longer a justified or practical law; it is overly complex and stifles competition. Recognizing that the insurance industry has unique characteristics, including the dependence on collective claim and loss data, Senator SPECTER and I drafted a bill to accommodate those legitimate needs while still providing Federal regulators with the tools to investigate and prevent collusion and other anticompetitive behaviors. More specifically, our bill authorizes Federal enforcement agencies to police violations of antitrust laws, without weakening the States' comprehensive regulatory power.

American consumers, from sophisticated multi-national businesses to Vermonters shopping for personal insurance, have the right to be confident that the cost of their insurance reflects competitive market conditions and not collusive behavior. Yet, when consumers are continually faced with higher prices, fewer options, and declining quality of service from their insurance providers, there are no such assurances.

There is little disagreement that consumers are increasingly frustrated with the cost and quality of their insurance policies. This bill is an important step towards restoring integrity in our insurance markets. I hope it will act as a catalyst for action to ensure market forces are at work in the insurance industry.

By Mr. GRASSLEY (for himself and Mr. BAUCUS):

S. 4026. A bill to amend the Internal Revenue Code of 1986 to make technical corrections, and for other purposes; to the Committee on Finance.

Mr. GRASSLEY. Mr. President, today Senator BAUCUS and I are pleased to introduce the Tax Technical Corrections Act of 2006.

Technical Corrections measures are routine for major tax acts, and are necessary to ensure that the provisions of the acts are working consistently with Congressional intent, or to provide clerical corrections. Because these measures carry out Congressional intent, no revenue gain or loss is scored from them.

Technical corrections are derived from a deliberative and consultative process among the Congressional and Administration tax staffs. That means the Republican and Democratic staffs of the House Ways and Means and Senate Finance Committees are involved, as is the staff of the Treasury Department. All of this work is performed with the participation and guidance of the non-partisan staff of the Joint Committee on Taxation. A technical enters the list only if all staffs agree it is appropriate.

By filing this bill, we hope interested parties and practitioners will comment and provide direction on further edits, additions, or deletions. These comments should be submitted in a timely manner, by the end of October. It is our hope that we may move this package of technicals in November if possible.

We ask unanimous consent that the text of the bill print in the RECORD.

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

S. 4026

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

SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the ''Tax Technical Corrections Act of 2006''.

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

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

SEC. 2. AMENDMENTS RELATED TO THE TAX INCREASE PREVENTION AND RECONCILIATION ACT OF 2005.

(a) AMENDMENTS RELATED TO SECTION 103 OF THE ACT.—

(1) Subparagraph (A) of section 954(c)(6) is amended—

(A) in the first sentence, by striking ''which is not subpart F income'' and inserting ''which is neither subpart F income nor income treated as effectively connected with the conduct of a trade or business in the United States'', and

(B) by striking the last sentence and inserting the following: ''The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out this paragraph, including such regulations as may be necessary or appropriate to prevent the abuse of the purposes of this paragraph.''.

(2) Paragraph (6) of section 954(c) is amended by redesignating subparagraph (B) as subparagraph (C) and inserting after subparagraph (A) the following new subparagraph:

''(B) EXCEPTION.—Subparagraph (A) shall not apply in the case of any interest, rent, or royalty to the extent such interest, rent, or royalty creates (or increases) a deficit which under section 952(c) may reduce the subpart F income of the payor or another controlled foreign corporation.''.

(b) AMENDMENTS RELATED TO SECTION 202 OF THE ACT.—

(1) Subparagraph (B) of section 355(b)(3) is amended to read as follows:

''(B) AFFILIATED GROUP RULE.—

''(i) IN GENERAL.—For purposes of subparagraph (A), all members of such corporation's separate affiliated group shall be treated as one corporation.

