

By Mr. DEONCINI:

S. 1065. A bill to deny the People's Republic of China most-favored-nation trade treatment; to the Committee on Finance.

By Mr. RIEGLE (for himself and Mr. LEVIN):

S. 1066. A bill to restore Federal services to the Pokagon Band of Potawatomi Indians; to the Committee on Indian Affairs.

By Mr. MITCHELL (for Mr. KRUEGER):

S. 1067. A bill to authorize and encourage the President to conclude an agreement with Mexico to establish a United States-Mexico Border Health Commission; to the Committee on Foreign Relations.

By Mr. ROBB:

S. 1068. A bill to reduce the Federal budget deficit and encourage energy conservation through an increase in the motor fuels excise tax, and for other purposes; to the Committee on Finance.

By Mr. DURENBERGER:

S. 1069. A bill to require any person who is convicted of a State criminal offense against a victim who is a minor to register a current address with law/enforcement officials of the State for 10 years after release from prison, parole, or supervision; to the Committee on the Judiciary.

By Mr. LEVIN (for himself and Mr. STEVENS):

S. 1070. A bill to provide that certain politically appointed Federal officers may not receive cash awards for a certain period during a Presidential election year, to prohibit cash awards to Executive Schedule officers, and for other purposes; to the Committee on Governmental Affairs.

By Mr. COCHRAN:

S. 1071. A bill to provide that certain civil defense employees and employees of the Federal Emergency Management Agency may be eligible for certain public safety officers death benefits, and for other purposes; to the Committee on Governmental Affairs.

By Mr. BRADLEY:

S. 1072. A bill to amend the Social Security Act to provide assistance to States in providing services to support informal caregivers of individuals with functional limitations; to the Committee on Finance.

By Mr. SPOFFER:

S. 1073. A bill to extend until December 31, 1994, the deadline for the State of Pennsylvania to submit certain provisions of a Clean Air Act implementation plan applicable to the Liberty Borough PM-10 Nonattainment Area, and for other purposes; to the Committee on Environment and Public Works.

By Mr. KERRY (for himself, Mr. CHAFER, Mr. LIEBERMAN, and Mr. BAUCUS):

S. 1074. A bill to provide for the development and implementation of a national strategy to encourage and promote opportunities for the United States private sector to provide environmentally sound technology, goods, and services (especially source reduction and energy efficiency technology, goods, and services) to the global market, and for other purposes; to the Committee on Banking, Housing, and Urban Affairs.

SUBMISSION OF CONCURRENT AND SENATE RESOLUTIONS

The following concurrent resolutions and Senate resolutions were read, and referred (or acted upon), as indicated:

By Mr. BROWN (for himself, Mr. PRESSLER, Mr. DURENBERGER, Mrs. KASSEBAUM, Mr. GRASSLEY, Mr. NICKLES, and Mr. CRAIG):

S. Res. 115. A resolution expressing the sense of the Senate regarding the need to eliminate price-gouging in the transpor-

tation of food assistance to Russia; to the Committee on Commerce, Science, and Transportation.

By Mr. LEAHY (for himself, Mr. GORTON, Mr. DASCHLE, Mr. BAUCUS, Mr. CAMPBELL, Mr. JOHNSTON, Mr. DEONCINI, and Mr. HARKIN):

S. Con. Res. 27. A bill to express the sense of Congress that funding should be provided to begin a phase-in toward full funding of the special supplemental food program for women, infants, and children (WIC) and of Head Start programs and to expand the Job Corps program, and for other purposes; to the Committee on Labor and Human Resources.

By Mr. RIEGLE (for himself, Mr. MITCHELL, Mr. DOL, Mr. FELL, Mr. HELMS, Mr. MOYNIHAN, Mr. BROWN, Mr. WALLOP, and Mr. LEVIN):

S. Con. Res. 28. A concurrent resolution expressing the sense of the Congress regarding the Taif Agreement and urging Syrian withdrawal from Lebanon, and for other purposes; to the Committee on Foreign Relations.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. ROTH (for himself, Mr. LOTT, Mr. DOL, Mr. SIMPSON, Mr. COCHRAN, Mr. NICKLES, Mr. MACK, Mr. CRAIG, Mr. BENNETT, Mr. HATCH, Mr. WALLOP, Mr. THURMOND, Mr. STEVENS, Mr. HELMS, Mr. MURKOWSKI, Mr. BURNS, Mr. COATS, Mr. SMITH, Mr. FAIRCLOTH, and Mr. GREGG):

S. 1058. A bill to amend the Internal Revenue Code of 1986 to create real jobs in America through investment and savings incentives, to pay for such incentives by decreasing Federal spending, and for other purposes; to the Committee on Finance.

REAL JOBS FOR AMERICA ACT OF 1993

Mr. ROTH. Madam President, Americans are calling for dramatic changes from the Clinton approach to economic policy. They want Congress to go beyond the business-as-usual tax-and-spend approach President Clinton has taken. They want real reform that translates into real jobs, real family security, and real long-term economic strength for America.

Today I am introducing a bill that offers a completely different approach from the President. The President wants to raise taxes. Our bill would cut taxes. The President wants to increase the size of Government. This bill would cut the size of Government. The President's program will stifle economic growth and result in as many as 1.2 million lost jobs. This bill would spur economic growth and create more than 800,000 jobs.

The President has talked of change. He has asked the American people to sacrifice. But this is not a change. Congress has been requiring them to sacrifice for years now, by increasing taxes year after year, including 1982, 1984, 1985, 1987, 1989, and the largest tax increase in history in 1990. This bill offers real change. A tax cut paid for by real spending reductions guaranteed in

law through spending caps. Change from Congress' business-as-usual of increasing taxes is exactly what this legislation proposes—legislation that finds support from a group of over 20 Senators.

And I want to thank my colleague, Senator LOTT from Mississippi, for his hard work and thoughtfulness in putting this plan together.

The Real Jobs for America Act represents a 180-degree turn from the so-called job stimulus that President Clinton offered to the Senate several weeks ago, where it was appropriately defeated. As we all know well, his was a program that would have cost almost \$20 billion. More importantly, his jobs bill was a program that was not paid for.

What we propose, on the other hand, is a dramatic step in the opposite direction from President Clinton's economic plan—his plan that promises \$72 billion in net new taxes and only \$56 billion in spending cuts—his plan that calls for \$5 in increased taxes for every \$1 he offers in spending cuts. With numbers like those, is there any wonder why President Clinton's popularity is falling—what he is offering is more of the same—the 1970's revisited.

But the plan we present today is different, Madam President. And I might remind my colleagues that it is a plan President Clinton invited when he asked us to come up with something different if we did not like the old tax and spend ways he is advocating. This plan promises 800,000 new jobs, it promises deficit reduction, and it is fully paid for. It offers over \$50 billion in specific spending cuts and encourages economic growth and job creation, as well as savings incentives for the private sector through \$41 billion in tax incentives.

The Clinton so-called job stimulus plan, by contrast, offered absolutely nothing for private sector job creation incentives, and it largely relied on deficit financing to provide temporary Government jobs.

That is not what Americans want. It is not what our families need. And it certainly is no way to strengthen our country for global economic competition. However, the plan we are introducing today is what Americans want; it is what we need.

Instead of increasing the size and overbearing nature of Government, this plan harnesses the ingenuity of the private sector—the engine of real economic growth and opportunity. A dollar put to work in the private sector results in more jobs and more growth than a dollar taken up by Government spending. Americans know that. The taxpayer understands it. And they are going to support this plan.

It has been estimated by the minority staff of the Joint Economic Committee that this plan will generate 800,000 new jobs by 1996—and these are long-term, private-sector jobs—not temporary, Government make-work jobs. This plan will create jobs that

will get the American economy moving again and restore consumer confidence.

Since we first unveiled this jobs plan, I have received calls from all over the Nation from people who support it—people who are enthusiastic, people who see this as the answer they have been waiting for.

Calls and letters have been coming in from housewives, senior citizens, small business owners, farmers, and many others. They support this plan because they recognize it represents the only real chance for getting the economy moving and creating jobs.

Our jobs program does something that the Clinton plan never could—it encourages employers to be optimistic about the future. This week's news that the Consumer Confidence Index has fallen to its lowest level since last October is only one indication that higher taxes will not improve our economy.

The American people clearly understand that Clinton's economic program and reliance on higher taxes will only depress the economy. Without a doubt, President Clinton's tax increase—the largest in U.S. history—will not result in economic recovery or more jobs. Taxes never have created wealth and they never will. You cannot tax America into prosperity, and one only needs to look at recent history to see why. When you take money out of the private sector you also take out initiative. You eliminate incentives for working, saving, investing.

Rather than hire and expand, businesses lay off and reduce work forces. Rather than spend and even invest, consumers retrench and wait to see what Government will do.

But not with this jobs bill. This bill presents the opportunity to turn the country around and take a course of action in a different direction from the President. We believe that this package of tax incentives will encourage growth and jobs, and we must move before it is too late. Consumer confidence is already falling.

Other economic figures are following, proving the ill effects that President Clinton's tax proposals are already having on businesses—especially with his tax proposals that are retroactive to January 1, 1993. His package does not wait to stifle growth and jobs. It has already begun!

The choices are clear, Madam President. There are two paths before us. The Clinton plan, which takes us to enormous tax increases, job loss, and bigger Government.

And, the Real Jobs for America Act of 1993 plan, which promises the kinds of jobs and real economic growth America needs. And these promises come paid for by real spending cuts.

We intend to offer this amendment at the earliest reasonable opportunity on the Senate floor, and I encourage all the Members of the Senate to cosponsor this program.

I ask unanimous consent that a copy of a description of the bill, and the bill itself be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

S. 1058

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

SECTION 1. SHORT TITLE.

This Act may be cited as the "Real Jobs for America Act of 1993".

TITLE I—INVESTMENT AND SAVINGS INCENTIVES

SEC. 102. AMENDMENT OF 1982 CODE.

Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1982.

Subtitle A—Reductions in Cost of Capital and Tax Penalties on Investment

SEC. 101. INDEXING OF CERTAIN ASSETS FOR PURPOSES OF DETERMINING GAIN OR LOSS.

(a) IN GENERAL.—Part II of subchapter O of chapter 1 (relating to basis rules of general application) is amended by inserting after section 1021 the following new section:

SEC. 102. INDEXING OF CERTAIN ASSETS FOR PURPOSES OF DETERMINING GAIN OR LOSS.

"(a) GENERAL RULE.—

"(1) INDEXED BASIS SUBSTITUTED FOR ADJUSTED BASIS.—Except as provided in paragraph (2), if an indexed asset which has been held for more than 3 years is sold or otherwise disposed of, for purposes of this title the indexed basis of the asset shall be substituted for its adjusted basis.

"(2) EXCEPTION FOR DEPRECIATION, ETC.—The deduction for depreciation, depletion, and amortization shall be determined without regard to the application of paragraph (1) to the taxpayer or any other person.

"(b) INDEXED ASSET.—

"(1) IN GENERAL.—For purposes of this section, the term 'indexed asset' means—

"(A) stock in a corporation,

"(B) tangible property (or any interest therein) which is a capital asset or property used in the trade or business (as defined in section 1221(b)), and

"(C) the principal residence of the taxpayer (within the meaning of section 1034).

"(2) CERTAIN PROPERTY EXCLUDED.—For purposes of this section, the term 'indexed asset' does not include—

"(A) CREDITOR'S INTEREST.—Any interest in property which is in the nature of a creditor's interest.

"(B) OPTIONS.—Any option or other right to acquire an interest in property.

"(C) NET LEASE PROPERTY.—In the case of a lessor, net lease property (within the meaning of subsection (h)(1)).

"(D) CERTAIN PREFERRED STOCK.—Stock which is fixed and preferred as to dividends and does not participate in corporate growth to any significant extent.

"(E) STOCK IN CERTAIN CORPORATIONS.—Stock in—

"(i) an S corporation (within the meaning of section 1361),

"(ii) a personal holding company (as defined in section 542), and

"(iii) a foreign corporation.

"(F) COLLECTIBLES.—Any collectible (as defined in section 409(m)(2)).

"(3) EXCEPTION FOR STOCK IN FOREIGN CORPORATION WHICH IS REGULARLY TRADED ON NATIONAL OR REGIONAL EXCHANGE.—Clause (iii) of paragraph (2)(E) shall not apply to stock in a foreign corporation the stock of which is listed on the New York Stock Exchange, the American Stock Exchange, or any domestic

regional exchange for which quotations are published on a regular basis other than—

"(A) stock of a foreign investment company (within the meaning of section 1246(b)), and

"(B) stock in a foreign corporation held by a United States person who meets the requirements of section 1248(a)(2).

