

105TH CONGRESS
2^D SESSION

H. R. 3178

To amend the Internal Revenue Code of 1986 to encourage the use of public transportation systems by allowing individuals a credit against income tax for expenses paid to commute to and from work or school using public transportation, and to reduce corporate welfare.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 11, 1998

Mr. GUTIERREZ introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on National Security, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Internal Revenue Code of 1986 to encourage the use of public transportation systems by allowing individuals a credit against income tax for expenses paid to commute to and from work or school using public transportation, and to reduce corporate welfare.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Transit Commuter
5 Credit Act of 1998”.

1 **TITLE I—CREDIT FOR PUBLIC**
2 **TRANSPORTATION COMMUT-**
3 **ING EXPENSES**

4 **SEC. 101. CREDIT FOR PUBLIC TRANSPORTATION COMMUT-**
5 **ING EXPENSES.**

6 (a) IN GENERAL.—Subpart A of part IV of sub-
7 chapter A of chapter 1 of the Internal Revenue Code of
8 1986 (relating to nonrefundable personal credits) is
9 amended by inserting after section 25A the following new
10 section:

11 **“SEC. 25B. COMMUTING EXPENSES ON PUBLIC TRANSPOR-**
12 **TATION.**

13 “(a) IN GENERAL.—In the case of an individual,
14 there shall be allowed as a credit against the tax imposed
15 by this chapter for the taxable year an amount equal to
16 20 percent of the aggregate amount paid by the taxpayer
17 during the taxable year for transportation by public tran-
18 sit between the taxpayer’s place of abode and place where
19 the individual is employed, attending school, or receiving
20 job training.

21 “(b) MAXIMUM CREDIT.—The credit allowed by sub-
22 section (a) for the taxable year shall not exceed \$150 for
23 each individual.

24 “(c) PUBLIC TRANSIT.—For purposes of subsection
25 (a), the term ‘public transit’ means any public transpor-

1 tation system (including by bus, train, or boat) available
2 for use by the general public as passengers.

3 “(d) DENIAL OF DOUBLE BENEFIT.—No deduction
4 shall be allowed under any provision of this chapter for
5 any payment for which a credit is allowed under this sec-
6 tion.

7 “(e) VERIFICATION OF EXPENSES.—Credit shall be
8 allowed under this section for any expense only if—

9 “(1) such expense is for a monthly or annual
10 public transit pass, and

11 “(2) the receipt for such expense is included
12 with the return of tax imposed by this chapter for
13 the taxable year during which such expense is paid.”

14 (b) CLERICAL AMENDMENT.—The table of sections
15 for such subpart A is amended by inserting after the item
16 relating to section 25A the following new item:

“Sec. 25B. Commuting expenses on public transportation.”

17 (c) EFFECTIVE DATE.—The amendments made by
18 this section shall apply to amounts paid after the date of
19 the enactment of this Act in taxable years ending after
20 such date.

1 **TITLE II—MODIFICATIONS TO**
 2 **TREATMENT OF FOREIGN OIL**
 3 **AND GAS INCOME**

4 **SEC. 201. MODIFICATIONS TO TREATMENT OF FOREIGN OIL**
 5 **AND GAS INCOME.**

6 (a) SPECIAL RULES FOR FOREIGN TAX CREDIT
 7 WITH RESPECT TO FOREIGN OIL AND GAS INCOME.—

8 (1) CERTAIN TAXES NOT CREDITABLE.—

9 (A) IN GENERAL.—Subsection (a) of sec-
 10 tion 907 of the Internal Revenue Code of 1986
 11 (relating to reduction in amount allowed as for-
 12 eign tax under section 901) is amended to read
 13 as follows:

14 “(a) CERTAIN TAXES NOT CREDITABLE.—

15 “(1) IN GENERAL.—For purposes of this sub-
 16 title, the term ‘income, war profits, and excess prof-
 17 its taxes’ shall not include—

18 “(A) any taxes which are paid or accrued
 19 to any foreign country with respect to foreign
 20 oil and gas income and which are not imposed
 21 under a generally applicable income tax law of
 22 such country, and

23 “(B) any taxes (not described in subpara-
 24 graph (A)) which are paid or accrued to any
 25 foreign country with respect to foreign oil and

1 gas income to the extent that the foreign law
2 imposing such amount of tax is structured, or
3 in fact operates, so that the amount of tax im-
4 posed with respect to foreign oil and gas income
5 will generally be materially greater, over a rea-
6 sonable period of time, than the amount gen-
7 erally imposed on income that is not foreign oil
8 and gas income.

