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Mr. VAN HOLLEN, Ms. RICHARDSON, Ms. JACKSON-LEE of Texas, Messrs. FARR, JOHNSON of Georgia, GONZALEZ, Ms. SOLIS, Ms. VELÁZQUEZ, Messrs. GRIJALVA, CUELLAR, REYES and HINOJOSA changed their vote from “yea” to “nay.”

Messrs. HOEKSTRA, BILIRAKIS, SAXTON, BURGESS, BARTON of Texas, McCOTTER and Ms. GINNY BROWN-WAITE of Florida changed their vote from “nay” to “yea.”

So the motion to adjourn was rejected.

The result of the vote was announced as above recorded.

#### COMMUNICATION FROM THE GENERAL COUNSEL OF THE HOUSE

The SPEAKER pro tempore laid before the House the following communication from the General Counsel of the House of Representatives:

HOUSE OF REPRESENTATIVES,  
OFFICE OF THE GENERAL COUNSEL,  
Washington, DC, November 9, 2007.

Hon. NANCY PELOSI,  
Speaker,  
House of Representatives.

DEAR MADAM SPEAKER: I am writing to tender my resignation as General Counsel to the House of Representatives, effective the close of business on November 12, 2007. It has been an honor and a pleasure to serve under three Speakers, including yourself, for the past twelve years. Over that time, I have tried to maintain a nonpartisan office that, both by reputation and in practice, provides thoughtful and effective legal advice and representation to all Members of the House, without regard to political affiliation, and whose highest obligation is to the long-term interests of the House. I believe the other attorneys in the office and I have succeeded in meeting these objectives. We have worked very closely with Members and staffers from both sides of the aisle on many matters, as well as with the House Officers and the many institutional offices in the legislative branch. I expect that the Office of General Counsel will continue to fulfill this role for the House, and that the Office will maintain the respect and trust it has enjoyed all these years.

I would like to recognize and thank the staff of the Office: first, my very good friend and colleague who came with me to the House over twelve years ago—Deputy General Counsel Kerry Kircher, who will continue in that capacity and provide excellent service to the House as he has always done. I would also like to recognize the other attorneys, Assistant Counsels David Plotinsky, Christine Davenport, and John Filamor, who have all been with the Office for a long time and who are well known to and respected by so many Members, Officers and staff of the House. Finally, I would like to recognize our Office Administrator, Czesia Constantine, who has taken care of every aspect of the office's functions, including watching every penny as though it were her own money. Her service, and that of the many evening law students who have worked as full time law clerks for the Office over those years, have made it possible for the attorneys to provide the quality of service for which the Office is known and appreciated.

I will greatly miss the many friends I have made here. I congratulate my successor, Irv Nathan, on his appointment and wish him

every success. Thank you again, Madam Speaker, for the opportunity to serve you.

Sincerely,

GERALDINE R. GENNET,  
General Counsel.

#### PERSONAL EXPLANATION

Mr. MEEKS of New York. Mr. Speaker, I just realized that yesterday on H.R. 3093, rollcall No. 1076, I voted “aye.” I meant to vote “nay” because as a Democrat, I would never do anything that would inflict harm upon my Hispanic brothers and sisters.

#### TEMPORARY TAX RELIEF ACT OF 2007

Mr. RANGEL. Mr. Speaker, pursuant to House Resolution 809, I call up the bill (H.R. 3996) to amend the Internal Revenue Code of 1986 to extend certain expiring provisions, and for other purposes, and ask for its immediate consideration.

The Clerk read the title of the bill.

The text of the bill is as follows:

H.R. 3996

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

#### SECTION 1. SHORT TITLE, ETC.

(a) SHORT TITLE.—This Act may be cited as the “Temporary Tax Relief Act of 2007”.

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

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

Sec. 1. Short title, etc.

#### TITLE I—AMT RELIEF

Sec. 101. Extension of alternative minimum tax relief for nonrefundable personal credits.

Sec. 102. Extension of increased alternative minimum tax exemption amount.

#### TITLE II—ONE-YEAR EXTENDERS

##### Subtitle A—Extenders Primarily Affecting Individuals

Sec. 201. Deduction for State and local sales taxes.

Sec. 202. Deduction of qualified tuition and related expenses.

Sec. 203. Treatment of certain dividends of regulated investment companies.

Sec. 204. Parity in the application of certain limits to mental health benefits.

Sec. 205. Qualified conservation contributions.

Sec. 206. Tax-free distributions from individual retirement plans for charitable purposes.

Sec. 207. Deduction for certain expenses of elementary and secondary school teachers.

Sec. 208. Election to include combat pay as earned income for purposes of earned income tax credit.

Sec. 209. Modification of mortgage revenue bonds for veterans.

Sec. 210. Distributions from retirement plans to individuals called to active duty.

Sec. 211. Stock in RIC for purposes of determining estates of nonresidents not citizens.

Sec. 212. Qualified investment entities.

Sec. 213. Refundable child credit.

Sec. 214. State legislators' travel expenses away from home.

##### Subtitle B—Extenders Primarily Affecting Businesses

Sec. 221. Research credit.

Sec. 222. Indian employment credit.

Sec. 223. New markets tax credit.

Sec. 224. Railroad track maintenance.

Sec. 225. Fifteen-year straight-line cost recovery for qualified leasehold improvements and qualified restaurant property.

Sec. 226. Seven-year cost recovery period for motorsports racing track facility.

Sec. 227. Accelerated depreciation for business property on Indian reservation.

Sec. 228. Expensing of environmental remediation costs.

Sec. 229. Deduction allowable with respect to income attributable to domestic production activities in Puerto Rico.

Sec. 230. Modification of tax treatment of certain payments to controlling exempt organizations.

Sec. 231. Extension and modification of credit to holders of qualified zone academy bonds.

Sec. 232. Tax incentives for investment in the District of Columbia.

Sec. 233. Extension of economic development credit for American Samoa.

Sec. 234. Enhanced charitable deduction for contributions of food inventory.

Sec. 235. Enhanced charitable deduction for contributions of book inventory to public schools.

Sec. 236. Enhanced deduction for qualified computer contributions.

Sec. 237. Basis adjustment to stock of S corporations making charitable contributions of property.

Sec. 238. Extension of work opportunity tax credit for Hurricane Katrina employees.

##### Subtitle C—Other Extenders

Sec. 241. Disclosure for combined employment tax reporting.

Sec. 242. Disclosure of return information to apprise appropriate officials of terrorist activities.

Sec. 243. Disclosure upon request of information relating to terrorist activities.

Sec. 244. Disclosure of return information to carry out income contingent repayment of student loans.

Sec. 245. Authority for undercover operations.

Sec. 246. Increase in limit on cover over of rum excise tax to Puerto Rico and the Virgin Islands.

Sec. 247. Disclosure of return information for certain veterans programs.

#### TITLE III—MORTGAGE FORGIVENESS DEBT RELIEF

Sec. 301. Discharges of indebtedness on principal residence excluded from gross income.

Sec. 302. Long-term extension of deduction for mortgage insurance premiums.

Sec. 303. Alternative tests for qualifying as cooperative housing corporation.

Sec. 304. Gain from sale of principal residence allocated to nonqualified use not excluded from income.

#### TITLE IV—ADMINISTRATIVE PROVISIONS

Sec. 401. Repeal of authority to enter into private debt collection contracts.

- Sec. 402. Delay of application of withholding requirement on certain governmental payments for goods and services.
- Sec. 403. Clarification of entitlement of Virgin Islands residents to protections of limitations on assessment and collection of tax.
- Sec. 404. Revision of tax rules on expatriation.
- Sec. 405. Repeal of suspension of certain penalties and interest.
- Sec. 406. Increase in information return penalties.
- Sec. 407. Unused merchandise drawback.

#### TITLE I—AMT RELIEF

##### SEC. 101. EXTENSION OF ALTERNATIVE MINIMUM TAX RELIEF FOR NONREFUNDABLE PERSONAL CREDITS.

(a) IN GENERAL.—Paragraph (2) of section 26(a) (relating to special rule for taxable years 2000 through 2006) is amended—

(1) by striking “or 2006” and inserting “2006, or 2007”, and

(2) by striking “2006” in the heading thereof and inserting “2007”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2006.

##### SEC. 102. EXTENSION OF INCREASED ALTERNATIVE MINIMUM TAX EXEMPTION AMOUNT.

(a) IN GENERAL.—Paragraph (1) of section 55(d) (relating to exemption amount) is amended—

(1) by striking “(\$62,550 in the case of taxable years beginning in 2006)” in subparagraph (A) and inserting “(\$66,250 in the case of taxable years beginning in 2007)”, and

(2) by striking “(\$42,500 in the case of taxable years beginning in 2006)” in subparagraph (B) and inserting “(\$44,350 in the case of taxable years beginning in 2007)”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2006.

#### TITLE II—ONE-YEAR EXTENDERS

##### Subtitle A—Extenders Primarily Affecting Individuals

##### SEC. 201. DEDUCTION FOR STATE AND LOCAL SALES TAXES.

(a) IN GENERAL.—Subparagraph (I) of section 164(b)(5) is amended by striking “January 1, 2008” and inserting “January 1, 2009”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2007.

##### SEC. 202. DEDUCTION OF QUALIFIED TUITION AND RELATED EXPENSES.

(a) IN GENERAL.—Subsection (e) of section 222 (relating to termination) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2007.

##### SEC. 203. TREATMENT OF CERTAIN DIVIDENDS OF REGULATED INVESTMENT COMPANIES.

(a) INTEREST-RELATED DIVIDENDS.—Subparagraph (C) of section 871(k)(1) (defining interest-related dividend) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) SHORT-TERM CAPITAL GAIN DIVIDENDS.—Subparagraph (C) of section 871(k)(2) (defining short-term capital gain dividend) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to dividends with respect to taxable years of regulated investment companies beginning after December 31, 2007.

##### SEC. 204. PARITY IN THE APPLICATION OF CERTAIN LIMITS TO MENTAL HEALTH BENEFITS.

(a) IN GENERAL.—Paragraph (3) of section 9812(f) (relating to application of section) is

amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to benefits for services furnished after December 31, 2007.

##### SEC. 205. QUALIFIED CONSERVATION CONTRIBUTIONS.

(a) IN GENERAL.—Clause (vi) of section 170(b)(1)(E) (relating to termination) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to contributions made in taxable years beginning after December 31, 2007.

##### SEC. 206. TAX-FREE DISTRIBUTIONS FROM INDIVIDUAL RETIREMENT PLANS FOR CHARITABLE PURPOSES.

(a) IN GENERAL.—Subparagraph (F) of section 408(d)(8) (relating to termination) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to distributions made in taxable years beginning after December 31, 2007.

##### SEC. 207. DEDUCTION FOR CERTAIN EXPENSES OF ELEMENTARY AND SECONDARY SCHOOL TEACHERS.

(a) IN GENERAL.—Subparagraph (D) of section 62(a)(2) (relating to certain expenses of elementary and secondary school teachers) is amended by striking “or 2007” and inserting “2007, or 2008”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2007.

##### SEC. 208. ELECTION TO INCLUDE COMBAT PAY AS EARNED INCOME FOR PURPOSES OF EARNED INCOME TAX CREDIT.

(a) IN GENERAL.—Subclause (II) of section 32(c)(2)(B)(vi) (defining earned income) is amended by striking “January 1, 2008” and inserting “January 1, 2009”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years ending after December 31, 2007.

##### SEC. 209. MODIFICATION OF MORTGAGE REVENUE BONDS FOR VETERANS.

(a) QUALIFIED MORTGAGE BONDS USED TO FINANCE RESIDENCES FOR VETERANS WITHOUT REGARD TO FIRST-TIME HOMEBUYER REQUIREMENT.—Subparagraph (D) of section 143(d)(2) (relating to exceptions) is amended by striking “January 1, 2008” and inserting “January 1, 2009”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to bonds issued after December 31, 2007.

##### SEC. 210. DISTRIBUTIONS FROM RETIREMENT PLANS TO INDIVIDUALS CALLED TO ACTIVE DUTY.

(a) IN GENERAL.—Clause (iv) of section 72(t)(2)(G) is amended by striking “December 31, 2007” and inserting “January 1, 2009”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to individuals ordered or called to active duty on or after December 31, 2007.

##### SEC. 211. STOCK IN RIC FOR PURPOSES OF DETERMINING ESTATES OF NON-RESIDENTS NOT CITIZENS.

(a) IN GENERAL.—Paragraph (3) of section 2105(d) (relating to stock in a RIC) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to decedents dying after December 31, 2007.

##### SEC. 212. QUALIFIED INVESTMENT ENTITIES.

(a) IN GENERAL.—Clause (ii) of section 897(h)(4)(A) (relating to termination) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on January 1, 2008.

##### SEC. 213. REFUNDABLE CHILD CREDIT.

(a) MODIFICATION OF THRESHOLD AMOUNT.—Clause (i) of section 24(d)(1)(B) is amended by inserting “(\$8,500 in the case of taxable years beginning in 2008)” after “\$10,000”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2007.

##### SEC. 214. STATE LEGISLATORS’ TRAVEL EXPENSES AWAY FROM HOME.

(a) IN GENERAL.—Paragraph (2) of section 162(h) (relating to legislative days) is amended by adding at the end the following flush sentence: “In the case of taxable years beginning in 2008, a legislature shall be treated for purposes of this paragraph as in session on any day in which it is formally called into session without regard to whether legislation was considered on such day.”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2007.

##### Subtitle B—Extenders Primarily Affecting Businesses

##### SEC. 221. RESEARCH CREDIT.

(a) IN GENERAL.—Subparagraph (B) of section 41(h)(1) (relating to termination) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) CONFORMING AMENDMENT.—Subparagraph (D) of section 45C(b)(1) (relating to qualified clinical testing expenses) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid or incurred after December 31, 2007.

##### SEC. 222. INDIAN EMPLOYMENT CREDIT.

(a) IN GENERAL.—Subsection (f) of section 45A (relating to termination) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2007.

##### SEC. 223. NEW MARKETS TAX CREDIT.

Subparagraph (D) of section 45D(f)(1) (relating to national limitation on amount of investments designated) is amended by striking “and 2008” and inserting “2008, and 2009”.

##### SEC. 224. RAILROAD TRACK MAINTENANCE.

(a) IN GENERAL.—Subsection (f) of section 45G (relating to application of section) is amended by striking “January 1, 2008” and inserting “January 1, 2009”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to expenditures paid or incurred during taxable years beginning after December 31, 2007.

##### SEC. 225. FIFTEEN-YEAR STRAIGHT-LINE COST RECOVERY FOR QUALIFIED LEASEHOLD IMPROVEMENTS AND QUALIFIED RESTAURANT PROPERTY.

(a) IN GENERAL.—Clauses (iv) and (v) of section 168(e)(3)(E) (relating to 15-year property) are each amended by striking “January 1, 2008” and inserting “January 1, 2009”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after December 31, 2007.

##### SEC. 226. SEVEN-YEAR COST RECOVERY PERIOD FOR MOTORSPORTS RACING TRACK FACILITIES.

(a) IN GENERAL.—Subparagraph (D) of section 168(i)(15) (relating to termination) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to property placed in service after December 31, 2007.

##### SEC. 227. ACCELERATED DEPRECIATION FOR BUSINESS PROPERTY ON INDIAN RESERVATION.

(a) IN GENERAL.—Paragraph (8) of section 168(j) (relating to termination) is amended

by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to property placed in service after December 31, 2007.

**SEC. 228. EXPENSING OF ENVIRONMENTAL REMEDIATION COSTS.**

(a) IN GENERAL.—Subsection (h) of section 198 (relating to termination) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to expenditures paid or incurred after December 31, 2007.

**SEC. 229. DEDUCTION ALLOWABLE WITH RESPECT TO INCOME ATTRIBUTABLE TO DOMESTIC PRODUCTION ACTIVITIES IN PUERTO RICO.**

(a) IN GENERAL.—Subparagraph (C) of section 199(d)(8) (relating to termination) is amended—

(1) by striking “first 2 taxable years” and inserting “first 3 taxable years”, and

(2) by striking “January 1, 2008” and inserting “January 1, 2009”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2007.

**SEC. 230. MODIFICATION OF TAX TREATMENT OF CERTAIN PAYMENTS TO CONTROLLING EXEMPT ORGANIZATIONS.**

(a) IN GENERAL.—Clause (iv) of section 512(b)(13)(E) (relating to termination) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to payments received or accrued after December 31, 2007.

**SEC. 231. EXTENSION AND MODIFICATION OF CREDIT TO HOLDERS OF QUALIFIED ZONE ACADEMY BONDS.**

(a) IN GENERAL.—Subsection (e) of section 1397E (relating to limitation on amount of bonds designated) is amended by striking “1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, and 2007” and inserting “each of calendar years 1998 through 2008”.

(b) MODIFICATION OF ARBITRAGE RULES.—

(1) IN GENERAL.—Subsection (g) of section 1397E (relating to special rules relating to arbitrage) is amended to read as follows:

“(g) SPECIAL RULES RELATING TO ARBITRAGE.—

“(1) IN GENERAL.—An issue shall be treated as meeting the requirements of this subsection if the issuer satisfies the requirements of section 148 with respect to the proceeds of the issue.

“(2) SPECIAL RULE FOR INVESTMENTS DURING EXPENDITURE PERIOD.—An issue shall not be treated as failing to meet the requirements of paragraph (1) by reason of any investment of available project proceeds during the 5-year period described in subsection (f)(1)(A) (including any extension of such period under subsection (f)(2)).

“(3) SPECIAL RULE FOR RESERVE FUNDS.—An issue shall not be treated as failing to meet the requirements of paragraph (1) by reason of any fund which is expected to be used to repay such issue if—

“(A) such fund is funded at a rate not more rapid than equal annual installments,

“(B) such fund is funded in a manner that such fund will not exceed the amount necessary to repay the issue if invested at the maximum rate permitted under subparagraph (C), and

“(C) the yield on such fund is not greater than the discount rate determined under subsection (d)(3) with respect to the issue.”.

(2) APPLICATION OF AVAILABLE PROJECT PROCEEDS TO OTHER REQUIREMENTS.—Subsections (d)(1)(A), (d)(2)(A), (f)(1)(A), (f)(1)(B), (f)(1)(C), and (f)(3) of section 1397E are each amended by striking “proceeds” and inserting “available project proceeds”.

(3) AVAILABLE PROJECT PROCEEDS DEFINED.—Subsection (i) of section 1397E (relating to definitions) is amended by adding at the end the following new paragraph:

“(4) AVAILABLE PROJECT PROCEEDS.—The term ‘available project proceeds’ means—

“(A) the excess of—

“(i) the proceeds from the sale of an issue, over

“(ii) the issuance costs financed by the issue (to the extent that such costs do not exceed 2 percent of such proceeds), and

“(B) the proceeds from any investment of the excess described in subparagraph (A).”.

(c) EFFECTIVE DATE.—

(1) EXTENSION.—The amendment made by subsection (a) shall apply to obligations issued after December 31, 2007.

(2) MODIFICATION OF ARBITRAGE RULES.—The amendments made by subsection (b) shall apply to obligations issued after the date of the enactment of this Act.

**SEC. 232. TAX INCENTIVES FOR INVESTMENT IN THE DISTRICT OF COLUMBIA.**

(a) DESIGNATION OF ZONE.—

(1) IN GENERAL.—Subsection (f) of section 1400 is amended by striking “2007” both places it appears and inserting “2008”.

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to periods beginning after December 31, 2007.

(b) TAX-EXEMPT ECONOMIC DEVELOPMENT BONDS.—

(1) IN GENERAL.—Subsection (b) of section 1400A is amended by striking “2007” and inserting “2008”.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to bonds issued after December 31, 2007.

(c) ZERO PERCENT CAPITAL GAINS RATE.—

(1) IN GENERAL.—Subsection (b) of section 1400B is amended by striking “2008” each place it appears and inserting “2009”.

(2) CONFORMING AMENDMENTS.—

(A) Section 1400B(e)(2) is amended—

(i) by striking “2012” and inserting “2013”, and

(ii) by striking “2012” in the heading thereof and inserting “2013”.

(B) Section 1400B(g)(2) is amended by striking “2012” and inserting “2013”.

(C) Section 1400F(d) is amended by striking “2012” and inserting “2013”.

(3) EFFECTIVE DATES.—

(A) EXTENSION.—The amendments made by paragraph (1) shall apply to acquisitions after December 31, 2007.

(B) CONFORMING AMENDMENTS.—The amendments made by paragraph (2) shall take effect on the date of the enactment of this Act.

(d) FIRST-TIME HOMEBUYER CREDIT.—

(1) IN GENERAL.—Subsection (i) of section 1400C is amended by striking “2008” and inserting “2009”.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to property purchased after December 31, 2007.

**SEC. 233. EXTENSION OF ECONOMIC DEVELOPMENT CREDIT FOR AMERICAN SAMOA.**

(a) IN GENERAL.—Subsection (d) of section 119 of division A of the Tax Relief and Health Care Act of 2006 is amended—

(1) by striking “first two taxable years” and inserting “first 3 taxable years”, and

(2) by striking “January 1, 2008” and inserting “January 1, 2009”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2007.

**SEC. 234. ENHANCED CHARITABLE DEDUCTION FOR CONTRIBUTIONS OF FOOD INVENTORY.**

(a) IN GENERAL.—Clause (iv) of section 170(e)(3)(C) (relating to termination) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to contributions made after December 31, 2007.

**SEC. 235. ENHANCED CHARITABLE DEDUCTION FOR CONTRIBUTIONS OF BOOK INVENTORY TO PUBLIC SCHOOLS.**

(a) IN GENERAL.—Clause (iv) of section 170(e)(3)(D) (relating to termination) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to contributions made after December 31, 2007.

**SEC. 236. ENHANCED DEDUCTION FOR QUALIFIED COMPUTER CONTRIBUTIONS.**

(a) IN GENERAL.—Subparagraph (G) of section 170(e)(6) (relating to termination) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to contributions made during taxable years beginning after December 31, 2007.

**SEC. 237. BASIS ADJUSTMENT TO STOCK OF S CORPORATIONS MAKING CHARITABLE CONTRIBUTIONS OF PROPERTY.**

(a) IN GENERAL.—The last sentence of section 1367(a)(2) (relating to decreases in basis) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) TECHNICAL AMENDMENT RELATED TO SECTION 1203 OF THE PENSION PROTECTION ACT OF 2006.—Subsection (d) of section 1366 is amended by adding at the end the following new paragraph:

“(4) APPLICATION OF LIMITATION ON CHARITABLE CONTRIBUTIONS.—In the case of any charitable contribution of property to which the second sentence of section 1367(a)(2) applies, paragraph (1) shall not apply to the extent of the excess (if any) of—

“(A) the shareholder’s pro rata share of such contribution, over

“(B) the shareholder’s pro rata share of the adjusted basis of such property.”.

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to contributions made in taxable years beginning after December 31, 2007.

(2) TECHNICAL AMENDMENT.—The amendment made by subsection (b) shall take effect as if included in the provision of the Pension Protection Act of 2006 to which it relates.

**SEC. 238. EXTENSION OF WORK OPPORTUNITY TAX CREDIT FOR HURRICANE KATRINA EMPLOYEES.**

(a) IN GENERAL.—Paragraph (1) of section 201(b) of the Katrina Emergency Tax Relief Act of 2005 is amended by striking “2-year” and inserting “3-year”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to individuals hired after August 27, 2007.

**Subtitle C—Other Extenders**

**SEC. 241. DISCLOSURE FOR COMBINED EMPLOYMENT TAX REPORTING.**

(a) IN GENERAL.—Subparagraph (B) of section 6103(d)(5) (relating to termination) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to disclosures after December 31, 2007.

**SEC. 242. DISCLOSURE OF RETURN INFORMATION TO APPRISE APPROPRIATE OFFICIALS OF TERRORIST ACTIVITIES.**

(a) IN GENERAL.—Clause (iv) of section 6103(i)(3)(C) (relating to termination) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to disclosures after December 31, 2007.

**SEC. 243. DISCLOSURE UPON REQUEST OF INFORMATION RELATING TO TERRORIST ACTIVITIES.**

(a) IN GENERAL.—Subparagraph (E) of section 6103(i)(7) (relating to termination) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to disclosures after December 31, 2007.

**SEC. 244. DISCLOSURE OF RETURN INFORMATION TO CARRY OUT INCOME CONTINGENT REPAYMENT OF STUDENT LOANS.**

(a) IN GENERAL.—Subparagraph (D) of section 6103(l)(13) (relating to termination) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to requests made after December 31, 2007.

**SEC. 245. AUTHORITY FOR UNDERCOVER OPERATIONS.**

(a) IN GENERAL.—Paragraph (6) of section 7608(c) (relating to application of section) is amended by striking “January 1, 2008” each place it appears and inserting “January 1, 2009”.

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect on January 1, 2008.

**SEC. 246. INCREASE IN LIMIT ON COVER OVER OF RUM EXCISE TAX TO PUERTO RICO AND THE VIRGIN ISLANDS.**

(a) IN GENERAL.—Paragraph (1) of section 7652(f) is amended by striking “January 1, 2008” and inserting “January 1, 2009”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to distilled spirits brought into the United States after December 31, 2007.

**SEC. 247. DISCLOSURE OF RETURN INFORMATION FOR CERTAIN VETERANS PROGRAMS.**

(a) IN GENERAL.—The last sentence of paragraph (7) of section 6103(l) is amended by striking “September 30, 2008” and inserting “December 31, 2008”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to requests made after September 30, 2008.

**TITLE III—MORTGAGE FORGIVENESS DEBT RELIEF****SEC. 301. DISCHARGES OF INDEBTEDNESS ON PRINCIPAL RESIDENCE EXCLUDED FROM GROSS INCOME.**

(a) IN GENERAL.—Paragraph (1) of section 108(a) is amended by striking “or” at the end of subparagraph (C), by striking the period at the end of subparagraph (D) and inserting “, or”, and by inserting after subparagraph (D) the following new subparagraph:

“(E) the indebtedness discharged is qualified principal residence indebtedness.”.

(b) SPECIAL RULES RELATING TO QUALIFIED PRINCIPAL RESIDENCE INDEBTEDNESS.—Section 108 is amended by adding at the end the following new subsection:

“(h) SPECIAL RULES RELATING TO QUALIFIED PRINCIPAL RESIDENCE INDEBTEDNESS.—

“(1) BASIS REDUCTION.—The amount excluded from gross income by reason of subsection (a)(1)(E) shall be applied to reduce (but not below zero) the basis of the principal residence of the taxpayer.

“(2) QUALIFIED PRINCIPAL RESIDENCE INDEBTEDNESS.—For purposes of this section, the term ‘qualified principal residence indebtedness’ means acquisition indebtedness (within the meaning of section 163(h)(3)(B), applied by substituting ‘\$2,000,000 (\$1,000,000’ for ‘\$1,000,000 (\$500,000’ in clause (ii) thereof) with respect to the principal residence of the taxpayer.

“(3) EXCEPTION FOR CERTAIN DISCHARGES NOT RELATED TO TAXPAYER’S FINANCIAL CONDITION.—Subsection (a)(1)(E) shall not apply to the discharge of a loan if the discharge is on

account of services performed for the lender or any other factor not directly related to a decline in the value of the residence or to the financial condition of the taxpayer.

“(4) ORDERING RULE.—If any loan is discharged, in whole or in part, and only a portion of such loan is qualified principal residence indebtedness, subsection (a)(1)(E) shall apply only to so much of the amount discharged as exceeds the amount of the loan (as determined immediately before such discharge) which is not qualified principal residence indebtedness.

“(5) PRINCIPAL RESIDENCE.—For purposes of this subsection, the term ‘principal residence’ has the same meaning as when used in section 121.”.

(c) COORDINATION.—

(1) Subparagraph (A) of section 108(a)(2) is amended by striking “and (D)” and inserting “(D), and (E)”.

(2) Paragraph (2) of section 108(a) is amended by adding at the end the following new subparagraph:

“(C) PRINCIPAL RESIDENCE EXCLUSION TAKES PRECEDENCE OVER INSOLVENCY EXCLUSION UNLESS ELECTED OTHERWISE.—Paragraph (1)(B) shall not apply to a discharge to which paragraph (1)(E) applies unless the taxpayer elects to apply paragraph (1)(B) in lieu of paragraph (1)(E).”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to discharges of indebtedness on or after January 1, 2007.

**SEC. 302. LONG-TERM EXTENSION OF DEDUCTION FOR MORTGAGE INSURANCE PREMIUMS.**

(a) IN GENERAL.—Subparagraph (E) of section 163(h)(3) (relating to mortgage insurance premiums treated as interest) is amended by striking clauses (iii) and (iv) and inserting the following new clause:

“(iii) APPLICATION.—Clause (i) shall not apply with respect to any mortgage insurance contract issued before January 1, 2007, or after December 31, 2014.”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to contracts issued after December 31, 2006.

**SEC. 303. ALTERNATIVE TESTS FOR QUALIFYING AS COOPERATIVE HOUSING CORPORATION.**

(a) IN GENERAL.—Subparagraph (D) of section 216(b)(1) (defining cooperative housing corporation) is amended to read as follows:

“(D) meeting 1 or more of the following requirements for the taxable year in which the taxes and interest described in subsection (a) are paid or incurred:

“(i) 80 percent or more of the corporation’s gross income for such taxable year is derived from tenant-stockholders.

“(ii) At all times during such taxable year, 80 percent or more of the total square footage of the corporation’s property is used or available for use by the tenant-stockholders for residential purposes or purposes ancillary to such residential use.

“(iii) 90 percent or more of the expenditures of the corporation paid or incurred during such taxable year are paid or incurred for the acquisition, construction, management, maintenance, or care of the corporation’s property for the benefit of the tenant-stockholders.”.

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

**SEC. 304. GAIN FROM SALE OF PRINCIPAL RESIDENCE ALLOCATED TO NON-QUALIFIED USE NOT EXCLUDED FROM INCOME.**

(a) IN GENERAL.—Subsection (b) of section 121 (relating to limitations) is amended by adding at the end the following new paragraph:

“(4) EXCLUSION OF GAIN ALLOCATED TO NON-QUALIFIED USE.—

“(A) IN GENERAL.—Subsection (a) shall not apply to so much of the gain from the sale or exchange of property as is allocated to periods of nonqualified use.

“(B) GAIN ALLOCATED TO PERIODS OF NON-QUALIFIED USE.—For purposes of subparagraph (A), gain shall be allocated to periods of nonqualified use based on the ratio which—

“(i) the aggregate periods of nonqualified use during the period such property was owned by the taxpayer, bears to

“(ii) the period such property was owned by the taxpayer.

“(C) PERIOD OF NONQUALIFIED USE.—For purposes of this paragraph—

“(i) IN GENERAL.—The term ‘period of nonqualified use’ means any period (other than the portion of any period preceding January 1, 2008) during which the property is not used as the principal residence of the taxpayer or the taxpayer’s spouse or former spouse.

“(ii) EXCEPTIONS.—The term ‘period of nonqualified use’ does not include—

“(I) any portion of the 5-year period described in subsection (a) which is after the last date that such property is used as the principal residence of the taxpayer or the taxpayer’s spouse,

“(II) any period (not to exceed an aggregate period of 10 years) during which the taxpayer or the taxpayer’s spouse is serving on qualified official extended duty (as defined in subsection (d)(9)(C)) described in clause (i), (ii), or (iii) of subsection (d)(9)(A), and

“(III) any other period of temporary absence (not to exceed an aggregate period of 2 years) due to change of employment, health conditions, or such other unforeseen circumstances as may be specified by the Secretary.

“(D) COORDINATION WITH RECOGNITION OF GAIN ATTRIBUTABLE TO DEPRECIATION.—For purposes of this paragraph—

“(i) subparagraph (A) shall be applied after the application of subsection (d)(6), and

“(ii) subparagraph (B) shall be applied without regard to any gain to which subsection (d)(6) applies.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to sales and exchanges after December 31, 2007.

**TITLE IV—ADMINISTRATIVE PROVISIONS****SEC. 401. REPEAL OF AUTHORITY TO ENTER INTO PRIVATE DEBT COLLECTION CONTRACTS.**

(a) IN GENERAL.—Subchapter A of chapter 64 is amended by striking section 6306.

(b) CONFORMING AMENDMENTS.—

(1) Subchapter B of chapter 76 is amended by striking section 7433A.

(2) Section 7811 is amended by striking subsection (g).

(3) Section 1203 of the Internal Revenue Service Restructuring Act of 1998 is amended by striking subsection (e).

(4) The table of sections for subchapter A of chapter 64 is amended by striking the item relating to section 6306.

(5) The table of sections for subchapter B of chapter 76 is amended by striking the item relating to section 7433A.

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall take effect on the date of the enactment of this Act.

(2) EXCEPTION FOR EXISTING CONTRACTS, ETC.—The amendments made by this section shall not apply to any contract which was entered into before July 18, 2007, and is not renewed or extended on or after such date.

(3) UNAUTHORIZED CONTRACTS AND EXTENSIONS TREATED AS VOID.—Any qualified tax collection contract (as defined in section 6306

of the Internal Revenue Code of 1986, as in effect before its repeal) which is entered into on or after July 18, 2007, and any extension or renewal on or after such date of any qualified tax collection contract (as so defined) shall be void.

**SEC. 402. DELAY OF APPLICATION OF WITHHOLDING REQUIREMENT ON CERTAIN GOVERNMENTAL PAYMENTS FOR GOODS AND SERVICES.**

(a) IN GENERAL.—Subsection (b) of section 511 of the Tax Increase Prevention and Reconciliation Act of 2005 is amended by striking “December 31, 2010” and inserting “December 31, 2011”.

(b) REPORT TO CONGRESS.—Not later than 6 months after the date of the enactment of this Act, the Secretary of the Treasury shall submit to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate a report with respect to the withholding requirements of section 3402(t) of the Internal Revenue Code of 1986, including a detailed analysis of—

(1) the problems, if any, which are anticipated in administering and complying with such requirements,

(2) the burdens, if any, that such requirements will place on governments and businesses (taking into account such mechanisms as may be necessary to administer such requirements), and

(3) the application of such requirements to small expenditures for services and goods by governments.

**SEC. 403. CLARIFICATION OF ENTITLEMENT OF VIRGIN ISLANDS RESIDENTS TO PROTECTIONS OF LIMITATIONS ON ASSESSMENT AND COLLECTION OF TAX.**

(a) IN GENERAL.—Subsection (c) of section 932 (relating to treatment of Virgin Islands residents) is amended by adding at the end the following new paragraph:

“(5) TREATMENT OF INCOME TAX RETURN FILED WITH VIRGIN ISLANDS.—An income tax return filed with the Virgin Islands by an individual claiming to be described in paragraph (1) for the taxable year shall be treated for purposes of subtitle F in the same manner as if such return were an income tax return filed with the United States for such taxable year. The preceding sentence shall not apply where such return is false or fraudulent with the intent to evade tax or otherwise is a willful attempt in any manner to defeat or evade tax.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after 1986.

