

104TH CONGRESS  
2D SESSION

# S. 1568

To amend the Internal Revenue Code of 1986 to provide for the extension  
of certain expiring provisions.

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## IN THE SENATE OF THE UNITED STATES

FEBRUARY 9 (legislative day, FEBRUARY 7), 1996

Mr. HATCH (for himself, Mr. BAUCUS, Mr. SIMPSON, and Mr. D'AMATO) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to provide  
for the extension of certain expiring provisions.

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. WORK OPPORTUNITY TAX CREDIT.**

4       (a) AMOUNT OF CREDIT.—Subsection (a) of section  
5       51 of the Internal Revenue Code of 1986 (relating to  
6       amount of credit) is amended by striking “40 percent”  
7       and inserting “35 percent”.

8       (b) MEMBERS OF TARGETED GROUPS.—Subsection  
9       (d) of section 51 of the Internal Revenue Code of 1986  
10      is amended to read as follows:

1       “(d) MEMBERS OF TARGETED GROUPS.—For pur-  
2   poses of this subpart—

3           “(1) IN GENERAL.—An individual is a member  
4   of a targeted group if such individual is—

5              “(A) a qualified IV–A recipient,  
6              “(B) a qualified veteran,  
7              “(C) a qualified ex-felon,  
8              “(D) a high-risk youth,  
9              “(E) a vocational rehabilitation referral,  
10             “(F) a qualified summer youth employee,  
11             or  
12             “(G) a qualified food stamp recipient.

13           “(2) QUALIFIED IV–A RECIPIENT.—

14            “(A) IN GENERAL.—The term ‘qualified  
15   IV–A recipient’ means any individual who is  
16   certified by the designated local agency as being  
17   a member of a family receiving assistance under  
18   a IV–A program for at least a 9-month period  
19   ending during the 9-month period ending on the  
20   hiring date.

21            “(B) IV–A PROGRAM.—For purposes of  
22   this paragraph, the term ‘IV–A program’ means  
23   any program providing assistance under a State  
24   plan approved under part A of title IV of the  
25   Social Security Act (relating to assistance for

1           needy families with minor children) and any  
2           successor of such program.

3           “(3) **QUALIFIED VETERAN.**—

4           “(A) **IN GENERAL.**—The term ‘qualified  
5           veteran’ means any veteran who is certified by  
6           the designated local agency as being—

7           “(i) a member of a family receiving  
8           assistance under a IV-A program (as de-  
9           fined in paragraph (2)(B)) for at least a 9-  
10           month period ending during the 12-month  
11           period ending on the hiring date, or

12           “(ii) a member of a family receiving  
13           assistance under a food stamp program  
14           under the Food Stamp Act of 1977 for at  
15           least a 3-month period ending during the  
16           12-month period ending on the hiring date.

17           “(B) **VETERAN.**—For purposes of subpara-  
18           graph (A), the term ‘veteran’ means any indi-  
19           vidual who is certified by the designated local  
20           agency as—

21           “(i)(I) having served on active duty  
22           (other than active duty for training) in the  
23           Armed Forces of the United States for a  
24           period of more than 180 days, or

1                         “(II) having been discharged or re-  
2                         leased from active duty in the Armed  
3                         Forces of the United States for a service-  
4                         connected disability, and

5                         “(ii) not having any day during the  
6                         60-day period ending on the hiring date  
7                         which was a day of extended active duty in  
8                         the Armed Forces of the United States.

9                         For purposes of clause (ii), the term ‘extended  
10                         active duty’ means a period of more than 90  
11                         days during which the individual was on active  
12                         duty (other than active duty for training).

13                         “(4) QUALIFIED EX-FELON.—The term ‘quali-  
14                         fied ex-felon’ means any individual who is certified  
15                         by the designated local agency—

16                         “(A) as having been convicted of a felony  
17                         under any statute of the United States or any  
18                         State,

19                         “(B) as having a hiring date which is not  
20                         more than 1 year after the last date on which  
21                         such individual was so convicted or was released  
22                         from prison, and

23                         “(C) as being a member of a family which  
24                         had an income during the 6 months imme-  
25                         diately preceding the earlier of the month in

which such income determination occurs or the month in which the hiring date occurs, which, on an annual basis, would be 70 percent or less of the Bureau of Labor Statistics lower living standard.