9 In computing the amount not treated as tax under
10 subparagraph (B), such amount shall be treated as
11 a deduction under the foreign law.

12 “(2) FOREIGN OIL AND GAS INCOME.—For pur-
13 poses of this subsection, the term ‘foreign oil and
14 gas income’ means the amount of foreign oil and gas
15 extraction income and foreign oil related income.

16 “(3) GENERALLY APPLICABLE INCOME TAX
17 LAW.—For purposes of this subsection, the term
18 ‘generally applicable income tax law’ means any law
19 of a foreign country imposing an income tax if such
20 tax generally applies to all income from sources
21 within such foreign country—

22 “(A) without regard to the residence or na-
23 tionality of the person earning such income,
24 and

1 “(B) in the case of any income earned by
2 a corporation, partnership, or other entity,
3 without regard to—

4 “(i) where such corporation, partner-
5 ship, or other entity is organized, and

6 “(ii) the residence or nationality of
7 the persons owning interests in such cor-
8 poration, partnership, or entity.”

9 (B) CONFORMING AMENDMENT.—Section
10 907 of such Code is amended by striking sub-
11 sections (b), (c)(3), (c)(4), (c)(5), and (f).

12 (2) SEPARATE BASKETS FOR FOREIGN OIL AND
13 GAS EXTRACTION INCOME AND FOREIGN OIL RELAT-
14 ED INCOME.—

15 (A) IN GENERAL.—Paragraph (1) of sec-
16 tion 904(d) of such Code (relating to separate
17 application of section with respect to certain
18 categories of income) is amended by striking
19 “and” at the end of subparagraph (H), by re-
20 designating subparagraph (I) as subparagraph
21 (K) and by inserting after subparagraph (H)
22 the following new subparagraphs:

23 “(I) foreign oil and gas extraction income,

24 “(J) foreign oil related income, and”.

1 (B) DEFINITIONS.—Paragraph (2) of sec-
2 tion 904(d) of such Code is amended by redesi-
3 gnating subparagraphs (H) and (I) as subpara-
4 graphs (J) and (K), respectively, and by insert-
5 ing after subparagraph (G) the following new
6 subparagraphs:

7 “(H) FOREIGN OIL AND GAS EXTRACTION
8 INCOME.—The term ‘foreign oil and gas extrac-
9 tion income’ has the meaning given such term
10 by section 907(c)(1). Such term shall not in-
11 clude any dividend from a noncontrolled section
12 902 corporation.

13 “(I) FOREIGN OIL RELATED INCOME.—
14 The term ‘foreign oil related income’ has the
15 meaning given such term by section 907(c)(2).
16 Such term shall not include any dividend from
17 a noncontrolled section 902 corporation and any
18 shipping income.”

19 (C) CONFORMING AMENDMENT.—Clause
20 (i) of section 904(d)(3)(F) of such Code is
21 amended by striking “or (E)” and inserting
22 “(E), (I), or (J)”.

23 (3) EFFECTIVE DATE.—

24 (A) IN GENERAL.—Except as otherwise
25 provided in this paragraph, the amendments

1 made by this subsection shall apply to taxable
2 years beginning after December 31, 1997.

3 (B) DISALLOWANCE RULE.—

4 (i) Section 907(a) of such Code (as
5 amended by paragraph (1)) shall apply to
6 taxes paid or accrued after December 31,
7 1997, in taxable years ending after such
8 date.