"(c) INDEXED BASIS.—For purposes of this section—

"(1) INDEXED BASIS.—The indexed basis for any asset is—

"(A) the adjusted basis of the asset, multiplied by

"(B) the applicable inflation ratio.

"(2) APPLICABLE INFLATION RATIO.—The applicable inflation ratio for any asset is the percentage arrived at by dividing—

"(A) the CPI for the calendar year preceding the calendar year in which the disposition takes place, by

"(B) the CPI for the calendar year 1992 (or, if later, the calendar year preceding the calendar year in which the asset was acquired by the taxpayer).

The applicable inflation ratio shall not be taken into account unless it is greater than 1. The applicable inflation ratio for any asset shall be rounded to the nearest one-tenth of 1 percent.

"(3) CPI.—The CPI for any calendar year shall be determined under section 1624.

"(d) SPECIAL RULES.—For purposes of this section—

"(1) TREATMENT AS SEPARATE ASSET.—In the case of any asset, the following shall be treated as a separate asset:

"(A) a substantial improvement to property.

"(B) in the case of stock of a corporation, a substantial contribution to capital, and

"(C) any other portion of an asset to the extent that separate treatment of such portion is appropriate to carry out the purposes of this section.

"(2) ASSETS WHICH ARE NOT INDEXED ASSETS THROUGHOUT HOLDING PERIOD.—

"(A) IN GENERAL.—The applicable inflation ratio shall be appropriately reduced for calendar months at any time during which the asset was not an indexed asset.

"(B) CERTAIN SHORT SALES.—For purposes of applying subparagraph (A), an asset shall be treated as not an indexed asset for any short sale period during which the taxpayer or the taxpayer's spouse sells short property substantially identical to the asset. For purposes of the preceding sentence, the short sale period begins on the day after the substantially identical property is sold and ends on the closing date for the sale.

"(3) TREATMENT OF CERTAIN DISTRIBUTIONS.—A distribution with respect to stock in a corporation which is not a dividend shall be treated as a disposition.

"(4) SECTION CANNOT INCREASE ORDINARY LOSS.—To the extent that (but for this paragraph) this section would create or increase a net ordinary loss to which section 1231(a)(2) applies or an ordinary loss to which any other provision of this title applies, such provision shall not apply. The taxpayer shall be treated as having a long-term capital loss in an amount equal to the amount of the ordinary loss to which the preceding sentence applies.

"(5) ACQUISITION DATE WHERE THERE HAS BEEN PRIOR APPLICATION OF SUBSECTION (a)(1) WITH RESPECT TO THE TAXPAYER.—If there has been a prior application of subsection (a)(1) to an asset while such asset was held by the taxpayer, the date of acquisition of such asset by the taxpayer shall be treated as not earlier than the date of the most recent such prior application.

"(6) COLLAPSIBLE CORPORATIONS.—The application of section 341(a) (relating to col-

lapsible corporations) shall be determined without regard to this section.

"(e) CERTAIN CONDUIT ENTITIES.—

"(1) REGULATED INVESTMENT COMPANIES; REAL ESTATE INVESTMENT TRUSTS; COMMON TRUST FUNDS.—

"(A) IN GENERAL.—Stock in a qualified investment entity shall be an indexed asset for any calendar month in the same ratio as the fair market value of the assets held by such entity at the close of such month which are indexed assets bears to the fair market value of all assets of such entity at the close of such month.

"(B) RATIO OF 90 PERCENT OR MORE.—If the ratio for any calendar month determined under subparagraph (A) would (but for this subparagraph) be 90 percent or more, such ratio for such month shall be 100 percent.

"(C) RATIO OF 10 PERCENT OR LESS.—If the ratio for any calendar month determined under subparagraph (A) would (but for this subparagraph) be 10 percent or less, such ratio for such month shall be zero.

"(D) VALUATION OF ASSETS IN CASE OF REAL ESTATE INVESTMENT TRUSTS.—Nothing in this paragraph shall require a real estate investment trust to value its assets more frequently than once each 36 months (except where such trust ceases to exist). The ratio under subparagraph (A) for any calendar month for which there is no valuation shall be the trustee's good faith judgment as to such valuation.

"(E) QUALIFIED INVESTMENT ENTITY.—For purposes of this paragraph, the term 'qualified investment entity' means—

"(i) a regulated investment company (within the meaning of section 851),

"(ii) a real estate investment trust (within the meaning of section 856), and

"(iii) a common trust fund (within the meaning of section 584).

"(2) PARTNERSHIPS.—In the case of a partnership, the adjustment made under subsection (a) at the partnership level shall be passed through to the partners.

"(3) SUBCHAPTER S CORPORATIONS.—In the case of an electing small business corporation, the adjustment under subsection (a) at the corporate level shall be passed through to the shareholders.

"(F) DISPOSITIONS BETWEEN RELATED PERSONS.—

"(1) IN GENERAL.—This section shall not apply to any sale or other disposition of property between related persons except to the extent that the basis of such property in the hands of the transferee is a substituted basis.

"(2) RELATED PERSONS DEFINED.—For purposes of this section, the term 'related persons' means—

"(A) persons bearing a relationship set forth in section 267(b), and

"(B) persons treated as single employer under subsection (b) or (c) of section 414.

"(G) TRANSFERS TO INCREASE INDEXING ADJUSTMENT OR DEPRECIATION ALLOWANCE.—If any person transfers cash, debt, or any other property to another person and the principal purpose of such transfer is—

"(1) to secure or increase an adjustment under subsection (a), or

"(2) to increase (by reason of an adjustment under subsection (a)) a deduction for depreciation, depletion, or amortization, the Secretary may disallow part or all of such adjustment or increase.

"(H) DEFINITIONS.—For purposes of this section—

"(1) NET LEASE PROPERTY DEFINED.—The term 'net lease property' means leased real property where—

"(A) the term of the lease (taking into account options to renew) was 50 percent or more of the useful life of the property, and

"(B) for the period of the lease, the sum of the deductions with respect to such property which are allowable to the lessor solely by reason of section 162 (other than rents and reimbursed amounts with respect to such property) is 15 percent or less of the rental income produced by such property.

"(2) STOCK INCLUDES INTEREST IN COMMON TRUST FUND.—The term 'stock in a corporation' includes any interest in a common trust fund (as defined in section 584(a)).

"(I) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section."

(b) ADJUSTMENT TO APPLY FOR PURPOSES OF DETERMINING EARNINGS AND PROFITS.—Subsection (f) of section 312 of such Code (relating to effect on earnings and profits of gain or loss and of receipt of tax-free distributions) is amended by adding at the end thereof the following new paragraph:

"(3) EFFECT ON EARNINGS AND PROFITS OF INDEXED BASIS.—For substitution of indexed basis for adjusted basis in the case of the disposition of certain assets on or after January 1, 1999, see section 1022(a)(1)."

(c) CLERICAL AMENDMENT.—The table of sections for part II of subchapter O of such chapter 1 is amended by inserting after the item relating to section 1021 the following new item:

"Sec. 1022. Indexing of certain assets for purposes of determining gain or loss."

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to dispositions on or after January 1, 1993, in taxable years ending after such date.

SEC. 102. MODIFICATION TO MINIMUM TAX DEPRECIATION RULES.

(a) GENERAL RULE.—Paragraph (1) of section 56(a) (relating to depreciation) is amended by redesignating subparagraphs (B), (C), and (D) as subparagraphs (O), (D), and (E), respectively, and by inserting after subparagraph (A) the following new subparagraph:

"(B) TREATMENT OF CERTAIN PERSONAL PROPERTY PLACED IN SERVICE AFTER JUNE 30, 1982.—

"(1) IN GENERAL.—In the case of any property to which this subparagraph applies, the depreciation deduction allowable under section 167 shall be determined under the alternative system under section 168(g), except that the method of depreciation used shall be the method used for purposes of section 168.

"(ii) PROPERTY TO WHICH SUBPARAGRAPH APPLIES.—This subparagraph shall apply to any tangible property placed in service after June 30, 1993, except that this subparagraph shall not apply to any residential rental property or nonresidential real property (within the meaning of section 168(e)).

"(iii) COORDINATION WITH SUBPARAGRAPH (A).—Subparagraph (A) shall not apply to any property to which this subparagraph applies."

(b) ELIMINATION OF ACE DEPRECIATION ADJUSTMENT.—Clause (i) of section 56(g)(4)(A) (relating to depreciation adjustments for computing adjusted current earnings) is amended by adding at the end thereof the following new sentence: "The preceding sentence shall not apply to any property to which subsection (a)(1)(B) applies, and the depreciation deduction with respect to such property shall be determined under the rules of subsection (a)(1)(B)."

(c) CONFORMING AMENDMENTS.—Section 56(g)(4) is amended by striking subparagraphs (E), (F), and (G) and by redesignating subparagraph (I) as subparagraph (E).

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in this subsection, the amendments made by this

section shall apply to property placed in service after June 30, 1993.

(2) CONFORMING CHANGES.—The amendments made by subsection (c) shall apply to exchanges, acquisitions, and ownership changes after the date of the enactment of this Act.

(3) COORDINATION WITH TRANSITIONAL RULES.—The amendments made by this section shall not apply to any property to which paragraph (1) of section 56(a) of the Internal Revenue Code of 1986 does not apply by reason of subparagraph (D)(1) thereof (as redesignated by subsection (a) of this section).

Subtitle B—Investment in Small Business

SEC. 111. INCREASE IN EXPENSE TREATMENT FOR SMALL BUSINESS.

(a) GENERAL RULE.—Paragraph (1) of section 179(b) (relating to dollar limitation) is amended by striking "\$10,000" and inserting "\$25,000".

(b) INDEXATION.—Section 179(b) is amended by adding at the end the following new paragraph:

"(5) INDEXATION.—In the case of any taxable year beginning after 1994, the \$25,000 amount under paragraph (1) shall be increased by an amount equal to such dollar amount multiplied by the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, except that section 1(f)(3)(B) shall be applied by substituting '1993' for '1986'. The amount determined under the preceding sentence shall be rounded to the nearest multiple of \$100."

(c) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after June 30, 1992.

Subtitle C—Increased Savings Through Individual Retirement Accounts

PART I—IRA DEDUCTION

SEC. 121. RESTORATION OF IRA DEDUCTION.

(a) IN GENERAL.—Section 219 (relating to deduction for retirement savings) is amended by striking subsection (g) and by redesignating subsection (h) as subsection (g).

(b) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) Subsection (f) of section 219 is amended by striking paragraph (7).

(2) Paragraph (5) of section 408(d) is amended by striking the last sentence.

(3) Section 408(c) is amended by adding at the end thereof the following new paragraph:

"(5) TERMINATION.—This subsection shall not apply to any designated nondeductible contribution for any taxable year beginning after December 31, 1996."

(4) Subsection (b) of section 4973 is amended by striking the last sentence.

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to taxable years beginning after December 31, 1996.

(2) SPECIAL ACCOUNTS.—For purposes of applying section 406A of the Internal Revenue Code of 1986 (as added by section 131), the amendments made by this section shall apply to taxable years beginning after December 31, 1993 (and to qualified transfers after the date of the enactment of this Act).

SEC. 122. INFLATION ADJUSTMENT FOR DEDUCTIBLE AMOUNT.

(a) IN GENERAL.—Section 219, as amended by section 121, is amended by redesignating subsection (g) as subsection (h) and by inserting after subsection (f) the following new subsection:

"(g) COST-OF-LIVING ADJUSTMENTS.—

"(1) IN GENERAL.—If the cost-of-living amount for any calendar year is equal to or greater than \$500, then each applicable dollar amount (as previously adjusted under this subsection) for any taxable year beginning in any subsequent calendar year shall be increased by \$500.

"(2) COST-OF-LIVING AMOUNT.—The cost-of-living amount for any calendar year is the excess (if any) of—

"(A) \$2,000, increased by the cost-of-living adjustment for such calendar year, over

"(B) the applicable dollar amount in effect under subsection (b)(1)(A) for taxable years beginning in such calendar year.

"(3) COST-OF-LIVING ADJUSTMENT.—For purposes of this subsection—

"(A) IN GENERAL.—The cost-of-living adjustment for any calendar year is the percentage (if any) by which—

"(i) the CPI for such calendar year, exceeds

"(ii) the CPI for 1984.

"(B) CPI FOR ANY CALENDAR YEAR.—The CPI for any calendar year shall be determined in the same manner as under section 1(D)(4).

"(4) APPLICABLE DOLLAR AMOUNT.—For purposes of this subsection, the term 'applicable dollar amount' means the dollar amount in effect under any of the following provisions:

"(A) Subsection (b)(1)(A).

"(B) Subsection (c)(2)(A)(i).

"(C) The last sentence of subsection (e)(2).

