting the tax treatment of the item are adequately disclosed in accordance with the regulations prescribed under section 6011,

''(B) there is or was substantial authority for such treatment, and

''(C) the taxpayer reasonably believed that such treatment was more likely than not the proper treatment.

A taxpayer failing to adequately disclose in accordance with section 6011 shall be treated as meeting the requirements of subparagraph (A) if the penalty for such failure was rescinded under section 6707A(d).

''(3) RULES RELATING TO REASONABLE BELIEF.—For purposes of paragraph (2)(C)—

''(A) IN GENERAL.—A taxpayer shall be treated as having a reasonable belief with respect to the tax treatment of an item only if such belief—

''(i) is based on the facts and law that exist at the time the return of tax which includes such tax treatment is filed, and

''(ii) relates solely to the taxpayer's chances of success on the merits of such treatment and does not take into account the possibility that a return will not be audited, such treatment will not be raised on audit, or such treatment will be resolved through settlement if it is raised.

''(B) CERTAIN OPINIONS MAY NOT BE RELIED UPON.—

''(i) IN GENERAL.—An opinion of a tax advisor may not be relied upon to establish the reasonable belief of a taxpayer if—

''(I) the tax advisor is described in clause (ii), or

''(II) the opinion is described in clause (iii).

''(ii) DISQUALIFIED TAX ADVISORS.—A tax advisor is described in this clause if the tax advisor—

''(I) is a material advisor (within the meaning of section 6111(b)(1)) who participates in the organization, management, promotion, or sale of the transaction or who is related (within the meaning of section 267(b) or 707(b)(1)) to any person who so participates,

''(II) is compensated directly or indirectly by a material advisor with respect to the transaction,

''(III) has a fee arrangement with respect to the transaction which is contingent on all or part of the intended tax benefits from the transaction being sustained, or

''(IV) as determined under regulations prescribed by the Secretary, has a continuing financial interest with respect to the transaction.

''(iii) DISQUALIFIED OPINIONS.—For purposes of clause (i), an opinion is disqualified if the opinion—

''(I) is based on unreasonable factual or legal assumptions (including assumptions as to future events),

''(II) unreasonably relies on representations, statements, findings, or agreements of the taxpayer or any other person,

''(III) does not identify and consider all relevant facts, or

''(IV) fails to meet any other requirement as the Secretary may prescribe.''

(2) CONFORMING AMENDMENT.—The heading for subsection (c) of section 6664 is amended by inserting ''FOR UNDERPAYMENTS'' after ''EXCEPTION''.

(d) CONFORMING AMENDMENTS.—

(1) Subparagraph (C) of section 461(i)(3) is amended by striking ''section 6662(d)(2)(C)(iii)'' and inserting ''section 1274(b)(3)(C)''.

(2) Paragraph (3) of section 1274(b) is amended—

(A) by striking ''(as defined in section 6662(d)(2)(C)(iii))'' in subparagraph (B)(i), and

(B) by adding at the end the following new subparagraph:

''(C) TAX SHELTER.—For purposes of subparagraph (B), the term 'tax shelter' means—

''(i) a partnership or other entity,

''(ii) any investment plan or arrangement, or

''(iii) any other plan or arrangement,

if a significant purpose of such partnership, entity, plan, or arrangement is the avoidance or evasion of Federal income tax.''

(3) Section 6662(d)(2) is amended by striking subparagraphs (C) and (D).

(4) Section 6664(c)(1) is amended by striking ''this part'' and inserting ''section 6662 or 6663''.

(5) Subsection (b) of section 7525 is amended by striking ''section 6662(d)(2)(C)(iii)'' and inserting ''section 1274(b)(3)(C)''.

(6)(A) The heading for section 6662 is amended to read as follows:

''SEC. 6662. IMPOSITION OF ACCURACY-RELATED PENALTY ON UNDERPAYMENTS.''

(B) The table of sections for part II of subchapter A of chapter 68 is amended by striking the item relating to section 6662 and inserting the following new items:

''Sec. 6662. Imposition of accuracy-related penalty on underpayments.

''Sec. 6662A. Imposition of accuracy-related penalty on understatements with respect to reportable transactions.''

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after the date of the enactment of this Act.

SEC. 314. PENALTY FOR UNDERSTATEMENTS ATTRIBUTABLE TO TRANSACTIONS LACKING ECONOMIC SUBSTANCE, ETC.

(a) IN GENERAL.—Subchapter A of chapter 68 is amended by inserting after section 6662A the following new section:

''SEC. 6662B. PENALTY FOR UNDERSTATEMENTS ATTRIBUTABLE TO TRANSACTIONS LACKING ECONOMIC SUBSTANCE, ETC.

''(a) IMPOSITION OF PENALTY.—If a taxpayer has an noneconomic substance transaction understatement for any taxable year, there shall be added to the tax an amount equal to 40 percent of the amount of such understatement.

''(b) REDUCTION OF PENALTY FOR DISCLOSED TRANSACTIONS.—Subsection (a) shall be applied by substituting '20 percent' for '40 percent' with respect to the portion of any noneconomic substance transaction understatement with respect to which the relevant facts affecting the tax treatment of the item

are adequately disclosed in the return or a statement attached to the return.

''(c) NONECONOMIC SUBSTANCE TRANSACTION UNDERSTATEMENT.—For purposes of this section—

''(1) IN GENERAL.—The term 'noneconomic substance transaction understatement' means any amount which would be an understatement under section 6662A(b)(1) if section 6662A were applied by taking into account items attributable to noneconomic substance transactions rather than items to which section 6662A would apply without regard to this paragraph.

''(2) NONECONOMIC SUBSTANCE TRANSACTION.—The term 'noneconomic substance transaction' means any transaction if—

''(A) there is a lack of economic substance (within the meaning of section 7701(m)(1)) for the transaction giving rise to the claimed tax benefit or the transaction was not respected under section 7701(m)(2), or

''(B) the transaction fails to meet the requirements of any similar rule of law.

''(d) RULES APPLICABLE TO COMPROMISE OF PENALTY.—

''(1) IN GENERAL.—If the 1st letter of proposed deficiency which allows the taxpayer an opportunity for administrative review in the Internal Revenue Service Office of Appeals has been sent with respect to a penalty to which this section applies, only the Commissioner of Internal Revenue may compromise all or any portion of such penalty.

''(2) APPLICABLE RULES.—The rules of paragraphs (3), (4), and (5) of section 6707A(d) shall apply for purposes of paragraph (1).

''(e) COORDINATION WITH OTHER PENALTIES.—Except as otherwise provided in this part, the penalty imposed by this section shall be in addition to any other penalty imposed by this title.

''(f) CROSS REFERENCES.—

''(1) For coordination of penalty with understatements under section 6662 and other special rules, see section 6662A(e).

''(2) For reporting of penalty imposed under this section to the Securities and Exchange Commission, see section 6707A(e).''

(b) CLERICAL AMENDMENT.—The table of sections for part II of subchapter A of chapter 68 is amended by inserting after the item relating to section 6662A the following new item:

''Sec. 6662B. Penalty for understatements attributable to transactions lacking economic substance, etc.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to transactions entered into after February 13, 2003.

SEC. 315. MODIFICATIONS OF SUBSTANTIAL UNDERSTATEMENT PENALTY FOR NONREPORTABLE TRANSACTIONS.

(a) SUBSTANTIAL UNDERSTATEMENT OF CORPORATIONS.—Section 6662(d)(1)(B) (relating to special rule for corporations) is amended to read as follows:

''(B) SPECIAL RULE FOR CORPORATIONS.—In the case of a corporation other than an S corporation or a personal holding company (as defined in section 542), there is a substantial understatement of income tax for any taxable year if the amount of the understatement for the taxable year exceeds the lesser of—

''(i) 10 percent of the tax required to be shown on the return for the taxable year (or, if greater, $10,000), or

''(ii) $10,000,000.''

(b) REDUCTION FOR UNDERSTATEMENT OF TAXPAYER DUE TO POSITION OF TAXPAYER OR DISCLOSED ITEM.—

(1) IN GENERAL.—Section 6662(d)(2)(B)(i) (relating to substantial authority) is amended to read as follows:

''(i) the tax treatment of any item by the taxpayer if the taxpayer had reasonable belief that the tax treatment was more likely than not the proper treatment, or''.

(2) CONFORMING AMENDMENT.—Section 6662(d) is amended by adding at the end the following new paragraph:

''(3) SECRETARIAL LIST.—For purposes of this subsection, section 6664(d)(2), and section 6694(a)(1), the Secretary may prescribe a list of positions for which the Secretary believes there is not substantial authority or there is no reasonable belief that the tax treatment is more likely than not the proper tax treatment. Such list (and any revisions thereof) shall be published in the Federal Register or the Internal Revenue Bulletin.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

SEC. 316. TAX SHELTER EXCEPTION TO CONFIDENTIALITY PRIVILEGES RELATING TO TAXPAYER COMMUNICATIONS.

(a) IN GENERAL.—Section 7525(b) (relating to section not to apply to communications regarding corporate tax shelters) is amended to read as follows:

''(b) SECTION NOT TO APPLY TO COMMUNICATIONS REGARDING TAX SHELTERS.—The privilege under subsection (a) shall not apply to any written communication which is—

''(1) between a federally authorized tax practitioner and—

''(A) any person,

''(B) any director, officer, employee, agent, or representative of the person, or

''(C) any other person holding a capital or profits interest in the person, and

''(2) in connection with the promotion of the direct or indirect participation of the person in any tax shelter (as defined in section 1274(b)(3)(C)).''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to communications made on or after the date of the enactment of this Act.

SEC. 317. DISCLOSURE OF REPORTABLE TRANSACTIONS.

(a) IN GENERAL.—Section 6111 (relating to registration of tax shelters) is amended to read as follows:

''SEC. 6111. DISCLOSURE OF REPORTABLE TRANSACTIONS.

''(a) IN GENERAL.—Each material advisor with respect to any reportable transaction shall make a return (in such form as the Secretary may prescribe) setting forth—

''(1) information identifying and describing the transaction,

''(2) information describing any potential tax benefits expected to result from the transaction, and

''(3) such other information as the Secretary may prescribe.

Such return shall be filed not later than the date specified by the Secretary.

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

''(1) MATERIAL ADVISOR.—

''(A) IN GENERAL.—The term 'material advisor' means any person—

''(i) who provides any material aid, assistance, or advice with respect to organizing, promoting, selling, implementing, or carrying out any reportable transaction, and

''(ii) who directly or indirectly derives gross income in excess of the threshold amount for such aid, assistance, or advice.

''(B) THRESHOLD AMOUNT.—For purposes of subparagraph (A), the threshold amount is—

''(i) $50,000 in the case of a reportable transaction substantially all of the tax benefits from which are provided to natural persons, and

''(ii) $250,000 in any other case.

''(2) REPORTABLE TRANSACTION.—The term 'reportable transaction' has the meaning given to such term by section 6707A(c).

''(c) REGULATIONS.—The Secretary may prescribe regulations which provide—

''(1) that only 1 person shall be required to meet the requirements of subsection (a) in cases in which 2 or more persons would otherwise be required to meet such requirements,

''(2) exemptions from the requirements of this section, and

''(3) such rules as may be necessary or appropriate to carry out the purposes of this section.''

(b) CONFORMING AMENDMENTS.—

(1) The item relating to section 6111 in the table of sections for subchapter B of chapter 61 is amended to read as follows:

''Sec. 6111. Disclosure of reportable transactions.''

(2)(A) So much of section 6112 as precedes subsection (c) thereof is amended to read as follows:

''SEC. 6112. MATERIAL ADVISORS OF REPORTABLE TRANSACTIONS MUST KEEP LISTS OF ADVISEES.

''(a) IN GENERAL.—Each material advisor (as defined in section 6111) with respect to any reportable transaction (as defined in section 6707A(c)) shall maintain, in such manner as the Secretary may by regulations prescribe, a list—

''(1) identifying each person with respect to whom such advisor acted as such a material advisor with respect to such transaction, and

''(2) containing such other information as the Secretary may by regulations require.

This section shall apply without regard to whether a material advisor is required to file a return under section 6111 with respect to such transaction.''

(B) Section 6112 is amended by redesignating subsection (c) as subsection (b).

(C) Section 6112(b), as redesignated by subparagraph (B), is amended—

(i) by inserting ''written'' before ''request'' in paragraph (1)(A), and

(ii) by striking ''shall prescribe'' in paragraph (2) and inserting ''may prescribe''.

(D) The item relating to section 6112 in the table of sections for subchapter B of chapter 61 is amended to read as follows:

''Sec. 6112. Material advisors of reportable transactions must keep lists of advisees.''

(3)(A) The heading for section 6708 is amended to read as follows:

''SEC. 6708. FAILURE TO MAINTAIN LISTS OF ADVISEES WITH RESPECT TO REPORTABLE TRANSACTIONS.''

(B) The item relating to section 6708 in the table of sections for part I of subchapter B of chapter 68 is amended to read as follows:

''Sec. 6708. Failure to maintain lists of advisees with respect to reportable transactions.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to transactions with respect to which material aid, assistance, or advice referred to in section 6111(b)(1)(A)(i) of the Internal Revenue Code of 1986 (as added by this section) is provided after the date of the enactment of this Act.

SEC. 318. MODIFICATIONS TO PENALTY FOR FAILURE TO REGISTER TAX SHELTERS.

(a) IN GENERAL.—Section 6707 (relating to failure to furnish information regarding tax shelters) is amended to read as follows:

''SEC. 6707. FAILURE TO FURNISH INFORMATION REGARDING REPORTABLE TRANSACTIONS.

''(a) IN GENERAL.—If a person who is required to file a return under section 6111(a) with respect to any reportable transaction—

''(1) fails to file such return on or before the date prescribed therefor, or

''(2) files false or incomplete information with the Secretary with respect to such transaction,

such person shall pay a penalty with respect to such return in the amount determined under subsection (b).

''(b) AMOUNT OF PENALTY.—

''(1) IN GENERAL.—Except as provided in paragraph (2), the penalty imposed under subsection (a) with respect to any failure shall be $50,000.

''(2) LISTED TRANSACTIONS.—The penalty imposed under subsection (a) with respect to any listed transaction shall be an amount equal to the greater of—

''(A) $200,000, or

''(B) 50 percent of the gross income derived by such person with respect to aid, assistance, or advice which is provided with respect to the reportable transaction before the date the return including the transaction is filed under section 6111.

Subparagraph (B) shall be applied by substituting '75 percent' for '50 percent' in the case of an intentional failure or act described in subsection (a).

''(c) RESCISSION AUTHORITY.—The provisions of section 6707A(d) (relating to authority of Commissioner to rescind penalty) shall apply to any penalty imposed under this section.

''(d) REPORTABLE AND LISTED TRANSACTIONS.—The terms 'reportable transaction' and 'listed transaction' have the respective meanings given to such terms by section 6707A(c).''.

(b) CLERICAL AMENDMENT.—The item relating to section 6707 in the table of sections for part I of subchapter B of chapter 68 is amended by striking ''tax shelters'' and inserting ''reportable transactions''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to returns the due date for which is after the date of the enactment of this Act.

SEC. 319. MODIFICATION OF PENALTY FOR FAILURE TO MAINTAIN LISTS OF INVESTORS.

(a) IN GENERAL.—Subsection (a) of section 6708 is amended to read as follows:

''(a) IMPOSITION OF PENALTY.—

''(1) IN GENERAL.—If any person who is required to maintain a list under section 6112(a) fails to make such list available upon written request to the Secretary in accordance with section 6112(b)(1)(A) within 20 business days after the date of the Secretary's request, such person shall pay a penalty of $10,000 for each day of such failure after such 20th day.

''(2) REASONABLE CAUSE EXCEPTION.—No penalty shall be imposed by paragraph (1) with respect to the failure on any day if such failure is due to reasonable cause.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to requests made after the date of the enactment of this Act.

SEC. 320. MODIFICATION OF ACTIONS TO ENJOIN CERTAIN CONDUCT RELATED TO TAX SHELTERS AND REPORTABLE TRANSACTIONS.

(a) IN GENERAL.—Section 7408 (relating to action to enjoin promoters of abusive tax shelters, etc.) is amended by redesignating subsection (c) as subsection (d) and by striking subsections (a) and (b) and inserting the following new subsections:

''(a) AUTHORITY TO SEEK INJUNCTION.—A civil action in the name of the United States to enjoin any person from further engaging in specified conduct may be commenced at the request of the Secretary. Any action under this section shall be brought in the district court of the United States for the district in which such person resides, has his principal place of business, or has engaged in specified conduct. The court may exercise its jurisdiction over such action (as provided in section 7402(a)) separate and apart from any other action brought by the United States against such person.

''(b) ADJUDICATION AND DECREE.—In any action under subsection (a), if the court finds—

''(1) that the person has engaged in any specified conduct, and

''(2) that injunctive relief is appropriate to prevent recurrence of such conduct,

the court may enjoin such person from engaging in such conduct or in any other activity subject to penalty under this title.

''(c) SPECIFIED CONDUCT.—For purposes of this section, the term 'specified conduct' means any action, or failure to take action, subject to penalty under section 6700, 6701, 6707, or 6708.''

(b) CONFORMING AMENDMENTS.—

(1) The heading for section 7408 is amended to read as follows:

''SEC. 7408. ACTIONS TO ENJOIN SPECIFIED CONDUCT RELATED TO TAX SHELTERS AND REPORTABLE TRANSACTIONS.''

(2) The table of sections for subchapter A of chapter 67 is amended by striking the item relating to section 7408 and inserting the following new item:

''Sec. 7408. Actions to enjoin specified conduct related to tax shelters and reportable transactions.''

(c) EFFECTIVE DATE.—The amendment made by this section shall take effect on the day after the date of the enactment of this Act.

SEC. 321. UNDERSTATEMENT OF TAXPAYER'S LIABILITY BY INCOME TAX RETURN PREPARER.

(a) STANDARDS CONFORMED TO TAXPAYER STANDARDS.—Section 6694(a) (relating to understatements due to unrealistic positions) is amended—

(1) by striking ''realistic possibility of being sustained on its merits'' in paragraph (1) and inserting ''reasonable belief that the tax treatment in such position was more likely than not the proper treatment'',

(2) by striking ''or was frivolous'' in paragraph (3) and inserting ''or there was no reasonable basis for the tax treatment of such position'', and

(3) by striking ''UNREALISTIC'' in the heading and inserting ''IMPROPER''.

(b) AMOUNT OF PENALTY.—Section 6694 is amended—

(1) by striking ''$250'' in subsection (a) and inserting ''$1,000'', and

(2) by striking ''$1,000'' in subsection (b) and inserting ''$5,000''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to documents prepared after the date of the enactment of this Act.

SEC. 322. PENALTY ON FAILURE TO REPORT INTERESTS IN FOREIGN FINANCIAL ACCOUNTS.

(a) IN GENERAL.—Section 5321(a)(5) of title 31, United States Code, is amended to read as follows:

''(5) FOREIGN FINANCIAL AGENCY TRANSACTION VIOLATION.—

''(A) PENALTY AUTHORIZED.—The Secretary of the Treasury may impose a civil money penalty on any person who violates, or causes any violation of, any provision of section 5314.

''(B) AMOUNT OF PENALTY.—

''(i) IN GENERAL.—Except as provided in subparagraph (C), the amount of any civil penalty imposed under subparagraph (A) shall not exceed $5,000.

''(ii) REASONABLE CAUSE EXCEPTIONNo penalty shall be imposed under subparagraph (A) with respect to any violation if—

''(I) such violation was due to reasonable cause, and

''(II) the amount of the transaction or the balance in the account at the time of the transaction was properly reported.

''(C) WILLFUL VIOLATIONS.—In the case of any person willfully violating, or willfully causing any violation of, any provision of section 5314—

''(i) the maximum penalty under subparagraph (B)(i) shall be increased to the greater of—

''(I) $25,000, or

''(II) the amount (not exceeding $100,000) determined under subparagraph (D), and

''(ii) subparagraph (B)(ii) shall not apply.

''(D) AMOUNT.—The amount determined under this subparagraph is—

''(i) in the case of a violation involving a transaction, the amount of the transaction, or

''(ii) in the case of a violation involving a failure to report the existence of an account or any identifying information required to be provided with respect to an account, the balance in the account at the time of the violation.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to violations occurring after the date of the enactment of this Act.

SEC. 323. FRIVOLOUS TAX SUBMISSIONS.

(a) CIVIL PENALTIES.—Section 6702 is amended to read as follows:

''SEC. 6702. FRIVOLOUS TAX SUBMISSIONS.

''(a) CIVIL PENALTY FOR FRIVOLOUS TAX RETURNS.—A person shall pay a penalty of $5,000 if—

''(1) such person files what purports to be a return of a tax imposed by this title but which—

''(A) does not contain information on which the substantial correctness of the self-assessment may be judged, or

''(B) contains information that on its face indicates that the self-assessment is substantially incorrect; and

''(2) the conduct referred to in paragraph (1)—

''(A) is based on a position which the Secretary has identified as frivolous under subsection (c), or

''(B) reflects a desire to delay or impede the administration of Federal tax laws.

''(b) CIVIL PENALTY FOR SPECIFIED FRIVOLOUS SUBMISSIONS.—

''(1) IMPOSITION OF PENALTY.—Except as provided in paragraph (3), any person who submits a specified frivolous submission shall pay a penalty of $5,000.

''(2) SPECIFIED FRIVOLOUS SUBMISSION.—For purposes of this section—

''(A) SPECIFIED FRIVOLOUS SUBMISSION.—The term 'specified frivolous submission' means a specified submission if any portion of such submission—

''(i) is based on a position which the Secretary has identified as frivolous under subsection (c), or

''(ii) reflects a desire to delay or impede the administration of Federal tax laws.

''(B) SPECIFIED SUBMISSION.—The term 'specified submission' means—

''(i) a request for a hearing under—

''(I) section 6320 (relating to notice and opportunity for hearing upon filing of notice of lien), or

''(II) section 6330 (relating to notice and opportunity for hearing before levy), and

''(ii) an application under—

''(I) section 6159 (relating to agreements for payment of tax liability in installments),

''(II) section 7122 (relating to compromises), or

''(III) section 7811 (relating to taxpayer assistance orders).

''(3) OPPORTUNITY TO WITHDRAW SUBMISSION.—If the Secretary provides a person with notice that a submission is a specified

frivolous submission and such person withdraws such submission within 30 days after such notice, the penalty imposed under paragraph (1) shall not apply with respect to such submission.

''(c) LISTING OF FRIVOLOUS POSITIONS.—The Secretary shall prescribe (and periodically revise) a list of positions which the Secretary has identified as being frivolous for purposes of this subsection. The Secretary shall not include in such list any position that the Secretary determines meets the requirement of section 6662(d)(2)(B)(ii)(II).

''(d) REDUCTION OF PENALTY.—The Secretary may reduce the amount of any penalty imposed under this section if the Secretary determines that such reduction would promote compliance with and administration of the Federal tax laws.

''(e) PENALTIES IN ADDITION TO OTHER PENALTIES.—The penalties imposed by this section shall be in addition to any other penalty provided by law.''

(b) TREATMENT OF FRIVOLOUS REQUESTS FOR HEARINGS BEFORE LEVY.—

(1) FRIVOLOUS REQUESTS DISREGARDED.—Section 6330 (relating to notice and opportunity for hearing before levy) is amended by adding at the end the following new subsection:

''(g) FRIVOLOUS REQUESTS FOR HEARING, ETC.—Notwithstanding any other provision of this section, if the Secretary determines that any portion of a request for a hearing under this section or section 6320 meets the requirement of clause (i) or (ii) of section 6702(b)(2)(A), then the Secretary may treat such portion as if it were never submitted and such portion shall not be subject to any further administrative or judicial review.''

(2) PRECLUSION FROM RAISING FRIVOLOUS ISSUES AT HEARING.—Section 6330(c)(4) is amended—

(A) by striking ''(A)'' and inserting ''(A)(i)'';

(B) by striking ''(B)'' and inserting ''(ii)'';

(C) by striking the period at the end of the first sentence and inserting ''; or''; and

(D) by inserting after subparagraph (A)(ii) (as so redesignated) the following:

''(B) the issue meets the requirement of clause (i) or (ii) of section 6702(b)(2)(A).''

(3) STATEMENT OF GROUNDS.—Section 6330(b)(1) is amended by striking ''under subsection (a)(3)(B)'' and inserting ''in writing under subsection (a)(3)(B) and states the grounds for the requested hearing''.

(c) TREATMENT OF FRIVOLOUS REQUESTS FOR HEARINGS UPON FILING OF NOTICE OF LIEN.—Section 6320 is amended—

(1) in subsection (b)(1), by striking ''under subsection (a)(3)(B)'' and inserting ''in writing under subsection (a)(3)(B) and states the grounds for the requested hearing'', and

(2) in subsection (c), by striking ''and (e)'' and inserting ''(e), and (g)''.

(d) TREATMENT OF FRIVOLOUS APPLICATIONS FOR OFFERS-IN-COMPROMISE AND INSTALLMENT AGREEMENTS.—Section 7122 is amended by adding at the end the following new subsection:

''(e) FRIVOLOUS SUBMISSIONS, ETC.—Notwithstanding any other provision of this section, if the Secretary determines that any portion of an application for an offer-in-compromise or installment agreement submitted under this section or section 6159 meets the requirement of clause (i) or (ii) of section 6702(b)(2)(A), then the Secretary may treat such portion as if it were never submitted and such portion shall not be subject to any further administrative or judicial review.''

(e) CLERICAL AMENDMENT.—The table of sections for part I of subchapter B of chapter 68 is amended by striking the item relating to section 6702 and inserting the following new item:

''Sec. 6702. Frivolous tax submissions.''

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to submissions made and issues raised after the date on which the Secretary first prescribes a list under section 6702(c) of the Internal Revenue Code of 1986, as amended by subsection (a).

SEC. 324. REGULATION OF INDIVIDUALS PRACTICING BEFORE THE DEPARTMENT OF TREASURY.

(a) CENSURE; IMPOSITION OF PENALTY.—

(1) IN GENERAL.—Section 330(b) of title 31, United States Code, is amended—

(A) by inserting '', or censure,'' after ''Department'', and

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

''The Secretary may impose a monetary penalty on any representative described in the preceding sentence. If the representative was acting on behalf of an employer or any firm or other entity in connection with the conduct giving rise to such penalty, the Secretary may impose a monetary penalty on such employer, firm, or entity if it knew, or reasonably should have known, of such conduct. Such penalty shall not exceed the gross income derived (or to be derived) from the conduct giving rise to the penalty and may be in addition to, or in lieu of, any suspension, disbarment, or censure.''

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to actions taken after the date of the enactment of this Act.

(b) TAX SHELTER OPINIONS, ETC.—Section 330 of such title 31 is amended by adding at the end the following new subsection:

''(d) Nothing in this section or in any other provision of law shall be construed to limit the authority of the Secretary of the Treasury to impose standards applicable to the rendering of written advice with respect to any entity, transaction plan or arrangement, or other plan or arrangement, which is of a type which the Secretary determines as having a potential for tax avoidance or evasion.''

SEC. 325. PENALTY ON PROMOTERS OF TAX SHELTERS.

(a) PENALTY ON PROMOTING ABUSIVE TAX SHELTERS.—Section 6700(a) is amended by adding at the end the following new sentence: ''Notwithstanding the first sentence, if an activity with respect to which a penalty imposed under this subsection involves a statement described in paragraph (2)(A), the amount of the penalty shall be equal to 50 percent of the gross income derived (or to be derived) from such activity by the person on which the penalty is imposed.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to activities after the date of the enactment of this Act.

SEC. 326. STATUTE OF LIMITATIONS FOR TAXABLE YEARS FOR WHICH LISTED TRANSACTIONS NOT REPORTED.