**SEC. 404. REVISION OF TAX RULES ON EXPATRIATION.**

(a) IN GENERAL.—Subpart A of part II of subchapter N of chapter 1 is amended by inserting after section 877 the following new section:

**“SEC. 877A. TAX RESPONSIBILITIES OF EXPATRIATION.**

“(a) GENERAL RULES.—For purposes of this subtitle—

“(1) MARK TO MARKET.—All property of a covered expatriate shall be treated as sold on the day before the expatriation date for its fair market value.

“(2) RECOGNITION OF GAIN OR LOSS.—In the case of any sale under paragraph (1)—

“(A) notwithstanding any other provision of this title, any gain arising from such sale shall be taken into account for the taxable year of the sale, and

“(B) any loss arising from such sale shall be taken into account for the taxable year of the sale to the extent otherwise provided by this title, except that section 1091 shall not apply to any such loss.

Proper adjustment shall be made in the amount of any gain or loss subsequently re-

alized for gain or loss taken into account under the preceding sentence, determined without regard to paragraph (3).

“(3) EXCLUSION FOR CERTAIN GAIN.—

“(A) IN GENERAL.—The amount which would (but for this paragraph) be includable in the gross income of any individual by reason of paragraph (1) shall be reduced (but not below zero) by \$600,000.

“(B) ADJUSTMENT FOR INFLATION.—

“(i) IN GENERAL.—In the case of any taxable year beginning in a calendar year after 2008, the dollar amount in subparagraph (A) shall be increased by an amount equal to—

“(I) such dollar amount, multiplied by

“(II) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, by substituting ‘calendar year 2007’ for ‘calendar year 1992’ in subparagraph (B) thereof.

“(ii) ROUNDING.—If any amount as adjusted under clause (i) is not a multiple of \$1,000, such amount shall be rounded to the nearest multiple of \$1,000.

“(b) ELECTION TO DEFER TAX.—

“(1) IN GENERAL.—If the taxpayer elects the application of this subsection with respect to any property treated as sold by reason of subsection (a), the time for payment of the additional tax attributable to such property shall be extended until the due date of the return for the taxable year in which such property is disposed of (or, in the case of property disposed of in a transaction in which gain is not recognized in whole or in part, until such other date as the Secretary may prescribe).

“(2) DETERMINATION OF TAX WITH RESPECT TO PROPERTY.—For purposes of paragraph (1), the additional tax attributable to any property is an amount which bears the same ratio to the additional tax imposed by this chapter for the taxable year solely by reason of subsection (a) as the gain taken into account under subsection (a) with respect to such property bears to the total gain taken into account under subsection (a) with respect to all property to which subsection (a) applies.

“(3) TERMINATION OF EXTENSION.—The due date for payment of tax may not be extended under this subsection later than the due date for the return of tax imposed by this chapter for the taxable year which includes the date of death of the expatriate (or, if earlier, the time that the security provided with respect to the property fails to meet the requirements of paragraph (4), unless the taxpayer corrects such failure within the time specified by the Secretary).

“(4) SECURITY.—

“(A) IN GENERAL.—No election may be made under paragraph (1) with respect to any property unless adequate security is provided with respect to such property.

“(B) ADEQUATE SECURITY.—For purposes of subparagraph (A), security with respect to any property shall be treated as adequate security if—

“(i) it is a bond which is furnished to, and accepted by, the Secretary, which is conditioned on the payment of tax (and interest thereon), and which meets the requirements of section 6325, or

“(ii) it is another form of security for such payment (including letters of credit) that meets such requirements as the Secretary may prescribe.

“(5) WAIVER OF CERTAIN RIGHTS.—No election may be made under paragraph (1) unless the taxpayer makes an irrevocable waiver of any right under any treaty of the United States which would preclude assessment or collection of any tax imposed by reason of this section.

“(6) ELECTIONS.—An election under paragraph (1) shall only apply to property de-

scribed in the election and, once made, is irrevocable.

“(7) INTEREST.—For purposes of section 6601, the last date for the payment of tax shall be determined without regard to the election under this subsection.

“(C) EXCEPTION FOR CERTAIN PROPERTY.—Subsection (a) shall not apply to—

“(1) any deferred compensation item (as defined in subsection (d)(4)),

“(2) any specified tax deferred account (as defined in subsection (e)(2)), and

“(3) any interest in a nongrantor trust (as defined in subsection (f)(3)).

“(d) TREATMENT OF DEFERRED COMPENSATION ITEMS.—

“(1) WITHHOLDING ON ELIGIBLE DEFERRED COMPENSATION ITEMS.—

“(A) IN GENERAL.—In the case of any eligible deferred compensation item, the payor shall deduct and withhold from any taxable payment to a covered expatriate with respect to such item a tax equal to 30 percent thereof.

“(B) TAXABLE PAYMENT.—For purposes of subparagraph (A), the term ‘taxable payment’ means with respect to a covered expatriate any payment to the extent it would be includable in the gross income of the covered expatriate if such expatriate continued to be subject to tax as a citizen or resident of the United States. A deferred compensation item shall be taken into account as a payment under the preceding sentence when such item would be so includable.

“(2) OTHER DEFERRED COMPENSATION ITEMS.—In the case of any deferred compensation item which is not an eligible deferred compensation item—

“(A)(i) with respect to any deferred compensation item to which clause (ii) does not apply, an amount equal to the present value of the covered expatriate’s accrued benefit shall be treated as having been received by such individual on the day before the expatriation date as a distribution under the plan, and

“(ii) with respect to any deferred compensation item referred to in paragraph (4)(D), the rights of the covered expatriate to such item shall be treated as becoming transferable and not subject to a substantial risk of forfeiture on the day before the expatriation date,

“(B) no early distribution tax shall apply by reason of such treatment, and

“(C) appropriate adjustments shall be made to subsequent distributions from the plan to reflect such treatment.

“(3) ELIGIBLE DEFERRED COMPENSATION ITEMS.—For purposes of this subsection, the term ‘eligible deferred compensation item’ means any deferred compensation item with respect to which—

“(A) the payor of such item is—

“(i) a United States person, or

“(ii) a person who is not a United States person but who elects to be treated as a United States person for purposes of paragraph (1) and meets such requirements as the Secretary may provide to ensure that the payor will meet the requirements of paragraph (1), and

“(B) the covered expatriate—

“(i) notifies the payor of his status as a covered expatriate, and

“(ii) makes an irrevocable waiver of any right to claim any reduction under any treaty with the United States in withholding on such item.

“(4) DEFERRED COMPENSATION ITEM.—For purposes of this subsection, the term ‘deferred compensation item’ means—

“(A) any interest in a plan or arrangement described in section 219(g)(5),

“(B) any interest in a foreign pension plan or similar retirement arrangement or program,

“(C) any item of deferred compensation, and

“(D) any property, or right to property, which the individual is entitled to receive in connection with the performance of services to the extent not previously taken into account under section 83 or in accordance with section 83.

“(5) EXCEPTION.—Paragraphs (1) and (2) shall not apply to any deferred compensation item which is attributable to services performed outside the United States while the covered expatriate was not a citizen or resident of the United States.

“(6) SPECIAL RULES.—

“(A) APPLICATION OF WITHHOLDING RULES.—Rules similar to the rules of subchapter B of chapter 3 shall apply for purposes of this subsection.

“(B) APPLICATION OF TAX.—Any item subject to the withholding tax imposed under paragraph (1) shall be subject to tax under section 871.

“(C) COORDINATION WITH OTHER WITHHOLDING REQUIREMENTS.—Any item subject to withholding under paragraph (1) shall not be subject to withholding under section 1441 or chapter 24.

“(e) TREATMENT OF SPECIFIED TAX DEFERRED ACCOUNTS.—

“(1) ACCOUNT TREATED AS DISTRIBUTED.—In the case of any interest in a specified tax deferred account held by a covered expatriate on the day before the expatriation date—

“(A) the covered expatriate shall be treated as receiving a distribution of his entire interest in such account on the day before the expatriation date,

“(B) no early distribution tax shall apply by reason of such treatment, and

“(C) appropriate adjustments shall be made to subsequent distributions from the account to reflect such treatment.

“(2) SPECIFIED TAX DEFERRED ACCOUNT.—For purposes of paragraph (1), the term ‘specified tax deferred account’ means an individual retirement plan (as defined in section 7701(a)(37)) other than any arrangement described in subsection (k) or (p) of section 408, a qualified tuition program (as defined in section 529), a Coverdell education savings account (as defined in section 530), a health savings account (as defined in section 223), and an Archer MSA (as defined in section 220).

“(f) SPECIAL RULES FOR NONGRANTOR TRUSTS.—

“(1) IN GENERAL.—In the case of a distribution (directly or indirectly) of any property from a nongrantor trust to a covered expatriate—

“(A) the trustee shall deduct and withhold from such distribution an amount equal to 30 percent of the taxable portion of the distribution, and

“(B) if the fair market value of such property exceeds its adjusted basis in the hands of the trust, gain shall be recognized to the trust as if such property were sold to the expatriate at its fair market value.

“(2) TAXABLE PORTION.—For purposes of this subsection, the term ‘taxable portion’ means, with respect to any distribution, that portion of the distribution which would be includible in the gross income of the covered expatriate if such expatriate continued to be subject to tax as a citizen or resident of the United States.

“(3) NONGRANTOR TRUST.—For purposes of this subsection, the term ‘nongrantor trust’ means the portion of any trust that the individual is not considered the owner of under subpart E of part I of subchapter J. The determination under the preceding sentence shall be made immediately before the expatriation date.

“(4) SPECIAL RULES RELATING TO WITHHOLDING.—For purposes of this subsection—

“(A) rules similar to the rules of subsection (d)(6) shall apply, and

“(B) the covered expatriate shall be treated as having waived any right to claim any reduction under any treaty with the United States in withholding on any distribution to which paragraph (1)(A) applies.

“(5) APPLICATION.—This subsection shall apply to a nongrantor trust only if the covered expatriate was a beneficiary of the trust on the day before the expatriation date.

“(g) DEFINITIONS AND SPECIAL RULES RELATING TO EXPATRIATION.—For purposes of this section—

“(1) COVERED EXPATRIATE.—

“(A) IN GENERAL.—The term ‘covered expatriate’ means an expatriate who meets the requirements of subparagraph (A), (B), or (C) of section 877(a)(2).

“(B) EXCEPTIONS.—An individual shall not be treated as meeting the requirements of subparagraph (A) or (B) of section 877(a)(2) if—

“(i) the individual—

“(I) became at birth a citizen of the United States and a citizen of another country and, as of the expatriation date, continues to be a citizen of, and is taxed as a resident of, such other country, and

“(II) has been a resident of the United States (as defined in section 7701(b)(1)(A)(ii)) for not more than 10 taxable years during the 15-taxable year period ending with the taxable year during which the expatriation date occurs, or

“(ii) (I) the individual’s relinquishment of United States citizenship occurs before such individual attains age 18½, and

“(II) the individual has been a resident of the United States (as so defined) for not more than 10 taxable years before the date of relinquishment.

“(C) COVERED EXPATRIATES ALSO SUBJECT TO TAX AS CITIZENS OR RESIDENTS.—In the case of any covered expatriate who is subject to tax as a citizen or resident of the United States for any period beginning after the expatriation date, such individual shall not be treated as a covered expatriate during such period for purposes of subsections (d)(1) and (f) and section 2801.

“(2) EXPATRIATE.—The term ‘expatriate’ means—

“(A) any United States citizen who relinquishes his citizenship, and

“(B) any long-term resident of the United States who ceases to be a lawful permanent resident of the United States (within the meaning of section 7701(b)(6)).

“(3) EXPATRIATION DATE.—The term ‘expatriation date’ means—

“(A) the date an individual relinquishes United States citizenship, or

“(B) in the case of a long-term resident of the United States, the date on which the individual ceases to be a lawful permanent resident of the United States (within the meaning of section 7701(b)(6)).

“(4) RELINQUISHMENT OF CITIZENSHIP.—A citizen shall be treated as relinquishing his United States citizenship on the earliest of—

“(A) the date the individual renounces his United States nationality before a diplomatic or consular officer of the United States pursuant to paragraph (5) of section 349(a) of the Immigration and Nationality Act (8 U.S.C. 1481(a)(5)),

“(B) the date the individual furnishes to the United States Department of State a signed statement of voluntary relinquishment of United States nationality confirming the performance of an act of expatriation specified in paragraph (1), (2), (3), or (4) of section 349(a) of the Immigration and Nationality Act (8 U.S.C. 1481(a)(1)–(4)),

“(C) the date the United States Department of State issues to the individual a certificate of loss of nationality, or

“(D) the date a court of the United States cancels a naturalized citizen’s certificate of naturalization.

Subparagraph (A) or (B) shall not apply to any individual unless the renunciation or voluntary relinquishment is subsequently approved by the issuance to the individual of a certificate of loss of nationality by the United States Department of State.

“(5) LONG-TERM RESIDENT.—The term ‘long-term resident’ has the meaning given to such term by section 877(e)(2).

“(6) EARLY DISTRIBUTION TAX.—The term ‘early distribution tax’ means any increase in tax imposed under section 72(t), 220(e)(4), 223(f)(4), 409A(a)(1)(B), 529(c)(6), or 530(d)(4).

“(h) OTHER RULES.—

“(1) TERMINATION OF DEFERRALS, ETC.—In the case of any covered expatriate, notwithstanding any other provision of this title—

“(A) any time period for acquiring property which would result in the reduction in the amount of gain recognized with respect to property disposed of by the taxpayer shall terminate on the day before the expatriation date, and

“(B) any extension of time for payment of tax shall cease to apply on the day before the expatriation date and the unpaid portion of such tax shall be due and payable at the time and in the manner prescribed by the Secretary.

“(2) STEP-UP IN BASIS.—Solely for purposes of determining any tax imposed by reason of subsection (a), property which was held by an individual on the date the individual first became a resident of the United States (within the meaning of section 7701(b)) shall be treated as having a basis on such date of not less than the fair market value of such property on such date. The preceding sentence shall not apply if the individual elects not to have such sentence apply. Such an election, once made, shall be irrevocable.

“(3) COORDINATION WITH SECTION 684.—If the expatriation of any individual would result in the recognition of gain under section 684, this section shall be applied after the application of section 684.

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

(b) TAX ON GIFTS AND BEQUESTS RECEIVED BY UNITED STATES CITIZENS AND RESIDENTS FROM EXPATRIATES.—

(1) IN GENERAL.—Subtitle B (relating to estate and gift taxes) is amended by inserting after chapter 14 the following new chapter:

**“CHAPTER 15—GIFTS AND BEQUESTS FROM EXPATRIATES**

“Sec. 2801. Imposition of tax.

**“SEC. 2801. IMPOSITION OF TAX.**

“(a) IN GENERAL.—If, during any calendar year, any United States citizen or resident receives any covered gift or bequest, there is hereby imposed a tax equal to the product of—

“(1) the highest rate of tax specified in the table contained in section 2001(c) as in effect on the date of such receipt (or, if greater, the highest rate of tax specified in the table applicable under section 2502(a) as in effect on the date), and

“(2) the value of such covered gift or bequest.

“(b) TAX TO BE PAID BY RECIPIENT.—The tax imposed by subsection (a) on any covered gift or bequest shall be paid by the person receiving such gift or bequest.

“(c) EXCEPTION FOR CERTAIN GIFTS.—Subsection (a) shall apply only to the extent that the value of covered gifts and bequests received by any person during the calendar year exceeds \$10,000.

“(d) TAX REDUCED BY FOREIGN GIFT OR ESTATE TAX.—The tax imposed by subsection



(a) on any covered gift or bequest shall be reduced by the amount of any gift or estate tax paid to a foreign country with respect to such covered gift or bequest.

“(e) COVERED GIFT OR BEQUEST.—

“(1) IN GENERAL.—For purposes of this chapter, the term ‘covered gift or bequest’ means—

“(A) any property acquired by gift directly or indirectly from an individual who, at the time of such acquisition, is a covered expatriate, and

“(B) any property acquired directly or indirectly by reason of the death of an individual who, immediately before such death, was a covered expatriate.

“(2) EXCEPTIONS FOR TRANSFERS OTHERWISE SUBJECT TO ESTATE OR GIFT TAX.—Such term shall not include—

“(A) any property shown on a timely filed return of tax imposed by chapter 12 which is a taxable gift by the covered expatriate, and

“(B) any property included in the gross estate of the covered expatriate for purposes of chapter 11 and shown on a timely filed return of tax imposed by chapter 11 of the estate of the covered expatriate.

“(3) TRANSFERS IN TRUST.—

“(A) DOMESTIC TRUSTS.—In the case of a covered gift or bequest made to a domestic trust—

“(i) subsection (a) shall apply in the same manner as if such trust were a United States citizen, and

“(ii) the tax imposed by subsection (a) on such gift or bequest shall be paid by such trust.

“(B) FOREIGN TRUSTS.—

“(i) IN GENERAL.—In the case of a covered gift or bequest made to a foreign trust, subsection (a) shall apply to any distribution attributable to such gift or bequest from such trust (whether from income or corpus) to a United States citizen or resident in the same manner as if such distribution were a covered gift or bequest.

“(ii) DEDUCTION FOR TAX PAID BY RECIPIENT.—There shall be allowed as a deduction under section 164 the amount of tax imposed by this section which is paid or accrued by a United States citizen or resident by reason of a distribution from a foreign trust, but only to the extent such tax is imposed on the portion of such distribution which is included in the gross income of such citizen or resident.

“(iii) ELECTION TO BE TREATED AS DOMESTIC TRUST.—Solely for purposes of this section, a foreign trust may elect to be treated as a domestic trust. Such an election may be revoked with the consent of the Secretary.

“(f) COVERED EXPATRIATE.—For purposes of this section, the term ‘covered expatriate’ has the meaning given to such term by section 877A(g)(1).”

(2) CLERICAL AMENDMENT.—The table of chapters for subtitle B is amended by inserting after the item relating to chapter 14 the following new item:

“CHAPTER 15. GIFTS AND BEQUESTS FROM EXPATRIATES.”

(C) DEFINITION OF TERMINATION OF UNITED STATES CITIZENSHIP.—

(1) IN GENERAL.—Section 7701(a) is amended by adding at the end the following new paragraph:

“(50) TERMINATION OF UNITED STATES CITIZENSHIP.—

“(A) IN GENERAL.—An individual shall not cease to be treated as a United States citizen before the date on which the individual’s citizenship is treated as relinquished under section 877A(g)(4).

“(B) DUAL CITIZENS.—Under regulations prescribed by the Secretary, subparagraph (A) shall not apply to an individual who became at birth a citizen of the United States and a citizen of another country.”

(2) CONFORMING AMENDMENTS.—

(A) Paragraph (1) of section 877(e) is amended to read as follows:

“(1) IN GENERAL.—Any long-term resident of the United States who ceases to be a lawful permanent resident of the United States (within the meaning of section 7701(b)(6)) shall be treated for purposes of this section and sections 2107, 2501, and 6039G in the same manner as if such resident were a citizen of the United States who lost United States citizenship on the date of such cessation or commencement.”

(B) Paragraph (6) of section 7701(b) is amended by adding at the end the following flush sentence:

“An individual shall cease to be treated as a lawful permanent resident of the United States if such individual commences to be treated as a resident of a foreign country under the provisions of a tax treaty between the United States and the foreign country, does not waive the benefits of such treaty applicable to residents of the foreign country, and notifies the Secretary of the commencement of such treatment.”

(C) Section 7701 is amended by striking subsection (n) and by redesignating subsections (o) and (p) as subsections (n) and (o), respectively.

(d) INFORMATION RETURNS.—Section 6039G is amended—

(1) by inserting “or 877A” after “section 877(b)” in subsection (a), and

(2) by inserting “or 877A” after “section 877(a)” in subsection (d).

(e) CLERICAL AMENDMENT.—The table of sections for subpart A of part II of subchapter N of chapter 1 is amended by inserting after the item relating to section 877 the following new item:

“Sec. 877A. Tax responsibilities of expatriation.”

(f) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in this subsection, the amendments made by this section shall apply to expatriates (as defined in section 877A(g) of the Internal Revenue Code of 1986, as added by this section) whose expatriation date (as so defined) is on or after the date of the enactment of this Act.

(2) GIFTS AND BEQUESTS.—Chapter 15 of the Internal Revenue Code of 1986 (as added by subsection (b)) shall apply to covered gifts and bequests (as defined in section 2801 of such Code, as so added) received on or after the date of the enactment of this Act, regardless of when the transferor expatriated.

**SEC. 405. REPEAL OF SUSPENSION OF CERTAIN PENALTIES AND INTEREST.**

(a) IN GENERAL.—Section 6404 is amended by striking subsection (g) and by redesignating subsection (h) as subsection (g).

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to notices provided by the Secretary of the Treasury, or his delegate, after the date which is 6 months after the date of the enactment of the Small Business and Work Opportunity Tax Act of 2007.

**SEC. 406. INCREASE IN INFORMATION RETURN PENALTIES.**

(a) FAILURE TO FILE CORRECT INFORMATION RETURNS.—

(1) IN GENERAL.—Subsections (a)(1), (b)(1)(A), and (b)(2)(A) of section 6721 are each amended by striking “\$50” and inserting “\$100”.

(2) AGGREGATE ANNUAL LIMITATION.—Subsections (a)(1), (d)(1)(A), and (e)(3)(A) of section 6721 are each amended by striking “\$250,000” and inserting “\$600,000”.

(b) REDUCTION WHERE CORRECTION WITHIN 30 DAYS.—

(1) IN GENERAL.—Subparagraph (A) of section 6721(b)(1) is amended by striking “\$15” and inserting “\$25”.

(2) AGGREGATE ANNUAL LIMITATION.—Subsections (b)(1)(B) and (d)(1)(B) of section 6721 are each amended by striking “\$75,000” and inserting “\$200,000”.

(c) REDUCTION WHERE CORRECTION ON OR BEFORE AUGUST 1.—

(1) IN GENERAL.—Subparagraph (A) of section 6721(b)(2) is amended by striking “\$30” and inserting “\$60”.

(2) AGGREGATE ANNUAL LIMITATION.—Subsections (b)(2)(B) and (d)(1)(C) of section 6721 are each amended by striking “\$150,000” and inserting “\$400,000”.

(d) AGGREGATE ANNUAL LIMITATIONS FOR PERSONS WITH GROSS RECEIPTS OF NOT MORE THAN \$5,000,000.—Paragraph (1) of section 6721(d) is amended—

(1) by striking “\$100,000” in subparagraph (A) and inserting “\$250,000”,

(2) by striking “\$25,000” in subparagraph (B) and inserting “\$75,000”, and

(3) by striking “\$50,000” in subparagraph (C) and inserting “\$150,000”.

(e) PENALTY IN CASE OF INTENTIONAL DISREGARD.—Paragraph (2) of section 6721(e) is amended by striking “\$100” and inserting “\$250”.

(f) FAILURE TO FURNISH CORRECT PAYEE STATEMENTS.—

(1) IN GENERAL.—Subsection (a) of section 6722 is amended by striking “\$50” and inserting “\$100”.

(2) AGGREGATE ANNUAL LIMITATION.—Subsections (a) and (c)(2)(A) of section 6722 are each amended by striking “\$100,000” and inserting “\$600,000”.

(3) PENALTY IN CASE OF INTENTIONAL DISREGARD.—Paragraph (1) of section 6722(c) is amended by striking “\$100” and inserting “\$250”.

(g) FAILURE TO COMPLY WITH OTHER INFORMATION REPORTING REQUIREMENTS.—Section 6723 is amended—

(1) by striking “\$50” and inserting “\$100”, and

(2) by striking “\$100,000” and inserting “\$600,000”.

(h) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to information returns required to be filed on or after January 1, 2008.

**SEC. 407. UNUSED MERCHANDISE DRAWBACK.**

(a) IN GENERAL.—Section 313(j)(2) of the Tariff Act of 1930 (19 U.S.C. 1313(j)(2)) is amended by adding at the end the following: “For purposes of subparagraph (A) of this paragraph, wine of the same color shall be deemed to be commercially interchangeable.”

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on the date of the enactment of this Act.

The SPEAKER pro tempore. Pursuant to House Resolution 809, the amendment in the nature of a substitute printed in the bill is adopted and the bill, as amended, is considered read.

The text of the bill, as amended, is as follows:

H.R. 3996

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

**SECTION 1. SHORT TITLE, ETC.**

(a) *SHORT TITLE.*—This Act may be cited as the “Temporary Tax Relief Act of 2007”.

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

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

*Sec. 1. Short title, etc.*

## TITLE I—AMT RELIEF

- Sec. 101. Extension of alternative minimum tax relief for nonrefundable personal credits.
- Sec. 102. Extension of increased alternative minimum tax exemption amount.
- Sec. 103. Increase of AMT refundable credit amount for individuals with long-term unused credits for prior year minimum tax liability, etc.

## TITLE II—ADDITIONAL INDIVIDUAL TAX RELIEF

- Sec. 201. Refundable child credit.
- Sec. 202. Additional standard deduction for real property taxes for nonitemizers.

## TITLE III—ONE-YEAR EXTENDERS

## Subtitle A—Extenders Primarily Affecting Individuals

- Sec. 301. Deduction for State and local sales taxes.
- Sec. 302. Deduction of qualified tuition and related expenses.
- Sec. 303. Treatment of certain dividends of regulated investment companies.
- Sec. 304. Parity in the application of certain limits to mental health benefits.
- Sec. 305. Qualified conservation contributions.
- Sec. 306. Tax-free distributions from individual retirement plans for charitable purposes.
- Sec. 307. Deduction for certain expenses of elementary and secondary school teachers.
- Sec. 308. Election to include combat pay as earned income for purposes of earned income tax credit.
- Sec. 309. Modification of mortgage revenue bonds for veterans.
- Sec. 310. Distributions from retirement plans to individuals called to active duty.
- Sec. 311. Stock in RIC for purposes of determining estates of nonresidents not citizens.
- Sec. 312. Qualified investment entities.
- Sec. 313. State legislators' travel expenses away from home.

## Subtitle B—Extenders Primarily Affecting Businesses

- Sec. 321. Research credit.
- Sec. 322. Indian employment credit.
- Sec. 323. New markets tax credit.
- Sec. 324. Railroad track maintenance.
- Sec. 325. Fifteen-year straight-line cost recovery for qualified leasehold improvements and qualified restaurant property.
- Sec. 326. Seven-year cost recovery period for motorsports racing track facility.
- Sec. 327. Accelerated depreciation for business property on Indian reservation.
- Sec. 328. Expensing of environmental remediation costs.
- Sec. 329. Deduction allowable with respect to income attributable to domestic production activities in Puerto Rico.
- Sec. 330. Modification of tax treatment of certain payments to controlling exempt organizations.
- Sec. 331. Extension and modification of credit to holders of qualified zone academy bonds.
- Sec. 332. Tax incentives for investment in the District of Columbia.
- Sec. 333. Extension of economic development credit for American Samoa.
- Sec. 334. Enhanced charitable deduction for contributions of food inventory.
- Sec. 335. Enhanced charitable deduction for contributions of book inventory to public schools.
- Sec. 336. Enhanced deduction for qualified computer contributions.
- Sec. 337. Basis adjustment to stock of S corporations making charitable contributions of property.

- Sec. 338. Extension of work opportunity tax credit for Hurricane Katrina employees.

## Subtitle C—Other Extenders

- Sec. 341. Disclosure for combined employment tax reporting.
- Sec. 342. Disclosure of return information to apprise appropriate officials of terrorist activities.
- Sec. 343. Disclosure upon request of information relating to terrorist activities.
- Sec. 344. Disclosure of return information to carry out income contingent repayment of student loans.
- Sec. 345. Authority for undercover operations.
- Sec. 346. Increase in limit on cover over of rum excise tax to Puerto Rico and the Virgin Islands.
- Sec. 347. Disclosure of return information for certain veterans programs.

## TITLE IV—MORTGAGE FORGIVENESS DEBT RELIEF

- Sec. 401. Discharges of indebtedness on principal residence excluded from gross income.
- Sec. 402. Long-term extension of deduction for mortgage insurance premiums.
- Sec. 403. Alternative tests for qualifying as cooperative housing corporation.
- Sec. 404. Gain from sale of principal residence allocated to nonqualified use not excluded from income.

## TITLE V—ADMINISTRATIVE PROVISIONS

- Sec. 501. Repeal of authority to enter into private debt collection contracts.
- Sec. 502. Delay of application of withholding requirement on certain governmental payments for goods and services.
- Sec. 503. Clarification of entitlement of Virgin Islands residents to protections of limitations on assessment and collection of tax.
- Sec. 504. Revision of tax rules on expatriation.
- Sec. 505. Repeal of suspension of certain penalties and interest.
- Sec. 506. Unused merchandise drawback.

## TITLE VI—REVENUE PROVISIONS

## Subtitle A—Nonqualified Deferred Compensation From Certain Tax Indifferent Parties

- Sec. 601. Nonqualified deferred compensation from certain tax indifferent parties.

## Subtitle B—Provisions Related to Certain Investment Partnerships

- Sec. 611. Income of partners for performing investment management services treated as ordinary income received for performance of services.
- Sec. 612. Indebtedness incurred by a partnership in acquiring securities and commodities not treated as acquisition indebtedness for organizations which are partners with limited liability.
- Sec. 613. Application to partnership interests and tax sharing agreements of rule treating certain gain on sales between related persons as ordinary income.

## Subtitle C—Other Provisions

- Sec. 621. Delay in application of worldwide allocation of interest.
- Sec. 622. Broker reporting of customer's basis in securities transactions.
- Sec. 623. Modification of penalty for failure to file partnership returns.
- Sec. 624. Penalty for failure to file S corporation returns.
- Sec. 625. Time for payment of corporate estimated taxes.

## TITLE I—AMT RELIEF

## SEC. 101. EXTENSION OF ALTERNATIVE MINIMUM TAX RELIEF FOR NONREFUNDABLE PERSONAL CREDITS.

(a) IN GENERAL.—Paragraph (2) of section 26(a) (relating to special rule for taxable years 2000 through 2006) is amended—

- (1) by striking “or 2006” and inserting “2006, or 2007”, and
- (2) by striking “2006” in the heading thereof and inserting “2007”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2006.

## SEC. 102. EXTENSION OF INCREASED ALTERNATIVE MINIMUM TAX EXEMPTION AMOUNT.

(a) IN GENERAL.—Paragraph (1) of section 55(d) (relating to exemption amount) is amended—

- (1) by striking “(\$62,550 in the case of taxable years beginning in 2006)” in subparagraph (A) and inserting “(\$66,250 in the case of taxable years beginning in 2007)”, and

(2) by striking “(\$42,500 in the case of taxable years beginning in 2006)” in subparagraph (B) and inserting “(\$44,350 in the case of taxable years beginning in 2007)”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2006.

## SEC. 103. INCREASE OF AMT REFUNDABLE CREDIT AMOUNT FOR INDIVIDUALS WITH LONG-TERM UNUSED CREDITS FOR PRIOR YEAR MINIMUM TAX LIABILITY, ETC.

(a) IN GENERAL.—Paragraph (2) of section 53(e) of the Internal Revenue Code of 1986 is amended to read as follows:

“(2) AMT REFUNDABLE CREDIT AMOUNT.—For purposes of paragraph (1), the term ‘AMT refundable credit amount’ means, with respect to any taxable year, the amount (not in excess of the long-term unused minimum tax credit for such taxable year) equal to the greater of—

“(A) 50 percent of the long-term unused minimum tax credit for such taxable year, or

“(B) the amount (if any) of the AMT refundable credit amount determined under this paragraph for the taxpayer's preceding taxable year.”.

(b) TREATMENT OF CERTAIN UNDERPAYMENTS, INTEREST, AND PENALTIES ATTRIBUTABLE TO THE TREATMENT OF INCENTIVE STOCK OPTIONS.—Section 53 of such Code is amended by adding at the end the following new subsection:

“(f) TREATMENT OF CERTAIN UNDERPAYMENTS, INTEREST, AND PENALTIES ATTRIBUTABLE TO THE TREATMENT OF INCENTIVE STOCK OPTIONS.—

“(1) ABATEMENT.—Any underpayment of tax outstanding on the date of the enactment of this subsection which is attributable to the application of section 56(b)(3) for any taxable year ending before January 1, 2007 (and any interest or penalty with respect to such underpayment which is outstanding on such date of enactment), is hereby abated. No credit shall be allowed under this section with respect to any amount abated under this paragraph.

“(2) INCREASE IN CREDIT FOR CERTAIN INTEREST AND PENALTIES ALREADY PAID.—Any interest or penalty paid before the date of the enactment of this subsection which would (but for such payment) have been abated under paragraph (1) shall be treated for purposes of this section as an amount of adjusted net minimum tax imposed for the taxable year of the underpayment to which such interest or penalty relates.”.

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendment made by this section shall apply to taxable years beginning after December 31, 2006.

(2) ABATEMENT.—Section 53(f)(1) of the Internal Revenue Code of 1986, as added by subsection (b), shall take effect on the date of the enactment of this Act.



**TITLE II—ADDITIONAL INDIVIDUAL TAX RELIEF**

**SEC. 201. REFUNDABLE CHILD CREDIT.**

(a) **MODIFICATION OF THRESHOLD AMOUNT.**—Clause (i) of section 24(d)(1)(B) is amended by inserting “(\$8,500 in the case of taxable years beginning in 2008)” after “\$10,000”.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2007.

**SEC. 202. ADDITIONAL STANDARD DEDUCTION FOR REAL PROPERTY TAXES FOR NONITEMIZERS.**

(a) **IN GENERAL.**—Section 63(c)(1) (defining standard deduction) is amended by striking “and” at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting “, and”, and by adding at the end the following new subparagraph:

“(C) in the case of any taxable year beginning in 2008, the real property tax deduction.”

(b) **DEFINITION.**—Section 63(c) is amended by adding at the end the following new paragraph:

“(8) **REAL PROPERTY TAX DEDUCTION.**—For purposes of paragraph (1), the real property tax deduction is so much of the amount of State and local real property taxes (within the meaning of section 164) paid or accrued by the taxpayer during the taxable year which do not exceed \$350 (\$700 in the case of a joint return).”

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years beginning after December 31, 2007.

**TITLE III—ONE-YEAR EXTENDERS**

**Subtitle A—Extenders Primarily Affecting Individuals**

**SEC. 301. DEDUCTION FOR STATE AND LOCAL SALES TAXES.**

(a) **IN GENERAL.**—Subparagraph (1) of section 164(b)(5) is amended by striking “January 1, 2008” and inserting “January 1, 2009”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to taxable years beginning after December 31, 2007.

**SEC. 302. DEDUCTION OF QUALIFIED TUITION AND RELATED EXPENSES.**

(a) **IN GENERAL.**—Subsection (e) of section 222 (relating to termination) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to taxable years beginning after December 31, 2007.