''(ii) SEPARATE AFFILIATED GROUP.—For purposes of clause (i), the term 'separate affiliated group' means, with respect to any corporation, the affiliated group which would be determined under section 1504(a) if such corporation were the common parent and section 1504(b) did not apply. Such term shall not include any corporation which became a member of—

''(I) such separate affiliated group (determined without regard to this sentence), or

''(II) any other separate affiliated group (determined without regard to this sentence) which includes any other corporation to which subparagraph (A) applies with respect to the same distribution,

during the 5-year period described in paragraph (2)(B) by reason of one or more transactions in which gain or loss was recognized in whole or in part (and shall not include any trade or business conducted by such corporation at the time it became such a member).''.

(2) Paragraph (3) of section 355(b) is amended by adding at the end the following new subparagraph:

''(E) REGULATIONS.—The Secretary shall prescribe regulations which provide for the proper application of subparagraphs (B), (C), and (D) of paragraph (2) with respect to distributions to which this paragraph applies.''.

(c) AMENDMENTS RELATED TO SECTION 515 OF THE ACT.—Paragraph (2) of section 911(f) is amended—

(1) by striking ''the tentative minimum tax under section 55'' in the matter preceding subparagraph (A) and inserting ''the amount determined under the first sentence of section 55(b)(1)(A)(i)'', and

(2) by striking ''the amount which would be such tentative minimum tax'' each place it appears in subparagraphs (A) and (B) and inserting ''the amount which would be determined under such sentence''.

(d) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the provisions of the Tax Increase Prevention and Reconciliation Act of 2005 to which they relate.

SEC. 3. AMENDMENT RELATED TO THE GULF OPPORTUNITY ZONE ACT OF 2005.

(a) AMENDMENT RELATED TO SECTION 303 OF THE ACT.—Clause (iii) of section 903(d)(2)(B) of the American Jobs Creation Act of 2004, as amended by section 303 of the Gulf Opportunity Zone Act of 2005, is amended by inserting ''or the Secretary's delegate'' after ''The Secretary of the Treasury''.

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect as if included in section 303 of the Gulf Opportunity Zone Act of 2005.

SEC. 4. AMENDMENTS RELATED TO THE SAFE, ACCOUNTABLE, FLEXIBLE, EFFICIENT TRANSPORTATION EQUITY ACT: A LEGACY FOR USERS.

(a) AMENDMENTS RELATED TO SECTION 11113 OF THE ACT.—Paragraph (3) of section 6427(i) is amended—

(1) by inserting ''or under subsection (e)(2) by any person with respect to an alternative fuel (as defined in section 6426(d)(2))'' after ''section 6426'' in subparagraph (A),

(2) by inserting ''or (e)(2)'' after ''subsection (e)(1)'' in subparagraphs (A)(i) and (B), and

(3) by inserting ''AND ALTERNATIVE FUEL CREDIT'' after ''MIXTURE CREDIT'' in the heading thereof.

(b) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the provisions of the SAFETEA–LU to which they relate.

SEC. 5. AMENDMENTS RELATED TO THE ENERGY POLICY ACT OF 2005.

(a) AMENDMENT RELATED TO SECTION 1306 OF THE ACT.—Paragraph (2) of section 45J(b) is amended to read as follows:

''(2) AMOUNT OF NATIONAL LIMITATION.—The aggregate amount of national megawatt capacity limitation allocated by the Secretary under paragraph (3) shall not exceed 6,000 megawatts.''.

(b) AMENDMENT RELATED TO SECTION 1342 OF THE ACT.—So much of subsection (b) of section 30C as precedes paragraph (1) thereof is amended to read as follows:

''(b) LIMITATION.—The credit allowed under subsection (a) with respect to all alternative fuel vehicle refueling property placed in service by the taxpayer during the taxable year at a location shall not exceed—''.

(c) AMENDMENTS RELATED TO SECTION 1351 OF THE ACT.—

(1) Paragraph (3) of section 41(a) is amended by inserting ''for energy research'' before the period at the end.

(2) Paragraph (6) of section 41(f) is amended by adding at the end the following new subparagraph:

''(E) ENERGY RESEARCH.—The term 'energy research' does not include any research which is not qualified research.''.