(a) IN GENERAL.—Section 6501(e)(1) (relating to substantial omission of items for income taxes) is amended by adding at the end the following new subparagraph:

''(C) LISTED TRANSACTIONS.—If a taxpayer fails to include on any return or statement for any taxable year any information with respect to a listed transaction (as defined in section 6707A(c)(2)) which is required under section 6011 to be included with such return or statement, the tax for such taxable year may be assessed, or a proceeding in court for collection of such tax may be begun without assessment, at any time within 6 years after the time the return is filed. This subparagraph shall not apply to any taxable year if the time for assessment or beginning the proceeding in court has expired before the time a transaction is treated as a listed transaction under section 6011.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to transactions after the date of the enactment of this Act in taxable years ending after such date.

SEC. 327. DENIAL OF DEDUCTION FOR INTEREST ON UNDERPAYMENTS ATTRIBUTABLE TO NONDISCLOSED REPORTABLE AND NONECONOMIC SUBSTANCE TRANSACTIONS.

(a) IN GENERAL.—Section 163 (relating to deduction for interest) is amended by redesignating subsection (m) as subsection (n) and by inserting after subsection (l) the following new subsection:

''(m) INTEREST ON UNPAID TAXES ATTRIBUTABLE TO NONDISCLOSED REPORTABLE TRANSACTIONS AND NONECONOMIC SUBSTANCE TRANSACTIONS.—No deduction shall be allowed under this chapter for any interest paid or accrued under section 6601 on any underpayment of tax which is attributable to—

''(1) the portion of any reportable transaction understatement (as defined in section 6662A(b)) with respect to which the requirement of section 6664(d)(2)(A) is not met, or

''(2) any noneconomic substance transaction understatement (as defined in section 6662B(c)).''

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to transactions after the date of the enactment of this Act in taxable years ending after such date.

PART II—OTHER PROVISIONS

SEC. 331. LIMITATION ON TRANSFER OR IMPORTATION OF BUILT-IN LOSSES.

(a) IN GENERAL.—Section 362 (relating to basis to corporations) is amended by adding at the end the following new subsection:

''(e) LIMITATIONS ON BUILT-IN LOSSES.—

''(1) LIMITATION ON IMPORTATION OF BUILT-IN LOSSES.—

''(A) IN GENERAL.—If in any transaction described in subsection (a) or (b) there would (but for this subsection) be an importation of a net built-in loss, the basis of each property described in subparagraph (B) which is acquired in such transaction shall (notwithstanding subsections (a) and (b)) be its fair market value immediately after such transaction.

''(B) PROPERTY DESCRIBED.—For purposes of subparagraph (A), property is described in this paragraph if—

''(i) gain or loss with respect to such property is not subject to tax under this subtitle in the hands of the transferor immediately before the transfer, and

''(ii) gain or loss with respect to such property is subject to such tax in the hands of the transferee immediately after such transfer.

In any case in which the transferor is a partnership, the preceding sentence shall be applied by treating each partner in such partnership as holding such partner's proportionate share of the property of such partnership.

''(C) IMPORTATION OF NET BUILT-IN LOSS.—For purposes of subparagraph (A), there is an importation of a net built-in loss in a transaction if the transferee's aggregate adjusted bases of property described in subparagraph (B) which is transferred in such transaction would (but for this paragraph) exceed the fair market value of such property immediately after such transaction.''

''(2) LIMITATION ON TRANSFER OF BUILT-IN LOSSES IN SECTION 351 TRANSACTIONS.—

''(A) IN GENERAL.—If—

''(i) property is transferred in any transaction which is described in subsection (a) and which is not described in paragraph (1) of this subsection, and

''(ii) the transferee's aggregate adjusted bases of the property so transferred would (but for this paragraph) exceed the fair market value of such property immediately after such transaction,

then, notwithstanding subsection (a), the transferee's aggregate adjusted bases of the property so transferred shall not exceed the fair market value of such property immediately after such transaction.

''(B) ALLOCATION OF BASIS REDUCTION.—The aggregate reduction in basis by reason of subparagraph (A) shall be allocated among the property so transferred in proportion to their respective built-in losses immediately before the transaction.

''(C) EXCEPTION FOR TRANSFERS WITHIN AFFILIATED GROUP.—Subparagraph (A) shall not apply to any transaction if the transferor owns stock in the transferee meeting the requirements of section 1504(a)(2). In the case of property to which subparagraph (A) does not apply by reason of the preceding sentence, the transferor's basis in the stock received for such property shall not exceed its fair market value immediately after the transfer.''

(b) COMPARABLE TREATMENT WHERE LIQUIDATION.—Paragraph (1) of section 334(b) (relating to liquidation of subsidiary) is amended to read as follows:

''(1) IN GENERAL.—If property is received by a corporate distributee in a distribution in a complete liquidation to which section 332 applies (or in a transfer described in section 337(b)(1)), the basis of such property in the hands of such distributee shall be the same as it would be in the hands of the transferor; except that the basis of such property in the hands of such distributee shall be the fair market value of the property at the time of the distribution—

''(A) in any case in which gain or loss is recognized by the liquidating corporation with respect to such property, or

''(B) in any case in which the liquidating corporation is a foreign corporation, the corporate distributee is a domestic corporation, and the corporate distributee's aggregate adjusted bases of property described in section 362(e)(1)(B) which is distributed in such liquidation would (but for this subparagraph) exceed the fair market value of such property immediately after such liquidation.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to transactions after the date of the enactment of this Act.

SEC. 332. DISALLOWANCE OF CERTAIN PARTNERSHIP LOSS TRANSFERS.

(a) TREATMENT OF CONTRIBUTED PROPERTY WITH BUILT-IN LOSS.—Paragraph (1) of section 704(c) is amended by striking ''and'' at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting '', and'', and by adding at the end the following:

''(C) if any property so contributed has a built-in loss—

''(i) such built-in loss shall be taken into account only in determining the amount of items allocated to the contributing partner, and

''(ii) except as provided in regulations, in determining the amount of items allocated to other partners, the basis of the contributed property in the hands of the partnership shall be treated as being equal to its fair market value immediately after the contribution.

For purposes of subparagraph (C), the term 'built-in loss' means the excess of the adjusted basis of the property (determined without regard to subparagraph (C)(ii)) over its fair market value immediately after the contribution.''

(b) ADJUSTMENT TO BASIS OF PARTNERSHIP PROPERTY ON TRANSFER OF PARTNERSHIP INTEREST IF THERE IS SUBSTANTIAL BUILT-IN LOSS.—

(1) ADJUSTMENT REQUIRED.—Subsection (a) of section 743 (relating to optional adjustment to basis of partnership property) is amended by inserting before the period ''or unless the partnership has a substantial built-in loss immediately after such transfer''.

(2) ADJUSTMENT.—Subsection (b) of section 743 is amended by inserting ''or with respect to which there is a substantial built-in loss immediately after such transfer'' after ''section 754 is in effect''.

(3) SUBSTANTIAL BUILT-IN LOSS.—Section 743 is amended by adding at the end the following new subsection:

''(d) SUBSTANTIAL BUILT-IN LOSS.—

''(1) IN GENERAL.—For purposes of this section, a partnership has a substantial built-in loss with respect to a transfer of an interest in a partnership if the transferee partner's proportionate share of the adjusted basis of the partnership property exceeds by more than $250,000 the basis of such partner's interest in the partnership.

''(2) REGULATIONS.—The Secretary shall prescribe such regulations as may be appropriate to carry out the purposes of paragraph (1) and section 734(d), including regulations aggregating related partnerships and disregarding property acquired by the partnership in an attempt to avoid such purposes.''

(4) CLERICAL AMENDMENTS.—

(A) The section heading for section 743 is amended to read as follows:

''SEC. 743. ADJUSTMENT TO BASIS OF PARTNERSHIP PROPERTY WHERE SECTION 754 ELECTION OR SUBSTANTIAL BUILT-IN LOSS.''

(B) The table of sections for subpart C of part II of subchapter K of chapter 1 is amended by striking the item relating to section 743 and inserting the following new item:

''Sec. 743. Adjustment to basis of partnership property where section 754 election or substantial built-in loss.''

(c) ADJUSTMENT TO BASIS OF UNDISTRIBUTED PARTNERSHIP PROPERTY IF THERE IS SUBSTANTIAL BASIS REDUCTION.—

(1) ADJUSTMENT REQUIRED.—Subsection (a) of section 734 (relating to optional adjustment to basis of undistributed partnership property) is amended by inserting before the period ''or unless there is a substantial basis reduction''.

(2) ADJUSTMENT.—Subsection (b) of section 734 is amended by inserting ''or unless there is a substantial basis reduction'' after ''section 754 is in effect''.

(3) SUBSTANTIAL BASIS REDUCTION.—Section 734 is amended by adding at the end the following new subsection:

''(d) SUBSTANTIAL BASIS REDUCTION.—

''(1) IN GENERAL.—For purposes of this section, there is a substantial basis reduction with respect to a distribution if the sum of the amounts described in subparagraphs (A) and (B) of subsection (b)(2) exceeds $250,000.

''(2) REGULATIONS.—

''For regulations to carry out this subsection, see section 743(d)(2).''

(4) CLERICAL AMENDMENTS.—

(A) The section heading for section 734 is amended to read as follows:

''SEC. 734. ADJUSTMENT TO BASIS OF UNDISTRIBUTED PARTNERSHIP PROPERTY WHERE SECTION 754 ELECTION OR SUBSTANTIAL BASIS REDUCTION.''

(B) The table of sections for subpart B of part II of subchapter K of chapter 1 is amended by striking the item relating to section 734 and inserting the following new item:

''Sec. 734. Adjustment to basis of undistributed partnership property where section 754 election or substantial basis reduction.''

(d) EFFECTIVE DATES.—

(1) SUBSECTION (a).—The amendment made by subsection (a) shall apply to contributions made after the date of the enactment of this Act.

(2) SUBSECTION (b).—The amendments made by subsection (b) shall apply to transfers after the date of the enactment of this Act.

(3) SUBSECTION (c).—The amendments made by subsection (c) shall apply to distributions after the date of the enactment of this Act.

SEC. 333. NO REDUCTION OF BASIS UNDER SECTION 734 IN STOCK HELD BY PARTNERSHIP IN CORPORATE PARTNER.

(a) IN GENERAL.—Section 755 is amended by adding at the end the following new subsection:

''(c) NO ALLOCATION OF BASIS DECREASE TO STOCK OF CORPORATE PARTNER.—In making an allocation under subsection (a) of any decrease in the adjusted basis of partnership property under section 734(b)—

''(1) no allocation may be made to stock in a corporation which is a partner in the partnership, and

''(2) any amount not allocable to stock by reason of paragraph (1) shall be allocated under subsection (a) to other partnership property.

Gain shall be recognized to the partnership to the extent that the amount required to be allocated under paragraph (2) to other partnership property exceeds the aggregate adjusted basis of such other property immediately before the allocation required by paragraph (2).''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to distributions after the date of the enactment of this Act.

SEC. 334. REPEAL OF SPECIAL RULES FOR FASITS.

(a) IN GENERAL.—Part V of subchapter M of chapter 1 (relating to financial asset securitization investment trusts) is hereby repealed.

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (6) of section 56(g) is amended by striking ''REMIC, or FASIT'' and inserting ''or REMIC''.

(2) Clause (ii) of section 382(l)(4)(B) is amended by striking ''a REMIC to which part IV of subchapter M applies, or a FASIT to which part V of subchapter M applies,'' and inserting ''or a REMIC to which part IV of subchapter M applies,''.

(3) Paragraph (1) of section 582(c) is amended by striking '', and any regular interest in a FASIT,''.

(4) Subparagraph (E) of section 856(c)(5) is amended by striking the last sentence.

(5) Paragraph (5) of section 860G(a) is amended by adding ''and'' at the end of subparagraph (B), by striking '', and'' at the end of subparagraph (C) and inserting a period, and by striking subparagraph (D).

(6) Subparagraph (C) of section 1202(e)(4) is amended by striking ''REMIC, or FASIT'' and inserting ''or REMIC''.

(7) Subparagraph (C) of section 7701(a)(19) is amended by adding ''and'' at the end of clause (ix), by striking '', and'' at the end of clause (x) and inserting a period, and by striking clause (xi).

(8) The table of parts for subchapter M of chapter 1 is amended by striking the item relating to part V.

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after December 31, 2003.

(2) EXCEPTION FOR EXISTING FASITS.—

(A) IN GENERAL.—Paragraph (1) shall not apply to any FASIT in existence on the date of the enactment of this Act.

(B) TRANSFER OF ADDITIONAL ASSETS NOT PERMITTED.—Except as provided in regulations prescribed by the Secretary of the Treasury or the Secretary's delegate, subparagraph (A) shall cease to apply as of the earliest date after the date of the enactment of this Act that any property is transferred to the FASIT.

SEC. 335. EXPANDED DISALLOWANCE OF DEDUCTION FOR INTEREST ON CONVERTIBLE DEBT.

(a) IN GENERAL.—Paragraph (2) of section 163(l) is amended by striking ''or a related party'' and inserting ''or equity held by the issuer (or any related party) in any other person''.

(b) CONFORMING AMENDMENT.—Paragraph (3) of section 163(l) is amended by striking ''or a related party'' in the material preceding subparagraph (A) and inserting ''or any other person''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to debt instruments issued after the date of the enactment of this Act.

SEC. 336. EXPANDED AUTHORITY TO DISALLOW TAX BENEFITS UNDER SECTION 269.

(a) IN GENERAL.—Subsection (a) of section 269 (relating to acquisitions made to evade or avoid income tax) is amended to read as follows:

''(a) IN GENERAL.—If—

''(1)(A) any person acquires stock in a corporation, or

''(B) any corporation acquires, directly or indirectly, property of another corporation and the basis of such property, in the hands of the acquiring corporation, is determined by reference to the basis in the hands of the transferor corporation, and

''(2) the principal purpose for which such acquisition was made is evasion or avoidance of Federal income tax by securing the benefit of a deduction, credit, or other allowance,

then the Secretary may disallow such deduction, credit, or other allowance.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to stock and property acquired after February 13, 2003.

SEC. 337. MODIFICATIONS OF CERTAIN RULES RELATING TO CONTROLLED FOREIGN CORPORATIONS.

(a) LIMITATION ON EXCEPTION FROM PFIC RULES FOR UNITED STATES SHAREHOLDERS OF CONTROLLED FOREIGN CORPORATIONS.—Paragraph (2) of section 1297(e) (relating to passive investment company) is amended by adding at the end the following flush sentence:

''Such term shall not include any period if there is only a remote likelihood of an inclusion in gross income under section 951(a)(1)(A)(i) of subpart F income of such corporation for such period.''

(b) DETERMINATION OF PRO RATA SHARE OF SUBPART F INCOME.—Subsection (a) of section 951 (relating to amounts included in gross income of United States shareholders) is amended by adding at the end the following new paragraph:

''(4) SPECIAL RULES FOR DETERMINING PRO RATA SHARE OF SUBPART F INCOME.—The pro rata share under paragraph (2) shall be determined by disregarding—

''(A) any rights lacking substantial economic effect, and

''(B) stock owned by a shareholder who is a tax-indifferent party (as defined in section 7701(m)(3)) if the amount which would (but for this paragraph) be allocated to such shareholder does not reflect such shareholder's economic share of the earnings and profits of the corporation.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years on controlled foreign corporation beginning after February 13, 2003, and to taxable years of United States shareholder in which or with which such taxable years of controlled foreign corporations end.

SEC. 338. BASIS FOR DETERMINING LOSS ALWAYS REDUCED BY NONTAXED PORTION OF DIVIDENDS.

(a) IN GENERAL.—Section 1059 (relating to corporate shareholder's basis in stock reduced by nontaxed portion of extraordinary dividends) is amended by redesignating subsection (g) as subsection (h) and by inserting after subsection (f) the following new subsection:

''(g) BASIS FOR DETERMINING LOSS ALWAYS REDUCED BY NONTAXED PORTION OF DIVIDENDS.—The basis of stock in a corporation (for purposes of determining loss) shall be reduced by the nontaxed portion of any dividend received with respect to such stock if this section does not otherwise apply to such dividend.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to dividends received after the date of the enactment of this Act.

SEC. 339. AFFIRMATION OF CONSOLIDATED RETURN REGULATION AUTHORITY.

(a) IN GENERAL.—Section 1502 (relating to consolidated return regulations) is amended by adding at the end the following new sentence: ''In prescribing such regulations, the Secretary may prescribe rules applicable to corporations filing consolidated returns under section 1501 that are different from other provisions of this title that would apply if such corporations filed separate returns.''

(b) RESULT NOT OVERTURNED.—Notwithstanding subsection (a), the Internal Revenue Code of 1986 shall be construed by treating Treasury regulation §1.1502–20(c)(1)(iii) (as in effect on January 1, 2001) as being inapplicable to the type of factual situation in 255 F.3d 1357 (Fed. Cir. 2001).

(c) EFFECTIVE DATE.—The provisions of this section shall apply to taxable years beginning before, on, or after the date of the enactment of this Act.

Subtitle C—Prevention of Corporate Expatriation To Avoid United States Income Tax

SEC. 341. PREVENTION OF CORPORATE EXPATRIATION TO AVOID UNITED STATES INCOME TAX.

(a) IN GENERAL.—Paragraph (4) of section 7701(a) (defining domestic) is amended to read as follows:

''(4) DOMESTIC.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), the term 'domestic' when applied to a corporation or partnership means created or organized in the United States or under the law of the United States or of any State unless, in the case of a partnership, the Secretary provides otherwise by regulations.

''(B) CERTAIN CORPORATIONS TREATED AS DOMESTIC.—

''(i) IN GENERAL.—The acquiring corporation in a corporate expatriation transaction shall be treated as a domestic corporation.

''(ii) CORPORATE EXPATRIATION TRANSACTION.—For purposes of this subparagraph, the term 'corporate expatriation transaction' means any transaction if—

''(I) a nominally foreign corporation (referred to in this subparagraph as the 'acquiring corporation') acquires, as a result of such transaction, directly or indirectly substantially all of the properties held directly or indirectly by a domestic corporation, and

''(II) immediately after the transaction, more than 80 percent of the stock (by vote or value) of the acquiring corporation is held by former shareholders of the domestic corporation by reason of holding stock in the domestic corporation.

''(iii) LOWER STOCK OWNERSHIP REQUIREMENT IN CERTAIN CASES.—Subclause (II) of clause (ii) shall be applied by substituting '50 percent' for '80 percent' with respect to any nominally foreign corporation if—

''(I) such corporation does not have substantial business activities (when compared to the total business activities of the expanded affiliated group) in the foreign country in which or under the law of which the corporation is created or organized, and

''(II) the stock of the corporation is publicly traded and the principal market for the public trading of such stock is in the United States.

''(iv) PARTNERSHIP TRANSACTIONS.—The term 'corporate expatriation transaction' includes any transaction if—

''(I) a nominally foreign corporation (referred to in this subparagraph as the 'acquiring corporation') acquires, as a result of such transaction, directly or indirectly properties constituting a trade or business of a domestic partnership,

''(II) immediately after the transaction, more than 80 percent of the stock (by vote or value) of the acquiring corporation is held by former partners of the domestic partnership or related foreign partnerships (determined without regard to stock of the acquiring corporation which is sold in a public offering related to the transaction), and

''(III) the acquiring corporation meets the requirements of subclauses (I) and (II) of clause (iii).

''(v) SPECIAL RULES.—For purposes of this subparagraph—

''(I) a series of related transactions shall be treated as 1 transaction, and

''(II) stock held by members of the expanded affiliated group which includes the acquiring corporation shall not be taken into account in determining ownership.

''(vi) OTHER DEFINITIONS.—For purposes of this subparagraph—

''(I) NOMINALLY FOREIGN CORPORATION.—The term 'nominally foreign corporation' means any corporation which would (but for this subparagraph) be treated as a foreign corporation.

''(II) EXPANDED AFFILIATED GROUP.—The term 'expanded affiliated group' means an affiliated group (as defined in section 1504(a) without regard to section 1504(b)).

''(III) RELATED FOREIGN PARTNERSHIP.—A foreign partnership is related to a domestic partnership if they are under common control (within the meaning of section 482), or they shared the same trademark or tradename.''

(b) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendment made by this section shall apply to corporate expatriation transactions completed after September 11, 2001.

(2) SPECIAL RULE.—The amendment made by this section shall also apply to corporate expatriation transactions completed on or before September 11, 2001, but only with respect to taxable years of the acquiring corporation beginning after December 31, 2003.

Subtitle D—Inclusion in Gross Income of Funded Deferred Compensation of Corporate Insiders

SEC. 351. INCLUSION IN GROSS INCOME OF FUNDED DEFERRED COMPENSATION OF CORPORATE INSIDERS.

(a) IN GENERAL.—Subpart A of part I of subchapter D of chapter 1 is amended by adding at the end the following new section:

''SEC. 409A. INCLUSION IN GROSS INCOME OF FUNDED DEFERRED COMPENSATION OF CORPORATE INSIDERS.

''(a) IN GENERAL.—If an employer maintains a funded deferred compensation plan—

''(1) compensation of any disqualified individual which is deferred under such funded

deferred compensation plan shall be included in the gross income of the disqualified individual or beneficiary for the 1st taxable year in which there is no substantial risk of forfeiture of the rights to such compensation, and

''(2) the tax treatment of any amount made available under the plan to a disqualified individual or beneficiary shall be determined under section 72 (relating to annuities, etc.).

''(b) FUNDED DEFERRED COMPENSATION PLAN.—For purposes of this section—

''(1) IN GENERAL.—The term 'funded deferred compensation plan' means any plan providing for the deferral of compensation unless—

''(A) the employee's rights to the compensation deferred under the plan are no greater than the rights of a general creditor of the employer, and

''(B) all amounts set aside (directly or indirectly) for purposes of paying the deferred compensation, and all income attributable to such amounts, remain (until made available to the participant or other beneficiary) solely the property of the employer (without being restricted to the provision of benefits under the plan), and

''(C) the amounts referred to in subparagraph (B) are available to satisfy the claims of the employer's general creditors at all times (not merely after bankruptcy or insolvency).

Such term shall not include a qualified employer plan.

''(2) SPECIAL RULES.—

''(A) EMPLOYEE'S RIGHTS.—A plan shall be treated as failing to meet the requirements of paragraph (1)(A) unless—

''(i) the compensation deferred under the plan is payable only upon separation from service, death, or at a specified time (or pursuant to a fixed schedule), and

''(ii) the plan does not permit the acceleration of the time such deferred compensation is payable by reason of any event.

If the employer and employee agree to a modification of the plan that accelerates the time for payment of any deferred compensation, then all compensation previously deferred under the plan shall be includible in gross income for the taxable year during which such modification takes effect and the taxpayer shall pay interest at the underpayment rate on the underpayments that would have occurred had the deferred compensation been includible in gross income on the earliest date that there is no substantial risk of forfeiture of the rights to such compensation.

''(B) CREDITOR'S RIGHTS.—A plan shall be treated as failing to meet the requirements of paragraph (1)(B) with respect to amounts set aside in a trust unless—

''(i) the employee has no beneficial interest in the trust,

''(ii) assets in the trust are available to satisfy claims of general creditors at all times (not merely after bankruptcy or insolvency), and

''(iii) there is no factor that would make it more difficult for general creditors to reach the assets in the trust than it would be if the trust assets were held directly by the employer in the United States.

Except as provided in regulations prescribed by the Secretary, such a factor shall include the location of the trust outside the United States.

''(c) DISQUALIFIED INDIVIDUAL.—For purposes of this section, the term 'disqualified individual' means, with respect to a corporation, any individual—

''(1) who is subject to the requirements of section 16(a) of the Securities Exchange Act of 1934 with respect to such corporation, or

''(2) who would be subject to such requirements if such corporation were an issuer of equity securities referred to in such section.

''(d) OTHER DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

''(1) QUALIFIED EMPLOYER PLAN.—The term 'qualified employer plan' means—

''(A) any plan, contract, pension, account, or trust described in subparagraph (A) or (B) of section 219(g)(5), and

''(B) any other plan of an organization exempt from tax under subtitle A.

''(2) PLAN INCLUDES ARRANGEMENTS, ETC.—The term 'plan' includes any agreement or arrangement.

''(3) SUBSTANTIAL RISK OF FORFEITURE.—The rights of a person to compensation are subject to a substantial risk of forfeiture if such person's rights to such compensation are conditioned upon the future performance of substantial services by any individual.

''(4) TREATMENT OF EARNINGS.—Except for purposes of subsection (a)(1) and the last sentence of (b)(2)(A), references to deferred compensation shall be treated as including references to income attributable to such compensation or such income.''

(b) CLERICAL AMENDMENT.—The table of sections for such subpart A is amended by adding at the end the following new item:

''Sec. 409A. Inclusion in gross income of funded deferred compensation of corporate insiders.''

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts deferred after July 10, 2002.

Mr. THOMAS (during the reading). Mr. Speaker, I ask unanimous consent that the motion to recommit be considered as read and printed in the RECORD.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

Mr. RANGEL. Mr. Speaker, I object.

The SPEAKER pro tempore. Objection is heard. The Clerk will continue to read.

The Clerk continued the reading of the motion to recommit.

Mr. THOMAS (during the reading). Mr. Speaker, I ask unanimous consent that the motion to recommit be considered as read and printed in the RECORD.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

Mr. RANGEL. Mr. Speaker, I object.

The SPEAKER pro tempore. Objection is heard. The Clerk will continue to read.

Mr. RANGEL. Mr. Speaker, I ask unanimous consent that our substitute be made in order.

POINT OF ORDER

Mr. THOMAS. Mr. Speaker, I make a point of order.

The SPEAKER pro tempore. The gentleman will state his point of order.

Mr. THOMAS. Mr. Speaker, the point of order is that the substitute was not made in order under the rule. Therefore, it is not germane.

The SPEAKER pro tempore. The Clerk must first continue reading the motion to recommit.

The Clerk continued the reading of the motion to recommit.

Mr. RANGEL (during the reading). Mr. Speaker, I ask unanimous consent that the remainder of the motion to recommit be considered as read and printed in the RECORD. That concludes the references to the table of contents of this substitute bill.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New York?

There was no objection.

POINT OF ORDER

Mr. THOMAS. Mr. Speaker, I make a point of order.

The SPEAKER pro tempore. The gentleman will state his point of order.

Mr. THOMAS. Mr. Speaker, as is made imminently clear by the reading of the table of contents, the motion to recommit is not germane. It is in violation of clause 7 of rule XVI of the House because the motion to recommit relates to subject matter not contained in the underlying bill. The underlying bill only relates to reducing income taxation. Therefore, the amendment is not germane and, therefore, is out of order.

The SPEAKER pro tempore. Do other Members wish to be heard on the point of order?

Mr. RANGEL. Mr. Speaker, the gentleman from California said yesterday that he wanted an equality in the rule that was before this House. He said that he would not be supporting anything that would not allow us to be heard, and that he would also not ask for points of order to be waived on the majority's bill.

It seems to me that if what they are saying is true, that this is supposed to be a jobs bill, how can anyone in this country, anyone in this Congress, say that giving some assistance to the millions of people that have lost their jobs during this administration, that giving some relief, giving some unemployment compensation, is out of order and not relevant?

□ 1330

How can we say that the working people who do not see any of the benefits of this tax cut, when we are talking about giving them benefits, giving them the opportunity to buy, to purchase, and to stimulate the economy, how can we say that it is not relevant? How can we say that Medicaid and giving assistance to our States that are in economic dire need, what kind of rule could they come up with, call it fair, call it equitable, and not give us a chance to express ourselves?

I suggest to my colleagues that what we are trying to do is to have an alternative. That is not the Republican way, that is not the Democratic way, that is the American way, that we be allowed to be heard.