**SEC. 303. TREATMENT OF CERTAIN DIVIDENDS OF REGULATED INVESTMENT COMPANIES.**

(a) **INTEREST-RELATED DIVIDENDS.**—Subparagraph (C) of section 871(k)(1) (defining interest-related dividend) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) **SHORT-TERM CAPITAL GAIN DIVIDENDS.**—Subparagraph (C) of section 871(k)(2) (defining short-term capital gain dividend) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to dividends with respect to taxable years of regulated investment companies beginning after December 31, 2007.

**SEC. 304. PARITY IN THE APPLICATION OF CERTAIN LIMITS TO MENTAL HEALTH BENEFITS.**

(a) **IN GENERAL.**—Paragraph (3) of section 9812(f) (relating to application of section) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to benefits for services furnished after December 31, 2007.

**SEC. 305. QUALIFIED CONSERVATION CONTRIBUTIONS.**

(a) **IN GENERAL.**—Clause (vi) of section 170(b)(1)(E) (relating to termination) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to contributions made in taxable years beginning after December 31, 2007.

**SEC. 306. TAX-FREE DISTRIBUTIONS FROM INDIVIDUAL RETIREMENT PLANS FOR CHARITABLE PURPOSES.**

(a) **IN GENERAL.**—Subparagraph (F) of section 408(d)(8) (relating to termination) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to distributions made in taxable years beginning after December 31, 2007.

**SEC. 307. DEDUCTION FOR CERTAIN EXPENSES OF ELEMENTARY AND SECONDARY SCHOOL TEACHERS.**

(a) **IN GENERAL.**—Subparagraph (D) of section 62(a)(2) (relating to certain expenses of elementary and secondary school teachers) is amended by striking “or 2007” and inserting “2007, or 2008”.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2007.

**SEC. 308. ELECTION TO INCLUDE COMBAT PAY AS EARNED INCOME FOR PURPOSES OF EARNED INCOME TAX CREDIT.**

(a) **IN GENERAL.**—Subclause (II) of section 32(c)(2)(B)(vi) (defining earned income) is amended by striking “January 1, 2008” and inserting “January 1, 2009”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to taxable years ending after December 31, 2007.

**SEC. 309. MODIFICATION OF MORTGAGE REVENUE BONDS FOR VETERANS.**

(a) **QUALIFIED MORTGAGE BONDS USED TO FINANCE RESIDENCES FOR VETERANS WITHOUT REGARD TO FIRST-TIME HOMEBUYER REQUIREMENT.**—Subparagraph (D) of section 143(d)(2) (relating to exceptions) is amended by striking “January 1, 2008” and inserting “January 1, 2009”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to bonds issued after December 31, 2007.

**SEC. 310. DISTRIBUTIONS FROM RETIREMENT PLANS TO INDIVIDUALS CALLED TO ACTIVE DUTY.**

(a) **IN GENERAL.**—Clause (iv) of section 72(b)(2)(G) is amended by striking “December 31, 2007” and inserting “January 1, 2009”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to individuals ordered or called to active duty on or after December 31, 2007.

**SEC. 311. STOCK IN RIC FOR PURPOSES OF DETERMINING ESTATES OF NON-RESIDENTS NOT CITIZENS.**

(a) **IN GENERAL.**—Paragraph (3) of section 2105(d) (relating to stock in a RIC) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to decedents dying after December 31, 2007.

**SEC. 312. QUALIFIED INVESTMENT ENTITIES.**

(a) **IN GENERAL.**—Clause (ii) of section 897(h)(4)(A) (relating to termination) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall take effect on January 1, 2008.

**SEC. 313. STATE LEGISLATORS' TRAVEL EXPENSES AWAY FROM HOME.**

(a) **IN GENERAL.**—Paragraph (2) of section 162(h) (relating to legislative days) is amended by adding at the end the following flush sentence: “In the case of taxable years beginning in 2008, a legislature shall be treated for purposes of this paragraph as in session on any day in which it is formally called into session without regard to whether legislation was considered on such day.”

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2007.

**Subtitle B—Extenders Primarily Affecting Businesses**

**SEC. 321. RESEARCH CREDIT.**

(a) **IN GENERAL.**—Subparagraph (B) of section 41(h)(1) (relating to termination) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) **CONFORMING AMENDMENT.**—Subparagraph (D) of section 45C(b)(1) (relating to qualified clinical testing expenses) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to amounts paid or incurred after December 31, 2007.

**SEC. 322. INDIAN EMPLOYMENT CREDIT.**

(a) **IN GENERAL.**—Subsection (f) of section 45A (relating to termination) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to taxable years beginning after December 31, 2007.

**SEC. 323. NEW MARKETS TAX CREDIT.**

Subparagraph (D) of section 45D(f)(1) (relating to national limitation on amount of investments designated) is amended by striking “and 2008” and inserting “2008, and 2009”.

**SEC. 324. RAILROAD TRACK MAINTENANCE.**

(a) **IN GENERAL.**—Subsection (f) of section 45G (relating to application of section) is amended by striking “January 1, 2008” and inserting “January 1, 2009”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to expenditures paid or incurred during taxable years beginning after December 31, 2007.

**SEC. 325. FIFTEEN-YEAR STRAIGHT-LINE COST RECOVERY FOR QUALIFIED LEASEHOLD IMPROVEMENTS AND QUALIFIED RESTAURANT PROPERTY.**

(a) **IN GENERAL.**—Clauses (iv) and (v) of section 168(e)(3)(E) (relating to 15-year property) are each amended by striking “January 1, 2008” and inserting “January 1, 2009”.

(b) **EFFECTIVE DATE.**—The amendments made by this section shall apply to property placed in service after December 31, 2007.

**SEC. 326. SEVEN-YEAR COST RECOVERY PERIOD FOR MOTORSPORTS RACING TRACK FACILITY.**

(a) **IN GENERAL.**—Subparagraph (D) of section 168(i)(15) (relating to termination) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to property placed in service after December 31, 2007.

**SEC. 327. ACCELERATED DEPRECIATION FOR BUSINESS PROPERTY ON INDIAN RESERVATION.**

(a) **IN GENERAL.**—Paragraph (8) of section 168(f) (relating to termination) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to property placed in service after December 31, 2007.

**SEC. 328. EXPENSING OF ENVIRONMENTAL REMEDIATION COSTS.**

(a) **IN GENERAL.**—Subsection (h) of section 198 (relating to termination) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to expenditures paid or incurred after December 31, 2007.

**SEC. 329. DEDUCTION ALLOWABLE WITH RESPECT TO INCOME ATTRIBUTABLE TO DOMESTIC PRODUCTION ACTIVITIES IN PUERTO RICO.**

(a) **IN GENERAL.**—Subparagraph (C) of section 199(d)(8) (relating to termination) is amended—

(1) by striking “first 2 taxable years” and inserting “first 3 taxable years”, and

(2) by striking “January 1, 2008” and inserting “January 1, 2009”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2007.

**SEC. 330. MODIFICATION OF TAX TREATMENT OF CERTAIN PAYMENTS TO CONTROLLING EXEMPT ORGANIZATIONS.**

(a) IN GENERAL.—Clause (iv) of section 512(b)(13)(E) (relating to termination) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to payments received or accrued after December 31, 2007.

**SEC. 331. EXTENSION AND MODIFICATION OF CREDIT TO HOLDERS OF QUALIFIED ZONE ACADEMY BONDS.**

(a) IN GENERAL.—Subsection (e) of section 1397E (relating to limitation on amount of bonds designated) is amended by striking “1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, and 2007” and inserting “each of calendar years 1998 through 2008”.

**(b) MODIFICATION OF ARBITRAGE RULES.—**

(1) IN GENERAL.—Subsection (g) of section 1397E (relating to special rules relating to arbitrage) is amended to read as follows:

“(g) SPECIAL RULES RELATING TO ARBITRAGE.—

“(1) IN GENERAL.—An issue shall be treated as meeting the requirements of this subsection if the issuer satisfies the requirements of section 148 with respect to the proceeds of the issue.

“(2) SPECIAL RULE FOR INVESTMENTS DURING EXPENDITURE PERIOD.—An issue shall not be treated as failing to meet the requirements of paragraph (1) by reason of any investment of available project proceeds during the 5-year period described in subsection (f)(1)(A) (including any extension of such period under subsection (f)(2)).

“(3) SPECIAL RULE FOR RESERVE FUNDS.—An issue shall not be treated as failing to meet the requirements of paragraph (1) by reason of any fund which is expected to be used to repay such issue if—

“(A) such fund is funded at a rate not more rapid than equal annual installments,

“(B) such fund is funded in a manner that such fund will not exceed the amount necessary to repay the issue if invested at the maximum rate permitted under subparagraph (C), and

“(C) the yield on such fund is not greater than the discount rate determined under subsection (d)(3) with respect to the issue.”

(2) APPLICATION OF AVAILABLE PROJECT PROCEEDS TO OTHER REQUIREMENTS.—Subsections (d)(1)(A), (d)(2)(A), (f)(1)(A), (f)(1)(B), (f)(1)(C), and (f)(3) of section 1397E are each amended by striking “proceeds” and inserting “available project proceeds”.

(3) AVAILABLE PROJECT PROCEEDS DEFINED.—Subsection (i) of section 1397E (relating to definitions) is amended by adding at the end the following new paragraph:

“(4) AVAILABLE PROJECT PROCEEDS.—The term ‘available project proceeds’ means—

“(A) the excess of—

“(i) the proceeds from the sale of an issue, over

“(ii) the issuance costs financed by the issue (to the extent that such costs do not exceed 2 percent of such proceeds), and

“(B) the proceeds from any investment of the excess described in subparagraph (A).”

**(c) EFFECTIVE DATE.—**

(1) EXTENSION.—The amendment made by subsection (a) shall apply to obligations issued after December 31, 2007.

(2) MODIFICATION OF ARBITRAGE RULES.—The amendments made by subsection (b) shall apply to obligations issued after the date of the enactment of this Act.

**SEC. 332. TAX INCENTIVES FOR INVESTMENT IN THE DISTRICT OF COLUMBIA.**

(a) DESIGNATION OF ZONE.—

(1) IN GENERAL.—Subsection (f) of section 1400 is amended by striking “2007” both places it appears and inserting “2008”.

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to periods beginning after December 31, 2007.

**(b) TAX-EXEMPT ECONOMIC DEVELOPMENT BONDS.—**

(1) IN GENERAL.—Subsection (b) of section 1400A is amended by striking “2007” and inserting “2008”.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to bonds issued after December 31, 2007.

**(c) ZERO PERCENT CAPITAL GAINS RATE.—**

(1) IN GENERAL.—Subsection (b) of section 1400B is amended by striking “2008” each place it appears and inserting “2009”.

**(2) CONFORMING AMENDMENTS.—**

(A) Section 1400B(e)(2) is amended—

(i) by striking “2012” and inserting “2013”, and

(ii) by striking “2012” in the heading thereof and inserting “2013”.

(B) Section 1400B(g)(2) is amended by striking “2012” and inserting “2013”.

(C) Section 1400F(d) is amended by striking “2012” and inserting “2013”.

**(3) EFFECTIVE DATES.—**

(A) EXTENSION.—The amendments made by paragraph (1) shall apply to acquisitions after December 31, 2007.

(B) CONFORMING AMENDMENTS.—The amendments made by paragraph (2) shall take effect on the date of the enactment of this Act.

**(d) FIRST-TIME HOMEBUYER CREDIT.—**

(1) IN GENERAL.—Subsection (i) of section 1400C is amended by striking “2008” and inserting “2009”.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to property purchased after December 31, 2007.

**SEC. 333. EXTENSION OF ECONOMIC DEVELOPMENT CREDIT FOR AMERICAN SAMOA.**

(a) IN GENERAL.—Subsection (d) of section 119 of division A of the Tax Relief and Health Care Act of 2006 is amended—

(1) by striking “first two taxable years” and inserting “first 3 taxable years”, and

(2) by striking “January 1, 2008” and inserting “January 1, 2009”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2007.

**SEC. 334. ENHANCED CHARITABLE DEDUCTION FOR CONTRIBUTIONS OF FOOD INVENTORY.**

(a) IN GENERAL.—Clause (iv) of section 170(e)(3)(C) (relating to termination) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to contributions made after December 31, 2007.

**SEC. 335. ENHANCED CHARITABLE DEDUCTION FOR CONTRIBUTIONS OF BOOK INVENTORY TO PUBLIC SCHOOLS.**

(a) IN GENERAL.—Clause (iv) of section 170(e)(3)(D) (relating to termination) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to contributions made after December 31, 2007.

**SEC. 336. ENHANCED DEDUCTION FOR QUALIFIED COMPUTER CONTRIBUTIONS.**

(a) IN GENERAL.—Subparagraph (G) of section 170(e)(6) (relating to termination) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to contributions made during taxable years beginning after December 31, 2007.

**SEC. 337. BASIS ADJUSTMENT TO STOCK OF S CORPORATIONS MAKING CHARITABLE CONTRIBUTIONS OF PROPERTY.**

(a) IN GENERAL.—The last sentence of section 1367(a)(2) (relating to decreases in basis) is

amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) TECHNICAL AMENDMENT RELATED TO SECTION 1203 OF THE PENSION PROTECTION ACT OF 2006.—Subsection (d) of section 1366 is amended by adding at the end the following new paragraph:

“(4) APPLICATION OF LIMITATION ON CHARITABLE CONTRIBUTIONS.—In the case of any charitable contribution of property to which the second sentence of section 1367(a)(2) applies, paragraph (1) shall not apply to the extent of the excess (if any) of—

“(A) the shareholder’s pro rata share of such contribution, over

“(B) the shareholder’s pro rata share of the adjusted basis of such property.”

**(c) EFFECTIVE DATE.—**

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to contributions made in taxable years beginning after December 31, 2007.

(2) TECHNICAL AMENDMENT.—The amendment made by subsection (b) shall take effect as if included in the provision of the Pension Protection Act of 2006 to which it relates.

**SEC. 338. EXTENSION OF WORK OPPORTUNITY TAX CREDIT FOR HURRICANE KATRINA EMPLOYEES.**

(a) IN GENERAL.—Paragraph (1) of section 201(b) of the Katrina Emergency Tax Relief Act of 2005 is amended by striking “2-year” and inserting “3-year”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to individuals hired after August 27, 2007.

**Subtitle C—Other Extenders**

**SEC. 341. DISCLOSURE FOR COMBINED EMPLOYMENT TAX REPORTING.**

(a) IN GENERAL.—Subparagraph (B) of section 6103(d)(5) (relating to termination) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to disclosures after December 31, 2007.

**SEC. 342. DISCLOSURE OF RETURN INFORMATION TO APPRISE APPROPRIATE OFFICIALS OF TERRORIST ACTIVITIES.**

(a) IN GENERAL.—Clause (iv) of section 6103(i)(3)(C) (relating to termination) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to disclosures after December 31, 2007.

**SEC. 343. DISCLOSURE UPON REQUEST OF INFORMATION RELATING TO TERRORIST ACTIVITIES.**

(a) IN GENERAL.—Subparagraph (E) of section 6103(i)(7) (relating to termination) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to disclosures after December 31, 2007.

**SEC. 344. DISCLOSURE OF RETURN INFORMATION TO CARRY OUT INCOME CONTINGENT REPAYMENT OF STUDENT LOANS.**

(a) IN GENERAL.—Subparagraph (D) of section 6103(l)(13) (relating to termination) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to requests made after December 31, 2007.

**SEC. 345. AUTHORITY FOR UNDERCOVER OPERATIONS.**

(a) IN GENERAL.—Paragraph (6) of section 7608(c) (relating to application of section) is amended by striking “January 1, 2008” each place it appears and inserting “January 1, 2009”.

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect on January 1, 2008.

**SEC. 346. INCREASE IN LIMIT ON COVER OVER OF RUM EXCISE TAX TO PUERTO RICO AND THE VIRGIN ISLANDS.**

(a) IN GENERAL.—Paragraph (1) of section 7652(f) is amended by striking “January 1, 2008” and inserting “January 1, 2009”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to distilled spirits brought into the United States after December 31, 2007.

**SEC. 347. DISCLOSURE OF RETURN INFORMATION FOR CERTAIN VETERANS PROGRAMS.**

(a) IN GENERAL.—The last sentence of paragraph (7) of section 6103(l) is amended by striking “September 30, 2008” and inserting “December 31, 2008”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to requests made after September 30, 2008.

**TITLE IV—MORTGAGE FORGIVENESS DEBT RELIEF****SEC. 401. DISCHARGES OF INDEBTEDNESS ON PRINCIPAL RESIDENCE EXCLUDED FROM GROSS INCOME.**

(a) IN GENERAL.—Paragraph (1) of section 108(a) is amended by striking “or” at the end of subparagraph (C), by striking the period at the end of subparagraph (D) and inserting “, or”, and by inserting after subparagraph (D) the following new subparagraph:

“(E) the indebtedness discharged is qualified principal residence indebtedness.”.

(b) SPECIAL RULES RELATING TO QUALIFIED PRINCIPAL RESIDENCE INDEBTEDNESS.—Section 108 is amended by adding at the end the following new subsection:

“(h) SPECIAL RULES RELATING TO QUALIFIED PRINCIPAL RESIDENCE INDEBTEDNESS.—

“(1) BASIS REDUCTION.—The amount excluded from gross income by reason of subsection (a)(1)(E) shall be applied to reduce (but not below zero) the basis of the principal residence of the taxpayer.

“(2) QUALIFIED PRINCIPAL RESIDENCE INDEBTEDNESS.—For purposes of this section, the term ‘qualified principal residence indebtedness’ means acquisition indebtedness (within the meaning of section 163(h)(3)(B), applied by substituting ‘\$2,000,000 (\$1,000,000)’ for ‘\$1,000,000 (\$500,000)’ in clause (ii) thereof) with respect to the principal residence of the taxpayer.

“(3) EXCEPTION FOR CERTAIN DISCHARGES NOT RELATED TO TAXPAYER’S FINANCIAL CONDITION.—Subsection (a)(1)(E) shall not apply to the discharge of a loan if the discharge is on account of services performed for the lender or any other factor not directly related to a decline in the value of the residence or to the financial condition of the taxpayer.

“(4) ORDERING RULE.—If any loan is discharged, in whole or in part, and only a portion of such loan is qualified principal residence indebtedness, subsection (a)(1)(E) shall apply only to so much of the amount discharged as exceeds the amount of the loan (as determined immediately before such discharge) which is not qualified principal residence indebtedness.

“(5) PRINCIPAL RESIDENCE.—For purposes of this subsection, the term ‘principal residence’ has the same meaning as when used in section 121.”.

(c) COORDINATION.—

(1) Subparagraph (A) of section 108(a)(2) is amended by striking “and (D)” and inserting “(D), and (E)”.

(2) Paragraph (2) of section 108(a) is amended by adding at the end the following new subparagraph:

“(C) PRINCIPAL RESIDENCE EXCLUSION TAKES PRECEDENCE OVER INSOLVENCY EXCLUSION UNLESS ELECTED OTHERWISE.—Paragraph (1)(B) shall not apply to a discharge to which paragraph (1)(E) applies unless the taxpayer elects to apply paragraph (1)(B) in lieu of paragraph (1)(E).”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to discharges of indebtedness on or after January 1, 2007.

**SEC. 402. LONG-TERM EXTENSION OF DEDUCTION FOR MORTGAGE INSURANCE PREMIUMS.**

(a) IN GENERAL.—Subparagraph (E) of section 163(h)(3) (relating to mortgage insurance premiums treated as interest) is amended by striking clauses (iii) and (iv) and inserting the following new clause:

“(iii) APPLICATION.—Clause (i) shall not apply with respect to any mortgage insurance contract issued before January 1, 2007, or after December 31, 2014.”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to contracts issued after December 31, 2006.

**SEC. 403. ALTERNATIVE TESTS FOR QUALIFYING AS COOPERATIVE HOUSING CORPORATION.**

(a) IN GENERAL.—Subparagraph (D) of section 216(b)(1) (defining cooperative housing corporation) is amended to read as follows:

“(D) meeting 1 or more of the following requirements for the taxable year in which the taxes and interest described in subsection (a) are paid or incurred:

“(i) 80 percent or more of the corporation’s gross income for such taxable year is derived from tenant-stockholders.

“(ii) At all times during such taxable year, 80 percent or more of the total square footage of the corporation’s property is used or available for use by the tenant-stockholders for residential purposes or purposes ancillary to such residential use.

“(iii) 90 percent or more of the expenditures of the corporation paid or incurred during such taxable year are paid or incurred for the acquisition, construction, management, maintenance, or care of the corporation’s property for the benefit of the tenant-stockholders.”.

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

**SEC. 404. GAIN FROM SALE OF PRINCIPAL RESIDENCE ALLOCATED TO NON-QUALIFIED USE NOT EXCLUDED FROM INCOME.**

(a) IN GENERAL.—Subsection (b) of section 121 (relating to limitations) is amended by adding at the end the following new paragraph:

“(4) EXCLUSION OF GAIN ALLOCATED TO NON-QUALIFIED USE.—

“(A) IN GENERAL.—Subsection (a) shall not apply to so much of the gain from the sale or exchange of property as is allocated to periods of nonqualified use.

“(B) GAIN ALLOCATED TO PERIODS OF NON-QUALIFIED USE.—For purposes of subparagraph (A), gain shall be allocated to periods of nonqualified use based on the ratio which—

“(i) the aggregate periods of nonqualified use during the period such property was owned by the taxpayer, bears to

“(ii) the period such property was owned by the taxpayer.

“(C) PERIOD OF NONQUALIFIED USE.—For purposes of this paragraph—

“(i) IN GENERAL.—The term ‘period of nonqualified use’ means any period (other than the portion of any period preceding January 1, 2008) during which the property is not used as the principal residence of the taxpayer or the taxpayer’s spouse or former spouse.

“(ii) EXCEPTIONS.—The term ‘period of nonqualified use’ does not include—

“(I) any portion of the 5-year period described in subsection (a) which is after the last date that such property is used as the principal residence of the taxpayer or the taxpayer’s spouse,

“(II) any period (not to exceed an aggregate period of 10 years) during which the taxpayer or the taxpayer’s spouse is serving on qualified official extended duty (as defined in subsection (d)(9)(C)) described in clause (i), (ii), or (iii) of subsection (d)(9)(A), and

“(III) any other period of temporary absence (not to exceed an aggregate period of 2 years) due to change of employment, health conditions,

or such other unforeseen circumstances as may be specified by the Secretary.

“(D) COORDINATION WITH RECOGNITION OF GAIN ATTRIBUTABLE TO DEPRECIATION.—For purposes of this paragraph—

“(i) subparagraph (A) shall be applied after the application of subsection (d)(6), and

“(ii) subparagraph (B) shall be applied without regard to any gain to which subsection (d)(6) applies.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to sales and exchanges after December 31, 2007.

**TITLE V—ADMINISTRATIVE PROVISIONS****SEC. 501. REPEAL OF AUTHORITY TO ENTER INTO PRIVATE DEBT COLLECTION CONTRACTS.**

(a) IN GENERAL.—Subchapter A of chapter 64 is amended by striking section 6306.

(b) CONFORMING AMENDMENTS.—

(1) Subchapter B of chapter 76 is amended by striking section 7433A.

(2) Section 7811 is amended by striking subsection (g).

(3) Section 1203 of the Internal Revenue Service Restructuring Act of 1998 is amended by striking subsection (e).

(4) The table of sections for subchapter A of chapter 64 is amended by striking the item relating to section 6306.

(5) The table of sections for subchapter B of chapter 76 is amended by striking the item relating to section 7433A.

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall take effect on the date of the enactment of this Act.

(2) EXCEPTION FOR EXISTING CONTRACTS, ETC.—The amendments made by this section shall not apply to any contract which was entered into before July 18, 2007, and is not renewed or extended on or after such date.

(3) UNAUTHORIZED CONTRACTS AND EXTENSIONS TREATED AS VOID.—Any qualified tax collection contract (as defined in section 6306 of the Internal Revenue Code of 1986, as in effect before its repeal) which is entered into on or after July 18, 2007, and any extension or renewal on or after such date of any qualified tax collection contract (as so defined) shall be void.

**SEC. 502. DELAY OF APPLICATION OF WITHHOLDING REQUIREMENT ON CERTAIN GOVERNMENTAL PAYMENTS FOR GOODS AND SERVICES.**

(a) IN GENERAL.—Subsection (b) of section 511 of the Tax Increase Prevention and Reconciliation Act of 2005 is amended by striking “December 31, 2010” and inserting “December 31, 2011”.

(b) REPORT TO CONGRESS.—Not later than 6 months after the date of the enactment of this Act, the Secretary of the Treasury shall submit to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate a report with respect to the withholding requirements of section 3402(t) of the Internal Revenue Code of 1986, including a detailed analysis of—

(1) the problems, if any, which are anticipated in administering and complying with such requirements,

(2) the burdens, if any, that such requirements will place on governments and businesses (taking into account such mechanisms as may be necessary to administer such requirements), and

(3) the application of such requirements to small expenditures for services and goods by governments.

**SEC. 503. CLARIFICATION OF ENTITLEMENT OF VIRGIN ISLANDS RESIDENTS TO PROTECTIONS OF LIMITATIONS ON ASSESSMENT AND COLLECTION OF TAX.**

(a) IN GENERAL.—Subsection (c) of section 932 (relating to treatment of Virgin Islands residents) is amended by adding at the end the following new paragraph:

“(5) TREATMENT OF INCOME TAX RETURN FILED WITH VIRGIN ISLANDS.—An income tax return filed with the Virgin Islands by an individual claiming to be described in paragraph (1) for the taxable year shall be treated for purposes of subtitle F in the same manner as if such return were an income tax return filed with the United States for such taxable year. The preceding sentence shall not apply where such return is false or fraudulent with the intent to evade tax or otherwise is a willful attempt in any manner to defeat or evade tax.”

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after 1986.

**SEC. 504. REVISION OF TAX RULES ON EXPATRIATION.**

(a) IN GENERAL.—Subpart A of part II of subchapter N of chapter 1 is amended by inserting after section 877 the following new section:

**“SEC. 877A. TAX RESPONSIBILITIES OF EXPATRIATION.**

“(a) GENERAL RULES.—For purposes of this subtitle—

“(1) MARK TO MARKET.—All property of a covered expatriate shall be treated as sold on the day before the expatriation date for its fair market value.

“(2) RECOGNITION OF GAIN OR LOSS.—In the case of any sale under paragraph (1)—

“(A) notwithstanding any other provision of this title, any gain arising from such sale shall be taken into account for the taxable year of the sale, and

“(B) any loss arising from such sale shall be taken into account for the taxable year of the sale to the extent otherwise provided by this title, except that section 1091 shall not apply to any such loss.

Proper adjustment shall be made in the amount of any gain or loss subsequently realized for gain or loss taken into account under the preceding sentence, determined without regard to paragraph (3).

“(3) EXCLUSION FOR CERTAIN GAIN.—

“(A) IN GENERAL.—The amount which would (but for this paragraph) be includable in the gross income of any individual by reason of paragraph (1) shall be reduced (but not below zero) by \$600,000.

“(B) ADJUSTMENT FOR INFLATION.—

“(i) IN GENERAL.—In the case of any taxable year beginning in a calendar year after 2008, the dollar amount in subparagraph (A) shall be increased by an amount equal to—

“(I) such dollar amount, multiplied by

“(II) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, by substituting ‘calendar year 2007’ for ‘calendar year 1992’ in subparagraph (B) thereof.

“(ii) ROUNDING.—If any amount as adjusted under clause (i) is not a multiple of \$1,000, such amount shall be rounded to the nearest multiple of \$1,000.

“(b) ELECTION TO DEFER TAX.—

“(1) IN GENERAL.—If the taxpayer elects the application of this subsection with respect to any property treated as sold by reason of subsection (a), the time for payment of the additional tax attributable to such property shall be extended until the due date of the return for the taxable year in which such property is disposed of (or, in the case of property disposed of in a transaction in which gain is not recognized in whole or in part, until such other date as the Secretary may prescribe).

“(2) DETERMINATION OF TAX WITH RESPECT TO PROPERTY.—For purposes of paragraph (1), the additional tax attributable to any property is an amount which bears the same ratio to the additional tax imposed by this chapter for the taxable year solely by reason of subsection (a) as the gain taken into account under subsection (a) with respect to such property bears to the total gain taken into account under subsection (a) with respect to all property to which subsection (a) applies.

“(3) TERMINATION OF EXTENSION.—The due date for payment of tax may not be extended under this subsection later than the due date for the return of tax imposed by this chapter for the taxable year which includes the date of death of the expatriate (or, if earlier, the time that the security provided with respect to the property fails to meet the requirements of paragraph (4), unless the taxpayer corrects such failure within the time specified by the Secretary).

“(4) SECURITY.—

“(A) IN GENERAL.—No election may be made under paragraph (1) with respect to any property unless adequate security is provided with respect to such property.

“(B) ADEQUATE SECURITY.—For purposes of subparagraph (A), security with respect to any property shall be treated as adequate security if—

“(i) it is a bond which is furnished to, and accepted by, the Secretary, which is conditioned on the payment of tax (and interest thereon), and which meets the requirements of section 6325, or

“(ii) it is another form of security for such payment (including letters of credit) that meets such requirements as the Secretary may prescribe.

“(5) WAIVER OF CERTAIN RIGHTS.—No election may be made under paragraph (1) unless the taxpayer makes an irrevocable waiver of any right under any treaty of the United States which would preclude assessment or collection of any tax imposed by reason of this section.

“(6) ELECTIONS.—An election under paragraph (1) shall only apply to property described in the election and, once made, is irrevocable.

“(7) INTEREST.—For purposes of section 6601, the last date for the payment of tax shall be determined without regard to the election under this subsection.

“(c) EXCEPTION FOR CERTAIN PROPERTY.—Subsection (a) shall not apply to—

“(1) any deferred compensation item (as defined in subsection (d)(4)),

“(2) any specified tax deferred account (as defined in subsection (e)(2)), and

“(3) any interest in a nongrantor trust (as defined in subsection (f)(3)).

“(d) TREATMENT OF DEFERRED COMPENSATION ITEMS.—

“(1) WITHHOLDING ON ELIGIBLE DEFERRED COMPENSATION ITEMS.—

“(A) IN GENERAL.—In the case of any eligible deferred compensation item, the payor shall deduct and withhold from any taxable payment to a covered expatriate with respect to such item a tax equal to 30 percent thereof.

“(B) TAXABLE PAYMENT.—For purposes of subparagraph (A), the term ‘taxable payment’ means with respect to a covered expatriate any payment to the extent it would be includable in the gross income of the covered expatriate if such expatriate continued to be subject to tax as a citizen or resident of the United States. A deferred compensation item shall be taken into account as a payment under the preceding sentence when such item would be so includable.

“(2) OTHER DEFERRED COMPENSATION ITEMS.—In the case of any deferred compensation item which is not an eligible deferred compensation item—

“(A)(i) with respect to any deferred compensation item to which clause (ii) does not apply, an amount equal to the present value of the covered expatriate’s accrued benefit shall be treated as having been received by such individual on the day before the expatriation date as a distribution under the plan, and

“(ii) with respect to any deferred compensation item referred to in paragraph (4)(D), the rights of the covered expatriate to such item shall be treated as becoming transferable and not subject to a substantial risk of forfeiture on the day before the expatriation date.

“(B) no early distribution tax shall apply by reason of such treatment, and

“(C) appropriate adjustments shall be made to subsequent distributions from the plan to reflect such treatment.

“(3) ELIGIBLE DEFERRED COMPENSATION ITEMS.—For purposes of this subsection, the term ‘eligible deferred compensation item’ means any deferred compensation item with respect to which—

“(A) the payor of such item is—

“(i) a United States person, or

“(ii) a person who is not a United States person but who elects to be treated as a United States person for purposes of paragraph (1) and meets such requirements as the Secretary may provide to ensure that the payor will meet the requirements of paragraph (1), and

“(B) the covered expatriate—

“(i) notifies the payor of his status as a covered expatriate, and

“(ii) makes an irrevocable waiver of any right to claim any reduction under any treaty with the United States in withholding on such item.

“(4) DEFERRED COMPENSATION ITEM.—For purposes of this subsection, the term ‘deferred compensation item’ means—

“(A) any interest in a plan or arrangement described in section 219(g)(5),

“(B) any interest in a foreign pension plan or similar retirement arrangement or program,

“(C) any item of deferred compensation, and

“(D) any property, or right to property, which the individual is entitled to receive in connection with the performance of services to the extent not previously taken into account under section 83 or in accordance with section 83.

“(5) EXCEPTION.—Paragraphs (1) and (2) shall not apply to any deferred compensation item which is attributable to services performed outside the United States while the covered expatriate was not a citizen or resident of the United States.

“(6) SPECIAL RULES.—

“(A) APPLICATION OF WITHHOLDING RULES.—Rules similar to the rules of subchapter B of chapter 3 shall apply for purposes of this subsection.

“(B) APPLICATION OF TAX.—Any item subject to the withholding tax imposed under paragraph (1) shall be subject to tax under section 871.

“(C) COORDINATION WITH OTHER WITHHOLDING REQUIREMENTS.—Any item subject to withholding under paragraph (1) shall not be subject to withholding under section 1441 or chapter 24.

“(e) TREATMENT OF SPECIFIED TAX DEFERRED ACCOUNTS.—

“(1) ACCOUNT TREATED AS DISTRIBUTED.—In the case of any interest in a specified tax deferred account held by a covered expatriate on the day before the expatriation date—

“(A) the covered expatriate shall be treated as receiving a distribution of his entire interest in such account on the day before the expatriation date,

“(B) no early distribution tax shall apply by reason of such treatment, and

“(C) appropriate adjustments shall be made to subsequent distributions from the account to reflect such treatment.

“(2) SPECIFIED TAX DEFERRED ACCOUNT.—For purposes of paragraph (1), the term ‘specified tax deferred account’ means an individual retirement plan (as defined in section 7701(a)(37)) other than any arrangement described in subsection (k) or (p) of section 408, a qualified tuition program (as defined in section 529), a Coverdell education savings account (as defined in section 530), a health savings account (as defined in section 223), and an Archer MSA (as defined in section 220).

“(f) SPECIAL RULES FOR NONGRANTOR TRUSTS.—

“(1) IN GENERAL.—In the case of a distribution (directly or indirectly) of any property from a nongrantor trust to a covered expatriate—

“(A) the trustee shall deduct and withhold from such distribution an amount equal to 30 percent of the taxable portion of the distribution, and

“(B) if the fair market value of such property exceeds its adjusted basis in the hands of the

trust, gain shall be recognized to the trust as if such property were sold to the expatriate at its fair market value.

“(2) **TAXABLE PORTION.**—For purposes of this subsection, the term ‘taxable portion’ means, with respect to any distribution, that portion of the distribution which would be includible in the gross income of the covered expatriate if such expatriate continued to be subject to tax as a citizen or resident of the United States.