(d) AMENDMENTS RELATED TO SECTION 1362 OF THE ACT.—

(1)(A) Paragraph (1) of section 4041(d) is amended by adding at the end the following new sentence: ''No tax shall be imposed under the preceding sentence on the sale or use of any liquid if tax was imposed with respect to such liquid under section 4081 at the Leaking Underground Storage Tank Trust Fund financing rate.''.

(B) Paragraph (3) of section 4042(b) is amended to read as follows:

''(3) EXCEPTION FOR FUEL ON WHICH LEAKING UNDERGROUND STORAGE TANK TRUST FUND FINANCING RATE SEPARATELY IMPOSED.—The Leaking Underground Storage Tank Trust Fund financing rate under paragraph (2)(B) shall not apply to the use of any fuel if tax was imposed with respect to such fuel under section 4041(d) or 4081 at the Leaking Underground Storage Tank Trust Fund financing rate.''.

(C) Notwithstanding section 6430 of the Internal Revenue Code of 1986, a refund, credit, or payment may be made under subchapter B of chapter 65 of such Code for taxes imposed with respect to any liquid after September 30, 2005, and before the date of the enactment of this Act under section 4041(d)(1) or 4042 of such Code at the Leaking Underground Storage Tank Trust Fund financing rate to the extent that tax was imposed with respect to such liquid under section 4081 at the Leaking Underground Storage Tank Trust Fund financing rate.

(2)(A) Paragraph (5) of section 4041(d) is amended—

(i) by striking ''(other than with respect to any sale for export under paragraph (3) thereof)'', and

(ii) by adding at the end the following new sentence: ''The preceding sentence shall not apply with respect to subsection (g)(3) and so much of subsection (g)(1) as relates to vessels (within the meaning of section 4221(d)(3)) employed in foreign trade or trade between the United States and any of its possessions.''

(B) Section 4082 is amended—

(i) by striking ''(other than such tax at the Leaking Underground Storage Tank Trust Fund financing rate imposed in all cases other than for export)'' in subsection (a), and

(ii) by redesignating subsections (f) and (g) as subsections (g) and (h) and by inserting after subsection (e) the following new subsection:

''(f) EXCEPTION FOR LEAKING UNDERGROUND STORAGE TANK TRUST FUND FINANCING RATE.—

''(1) IN GENERAL.—Subsection (a) shall not apply to the tax imposed under section 4081 at the Leaking Underground Storage Tank Trust Fund financing rate.

''(2) EXCEPTION FOR EXPORT, ETC.—Paragraph (1) shall not apply with respect to any fuel if the Secretary determines that such fuel is destined for export or for use by the purchaser as supplies for vessels (within the meaning of section 4221(d)(3)) employed in foreign trade or trade between the United States and any of its possessions.''.

(C) Subsection (e) of section 4082 is amended—

(i) by striking ''an aircraft, the rate of tax under section 4081(a)(2)(A)(iii) shall be zero.'' and inserting ''an aircraft—

''(1) the rate of tax under section 4081(a)(2)(A)(iii) shall be zero, and

''(2) if such aircraft is employed in foreign trade or trade between the United States and any of its possessions, the increase in such rate under section 4081(a)(2)(B) shall be zero.''; and

(ii) by moving the last sentence flush with the margin of such subsection (following the paragraph (2) added by clause (i)).

(D) Section 6430 is amended to read as follows:

''SEC. 6430. TREATMENT OF TAX IMPOSED AT LEAKING UNDERGROUND STORAGE TANK TRUST FUND FINANCING RATE.

''No refunds, credits, or payments shall be made under this subchapter for any tax imposed at the Leaking Underground Storage Tank Trust Fund financing rate, except in the case of fuels—

''(1) which are exempt from tax under section 4081(a) by reason of section 4081(f)(2),

''(2) which are exempt from tax under section 4041(d) by reason of the last sentence of paragraph (5) thereof, or

''(3) with respect to which the rate increase under section 4081(a)(2)(B) is zero by reason of section 4082(e)(2).''.