Mr. Speaker, we made an appeal to the Committee on Rules. The chairman of the Committee on Ways and Means admitted this morning that he asked to have the same type of treatment for us as they were asking for themselves. True, he said, he was not going to ask for a waiver of the rules; but that is not the case. Somehow, between a nod and a blink, he got a waiver of the rules. We picked out five violations of

the budget; and yet they say that they got a waiver of the rules that we control ourselves by.

So the only thing I am saying is this: they have got the votes. They have held this bill until they can get the votes. They have kept every Republican's foot to the fire in order to give tax relief for the richest people in the United States of America. We are not asking to win; we are merely asking to be heard. We are asking for the opportunity, using the same rules that they have had for themselves, for ourselves.

Mr. Speaker, I hope that you allow this substitute to be heard, to be argued, and to be voted on.

The SPEAKER pro tempore (Mr. SIMPSON). The Chair is prepared to rule on the point of germaneness.

The gentleman from California makes a point of order that the motion to recommit is not germane.

The motion to recommit instructs the Committee on Ways and Means to report forthwith the bill to the House with an amendment that provides, in pertinent part, for an extension of unemployment benefits under the Temporary Extended Unemployment Compensation Act of 2002.

The bill, H.R. 2, amends the Internal Revenue Code to provide various economic growth incentives. The changes to the Code proposed by the bill are confined to the revenue jurisdiction of the Committee on Ways and Means.

Clause 7 of rule 16 provides that no proposition on a ''subject different from that under consideration shall be admitted under the color of amendment.'' As recorded on page 678 of the House Rules and Manual, a general principle of the germaneness rule is that an amendment must relate to the subject matter under consideration. The amendment proposed in the motion to recommit would, in pertinent part, extend unemployment insurance benefits, a matter not addressed by the underlying bill and falling outside the revenue jurisdiction of the Committee on Ways and Means.

Accordingly, the motion is not germane and the point of order is sustained.

Mr. RANGEL. Mr. Speaker, with all due respect, in view of the inequities that exist in bringing this bill to the floor, I respectfully appeal the ruling of the Chair.

The SPEAKER pro tempore. The question is, Shall the decision of the Chair stand as the judgment of the House?

MOTION TO TABLE OFFERED BY MR THOMAS

Mr. THOMAS. Mr. Speaker, the real American way is to play by the rules. I move to lay the appeal on the table.

The SPEAKER pro tempore. The question is the motion offered by the gentleman from California (Mr. THOMAS) that the appeal of the ruling of the Chair be laid on the table.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

RECORDED VOTE

Mr. RANGEL. Mr. Speaker, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 222, noes 202, not voting 11, as follows:

[Roll No. 180]

AYES—222

Aderholt
Akin
Bachus
Baker
Ballenger
Barrett (SC)
Bartlett (MD)
Barton (TX)
Bass
Beauprez
Bereuter
Biggert
Bilirakis
Bishop (UT)
Blackburn
Blunt
Boehlert
Boehner
Bonilla
Bonner
Bono
Boozman
Bradley (NH)
Brady (TX)
Brown (SC)
Brown-Waite, Ginny
Burgess
Burns
Burr
Burton (IN)
Buyer
Calvert
Camp
Cannon
Cantor
Capito
Carter
Castle
Chabot
Chocola
Coble
Collins
Cox
Crane
Crenshaw
Cubin
Culberson
Cunningham
Davis, Jo Ann
Davis, Tom
Deal (GA)
DeLay
DeMint
Diaz-Balart, L.
Diaz-Balart, M.
Doolittle
Dreier
Duncan
Dunn
Ehlers
Emerson
English
Everett
Ferguson
Flake
Fletcher
Foley
Forbes
Fossella
Franks (AZ)
Frelinghuysen
Gallegly
Garrett (NJ)
Gerlach
Gibbons
Gilchrest
Gillmor
Gingrey
Goode
Goodlatte
Goss
Granger
Graves
Green (WI)
Greenwood
Gutknecht
Harris
Hart
Hastert
Hastings (WA)
Hayes
Hayworth
Hefley
Hensarling
Herger
Hobson
Hoekstra
Hostettler
Houghton
Hulshof
Hunter
Hyde
Isakson
Issa
Istook
Janklow
Jenkins
Johnson (CT)
Johnson (IL)
Johnson, Sam
Jones (NC)
Keller
Kelly
Kennedy (MN)
King (NY)
Kingston
Kirk
Kline
Knollenberg
Kolbe
LaHood
Latham
LaTourette
Leach
Lewis (CA)
Lewis (KY)
Linder
LoBiondo
Lucas (OK)
Manzullo
McCotter
McCrery
McHugh
McInnis
McKeon
Mica
Miller (FL)
Miller (MI)
Moran (KS)
Murphy
Musgrave
Myrick
Nethercutt
Ney
Norwood
Nunes
Nussle
Osborne
Ose
Otter
Oxley
Paul
Pearce
Pence
Peterson (PA)
Petri
Pickering
Pitts
Platts
Pombo
Porter
Portman
Pryce (OH)
Putnam
Quinn
Radanovich
Ramstad
Regula
Rehberg
Renzi
Reynolds
Rogers (AL)
Rogers (KY)
Rogers (MI)
Rohrabacher
Ros-Lehtinen
Royce
Ryan (WI)
Ryun (KS)
Saxton
Sensenbrenner
Sessions
Shadegg
Shaw
Shays
Sherwood
Shimkus
Shuster
Simmons
Simpson
Smith (MI)
Smith (NJ)
Smith (TX)
Souder
Stearns
Sullivan
Sweeney
Tancredo
Tauzin
Taylor (NC)
Terry
Thomas
Thornberry
Tiahrt
Tiberi
Toomey
Turner (OH)
Upton
Vitter
Walden (OR)
Walsh
Wamp
Weldon (FL)
Weldon (PA)
Weller
Whitfield
Wicker
Wilson (NM)
Wilson (SC)
Wolf
Young (AK)
Young (FL)

NOES—202

Abercrombie
Ackerman
Alexander
Allen
Andrews
Baca
Baird
Baldwin
Ballance
Becerra
Bell
Berkley
Berman
Berry
Bishop (GA)
Bishop (NY)
Blumenauer
Boswell
Boucher
Brady (PA)
Brown (OH)
Brown, Corrine
Capps
Capuano
Cardin
Cardoza
Carson (IN)
Carson (OK)
Case
Clay
Cooper
Costello
Cramer
Crowley
Cummings
Davis (AL)
Davis (CA)
Davis (FL)
Davis (IL)
Davis (TN)
DeFazio
DeGette
Delahunt
DeLauro
Deutsch
Dicks
Dingell
Doggett
Dooley (CA)
Doyle
Edwards
Emanuel
Engel
Eshoo
Etheridge
Evans
Farr
Fattah
Filner
Ford
Frank (MA)
Frost
Gonzalez
Gordon
Green (TX)
Grijalva
Gutierrez
Hall
Harman
Hastings (FL)
Hill
Hinchey
Hinojosa
Hoeffel
Holden
Holt
Honda
Hooley (OR)
Hoyer
Inslee
Israel
Jackson (IL)
Jackson-Lee (TX)
Jefferson
John
Johnson, E. B.
Jones (OH)
Kanjorski
Kaptur
Kennedy (RI)
Kildee
Kilpatrick
Kind
Kleczka
Kucinich
Lampson
Langevin
Lantos
Larsen (WA)
Larson (CT)
Lee
Levin
Lewis (GA)
Lipinski
Lofgren
Lowey
Lucas (KY)
Lynch
Majette
Maloney
Markey
Marshall
Matheson
Matsui
McCarthy (MO)
McCarthy (NY)
McCollum
McDermott
McGovern
McIntyre
McNulty
Meehan
Meek (FL)
Meeks (NY)
Menendez
Michaud
Millender-McDonald
Miller (NC)
Miller, George
Mollohan
Moore
Moran (VA)
Murtha
Nadler
Napolitano
Neal (MA)
Oberstar
Obey
Olver
Ortiz
Owens
Pallone
Pascrell
Pastor
Payne
Pelosi
Peterson (MN)
Pomeroy
Price (NC)
Rahall
Rangel
Reyes
Rodriguez
Ross
Rothman
Roybal-Allard
Ruppersberger
Rush
Ryan (OH)
Sabo
Sanchez, Linda T.
Sanchez, Loretta
Sanders
Sandlin
Schakowsky
Schiff
Scott (GA)
Scott (VA)
Serrano
Sherman
Skelton
Slaughter
Smith (WA)
Snyder
Solis
Spratt
Stark
Stenholm
Strickland
Stupak
Tanner
Tauscher
Taylor (MS)
Thompson (CA)
Thompson (MS)
Tierney
Towns
Turner (TX)
Udall (CO)
Udall (NM)
Van Hollen
Velazquez
Visclosky
Waters
Watson
Watt
Waxman
Weiner
Wexler
Woolsey
Wu
Wynn

NOT VOTING—11

Boyd
Clyburn
Cole
Combest
Conyers
Feeney
Gephardt
King (IA)
Miller, Gary
Northup
Schrock

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (Mr. SIMPSON) (during the vote). The Chair would advise Members that 2 minutes remain in this vote.

□ 1351

Ms. WOOLSEY and Mr. DOGGETT changed their vote from ''aye'' to ''no.''

So the decision of the Chair stands as the judgment of the House.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

MOTION TO RECOMMIT OFFERED BY MR. MOORE

Mr. MOORE. Mr. Speaker, I offer a motion to recommit.

The SPEAKER pro tempore. Is the gentleman opposed to the bill?

Mr. MOORE. Yes, I am, Mr. Speaker.

The SPEAKER pro tempore. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. MOORE moves to recommit the bill, H.R. 2, to the Committee on Ways

and Means with instructions to promptly report the same back to the House with an amendment that provides that the bill's provisions will not take effect until the Federal budget is in balance.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Kansas (Mr. MOORE) is recognized for 5 minutes in support of his motion.

Mr. MOORE. Mr. Speaker, I urge the Members of this body to vote for the motion to recommit. This is not a partisan issue to me. In fact, 2 years ago, Mr. Speaker, I voted for the President's tax cut. But that was then and this is now. Two years ago we had a projected surplus of $5.6 trillion. Now we have a projected deficit of $400 billion. That was then and this is now.

Deficits do matter. At one time or another all of us in this Chamber have said that deficits do matter, that debt does matter. We had then, 2 years ago, a $5.7 trillion debt. Now we have a $6.4 trillion debt. The debt tax, the debt tax, not the death tax, Mr. Speaker, the debt tax is $1 billion a day. And this bill, if it is passed, will increase the debt tax and the party that is supporting this bill will increase taxes to every taxpayer in this country in the future if this bill passes. They want to raise that tax and I think that we should not do that, Mr. Speaker.

They want to borrow money to pay for a tax cut now and pass the bill for that tax cut to our children and our grandchildren. That is the wrong thing to do. It is outrageous. It is selfish and we should vote that down. I urge the Members of this Congress to vote for the motion to recommit.

Mr. Speaker, I yield to the gentleman from Texas (Mr. STENHOLM).

Mr. STENHOLM. Mr. Speaker, January 26, 1995, I joined with the 135 remaining Members on this side of the aisle to pass a balanced budget constitutional amendment. It is one of the happier days of my now 24 years in this House of Representatives. One of the saddest days was watching it be defeated by one vote on the floor of the Senate. Had the Senate voted for the balanced budget constitutional amendment, this bill could not be on the floor today, could not be on the floor today. But it is on the floor today.

Suddenly deficits do not matter. Balancing the budget does not matter. It is all on the myth and projections that we have heard over and over and over again, not only by this bill today, but also the one in 2001 and 2002. And the facts will speak for themselves.

I rise today in this motion to recommit and urge the 135 of you still here, including the Speaker, the majority leader, and all of the leaders on this side who will bring a constitutional amendment back to the floor by the first of July, I ask a simple question: How can you support this bill and at the same time say you believe that fiscal responsibility and balancing the budget matters?

Deficits no longer matter, Mr. Speaker. They matter to me. I am just as consistent today in my vote no on final passage and yes on this as I was when I joined with you regarding the seriousness of balancing the budget. And to those that argue that this is a growth package, your own economics do not support that this will be paid for. You will have to borrow not just the $550 billion but the 240 in interest to pay for this. But you are perfectly willing to do it.

I heard a moment ago the Speaker talking about debt and talking about how we want to change the corporate behavior. I agree with him, but you have got to start with us here right now. You cannot just talk about them. You have got to talk about us.

Under your own game plan that you are bound and determined to pass and take full credit for, and you will deserve it, you will deserve it, this country will owe over $12 trillion at the end of this game plan, exactly the time the baby boomers begin to retire. And at no time have we spent one second trying to deal with the problem of the baby boomers in Social Security and Medicare in the future. It is all about us today.

Mr. Speaker, if you are consistent in believing that balancing the budget does matter, I submit to you there is no way with a clean conscience you cannot vote for this motion to recommit and go back to the drawing board and at least give those of us who are willing to work for a more sensible economic game plan the opportunity to do so. Please join me in support of this motion to recommit and show that we are, in fact, sincere. Or if you are perfectly willing to assume the borrow and spend Republicans of the future, vote with this package today. I am for balancing the budget. I am not for borrowing and spending. It is not going to be in the best interest of this country in the future.

Mr. MOORE. Mr. Speaker, I yield back the balance of my time.

Mr. THOMAS. Mr. Speaker, I rise in opposition to the motion to recommit.

The SPEAKER pro tempore. The gentleman from California (Mr. THOMAS) is recognized for 5 minutes.

Mr. THOMAS. Mr. Speaker, here we go again. This motion does not recommit the bill. It kills tax relief, job creation, and economic growth, because the motion to recommit contains the word ''promptly'' instead of ''forthwith.''

Have you heard this before? Do you want me to stop?

Vote no on the motion to recommit.

Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore. Without objection, the previous question is ordered on the motion to recommit.

There was no objection.

The question was taken; and the Speaker pro tempore announced that the noes appeared to have it.

RECORDED VOTE

Mr. MOORE. Mr. Speaker, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 202, noes 218, not voting 15, as follows:

[Roll No. 181]

AYES—202

Abercrombie
Ackerman
Alexander
Allen
Andrews
Baca
Baird
Baldwin
Ballance
Becerra
Bell
Berkley
Berman
Berry
Bishop (GA)
Bishop (NY)
Blumenauer
Boswell
Boucher
Brady (PA)
Brown (OH)
Brown, Corrine
Capps
Capuano
Cardin
Cardoza
Carson (IN)
Case
Clay
Conyers
Cooper
Costello
Cramer
Crowley
Cummings
Davis (AL)
Davis (CA)
Davis (FL)
Davis (IL)
Davis (TN)
DeFazio
DeGette
Delahunt
DeLauro
Deutsch
Dicks
Dingell
Doggett
Dooley (CA)
Doyle
Edwards
Emanuel
Engel
Eshoo
Etheridge
Evans
Farr
Fattah
Filner
Ford
Frank (MA)
Frost
Gonzalez
Gordon
Green (TX)
Grijalva
Gutierrez
Hall
Harman
Hastings (FL)
Hill
Hinchey
Hinojosa
Hoeffel
Holden
Holt
Honda
Hooley (OR)
Hoyer
Inslee
Israel
Jackson (IL)
Jackson-Lee (TX)
Jefferson
John
Johnson, E. B.
Jones (OH)
Kanjorski
Kaptur
Kennedy (RI)
Kildee
Kilpatrick
Kind
Kleczka
Kucinich
Lampson
Langevin
Lantos
Larsen (WA)
Larson (CT)
Lee
Levin
Lewis (GA)
Lipinski
Lofgren
Lowey
Lucas (KY)
Lynch
Majette
Maloney
Markey
Marshall
Matheson
Matsui
McCarthy (MO)
McCarthy (NY)
McCollum
McDermott
McGovern
McIntyre
McNulty
Meehan
Meek (FL)
Meeks (NY)
Menendez
Michaud
Millender-McDonald
Miller (NC)
Miller, George
Mollohan
Moore
Moran (VA)
Murtha
Nadler
Napolitano
Neal (MA)
Oberstar
Obey
Olver
Ortiz
Owens
Pallone
Pascrell
Pastor
Payne
Pelosi
Peterson (MN)
Pomeroy
Price (NC)
Rahall
Rangel
Reyes
Rodriguez
Ross
Rothman
Roybal-Allard
Ruppersberger
Rush
Ryan (OH)
Sabo
Sanchez, Linda T.
Sanchez, Loretta
Sanders
Sandlin
Schakowsky
Schiff
Scott (GA)
Scott (VA)
Serrano
Sherman
Skelton
Slaughter
Smith (WA)
Snyder
Solis
Spratt
Stark
Stenholm
Strickland
Stupak
Tanner
Tauscher
Taylor (MS)
Thompson (CA)
Thompson (MS)
Tierney
Towns
Turner (TX)
Udall (CO)
Udall (NM)
Van Hollen
Velazquez
Visclosky
Waters
Watson
Watt
Waxman
Weiner
Wexler
Woolsey
Wu
Wynn

NOES—218

Aderholt
Akin
Bachus
Baker
Ballenger
Barrett (SC)
Bartlett (MD)
Barton (TX)
Bass
Beauprez
Bereuter
Biggert
Bilirakis
Bishop (UT)
Blackburn
Blunt
Boehlert
Boehner
Bonilla
Bonner
Bono
Boozman
Bradley (NH)
Brady (TX)
Brown (SC)
Brown-Waite, Ginny
Burgess
Burns
Burr
Burton (IN)
Buyer
Calvert
Camp
Cantor
Capito
Carson (OK)
Carter
Castle
Chabot
Chocola
Coble
Collins
Crane
Crenshaw
Cubin
Culberson
Cunningham
Davis, Jo Ann
Davis, Tom
Deal (GA)
DeLay
DeMint
Diaz-Balart, L.
Diaz-Balart, M.
Doolittle
Dreier
Duncan
Ehlers
Emerson

English
Everett
Ferguson
Flake
Fletcher
Foley
Forbes
Franks (AZ)
Frelinghuysen
Gallegly
Garrett (NJ)
Gerlach
Gibbons
Gilchrest
Gillmor
Gingrey
Goode
Goodlatte
Goss
Granger
Graves
Green (WI)
Greenwood
Gutknecht
Harris
Hart
Hastert
Hastings (WA)
Hayes
Hayworth
Hefley
Hensarling
Herger
Hobson
Hoekstra
Hostettler
Houghton
Hulshof
Hunter
Hyde
Isakson
Issa
Istook
Janklow
Jenkins
Johnson (CT)
Johnson (IL)
Johnson, Sam
Jones (NC)
Keller
Kelly
Kennedy (MN)
King (NY)
Kingston
Kirk
Kline
Knollenberg
Kolbe
Latham
LaTourette
Leach
Lewis (CA)
Lewis (KY)
Linder
LoBiondo
Lucas (OK)
Manzullo
McCotter
McCrery
McHugh
McInnis
McKeon
Mica
Miller (FL)
Miller (MI)
Moran (KS)
Murphy
Musgrave
Myrick
Nethercutt
Ney
Norwood
Nunes
Nussle
Osborne
Ose
Otter
Oxley
Paul
Pearce
Pence
Peterson (PA)
Petri
Pickering
Pitts
Platts
Pombo
Porter
Portman
Pryce (OH)
Putnam
Quinn
Radanovich
Ramstad
Regula
Rehberg
Renzi
Reynolds
Rogers (AL)
Rogers (KY)
Rogers (MI)
Rohrabacher
Ros-Lehtinen
Royce
Ryan (WI)
Ryun (KS)
Saxton
Sensenbrenner
Sessions
Shadegg
Shaw
Shays
Sherwood
Shimkus
Shuster
Simmons
Simpson
Smith (MI)
Smith (NJ)
Smith (TX)
Souder
Stearns
Sullivan
Sweeney
Tancredo
Tauzin
Taylor (NC)
Terry
Thomas
Thornberry
Tiahrt
Tiberi
Toomey
Turner (OH)
Upton
Vitter
Walden (OR)
Walsh
Wamp
Weldon (FL)
Weldon (PA)
Weller
Whitfield
Wicker
Wilson (NM)
Wilson (SC)
Wolf
Young (AK)
Young (FL)

NOT VOTING—15

Boyd
Cannon
Clyburn
Cole
Combest
Cox
Dunn
Feeney
Fossella
Gephardt
King (IA)
LaHood
Miller, Gary
Northup
Schrock

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (Mr. SIMPSON) (during the vote). The Chair would announce that less than 2 minutes remain in this vote.

□ 1415

Mr. HOEFFEL changed his vote from ''no'' to ''aye.''

So the motion to recommit was rejected.

The result of the vote was announced as above recorded.

Stated against:

Mr. FOSSELLA. Mr. Speaker, on rollcall No. 181, I was inadvertently detained. Had I been present, I would have voted ''no.''

The SPEAKER pro tempore (Mr. SIMPSON). The question is on the passage of the bill.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

RECORDED VOTE

Mr. RANGEL. Mr. Speaker, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 222, noes 203, not voting 10, as follows:

[Roll No. 182]

AYES—222

Aderholt
Akin
Alexander
Bachus
Baker
Ballenger
Barrett (SC)
Bartlett (MD)
Barton (TX)
Bass
Beauprez
Bereuter
Biggert
Bilirakis
Bishop (UT)
Blackburn
Blunt
Boehlert
Boehner
Bonilla
Bonner
Bono
Boozman
Bradley (NH)
Brady (TX)
Brown (SC)
Brown-Waite, Ginny
Burgess
Burns
Burr
Burton (IN)
Buyer
Calvert
Camp
Cannon
Cantor
Capito
Carter
Chabot
Chocola
Coble
Collins
Cox
Cramer
Crane
Crenshaw
Cubin
Culberson
Cunningham
Davis, Jo Ann
Davis, Tom
Deal (GA)
DeLay
DeMint
Diaz-Balart, L.
Diaz-Balart, M.
Doolittle
Dreier
Duncan
Dunn
Ehlers
Emerson
English
Everett
Ferguson
Flake
Fletcher
Foley
Forbes
Fossella
Franks (AZ)
Frelinghuysen
Gallegly
Garrett (NJ)
Gerlach
Gibbons
Gilchrest
Gillmor
Gingrey
Goode
Goodlatte
Goss
Granger
Graves
Green (WI)
Greenwood
Gutknecht
Hall
Harris
Hart
Hastert
Hastings (WA)
Hayes
Hayworth
Hefley
Hensarling
Herger
Hobson
Hoekstra
Hostettler
Hulshof
Hunter
Hyde
Isakson
Issa
Istook
Janklow
Jenkins
Johnson (CT)
Johnson (IL)
Johnson, Sam
Jones (NC)
Keller
Kelly
Kennedy (MN)
King (NY)
Kingston
Kirk
Kline
Knollenberg
Kolbe
Latham
LaTourette
Lewis (CA)
Lewis (KY)
Linder
LoBiondo
Lucas (KY)
Lucas (OK)
Manzullo
McCotter
McCrery
McHugh
McInnis
McKeon
Mica
Miller (FL)
Miller (MI)
Moran (KS)
Murphy
Musgrave
Myrick
Nethercutt
Ney
Norwood
Nunes
Nussle
Osborne
Ose
Otter
Oxley
Paul
Pearce
Pence
Peterson (PA)
Petri
Pickering
Pitts
Platts
Pombo
Porter
Portman
Pryce (OH)
Putnam
Quinn
Radanovich
Ramstad
Regula
Rehberg
Renzi
Reynolds
Rogers (AL)
Rogers (KY)
Rogers (MI)
Rohrabacher
Ros-Lehtinen
Royce
Ryan (WI)
Ryun (KS)
Saxton
Sensenbrenner
Sessions
Shadegg
Shaw
Shays
Sherwood
Shimkus
Shuster
Simmons
Simpson
Smith (MI)
Smith (NJ)
Smith (TX)
Souder
Stearns
Sullivan
Sweeney
Tancredo
Tauzin
Taylor (NC)
Terry
Thomas
Thornberry
Tiahrt
Tiberi
Toomey
Turner (OH)
Upton
Vitter
Walden (OR)
Walsh
Wamp
Weldon (FL)
Weldon (PA)
Weller
Whitfield
Wicker
Wilson (NM)
Wilson (SC)
Wolf
Young (AK)
Young (FL)

NOES—203

Abercrombie
Ackerman
Allen
Andrews
Baca
Baird
Baldwin
Ballance
Becerra
Bell
Berkley
Berman
Berry
Bishop (GA)
Bishop (NY)
Blumenauer
Boswell
Boucher
Brady (PA)
Brown (OH)
Brown, Corrine
Capps
Capuano
Cardin
Cardoza
Carson (IN)
Carson (OK)
Case
Castle
Clay
Conyers
Cooper
Costello
Crowley
Cummings
Davis (AL)
Davis (CA)
Davis (FL)
Davis (IL)
Davis (TN)
DeFazio
DeGette
Delahunt
DeLauro
Deutsch
Dicks
Dingell
Doggett
Dooley (CA)
Doyle
Edwards
Emanuel
Engel
Eshoo
Etheridge
Evans
Farr
Fattah
Filner
Ford
Frank (MA)
Frost
Gephardt
Gonzalez
Gordon
Green (TX)
Grijalva
Gutierrez
Harman
Hastings (FL)
Hill
Hinchey
Hinojosa
Hoeffel
Holden
Holt
Honda
Hooley (OR)
Houghton
Hoyer
Inslee
Israel
Jackson (IL)
Jackson-Lee (TX)
Jefferson
John
Johnson, E. B.
Jones (OH)
Kanjorski
Kaptur
Kennedy (RI)
Kildee
Kilpatrick
Kind
Kleczka
Kucinich
Lampson
Langevin
Lantos
Larsen (WA)
Larson (CT)
Leach
Lee
Levin
Lewis (GA)
Lipinski
Lofgren
Lowey
Lynch
Majette
Maloney
Markey
Marshall
Matheson
Matsui
McCarthy (MO)
McCarthy (NY)
McCollum
McDermott
McGovern
McIntyre
McNulty
Meehan
Meek (FL)
Meeks (NY)
Menendez
Michaud
Millender-McDonald
Miller (NC)
Miller, George
Mollohan
Moore
Moran (VA)
Murtha
Nadler
Napolitano
Neal (MA)
Oberstar
Obey
Olver
Ortiz
Owens
Pallone
Pascrell
Pastor
Payne
Pelosi
Peterson (MN)
Pomeroy
Price (NC)
Rahall
Rangel
Reyes
Rodriguez
Ross
Rothman
Roybal-Allard
Ruppersberger
Rush
Ryan (OH)
Sabo
Sanchez, Linda T.
Sanchez, Loretta
Sanders
Sandlin
Schakowsky
Schiff
Scott (GA)
Scott (VA)
Serrano
Sherman
Skelton
Slaughter
Smith (WA)
Snyder
Solis
Spratt
Stark
Stenholm
Strickland
Stupak
Tanner
Tauscher
Taylor (MS)
Thompson (CA)
Thompson (MS)
Tierney
Towns
Turner (TX)
Udall (CO)
Udall (NM)
Van Hollen
Velazquez
Visclosky
Waters
Watson
Watt
Waxman
Weiner
Wexler
Woolsey
Wu
Wynn

NOT VOTING—10

Boyd
Clyburn
Cole
Combest
Feeney
King (IA)
LaHood
Miller, Gary
Northup
Schrock

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (Mr. SIMPSON) (during the vote). Members are advised that 2 minutes remain in this vote.

□ 1431

So the bill was passed.

The result of the vote was announced as above recorded.

The title of the bill was amended so as to read: ''A bill to provide for reconciliation pursuant to section 201 of the concurrent resolution on the budget for fiscal year 2004''.

A motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. THOMAS. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks and to include extraneous material on the subject of H.R. 2, the bill just passed.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

ANNOUNCEMENT BY COMMITTEE ON RULES REGARDING AMENDMENTS TO H.R. 1527, NATIONAL TRANSPORTATION SAFETY BOARD REAUTHORIZATION ACT OF 2003

(Mr. DREIER asked and was given permission to address the House for 1 minute.)

Mr. DREIER. Mr. Speaker, the Committee on Rules may meet the week of May 12 to grant a rule for the consideration of H.R. 1527, the National Transportation Safety Board Reauthorization Act of 2003, which may require that amendments be printed in the CONGRESSIONAL RECORD prior to their consideration on the floor. The Committee on Transportation and Infrastructure ordered the bill reported on April 9, 2003, and filed its report in the House on May 1, 2003.

Members should draft their amendments to the text of the bill as reported by the Committee on Transportation and Infrastructure. Members should use the Office of Legislative Counsel to ensure that their amendments are drafted in the most appropriate format. Members are also advised to check with the Office of the Parliamentarian to be certain their amendments comply with the rules of the House.

LEGISLATIVE PROGRAM

(Mr. HOYER asked and was given permission to address the House for 1 minute.)

Mr. HOYER. Mr. Speaker, I yield to the distinguished majority leader for the purpose of inquiring about the schedule for the following week.

Mr. DELAY. I appreciate the gentleman yielding.

Mr. Speaker, the House will convene on Tuesday at 12:30 p.m. for morning hour and 2 p.m. for legislative business. We will consider several measures under suspension of the rules. A final list of those bills will be sent to Members' offices by the end of this week. Any votes called on these measures will be rolled until 6:30 p.m. on Tuesday.

On Wednesday, we expect to consider additional bills under suspension of the rules, as well as H.R. 1000, the Pension Security Act of 2003.

On Thursday, we plan to take up H.R. 1527, the National Transportation Safety Board reauthorization.

Finally, I would like to note for all Members that we are making a change to the schedule that we sent to all the offices at the beginning of the year. We do not plan to have votes next Friday, May 16.

Mr. HOYER. I thank the majority leader for giving us that information. I know Members are pleased to hear about Friday, the 16th.

Mr. Leader, the pension bill to which you referred, will this bill that is brought to the floor be a product of the Committee on Education and the Workforce or will it be a joint product of the Committee on Ways and Means and that committee?

Mr. DELAY. If the gentleman will yield further, it is my understanding that the pension bill will be a joint product from the Committee on Ways and Means and the Committee on Education and the Workforce.

Mr. HOYER. I thank the gentleman.

Mr. Leader, as you know, there was great consternation and concern on our side of the aisle about how this massive tax bill was considered today, not only in terms of the fact that we did not get to offer a substitute but also in terms of the very abbreviated time that such a major piece, the gentleman from Pennsylvania (Mr. ENGLISH) referred to it as the most important bill that we might consider during this session of the Congress, was given 1 hour of general debate.

Given that, can you give any assurances that when the pension bill comes to the floor that we will be given an opportunity to offer a substitute and that sufficient time to discuss such a major piece of legislation will be allotted?

I yield to my friend.

Mr. DELAY. I appreciate my friend yielding. Obviously we will work with you to do whatever we can to allow the minority side to have a substitute that is germane to the bill. We think it is important that you be allowed to debate these issues and have an alternative if you choose to offer one. The gentleman is correct, the pension bill is a very important bill and should have enough time to be fully discussed by this House.

Mr. HOYER. Reclaiming my time, I appreciate the gentleman's observation that he would like to work with us in trying to get there.

What impediments would you see to us having a substitute to the pension bill that is offered?

Mr. DELAY. If the gentleman will continue to yield, I am not advised nor do I contemplate any impediment whatsoever, particularly on a pension bill. As the gentleman knows, on a bill that comes from the Committee on Ways and Means, particularly when it deals with the Tax Code, it is always and has always been a closely held bill because any amendment or any substitute has long-ranging implications and consequences. And so the Ways and Means bills have always been held. In the case of a pension bill, it is pretty straightforward. If the minority has a substitute that is germane to the bill, certainly we will give it every consideration.

Mr. HOYER. I thank the gentleman.

Mr. Leader, there has been a lot of discussion about the partial-birth abortion bill. It is not on the schedule for next week, as I understand it. Do you have any idea when this might come up? In particular, do you expect it to come up before the Memorial Day break? I yield to my friend.

Mr. DELAY. I thank the gentleman for yielding. As the distinguished minority whip is probably aware, the Senate passed this very important legislation before the Easter break. The Committee on the Judiciary has marked up the bill. But the calendar being as full as it is before the Memorial Day break, I really cannot see where we can get it to the floor before early summer, sometime probably in June.

Mr. HOYER. With respect to Medicare prescription drugs, Mr. Leader, we are hearing that this bill may be coming to the floor very soon. Can you tell us when we might expect this bill on the floor and again will that be on the floor before the Memorial Day recess?

Mr. DELAY. If the gentleman will yield further, now that the budget resolution has been adopted and we have set aside funds for modernizing the Medicare program and add a prescription drug benefit, the Committee on Ways and Means and the Committee on Energy and Commerce are working very hard to craft a legislative proposal. As the gentleman is very aware and everyone in this House is aware, this is a very difficult issue and it takes a long time to bring parties together. We hope to consider this legislation in the coming weeks, but we really do not have a feel right now as to when we can bring it up. It is difficult to say whether we can have it before the Memorial Day break or not.

Mr. HOYER. I thank the gentleman for that information.

There is another bill which I understand is pretty controversial but which is being worked on. I do not know whether the leader might inform us as to when we might expect to see this bill, and that is the forest management bill. Could you give us some information on where that bill stands at this point in time?

Mr. DELAY. If the gentleman will yield further, the healthy forest bill that we anticipated to be on this floor next week, and we are still working hard to do that, ran into a little problem of jurisdiction. The Committee on the Judiciary has yet to mark that bill up, or their portion of the bill up. They hope to do that next week. If everyone would cooperate, we could mark it up and get it to the floor by the end of next week. If not, then we have every intention of scheduling that bill in the following week.

Mr. HOYER. So in any event, your expectation would be we would pass, or consider it, by the Memorial Day break?

Mr. DELAY. If the gentleman will yield further, I would hope so, yes.

Mr. HOYER. Mr. Leader, I take it there are no other items for next week other than those which we have referenced?

Mr. DELAY. The gentleman is correct.

Mr. HOYER. I thank the leader for the information.

ADJOURNMENT TO TUESDAY, MAY 13, 2003

Mr. DELAY. Mr. Speaker, I ask unanimous consent that when the House adjourns today, it adjourn to meet at 12:30 p.m. on Tuesday, May 13, 2003, for morning hour debates.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas?

There was no objection.

DISPENSING WITH CALENDAR WEDNESDAY BUSINESS ON WEDNESDAY NEXT

Mr. DELAY. Mr. Speaker, I ask unanimous consent that the business in order under the Calendar Wednesday rule be dispensed with on Wednesday next.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas?

There was no objection.

HOUR OF MEETING ON THURSDAY, MAY 15, 2003

Mr. DELAY. Mr. Speaker, I ask unanimous consent that when the House adjourns on Wednesday, May 14, it adjourn to meet at 9 a.m. on Thursday, May 15, for the purpose of receiving in this Chamber former Members of Congress.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas?

There was no objection.

AUTHORIZING THE SPEAKER TO DECLARE A RECESS ON THURSDAY, MAY 15, 2002, FOR THE PURPOSE OF RECEIVING FORMER MEMBERS OF CONGRESS

Mr. DELAY. Mr. Speaker, I ask unanimous consent that it may be in order on Thursday, May 15, for the Speaker to declare a recess subject to the call of the Chair for the purpose of receiving in this Chamber former Members of Congress.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas?

There was no objection.

REMOVAL OF NAME OF MEMBER AS COSPONSOR OF H.R. 20

Mr. CHOCOLA. Mr. Speaker, I ask unanimous consent to have my name removed as a cosponsor of H.R. 20.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Indiana?

There was no objection.

COMMUNICATION FROM HON. NANCY PELOSI, DEMOCRATIC LEADER

The SPEAKER pro tempore laid before the House the following communication from NANCY PELOSI, Democratic Leader:

U.S. HOUSE OF REPRESENTATIVES,
OFFICE OF THE DEMOCRATIC LEADER,
Washington, DC, May 9, 2003.

Hon. J. DENNIS HASTERT,
Speaker of the House,
U.S. House of Representatives, Washington, DC.

DEAR MR. SPEAKER: Pursuant to section 5(a) of the Abraham Lincoln Bicentennial Commission Act (36 U.S.C. 101 note), I hereby appoint Representative LOUISE SLAUGHTER of New York and Representative JESSE JACKSON, Jr. of Illinois, to the Abraham Lincoln Bicentennial Commission for the 108th Congress.

Best regards,

NANCY PELOSI.

□ 1445

SPECIAL ORDERS

The SPEAKER pro tempore (Mr. HENSARLING). Under the Speaker's announced policy of January 7, 2003, and under a previous order of the House, the following Members will be recognized for 5 minutes each.

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Indiana (Mr. BURTON) is recognized for 5 minutes.

(Mr. BURTON of Indiana addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Washington (Mr. INSLEE) is recognized for 5 minutes.

(Mr. INSLEE addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

EXCHANGE OF SPECIAL ORDER TIME

Mr. MCDERMOTT. Mr. Speaker, I ask unanimous consent to take the Special Order time of the gentleman from Washington (Mr. INSLEE).

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Washington?

There was no objection.

THE EFFECTS OF PASSING H.R. 2, JOBS AND GROWTH TAX ACT OF 2003

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Washington (Mr. MCDERMOTT) is recognized for 5 minutes.

Mr. MCDERMOTT. Mr. Speaker, today we passed a bill out of here in an hour that spent $550 billion worth of taxes. The fact that the House of Representatives, which is the body charged by the Constitution with the responsibility of originating all tax policy in this country, that we can deal with a bill of that size with 1 hour's debate is an absolute travesty. The Founders of this country never considered that a bill of that magnitude with those kinds of long-range effects would be considered on the back of galloping horses as we run to the airport to catch planes all over the country.

The theory of this bill is that if we give back taxes, somehow we will give it to people who will then invest it, creating jobs that will lead to employment in this country. We will hear over and over and over again we are going to create a million jobs, and all this kind of stuff. But the fact is that the Department of Commerce says that today our industries in this country are operating at 75 percent capacity. That means that they can make 25 percent more of whatever it is they make whether it is shirts or tables or furniture or automobiles. They have already the capacity to produce more goods.

What is not happening is that there are people there who have money to purchase those things. So the concept that we are going to give more to the people running the factory and that some factory owner is so stupid that he has already put out all of whatever he can make and thinks he can sell that he would now make more, he would get more machinery and open up a new building and make more automobiles or more whatever, it simply does not pass the commonsense test. If someone runs a bakery and they make 10 loaves of bread and their ovens will allow them to make 20 loaves of bread, but they only sell seven loaves of bread, why would they make 20 loaves of bread? Why would they hire another baker, buy more flour and more yeast and make more bread? So this theory that suddenly if we give more money to the people at the top will magically create jobs is absolutely nonsense. What is needed, obviously, is for the people at the bottom who buy things to have more money.

The bill we just passed out of here in an hour gave 80 percent of the benefit to people making more than $75,000 a year. Now, $75,000 a year is a pretty good income. One can do quite a bit with $75,000 a year. But do all the people above it need more? Do they need to take 80 percent of the benefit and 20 percent goes to the people below? If one is a millionaire under that bill, they will get $105,000 tax refund, $105,000. What will these people on the bottom get? $325.

Most people buy what they can afford, and if they have a small income, they sometimes cannot afford things so they do not buy them. When they have got a big income, they can do whatever they want. But this bill says these people over here with all the money, we are going to give them more, and these people over here, we are going to give them $325.

There are many ways we could have written this bill. I had a proposal to give a payroll tax holiday. There were other proposals that were out here. But the point is that we needed a bill that was fair, that gave the money to the people at the bottom. I was prepared to give a $1,400 amount to everybody in

the whole society because everybody pays the payroll tax. Everybody pays Social Security. Everybody pays Medicare, and if we gave that back to people on the first $20,000 of their income, the people on the bottom would get about $1,500 in refund. They could spend it to buy an extra shirt, to take their family to dinner, to do many of the things that would keep the small businesses open that are now closing because nobody can come and buy dinner for their family. They have to stay at home and live within a tight budget. But the leadership of this House for some reason did not want us to deal with that. They would not let us deal with unemployment. None of the people at the bottom got anything. That is a sad day for this House.

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Indiana (Mr. PENCE) is recognized for 5 minutes.

(Mr. MIKE PENCE addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

ORDER OF BUSINESS

Mr. STRICKLAND. Mr. Speaker, I ask unanimous consent to take my Special Order at this time.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Ohio?

There was no objection.

TAX CUTS AND VETERANS BENEFITS

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Ohio (Mr. STRICKLAND) is recognized for 5 minutes.

Mr. STRICKLAND. Mr. Speaker, we have just voted on a large tax cut bill in this House, but I think it is important for the American people to understand how our fiscal irresponsibility is affecting other aspects of our society. I think it is important for the American people to know that the budget the President sent to this House originally and which was passed by this Chamber cut mandatory and discretionary spending for veterans programs by $28.3 billion. It is hard to believe that at a time when our President was asking America's young men and women to go to Iraq and to fight and in many cases give their lives that he sent a budget to this House that cut veterans benefits by $28.3 billion.

Let me tell my colleagues what else was in that budget that the President sent over that hurts our Nation's veterans. He was asking that the co-payment for a prescription drug that a veteran would need to pay would go from $7 a prescription up to $15 a prescription. Just about a year and a half ago, we increased that co-payment, or the House did against my objection and the objection of my Democratic colleagues, they increased that co-payment for a prescription drug from $2 up to $7 and now the President is asking that that co-payment be increased from $7 to $15 a prescription? And do my colleagues not understand that many veterans get 10 or more prescriptions a month? That is 10 times 15. That is a lot of money for veterans who may be living on very limited fixed incomes. It is shameful. It is shameful what the President has asked in his budget that he sent to the House.

But it gets even worse. The President has suggested that there be an annual enrollment fee imposed upon veterans of $250 annually. Think about that. These are young Americans who have gone and served our country, many of them during wartime. They have served honorably; they have come back to this country. They are participating in the VA healthcare system, and the President says they should be charged an annual enrollment fee of $250 at the very time that we are giving huge, huge tax cuts to the richest people in this country, many of them who have never served in the military. It is just outrageous. But it gets worse because in the President's budget he suggested that the cost for clinic visit be increased.

At the time when we are giving large tax cuts to the wealthiest in our country, many of whom have never served in our military, we are putting additional financial burdens on the backs of our Nation's veterans. And then about 1 year ago, this administration's Department of Veterans Affairs put out a gag order, and basically the gag order said this: too many veterans are coming in for services. We do not have enough money to provide those services; so none of our health care providers around the country can any longer make public service announcements encouraging veterans to use the benefits that they are entitled to receive. No longer can our health care professionals participate in health fairs which could identify diseases in their early stages so that they could be prevented. No longer are our health care professionals around the country allowed to put out newsletters describing the services that veterans are legally entitled to and encouraging them to take advantage of those services.

Mr. Speaker, we are limiting what we are willing to do for our veterans so that we can give huge tax breaks to the richest people in this country. And the question is this: The President and leadership of this House must make a choice. Are we going to defend and protect and provide for our veterans, or are we going to continue to cut their benefits, to cut services to veterans in order to give money to the richest people in this country? That is a choice that is facing those of us who serve in this House.

MOTHER'S DAY

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Georgia (Mr. BURNS) is recognized for 5 minutes.

Mr. BURNS. Mr. Speaker, I rise today to celebrate all the mothers in America. During the last few weeks, we have watched as our Armed Forces fought and won a war in Iraq. This weekend many of those troops will celebrate Mother's Day at home with their families, and in fact, some of those returning troops are mothers themselves.

Earlier this year while those mothers and daughters and fathers and sons bravely fought for the freedom of the people of Iraq and for the security of America, the House passed a bill to relieve some of the tax burden on our troops. Today we gave all American mothers tax relief. This is more than a bouquet of flowers. It is more than a sentimental greeting card. Tax relief for working mothers and their children may correspond with Mother's Day, but it produces dividends well beyond this Sunday.

This plan gives the economy an immediate shot in the arm by accelerating tax relief for the marriage penalty, increasing the child tax credit, and providing working mothers with more of their hard-earned dollars through an accelerated tax relief program. And just think, these mothers can use their recouped income for their needs, for the needs of their children, for the needs of their family.

Furthermore, with sizable long-term tax relief on capital, businesses will receive the investment incentives that will help create more jobs. Just think, because of the legislation this House passed today, more mothers who are without a job will find one. More mothers who own small businesses will be able to expand that business instead of closing their doors. More mothers will provide their children with a better life. On this Mother's Day, this House can tell mothers of America that we have not given them flowers, we have given them the flower shop.

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Oregon (Mr. DEFAZIO) is recognized for 5 minutes.

(Mr. PETER A. DEFAZIO addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

REQUEST FOR SPECIAL ORDER

Mr. SHERMAN. Mr. Speaker, I rise to claim the Democratic 5 minutes after the Republican.

Mr. CUNNINGHAM. Mr. Speaker, I have to object because he has had three in a row, and it is going back and forth, and if it stays in regular order, then it is alternating.

THE BENEFITS OF PASSING H.R. 2, JOBS AND GROWTH TAX ACT OF 2003

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Pennsylvania (Mr. SHUSTER) is recognized for 5 minutes.

Mr. SHUSTER. Mr. Speaker, while many economic indicators show that the American economy is back on the road to recovery, working families in central and western Pennsylvania continue to struggle to pay their bills. Unemployment rates for some portions of my district have risen as high as 14 percent, and jobs are difficult to find, even for the most well-trained workers.

For my constituents, the time to act on these alarming trends is now. I applaud the leadership of the gentleman from California (Mr. THOMAS) and the Committee on Ways and Means on crafting H.R. 2 to help spur our Nation's economy, and we in the House were right to pass this vital legislation. The provisions of H.R. 2 will put billions back into our country and create thousands of new jobs for Pennsylvania workers. This legislation will ensure our economy continues to grow and creates jobs in the years ahead. H.R. 2 is an important step in answering the economic questions facing millions of American taxpayers.

□ 1500

The benefits of H.R. 2 are staggering. Twenty-seven million taxpayers will benefit from the increased child tax credit in 2003 alone; nearly 10 million taxpayers will not pay the AMT; 10 million seniors will become more financially secure in retirement by keeping more of their dividend income.

In fact, half of the immediate tax relief provisions of H.R. 2 are directed towards the child tax credit, eliminating the marriage penalty tax, accelerating rate reductions for middle-class families and ensuring these families do not face the alternative minimum tax; real money for families.

As a former small business owner, I understand the importance of H.R. 2 to small businesses throughout America. H.R. 2 will benefit family businesses by increasing the immediate deduction for small business from $25,000 to $100,000 and modifying the definition of small business to allow more businesses to grow and prosper.

Mr. Speaker, I congratulate my colleagues in the House for supporting H.R. 2, and I urge the other body to move swiftly on this important legislation for our Nation and for working families.

The SPEAKER pro tempore (Mr. HENSARLING). Under a previous order of the House, the gentlewoman from the District of Columbia (Ms. NORTON) is recognized for 5 minutes.

(Ms. NORTON addressed the House. Her remarks will appear hereafter in the Extensions of Remarks.)

BENEFITS OF TAX CUT BILL

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from California (Mr. SHERMAN) is recognized for 5 minutes.

Mr. SHERMAN. Mr. Speaker, this bill is a job killer. It ensures the continuation of the Bush recession.

Now, some will benefit from this. In fact, those who earn over $1 million a year will average more than $93,000. That is almost enough to be a Bush Pioneer, if you give $100,000 to the Bush campaign.

What has happened here in this debate is that the minor economic benefits of this proposal have been talked about extensively, but the offsetting and much larger economic detriments have not been discussed as extensively. Because my colleagues on the Democratic side are so incensed at how unfair this bill is, we have not had enough time to talk about what a job killer it is.

What does this bill do? Yes, it does put some wealthy individuals in a position where they can buy the new $350,000 Mercedes. It is an expensive car. It is a new car. It is the latest toy. And that is where a big chunk, along with similar consumption items, foreign consumption items, where a significant part of this tax bill's result is going.

It is true that some of it will be invested by the wealthy. Some of it will stimulate domestic demand. So there is some positives of the $550 billion. It is hard to find $550 billion that does not have some positives.

But what about the negative? 100 percent of the cost of this bill, and as the gentleman from South Carolina (Mr. SPRATT) explained, that is over $1 trillion, gets sucked out of our capital markets. What does this mean? It means that the over 2.5 million Americans who have already lost their job in the Bush recession will not find new jobs, because when small businesses in my district go to borrow money, the banker will say no, money is not available. We lent it instead to the U.S. Treasury, who has an excellent record of paying it back.

How are small businesses supposed to get the capital they need to expand? They are not going to be able to get it from our capital markets, because $1 trillion is going to be sucked out to pay for this deficit.

It is not typical for me to come to this floor and criticize one of my California colleagues and how they run their office, but I say to the gentleman from California (Mr. THOMAS), you must give your staff a raise, because they have come up with a more regressive tax proposal than the Bush administration. They have done more for the Pioneers.

Look at this. This is amazingly regressive, with virtually nothing going to half of Americans, and $93,000 going to the very wealthy. How do they achieve that? Let us look at the next chart. They come up with an interesting approach.

The tax provisions that help middle-class families cease to have any effect in 2007, whereas the provisions that are responsible for the millionaires getting $93,000 each each year continue for quite some time. In fact, this bill does not have a single provision that helps middle-class families that continues in effect past 2007.

So, let us summarize this bill:

Benefits in 2008 for future years that help middle-class families, zero.

Benefits to 50 percent of all Americans from the dividend provisions in this bill, 1 percent.

Benefits to the top 1 percent coming from the dividend provisions and capital gains provisions of this bill, over 50 percent.

Having a staff that can put together a bill that is more regressive than the White House was able to put together, priceless.

Yes, RepubliCard. Some things, campaign contributions just cannot buy. For everything else, there is RepubliCard. RepubliCard. The country club will accept nothing less.

Also, finally, do not forget to apply for the Deficit Express Card, now with a $12 trillion credit limit, because we will indeed have a $12 trillion national debt with the budget adopted by the majority party. Deficit Express Card, don't leave the House without it.

SETTING THE RECORD STRAIGHT ON ECONOMIC HISTORY

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from California (Mr. CUNNINGHAM) is recognized for 5 minutes.

Mr. CUNNINGHAM. Mr. Speaker, if Patrick Henry could come back today, he would be appalled at what taxation with representation gives us today.

There was not time to speak during the debate, so I would like to set the record straight, and these are facts, undisputable facts.

First of all, I would like to address the issue that George W. Bush lost jobs and the surplus. Fact: In history, in the year 2000, we were starting into a recession. Alan Greenspan. We had tax relief 2 years ago. Alan Greenspan and the majority of economists say that that tax relief shallowed that recession.

Then, Mr. Speaker, we had 9/11. I cannot tell you the effects of this. To New York it was $283 billion, including the $83 billion in lost revenue, and it did hurt this country.

I would like to respond to the ranking minority leader, the gentlewoman from California (Ms. PELOSI). She stated that only Democrats voted for the 1993 tax increase. Let me tell you why Republicans did not vote for the 1993 tax bill. I would say in fairness, not all the Democrats were here during that 1993 period and they should not be held accountable, but the Democrat leadership should.

First of all, they gave us the largest tax increase in history in 1993, and this

is when the White House, the House and the Senate was controlled by the Democrats. I heard the gentleman from Missouri (Mr. GEPHARDT) stand up here and plead for a middle-class tax cut in that 1993 bill. It was the largest tax on the middle class we have ever had in U.S. history. There was a $360 billion deficit, forever, no light at the end of the tunnel. No, we were not going to vote for that.

There was a $320 billion increase. Did they increase the spending on veterans? No. Did they increase it on the military or Social Security or the Social Security Trust Fund? No. They did it at that time on the then First Lady HILLARY CLINTON's health care government control plan and welfare.

Well, what did they do? They cut the veterans' COLA in the 1993 bill. Things they demagogue every single day, they cut the entire COLA for veterans. They cut the entire COLA for military. When Republicans took the majority, we passed and rescinded that and we restored those COLAs for our veterans and our military.

They demagogue every day about Social Security and our seniors. They increased the tax on Social Security. They cut every dime out of the Social Security Trust Fund for their tax increase, and that is wrong as well.

Did they cut spending? No, they did not. They even had an increase in the gas tax that went into the general fund. When we took the majority in 1994 we changed that also. We did not eliminate it, what we did was put it into the transportation fund so that liberals could not spend it on social programs.

In 2000, as I said, there was a recession. Under Bill Clinton we had 147 military deployments, in Haiti, Somalia, Iraq five times, Sudan, Bosnia, Kosovo. In Bosnia and Kosovo, we flew 86 percent of the missions, we paid for 90 percent. The U.S., not ''Butros-Butros By-Golly'' in the UN, but we paid for 90 percent of those wars.

Then the next fallacy is the Clinton surplus. Not a single Clinton budget after the 1993 bill passed this floor. Republicans even brought two of his budgets to the floor to have Democrats vote on them. They were so ridiculous, they got the same amount of votes as the Hillary Clinton health care plan, three votes. Why? Because it was so outrageous and demagogued. But yet they would not vote for it. Not one substitute, even the Blue Dog budget, ever passed this floor.

So we restored the veterans and military COLAs, we took transportation dollars and put them into the Transportation Trust Fund, we balanced the budget, and yet they claim that it was a Clinton Democrat surplus.

It just is not true.

DEALING WITH THE ISSUES IN AFGHANISTAN

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from California (Mr. ROHRABACHER) is recognized for 5 minutes.

Mr. ROHRABACHER. Mr. Speaker, let me note that one of the prior speakers from the other side of the aisle was talking about the tax cut going to the richest part of America, which they defined as any family earning over $75,000 a year.

Now, I would hope that every working family out there, where a man and woman working as hard as they do in order to make ends meet, realizes that if their total family income is over $75,000, the people on this side of the aisle have been labeling them as the rich, as the wealthy, as the people who need to be exploited in order to help all the other people.

This is quite disturbing. It is certainly disturbing to me. I do not come from a wealthy family and the people I know work really hard in order to have a family income of $75,000 a year. Let me note that in our package, we are hearing a complaint that we are helping families that earn $75,000 a year, we are hearing complaints we have included a child tax credit, we are hearing a complaint we have ended the marriage penalty tax, that we have tried to give the seniors a little relief on their earnings limitations, things that were dramatically reversed in the opposite direction during the Clinton years when the Democrats controlled both Houses of Congress and the presidency.

They just went to work on all of the ordinary Americans. Of course, ordinary Americans are anyone who earns under $75,000. But if you earned $75,000 a year, you are the enemy and you are the target, according to our colleagues on the other side of the aisle.

But that is not the subject I wish to talk about today. Just very quickly, let me note I have spent a great deal of time in Afghanistan over the years. People in this body understand that I have taken special care with the issue of Afghanistan. I warned this body for years during the Clinton administration that we had to do something about the Taliban or it would come back to hurt us, and it did, in a big way on September 11, when 3,000 of our own people were slaughtered by an attack that had been based in Afghanistan.

I rise today to warn my colleagues that the situation in Afghanistan is not going in the right way. Although much progress has been made, there are some things we need to worry about. Let us remember that the Northern Alliance in Afghanistan, some of the same people, these mujahedin fighters who fought against the Soviet Union, and I was there in Afghanistan at the time with them, those very same people were recruited by this administration, by the United States, to help us defeat the Taliban and drive al Qaeda, which was a terrorist gang headed by bin Laden, out of Afghanistan.