“(3) **NONGRANTOR TRUST.**—For purposes of this subsection, the term ‘nongrantor trust’ means the portion of any trust that the individual is not considered the owner of under subpart E of part I of subchapter J. The determination under the preceding sentence shall be made immediately before the expatriation date.

“(4) **SPECIAL RULES RELATING TO WITHHOLDING.**—For purposes of this subsection—

“(A) rules similar to the rules of subsection (d)(6) shall apply, and

“(B) the covered expatriate shall be treated as having waived any right to claim any reduction under any treaty with the United States in withholding on any distribution to which paragraph (1)(A) applies.

“(5) **APPLICATION.**—This subsection shall apply to a nongrantor trust only if the covered expatriate was a beneficiary of the trust on the day before the expatriation date.

“(g) **DEFINITIONS AND SPECIAL RULES RELATING TO EXPATRIATION.**—For purposes of this section—

“(1) **COVERED EXPATRIATE.**—

“(A) **IN GENERAL.**—The term ‘covered expatriate’ means an expatriate who meets the requirements of subparagraph (A), (B), or (C) of section 877(a)(2).

“(B) **EXCEPTIONS.**—An individual shall not be treated as meeting the requirements of subparagraph (A) or (B) of section 877(a)(2) if—

“(i) the individual—

“(I) became at birth a citizen of the United States and a citizen of another country and, as of the expatriation date, continues to be a citizen of, and is taxed as a resident of, such other country, and

“(II) has been a resident of the United States (as defined in section 7701(b)(1)(A)(ii)) for not more than 10 taxable years during the 15-taxable year period ending with the taxable year during which the expatriation date occurs, or

“(ii) (I) the individual’s relinquishment of United States citizenship occurs before such individual attains age 18½, and

“(II) the individual has been a resident of the United States (as so defined) for not more than 10 taxable years before the date of relinquishment.

“(C) **COVERED EXPATRIATES ALSO SUBJECT TO TAX AS CITIZENS OR RESIDENTS.**—In the case of any covered expatriate who is subject to tax as a citizen or resident of the United States for any period beginning after the expatriation date, such individual shall not be treated as a covered expatriate during such period for purposes of subsections (d)(1) and (f) and section 2801.

“(2) **EXPATRIATE.**—The term ‘expatriate’ means—

“(A) any United States citizen who relinquishes his citizenship, and

“(B) any long-term resident of the United States who ceases to be a lawful permanent resident of the United States (within the meaning of section 7701(b)(6)).

“(3) **EXPATRIATION DATE.**—The term ‘expatriation date’ means—

“(A) the date an individual relinquishes United States citizenship, or

“(B) in the case of a long-term resident of the United States, the date on which the individual ceases to be a lawful permanent resident of the United States (within the meaning of section 7701(b)(6)).

“(4) **RELINQUISHMENT OF CITIZENSHIP.**—A citizen shall be treated as relinquishing his United States citizenship on the earliest of—

“(A) the date the individual renounces his United States nationality before a diplomatic or

consular officer of the United States pursuant to paragraph (5) of section 349(a) of the Immigration and Nationality Act (8 U.S.C. 1481(a)(5)),

“(B) the date the individual furnishes to the United States Department of State a signed statement of voluntary relinquishment of United States nationality confirming the performance of an act of expatriation specified in paragraph (1), (2), (3), or (4) of section 349(a) of the Immigration and Nationality Act (8 U.S.C. 1481(a)(1)–(4)),

“(C) the date the United States Department of State issues to the individual a certificate of loss of nationality, or

“(D) the date a court of the United States cancels a naturalized citizen’s certificate of naturalization.

Subparagraph (A) or (B) shall not apply to any individual unless the renunciation or voluntary relinquishment is subsequently approved by the issuance to the individual of a certificate of loss of nationality by the United States Department of State.

“(5) **LONG-TERM RESIDENT.**—The term ‘long-term resident’ has the meaning given to such term by section 877(e)(2).

“(6) **EARLY DISTRIBUTION TAX.**—The term ‘early distribution tax’ means any increase in tax imposed under section 72(t), 220(e)(4), 223(f)(4), 409A(a)(1)(B), 529(c)(6), or 530(d)(4).

“(h) **OTHER RULES.**—

“(1) **TERMINATION OF DEFERRALS, ETC.**—In the case of any covered expatriate, notwithstanding any other provision of this title—

“(A) any time period for acquiring property which would result in the reduction in the amount of gain recognized with respect to property disposed of by the taxpayer shall terminate on the day before the expatriation date, and

“(B) any extension of time for payment of tax shall cease to apply on the day before the expatriation date and the unpaid portion of such tax shall be due and payable at the time and in the manner prescribed by the Secretary.

“(2) **STEP-UP IN BASIS.**—Solely for purposes of determining any tax imposed by reason of subsection (a), property which was held by an individual on the date the individual first became a resident of the United States (within the meaning of section 7701(b)) shall be treated as having a basis on such date of not less than the fair market value of such property on such date. The preceding sentence shall not apply if the individual elects not to have such sentence apply. Such an election, once made, shall be irrevocable.

“(3) **COORDINATION WITH SECTION 684.**—If the expatriation of any individual would result in the recognition of gain under section 684, this section shall be applied after the application of section 684.

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

(b) **TAX ON GIFTS AND BEQUESTS RECEIVED BY UNITED STATES CITIZENS AND RESIDENTS FROM EXPATRIATES.**—

(1) **IN GENERAL.**—Subtitle B (relating to estate and gift taxes) is amended by inserting after chapter 14 the following new chapter:

**“CHAPTER 15—GIFTS AND BEQUESTS FROM EXPATRIATES**

“Sec. 2801. Imposition of tax.

**“SEC. 2801. IMPOSITION OF TAX.**

“(a) **IN GENERAL.**—If, during any calendar year, any United States citizen or resident receives any covered gift or bequest, there is hereby imposed a tax equal to the product of—

“(1) the highest rate of tax specified in the table contained in section 2001(c) as in effect on the date of such receipt (or, if greater, the highest rate of tax specified in the table applicable under section 2502(a) as in effect on the date), and

“(2) the value of such covered gift or bequest.

“(b) **TAX TO BE PAID BY RECIPIENT.**—The tax imposed by subsection (a) on any covered gift or

bequest shall be paid by the person receiving such gift or bequest.

“(c) **EXCEPTION FOR CERTAIN GIFTS.**—Subsection (a) shall apply only to the extent that the value of covered gifts and bequests received by any person during the calendar year exceeds \$10,000.

“(d) **TAX REDUCED BY FOREIGN GIFT OR ESTATE TAX.**—The tax imposed by subsection (a) on any covered gift or bequest shall be reduced by the amount of any gift or estate tax paid to a foreign country with respect to such covered gift or bequest.

“(e) **COVERED GIFT OR BEQUEST.**—

“(1) **IN GENERAL.**—For purposes of this chapter, the term ‘covered gift or bequest’ means—

“(A) any property acquired by gift directly or indirectly from an individual who, at the time of such acquisition, is a covered expatriate, and

“(B) any property acquired directly or indirectly by reason of the death of an individual who, immediately before such death, was a covered expatriate.

“(2) **EXCEPTIONS FOR TRANSFERS OTHERWISE SUBJECT TO ESTATE OR GIFT TAX.**—Such term shall not include—

“(A) any property shown on a timely filed return of tax imposed by chapter 12 which is a taxable gift by the covered expatriate, and

“(B) any property included in the gross estate of the covered expatriate for purposes of chapter 11 and shown on a timely filed return of tax imposed by chapter 11 of the estate of the covered expatriate.

“(3) **TRANSFERS IN TRUST.**—

“(A) **DOMESTIC TRUSTS.**—In the case of a covered gift or bequest made to a domestic trust—

“(i) subsection (a) shall apply in the same manner as if such trust were a United States citizen, and

“(ii) the tax imposed by subsection (a) on such gift or bequest shall be paid by such trust.

“(B) **FOREIGN TRUSTS.**—

“(i) **IN GENERAL.**—In the case of a covered gift or bequest made to a foreign trust, subsection (a) shall apply to any distribution attributable to such gift or bequest from such trust (whether from income or corpus) to a United States citizen or resident in the same manner as if such distribution were a covered gift or bequest.

“(ii) **DEDUCTION FOR TAX PAID BY RECIPIENT.**—There shall be allowed as a deduction under section 164 the amount of tax imposed by this section which is paid or accrued by a United States citizen or resident by reason of a distribution from a foreign trust, but only to the extent such tax is imposed on the portion of such distribution which is included in the gross income of such citizen or resident.

“(iii) **ELECTION TO BE TREATED AS DOMESTIC TRUST.**—Solely for purposes of this section, a foreign trust may elect to be treated as a domestic trust. Such an election may be revoked with the consent of the Secretary.

“(f) **COVERED EXPATRIATE.**—For purposes of this section, the term ‘covered expatriate’ has the meaning given to such term by section 877A(g)(1).”

(2) **CLERICAL AMENDMENT.**—The table of chapters for subtitle B is amended by inserting after the item relating to chapter 14 the following new item:

**“CHAPTER 15. GIFTS AND BEQUESTS FROM EXPATRIATES.”**

(c) **DEFINITION OF TERMINATION OF UNITED STATES CITIZENSHIP.**—

(1) **IN GENERAL.**—Section 7701(a) is amended by adding at the end the following new paragraph:

“(50) **TERMINATION OF UNITED STATES CITIZENSHIP.**—

“(A) **IN GENERAL.**—An individual shall not cease to be treated as a United States citizen before the date on which the individual’s citizenship is treated as relinquished under section 877A(g)(4).

“(B) **DUAL CITIZENS.**—Under regulations prescribed by the Secretary, subparagraph (A) shall

not apply to an individual who became at birth a citizen of the United States and a citizen of another country.”.

(2) CONFORMING AMENDMENTS.—

(A) Paragraph (1) of section 877(e) is amended to read as follows:

“(1) IN GENERAL.—Any long-term resident of the United States who ceases to be a lawful permanent resident of the United States (within the meaning of section 7701(b)(6)) shall be treated for purposes of this section and sections 2107, 2501, and 6039G in the same manner as if such resident were a citizen of the United States who lost United States citizenship on the date of such cessation or commencement.”.

(B) Paragraph (6) of section 7701(b) is amended by adding at the end the following flush sentence:

“An individual shall cease to be treated as a lawful permanent resident of the United States if such individual commences to be treated as a resident of a foreign country under the provisions of a tax treaty between the United States and the foreign country, does not waive the benefits of such treaty applicable to residents of the foreign country, and notifies the Secretary of the commencement of such treatment.”.

(C) Section 7701 is amended by striking subsection (n) and by redesignating subsections (o) and (p) as subsections (n) and (o), respectively.

(d) INFORMATION RETURNS.—Section 6039G is amended—

(1) by inserting “or 877A” after “section 877(b)” in subsection (a), and

(2) by inserting “or 877A” after “section 877(a)” in subsection (d).

(e) CLERICAL AMENDMENT.—The table of sections for subpart A of part II of subchapter N of chapter 1 is amended by inserting after the item relating to section 877 the following new item:

“Sec. 877A. Tax responsibilities of expatriation.”.

(f) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in this subsection, the amendments made by this section shall apply to expatriates (as defined in section 877A(g) of the Internal Revenue Code of 1986, as added by this section) whose expatriation date (as so defined) is on or after the date of the enactment of this Act.

(2) GIFTS AND BEQUESTS.—Chapter 15 of the Internal Revenue Code of 1986 (as added by subsection (b)) shall apply to covered gifts and bequests (as defined in section 2801 of such Code, as so added) received on or after the date of the enactment of this Act, regardless of when the transferor expatriated.

**SEC. 505. REPEAL OF SUSPENSION OF CERTAIN PENALTIES AND INTEREST.**

(a) IN GENERAL.—Section 6404 is amended by striking subsection (g) and by redesignating subsection (h) as subsection (g).

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to notices provided by the Secretary of the Treasury, or his delegate, after the date which is 6 months after the date of the enactment of the Small Business and Work Opportunity Tax Act of 2007.

**SEC. 506. UNUSED MERCHANDISE DRAWBACK.**

(a) IN GENERAL.—Section 313(j)(2) of the Tariff Act of 1930 (19 U.S.C. 1313(j)(2)) is amended by adding at the end the following: “For purposes of subparagraph (A) of this paragraph, wine of the same color having a price variation not to exceed 50 percent between the imported wine and the exported wine shall be deemed to be commercially interchangeable.”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply with respect to claims filed for drawback under section 313(j)(2) of the Tariff Act of 1930 on or after the date of the enactment of this Act.

**TITLE VI—REVENUE PROVISIONS**

**Subtitle A—Nonqualified Deferred Compensation From Certain Tax Indifferent Parties**

**SEC. 601. NONQUALIFIED DEFERRED COMPENSATION FROM CERTAIN TAX INDIFFERENT PARTIES.**

(a) IN GENERAL.—Subpart B of part II of subchapter E of chapter 1 (relating to taxable year for which items of gross income included) is amended by inserting after section 457 the following new section:

**“SEC. 457A. NONQUALIFIED DEFERRED COMPENSATION FROM CERTAIN TAX INDIFFERENT PARTIES.**

“(a) IN GENERAL.—Any compensation which is deferred under a nonqualified deferred compensation plan of a nonqualified entity shall be taken into account for purposes of this chapter when there is no substantial risk of forfeiture of the rights to such compensation.

“(b) NONQUALIFIED ENTITY.—For purposes of this section, the term ‘nonqualified entity’ means—

“(1) any foreign corporation unless substantially all of such income is—

“(A) effectively connected with the conduct of a trade or business in the United States, or

“(B) subject to a comprehensive foreign income tax, and

“(2) any partnership unless substantially all of such income is allocated to persons other than—

“(A) foreign persons with respect to whom such income is not subject to a comprehensive foreign income tax, and

“(B) organizations which are exempt from tax under this title.

“(c) ASCERTAINABILITY OF AMOUNTS OF COMPENSATION.—

“(1) IN GENERAL.—If the amount of any compensation is not ascertainable at the time that such compensation is otherwise to be taken into account under subsection (a)—

“(A) such amount shall be so taken into account when ascertainable, and

“(B) the tax imposed under this chapter for the taxable year in which such compensation is taken into account under subparagraph (A) shall be increased by the sum of—

“(i) the amount of interest determined under paragraph (2), and

“(ii) an amount equal to 20 percent of the amount of such compensation.

“(2) INTEREST.—For purposes of paragraph (1)(B)(i), the interest determined under this paragraph for any taxable year is the amount of interest at the underpayment rate under section 6621 plus 1 percentage point on the underpayments that would have occurred had the deferred compensation been includible in gross income for the taxable year in which first deferred or, if later, the first taxable year in which such deferred compensation is not subject to a substantial risk of forfeiture.

“(d) OTHER DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

“(1) SUBSTANTIAL RISK OF FORFEITURE.—The rights of a person to compensation shall be treated as subject to a substantial risk of forfeiture only if such person’s rights to such compensation are conditioned upon the future performance of substantial services by any individual.

“(2) COMPREHENSIVE FOREIGN INCOME TAX.—The term ‘comprehensive foreign income tax’ means, with respect to any foreign person, the income tax of a foreign country if—

“(A) such person is eligible for the benefits of a comprehensive income tax treaty between such foreign country and the United States, or

“(B) such person demonstrates to the satisfaction of the Secretary that such foreign country has a comprehensive income tax.

Such term shall not include any tax unless such tax includes rules for the deductibility of deferred compensation which are similar to the rules of this title.

“(3) NONQUALIFIED DEFERRED COMPENSATION PLAN.—The term ‘nonqualified deferred compensation plan’ has the meaning given such term under section 409A(d), except that such term shall include any plan that provides a right to compensation based on the appreciation in value of a specified number of equity units of the service recipient.

“(4) APPLICATION OF RULES.—Rules similar to the rules of paragraphs (5) and (6) of section 409A(d) shall apply.

“(e) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section, including regulations disregarding a substantial risk of forfeiture in cases where necessary to carry out the purposes of this section.”.

(b) CONFORMING AMENDMENT.—Section 26(b)(2) is amended by striking “and” at the end of subparagraph (S), by striking the period at the end of subparagraph (T) and inserting “, and”, and by adding at the end the following new subparagraph:

“(U) section 457A(c)(1)(B) (relating to ascertainability of amounts of compensation).”.

(c) CLERICAL AMENDMENT.—The table of sections of subpart B of part II of subchapter E of chapter 1 is amended by inserting after the item relating to section 457 the following new item:

“Sec. 457A. Nonqualified deferred compensation from certain tax indifferent parties.”.

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to amounts deferred which are attributable to services performed after December 31, 2007.

(2) APPLICATION TO EXISTING DEFERRALS.—In the case of any amount deferred to which the amendments made by this section do not apply solely by reason of the fact that the amount is attributable to services performed before January 1, 2008, to the extent such amount is not includible in gross income in a taxable year beginning before 2017, such amounts shall be includible in gross income in the later of—

(A) the last taxable year beginning before 2017, or

(B) the taxable year in which there is no substantial risk of forfeiture of the rights to such compensation (determined in the same manner as determined for purposes of section 457A of the Internal Revenue Code of 1986, as added by this section).

(3) ACCELERATED PAYMENTS.—No later than 60 days after the date of the enactment of this Act, the Secretary shall issue guidance providing a limited period of time during which a nonqualified deferred compensation arrangement attributable to services performed on or before December 31, 2007, may, without violating the requirements of section 409A(a) of the Internal Revenue Code of 1986, be amended to conform the date of distribution to the date the amounts are required to be included in income.

**Subtitle B—Provisions Related to Certain Investment Partnerships**

**SEC. 611. INCOME OF PARTNERS FOR PERFORMING INVESTMENT MANAGEMENT SERVICES TREATED AS ORDINARY INCOME RECEIVED FOR PERFORMANCE OF SERVICES.**

(a) IN GENERAL.—Part I of subchapter K of chapter 1 is amended by adding at the end the following new section:

**“SEC. 710. SPECIAL RULES FOR PARTNERS PROVIDING INVESTMENT MANAGEMENT SERVICES TO PARTNERSHIP.**

“(a) TREATMENT OF DISTRIBUTIVE SHARE OF PARTNERSHIP ITEMS.—For purposes of this title, in the case of an investment services partnership interest—

“(1) IN GENERAL.—Notwithstanding section 702(b)—

“(A) any net income with respect to such interest for any partnership taxable year shall be



treated as ordinary income for the performance of services, and

“(B) any net loss with respect to such interest for such year, to the extent not disallowed under paragraph (2) for such year, shall be treated as an ordinary loss.

“(2) TREATMENT OF LOSSES.—

“(A) LIMITATION.—Any net loss with respect to such interest shall be allowed for any partnership taxable year only to the extent that such loss does not exceed the excess (if any) of—

“(i) the aggregate net income with respect to such interest for all prior partnership taxable years, over

“(ii) the aggregate net loss with respect to such interest not disallowed under this subparagraph for all prior partnership taxable years.

“(B) CARRYFORWARD.—Any net loss for any partnership taxable year which is not allowed by reason of subparagraph (A) shall be treated as an item of loss with respect to such partnership interest for the succeeding partnership taxable year.

“(C) BASIS ADJUSTMENT.—No adjustment to the basis of a partnership interest shall be made on account of any net loss which is not allowed by reason of subparagraph (A).

“(D) EXCEPTION FOR BASIS ATTRIBUTABLE TO PURCHASE OF A PARTNERSHIP INTEREST.—In the case of an investment services partnership interest acquired by purchase, paragraph (1)(B) shall not apply to so much of any net loss with respect to such interest for any taxable year as does not exceed the excess of—

“(i) the basis of such interest immediately after such purchase, over

“(ii) the aggregate net loss with respect to such interest to which paragraph (1)(B) did not apply by reason of this subparagraph for all prior taxable years.

Any net loss to which paragraph (1)(B) does not apply by reason of this subparagraph shall not be taken into account under subparagraph (A).

“(E) PRIOR PARTNERSHIP YEARS.—Any reference in this paragraph to prior partnership taxable years shall only include prior partnership taxable years to which this section applies.

“(3) NET INCOME AND LOSS.—For purposes of this section—

“(A) NET INCOME.—The term ‘net income’ means, with respect to any investment services partnership interest, for any partnership taxable year, the excess (if any) of—

“(i) all items of income and gain taken into account by the holder of such interest under section 702 with respect to such interest for such year, over

“(ii) all items of deduction and loss so taken into account.

“(B) NET LOSS.—The term ‘net loss’ means with respect to such interest for such year, the excess (if any) of the amount described in subparagraph (A)(ii) over the amount described in subparagraph (A)(i).

“(b) DISPOSITIONS OF PARTNERSHIP INTERESTS.—

“(1) GAIN.—Any gain on the disposition of an investment services partnership interest shall be treated as ordinary income for the performance of services.

“(2) LOSS.—Any loss on the disposition of an investment services partnership interest shall be treated as an ordinary loss to the extent of the excess (if any) of—

“(A) the aggregate net income with respect to such interest for all partnership taxable years, over

“(B) the aggregate net loss with respect to such interest allowed under subsection (a)(2) for all partnership taxable years.

“(3) DISPOSITION OF PORTION OF INTEREST.—In the case of any disposition of an investment services partnership interest, the amount of net loss which otherwise would have (but for subsection (a)(2)(C)) applied to reduce the basis of such interest shall be disregarded for purposes of this section for all succeeding partnership taxable years.

“(4) DISTRIBUTIONS OF PARTNERSHIP PROPERTY.—In the case of any distribution of appreciated property by a partnership with respect to any investment services partnership interest, gain shall be recognized by the partnership in the same manner as if the partnership sold such property at fair market value at the time of the distribution. For purposes of this paragraph, the term ‘appreciated property’ means any property with respect to which gain would be determined if sold as described in the preceding sentence.

“(5) APPLICATION OF SECTION 751.—In applying section 751(a), an investment services partnership interest shall be treated as an inventory item.

“(c) INVESTMENT SERVICES PARTNERSHIP INTEREST.—For purposes of this section—

“(1) IN GENERAL.—The term ‘investment services partnership interest’ means any interest in a partnership which is held by any person if such person provides (directly or indirectly) a substantial quantity of any of the following services with respect to the assets of the partnership in the conduct of the trade or business of providing such services:

“(A) Advising as to the advisability of investing in, purchasing, or selling any specified asset.

“(B) Managing, acquiring, or disposing of any specified asset.

“(C) Arranging financing with respect to acquiring specified assets.

“(D) Any activity in support of any service described in subparagraphs (A) through (C).

For purposes of this paragraph, the term ‘specified asset’ means securities (as defined in section 475(c)(2) without regard to the last sentence thereof), real estate, commodities (as defined in section 475(e)(2)), or options or derivative contracts with respect to securities (as so defined), real estate, or commodities (as so defined).

“(2) EXCEPTION FOR CERTAIN CAPITAL INTERESTS.—

“(A) IN GENERAL.—If—

“(i) a portion of an investment services partnership interest is acquired on account of a contribution of invested capital, and

“(ii) the partnership makes a reasonable allocation of partnership items between the portion of the distributive share that is with respect to invested capital and the portion of such distributive share that is not with respect to invested capital,

then subsection (a) shall not apply to the portion of the distributive share that is with respect to invested capital. An allocation will not be treated as reasonable for purposes of this subparagraph if such allocation would result in the partnership allocating a greater portion of income to invested capital than any other partner not providing services would have been allocated with respect to the same amount of invested capital.

“(B) SPECIAL RULE FOR DISPOSITIONS.—In any case to which subparagraph (A) applies, subsection (b) shall not apply to any gain or loss allocable to invested capital. The portion of any gain or loss attributable to invested capital is the proportion of such gain or loss which is based on the distributive share of gain or loss that would have been allocable to invested capital under subparagraph (A) if the partnership sold all of its assets immediately before the disposition.

“(C) INVESTED CAPITAL.—For purposes of this paragraph, the term ‘invested capital’ means, the fair market value at the time of contribution of any money or other property contributed to the partnership.

“(D) TREATMENT OF CERTAIN LOANS.—

“(i) PROCEEDS OF PARTNERSHIP LOANS NOT TREATED AS INVESTED CAPITAL OF SERVICE PROVIDING PARTNERS.—For purposes of this paragraph, an investment services partnership interest shall not be treated as acquired on account of a contribution of invested capital to the ex-

tent that such capital is attributable to the proceeds of any loan or other advance made or guaranteed, directly or indirectly, by any partner or the partnership.

“(ii) LOANS FROM NONSERVICE PROVIDING PARTNERS TO THE PARTNERSHIP TREATED AS INVESTED CAPITAL.—For purposes of this paragraph, any loan or other advance to the partnership made or guaranteed, directly or indirectly, by a partner not providing services to the partnership shall be treated as invested capital of such partner and amounts of income and loss treated as allocable to invested capital shall be adjusted accordingly.

“(d) OTHER INCOME AND GAIN IN CONNECTION WITH INVESTMENT MANAGEMENT SERVICES.—

“(1) IN GENERAL.—If—

“(A) a person performs (directly or indirectly) investment management services for any entity,

“(B) such person holds a disqualified interest with respect to such entity, and

“(C) the value of such interest (or payments thereunder) is substantially related to the amount of income or gain (whether or not realized) from the assets with respect to which the investment management services are performed, any income or gain with respect to such interest shall be treated as ordinary income for the performance of services. Rules similar to the rules of subsection (c)(2) shall apply where such interest was acquired on account of invested capital in such entity.

“(2) DEFINITIONS.—For purposes of this subsection—

“(A) DISQUALIFIED INTEREST.—The term ‘disqualified interest’ means, with respect to any entity—

“(i) any interest in such entity other than indebtedness,

“(ii) convertible or contingent debt of such entity,

“(iii) any option or other right to acquire property described in clause (i) or (ii), and

“(iv) any derivative instrument entered into (directly or indirectly) with such entity or any investor in such entity.

Such term shall not include a partnership interest and shall not include stock in a taxable corporation.

“(B) TAXABLE CORPORATION.—The term ‘taxable corporation’ means—

“(i) a domestic C corporation, or

“(ii) a foreign corporation subject to a comprehensive foreign income tax (as defined in section 457A(d)(4)).

“(C) INVESTMENT MANAGEMENT SERVICES.—The term ‘investment management services’ means a substantial quantity of any of the services described in subsection (c)(1) which are provided in the conduct of the trade or business of providing such services.

“(e) REGULATIONS.—The Secretary shall prescribe such regulations as are necessary or appropriate to carry out the purposes of this section, including regulations to—

“(1) prevent the avoidance of the purposes of this section, and

“(2) coordinate this section with the other provisions of this subchapter.

“(f) CROSS REFERENCE.—For 40 percent no fault penalty on certain underpayments due to the avoidance of this section, see section 6662.”.

(b) APPLICATION TO REAL ESTATE INVESTMENT TRUSTS.—Subsection (c) of section 856 is amended by adding at the end the following new paragraph:

“(B) EXCEPTION FROM RECHARACTERIZATION OF INCOME FROM INVESTMENT SERVICES PARTNERSHIP INTERESTS.—

“(A) IN GENERAL.—Paragraphs (2), (3), and (4) shall be applied without regard to section 710 (relating to special rules for partners providing investment management services to partnership).

“(B) SPECIAL RULE FOR PARTNERSHIPS OWNED BY REITS.—Section 7704 shall be applied without regard to section 710 in the case of a partnership which meets each of the following requirements:

“(i) Such partnership is treated as publicly traded under section 7704 solely by reason of interests in such partnership being convertible into interests in a real estate investment trust which is publicly traded.

“(ii) 50 percent or more of the capital and profits interests of such partnership are owned, directly or indirectly, at all times during the taxable year by such real estate investment trust (determined with the application of section 267(e)).

“(iii) Such partnership meets the requirements of paragraphs (2), (3), and (4) (applied without regard to section 710).”.

(c) IMPOSITION OF PENALTY ON UNDERPAYMENTS.—

(1) IN GENERAL.—Subsection (b) of section 6662 is amended by inserting after paragraph (5) the following new paragraph:

“(6) The application of subsection (d) of section 710 and the regulations prescribed under section 710(e) to prevent the avoidance of the purposes of section 710.”.

(2) AMOUNT OF PENALTY.—

(A) IN GENERAL.—Section 6662 is amended by adding at the end the following new subsection:

“(i) INCREASE IN PENALTY IN CASE OF PROPERTY TRANSFERRED FOR INVESTMENT MANAGEMENT SERVICES.—In the case of any portion of an underpayment to which this section applies by reason of subsection (b)(6), subsection (a) shall be applied with respect to such portion by substituting ‘40 percent’ for ‘20 percent’.”.

(B) CONFORMING AMENDMENTS.—Subparagraph (B) of section 6662A(e)(2) is amended—

(i) by striking “section 6662(h)” and inserting “subsection (h) or (i) of section 6662”, and

(ii) by striking “GROSS VALUATION MISSTATEMENT PENALTY” in the heading and inserting “CERTAIN INCREASED UNDERPAYMENT PENALTIES”.

(3) REASONABLE CAUSE EXCEPTION NOT APPLICABLE.—Subsection (c) of section 6664 is amended—

(A) by redesignating paragraphs (2) and (3) as paragraphs (3) and (4), respectively,

(B) by striking “paragraph (2)” in paragraph (4), as so redesignated, and inserting “paragraph (3)”, and

(C) by inserting after paragraph (1) the following new paragraph:

“(2) EXCEPTION.—Paragraph (1) shall not apply to any portion of an underpayment to which this section applies by reason of subsection (b)(6).”.

(d) CONFORMING AMENDMENTS.—

(1) Subsection (d) of section 731 is amended by inserting “section 710(b)(4) (relating to distributions of partnership property),” before “section 736”.

(2) Section 741 is amended by inserting “or section 710 (relating to special rules for partners providing investment management services to partnership)” before the period at the end.

(3) Paragraph (13) of section 1402(a) is amended—

(A) by striking “other than guaranteed” and inserting “other than—

“(A) guaranteed”,

(B) by striking the semi-colon at the end and inserting “, and”, and

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

“(B) any income treated as ordinary income under section 710 received by an individual who provides investment management services (as defined in section 710(d)(2)).”.

(4) Paragraph (12) of section 211(a) of the Social Security Act is amended—

(A) by striking “other than guaranteed” and inserting “other than—

“(A) guaranteed”,

(B) by striking the semi-colon at the end and inserting “, and”, and

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

“(B) any income treated as ordinary income under section 710 of the Internal Revenue Code

of 1986 received by an individual who provides investment management services (as defined in section 710(d)(2) of such Code);”.

(5) The table of sections for part I of subchapter K of chapter 1 is amended by adding at the end the following new item:

“Sec. 710. Special rules for partners providing investment management services to partnership.”.

(e) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to taxable years ending after November 1, 2007.

(2) PARTNERSHIP TAXABLE YEARS WHICH INCLUDE EFFECTIVE DATE.—In applying section 710(a) of the Internal Revenue Code of 1986 (as added by this section) in the case of any partnership taxable year which includes November 1, 2007, the amount of the net income referred to in such section shall be treated as being the lesser of the net income for the entire partnership taxable year or the net income determined by only taking into account items attributable to the portion of the partnership taxable year which is after such date.

(3) DISPOSITIONS OF PARTNERSHIP INTERESTS.—Section 710(b) of the Internal Revenue Code of 1986 (as added by this section) shall apply to dispositions and distributions after November 1, 2007.

(4) OTHER INCOME AND GAIN IN CONNECTION WITH INVESTMENT MANAGEMENT SERVICES.—Section 710(d) of such Code (as added by this section) shall take effect on November 1, 2007.

(5) PUBLICLY TRADED PARTNERSHIPS.—For purposes of applying section 7704, the amendments made by this section shall apply to taxable years beginning after December 31, 2009.

**SEC. 612. INDEBTEDNESS INCURRED BY A PARTNERSHIP IN ACQUIRING SECURITIES AND COMMODITIES NOT TREATED AS ACQUISITION INDEBTEDNESS FOR ORGANIZATIONS WHICH ARE PARTNERS WITH LIMITED LIABILITY.**

(a) IN GENERAL.—Subsection (c) of section 514 (relating to acquisition indebtedness) is amended by adding at the end the following new paragraph:

“(10) SECURITIES AND COMMODITIES ACQUIRED BY PARTNERSHIPS IN WHICH AN ORGANIZATION IS A PARTNER WITH LIMITED LIABILITY.—

“(A) IN GENERAL.—In the case of any organization which is a partner with limited liability in a partnership, the term ‘acquisition indebtedness’ does not, for purposes of this section, include indebtedness incurred or continued by such partnership in purchasing or carrying any qualified security or commodity.

“(B) QUALIFIED SECURITY OR COMMODITY.—For purposes of this paragraph, the term ‘qualified security or commodity’ means any security (as defined in section 475(c)(2) without regard to the last sentence thereof), any commodity (as defined in section 475(e)(2)), or any option or derivative contract with respect to such a security or commodity.

“(C) APPLICATION TO TIERED PARTNERSHIPS AND OTHER PASS-THRU ENTITIES.—Rules similar to the rules of subparagraph (A) shall apply in the case of tiered partnerships and other pass-thru entities.

“(D) REGULATIONS.—The Secretary may prescribe such regulations as may be necessary or appropriate to carry out the purposes of this paragraph, including regulations to prevent the abuse of this paragraph.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

**SEC. 613. APPLICATION TO PARTNERSHIP INTERESTS AND TAX SHARING AGREEMENTS OF RULE TREATING CERTAIN GAIN ON SALES BETWEEN RELATED PERSONS AS ORDINARY INCOME.**

(a) PARTNERSHIP INTERESTS.—Subsection (a) of section 1239 is amended to read as follows:

“(a) TREATMENT OF GAIN AS ORDINARY INCOME.—In the case of a sale or exchange of property, directly or indirectly, between related persons, any gain recognized to the transferor shall be treated as ordinary income if—

“(1) such property is, in the hands of the transferee, of a character which is subject to the allowance for depreciation provided in section 167, or

“(2) such property is an interest in a partnership, but only to the extent of gain attributable to unrealized appreciation in property which is of a character subject to the allowance for depreciation provided in section 167.”.

(b) TAX SHARING AGREEMENTS.—Section 1239 (relating to gain from sale of depreciable property between certain related taxpayers) is amended by adding at the end the following new subsection:

“(f) APPLICATION TO TAX SHARING AGREEMENTS.—

“(1) IN GENERAL.—If there is a tax sharing agreement with respect to any sale or exchange, the transferee and the transferor shall be treated as related persons for purposes of this section.

“(2) TAX SHARING AGREEMENT.—For purposes of this subsection, the term ‘tax sharing agreement’ means any agreement which provides for the payment to the transferor of any amount which is determined by reference to any portion of the tax benefit realized by the transferee with respect to the depreciation (or amortization) of the property transferred.”.

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to sales and exchanges after the date of the enactment of this Act.