"(D) CONFORMING AMENDMENTS.—

(1) Section 408(a)(1) is amended by striking "in excess of \$2,000 on behalf of any individual" and inserting "on behalf of any individual in excess of the amount in effect for such taxable year under section 219(b)(1)(A)".

(2) Section 408(b)(2)(B) is amended by striking "\$2,000" and inserting "the dollar amount in effect under section 219(b)(1)(A)".

(3) Section 408(d)(5) is amended by striking "\$2,250" and inserting "the dollar amount in effect for such taxable year under section 219(c)(2)(A)(i)".

(4) Section 408(j) is amended by striking "\$2,000".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1995.

SEC. 132. COORDINATION OF IRA DEDUCTION LIMIT WITH ELECTIVE DEFERRAL LIMIT.

(a) IN GENERAL.—Section 219(b) (relating to maximum amount of deduction) is amended by adding at the end thereof the following new paragraph:

"(4) COORDINATION WITH ELECTIVE DEFERRAL LIMIT.—The amount determined under paragraph (1) or subsection (c)(2) with respect to any individual for any taxable year shall not exceed the excess (if any) of—

"(A) the maximum amount of elective deferrals of the individual which are excludable from gross income for the taxable year under section 402(g)(1), over

"(B) the amount so excluded."

(b) CONFORMING AMENDMENT.—Section 219(c) is amended by adding at the end thereof the following new paragraph:

"(3) CROSS REFERENCE.—

"For reduction in paragraph (2) amount, see subsection (b)(4)."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1995.

PART II—NONDEDUCTIBLE TAX-FREE IRAs

SEC. 131. ESTABLISHMENT OF NONDEDUCTIBLE TAX-FREE INDIVIDUAL RETIREMENT ACCOUNTS.

(a) IN GENERAL.—Subpart A of part I of subchapter D of chapter 1 (relating to pension, profit-sharing, stock bonus plans, etc.) is amended by inserting after section 408 the following new section:

SEC. 408A. INDIVIDUAL RETIREMENT PLUS ACCOUNT.

"(a) GENERAL RULE.—Except as provided in this section, an individual retirement plus account shall be treated for purposes of this title in the same manner as an individual retirement plan.

"(b) INDIVIDUAL RETIREMENT PLUS ACCOUNT.—For purposes of this title, the term 'individual retirement plus account' means an individual retirement plan which is designated at the time of establishment of the plan as an individual retirement plus account.

"(c) TREATMENT OF CONTRIBUTIONS.—

"(1) NO DEDUCTION ALLOWED.—No deduction shall be allowed under section 219 for a contribution to an individual retirement plus account.

"(2) CONTRIBUTION LIMIT.—The aggregate amount of contributions for any taxable year to all individual retirement plus accounts maintained for the benefit of an individual shall not exceed the excess (if any) of—

"(A) the maximum amount allowable as a deduction under section 219 with respect to such individual for such taxable year, over

"(B) the amount so allowed.

"(3) SPECIAL RULES FOR QUALIFIED TRANSFERS.—

"(A) IN GENERAL.—No rollover contribution may be made to an individual retirement plus account unless it is a qualified transfer.

"(B) LIMIT NOT TO APPLY.—The limitation under paragraph (2) shall not apply to a qualified transfer to an individual retirement plus account.

"(d) TAX TREATMENT OF DISTRIBUTIONS.—

"(1) IN GENERAL.—Except as provided in this subsection, any amount paid or distributed out of an individual retirement plus account shall not be included in the gross income of the distributee.

"(2) EXCEPTION FOR EARNINGS ON CONTRIBUTIONS HELD LESS THAN 5 YEARS.—

"(A) IN GENERAL.—Any amount distributed out of an individual retirement plus account which consists of earnings allocable to contributions made to the account during the 5-year period ending on the day before such distribution shall be included in the gross income of the distributee for the taxable year in which the distribution occurs.

"(B) ORDERING RULE.—

"(i) FIRST-IN, FIRST-OUT RULE.—Distributions from an individual retirement plus account shall be treated as having been made—

"(I) first, from the earliest contribution (and earnings allocable thereto) remaining in the account at the time of the distribution, and

"(II) then from other contributions (and earnings allocable thereto) in the order in which made.

"(ii) ALLOCATIONS BETWEEN CONTRIBUTIONS AND EARNINGS.—Any portion of a distribution allocated to a contribution (and earnings allocable thereto) shall be treated as allocated first to the earnings and then to the contribution.

"(iii) ALLOCATION OF EARNINGS.—Earnings shall be allocated to a contribution in such manner as the Secretary may by regulations prescribe.

"(iv) CONTRIBUTIONS IN SAME YEAR.—Except as provided in regulations, all contributions made during the same taxable year may be treated as 1 contribution for purposes of this subparagraph.

"(C) CROSS REFERENCE.—

"For additional tax for early withdrawal, see section 72(t).

"(3) QUALIFIED TRANSFER.—

"(A) IN GENERAL.—Paragraph (2) shall not apply to any distribution which is transferred in a qualified transfer to another individual retirement plus account.

"(B) CONTRIBUTION PERIOD.—For purposes of paragraph (2), the individual retirement plus account to which any contributions are transferred shall be treated as having held such contributions during any period such contributions were held (or are treated as held under this subparagraph) by the individ-

ual retirement plus account from which transferred.

"(4) SPECIAL RULES RELATING TO CERTAIN TRANSFERS.—

"(A) IN GENERAL.—Notwithstanding any other provision of law, in the case of a qualified transfer to an individual retirement plus account from an individual retirement plan or qualified plan which is not an individual retirement plus account—

"(i) there shall be included in gross income any amount which, but for the qualified transfer, would be includible in gross income, but

"(ii) section 72(t) shall not apply to such amount.

"(B) 4-YEAR RATABLE INCLUSION.—In the case of any qualified transfer described in subparagraph (A) which is made during the phase-in period, any amount includible in gross income under subparagraph (A) with respect to such contribution shall be includible ratably over the 4-taxable year period beginning in the taxable year in which the amount was paid or distributed out of the individual retirement plan.

"(C) PHASE-IN PERIOD.—For purposes of subparagraph (B), the term 'phase-in period' means the period beginning on the date of the enactment of this section and ending on the last day of the 2d calendar year following the calendar year in which such date of enactment occurs."

"(e) QUALIFIED TRANSFER.—For purposes of this section—

"(1) IN GENERAL.—The term 'qualified transfer' means a transfer to an individual retirement plus account—

"(A) from another such account; or

"(B) from an individual retirement plan or qualified plan, but only if such transfer meets the requirements of section 408(d)(3).

"(2) QUALIFIED PLAN.—The term 'qualified plan' means any trust or contract described in section 72(e)(5)(D)(i) or (ii).

"(b) EARLY WITHDRAWAL PENALTY.—Section 72(t), as amended by section 141(c), is amended by adding at the end thereof the following new paragraph:

"(B) RULES RELATING TO SPECIAL INDIVIDUAL RETIREMENT ACCOUNTS.—In the case of an individual retirement plus account under section 408A—

"(A) this subsection shall only apply to distributions out of such account which consist of earnings allocable to contributions made to the account during the 5-year period ending on the day before such distribution, and

"(B) paragraph (2)(A)(i) shall not apply to any distribution described in subparagraph (A)."

(c) EXCESS CONTRIBUTIONS.—Section 4973(b) is amended by adding at the end thereof the following new sentence: "For purposes of paragraphs (1)(B) and (2)(C), the amount allowable as a deduction under section 219 shall be computed without regard to section 408A."

(d) CONFORMING AMENDMENT.—The table of sections for subpart A of part I of subchapter D of chapter 1 is amended by inserting after the item relating to section 408 the following new item:

"Sec. 408A. Individual retirement plus accounts."

(e) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after December 31, 1993.

(2) QUALIFIED TRANSFERS IN 1993.—The amendments made by this section shall apply to any qualified transfer after the date of the enactment of this Act.

PART III—PENALTY-FREE DISTRIBUTIONS
SEC. 141. DISTRIBUTIONS FROM CERTAIN PLANS
 MAY BE USED WITHOUT PENALTY TO PURCHASE FIRST HOME, TO PAY HIGHER EDUCATION OR FINANCIALLY DEVASTATING MEDICAL EXPENSES, OR BY THE LONG-TERM UNEMPLOYED.

(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:

“(D) **DISTRIBUTIONS FROM CERTAIN PLANS FOR FIRST HOME PURCHASES OR EDUCATIONAL EXPENSES.**—Distributions to an individual from an individual retirement plan, or from amounts attributable to employer contributions made pursuant to elective deferrals described in subparagraph (A) or (C) of section 402(g)(3) or section 501(c)(18)(D)(iii)—

“(i) which are qualified first-time homebuyer distributions (as defined in paragraph (6)); or

“(ii) 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) **FINANCIALLY DEVASTATING MEDICAL EXPENSES.**—

(1) **IN GENERAL.**—Section 72(t)(3)(A) is amended by striking “(B).”

(2) **CERTAIN LINEAL DESCENDANTS AND ANCESTORS TREATED AS DEPENDENTS.**—Subparagraph (B) of section 72(t)(2) is amended by striking “medical care” and all that follows and inserting “medical care determined—

“(i) without regard to whether the employee itemizes deductions for such taxable year, and

“(ii) by treating such employee's dependents as including—

“(I) all children and grandchildren of the employee or such employee's spouse, and

“(II) all ancestors of the employee or such employee's spouse.”

(3) **CONFORMING AMENDMENT.**—Subparagraph (B) of section 72(t)(2) is amended by striking “or (C)” and inserting “, (C) or (D).”

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

“(6) **QUALIFIED FIRST-TIME HOMEBUYER DISTRIBUTIONS.**—For purposes of paragraph (3)(D)(i)—

“(A) **IN GENERAL.**—The term “qualified first-time homebuyer distribution” means any payment or distribution received by an individual 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 of a first-time homebuyer who is such individual or the spouse, child, or grandchild of such individual.

“(B) **QUALIFIED ACQUISITION COSTS.**—For purposes of this paragraph, the term “qualified acquisition costs” means the costs of acquiring, constructing, or reconstructing a 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—

“(I) 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, and

“(II) subsection (a)(6), (h), or (k) of section 1034 did not suspend the running of any period of time specified in section 1034 with re-

spect to such individual on the day before the date the distribution is applied pursuant to subparagraph (A).

“(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—

“(I) on which a binding contract to acquire the principal residence to which subparagraph (A) applies is entered into, or

“(II) on which construction or reconstruction of such a principal residence is commenced.

“(D) **SPECIAL RULE WHERE DELAY IN ACQUISITION.**—If any distribution from any individual retirement plan fails to meet the requirements of subparagraph (A) solely by reason of a delay or cancellation of the purchase or construction of the residence, the amount of the distribution may be contributed to an individual retirement plan as provided in section 408(d)(3)(A)(i) (determined by substituting “120 days” for “60 days” in such section), except that—

“(i) section 408(d)(3)(B) shall not be applied to such contribution, and

“(ii) 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 (3)(D)(ii)—

“(A) **IN GENERAL.**—The term “qualified higher education expenses” means tuition, fees, books, supplies, and equipment required for the enrollment or attendance of—

“(i) the taxpayer,

“(ii) the taxpayer's spouse, or

“(iii) the taxpayer's child (as defined in section 151(c)(3)) or grandchild,

at an eligible educational institution (as defined in section 135(c)(3)).

(B) **COORDINATION WITH SAVING BOND PROVISIONS.**—The amount of qualified higher education expenses for any taxable year shall be reduced by any amount excludable from gross income under section 135.”

(8) **PENALTY-FREE DISTRIBUTIONS FOR CERTAIN UNEMPLOYED INDIVIDUALS.**—Paragraph (2) of section 72(t) is amended by adding at the end thereof the following new subparagraph:

“(E) **DISTRIBUTIONS TO UNEMPLOYED INDIVIDUALS.**—A distribution from an individual retirement plan (other than a plan referred to in subclause (I) or (II) of paragraph (6)(A)(ii)) to an individual after separation from employment, if—

“(i) such individual has received unemployment compensation for 12 consecutive weeks under any Federal or State unemployment compensation law by reason of such separation, and

“(ii) such distributions are made during any taxable year during which such unemployment compensation is paid or the succeeding taxable year.

To the extent provided in regulations, a self-employed individual shall be treated as meeting the requirements of clause (i) if, under Federal or State unemployment compensation, the individual would have received unemployment compensation for 12 consecutive weeks but for the fact the individual was self-employed.”