□ 1515

Their bravery, along with that of our Special Forces teams, had a magnificent victory in Afghanistan. We drove them out; but since that time, we have not done what is right by the Afghan people again. When they helped us drive out the Soviet Union troops and end the Cold War, we let them sleep in the rubble. There has not been the progress in helping them rebuild their country in Afghanistan that they need to experience. America needs to pay attention to this. There are prices to pay when we do not do what is right.

The heroin crop in Afghanistan has quadrupled over the last year and a half. That is because the people are desperate. They have no other source of income. We have to go in there and help those people rebuild their country, and we are not doing so.

What is worse than that is our embassy, under the control of the United States State Department, is pushing to undermine the Northern Alliance that drove out the Taliban and defeated al Qaeda, they are undermining these brave militia men and instead, shifting power over to another group in Afghanistan, many of whom were allied with the Taliban. Now, if you think that is screwed up, it is hard to fathom when you take a look at it.

What the people in the northern part of Afghanistan are looking for is the right to elect their own provincial leaders, their governors, and their own mayors and city councilmen; they are asking for that right before they would disarm. Our embassy is pushing a centralized system on the people of Afghanistan modeled after the French, of all people, where the government, the central government would appoint the heads of the local police and the schools and whatever. Well, no wonder the Northern Alliance who fought the Taliban are not willing to give up their arms until they know they have a right to cast ballots to determine their own destiny.

Our State Department, for some reason, does not have faith in the American system of government to the point that we are willing to share that with the people of Afghanistan. We need to keep track of what is going on over there. The people in Congress, the administration needs to keep closer track of what is happening and make sure that democracy works and the people of Afghanistan can share in the prosperity of this era.

EXCHANGE OF SPECIAL ORDER TIME

The SPEAKER pro tempore (Mr. HENSARLING). Under a previous order of the House, the gentleman from Ohio (Mr. RYAN) is recognized for 5 minutes.

Ms. JACKSON-LEE of Texas. Mr. Speaker, I ask unanimous consent to take the time of the gentleman from Ohio.

The SPEAKER pro tempore. Is there objection to the request of the gentlewoman from Texas?

There was no objection.

CALLING ON AMERICANS TO ENSURE THEY ARE HEARD

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from Texas (Ms. JACKSON-LEE) is recognized for 5 minutes.

Ms. JACKSON-LEE of Texas. Mr. Speaker, first of all, I am moved to wish all of the mothers of America a happy Mother's Day. Just a few hours ago, I stood with mothers from this community acknowledging the very special challenges that mothers have, particularly unemployed mothers in supporting their families, nurturing sons and daughters who cannot find employment. I encourage them to have their voices heard. In fact, I challenged the mothers of America, particularly the large numbers of mothers who face economic troubles and challenges every day, to have a mothers' march so that their voices can be heard; a mothers' march that will march on Washington to ask the hard questions about health care, education, Medicare and Medicaid, the kinds of issues that my friends on the other side of the aisle make light of, throw it to the wind, call it the poor people's issues.

So, Mr. Speaker, I would like to take issue with some of the good words of my friends from the other side of the aisle. I will show my colleagues the headline in USA Today that says, ''Support for the Bush tax cut is growing.'' I have an answer to that, Mr. Speaker. Every Sunday morning, before millions of Americans go off to church, the owned and paid-for national television programs time after time show the same droning voice, one side of the issue, how great a $550 billion tax cut is. If our airwaves, that are supposed to be protected by the first amendment, do not allow the opposition perspective to even be heard, then what would we expect from the American people? What would we expect but for the polling to go from 42 percent to 52 percent. Shame on America's media. They only showed one side of the war, and now they are only going to show one side of the domestic tax debate.

Our good friends in this House followed suit. Never in the history of this body, the body that is supposed to be responsible for the purse strings of America, and debated on the floor of the House a lousy 1 hour when, in the times of the Democratic control, hours of debate, days of debate were given to the opposition to express their viewpoint. But yet we were denied both a motion to recommit and a substitute. What do you expect from the American people?

But let me tell the American people, those of them who claim to be interested in this government: you can lay back and let the polls speak for you if you desire to do so. You can say Democrats cannot be heard. But you look at this picture in The Washington Post and see the throngs of Iraqis, the bills that are going to be mounting; and yet my colleagues are arguing for a $550 billion tax cut that is going to do nothing for the people of this Nation.

In fact, just my district, as an example, those individuals, the average tax cut for the top 2 percent of taxpayers in the 18th congressional district, a somewhat similar district to American districts around the country, those making the top 2 percent, they will get $13,000. But the average tax cut for the lower 56 percent of the taxpayers in the 18th congressional district will be a lousy $136.

The Democratic job plan sings a different tune, but we cannot get the airing or the hearing before the American public. We believe in tax cuts for working families, increasing the child tax credit, expansion of the 10 percent bracket, eliminating the marriage penalty. We believe in allowing small businesses to expense up to $75,000, bonused appreciation. We understand that small businesses are the backbone of America. And for those of you looking for jobs and are frustrated, deflated, and frightened, we understand the compassion that is needed for you to be able to support your families; but our Republican friends did not extend your unemployment benefits.

We know the crises that are going on in families today, the very tough decisions that have to be made about food or pay the rent, but our Republican friends are not interested. We give broader coverage for those who are unemployed. We give money back to the States. How many of you come from States where they are grappling with a budget deficit and they cannot afford to pay teachers or child care providers? We understand that in providing health care, education, and homeland security and infrastructure.

Might I suggest to my colleagues that it is a mockery to think that this $550 billion joke is going to create jobs. The President's plan is $550 billion. He alleges that it will create 1 million jobs. That means we are paying $550,000 per job. Two jobs, two jobs, it takes.

So all I can say to the American public and to my colleagues in this House, when the Republicans are in charge, this chart shows us that we lose jobs. When the Democrats were in charge, including President Clinton, we voted in 1993 to surge the economy and in 1997 to surge the economy, and we did that. And the 1990s were one of the most prosperous decades in the history of this Nation. It is a shame on America, a shame on the media for you to allow yourselves to be so duped. I hope you understand. If you do not stand up and speak for yourself, you will be run over.

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from California (Ms. WATSON) is recognized for 5 minutes.

(Ms. WATSON addressed the House. Her remarks will appear hereafter in the Extensions of Remarks.)

EXCHANGE OF SPECIAL ORDER TIME

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from California (Ms. LORETTA SANCHEZ) is recognized for 5 minutes.

Mr. VAN HOLLEN. Mr. Speaker, I ask unanimous consent to take the time of the gentlewoman from California.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Maryland?

There was no objection.

REPUBLICAN TAX CUTS MEAN RECKLESS FISCAL COURSE FOR AMERICANS

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Maryland (Mr. VAN HOLLEN) is recognized for 5 minutes.

Mr. VAN HOLLEN. Mr. Speaker, earlier today, in less than 1 hour's time, this House of Representatives set our Nation on a very reckless economic course. We are here today in a time of great national challenge. Overseas we face the large challenge of rebuilding Iraq and trying to establish a democratic form of government in that country of about 23 million people. The President recently asked for, and the Congress appropriated, about $80 billion for our efforts in Iraq.

But while we are engaged in Iraq and Afghanistan and elsewhere, we must not forget the very real needs right at home. Because while we build new schools and new hospitals in Iraq and we work to get the Iraqi economy moving again, this administration has been very much out of touch with our needs right here at home and with getting our economy moving again right here in America.

Since the Bush administration came to office, we have lost 2.7 million jobs in this country. Gone, vanished. Half a million of those jobs were lost in the last 3 months alone. And today, 8.8 million Americans are unemployed.

We need an economic plan that will put America back to work and a plan that will reflect the values and the priorities of the American people. The Republican tax package that was adopted earlier today does not. It will not stimulate the economy, it will only stimulate red ink in the years to come, and it does not reflect the priorities of the American family; it reflects the priorities of a very few at the expense of our national interests.

In fact, the message of the Republican tax cut today was loud and clear: forget about the people who are out of work. Forget about the long-term fiscal health of our country. Their number one domestic priority, number one, the most pressing need in America today, according to the package and message they sent, is that the very wealthiest in our country, the people at the very top of the ladder are being taxed too much and we need to give

them a big tax cut in the form of capital gains tax cuts and a removal of the tax on stock dividends.

I can tell my colleagues, and I think we all know, that the troops who sacrificed so bravely, most of them are not waiting for their big stock dividends in the mail. But our troops, their children, and all Americans will be paying for this in the long run, because this tax cut is going to exacerbate the fiscal problems in this country. We have already had the biggest reversal in American history, from a $5.6 trillion projected surplus to $2 trillion projected deficits. And who is going to pay? In the long run, we are all going to pay, because we either pay in terms of taxes increased on our children in future generations, or major cuts in programs that are important to the American people such as Social Security and Medicare.

In fact, we are going to be paying right now, because when we reduce our obligations to the States, when we do not fulfill our promises under the Leave No Child Behind Act, where this year we are $9 billion short of what had been committed, we place greater burdens on the States. And the States either have to do one of two things. They either have to increase revenues and taxes, or they have to cut back on programs.

In the State of Maryland, we are seeing dramatic cuts in higher education. Who is paying for those? Students. Their tuition is going up by more than 10 percent. It is simply a tax on students. It is a tax on other people. You cannot get a free lunch. The American people know that. Someone has to pay.

Look at what we are doing to veterans benefits. Sure, we are reducing taxes to the very wealthiest in this country, but what is the result? A dramatic cutback in benefits for veterans.

So what do we do? There was an alternative plan put forward by the Democrats, but no one was allowed an up-or-down vote on that plan here in this body. It called for greater relief for the States so they do not have to either increase taxes back home locally or dramatically cut education and health benefits. It called for a tax break for more middle Americans, increasing the child tax credit, an acceleration of the marriage penalty relief. It called for greater relief for unemployed workers and their families so that they could continue to pay the rent, continue to put food on the table; and that relief has a big impact on the economy. Those are people who need the funds, they have been in work, they lost their jobs through no fault of their own, they are continuing to look for work; and when they get that dollar of help, they go out and spend it in the economy.

Finally, it provides for business tax credits to provide for investment now.

Mr. Speaker, in closing, I just find that this particular proposal that was adopted today sets our Nation on a reckless course. We need a plan for all of America that will move our entire Nation forward, and I hope in the days ahead we will do that.

□ 1530

The SPEAKER pro tempore (Mr. HENSARLING). Under a previous order of the House, the gentleman from Illinois (Mr. DAVIS) is recognized for 5 minutes.

(Mr. DAVIS addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

REPUBLICAN ECONOMIC PLAN IS NOT FAIR

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from Wisconsin (Ms. BALDWIN) is recognized for 5 minutes.

Ms. BALDWIN. Mr. Speaker, what are the tests that an economic stimulus package should pass in order for us to conclude that it will be successful?

An economic stimulus plan should be fair, should be fast acting, it should be fiscally responsible, like our Democratic plan is. We all know the Republican tax plan does not meet any of these criteria. That is why they have essentially given up claiming that it is a stimulus package.

No matter how many gimmicks the Republican tax cut plan uses, the one thing it cannot hide is the fact that this bill predominantly benefits the very wealthy. Like the first Bush tax cut passed in the summer of 2001, it seems custom designed by and primarily for the benefit of the very wealthiest of Americans.

Today I would like to show how different people fare under the House Republican budget proposal. I guess it all boils down to who you are and what you do. For example, are you a prize fighter or a firefighter? A prize fighter, like Mike Tyson, had reported earnings of $48 million last year. He stands to gain well over a $100,000 from the House Republican plan. While a firefighter making an average salary of roughly $35,000 will save $332 through the Republican tax cut. $100,000 is the absolute minimum that millionaires will receive from the tax cut passed earlier today. Most will receive a lot more.

How will other people fare under the Republican tax cut? Well, again, it depends on who you are. Are you the Terminator or an average exterminator? Arnold Schwarzenegger will gain in the hundreds of thousands of dollars from this tax cut while the average exterminator could save about $452. Yes, it all depends on who you are.

Are you a Texas Ranger or a forest ranger? This year Alex Rodriguez will earn $23 million playing shortstop for the Texas Rangers while the typical forest ranger will make a little over $21,000. Alex would scoop up way more than a hundred thousand dollars in tax savings. The forest ranger, he might pocket a little less than $200.

Well, are you a recording artist or a tattoo artist? Music artist Britney Spears' tax savings compares quite handsomely with tattoo artist Rene Mezechenko. Rene's tax cut will be around $300. Britney's will be in the hundreds of thousands of dollars. It all depends on who you are.

Are you an executive officer or an executive assistant? Jeffrey Barbakow, CEO of Tenent Healthcare made $115,600,000 last year, according to the New York Times. Pamela Taylor, an executive assistant, made $39,000. Pamela's tax cut will be $452.

You get the picture. Those who need tax relief the most are getting the least. Congress should stop pandering to the rich special interests and get around to the tasks of putting Americans back to work.

Now, I have had a little bit of fun with these pairings, but this is serious business. I represent a lot of people who hold jobs with titles like firefighter, executive assistant, factory worker, store clerk, nurse, and teacher. I also represent a lot of people who have recently lost their jobs in this turbulent economy. None of these folks are calling me on the phone to beg for a dividend tax cut. They are calling me to say put Wisconsin back to work. Put America back to work and do so in a way that is fair, fast acting, and fiscally responsible. That is what the Democratic plan would do.

REPUBLICANS TAX IRRESPONSIBLY

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Rhode Island (Mr. LANGEVIN) is recognized for 5 minutes.

Mr. LANGEVIN. Mr. Speaker, today our Chamber threw away any semblance of fiscal responsibility by passing H.R. 2, the Republican tax bill that provides more massive tax cuts, while ignoring the need of the majority of Americans. Two years ago the administration and Congress were looking covetously at a staggering $5.6 trillion cumulative surplus through 2010. At the time Congress was continually reassured by the administration that we could afford an enormous tax cut, ensure the solvency of Social Security and Medicare, pay down the national debt, fund our domestic priorities and still have a large surplus reserve fund to front anticipated emergencies.

Like many of my colleagues, I cautioned the administration at the time that its budget and enormous tax cut were based on unrealistic surplus projections that would never materialize. Not surprisingly the Congressional Budget Office confirmed that in less than 2 years the 10-year projected surplus has been erased. While portions of this decline are a result of our efforts to defeat terrorism and preserve national security both at home and abroad, the depletion of the surplus to date was largely caused by the administration's fiscally irresponsible policies of 2001.

What do we get for these tax cuts which were supposed to stimulate our

economy? Well, we now have the highest unemployment rate in 9 years. Severe cuts in State budgets and programs and the largest among deficit in national debt in our Nation's history. Not content with these successes, the Republicans now want more tax cuts largely skewed to the wealthiest Americans, the top rate income tax reduction in dividend taxation provisions are particularly egregious when 8.8 million Americans are unemployed, with the average length of unemployment now at about 20 weeks. The Republican tax cuts ignore the situation of those Americans. Furthermore, our Nation will have to borrow to pay for the funds to pay for these tax cuts at a time when the United States has a $6.4 trillion national debt and spend $1 billion per day on interest payments for that debt. In fact, debt interest payments are now the third largest expenditure in the Federal budget. Money that could instead be used for homeland security, health care, prescription drugs for our seniors, or education for our children.

Almost as outrageous as the provisions of the Republican tax plan was, the House leadership decision not to allow the Democrats to offer their alternative was even more egregious. Our plan was far more fiscally responsible, costing only $129 billion in immediate spending, and even those costs would be offset for long term economic gains such as income taxes from newly employed Americans. The Democratic plan would create 1 million new jobs, more than double the estimate for the Republican plan. Additionally, it would put money in the pockets of families most likely to spend, provide tax relief for businesses most likely to invest, and hire and provide direct financial assistance to States that are struggling to provide health care and other vital human services to their citizens. This financial assistance would forestall State tax increases or service cutbacks that would otherwise deepen the recession and destroy jobs.

Mr. Speaker, I am deeply disturbed by the outcome of today's vote, as well as the heavy handed tactics used by the Republican leadership that denied a debate on our responsible alternative. I will maintain my opposition to irresponsible tax and budget policies that are leading this Nation down a path that could put the economic survival and stability of our Nation in jeopardy.

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from California (Ms. WATERS) is recognized for 5 minutes.

(Ms. WATERS addressed the House. Her remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from Illinois (Ms. SCHAKOWSKY) is recognized for 5 minutes.

(Ms. SCHAKOWSKY addressed the House. Her remarks will appear hereafter in the Extensions of Remarks.)

BUSH ECONOMIC STRATEGY LEAVES AMERICA BEHIND

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from California (Ms. LEE) is recognized for 5 minutes.

Ms. LEE. Mr. Speaker, I rise today to join my Democratic colleagues in expressing my outrage with the Bush administration and the Republican majority who are truly waging economic warfare against the American people, most notably our children and our grandchildren.

Mr. Speaker, the tax package the Republicans undemocratically and very brutally rammed through here today represent dropping a big bomb on American families. It is un-American to devastate the lives of American families who happen not to be rich. This budget, this tax cut will leave a huge crater in the economy and the Federal budget that will take decades to repair.

What is most troubling about this irresponsible, unfair, and ill-advised plan for economic disaster? What does it mean for our children, especially our most vulnerable children? You simply cannot be for leaving no child behind when you are handing out massive tax cuts for millionaires at the expense of our children. What do we tell the parents of these children when they ask what is our government going to do to create jobs? What is our government doing to help kids? What is our government doing to expand health care to help senior citizens or to improve education or to ease inequality?

I guess we tell them that we have a President and a Republican majority in Congress who care more about eliminating taxes on stock dividends than eliminating poverty. We tell them we have a President who is slashing Head Start funds, cutting job training programs and after school programs and spending the entire Social Security surplus. We tell them that this may be the first President in over half a century who may serve an entire term in office without creating one single job. And we tell them we have an administration that is seeking to wipe out affirmative action because it is apparently blind to the enormous inequalities in our country. And we let them know that this mean-spirited tax cut will disproportionately affect African American and Latino children. We tell them that we have a President who is, yes, waging war at home, a war on our future, a war on opportunities for our children, a war on equality and war on our economy. There are 9 million people unemployed in this country, including 2 million unemployed African Americans and almost 1.5 million Latinos. That is a disgrace and there is no help for them in this Bush plan.

We are in a jobs depression. What our economy needs and what Americans need are more job opportunities. How do you benefit from a tax cut when you do not even have a job? Where is the compassion in this?

We need increased technical training for young people and transition assistance for displaced workers, many of whom are victims of our trade policy. Just look at NAFTA. Under NAFTA we have seen a quarter of a million actual and potential jobs disappear. Now the administration is looking to expand NAFTA to virtually every single country in the Western Hemisphere. How many jobs will we lose then?

As Marian Wright Edelman, President of the Children's Defense Fund, said, It is awfully hard to be a poor child in this country. It is awfully hard to be a parent. It is hard to be one of the millions of Americans desperately searching for jobs and not finding them while their unemployment benefits are expiring.

□ 1545

It is hard for tens of millions of people in Bush's mark. We could be turning the tide on this jobs depression. We should be investing in our future, but on the eve of Mother's Day, rather than saying Happy Mother's Day, the Republicans are shattering the lives of millions of mothers by cutting taxes for the rich, sacrificing the poor and neglecting the middle class.

Mr. Speaker, the President waged an immoral war in Iraq and now he is doing it right here at home. Wake up, America, and fight this very unpatriotic assault on American families and children. You must fight back.

The SPEAKER pro tempore (Mr. HENSARLING). Under a previous order of the House, the gentleman from Alabama (Mr. DAVIS) is recognized for 5 minutes.

(Mr. DAVIS of Alabama addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

ALLOW DEMOCRACY ON THE FLOOR OF THE HOUSE

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New York (Mr. ENGEL) is recognized for 5 minutes.

Mr. ENGEL. Mr. Speaker, we have seen many Democrats here speaking out of a sense of frustration. The bill we voted on today is a bill of tremendous importance, and yet all we had was one hour to debate this bill. Many of us that wanted to come down and participate in the debate could not even get one minute's time to debate this bill because the Republicans kept a closed rule, which said there will be one hour of debate, 30 minutes for each side, and no substitute allowed.

I did a little calculation. There are 435 Members of the House of Representatives in this country, and if every one of us wanted to speak on this bill with only one minute total time, that would leave each of us a grand total of eight seconds each to speak on a bill worth billions and billions and trillions of dollars. Surely our Founding Fathers are rolling in their graves when they

see how the Republican majority has turned this House into an undemocratic institution where the people who are elected by the people cannot even have the ability to speak their minds.

We are fighting for democracy in Iraq, but we will not allow democracy on the floor of the United States House of Representatives. For shame.

The average American is not stupid. In fact, the average American is very smart. The average American knows that when he or she has a budget they must live within their budget. They make a certain amount of money. They take home that money. They have to pay their bills with that money, and they know that they cannot week in and week out spend more than they take in. A person can do it for a while. They can charge everything on their credit card for a while. They can keep paying minimums on their credit card for a while, but sooner or later the bubble is going to burst. That is what we are doing here in the United States Congress.

My Republican friends talk a good game about balancing the budget and a balanced budget amendment, and by the way, the balanced budget amendment passed here in the House several years ago, failed by one vote in the Senate, and the Republicans, despite having the majority in both Houses, have not brought it up again.

The fact of the matter is that when Bill Clinton left office we had a surplus of $200 billion per year, and now in two short years we have a deficit of $400 billion per year, and these tax cuts, mainly for the wealthy, will dig us deeper and deeper and deeper in a hole.

We are leaving our children and our grandchildren with a legacy of debt. We are having an orgy now of tax cuts and saying to our future generations, you pay the bill. We are going to walk away. We are going to do things that are easy. Everyone likes a tax cut. Of course, a majority of people favor the tax cuts. Everyone wants more money in their pockets, but what are we doing to our children and our grandchildren and the fiscal responsibility of this country?

The Republican leadership, the Republican majority here wants to do this, in my estimation, deliberately. The ancillary benefits, giving their rich friends a tax cut, is only an ancillary benefit. They want to starve this government and make it impossible for there to be any kind of program, entitlement programs like Social Security or Medicare or Medicaid or education, for our children. They do not want it so a balanced budget goes out the window. Deficits and deficits.

Let us take a quote from the gentleman from Texas (Mr. DELAY), the current majority leader. This is what he said in 1995, ''By the year 2002, we can have a Federal Government with a balanced budget or we can continue down the present path toward total fiscal catastrophe.'' That was in 1995. I ask the majority leader and the people on the other side of the aisle, what was true in 1995 is certainly true in 2003. We cannot continue to run these deficits. We cannot continue to have this kind of fiscal irresponsibility. The borrow and spend Republicans cannot continue to lead this country down a path of fiscal irresponsibility.

It is a disgrace that we now have to take to the floor of the House after the bill has been voted on because we could not get the time to talk before.

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Massachusetts (Mr. MARKEY) is recognized for 5 minutes.

(Mr. MARKEY addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

TAX CUTS AND THE ECONOMY

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from California (Ms. LOFGREN) is recognized for 5 minutes.

Ms. LOFGREN. Mr. Speaker, just 3 years ago when the President took office, San Jose, California's unemployment rate was only 1.7 percent. At that time, our Nation had a projected $5.6 trillion 10-year surplus. Today, instead, we have an 8.5 percent unemployment rate in Santa Clara County, and with this tax package a $2 trillion projected national deficit.

Since the President took office, San Jose has lost almost 16 percent of its jobs. When all is said and done, it is projected that we will, in fact, use the over $12 trillion in debt ceiling that Republicans slipped into the budget resolution a few weeks ago. What a turnaround.

What does the President propose? For the most part, more of the same failed tax schemes. Tax cuts for a select few have done nothing to improve the economy so far and more of the same will not help. Further, the Republican tax plan does nothing to help unemployed workers and will leave millions of families out in the cold when their unemployment benefits expire on May 31.

Mr. Speaker, since the President took office, California has lost 239,000 jobs. Over 175,000 of those jobs were deleted from my home, Santa Clara County, and I hear from people at home, well-qualified, well-educated and talented people who have been laid off for over a year, people who have sent out 2,000 resumes who cannot get a job interview, people whose stock portfolios are shot, whose bank accounts are drained, whose unemployment insurance is running out and who cannot find work.

It is pathetic that the President's answer is this tax cut scheme. While there are a few temporary crumbs to small business and normal people, the vast majority of the financial impact is caused by the tax cuts for the few, which will not create economic growth. The President's words about creating jobs and stimulating growth are right. It is just that his plan is disconnected from his rhetoric.

He must think the unemployed are also dumb, that they will not see the truth of what is happening here, but I think he is wrong on that score and is it not ironic that those few provisions in this tax bill we passed today, like the child tax credit and marriage tax reform and expensing for small businesses, the things that benefit normal people, those sunset. The real expensive part of the program that is skewed to the select, those go on forever.

The Republican plan is irresponsible, deceptive, will not create jobs or grow the economy and will saddle the country with debt to hurt our potential for long-term economic growth. We are actually borrowing money from the Social Security Trust Fund to cut taxes for the top 5 percent of households.

Economists tell us that this plan is the smallest bang for the buck in terms of creating economic stimulus of any of the plans that have been publicly discussed. It is projected to create less jobs in the next year than we have lost in the last 2 months.

Republicans both in this House and in the White House talk a lot about faith-based programs. The man who calls the shots here in the House, the majority leader, does not even believe in evolution, and I have heard that is true for the President as well. They have a right to have faith, even when it seems at odds with the facts in their religious lives, but when their faith in tax cuts for the few threaten the economic stability for our Nation, then I think it is time to draw the line on their blind faith.

Today, the Republicans in this House used their narrow majority to shorten debate and prevent consideration of the fiscally responsible growth plan. There is an aura of corruption that clings to the Republican leaders who celebrate the onset of democracy in Iraq but cannot abide real democratic processes in the Congress of our Nation that is supposed to be freedom's leader.

This is a watershed day, one that I think in later years we will recall with dread and with regret.

MORE MEDIA DEREGULATION WILL BE A DISASTER FOR DEMOCRACY

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Vermont (Mr. SANDERS) is recognized for 5 minutes.

Mr. SANDERS. Mr. Speaker, I recently held a town meeting at St. Michael's College in Vermont to discuss an issue that for obvious reasons does not get much media coverage, and we had over 600 people, Vermonters, coming out to this meeting to discuss the issue of corporate control over the media and the impact that further media deregulation will have on the quality of our democracy.

At that meeting we had a gentleman named Michael Copps, one of the commissioners on the Federal Communications Commission, who laid out what is happening at the FCC and told us what most Americans do not know, that on June 2 the FCC is likely to hold a vote which will further deregulate media in the United States and create a situation in which a handful, a tiny handful of huge media conglomerates will largely control what the American people see, hear and read. What we have today is already a very dangerous situation. What is likely to happen after June 2 will be even worse.

What do we have today? If we turn on the television and watch NBC, how many people know who owns NBC? It is owned by General Electric, one of the largest corporations in the world, a corporation with enormous conflicts of interests in a dozen different areas. Turn on CBS. Who owns CBS? It is owned by Viacom, another huge company. Turn on ABC, owned by Disney. Turn on Fox, owned by the right wing Australian billionaire Rupert Murdock. Turn on CNN, owned by AOL-Time Warner, another huge corporation.

What happens when we end up with a few large companies determining the flow of information in America? Two things happen. Number one, if we listen to radio, we know that on talk radio, the only differences that we hear are between right wing radio talk show hosts and extreme right wing talk show hosts. There is virtually nobody on national talk radio who is expressing the needs of working Americans, of the middle class, of low income people.