(2) EXCEPTION FOR BINDING CONTRACTS.—The amendment made by subsection (b) shall not apply to any sale or exchange pursuant to a written binding contract which includes a tax sharing agreement and which is in effect on November 1, 2007, and not modified thereafter in any material respect.

#### Subtitle C—Other Provisions

**SEC. 621. DELAY IN APPLICATION OF WORLDWIDE ALLOCATION OF INTEREST.**

(a) IN GENERAL.—Paragraphs (5)(D) and (6) of section 864(f) are each amended by striking “December 31, 2008” and inserting “December 31, 2017”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2008.

**SEC. 622. BROKER REPORTING OF CUSTOMER'S BASIS IN SECURITIES TRANSACTIONS.**

(a) IN GENERAL.—

(1) BROKER REPORTING FOR SECURITIES TRANSACTIONS.—Section 6045 (relating to returns of brokers) is amended by adding at the end the following new subsection:

“(g) ADDITIONAL INFORMATION REQUIRED IN THE CASE OF SECURITIES TRANSACTIONS.—

“(1) IN GENERAL.—If a broker is otherwise required to make a return under subsection (a) with respect to the gross proceeds of the sale of a covered security, the broker shall include in such return the information described in paragraph (2).

“(2) ADDITIONAL INFORMATION REQUIRED.—

“(A) IN GENERAL.—The information required under paragraph (1) to be shown on a return with respect to a covered security of a customer shall include the customer's adjusted basis in such security and whether any gain or loss with respect to such security is long-term or short-term (within the meaning of section 1222).

“(B) DETERMINATION OF ADJUSTED BASIS.—For purposes of subparagraph (A)—

“(i) IN GENERAL.—The customer's adjusted basis shall be determined—

“(1) in the case of any stock (other than any stock in an open-end fund), in accordance with the first-in first-out method unless the customer

notifies the broker by means of making an adequate identification of the stock sold or transferred.

“(II) in the case of any stock in an open-end fund acquired before January 1, 2011, in accordance with any acceptable method under section 1012 with respect to the account in which such interest is held,

“(III) in the case of any stock in an open-end fund acquired after December 31, 2010, in accordance with the broker’s default method unless the customer notifies the broker that he elects another acceptable method under section 1012 with respect to the account in which such interest is held, and

“(IV) in any other case, under the method for making such determination under section 1012.

“(ii) EXCEPTION FOR WASH SALES.—Except as otherwise provided by the Secretary, the customer’s adjusted basis shall be determined without regard to section 1091 (relating to loss from wash sales of stock or securities) unless the transactions occur in the same account with respect to identical securities.

“(3) COVERED SECURITY.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘covered security’ means any specified security acquired on or after the applicable date if such security—

“(i) was acquired through a transaction in the account in which such security is held, or

“(ii) was transferred to such account from an account in which such security was a covered security, but only if the broker received a statement under section 6045A with respect to the transfer.

“(B) SPECIFIED SECURITY.—The term ‘specified security’ means—

“(i) any share of stock in a corporation,

“(ii) any note, bond, debenture, or other evidence of indebtedness,

“(iii) any commodity, or contract or derivative with respect to such commodity, if the Secretary determines that adjusted basis reporting is appropriate for purposes of this subsection, and

“(iv) any other financial instrument with respect to which the Secretary determines that adjusted basis reporting is appropriate for purposes of this subsection.

“(C) APPLICABLE DATE.—The term ‘applicable date’ means—

“(i) January 1, 2009, in the case of any specified security which is stock in a corporation, and

“(ii) January 1, 2011, or such later date determined by the Secretary in the case of any other specified security.

“(4) OPEN-END FUND.—For purposes of this subsection, the term ‘open-end fund’ means a regulated investment company (as defined in section 851) which is offering for sale or has outstanding any redeemable security of which it is the issuer and the shares of which are not traded on an established securities exchange.”

(2) BROKER INFORMATION REQUIRED WITH RESPECT TO OPTIONS.—Section 6045, as amended by subsection (a), is amended by adding at the end the following new subsection:

“(h) APPLICATION TO OPTIONS ON COVERED SECURITIES.—

“(1) EXERCISE OF OPTION.—For purposes of this section, in the case of any exercise of an option on a covered security where the taxpayer is the grantor of the option and the option was acquired in the same account as the covered security, the amount received for the grant of an option on a covered security shall be treated as an adjustment to gross proceeds or as an adjustment to basis, as the case may be. A similar rule shall apply in the case of the exercise of an option where the taxpayer is not the grantor of the option.

“(2) LAPSE OR CLOSING TRANSACTION.—For purposes of this section, in the case of the lapse or closing transaction (as defined in section 1234(b)(2)(A)) of an option on a covered security where the taxpayer is the grantor of the option, this section shall apply as if the premium

received for such option were gross proceeds received on the date of the lapse or closing transaction, and the cost (if any) of the closing transaction shall be taken into account as adjusted basis. A similar rule shall apply in the case of a lapse or closing transaction where the taxpayer is not the grantor of the option.

“(3) PROSPECTIVE APPLICATION.—Paragraphs (1) and (2) shall not apply to any option which is granted or acquired before January 1, 2011.

“(4) COVERED SECURITY.—For purposes of this subsection, the term ‘covered security’ shall have the meaning given such term in subsection (g)(3).”

(3) EXTENSION OF PERIOD FOR STATEMENTS SENT TO CUSTOMERS.—

(A) IN GENERAL.—Subsection (b) of section 6045 is amended by striking “January 31” and inserting “February 15”.

(B) STATEMENTS RELATED TO SUBSTITUTE PAYMENTS.—Subsection (d) of section 6045 is amended—

(i) by striking “at such time and”, and

(ii) by inserting after “other item.” the following new sentence: “The written statement required under the preceding sentence shall be furnished on or before February 15 of the year following the calendar year during which such payment was made.”

(C) OTHER STATEMENTS.—Subsection (b) of section 6045 is amended by adding at the end the following: “In the case of a consolidated reporting statement (as defined in regulations) with respect to any account which includes the statement required by this subsection, any statement which would otherwise be required to be furnished on or before January 31 under section 6042(c), 6049(c)(2)(A), or 6050N(b) with respect to any item in such account shall instead be required to be furnished on or before February 15 if furnished as part of such consolidated reporting statement.”

(b) DETERMINATION OF BASIS OF CERTAIN SECURITIES ON ACCOUNT BY ACCOUNT METHOD.—Section 1012 (relating to basis of property—cost) is amended—

(1) by striking “The basis of property” and inserting the following:

“(a) IN GENERAL.—The basis of property”,

(2) by striking “The cost of real property” and inserting the following:

“(b) SPECIAL RULE FOR APPORTIONED REAL ESTATE TAXES.—The cost of real property”, and

(3) by adding at the end the following new subsection:

“(c) DETERMINATIONS BY ACCOUNT.—

“(1) IN GENERAL.—In the case of the sale, exchange, or other disposition of a specified security on or after the applicable date, the conventions prescribed by regulations under this section shall be applied on an account by account basis.

“(2) APPLICATION TO OPEN-END FUNDS.—

“(A) IN GENERAL.—Except as provided in subparagraph (B), any stock in an open-end fund acquired before January 1, 2009, shall be treated as a separate account from any such stock acquired on or after such date.

“(B) ELECTION BY OPEN-END FUND FOR TREATMENT AS SINGLE ACCOUNT.—If an open-end fund elects (at such time and in such form and manner as the Secretary may prescribe) to have this subparagraph apply with respect to one or more of its stockholders—

“(i) subparagraph (A) shall not apply with respect to any stock in such fund held by such stockholders, and

“(ii) all stock in such fund which is held by such stockholders shall be treated as covered securities described in section 6045(g)(3) without regard to the date of the acquisition of such stock.

“(3) DEFINITIONS.—For purposes of this section, the terms ‘specified security’, ‘applicable date’, and ‘open-end fund’ shall have the meaning given such terms in section 6045(g).”

(c) INFORMATION BY TRANSFERORS TO AID BROKERS.—

(1) IN GENERAL.—Subpart B of part III of subchapter A of chapter 61 is amended by inserting after section 6045 the following new section:

“SEC. 6045A. INFORMATION REQUIRED IN CONNECTION WITH TRANSFERS OF COVERED SECURITIES TO BROKERS.

“(a) FURNISHING OF INFORMATION.—Every applicable person which transfers to a broker (as defined in section 6045(c)(1)) a security which is a covered security (as defined in section 6045(g)(3)) in the hands of such applicable person shall furnish to such broker a written statement in such manner and setting forth such information as the Secretary may by regulations prescribe for purposes of enabling such broker to meet the requirements of section 6045(g).

“(b) APPLICABLE PERSON.—For purposes of subsection (a), the term ‘applicable person’ means—

“(1) any broker (as defined in section 6045(c)(1)), and

“(2) any other person as provided by the Secretary in regulations.

“(c) TIME FOR FURNISHING STATEMENT.—Any statement required by subsection (a) shall be furnished not later than the earlier of—

“(1) 45 days after the date of the transfer described in subsection (a), or

“(2) January 15 of the year following the calendar year during which such transfer occurred.”

(2) ASSESSABLE PENALTIES.—Paragraph (2) of section 6724(d) (defining payee statement) is amended by redesignating subparagraphs (I) through (CC) as subparagraphs (J) through (DD), respectively, and by inserting after subparagraph (H) the following new subparagraph:

“(I) section 6045A (relating to information required in connection with transfers of covered securities to brokers).”

(3) CLERICAL AMENDMENT.—The table of sections for subpart B of part III of subchapter A of chapter 61 is amended by inserting after the item relating to section 6045 the following new item:

“Sec. 6045A. Information required in connection with transfers of covered securities to brokers.”

(d) ADDITIONAL ISSUER INFORMATION TO AID BROKERS.—

(1) IN GENERAL.—Subpart B of part III of subchapter A of chapter 61 of the Internal Revenue Code of 1986, as amended by subsection (b), is amended by inserting after section 6045A the following new section:

“SEC. 6045B. RETURNS RELATING TO ACTIONS AFFECTING BASIS OF SPECIFIED SECURITIES.

“(a) IN GENERAL.—According to the forms or regulations prescribed by the Secretary, any issuer of a specified security shall make a return setting forth—

“(1) a description of any organizational action which affects the basis of such specified security of such issuer,

“(2) the quantitative effect on the basis of such specified security resulting from such action, and

“(3) such other information as the Secretary may prescribe.

“(b) TIME FOR FILING RETURN.—Any return required by subsection (a) shall be filed not later than the earlier of—

“(1) 45 days after the date of the action described in subsection (a), or

“(2) January 31 of the year following the calendar year during which such action occurred.

“(c) STATEMENTS TO BE FURNISHED TO HOLDERS OF SPECIFIED SECURITIES OR THEIR NOMINEES.—According to the forms or regulations prescribed by the Secretary, every person required to make a return under subsection (a) with respect to a specified security shall furnish to the nominee with respect to the specified security (or certificate holder if there is no nominee) a written statement showing—

“(1) the name, address, and phone number of the information contact of the person required to make such return,

“(2) the information required to be shown on such return with respect to such security, and

“(3) such other information as the Secretary may prescribe.

The written statement required under the preceding sentence shall be furnished to the holder on or before January 31 of the year following the calendar year during which the action described in subsection (a) occurred.

“(d) SPECIFIED SECURITY.—For purposes of this section, the term ‘specified security’ has the meaning given such term by section 6045(g)(3)(B). No return shall be required under this section with respect to actions described in subsection (a) with respect to a specified security which occur before the applicable date (as defined in section 6045(g)(3)(C) with respect to such security.

“(e) PUBLIC REPORTING IN LIEU OF RETURN.—The Secretary may waive the requirements under subsections (a) and (c) with respect to a specified security, if the person required to make the return under subsection (a) makes publicly available, in such form and manner as the Secretary determines necessary to carry out the purposes of this section—

“(1) the name, address, phone number, and email address of the information contact of such person, and

“(2) the information described in paragraphs (1), (2), and (3) of subsection (a).”.

(2) ASSESSABLE PENALTIES.—

(A) Subparagraph (B) of section 6724(d)(1) of such Code (defining information return) is amended by redesignating clauses (iv) through (xix) as clauses (v) through (xx), respectively, and by inserting after clause (iii) the following new clause:

“(iv) section 6045B(a) (relating to returns relating to actions affecting basis of specified securities).”.

(B) Paragraph (2) of section 6724(d) of such Code (defining payee statement), as amended by subsection (c)(2), is amended by redesignating subparagraphs (J) through (DD) as subparagraphs (K) through (EE), respectively, and by inserting after subparagraph (I) the following new subparagraph:

“(J) subsections (c) and (e) of section 6045B (relating to returns relating to actions affecting basis of specified securities).”.

(3) CLERICAL AMENDMENT.—The table of sections for subpart B of part III of subchapter A of chapter 61 of such Code, as amended by subsection (b)(3), is amended by inserting after the item relating to section 6045A the following new item:

“Sec. 6045B. Returns relating to actions affecting basis of specified securities.”.

(e) EFFECTIVE DATE.—The amendments made by this section shall take effect on January 1, 2009.

**SEC. 623. MODIFICATION OF PENALTY FOR FAILURE TO FILE PARTNERSHIP RETURNS.**

Section 6698 is amended by adding at the end the following new subsection:

“(e) MODIFICATIONS.—In the case of any return required to be filed after the date of the enactment of this subsection—

“(1) the dollar amount in effect under subsection (b)(1) shall be increased by \$25, and

“(2) the limitation on the number of months taken into account under subsection (a) shall not be less than 12 months.”.

**SEC. 624. PENALTY FOR FAILURE TO FILE S CORPORATION RETURNS.**

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

**“SEC. 6699A. FAILURE TO FILE S CORPORATION RETURN.**

“(a) GENERAL RULE.—In addition to the penalty imposed by section 7203 (relating to willful failure to file return, supply information, or pay tax), if any S corporation required to file a return under section 6037 for any taxable year—

“(1) fails to file such return at the time prescribed therefor (determined with regard to any extension of time for filing), or

“(2) files a return which fails to show the information required under section 6037,

such S corporation shall be liable for a penalty determined under subsection (b) for each month (or fraction thereof) during which such failure continues (but not to exceed 12 months), unless it is shown that such failure is due to reasonable cause.

“(b) AMOUNT PER MONTH.—For purposes of subsection (a), the amount determined under this subsection for any month is the product of—

“(1) \$25, multiplied by

“(2) the number of persons who were shareholders in the S corporation during any part of the taxable year.

“(c) ASSESSMENT OF PENALTY.—The penalty imposed by subsection (a) shall be assessed against the S corporation.

“(d) DEFICIENCY PROCEDURES NOT TO APPLY.—Subchapter B of chapter 63 (relating to deficiency procedures for income, estate, gift, and certain excise taxes) shall not apply in respect of the assessment or collection of any penalty imposed by subsection (a).”.

(b) CLERICAL AMENDMENT.—The table of sections for part I of subchapter B of chapter 68 is amended by adding at the end the following new item:

“Sec. 6699A. Failure to file S corporation return.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to returns required to be filed after the date of the enactment of this Act.

**SEC. 625. TIME FOR PAYMENT OF CORPORATE ESTIMATED TAXES.**

Subparagraph (B) of section 401(1) of the Tax Increase Prevention and Reconciliation Act of 2005 is amended by striking “115 percent” and inserting “181 percent”.

The SPEAKER pro tempore. After 1 hour of debate on the bill, as amended, it shall be in order to consider an amendment in the nature of a substitute if offered by the gentleman from Louisiana (Mr. MCCRERY) or his designee, which shall be considered read, and shall be debatable for 1 hour, equally divided by the proponent and an opponent.

The gentleman from New York (Mr. RANGEL) and the gentleman from Louisiana (Mr. MCCRERY) each will control 30 minutes.

The Chair recognizes the gentleman from New York.

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

Mr. Speaker and my colleagues, I hope that this could be considered the National Lobbyist Day for the middle class, because, certainly, this is what we are trying to do.

Let's talk about the issues that we agree on. The alternative minimum tax was a bad idea when it got started in 1969; it's a worse idea now. If the House and Senate and President fail these taxpayers that are being held hostage for a tax that everyone knows is unfair and inequitable and should never have existed, then it would not be a Republican or Democratic issue; it would be that this country let them down. In doing so, we would have violated the trust that we hope that people would have in the tax system. At the end of the day we are committed to eliminate this tax.

My good friend Mr. MCCRERY and I had agreed early on that the only way you can tackle such a big fiscal problem is through tax reform. So it's clear that we can't do that this year; and so if we do nothing, 23 million hard-working people would be hit with this unfair tax, and we are committed that it's not going to happen. We can talk about that, but I don't think it's necessary.

As far as the extenders are concerned, I really think they speak for themselves. Mr. MCCRERY and I wish we had enough time to really study each and every one of them as well as other parts of the Code to see whether or not it serves any economic function, but time is not our friend, and so we agreed that we would extend these expiring provisions and review them when we have more time next year. So that's not an issue.

The issue has to be how do you pay for it. This is where we are going to have some major fiscal and political problems. Why? Because the Congressional Budget Office would say that if we did nothing and this unfair tax was not changed, that we would raise \$50 billion. That means that even though they may think and hope that we don't do this, they haven't scored that we have to recognize that \$50 billion is not going to be there and we, abiding by what we think is fiscally sound provisions in PAYGO, have to recognize that if we do the right thing, we'll be \$50 billion short.

What are our options? One, to cut spending by \$50 billion. Well, theoretically it may be an option, but politically it's not.

The second thing we could do is raise the revenue. Very interesting, because the major part of the debate if we had time would be if you saw the most outrageous abuse of the tax system where someone was getting preferential treatment and that the only reaction would be how could that happen, and you wanted to close it, take my word for it, to the person that you are closing, what they call an incentive will be considered by them as a tax increase.

Even Secretary Paulson, who wants us to dramatically reduce the corporate rate of taxes, I can't wait to hear how he intends to pay for it, because I know he is going to be talking about unfair advantages that's in the Code, and some Democrat is going to call it a tax increase if he closes the loopholes.

It's really a semantic thing; it's a political thing. But I suggest to you that even if we were not looking at this as a revenue raiser, and you take a look at what we are using, how could you possibly call it a tax increase when we are trying to bring some degree of equity to the system?

It's simple: when people are doing their job, and, I might add, a very good job, in managing other people's money, in creating jobs, in making the economy more prosperous, and making hundreds of millions and billions of dollars

because they have earned it the hard way, creative fiscal management.

□ 1145

And they pay 35 percent in taxes because it's their income, the same way you sell a house, it's your income. You have a law case and they give it to you, it's your income and you pay 35 percent income.

Now, we would like to believe that capital gains taxes means that you're special people, you actually are investing capital. My God, you're taking risks, and so we're going to give you a lower tax rate of 15 percent. But if you find someone who would say that, well, I'm not taking risk but I'm a partnership, and I really think that the way they're paying me, even though it's the same as the competitors are being paid, I have decided that this has been a return on a capital investment. Why shouldn't all of the debate today be on the turning point? When two people are doing the same thing equally as well, and really, being rewarded in a very generous way, why should one group be treated differently than the other group? And if you want to call it a tax increase and bringing equity and fairness to the system and making the field even as it relates to the Tax Code, let's talk about this, because I'll bring some arguments and statements for the people doing the same job and paying 35 percent interest, and they're just as creative, just as good, and they ain't thinking about leaving the business. And so that ends the argument, except for the ones that I'm anxious to hear from my dear friends on the other side of the aisle, because they're not just saying that they're going to stick with their buddies with carried interest. They're saying that we really don't have to deal with this at all. And once I'm convinced that they're right, I'm going to try to do this at home, and that is, we expected \$50 billion. You're going to have to live without the \$50 billion, but you don't have to cut your expenses by \$50 billion, nor do you have to raise the revenue for \$50 billion. As a matter of fact, you don't have to do anything. Act like it never happened.

This is not a tax cut. This is preventing a tax increase, so therefore, the money that you expected, the \$50 billion, you shouldn't have.

Now, on our side of the aisle, we spell that B-O-R-R-O-W-I-N-G, "borrowing." I know that word is so distasteful to you, but where I got it from was Chairman Greenspan. He said, I supported the Bush tax cuts, but I wanted them to really cut spending. And what did they do? B-O-R-R-O-W-I-N-G.

Well, you may not like the word, but at the end of the day, every Congressman's going to tell you, if you expected \$50 billion, you thought it was unfair to tax people that, you removed the burden, you've got to do one of three things: pay for it, cut spending, or borrow the money. You've decided to find words to make it more comfortable to borrow the money. And I'm anxious to

hear that, because if it works for you, I'm going to try to convince my leadership to have it work for us, because pay-as-you-go may be fiscally sound, but I have so many problems with infrastructure, so many problems with health, so many problems with education, that if I can find a way as great as you have, it may work for all of us. But I really don't think that that is going to fly. The American people deserve help.

I reserve the balance of the time as I anxiously await to hear the minority explain why this is not borrowing.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore. The Chair will remind all Members to direct their remarks to the Chair.

Mr. MCCRERY. Mr. Speaker, I yield myself so much time as I may consume.

Mr. Speaker, my good friend, the distinguished chairman of the Ways and Means Committee, Mr. RANGEL, makes a number of points in support of the PAYGO rule, which forms the basis of the requirement in this bill to raise taxes on one set of taxpayers in order to prevent a tax increase on another set of taxpayers. I just want to talk about why this rule, I believe, has been treated in a way that nobody who ever came up with the idea of PAYGO meant for it to be treated.

If we were to go out on the street, Mr. Speaker, and pull aside an average person on the street and say, we're thinking about instituting in Congress a PAYGO rule. And what that means is, if we cut taxes somewhere, we have to pay for that by increasing taxes somewhere else or decreasing spending somewhere else.

Okay. That sounds reasonable.

Well, it also means that if we increase spending in some program, or if we create a new spending program, we either have to decrease spending somewhere else or raise taxes to pay for that increased spending.

Oh, well, yeah, that sounds reasonable.

But, then if you tell that person, and, oh, by the way, we're going to assume that we have more revenue next year, and that revenue is going to be produced by this set of taxpayers. They're not paying it now, but we're going to assume that next year they will pay it. And in order to relieve them of that assumption that they're going to pay for in taxes, we're going to increase taxes on this group of taxpayers over here. How's that sound?

The average person, Mr. Speaker, I would submit, would say that doesn't make much sense. And it doesn't make much sense. In fact, Mr. Speaker, it puts this House and this Congress in a fiscal straitjacket with respect to tax policy and fiscal policy.

Now, the chairman has said himself, this AMT thing is crazy. It was never meant to apply to middle-class taxpayers. It was a mistake. Well, why don't we just admit the mistake and get rid of it? If it was our mistake, let's

correct the mistake by getting rid of it. We never meant to collect this level of revenues that are anticipated in the CBO baseline.

I don't want to talk about the CBO baseline because folks in America don't understand the CBO baseline. But that's the genesis of all this tax raising that the majority is about to undertake here. And we ought to stop it today. This is the first step.

I feel like the little boy in Holland sticking his thumb in the dike. If I'm not here today to stick my thumb in the dike and stop this bill from passing and expose the flaws of this PAYGO system, we're going to have a torrent, a flood of tax increases over the next 10 years.

In fact, the CBO, with the assistance of the Joint Tax Committee, has determined that if this PAYGO rule that governs this bill today stays in place, we're going to increase taxes on the American people over the next 10 years \$3.5 trillion.

Mr. Speaker, that is the largest tax increase in either nominal terms or real terms in the history of this country. Now, is that what the Democratic majority wants for this country?

Do they want to take a chance on increasing taxes to that extent on the American people at a time when we have a housing crisis, when the dollar's value is dropping? I hope not.

Today is the day we expose this very flawed and dangerous PAYGO policy by defeating this bill today, Mr. Speaker.

Mr. Speaker, although I cannot support this bill, I strongly support extension of the AMT patch and most of the provisions of current law extended in this bill. Congress should protect the 19 million Americans who are at risk of paying the AMT this year. Congress should also extend individual and business tax incentives important to the Nation's economy.

Unfortunately, at its core, this bill is not about the AMT or extenders. It is about the elevation of form over substance and the decision of the Congress to bind itself to the mast of Paygo, wherever it may lead.

While there may be valid reasons to apply the principles of Paygo to spending changes, we think the calculus is far different in the case of tax policy.

As we amply documented during the Ways and Means mark-up of this bill, the majority's budget assumes that the Federal Government will generate revenue from allowing the AMT to continue to plague taxpayers and from allowing the 2001 and 2003 tax cuts to sunset. These budget assumptions will have the effect of raising taxes on the Americans people by \$3.5 trillion over the next decade. Paygo forces Congress to decide whether to let those tax increases take place or replace them with other tax hikes.

It is true that under the current iteration of Paygo, tax cuts could be "paid for" by spending cuts, but we have seen no appetite of the current majority for such as sensible approach. For bills both small and large, the Ways and Means Committee has become an ATM for other committees, spitting out tax increases of whatever shape or size is deemed necessary to meet the new majority's appetite for additional spending. Indeed, this House

has already passed over \$100 billion in tax increases this year alone.

What Paygo has become, as embodied in this bill, is far more breathtaking. Here, it is being invoked as a reason for Congress to raise taxes in order to prevent a tax increase.

Let me say that again, the majority has created a rule under which Congress must raise taxes in order to prevent a tax increase. Let me give an example utilizing the context of this bill.

If Congress does not enact this legislation, Americans will pay about \$70 billion more in taxes next year. If we pass this bill, Americans will pay about \$70 billion more in taxes next year. What's wrong with this picture? Either way it's a tax increase.

And let us keep in mind that this bill imposes mostly permanent tax increases to pay for temporary tax cuts. Even if this bill passes, we will be back here again next year struggling to find another \$70-plus billion in tax increases to "rent" one more year of expiring provisions.

Unfortunately, this is just a baby step. Under the next President, we seem likely to face large tax increases in order to "prevent" a tax increase on families with children, tax increases on marriage, marginal tax rate increases, or tax increases on estates. And that's before we are asked to enact other tax increases to pay for new tax incentives or new spending programs.

Raising taxes to prevent a tax increase shows the danger of turning a bumper sticker into a budget rule.

According to estimates the Congressional Budget Office and the Joint Tax Committee, Federal revenues in fiscal year 2007 totaled about 18.6 percent of our economy, well above the historical average of 18.2 percent.

The Joint Tax Committee estimates that over the next decade if we continue to operate in this Paygo straitjacket, revenues will reach 20.1 percent of GDP in 2017, a level seen only once since 1962. Think about it—this bill is the first step in endorsing what will be, in both nominal and real terms, the largest tax increase in the history of the United States.

We may well pass this bill today, but what happens next is anyone's guess. The Senate has given us strong and repeated signals that they intend to reject offsets to pay for an AMT patch and the administration has issued a veto threat. This all suggests we will spend more days debating this issue, even as the continued delay threatens to make the coming tax filing season chaotic.

As the Secretary of the Treasury warned us last month, "enactment of a patch in mid-to-late December could delay issuance of approximately \$75 billion in refunds to some 50 million taxpayers who are likely to file their returns before March 31, 2008." That would be on top of the confusion it will cause taxpayers and the added costs the Federal Government will pay to print new forms and provide assistance to perplexed taxpayers.

Simply put, we should stop this charade and recognize that we need to promptly pass a patch and extenders package that the Senate can pass and that the President can sign. If we fail to do so today, the cost of delay and inaction on the AMT patch will continue to mount.

I urge defeat of the bill so that the Ways and Means Committee can promptly put together a package that has a chance of making it to the President.

I reserve the balance of my time.

Mr. RANGEL. Mr. Speaker, at this time I ask unanimous consent that I be allowed to yield the balance of my time to the chairman of the committee that has really drafted most of this legislation, Congressman NEAL of Massachusetts.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New York?

There was no objection.

The SPEAKER pro tempore. The gentleman from Massachusetts will control the remainder of the time.

Mr. NEAL of Massachusetts. Mr. Speaker, one of the things I'm going to do today after listening to my friend, Mr. MCCRERY, is to go back to my office and call Citigroup, that holds my mortgage, and I'm going to apply that logic when I tell them that I'm no longer going to bother paying the principal, because I just want to forget about the bill; that the bill is just gone. And I expect them to say to me, we're going to use the logic that Congress uses when it comes to paying the Nation's bills.

I'm in full support of this legislation, and I think we need to stand up to theology today and address it with fact. Without the extension of these important tax provisions, there's going to be a real impact back home. Ninety-four thousand Massachusetts teachers who took the deduction for out-of-pocket classroom supplies totaling \$23 million in expenditures, they're going to lose that deduction.

Without this bill, 121,000 Massachusetts families who took the tuition deduction for higher education costs, totaling \$317 million in expenditures, they're going to lose their incentive for higher learning.

If we don't pass this bill, 1,000 businesses in Massachusetts that took the research and development tax credit totaling \$10 million, they're going to lose this credit.

We have to pass that bill so that 192 low-income military families in Massachusetts who claimed the earned income tax credit while in the combat zone, totaling \$2 million in earnings, are going to keep that credit.

And further, Massachusetts school districts which receive \$6.5 million in bond authority for school construction, they're going to lose their assistance without this bill.

And let me speak briefly to the issue of AMT. For a decade and more, I've been at this issue. The Republicans have said to me time and again, you're absolutely right in what you're trying to do. We're quibbling over the solution today. But there's a reality, and the reality is that if we don't do this, 125,684 taxpayers subject to AMT in Massachusetts will increase to, listen to this number, 770,336 people for the 2007 tax year. This means in my district alone 7,000 families to 67,612 will begin to pay AMT if we don't undertake this action today. And half of those 60,000 paying AMT this year will earn between 100

and \$200,000. And another third will earn between 75 and \$100,000.

This legislation is middle-class tax relief. These are the people that need our help.

I reserve the balance of my time.

Mr. MCCRERY. Mr. Speaker, I yield 2½ minutes to the distinguished minority whip, Mr. BLUNT of Missouri.

Mr. BLUNT. I thank the gentleman for yielding, I thank you, Mr. Speaker, for the time, and I thank the gentleman for the comments that he's already made.

I certainly agree with the chairman of the committee that in 1969, certainly a long time before I came to Congress, and there are a few Members here who were here then. I think the chairman was here. He said this was a bad idea. It was a bad idea in 1969. It was a bad idea in 1993 when the alternative minimum tax was made worse. It was a really bad decision in 1999 when the Congress voted to eliminate the alternative minimum tax and a Presidential veto prevented that from happening. This is an unfair tax. Everything that's been said about this tax today by both sides I believe is accurate.

□ 1200

Now 23 million more taxpayers are on the edge of this unfair tax and we are figuring out how to tax more people to somehow equal out this unfairness. I think it's clear that a significant majority of this Congress knew last year that we wouldn't have wanted this to happen. But for some reason we still apparently wanted to commit to spend the money that would occur if it did happen.

So we are taking money we don't have today, this \$50 billion or \$70 billion, I think I am hearing two different numbers here, money we don't have today and assuming that we have got to replace it tomorrow to have not stepped backwards. This is money we did not collect this year. But we are saying we have to have this. This is what I see as a real twisted application of the PAYGO rule.

We are now spending also time we don't have on this issue because our friends on the other side of the building have said they're not going to let the major tax increase here be part of a final solution. So once again we are spending a day we don't have when we could be spending a day doing things like passing the military construction, military families, veterans bill that somehow got lost this week. It got pulled out of a bill by the Senate. We went ahead and passed the Labor-Health and Human Services bill and went to conference on two other appropriations bills, but we chose not to go to conference on the one that would help veterans and help military families and pass that bill today. Instead, we're passing a bill today and I guarantee you we will be back on this floor with a different solution that the Senate and the President will accept and doing this work at a time when this work matters.



I urge my colleagues to vote against this bill. Let's get on with the work of not letting these 23 million new taxpayers be affected, but let's get this done rather than make another effort to just give a speech about how we can raise more taxes.

Mr. NEAL of Massachusetts. Mr. Speaker, I yield 15 seconds to the chairman of the Ways and Means Committee, Mr. RANGEL.

Mr. RANGEL. Mr. Speaker, I just hope that the minority leader recognizes that we in the House have a constitutional responsibility to either raise the revenue, notwithstanding what the other body may or may not do, and that should never inhibit us from doing what we consider is the right thing to do, because constitutionally we are right.

Mr. NEAL of Massachusetts. Mr. Speaker, at this time I would like to yield 1½ minutes to the gentleman from California (Mr. STARK).

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

Mr. STARK. I thank the distinguished chairman of the Revenue Subcommittee for yielding.

Mr. Speaker, I would like to speak just to a couple of things, a couple of errors. First of all, I heard from the other side that today was a getaway day. Now, I think of a getaway day as a day to get home to see our constituents. Not, when you say "getaway," how much unfairness in the Tax Code can you get away with? That's not what today's about.

I commend the chairman for putting forth legislation that will prevent millions of Americans from paying higher taxes. I want to talk specifically about one small part and that's carried interest. Half of the \$50 billion that we are raising is coming from people who should not be getting away with a tax loophole. That's not raising taxes. That's just taking these people who are collecting carried interest deductions or switching to capital gains. It's a scam. They should be paying their fair share of taxes like all Americans.

If you look at all of these "left-wing loonies," George Mankiw at Harvard, who was President Bush's chairman of Council of Economic Advisers; Mr. Buffett, the Blackstone Group; Michael Graetz, all of them say it's wrong to let carried interest be taxed at the capital gains rate so that the capital gains of \$650 million is the average annual income of the top 20. That's 5.5 million bucks a month. Why should they only pay 15 percent? And the answer is they shouldn't. They should pay 35 percent, and this bill will get us a long way towards fairness.

Mr. MCCRERY. Mr. Speaker, I yield 2 minutes to the gentleman from California (Mr. HERGER), member of the Ways and Means Committee.

Mr. HERGER. Mr. Speaker, Congress needs to keep the alternative minimum tax from reaching out and ensnaring an additional 19 million new taxpayers,

saddling them with an additional \$2,000 tax bill.

I have long voted to limit the reach of the AMT. In my Northern California congressional district, 54,000 people will pay the AMT in 2007 if Congress fails to act. But today's bill is in the wrong direction. Tragically, this legislation institutes permanent tax increases to pay for extending temporary tax relief.

The AMT was originally intended to reach 155 of our country's wealthiest Americans who were not paying taxes and compel them to pay at least some level of taxes, but that original intent never included dipping down into the middle class. The AMT now collects taxes it was never intended to collect. It would be absurd to "pay for" extending this temporary fix for another year.

Even worse, today's bill sends a clear signal to American families and individuals that the Democrats plan to allow the tax relief of the last 6 years disappear, raising taxes by trillions of dollars on millions of taxpayers. This includes marriage penalty relief, the higher child tax credit, and lower rates on investment income.

The House should reject this Democrat pro-tax increase approach to patching the alternative minimum tax.

Mr. NEAL of Massachusetts. Mr. Speaker, at this time I would like to yield 1 minute to the gentleman from Massachusetts, the chairman of the Financial Services Committee, who has done a terrific job in that short tenure (Mr. FRANK).