(9) **SPECIAL RULE FOR CERTAIN DISASTER VICTIMS.**—For purposes of section 72(t)(6) of the Internal Revenue Code of 1986, an individual whose principal residence was destroyed or substantially damaged by Hurricane Andrew, Hurricane Iniki, or Typhoon Omar shall be treated as a first-time homebuyer with respect to such residence if the individual rebuilds it or with respect to any other principal residence acquired to replace such residence.

(f) **CONFORMING AMENDMENTS.**—

(1) Section 401(k)(2)(B)(i) is amended by striking “or” at the end of subclause (iii), by striking “and” at the end of subclause (iv) and inserting “or”, and by inserting after subclause (iv) the following new subclause:

“(v) the date on which qualified first-time homebuyer distributions (as defined in section 72(t)(6)) or distributions for qualified higher education expenses (as defined in section 72(t)(7)) are made, and”.

(2) Section 403(b)(11) is amended by striking “or” at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting “, or”, and by inserting after subparagraph (B) the following new subparagraph:

“(C) for qualified first-time homebuyer distributions (as defined in section 72(t)(6)) or for the payment of qualified higher education expenses (as defined in section 72(t)(7)).”

(g) **EFFECTIVE DATE.**—The amendments made by this section shall apply to payments and distributions after December 31, 1993.

SEC. 142. CONTRIBUTIONS MUST BE HELD AT LEAST 5 YEARS IN CERTAIN CASES.

(a) **IN GENERAL.**—Section 72(t), as amended by section 135(b), is amended by adding at the end thereof the following new paragraph:

“(9) **CERTAIN CONTRIBUTIONS MUST BE HELD 5 YEARS.**—

“(A) **IN GENERAL.**—Paragraph (3)(A)(i) shall not apply to any amount distributed out of an individual retirement plan (other than an individual retirement plus account) which is allocable to contributions made to the plan during the 5-year period ending on the date of such distribution (and earnings on such contributions).

“(B) **ORDERING RULE.**—For purposes of this paragraph, distributions shall be treated as having been made—

“(i) first from the earliest contribution (and earnings allocable thereto) remaining in the account at the time of the distribution, and

“(ii) then from other contributions (and earnings allocable thereto) in the order in which made.

Earnings shall be allocated to contributions in such manner as the Secretary may prescribe.

“(C) **SPECIAL RULE FOR ROLLOVERS.**—

“(i) **PENSION PLANS.**—Subparagraph (A) shall not apply to distributions out of an individual retirement plan which are allocable to rollover contributions to which section 402(c), 403(a)(4), or 403(b)(8) applied.

“(ii) **CONTRIBUTION PERIOD.**—For purposes of subparagraph (A), amounts shall be treated as having been held by a plan during any period such contributions were held (or are treated as held under this clause) by any individual retirement plan from which transferred.

“(D) **PLUS ACCOUNTS.**—For rules applicable to individual retirement plus accounts under section 408A, see paragraph (8).”

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to contributions (and earnings allocable thereto) which are made after the date of the enactment of this Act.

Subtitle D—Incentives for Private Businesses To Hire New Employees

SEC. 151. REFUNDABLE TAX CREDIT FOR HIRING NEW EMPLOYEES.

(a) **IN GENERAL.**—Subpart C of part IV of subchapter A of chapter 1 (relating to refundable credits) is amended by redesignating section 35 as section 26 and by inserting after section 34 the following new section:

SEC. 34. EMPLOYMENT TAXES ON NEW EMPLOYEES.

(a) **ALLOWANCE OF CREDIT.**—There shall be allowed as a credit against the tax imposed

by this subtitle for the taxable year an amount equal to the employment taxes paid on the qualified wages of eligible new employees of the employer.

"(b) ELIGIBLE NEW EMPLOYEES.—For purposes of this section—

"(1) IN GENERAL.—The term 'eligible new employee' means, with respect to any employer, an employee who first begins work for the employer during the period beginning July 1, 1993, and ending June 30, 1994, and

"(2) REPLACEMENT EMPLOYEES NOT COUNTED.—

"(A) IN GENERAL.—The number of employees treated as eligible new employees for any payroll period shall not exceed the excess (if any) of—

"(i) the number of full-time employees of the employer during the payroll period, over

"(ii) the average number of full-time employees of the employer during the 12-month period ending on June 30, 1993.

"(B) ORDERING RULE.—If subparagraph (A) results in a reduction in the number of employees who may be treated as eligible new employees for any payroll period, such reduction shall come from employees with the highest wages for such period.

"(c) EMPLOYMENT TAXES; WAGES.—For purposes of this section—

"(1) EMPLOYMENT TAXES.—The term 'employment taxes' means—

"(A) the amount of the taxes imposed by subsections (a) and (b) of section 3111 (relating to Social Security taxes),

"(B) the amount of the taxes imposed by section 3221 (relating to tier 1 railroad retirement taxes), and

"(C) the tax imposed by section 3301 (relating to unemployment taxes).

"(2) QUALIFIED WAGES.—

"(A) IN GENERAL.—The term 'qualified wages' means, with respect to any employee, wages paid or incurred by the employer which are attributable to services rendered by the employee during the 6-month period beginning with the day the employee begins work for the employer. Such term shall not include wages treated as qualified first-year wages under section 51.

"(B) WAGES.—The term 'wages' means any wages with respect to which employment taxes are required to be paid.

"(d) SPECIAL RULES.—Rules similar to the rules of subsections (f), (h), (i), and (k) of section 51 and the rules of section 52 shall apply for purposes of this section.

(b) COORDINATION WITH REFUND PROVISION.—For purposes of section 1394(b)(2) of title 31 of the United States Code, section 36 of the Internal Revenue Code of 1986 shall be considered to be a credit provision of the Internal Revenue Code of 1954 enacted before January 1, 1978.

(c) CONFORMING AMENDMENTS.—(1) Subparagraph (A) of section 51(d)(1) is amended by inserting "or, if the taxpayer is an entity other than a corporation, to any individual who owns, directly or indirectly, more than 50 percent of the capital and profits interests in the entity," after "of the corporation".

(2) The table of sections for subpart C of part IV of subchapter A of chapter 1 is amended by striking the item relating to section 35 and inserting the following new items:

"Sec. 35. Employment taxes on new employees.

"Sec. 36. Overpayments of tax."

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

SEC. 152. REPEAL OF LUXURY EXCISE TAXES.

(a) IN GENERAL.—Chapter 31 (relating to retail excise taxes) is amended by striking sub-

chapter A and by redesignating subchapters B and C as subchapters A and B, respectively.

(b) CONFORMING AMENDMENTS.—

(1) The material preceding paragraph (1) of section 4221(a) is amended by striking "subchapter A or C of chapter 31" and inserting "section 4051".

(2) Subsection (a) of section 4221 is amended by striking the last sentence.

(3) Subsection (c) of section 4221 is amended by striking "section 4001(c), 4002(b), 4003(o), 4004(a), or 4053(a)(6)" and inserting "section 4053(a)(6)".

(4) Paragraph (1) of section 4221(d) is amended by striking "taxes imposed by subchapter A or C of chapter 31" and inserting "the tax imposed by section 4051".

(5) Subsection (d) of section 4221 is amended by striking "sections 4001(c), 4002(b), 4003(c), 4004(a), 4053(a)(6)" and inserting "sections 4053(a)(6)".

(6) Section 4293 is amended by striking "subchapter A of chapter 31."

(7) The table of subchapters for chapter 31 is amended to read as follows:

"SUBCHAPTER A. Special fuels.

"SUBCHAPTER B. Heavy trucks and trailers."

(c) EXEMPTION FROM LUXURY EXCISE TAX FOR CERTAIN EQUIPMENT INSTALLED ON PASSENGER VEHICLES FOR USE BY DISABLED INDIVIDUALS.—

(1) IN GENERAL.—Paragraph (3) of section 4004(b) (relating to separate purchase of article and parts and accessories therefor), as in effect on the day before the date of the enactment of this Act, is amended—

(A) by striking "or" at the end of subparagraph (A),

(B) by redesignating subparagraph (B) as subparagraph (C),

(C) by inserting after subparagraph (A) the following new subparagraph:

"(B) the part or accessory is installed on a passenger vehicle to enable or assist an individual with a disability to operate the vehicle, or to enter or exit the vehicle, by compensating for the effect of such disability, or", and

(D) by inserting after subparagraph (C) the following flush sentence:

"The price of any part or accessory (and its installation) to which paragraph (1) does not apply by reason of this paragraph shall not be taken into account under paragraph (2)(A)."

(2) EFFECTIVE DATE.—The amendments made by this subsection shall take effect as if included in the amendments made by section 11221(a) of the Omnibus Budget Reconciliation Act of 1990.

(3) PERIOD FOR FILING CLAIMS.—If refund or credit of any overpayment of tax resulting from the application of the amendments made by this subsection is prevented at any time before the close of the 1-year period beginning on the date of the enactment of this Act by the operation of any law or rule of law (including res-judicata), refund or credit of such overpayment (to the extent attributable to such amendments) may, nevertheless, be made or allowed if claim therefore is filed before the close of such 1-year period.

(d) EFFECTIVE DATE.—Except as provided in subsection (c)(2), the amendments made by this section shall take effect on January 1, 1993.

SEC. 153. APPLICATION OF PASSIVE LOSS RULES TO RENTAL REAL ESTATE ACTIVITIES.

(a) RENTAL REAL ESTATE ACTIVITIES OF PERSONS IN REAL PROPERTY BUSINESS NOT AUTOMATICALLY TREATED AS PASSIVE ACTIVITIES.—Subsection (c) of section 409 (defining passive activity) is amended by adding at the end thereof the following new paragraph:

"(7) SPECIAL RULES FOR TAXPAYERS IN REAL PROPERTY BUSINESS.—

"(A) IN GENERAL.—If this paragraph applies to any taxpayer for a taxable year—

"(i) paragraph (2) shall not apply to any rental real estate activity of such taxpayer for such taxable year, and

"(ii) this section shall be applied as if each interest of the taxpayer in rental real estate were a separate activity.

Notwithstanding clause (ii), a taxpayer may elect to treat all interests in rental real estate as 1 activity. Nothing in the preceding provisions of this subparagraph shall be construed as affecting the determination of whether the taxpayer materially participates with respect to any interest in a limited partnership as a limited partner.

"(B) TAXPAYERS TO WHOM PARAGRAPH APPLIES.—This paragraph shall apply to a taxpayer for a taxable year if more than one-half of the personal services performed in trades or businesses by the taxpayer during such taxable year are performed in real property, trades or businesses in which the taxpayer materially participates.

"(C) REAL PROPERTY TRADE OR BUSINESS.—For purposes of this paragraph, the term 'real property trade or business' means any real property development, redevelopment, construction, reconstruction, acquisition, conversion, rental, operation, management, leasing, or brokerage trade or business.

"(D) SPECIAL RULES FOR SUBPARAGRAPH (B).—

"(1) CLOSELY HELD C CORPORATIONS.—In the case of a closely held C corporation, the requirements of subparagraph (B) shall be treated as met for any taxable year if more than 50 percent of the gross receipts of such corporation for such taxable year are derived from real property trades or businesses in which the corporation materially participates.

"(2) PERSONAL SERVICES AS AN EMPLOYEE.—For purposes of subparagraph (B), personal services performed as an employee shall not be treated as performed in real property trades or businesses. The preceding sentence shall not apply if such employee is a 5-percent owner (as defined in section 416(1)(1)(B)) in the employer."

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (2) of section 409(c) is amended by striking "The" and inserting "Except as provided in paragraph (7), the"

(2) Clause (iv) of section 409(c)(3)(E) is amended by inserting "or any loss allowable by reason of subsection (c)(7)" after "loss".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1992.

TITLE II—DEFICIT REDUCTIONS
Subtitle A—Extension of the Caps on Discretionary Spending

SEC. 301. EXTENSION OF THE CAPS.

(a) FISCAL YEAR 1993.—For fiscal year 1993, the discretionary spending limits established in section 801(a)(2) of the Congressional Budget Act of 1974 as in effect on the date of enactment of this Act for the three categories for such fiscal year shall be reduced by an aggregate amount of \$1,200,000,000, with each individual category being reduced by the amount of savings in such category resulting from the enactment of section 211.

(b) FISCAL YEARS 1994 AND 1995.—The overall discretionary spending limits established in section 801(a)(2) of the Congressional Budget Act of 1974 for fiscal years 1994 and 1995 as in effect on the date of enactment of this Act are reduced by—

(1) \$3,991,000,000 in outlays for fiscal year 1994; and

(2) \$7,135,000,000 in outlays for fiscal year 1995.

(c) FISCAL YEARS 1996, 1997, AND 1998.—

(1) **IN GENERAL.**—For fiscal years 1996, 1997, and 1998, there shall be caps on discretionary spending as provided in section 601(a)(2) of the Congressional Budget Act of 1974 for fiscal years 1994 and 1995, subject to the provisions of paragraphs (2) and (3).