6 Any determination under subparagraph (C) shall be  
7 valid for the 45-day period beginning on the date  
8 such determination is made.

## 9                   “(5) HIGH-RISK YOUTH.—

10                             “(A) IN GENERAL.—The term ‘high-risk’  
11                             youth’ means any individual who is certified by  
12                             the designated local agency—

18                             “(B) YOUTH MUST CONTINUE TO RESIDE  
19                             IN ZONE.—In the case of a high-risk youth, the  
20                             term ‘qualified wages’ shall not include wages  
21                             paid or incurred for services performed while  
22                             such youth’s principal place of abode is outside  
23                             an empowerment zone or enterprise community.

24           “(6) VOCATIONAL REHABILITATION REFER-  
25           BAL.—The term ‘vocational rehabilitation referral’

1 means any individual who is certified by the des-  
2 ignated local agency as—

3 “(A) having a physical or mental disability  
4 which, for such individual, constitutes or results  
5 in a substantial handicap to employment, and

6 “(B) having been referred to the employer  
7 upon completion of (or while receiving) rehabili-  
8 tative services pursuant to—

9 “(i) an individualized written rehabili-  
10 tation plan under a State plan for voca-  
11 tional rehabilitation services approved  
12 under the Rehabilitation Act of 1973, or

13 “(ii) a program of vocational rehabili-  
14 tation carried out under chapter 31 of title  
15 38, United States Code.

16 “(7) QUALIFIED SUMMER YOUTH EMPLOYEE.—

17 “(A) IN GENERAL.—The term ‘qualified  
18 summer youth employee’ means any individ-  
19 ual—

20 “(i) who performs services for the em-  
21 ployer between May 1 and September 15,

22 “(ii) who is certified by the designated  
23 local agency as having attained age 16 but  
24 not 18 on the hiring date (or if later, on  
25 May 1 of the calendar year involved),

1                         “(iii) who has not been an employee  
2                         of the employer during any period prior to  
3                         the 90-day period described in subparagraph  
4                         (B)(i), and

5                         “(iv) who is certified by the designated local agency as—

7                         “(I) having his principal place of  
8                         abode within an empowerment zone or  
9                         enterprise community, or

10                        “(II) being a member of a family  
11                         receiving assistance under a food  
12                         stamp program under the Food  
13                         Stamp Act of 1977 for at least a 3-  
14                         month period ending during the 12-  
15                         month period ending on the hiring  
16                         date.

17                        “(B) SPECIAL RULES FOR DETERMINING  
18                         AMOUNT OF CREDIT.—For purposes of applying  
19                         this subpart to wages paid or incurred to any  
20                         qualified summer youth employee—

21                        “(i) subsection (b)(2) shall be applied  
22                         by substituting ‘any 90-day period between  
23                         May 1 and September 15’ for ‘the 1-year  
24                         period beginning with the day the individual  
25                         begins work for the employer’, and

1                             “(ii) subsection (b)(3) shall be applied  
2                             by substituting ‘\$3,000’ for ‘\$6,000’.

3                             The preceding sentence shall not apply to an in-  
4                             dividual who, with respect to the same em-  
5                             ployer, is certified as a member of another tar-  
6                             geted group after such individual has been a  
7                             qualified summer youth employee.

8                             “(C) YOUTH MUST CONTINUE TO RESIDE  
9                             IN ZONE.—Paragraph (5)(B) shall apply for  
10                             purposes of subparagraph (A)(iv)(I).

11                             “(8) QUALIFIED FOOD STAMP RECIPIENT.—

12                             “(A) IN GENERAL.—The term ‘qualified  
13                             food stamp recipient’ means any individual who  
14                             is certified by the designated local agency—

15                             “(i) as having attained age 18 but not  
16                             age 25 on the hiring date, and

17                             “(ii) as being a member of a family  
18                             receiving assistance under a food stamp  
19                             program under the Food Stamp Act of  
20                             1977 for at least a 3-month period ending  
21                             during the 12-month period ending on the  
22                             hiring date.