If we watch television, huge sections, huge areas of great concern to the American people are virtually never discussed. How many Americans know that we as a Nation have the most unfair distribution of wealth and income of any major country on earth? The richest 1 percent own more wealth than the bottom 95 percent, and the Bush tax proposal will only make that situation worse.

Have my colleagues heard discussion on that issue? Is it appropriate to give tax breaks to billionaires when we have the highest rate of childhood poverty in the industrialized world? When we turn on the television we can see a lot of advertising come from the large drug companies. How many Americans know that we are the only major country on earth that does not have a national health care program that guarantees health care to all people as a right of citizenship? Yet we end up spending twice as much per capita on health care as any other country.

□ 1600

Mr. Speaker, turn on television, you hear a lot of discussion about a lot of things; but you may not know in the United States, our people, especially seniors, are forced to pay by far, not even close, the highest prices in the world for prescription drugs. Turn on TV, read the editorial papers of your newspapers. You will hear how great our trade policy is doing. How many people know that NAFTA, most-favored nation status with China, was pushed upon Congress by the big-money interests who also own the media but have resulted in huge job losses for working people in this country.

If deregulation of media goes forward, this is what will happen. For the first time, we will have television stations and newspapers in a given town or city owned by the same person. You are going to turn on TV and get the same point of view as you do from the local newspaper owner. Also as a result of further media deregulation, we will see large television companies able to own more and more TV stations all over the country. The trend is very clear. Fewer and fewer large corporations own more and more of the media. This is dangerous for democracy. It must be opposed.

TAX CUT AIMED AT COFFERS OF THE RICH

The SPEAKER pro tempore (Mr. HENSARLING). Under a previous order of the House, the gentleman from New York (Mr. MEEKS) is recognized for 5 minutes.

Mr. MEEKS of New York. Mr. Speaker, the first tragedy of today is we did not have democracy at its best. Democracy at its best would have called for a debate on this great floor of the House of Representatives so that the Democrats and Republicans would have had an opportunity to roll out their respective plans so that the people of America would have known what the Republican plan was and what the Democratic plan was.

However, it must be out of fear that the majority had decided that they were going to completely silence the minority by not allowing them to debate the issues on the floor so that the American people can see what is happening here in this House of Representatives.

Therefore, I am compelled to come to make a statement in Special Orders as opposed to debating with my colleagues on something that is so fundamental and so important to our great Nation. It is important to its future, and it is important for our children and our children's children. So I have to rise today to express my concern and opposition to the huge, unfair, and illogical tax cut which the majority just propelled through the House of Representatives today.

I listened to the debate this morning, and I had to wonder how long it would take, if you would call that a debate. Because it was only an hour and we did not have an opportunity to do anything else on our side, I had to wonder how long would it take before we, as a body, realize that this tax cut is nothing more than the 2001 tax cut in 2003 clothes.

In May of 2001, we, those of us who are Democrats, made a passionate plea to the administration to temper and equally disburse its 10-year tax cut which did not protect the Social Security trust fund, did not include funds for much-needed domestic priorities, and was almost totally based on projected revenues barring any catastrophic event. A modest tax surplus meant that Americans had earned some tax relief.

My Democratic colleagues on the Committee on Ways and Means, led by the gentleman from New York (Mr. RANGEL), proposed a fair and responsible tax cut, job creation and economic stimulus plan. Most importantly, we tried to convince the administration that should some major national emergency require us to draw on emergency funds, there would be none if we spent it all then. The media and many called us pessimists and naysayers. But then sad for all of us, September 11 happened; and on September 12, 2001, we found ourselves poised to expend the greatest amount of personal, monetary, and political resources in our history.

The debt ceiling has now become a ballistic missile, and it is unguided at that. Most importantly, we are now faced with the largest deficit in the history of this great country. This does not sound like fiscal responsibility to me. What this $550 billion fiscal monster does effect is another round of tax cuts tilted toward the affluent and deficits that will become a future tax on the rest of us and our children.

The Social Security trust fund surpluses will be misused every year for at least 11 years to mask the even larger deficits. Estimates are that by 2012 the resulting debt load will be about $50,000 per American household. This is a travesty, and we should not be a part of it. Some say, what about some tax relief? I agree with providing some tax relief. I agree with not allowing marriage to be a discriminating tax category. I believe people should be given incentives to save more for their retirement, especially when they live longer, and the Republican policies that we see will make us live longer, but without Social Security.

I cannot agree with leveraging Social Security, earned income and child tax credits, food stamps, family support, student loans, public housing, drug elimination programs, section 8 housing opportunities, and the virtual zeroing out of all unemployment compensation in order to make the rich richer and the real people the holders of a budget-busting, loose-cannon tax cut promissory note.

So, as I conclude, we sought then, as we do now, to provide tax relief that is fair, responsible, and immediate.

This tax cut is aimed at the coffers of the rich. We all know that tax cuts for the rich and affluent will not help the economy. The people who will spend the money are those who need it the most! Let's keep in mind that 2.6 million private sector jobs have been lost since the end of 2000! It is 2003 and we are still paying for unintended consequences, ill-conceived tax

cuts and growing domestic obligations. This is not the time for ''country store'' give-aways!! and if we give anything away—we should at least give everyone something to spend and not just those who have it already. We should seek to do something that is fair, responsible and immediate.

Economists nation-wide are in agreement that this type of tax cut will do little or nothing to crate jobs or stimulate the economy. More than 400 professional economists, including ten Nobel Laureates agree that: ''Regardless of how one views the specifics of the Bush plan, there is wide agreement that its purpose is a permanent change in the tax structure and not the creation of jobs and growth in the near term.'' Mr. Speaker, I submit to you that such comments are not politically driven. They do not reflect some partisan attempt to dismantle sound and effective fiscal policy. The in-coming Director of the Congressional Budget Office, a Republican appointee, has testified to the skepticism of these tax cuts either stimulating the economy or paying for themselves.

Mr. Speaker we sought then—as we do now—to provide tax relief that is fair, responsible and immediate. Throughout the day's debate, extension of remarks, special orders and other comments, my colleagues have eloquently highlighted the Democratic alternative: fair, responsible, and immediate have been our cry. I won't repeat the details—Mr. Speaker you know what they are. We were unable to even bring a Democratic alternative up for debate and that, Mr. Speaker, is the real tragedy of this debacle.

TAX BREAKS FOR THE ELITE

The SPEAKER pro tempore. Under the Speaker's announced policy of January 7, 2003, the gentleman from New Jersey (Mr. PALLONE) is recognized for 60 minutes as the designee of the minority leader.

Mr. PALLONE. Mr. Speaker, as so many of my Democratic colleagues this afternoon brought forth, it is amazing to all of us on this side of the aisle that the Republicans would bring up this tax cut legislation which basically just gives money back to wealthy individuals and does nothing to help the economy, and at the same time we face this huge job recession throughout the country.

The most egregious part of it was today when the Democrats tried to bring up their alternative as a substitute, the Republican majority under the Committee on Rules refused to allow the Democratic substitute to even be brought to the floor, refused to even have a debate on a Democratic alternative which we believe very strongly would provide economic stimulus, create jobs, grow the economy, and bring us out of a recession, one of the worst we have had now long-term for the last couple of years.

All the Democrats were asking for was an opportunity to debate. I think the fear on the part of the Republican leadership was that if the Democratic substitute was allowed to be considered today, perhaps some of the Republicans might have voted for it, or at least the public and the media's attention would have been focused on an alternative and have shown that the Republican proposal was not a good one and just basically was a tax giveaway to millionaires.

Mr. Speaker, our Nation is in a job recession with 2.7 million jobs lost since President Bush took office, the worst jobs record in 40 years. For 3 years the Republicans have had the power to turn this recession around, and they failed miserably. When I listen to the Republican leadership and the President, it seems like they are just coming into office, and they forget they have been in office almost 3 years; and during that whole time the economy gets worse every day.

For the past 2 years alone, the President and the Republicans in Congress have repeatedly chosen tax breaks for the elite, and the American people are still waiting for one job to be created. Keep in mind, this is a failed economic policy. This Bush policy, the President's policy, he has had an opportunity. He passed tax cuts last year, and since those tax cuts were passed, we have had a loss of another 1.7 million jobs. This is not something new. This is a policy that was tried over a year ago; and after it passed in the time it has had to take effect for the last year, the economic situation has gotten worse.

What do the Republicans say in response? They say let us try it again. They have a bill on the floor that amounts to another payback to the wealthiest Americans in our Nation. Tax cuts last year for the wealthy, and tax cuts again for the wealthy. They disguise it somehow. They say it is a little different this time because it is going to give breaks on capital gains and stock dividends; but these are two proposals that economists conclude will not create jobs or growth in the near future.

When our economy needs a true jolt to reverse America's economic skepticism, the Republican proposal will not stimulate the economy, and the Republican record on economics is uninspiring and one that should not be extended today.

I am not the only one saying this, and Democrats are not the only ones saying this. If we look at some of the columns in the media and the economists around the country, they all are saying the same thing. But one of the best statements was made in today's New York Times by Paul Krugman called ''Into the Sunset.'' I just wanted to read certain parts of it because I think it points out very dramatically that this is a failed economic policy, that this tax cut, this plan that the Republicans had us vote on today, is just an extension of their failed Bush economic policy.

If I can read sections from Paul Krugman's opinion, it says that the tax cut package the House is expected to pass today is a package that relies on exactly the same bait-and-switch tactics used to sell the 2001 year tax. Here is the story:

> In 2001, some swing Senators insisted on a budget resolution limiting the size of any tax cut. No problem. House-Senate negotiators pushed through a huge tax cut anyway, saving several hundred billion dollars by making the whole thing expire in the 10th year. Among other things, this sunset clause implied that heirs to large estates would pay no tax if their parents died in 2010, but would face significant taxes if their parents made it into 2011. At the time, I suggested that it be renamed the Throw Mama From the Train Act of 2001.
>
> So we remember the kind of tricks that were played last year. We were told this was going to sunset, and everyone was running around saying does that mean I have to decide what year I am going to die?

□ 1615

Mr. Krugman says:

> Needless to say, last year's bill was silly by design. The administration didn't intend to compromise. It fully expected to get the sunset clause repealed in a future Congress and President Bush was soon out there ridiculing the way the tax cut was programmed to expire, implying that the expiration date was imposed by scheming liberals when in fact it was a trick perpetrated by his own congressional allies. Now Congress is voting on more tax cuts. This time we're already running a record budget deficit and the long run prospect is bleak. Still the administration claims to be making a concession by agreeing to scale back its $726 billion tax cut to a mere $500 billion.

What Mr. Krugman is basically getting at and I think this is an aspect of this tax plan that we need to bring out, is that the President comes forward and says, I want a huge tax cut that is going to go mainly to millionaires and wealthy people and then some Republicans either in the House or in the other body come forward and say, oh, that is too big, we have to make it half of that or a third of that, and then one House or the other passes a bill that is maybe half the President's proposal and they play around back and forth and ultimately come up with something that is somewhat less than what the President proposed, but the bottom line is it is a huge tax break still, it breaks the budget, it creates a deficit and it primarily goes to wealthy individuals. So they play this game over and over again.

Paul Krugman goes on to say:

> The new tax cut plan echoes the 2001 scam in other ways. In 2001 a tax cut that delivered about 40 percent of its benefits to the richest 1 percent of families was marketed as a tax break for ordinary folks. The same is true this time. In fact the extent to which the House bill favors the rich is breathtaking. The typical family would get a tax break of only $217 next year but families with incomes above $1 million would get an average of $93,500 each. The estimates are that over the next decade, 27 percent of the tax cut, about the share that goes to the bottom 90 percent of the population, will go to these very high income families who comprise a mere 0.13 percent of the population.

So we are talking about very, very few people that benefit from this. But

the bottom line is, it would not matter even if I was a millionaire. I would not want this tax cut to go into effect because it does not do anything to stimulate the economy. Even if you had $1 billion, why in the world would you want a tax cut that does not do anything to turn the economy around, because in the long run you are not going to make as much money because the economy continues to spin downward.

So he says in this op-ed, Paul Krugman:

> Finally, as in 2001, we're being told that this tax cut will create lots of jobs. But why should we believe that? It's hard to find an independent economist who thinks the Bush proposal would create the 1.4 million jobs claimed by the administration. And as I have explained in this column, even that many jobs would be a poor payoff for a tax cut that big. And bear in mind that Bush-style tax cuts now have a track record. Of the 2.1 million jobs lost over the last 2 years, 1.7 million vanished after the passage of the 2001 tax cut.

So the problem that we have is you can look at this in any way. If you are rich, even though you might be getting a nice, big break, the bottom line is your investments are not going to grow and you are not going to make much money because as the economy continues to trend downward, your investments are not going to be worth anything or certainly not worth as much. From the point of view of the budget, it is a disaster because it creates a larger deficit. And as we borrow more money and more money is taken out, that is not available to the private sector, it is very hard for new investments to be made by small businesses or other corporations in the private sector because they cannot borrow the money, it is all being taken by the Federal Government. And so that has a downward impact on the economy. And then the other thing that it does is in borrowing, you are taking money from the Social Security and the Medicare trust fund. So you are jeopardizing those funds as well. There is not anybody who can make a legitimate argument that this Bush plan makes sense. What Krugman is saying and I think is so true is, we already tried it last year and the economy continues to get worse. So why should we repeat it again?

Finally in this op-ed Paul Krugman says:

> The odds are that this scam, like the scam of 2001, will succeed, the tax cut will be passed and the budget will plunge even deeper into the red and one day we'll realize that international investors are treating us like a banana republic, that they won't finance our trade deficit unless they are paid very high rates of interest. Have I mentioned that the dollar has just fallen to a 4-year low against the euro? And everyone will wonder why.

That is the bottom line. I think that the Republicans basically figure, well, nobody is paying attention, we will have this huge tax cut and when we have to pay it back, that will be somebody else's problem down the road. The amazing thing is that it would be so easy to try something different, to try an alternative, one that the Democrats have put forward, that would actually do something to make a difference in the economy. Of course, I am saying this because as a Democrat I like the Democratic plan but I would argue, if the other plan of constant tax cuts does not work and has not worked, why not try something new? We can call it the Republican plan if you like. I do not care. I just want to pass it so that we can do something to turn this economy around.

Let me talk a little bit about this Democratic proposal that we tried to get considered on the floor of the House of Representatives today but, of course, the Republicans would not allow us to consider it. They would not allow it to be even debated. We have several provisions in this Democratic proposal that I think would do a lot to create jobs and stimulate economic growth, both in the short term as well as in the long term. First, tax cuts for working families, not for wealthy people but for the average guy. The Democratic plan provides an immediate increase in the child tax credit to $800 per child. For low-wage working families, this credit is refundable and will reach more than 2.6 million children not covered by the current law.

Furthermore, the Democratic package makes immediate both the expansion of the 10 percent tax rate brackets, now slated to occur in 2008, and key provisions to eliminate the marriage penalty. Within months, these provisions will put money in the pockets of average Americans, boosting consumer demand and the jobs and business investments needed to meet it.

Secondly, investment tax incentives for business. The Republicans act as if they give a big tax break again to the wealthiest Americans, that somehow they are going to reinvest that in the economy. But there is nothing that says they have to and experience shows that they often do not. What the Democrats do is they target any kind of tax credit. We have an investment tax incentive for business. The Democratic plan provides tax incentives to businesses to generate investment and jobs now. The plan allows small businesses to expense up to $75,000 of the cost of new investments through 2004, triple the current limit. For all businesses, the plan restructures last year's bonus depreciation provisions so that firms can write off a 50 percent bonus for the next 12 months and only a 30 percent bonus for the balance of 2004. Domestic manufacturers get a tax break in the Rangel remedy to a World Trade Organization case against the United States. And all business tax components encourage investment now when the economy needs a boost. So we are saying that we are going to give the businesses these incentives but they have got to invest it back into the economy now, create jobs now. That is how we turn the economy around. That is a big part of it.

A third point. The Democratic plan targets assistance to those looking for jobs. A large part of the debate today on the floor was the fact that the Republicans would not consider an extension of unemployment compensation beyond the end of this month. Part of that, of course, is because we are concerned about people and how they are going to make ends meet, but the other part of it is we know that if you extend unemployment that money immediately goes into the economy. People buy things. Because they do not have a lot of money, they have to spend, for food, for necessities, whatever. So the Democratic plan extends unemployment benefits for 26 weeks that expires at the end of the month and that increases the level of benefits and also provides temporary aid to States to broaden coverage to low-wage earners and part-time workers. This assistance for those looking for work is the most effective stimulus for the economy and consumer demand by putting money in the pockets of those most likely to spend it.

Lastly, I wanted to mention money going back to the States. A big part of the economic downturn now is the fact that the States have contracted their spending because many of them have deficits. So they are spending less money, less money is going into the economy and as a result people lose jobs and there is less consumer spending and all the other things that come about because there is less money circulating. The Republicans, we have asked them to do something to give money back to the States. They refuse to do it. It is not part of their plan. So in our Democratic plan, we give money back to the States and municipalities to create jobs through expenditures on infrastructure, homeland security, education and health care. The Democratic plan provides States with funds to avoid the State cuts that have been occurring in New Jersey and other States and to address critical needs in areas including Medicaid, homeland security, transportation and an additional fund for one-time assistance to help those hurt most by unemployment and a stagnant economy. Basically what we do is increase the amount of money that the Federal Government gives to the States for these various purposes. The States have to pay less, the Federal Government pays more, and so the States do not face the fiscal crisis that they now face. That is another way of providing more money into the economy, creating jobs, creating new highways, new infrastructure, water projects, sewer treatment plans, that type of thing.

I just wanted to make a few points in comparison between the Democratic and the Republican plan. Again I know some may say, Why are you talking about this Democratic plan? You didn't even have an opportunity to bring it up today. But I think it is important to talk about it even though the Republicans would not allow us to bring it up

because I think if you make the comparison that I am about to make, you will see that ours is better and that is why they did not want to let it come up because they did not want to let it see the light of day.

First of all, only the Democratic plan maximizes job creation now. It uses a proven approach to create jobs and grow the economy by putting money in the pockets of families most likely to spend it and providing tax relief to businesses most likely to invest it. It will add 1.1 million jobs to our economy this year, 2003. By contrast, the House Republican plan focuses on untested and indirect provisions, such as the dividend tax breaks and capital gains tax cuts.

You understand what we are saying. If you look at the Democratic plan, the money is going directly in the pockets of people, directly into the States for expenditures on infrastructure. The Republicans assume that somehow tax breaks for stock dividends or capital gains are going to be reinvested because that is what people are going to do and there is no guarantee they will. Secondly, only the Democratic plan protects long-term economic growth with fiscal discipline. Our plan, the Democratic plan, is fully paid for. We do not make budget deficits worse over the long term. So you do not have the negative consequences of creating a larger debt that I described and many of my colleagues described before under the Democratic proposal. This fiscal discipline helps to keep interest rates low and builds the foundation for a strong economy now and in the future. By contrast, Republicans are proposing a plan that will make the deficit much worse. I say much worse, a lot worse. Already, the $5.6 trillion surplus President Bush inherited has been replaced by a $2 trillion deficit in the 2 years or so that he has been in office. Now Republicans are proposing tax cuts costing more than half a trillion dollars, part of an overall tax agenda that would add an additional $1.2 trillion in deficits over the next 10 years. Large, long-term deficits harm the economy by driving up interest rates and undermining business investment and job growth. If you look at what the economists predict with this tax cut, we are going to be back into the deficit situations that we were in 15, 20 years ago. And we are going to create a long-term recession. Anyone will tell you that that is the case. Yet the Republicans persist.

Another point. Only the Democratic plan is fair. It puts money directly into the hands of average Americans, the very people most likely to spend the money. It provides a balanced package of tax relief for businesses to encourage additional hiring and investment. But the Republican proposal, because it centers on the stock dividends and capital gains, provides very small tax cuts to the average American while providing huge tax cuts to the very few. So not only does it not work but it is unfair.

Another point. Only the Democratic plan prevents tax increases and service reductions by States. Again I mentioned this before. Because of the fiscal crisis that the States are facing and they are forcing themselves to have tax increases or cuts in critical programs, the States ultimately undermine jobs and economic recovery. But the Democratic plan provides States temporary assistance to avoid these tax increases and service cuts at the State level and prevents the job losses that would otherwise occur. None of the Republican proposals provide any funds to address the States' budget woes or give money back to the States.

Finally, and I think this is very important, too, only the Democratic plan uses honest accounting. The Democratic plan contains no gimmicks or unstated costs. Over 10 years, the cost of the package is fully paid for, so the plan does not increase budget deficits. By contrast, the House Republican plan includes the artificial expiration of many of the plan's components.

As I mentioned in that op-ed by Paul Krugman, at the end of 2005, and because it is unlikely that Congress in fact would allow these provisions to expire, the true cost of the Republican plan is probably even larger because they will make a lot of these tax cuts permanent and that will only burden the economy with even greater deficits.

Again I would like to end my discussion, Mr. Speaker, of the Republican tax and economic plan with some references to some editorials in the New York Times, because I always worry that someone will listen to me and say, well, he's saying that because he's a Democrat. I like to have third-party validators if I could. There were two editorials that appeared in the New York Times in the last couple of weeks that I thought were pretty wise in terms of their analysis of what the Republicans are proposing as opposed to the Democrats. One talks about the misguided nature of the cuts that the Republicans have proposed and the other talks about how because all these cuts are taking place, we are going to see major problems that face the public because there will not be money for education, there will not be money for homeland defense, there will be continued problems for the States, and also the fact that there is nothing in the Republican plan to extend unemployment benefits.

Let me start with that. On April 26, the New York Times did an editorial called The Forgotten Half of Budgeting. It says:

As Congress returns to business this week with leaders bent on pushing President Bush's tax cut, there is little talk about the vital programs that face future cutbacks in the budget. At least $168 billion across the decade is scheduled to be wrenched out of domestic spending as more than $2 trillion in deficits and borrowing is rung up under Mr. Bush's growth program. It may be pitifully wishful thinking at this point but instead of enacting another swath of tax cuts, Congress should keep the revenue and direct it at some of the following priorities. And they talk about them. First, fiscal relief for the States, which are slashing health care benefits for the needy as they wrestle with booming deficits that cannot be rolled over into some other administration's debt-besotted future. Many Senators favor emergency aid on the order of $35 billion, much of it for Medicaid because States are taking children and adults off the Medicaid rolls because they cannot afford to provide health care for low-income people.

□ 1630

''Extended benefits for unemployed Americans whose emergency benefits program expires May 31. The Nation continues to hemorrhage jobs, and everyone who is trying to find employment is not succeeding in this economy. The cost of continuing the emergency benefits is about $1 billion a month, a fraction of the cost of the lowest denominator tax cut.''

So why not extend benefits to these people who cannot find work? They are trying to find work. They cannot.

Next: ''More money for education, which faces a $20 billion cut over 10 years in the budget.''

Do the Members remember when President Bush talked about no child being left behind and we passed his education bill last year that no child was going to be left behind? It is facing major cuts over the next 10 years because of the President's tax cut plan, and many children will be left behind.

The New York Times says that ''if Congress skipped the tax cut, education funds could easily be made whole, and the administration could match the rhetoric of the President's no-child-left-behind promises with adequate financing. Lawmakers could also cover the cost of educating children with special learning needs, a Federal mandate that is short by billions of dollars annually.''

And finally, funds for homeland security. We have talked about the war against terrorism. We have talked about how we have to fight it both abroad and at home. But these tax cuts make it very difficult, if not impossible, to fund the homeland security needs that so many States and localities are depending on.

''The gap is quickly growing,'' The New York Times says, ''between Federal directives to localities and financing. The Senate sought, then dropped, extra financing for vulnerable ports and budget negotiations. And for all the homage to first responders, cuts loom for local law enforcement.'' So, again, we cannot even meet the homeland security needs.

And finally more recently, last Friday, in fact, The New York Times issued an editorial called, ''Misguided Cuts in Washington.'' I think this really kind of sums it up, and I would like to end this portion of my Special Order

by referencing this editorial in The New York Times.

It starts out by saying: ''The political dichotomy is breathtaking: as State and local politicians struggle with deepening deficits and rising taxes, President Bush plays the fiscal Nero, the virtuoso fiddler for ever more tax cuts. If the Washington wing of the GOP is deaf to the cries of pain from the Nation's statehouses, surely it must hear the measured warning from Alan Greenspan, the Nation's economic guru, that new tax cuts are definitely not needed now. They will probably harm the economy, not help it, he cautions, compounding the Republicans' feckless deficit spending while pushing up the national debt along with interest rates.

''But, no, the detaxation mania continues apace as House and Senate leaders press towards a Memorial Day deadline that will be a rendezvous with foolhardiness. By then, they hope to enact a Bush tax cut and spending plan adding $2.7 trillion in deficits to a coming decade of red ink, this only 2 years after the first Bush tax cuts helped wipe out an anticipated $5 trillion surplus.'' We had a $5 trillion dollars surplus anticipated when the President took office.

''No so coincidentally, Congress will have to raise the $6.4 trillion debt ceiling immediately to help pay for borrowing that is likely to last even longer than the easy careers of our detaxation politicians.

''The most feverish concern discernible right now among Republican leaders is not the fate of the emergency unemployment benefits that are due to expire this month, affecting 3.9 million Americans. It is the preservation of as much as possible in the President's disastrous dividend tax cut plan. A pitifully small group of Republican resisters is holding out, demanding $200 billion less.'' We know that is not going anywhere.

''Cutting the dividend tax rate may make some of Mr. Bush's key supporters happy, but there are two things it really will not do: juice up the economy or significantly reduce most taxpayers' total bills as the burden shifts downward. The pending Bush tax cuts will cost the States at least $64 billion more over 10 years . . .

''The Federal Government's failure to help localities pay for critical services during a slumping economy has sent State and municipal taxes soaring. And although the President is selling his cuts as a fast job-creating stimulus, it is hard to find any serious economist who agree, particularly when it comes to the dividends tax . . .

''A private forecasting specialist estimates that the dividend cut will mean very little in comparison with the instant bang for the buck that would come from an extension of jobless benefits and an infusion of emergency aid to the States.''

Mr. Speaker, someone could say he is just saying that because he is a Democrat. The bottom line is we have tried the Bush economic policy. We have tried it now for almost 3 years, and this is simply a repeat of the same thing. It is not working. Normally when something does not work, we say okay, let us scrap it and try something that does; and for the life of me I do not understand what motivates my colleagues on the Republican side, and the President in suggesting that we do more of the same unless I guess we just figure they are catering to the special interests and wealthy individuals because those are their friends and those are who finance their campaigns. But even if I were a millionaire, I would not favor this tax cut plan because I do not think it helps anybody; and ultimately if the economy does not grow, it does not matter whether one is rich or poor, they are going to still not benefit.

And with that, Mr. Speaker, I would like to conclude my presentation tonight that relates to the economy, and I wanted to mention two foreign policy issues that very much need immediate attention and have been in the news the last few weeks. I would like to start out, if I could, for about 5 minutes talking about the stalled peace process in Northern Ireland. I want to express my disappointment, Mr. Speaker, that the peace process in Northern Ireland has once again been derailed. With Prime Minister Tony Blair's announcement of the indefinite postponement of the elections in Northern Ireland, I worry that Great Britain is bowing to the demands of Unionist radicals in Northern Ireland who obviously oppose the Good Friday Accords.

Mr. Speaker, as the Members may know, last October Prime Minister Blair suspended the Belfast Assembly in Northern Ireland. Since then, Prime Minister Blair and Prime Minister Ahern of the Republic of Ireland have held meeting after meeting to bring the Good Friday Accords back on track and reinstitute the Northern Ireland Assembly in Belfast.