Mr. FRANK of Massachusetts. Mr. Speaker, everybody wants to deal with the problem of the AMT, but only some of us are prepared to deal with it responsibly and realistically, namely, by an alternative revenue source.

You look at the taxes that are being reduced here and the offsetting taxes that are being raised, and it is the most extraordinary piece of tax fairness I have ever seen.

The one argument is that we can't afford that fairness because if we raise taxes to the normal level that people pay on income on the wealthiest people in the history of the world that they will stop doing what they do. Now, I do not criticize these people. I think they perform a useful economic function. But they are the wealthiest people in the country and in the history of the world on the whole. The notion that they have to pay somewhat more tax up to the level that most of us pay on income, they will somehow go on an economic strike and stop doing these things is badly flawed.

They are not engaging in this activity as a favor to us so that they can quit if we offend them. They are doing it because it's a way for them to make money, as they have a right to do. They'll still be making enough money to keep doing it.

Mr. MCCRERY. Mr. Speaker, I yield 2 minutes to the distinguished ranking member on the Health Subcommittee

of the Ways and Means Committee, Mr. CAMP.

Mr. CAMP of Michigan. I thank the distinguished ranking member for yielding.

Mr. Speaker, the so-called Tax Relief Act before us today gives us little to celebrate. In addition to the normal extension of Republican tax cuts, this bill includes an unprecedented amount of Democrat tax increases on the American public. Worse yet, this bill permanently raises taxes to the tune of \$70 billion, all to collect taxes the Federal Government was never intended to get.

Let me repeat that point: this bill raises taxes to generate revenues the Federal Government was never intended to get.

The differences between our parties couldn't be clearer than on this bill. Republicans cut taxes while Democrats raise taxes. Facts are facts; and with this bill, the majority is permanently increasing taxes on Americans and setting the stage for the largest tax increase in history.

I support extending tax provisions like the R & D tax credit, the teacher tax deduction for classroom supplies, and incentives for conservation easements. After all, those are bills I have long supported. I also support shielding over 20 million middle-income Americans from the alternative minimum tax, better described as the mandatory minimum tax. But this is simply the wrong way to do it. Fortunately, the Senate knows and the President knows that. This bill will not pass the Senate and the President will not sign it. I hope my friends on both sides of the aisle will realize this bill is a flawed bill and should be rejected.

This is not the time to be raising taxes. Reject this legislation, and let us vote on a bill that really protects taxpayers from higher taxes.

Mr. NEAL of Massachusetts. Mr. Speaker, the Bush administration has been there for 7 years, and they have not proposed once the elimination of the alternative minimum tax. In including next year's budget projections, they include the numbers from the alternative minimum tax for revenue.

Mr. Speaker, at this time I would like to yield 1 minute to the gentleman from North Dakota (Mr. POMEROY).

Mr. POMEROY. I thank the gentleman for yielding.

Mr. Speaker, I find this debate absolutely incredible. If you pull it up on the Treasury Department's own Web site, the national debt of our Nation this past week went over \$9 trillion.

And the bright dividing line between the parties in the debate today is that our friends on the minority side want to drive that debt even deeper and that our friends on the majority side say enough additional debt for our children.

We either find a way to pay for this AMT fix or 23 million people get a tax increase or we pass the debt on to the children. Now, I am glad about the bipartisan agreement that we should do

something to stop the 23 million from getting the AMT tax hit. But we cannot just run that credit card balance even higher, just lay this debt onto our kids.

It's time we face the music and we begin paying for the costs that we are incurring. We have got to put this budget in order, and we need to start with this bill.

Mr. MCCRERY. Mr. Speaker, I yield 1 minute to the gentleman from Texas, the distinguished ranking member of the Social Security Subcommittee (Mr. SAM JOHNSON).

(Mr. SAM JOHNSON of Texas asked and was given permission to revise and extend his remarks.)

Mr. SAM JOHNSON of Texas. Mr. Speaker, I rise today to oppose the permanent tax hike to pay for a 1-year extension of current law.

The alternative minimum tax is a taxing machine, put into law 40 years ago by a Democrat Congress to tax 155 of the wealthiest families in America.

The AMT patch before the House today will prevent a tax increase on families who make just over \$66,000 a year. These aren't the superwealthy. In fact, in my congressional district, a family of four making \$66,000 a year is considered a moderate income. Apparently, the Democrats in the House consider the rest of my constituents superwealthy.

Even this paltry relief will be offset with permanent tax increases. The tax increase on real estate partnerships is among the most destructive taxes that could be devised. At a time when most of us in the Congress are concerned about the real estate market, our colleagues who vote for this bill today are waging an attack on free enterprise.

We must vote "no" on this huge tax increase.

Mr. NEAL of Massachusetts. Mr. Speaker, I ask unanimous consent to enter into the RECORD a colloquy between myself and Mr. WATT.

The SPEAKER pro tempore. Colloquys may not be entered into the RECORD by unanimous consent; they must be spoken.

Mr. NEAL of Massachusetts. Then I will ask the gentleman from North Carolina to remain here and perhaps we can do it face to face.

Mr. Speaker, at this time I would like to yield 1 minute to the gentleman from Connecticut (Mr. LARSON).

Mr. LARSON of Connecticut. Mr. Speaker, I rise in strong support of this legislation.

Our colleague ARTUR DAVIS on the committee, in direct inquiry, in talking and eliciting a response, said the following: 138 million Americans will be filing taxes. Under 50,000, under 50,000 of them, will be filing with carried interest. And you know what? They are going to make, I believe, \$936 billion. With this act that we are passing today, we are going to impact 23 million people, many of whom are going to be earning as little as \$40,000.

□ 1215

Now, here's the deal, the people who earned \$936 billion, next year, God forbid, they are going to be making \$934 billion. Makes you tremble.

Your party has become part of the Save the Schwarzman Seven instead of looking out for the interests of our people.

Mr. MCCRERY. Mr. Speaker, I yield 2 minutes to the distinguished ranking member of the Select Revenue Measures Subcommittee, in which some of this bill was developed, Mr. ENGLISH.

Mr. ENGLISH of Pennsylvania. I thank the gentleman.

As chairman of the Zero AMT Caucus, I rise to strongly oppose this wrongheaded measure, which instead of offering a prescription for tax relief or tax reform, which they promised at the beginning of the year, it is a placebo that imposes a permanent tax increase in exchange for the false promise of temporary tax relief.

This legislation, as the other side has said, is all about hostages and brinkmanship. Their budget was built on the quicksand of AMT revenues that assumed the revenue from taxing 23 million people under the AMT. Now we have to raise taxes to protect them. They are using this crisis as a locomotive to drive higher taxes.

But those aren't the only hostages, Mr. Speaker. Other taxpayers are being held hostage to delay. Already, this is the longest Congress has gone into the year without dealing with the AMT's reach ever. The IRS and Treasury have indicated that this delay will, at best, cause massive chaos and confusion in the upcoming filing season, but at worst, it is the likely scenario, since this bill was put forward dead on arrival with the Senate and the House, 50 million taxpayers could find their refunds delayed by many weeks.

But that isn't the only hostage. The extenders are being held hostage. Everyone who utilizes the extender deductions on State and local taxes, the tuition deduction, expenses for school teachers, combat pay under the EITC, mortgage bonds for veterans, companies that use the R&D tax credit or certain charitable contributions, these extenders are going to be delayed if it is tied to this dead-on-arrival bill.

Mr. Speaker, this bill does nothing to deal with what they said was their top priority, which is reforming or getting rid of the AMT. It's bad tax policy. It's a large tax increase no matter how they dress it up. And it's a tax increase coming at a time of economic slowdown. Just say "no."

Mr. NEAL of Massachusetts. Mr. Speaker, I was with the ranking member of the Rules Committee yesterday, and he said that everything was fine, the economy was doing great.

GENERAL LEAVE

Mr. NEAL of Massachusetts. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend

their remarks and include extraneous material on H.R. 3996.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. NEAL of Massachusetts. Mr. Speaker, at this time, I would like to recognize the gentleman from Illinois (Mr. EMANUEL) for 1 minute.

Mr. EMANUEL. Mr. Speaker, President Kennedy once said, "to govern is to choose." Both parties are presenting different choices: Republicans, another decade of debt and tax breaks for the well off; Democrats, an end to the red ink and middle-class tax cuts.

The Republican Congress and President Bush ran up \$4 trillion of new debt in the shortest period of time in American history. All the while, economic insecurity is at an all-time high for the middle class, incomes are stagnating, and homes are losing their value. Since 2000, the cost of health insurance has risen 80 percent, college costs up 44 percent, prices at the pump up 89 percent.

Democrats promised to bring tax fairness to the Tax Code, and we promised to help every American secure the pillars of a middle-class life, raising a family, buying a home, paying for college, and saving for retirement. Today we have a chance to make good on our promises.

This bill protects 23 million families from the AMT, gives 30 million homeowners the ability to deduct property taxes, helps 12 million children with a larger tax credit, and provides 4.5 million families help to pay for rising college costs, all without adding a penny to President Bush's \$9 trillion debt.

The choice is clear and the choice is simple.

Mr. MCCRERY. Mr. Speaker, at this time, I yield 2½ minutes to a distinguished member of the Ways and Means Committee, the gentleman from New York (Mr. REYNOLDS).

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

Mr. REYNOLDS. I thank the gentleman from Louisiana.

Mr. Speaker, I listened very carefully to the chairman of the Ways and Means Committee, as he opened up, on what we agreed on and maybe what we disagreed on, and I have listened to a number of speakers. First of all, on the Ways and Means Committee members before me, I want to be associated with the observations and comments that they've brought to the floor today.

We opened this year, as the ranking member of the subcommittee, Mr. ENGLISH, mentioned, with hope and optimism that we were going to repeal AMT; not reform it, not push it around, not raise taxes on it, but repeal it. As time ticked on, we had hearings, and hope faded. Hope then got cloudy, then hope wasn't real.

As we're sitting here in November, the Secretary of Treasury has responded to my letter and letters written by Mr. MCCRERY and Mr. GRASSLEY, and in that, answering the fact

that we have missed some dates, missing one right now on November 6, that the IRS is going to print the 1040 forms, and next week, on November 16, they're going to print all the other forms. Now, I take that a little personal because last year, the 1-year patch, without a tax increase, was passed on an initiative that I introduced and was put into a bill in May, May of last year, without a tax increase. And you know what? This body passed it 414-4; didn't have tax increases, didn't have a lot of gimmicks, just got the job done.

I want to remind my colleagues on the other side of the aisle, you're not just touching 23 million Americans by this delay in the failure and the shortcoming of getting an agreement between the two bodies and the White House; you're making it about 49 million, because the letter also said, from the Secretary, that others are impacted by this needless delay.

Now, I don't mind having a constitutional message about our prerogative in the House to initiate anything we want in Ways and Means relative to taxes, but there comes a time, even for a new majority of the other side, to understand when pragmatism sets in, that we didn't get a permanent fix, we didn't even get a repeal, we didn't even get a 1-year patch, however you wanted it. What we got is, today, a failed approach.

And to the new Members who have never served in this body before on either side of the aisle, you're going to hear "tax gap," "tax fairness," "tax equity." I promise you that results right here in this bill as a tax increase.

Vote "no" on this bill, and let's get the work done before we go home for Thanksgiving.

Mr. NEAL of Massachusetts. Let me quickly decipher what my friend the gentleman from New York said. He said, "Let's borrow the money."

I yield 1 minute to Mrs. TUBBS JONES, the gentlewoman from Ohio, former District Attorney.

Mrs. JONES of Ohio. I thank my chairman for giving me this opportunity to be heard.

You know, my friend from New York, I tried to feel what he was saying to me. And it was emotional and everything, but it did not speak to the issue that we're talking about.

I went to law school, and I wanted to be a civil rights lawyer. I thought that if I was a great civil rights lawyer, I could really help the people of America, the people that live in my community. But I should have been a tax lawyer, because had I been a tax lawyer, then I would have better understood how I could help middle-class families by fixing the AMT. If I had been a tax lawyer, I would have understood how I could help people purchase homes and get a benefit from it. Had I been a tax lawyer, I would have understood how fairness operates in the United States of America through the Tax Code, because by the Tax Code, poor people

might have a chance, working people might have a chance.

I say to my colleagues today, vote for this, vote for this bill. It may not be all that we wanted. And if you think about it, if we hadn't spent so many trillions of dollars in Iraq, maybe there would be a pay-for in this legislation.

Mr. Speaker, I am pleased to see that today, the House is taking up tax relief for the 23 million Americans who otherwise would be saddled with the onerous alternative minimum tax. In addition, we are also providing relief for 7.4 million low-income workers by increasing the Earned Income Tax Credit.

Families across America will this weekend sit down at the dinner table take an accounting of their personal finances and balance their checkbook. The Government is charged with balancing the checkbook of the United States. While I enthusiastically support the efforts of private equity and hedge fund managers, I am very aware that service income is just that and should be taxed that way—at ordinary income rates. It is the responsible thing to do because we must not mortgage our future by continuing to borrow from foreign countries such as China.

We are also, Mr. Speaker, enabling more than 6.5 million working families to use the refundable Child Tax Credit. This is allowing more families to remove themselves from the depths of poverty. This legislation is helping Americans help themselves. It is okay to ask people to pull themselves up by their bootstraps, but if they don't have boots, we are asking too much. H.R. 3996, the Temporary Tax Relief Act is sound legislation, progressive tax policy and the right direction for America.

When a member of Congress hails from one of the poorest congressional districts in America as I do, there is a special responsibility to ensure that the interests of constituents are being addressed. That is why I am pleased to see that while we are pursuing a patch for the AMT, we are also increasing the Earned Income Tax Credit for an additional 7.4 million low-income workers.

The alternative minimum tax is an important issue for the American middle class taxpayer who does not get to take advantage of sophisticated tax planning and legal loopholes in the tax code. It is time that we addressed this issue once and for all to relieve the American taxpayer from the agony and pain that arise from having to figure out their taxes twice in order to come up with their tax liability.

It is particularly ironic that a tax that was meant for a few wealthy individuals has become the bane of existence for millions of American taxpayers, who could be affected. Indeed the AMT has become a menace. Over 7,000 hardworking Ohioans in my district had the grim task of filing a return with AMT implications in the 2005 tax year. Those are families with children, healthcare costs, unemployment issues, housing costs and the other money matters with which American taxpayers must cope. Relief is due.

We should consider alternatives to this alternative that might include a complete repeal. Relief is due. "Taxes are what we pay to live in civilized society," but dealing with the AMT has become a bit uncivil.

On the one hand we have people that have to live paycheck-to-paycheck and on the other hand we have partners in partnerships, whether they be real estate or private equity who

sippeth from the public trough. I am cognizant that many of these partners work diligently to bring companies to market and to grease the wheels of capitalism from which we all benefit, from East Cleveland to East L.A. to East Harlem. As I mentioned after the introduction of Representative LEVIN's H.R. 2834, we must applaud the efforts of American capitalists and the strides that they make in fostering growth in our economy and, the global economy to wit. Yet we must also tax compensation income as compensation income and capital gains thusly.

We must also be mindful of the effect that our tax policy has on potential reinvestment in low-income and minority communities. It is important to note that women and minorities are often the last to the table and just when they are getting ready to participate in the large-scale "financial festival" that is private equity and hedge funds, etc, the rules appear to be changing. It is incumbent upon members of the aforementioned parties that fair and equitable tax policy should not be confused with the opening up of capital markets and the extension of new opportunity.

The tenets of sound tax policy begin with the notions of equity, efficiency and simplicity. Relying on that traditional framework I am sure that we have come to a rational consensus.

Mr. MCCRERY. Mr. Speaker, I yield 2 minutes to the distinguished member of the Ways and Means Committee, Mr. BRADY from Texas.

Mr. BRADY of Texas. Mr. Speaker, make no mistake, there are good things in this bill.

I think it's important that we address the AMT. It was created in 1969 by a Democrat Congress for the wealthy. Now it's affecting our teachers and our firefighters and just average families.

There is a State and local sales tax deduction in this bill, very important for families because sales taxes really add up fast. But these tax increases are troubling and risky. Like AMT, there are unintended consequences that will damage our economy.

We are launching an assault on the real estate and housing industry, increasing taxes on second homes and leveling a potentially devastating tax increase on real estate partnerships.

Now, these real estate partnerships, there are a lot of them. People say, oh, it's just corporations. There are 1.1 million partnerships who have done nothing wrong in America but build apartments in our communities, shopping centers, office buildings and industrial parks. This tax is seen as the most potentially devastating tax on them since 1986, which launched massive loan defaults and foreclosures. These are traditional real estate partnerships.

And people say, well, we are aiming at Wall Street. Well, they are aiming at Wall Street, but they're going to hit Main Street America, and the result is lower property values, fewer construction jobs, and risky lending in real estate partnerships who have done nothing wrong.

And finally, this bill levies a \$2 billion tax increase on families who have

scrimped their whole lives to get a second home. These are not wealthy people. The average income is about \$82,000 for those who buy a second time. And 40 percent, four out of 10 sales last year were second home buyers, people who scrimped on their first home so they might have a cabin or a place by a lake or something for their family to retire to. These higher taxes are going to damage their investments. They're going to lower property values. It's going to hurt every community across this country that relies upon these second homes. Whether you're at the lakes, the river, or out in the parks, these tax increases are dangerous.

Mr. NEAL of Massachusetts. There shouldn't be any confusion, Mr. Speaker, this bill cuts taxes for tens of millions of people.

At this time, I yield 1 minute to the gentleman from Washington State (Mr. McDERMOTT).

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

Mr. McDERMOTT. Mr. Speaker, I just want to say what the real issue here is. The Republicans are willing to say that 50,000 rich fat cats are more important than 21 million middle-class folks in this country.

Now, the people they're defending are people who have an adjusted gross income of \$1 million, or more, who knows, and those folks are paying a 15 percent tax rate. That means they have to pay \$150,000 in taxes. Oh, my God, they have to get by on \$850,000. What we're saying is, let's tax them like the fireman who pays 30 percent. Thirty percent of \$1 million is \$300,000. Those poor people, they'll only have \$700,000 to get by on. That's what it's about, folks.

Congress has an opportunity to demonstrate real leadership today by supporting a visionary proposal put forward by Ways and Means Chairman CHARLES RANGEL of New York.

First, we're going to help millions of middle class Americans by passing the tax extenders that are included in this legislation; without them, 23 million Americans would be harmed by a tax provision called AMT that was never intended to affect and hurt the middle class.

As part of the extensions in the bill, I included a provision that will extend the deduction for payment of local sales tax. Yes, people in my State of Washington will benefit, but so will taxpayers in the eight other States where there is no State income tax.

I am pleased that Mr. BRADY joined me in this important matter. It is another sign that we have produced legislation that is bi-partisan.

This is only a 1-year extension, but I think we will have an opportunity to make it permanent when the House begins considering tax reform, and the visionary proposal put forward by Chairman RANGEL.

Fact is, we are restoring fiscal discipline and so even good proposals that rightly benefit people cannot be fully implemented all at once because of the need to find ways to actually pay for what we propose to spend or return. And that may be the most important point of all.

Chairman RANGEL has produced an honest proposal based on dollars and sense.

What's different today, Mr. Speaker, is that this House has decided to pay for this tax relief.

We are going to save middle America from the alternative minimum tax, and do so by closing the big tax loopholes that billionaires have been driving their Hummers through.

On Wednesday, the Department of the Treasury informed the Nation that we are 9 trillion dollars in debt. Last month President Bush signed the fifth debt-limit increase since the beginning of his term.

He talks about being a fiscal conservative but his Republican Congress emptied your wallets and borrowed astronomical sums of money on credit.

As a result of this fiscal mismanagement, the dollar is on the brink of collapse and the Chinese are suggesting they'd prefer to hold debt in Euros instead of the greenback. It's not just the credit markets on Wall Street that are in trouble. Our public credit market is in jeopardy, too.

So what does the Bush Administration and his rubber-stampers in the minority suggest? They want to extend these tax cuts, but borrow the money to pay for them.

That's not the kind of leadership America needs. I urge support of this bill.

Mr. McCRERY. Mr. Speaker, may I inquire as to the time remaining for each side.

The SPEAKER pro tempore. The gentleman from Louisiana has 11 minutes remaining. The gentleman from Massachusetts has 9½ minutes remaining.

Mr. McCRERY. Mr. Speaker, I yield 2 minutes to the distinguished ranking member of the Budget Committee and a member of the Ways and Means Committee, Mr. RYAN from Wisconsin.

Mr. RYAN of Wisconsin. I thank the gentleman for yielding.

You know, I want to clear up a couple of facts. The other side has been saying this provides tax relief, reducing taxes for 10 million, millions of people. No, it's not. People's taxes are not going to go down. If this bill passes, 23 million people will not see lower taxes next year. They may not see a tax increase.

This is not about cutting people's taxes. This does not provide tax relief. This prevents tax increases on some and raises taxes on others. So let's be very clear here; what the majority is trying to do and what their new rules do is they say, if you want to bring a bill to the floor to address the alternative minimum tax, you better raise taxes, because that's the only legislation we'll accept.

What the majority is doing is they're saying, by not raising taxes on people, we're giving them a tax cut. Holy cow. That is new logic. We are simply saying, let's not raise taxes. That's it. Period. End of story.

This tax law was never meant to be. It was never designed to tax all of these people. We all agree on this. And so I find it kind of puzzling that we're bringing this bill to the floor, which we know will not pass law. The other body won't even bring it up for a vote, so it just shows how bound and determined the majority is to raise taxes, how

bound and determined they are to put on this new glide path of going to taxing our economy, our society, our workers, our families more than we have in the history of our country.

□ 1230

They are saying, we don't like the alternative minimum tax, but we want those tax revenues. So instead of taxing people this way, we are going to tax people that way and get all this new money into the Federal Government.

Mr. Speaker, the problem in Washington is not revenues; the problem is spending. Both sides could do a better job on spending. I freely admit that. Let's focus on controlling spending and not raise taxes.

Mr. NEAL of Massachusetts. Mr. Speaker, we appreciate that epiphany, that after 6 years of a Republican Congress and a Republican President, they are blaming spending on the Democratic Party.

Mr. Speaker, I yield 1 minute to the gentleman from Oregon (Mr. BLUMENAUER), a thoughtful member of the Ways and Means Committee.

Mr. BLUMENAUER. Mr. Speaker, my Republican friends are shocked, shocked that a tax that they have ignored for 7 years is suddenly going to come into effect. Mr. NEAL, Mr. RANGEL, and others on our side of the aisle have been claiming this for years. Instead of specious tax cuts for a few, let's deal with the real meaningful problem: they ignored it. The red line that my friend Mr. RYAN had on his chart is the red line that is assumed by the Republican administration to justify their budget.

This proposal is not a tax increase. Over the next 10 years there will be exactly the same amount of money collected by the Federal Government. What is different is that there are three provisions that most Americans would say are modest technical provisions, including adjustments to carried interest rates. In exchange for that we will protect 23 million middle-class families from paying the AMT; provide 30 million homeowners with property tax relief; help 12 million children, by expanding the child tax credit; benefit 11 million families through the State and local tax deduction. That is the difference and that is why you should vote for it.

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

Mr. Speaker, the gentleman's enthusiasm for his point of view doesn't make his point of view correct. In fact, Republicans time and time again protected taxpayers, middle-class taxpayers, from the application of the AMT. That is why there's a patch in place today; that is why last year those 21 million taxpayers didn't pay the AMT. In 1999, I would tell the Speaker to inform the gentleman, the Republican Congress repealed the AMT and, unfortunately, President Clinton vetoed that repeal. So I would take issue

with the gentleman's characterization of the Republican Congress's actions with respect to this issue.

At this time, Mr. Speaker, I yield 2 minutes to the distinguished member of the Ways and Means Committee, the gentleman from Virginia (Mr. CANTOR).

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

Mr. CANTOR. Mr. Speaker, I rise in opposition to the Democrats' approach to try and patch the AMT, on several grounds. First of all, I want to associate myself with the remarks of the gentleman from Wisconsin to the application of the Democrats' PAYGO rule because it has turned into "we cannot do anything in this body without raising taxes." Someone has likened this approach to tax hikes on speed dial, and I heartily agree.

But I also rise in opposition because I believe that this particular bill in the context of the larger bill being proposed by the chairman of the Ways and Means Committee is nothing but a job-killer. One of the statements made by my colleague on the other side of the aisle was that somehow this tax hike targets only some of the wealthiest individuals in the world. You know, that is probably what the Congress said back in 1969 when they were passing the AMT: we only want to tax the wealthy.

But when you look at it, this provision, the provision of carried interest impacts not just those famed partnerships in the money centers of this country but it impacts the real estate partnerships, the "mom and pop" investment partnerships across this country that, frankly, fuel seven out of ten jobs across America. Where in the world do we think these small businesses are going to come up with the money to pay these taxes? They are going to come up with the money by not creating new jobs; they are going to come up with the money by not offering health benefits to their employees. Let's face it, money does not come out of thin air.

The next allegation is no one is going to stop investing in this economy, no one is going on economic strike if we raise the price of investment in this country. Well, have you looked at what is going on in our financial markets today? Look at the announcement from China, shifting \$1.4 trillion of their reserves out of the U.S. dollar. Have you looked at the fact that people are not investing in housing any more, the subprime mortgage crunch?

Mr. Speaker, I would say it is an understatement to say that this is a job-killer.

Mr. NEAL of Massachusetts. Mr. Speaker, 94,000 teachers in Virginia are going to benefit from this proposal today and 133,000 families are going to take advantage of the college tuition deduction in the State of Virginia.

Mr. Speaker, I yield 1 minute to the distinguished gentleman from New Jersey (Mr. PASCRELL), a member of the Ways and Means Committee.

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

Mr. PASCRELL. Mr. Speaker, I want to associate my words with the gentleman, my good friend from Wisconsin, also. You say "tomato," he says "tomato." You call it tax relief; you call it tax cut. You make the choice. You think that the Bush administration and their congressional allies would be in support of this measure. Instead, Republicans are hysterically crying because this bill asks private equity managers to pay the same rate in taxes as most folks in this room. Why should the richest of all Americans pay only 15 percent in taxes when a doctor or lawyer pays 35 percent? Why should the kings of Wall Street only pay 15 percent on their contingency fees when most teachers and police officers pay 25 and 30 percent?

I have heard repeatedly in this debate that private equity managers are involved in a risky business so they should be rewarded with the lowest tax rates around. But the risk they carry is on other peoples' money, not their own. When you want to talk about risk, how about the firefighter that rushes into a burning building? Are Republican priorities so skewed that they will spend all their time and effort ensuring that financiers pay less in taxes than first responders? No way.

It is another day, and another example of prudent, sound, fiscally responsible legislation from the Democratic majority. Unfortunately, it's also another day of cheap rhetoric and skewed facts from the Republican side of the aisle. Indeed, the debate today says a great deal about the misplaced priorities and values of the other side.

Democrats are bringing to the floor a bill that will prevent the Alternative Minimum Tax from hitting 23 million taxpayers this year while also upholding our commitment to fiscal responsibility by complying with Pay-Go rules. You'd think that the Bush Administration and their congressional allies would be in support of such a measure. But no. Instead, Republicans are hysterically crying because this bill asks private equity managers to pay the same rate in taxes as everyone else.

Why should the richest of all Americans pay only 15 percent in taxes when a doctor or lawyer pays 35 percent? Why should the Kings of Wall Street only pay 15 percent on their contingency fees when most teachers and police officers pay 25 to 30 percent?

I've heard repeatedly in this debate that private equity managers are involved in a risky business, so they should be rewarded with the lowest tax rates around. But the risk they carry is on other people's money—not their own.

And you want to talk about risk? How about the firefighter that rushes into a burning building? Are Republican priorities so skewed that they'll spend all their time and effort ensuring that financiers pay less in taxes than first responders?

This legislation is wise and it is fair. It will give tax relief to 23 million hard working Americans while ensuring fairness in the tax code. And if it wasn't for the campaign contributions from Wall Street this bill would pass unanimously.

Mr. MCCRERY. Mr. Speaker, I yield 1½ minutes to the gentleman from Texas (Mr. HENSARLING).

Mr. HENSARLING. Mr. Speaker, this bill is very cleverly entitled the Temporary Tax Relief Act of 2007. But there's no tax relief here; no tax relief at all. All they do is for one year postpone a huge automatic tax increase on some people and they combine that with a \$76 billion tax increase on others. So maybe the "temporary" is accurate, the "tax relief" is not. All they are doing is rearranging the deck chairs on the Titanic tax ship. That is what this bill is all about. AMT ought to stand for "automatic major taxation."

When I hear my Democratic friends decry it, they have had opportunity to get rid of this bill in the past, and perhaps there are some freshmen here, if they haven't had an opportunity, I would invite them to cosponsor the Taxpayer Choice Act, which would permanently repeal this huge automatic tax increase.

But, wait, our Democrat friends say, well, you have got to have something that is revenue-neutral. Well, guess what? Fully repealing the AMT is revenue-neutral. It is revenue-neutral to the taxpayer, the one who counts; not revenue-neutral to the Federal Government, but revenue-neutral to the hard-working taxpayer, the teacher, the fireman, the person who's trying to send their kid to college, pay for their mortgage payment. And you take that away. That is wrong. Vote this bill down.

Mr. NEAL of Massachusetts. Mr. Speaker, 284,000 teachers in the State of Texas will benefit from the proposal that is before us today.

Mr. Speaker, I yield 1 minute to the gentlewoman from Nevada (Ms. BERKLEY), another member of the Ways and Means Committee.

Ms. BERKLEY. Mr. Speaker, I rise today in support of this bill that provides tax relief to parents and teachers, college students, homeowners and to millions of other middle-income Americans. If this legislation is not passed, more than 128,000 Nevada taxpayers will be slammed by the alternative minimum tax. This includes more than 30,000 people in my district alone.

I believe the alternative minimum tax should be eliminated, but this bill provides a necessary temporary solution to protect over 20 million Americans who will be hit by the AMT in 2007. Nevada residents will benefit from the extension of the deduction for State and local sales taxes contained in this bill. For homeowners, this bill extends the tax deduction for private mortgage insurance, and it provides relief to those who lose the roof over their heads by eliminating the foreclosure tax.

This bill ensures that more hard-working parents will be able to benefit from the child tax credit. But, most important, the tax relief in this bill is fully offset and will not add a single dollar to the national debt.

Mr. McCRERY. Mr. Speaker, I yield 1 minute to the gentleman from New Jersey (Mr. GARRETT).

Mr. GARRETT of New Jersey. Mr. Speaker, earlier we heard from the other side of the aisle that President Kennedy once said: "To govern is to choose." Well, so it is, and we have seen how the Democrat majority of this House has decided to choose when it comes to the issue of tax and spend. They always choose tax.

In the very opening comments from the Democrat chairman of the Ways and Means Committee, he said that one of the options they could have considered was cutting spending in the United States Government for once, but they immediately dismissed that, saying that that was simply politically undoable for the Democrat Caucus.

So instead what they do they do? They raise taxes. Their proposal, they say, is to tax the rich. But really what they are saying is try to rob Peter to pay Paul and then go and try to convince Paul that Peter is paying and convince Peter that Paul is paying. But the American taxpayer knows that all of middle-class America will be paying for this tax increase.

This tax increase, a \$76 billion tax increase over 10 years, follows a litany of other tax increases. I was on the floor last night and I went through about a dozen Democrat bills which, combined, totaled about \$110 billion in tax increases on top of the largest tax increase in their budget. Vote "no" on this.

Mr. NEAL of Massachusetts. Mr. Speaker, 619 businesses in the State of New Jersey will take advantage of the research and development tax credit.

Mr. Speaker, I yield 1 minute to the distinguished gentleman from Maryland (Mr. VAN HOLLEN), a member of the Ways and Means Committee.

Mr. VAN HOLLEN. Mr. Speaker, this bill provides tax relief to more than 24 million American families and corrects a huge inequity where many people have been forced to pay taxes on phantom income, income they never earned. Today, we gather to fix two big problems left behind by the Republican Congress under President Bush. One is a huge middle-class tax increase that they left hanging over the heads of the American people, a tsunami, that if we don't act today, will crash down on 124 million American taxpayers.

The Republican Congress under President Bush could have addressed this problem. They chose not to. It just was not a priority for them. They instead spent their time providing tax increases that went to the very wealthiest Americans and left the rest of the country holding the bag of \$9 trillion debt, a debt that costs the American taxpayer \$3,300 each year to pay the service on that debt, the debt that they ran up.

Mr. Speaker, today we can pass tax relief in a fiscally responsible manner. Let's get it done.

Mr. McCRERY. Mr. Speaker, I yield 1 minute to the gentleman from California (Mr. CAMPBELL).

Mr. CAMPBELL of California. Mr. Speaker, let's look at what this bill does. It basically leaves the alternative minimum tax the same as it is now. That is not a tax cut. But to "pay" for leaving some taxpayers' taxes alone, they are going to raise other people's taxes. Now, I'm sure that in a moment the gentleman from Massachusetts will give some number of taxpayers in California he says will benefit from this. Those taxpayers will benefit from having their taxes the same as they are now. What the gentleman will not say is the number of taxpayers in California whose taxes will be increased by this bill, and there will be many. So some people's taxes stay the same and others go up.

Mr. Speaker, this bill is a straight-up, direct, unadulterated tax increase. It will not be the last straight-up tax increase brought to you by this Congress.

Mr. NEAL of Massachusetts. Once again, what the gentleman said is we should borrow the money.

Mr. Speaker, I yield 1 minute to the gentleman from Alabama (Mr. DAVIS), a distinguished member of the Ways and Means Committee.

Mr. DAVIS of Alabama. Mr. Speaker, my colleague from California and my friend from Texas are right, this bill is not burden-free. This is who bears the burden: 36,000 to 50,000 individuals who took a deduction for carried interest, less than two-hundredths of a percent of the taxpaying population, and what was their combined income in the last year? Mr. Speaker, it was \$935 billion. That is who will bear the burden.

When Mr. VAN HOLLEN and I came to the Congress, here's who bore the burden every time they brought tax bills to the floor: college students who were pushed into paying higher loans, families on Medicaid who were pushed into paying higher premiums, people who were pushed into having their benefits taken away when they need them, and soldiers who lost the earned income tax credit for some of their families.

□ 1245

Under this majority, the people who bear the burden when we have to make difficult choices will not be the people who are working and sustaining this country day in and day out. Yes, someone will bear the burden; a very, small narrow category of the super-rich.

Mr. McCRERY. Mr. Speaker, I yield 1 minute to the gentleman from New York (Mr. FOSSELLA).

Mr. FOSSELLA. I thank the gentleman for yielding. It is great, because in other countries, sometimes opposition candidates get put under house arrest. Here in this great institution we have the debate in plain view. And as has been mentioned repeatedly, there is just a clear distinction on how to solve this problem.

