

PROVIDING FOR THE FURTHER CONSIDERATION OF
H.R. 3299

SEPTEMBER 26, 1989.—Referred to the House Calendar and ordered to be printed

Mr. DERRICK, from the Committee on Rules,
submitted the following

REPORT

[To accompany H. Res. 249]

The Committee on Rules, having had under consideration House Resolution 249, by nonrecord vote, report the same to the House with the recommendation that the resolution do pass.

SECTION 1

The following are the amendments considered to have been adopted in the House and in the Committee of the Whole.

Strike out section 10412 of the bill and insert the following:

SEC. 10412. DUTY REDUCTION FOR CERTAIN LEATHER-RELATED PRODUCTS.

(a) IN GENERAL.—Section 213 of the Caribbean Basin Economic Recovery Act (19 U.S.C. 2703) is amended by adding at the end thereof the following new subsection:

“(h)(1) The rate of duty on any handbag, luggage, flat good, work glove, or leather wearing apparel that—

“(A) is a product of a beneficiary country; and

“(B) was not designated on August 5, 1983, as an eligible article for the purpose of the generalized system of preferences under title V of the Trade Act of 1974;

is a rate equal to 50 percent of the general column 1 rate of duty under the HTS that would apply to such article but for this paragraph.

“(2) The President shall proclaim the rates of duty imposed under paragraph (1).

“(3) The duty applied under paragraph (1) to an article is in lieu of the duty provided for that article under general column 1 of the HTS.”.

(b) **CONFORMING AMENDMENT.**—Section 213(b) of such Act is amended—

- (1) by striking out “, handbags, luggage, flat goods, work gloves, and leather wearing apparel” in paragraph (2);
- (2) by striking out “or” at the end of paragraph (4);
- (3) by striking out the period at the end of paragraph (5) and inserting “; or”; and
- (4) by adding at the end thereof the following new paragraph:

“(6) articles to which reduced rates of duty apply under subsection (h).”

On page 702, delete the item relating to “Importation of Radio Frequency Devices” under “Miscellaneous Charges” and redesignate the following items accordingly.

Strike section 8002 and insert the following:

SEC. 8002. FUNDING OF COST-OF-LIVING ADJUSTMENTS FOR CERTAIN POSTAL SERVICE ANNUITANTS AND SURVIVOR ANNUITANTS.

(a) **IN GENERAL.**—Section 8348 of title 5, United States Code, is amended by adding at the end the following:

“(m)(1) Notwithstanding any other provision of law, the United States Postal Service shall be liable for that portion of any estimated increase in the unfunded liability of the Fund which is attributable to any benefits payable from the Fund to former employees of the Postal Service who first become annuitants by reason of separation from the Postal Service on or after October 1, 1986, or to their survivors, or to the survivors of individuals who die on or after October 1, 1986, while employed by the Postal Service, when the increase results from a cost-of-living adjustment under section 8340 of this title.

“(2) The estimated increase in the unfunded liability referred to in paragraph (1) of this subsection shall be determined by the Office after consultation with the Postal Service. The Postal Service shall pay the amount so determined to the Office in 15 equal annual installments with interest computed at the rate used in the most recent valuation of the Civil Service Retirement System, and with the first payment thereof due at the end of the fiscal year in which the cost-of-living adjustment with respect to which the payment relates becomes effective.

“(3) In determining the amount for which the Postal Service is liable under this subsection in cases in which the benefits involved are based on service of an individual who performed 1 or more forms of service besides employment with the Postal Service, the amount of the Postal Service’s liability shall be prorated to reflect only that portion of total service which is attributable to employment with the Postal Service.”

(b) **EFFECTIVE DATE: SIZE OF ANNUAL INSTALLMENTS TO FUND EARLIER COLAS; ADDITIONAL AMOUNT INITIALLY PAYABLE.**—

(1) **EFFECTIVE DATE.**—This section and the amendment made by this section shall be effective as of October 1, 1986.

(2) **SIZE OF ANNUAL INSTALLMENTS TO FUND PREVIOUS YEARS’ COLAS.**—Notwithstanding any provision of section 8348(m) of title 5, United States Code (as added by subsection (a)), the estimated increase in the unfunded liability referred to in para-

graph (1) of such section 8348(m) shall be payable based on annual installments equal to—

- (A) \$100,000 each, with respect to the cost-of-living adjustment which took effect in fiscal year 1987;
- (B) \$6,000,000 each, with respect to the cost-of-living adjustment which took effect in fiscal year 1988; and
- (C) \$15,000,000 each, with respect to the cost-of-living adjustment which took effect in fiscal year 1989.

(3) **ADDITIONAL AMOUNT PAYABLE**—

(A) **GENERALLY.**—The first payment made under the provisions of section 8348(m) of title 5, United States Code (as added by subsection (a)) shall include, in addition to the amount which would otherwise be payable at that time, an amount equal to the sum of any amounts which would have been due under those provisions in any prior year if this section had been enacted before October 1, 1986.

(B) **COMPUTATION METHOD.**—Subject to paragraph (2), the additional amount payable under this paragraph shall be computed in accordance with section 8348(m) of title 5, United States Code (as added by subsection (a)), and shall include interest. Interest on an amount—

(i) shall be computed at the rate used in the most recent valuation of the Civil Service Retirement System;

(ii) shall accrue, and be compounded, annually; and

(iii) shall be computed for the period beginning on the date by which such amount should have been paid (if this section had been enacted before October 1, 1986) and ending on the date on which payment is made.

At the end of the bill insert the following new title:

TITLE XII—MISCELLANEOUS

SEC. 12001. SECTION 202(b) EXCEPTION.

Any transfer of outlays, receipts, or revenues from one fiscal year to an adjacent fiscal year that occurs pursuant to any provision of this Act or any amendment made by this Act shall be considered a necessary (but secondary) result of a significant policy change as provided in section 202(b) of the Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987.

AN AMENDMENT TO H.R. 3299 AS REPORTED

Insert after Section 3403 of the bill the following:

SEC. 3404. APPLICATION OF OTHER ACTS.

Title IX of the Education Amendments of 1972 (as amended) shall be deemed applicable to any program or activity assisted under any provision of subtitle E, or of any amendment made by such subtitle E, to the same extent and in the same manner as any program or activity included within the meaning of such term under such title IX. References in subtitle E, or any amendment made by subtitle E, to section 654 of the Head Start Act shall be construed so as to be consistent with such title IX.

SECTION 2

The following are the amendments made in order under House Resolution 249.

1. AN AMENDMENT TO BE OFFERED BY REPRESENTATIVE ROUKEMA OF NEW JERSEY, OR HER DESIGNEE, DEBATABLE FOR NOT TO EXCEED 60 MINUTES, TO BE EQUALLY DIVIDED AND CONTROLLED BY THE PROPONENT OF THE AMENDMENT AND A MEMBER OPPOSED THERETO

On page 149, strike out line 1 and all that follows through page 150, line 22 and redesignate succeeding subsections accordingly.

2. AN AMENDMENT TO BE OFFERED BY REPRESENTATIVE DORGAN OF NORTH DAKOTA, OR HIS DESIGNEE, DEBATABLE FOR NOT TO EXCEED 60 MINUTES, TO BE EQUALLY DIVIDED AND CONTROLLED BY THE PROPONENT OF THE AMENDMENT AND A MEMBER OPPOSED THERETO

In title XI of the bill, strike parts IV and V of subtitle C.

In title XI of the bill, strike part I of subtitle C and insert the following:

PART I—REPEAL OF SECTION 89 NONDISCRIMINATION RULES

SEC. 11301. REPEAL OF SECTION 89.

(a) IN GENERAL.—Section 89 (relating to benefits provided under certain discriminatory employee benefit plans) is hereby repealed.

(b) CLERICAL AMENDMENT.—The table of sections for part II of subchapter B of chapter 1 is amended by striking the item relating to section 89.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in section 1151 of the Tax Reform Act of 1986.

SEC. 11302. REINSTATEMENT OF PRE-1986 ACT NONDISCRIMINATION RULES.

(a) IN GENERAL.—

(1) Each provision of law amended by subsection (b), (c), (d)(1), or (g) of section 1151 of the Tax Reform Act of 1986 is amended to read as if the amendments made by such subsection had not been enacted.

(2) Each provision of law amended by paragraph (22), (27), or (31) of section 1011B(a) of the Technical and Miscellaneous Revenue Act of 1988 is amended to read as if the amendments made by such paragraph had not been enacted.

(3) Subparagraph (A) of section 125(g)(3) (as in effect on the day before the date of the enactment of the Tax Reform Act of 1986) is amended by striking “subparagraph (B) of section 410(b)(1)” and inserting “section 410(b)(2)(A)(i)”.

(4) Section 162(l)(2) is amended by striking subparagraph (B) and redesignating subparagraph (C) as subparagraph (B).

(5) Subparagraph (C) of section 401(a)(9) is amended—

(A) by striking “(as defined in section 89(i)(4))”, and

(B) by adding at the end the following: “For purposes of this subparagraph, the term ‘church plan’ means a plan

maintained by a church for church employees, and the term ‘church’ means any church (as defined in section 3121(w)(3)(A)) or qualified church-controlled organization (as defined in section 3121(w)(3)(B)).”

(6)(A) Subparagraph (C) of section 414(n)(3) is amended by striking “89”.

(B) Paragraph (1) of section 414(r) is amended by striking “sections 89 and” and inserting “section”.

(C) Paragraph (2) of section 414(t) is amended by striking “89”.

(7) Sections 3021(c) and 6070 of the Technical and Miscellaneous Revenue Act of 1988 are hereby repealed.

(b) EXCEPTIONS.—

(1)(A) Paragraph (7) of section 79(d) (as in effect on the day before the date of the enactment of the Tax Reform Act of 1986) is amended to read as follows:

“(17) EXEMPTION FOR CHURCH PLANS.—This subsection shall not apply to any plan maintained by a church for church employees. For purposes of the preceding sentence, the term ‘church’ means any church (as defined in section 3121(w)(3)(A)) or qualified church-controlled organization (as defined in section 3121(w)(3)(B)).”

(B) Unless the employer otherwise elects, the reference to section 79(d) in section 223(d)(2) of the Tax Reform Act of 1984 shall be treated as a reference to such section as in effect on the day before the date of the enactment of the Tax Reform Act of 1986.

(2) Paragraph (2) of section 125(d) (as in effect on the day before the date of the enactment of the Tax Reform Act of 1986) is amended to read as follows:

“(2) DEFERRED COMPENSATION PLANS EXCLUDED.—

“(A) IN GENERAL.—The term ‘cafeteria plan’ does not include any plan which provides for deferred compensation.

“(B) EXCEPTION FOR CASH AND DEFERRED ARRANGEMENTS.—Subparagraph (A) shall not apply to a profit-sharing or stock bonus plan or rural electric cooperative plan (within the meaning of section 401(k)(7)) which includes a qualified cash or deferred arrangement (as defined in section 401(k)(2)) to the extent of amounts which a covered employee may elect to have the employer pay as contributions to a trust under such plan on behalf of the employee.

“(C) EXCEPTION FOR CERTAIN PLANS MAINTAINED BY EDUCATIONAL INSTITUTIONS.—Subparagraph (A) shall not apply to a plan maintained by an educational organization described in section 170(b)(1)(A)(ii) to the extent of amounts which a covered employee may elect to have the employer pay as contributions for post-retirement group life insurance if—

“(i) all contributions for such insurance must be made before retirement, and

“(ii) such life insurance does not have a cash surrender value at any time.

For purposes of section 79, any life insurance described in the preceding sentence shall be treated as group-term life insurance."

(c) **EFFECTIVE DATE.**—The amendments made by this section shall take effect as if included in section 1151 of the Tax Reform Act of 1986.

SEC. 11303. OTHER PROVISIONS RELATING TO NONTAXABLE BENEFITS.

(a) **DEPENDENT CARE ASSISTANCE.**—Paragraph (1) of section 129(d) (defining dependent care assistance program) is amended by adding at the end the following new sentence: "If any plan described in subparagraph (A) fails to meet the requirements referred to in subparagraph (B), notwithstanding such failure, such plan shall be treated as a dependent care assistance program in the case of employees who are not highly compensated employees."

(b) **APPLICATION OF LINE OF BUSINESS TEST FOR PERIOD BEFORE GUIDELINES ISSUED.**—In the case of any plan year beginning on or before the date the Secretary of the Treasury (or the delegate of the Secretary) issues guidelines under section 404(r)(2)(C) of the Internal Revenue Code of 1986 (and begins issuing determination letters with respect to such section), an employer meeting the requirements of subparagraphs (A) and (B) of section 414(r)(2) of such Code with respect to a line of business may treat it as a separate line of business if the employer reasonably determines it to be separate.

(c) **EFFECTIVE DATES.**—

(1) The amendments made by subsection (a) shall apply to years beginning after December 31, 1988.

(2) The provisions of subsection (c) shall apply to years beginning after December 31, 1986.

Conform the table of contents for title XI accordingly.

3. AN AMENDMENT TO BE OFFERED BY REPRESENTATIVE ANDERSON OF CALIFORNIA, OR HIS DESIGNEE, DEBATABLE FOR NOT TO EXCEED 60 MINUTES, TO BE EQUALLY DIVIDED AND CONTROLLED BY THE PROPONENT OF THE AMENDMENT AND A MEMBER OPPOSED THERE- TO

In section 11502 of the bill, strike subsection (c).

4. AN AMENDMENT TO BE OFFERED BY REPRESENTATIVE ROSTENKOWSKI OF ILLINOIS, OR REPRESENTATIVE GEPHARDT OF MISSOURI, OR THEIR DESIGNEE, DEBATABLE FOR NOT TO EXCEED 2 HOURS, TO BE EQUALLY DIVIDED AND CONTROLLED BY THE PROPONENT OF THE AMENDMENT AND A MEMBER OPPOSED THERE- TO

Strike so much of subtitle J of title XI as precedes part III there- of and insert the following:

Subtitle J—Expansion of IRA Deduction; Elimination of Provision Reducing Marginal Rate for High-Income Individuals

PART I—EXPANSION OF IRA DEDUCTION

SEC. 11951. ACTIVE PARTICIPANTS ALLOWED DEDUCTION FOR 50 PER- CENT OF CONTRIBUTIONS.

(a) **GENERAL RULE.**—Paragraph (1) of section 219(g) (relating to limitation on deduction of active participants in certain pension plans) is amended to read as follows:

"(1) **IN GENERAL.**—If (for any part of any plan year ending with or within a taxable year) an individual or the individual's spouse is an active participant, the amount allowed as a deduc- tion under subsection (a) for such taxable year shall be the sum of—

"(A) 100 percent of the amount which would have been allowable for such taxable year if each of the dollar limita- tions contained in subsections (b)(1)(A) and (c)(2) were re- duced (but not below zero) by the amount determined under paragraph (2), plus

"(B) 50 percent of the excess of—

"(i) the amount which would have been allowable for such taxable year without regard to this subsec- tion, over

"(ii) the amount determined under subparagraph (A)."