With the clock ticking towards the scheduled elections on May 29, Prime Ministers Blair and Ahern held numerous and made subsequent statements that led many media outlets around the world to report that the Northern Ireland Assembly was close to being reinstated, but at the 11th hour, Prime Minister Blair asked the Irish Republican Army to declare their commitment to the Good Friday Accords and disarmament. While the IRA was not an original signatory of the Good Friday Accords, they still welcomed the Prime Minister's questions. The IRA, both through a recently released statement and through statements made by Sinn Fein's President Gerry Adams, made several clear and unambiguous statements pledging their peaceful intentions.

The IRA stated quite clearly: ''We are resolved to see the complete and final closure of this conflict. The IRA leadership is determined to ensure that our activities, disciplines and strategies will be consistent with this. Furthermore, the full and irreversible implementation of the agreement and other commitments will provide a context in which the IRA can proceed to definitively set arms aside to further our political objectives. We are committed to playing our part in creating the conditions in which unionists, nationalists and republicans can live together peacefully.''

It is obvious to me that the IRA has clearly stated their peaceful intentions to bring a complete and final closure to the conflict in Northern Ireland and they have committed to disarmament to bring a final end to the insurrections. But in the final days before Prime Minister Blair's announcement of the postponement of the elections, he continued to press the IRA to clarify their intentions. While much of the international community, Mr. Speaker, and the press viewed the IRA's statements as a giant step towards peace, Prime Minister Blair oddly continued to claim that they were not going far enough. Then suddenly the Prime Minister cancelled the elections in spite of opposition from the Irish Government and every political party in Northern Ireland, except the Ulster Unionists.

For the last 5 years, Blair has been urging the IRA to make a statement pledging their support for peace. Now when the agreement is about to fall apart, the IRA stepped up to the plate and the Prime Minister let a home run pitch pass him by. It seems that rather than working for what is truly important, peace, he is carrying the water of the Ulster Unionists.

So the question is, Does Prime Minister Blair really want to see a peaceful resolution to the situation in Northern Ireland, or has it all just been a big political ploy to get the Irish Republicans to pledge peace and then force them back under the control of the British Crown? And I certainly hope the latter is not the case.

I call on Prime Minister Blair to first announce a June date for the Assembly elections in Northern Ireland. Then he must bring the parties back to the table to reinstate the peace process and most importantly the Assembly. Now at this critical time, Mr. Blair must show true leadership and prove that he is not simply a pawn to Protestant Unionist Radicals in Northern Ireland.

Mr. Speaker, this is a truly remarkable and historic time in Northern Ireland's history. I can honestly say a lasting and just peace I think is within reach, but now it is up to the Prime Minister to do what is right and allow the people of Northern Ireland the opportunity to decide for themselves who should govern their provinces.

Mr. Speaker, if I could just turn to another foreign policy issue and then I will conclude this afternoon. I have been very concerned over the last month or so about the fact that even though the time seems to be right for a settlement between the Greek and Turkish sides in Cyprus that it has not

occurred, and we still have not had negotiations start up again since they fell apart a couple of months ago. And I basically came to the floor this evening to highlight actions taken last week by President of the Republic of Cyprus, Tassos Papadopoulos that will help continue the process of reunifying the people of the island of Cyprus despite the fact that a political settlement has still not been reached over Turkey's 29-year illegal occupation of 37 percent of the island.

On April 30, President Papadopoulos announced several measures aimed at enabling citizens living in the Turkish-occupied territory the ability to enjoy all the benefits other citizens of Cyprus enjoy. The President and the Council of Ministers finalized measures covering the fields of transportation, including the movement of goods and vehicles, employment of Turkish Cypriots, measures to help relatives of missing Turkish Cypriots and critical measures working for the improvement of medical care, education, and telecommunications.

While the President said that his government will do everything in its power to effectively implement these measures, he also strongly stated that these measures should not be interpreted as a substitute for the efforts to reach a political settlement in Cyprus.

Mr. Speaker, these measures show the length the Cypriot Government is willing to go to ensure that Turkish Cypriots no longer have to endure the poor economic conditions they have been living under since the occupation in 1974. The measures come less than 2 months after peace negotiations came to an end thanks to the intransigence of Turkish-Cypriot leader, Rauf Denktash. Despite the giant setback, President Papadopoulos stressed the Greek Cypriot side will not only continue efforts to reach a solution but also once again pledge to continue the efforts for a Cyprus settlement that would properly serve the interests of both Cyprus communities, and the President's action last week clearly shows he plans to back these words up with action.

Mr. Speaker, over the last couple of weeks, we have witnessed another milestone, the free movement of Cypriots from both sides of the wall, something that has not occurred since the occupation. The action came after the Turkish Cypriot regime eased restrictions on movements of residents to and from the occupied areas. At the same time, the Turkish Cypriot regime said it would allow Greek Cypriots to cross into the occupied areas but put restrictions on this travel, including the showing of passports. The United Nations estimates that since the easing of restrictions, more than 170,000 Greek Cypriots have crossed into the occupied area, while 75,000 Turkish Cypriots have made the reverse trip.

This peaceful and orderly movement of both Greek and Turkish Cypriots during the last couple of weeks clearly demonstrates their shared desire and ability to live together on a reunited Cyprus. The actions have also disproved Denktash's claim that the presence of the occupation army and the maintenance of a dividing wall area are necessary for the security of the two communities. It shows his statements to be both false and, I think, totally unfounded.

Mr. Speaker, I continue to believe that the only solution to the Cyprus question must be sought through negotiations conducted on the basis of the Kofi Annan United Nations plan, and I also continue to believe that the Bush administration did not put enough pressure on the Turkish Government to force Denktash to negotiate in good faith. Turkey must finally realize that by supporting Denktash's intransigence, it is causing harm to its own long-term interests as a potential full member of the European Union. After the setback of the U.N. efforts, the Bush administration must redouble its effort to persuade Turkey and the Turkey-Cypriot leader to work constructively within the U.N. process to achieve a negotiated settlement to end the division of Cyprus; and I am hopeful, Mr. Speaker, that the Bush administration will change its policy and finally exert pressure on the Turkish Government.

I think it is time for all the citizens of Cyprus to be reunified so they can all reap the economic awards available with the nation's recent accession to the European Union; and I only hope that both these cases, in both the cases of Cyprus and Northern Ireland, that we can see a peaceful resolution of the conflict.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to:

Mr. CLYBURN (at the request of Ms. PELOSI) for today after noon on account of official business in the district.

Mr. COLE (at the request of Mr. DELAY) for today on account of examining damage in his district due to severe weather.

Mr. KING of Iowa (at the request of Mr. DELAY) for today on account of family commitments.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

(The following Members (at the request of Mr. MCDERMOTT) to revise and extend their remarks and include extraneous material:)

Mr. INSLEE, for 5 minutes, today.

Mr. SHERMAN, for 5 minutes, today.

Mr. DEFAZIO, for 5 minutes, today.

Ms. NORTON, for 5 minutes, today.

Mr. STRICKLAND, for 5 minutes, today.

Mr. RYAN of Ohio, for 5 minutes, today.

Ms. WATSON, for 5 minutes, today.

Ms. LORETTA SANCHEZ of California, for 5 minutes, today.

Ms. JACKSON-LEE of Texas, for 5 minutes, today.

Mr. MCDERMOTT, for 5 minutes, today.

Mr. DAVIS of Illinois, for 5 minutes, today.

Mr. VAN HOLLEN, for 5 minutes, today.

Ms. BALDWIN, for 5 minutes, today.

Mr. LANGEVIN, for 5 minutes, today.

Ms. WATERS, for 5 minutes, today.

Ms. SCHAKOWSKY, for 5 minutes, today.

Ms. LEE, for 5 minutes, today.

Mr. DAVIS of Alabama, for 5 minutes, today.

Mr. MEEKS of New York, for 5 minutes, today.

Mr. ENGEL, for 5 minutes, today.

Mr. MARKEY, for 5 minutes, today.

Ms. LOFGREN, for 5 minutes, today.

Mr. SANDERS, for 5 minutes, today.

(The following Members (at the request of Mr. BURNS) to revise and extend their remarks and include extraneous material:)

Mr. BURTON of Indiana, for 5 minutes, May 13, 14, 15, and 16.

Mr. BURNS, for 5 minutes, today.

Mr. SHUSTER, for 5 minutes, today.

Mr. CUNNINGHAM, for 5 minutes, today.

Mr. ROHRABACHER, for 5 minutes, today.

SENATE BILLS REFERRED

Bills of the Senate of the following titles were taken from the Speaker's table and, under the rule, referred as follows:

S. 113. An act to amend the Foreign Intelligence Surveillance Act of 1978 to cover individuals, other than United States persons, who engage in international terrorism without affiliation with an international terrorist group; to the Committee on the Judiciary, in addition to the Permanent Select Committee on Intelligence for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

S. 165. An act to improve air cargo security; to the Committee on Transportation and Infrastructure.

ADJOURNMENT

Mr. PALLONE. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 4 o'clock and 44 minutes p.m.), under its previous order, the House adjourned until Tuesday, May 13, 2003, at 12:30 p.m., for morning hour debates.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 8 of rule XII, executive communications were taken from the Speaker's table and referred as follows:

2122. A communication from the President of the United States, transmitting requests

for FY 2004 budget amendments for the Departments of Agriculture, Energy, Housing and Urban Development, the Interior, Justice, Labor, and Transportation; the Office of Personnel Mangement; and the Farm Credit Administration; (H. Doc. No. 108—70); to the Committee on Appropriations and ordered to be printed.

2123. A letter from the Under Secretary, Department of Defense, transmitting the Department's report entitled, ''Distribution of DoD Depot Maintenance Workloads Fiscal Years 2003 and 2007''; to the Committee on Armed Services.

2124. A letter from the Director, Division of Scientific Planning and Policy Analysis, Department of Health and Human Services, transmitting the Department's enclosed ''Errata'' sheet regarding the FY 2001 National Institutesof Health Annual Report on Health Disparities Research; to the Committee on Energy and Commerce.

2125. A letter from the Executive Director, District of Columbia Retirement Board, transmitting the personal financial disclosure statements of Board members, pursuant to D.C. Code section 1—732 and 1—734(a)(1)(A); to the Committee on Government Reform.

2126. A letter from the Assistant Secretary for Fish, Wildlife and Parks, Department of the Interior, transmitting the Department's final rule — Endangered and Threatened Wildlife and Plants; Designation of Critical Habitat for Five Plant Species from the Northwestern Hawaiian Islands, Hawaii (RIN: 1018-AH09) received May 5, 2003, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Resources.

2127. A letter from the Secretary, Judicial Conference of the United States, transmitting recommendations for the uniform percentage adjustment of each dollar amount specified in Title 11 regarding bankruptcy administration and in 28 U.S.C. 1930 with respect to bankruptcy fees, pursuant to 11 U.S.C. 104 note; to the Committee on the Judiciary.

2128. A letter from the Chair, United States Sentencing Commission, transmitting a report required by section 225(c) of the Homeland Security Act of 2002, Pub. L. 107-296 entitled, ''Increased Penalties For Cyber Security Offenses''; to the Committee on the Judiciary.

2129. A letter from the Chair, United States Sentencing Commission, transmitting a report required by section 314 of the Bipartisan Campaign Reform Act of 2002, Pub. L. 107-155 entitled, ''Increased Penalties For Campaign Finance Offenses and Legislative Recommendations''; to the Committee on the Judiciary.

2130. A letter from the Chair, United States Sentencing Commission, transmitting the Commission's amendments to the sentencing guidelines, policy statements, and official commentary, pursuant to 28 U.S.C. 994(p); to the Committee on the Judiciary.

2131. A letter from the Senior Attorney, Research and Special Program Administration, Department of Transportation, transmitting the Department's final rule — Hazardous Materials: Requirements for Maintenance, Requalification, Repair and Use of DOT Specification Cylinders; Response to Appeals and Extension of Compliance Dates [Docket No. RSPA-01-10373 (HM-220D)] (RIN: 2137-AD58) received May 6, 2003, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

2132. A letter from the Acting Deputy General Counsel, Small Business Administration, transmitting the Administration's final rule — Small Business Size Standards; Job Corps Centers (RIN: 3245-AF02) received May 5, 2003, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Small Business.

2133. A letter from the Chief, Regulations Unit, Internal Revenue Service, transmitting the Service's final rule — Rules and Regulations (Rev. Proc. 2003-29) received May 6, 2003, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Ways and Means.

2134. A letter from the Chief, Regulations Unit, Internal Revenue Service, transmitting the Service's final rule — Eligible Deferred Compensation Plans under Section 457 [Notice 2003-20] received May 6, 2003, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Ways and Means.

2135. A letter from the Chief, Regulations Unit, Internal Revenue Service, transmitting the Service's final rule — Amounts received Under Accident and Health Plans (Rev. Rul. 2003-43) received May 6, 2003, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Ways and Means.

2136. A letter from the Chief, Regulations Unit, Internal Revenue Service, transmitting the Service's final rule — Deferred Compensation Plans of State and Local Governments and Tax Exempt Organizations (Rev. Rul. 2003-47) received May 6, 2003, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Ways and Means.

2137. A letter from the Chief, Regulations Unit, Internal Revenue Service, transmitting the Service's final rule — Guidance Under Section 1502; Amendment of Waiver of Loss Carryovers from Separate Return Limitation Years received May 6, 2003, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Ways and Means.

2138. A letter from the Chief, Regulations Unit, Internal Revenue Service, transmitting the Service's final rule — Constructive transfers and transfers of property to a third party on behalf of a spouse [TD 9035] (1545-AX99) received May 6, 2003, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Ways and Means.

2139. A letter from the Chief, Regulations Unit, Internal Revenue Service, transmitting the Service's final rule — Earnings Calculation for Returned or Recharacterized IRA Contributions [TD 9056] (RIN: 1545-BA82) received may 6, 2003, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Ways and Means.

2140. A letter from the Chief, Regulations Unit, Internal Revenue Service, transmitting the Service's final rule — Purpose and scope of exception of reorganization exchanges (Rev. Rul. 2003-48) received May 6, 2003, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Ways and Means.

2141. A letter from the Chief, Regulations Unit, Internal Revenue Service, transmitting the Service's final rule — Low-Income Housing Credit (Rev. Rul. 2003-44) received May 6, 2003, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Ways and Means.

2142. A letter from the Chief, Regulations Unit, Internal Revenue Service, transmitting the Service's final rule — Gaming Industry Tip Compliance Agreement Program (Rev. Proc. 2003-35) received May 6, 2003, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Ways and Means.

2143. A letter from the Secretary, Department of Energy, transmitting the 2002 Annual Report to Congress on activities of the Department of Energy in response to recommendations and other interactions with the Defense Nuclear Facilities Safety Board, pursuant to 42 U.S.C. 2286e(b); jointly to the Committees on Energy and Commerce and Armed Services.

2144. A letter from the Assistant Secretary for Economic Development, Department of Commerce, transmitting the annual report on the activities of the Economic Development Administration for Fiscal Year 2001, pursuant to 42 U.S.C. 3217; jointly to the Committees on Transportation and Infrastructure and International Relations.

DISCHARGE OF COMMITTEE

Pursuant to clause 2 of rule XII the following action was taken by the Speaker:

H.R. 1000. The Committee on Ways and Means discharged. Referred to the Committeee on the Whole House on the state of the Union.

H.R. 1904. The Committee on Resources discharged.

REPORTED BILL SEQUENTIALLY REFERRED

Under clause 2 of rule XII, bills and reports were delivered to the Clerk for printing, and bills referred as follows:

Mr. GOODLATTE: Committee on Agriculture. H.R. 1904. A bill to improve the capacity of the Secretary of Agriculture and the Secretary of the Interior to plan and conduct hazardous fuels reduction projects on National Forest System lands and Bureau of Land Management lands aimed at protecting communities, watersheds, and certain other at-risk lands from catastrophic wildfire, to enhance efforts to protect watersheds and address threats to forest and rangeland health, including catastrophic wildfire, across the landscape, and for other purposes; referred to the Committee on Judiciary for a period ending not later than May 16, 2003, for consideration for such provisions of the bill as fall within the jurisdiction of that committee pursuant to clause 1(k), rule X (Rept. 108–96, Pt 1).

TIME LIMITATION OF REFERRED BILL

Pursuant to clause 2 of rule XII the following action was taken by the Speaker:

H.R. 1904. Referral to the Committee on Resources extended for a period ending not later than May 9, 2003.

PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XII, public bills and resolutions were introduced and severally referred, as follows:

By Mr. BACHUS (for himself, Mrs. MALONEY, Mr. OXLEY, and Mr. FRANK of Massachusetts):

H.R. 2043. A bill to establish a mechanism for developing uniform United States positions on issues before the Basel Committee on Banking Supervision at the Bank for International Settlements, to require a review on the most recent recommendation of the Basel Committee for an accord on capital standards, and for other purposes; to the Committee on Financial Services.

By Mr. RUSH (for himself, Mr. STUPAK, Mr. GORDON, Mr. GREEN of Texas, Mr. ENGEL, Ms. LEE, Mr. TOWNS, Mr. WYNN, Mr. CUMMINGS, Ms. WATSON, Ms. JACKSON-LEE of Texas, Mr. WALDEN of Oregon, Ms. EDDIE BERNICE JOHNSON of Texas, Mr. SCOTT of Virginia, Mr. CLAY, Mr. JACKSON of Illinois, Mr. OWENS, Mr. DAVIS of Illinois, Mr. DINGELL, Ms. MILLENDER-MCDONALD, Mr. MEEKS of New York, Ms. DEGETTE, Ms. ESHOO, Mr. CONYERS, Mr. SHIMKUS, Mr. GONZALEZ, and Mr. UPTON):

H.R. 2044. A bill to amend the Internal Revenue Code of 1986 to provide for a deferral of tax on gain from the sale of telecommunications businesses in specific circumstances

or a tax credit and other incentives to promote diversity of ownership in telecommunications businesses; to the Committee on Ways and Means.

By Mr. ADERHOLT (for himself, Mr. AKIN, Mr. BACHUS, Mr. BARTLETT of Maryland, Mr. BEAUPREZ, Mrs. BLACKBURN, Mr. BONNER, Mr. BRADY of Texas, Mr. BROWN of South Carolina, Mr. BURGESS, Mr. CANNON, Mr. CANTOR, Mr. CHOCOLA, Mr. CRANE, Mr. DELAY, Mr. DEMINT, Mr. DOOLITTLE, Mr. FEENEY, Mr. GOODE, Mr. GOODLATTE, Ms. HART, Mr. HAYES, Mr. HAYWORTH, Mr. HERGER, Mr. HOEKSTRA, Mr. HOSTETTLER, Mr. ISTOOK, Mr. SAM JOHNSON of Texas, Mr. JONES of North Carolina, Mr. KING of Iowa, Mr. KLINE, Mr. LEWIS of Kentucky, Mr. LUCAS of Kentucky, Mr. MCINTYRE, Mr. MILLER of Florida, Mrs. MUSGRAVE, Mrs. MYRICK, Mr. OTTER, Mr. OXLEY, Mr. PENCE, Mr. PITTS, Mr. ROGERS of Alabama, Mr. RYUN of Kansas, Mr. SESSIONS, Mr. SHUSTER, Mr. SMITH of New Jersey, Mr. SOUDER, Mr. STENHOLM, Mr. TERRY, Mr. TIAHRT, Mr. TIBERI, Mr. VITTER, Mr. WAMP, Mr. WHITFIELD, Mr. WICKER, and Mr. WILSON of South Carolina):

H.R. 2045. A bill to defend the Ten Commandments; to the Committee on the Judiciary.

By Mr. RANGEL (for himself, Mr. ANDREWS, Mr. BACA, Mr. BELL, Mr. BLUMENAUER, Mr. BROWN of Ohio, Mrs. CHRISTENSEN, Mr. CUMMINGS, Mr. DAVIS of Illinois, Mr. DELAHUNT, Ms. DELAURO, Mr. ENGEL, Ms. ESHOO, Mr. ETHERIDGE, Mr. GUTIERREZ, Mr. HILL, Mr. HOLT, Mr. HONDA, Mr. HOYER, Mr. LANTOS, Ms. LEE, Mr. LEVIN, Mr. MCGOVERN, Mr. MENENDEZ, Mr. MICHAUD, Ms. MILLENDER-MCDONALD, Mr. GEORGE MILLER of California, Mr. OBERSTAR, Mr. ORTIZ, Mr. PALLONE, Ms. PELOSI, Mr. PRICE of North Carolina, Mr. ROTHMAN, Mr. RYAN of Ohio, Mr. SABO, Mr. SANDLIN, Ms. SLAUGHTER, Mrs. JONES of Ohio, Ms. WATERS, Mr. WAXMAN, and Mr. BALLANCE):

H.R. 2046. A bill to amend the Internal Revenue Code of 1986 to rebuild America through job creation; to the Committee on Ways and Means.

By Mr. HOUGHTON (for himself and Mr. RANGEL):

H.R. 2047. A bill to amend the Internal Revenue Code of 1986 to modify the work opportunity credit and the welfare-to-work credit; to the Committee on Ways and Means.

By Mr. GILCHREST:

H.R. 2048. A bill to extend the period for reimbursement under the Fishermen's Protective Act of 1967, and to reauthorize the Yukon River Restoration and Enhancement Fund; to the Committee on Resources.

By Mr. ACKERMAN (for himself, Mr. WELDON of Florida, Mr. HINCHEY, Mr. MCNULTY, Mr. WYNN, Mr. RANGEL, Mr. TERRY, Mr. FROST, Mr. TAYLOR of Mississippi, and Mr. THOMPSON of Mississippi):

H.R. 2049. A bill to amend the Public Health Service Act with respect to testing pregnant women and newborn infants for infection with the human immunodeficiency virus; to the Committee on Energy and Commerce.

By Mr. ACKERMAN (for himself and Mr. WEXLER):

H.R. 2050. A bill to prohibit cooperation with or assistance to any investigation or prosecution under a universal jurisdiction statute; to the Committee on International Relations.

By Mr. BERRY:

H.R. 2051. A bill to authorize the Secretary of the Interior to study the suitability and feasibility of designating the Wolf House, located in Norfolk, Arkansas, as a unit of the National Park System, and for other purposes; to the Committee on Resources.

By Mr. BURR (for himself, Mr. DINGELL, Mr. DEAL of Georgia, Mr. PRICE of North Carolina, and Mr. MARKEY):

H.R. 2052. A bill to amend the Communications Act of 1934 to preserve localism, to foster and promote the diversity of television programming, to foster and promote competition, and to prevent excessive concentration of ownership of the nation's television broadcast stations; to the Committee on Energy and Commerce.

By Mr. CAPUANO (for himself, Mr. FLETCHER, Ms. NORTON, Ms. MILLENDER-MCDONALD, Mr. MCNULTY, Mr. FROST, Mr. ENGEL, Ms. LEE, Mr. REYES, Ms. DELAURO, Mr. SERRANO, Mr. SIMMONS, Mr. MARKEY, and Mr. BACA):

H.R. 2053. A bill to authorize the Secretary of Health and Human Services to award grants to associate degree schools of nursing and professional nursing organizations to improve nursing education, and for other purposes; to the Committee on Energy and Commerce.

By Mr. JOHN:

H.R. 2054. A bill to amend the Bill Emerson Humanitarian Trust Act to provide clarification with respect to the period of time for which funds may be held in the trust established under that Act; to the Committee on Agriculture.

By Mr. JONES of North Carolina:

H.R. 2055. A bill to amend Public Law 89-366 to allow for an adjustment in the number of free roaming horses permitted in Cape Lookout National Seashore; to the Committee on Resources.

By Mr. MCINNIS:

H.R. 2056. A bill to amend the Trade Act of 1974 to include certain specialty metals as import-sensitive articles that are ineligible for duty-free treatment under the generalized system of preferences program under title V of that Act; to the Committee on Ways and Means.

By Mr. MCINNIS (for himself, Mr. GREEN of Wisconsin, Mr. RYAN of Wisconsin, Mr. SENSENBRENNER, Mr. PETRI, and Mrs. MUSGRAVE):

H.R. 2057. A bill to provide for a multi-agency cooperative effort to encourage further research regarding the causes of chronic wasting disease and methods to control the further spread of the disease in deer and elk herds, to monitor the incidence of the disease, to support State efforts to control the disease, and for other purposes; to the Committee on Resources, and in addition to the Committee on Agriculture, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Mr. MENENDEZ:

H.R. 2058. A bill to authorize the Secretary of the Interior to provide a grant to the State of New Jersey for the construction of a memorial to the New Jersey victims of the terrorist attacks of September 11, 2001; to the Committee on Resources.

By Mr. PEARCE (for himself, Mr. UDALL of New Mexico, and Mrs. WILSON of New Mexico):

H.R. 2059. A bill to designate Fort Bayard Historic District in the State of New Mexico as a National Historic Landmark, and for other purposes; to the Committee on Resources.

By Mr. PLATTS:

H.R. 2060. A bill to amend the Law Enforcement Pay Equity Act of 2000 to permit certain annuitants of the retirement programs of the United States Park Police and United States Secret Service Uniformed Division to receive the adjustments in pension benefits to which such annuitants would otherwise be entitled as a result of the conversion of members of the United States Park Police and United States Secret Service Uniformed Division to a new salary schedule under the amendments made by such Act; to the Committee on Government Reform.

By Mr. PORTMAN (for himself and Mr. CUMMINGS):

H.R. 2061. A bill to make improvements with respect to the Drug-Free Media Campaign Act of 1998 and to authorize such Campaign through fiscal year 2008; to the Committee on Energy and Commerce.

By Ms. LORETTA SANCHEZ of California (for herself, Ms. HARMAN, Mr. ABERCROMBIE, Mr. BACA, Mr. BERMAN, Mr. CAPUANO, Mrs. DAVIS of California, Mr. DEFAZIO, Mr. DELAHUNT, Mr. ENGEL, Mr. FARR, Mr. FILNER, Mr. FRANK of Massachusetts, Mr. HINCHEY, Mr. HOLT, Mrs. JOHNSON of Connecticut, Mrs. JONES of Ohio, Mr. LANTOS, Mrs. MALONEY, Mr. OLVER, Mr. RODRIGUEZ, Mr. SANDERS, Ms. SCHAKOWSKY, Mr. SHAYS, Mr. SHERMAN, Ms. SLAUGHTER, Mr. STARK, Mrs. TAUSCHER, Ms. VELAZQUEZ, Mr. WAXMAN, and Mr. WEXLER):

H.R. 2062. A bill to restore freedom of choice to women in the uniformed services serving outside the United States; to the Committee on Armed Services.

By Mr. SCHIFF (for himself, Mr. DINGELL, Mr. FROST, Mr. LARSEN of Washington, Mr. SPRATT, Mr. MCDERMOTT, Mrs. JONES of Ohio, Mr. FRANK of Massachusetts, Mr. CASE, Ms. WATSON, Mr. BROWN of Ohio, and Mr. WEXLER):

H.R. 2063. A bill to authorize the use of Cooperative Threat Reduction funds for projects and activities to address proliferation threats outside the states of the former Soviet Union, and for other purposes; to the Committee on International Relations.

By Mr. SMITH of New Jersey (for himself, Mr. RENZI, and Mr. GARRETT of New Jersey):

H.R. 2064. A bill to amend the Internal Revenue Code of 1986 to exclude certain severance payments from gross income for employees who are laid off; to the Committee on Ways and Means.

By Mr. TIBERI (for himself, Mr. ANDREWS, Mr. WICKER, and Mr. MATHESON):

H.R. 2065. A bill to amend the Fair Labor Standards Act of 1938 to exempt licensed funeral directors and licensed embalmers from the minimum wage and overtime compensation requirements of that Act; to the Committee on Education and the Workforce.

By Ms. WATERS:

H.R. 2066. A bill to amend title 38, United States Code, to increase the allowance for burial expenses of certain veterans buried in private or State-owned cemeteries; to the Committee on Veterans' Affairs.