(3) Paragraph (5) of section 4041(d) is amended by inserting ''(b)(1)(A)'' after ''subsections''.

(e) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall take effect as if included in the provisions of the Energy Policy Act of 2005 to which they relate.

(2) NONAPPLICATION OF EXEMPTION FOR OFF-HIGHWAY BUSINESS USE.—The amendment made by subsection (d)(3) shall apply to fuel sold for use or used after the date of the enactment of this Act.

(3) AMENDMENT MADE BY THE SAFETEA–LU.—The amendment made by subsection (d)(2)(C)(ii) shall take effect as if included in section 11161 of the SAFETEA–LU.

SEC. 6. AMENDMENTS RELATED TO THE AMERICAN JOBS CREATION ACT OF 2004.

(a) AMENDMENTS RELATED TO SECTION 710 OF THE ACT.—

(1) Clause (ii) of section 45(c)(3)(A) is amended by striking ''which is segregated from other waste materials and''.

(2) Subparagraph (B) of section 45(d)(2) is amended by inserting ''and'' at the end of clause (i), by striking clause (ii), and by redesignating clause (iii) as clause (ii).

(b) AMENDMENTS RELATED TO SECTION 848 OF THE ACT.—

(1) Section 470 is amended by redesignating subsections (e), (f), and (g) as subsections (f), (g), and (h) and by inserting after subsection (d) the following new subsection:

''(e) EXCEPTION FOR CERTAIN PARTNERSHIPS.—

''(1) IN GENERAL.—In the case of any property which would (but for this subsection) be tax-exempt use property solely by reason of section 168(h)(6), such property shall not be treated as tax-exempt use property for purposes of this section for any taxable year of the partnership if—

''(A) such property is not property of a character subject to the allowance for depreciation,

''(B) any credit is allowable under section 42 or 47 with respect to such property, or

''(C) except as provided in regulations prescribed by the Secretary under subsection (h)(4), the requirements of paragraphs (2) and (3) are met with respect to such property for such taxable year.

''(2) AVAILABILITY OF FUNDS.—

''(A) IN GENERAL.—The requirement of this paragraph is met for any taxable year with respect to any property owned by the partnership if (at all times during the taxable year) not more than the allowable partnership amount of funds are—

''(i) subject to any arrangement referred to in subparagraph (C), or

''(ii) set aside or expected to be set aside, to or for the benefit of any taxable partner of the partnership or any lender, or to or for the benefit of any tax-exempt partner of the partnership to satisfy any obligation of such tax-exempt partners to the partnership, any taxable partner of the partnership, or any lender.

''(B) ALLOWABLE PARTNERSHIP AMOUNT.—For purposes of this subsection, the term 'allowable partnership amount' means, as of any date, the greater of—

''(i) the sum of—

''(I) 20 percent of the sum of the taxable partners' capital accounts determined as of such date under the rules of section 704(b), plus

''(II) 20 percent of the sum of the taxable partners' share of the recourse liabilities of the partnership as determined under section 752, or

''(ii) 20 percent of the aggregate debt of the partnership as of such date.

''(iii) NO ALLOWABLE PARTNERSHIP AMOUNT FOR ARRANGEMENTS OUTSIDE THE PARTNERSHIP.—The allowable partnership amount shall be zero with respect to any set aside or arrangement under which any of the funds referred to in subparagraph (A) are not partnership property.

''(C) ARRANGEMENTS.—The arrangements referred to in this subparagraph include a loan by a tax-exempt partner or the partnership to any taxable partner, the partnership, or any lender and any arrangement referred to in subsection (d)(1)(B).

''(D) SPECIAL RULES.—

''(i) EXCEPTION FOR SHORT-TERM FUNDS.—Funds which are set aside, or subject to any arrangement, for a period of less than 12 months shall not be taken into account under subparagraph (A). Except as provided by the Secretary, all related set asides and arrangements shall be treated as 1 arrangement for purposes of this clause.