(b) **DISALLOWANCE OF DEDUCTION FOR INTEREST ON LOAN IN- CURRED TO MAKE IRA CONTRIBUTION.**—Subsection (h) of section 163 (relating to disallowance of deduction for personal interest) is amended by adding at the end thereof the following new para- graph:

"(6) **INTEREST ON LOAN INCURRED TO MAKE IRA CONTRI- BUTION.**—In the case of any interest which is paid or accrued on indebtedness incurred for purposes of making a contribution to an individual retirement plan—

"(A) for purposes of this subsection, such interest shall be treated as personal interest (and the provisions of para- graph (5) shall not apply), and

"(B) such interest shall not be treated as investment in- terest for purposes of subsection (d)."

(c) **CONFORMING AMENDMENTS.**—

(1) Subsection (o) of section 408 is amended by striking para- graphs (1), (2), and (3) and inserting the following:

"(1) **IN GENERAL.**—Qualified nondeductible contributions may be made on behalf of an individual to an individual retirement plan.

"(2) **QUALIFIED NONDEDUCTIBLE CONTRIBUTIONS.**—For purposes of this subsection—

"(A) **IN GENERAL.**—The term 'qualified nondeductible contribution' means the portion of any contribution for a taxable year beginning after December 31, 1989, to an indi- vidual retirement plan which is not allowable as a deduc- tion under section 219 solely by reason of subsection (g)(1) thereof.

"(B) YEARS BEFORE 1990.—The term 'qualified nondeductible contribution' includes any contribution to an individual retirement plan for any taxable year beginning before January 1, 1990, which was a designated nondeductible contribution (as defined in this subsection as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1989).

"(C) TAXPAYER MAY ELECT TO TREAT DEDUCTIBLE CONTRIBUTIONS AS NONDEDUCTIBLE.—If a taxpayer elects not to deduct any contribution which (without regard to this subparagraph) is allowable as a deduction under section 219, such contribution shall be treated as a qualified nondeductible contribution.

"(3) TIME WHEN CONTRIBUTION MADE.—In determining for which taxable year a contribution is made, the rules of section 219(f)(3) shall apply."

(2) Paragraph (7) of section 219(f) is amended by striking "408(o)(2)(B)(ii)" and inserting "408(o)(2)(C)".

(3) Sections 408(o)(4) and 6693(b) are each amended by striking "designated nondeductible" each place it appears (including in any heading) and inserting "qualified nondeductible".

(4)(A) The section heading for section 6693 is amended by striking "DESIGNATED" and inserting "QUALIFIED".

(B) The item relating to section 6693 in the table of sections for part I of subchapter B of chapter 68 is amended by striking "designated" and inserting "qualified".

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to contributions for taxable years beginning after December 31, 1989.

SEC. 11952. DISTRIBUTIONS FROM INDIVIDUAL RETIREMENT PLANS MAY BE USED WITHOUT PENALTY TO PURCHASE FIRST HOME OR TO PAY HIGHER EDUCATION EXPENSES.

(a) IN GENERAL.—Paragraph (2) of section 72(t) (relating to exceptions to 10-percent additional tax on early distributions from qualified retirement plans) is amended by adding at the end thereof the following new subparagraph:

"(E) DISTRIBUTIONS FROM INDIVIDUAL RETIREMENT PLANS FOR FIRST HOME PURCHASES OR EDUCATIONAL EXPENSES.—The following distributions to an individual from an individual retirement plan:

"(i) FIRST-TIME HOMEBUYERS.—Qualified first-time homebuyer distributions (as defined in paragraph (6)).

"(ii) HIGHER EDUCATION EXPENSES.—Distributions (other than distributions described in subparagraph (A) or in clause (i)) to the extent such distributions do not exceed the qualified higher education expenses (as defined in paragraph (7)) of the taxpayer for the taxable year."

(b) DEFINITIONS.—Section 72(t) is amended by adding at the end thereof the following new paragraphs:

"(6) QUALIFIED FIRST-TIME HOMEBUYERS DISTRIBUTIONS.—For purposes of paragraph (2)(E)(i)—

"(A) IN GENERAL.—The term 'qualified first-time homebuyer distribution' means any payment or distribution received by a first-time homebuyer from an individual retire-

ment plan to the extent such payment or distribution is used by the individual before the close of the 60th day after the day on which such payment or distribution is received to pay qualified acquisition costs with respect to a principal residence for such individual.

"(B) QUALIFIED ACQUISITION COSTS.—For purposes of this paragraph, the term 'qualified acquisition costs' means the costs of acquiring, constructing, or reconstructing the residence. Such term includes any usual or reasonable settlement, financing, or other closing costs.

"(C) FIRST-TIME HOMEBUYER; OTHER DEFINITIONS.—For purposes of this paragraph—

"(i) FIRST-TIME HOMEBUYER.—The term 'first-time homebuyer' means any individual if such individual (and, if married, such individual's spouse) had no present ownership interest in a principal residence during the 3-year period ending on the date of acquisition of the principal residence to which this paragraph applies.

"(ii) PRINCIPAL RESIDENCE.—The term 'principal residence' has the same meaning as when used in section 1034.

"(iii) DATE OF ACQUISITION.—The term 'date of acquisition' means the date on which a binding contract to acquire, construct, or reconstruct the principal residence to which subparagraph (A) applies is entered into.

"(C) SPECIAL RULE WHERE DELAY IN ACQUISITION.—If—

"(i) any amount is paid or distributed from an individual retirement plan to an individual for purposes of being used as provided in subparagraph (A), and

"(ii) by reason of a delay in the acquisition of the residence, the requirements of subparagraph (A) cannot be met,

the amount so paid or distributed may be paid into another individual retirement plan as provided in section 408(d)(3)(A)(i) without regard to section 408(d)(3)(B), and, if so paid into such other plan, such amount shall not be taken into account in determining whether section 408(d)(3)(A)(i) applies to any other amount.

"(7) QUALIFIED HIGHER EDUCATION EXPENSES.—For purposes of paragraph (2)(E)(ii), the term 'qualified higher education expenses' has the meaning given such term by section 135(c)(2), reduced—

"(A) as provided in section 135(d)(1), and

"(B) by any amount excludable from gross income for the taxable year under section 135 (relating to income from United States savings bonds used to pay higher education expenses)."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to payments and distributions after December 31, 1989, in taxable years ending after such date.

PART II—ELIMINATION OF PROVISION REDUCING MARGINAL TAX RATE FOR HIGH-INCOME INDIVIDUALS

SEC. 11961. ELIMINATION OF PROVISION REDUCING MARGINAL TAX RATE FOR HIGH-INCOME INDIVIDUALS.

(a) **IN GENERAL.**—Section 1 (relating to tax imposed) is amended—

(1) by striking the item beginning “Over \$29,750” and all that follows in subsection (a) (relating to married individuals filing joint returns and surviving spouses) and inserting the following new items:

“Over \$29,750 but not over \$71,900	\$4,462.50, plus 28% of the excess over \$29,750.
Over \$71,900	\$16,264.50, plus 33% of the excess over \$71,900.

(2) by striking the item beginning “Over \$23,900” and all that follows in subsection (b) (relating to heads of households) and inserting the following new items:

“Over \$23,900 but not over \$61,650	\$3,585, plus 28% of the excess over \$23,900.
Over \$61,650	\$14,155, plus 33% of the excess over \$61,650.”

(3) by striking the item beginning “Over \$17,850” and all that follows in subsection (c) (relating to unmarried individuals, other than surviving spouses and heads of households) and inserting the following new items:

“Over \$17,850 but not over \$48,150	\$2,677.50, plus 28% of the excess over \$17,850.
Over \$48,150	\$9,761.50, plus 33% of the excess over \$48,150.”

(4) by striking the item beginning “Over \$14,875” and all that follows in subsection (d) (relating to married individuals filing separate returns) and inserting the following new items:

“Over \$14,875 but not over \$35,950	\$2,231.25, plus 28% of the excess over \$14,875.
Over \$35,950	\$8,132.25, plus 33% of the excess over \$35,950.”

and

(5) by striking the item beginning “Over \$5,000” and all that follows in subsection (e) (relating to estates and trusts) and inserting the following new items:

“Over \$5,000 but not over \$13,000
Over \$13,000

\$750, plus 28% of the excess over \$5,000
\$2,990, plus 33% of the excess over \$13,000.”

(b) **REPEAL OF PHASEOUT.**—

(1) **IN GENERAL.**—Section 1 is amended by striking subsection (g) (relating to phaseout of 15-percent rate and personal exemptions).

(2) **CONFORMING AMENDMENT.**—Subparagraph (A) of section 1(f)(6) (relating to adjustments for inflation) is amended by striking “subsection (g)(4).”.

(c) **28 PERCENT MAXIMUM CAPITAL GAINS RATE.**—Subsection (j) of section 1 (relating to maximum capital gains rate) is amended to read as follows:

“(j) **MAXIMUM CAPITAL GAINS RATE.**—If a taxpayer has a net capital gain for any taxable year, then the tax imposed by this section shall not exceed the sum of—

“(1) a tax computed at the rates and in the same manner as if this subsection had not been enacted on the greater of—

“(A) taxable income reduced by the amount of the net capital gain, or

“(B) the amount of taxable income taxed at a rate below 28 percent, plus

“(2) a tax of 28 percent of the amount of taxable income in excess of the amount determined under paragraph (1).

For purposes of the preceding sentence, the amount taken into account as the net capital gain for any taxable year shall not exceed the amount which would be the net capital gain for such year if gains and losses from sales and exchanges of collectibles (as defined in section 408(m) without regard to paragraph (3) thereof) were not taken into account.”

(d) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years beginning after December 31, 1989.

SEC. 11962. ACCELERATION OF DEPOSIT REQUIREMENTS.

(a) **IN GENERAL.**—Section 6302 (relating to mode or time for collection), as amended by section 11504, is amended by redesignating subsection (f) as subsection (g) and by inserting after subsection (e) the following new subsection:

“(f) **DEPOSITS OF SOCIAL SECURITY TAXES AND WITHHELD INCOME TAXES.**—If, under regulations prescribed by the Secretary, a person is required to make deposits of taxes imposed by chapters 21 and 24 on the basis of eighth-month periods, such person shall make deposits of such taxes on the 1st banking day after any day on which such person has \$500,000 or more of such taxes for deposit. Rules similar to the rules of section 5061(e)(3) shall apply to the dollar amount applicable under the preceding sentence.”

(b) **EFFECTIVE DATE.**—

(1) **IN GENERAL.**—The amendment made by subsection (a) shall take effect on January 1, 1990.

(2) **SPECIAL RULE FOR 1990.**—In the case of any amount which (but for this paragraph) would be required to be deposited during calendar year 1990 under the amendment made by subsection (a), the amendment made by subsection (a) shall apply to 60 percent of such amount.

(3) **SPECIAL RULE FOR 1991.**—In the case of any amount which (but for this paragraph) would be required to be deposited during calendar year 1991 under the amendment made by subsection (a), the amendment made by subsection (a) shall apply only to 70 percent of such amount.

PART III—DEFICIT REDUCTION TRUST FUND

SEC. 11971. DEFICIT REDUCTION TRUST FUND.

(a) **CREATION OF TRUST FUND.**—There is established in the Treasury of the United States a trust fund to be known as the “Deficit Reduction Trust Fund”.

(b) **TRANSFER TO ACCOUNT OF NEW ADDITIONAL REVENUES.**—

(1) **IN GENERAL.**—The Secretary of the Treasury (hereinafter in this section referred to as the “Secretary”) shall, from time to time, transfer to the Deficit Reduction Trust Fund the amount of the qualified net additional revenues received in the Treasury.

(2) **QUALIFIED NET ADDITIONAL REVENUES.**—For purposes of this subsection—

(A) **IN GENERAL.**—The term “qualified net additional revenues” means the net amount by which the amendments made by parts I and II of this subtitle increase the amount of revenue received in the Treasury.

(B) **SPECIAL RULE FOR FISCAL YEARS BEFORE 1995.**—In the case of any fiscal year before fiscal year 1995, the amount of the qualified net additional revenue for such year shall be determined under the following table:

In the case of fiscal year:	The qualified net additional revenues are:
1990.....	\$1,021,000,000
1991.....	1,140,000,000
1992.....	3,997,000,000
1993.....	8,641,000,000
1994.....	10,460,000,000.

(3) **ESTIMATES.**—For fiscal years after 1994, the amounts transferred to the Deficit Reduction Trust Fund shall be made on the basis of estimates made by the Secretary of the qualified net additional revenues. Proper adjustments shall be made in the amounts subsequently transferred to the extent prior estimates were in excess of or less than the amounts required to be transferred.

(c) **USE OF AMOUNTS IN TRUST FUND.**—The Secretary shall use the amounts in the Deficit Reduction Trust Fund to redeem, or buy before maturity, obligations of the Government which are included in the public debt. Any obligation of the Government which is paid, redeemed, or bought with money from the Deficit Reduction Trust Fund shall be cancelled and retired and may not be reissued.

Redesignate part III of subtitle J of title XI of the bill as part IV.

Strike section 11632 of the bill.

Amend the table of contents accordingly.

5. **AN AMENDMENT TO BE OFFERED BY REPRESENTATIVE OXLEY OF OHIO, OR HIS DESIGNEE, DEBATABLE FOR NOT TO EXCEED 30 MINUTES, TO BE EQUALLY DIVIDED AND CONTROLLED BY THE PROPOSER OF THE AMENDMENT AND A MEMBER OPPOSED THERETO.**

Page 707, beginning on line 3, strike out all of subsection (b) of section 4702 through page 709, line 24, and redesignate the succeeding subsection accordingly.

6. **AN AMENDMENT TO BE OFFERED BY REPRESENTATIVE DONNELLY OF MASSACHUSETTS, OR HIS DESIGNEE, DEBATABLE FOR NOT TO EXCEED 60 MINUTES, TO BE EQUALLY DIVIDED AND CONTROLLED BY THE PROPOSER OF THE AMENDMENT AND A MEMBER OPPOSED THERETO.**

Amend part F of subtitle B of title X (relating to revisions to the Medicare Catastrophic Coverage Act of 1988) to read as follows (and conform the table of contents of such subtitle accordingly):

PART F—REPEAL OF MEDICARE PROVISIONS IN THE MEDICARE CATASTROPHIC COVERAGE ACT OF 1988

Subpart 1—Provisions Relating to Part A of Medicare Program and Supplemental Medicare Premium

SEC. 10181. REPEAL OF EXPANSION OF MEDICARE PART A BENEFITS.

(a) **IN GENERAL.**—

(1) **GENERAL RULE.**—Except as provided in paragraph (2), sections 101, 102, and 104(d) (other than paragraph (7)) of the Medicare Catastrophic Coverage Act of 1988 (Public Law 100-360) (in this part referred to as “MCCA”) are repealed, and the provisions of law amended or repealed by such sections are restored or revived as if such section had not been enacted.

(2) **EXCEPTION FOR BLOOD DEDUCTION.**—The repeal of section 102(1) of MCCA (relating to deductibles and coinsurance under part A) shall not apply, but only insofar as such section amended paragraph (2) of section 1813(a) of the Social Security Act (relating to a deduction for blood).