23                             “(9) HIRING DATE.—The term ‘hiring date’  
24                             means the day the individual is hired by the em-  
25                             ployer.

1                   “(10) DESIGNATED LOCAL AGENCY.—The term  
2                   ‘designated local agency’ means a State employment  
3                   security agency established in accordance with the  
4                   Act of June 6, 1933, as amended (29 U.S.C. 49–  
5                   49n).

6                   “(11) SPECIAL RULES FOR CERTIFICATIONS.—

7                   “(A) IN GENERAL.—An individual shall  
8                   not be treated as a member of a targeted group  
9                   unless—

10                   “(i) on or before the day on which  
11                   such individual begins work for the em-  
12                   ployer, the employer has received a certifi-  
13                   cation from a designated local agency that  
14                   such individual is a member of a targeted  
15                   group, or

16                   “(ii)(I) on or before the day the indi-  
17                   vidual is offered employment with the em-  
18                   ployer, a pre-screening notice is completed  
19                   by the employer with respect to such indi-  
20                   vidual, and

21                   “(II) not later than the 14th day after  
22                   the individual begins work for the em-  
23                   ployer, the employer submits such notice,  
24                   signed by the employer and the individual  
25                   under penalties of perjury, to the des-

4 For purposes of this paragraph, the term ‘pre-  
5 screening notice’ means a document (in such  
6 form as the Secretary shall prescribe) which  
7 contains information provided by the individual  
8 on the basis of which the employer believes that  
9 the individual is a member of a targeted group.

17 the certification shall be revoked and wages  
18 paid by the employer after the date on which  
19 notice of revocation is received by the employer  
20 shall not be treated as qualified wages.

21                   “(C) EXPLANATION OF DENIAL OF RE-  
22                   QUEST.—If a designated local agency denies a  
23                   request for certification of membership in a tar-  
24                   geted group, such agency shall provide to the

1           person making such request a written expla-  
2           nation of the reasons for such denial.”.

3           (c) MINIMUM EMPLOYMENT PERIOD.—Paragraph  
4 (3) of section 51(i) of the Internal Revenue Code of 1986  
5 (relating to certain individuals ineligible) is amended to  
6 read as follows:

7           “(3) INDIVIDUALS NOT MEETING MINIMUM EM-  
8           PLOYMENT PERIOD.—No wages shall be taken into  
9           account under subsection (a) with respect to any in-  
10           dividual unless such individual either—

11           “(A) is employed by the employer at least  
12           180 days (20 days in the case of a qualified  
13           summer youth employee), or

14           “(B) has completed at least 250 hours  
15           (120 hours in the case of a qualified summer  
16           youth employee) of services performed for the  
17           employer.”.

18           (d) TERMINATION.—Paragraph (4) of section 51(c)  
19 of the Internal Revenue Code of 1986 (relating to wages  
20 defined) is amended to read as follows:

21           “(4) TERMINATION.—The term ‘wages’ shall  
22           not include any amount paid or incurred to an indi-  
23           vidual who begins work for the employer—

24           “(A) after December 31, 1994, and before  
25           January 1, 1996, or

1                     “(B) after December 31, 1997.”.

2                     (e) REDESIGNATION OF CREDIT.—

3                     (1) Sections 38(b)(2) and 51(a) of the Internal  
4                     Revenue Code of 1986 are each amended by striking  
5                     “targeted jobs credit” and inserting “work oppor-  
6                     tunity credit”.

7                     (2) The subpart heading for subpart F of part  
8                     IV of subchapter A of chapter 1 of such Code is  
9                     amended by striking “**Targeted Jobs Credit**”  
10                     and inserting “**Work Opportunity Credit**”.

11                     (3) The table of subparts for such part IV is  
12                     amended by striking “targeted jobs credit” and in-  
13                     serting “work opportunity credit”.