(2) **LEVEL OF LIMITS.**—The discretionary limits on new budget authority and outlays for fiscal years 1996, 1997, and 1998 shall be—

(A) the levels assumed in H. Con. Res. 64, agreed to March 31, 1993, for such fiscal years, reduced by

(B)(i) \$1,603,000,000, in outlays for fiscal year 1996;

(ii) \$9,022,000,000, in outlays for fiscal year 1997; and

(iii) \$9,843,000,000, in outlays for fiscal year 1998.

(3) **EXTENSION OF LAW.**—The provisions of the Balanced Budget and Emergency Deficit Control Act of 1985 and the Congressional Budget Act of 1974 relating to the enforcement of the discretionary spending limit for fiscal years 1994 and 1995 are extended through fiscal year 1996 for the purpose of enforcing the limits set forth in this subsection.

Subtitle B—Spending Caps

SEC. 211. ADMINISTRATIVE EXPENSES.

(a) **IN GENERAL.**—Of the amounts provided in previous fiscal year 1993 appropriations Acts and available budget authority under previous appropriations Acts, such amounts of budgetary resources are rescinded so as to equal \$1,200,000,000 in outlays as provided in subsections (b) and (c).

(b) OMB REDUCTIONS.

(1) **IN GENERAL.**—The Director of the Office of Management and Budget shall make uniform percentage reductions in budget authority in Federal agency administrative expenses, except that no reduction shall be made in current rates of pay under current law.

(2) **NO APPROPRIATIONS ACT.**—To the extent budgetary resources are not provided in appropriations Acts, the Director shall make the same uniform percentage reduction as required in paragraph (1) in Federal administrative expenses as determined in section 256(h) of the Balanced Budget and Emergency Deficit Control Act of 1985.

(c) **DEFINITION.**—For the purposes of this section, Federal agency administrative expenses are defined as object classes 10 (excluding object classes 12.1, 12.2, and 13.0), 20 (excluding object class 23.1), and 30.

SEC. 212. PERMANENT ELIMINATION OF THE ALTERNATIVE FORM OF ANNUITY OPTION EXCEPT FOR INDIVIDUALS WITH A CRITICAL MEDICAL CONDITION.

(a) **CIVIL SERVICE RETIREMENT SYSTEM; FEDERAL EMPLOYEES' RETIREMENT SYSTEM.**—Sections 8343a and 8420a of title 5, United States Code, are each amended—

(1) in subsection (a) by striking "an employee or Member may," and inserting "any employee or Member who has a life-threatening affliction or other critical medical condition may," and

(2) by striking subsection (f).

(b) **FOREIGN SERVICE RETIREMENT AND DISABILITY SYSTEM.**—Section 507(e)(1) of the Foreign Service Act of 1980 (22 U.S.C. 4047(e)(1)) is amended by striking "a participant may," and inserting "any participant who has a life-threatening affliction or other critical medical condition may,"

(c) **CENTRAL INTELLIGENCE AGENCY RETIREMENT AND DISABILITY SYSTEM.**—Section 294(a) of the Central Intelligence Agency Retirement Act (50 U.S.C. 2143(a)), as set forth in section 802 of the CLARIS Technical Corrections Act of 1992 (Public Law 102-498; 106 Stat. 3196), is amended by striking "a participant may," and inserting "any participant

who has a life-threatening affliction or other critical medical condition may,"

(d) **EFFECTIVE DATE.**—The amendments made by this section shall become effective on January 1, 1994, and shall apply with respect to any annuity commencing on or after that date.

SEC. 213. GROUP HEALTH PLAN INFORMATION REPORTING.

(a) **IN GENERAL.**—Subsection (a) of section 6051 of the Internal Revenue Code of 1986 (relating to receipts for employees) is amended—

(1) by striking "and" at the end of paragraph (8),

(2) by striking the period at the end of paragraph (9) and inserting ", and", and

(3) by inserting after paragraph (9) the following new paragraph:

"(10) whether a group health plan (as defined in section 61031(1)(2)(E)(ii) is available to the employee and the plan coverage (single or family) elected by such employee (if any)."

(b) **DISCLOSURE OF INFORMATION.**—Paragraph (12) of section 61031(1) of the Internal Revenue Code of 1986 (relating to disclosure of returns and return information for purposes other than tax administration) is amended—

(1) by striking "the Administrator of the Health Care Financing Administration, disclose to the Administrator" in subparagraph (B) and inserting "the applicable official, disclose to such official",

(2) by adding at the end of subparagraph (B) the following new clause:

"(iv) With respect to each such medicare beneficiary and spouse (if any), the group health plan information required under section 6051(a)(10)."

(3) by striking the matter preceding clause (i) of subparagraph (C) and inserting the following:

"(C) **DISCLOSURE BY OFFICIAL.**—With respect to the information disclosed under subparagraph (B), the applicable official may disclose—"

(4) by striking "as having received wages from the employer" in subparagraph (C)(i),

(5) by striking "such Administrator" each place it appears in subparagraph (C)(ii) and inserting "such official",

(6) by striking clause (iii) of subparagraph (E), and inserting the following new clause:

"(iii) **APPLICABLE OFFICIAL.**—The term 'applicable official' means—

"(I) the Administrator of the Health Care Financing Administration,

"(II) the Secretary of Defense,

"(III) the Secretary of Veterans Affairs, and

"(IV) the Director of the Office of Personnel Management."

(7) by striking "qualified employer" each place it appears and inserting "employer",

(8) by striking subparagraph (F), and

(9) by inserting "AND GROUP HEALTH PLAN" in the heading thereof.

(c) **DATA BANK.**—Paragraph (5) of section 1823(b) of the Social Security Act (42 U.S.C. 1365y(b)) is amended by adding at the end thereof the following new subparagraph:

"(F) **MEDICARE SECONDARY PAYER DATA BANK.**—The Secretary shall collect and store in a data bank established for purposes of this subsection the information provided to the Secretary by entities as described in this paragraph along with such further information on medicare secondary payer situations as the Secretary deems appropriate not later than July 1, 1994."

(d) **CONFORMING AMENDMENTS.**—Paragraph (5) of section 1823(b) of the Social Security Act (42 U.S.C. 1365y(b)) is amended—

(1) by striking "a qualified employee (as defined in section 61031(1)(2)(D)(ii) of such

Code)" in subparagraph (C)(1) and inserting "an employer", and

(2) by striking clause (iii) of subparagraph (C).

(e) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years beginning after December 31, 1992.

SEC. 214. ADDITIONAL SPENDING REDUCTIONS.

It is the sense of the Congress that the reductions in discretionary spending as set forth in section 201 of this Act shall be achieved by—

(1) reducing Federal aid for mass transit;

(2) eliminating highway demonstration programs;

(3) modifying the Service Contract Act by eliminating the successorship provision;

(4) reducing Federal employment by 150,000 employees;

(5) reducing Federal Government administrative expenses;

(6) modifying vacation leave for Federal managers;

(7) reducing legislative branch administrative expenses;

(8) eliminating the Interstate Commerce Commission;

(9) closing and privatizing the Federal Helium Reserve;

(10) reducing Legal Services funding by 50 per cent;

(11) terminating the Copyright Royalty Commission; and

(12) reducing funding for the European Bank for Reconstruction and Development, the Special Defense Acquisition Fund, and freeing funding for International Development Authority.

Job creation plan—paid for in full

Job creation incentives:	Jobs created by 1994
Index capital gains (prospectively for all assets).....	250,000
Increase expensing deduction under §179 to \$25,000 from \$10,000.....	150,000
Bentzen-Roth super IRA and penalty-free early withdrawals.....	250,000
Alternative minimum tax changes.....	30,000
13.85 percent income tax credit.....	50,000
Passive loss rule changes.....	40,000
Repeal luxury excise taxes.....	30,980
Total jobs created by 1994.....	800,000

NOTE.—Estimates prepared by the Minority Staff of the Joint Economic Committee.

REAL JOBS FOR AMERICA—DESCRIPTION OF TAX PROVISIONS

REDUCE THE COST OF CAPITAL AND TAX PENALTIES ON INVESTMENT

1. Indexing for Capital Gains Fairness in the Tax Laws

Under current law, a taxpayer's basis in his assets for purposes of determining his capital gains tax is determined by historical costs of the asset. However, a taxpayer can have gains for tax purposes even though the real value of the assets (i.e. adjusted for inflation) has not increased.

Because it is unfair to tax inflation, the proposal provides for inflation adjustments to a taxpayer's basis for purposes of determining gain on the disposition of assets held more than one year.

Assets Covered

The proposal would provide for an inflation adjustment to the basis of assets held for more than one year, including corporate stock, homes and tangible property which are capital assets used in a trade or business owned by individuals.

The adjustment applies to assets sold after January 1, 1993, and indexing applies on a

prospective basis, both to assets currently owned and those purchased in the future.

Assets excluded from the indexing proposal would include collectibles, debt, warrants/options and depreciable assets of a C corporation.

Amount of the Adjustment

The adjustment is based on the increase in the consumer price index (CPI) between the calendar year prior to the year in which the asset was acquired and the year prior to the year in which the disposition takes place.

2. Cost Recovery Improved Under Alternative Minimum Tax

Current AMT Penalty is Redundant & Penalizes Investment

Under current law, many capital intensive taxpayers are penalized twice under the alternative minimum tax by the depreciation adjustment under that system. Under the Modified Accelerated Cost Recovery System (MACRS) a 200% declining balance method over recovery periods shorter than the asset's class life is generally allowed. But in computing the AMT, the recovery system is reduced to 150% declining balance over the asset class lives. And, under a second adjustment, called the adjusted current earnings (ACE) adjustment, depreciation is computed using the straight-line (100%) method over the class life of the property.

Because the current system penalizes capital intensive businesses not once, but twice, it is a severe disincentive to capital investment and consequently, job creation. Its bad economic effects are magnified for growing capital intensive businesses, and for start up businesses or ones with depressed earnings.

New Cost Recovery System for Future Purchases of Assets

This proposal would eliminate the ACE adjustment for assets purchased after July 1, 1993, and modify the current AMT adjustment used in determining alternative minimum taxable income. Under the new AMT adjustment, taxpayers would use the ADS life expectancy as they do under current law, however, the rate of depreciation would be the same as the rate for regular tax purposes.

Eliminating the ACE adjustment will still insure that taxpayers with substantial economic income will continue to pay taxes, while also eliminating a redundant penalty on capital investment. In addition, the AMT depreciation system would be changed to reflect more realistic economic effects from the purchase of business assets. An across the board adjustment would apply to depreciation on all assets so all taxpayers receive similar benefits without favoring some taxpayers more than others, as the Administration's proposal does.

ENCOURAGE INVESTMENT IN SMALL BUSINESS

3. Increase in § 179 Expensing Deduction Increase From \$10,000 to \$25,000 for Depreciable Assets

Current law reflects the reality that assets depreciate more quickly during early years, more slowly in later years. It also reflects the attempt to correct a misallocation of capital caused by inflation. However, these current depreciation rates are only appropriate for given rates of inflation.

In order to improve the incentive for small businesses to invest in new machinery and equipment, this proposal brings the depreciation deduction closer to reality by allowing a larger deduction in the first year, when these asset's value decline the most.

This proposal would increase the current law amount that can be deducted in the first year that an asset is placed in service. Under current law, a maximum deduction of \$10,000 is allowed each year, and that amount is re-

duced dollar for dollar where the taxpayer places in service more than \$200,000 of depreciable business property (not real estate). Thus, the rule is intended to benefit only small businesses. The deduction is further limited to the amount of taxable income of the business, however, if the \$10,000 deduction is denied because of this rule, then it can be carried over to a later year when taxable income is available. Limitations apply for automobiles and "listed property" (like computers) under current law.

Determination of Depreciation Amount

Under the proposal, the amount that could be expensed in any one year would be increased to \$25,000 indexed annually for inflation, from the current \$10,000 amount.

The depreciable basis of asset(s) that are expensed would be reduced by the amount of the expense election, up to \$25,000, and the remaining basis would be depreciated over the remaining life of the asset.

The provision would be effective for assets purchased after July 1, 1993.

Support for the Legislation

Treasury proposed this as part of their "small business" package of tax incentives last year.

Senator Dole and Congressman Michel introduced this as part of their small business package earlier this year (S. 160).

Small business is an enthusiastic supporter of this proposal, and NFIB has been a leader in supporting its enactment.

REDUCE THE TAX BIAS AGAINST SAVINGS THROUGH INDIVIDUAL RETIREMENT ACCOUNTS

4. Make Deductible IRAs Available to All Americans

Under the bill, all Americans would once again be eligible for fully deductible IRAs. Current law only those taxpayers who are not covered by any other pension arrangement and whose income does not exceed \$25,000 for single filers and \$40,000 for married filers are eligible for a fully deductible IRA.