9 (ii) In determining the amount of
10 taxes deemed to be paid in a taxable year
11 beginning after December 31, 1997, under
12 section 902 or 960 of such Code, section
13 907(a) of such Code (as amended by para-
14 graph (1)) shall apply to all taxes whether
15 paid or accrued before, on, or after Decem-
16 ber 31, 1997.

17 (C) LOSS RULE.—Notwithstanding the
18 amendments made by paragraph (1)(B), section
19 907(c)(4) of such Code shall continue to apply
20 with respect to foreign oil and gas extraction
21 losses for taxable years beginning before Janu-
22 ary 1, 1998.

23 (D) TRANSITIONAL RULES.—

24 (i) Any taxes paid or accrued in a tax-
25 able year beginning before January 1,

1 1998, with respect to income which was
2 described in subparagraph (I) of section
3 904(d)(1) of such Code (as in effect on the
4 day before the date of the enactment of
5 this Act) shall be treated as taxes paid or
6 accrued with respect to foreign oil and gas
7 extraction income or foreign oil related in-
8 come (as the case may be) to the extent
9 such taxes were paid or accrued with re-
10 spect to such type of income.

11 (ii) Any unused oil and gas extraction
12 taxes which under section 907(f) of such
13 Code (as so in effect) would have been al-
14 lowed as a carryover to the taxpayer's first
15 taxable year beginning after December 31,
16 1997 (determined without regard to the
17 limitation of paragraph (2) of such section
18 907(f) for such first taxable year), shall be
19 allowed as carryovers under section 904(c)
20 of such Code in the same manner as if
21 they were unused taxes under section
22 904(c) with respect to foreign oil and gas
23 extraction income.

24 (b) ELIMINATION OF DEFERRAL FOR FOREIGN OIL
25 AND GAS EXTRACTION INCOME.—

1 (1) GENERAL RULE.—Paragraph (1) of section
2 954(g) of the Internal Revenue Code of 1986 (defin-
3 ing foreign base company oil related income) is
4 amended to read as follows:

5 “(1) IN GENERAL.—Except as otherwise pro-
6 vided in this subsection, the term ‘foreign oil and
7 gas income’ means any income of a kind which
8 would be taken into account in determining the
9 amount of—

10 “(A) foreign oil and gas extraction income
11 (as defined in section 907(c)(1)), or

12 “(B) foreign oil related income (as defined
13 in section 907(c)(2)).”

14 (2) CONFORMING AMENDMENTS.—

15 (A)(i) Subsections (a)(5), (b)(5), and
16 (b)(8) of section 954 of such Code are each
17 amended by striking “base company oil related
18 income” each place it appears (including in the
19 heading of subsection (b)(8)) and inserting “oil
20 and gas income”.

21 (ii) Subsection (b)(4) of section 954 of
22 such Code is amended by striking “base com-
23 pany oil-related income” and inserting “oil and
24 gas income”.

1 (B) The subsection heading for subsection
2 (g) of section 954 of such Code is amended by
3 striking “FOREIGN BASE COMPANY OIL RE-
4 LATED INCOME” and inserting “FOREIGN OIL
5 AND GAS INCOME”.

6 (C) Subparagraph (A) of section 954(g)(2)
7 of such Code is amended by striking “foreign
8 base company oil related income” and inserting
9 “foreign oil and gas income”.

10 (3) EFFECTIVE DATE.—The amendments made
11 by this subsection shall apply to taxable years of for-
12 eign corporations beginning after December 31,
13 1997, and to taxable years of United States share-
14 holders in which or with which such taxable years of
15 foreign corporations end.

16 **TITLE III—LIMITATIONS ON PAY-**
17 **MENTS UNDER DEFENSE**
18 **CONTRACTS**

19 **SEC. 301. PROHIBITION ON PAYMENTS UNDER DEFENSE**
20 **CONTRACTS FOR RESTRUCTURING COSTS OF**
21 **A DEFENSE CONTRACTOR MERGER OR AC-**
22 **QUISITION.**

23 (a) PROHIBITION.—No funds appropriated or other-
24 wise made available to the Department of Defense may
25 be obligated or expended under section 2324 of title 10,

1 United States Code, for payment of any restructuring cost
2 associated with a merger or acquisition that is incurred
3 by a contractor under contract with the Department of
4 Defense.