14                     (4) The heading for paragraph (3) of section  
15                     1396(c) of such Code is amended by striking “TAR-  
16                     GETED JOBS CREDIT” and inserting “WORK OPPOR-  
17                     TUNITY CREDIT”.

18                     (f) TECHNICAL AMENDMENTS.—

19                     (1) Paragraph (1) of section 51(c) of the Inter-  
20                     nal Revenue Code of 1986 is amended by striking  
21                     “, subsection (d)(8)(D),”.

22                     (2) Paragraph (3) of section 51(i) of such Code  
23                     is amended by striking “(d)(12)” each place it ap-  
24                     pears and inserting “(d)(6)”.

1 (g) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to individuals who begin work for  
3 the employer after December 31, 1995.

## 4 SEC. 2. EMPLOYER-PROVIDED EDUCATIONAL ASSISTANCE 5 PROGRAMS.

6 (a) EXTENSION.—Subsection (d) of section 127 of  
7 the Internal Revenue Code of 1986 (relating to edu-  
8 cational assistance programs) is amended by striking “De-  
9 cember 31, 1994” and inserting “December 31, 1997”.

10 (b) EFFECTIVE DATE.—The amendment made by  
11 this section shall apply to taxable years beginning after  
12 December 31, 1994.

### 13 SEC. 3. RESEARCH CREDIT.

14 (a) IN GENERAL.—Subsection (h) of section 41 of the  
15 Internal Revenue Code of 1986 (relating to credit for re-  
16 search activities) is amended—

17 (1) by striking "June 30, 1995" each place it  
18 appears and inserting "December 31, 1997", and  
19 (2) by striking "July 1, 1995" each place it ap-  
20 pears and inserting "January 1, 1998".

21 (b) BASE AMOUNT FOR START-UP COMPANIES.—  
22 Clause (i) of section 41(c)(3)(B) of the Internal Revenue  
23 Code of 1986 (relating to start-up companies) is amended  
24 to read as follows:

1                             “(i) TAXPAYERS TO WHICH SUBPARA-  
2                             GRAPH APPLIES.—The fixed-base percent-  
3                             age shall be determined under this sub-  
4                             paragraph if—

5                             “(I) the first taxable year in  
6                             which a taxpayer had both gross re-  
7                             ceipts and qualified research expenses  
8                             begins after December 31, 1983, or

9                             “(II) there are fewer than 3 tax-  
10                           able years beginning after December  
11                           31, 1983, and before January 1,  
12                           1989, in which the taxpayer had both  
13                           gross receipts and qualified research  
14                           expenses.”.

15                             (c) ELECTION OF ALTERNATIVE INCREMENTAL  
16 CREDIT.—Subsection (c) of section 41 of the Internal  
17 Revenue Code of 1986 is amended by redesignating para-  
18 graphs (4) and (5) as paragraphs (5) and (6), respectively,  
19 and by inserting after paragraph (3) the following new  
20 paragraph:

21                             “(4) ELECTION OF ALTERNATIVE INCREMEN-  
22 TAL CREDIT.—

23                             “(A) IN GENERAL.—At the election of the  
24 taxpayer, the credit determined under sub-  
25 section (a)(1) shall be equal to the sum of—

1                             “(i) 1.65 percent of so much of the  
2                             qualified research expenses for the taxable  
3                             year as exceeds 1 percent of the average  
4                             described in subsection (c)(1)(B) but does  
5                             not exceed 1.5 percent of such average,

6                             “(ii) 2.2 percent of so much of such  
7                             expenses as exceeds 1.5 percent of such av-  
8                             erage but does not exceed 2 percent of  
9                             such average, and

10                            “(iii) 2.75 percent of so much of such  
11                             expenses as exceeds 2 percent of such aver-  
12                             age.

13                            “(B) ELECTION.—An election under this  
14                             paragraph may be made only for the first tax-  
15                             able year of the taxpayer beginning after June  
16                             30, 1995. Such an election shall apply to the  
17                             taxable year for which made and all succeeding  
18                             taxable years unless revoked with the consent of  
19                             the Secretary.”.