The \$2,000 contribution limit will be indexed for inflation in \$500 increments in the year in which the indexed amount exceeds the next \$500 increase. The non-working spouse limit of \$250 is indexed by the same \$500 amount in the same years.

No longer will a spouse be "deemed" to have a pension plan because their husband or wife has one. If the individual does not have a pension plan at work, regardless of their income level, they will qualify for an IRA to the extent of their "earned income."

Limits on IRAs (\$2,000) are coordinated with the limits on 401(k) plans, 403(b) plans, SEPs and section 501(c)(18) plans. For example, if someone contributes \$7,000 to a 401(k) plan, then their IRA contribution is limited to \$1,728 in 1993 because the 401(k) limit is equal to \$3,728.

The provision would be effective beginning January 1, 1996.

New Kind of IRA Option

Taxpayers will be offered a new choice of IRA. Under this new IRA, contributions will not be deductible, but if the assets remain in the account for at least 5 years, all income will be tax free when it is withdrawn. A 10% penalty will apply to early withdrawals, unless they meet one of the four exceptions outlined below under number 5.

Taxpayers can contribute up to \$2,000 to either a traditional IRA, or the new IRA. They can also allocate any portion of the \$2,000 limit to the different accounts (e.g. \$1,000 to a traditional IRA and \$1,000 to the new IRA).

5. Penalty-Free IRA Withdrawals for Important Purposes

The 10% penalty on early withdrawals (those before age 59½ or 5 years for the new IRA) will be waived if the funds are used to

buy a first home, to pay educational expenses, to cover catastrophic health care costs or during periods of unemployment after collecting 12 weeks or more of unemployment compensation. Taxpayers will still be liable for the income tax due on the withdrawal, but no penalty will apply.

Parents and grandparents can make penalty-free withdrawals for college or home expenses of a child or grandchild. Children and grandchildren can make penalty-free withdrawals for health costs in excess of 7% percent of the income of their parents and grandparents. An individual wanting to go back to school after being in the work force could use the IRA to save for anticipated education or retaining expenses. The withdrawal rules apply across generations and between spouses.

Penalty-Free 401(k) and 403(b) Withdrawals

Similar penalty-free withdrawal rules will apply to 401(k) and 403(b) employer sponsored plans for purposes of first home, education or unemployment costs. Penalty-free withdrawals are already allowed for medical expenses for these plans.

Section 401(k) and 403(b) plans are employer-provided retirement plans that allow employees to make tax-free contributions out of their paychecks. Under current law, once an employee makes a contribution to a 401(k) and 403(b) plan, withdrawals are generally subject to a 10% penalty tax like that applied to early withdrawals from IRAs.

Support for the Legislation

In the Senate, S. 612, the Bentsen-Roth Super IRA had 78 co-sponsors; 48 Democrats and 30 Republicans, in the 102d Congress.

In the House, the companion bill, HR 1406, had 269 co-sponsors; 141 Democrats and 128 Republicans, in the 102d Congress.

The legislation was enacted twice in 1992, and vetoed both times for other reasons.

ENCOURAGE PRIVATE BUSINESSES TO HIRE NEW EMPLOYEES

6. 13.85 Percent Jobs Hiring Tax Credit

Determination of the Credit

While the economy is improving, employers are not hiring enough new workers. This "new jobs" credit would give the private sector an incentive to hire new workers now, as opposed to increasing overtime or hiring temporary workers from other sources.

This temporary credit would give employers a tax credit equal to 13.85 percent of a new employee's wages for the first six months of employment. This credit would apply against the applicable wage base for FUTA and FICA taxes.

The amount of 13.85 percent is equal to the employer's FICA tax of 7.65 percent plus FUTA tax of 6.2 percent. The actual FICA and FUTA taxes would not be reduced, but the proposed income tax credit would return to the employer the out-of-pocket cost of those taxes on labor. Also, as a result, this change would not affect the social security or unemployment trust funds.

The credit would be available for any employee hired during the period from July 1, 1993 to July 1, 1994. This will provide employers enough of a phase-in period to take advantage of the full credit.

Employers would receive a credit only to the extent there was actually a net increase in employees in a given pay period. The eligibility for the credit would be determined over each payroll period of the employer. Appropriate anti-abuse rules would apply.

The tax credit would directly affect employers' decisions to hire labor because the credit would reduce the price of labor, without reducing wages or workers' legal benefits. If jobs are not created, there will be no cost to the government.

REPEAL OF THE LUXURY EXCISE TAXES

Current Law

Present law imposes a ten percent excise tax on the portion of the retail price of the following items that exceeds the thresholds specified: automobiles above \$30,000; boats above \$100,000; aircraft above \$260,000; jewelry above \$10,000; and furs above \$10,000. The tax took effect on January 1, 1991, and expires on December 31, 1993.

Proposal

This proposal would repeal the luxury excise tax on boats, airplanes, jewelry, furs and automobiles, effective retroactively to January 1, 1993.

8. Modify Passive Loss Rules for Real Estate

Present Law

Under current tax rules, deductions and credits from passive trade or business activities are limited to the extent they exceed income from passive activities. They can not be used to offset other income, such as wages, portfolio income, or business income that is not derived from a passive activity. Credits are treated similarly.

Deductions and credits suspended under these rules are carried forward to the next taxable year, and are allowed in full when the taxpayer disposes of his entire interest in the passive activity to an unrelated person.

Passive activities are defined as trade or business activities in which the taxpayer does not "materially participate." Rental activities (including rental real estate activities) are also treated as passive activities, regardless of the level of the taxpayer's participation. However, rental real estate activities can be deducted against other income, up to \$25,000 a year, which is phased out by one dollar for every two dollars of AGI over \$100,000 (i.e. \$100,000 to \$150,000 phase-out).

Proposed Change

Under the proposal, a taxpayer's rental activities would not be subject to the passive loss limitation if the taxpayer meets eligibility requirements relating to real property trades or businesses in which the taxpayer performs services, i.e. "materially participates." Thus, the same rules would apply to rental real estate as apply to other industries. Rental real estate activities would no longer be per se considered "passive."

Real property trade or business means any real property development, redevelopment, construction, reconstruction, acquisition, conversion, rental, operation, management, leasing, or brokerage trade or business.

An individual meets the eligibility requirements if more than half of the personal services the taxpayer performs in a trade or business are in real property trades or businesses in which he materially participates. Personal services performed as an employee are not treated as performed in a real estate trade or business unless the person performing the services has more than a five-percent ownership interest in the employer.

A closely held C corporation meets the eligibility requirements if more than 50 percent of its gross receipts for the taxable year are derived from real property trades or businesses in which the corporation materially participates.

The effective date of this provision would be July 1, 1993.

DESCRIPTION OF SPENDING CUTS

Offsets for Economic Incentives for Growth and Savings

Mandatory Programs

1. Eliminate Lump Sum Retirement Benefit for Federal Employees: This benefit allows federal civilian employees to elect upon retirement of receive a lump sum payment roughly equal to employee contributions in exchange for a reduced annuity for life. The 1990 budget agreement suspended this benefit through 1996. This option eliminates it entirely, for savings in 1996-1998.

2. Medicare Secondary Payor Reform: 8.285, would require employers to mark a new box on IRS W-2 form to indicate whether employees are in a group health care plan. This information would be used by Medicare and other federal programs to know whether to seek payment from the private insurer for working Medicare beneficiaries who are being provided with insurance coverage.

Discretionary Programs: Savings in these programs could be enforced through a reduction in the 1994-1995 discretionary spending caps, and an extension of spending caps through 1998.

3. Reduce Federal Aid for Mass Transit: In 1993, the principal federal transit assistance programs will provide about \$2.8 billion in capital grants and about \$0.8 billion in operating assistance for local mass transit. Federal grants generally pay 80% of the costs of qualifying capital projects and offset up to 50% of local transit operating deficits. This option reduces the federal share of qualifying investment costs for mass transit to 50% and eliminate operating assistance.

4. Eliminate Highway Demonstration Projects: According to CBO, the federal government will provide a total of \$66 billion in highway grants to states during the 1994-1998 period. States will obligate most of this money on highway projects of their own choosing. The Department of Transportation will distribute about \$90 billion, or 83% of the total, according to broad statutory formulas and other procedures prescribed by law. The remaining \$6 billion will be obligated on projects earmarked by the Congress in both the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) and annual appropriations bills. ISTEA alone contains more than 500 separate projects. This option would amend ISTEA to eliminate contract authority for the demonstration projects contained in the bill.

5. Modify the Service Contract Act by Eliminating the Successorship Provision: The McNamara-O'Hara Service Contract Act of 1965 sets basic labor standards for employees on government contracts whose principal purpose is to furnish labor, such as laundry, custodial, and guard services. Contractors covered by this act generally must provide these employees with wages and fringe benefits that are at least equal to those prevailing in their locality of those contained in a collective bargaining agreement of the previous contractor. The latter provision applies to successor contractors, regardless of whether their employees are covered by a collective bargaining agreement. This option would eliminate the successorship provision and as a result, federal procurement costs would fall because this option would promote greater competition among contractors.

6. Reduce Federal Employment by 150,000: This option can be accomplished through attrition during the next five years. In addition, greater savings in personnel might be achieved through S. 797, which would provide a one-time government wide early retirement window.

7. Reduce Federal Government Administrative Expenses: This option would reduce government administrative expenses in such areas as travel, rental payments to others than GSA, equipment (does not include pay or benefits for employees). In 1993, this option would provide for \$1.2 billion recession in these accounts.

8. Modify Vacation Leave for Federal Managers: Most federal employees may accumulate no more than 240 hours of vacation leave—the equivalent of 30 working days. When employees leave federal service, they or their survivors are entitled to payment for the unused leave. By contrast, senior career employees may accumulate unused leave without limit. This option would hold the career Senior Executive Service to the standards that govern leave accumulation for most other employees, payments of used leave would drop.

9. Reduce Legislative Branch Administrative Expenses: This option requires the Legislative Branch to reduce administrative expenses by \$20 million a year.

10. Eliminate Interstate Commerce Commission: The Interstate Commerce Commission (ICC) regulates rates, operating rights, and mergers and acquisitions of interstate motor carriers and railroads. It also rules on rail abandonments and construction of new rail lines. The ICC's powers have diminished since the passage in 1980 of the Motor Carrier Act and the Staggers Rail Act, and its staff and budget have decreased accordingly. Some regulation remains, including a number of routine applications for ICC approval of operating rights, rates, and other business decisions. Deregulation would apply only to economic regulation; motor carrier safety would continue to be regulated by the Federal Highway Administration.

11. Close/Private Federal Helium Reserves: This option would sell the federal government's helium installation and pipeline to private industry.

12. Reduce Legal Services Corporation Funding by 50%: The Legal Services Corporation, an independent, not-for-profit organization, supports free legal aid to the poor in civil matters. About 300 state and local programs receive grants from federally appropriated funds. This option would reduce funding for the Legal Services Corporation by 50% between 1994-1998.

13. Terminate Copyright Royalty Commission: This agency establishes copyright payments for jukebox records and rebroadcasts of television programs over cable TV systems. Some believe such work could be accomplished by ad hoc arbitration panels. This option terminates the Commission.

14. Reduce Foreign Aid: This option would reduce foreign aid spending for the European Bank for Reconstruction and Development, reduce funding for the Special Defense Acquisition Fund, and provide for no increase in funding for International Development Authority.