5 (b) APPLICABILITY.—(1) The prohibition in sub-
6 section (a) applies with respect to any merger or acquisi-
7 tion occurring on or after the date of the enactment of
8 this Act.

9 (2) In the case of a merger or acquisition that oc-
10 curred before the date of the enactment of this Act, funds
11 appropriated or otherwise made available to the Depart-
12 ment of Defense may be used to process or pay a claim
13 for restructuring costs associated with the merger or ac-
14 quisition only if the relevant contract or advance agree-
15 ment specifies that payment for such costs may be made
16 under the contract or agreement using funds appropriated
17 or otherwise made available to the Department of Defense.

18 (c) CONFORMING REPEAL.—Subsection (a) of section
19 818 of the National Defense Authorization Act for Fiscal
20 Year 1995 (Public Law 103–337; 10 U.S.C. 2324 note)
21 is repealed.

22 (d) REPORTS BY SECRETARY OF DEFENSE.—Sub-
23 section (e) of such section is amended—

1 (1) in the matter preceding paragraph (1), by
2 striking out “and 1997” and inserting in lieu there-
3 of “1997, 1998, 1999, and 2000”; and

4 (2) by adding at the end of paragraph (3) the
5 following:

6 “(F) An analysis of the dollar amount of
7 any windfalls achieved by the combining defense
8 contractors which results from the reduction of
9 overhead on fixed-price type contracts from the
10 Department of Defense that existed before the
11 business combination.

12 “(G) A list of each major weapons system
13 purchased by the Department of Defense since
14 July 21, 1993, for which actual prices have ac-
15 tually been reduced that are attributable to the
16 contractors’ restructuring efforts.

17 “(H) The total number of pending restruc-
18 turing proposals submitted to the Department
19 of Defense as of the date of the report and the
20 total dollar amount of the requests for restruc-
21 turing costs contained in those proposals.”.

22 (e) COMPTROLLER GENERAL REPORT.—Subsection
23 (g)(3) of such section is amended by adding at the end
24 the following: “The report shall include an estimate and
25 detailed description of the net effect on the Federal budget

1 of reimbursing defense contractors for their merger-relat-
2 ed restructuring costs, including the following:

3 “(A) The payment by the Department of De-
4 fense of restructuring costs resulting from business
5 combinations of defense contractors.

6 “(B) The reduction of Federal tax revenues
7 from unemployment resulting from business com-
8 binations of defense contractors who have been reim-
9 bursed for their merger-related restructuring costs.

10 “(C) The increase in Federal expenditures in
11 other Federal adjustment programs from unemploy-
12 ment resulting from business combinations of de-
13 fense contractors who have been reimbursed for
14 their merger-related restructuring costs, including
15 food stamps, housing and energy assistance, and any
16 other programs the Comptroller General determines
17 that unemployed persons are likely to use at a rate
18 higher than employed persons.

19 “(D) The increase in Federal grants of cash
20 and in-kind assistance to States and local commu-
21 nities that have experienced significant layoffs or fa-
22 cility relocation (or both) resulting from the business
23 combination, that are attributable to losses in the
24 State and local tax base and increased the use of

1 State and local government services similar to those
2 described in subparagraph (C).

3 “(E) The effect of reduced competition result-
4 ing from business combinations on the prices the
5 Department of Defense pays for military equipment
6 and services.”.

7 (f) DEFINITIONS.—Such section is further amended
8 by adding at the end the following new subsection:

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

10 “(1) The term ‘windfall’ means the savings, ei-
11 ther actually realized or anticipated, by the combin-
12 ing defense contractors as a result of reducing over-
13 head through merger-related restructuring which are
14 foregone by the Government because certain defense
15 contracts are fixed-price type contracts that existed
16 before the business combination and cannot be ad-
17 justed to reflect the contractor’s reduced overhead.