''(ii) ECONOMIC RELATIONSHIP TEST.—Funds shall not be taken into account under subparagraph (A) if such funds—

''(I) bear no connection to the economic relationships among the partners, and

''(II) bear no connection to the economic relationships among the partners and the partnership.

''(iii) REASONABLE PERSON STANDARD.—For purpose of subparagraph (A)(ii), funds shall be treated as set aside or expected to be set aside only if a reasonable person would conclude, based on the facts and circumstances, that such funds are set aside or expected to be set aside.

''(3) OPTION TO PURCHASE.—

''(A) IN GENERAL.—The requirement of this paragraph is met for any taxable year with respect to any property owned by the partnership if (at all times during such taxable year)—

''(i) each tax-exempt partner does not have an option to purchase (or compel distribution of) such property or any direct or indirect interest in the partnership at any time other than at the fair market value of such property or interest at the time of such purchase or distribution, and

''(ii) the partnership and each taxable partner does not have an option to sell (or compel distribution of) such property or any direct or indirect interest in the partnership to a tax-exempt partner at any time other than at the fair market value of such property or interest at the time of such sale or distribution.

''(B) OPTION FOR DETERMINATION OF FAIR MARKET VALUE.—Under regulations prescribed by the Secretary, a value of property determined on the basis of a formula shall be treated for purposes of subparagraph (A) as the fair market value of such property if such value is determined on the basis of objective criteria that are reasonably designed to approximate the fair market value of such property at the time of the purchase, sale, or distribution, as the case may be.''.

(2) Subsection (g) of section 470, as redesignated by paragraph (1), is amended by adding at the end the following new paragraphs:

''(5) TAX-EXEMPT PARTNER.—The term 'tax-exempt partner' means, with respect to any partnership, any partner of such partnership which is a tax-exempt entity within the meaning of section 168(h)(6).

''(6) TAXABLE PARTNER.—The term 'taxable partner' means, with respect to any partnership, any partner of such partnership which is not a tax-exempt partner.''.

(3) Subsection (h) of section 470, as redesignated by paragraph (1), is amended—

(A) by striking '', and'' at the end of paragraph (1) and inserting ''or owned by the same partnership,'',

(B) by striking the period at the end of paragraph (2) and inserting a comma, and

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

''(3) provide for the application of this section to tiered and other related partnerships, and

''(4) provide for the treatment of partnership property (other than property described in subsection (e)(1)(A)) as tax-exempt use property if such property is used in an arrangement which is inconsistent with the purposes of this section determined by taking into account one or more of the following factors:

''(A) A tax-exempt partner maintains physical possession or control or holds the benefits and burdens of ownership with respect to such property.

''(B) There is insignificant equity investment in such property by any taxable partner.

''(C) The transfer of such property to the partnership does not result in a change in use of such property.

''(D) Such property is necessary for the provision of government services.

''(E) The deductions for depreciation with respect to such property are allocated disproportionately to one or more taxable partners relative to such partner's risk of loss with respect to such property or to such partner's allocation of other partnership items.

''(F) Such other factors as the Secretary may determine.''.

(4) Paragraph (2) of section 470(c) is amended—

(A) by striking ''and'' at the end of subparagraph (A), by redesignating subparagraph (B) as subparagraph (C), and by inserting after subparagraph (A) the following new subparagraph:

''(B) by treating the entire property as tax-exempt use property if any portion of such property is treated as tax-exempt use property by reason of paragraph (6) thereof.'', and

(B) by striking the flush sentence at the end.

(5) Subparagraph (A) of section 470(d)(1) is amended by striking ''(at any time during the lease term)'' and inserting ''(at all times during the lease term)''.