ECONOMIC INCENTIVES FOR GROWTH AND SAVINGS

(In millions of dollars)

	Effective	1993	1994	1995	1996	1997	1998	Total
TAX INCENTIVES FOR PRIVATE JOB CREATION AND SAVINGS								
Reduce the Cost of Capital and Tax Penalties on Investment:								
Index the Basis of Assets for Capital Gains; Assets sold after including Begins	Jan. 1, 1993		(\$400)	(\$1,700)	(\$2,200)	(\$3,300)	(\$4,600)	(\$11,700)
Alternative Minimum Tax Changes to Alter AMT Adjustment and Eliminates "ACE" Adjustment	July 1, 1993		(507)	(1,664)	(2,421)	(2,190)	(2,151)	(8,941)
Encourage Investment in Small Business:								
Increase Expensing Deduction Under § 179 to \$25,000 (indexed) from current \$10,000 limit	July 1, 1993	(\$200)	(\$3,949)	(1,693)	(1,223)	(815)	(462)	(8,342)
Reduce the Tax Bias Against Savings (that favors consumption):								
Bentzen-Roth Super IRA Eliminates Fully Deductible IRAs & Creates Backloaded IRA Option; Frontloaded Effective.	Jan. 1, 1994	(15)	(2,952)	(1,696)	(312)	(3,175)	(4,847)	(13,046)
Penalty-Free Early Withdrawals for First Home Purchases, College Education, Medical Expenses and Long-Term Unemployment Costs from IRAs, 401(k)s and 403(a)s.	BOE	(755)	(567)	(567)	(474)	(378)	(253)	(2,394)
Encourage Private Businesses to Hire New Employees:								
13.25 percent Jobs Income Tax Credit for Hiring New Employees	July 1, 1993	(425)	(1,275)					(1,700)
Repeal Tax Penalties on Industry Sectors:								
Repeal Luxury Taxes on Boats, Cars, Airplanes, Jewelry & Furs	Jan. 1, 1993	(173)	(314)	(385)	(471)	(563)	(665)	(2,572)
Modify Passive Loss Rules for Real Estate/Mineral Participation	July 1, 1993		(304)	(557)	(575)	(587)	(685)	(2,656)
Total tax incentives for jobs and savings		(938)	(4,363)	(4,371)	(7,002)	(11,016)	(13,663)	(41,353)
SPENDING OFFSETS TO PAY FOR JOBS PROGRAM								
Mandatory Programs:								
Eliminate Lump Sum Benefit for Federal Employees	Oct. 1, 1995				2,100	3,832	3,197	8,229
Medicare Secondary Payer Reform	Oct. 1, 1993		400	650	650	650	650	3,000
Vocational Program Enhanced Through Spending Caps:								
Reduce Federal Aid for Mass Transit	Oct. 1, 1993	(1,200)		7,135	8,072	8,843	9,811	38,191
Eliminate Highway Demonstration Projects	Oct. 1, 1993		530	950	1,300	1,680	1,850	6,230
Modify Successorship pay to Govt. service contacts	Oct. 1, 1993		180	760	1,800	1,150	1,200	4,249
Federal Employee Savings (Federal Employment 150,000)	Oct. 1, 1993		160	180	180	190	190	700
Federal Government Administration Expenses (1993 recession)	BOE	(1,700)	1,500	1,600	1,700	2,000	2,400	9,400
Modify vacation leave for federal managers	Oct. 1, 1993		5	5	10	15	15	45
Log. Search Administrative Savings (\$20 million/year)	Oct. 1, 1993		20	20	20	20	20	100
Eliminate Interstate Commerce Commission	Oct. 1, 1993		25	30	30	30	30	145
Close/Privatize Federal Mailbox Reserves	Oct. 1, 1993		128	133	138	143	150	582
Reduce Legal Services Corporation Funding by 50 percent	Oct. 1, 1993		160	190	195	195	200	740
Terminate Copyright Royalty Tribunal	Oct. 1, 1993		1	1	1	1	1	5
Reduce Foreign Aid, Eur. Bank for Recon. & Dev. and Spec. Def. Act	Oct. 1, 1993		108	500	500	500	500	2,108
Total offsets		1,700	4,391	7,785	10,751	12,984	13,690	50,520
Net budget impact		262	78	3,414	3,749	1,686	27	8,167

Mr. LOTT. Madam President, I wish to thank my distinguished colleague from Delaware for his comments this morning and for his leadership in the development of this legislative package. He has a long history of success in working as a member of the Finance Committee to develop bills that help the economy and create growth and create jobs. That has been the area where he has concentrated in the years that I have watched him, 18 years from the other body, and then in just the recent years in the Senate.

He was, of course, one of the two principal sponsors of the Kemp-Roth legislation that was passed back in the 1980's, and he has been a great leader in trying to correct the mistake we made in taking away the IRA, the individual retirement account options that people had and took advantage of in the 1980's. They did their job, and I think that is what the Treasury Department wanted, to put it away, because the people were putting money in savings accounts; they were doing what we thought they would do. And just in recent years the distinguished Senator from Delaware has worked with the former chairman of the Finance Committee in the development of a new IRA bill, the Bentzen-Roth Super-IRA. So I am just delighted to be associated with my distinguished colleague, the Senator from Delaware, in this effort.

Madam President, I was listening to the President's remarks this morning, and he was talking about how the tax bill passed the other body just last night, by the slimmest of margins—a change of three votes and it would have lost—was going to create growth and jobs.

I kept saying how? That must not be the same bill that I have been reading. And I have gone back and looked at this morning, I still do not see how this is going to create growth and create jobs. It is going to hurt the economy. I think it is going to cost us jobs, lose jobs.

We heard just this morning in the news that the growth in the economy is lower than had been anticipated. It is now estimated that the first quarter GDP, originally thought to be 1.8 percent will drop to 1.2 percent. Perhaps, before I finish my remarks, I will give you the rest of the latest numbers that we are trying to get off the wire service at this moment.

The major components of the reconciliation tax bill that passed the House of Representatives last night are taxes, taxes, taxes, tax increases on everybody. I have heard this line before: "Don't worry. It is going to be on the upper income." I even voted for tax bills in the past partially based on that, partially based on the fact that we have all these spending programs and, we have to pay for them. I am not buying that deal again.

Taxes will go up not only on individuals. Their rates will go up, corporate taxes will go up, utility bills will go up, and that affects everybody, because of the so-called Btu tax. I have been wondering why the focus was on the British thermal unit tax. I figured it out. The people in Washington who vote must think that is a tax on the British, British thermal tax, so it will not affect us.

But it will not work that way. It is going to drive everybody's utility bills up. Farm costs will go up, so certainly that will cause food prices to go up.

The cost of doing local government business will go up because they will have increased gasoline prices and other energy costs.

It also includes Social Security tax increases on the retirees, of all things. How in the world is that going to help people? Certainly that is not a part of it that will contribute to growth in jobs, but it will hurt our elderly retirees in this country.

The major spending cuts. There is talk that we are going to have some savings in cuts. Where are they? They are in defense again, drastic cuts in defense. I tell you, if you are from a State that has been involved in supporting our military over the years, like California, like Mississippi, or Texas, I think you have already found out that, if you cut back defense, if you cut out individuals, if you cut out bases, you hurt the economy. Maybe in the long term we will be able to see where that spending goes. But what about in the meantime? We talk about retraining, moving money from defense over into the private sector. It is a pretty good idea. I still have not figured out how we are going to make it happen. I am prepared to work on that. In the interim, it will cost us jobs.

Let us talk about the positive. I do not want to just throw rocks this morning. President Clinton has endorsed several of the features in the Roth-Lott package. In fact, some of them are in his package. Let us talk about how we can really move the economy forward in a positive way, create growth and create jobs.

This package represents what the American people are crying out for. Democrats have said this. Republicans

have said it. What we hear from our people back home loud and clear is this message: "Don't raise taxes; cut spending and reduce the deficit." This was the message of the last election. It still is the message. It is time that we heed that message.

The Roth-Lott bill does just that. Our proposed bill would provide tax incentives to encourage private sector growth. We need that. It will cut Government spending to pay for those tax incentives and reduce the deficit at the same time. These are the three critical components of any economic growth plan. Our bill includes incentives to create jobs, cuts in spending, leaving probably, we hope, about \$9 billion, but a substantial amount of money to actually reduce the deficit.

This is in sharp contrast to the plan that passed the House of Representatives just last night. It does the opposite. That bill increases taxes, increases Government spending in many areas. The ratio of tax increases to spending cuts in that bill, the one that passed the House of Representatives, is \$5 in tax increases to \$1 in spending cuts.

We have come a long way from what we heard in the campaign: Promises of \$3 in spending cuts to every \$1 in tax increases. And even in the State of the Union Address, the President promised \$1 for \$1. We have even gone downhill since then and since the budget resolution passed the Senate, which called for a ratio of \$3.03 in tax increases to every \$1 in spending cuts. I thought that was horrible.

The trend is even more alarming when you consider the fact that the tax increases will be a sure thing. Take a look at it, my colleagues. The tax increases will occur in the first couple of years. In fact, taxes are going up right now because the bill is even going to be retroactive. This bill will not become law until probably late June or July, if at all. If it goes into effect then, it will be retroactive to the first of the year, a little detail a lot of folks seem to forget.

This is what is included in that reconciliation tax increase bill that we saw pass just last night. The limited proposed spending cuts are "iffy" at best because they come later on. Anybody who has watched the Congress more than 2 weeks already has figured out that we might keep our commitments for a year or two. I do not mean that as critically as it sounds. Circumstances change. Hot spots develop around the world. The economy does something different than what you expect. But time after time after time I have seen the Congress say we are going to cut spending later. It does not happen.

When will we learn? We cannot tax ourselves into prosperity. The record shows that higher taxes have a negative impact on the economy. How much can the working people of America stand? They are carrying a tremendous burden. They are willing to help. They

want better roads. They want better schools. They want health care for those that really cannot help themselves. But they are getting tired of paying the bill increasingly year after year for those that are not producing. So we have to find a way to help them to be able to produce. How do you do that? Get them a job.

So here is what the Roth-Lott bill will do. It provides tax incentives, which will create permanent jobs. In total, our estimates show that it will create 800,000 jobs over 5 years. These incentives will allow the private sector to create real, lasting jobs, not Government make-work jobs. We cannot all work for the Government for Heaven's sake.

Mr. GRAMM. Why not?

Mr. LOTT. Because those jobs are not real. They will not last and somebody has to pay the bill. In Washington, that is the question. Why not? Why cannot everybody work for the Government? The Government is supposed to work for the people. Government should get out of the way, let the businesses in this country, large and small, hire people with a real job.

I believe the best way to ensure sustainable economic growth is to put money back into the private sector. Can Uncle Sam run a successful business? Do we want him to? When was the last time Uncle Sam, the Federal Government, succeeded? I am hard pressed to find many Americans, if any, who would answer these first two questions with a yes. They just do not think the Government can or should do it. Everybody in America can describe Government inefficiencies, most often on a personal basis. We all remember expensive toilet seats, coffee pots, and hammers.

The private industry is the place where you create those jobs. It is important to remember that 4 million net new jobs have been created by firms with less than 20 employees since 1988. That is how we do it in my poor, struggling State trying to pull itself up. Small business is the answer. That is the engine that will move this job-creation train.

This package will substantially enhance small business' ability to create those jobs. Increasing the expensing deduction under section 179 from the current \$10,000 to \$25,000 will enable them to invest in new technology and equipment at less of a cost.

I believe that this is a provision that President Clinton has endorsed. It is in his plan. So we can get together on that.

In addition, our bill includes a new income tax credit for employers who hire new full-time employees. This is a component I really wanted in the package. The Senator from Delaware supports it and agrees that we should have it in there. We need to provide some opportunity for small businesses to reach out, get a little tax break to provide a job. Then, that unemployed person would be able to occupy that real

job because the incentive would be there for the small business to create it through the tax credit. This recovery has been labelled a jobless recovery. While the economy has improved, job creation is not where it should be. This credit would give businesses the additional incentive to hire new full-time employees by lowering their cost of labor.

The employer would receive a credit equal to 13.85 percent of the first 6 months' wages of all new hires. This is only 6 months. This is not a deal to pay indefinitely to keep these folks. It is designed to try to offset the payroll taxes, FICA and FUTA. It would be capped at the annual Social Security wage base and would be effective for any 6 months during the year July 1, 1993, to June 30, 1994. So the emphasis is now. This is not 2 years from now. It is for this year, for 6 months. It is for new hires only. It would work. It will not affect the trust funds at all. No money will be spent unless jobs are really created. No moving things around. Once people have jobs, they can get off public assistance and contribute to the tax base themselves.

This package differs from the so-called stimulus package recently considered by the Congress. While that plan would have added \$16.3 billion to the deficit, at a minimum, this plan will actually reduce the deficit by approximately \$9.1 billion. Government spending would be cut to pay for these growth incentives. We have got to get the spending side of the balance sheet under control. And the package that was voted on in the House last night will not do it. I mean, even if we did what it says we are going to do in the next 5 years, at the end of that 5 years the deficit will be higher.

The fiscal problem in this country is not insufficient revenues. While our taxes have remained at 19 percent of GDP since 1970, spending has increased from 20 to 24 percent of the gross domestic product.

I believe we should cut spending across the board. Some people say, OK, pick out what you want. And my reply is anything you want to cut, except the Social Security, highway, and other trust funds; they are paid into for a specific purpose. We all know deficit reduction is critical. This plan would accomplish the reduction that it says it will, and I am willing to work with others to even find more places to come up with savings.

Let me mention some savings that are included in the bill. Then, I will conclude, because I know others want to speak. Some of our proposed savings are: Eliminate the lump-sum benefit for Federal employees; Medicare secondary payor reform; and reduce Federal aid to mass transit—I think that should be done more on a local level.