20                            (d) INCREASED CREDIT FOR CONTRACT RESEARCH  
21                             EXPENSES WITH RESPECT TO CERTAIN RESEARCH CON-  
22                             SORTIA.—Paragraph (3) of section 41(b) of the Internal  
23                             Revenue Code of 1986 is amended by adding at the end  
24                             the following new subparagraph:

1                   “(C) AMOUNTS PAID TO CERTAIN RE-  
2                   SEARCH CONSORTIA.—

3                   “(i) IN GENERAL.—Subparagraph (A)  
4                   shall be applied by substituting ‘75 per-  
5                   cent’ for ‘65 percent’ with respect to  
6                   amounts paid or incurred by the taxpayer  
7                   to a qualified research consortium for  
8                   qualified research.

9                   “(ii) QUALIFIED RESEARCH CONSOR-  
10                   TIUM.—The term ‘qualified research con-  
11                   sortium’ means any organization described  
12                   in subsection (e)(6)(B) if—

13                   “(I) at least 15 unrelated tax-  
14                   payers paid (during the calendar year  
15                   in which the taxable year of the tax-  
16                   payer begins) amounts to such organi-  
17                   zation for qualified research,

18                   “(II) no 3 persons paid during  
19                   such calendar year more than 50 per-  
20                   cent of the total amounts paid during  
21                   such calendar year for qualified re-  
22                   search, and

23                   “(III) no person contributed  
24                   more than 20 percent of such total  
25                   amounts.

1                   For purposes of subclause (I), all persons  
2                   treated as a single employer under sub-  
3                   section (a) or (b) of section 52 shall be  
4                   treated as related taxpayers.”.

5                   (e) CONFORMING AMENDMENT.—Subparagraph (D)  
6                   of section 28(b)(1) of the Internal Revenue Code of 1986  
7                   is amended by striking “June 30, 1995” and inserting  
8                   “December 31, 1997”.

9                   (f) EFFECTIVE DATE.—

10                   (1) IN GENERAL.—Except as provided in para-  
11                   graph (2), the amendments made by this section  
12                   shall apply to taxable years ending after June 30,  
13                   1995.

14                   (2) SUBSECTIONS (c) AND (d).—The amend-  
15                   ments made by subsections (c) and (d) shall apply  
16                   to taxable years beginning after June 30, 1995.

17 **SEC. 4. ORPHAN DRUG TAX CREDIT.**

18                   (a) RECATEGORIZED AS A BUSINESS CREDIT.—

19                   (1) IN GENERAL.—Section 28 of the Internal  
20                   Revenue Code of 1986 (relating to clinical testing  
21                   expenses for certain drugs for rare diseases or condi-  
22                   tions) is transferred to subpart D of part IV of sub-  
23                   chapter A of chapter 1 of such Code, inserted after  
24                   section 45B, and redesignated as section 45C.

9 (3) CLERICAL AMENDMENTS.—

10 (A) The table of sections for subpart B of  
11 such part IV is amended by striking the item  
12 relating to section 28.

13 (B) The table of sections for subpart D of  
14 such part IV is amended by adding at the end  
15 the following new item:

“Sec. 45C. Clinical testing expenses for certain drugs for rare diseases or conditions.”.

16 (b) CREDIT TERMINATION.—Subsection (e) of sec-  
17 tion 45C of the Internal Revenue Code of 1986, as redes-  
18 ignated by subsection (a)(1), is amended by striking “De-  
19 cember 31, 1994” and inserting “December 31, 1997”.

20 (c) NO PRE-1995 CARRYBACKS.—Subsection (d) of  
21 section 39 of the Internal Revenue Code of 1986 (relating  
22 to carryback and carryforward of unused credits) is  
23 amended by adding at the end the following new para-  
24 graph:

1           “(7) NO CARRYBACK OF SECTION 45C CREDIT  
2        BEFORE 1995.—No portion of the unused business  
3        credit for any taxable year which is attributable to  
4        the orphan drug credit determined under section  
5        45C may be carried back to a taxable year beginning  
6        before January 1, 1995.”.