(b) **TRANSITION PROVISIONS FOR MEDICARE BENEFICIARIES.**—

(1) **INPATIENT HOSPITAL SERVICES AND POST-HOSPITAL EXTENDED CARE SERVICES.**—In applying sections 1812 and 1813 of the Social Security Act, as restored by subsection (a)(1), with respect to inpatient hospital services and extended care services provided on or after January 1, 1990—

(A) no day before January 1, 1990, shall be counted in determining the beginning (or period) of a spell of illness;

(B) with respect to the limitation on such services provided in a spell of illness, days of such services before January 1, 1990, shall not be counted, except that days of inpatient hospital services before January 1, 1989, which were applied with respect to an individual after receiving 90 days of services in a spell of illness (commonly known as “lifetime reserve days”) shall be counted;

(C) the limitation of coverage of extended care services to post-hospital extended care services shall not apply to an individual receiving such services from a skilled nursing facility during a continuous period beginning before (and including) January 1, 1990, until the end of the period of 30-consecutive days in which the individual is not provided inpatient hospital services or extended care services; and

(D) the inpatient hospital deductible under section 1813(a)(1) of such Act shall not apply—

(i) in the case of an individual who is receiving inpatient hospital services during a continuous period beginning before (and including) January 1, 1990, with respect to the spell of illness beginning on such date, if such a deductible was imposed on the individual for a period of hospitalization during 1989;

(ii) for a spell of illness beginning during January 1990, if such a deductible was imposed on the individual for a period of hospitalization that began in December 1989; and

(iii) in the case of a spell of illness of an individual that began before January 1, 1989, and has not ended as of January 1, 1990.

(2) **HOSPICE CARE.**—The restoration of section 1812(a)(4) of the Social Security Act, effected by subsection (a)(1), shall not apply to hospice care provided during the subsequent period (described in such section as in effect on December 31, 1989) with respect to which an election has been made before January 1, 1990.

(3) **TERMINATION OF HOLD HARMLESS PROVISIONS.**—Section 104(b) of MCCA is amended by striking “or 1990” each place it appears.

(c) **TERMINATION OF TRANSITIONAL ADJUSTMENTS IN PAYMENTS FOR INPATIENT HOSPITAL SERVICES.**—

(1) **PPS HOSPITALS.**—Section 104(c)(1) of MCCA is amended by inserting “and before January 1, 1990,” after “October 1, 1988,”

(2) **PPS-EXEMPT HOSPITALS.**—Section 104(c)(2) of MCCA is amended—

(A) by inserting “and before January 1, 1990,” after “January 1, 1989,”; and

(B) by striking the period at the end and inserting the following: “, without regard to whether any of such beneficiaries exhausted medicare inpatient hospital insurance benefits before January 1, 1989.”

(d) **EFFECTIVE DATE.**—The provisions of this section shall take effect January 1, 1990, except that the amendments made by subsection (c) shall be effective as if included in the enactment of MCCA.

SEC. 10182. REPEAL OF SUPPLEMENTAL MEDICARE PREMIUM AND FEDERAL HOSPITAL INSURANCE CATASTROPHIC COVERAGE RESERVE FUND.

(a) **IN GENERAL.**—Sections 111 and 112 of MCCA are repealed and the provisions of law amended by such sections are restored or revived as if such sections had not been enacted.

(b) **DELAY IN STUDY DEADLINE.**—Section 113(c) of MCCA is amended by striking “November 30, 1988” and inserting “May 31, 1990”.

(c) **DISPOSAL OF FUNDS IN FEDERAL HOSPITAL INSURANCE CATASTROPHIC COVERAGE RESERVE FUND.**—Any balance in the Federal Hospital Insurance Catastrophic Coverage Reserve Fund (created under section 1817A(a) of the Social Security Act, as inserted by section 112(a) of MCCA) as of January 1, 1990, shall be transferred into the Federal Hospital Insurance Trust Fund and any amounts payable due to overpayments into such Trust Fund shall be payable from the Federal Hospital Insurance Trust Fund.

(d) **EFFECTIVE DATES.**—

(1) **IN GENERAL.**—Except as provided in this subsection, the provisions of this section shall take effect January 1, 1990.

(2) **REPEAL OF SUPPLEMENTAL MEDICARE PREMIUM.**—The repeal of section 111 of MCCA shall apply to taxable years beginning after December 31, 1988.

Subpart 2—Provisions Relating to Part B of the Medicare Program

SEC. 10185. REPEAL OF EXPANSION OF MEDICARE PART B BENEFITS.

(a) **IN GENERAL.**—

(1) **GENERAL RULE.**—Except as provided in paragraph (2), sections 201 through 208 of MCCA are repealed and the provisions of law amended or repealed by such sections are restored or revived as if such sections had not been enacted.

(2) **EXCEPTION.**—Paragraph (1) shall not apply to subsections (g) and (m)(4) of section 202 of MCCA.

(b) **CONFORMING AMENDMENTS.**—Section 1905(p) of the Social Security Act (42 U.S.C. 1396d(p)) is amended—

(1) in paragraph (3)(C)—

(A) by striking “Subject to paragraph (4), deductibles” and inserting “deductibles”, and

(B) by striking “1813, section 1833(b)” and all that follows and inserting “1813 and section 1833(b).”; and

(2) by striking paragraph (4) and redesignating paragraph (5) as paragraph (4).

(c) **EFFECTIVE DATE.**—The provisions of this section shall take effect January 1, 1990.

SEC. 10186. REPEAL OF CHANGES IN MEDICARE PART B MONTHLY PREMIUM AND FINANCING.

(a) **IN GENERAL.**—Sections 211 through 213 (other than section 211(b)) of MCCA are repealed and the provisions of law amended or repealed by such sections are restored or revived as if such sections had not been enacted.

(b) **1-TIME TRANSFER OF NET ADDITIONAL PREMIUMS.**—There shall be transferred, as of January 1, 1990, from the Federal Supplemen-

tary Medical Insurance Trust Fund to the Federal Hospital Insurance Trust Fund an amount equal to—

(1) the amount of the premiums collected pursuant to section 1839(g) of the Social Security Act, minus

(2) the amount of administrative expenses incurred under part B of title XVIII of such Act relating to implementation of MCCA, plus

(3) the amount of interest accrued to the Federal Supplementary Medical Insurance Trust Fund attributable to balance described in paragraphs (1) and (2).

(c) **EFFECTIVE DATE.**—The provisions of subsection (a) shall take effect January 1, 1990, and the repeal of section 211 of MCCA shall apply to premiums for months beginning after December 31, 1989.

SEC. 10187. AMENDMENT OF CERTAIN MISCELLANEOUS PROVISIONS.

(a) REVISION OF MEDIGAP REGULATIONS.—

(1) Section 1882 of the Social Security Act (42 U.S.C. 1395ss), as amended by section 221(d) of the Medicare Catastrophic Coverage Act of 1988, is amended—

(A) in the third sentence of subsection (a) and in subsection (b)(1), by striking “subsection (k)(3)” and inserting “subsections (k)(3), (k)(4), (m), and (n)”;

(B) in subsection (k)—

(i) in paragraph (1)(A), by inserting “except as provided in subsection (m),” before “subsection (g)(2)(A)”, and

(ii) in paragraph (3), by striking “subsection (1)” and inserting “subsections (1), (m), and (n)”;

(C) by adding at the end the following new subsections:

“(m)(1)(A) If, within the 90-day period beginning on the date of the enactment of this subsection, the National Association of Insurance Commissioners (in this subsection and subsection (n) referred to as the ‘Association’) amends the amended NAIC Model Regulation (referred to in subsection (k)(1)(A) and adopted on September 20, 1988) to reflect the changes in law made by part F of subtitle B of title X of the Omnibus Budget Reconciliation Act of 1989, subsection (g)(2)(A) shall be applied in a State, effective on and after the date specified in subparagraph (B), as if the reference to the Model Regulation adopted on June 6, 1979, were a reference to the amended NAIC Model Regulation (referred to in subsection (k)(1)(A)) as amended by the Association in accordance with this paragraph (in this subsection and subsection (n) referred to as the revised NAIC Model Regulation’).

“(B) The date specified in this subparagraph for a State is the earlier of the date the State adopts standards equal to or more stringent than the revised NAIC Model Regulation or 1 year after the date the Association first adopts such revised Regulation.

“(2)(A) If the Association does not amend the amended NAIC Model Regulation, within the 90-day period specified in paragraph (1)(A), the Secretary shall promulgate, not later than 60 days after the end of such period, revised Federal model standards (in this subsection and subsection (n) referred to as ‘revised Federal model standards’) for medical supplemental policies to reflect the changes in law made by part F of subtitle B of title X of the Omnibus

Budget Reconciliation Act of 1989, subsection (g)(2)(A) shall be applied in a State, effective on and after the date specified in subparagraph (B), as if the reference to the Model Regulation adopted on June 6, 1979, were a reference to the revised Federal model standards.

“(B) The date specified in this subparagraph for a State is the earlier of the date the State adopts standards equal to or more stringent than the revised Federal model standards or 1 year after the date the Secretary first promulgates such standards.

“(3) Notwithstanding any other provision of this section (except as provided in subsection (n))—

“(A) no medicare supplemental policy may be certified by the Secretary pursuant to subsection (a),

“(B) no certification made pursuant to subsection (a) shall remain in effect, and

“(C) no State regulatory program shall be found to meet (or to continue to meet) the requirements of subsection (b)(1)(A), unless such policy meets (or such program provides for the application of standards equal to or more stringent than) the standards set forth in the revised NAIC Model Regulation or the revised Federal model standards (as the case may be) by the date specified in paragraph (1)(B) or (2)(B) (as the case may be).

“(n)(1) Until the date specified in paragraph (4), in the case of a qualifying medicare supplemental policy described in paragraph (3) issued in a State—

“(A) before July 1, 1990, the policy is deemed to remain in compliance with the standards described in subsection (b)(1)(A) if the insurer issuing the policy complies with the transition provision described in paragraph (2), or

“(B) on or after July 1, 1990, the policy is deemed to be in compliance with the standards described in subsection (b)(1)(A) if the insurer issuing the policy complies with the revised NAIC Model Regulation or the revised Federal model standards (as the case may be) before the date of the sale of the policy.

“(2) The transition provision described in this paragraph is—

“(A) such transition provision as the Association provides, by not later than December 15, 1989, so as to provide for an appropriate transition to reflect the changes in benefits under this title made by part F of subtitle B of title X of the Omnibus Budget Reconciliation Act of 1989, or

“(B) if the Association does not provide for a transition provision by the date described in subparagraph (A), such transition provision as the Secretary shall provide, by January 1, 1990, so as to provide for an appropriate transition described in subparagraph (A).

“(3) In paragraph (1), the term ‘qualifying medicare supplemental policy’ means a medicare supplemental policy which has been issued in compliance with this section as in effect on the date before the date of the enactment of this subsection.

“(4)(A) The date specified in this paragraph for a policy issued in a State is—

“(i) the first date a State adopts, after the date of the enactment of this subsection, standards equal to or more stringent

than the revised NAIC Model Regulation (or revised Federal model standards), as the case may be, or

“(ii) the date specified in subparagraph (B), whichever is earlier.

“(B) In the case of a State which the Secretary identifies, in consultation with the Association, as—

“(i) requiring State legislation (other than legislation appropriating funds) in order for medicare supplemental policies to meet standards described in subparagraph (A)(i), but

“(ii) having a legislature which is not scheduled to meet in 1990 in a legislative session in which such legislation may be considered,

the date specified in this subparagraph is the first day of the first calendar quarter beginning after the close of the first legislative session of the State legislature that begins on or after January 1, 1990. For purposes of the previous sentence, in the case of a State that has a 2-year legislative session, each year of such session shall be deemed to be a separate regular session of the State legislature.

“(5) In the case of a medicare supplemental policy in effect on January 1, 1990, the policy shall not be deemed to meet the standards in subsection (c) unless each individual who is entitled to benefits under this title and is a policy holder under such policy on such date is sent a notice in any appropriate form by not later than January 31, 1990, that explains—

“(A) the changes in benefits under this title effected by part F of subtitle B of title X of the Omnibus Budget Reconciliation Act of 1989, and

“(B) how these changes affect the benefits contained in such policy and the premium for the policy.

“(6) In the case of an insurer which had in effect, as of December 31, 1988, a medicare supplemental policy with respect to an individual, for which the individual terminated coverage as of January 1, 1989 (or the earliest renewal date thereafter), no medicare supplemental policy of the insurer shall be deemed to meet the standards in subsection (c) unless the insurer—

“(A) provides written notice, by January 15, 1990, to the individual (at the most recent available address) of the offer described in subparagraph (B), and

“(B) offers to the individual, during the period beginning on January 1, 1990, and ending on March 1, 1990, continuation of coverage under such a medicare supplemental policy (with coverage effective as of January 1, 1990), under the terms respecting treatment of pre-existing conditions and group rating of premium which are at least favorable to the individual as such terms as existed with respect to the policy as of December 31, 1988.”

(2) It is the sense of Congress that States should respond, at the earliest practicable date after the date of the enactment of this Act, to requests by insurers for review and approval of riders and premium adjustments for medicare supplemental policies in order to comply with the amendments made by paragraph (1).

(b) ADJUSTMENT OF CONTRACTS WITH PREPAID HEALTH PLANS.—Section 222 of MCCA is amended by inserting “and before January 1, 1990,” after “December 31, 1988,” each place it appears.

(c) NOTICE OF CHANGES.—The Secretary of Health and Human Services shall provide, in the notice of medicare benefits provided under section 1804 of the Social Security Act for 1990, for a description of the changes in benefits under title XVIII of such Act made by the amendments made by this part.

(d) MISCELLANEOUS TECHNICAL CORRECTION.—Section 221(g)(3) of MCCA is amended by striking “subsection (f)” and inserting “subsection (e)”.

(e) EFFECTIVE DATE.—The provisions of this section shall take effect January 1, 1990, except that the amendment made by subsection (d) shall be effective as if included in the enactment of MCCA.

Subpart 3—Miscellaneous Amendments

SEC. 10191. OTHER MISCELLANEOUS AMENDMENTS.

(a) IN GENERAL.—Sections 421 through 425 and 427 of MCCA are repealed and any provision of law amended or repealed by such sections is restored or revised as if such sections had not been enacted.

(b) MISCELLANEOUS TECHNICAL CORRECTIONS.—

(1) Effective as if included in the enactment of the Omnibus Budget Reconciliation Act of 1987, section 1834(b)(4)(A) of the Social Security Act, as added by section 4049(a)(2) of the Omnibus Budget Reconciliation Act of 1987, is amended by striking “insurance and deductibles under section 1835(a)(1)(I)” and inserting “coinsurance and deductibles under sections 1833(a)(1)(J)”.

(2) Section 1842(j)(1)(C)(vii) of the Social Security Act, as added by section 4085(i)(7)(C) of the Omnibus Budget Reconciliation Act of 1987, is amended by striking “accordingly” and inserting “according”.