18 “(2) The term ‘significant layoffs’ means a situ-
19 ation in which the number of layoffs exceed 500 full-
20 time equivalent employees or in which one of the
21 combining defense contractors previously represented
22 the fifth largest employer or greater in the relevant
23 State or local community.”.

1 **SEC. 302. LIMITATION ON COMPENSATION PAID UNDER DE-**
2 **FENSE CONTRACTS.**

3 (a) LIMITATION.—Section 2324 of title 10, United
4 States Code, is amended—

5 (1) by redesignating subsection (l) as subsection
6 (m); and

7 (2) by inserting after subsection (k) the follow-
8 ing new subsection (l):

9 “(l) LIMITATION ON COMPENSATION.—

10 “(1) IN GENERAL.—Subject to paragraph (2),
11 the head of an agency may not obligate funds to pay
12 a contractor under a contract with the agency for
13 the costs of compensation with respect to the serv-
14 ices of any one individual to the extent that the total
15 amount of the compensation paid in a fiscal year to
16 that individual exceeds \$250,000.

17 “(2) AGGREGATION RULE.—For purposes of de-
18 termining the limitation on payment to a contractor
19 under paragraph (1), all contracts entered into by
20 the contractor with the agencies covered by this
21 chapter and with all executive agencies (if any) shall
22 be treated as one contract, and the \$250,000 limita-
23 tion with respect to the services of an individual in
24 a fiscal year shall be allocated among the contracts
25 in the manner prescribed in regulation by the Ad-
26 ministrator for Federal Procurement Policy.

1 “(3) DEFINITIONS.—In this subsection:

2 “(A) The term ‘compensation’ includes sal-
3 aries, bonuses, deferred compensation, stock op-
4 tions and payouts, certified indirect costs, re-
5 structuring costs, and performance-based pay-
6 ments.

7 “(B) The term ‘executive agency’ has the
8 meaning provided by section 3 of the Federal
9 Property and Administrative Services Act of
10 1949 (41 U.S.C. 472).”.

11 (b) APPLICABILITY.—Subsection (l) of section 2324
12 of title 10, United States Code, as added by subsection
13 (a), applies to contracts entered into after the date of the
14 enactment of this Act.

1 **TITLE IV—REPEAL OF CERTAIN**
2 **INCENTIVES FOR OIL AND**
3 **GAS EXPLORATION AND DE-**
4 **VELOPMENT AND FOR MIN-**
5 **ING**

6 **SEC. 401. REPEAL OF EXPENSING OF INTANGIBLE DRILL-**
7 **ING AND DEVELOPMENT COSTS AND OF MIN-**
8 **ING EXPLORATION AND DEVELOPMENT**
9 **COSTS.**

10 (a) INTANGIBLE DRILLING AND DEVELOPMENT
11 COSTS.—Section 263(c) of the Internal Revenue Code of
12 1986 is hereby repealed.

13 (b) DEVELOPMENT EXPENDITURES.—Section 616 of
14 such Code (relating to development expenditures) is here-
15 by repealed.

16 (c) EXPLORATION EXPENDITURES.—Subsection (i)
17 of section 617 of such Code is amended to read as follows:

18 “(i) TERMINATION.—No deduction shall be allowed
19 under this section for any expenditure paid or incurred
20 in a taxable year beginning after the date of the enactment
21 of this subsection.”

22 (d) CONFORMING AMENDMENTS.—

23 (1) Paragraph (2) of section 56(a) of such Code
24 is hereby repealed.

1 (2) Subsection (a) of section 57 of such Code
2 is amended by striking paragraph (2).

3 (3) Paragraph (2) of section 59(e) of such Code
4 is amended by adding “and” at the end of subpara-
5 graph (A), by striking the comma at the end of sub-
6 paragraph (B) and inserting a period, and by strik-
7 ing subparagraphs (C), (D), and (E).