By Mr. WU:

H.R. 2067. A bill to amend the Internal Revenue Code of 1986 to allow a deduction from gross income to individuals who do not itemize deductions; to the Committee on Ways and Means.

By Mr. FOLEY (for himself, Mr. FARR, Mr. BLUNT, Mr. GIBBONS, Mr. MCHUGH, Mr. TANNER, Mr. MORAN of Virginia, Mr. UDALL of New Mexico, Mr. BOYD, Mr. DEMINT, Mr. SHAW, Mr. LANTOS, Mr. KENNEDY of Rhode Island, Ms. HARRIS, Mr. DEUTSCH, Mr. ENGEL, Mr. PORTER, Mr. DELAHUNT, Mr. RANGEL, Mr. BOEHLERT, Ms. NORTON, Mr. ABERCROMBIE, Mr. UPTON,

Mr. SMITH of New Jersey, Ms. BORDALLO, Mr. RYUN of Kansas, Ms. BERKLEY, Mrs. CHRISTENSEN, and Mr. CASE):

H. Con. Res. 172. Concurrent resolution supporting the 20th Annual National Tourism Week; to the Committee on Government Reform.

By Mr. FOLEY (for himself and Mr. LANTOS):

H. Con. Res. 173. Concurrent resolution recognizing the historic significance of the 55th anniversary of the founding of the state of Israel and reaffirming the bonds of friendship and cooperation between the United States and Israel; to the Committee on International Relations.

By Mr. HASTINGS of Florida:

H. Con. Res. 174. Concurrent resolution calling on the President to request former President Jimmy Carter, and members of the Carter Center, to assist the Office of Reconstruction and Humanitarian Assistance for Post-War Iraq (ORHA); to the Committee on International Relations.

By Mr. PAYNE (for himself, Mr. BLUMENAUER, Mr. BILIRAKIS, Ms. BERKLEY, Mr. BERMAN, Ms. GINNY BROWN-WAITE of Florida, Mr. CROWLEY, Mr. DICKS, Mr. DOYLE, Ms. ESHOO, Mr. FOSSELLA, Mr. HINCHEY, Mr. HOLT, Mr. KENNEDY of Minnesota, Mr. KNOLLENBERG, Mr. LANTOS, Ms. LEE, Mrs. MALONEY, Mr. MCGOVERN, Mr. MCINTYRE, Mr. MCNULTY, Mr. MARKEY, Mr. PALLONE, Ms. ROS-LEHTINEN, Mrs. TAUSCHER, and Ms. WATSON):

H. Con. Res. 175. Concurrent resolution expressing the sense of the Congress that the Parthenon Marbles should be returned to Greece; to the Committee on International Relations.

By Mr. PLATTS:

H. Con. Res. 176. Concurrent resolution supporting the goals and ideals of Financial Planning Week, recognizing the significant impact of sound financial planning on achieving life's goals, and honoring American families and the financial planning profession for their adherence and dedication to the financial planning process; to the Committee on Government Reform.

By Mr. WU (for himself, Mr. ROHRABACHER, Mr. WEXLER, Mr. BROWN of Ohio, and Mr. CHABOT):

H. Res. 228. A resolution declaring that the warm relations and bilateral exchanges between the people of the United States and the people of Taiwan should continue and grow deeper, recognizing the important contributions of Taiwanese-Americans to the United States, and supporting the goals and ideals of Taiwanese-American Heritage Week; to the Committee on International Relations.

MEMORIALS

Under clause 3 of rule XII, memorials were presented and referred as follows:

36. The SPEAKER presented a memorial of the Legislature of the State of Arizona, relative to Senate Concurrent Resolution No. 1026 memorializing the United States Congress to express support for the President and Armed Forces of the United States of America; to the Committee on Armed Services.

37. Also, a memorial of the Legislature of the State of Montana, relative to Senate Joint Resolution No. 26 memorializing the United States Congress to appropriate just compensation to the State for the impact of federal land ownership on the State's ability to fund public education; to the Committee on Education and the Workforce.

38. Also, a memorial of the Legislature of the State of New Mexico, relative to Senate Memorial No. 56 memorializing the United States Congress that the Federal Energy Regulatory Commission be requested to withdraw its current standard market design for the nation's wholesale electricity markets; to the Committee on Energy and Commerce.

39. Also, a memorial of the Legislature of the State of California, relative to Senate Joint Resolution No. 1 memorializing the United States Congress that the Legislature designates April 24, 2003, as the ''California Day of Remembrance for the Armenian Genocide of 1915-1923''; to the Committee on Government Reform.

40. Also, a memorial of the Legislature of the State of Wyoming, relative to Enrolled Joint Resolution No. 3 memorializing the United States Congress that the legislature declares the existence of a state of emergency due to a shortage of water available to Wyoming caused in significant part by the deteriorating conditions of the state's watersheds located on federal lands; to the Committee on Resources.

41. Also, a memorial of the Legislature of the State of Arizona, relative to Senate Concurrent Resolution No. 1022 memorializing the United States Congress to rescind all of the state's previous calls for a constitutional convention to amend the constitution of the United States; to the Committee on the Judiciary.

42. Also, a memorial of the Legislature of the State of Arizona, relative to House Memorial No. 2001 memorializing the United States Congress to consider legislation that would provide greater federal resources to border states for border enforcement; to the Committee on the Judiciary.

43. Also, a memorial of the Legislature of the State of Wyoming, relative to Enrolled Joint Resolution No. 1 memorializing the United States Congress to equalize the tax treatment of employer-provided and individually purchased health insurance by creating a tax credit for the full amount of insurance purchased by individuals; to the Committee on Ways and Means.

44. Also, a memorial of the Legislature of the State of California, relative to Senate Joint Resolution No. 13 memorializing the United States Congress to amend federal selective service and immigration laws to grant the right of citizenship to any and all immigrants who honorably serve in the military; jointly to the Committees on Armed Services and the Judiciary.

ADDITIONAL SPONSORS

Under clause 7 of rule XII, sponsors were added to public bills and resolutions as follows:

H.R. 20: Ms. LINDA T. SANCHEZ of California.

H.R. 58: Mr. KLINE, Mr. SAXTON, and Mr. BRADLEY of New Hampshire.

H.R. 102: Ms. GINNY BROWN-WAITE of Florida and Mr. ORTIZ.

H.R. 111: Mr. RENZI, Mr. FALEOMAVAEGA, Mr. PETRI, and Mr. COLLINS.

H.R. 176: Mr. ROHRABACHER.

H.R. 192: Ms. HARRIS.

H.R. 195: Mr. WICKER.

H.R. 235: Mr. COBLE, Mr. MCINNIS, Mr. TERRY, Mr. YOUNG of Alaska, Mr. SIMPSON, Mr. PETERSON of Pennsylvania, and Mr. ROHRABACHER.

H.R. 266: Mr. MATHESON, and Mrs. MILLER of Michigan.

H.R. 284: Mr. ROGERS of Kentucky, Mr. GILCHREST, Mr. HOBSON, Mr. VAN HOLLEN, and Mrs. BLACKBURN.

H.R. 296: Mr. BISHOP of New York, Mr. WEINER, Mr. CAPUANO, and Mr. TOOMEY.

H.R. 300: Mr. HEFLEY.

H.R. 303: Mr. CUNNINGHAM: Mr. RADANOVICH, Mr. ROTHMAN, Mr. WELDON of Florida, and Mr. GALLEGLY.

H.R. 331: Mr. FALEOMAVAEGA and Mr. GOODE.

H.R. 348: Mr. FOSSELLA.

H.R. 438: Mr. KOLBE.

H.R. 442: Mr. MORAN of Kansas and Mr. BELL.

H.R. 450: Mrs. JO ANN DAVIS of Virginia.

H.R. 466: Mr. COLLINS and Mr. KILDEE.

H.R. 476: Mr. GRIJALVA, Mrs. MCCARTHY of New York, and Mr. PLATTS.

H.R. 515: Ms. LINDA T. SANCHEZ of California.

H.R. 548: Mr. CARTER, Mr. LARSON of Connecticut, Mr. TAYLOR of Mississippi, Mr. BALLANCE, and Ms. LORETTA SANCHEZ of California.

H.R. 569: Mr. MARKEY.

H.R. 571: Mrs. MYRICK, Mr. BAIRD, Mr. GARY G. MILLER of California, and Mr. ISAKSON.

H.R. 583: Mr. RYUN of Kansas, Mr. COLE, Mr. EMANUEL, Mr. BALLENGER, Mr. SCOTT of Georgia, and Mr. THOMPSON of Mississippi.

H.R. 593: Ms. LORETTA SANCHEZ of California.

H.R. 648: Mr. MANZULLO.

H.R. 709: Mr. GUTKNECHT.

H.R. 713: Mr. FARR.

H.R. 716: Mr. MCGOVERN, Mrs. KELLY, Mr. SPRATT, Mr. PASCRELL, Mr. CASE, Ms. WOOLSEY, Mr. LANGEVIN, Mr. DAVIS of Tennessee, Ms. ESHOO, Mr. MATHESON, and Mr. WELDON of Pennsylvania.

H.R. 717: Mr. ENGEL, Ms. MCCULLUM, Ms. BERKLEY, Mr. MORAN of Virginia, Mr. FILNER, Mr. BROWN of Ohio, Ms. CORRINE BROWN of Florida, Mr. HOEFFEL, Mr. BISHOP of New York, Mr. LEVIN, Mr. FROST, Mr. MCGOVERN, Ms. MCCARTHY of Missouri, and Mr. NADLER.

H.R. 728: Mr. BRADLEY of New Hampshire.

H.R. 737: Mr. ROTHMAN and Mr. LARSEN of Washington.

H.R. 742: Mr. FERGUSON, Mr. PAYNE, Mr. LARSON of Connecticut, Mr. CUMMINGS, Ms. SCHAKOWSKY, Mr. PICKERING, Mr. FRELINGHUYSEN, and Mr. RYAN of Ohio.

H.R. 761: Ms. GINNY BROWN-WAITE of Florida.

H.R. 767: Mr. BUYER, Mr. RYAN of Wisconsin, Mr. TERRY, Mr. GUTKNECHT, and Mr. GREEN of Wisconsin.

H.R. 770: Mr. LEWIS of Georgia, Mrs. CHRISTENSEN, and Ms. WATERS.

H.R. 785: Mr. LOBIONDO, and Ms. LORETTA SANCHEZ of California.

H.R. 792: Mr. RENZI and Mr. CARDOZA.

H.R. 796: Mr. ISRAEL.

H.R. 800: Mr. WALDEN of Oregon and Mr. FOLEY.

H.R. 806: Mr. HOEFFEL and Ms. BALDWIN.

H.R. 837: Mr. MCHUGH, Mr. LAHOOD, and Mr. SOUDER.

H.R. 839: Mr. LAHOOD, Mr. HULSHOF, Mrs. MYRICK, Mr. SIMPSON, Mr. MATHESON, Mr. GRAVES, Mr. BRADLEY of New Hampshire, Mr. POMEROY, Mr. BONNER, Mr. OTTER, and Mr. WOLF.

H.R. 871: Mr. DEAL of Georgia.

H.R. 873: Mr. WEXLER, Mr. FILNER, Mr. FRANK of Massachusetts, Mr. CARSON of Oklahoma, Mr. SHAYS, Mr. MCGOVERN, and Mr. COSTELLO.

H.R. 876: Mr. PALLONE, Mr. BISHOP of Georgia, Mr. POMBO, and Ms. CARSON of Indiana.

H.R. 882: Mr. FERGUSON.

H.R. 887: Mr. VAN HOLLEN.

H.R. 898: Ms. BORDALLO, Mr. AKIN, Mr. MCNULTY, Mr. CARDIN, Mrs. TAUSCHER, Mr. MEEK of Florida, Ms. VELAZQUEZ, and Mrs. JONES of Ohio.

H.R. 919: Mr. HOEFFEL, Mr. FALEOMAVAEGA, Ms. ROS-LEHTINEN, and Mr. NEY.

H.R. 927: Mr. MCCOTTER.

H.R. 935: Mr. EMANUEL and Mr. SCHIFF.

H.R. 941: Mrs. SLAUGHTER.

H.R. 962: Mr. PALLONE, Mrs. LOWEY, Mr. DOYLE, Mr. OWENS, and Ms. DELAURO.

H.R. 976: Mr. RYAN of Ohio.

H.R. 980: Mr. TAYLOR of Mississippi and Mr. TOWNS.

H.R. 983: Mr. CALVERT and Ms. SOLIS.

H.R. 996: Mr. LINDER, Mr. DEAL of Georgia, and Mr. OSBORNE.

H.R. 1031: Mr. RUSH, Mr. CUMMINGS, and Ms. WATERS.

H.R. 1046: Mr. GOODE and Mr. MCNULTY.

H.R. 1049: Ms. LOFGREN.

H.R. 1063: Mr. LUCAS of Kentucky and Mr. POMBO.

H.R. 1083: Mr. KING of New York, Mr. CARSON of Oklahoma, Mr. STARK, Mr. MORAN of Virginia, Mr. ORTIZ, Ms. CARSON of Indiana, Mr. BOEHLERT, and Ms. Slaughter.

H.R. 1108: Mr. BROWN of Ohio, and Mr. CUMMINGS.

H.R. 1110: Mr. BISHOP of Georgia.

H.R. 1115: Mr. CHABOT, Mr. MCHUGH, and Mrs. NORTHUP.

H.R. 1119: Mr. CRENSHAW, Mr. OXLEY, Mr. ISSA, and Mr. KING of Iowa.

H.R. 1125: Mrs. JO ANN DAVIS of Virginia, Mr. TIERNEY, Mr. ROTHMAN, Mr. CARDOZA, and Mr. MATSUI.

H.R. 1137: Mr. PETERSON of Pennsylvania.

H.R. 1155: Mr. YOUNG of Alaska, Mr. LIPINSKI, Mr. MCHUGH, Mr. HOLT, Mr. BOYD, Mr. MANZULLO, Mr. PAUL, and Mr. HINCHEY.

H.R. 1160: Ms. WOOLSEY, Mr. KILDEE, Mr. RYAN of Ohio, Mr. GREEN of Texas, Mr. COSTELLO, Mr. MILLER of North Carolina, Mr. LUCAS of Kentucky, Mr. EDWARDS, Mr. BISHOP of Georgia, and Mr. CLAY.

H.R. 1162: Mr. JEFFERSON.

H.R. 1185: Mr. UDALL of Colorado.

H.R. 1196: Mr. TIERNEY and Mr. FARR.

H.R. 1202: Mr. OXLEY.

H.R. 1225: Mr. RYAN of Ohio, Mr. ROGERS of Kentucky, Mr. MICHAUD, Ms. ROYBALL-ALLARD, Mr. VAN HOLLEN, and Mr. ENGEL.

H.R. 1226: Mr. WEXLER.

H.R. 1229: Mr. GARRETT of New Jersey and Mrs. NORTHUP.

H.R. 1231: Mr. GALLEGLY, Mr. RYAN of Wisconsin, Mr. FORD, Mr. THOMPSON of California, Mr. MORAN of Kansas, and Mr. GARRETT of New Jersey.

H.R. 1238: Ms. SLAUGHTER.

H.R. 1257: Ms. GINNY BROWN-WAITE of Florida.

H.R. 1267: Mr. HOEFFEL, Mr. EMANUEL, and Ms. JACKSON-LEE of Texas.

H.R. 1276: Mr. BONNER and Ms. PRYCE of Ohio.

H.R. 1279: Mr. BALLANCE, Mr. KINGSTON, and Mr. HYDE.

H.R. 1294: Ms. HARMAN.

H.R. 1295: Mr. GRIJALVA, Mr. LANTOS, and Mr. SMITH of New Jersey.

H.R. 1301: Mr. LAHOOD, Ms. CARSON of Indiana, Mr. GORDON, Mr. CAPUANO, and Mr. MARKEY.

H.R. 1309: Mr. SANDLIN.

H.R. 1310: Mr. DUNCAN, Mr. OTTER, and Mrs. NORTHUP.

H.R. 1359: Mr. FROST.

H.R. 1381: Mr. SANDERS, Mr. LIPINSKI, Mr. COSTELLO, and Mr. ROSS.

H.R. 1386: Mr. ABERCROMBIE and Mr. SMITH of New Jersey.

H.R. 1388: Mr. FROST, Mr. HALL, Mr. MORAN of Virginia, Mr. UPTON, and Ms. SLAUGHTER.

H.R. 1426: Mr. POMBO.

H.R. 1429: Mr. GRIJALVA.

H.R. 1430: Mr. WEXLER, Ms. LOFGREN, and Ms. LINDA T. SANCHEZ of California.

H.R. 1440: Mr. LANTOS.

H.R. 1443: Mr. LUCAS of Kentucky and Mr. GILLMOR.

H.R. 1472: Mr. KLECZKA, Mr. WELDON of Pennsylvania, Mr. LAHOOD, and Ms. LOFGREN.

H.R. 1473: Mr. ANDREWS.

H.R. 1478: Mrs. MUSGRAVE.

H.R. 1479: Mr. FORBES.

H.R. 1511: Mr. HASTERT, Mr. SMITH of New Jersey, Mrs. CUBIN, Mr. BUYER, Mr. CROWLEY, Mr. WEINER, Mrs. EMERSON, Mr. GOSS, Mr. HOUGHTON, Mr. LEWIS of Kentucky, Mr. MORAN of Kansas, Mr. PETRI, Mr. WHITFIELD, Mr. YOUNG of Florida, Mr. OSBORNE, Mr. CARTER, Mr. ROYCE, Mr. GOODLATTE, Mr. MCHUGH, Mr. LAHOOD, Mr. TANCREDO, Mr. PETERSON of Pennsylvania, Mr. LEACH, Mr. TERRY, Mr. MCINNIS, Mr. MCCRERY, Mr. SHERWOOD, Mr. SMITH of Michigan, Mr. TIAHRT, Mr. TURNER of Ohio, Mr. VITTER, Mr. ISSA, Mr. THORNBERRY, Mr. DREIER, Mr. SOUDER, and Mr. BURTON of Indiana.

H.R. 1517: Mr. TERRY, Mr. HAYWORTH, and Mr. PETERSON of Pennsylvania.

H.R. 1536: Mr. MCNULTY and Mr. CAMP.

H.R. 1540: Mr. VAN HOLLEN.

H.R. 1568: Mr. CUMMINGS and Mr. FATTAH.

H.R. 1638: Mr. CARDOZA and Mr. MILLER of Florida.

H.R. 1652: Ms. MCCOLLUM, Mr. WATT, Mr. ACKERMAN, and Mr. HINCHEY.

H.R. 1691: Mr. POMBO, Mr. ISRAEL, Ms. GINNEY BROWN-WAITE of Florida, Mr. FROST, and Mrs. MILLER of Michigan.

H.R. 1694: Mr. FRANK of Massachusetts and Mr. GRIJALVA.

H.R. 1704: Mr. LIPINSKI, Ms. Corrine Brown of Florida, Mr. FROST, Ms. KILPATRICK, Ms. Loretta Sanchez of California, Mr. OWENS, Mr. Grijalva, and Mr. BOSWELL.

H.R. 1708: Ms. EDDIE BERNICE JOHNSON of Texas, Mr. MURTHA, and Mr. BILIRAKIS.

H.R. 1710: Mr. ROSS, Mr. GOODE, Mr. LEVIN, Mr. CLAY, Mr. LANGEVIN, Ms. SLAUGHTER, Mr. ENGEL, Mr. SCHIFF, and Mr. SMITH of Washington.

H.R. 1714: Mr. LINDER, Mr. FALEOMAVAEGA, Mr. LARSEN of Washington, Mr. PASTOR, and Mr. SMITH of Washington.

H.R. 1717: Ms. BERKLEY.

H.R. 1734: Ms. BALDWIN, Mr. GARRETT of New Jersey, and Mr. HINCHEY.

H.R. 1735: Mr. CUMMINGS, Mr. ACEVEDO-VILA, Mr. CUNNINGHAM, Mr. FALEOMAVAEGA, Mr. GUTIERREZ, Mr. BEREUTER, Mr. GILLMOR, and Mr. RANGEL.

H.R. 1738: Ms. WATERS, Mr. PALLONE, and Ms. LORETTA SANCHEZ of California.

H.R. 1767: Mrs. MYRICK, Mr. GUTKNECHT, Mr. PETERSON of Minnesota, Mr. DOOLEY of California, and Mr. TANCREDO.

H.R. 1769: Mr. SMITH of Washington, Mr. MCINTYRE, Mr. COBLE, Mr. GILLMOR, and Mr. FORBES.

H.R. 1776: Mr. LEWIS of Kentucky.

H.R. 1795: Mr. CUMMINGS.

H.R. 1796: Mr. JOHNSON of Illinois.

H.R. 1803: Mr. GONZALEZ, Mr. CONYERS, Ms. SCHAKOWSKY, and Mr. SCHIFF.

H.R. 1807: Mr. GOODE and Mr. ENGLISH.

H.R. 1808: Mr. GARRETT of New Jersey.

H.R. 1812: Mr. GUTIERREZ, Mr. CUMMINGS, and Mr. SANDERS.

H.R. 1814: Mr. PASTOR and Mr. HASTINGS of Florida.

H.R. 1819: Mr. NETHERCUTT.

H.R. 1839: Mr. FEENEY.

H.R. 1868: Mr. FROST, Mr. WAXMAN, Mr. LEWIS of Georgia, Mr. OWENS, Mr. CUMMINGS, Mr. GUTIERREZ, Mr. KILDEE, Mr. WYNN, and Mr. RANGEL.

H.R. 1873: Mr. MCHUGH, Mr. NEY, and Mr. FROST.

H.R. 1890: Mr. CRANE and Mr. HULSHOF.

H.R. 1894: Mr. WOOLSEY.

H.R. 1902: Mr. COOPER, Mr. FILNER, Ms. LORETTA SANCHEZ of California, and Mr. WYNN.

H.R. 1904: Mr. BROWN of South Carolina, Mr. BARRETT of South Carolina, Mr. BURNS, Mr. SCOTT of Virginia, Mr. SWEENEY, and Mrs. JO ANN DAVIS of Virginia.

H.R. 1905: Ms. BERKLEY, Mr. WEXLER, and Mrs. MCCARTHY of New York.

H.R. 1908: Mr. KILDEE.

H.R. 1910: Mr. WICKER, Mr. VITTER, Mr. RODRIGUEZ, Mrs. JO ANN DAVIS of Virginia, Mr. MCGOVERN, Mr. OBERSTAR, Mr. THOMPSON of California, Ms. ESHOO, Mr. WOLF, Mr. FILNER, Ms. LEE, Mr. LAHOOD, Mr. GRIJALVA, Mr. WYNN, Mr. PALLONE, Mr. KLECZKA, Mr. LANGEVIN, Ms. MCCOLLUM, and Mr. PASTOR.

H.R. 1927: Mrs. JOHNSON of Connecticut, Mr. NEAL of Massachusetts, and Mr. HERGER.

H.R. 1933: Ms. SLAUGHTER, Mr. HONDA, Ms. LINDA T. SANCHEZ of California, and Mr. CASE.

H.R. 1934: Mr. DAVIS of Illinois.

H.R. 1954: Ms. SOLIS and Mr. DREIER.

H.R. 1963: Mr. WAMP, Mr. TURNER of Texas, Mr. ROGERS of Michigan, and Mr. JANKLOW.

H.R. 1981: Ms. MCCOLLUM and Mr. MCNULTY.

H.R. 1999: Ms. DELAURO, Mr. FARR, Mr. GERLACH, Mr. MCHUGH, Mr. LANTOS, and Mr. CLAY.

H.R. 2009: Mr. FROST, Mr. MCDERMOTT, Mr. SHAW, Mr. HOUGHTON, Mr. HERGER, Mr. NUSSLE, Mr. BLUNT, Mr. MURPHY, Mr. GERLACH, Ms. DUNN, Mr. FOLEY, Mr. WELLER, Mr. COLLINS, Mr. JANKLOW, Mr. KLINE, Mr. ISAKSON, Mr. DEMINT, Mr. JENKINS, Mr. HAYWORTH, Mr. GOSS, Ms. HART, Mr. GUTKNECHT, Mr. COBLE, Mrs. JOHNSON of Connecticut, Mr. WELDON of Pennsylvania, Mr. RAMSTAD, and Mr. CANTOR.

H.R. 2023: Mr. BASS, Mr. MCNULTY, and Mr. ENGEL.

H.R. 2030: Mr. KANJORSKI, Ms. HARMAN, Mr. JEFFERSON, Mr. LANTOS, Ms. NORTON, Mr. FORD, Ms. LORETTA SANCHEZ of California, Mr. FILNER, Mr. ACEVEDO-VILA, Mr. MOLLOHAN, and Mrs. CHRISTENSEN.

H.R. 2039: Mr. BAKER.

H.J. Res. 4: Mr. TOM DAVIS of Virginia, Mr. GUTKNECHT, Mr. LOBIONDO, Mr. STEARNS, Mr. BONILLA, Mr. HOUGHTON, Mr. BACHUS, Mr. CHABOT, and Mr. SMITH of Washington.

H.J. Res. 8: Mr. LOBIONDO.

H.J. Res. 36: Mr. HOEFFEL.

H.J. Res. 37: Mr. WALSH.

H. Con. Res. 93: Mrs. BONO.

H. Con. Res. 116: Mr. NEY.

H. Con. Res. 121: Mr. HOEFFEL.

H. Con. Res. 143: Ms. GINNY BROWN-WAITE of Florida.

H. Con. Res. 152: Mr. ACKERMAN, Mr. RODRIGUEZ, Mr. CRAMER, Mr. SAM JOHNSON of Texas, Mr. SMITH of Washington, Mr. FROST, Mr. MILLER of North Carolina, and Mr. MCINTYRE.

H. Con. Res. 164: Mr. COLLINS.

H. Res. 20: Mr. ANDREWS, Ms. BORDALLO, Mrs. CHRISTENSEN, Mr. COOPER, Mr. CUMMINGS, Mr. HINCHEY, Ms. NORTON, Mr. JACKSON of Illinois, Mr. KILDEE, Mr. KIRK, Mr. LANTOS, Ms. LEE, Mr. MCDERMOTT, Mr. MCNULTY, Mr. OWENS, Mr. RANGEL, Mr. SMITH of New Jersey, Mr. STARK, Mr. TOWNS, Mr. WAXMAN, Mr. WYNN, Ms. JACKSON-LEE of Texas, Mr. CONYERS, Mrs. JONES of Ohio, Mr. MEEKS of New York, Mr. FALEOMAVAEGA, Mr. HASTINGS of Florida, Ms. WATSON, Mr. DELAHUNT, Mr. FORD, Mr. MENENDEZ, Mr. JEFFERSON, Mr. ROYCE, Mr. WOLF, Mr. MATSUI, Mr. GEORGE MILLER of California, Ms. WATERS, and Mr. HONDA.

H. Res. 45: Mrs. MUSGRAVE.

H. Res. 137: Mr. LEVIN, Mr. OWENS, Mr. EMANUEL, and Mr. FRANK of Massachusetts.

H. Res. 142: Mr. RYAN of Ohio.

H. Res. 157: Mr. MARKEY, Mr. KUCINICH, and Mr. WEXLER.

H. Res. 193: Mr. SENSENBRENNER and Mr. GUTIERREZ.

H. Res. 199: Mr. VAN HOLLEN, Mr. WOLF, Mr. ISAKSON, and Mr. MCNULTY.

H. Res. 211: Mr. AKIN and Mrs. MILLER of Michigan.

H. Res. 222: Mr. BONILLA, Mr. SAM JOHNSON of Texas, and Mr. DELAY.

DELETIONS OF SPONSORS FROM PUBLIC BILLS AND RESOLUTIONS

Under clause 7 of rule XII, sponsors were deleted from public bills and resolutions as follows:

H.R. 20: Mr. CHOCOLA.