(3) Section 1886(g)(3)(A)(iv) of the Social Security Act, as added by section 4006(a)(2) of the Omnibus Budget Reconciliation Act of 1987, is amended by striking “may be” and inserting “may be”.

(4) Section 1866(a)(1)(F)(i)(III) of the Social Security Act is amended by striking “fiscal year))” and inserting “fiscal year)”.

(5) Section 1875(c)(7) of the Social Security Act, as added by section 9316(a) of the Omnibus Budget Reconciliation Act of 1986, is amended by striking “date of the enactment of this Act” and inserting “date of the enactment of this section”.

(6) Section 1842(j)(2)(B) of the Social Security Act, as amended by section 8(c)(2)(A) of the Medicare and Medicaid Fraud and Abuse Patient Protection Act of 1987, is amended by striking “paragraphs” and inserting “subsections”.

(c) EFFECTIVE DATE.—The provisions of this section shall take effect January 1, 1990, except that—

(1) the repeal of section 421 of MCCA shall not apply to duplicative part A benefits for periods before January 1, 1990, and

(2) the amendments made by subsection (b) shall take effect on the date of the enactment of this Act.

Subpart 4—Provisions Relating to Budget Waivers

SEC. 10195. EXCLUSION FROM CALCULATION OF DEFICIT OF AMENDMENTS MADE BY PART.

The changes in outlays and revenues resulting from the amendments made by this part shall not be counted for fiscal year 1990 for purposes of calculating—

(1) the deficit in each budget of the Federal Government submitted by the President under title 31, United States Code, for purposes of comparison with the maximum deficit amount in section 3(7) of the Congressional Budget and Impoundment Control Act of 1974;

(2) the deficit under section 3(6) of the Congressional Budget and Impoundment Control Act of 1974 for purposes of comparison with the maximum deficit amount in section 3(7) of such Act; and

(3) the deficit and excess deficit for purposes of sections 251 and 252 of the Balanced Budget and Emergency Deficit Control Act of 1985.

7. AN AMENDMENT TO BE OFFERED BY REPRESENTATIVE STARK OF CALIFORNIA, OR HIS DESIGNER, DEBATABLE FOR NOT TO EXCEED 60 MINUTES, TO BE EQUALLY DIVIDED AND CONTROLLED BY THE PROponent OF THE AMENDMENT AND A MEMBER OPPOSED THERETO

Amend part F of subtitle B of title X (relating to revisions to the Medicare Catastrophic Coverage Act of 1988) to read as follows (and conform the table of contents of such subtitle accordingly):

PART F—REVISION OF MEDICARE PROVISIONS IN THE MEDICARE CATASTROPHIC COVERAGE ACT OF 1988

SUBPART 1—PROVISIONS RELATING TO PART A OF MEDICARE PROGRAM AND SUPPLEMENTAL MEDICARE PREMIUM

SEC. 10181. REPEAL OF EXPANSION OF MEDICARE PART A BENEFITS.

(a) IN GENERAL.—

(1) GENERAL RULE.—Except as provided in paragraphs (2) and (3), sections 101, 102, and 104(d) (other than paragraphs (2)(C) and (7)) of the Medicare Catastrophic Coverage Act of 1988 (Public Law 100-360) (in this part referred to as “MCCA”) are repealed, and the provisions of law amended or repealed by such sections are restored or revived as if such section had not been enacted.

(2) EXCEPTION FOR BLOOD DEDUCTION.—The repeal of section 102(1) of MCCA shall not apply insofar as such section amended paragraph (2) of section 1813(a) of the Social Security Act (relating to a deduction for blood).

(3) EXCEPTION FOR HOSPICE BENEFIT CHANGES.—The repeal of section 101 of MCCA shall not apply insofar as such section—

(A) amended paragraph (4) of subsection (a) of section 1812 of the Social Security Act (relating to hospice care benefits), and

(B) amended subsection (d) of such section (relating to a subsequent extension period of an election).

(b) TRANSITION PROVISIONS FOR MEDICARE BENEFICIARIES.—

(1) INPATIENT HOSPITAL SERVICES AND POST-HOSPITAL EXTENDED CARE SERVICES.—In applying sections 1812 and 1813 of the Social Security Act, as restored by subsection (a)(1), with respect to inpatient hospital services and extended care services provided on or after January 1, 1990—

(A) no day before January 1, 1990, shall be counted in determining the beginning (or period) of a spell of illness, except that days of inpatient hospital services before January 1, 1989, which were applied with respect to an individual after receiving 90 days of services in a spell of illness (commonly known as “lifetime reserve days”) shall be counted;

(B) the limitation of coverage of extended care services to post-hospital extended care services shall not apply to an individual receiving such services from a skilled nursing facility during a continuous period beginning before (and including) January 1, 1990, until the end of the period of 30-consecutive days in which the individual is not provided inpatient hospital services or extended care services; and

(C) the inpatient hospital deductible under section 1813(a)(1) of such Act shall not apply—

(i) in the case of an individual who is receiving inpatient hospital services during a continuous period beginning before (and including) January 1, 1990, with respect to the spell of illness beginning on such date, if such a deductible was imposed on the individual for a period of hospitalization during 1989;

(ii) for a spell of illness beginning during January 1990, if such a deductible was imposed on the individual for a period of hospitalization that began in December 1989; and

(iii) in the case of a spell of illness of an individual that began before January 1, 1989, and has not ended as of January 1, 1990.

(2) TERMINATION OF HOLD HARMLESS PROVISIONS.—Section 104(b) of MCCA is amended by striking “or 1990” each place it appears.

(c) TERMINATION OF TRANSITIONAL ADJUSTMENTS IN PAYMENTS FOR INPATIENT HOSPITAL SERVICES.—

(1) PPS HOSPITALS.—Section 104(c)(1) of MCCA is amended by inserting “and before January 1, 1990,” after “October 1, 1988,”

(2) PPS-EXEMPT HOSPITALS.—Section 104(c)(2) of MCCA is amended

(A) by inserting “and before January 1, 1990,” after “January 1, 1989,”; and

(B) by striking the period at the end and inserting the following: “, without regard to whether any of such beneficiaries exhasuted medicare inpatient hospital insurance benefits before January 1, 1989.”.

(d) **EFFECTIVE DATE.**—The provisions of this section shall take effect January 1, 1990, except that the amendments made by subsection (c) shall be effective as if included in the enactment of MCCA.

SEC. 10182. REPEAL OF SUPPLEMENTAL MEDICARE PREMIUM AND FEDERAL HOSPITAL INSURANCE CATASTROPHIC COVERAGE RESERVE FUND.

(a) **IN GENERAL.**—Sections 111 and 112 of MCCA are repealed and the provisions of law amended by such sections are restored or revived as if such sections had not been enacted.

(b) **DELAY IN STUDY DEADLINE.**—Section 113(c) of MCCA is amended by striking “November 30, 1988” and inserting “May 31, 1990”.

(c) **DISPOSAL OF FUNDS IN FEDERAL HOSPITAL INSURANCE CATASTROPHIC COVERAGE RESERVE FUND.**—Any balance in the Federal Hospital Insurance Catastrophic Coverage Reserve Fund (created under section 1817A(a) of the Social Security Act, as inserted by section 112(a) of MCCA) as of January 1, 1990, shall be transferred into the Federal Supplementary Medical Insurance Trust Fund and any amounts payable due to overpayments into such Trust Fund shall be payable from the Federal Supplementary Medical Insurance Trust Fund.

(d) **CONFORMING AMENDMENT.**—Section 201(i)(1) of the Social Security Act (42 U.S.C. 401(i)(1)) is amended by striking “Federal Hospital Insurance Catastrophic Coverage Reserve Fund.”.

(e) **EFFECTIVE DATES.**—

(1) **IN GENERAL.**—Except as provided in this subsection, the provisions of this section shall take effect January 1, 1990.

(2) **REPEAL OF SUPPLEMENTAL MEDICARE PREMIUM.**—The repeal of section 111 of MCCA shall apply to taxable years beginning after December 31, 1988.

SUBPART 2—PROVISIONS RELATING TO PART B OF THE MEDICARE PROGRAM

SEC. 10185. REPEAL OF LIMITATION ON MEDICARE PART B COST-SHARING; MODIFICATION OF COINSURANCE PERCENTAGE FOR COVERED OUTPATIENT DRUGS.

(a) **IN GENERAL.**—Section 201 of MCCA is repealed and the provisions of law amended or repealed by such section are restored or revived as if such section had not been enacted.

(b) **MODIFICATION OF COINSURANCE PERCENTAGE FOR COVERED OUTPATIENT DRUGS FOR 1993.**—Section 1834(c)(2)(C)(ii) of the Social Security Act (42 U.S.C. 1395m(c)(2)(C)(ii)) is amended—

(1) by striking “and” at the end of subclause (II), and

(2) by striking subclause (III) and inserting the following:

“(III) in 1993 is 30 percent, and

“(IV) in 1994 or a succeeding year is 20 percent.”.

(c) **CONFORMING AMENDMENTS.**—

(1) Section 1834(e)(1) of such Act (42 U.S.C. 1395m(e)(1)) is amended by striking “(except as provided in section 1833(c))”.

(2) Section 1861(11)(4) of such Act (42 U.S.C. 1395x(11)(4)) is amended—

(A) in the first sentence, by striking “either” and all that follows through the end of such sentence and inserting “has become entitled to have payments made for covered outpatient drugs under section 1834(c).”.

(B) in the second sentence, by striking “subparagraph (A) or (B)” and inserting “the previous sentence”.

(C) in the third sentence, by striking “a buy-out plan (as defined in section 1833(c)(5)(D) or” and

(D) in the third sentence, by striking “subparagraphs (A) and (B), respectively,” and inserting “the first sentence of this paragraph”.

(d) **EFFECTIVE DATE.**—The provisions of this section shall take effect January 1, 1990.

SEC. 10186. REVISION OF MEDICARE PART B MONTHLY PREMIUM AND FINANCING.

(a) **CONSOLIDATION OF CATASTROPHIC MONTHLY PREMIUM.**—

(1) **IN GENERAL.**—Section 1839(g)(1) of the Social Security Act (42 U.S.C. 1395r(g)(1)) is amended—

(A) in subparagraph (A)—

(i) by striking “paragraphs (4) and (5)” and inserting “paragraph (3)”,

(ii) by striking “the sum of the catastrophic coverage monthly premium and the prescription drug monthly premium” and inserting “the catastrophic coverage monthly premium”.

(iii) by striking “paragraphs (2) and (3)” and inserting “paragraph (2)”,

(iv) in the column in the table relating to the catastrophic coverage monthly premium, by striking “\$5.46”, “\$6.75”, and “\$7.18” and inserting “\$7.40”, “\$9.20”, and “\$10.20”, respectively, and

(v) by striking the column in the table relating to the prescription drug monthly premium; and

(B) by striking subparagraphs (B) and (D) and redesignating subparagraph (C) as subparagraph (B);

(2) **UPDATE IN MONTHLY PREMIUM.**—Section 1839(g)(2) of such Act is amended—

(A) subparagraph (A), by striking “or (1)(C)”,

(B) in subparagraph (B)(i), by striking “for years beginning with 1998,” after “(i)”,

(C) in subparagraph (C)(i)(I), by striking “catastrophic outlays” and inserting “prescription drug outlays”,

(D) in subparagraph (D)(i), by striking “or (1)(C)”,

(E) in subparagraph (D)(ii), by striking “37 percent” and inserting “100 percent”,

(F) in subparagraph (D)(iii)(I), by striking “20 percent” and inserting “the percent specified in clause (iv)”,

(G) in subparagraph (D)(iii)(I), by striking “Medicare Catastrophic Coverage Account created under section 1841B” and inserting “the Federal Catastrophic Drug Insurance Trust Fund”,

(H) in subparagraph (D)(iii)(II), by striking "such Account" each place it appears and inserting "such Trust Fund",

(I) in subparagraph (D)(iii)(II), by striking "or section 59B(e) of the Internal Revenue Code of 1986", and

(J) by adding at the end of subparagraph (D) the following new clause:

"(iv) For purposes of clause (iii)(I), the percent specified in this clause for 1994 is 75 percent, for 1995 is 50 percent, for 1996 and for 1997 is 25 percent, and for 1998 and each succeeding year is 20 percent."

(3) **ELIMINATION OF SEPARATE PRESCRIPTION DRUG MONTHLY PREMIUM.**—Section 1839(g) of such Act is further amended by striking paragraph (3).

(4) **TREATMENT OF RESIDENTS OF PUERTO RICO AND TERRITORIES.**—Section 1839(g)(4) of such Act is amended—

(A) in subparagraph (A), by striking "(4)" and inserting "(3)",

(B) in subparagraph (A), by striking "the sum of" and all that follows through the end and inserting "the catastrophic coverage monthly premium determined under subparagraph (B)",

(C) in subparagraph (B)(ii), by striking "\$3.56" and "\$5.78" and inserting "\$1.37" and "\$2.22"

(D) in subparagraph (B)(ii), by striking "and" at the end,

(E) in subparagraph (B)(iii), by striking "catastrophic outlays" each place it appears and inserting "prescription drug outlays",

(F) by redesignating clause (iii) of subparagraph (B) as clause (iv), and

(G) by inserting after clause (ii) of subparagraph (B) the following new clause:

"(iii) in 1991 is \$1.92 for a resident of Puerto Rico and \$3.10 for a resident of another U.S. commonwealth or territory; and", and

(H) by striking subparagraph (C).

(5) **CONFORMING AMENDMENTS.**—Section 1839 of such Act is further amended—

(A) in the second sentence of subsection (a)(1) and (a)(4), by striking "the amendments made by the Medicare Catastrophic Coverage Act of 1988" and inserting "covered outpatient drugs",

(B) in the last sentence of subsections (a)(1) and (a)(4), by striking ", but shall not" and all that follows up to the period,

(C) in subsection (b), by striking "(g)(6)" and inserting "(g)(4)",

(D) by striking paragraph (5) of subsection (g),

(E) in subsection (g)(6), by striking "(6)(A)" and inserting "(4)" and by striking subparagraph (B),

(F) in subsection (g)(7), by striking "(7)(A)" and inserting "(6)(A)" and, in subparagraph (B), by striking "paragraph (4)" and inserting "paragraph (3)", and

(G) in subsection (g)(8)—

(i) by striking subparagraphs (A), (D), and (F),

(ii) in subparagraph (B)(ii), by striking "part A" and inserting "part B", and

(iii) by redesignating subparagraph (B), (C), and (E) as subparagraphs (A), (B), and (C), respectively.

(b) **FEDERAL CATASTROPHIC DRUG INSURANCE TRUST FUND.**—Section 1841A of such Act (42 U.S.C. 1395t-1) is amended—

(1) in subsection (a), by striking "(a)(1)" and inserting "(a)", by striking "or under paragraph (2)", and by striking paragraph (2),

(2) in subsection (d)(1)(B), by striking "prescription drug" and inserting "catastrophic coverage",

(3) in subsection (d)(2), by striking "and under section 59B of the Internal Revenue Code of 1986", and

(4) in subsection (e), by striking "and the Medicare Catastrophic Coverage Account".