7           (d) ADDITIONAL CONFORMING AMENDMENTS.—

8           (1) Section 45C(a) of the Internal Revenue  
9        Code of 1986, as redesignated by subsection (a)(1),  
10       is amended by striking “There shall be allowed as a  
11       credit against the tax imposed by this chapter for  
12       the taxable year” and inserting “For purposes of  
13       section 38, the credit determined under this section  
14       for the taxable year is”.

15           (2) Section 45C(d) of such Code, as so redesignated,  
16        is amended by striking paragraph (2) and by  
17        redesignating paragraphs (3), (4), and (5) as paragraphs  
18        (2), (3), and (4).

19           (3) Section 29(b)(6)(A) of such Code is amended  
20        by striking “sections 27 and 28” and inserting  
21        “section 27”.

22           (4) Section 30(b)(3)(A) of such Code is amended  
23        by striking “sections 27, 28, and 29” and inserting  
24        “sections 27 and 29”.

3 (A) by striking “or not allowed under sec-  
4 tion 28 solely by reason of the application of  
5 section 28(d)(2)(B),” in clause (iii), and

(B) by striking “or not allowed under section 28 solely by reason of the application of section 28(d)(2)(B)” in clause (iv)(II).

11 (7) Section 280C(b) of such Code is amended—

12 (A) by striking “section 28(b)” in para-  
13 graph (1) and inserting “section 45C(b)”,

14 (B) by striking “section 28” in paragraphs  
15 (1) and (2)(A) and inserting “section 45C(b)”,  
16 and

17 (C) by striking “subsection (d)(2) thereof”  
18 in paragraphs (1) and (2)(A) and inserting  
19 “section 38(c)”.

20 (e) EFFECTIVE DATE.—The amendments made by  
21 this section shall apply to taxable years ending after De-  
22 cember 31, 1994.

1 **SEC. 5. CONTRIBUTIONS OF STOCK TO PRIVATE FOUNDA-**  
2 **TIONS.**

3 (a) IN GENERAL.—Subparagraph (D) of section  
4 170(e)(5) of the Internal Revenue Code of 1986 (relating  
5 to special rule for contributions of stock for which market  
6 quotations are readily available) is amended by striking  
7 “December 31, 1994” and inserting “December 31,  
8 1997”.

9 (b) EFFECTIVE DATE.—The amendment made by  
10 this section shall apply to contributions made after De-  
11 cember 31, 1994.

12 **SEC. 6. EXTENSION OF BINDING CONTRACT DATE FOR BIO-**  
13 **MASS AND COAL FACILITIES.**

14 (a) IN GENERAL.—Subparagraph (A) of section  
15 29(g)(1) of the Internal Revenue Code of 1986 (relating  
16 to extension of certain facilities) is amended by striking  
17 “January 1, 1997” and inserting “January 1, 1999” and  
18 by striking “January 1, 1996” and inserting “July 1,  
19 1997”.

20 (b) EFFECTIVE DATE.—The amendment made by  
21 this section shall take effect on the date of the enactment  
22 of this Act.

23 **SEC. 7. EXTENSION OF TRANSITION RULE FOR CERTAIN**  
24 **PUBLICLY TRADED PARTNERSHIPS.**

25 (a) IN GENERAL.—Subparagraph (B) of section  
26 10211(c)(1) of the Revenue Act of 1987 (Public Law 100–

1 203) is amended by striking “December 31, 1997” and  
2 inserting “December 31, 1999”.

3 (b) EFFECTIVE DATE.—The amendment made by  
4 this section shall take effect as if included in the provisions  
5 of section 10211 of the Revenue Act of 1987.

6 **SEC. 8. EXTENSION OF GROUP LEGAL SERVICES.**

7 (a) EXTENSION.—Subsection (e) of section 120 of  
8 the Internal Revenue Code of 1986 (relating to amounts  
9 received under qualified group legal services plans) is  
10 amended by striking “June 30, 1992” and inserting “De-  
11 cember 31, 1997”.

12 (b) EFFECTIVE DATE.—The amendment made by  
13 this section shall apply to taxable years beginning after  
14 June 30, 1992.

○

S 1568 IS—2

S 1568 IS—3