We would modify vacation leave for Federal managers who get very fine, nice extended vacation leaves, and make cuts in the legislative branch.

We would close or privatize some of the Government-owned things like the helium reserves—that is totally ridiculous. You are not talking about an insignificant amount of money; it is \$682 million over this period of time if we close or privatize the helium reserves.

We would also reduce foreign aid to the European Bank for reconstruction and development. Hey, can they not do that themselves? They have a pretty good economy over there.

Also, our package would index capital gains. There would be an explosion in turnover and activity, if people knew they could sell things and not have to pay an astronomical capital gains tax based on inflation.

I urge my colleagues to look at this package. It is so important, in my opinion, that we provide incentives for growth. What the static scoring models we are forced to use here in the Senate do not reflect is that sustained economic growth is the best way to truly reduce the deficit. This is a real package, one that would really create growth and jobs, cut the deficit and cut spending. That is what the American people say they want, and I believe them. You are going to get a chance to vote on this package the first time there is a good opportunity that comes along. Perhaps even the so-called stimulus package coming back from the House might be a good opportunity. So I am delighted to join my colleague from Delaware, who is sponsoring this legislation.

I yield the floor at this time.

Mr. DOLE. Mr. President, the job creation plan that my colleagues, Senators ROTH, LOTT, and others have introduced is precisely the approach the American people have been waiting for.

This proposal illustrates the fundamental difference between Republicans and Democrats. Republicans believe in creating long-term jobs in the private sector. Democrats believe in creating short-term Government jobs.

We know that reducing the cost of capital—whether through a capital gains measure or by increasing the expensing deduction—will produce a positive effect on the jobs market.

Encouraging investment in business and encouraging private businesses to hire new employees will help create real jobs, not temporary, make-work Government jobs.

One provision particularly important to my State of Kansas is the repeal of the luxury tax.

This bill recognizes that having a job is not a luxury. It's high time we repeal the so-called luxury tax on private airplanes, boats, cars, jewelry, and furs.

The luxury tax was a Democrat-inspired tax scheme which was supposed to result in a windfall of greenbacks—but really created an avalanche of pink slips.

The folks on the assembly line at Beech, Cessna, and Lear in Wichita, KS, will tell you—this tax may have

been aimed at the high-flying fat cats but it landed on the little guy.

A second fundamental difference between Republicans and Democrats is Republicans are opposed to adding to the deficit. That is why this package is paid for with spending cuts, not big taxes.

I have spent some time traveling around the country to talk with real Americans, and the word on Main Street is "cut spending first." This package meets American taxpayers' bottomline, cutting taxes to create jobs and paying for it by cutting wasteful Government spending.

Some of the spending cuts in this plan include eliminating pork in the highway and mass transit programs, stopping duplicate Medicare payments, slashing congressional spending, cutting foreign aid spending, and reducing the Federal bureaucracy. These are items I think most Americans can agree need to be trimmed.

I fully support the approach that the Roth-Lott proposal takes and hope that our Democrat colleagues will join us in creating real jobs for hard-working Americans.

Mr. BURNS. Madam President, I thank my friend from Mississippi Senator LOTT, who has worked with Senator ROTH on this particular piece of legislation, which I think is probably the most meaningful we have had in the last couple of years.

The supplemental that the President offered this body just a month ago that was unsuccessful here was pretty much his idea on how we can jump-start this economy. It was just about a month and a half ago that we were over in Delaware visiting with a man there, and it was quite a success story. I want to tell that success story because here we are flying around in Washington, DC, trying to figure out how to jump-start the economy, increase the job base, and create jobs for people graduating from college now and going into the work force. I have a daughter graduating college this spring, and she is going on to medical school. She better start looking for a job, or she will not make it through medical school.

The story is of a man who was a sharecropper from Georgia. He came up North and got a hold of \$500, and he bought a truck and leased it out. In 15 years he went from zero worth, or maybe less than that, on a \$500 loan, to being worth over \$500 million today, 15 years later. Along the way, he created 110,000 jobs.

I see the Senator from Texas on the floor. He has met this man and we had a very long visit.

Why are we running around this town trying to come up with an idea on how to stimulate the economy when the only thing we have to do is send \$500 to this man. He will do it all over again. Or, find some more people that have that kind of spirit and idea and has the opportunity to expand it on his own.

I do not know how we got into this position where the Government is the

greatest adversary of the people who actually provide the economic base and the quality of life for this country. I am very happy to join Senator ROTH—who happened to graduate high school in Montana; but he represents Delaware—in propounding this piece of legislation.

It is very simple. I will have to agree with my friend from Mississippi that maybe it is too simple for people to really understand, to just allow small business to hire workers by giving them a tax credit for new employees—how important is that for people coming out of our schools this spring?—or, to allow small business investment by increasing the deductions for new business expenses. It is very important.

I wonder, he had a little smile on his face a while ago. He said not everybody can go to work for the Government, because they are not meaningful jobs. I will tell you what, I do not see the Government firing anybody, maybe they should. But it is not happening, because we are not downsizing Government any.

So we have to figure out something else. Two out of every three Americans get their first job from small business. In Montana it is three out of every four. That goes up. In Montana 98 percent of our businesses are considered small business. We are a State of small businesses.

Our Nation's ability to create new jobs is dependent on the Government's policy to encourage small business to expand and grow. Legislation is crafted to encourage small business to invest the necessary capital to create new long-term jobs. That is just the way it is. We are only a State of 800,000 people, and we are scattered over 148,000 square miles.

The Chair can understand that, I imagine, after two statewide elections in California. I have had the opportunity to travel California extensively, for 5 years. It is a big State. So we know what distances are, and how important small businesses are in our small towns.

You can say, sure, in San Francisco, where the occupant of the Chair was a very able mayor, there is big business; but basically the underpinning of the city was small businesses, mom and pop shops, who hired 4, 5 employees, and most a lot less than 20.

That is where this is intended to help, those people who are like that, from the farmer to the local hardware store, machinery dealer, the fertilizer guy, and what I call the seeds-feed-and-weed folks. They are providing us with the jobs and products and services that enhance our quality of life.

So as America moves forward, let us try and come up with an idea that is simple. Let us use the old KISS principle—keep it simple, stupid—so that we can all understand it, and we can all put America first to build it from the grassroots up. I think that is the very important part. Not everything in this country is done for the almighty dol-

lar. We just want to live in our communities and contribute something back to our communities and contribute something to our State and, yes, keep this American free society alive and growing. We cannot do that if we tax people to death or if we put rules and regulations and mandates on them that they cannot in any way comply with.

So heaping those on them is just throwing a wet blanket on economic recovery here in this Nation. We need a policy that encourages them. They need to be a partner.

Senator JAY ROCKEFELLER and I had a hearing yesterday on new materials and new technologies. It is staggering what new technologies and techniques are out there if we, the Government, would get out of the way, start setting some standards and rules, and put some of these new products into play, especially in the building industry.

How can we? We cannot be completely dependent on natural resources anymore. We have to be smarter. It is like in our crime we cannot outbuild the lawbreakers with prisons. We have to outsmart them. We have that. The only thing we have to do is encourage it, get out of the way, get it into the private sector, and the folks who know how to make it work will make it work.

So we need a policy that encourages business to do what they do best, and that is employ our people, provide an expanded job market, provide a place to start, and they also provide Americans with the highest quality of life and the highest standard of living for more percentages of people than any other nation in the world compared to—I will stand comparison in any other place in the world. Beat it up, if you want to, this still is the best place in the world to live. I have letters, I tell you, on my desk from folks wanting to come to this country. I do not have very many letters from those folks who want out.

We have to provide the folks the opportunity, and this does it. It is simple, maybe too simple.

Madam President, I thank you for the time, and I yield the floor.

By Mr. STEVENS (for himself and Mr. MURKOWSKI):

S. 1069. A bill to include Alaska Natives in a program for Native culture and arts development; to the Committee on Indian Affairs.

ALASKA NATIVE CULTURE AND ARTS DEVELOPMENT ACT

Mr. STEVENS. Madam President, my colleague and I from Alaska have watched with interest the program that has developed in Hawaii under section 1521 of the Higher Education Amendment of 1986. It has been a most successful program for Hawaiian culture and arts development.

With the consent of my good friend, the distinguished senior Senator from Hawaii, Senator INOUE, I would like to introduce this bill that will include Alaska Native culture and arts devel-

opment in the program that he has pioneered in his State.

I send to the desk a bill and ask it be appropriately referred.

The ACTING PRESIDENT pro tempore. That will be the order.

Mr. STEVENS. This is introduced for myself and my colleague, Senator MURKOWSKI.

By Mr. RIEGLE (for himself and Mr. CHAFFE):

S. 1061. A bill to increase the funds available under title XX of the Social Security Act for block grants to States for social services, and for other purposes; to the Committee on Finance.

SOCIAL SERVICES BLOCK GRANT RESTORATION ACT

Mr. RIEGLE. Mr. President, I rise today along with my colleague from Rhode Island, Senator CHAFFE, to introduce the Social Services Block Grant Restoration Act of 1993. The purpose of this legislation is to restore funding to the title XX Social Services Block Grant Program.

Title XX is the main source of funding to the States for a wide range of social services aimed at promoting economic self-sufficiency and independence for senior citizens, children and low income families. The program seeks to prevent and remedy neglect and abuse of children and adults who are unable to protect their interests. The prevention or reduction in the use of inappropriate institutional care is another goal of title XX.

Mr. President, let me describe for the Senate some of the services and programs that States provide through the use of title XX funds. My home State of Michigan has used title XX to help vulnerable adults receive direct services so that they can remain in their homes, instead of moving to a nursing home. Michigan also uses these funds to meet the day care needs of low-income working people who are unable to pay for private child care. In Arkansas, title XX helps pay for special services for the disabled, nonresidential youth services; and protective services for children. Kansas uses its title XX money to provide community and day living services to people with mental retardation. And in Oregon, the vast majority of title XX funds are used to meet the administrative needs of youth care centers and other family services.

These are just some of the examples of what title XX funding allows States to do. These programs represent a good investment for America because of their cost-effectiveness. They promote self-sufficiency and independence. It is less expensive to keep a senior citizen or a person with mental retardation living in their home than it is to put them in a nursing home. America needs to make these kinds of investments that improve the lives of so many people. The social services block grant can make this possible.

Despite the enormous benefits the program has and its popularity among the States, title XX funding eroded

during the 1980's. The program was cut \$600 million in the Omnibus Reconciliation Act of 1981. It now has a funding level of \$2.8 billion—more than 43 percent below its fiscal year 1977 value in inflation adjusted dollars.

Support for this program is widespread. Mr. President, I ask unanimous consent to submit for the RECORD at the conclusion of my remarks, a letter from several member organizations of Generations United and other organizations that support this program. These organizations represent State and local governments, senior citizens, children, and people with disabilities.

I believe that we have an obligation to help those in our society who are in need. Title XX gives these people the opportunity to achieve independence and self-sufficiency so that they can live with dignity—and it accomplishes this in a cost effective manner.

Mr. President, I ask unanimous consent that the text of the bill and the letter mentioned earlier be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

S. 1061

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

SECTION 1. SHORT TITLE.

This Act may be cited as the "Social Services Block Grant Restoration Act of 1993".

SEC. 2. FINDINGS.

The Congress finds that—

(1) since 1981, title XX of Social Security Act providing for Social Services Block Grants has been the major source of Federal funding for a wide range of social services;

(2) in all States, title XX block grants provide substantial support for vital human services programs that are indispensable in assisting millions of children, youth, adults, older adults, and people with disabilities;

(3) programs funded by title XX dollars are cost-effective since they are required by law to meet objectives of—

(A) achieving or maintaining economic self-support to prevent, reduce, or eliminate dependency;

(B) achieving or maintaining self-sufficiency, including reduction or prevention of dependency;

(C) preventing or remedying neglect, abuse, or exploitation of children and adults unable to protect their own interests, or preserving, rehabilitating, or reuniting families;

(D) preventing or reducing inappropriate institutional care by providing for community-based care, home-based care, or other forms of less intensive care; and

(E) securing referral or admission for institutional care when other forms of care are not appropriate, or providing services to individuals in institutions;

(4) funding for title XX has seriously eroded; and

(5) the title XX program has never recovered after suffering a \$600,000,000 cut in the Omnibus Budget Reconciliation Act of 1981 and is currently funded at \$2,800,000,000, nearly 45 percent less than the fiscal year 1977 value in inflation adjusted dollars.

SEC. 3. INCREASE IN TITLE XX AUTHORIZATION FOR BLOCK GRANTS TO STATES FOR SOCIAL SERVICES.

Subsection (c) of section 2003 of the Social Security Act (42 U.S.C. 1397b) is amended—