(c) **REPEAL OF MEDICARE CATASTROPHIC COVERAGE ACCOUNT.**—Section 1841B of such Act (42 U.S.C. 1395t-2) is repealed.

(d) **MISCELLANEOUS CONFORMING AMENDMENTS.**—

(1) The seventh sentence of section 1817(b) of such Act, inserted by section 212(c)(3) of the Medicare Catastrophic Coverage Act of 1988, is amended to read as follows: "Such report shall also identify (and treat separately) those outlays from the Trust Fund which are attributable to the amendments made by the Medicare Catastrophic Coverage Act of 1988."

(2) Section 1840(i) of such Act (42 U.S.C. 1395s(i)) is amended by striking "a prescription drug monthly premium established under".

(3) Section 1841(a) of such Act (42 U.S.C. 1395t(a)) is amended by striking the sentences added by section 212(b)(2) of the Medicare Catastrophic Coverage Act of 1988.

(4) The seventh sentence of section 1841(b) of such Act, inserted by section 212(c)(4) of the Medicare Catastrophic Coverage Act of 1988, is amended to read as follows: "Such report shall also identify (and treat separately) those outlays from the Trust Fund which are attributable to the amendments made by the Medicare Catastrophic Coverage of 1988."

(5) Section 1844(a) of such Act U.S.C. 1395w(a)) is amended by striking "or section 59B of the Internal Revenue Code of 1986".

(e) **EFFECTIVE DATE.**—The amendments made by this section shall take effect on January 1, 1990.

(f) **1-TIME TRANSFER OF 1989 PREMIUMS.**—There shall be transferred, as of January 1, 1990, from the Federal Supplementary Medical Insurance Trust Fund to the Federal Catastrophic Drug Insurance Trust Fund an amount equal to—

(1) the amount of the premiums collected pursuant to section 1839(g) of the Social Security Act during 1989, minus

(2) the amount of administrative expenses incurred under part B of title XVIII of such Act relating to implementation of MCCA, plus

(3) the amount of interest accrued to the Federal Supplementary Medical Insurance Trust Fund attributable to balance described in paragraphs (1) and (2).

SEC. 10187. AMENDMENT OF CERTAIN MISCELLANEOUS PROVISIONS.

(a) REVISION OF MEDIGAP REGULATIONS.—

(1) Section 1882 of the Social Security Act (42 U.S.C. 1395ss), as amended by section 221(d) of the Medicare Catastrophic Coverage Act of 1988, is amended—

(A) in the third sentence of subsection (a) and in subsection (b)(1), by striking “subsection (k)(3)” and inserting “subsections (k)(3), (k)(4), (m), and (n)”;

(B) in subsection (k)—

(i) in paragraph (1)(A), by inserting “except as provided in subsection (m),” before “subsection (g)(2)(A)”, and

(ii) in paragraph (3), by striking “subsection (1)” and inserting “subsections (1), (m), and (n)”;

(C) by adding at the end the following new subsections:

“(m)(1)(A) If, within the 90-day period beginning on the date of the enactment of this subsection, the National Association of Insurance Commissioners (in this subsection and subsection (n) referred to as the ‘Association’) amends the amended NAIC Model Regulation (referred to in subsection (k)(1)(A) and adopted on September 20, 1988) to reflect the changes in law made by part F of subtitle B of title X of the Omnibus Budget Reconciliation Act of 1989, subsection (g)(2)(A) shall be applied in a State, effective on and after the date specified in subparagraph (B), as if the reference to the Model Regulation adopted on June 6, 1979, were a reference to the amended NAIC Model Regulation (referred to in subsection (k)(1)(A) as amended by the Association in accordance with this paragraph (in this subsection and subsection (n) referred to as the ‘revised NAIC Model Regulation’).

“(B) The date specified in this subparagraph for a State is the earlier of the date the State adopts standards equal to or more stringent than the revised NAIC Model Regulation or 1 year after the date the Association first adopts such revised Regulation.

“(2)(A) If the Association does not amend the amended NAIC Model Regulation, within the 90-day period specified in paragraph (1)(A), the Secretary shall promulgate, not later than 60 days after the end of such period, revised Federal model standards (in this subsection and subsection (n) referred to as ‘revised Federal model standards’) for medical supplemental policies to reflect the changes in law made by part F of subtitle B of title X of the Omnibus Budget Reconciliation Act of 1989, subsection (g)(2)(A) shall be applied in a State, effective on and after the date specified in subparagraph (B), as if the reference to the Model Regulation adopted on June 6, 1979, were a reference to the revised Federal model standards.

“(B) The date specified in this subparagraph for a State is the earlier of the date the State adopts standards equal to or more stringent than the revised Federal model standards or 1 year after the date the Secretary first promulgates such standards.

“(3) Notwithstanding any other provision of this section (except as provided in subsection (n))—

“(A) no medicare supplemental policy may be certified by the Secretary pursuant to subsection (a),

“(B) no certification made pursuant to subsection (a) shall remain in effect, and

“(C) no State regulatory program shall be found to meet (or to continue to meet) the requirements of subsection (b)(1)(A), unless such policy meets (or such program provides for the application of standards equal to or more stringent than) the standards set forth in the revised NAIC Model Regulation or the revised Federal model standards (as the case may be) by the date specified in paragraph (1)(B) or (2)(B) (as the case may be).

“(n)(1) Until the date specified in paragraph (4), in the case of a qualifying medicare supplemental policy described in paragraph (3) issued in a State—

“(A) before July 1, 1990, the policy is deemed to remain in compliance with the standards described in subsection (b)(1)(A) if the insurer issuing the policy complies with the transition provision described in paragraph (2), or

“(B) on or after July 1, 1990, the policy is deemed to be in compliance with the standards described in subsection (b)(1)(A) if the insurer issuing the policy complies with the revised NAIC Model Regulation or the revised Federal model standards (as the case may be) before the date of the sale of the policy.

“(2) The transition provision described in this paragraph is—

“(A) such transition provision as the Association provides, by not later than December 15, 1989, so as to provide for an appropriate transition to reflect the changes in benefits under this title made by part F of subtitle B of title X of the Omnibus Budget Reconciliation Act of 1989, or

“(B) if the Association does not provide for a transition provision by the date described in subparagraph (A), such transition provision as the Secretary shall provide, by January 1, 1990, so as to provide for an appropriate transition described in subparagraph (A).

“(3) In paragraph (1), the term ‘qualifying medicare supplemental policy’ means a medicare supplemental policy which has been issued in compliance with this section as in effect on the date before the date of the enactment of this subsection.

“(4)(A) The date specified in this paragraph for a policy issued in a State is—

“(i) the first date a State adopts, after the date of the enactment of this subsection, standards equal to or more stringent than the revised NAIC Model Regulation (or revised Federal model standards), as the case may be or

“(ii) the date specified in subparagraph (B), whichever is earlier.

“(B) In the case of a State which the Secretary identifies, in consultation with the Association, as—

“(i) requiring State legislation (other than legislation appropriating funds) in order for medicare supplemental policies to meet standards described in subparagraph (A)(i), but

“(ii) having a legislature which is not scheduled to meet in 1990 in a legislative session in which such legislation may be considered,

the date specified in this subparagraph is the first day of the first calendar quarter beginning after the close of the first legislative session of the State legislature that begins on or after January 1, 1990. For purposes of the previous sentence, in the case of a State that has a 2-year legislative session, each year of such session shall be deemed to be a separate regular session of the State legislature.

“(5) In the case of a medicare supplemental policy in effect on January 1, 1990, the policy shall not be deemed to meet the standards in subsection (c) unless each individual who is entitled to benefits under this title and is a policy holder under such policy on such date is sent a notice in any appropriate form by not later than January 31, 1990, that explains—

“(A) the changes in benefits under this title effected by part F of subtitle B of title X of the Omnibus Budget Reconciliation Act of 1989, and

“(B) how these changes affect the benefits contained in such policy and the premium for the policy.

“(6) In the case of an insurer which had in effect, as of December 31, 1988, a medicare supplemental policy with respect to an individual, for which the individual terminated coverage as of January 1, 1989 (or the earliest renewal date thereafter), no medicare supplemental policy of the insurer shall be deemed to meet the standards in subsection (c) unless the insurer—

“(A) provides written notice, by January 15, 1990, to the individual (at the most recent available address) of the offer described in subparagraph (B), and

“(B) offers to the individual, during the period beginning on January 1, 1990, and ending on March 1, 1990, continuation of coverage under such a medicare supplemental policy (with coverage effective as of January 1, 1990), under the terms respecting treatment of pre-existing conditions and group rating of premium which are at least as favorable to the individual as such terms as existed with respect to the policy as of December 31, 1988.”

“(2) It is the sense of Congress that States should respond, at the earliest practicable date after the date of the enactment of this Act, to requests by insurers for review and approval of riders and premium adjustments for medicare supplemental policies in order to comply with the amendments made by paragraph (1).

(b) **ADJUSTMENT OF CONTRACTS WITH PREPAID HEALTH PLANS.**—Section 222 of MCCA is amended by inserting “and before January 1, 1990,” after “December 31, 1988,” each place it appears.

(c) **NOTICE OF CHANGES.**—The Secretary of Health and Human Services shall provide, in the notice of medicare benefits provided under section 1804 of the Social Security Act for 1990, for a description of the changes in benefits under title XVIII of such Act made by the amendments made by this part.

(d) **MISCELLANEOUS TECHNICAL CORRECTION.**—Section 221(g)(3) of MCCA is amended by striking “subsection (f)” and inserting “subsection (e)”.

(e) **EFFECTIVE DATE.**—The provisions of this section shall take effect January 1, 1990, except that the amendment made by subsection (d) shall be effective as if included in the enactment of MCCA.

Subpart 3—Miscellaneous Amendments

SEC. 10191. REPEAL OF MAINTENANCE OF EFFORT AND RATE REDUCTION FOR MEDICARE ELIGIBLE FEDERAL ANNUITANTS.

(a) **IN GENERAL.**—Sections 421 and 422 of MCCA are repealed and any provision of law amended or repealed by such sections is restored or revived as if such sections had not been enacted.

(b) **EFFECTIVE DATE.**—The repeals made by subsection (a) shall take effect January 1, 1990, except that the repeal of section 421 of MCCA shall not apply to duplicative part A benefits for periods before January 1, 1990.

SEC. 10192. MISCELLANEOUS AMENDMENTS AND TECHNICAL CORRECTIONS.

(a) **TECHNICAL CORRECTIONS RELATING TO MEDICARE CATASTROPHIC COVERAGE ACT OF 1988.**—

(1) **CORRECTIONS RELATING TO CATASTROPHIC DRUG BENEFIT.**—

(A) **DEFINITION OF COVERED OUTPATIENT DRUGS.**—Section 1861(t)(3)(A) of the Social Security Act, as added by section 202(a)(2)(C) of the Medicare Catastrophic Coverage Act of 1988 (in this subsection referred to as “MCCA”), is amended—

(i) by redesignating clauses (iv) through (xiii) as clauses (vi), (vii), (viii), (ix), (x), (xii), (xiii), (xiv), (xvi), and (xviii), respectively;

(ii) by inserting after clause (iii) the following:

“(iv) Diagnostic services under subsections (s)(2)(C) and (s)(3).

“(v) X-ray, radium, and radioactive isotope therapy under subsection (s)(4).”;

(iii) by inserting after clause (x), as so redesignated, the following:

“(xi) Parenteral nutrition nutrients under subsection (s)(8).”;

(iv) by inserting after clause (xvi), as so redesignated, the following:

“(xv) Partial hospitalization services (as defined in subsection (ff)).”; and

(v) by inserting after clause (xvi), as so redesignated, the following:

“(xvii) Qualified psychologist services (as defined in subsection (ii)).”.

(B) **COVERED HOME IV DRUGS.**—Section 1861(t)(4)(A) of such Act (42 U.S.C. 1395x(t)(4)(A)) is amended by striking “dispensed” and inserting “furnished by a qualified home intravenous drug therapy provider”.

(C) **REFERENCES TO CATASTROPHIC DRUG DEDUCTIBLE AMOUNT.**—Section 1834(c) of the Social Security Act, as added by section 202(b)(4) of MCCA, is amended—

(i) in paragraph (1)(C), by striking “Subject to subparagraph (D), the” and inserting “The,

(ii) in paragraph (2)(A), by striking “under paragraph (1)(A) and except as provided in subparagraph (C)” and inserting “under paragraph (1)”; and

(iii) in paragraph (8)(E), by striking “paragraph (1)(A)” each place it appears and inserting “paragraph (1)”,

(D) PAYMENT FOR ELECTRONIC EQUIPMENT FOR PHARMACIES.—Section 1842(o)(2) of the Social Security Act, as added by section 202(c)(1)(C) of MCCA, is amended—

(i) in subparagraph (B)—

(I) by inserting “, software,” after “electronic equipment”, and

(II) by inserting “, or reimbursement for such equipment or software modifications,” after “telephone service”;

(ii) by adding at the end the following:

“Any reimbursement under subparagraph (B) shall be contingent upon a pharmacy’s system meeting the requirements specified in the contracts between the Secretary and carriers and shall not exceed the reasonable cost of the modifications or, if less, the cost of a point-of-sale terminal (as defined in such contracts).”

(E) INTERIM FUNDING OF CATASTROPHIC DRUG EXPENSES.—

(i) Section 202(m)(5) of MCCA is amended by striking “January 1, 1990” and inserting “April 1, 1990”.

(ii) Section 1841A(c) of the Social Security Act, as inserted by section 212(a) of MCCA, is amended by striking “and administrative costs” and inserting “(and on or after April 1, 1990, for administrative costs)”.

(F) EXPANSION OF IDENTIFIERS TO NONPHYSICIAN PRACTITIONERS.—The Secretary of Health and Human Services shall expand the identifier system established under section 9202(g) of the Consolidated Omnibus Budget Reconciliation Act of 1985 to provide unique identifiers to each non-physician practitioner (physician assistants, nurse practitioners, and certified registered nurse anesthetists) who is authorized to prescribe or dispense covered outpatient drugs for which payment may be made under title XVIII of the Social Security Act.

(2) SCREENING MAMMOGRAPHY.—

(A) APPLICATION OF PARTICIPATING PHYSICIAN DIFFERENTIAL.—Section 1834(e)(4) of the Social Security Act, as added by section 204(b)(2) of MCCA, is amended by adding at the end the following new subparagraph:

“(D) APPLICATION OF PARTICIPATING PHYSICIAN DIFFERENTIAL.—In applying the limit under subparagraph (A) with respect to a nonparticipating physician, the limit applied shall be the applicable percent (as defined in the second sentence of section 1842(b)(4)(A)(iv)) of the limit otherwise established in that subparagraph.”

(B) FREQUENCY OF SCREENING.—Section 1834(e)(2)(A) of the Social Security Act, as added by section 204(b)(2) of MCCA, is amended—

(i) in clause (iii)(I), by striking “the 11 months of a previous screening mammography” and inserting “11 months following the month in which a previous screening mammography was performed”,

(ii) in clause (iii)(II), by striking “the 23 months of a previous screening mammography” and inserting “23 months following the month in which a previous screening mammography was performed”,

(iii) in clause (iv), by striking “11 months of a previous screening mammography” and inserting “11 months following the month in which a previous screening mammography was performed”, and

(iv) in clause (v), by striking “23 months of previous screening mammography” and inserting “23 months following the month in which a previous screening mammography was performed”.