Personally, I think I speak for many, the AMT is a problem, and it is a prob-

lem for 52,000 people living in Staten Island and Brooklyn, many of whom, by the way, are small business owners, are those firemen and police officers and teachers who are working sometimes two, three and four jobs to put food on the table. We should abolish it. Abolish it once and for all, as has been suggested.

Put simply, this is a wolf in sheep's clothing. We know what it will do. This is the first installment on what will be the largest tax increase in American history. My concern is more than just being an American citizen here. My equal concern is what will it do to New York's economy.

People talk about how we are going to pay for firefighters and police officers. We know that this bill will punish investment, punish capital, kill jobs that in large part go to fund the salaries of those firefighters and police officers and teachers who do a great job every day. It is a clear distinction, a clear disagreement on where we are going. Kill this bill.

Mr. NEAL of Massachusetts. Mr. Speaker, there are 1,462 businesses in the State of New York who will take advantage of the research and development tax credit that we extend today.

Mr. Speaker, with that, I yield 1 minute to the gentleman from Maryland (Mr. HOYER), the distinguished majority leader.

Mr. HOYER. I thank the gentleman for yielding.

Mr. Speaker, this debate must be somewhat confusing for the American public. First of all, almost every one of us stands and says that we want the alternative minimum tax fixed. We want it fixed because of the presumption of the alternative minimum tax, which I support and which I will not vote to repeal unless we pay for it. I want you to know that I speak as the father of three daughters, as the grandfather of three grandchildren, and as the great-grandfather of one great-granddaughter. I have listened to this debate. I am going to speak about this debate, and I am going to refer to history. My friend Mr. RYAN knows what I am going to say because I have said it before, but I believe the American people need to know this.

Let me place it in context. I have served in this body for 26 years. During that time, Republican Presidents have served for 18 of those years. A Democratic President, President Clinton, served for 8 of those years. During the Presidencies of President Reagan, President George Bush and the present President Bush, we have accumulated deficits in America of \$4.1 trillion of deficit spending.

Now, there is only one person in America who can stop spending in its tracks. Just one. Not me, not anybody on this floor. We need 217 other people to do that with us. But one person can stop spending in its tracks. And in the 26 years that I have been in the Congress of the United States, no President has had a veto of a spending bill



that spent too much overridden. Not one.

This President has vetoed no spending bills under Republican Congresses. Not one. No matter how much they spent. And, by the way, ladies and gentlemen of this House, they spent at twice the rate of growth that the Democrats under President Clinton spent.

Now, Republicans were in charge of Congress, but they were in charge of everything during the first 6 years of this century. Everything. House, Senate, Presidency.

My friend made the observation that neither side had done too well. I would suggest my side has done a lot better. Because under my side in those 8 years of the Clinton administration, we had a \$62.9 billion net surplus after 8 years, and we didn't have to raise the national debt one time in the last 4 years after we got the deficits created under the Reagan administration and the first Bush administration down, from a \$292 billion operating deficit when we took over to surpluses during the last 4 years, and a straight line of reduction every one of the first 4 years of the Clinton administration.

Why? Because we Democrats believe in spend and pay. You simply believe in spend and borrow. You believe that it is a politically wise policy to pursue that "don't tax the voters, tax the children." Tax the children. Delay the ramifications of spending until tomorrow and tomorrow and tomorrow, when the children will have to pay the bill, because, after all, they are not voting.

I have heard a lot of wringing of hands about PAYGO. I know you are all waiting to hear me read a quote, so I will read it to you. "With the other body unable to pass even a budget this year," that was referring to a Republican Senate, by the way, "we were obviously unable to reach an agreement on legislation to extend PAYGO and other budget rules. It is my hope that this can be done next year as part of a normal budget process. I would close by reminding our colleagues and Members that the PAYGO rule contributed to taming of deficits over the past seven years, and it is my hope that a successor to PAYGO can be developed and coupled with caps on discretionary appropriations." That quote, of course, comes from Jim Nussle.

As a matter of fact, President Bush's administration also said that they were for PAYGO, until they found out that PAYGO applied to cutting revenues. And because they didn't want to stop buying, I say to my friends on the Republican side of the aisle, and you knew that you would be constrained in buying if PAYGO applied to your tax cuts, which I supported for the middle-class but not for the skewing of taxes that I saw in your proposals, that you would have to stop spending, because you couldn't pay for it. So you jettisoned PAYGO, a premise that was overwhelmingly adopted by Republicans and I voted for in the 1997 Bud-

et Act, because I believe in balancing our budget.

I have served in legislative bodies for almost 40 years, and I have found people who like to vote for spending but don't like to vote for paying. It takes no courage whatsoever, I tell my friends, to take my credit card out of my pocket and put it in there, sign the little slip and think I will never have to pay for it, because, by the way, I will be dead and gone by then and my children will have to pay the debt. That has been referred to by Mr. Portman as an immoral policy, Rob Portman, the former Director of the OMB, a former member of the Ways and Means Committee.

Mr. Speaker, I rise in very, very strong support in favor of this tax cut for millions of Americans. Will there be an offset? There will be. And, as I said, I will not vote to fix the AMT unless we pay for it. Because if we fix the AMT without paying for it, what we will say to people like STENY HOYER and every Member of this House, maybe we have a conflict of interest, because every Member of this House is going to be affected by this if we don't repeal the AMT, for those of us at this income level.

So maybe we have a conflict of interest. Maybe we want to save ourselves a little money, but we don't want to pay for it, because raising revenues takes political courage. There is no courage whatsoever in plunging our country into debt, spending and not paying. It is, as Rob Portman said, an immoral policy, lacking in courage and lacking in fiscal responsibility.

My friends, we need to pass this bill and give millions of Americans a tax cut and ensure that millions of Americans will not get a tax increase. PAYGO is a policy that demands responsibility.

Many of you voted for the bankruptcy bill, as I did. I was criticized by some because we thought that individuals ought to exercise fiscal responsibility in the managing of their finances. I think corporately as a government we ought to do the same.

Mr. Speaker, let no one be mistaken. This is precisely what this legislation offered by Chairman RANGEL was designed to do, give a tax cut to millions of Americans and preclude millions of Americans from paying more, and asking other Americans to pay their fair share so those at the bottom of the rung don't have to pay more to defend our country, to educate our children, to keep our families healthy.

Mr. Speaker, this tax cut will provide 30 million homeowners with property tax relief. It will help 12 million children by expanding the child tax credit. It will help 4.5 million families better afford college with tuition deductions. It will save 3.4 million teachers money with deductions for classroom expenses.

My wife was a teacher. She died 10½ years ago. She was one of the best people that I have ever met in my life, if

not the best. Every year, we would spend a couple of hundred dollars, and we could afford it, maybe even a little more than that, to make sure that her kids in her classroom had things that they needed but were not provided. We are going to give teachers a tax cut to do that. Our children will be served and our teachers will be served.

In short, this bill will extend tax credits and deductions that will benefit a wide array of Americans and the American economy. And, yes, this legislation helps to restore tax fairness and once again demonstrates that this Democratic majority is committed to fiscal responsibility.

Let me restate that figure: 18 years of Republican Presidents, \$4.1 trillion of deficit spending. Under Bill Clinton, 8 years, \$62.9 billion net surplus. No indebtedness. No indebtedness in the last 4 years.

We are now over \$9 trillion in debt. This administration has gone from \$5.7 trillion to over \$9 trillion. Republicans were in control of everything, and spending escalated at twice the rate it did when Bill Clinton was President.

My friends, this bill is a fair bill. This bill is responsible. This bill gives tax cuts to millions of Americans and asks some few Americans to pay their fair share. Vote for this bill. It is good for America, it is good for our people, it is the right, and as Rob Portman said, the moral thing to do.

□ 1300

Mr. MCCRERY. Mr. Speaker, I yield myself 1 minute.

There has been a lot said here on the floor today and a lot of it is one person or one party's spin on the facts or on history. The distinguished majority leader put his spin on history. I would just like to point out to the House that for the last 6 years of the Clinton administration, which was bragged about so by the majority leader, there was a Republican-controlled Congress. Under the Constitution, the Congress controls the purse strings of the country and develops fiscal policy. And under our fiscal policy, we balanced the budget and created a surplus.

Then when President Bush came into office, he inherited a recession, a short-lived recession, admittedly, but still a recession. And then we had 9/11 which was a shock to the economy and then we had war. Every time in this Nation's history that we have had either a recession or a war, we have had a deficit. This time is no different. But, under our policies, we are producing this year 18.6 percent of GDP for Federal revenues and that is above the historic average. Why do we need more, Mr. Speaker? This bill would add to that. We don't need to.

Mr. NEAL of Massachusetts. Mr. Speaker, we are not surprised that the Wall Street Journal reported 3 weeks ago that the American people, with a two-thirds majority, give Bill Clinton high marks for his Presidency.

With that, I yield 1 minute to the gentleman from Georgia (Mr. SCOTT).

Mr. SCOTT of Georgia. Mr. Speaker, I stand in strong support of this most important piece of legislation. This is the most important piece of legislation to stimulate our economy in this entire session.

What we have before us in this House today is a choice: Will you stand with the few, as my friends on the right are doing? Will you stand with the few multibillionaires who are not paying their fair share while the rest of America is paying a 35 percent rate on their income? Will you stand over there on that side with multibillionaires who are paying just 15 percent? Will you stand with 30 million American families who will get property tax relief? Or will you stand with those who have not, who are hiding behind capital gains, when they know very well that they are not putting capital in. That's why we have capital gains at 15 percent. But these fund managers are not. They are being compensated for ordinary income. Why should they be different than the housewife and the fireman?

Make the right choice today. Stand with America and let's vote for this bill.

Mr. MCCRERY. Mr. Speaker, to close the debate for our side, I recognize for the remaining time the gentleman from Ohio (Mr. BOEHNER), the distinguished minority leader.

Mr. BOEHNER. Let me thank my colleague from Louisiana for yielding.

Let me say with all the gratitude I have, I love the chairman of the Ways and Means Committee. He knows I do. I think he and the gentleman from Louisiana, the ranking Republican on the committee, do a marvelous job together. But as much as I love our chairman, there is one thing about his chairmanship that we have a big disagreement over, and that is the issue of raising taxes.

So far this year we have had \$100 billion of new tax increases that have been passed by this House. Thankfully, none of them have become law. And, hopefully, none of them will become law. This is \$81 billion in another tax increase. This is a warmup for the \$3.5 trillion tax increase that is coming that was introduced this last week. And so, Mr. RANGEL, as much as I love you and think the world of you, when it comes to the issue of taxes, I am opposed.

I came to Washington because I thought government was too big, it spent too much, and took too much out of the pockets of the American people. So I don't vote for tax increases. I think it is wrong. If you look at what has happened in our economy over the last 4 years, think about this: we cut tax rates in 2001, we cut tax rates in 2003. And what has happened in the last 4 years, Federal revenues, total revenues to the Federal Government have increased at over 10 percent per year in each of the last 4 years. As a matter of fact, it is over 11 percent in each of the last 4 years. This year we expect Fed-

eral revenues to rise another 7 or 8 percent.

So anybody who believes that we have a revenue problem I think is mistaken. We have a spending problem, and we will not stand up and take on the spending challenges that we have. We all know we have to step up and do it, we just can't quite find the courage to get it done.

What is even more irritating about the bill that is on the floor today is that it is a temporary tax patch to prevent a tax increase from going into effect for 1 year, paid for by a permanent tax increase. I am sure that the chairman of the committee would rather not do it this way, but that's what this bill does. All we are doing again is putting a permanent tax increase into law.

Now this law and this bill that we are debating is never going to become law. It is never going to become law because the Senate has made it pretty clear they are not going to do this bill this way. They are not going to have this tax increase in this bill. The White House has made it clear that they are not going to sign a bill that raises taxes.

So here we are playing political games once again and running out the clock. Running out the clock on whom? Running out the clock on the IRS and running out the clock on those 50 million Americans who are going to get a refund next year because, as we all know, this bill will probably not be done until Christmas. And the confusion that is going to reign next January, February, and March as people are trying to fill out their taxes, not knowing whether the alternative minimum tax is going to apply to them, is going to be confusion enough.

And it gets worse because what is going to happen is that the refunds that Americans, 50 million of them, are going to expect, are going to show up 2 or 3 months later than what they expect. And at a time when our economy is slowing and people are trying to hold onto their homes, a delay in their refund is going to put a real crimp on American families.

Now why are we having this big disagreement? This whole issue of PAYGO, how is it that we are going to extend the current tax rates, the current tax system for another year, and yet we have to have an \$81 billion tax increase to pay for it?

The tax system we have today is going to be the same tax system we have next year, and yet we have to find some way under these crazy rules to pay for it.

Now, this is nothing more than a tax increase. For those who believe bigger government and higher taxes and believe government is the answer to virtually everything, I can understand why you want to raise taxes. But I don't believe the American people want their taxes increased.

At the end of the day what I am really confused about is if the Senate is not going to have this tax increase, and

the White House is not going to sign it and it is not going to become law, why do you want to take your Members and walk them out on this plank only so it can be sawed off behind them? I wouldn't do that to my Members; I would hope you wouldn't do it to your Members.

American middle-class families are already under the gun. They are paying higher energy costs and higher health care costs, higher gasoline prices at a time when their incomes are not rising. The last thing they need is another tax increase from Washington, DC.

I would hope my colleagues would join me in voting "no" on this bill, making it clear to the American people that we understand the pain that they are dealing with and we should be here to help them, not to hurt them with higher taxes.

Mr. NEAL of Massachusetts. Mr. Speaker, we hold the same regard for the distinguished minority leader on this side that they hold for Chairman RANGEL, as well. But the difference is essentially this: the Republican Party once again proposes to borrow the money to pay for tax relief. We intend to pay for tax relief.

With that, it is an honor for me to recognize the gentlewoman from California, the distinguished Speaker of the House, Ms. PELOSI, for the balance of my time.

Ms. PELOSI. I thank the gentleman for his leadership on the Ways and Means Committee. I commend the distinguished chairman of the Ways and Means Committee, and respect the leadership also of the distinguished ranking member of that committee.

Thank you, Mr. RANGEL, for your leadership in bringing this important legislation to the floor. It enables us as Members of Congress to plant a flag for fiscal responsibility, to plant a flag for the middle class in our country, and to plant a flag for competitiveness, to keep America number one.

Mr. Speaker, this legislation is important because it provides long overdue middle-class tax relief, preventing a tax increase that will fall upon the middle class come this next year. The bill is about tax fairness; it is about fiscal responsibility; and, again, it is about keeping America competitive.

When we talk about fiscal responsibility, unfortunately, it always seems necessary, after listening to my Republican colleagues, to set the record straight.

The Democratic Party is the party of fiscal responsibility. When President Clinton was President, his four final budgets were in surplus. He left office with our budget on a trajectory of \$5.6 trillion in surplus. Sadly, the Bush administration reversed that taking us to over \$3 trillion in deficit, a swing. Now we are at a swing of about \$10 trillion, a swing that is greater than anyone has ever seen in history in terms of fiscal irresponsibility.

And what did the Congressional Budget Office under the Republican

leadership say was the leading cause for that? Tax cuts for the wealthy. Don't blame it on the war; don't blame it on anything other than what it really was: tax cuts for the wealthy.

And so today we see a change. Tax cuts for the wealthy under the Bush administration and a Republican Congress paid for by the middle class. Today we reverse that: tax cuts for the middle class, paid for by the wealthiest people in our country.

And as we give this tax break, who is getting it? Think of it, 23 million middle-class families are protected from higher taxes due to the alternative minimum tax. Thirty million homeowners will receive property tax relief. Twelve million children will benefit from the expanded child tax credit, and 4.5 million families will get help affording college education. This is in addition to our earlier investment of the largest expansion of college affordability since the GI Bill in 1944. Thousands of our men and women in uniform will receive tax relief under the earned income tax credit. They were prohibited from qualifying for that because our Republican colleagues would not disregard combat pay in that consideration.

So fiscal responsibility, tax cuts for the middle class, and competitiveness for our country. This weekend as we go into observing Veterans Day, we all know the great debt of gratitude we owe our veterans for their service to our country, their sacrifice, their patriotism and the sacrifices they and their families are willing to make.

What veterans have done over the generations is to protect our democracy. Essential to the success of a democracy, though, is a thriving middle class, in our country and in countries throughout the world, a thriving middle class. And this legislation is in furtherance of supporting that middle class and therefore supporting our democracy.

In keeping with our pay-as-you-go rules with no new deficit spending, this legislation will ensure that our children will not inherit a legacy of debt. In terms of competitiveness, this legislation extends the R&D tax credit and new markets tax credits, among other things; but I mention those two because they are directly related to our Innovation Agenda, our commitment to competitiveness to keep America number one.

So, again: fiscal responsibility, favoring the middle class, keeping America competitive and number one. Democrats are committed to putting middle-class families first. The choice is simple: tax relief for millions of middle-class families or protecting tax loopholes, the Wall Street loophole, that allows a privileged few to pay a lower rate than America's teachers, firefighters, nurses, doctors, police, and our men and women in uniform fighting in Iraq and Afghanistan. It is about the people who are the backbone of America.

The choice is a simple one. Today we Democrats say join us in voting in favor of America's middle class.

I urge the passage of this legislation and again commend the distinguished chairman and distinguished Chair of the subcommittee, Mr. NEAL, for their leadership.

I am proud of the courage that my colleagues have shown to protect our middle class and to do so in a fiscally sound way and in a way that, again, keeps America competitive, honoring the service of our men and women in uniform, to build a future worthy of their sacrifice.

Mr. LANGEVIN. Mr. Speaker, I rise today to voice my strong support for the Temporary Tax Relief Act, H.R. 3996. This comprehensive legislation will provide fiscally responsible tax relief for hard-working, middle-class Americans, help stimulate our Nation's small businesses and provide financial support to public servants nationwide.

The Temporary Tax Relief Act represents a new direction in tax policy that will offer assistance to thousands of Rhode Island middle-class families. I am particularly pleased that this legislation includes a 1-year patch to keep millions of hard-working, middle-class Americans outside the ever-widening net of the alternative minimum tax, AMT. Congress first enacted the AMT in 1969 to ensure that 155 wealthy taxpayers paid their fair share of the Federal income tax, but because they neglected to index the tax for inflation, it has since become outdated and unfair. If left unfixed, this year over 23 million Americans—and 75,000 Rhode Islanders—will be forced to pay nearly \$2,000 in additional taxes.

The bill before us will also expand the refundable child tax credit by reducing the minimum income eligibility level from \$11,000 to \$8,500, thereby allowing more Rhode Island families to take advantage of this important credit. In addition, this legislation will help stem the rising cost of higher education by extending the above-the-line tax deduction for qualified education expenses up to \$4,000. H.R. 3996 also provides much-needed tax relief to homeowners who do not itemize their deductions by permitting married couples to deduct up to \$500, and single taxpayers to deduct up to \$250, in property taxes, in addition to their standard deductions.

It's not just middle-class taxpayers who will reap the benefits of this bill. The Temporary Tax Relief Act contains a number of provisions that will help stimulate our Nation's small businesses, including a 1-year extension of the Research and Development, R&D, tax credit, which will keep American companies competitive and spur businesses to invest in the future and create jobs. Also included is a provision that will grant small businesses a tax incentive for committing to invest in local community development.

Finally, H.R. 3996 directs well-deserved financial assistance to our Nation's public servants. Under this legislation, more than 3 million teachers will be able to deduct out-of-pocket expenses, including books and other school supplies, for their classrooms.

I am also proud to support a provision to provide tax relief for thousands of American troops in combat under the Earned Income Tax Credit.

Perhaps most importantly, this measure is fully paid for and will not add a penny to our

national debt. We made a commitment to the American people to abide by pay-as-you-go rules so that our children and grandchildren will not bear the cost of the decisions we make. Today we reaffirm our commitment to fiscal responsibility, while maintaining our promise to helping middle-class families and small businesses nationwide. I would like to thank Chairman RANGEL for his leadership in crafting a balanced, responsible and urgently needed bill, and I urge my colleagues to join me in supporting this important legislation.

Mr. CONYERS. Mr. Speaker, the middle class is the economic backbone of America. But they are increasingly under pressure due to rising costs in housing, healthcare, and education. To make matters worse, the Alternative Minimum Tax, AMT, will reach a significant percentage of them this coming fiscal year. The Congress needs to act. Today, we will vote on H.R. 3996, the Temporary Tax Relief Act of 2007, which would ensure that no additional taxpayers pay the AMT this year while also extending popular tax credits and deductions that expire at the end of the year.

The Congress created the AMT in 1969 to ensure that the wealthiest were not finding loopholes in the tax code and thus avoiding paying any taxes at all. However, because the AMT was not adjusted for inflation and the tax itself has significantly grown in recent years, it will affect a large percentage of the middle class. Unless the bill is enacted, 23 million middle income Americans, who were never intended to be subjected to this tax, will be taxed at a higher rate than before.

I am pleased to support my friend, Representative CHARLES RANGEL, who wrote this revenue neutral bill. H.R. 3996 will extend and expand many popular tax credits and deductions such as the mortgage insurance deduction, the child tax credit, small business investment write-offs, a deduction for teachers who use their own money to buy classroom materials, and the additional property tax deduction, which will benefit at least 30 million Americans. Furthermore, it will exclude phantom income deduction from discharged home mortgages, and will also prevent the Internal Revenue Service from entering into private debt collection contracts.

Of course, any large tax reform necessarily entails some hard choices. Recent economic growth has been enjoyed disproportionately by the top one percent of Americans, who also continue to benefit from loopholes in the tax code. This bill will take a step towards ensuring that the wealthy pay their fair share by increasing taxes on private equity managers, who actually pay lower taxes on carried interest, and on multinational corporations who offshore their businesses for the express purpose of tax avoidance.

It is simply unfair for 23 million hard-working middle income Americans to pay additional taxes while many wealthy private equity and hedge fund managers enjoy a much lower rate of taxation. H.R. 3996, restores America's tradition of progressive taxation. What we are doing here today is a fair and reasonable tax increase on the highest income earners in the country, who can easily afford it, to benefit millions of working families.

Ms. HIRONO. Mr. Speaker, I rise in strong support of H.R. 3996, the Temporary Tax Relief Act.

This bill will provide 23 million American middle-class families—including more than

90,000 families in Hawai'i—with tax relief totaling \$50 billion. Without this legislation, these families will end up paying higher taxes under the alternative minimum tax, AMT.

Our middle-class families are struggling with higher health care costs, higher college costs, higher energy costs and higher housing costs and, basically, have not been helped by the 7 years of the Bush administration. Passing this bill will provide some welcome relief for our middle class.

This legislation is important in promoting fairness and justice in the tax system. Why should the richest of the rich avoid among us paying their fair share in taxes? Today with this bill we are saying that individuals who earn millions of dollars on Wall Street should pay their fair share in taxes so that hard-working middle-class Americans including teachers, police officers and firefighters, won't have to pay more than their fair share.

The bottom line is, without this bill, 23 million families will have a tax increase. With this bill, they will be spared from paying more under the AMT.

I am proud that the Democratic majority is supporting our middle-class families with this tax relief, and I urge my colleagues to support this legislation.

Mr. FALEOMAVAEGA. Mr. Speaker, given that American Samoa's private-sector economy is more than 80 percent open dependent either directly or indirectly on the U.S. tuna processing and fishing industries, I rise in support of H.R. 3996 which includes a provision to extend IRS 30A tax credits to American Samoa.

While I asked for a 10-year extension of our tax credits, I understand that all tax extenders included in this bill received the same extension of 1-year only. Chairman RANGEL has also promised to continue to work with me on a more permanent solution for American Samoa once our local canneries agree on what incentives work best for them.

It is unfortunate that StarKist and Chicken of the Sea could not reach agreement in a timely manner regarding whether or not 30A is the best option for them to remain and invest in American Samoa. Earlier this year, both canneries agreed that 30A was the way forward. By mid-year, our canneries were at odds.

Our canneries have also been unable to provide Chairman RANGEL with a clear indication of whether or not they will stay in American Samoa if they are provided with tax credits. During last Congress, our canneries also failed to provide Chairman THOMAS of the Ways and Means Committee with assurances of their commitment to American Samoa.

Regardless, I still support 30A tax credits for American Samoa, and especially for our tuna fishing and processing industries. I also support opening up 30A for new investors, too, and I will continue to work with Chairman RANGEL to make this, or a similar initiative happen.

In the interim, I appreciate Chairman RANGEL's support in extending tax credits for American Samoa for an additional year while our canneries go back to the drawing board in an effort to reach agreement.

Mr. MORAN of Virginia. Mr. Speaker, I rise today in strong support of H.R. 3996, the Temporary Tax Relief Act of 2007. This bill will bring relief to tens of millions of hardworking American families, including nearly 100,000 in my district alone.

It makes responsible, sensible changes to the tax code to make it more efficient and

more equitable, changes that are sound both morally and economically. Most importantly, H.R. 3996 will be the first tax relief bill of this millennium that did not increase the deficit.

This bill would lower the tax burden on 95 percent of the people affected by it—which is about as close to perfect as we're able to get with the tax code. I'd like to commend Chairman RANGEL and his staff for their work on this excellent bill, which I am proud to support today.

Mr. Speaker, we are at something of an impasse. The President's budget assumes the revenue next year from a vast expansion of the AMT, and the President has offered no alternative to either eliminate the AMT or patch it, likely in recognition of the immense cost to the treasury. Yet nearly everyone agrees that we must pass some form of AMT relief this year and that we must do it soon. The Congressional Budget Office and Joint Committee on Taxation have spelled out specifically what the cost of a one-year AMT patch would be. It cannot, whatever tooth fairies we might wish to believe in, be accomplished for free.

What we seem to disagree on is how to reconcile these two truths. We don't have many choices, Mr. Speaker, and other Members are correct in pointing out that many of them are difficult. The consequences of choosing wrong, however, are far too drastic for us to avoid confronting the problem head on.

If we are to pass an AMT "patch," we can do one of three things: we can cut benefits in Social Security and Medicare to comply with Pay-Go, we can raise additional revenue to comply with Pay-Go, or we can waive Pay-Go and continue financing tax cuts by increasing the federal deficit and the national debt. That is, we can just irresponsibly pass the buck to our children and grandchildren.

Mr. Speaker, I do not think it would be possible for me to oppose waiving Pay-Go in sufficiently strong terms. As the gentleman from Massachusetts, Mr. CAPUANO, told us yesterday, this Administration has increased U.S. government debt by an average of \$15,644.93 per second since they took office.

Pretending that sexual activity among teenagers does not exist will not reduce the number of new sexually transmitted infections; it will not reduce the number of teenage girls who become pregnant; and it will not reduce the number of abortions performed every year.

I want to thank Chairman OBEY for including language in this Conference Report to ensure that programs will not be funded that are medically inaccurate. I hope that in the future, we can continue to work together to ensure that our children receive high quality, science-based, age-appropriate sex education that is medically sound and free from ideological or religious bias. Despite my concerns about this program, Mr. Speaker, I am proud to support this important bill and urge my colleagues to do the same, so that we can get needed funds to these critical programs as soon as possible.

Mr. SPRATT. Mr. Speaker, three times in recent months, officials of the Bush administration have come before our committee, and when asked about the AMT and its impact on middle-income Americans, for whom it was never intended, they have insisted that they could fix the AMT with changes in the tax code, such that there would be no change in revenues.

In February 2006, Josh Bolten was the Director of OMB. He told the Budget Committee

that the AMT could be "corrected in the context of overall revenue-neutral tax reform."

In February 2007, Rob Portman was the Director of OMB. He told the Budget Committee that "our budget assumes that we will have a revenue-neutral correction to the AMT."

Rob Portman was followed by Hank Paulson, Secretary of the Treasury, and he said essentially the same thing.

The difference between these officials and Chairman RANGEL is that CHARLIE RANGEL has delivered. Mr. RANGEL has put a revenue-neutral bill on the table, and to boot, extended a few popular tax concessions about to expire, such as the R & E tax credit, while adding few new ones, such as the exclusion of gains on the foreclosure of taxpayers' homes.

Mr. RANGEL and his committee deserve credit for bringing this bill to the floor, and for preventing the AMT from coming down on 23 million taxpayers, mostly middle-income; and they deserve credit also for sticking to the pay-go principles that we have steadfastly applied for the last 9 to 10 months.

Our Republican colleagues ask why we have to fix the AMT in way that is compliant with our pay-go rule. If you really need an answer to that question, consider these facts: The Bush administration inherited a \$236 billion surplus and by the year 2004, turned it into a \$413 billion deficit. As a result, the national debt of the United States reached \$9 trillion last week. \$3.2 trillion of that debt has been incurred on the watch of this administration, and by the time it leaves office, the total debt accumulated will hit \$4 trillion.

That's why we apply pay-go and require off-sets: it's one way to slow down the build-up of debt while working off enormous deficits.

So, this bill is fiscally responsible, and fair for two reasons: it brings tax relief to middle-income Americans, and it does not pass the tab on to our children and grandchildren as a mountain of debt.

So, vote responsibly. Vote Rangel.

Mr. POMEROY. Mr. Speaker, I rise today to support this responsible tax relief package.

The bill before us today:

protects 23 million middle-class tax payers from the Alternative Minimum Tax, including nearly 35,000 North Dakotans.

provides tax relief for millions more American families who want a better life for their families by putting more money in their pockets, and

protects future generations from tax increases by not adding to our national debt.

The president and my colleagues across the aisle say we should not have to pay for this package of tax relief. They are still acting as though they're living in a mythical Alice in Wonderland—in an America where borrowing \$9 trillion in debt and running record budget deficits for years doesn't matter.

But deficits and debt do matter because every dollar we borrow places a "debt tax" on future generations who will have to pay for the decisions we make today. At \$9 trillion, each of our children will be responsible for paying \$30,000 of that debt, and that is before interest gets added on.

We crossed that 9 trillion dollar mark in the amount of outstanding public debt owed by this Treasury just earlier this week.

We saw that anxiety over that level of debt can have a short-term impact in the markets on Wednesday when a low level Chinese official suggested that the government may slow

purchasing Treasury bonds. In reaction, the dollar fell sharply and the stock market plummeted by 361 points. That is one day.

A huge persistent debt has greater cost for the economy. So, the moral issue today is passing a fiscally responsible bill that protects future generations by not asking them to finance current tax cuts. Each day the average daily interest payment on the debt adds more than \$1 billion to the tab we leave behind.

My colleagues across the aisle would rather we pay for today's tax relief—tomorrow. Would that leave the cost to our children, who might just end up having to repay the Chinese holders of U.S. Treasury Notes with EUROS?

I try to teach my two kids important values. Among those values is teaching them that things worth doing are worth paying for.

That same core principle is behind PAYGO. Not paying for this important tax relief signals high disregard for this basic principle that we teach our kids and that motivated Congress to reinstate PAYGO rules.

With the massive fiscal challenges the Nation faces in coming decades, it is irresponsible to foist the cost of tax relief today on future taxpayers. Today, this Congress again should face up to that challenge and pay the cost now.

Reverse years of failed Republican policies that have mortgaged our grandchildren's future with additional foreign-owned debt.

Let's set an example for our kids—we do not let them eat dessert before they eat all their vegetables. Congress should not rush to dessert either.

I urge my colleagues to responsibly pay for middle-class tax relief.

I also want to express my appreciation to Chairman RANGEL of several important provisions in H.R. 3996 that provide millions of American families tax relief and business in our rural communities.

The bill helps 4.5 million taxpayers to meet the cost of paying for their children to get the ticket to a better future—a college education. We extend the tax deduction for the cost of college tuition for another year.

Also this bill extends for one year the current-law provision that allows taxpayers over age 70 and a half to make tax-free distributions from their individual retirement accounts (IRAs) for gifts to charities. In the few short months when senior citizens could use these Charitable IRA rollovers to donate nearly \$112 million to help the work of worthy charities it is important that this tool for giving, mostly in small amounts of a few thousand dollars or less, remains available to taxpayers.

The bill extends for one year an important tax credit that allows: short line railroads that serve many of our rural communities to upgrade the track on these important links that get our products to the marketplace.

Unfortunately, fiscal constraint embodied in H.R. 3996 only allowed us to consider extending these expiring tax provisions generally in their current form. We were not able to make these important tax provisions permanent and make needed improvements.

For example, the Public Good IRA Rollover Act (H.R. 1419), which I introduced and which has 90 cosponsors, would broaden the charitable IRA rollover to allow younger retirees to get a lifetime income and provided for charities and to allow distributions to donor-advised funds and would strengthen other aspects of the present-law provision.

I remain committed to the enactment of these improvements and would urge my colleagues to work with me in that regard.

I urge my colleagues to pass this bill.

Ms. JACKSON-LEE of Texas. Mr. Speaker, I rise today in strong support of H.R. 3996, the Temporary Tax Relief Act of 2007, introduced by my distinguished colleague from New York, Representative CHARLES RANGEL. I would like to thank Chairman RANGEL for his extraordinary leadership on the Ways and Means Committee and for introducing this important legislation that promotes tax fairness and fiscal responsibility, a new fiscal direction that the American people have demanded and deserve.

Mr. Speaker, the Bush administration has not done an adequate job in allocating this country's resources. However, this Congress remains committed to providing a fiscal new direction for the American people. This important legislation will protect some 23 million Americans from the Alternative Minimum Tax and will extend tax credits to those who need it most, our Nation's students, teachers, children and homeowners. The Alternative Minimum Tax is currently riddled with loopholes, and this legislation is a fiscally responsible alternative to the practice of borrowing tens of billions of dollars each year, in which the GOP has engaged. It closes the legislative loophole that has allowed a privileged few exceptions at the expense of other Americans.

As Chair of the Congressional Children's Caucus, I particularly welcome this legislation for the assistance it will provide to our Nation's children. Today's bill will increase eligibility for the child tax credit, consequently helping an additional 12 million children in low-income families. This bill will lower the eligibility threshold in 2008 to \$8,500. The National Women's Law Center recently released a statement detailing the organization's sincere support for this legislation, commenting that "For a single mother working fulltime in a minimum wage job, the bill would mean a difference between a child tax credit of just \$35 and a credit of \$568." We must work to ensure that all of our Nation's children are provided for, and I feel this legislation is an important step toward reaching this crucial goal.

In addition, Mr. Speaker, this legislation will benefit our Nation's teachers and students. It will help 3.4 million teachers by allowing them to save money through deductions for classroom expenses. It will further ensure that the future leaders of America will receive the education they deserve, by helping 4.5 million families afford college through tuition deductions. It will help our Nation's families by providing 30 million homeowners with property tax relief and benefit approximately 11 million families through State and local sales tax reduction. Mr. Speaker, these benefits cannot be ignored and this legislation would help those who truly deserve it.