8 (4) Subparagraph (A) of section 59(e)(5) of
9 such Code is amended by inserting before the period
10 “, as in effect before the Transit Commuter Credit
11 Act of 1998”.

12 (5) Subsection (c) of section 193 of such Code
13 is amended to read as follows:

14 “(c) APPLICATION WITH OTHER DEDUCTIONS.—No
15 deduction shall be allowed under subsection (a) with re-
16 spect to any expenditure with respect to which a deduction
17 is allowed or allowable to the taxpayer under any other
18 provision of this chapter.”

19 (6) Paragraph (1) of section 263(a) of such
20 Code is amended by striking subparagraph (A) and
21 by redesignating the succeeding subparagraphs ac-
22 cordingly.

23 (7) Section 263 of such Code is amended by
24 striking subsection (i).

1 (8) Subsection (c) of section 263A of such Code
2 is amended by striking paragraph (3) and by redesi-
3 gnating the succeeding paragraphs accordingly.

4 (9) Paragraph (5) of section 263A(c) of such
5 Code, as redesignated by paragraph (8), is amended
6 by striking “subparagraphs (B), (C), (D), and (E)”
7 and inserting “subparagraph (B)”.

8 (10) Section 291 of such Code is amended by
9 striking subsection (b).

10 (11) Subsection (n) of section 312 of such Code
11 is amended by striking paragraph (2).

12 (12) Paragraph (1) of section 1254(a) of such
13 Code is amended—

14 (A) by inserting “(as in effect before the
15 Transit Commuter Credit Act of 1998)” after
16 “617” in subparagraph (A)(i), and

17 (B) by adding at the end the following:
18 “For purposes of clause (i), any deduction
19 under section 291(b)(2) (as in effect before the
20 Transit Commuter Credit Act of 1998) shall be
21 treated as a deduction allowable under section
22 263, 616, or 617 (whichever is appropriate).”

23 (e) EFFECTIVE DATE.—The amendments made by
24 this section shall apply to amounts paid or incurred in tax-

1 able years beginning after the date of the enactment of
2 this Act.

3 **SEC. 402. REPEAL OF PERCENTAGE DEPLETION.**

4 (a) IN GENERAL.—Section 613 of the Internal Reve-
5 nue Code of 1986 (relating to limitations on percentage
6 depletion in case of oil and gas wells) is amended by add-
7 ing at the end the following new subsection:

8 “(f) TERMINATION.—The allowance under section
9 611 shall be determined without regard to this section for
10 taxable years beginning after the date of the enactment
11 of this subsection.”

12 (b) TERMINATION OF SECTION 613A.—Section 613A
13 of such Code is amended by adding at the end the follow-
14 ing new subsection:

15 “(f) TERMINATION.—The allowance under section
16 611 shall be determined without regard to this section for
17 taxable years beginning after the date of the enactment
18 of this subsection.”

19 **SEC. 403. REPEAL OF ENHANCED OIL RECOVERY CREDIT.**

20 (a) IN GENERAL.—Section 43 of the Internal Reve-
21 nue Code of 1986 is hereby repealed.

22 (b) CONFORMING AMENDMENT.—The table of sec-
23 tions for subpart D of part IV of subchapter A of chapter
24 1 is amended by striking the item relating to section 43.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 the date of the enactment of this Act.

4 **TITLE V—REPEAL OF EXCLU-**
5 **SION FOR CITIZENS OR RESI-**
6 **DENTS OF UNITED STATES**
7 **LIVING ABROAD**

8 **SEC. 501. REPEAL OF EXCLUSION FOR CITIZENS OR RESI-**
9 **DENTS OF UNITED STATES LIVING ABROAD.**

10 Section 911 of the Internal Revenue Code of 1986
11 (relating to citizens or residents of the United States living
12 abroad) is amended by redesignating subsection (f) as sub-
13 section (g) and by inserting after subsection (e) the follow-
14 ing new subsection:

15 “(f) TERMINATION.—This section shall not apply to
16 any taxable year beginning after the date of the enactment
17 of this Act.”

○