(3) ROUNDING OF PART B PREMIUM.—Section 1839 of the Social Security Act, as amended by section 211(c)(1)(E) of MCCA, is amended—

(A) in the first sentence of subsection (b), by striking “subsections (f) and (g)(4)” and inserting “subsection (f)”,

(B) in subsection (b), by inserting after the first sentence the following new sentence: “If the resulting monthly premium is not a multiple of 10 cents, such premium shall be rounded to the nearest multiple of 10 cents.”, and

(C) in subsection (c), by striking “the foregoing provisions of this section” and inserting “subsection (a)(3) or (e)”.

(4) MISCELLANEOUS.—

(A) Clause (iii) of section 1814(a)(7)(A) of the Social Security Act, as added by section 104(d)(2)(C)(iii) of MCCA, is amended by moving its alignment 2 ems to the left so its alignment is the same as that of clause (ii) of such section.

(B) Section 1842(p)(3)(B) of the Social Security Act, as added by section 202(g) of MCCA, is amended by striking “section 1842(j)(2)(A)” and inserting “subsection (j)(2)(A)”.

(C) Section 221(g)(3) of MCCA is amended by striking “subsection (f)” and inserting “subsection (e)”.

(D) Section 1842(h)(5)(B)(iv) of the Social Security Act, as added by section 223(b)(4) of MCCA, is amended by striking “paragraph (2)(A)” and inserting “paragraph (2)”.

(b) MISCELLANEOUS CORRECTIONS RELATING TO THE OMNIBUS BUDGET RECONCILIATION ACT OF 1987.—

(1) Effective as if included in the enactment of the Omnibus Budget Reconciliation Act of 1987, section 1834(b)(4)(A) of the Social Security Act, as added by section 4049(a)(2) of the Omnibus Budget Reconciliation Act of 1987, is amended by striking “insurance and deductibles under section 1835(a)(1)(I)” and inserting “coinsurance and deductibles under sections 1833(a)(1)(J)”.

(2) Section 1842(j)(1)(C)(vii) of the Social Security Act, as added by section 4085(i)(7)(C) of the Omnibus Budget Reconciliation Act of 1987, is amended by striking “accordingly” and inserting “according”.

(3) Section 1886(g)(3)(A)(iv) of the Social Security Act, as added by section 4006(a)(2) of the Omnibus Budget Reconciliation Act of 1987, is amended by striking “may be” and inserting “may be”.

(c) OTHER CORRECTIONS.—

(1) Section 1866(a)(1)(F)(i)(III) of the Social Security Act is amended by striking “fiscal year)” and inserting “fiscal year)”.

(2) Section 1875(c)(7) of the Social Security Act, as added by section 9316(a) of the Omnibus Budget Reconciliation Act of 1986, is amended by striking "date of the enactment of this Act" and inserting "date of the enactment of this section".

(3) Section 1842(j)(2)(B) of the Social Security Act, as amended by section 8(c)(2)(A) of the Medicare and Medicaid Fraud and Abuse Patient Protection Act of 1987, is amended by striking "paragraphs" and inserting "subsections".

Subpart 4—Provisions Relating to Budget Waivers

SEC. 10195. EXCLUSION FROM CALCULATION OF DEFICIT OF AMENDMENTS MADE BY PART.

The changes in outlays and revenues resulting from the amendments made by this part shall not be counted for fiscal year 1990 for purposes of calculating—

(1) the deficit in each budget of the Federal Government submitted by the President under title 31, United States Code, for purposes of comparison with the maximum deficit amount in section 3(7) of the Congressional Budget and Impoundment Control Act of 1974;

(2) the deficit under section 3(6) of the Congressional Budget and Impoundment Control Act of 1974 for purposes of comparison with the maximum deficit amount in section 3(7) of such Act; and

(3) the deficit and excess deficit for purposes of sections 251 and 252 of the Balanced Budget and Emergency Deficit Control Act of 1985.

8. AN AMENDMENT TO BE OFFERED BY REPRESENTATIVE PANETTA OF CALIFORNIA, OR HIS DESIGNER, DEBATABLE FOR NOT TO EXCEED 30 MINUTES, TO BE EQUALLY DIVIDED AND CONTROLLED BY THE PROponent OF THE AMENDMENT AND A MEMBER OPPOSED THERETO

In part F of subtitle B of title X, as previously amended, strike the last subpart ("Provisions Relating to Budget Waivers").

9. AN AMENDMENT TO BE OFFERED BY REPRESENTATIVE EDWARDS OF OKLAHOMA, OR HIS DESIGNEE, DEBATABLE FOR NOT TO EXCEED 2 HOURS, TO BE EQUALLY DIVIDED AND CONTROLLED BY THE PROponent OF THE AMENDMENT AND A MEMBER OPPOSED THERETO

Strike subtitle E of title III of the bill.

Strike subtitle I of title XI of the bill and insert the following:

Subtitle I—Child Care Provisions

SEC. 11901. EXPANSION OF EARNED INCOME TAX CREDIT.

(a) GENERAL RULE.—Subsections (a) and (b) of section 32 (relating to earned income tax credit) are amended to read as follows:

"(a) ALLOWANCE OF CREDIT.—

"(1) IN GENERAL.—In the case of an eligible individual, there shall be allowed as a credit against the tax imposed by this subtitle for the taxable year an amount equal to 17 percent of

so much of the earned income for the taxable year as does not exceed \$5,714.

"(2) LIMITATION.—The amount of the credit allowable to a taxpayer under this subsection (without regard to subsection (b)) for any taxable year shall not exceed the excess (if any) of—

"(A) 17 percent of \$5,714, over

"(B) 12 percent of so much of the adjusted gross income (or, if greater, the earned income) of the taxpayer for the taxable year as exceeds \$9,000.

"(b) SUPPLEMENTAL YOUNG CHILD CREDIT.—

"(1) IN GENERAL.—In the case of an eligible individual with a qualifying child, the credit allowable under subsection (a) (without regard to this subsection) shall be increased by the credit percentage of so much of the earned income for the taxable year as does not exceed \$10,000.

"(2) CREDIT PERCENTAGE.—

If the taxpayer has:

The credit percentage is:

1 qualifying child	10
2 qualifying children	13
3 or more qualifying children	15.

"(3) PHASEOUT OF SUPPLEMENTAL CREDIT.—If the adjusted gross income (or, if greater, the earned income) of the taxpayer for the taxable year exceeds \$17,000, the credit allowable by reason of this subsection shall be reduced (but not below zero) ratably between \$17,000 and \$24,000 for each \$100 by which such income exceeds \$17,000."

(b) QUALIFYING CHILD DEFINED.—Subsection (c) of section 32 is amended by adding at the end thereof the following new paragraph:

"(3) QUALIFYING CHILD.—The term 'qualifying child' means any child (within the meaning of section 151(c)(3)) of the eligible individual if—

"(A) such individual is entitled to a deduction under section 151 for such child (or would be so entitled but for paragraph (2) or (4) of section 152(e)),

"(B) such child has the same principal place of abode as such individual for more than one-half of the taxable year, and

"(C) such child has not attained age 5 as of the close of the calendar year in which or with which the taxable year of the taxpayer ends.

An individual shall not be a qualifying child for purposes of this section for the taxable year if credit is allowed to the taxpayer under section 21 for such year and employment-related expenses with respect to such individual are taken into account in computing the amount of such credit."

(c) ADVANCE PAYMENT PROVISIONS.—

(1) PAYMENT BASED ON NUMBER OF QUALIFYING CHILDREN.—

(A) Subsection (b) of section 3507 is amended by striking "and" at the end of paragraph (2), by striking the period at the end of paragraph (3) and inserting ", and", and by inserting after paragraph (3) the following new paragraph:

“(4) states the number of qualifying children (as defined in section 32(c)(3)) of the employee for the taxable year.”

(B) Subparagraphs (B) and (C) of section 3507(c)(2) are amended to read as follows:

“(B) if the employee is not married, or if no earned income eligibility certificate is in effect with respect to the spouse of the employee, shall treat the credit provided by section 32 as if it were a credit—

“(i)(I) of not more than 17 percent of earned income not in excess of the amount of earned income taken into account under subsection (a)(1) of section 32, which

“(II) phases out between the amount of earned income at which the phaseout begins under subsection (a)(2) of section 32 and the amount of earned income at which the credit is phased out under such subsection, and

“(ii)(I) of not more than the credit percentage under section 32(b) of earned income not in excess of the amount of earned income taken into account under subsection (b)(1) of section 32, which

“(II) phases out between the amount of earned income at which the phaseout begins under subsection (b)(3) of section 32 and the amount of earned income at which the credit is phased out under such subsection, and

“(C) if an earned income eligibility certificate is in effect with respect to the spouse of the employee, shall treat the credit provided by section 32 as if it were a credit—

“(i)(I) of not more than 17 percent of earned income not in excess of $\frac{1}{2}$ the amount of earned income taken into account under subsection (a)(1) of section 32, which

“(II) phases out between amounts of earned income which are $\frac{1}{2}$ the amounts of earned income described in subparagraph (B)(i)(II), and

“(ii)(I) of not more than the credit percentage under section 32(b) of earned income not in excess of $\frac{1}{2}$ the amount of earned income taken into account under subsection (b)(1) of section 32, which

“(II) phases out between amounts of earned income which are $\frac{1}{2}$ the amounts of earned income described in subparagraph (B)(ii)(II).

“For purposes of this paragraph, the determination of the credit percentage under section 32(b), and the determination of the amounts referred to in subparagraphs (B)(ii) and (C)(ii), shall be made on the basis of the information specified in the earned income eligibility certificate.”

“(C) Clause (i) of section 3507(e)(3)(A) is amended by inserting before “, or” the following: “(or changing the percentages applicable to the employee under section 32(b) for the taxable year)”.

(2) EXPANDED PARTICIPATION IN ADVANCE PAYMENT PROGRAM.—Subsection (e) of section 3507 (relating to furnishing

and taking effect of certificates) is amended by adding at the end thereof the following new paragraph:

“(6) EMPLOYERS REQUIRED TO COLLECT CERTIFICATE OR STATEMENT OF INELIGIBILITY, ETC.—On or before the date of commencement of employment with an employer, the employer shall require the employee to furnish to the employer a signed earned income eligibility certificate or a signed statement that such employee does not meet the requirements of paragraphs (1) and (2) of subsection (b). As of the beginning of each calendar year, the employer shall require each employee with respect to whom an earned income eligibility certificate is in effect to determine whether there has been a change in circumstances requiring a new certificate or revocation of such certificate.”

(3) REPEAL OF CALENDAR YEAR LIMITATION ON EFFECTIVENESS OF CERTIFICATE.—

(A) Subparagraphs (A) and (B) of section 3507(e)(1) are each amended by striking “had been in effect for the calendar year” and inserting “is in effect”.

(B) Paragraph (2) of section 3507(e) is amended—

(i) by striking “for any calendar year”, and

(ii) by striking “during such calendar year”.

(d) CONFORMING AMENDMENTS.—

(1) Paragraph (2) of section 32(f) is amended—

(A) by inserting “under subsection (a) and” before “under subsection (b)” each place it appears, and

(B) by adding at the end thereof the following new sentence:

“Separate tables shall be prescribed for taxpayers with no qualifying child, 1 qualifying child, 2 qualifying children, and 3 or more qualifying children.”

(2)(A) Subparagraph (B) of section 32(i)(1) is amended by striking “begins,” and all that follows and inserting “begins by substituting for ‘calendar year 1987’ in subparagraph (B) thereof—

“(i) ‘calendar year 1984’ in the case of the dollar amounts referred to in clauses (i) and (ii) of paragraph (2)(B), and

“(ii) ‘calendar year 1989’ in the case of the dollar amounts referred to in paragraph (2)(B)(iii).”

(B) Paragraph (2) of section 32(i) is amended to read as follows:

“(2) DEFINITIONS.—For purposes of paragraph (1)—

“(A) APPLICABLE CALENDAR YEAR.—The term ‘applicable calendar year’ means—

“(i) 1986 in the case of the dollar amount referred to in clause (i) of subparagraph (B),

“(ii) 1987 in the case of the dollar amount referred to in clause (ii) of subparagraph (B), and

“(iii) 1991 in the case of the dollar amount referred to in clause (iii) of subparagraph (B).

“(B) DOLLAR AMOUNTS.—The dollar amounts referred to this subparagraph are—

“(i) the \$5,714 amount contained in subsection (a),

"(ii) the \$9,000 amount contained in subsection (a)(2)(B), and

"(iii) the \$10,000, \$17,000, and \$24,000 amounts contained in subsection (b)."

(e) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years beginning after December 31, 1990.

SEC. 11902. ELIMINATIONS OF CHANGES IN TREATMENT OF EARNED INCOME CREDIT IN DETERMINING CERTAIN AFDC BENEFITS.

(a) **IN GENERAL.**—Subparagraph (A) of section 402(a)(8) of the Social Security Act is amended by striking clause (viii) and by adding "and at the end of clause (vi).

(b) **EFFECTIVE DATE.**—

(1) **IN GENERAL.**—Except as provided in paragraph (2), the amendment made by subsection (a) shall apply to payments under title IV of the Social Security Act for calendar quarters beginning on or after January 1, 1991, without regard to whether regulations to implement such amendments are promulgated by such date.

(2) **DELAY PERMITTED IF STATE LEGISLATION REQUIRED.**—In the case of a State plan approved under section 402(a) of the Social Security Act which the Secretary of Health and Human Services determines requires States legislation (other than legislation appropriating funds) in order for the plan to meet the additional requirements imposed by the amendment made by subsection (a), the State plan shall not be regarded as failing to comply with the requirements of such title solely on the basis of its failure to meet such additional requirement before the first day of the first calendar quarter beginning after the close of the first regular session of the state legislature that begins after the date of the enactment of this Act. For purposes of the previous sentence, in the case of a State that has a 2-year legislative session, each year of such session shall be deemed to be a separate regular session of the State legislature.

SEC. 11903. PHASEOUT OF DEPENDENT CARE CREDIT AND EXCLUSION FOR DEPENDENT CARE ASSISTANCE.

(a) **DEPENDENT CARE CREDIT.**—Subsection (a) of section 21 is amended by adding at the end thereof the following new paragraph:

(3) **PHASEOUT OF CREDIT FOR TAXPAYERS WHOSE ADJUSTED GROSS INCOMES EXCEEDS \$70,000.**—If the taxpayer's adjusted gross income for the taxable year exceeds \$70,000, the applicable percentage shall be reduced (but not below zero) by 1 percentage point for each \$1,000 of such excess."