Furthermore, this fiscally-responsible bill will not cost American taxpayers any additional money. The Alternate Minimum Tax was established in 1969, and it has since then been used to exempt an exceptionally wealthy few from paying their share of this Nation's taxes. Instead of costing America additional funds to mend this antiquated tax, or borrowing heavily and exponentially increasing the national debt as my Republican colleagues have done, this legislation seeks to restore tax fairness. Instead of merely circumscribing the problem

and providing a "quick fix," this legislation will close tax loopholes that have persisted in allowing an extremely wealthy privileged few to pay a lower tax rate on their income than the billions of hard-working Americans who are just trying to get by. This legislation protects our future generations by not asking them to pay for the proposed tax cuts.

This legislation goes beyond simply ensuring that future generations will not be forced to finance tax reductions today. This legislation will actually help the American economy grow. It will extend the R&D tax credit to promote innovation and high-paying jobs that make America one the world's leaders in innovation and technological progress. It will also ensure long-term economic growth by adhering to the "pay-as-you-go" budget rules that helped produce the record budget surpluses and robust economy of the 1990s by mandating no new deficit spending.

Mr. Speaker, the American people elected this Congress because they wanted to see a new direction and a meaningful change. This legislation does precisely that and helps the most deserving American people while causing our economy to grow and breaking our reliance on deficit spending. It will ease the burden felt by millions of middle-class families, through tax cuts, while helping our economy grow without increasing the national debt. The benefits of the Temporary Tax Relief Act will be felt immediately by the 23 million middle-class families, who will be saved from paying higher taxes in April. It also closes unfair tax loopholes, requiring Wall Street millionaires to pay their share of taxes.

I strongly urge my colleagues to join me in supporting this extremely important legislation.

Mr. UDALL of Colorado. Mr. Speaker, I will vote for this bill because of the urgent need to protect middle-income families from a massive tax increase that will hit them if we do not act to adjust the Alternative Minimum Tax, or AMT.

In technical terms, the bill would extend for one year AMT relief for nonrefundable personal credits and increase the AMT exemption amount to \$66,250 for joint filers and \$44,350 for individuals.

In real-world terms, that means it will prevent a tax increase for more than 302,600 Colorado households that otherwise would be required to pay more in Federal income tax when returns are due next year.

In addition, it will let taxpayers who do not itemize deductions take advantage of an additional standard deduction of up to \$700 (for couples who file jointly) for State and local real property taxes—something that will greatly help many thousands of Coloradans affected by those property taxes. And it also will increase the eligibility for the refundable child tax credit.

Further, the bill will extend many important tax-law provisions scheduled to expire this year.

These include an extension of the deductibility of certain tuition and related expenses, which helps many to gain an education, and an extension of the ability of teachers to deduct the money they spend from their own pockets for supplies used in their classrooms.

The bill will help our men and women in uniform and our veterans in several ways, including extension of the ability of those receiving combat pay to count it for purposes of the earned income credit; extension of the special

rules that help veterans qualify for State-operated, tax-exempt mortgage revenue bond programs for access to low-interest mortgages; and the extension of rules that allow reservists called to active duty to make penalty-free withdrawals from their retirement plans if they need to do so.

Other important provisions will allow people to continue to make charitable contributions from their individual retirement accounts, IRAs, without incurring tax penalties and will allow Colorado ranchers and other landowners to benefit from favorable tax treatment of their actions to protect open space through conservation easements.

The bill also will delay implementation of a requirement, passed when our friends on the other side of the aisle were in the majority, that requires local governments (and others) to assume the burden of withholding part of the money going to those under contract to provide goods and services. This requirement is strongly opposed by county commissioners and other local officials across Colorado as well as by many companies that build roads or do other work under contracts with our State and local governments.

In addition, the bill includes provisions to directly address the problems facing many people affected by the problems besetting the housing market. One of these is a permanent repeal of the current law's requirement that people pay income tax on the phantom "income" they supposedly receive when they are no longer required to pay on a mortgage because they have lost their homes to foreclosure or they are able to work out arrangements to avoid that result. Another will extend through 2014 the current ability of people to deduct the part of their mortgage payment that pays for mortgage insurance.

The bill also extends provisions that encourage research and development activities that are crucial to our country's economic future. It will allow restaurants and other small businesses to continue to take advantage of a realistic write-off period for improvements to their facilities. And it will retain the current law that encourages restaurants and other companies to donate unused food from their inventories to help feed people who need that assistance.

Mr. Speaker, all these are good provisions, and the bill overall is properly focused on tax relief for middle class families—a goal I strongly support.

But I do have some reservations about how the bill seeks to provide that relief without making our Federal deficit worse.

The bill's authors propose to pay for these provisions with a change in the current law that gives a substantial tax break to some investment fund managers by letting them treat part of their overall compensation as if were a capital gain on an investment. Another is a change to delay further a provision currently scheduled to take in effect next year regarding the rules for allocating certain expenses of companies that operate overseas. And a third is a change in the rules about taxation of deferred compensation.

Since this bill was introduced, there has been considerable debate about these provisions. I am not convinced that these provisions are the best or only way to offset the revenue costs of providing a temporary fix to the AMT—but the bill's opponents have suggested no alternative except to cut unspecified

amounts of spending in unspecified parts of the budget or to further add to the "debt tax" that has already been imposed on our children (and their children) by the irresponsible policies of the last seven years.

The Senate will have to consider the legislation further, and if it makes changes a conference will have to resolve differences between their version and the bill now before us. So, it is possible that these provisions will be revised.

Mr. Speaker, I must note that I do not believe that it is wise to include in this bill, designed to address the AMT problem and to extend expiring tax-law provisions, such an unrelated matter as a restriction on Internal Revenue Service (IRS) audits of individuals living in the Virgin Islands. I think that if that issue is to be addressed, it should be done separately, perhaps in connection with a review of how IRS audits are conducted in Colorado and other locations as well. I will not oppose the legislation before us on that ground alone, but I think we do a disservice to the public debate on AMT reform by attempting to attach such a provision, and in any event I am not convinced it is wise to interfere with the IRS auditing process.

But, finally, the bottom line is that today we have the opportunity to provide tax relief to hundreds of thousands of middle-class families in Colorado. I think that is something I think the House can and should do without delay, and that is why I am voting for this bill.

Mr. BACA. Mr. Speaker, I ask for unanimous consent to revise and extend my remarks.

I rise today to voice my strong support for H.R. 3996, the Temporary Tax Relief Act.

This bill provides much needed tax relief to 23 million middle class families across the Nation, including over 20,000 families in my own Congressional district.

Families in California and throughout the United States have seen the cost of health care, gasoline and a college education soar—while at the same time their homes have lost value.

They deserve a helping hand. This legislation protects them from being hit by the Alternative Minimum Tax.

The bill also gives tax relief to working families by providing 30 million homeowners with property tax relief, and expanding the child tax credit for 12 million children.

Instead of tax breaks for the wealthiest few, Democrats are restoring fiscal sanity and giving the hard-working men and women of America the relief they deserve.

I urge my colleagues to cast a vote for economic fairness and equality, and to support H.R. 3996.

Mr. VAN HOLLEN. Mr. Speaker, this bill provides tax relief for more than 24 million middle-income families. It also corrects a huge inequity where many people were forced to pay taxes on phantom income—income they never had.

Today, we must fix two big messes the Republican leadership left behind when they were voted out last November. One is the huge middle class tax increase the Republicans left hanging over millions of unsuspecting Americans. This Republican tax tsunami will crash down on top of 24 million Americans if we don't take action today.

The Republicans could have stopped this middle class tax hit on their watch. Instead, for

6 years with President Bush, they spent their time and energy giving tax cuts to the very wealthiest Americans. On their watch, the wealthiest 1 percent of Americans got more than half the Bush tax cuts. That was their priority, and they left the rest of the American taxpayers holding the bag of a mushrooming national debt—a \$9 trillion debt that costs every taxpayer \$3,300 per year. That is the debt tax American taxpayers are paying to service the debt President Bush and the Republicans have run up on our national credit card.

Today, Republicans are proposing to increase the debt tax—to make Americans pay more in the end. Once again, they are willing to require our children to pay more debt tax in order to protect special shelters for about 50,000 of the wealthiest Americans.

Let's provide middle class Americans with tax relief in a fiscally responsible way. Let's pass this bill.

Mr. GOODLATTE. Mr. Speaker, our current tax system has spiraled out of control. Today's tax code is unfair, discourages savings and investment, and is impossibly complex. There is no part of the tax code that demonstrates this more than the Alternative Minimum Tax (AMT). The AMT is a nefarious policy enacted to prevent a small number of wealthy taxpayers from using legitimate deductions to reduce their taxes, and thus taxing them at a higher rate. However, the AMT was never indexed to inflation, and without reform, it threatens to ensnarl middle class taxpayers.

When the AMT was first created, it affected fewer than 20,000 taxpayers. Today it affects 4.2 million, and this number could rise. Without action by Congress, 20 million more taxpayers would be forced to pay on average \$3,000 more in taxes, this year alone. In my district this egregious tax would engulf more than 55,000 taxpayers.

Congress must find a permanent solution to this offensive tax; in fact, a solution is long overdue. However, what we are presented with today is not a permanent solution or even a solution. This ill-conceived legislation puts in place permanent tax increases, on some of the driving forces of our economy, to pay for a temporary patch to the AMT.

It is wrong for AMT relief to be subject to Pay-Go rules. The AMT was never intended to affect this many people and is working as a massive tax increase each year. The \$50.6 billion that could be paid, without relief, because of the ever encroaching AMT was never intended to be collected. Yet, this bill seeks to collect this \$50.6 billion in new taxes, and it collects it by raising taxes on investors in our economy. For Democrats the AMT simply serves their purpose of bait and switch on the American taxpayer.

The permanent tax increases in this bill include job-killing tax hikes on entrepreneurs and risk-takers who invest and create jobs for working families. While these tax increases were written in a way to seemingly affect only wealthy hedge fund executives, much like the ill-conceived AMT, these tax increases would reach much further. The taxes would affect real estate, venture capital, private equity, and retail. Penalizing these industries with higher taxes will dampen investment, constrict money needed for small-business ventures, and cost American jobs. While these taxes are egregious on their own, they are even more egregious in that they would be permanent while the relief they provide is temporary.



It was a mistake on the part of Congress to not index the original AMT to inflation. It is a mistake that Congress must fix in order to prevent the AMT from engulfing millions of more taxpayers. We must work to find a permanent solution to this nefarious tax. I urge my colleagues to reject this ill-conceived plan, and let's work together to find a real solution for the American people.

Mr. KAGEN. Mr. Speaker, whose side are we on? The Hard Working people in northeast Wisconsin want to know.

This measure is not difficult to understand—someone has to pay the bills, and democrats believe in paying-as-we-go, and we do want to pass off our bills to the next generation.

The democratic leadership of the house has promised to keep their word to the American people by remaining fiscally responsible and socially progressive.

All of us should play by the same rules, and that means everyone should pay their fair share, including hedge fund managers—who have managed to pass the buck to the middle class time and time again.

Enough is enough. Let's just tell it like it is.

This bill cuts taxes for the middle class: property tax relief for Wisconsin homeowners; tax deductions of \$4,000 for college tuition; helps small businesses by continuing the tax credits for research and development.

People in northeast Wisconsin need to hear that this bill will benefit 62,000 households who would otherwise fall into the AMT tax trap.

This bill delivers. It finally gives the American middle class a tax cut.

My friends, whose side are you on?

I urge you to join me by standing up for taxpayers in the middle class, not only in Wisconsin, but across America.

It is time we deliver tax cuts to the little guys.

Ms. WOOLSEY. Mr. Speaker, it's clear that the Alternative Minimum Tax, AMT, needs to be fixed. Year after year, we play this game of "chicken" with the end of the year, leaving millions of hard working American families fearful that they will be captured in a tax that was never meant to touch them. The good news is that the difference between this year's AMT patch and the ones that we did under the previous majority is that this time we are actually going to pay for it.

In my district alone, H.R. 3996 will save over 59,000 taxpayers from being subject to the AMT and it's my hope that this will be a first step to a responsible solution to permanently fixing this tax policy.

Also included in this bill is an extension and expansion of the Child Tax Credit, CTC, refundability. With economic disparity at its highest level since the Great Depression, expansion of this tax credit will help low-income families raise their children and help them get ahead. Finally, we are addressing the growing problem of the increasing gap between the wealthiest and the rest of America through a more equitable tax code. Thank you to Chairman RANGEL and Chairman NEAL for all of their hard work on this bill, closing loopholes, extending essential tax credits, and balancing the tax code.

Ms. SCHWARTZ. Mr. Speaker, I want to thank Chairman RANGEL for his leadership on this bill, and I rise today in support of tax relief for hard-working American families.

This Congress is committed to moving our country in a new direction. We recognize that

families across this country are struggling with everyday living expenses, and with this bill we are going to help millions of Americans get tax relief.

Our work will protect 23 million Americans—including over 60,000 of my constituents—from the unexpected and difficult cost of the Alternative Minimum Tax.

The Alternative Minimum Tax, the AMT, was originally intended to ensure that the very wealthiest taxpayers pay their fair share of taxes. But the AMT is increasingly being paid by middle-income families, and in fact, next year tens of millions of these hard-working taxpayers will be engulfed by the AMT if this Congress does not act.

This bill provides tens of millions of middle-income homeowners with immediate property tax relief.

It expands the child tax deduction, helping millions of families.

And it ensures that parents, who often work tirelessly to send their children to college, will get tax deductions for college tuition.

This middle-class tax relief is based on the principle of tax fairness. And it is paid for. Unlike tax efforts under the Republican Congress, our bill will not add to the national debt. It will not leave debt to be paid for by our children and grandchildren. It will not add to the debt that weakens the dollar and undermines our economy.

The Democratic majority is unambiguous. We are committed to fiscal responsibility, to paying as we go, to making the tough decisions required to refocus national priorities, and to giving middle-income families the break they deserve.

A vote for this bill is a vote for tax relief and tax fairness. It is a vote for economic growth. And it is a vote for honest budgeting.

Mr. Speaker—our constituents didn't send us here to make easy decisions—they sent us here to make responsible ones.

And today, the Democratic majority will make the responsible decision of providing tax relief to millions of working families.

Mr. LEVIN. Mr. Speaker, this legislation reflects the priorities of the new majority in Congress: middle-class tax relief, fiscal discipline, and tax equity.

Income inequality is dramatically increasing in our country. Between 2004 and 2005, the average annual income of the top 1 percent increased by \$120,000, while the average income for all the other 90 percent of households increased by just \$550.

In the face of this, we need to be able to look our constituents in the eye and tell them we are working to make the Tax Code fair and equitable.

The principle in taxing private investment fund managers or "carried interest" is basic.

If you are investing your own money, you should receive the capital gains tax rate; if you are providing the service of managing other people's money, you should pay the ordinary income tax rate.

Some argue that fund managers deserve capital gains treatment to align their interests with investors or because "carried interest" is risky. Many other forms of compensation are risky, and they are taxed at the ordinary income tax rate. When a company gives its CEO stock options, he or she pays ordinary income tax rates when they exercise those options. Real estate agents only make money if they actually sell a house. Authors receive a

portion of their book's profits. Waiters get tips based on the quality of the service they provide. All of these people pay ordinary income tax rates on their compensation.

Estimates are that there is currently around \$130 billion in carried interest at stake. Investment managers currently take home \$110 billion and when we close the tax advantage, they will take home \$85 billion—a pretty significant reward for their services.

A fund manager's paying a more appropriate tax rate will not curtail economic activity, innovation, or real estate development. Since investors are not affected, there is no reason to believe that the amount of capital available for investments in real estate development or start-up companies would be reduced.

This bill has the right priorities: It brings tax relief to tens of millions of middle-class families, it's paid for, and it makes our Tax Code more equitable. I urge my colleagues to support it.

Mr. KIND. Mr. Speaker, I rise today in support of H.R. 3996, the Temporary Tax Relief Act of 2007. As a member of the Ways and Means Committee, I am proud to have helped craft this very important tax bill that will give much needed relief to millions of American taxpayers.

Unfortunately, over the last several years we have seen tax bills pushed through Congress and signed by the President under the guise of "relief" for the middle class and the poorest in the country. I think many in this chamber have now come to recognize that many of these measures presented as tax relief for the middle class were in fact more tax breaks for the richest in society. Today we finally have before us a bill that will give real relief to millions of taxpayers, many of whom are hard-working middle-class families.

Specifically, H.R. 3996 provides for a 1-year patch for the Alternative Minimum Tax, AMT. The AMT was developed in the 1970s to ensure that America's wealthiest could not take advantage of the tax code in a way that would allow them to avoid paying taxes altogether. The AMT was not indexed for inflation, however, and without this legislation it will reach into the pocketbooks of middle-class families it was never intended to hit. In my district alone, the AMT could affect 50,000 additional western Wisconsin families this year, many of whom have no idea they face a tax increase. Without this legislation, it is estimated that the AMT will hit an additional 437,000 taxpayers in Wisconsin and 23 million nationally. It is hard for me to think of something more important than protecting 23 million Americans from a tax that was never intended for them.

Additionally, this bill extends several popular expiring tax provisions. In particular, the bill will provide property tax relief for 30 million Americans, help for more than 12 million children through an expanded child tax credit, tax relief for more than 11 million families through state and local sales tax deduction, help for more than 4.5 million families to cover the cost of education through the tuition deduction, and relief for more than 3.5 million teachers who will be reimbursed for out-of-pocket expenses for their classrooms.

Finally, and most importantly, this bill is fully offset and complies with pay-go rules that the Democratic majority restored at the beginning of this Congress. The tax benefits provided are fully paid for by closing loopholes and eliminating narrowly-targeted tax breaks for

corporations. These changes establish fairness in the tax code and show that we can provide tax relief without sending the debt on to our children. After 6 years of fiscal recklessness—deficit-financed tax cuts for the wealthy and out-of-control government spending—this bill sets a precedent of fiscally responsible tax reform.

Again, Mr. Speaker, I am happy to support this sensible and fair tax bill before us today. Protecting millions of taxpayers from being caught by the AMT is of the utmost importance. I urge my colleagues to support H.R. 3996.

Mr. MORAN of Virginia. Mr. Speaker, this bill will bring relief to tens of millions of hard-working American families, including nearly 100,000 in my district alone.

It makes the tax code more efficient and more equitable, changes that are sound both morally and economically. Most importantly, H.R. 3996 will be the first tax relief bill of this millennium that did not increase the deficit.

This will lower the tax burden on 95 percent of the people affected by it—which is about as close to perfect as we're able to get with the tax code. I'd like to commend Chairman RANGEL and Mr. NEAL and their staff for their work on this excellent bill, which I am proud to support today.

Mr. Speaker, the President's budget assumes the revenue next year from a vast expansion of the AMT, and the President has offered no alternative to either eliminate the AMT or patch it, likely in recognition of the immense cost to the Treasury. Yet nearly everyone agrees that we must pass some form of AMT relief this year, and that we must do it soon. The Congressional Budget Office and Joint Committee on Taxation have spelled out specifically what the cost of a 1-year AMT patch would be. It cannot be accomplished for free.

If we are to pass an AMT "patch," we can do one of three things: we can cut benefits in Social Security and Medicare to comply with PAYGO, we can raise additional revenue to comply with PAYGO, or we can waive PAYGO as the Republican party has done for the last 7 years and continue financing tax cuts by increasing the Federal deficit and the national debt. That is, we can continue to irresponsibly pass the buck to our children and grandchildren.

Mr. Speaker, as the gentleman from Massachusetts, Mr. CAPUANO, told us yesterday, this administration has increased U.S. Government debt by an average of \$15,644.93 per second since they took office.

This money does not exist merely on paper; it is real money, which we are borrowing from countries whose interests are contrary to our own, countries like China that have accumulated sovereign wealth funds at alarming rates over the past 6 years. And we are leaving this legacy of fiscal wreckage to our children, and our children's children, mortgaging away their future at a rate of more than \$15,000 per second.

Since 2001, China's accumulation of foreign reserves, mostly U.S. dollars, have increased from \$46.6 billion to \$1.066 trillion—that is, every new dollar we borrow makes us ever more dependent on China—which has profoundly different strategic aims than we do.

The idea that we should not pay for this AMT fix is unconscionable. The idea that we should sacrifice the futures of our children and

our grandchildren in order to have our cake and eat it too, to continue giving enormous tax preferences to the richest of the rich in this country is morally bankrupt and fiscally unsound.

Mr. Speaker, even if we accept that there should be a distinction between the taxation of labor and capital income, income received as payment for the service of investing other people's money is not capital income under even the loosest of possible understandings. The idea that a hedge fund manager earning \$500 million a year should be taxed at a lower rate than his secretary, who earns \$40,000 a year is preposterous in both moral and economic terms and should embarrass us all.

This bill is about making a choice between what is right and what is easy. I applaud Chairman RANGEL for standing firm in the face of overwhelming pressure to do the easy thing, for demanding that we pass a bill which is true to our principles. We were not elected to make easy choices—we were elected to do right by our constituents, their children, and their children's children. I am proud to support this bill today, and I urge my colleagues to do the same.

□ 1315

The SPEAKER pro tempore. All time for debate on the bill has expired.

Pursuant to House Resolution 809, the previous question is ordered on the bill, as amended.

The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER pro tempore. The question is on the passage of the bill.

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

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

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

The Sergeant at Arms will notify absent Members.

The vote was taken by electronic device, and there were—yeas 216, nays 193, not voting 24, as follows:

[Roll No. 1081]  
YEAS—216

Abercrombie	Capps	DeGette
Ackerman	Capuano	Delahunt
Allen	Cardoza	DeLauro
Altmire	Carnahan	Dicks
Andrews	Carney	Dingell
Arcuri	Castor	Doggett
Baca	Chandler	Donnelly
Baird	Clarke	Doyle
Baldwin	Clay	Edwards
Becerra	Cleaver	Ellison
Berkley	Clyburn	Ellsworth
Berman	Cohen	Emanuel
Berry	Conyers	Engel
Bishop (GA)	Costa	Eshoo
Bishop (NY)	Costello	Etheridge
Blumenauer	Courtney	Farr
Boswell	Cramer	Fattah
Boucher	Crowley	Filner
Boyd (FL)	Cuellar	Frank (MA)
Boyd (KS)	Cummings	Gillibrand
Brady (PA)	Davis (AL)	Gonzalez
Braley (IA)	Davis (CA)	Gordon
Brown, Corrine	Davis (IL)	Green, Al
Butterfield	DeFazio	Green, Gene

Grijalva	Matsui	Sarbanes
Gutierrez	McDermott	Schakowsky
Hall (NY)	McGovern	Schiff
Hare	McIntyre	Schwartz
Harman	McNerney	Scott (GA)
Hastings (FL)	McNulty	Scott (VA)
Herseth Sandlin	Meek (FL)	Serrano
Higgins	Meeks (NY)	Sestak
Hill	Melancon	Shea-Porter
Hinchey	Michaud	Sherman
Hinojosa	Miller (NC)	Shuler
Hirono	Miller, George	Sires
Hodes	Mollohan	Skelton
Holden	Moore (KS)	Slaughter
Holt	Moore (WI)	Smith (WA)
Honda	Moran (VA)	Snyder
Hooley	Murphy (CT)	Solis
Hoyer	Murphy, Patrick	Space
Insee	Murtha	Spratt
Jackson (IL)	Nadler	Stark
Jackson-Lee	Napolitano	Stupak
(TX)	Neal (MA)	Sutton
Jefferson	Obey	Tanner
Johnson (GA)	Olver	Tauscher
Johnson, E. B.	Ortiz	Thompson (CA)
Jones (OH)	Pallone	Thompson (MS)
Kagen	Pascarell	Tierney
Kanjorski	Pastor	Towns
Kaptur	Payne	Tsongas
Kennedy	Pelosi	Udall (CO)
Kildee	Perlmutter	Udall (NM)
Kilpatrick	Peterson (MN)	Van Hollen
Kind	Pomeroy	Velázquez
Klein (FL)	Price (NC)	Viscosky
Kucinich	Rahall	Walz (MN)
Langevin	Rangel	Wasserman
Larsen (WA)	Reyes	Schultz
Larson (CT)	Richardson	Waters
Lee	Rodriguez	Watson
Levin	Ross	Watt
Lewis (GA)	Rothman	Waxman
Lipinski	Roybal-Allard	Weiner
Loeback	Ruppersberger	Welch (VT)
Lofgren, Zoe	Rush	Wexler
Lowey	Ryan (OH)	Wilson (OH)
Lynch	Salazar	Woolsey
Maloney (NY)	Sánchez, Linda	Wu
Markey	T.	Wynn
Marshall	Sanchez, Loretta	Yarmuth

NAYS—193

Aderholt	Diaz-Balart, L.	Kline (MN)
Akin	Diaz-Balart, M.	Knollenberg
Alexander	Doolittle	Kuhl (NY)
Bachmann	Drake	Lamborn
Bachus	Dreier	Lampson
Baker	Duncan	Latham
Barrett (SC)	Ehlers	LaTourette
Barrow	Emerson	Lewis (CA)
Bartlett (MD)	English (PA)	Lewis (KY)
Barton (TX)	Fallin	Linder
Bean	Feeney	LoBiondo
Biggert	Ferguson	Lucas
Bilbray	Flake	Mack
Bilirakis	Forbes	Mahoney (FL)
Blackburn	Fortenberry	Manzullo
Blunt	Fossella	Matheson
Boehner	Fox	McCarthy (CA)
Bonner	Franks (AZ)	McCaul (TX)
Bono	Frelinghuysen	McCotter
Boozman	Gallegly	McCreery
Boustany	Garrett (NJ)	McHenry
Brady (TX)	Gerlach	McHugh
Broun (GA)	Gilchrest	McKeon
Brown (SC)	Gingrey	McMorris
Brown-Waite,	Gohmert	Rodgers
Ginny	Goode	Mica
Buchanan	Goodlatte	Miller (FL)
Burgess	Granger	Miller (MI)
Burton (IN)	Graves	Miller, Gary
Calvert	Hall (TX)	Mitchell
Camp (MI)	Hastings (WA)	Moran (KS)
Campbell (CA)	Hayes	Murphy, Tim
Cannon	Heller	Musgrave
Cantor	Hensarling	Myrick
Capito	Hergert	Neugebauer
Carter	Hoekstra	Pearce
Castle	Hulshof	Pence
Chabot	Hunter	Peterson (PA)
Coble	Inglis (SC)	Petri
Cole (OK)	Issa	Pickering
Conaway	Johnson (IL)	Pitts
Cooper	Johnson, Sam	Platts
Culberson	Jordan	Poe
Davis (KY)	Keller	Porter
Davis, David	King (IA)	Price (GA)
Davis, Tom	King (NY)	Pryce (OH)
Deal (GA)	Kingston	Putnam
Dent	Kirk	Radanovich

Ramstad	Sensenbrenner	Tiahrt
Regula	Sessions	Tiberi
Rehberg	Shadegg	Turner
Reichert	Shays	Upton
Renzi	Shimkus	Walberg
Reynolds	Shuster	Walden (OR)
Rogers (AL)	Simpson	Walsh (NY)
Rogers (KY)	Smith (NE)	Wamp
Rogers (MI)	Smith (NJ)	Weldon (FL)
Rohrabacher	Smith (TX)	Weller
Ros-Lehtinen	Souder	Whitfield
Roskam	Stearns	Wicker
Royce	Sullivan	Wilson (NM)
Ryan (WI)	Tancredo	Wilson (SC)
Sail	Taylor	Wolf
Saxton	Terry	Young (AK)
Schmidt	Thornberry	Young (FL)

## NOT VOTING—24

Bishop (UT)	Hastert	Marchant
Boren	Hobson	McCarthy (NY)
Buyer	Israel	McCollum (MN)
Carson	Jindal	Nunes
Crenshaw	Jones (NC)	Oberstar
Cubin	LaHood	Paul
Davis, Lincoln	Lantos	Westmoreland
Everett	Lungren, Daniel	
Giffords	E.	

□ 1344

Mr. BUCHANAN changed his vote from “yea” to “nay.”

Ms. WATERS changed her vote from “nay” to “yea.”

So the bill was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

## PERSONAL EXPLANATION

Mr. NUNES. Mr. Speaker, on the legislative day of Friday, November 9, 2007, I was unavoidably detained and was unable to cast a vote on a number of rollcall votes. Had I been present, I would have voted:

Rollcall 1077—“nay”; rollcall 1078—“nay”; rollcall 1079—“nay”; rollcall 1080—“yea”; rollcall 1081—“nay.”

## CONFERENCE REPORT ON H.R. 1429, IMPROVING HEAD START FOR SCHOOL READINESS ACT OF 2007

Mr. KILDEE (during consideration of H.R. 3996) submitted the following conference report and statement on the bill (H.R. 1429) to reauthorize the Head Start Act, to improve program quality, to expand access, and for other purposes:

## CONFERENCE REPORT (H. REPT. 110-439)

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 1429), to reauthorize the Head Start Act, to improve program quality, to expand access, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

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

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

## SECTION 1. SHORT TITLE.

(a) *SHORT TITLE.*—This Act may be cited as the “Improving Head Start for School Readiness Act of 2007”.

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

Sec. 1. *Short title.*  
 Sec. 2. *Statement of purpose.*  
 Sec. 3. *Definitions.*  
 Sec. 4. *Financial assistance for Head Start programs.*  
 Sec. 5. *Authorization of appropriations.*  
 Sec. 6. *Allotment of funds; limitations on assistance.*  
 Sec. 7. *Designation of Head Start agencies.*  
 Sec. 8. *Standards; monitoring of Head Start agencies and programs.*  
 Sec. 9. *Powers and functions of Head Start agencies.*  
 Sec. 10. *Head start transition and alignment with K–12 education.*  
 Sec. 11. *Early childhood education, coordination, and improvement.*  
 Sec. 12. *Submission of plans.*  
 Sec. 13. *Administrative requirements and standards.*  
 Sec. 14. *Participation in Head Start programs.*  
 Sec. 15. *Early Head Start programs.*  
 Sec. 16. *Appeals, notice, and hearing.*  
 Sec. 17. *Records and audits.*  
 Sec. 18. *Technical assistance and training.*  
 Sec. 19. *Staff qualifications and development.*  
 Sec. 20. *Research, demonstrations, and evaluation.*  
 Sec. 21. *Reports.*  
 Sec. 22. *Comparability of wages.*  
 Sec. 23. *Limitation with respect to certain unlawful activities.*  
 Sec. 24. *Political activities.*  
 Sec. 25. *Parental consent requirement for health services.*  
 Sec. 26. *Centers of Excellence in Early Childhood.*  
 Sec. 27. *General provisions.*  
 Sec. 28. *Compliance with Improper Payments Information Act of 2002.*  
 Sec. 29. *References in other Acts.*

## SEC. 2. STATEMENT OF PURPOSE.

Section 636 of the Head Start Act (42 U.S.C. 9831) is amended to read as follows:

## “SEC. 636. STATEMENT OF PURPOSE.

“It is the purpose of this subchapter to promote the school readiness of low-income children by enhancing their cognitive, social, and emotional development—

“(1) in a learning environment that supports children’s growth in language, literacy, mathematics, science, social and emotional functioning, creative arts, physical skills, and approaches to learning; and

“(2) through the provision to low-income children and their families of health, educational, nutritional, social, and other services that are determined, based on family needs assessments, to be necessary.”.

## SEC. 3. DEFINITIONS.

(a) *IN GENERAL.*—Section 637 of the Head Start Act (42 U.S.C. 9832) is amended—

(1) in paragraph (2), by inserting “(including a community-based organization, as defined in section 9101 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 7801))” after “nonprofit”;

(2) in paragraph (3)(C), by inserting “, and financial literacy.” after “self-sufficiency”;

(3) in paragraph (12), by striking “migrant and seasonal Head Start program” and inserting “migrant or seasonal Head Start program”;

(4) by striking paragraph (17) and inserting the following:

“(17) The term ‘State’ means a State, the Commonwealth of Puerto Rico, the District of Columbia, Guam, American Samoa, the Virgin Islands of the United States, and the Commonwealth of the Northern Mariana Islands. The term includes the Republic of Palau for fiscal years 2008 and 2009, and (if the legislation described in section 640(a)(2)(B)(v) has not been enacted by September 30, 2009) for fiscal years 2010 through 2012.”; and

(5) by adding at the end the following:

“(18) The term ‘deficiency’ means—  
 “(A) a systemic or substantial material failure of an agency in an area of performance that the Secretary determines involves—

“(i) a threat to the health, safety, or civil rights of children or staff;

“(ii) a denial to parents of the exercise of their full roles and responsibilities related to program operations;

“(iii) a failure to comply with standards related to early childhood development and health services, family and community partnerships, or program design and management;

“(iv) the misuse of funds received under this subchapter;

“(v) loss of legal status (as determined by the Secretary) or financial viability, loss of permits, debarment from receiving Federal grants or contracts, or the improper use of Federal funds; or  
 “(vi) failure to meet any other Federal or State requirement that the agency has shown an unwillingness or inability to correct, after notice from the Secretary, within the period specified;

“(B) systemic or material failure of the governing body of an agency to fully exercise its legal and fiduciary responsibilities; or

“(C) an unresolved area of noncompliance.

“(19) The term ‘homeless children’ has the meaning given the term ‘homeless children and youths’ in section 725(2) of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11434a(2)).

“(20) The term ‘institution of higher education’ has the meaning given the term in section 101(a) of the Higher Education Act of 1965 (20 U.S.C. 1001(a)).

“(21) The term ‘interrater reliability’ means the extent to which 2 or more independent raters or observers consistently obtain the same result when using the same assessment tool.

“(22) The term ‘limited English proficient’, used with respect to a child, means a child—

“(A)(i) who was not born in the United States or whose native language is a language other than English;

“(ii)(I) who is a Native American (as defined in section 9101 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 7801)), an Alaska Native, or a native resident of an outlying area (as defined in such section 9101); and  
 “(II) who comes from an environment where a language other than English has had a significant impact on the child’s level of English language proficiency; or

“(iii) who is migratory, whose native language is a language other than English, and who comes from an environment where a language other than English is dominant; and  
 “(B) whose difficulties in speaking or understanding the English language may be sufficient to deny such child—

“(i) the ability to successfully achieve in a classroom in which the language of instruction is English; or  
 “(ii) the opportunity to participate fully in society.

“(23) The term ‘principles of scientific research’ means principles of research that—

“(A) apply rigorous, systematic, and objective methodology to obtain reliable and valid knowledge relevant to education activities and programs;

“(B) present findings and make claims that are appropriate to and supported by methods that have been employed; and

“(C) include, as appropriate to the research being conducted—

“(i) use of systematic, empirical methods that draw on observation or experiment;

“(ii) use of data analyses that are adequate to support the general findings;

“(iii) reliance on measurements or observational methods that provide reliable and generalizable findings;

“(iv) strong claims of causal relationships, only with research designs that eliminate plausible competing explanations for observed results, such as, but not limited to, random assignment experiments;

“(v) presentation of studies and methods in sufficient detail and clarity to allow for replication or, at a minimum, to offer the opportunity to build systematically on the findings of the research;