(b) **EXCLUSION FOR DEPENDENT CARE ASSISTANCE.**—Paragraph (2) of section 129(a) is amended by redesignating subparagraphs (B) and (C) as subparagraphs (C) and (D), respectively, and by inserting after subparagraph (A) the following new paragraph:

(B) **PHASEOUT OF EXCLUSION FOR TAXPAYERS WHOSE ADJUSTED GROSS INCOMES EXCEEDS \$70,000.**—If the taxpayer's adjusted gross income for the taxable year exceeds \$70,000 (\$35,000 in the case of a separate return by a married individual), the dollar amounts in subparagraph (A) shall be

reduced (but not below zero) by \$250 for each \$1,000 of such excess."

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years beginning after December 31, 1990. Conform the table of contents of the bill.

10. AN AMENDMENT TO BE OFFERED BY REPRESENTATIVE STENHOLM OF TEXAS, OR HIS DESIGNEE, DEBATABLE FOR NOT TO EXCEED 2 HOURS, TO BE EQUALLY DIVIDED AND CONTROLLED BY THE PROPONENT OF THE AMENDMENT AND A MEMBER OPPOSED THERETO

Strike subtitle E of title of the bill and insert the following:

Subtitle E—Child Care Services

CHAPTER 1—EXPANDED HEAD START

SEC. 3401. AUTHORITY TO PROVIDE CHILD CARE SERVICES.

Section 638(a) of the Head Start Act (42 U.S.C. 9833(a)) is amended—

- (1) by striking "; and (2)" and inserting ", (2)"; and
- (2) by inserting the following before the period at the end: ", and (3) may provide developmentally appropriate child care services".

SEC. 3402. AUTHORIZATION OF APPROPRIATIONS.

Section 639 of the Head Start Act (42 U.S.C. 9834) is amended—

- (1) by striking "\$1,198,000,000" and all that follows through "1988", and
- (2) by striking "and \$1,405,000,000 for fiscal year 1990" and inserting "\$1,552,000,000 for fiscal year 1990, \$1,852,000,000 for fiscal year 1991, \$2,152,000,000 for fiscal year 1992, \$2,452,000,000 for fiscal year 1993, and \$2,752,000,000 for fiscal year 1994".

SEC. 3403. LIMITATION OF EXPENDITURES ALLOWED FOR CHILD CARE SERVICES UNDER THE HEAD START ACT.

Section 645 of the Head Start Act (42 U.S.C. 9840) is amended by adding at the end the following:

"(d) Of the funds received under this Act by a Head Start agency for any fiscal year, such agency may not expend more than the following amounts to provide child care services authorized by section 638(a)(3):

- "(1) \$150,000,000 for fiscal year 1990,
- "(2) \$300,000,000 for fiscal year 1991,
- "(3) \$450,000,000 for fiscal year 1992,
- "(4) \$600,000,000 for fiscal year 1993, and
- "(5) \$750,000,000 for any fiscal year after fiscal year 1993."

SEC. 3404. SENSE OF THE CONGRESS.

It is the sense of the Congress that each Head Start program should provide, as authorized in section 645(c) of the Head Start Act (42 U.S.C. 9840(c)), more than 1 year of Head Start services to children from age 3 to the age of compulsory school attendance in the state in which the Head Start program is located, after such

program provides Head Start services to all eligible children 4 years of age who request such services.

SEC. 3405. HEAD START RESEARCH STUDY.

(a) **RESEARCH AND REPORTS.**—After consulting with experts in research design and preschool programs, the Secretary of Health and Human Services shall conduct a longitudinal research study on the effects of Head Start on children's development. Such study, which shall be conducted on a nationally representative sample, shall include information on school grades, grade retention, special education placement, high school graduation, delinquency, teenage pregnancy, welfare participation, college attendance, employment, and similar outcomes deemed appropriate by the Secretary. Such sample shall be followed for at least 20 years, during which time the Secretary shall make periodic reports to the Congress on the study's findings. Such study shall begin not later than September of 1991.

(b) **AUTHORIZATION OF APPROPRIATIONS.**—There is authorized to be appropriated to carry out subsection (a) \$2,000,000 for each of the fiscal years 1991 through 2011.

CHAPTER 2—SMALL BUSINESS INVOLVEMENT IN MEETING EMPLOYEE CHILD CARE NEEDS

SEC. 3421. ESTABLISHMENT OF GRANT PROGRAM.

The Secretary of Health and Human Services shall establish a program to make grants to eligible small businesses—

- (1) to pay start-up costs incurred to provide child care services; or
- (2) to provide additional child care services; needed by the employees of such businesses.

SEC. 3422. ELIGIBLE SMALL BUSINESSES.

To be eligible to receive a grant under section 3421, a small business shall submit to the Secretary an application in accordance with section 3423.

SEC. 3423. APPLICATION.

The application required by section 3422 shall be submitted by a small business (separately or jointly with 1 or more other small businesses) at such time, in such form, and containing such information as the Secretary may require by rule, except that such application shall contain—

- (1) an assurance that such small business shall expend, for the purpose for which such grant is made, an amount not less than 300 percent of the amount of such grant;
- (2) an assurance that such small business will expend such grant for the use specified in section 3421, as the case may be;
- (3) an assurance that if the employees of such small business do not require all the child care services for which such grant and the funds required by paragraph (1) are to be expended by such small business, the excess of such child care services shall be made available to families in the community in which such small business is located;
- (4) an assurance that such small business will employ strategies to provide such child care services at affordable rates, and

on an equitable basis, to low- and moderate-income employees; and

(5) an assurance that the provider of such child care services will comply with all State and local licensing requirements applicable to such provider.

SEC. 3424. APPLICABILITY OF PROVISIONS OF THE HEAD START ACT.

Sections 654, 655, and 656 of the Head Start Act (42 U.S.C. 9849–9851) shall apply with respect to this chapter to the same extent and in the same manner as such sections apply with respect to such Act.

SEC. 3425. DEFINITIONS.

As used in the chapter:

(1) **SMALL BUSINESS.**—The term “small business” means a person that—

(A) is engaged in commerce and whose primary activity is not providing child care services; and

(B) has fewer than 50 full-time (or the equivalent) employees.

(2) **SECRETARY.**—The term ‘Secretary’ means the Secretary of Health and Human Services.

SEC. 3426. AUTHORIZATION OF APPROPRIATIONS.

There is authorized to be appropriated \$25,000,000 for each of the fiscal years 1990, 1991, 1992, and 1993 to carry out this chapter.

CHAPTER 3—APPLICATION OF OTHER ACTS

SEC. 3521. APPLICATION OF OTHER ACTS.

Title IX of the Education Amendments of 1972, as amended from time to time, shall be deemed applicable to any program or activity assisted under any provision of this subtitle, or to any amendment made by this subtitle, to the same extent and in the same manner as any program or activity included within the meaning of such term under such title IX. References in this subtitle, or any amendment made by this subtitle, to section 654 of the Head Start Act shall be construed so as to be consistent with such title IX.

Strike subtitle I of title XI of the bill and insert the following:

Subtitle I—Child Care Provisions

PART I—EXPANDED TITLE XX CHILD CARE

SEC. 11901. CHILD CARE.

(a) **ESTABLISHMENT.**—Title XX of the Social Security Act (42 U.S.C. 1397 et seq.) is amended—

(1) by inserting after the title heading the following:

“SEC. 2000. LIMITATION ON ENTITLEMENT.

“For payments to which States are entitled under this title, there are authorized to be appropriated to the Secretary—

“(1) \$2,900,000,000 for fiscal year 1990, of which \$200,000,000 shall be for payments under section 2007;

“(2) \$3,250,000,000 for fiscal year 1991, of which \$350,000,000 shall be for payments under section 2007;

"(3) \$3,500,000,000 for fiscal year 1992, of which \$400,000,000 shall be for payments under section 2007; and

"(4) \$3,700,000,000 for each fiscal year after fiscal year 1992, of which \$400,000,000 shall be for payments under section 2007; and

(2) by adding at the end the following:

"SEC. 2007. CHILD CARE.

"(a) PAYMENTS TO STATES FROM SPECIAL ALLOTMENTS.—

"(1) ENTITLEMENT.—Each State which is eligible for funds under this section for a fiscal year shall be entitled to payments in an aggregate amount equal to the special allotment of the State for the fiscal year.

"(2) PAYMENTS.—The Secretary shall provide funds to each State which is eligible for funds under this section for a fiscal year from the special allotment of the State for the fiscal year, in accordance with section 6503 of title 31, United States Code.

"(3) SPECIAL ALLOTMENTS.—The special allotment of each State for any fiscal year equals the amount that bears the same ratio to the amount appropriated under section 2000 for payments under this section for such fiscal year, as the number of children who have not attained the age of 13 years residing with families in the State bears to the total number of children who have not attained the age of 13 years residing with families in all States, determined on the basis of the most recent data available from the Department of Commerce at the time the special allotment is determined.

"(4) EXPENDITURE OF FUNDS BY STATES.—Except as provided in paragraph (5)(A), each State which receives funds under this section for any fiscal year shall expend such funds in such fiscal year or in the succeeding fiscal year.

"(5) REDISTRIBUTION OF UNEXPENDED SPECIAL ALLOTMENTS.—

"(A) REMITTANCE TO THE SECRETARY.—Each State which receives funds under this section for a fiscal year shall remit to the Secretary that part of such funds which the State intends not to, or does not, expend in such fiscal year or in the succeeding fiscal year.

"(B) REDISTRIBUTION.—The Secretary shall increase the special allotment of each State not remitting any amount to the Secretary for a fiscal year pursuant to subparagraph (A) by an amount equal to—

"(i) the aggregate of the amounts so remitted; multiplied by

"(ii) the adjusted State share for such fiscal year.

"(C) ADJUSTED STATE SHARE.—As used in subparagraph (B)(ii), the term 'adjusted State share' means, with respect to a fiscal year—

"(i) the special allotment of the State for such fiscal year (before any increase under subparagraph (B)); divided by

"(ii) (I) the special allotments of all States for such fiscal year; minus

"(II) the aggregate of the amounts remitted to the Secretary for such fiscal year pursuant to subparagraph (A).

"(b) LEAD AGENCY.—

"(1) DESIGNATION.—The chief executive officer of a State desiring to participate in the program authorized under this section shall designate, in an application submitted to the Secretary under subsection (c), an appropriate State agency that carries out the responsibilities described in paragraph (2) to act as the lead agency.

"(2) RESPONSIBILITIES.—

"(A) ADMINISTRATION OF FUNDS.—The lead agency shall administer the funds made available to the State under this section to support programs and services authorized under this section.

"(B) COORDINATION.—The lead agency shall coordinate with State and local governments in developing the State plan required under subsection (c) to provide services under this section.

"(C) INTERAGENCY COORDINATION.—The lead agency shall establish procedures for assuring that appropriate State agencies work together to carry out the purposes of this section.

"(c) STATE PLAN REQUIREMENTS.—

"(1) APPLICATION.—To be eligible to receive funds under this section for a fiscal year, a State shall prepare and submit an application to the Secretary that shall be subject to the approval of the Secretary and that complies with the requirements of paragraph (3).

"(2) APPROVAL.—Not later than 90 days after the date of the submission of the State application under paragraph (1), the Secretary shall either approve or disapprove such application. If the Secretary disapproves the application, the Secretary shall provide the State with an explanation and recommendations for changes in the application to gain approval.

"(3) STATE PLAN REQUIREMENTS.—The application submitted under paragraph (1) shall contain a plan which—

"(A) identifies the lead agency in accordance with subsection (b);

"(B) describes the activities that the State will carry out with funds provided under this section for the fiscal year;

"(C) provides assurances that the funds provided under this section will be used to supplement, not supplant, State and local funds as well as Federal funds provided under any Act and applied to child care activities in the State during fiscal year 1989;

"(D) provides assurances that the State will not expend more than 7 percent of the funds provided to the State under this section for the fiscal year for administrative expenses;

"(E) provides assurances that the State will give priority to programs that serve low-income families and geographical areas;

"(F) ensures that child care providers reimbursed under this section meet applicable standards of State and local law;

"(G) provides assurances that the lead agency will coordinate the funds provided under this section with other Federal resources for child care provided under this Act, and with other Federal, State, or local child care and pre-school programs operated within the State; and

"(H) provides for the establishment of fiscal and accounting procedures that may be necessary to—

"(i) ensure a proper accounting of Federal funds received by the State under this section; and

"(ii) ensure the proper verification of the reports submitted by the State under subsection (e)(2).

"(d) USE OF FUNDS.—

"(1) IN GENERAL.—Funds provided under this section shall be used to address deficiencies in the supply of child care, and to expand and to improve child care services, with an emphasis on providing such services to low-income families and geographical areas. Subject to the approval of the Secretary, States receiving funds under this section shall use such funds to carry out child care programs and activities through cash grants, certificates, vouchers, or contracts with families, or public or private entities as the State determines appropriate.

"(2) SPECIFIC USES.—Each State which receives funds under this section may expend such funds for—

"(A) child care services for infants, sick children, children with special needs, and children of adolescent parents;

"(B) after-school and before-school programs and programs during nontraditional hours for the children of working parents;

"(C) programs for the recruitment and training of day care workers, including older Americans;

"(D) grant and loan programs to enable child care workers and providers to meet State and local standards and requirements;

"(E) child care information and referral services;

"(F) child care programs developed by public and private sector partnerships;

"(G) liability insurance pools to serve child care providers;

"(H) programs to promote and ensure the health and safety of children and caregivers, to improve the quality of all types of child care, and to train child care providers in health and safety practices;

"(I) State efforts to provide technical assistance designed to help providers improve the services offered to parents and children; and

"(J) other child care-related programs consistent with the purpose of this section and approved by the Secretary;

"(3) USE OF FUNDS WITH PROVIDERS WITH SECTARIAN ACTIVITIES AS PART OF CHILD CARE PROGRAM.—It is the sense of the Congress that, as is the case under current law, and unless pro-

hibited by State law or regulation, any parent who receives funds under this section in the form of vouchers may use such vouchers with any eligible child care provider that has sectarian activities as part of a program of child care if such provider is chosen by the parent, and that if parents have freely chosen sectarian child care from among the available alternatives, such parents may use vouchers for such purpose without violating the constitutional prohibition on establishment of religion.

"(4) ELIGIBLE ENTITIES.—Entities eligible to receive funds under this section, and meet the requirement of subsection (c)(3)(F), shall include—

"(A) units of State and local governments, and elementary, secondary and post-secondary educational institutions;

"(B) nonprofit organizations under subsections (c) and (d) of section 501 of the Internal Revenue Code of 1986;

"(C) professional or employee associations;

"(D) consortia of small businesses; and

"(E) proprietary for-profit entities, child care providers, and any other entities that the State determines appropriate subject to approval of the Secretary.

"(5) PROHIBITED USES.—Any State which receives funds under this section may not use any of such funds—

"(A) to satisfy any State matching requirement imposed under any Federal grant;

"(B) for the purchase or improvement of land, or the purchase, construction, or permanent improvement (other than minor remodeling) of any building or other facility; or

"(C) to provide any service which the State makes generally available to the residents of the State without cost to such residents and without regard to the income of such residents.

"(e) REPORTING REQUIREMENTS.—

"(1) NOTICE TO SECRETARY OF UNEXPENDED FUNDS.—Each State which has not completely expended the funds received by the State under this section for a fiscal year in such fiscal year or the succeeding fiscal year shall notify the Secretary of any amount not so expended.

"(2) STATE REPORTS ON USE OF FUNDS.—Not later than 18 months after the date of the enactment of this section, and each year thereafter, the State shall prepare and submit to the Secretary, in such form as the Secretary shall prescribe, a report describing the State's use of funds received under this section, including—

"(A) the number, type, and distribution of services and programs under this section;

"(B) the average cost of child care, by type of provider;

"(C) the number of children served under this section;

"(D) the average income and distribution of incomes of the families being served;

"(E) efforts undertaken by the State pursuant to this section to promote and ensure health and safety and improve quality; and

“(F) such other information as the Secretary considers appropriate.

“(3) **GUIDELINES FOR STATE REPORTS; COORDINATION WITH REPORTS UNDER SECTION 2006.**—Within 6 months after the date of the enactment of this section, the Secretary shall establish guidelines for State reports under paragraph (2). To the extent feasible, the Secretary shall coordinate such reporting requirement with the reports required under section 2006 and, as the Secretary deems appropriate, with other reporting requirements placed on States as a condition of receipt of other Federal funds which support child care.

“(4) **REPORTS BY THE SECRETARY.**—

“(A) **REPORTS TO THE CONGRESS OF SUMMARY OF STATE REPORTS.**—The Secretary shall annually summarize the information reported to the Secretary pursuant to paragraph (2) and provide such summary to the Congress.

“(B) **REPORTS TO THE STATES ON EFFECTIVE PRACTICES.**—The Secretary shall annually provide the States with a report on particularly effective practices and programs supported by funds received under this section, which ensure the health and safety of children in care, promote quality child care, and provide training to all types of providers.”

(b) **ALTERNATIVE ENTITLEMENT LEVELS IF RECONCILIATION BILL INSUFFICIENTLY FUNDS TITLE XX OF THE SOCIAL SECURITY ACT.**—

(1) **AMENDMENT.**—Section 2000 of the Social Security Act, as amended by subsection (a)(1), is amended to read as follows:

“**SEC. 2000. LIMITATION ON ENTITLEMENT.**

“For payments to which States are entitled under this title, there are authorized to be appropriated to the Secretary—

“(1) \$3,050,000,000 for fiscal year 1991, of which \$350,000,000 shall be for payments under section 2007; and

“(2) \$3,100,000,000 for each fiscal year after fiscal year 1991, of which \$400,000,000 shall be for payments under section 2007.”

(2) **EFFECTIVE DATE.**—The amendment made by paragraph (1) shall take effect on the effective date of the reconciliation legislation reported under section 310(b) of the Congressional Budget Act for the fiscal year 1990, if such legislation does not have the effect of amending subsection (c) of section 2003 of the Social Security Act so that the amounts specified in such subsection (c) for purposes of subsections (a) and (b) of such section 2003 are—

(A) \$2,900,000,000, for fiscal year 1990;

(B) \$3,250,000,000, for fiscal year 1991;

(C) \$3,500,000,000, for fiscal year 1992; and

(D) \$3,700,000,000, for each fiscal year after fiscal year 1992.

PART II—TAX CHANGES RELATING TO CHILD CARE

SEC. 11911. EXPANSION OF EARNED INCOME TAX CREDIT.

(a) **GENERAL RULE.**—Subsections (a) and (b) (relating to earned income tax credit) are amended to read as follows:

“(a) **ALLOWANCE OF CREDIT.**—

“(1) **IN GENERAL.**—In the case of an eligible individual, there shall be allowed as a credit against the tax imposed by this subtitle for the taxable year an amount equal to the credit percentage of so much of the earned income for the taxable year as does not exceed \$5,714.

“(2) **LIMITATION.**—The amount of the credit allowable to a taxpayer under this subsection for any taxable year shall not exceed the excess (if any) of—

“(A) the credit percentage of \$5,714, over

“(B) the phaseout percentage of so much of the adjusted gross income (or, if greater, the earned income) of the taxpayer for the taxable year as exceeds \$9,000.

“(b) **PERCENTAGES.**—

“(1) **IN GENERAL.**—For purposes of subsection (a)—

In the case of an eligible individual with:	The credit percentage is:	The phaseout percentage is:
1 qualifying child.....	17	12
2 qualifying children	21	15
3 or more qualifying children	25	18.

“(2) **SUPPLEMENTAL YOUNG CHILD CREDIT.**—In the case of a taxpayer with a qualifying child who has not attained age 6 as of the close of the calendar year in which or with which the taxable year of the taxpayer ends—

“(A) the credit percentage shall be increased by 6 percentage points, and

“(B) the phaseout percentage shall be increased by 4.25 percentage points.”

(b) **QUALIFYING CHILD DEFINED.**—Subsection (c) of section 32 is amended by adding at the end thereof the following new paragraph:

“(3) **QUALIFYING CHILD.**—The term ‘qualifying child’ means any child (within the meaning of section 151(c)(3)) of the eligible individual if—

“(A) such individual is entitled to a deduction under section 151 for such child (or would be so entitled but for paragraph (2) or (4) of section 152(e)), and

“(B) such child has the same principal place of abode as such individual for more than one-half of the taxable year.”

(c) **ADVANCE PAYMENT PROVISIONS.**—

(1) **PAYMENT BASED ON NUMBER OF QUALIFYING CHILDREN.**—

(A) Subsection (b) of section 3507 is amended by striking “and” at the end of paragraph (2), by striking the period at the end of paragraph (3) and inserting “, and”, and by inserting after paragraph (3) the following new paragraph:

“(4) states the number of qualifying children (as defined in section 32(c)(3)) of the employee for the taxable year and whether any such child is described in section 32(b)(2).”

(B) Paragraph (2) of section 3507(c) is amended—

(i) by striking “14 percent” in subparagraphs (B)(i) and (C)(i) and inserting “the credit percentage”,

(ii) by striking "subsection (b)" in subparagraph (B)(ii) and inserting "subsection (a)(2)", and

(iii) by adding at the end thereof the following new sentence:

"For purposes of this paragraph, the determination of the credit percentage under section 32(b), and the determination of the amounts referred to in subparagraph (B)(ii), shall be made on the basis of the information specified in the earned income eligibility certificate."

(C) Clause (i) of section 3507(e)(3)(A) is amended by inserting before "or" the following: "(or changing the percentages applicable to the employee under section 32(b) for the taxable year)".

(2) EXPANDED PARTICIPATION IN ADVANCE PAYMENT PROGRAM.—Subsection (e) of section 3507 (relating to furnishing and taking effect of certificates) is amended by adding at the end thereof the following new paragraph:

"(6) EMPLOYERS REQUIRED TO COLLECT CERTIFICATE OR STATEMENT OF INELIGIBILITY, ETC.—On or before the date of commencement of employment with an employer, the employer shall require the employee to furnish to the employer a signed earned income eligibility certificate or a signed statement that such employee does not meet the requirements of paragraphs (1) and (2) of subsection (b). As of the beginning of each calendar year, the employer shall require each employee with respect to whom an earned income eligibility certificate is in effect to determine whether there has been a change in circumstances requiring a new certificate or revocation of such certificate."

(3) REPEAL OF CALENDAR YEAR LIMITATION ON EFFECTIVENESS OF CERTIFICATE.—

(A) Subparagraphs (A) and (B) of section 3507(e)(1) are each amended by striking "had been in effect for the calendar year" and inserting "is in effect".

(B) Paragraph (2) of section 3507(e) is amended—
(i) by striking "for any calendar year", and
(ii) by striking "during such calendar year".

(d) COORDINATION OF EARNED INCOME CREDIT WITH MEANS-TESTED PROGRAMS.—

(1) Section 32 is amended by adding at the end thereof the following new subsection:

"(j) FEDERAL MEANS-TESTED TRANSFER PAYMENTS TREATED AS SUPPORT PROVIDED BY TAXPAYER.—Solely for purposes of determining whether any credit is allowable to an individual under this section (and the amount of credit so allowable), Federal means-tested payments shall be treated as support provided by such individual."

(2) Section 402(a) of the Social Security Act (42 U.S.C. 602(a)) is amended—

(A) in paragraph (8)(A)—
(i) by adding "and" at the end of clause (vi); and
(ii) by striking clause (viii); and

(B) by inserting after subsection (c) the following:

"(d)(1) For purposes of paragraphs (7) and (8) of subsection (a), any refund of Federal income taxes made by reason of section 32 of

the Internal Revenue Code of 1986 (relating to earned income tax credit) and any payment made by an employer under section 3507 of such Code (relating to advance payment of earned income tax credit) shall be considered earned income.

"(2) In any case in which such advance payments for a taxable year made by all employers to an individual under section 3507 of such Code exceed the amount of such individual's earned income credit allowable under section 32 of such Code for such year, so that such individual is liable under section 32(g) of such Code for a tax equal to such excess, such individual's benefit amount must be appropriately adjusted so as to provide payment to such individual of an amount equal to the amount of the benefits lost by such individual on account of such excess advance payments."

(e) CONFORMING AMENDMENTS.—

(1) Paragraph (2) of section 32(f) is amended—

(A) by striking "subsection (b)" each place it appears in subparagraphs (A) and (B) and inserting "subsection (a)(2)"; and

(B) by adding at the end thereof the following new sentence:

"Separate tables shall be prescribed for taxpayers with 1 qualifying child, 2 qualifying children, 3 or more qualifying children, and any qualifying child who has not attained age 6."

(2) Subparagraph (A) of section 32(i)(2) is amended by striking "or (ii)" in clause (i) and by striking "clause (iii)" in clause (ii) and inserting "clause (ii)".

(3) Subparagraph (B) of section 32(i)(2) is amended by striking clauses (i), (ii), and (iii) and inserting the following:

"(i) the \$5,714 amounts contained in subsection (a), and

"(ii) the \$9,000 amount contained in subsection (a)(2)(B)."

(f) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section (other than subsection (d)(2)) shall apply to taxable years beginning after December 31, 1990.

(2) SUBSECTION (d)(2).—

(A) IN GENERAL.—Except as provided in subparagraph (B), the amendment made by subsection (d)(2) shall apply to payments under title IV of the Social Security Act for calendar quarters beginning on or after January 1, 1991, without regard to whether regulations to implement such amendments are promulgated by such date.

(B) DELAY PERMITTED IF STATE LEGISLATION REQUIRED.—In the case of a State plan approved under section 402(a) of the Social Security Act which the Secretary of Health and Human Services determines requires State legislation (other than legislation appropriating funds) in order for the plan to meet the additional requirements imposed by the amendment made by subsection (d)(2), the State plan shall not be regarded as failing to comply with the requirements of such title solely on the basis of its failure to meet such additional requirements before the first day of the first calendar quarter beginning after the close of the first

regular session of the State legislature that begins after the date of the enactment of this Act. For purposes of the previous sentence, in the case of a State that has a 2-year legislative session, each year of such session shall be deemed to be a separate regular session of the State legislature.

(g) **STUDY.**—The Secretary of the Treasury or his delegate shall conduct a study of the changes made by this section in section 3507 of the Internal Revenue Code of 1986 to determine whether such changes have resulted in an undue administrative or paperwork burden on taxpayers or the Internal Revenue Service. Not later than 2 years after the date of the enactment of this Act, such Secretary shall submit to the Committee on Ways and Means of the House of Representatives a report of such study together with any recommendations such Secretary may have (including recommendations with respect to alternatives to such section 3507).

SEC. 11912. PHASEOUT OF DEPENDENT CARE CREDIT AND EXCLUSION FOR DEPENDENT CARE ASSISTANCE.

(a) **DEPENDENT CARE CREDIT.**—Subsection (a) of section 21 is amended by adding at the end thereof the following new paragraph:

“(3) **PHASEOUT OF CREDIT FOR TAXPAYERS WHOSE ADJUSTED GROSS INCOMES EXCEEDS \$70,000.**—If the taxpayer’s adjusted gross income for the taxable year exceeds \$70,000, the applicable percentage shall be reduced (but not below zero) by 1 percentage point for each \$1,000 of such excess.”

(b) **EXCLUSION FOR DEPENDENT CARE ASSISTANCE.**—Paragraph (2) of section 129(a) is amended by redesignating subparagraphs (B) and (C) as subparagraphs (C) and (D), respectively, and by inserting after subparagraph (A) the following new paragraph:

“(B) **PHASEOUT OF EXCLUSION FOR TAXPAYERS WHOSE ADJUSTED GROSS INCOMES EXCEEDS \$70,000.**—If the taxpayer’s adjusted gross income for the taxable year exceeds \$70,000 (\$35,000 in the case of a separate return by a married individual), the dollar amounts in subparagraph (A) shall be reduced (but not below zero) by \$250 for each \$1,000 of such excess.”

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years beginning after December 31, 1990.

PART III—CHILD CARE EARNINGS EXCLUDED FROM EXCESS EARNINGS TEST

SEC. 11921. CHILD CARE EARNINGS EXCLUDED FROM WAGES AND SELF-EMPLOYMENT INCOME FOR EXCESS EARNINGS TEST.

(a) **WAGES.**—Section 203(f)(5)(C) of the Social Security Act (42 U.S.C. 403(f)(5)(C)) is amended—

- (1) by striking out “or” at the end of clause (i),
- (2) by striking out the period at the end of clause (ii) and inserting in lieu thereof “, or”, and
- (3) by adding at the end thereof the following new clause:

“(iii) the amount of any payment made to an employee who has attained retirement age (as defined in section 216(1)) by an employer for child care services

(including indirect services) performed by such employee after the month in which such employee initially becomes entitled to insurance benefits under this title.”

(b) **SELF-EMPLOYMENT INCOME.**—Section 203(f)(5)(D) of such Act (42 U.S.C. 403(f)(5)(D)) is amended—

- (1) by striking out “or” at the end of clause (i),
- (2) by adding “or” at the end of clause (ii),
- (3) by inserting immediately after clause (ii) the following new clause:

“(iii) an individual who has attained retirement age (as defined in section 216(1)) who has become entitled to insurance benefits under this title, any income attributable to child care services (including indirect services) performed after the month in which such individual becomes entitled to such benefits,” and

- (4) by striking out “royalties or other income” and inserting in lieu thereof “royalties or income”.

(c) **PAYMENTS OF CERTAIN RECOMPUTED BENEFITS DELAYED.**—Section 215(f)(2) of the Social Security Act (42 U.S.C. 415(f)(2)) is amended by adding at the end thereof the following new subparagraph:

“(E) Under regulations of the Secretary, monthly benefits increased as a result of a recomputation under this paragraph shall be further increased on an actuarial basis to include such benefits which would have otherwise been paid in a lump sum (determined from the recomputation date to the effective date of such recomputation as provided under subparagraph (D)) as exceed an amount equal to such additional benefits determined for a 13-month period beginning from such recomputation date.”

(c) **EFFECTIVE DATES.**—

- (1) The amendments made by subsections (a) and (b) shall apply to wages or income earned after the date of the enactment of this Act.
- (2) The amendment made by subsection (c) shall apply to recomputations made after the date of the enactment of this Act. Conform the table of contents of the bill.