(c) AMENDMENTS RELATED TO SECTION 888 OF THE ACT.—

(1) Subparagraph (A) of section 1092(a)(2) is amended by striking ''and'' at the end of clause (ii), by redesignating clause (iii) as clause (iv), and by inserting after clause (ii) the following new clause:

''(iii) if the application of clause (ii) does not result in an increase in the basis of any offsetting position in the identified straddle, the basis of each of the offsetting positions in the identified straddle shall be increased in a manner which—

''(I) is reasonable, consistent with the purposes of this paragraph, and consistently applied by the taxpayer, and

''(II) results in an aggregate increase in the basis of such offsetting positions which is equal to the loss described in clause (ii), and''.

(2)(A) Subparagraph (B) of section 1092(a)(2) is amended by adding at the end the following flush sentence:

''A straddle shall be treated as clearly identified for purposes of clause (i) only if such identification includes an identification of the positions in the straddle which are offsetting with respect other positions in the straddle.''.

(B) Subparagraph (A) of section 1092(a)(2) is amended—

(i) by striking ''identified positions'' in clause (i) and inserting ''positions'',

(ii) by striking ''identified position'' in clause (ii) and inserting ''position'', and

(iii) by striking ''identified offsetting positions'' in clause (ii) and inserting ''offsetting positions''.

(C) Subparagraph (B) of section 1092(a)(3) is amended by striking ''identified offsetting position'' and inserting ''offsetting position''.

(3) Paragraph (2) of section 1092(a) is amended by redesignating subparagraph (C) as subparagraph (D) and inserting after subparagraph (B) the following new subparagraph:

''(C) APPLICATION TO LIABILITIES AND OBLIGATIONS.—Except as otherwise provided by the Secretary, rules similar to the rules of clauses (ii) and (iii) of subparagraph (A) shall apply for purposes of this paragraph with respect to any position which is, or has been, a liability or obligation.''.

(4) Subparagraph (D) of section 1092(a)(2), as redesignated by paragraph (3), is amended by inserting ''the rules for the application of this section to a position which is or has been a liability or obligation, methods of loss allocation which satisfy the requirements of subparagraph (A)(iii),'' before ''and the ordering rules''.

(d) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the provisions of the American Jobs Creation Act of 2004 to which they relate.

SEC. 7. AMENDMENT RELATED TO THE JOBS AND GROWTH TAX RELIEF RECONCILIATION ACT OF 2003.

(a) AMENDMENT RELATED TO SECTION 302 OF THE ACT.—Clause (ii) of section 1(h)(11)(B) is amended by striking ''and'' at the end of subclause (II), by striking the period at the end of subclause (III) and inserting '', and'', and by adding at the end the following new subclause:

''(IV) any dividend received from a corporation which is a DISC or former DISC (as defined in section 992(a)) to the extent such dividend is paid out of the corporation's accumulated DISC income or is a deemed distribution pursuant to section 995(b)(1).''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to dividends received on or after September 29, 2006, in taxable years ending after such date.

SEC. 8. AMENDMENTS RELATED TO THE ECONOMIC GROWTH AND TAX RELIEF RECONCILIATION ACT OF 2001.

(a) AMENDMENTS RELATED TO SECTION 617 OF THE ACT.—

(1) Subclause (II) of section 402(g)(7)(A)(ii) is amended by striking ''for prior taxable years'' and inserting ''permitted for prior taxable years by reason of this paragraph''.

(2) Subparagraph (A) of section 3121(v)(1) is amended by inserting ''or consisting of designated Roth contributions (as defined in section 402A(c))'' before the comma at the end.

(b) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 to which they relate.

SEC. 9. AMENDMENT RELATED TO THE TAX RELIEF EXTENSION ACT OF 1999.

(a) AMENDMENT RELATED TO SECTION 507 OF THE ACT.—Clause (i) of section 45(e)(7)(A) is amended by striking ''placed in service by the taxpayer'' and inserting ''originally placed in service''.

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect as if included in section 507 of the Tax Relief Extension Act of 1999.

SEC. 10. AMENDMENT RELATED TO THE INTERNAL REVENUE SERVICE RESTRUCTURING AND REFORM ACT OF 1998.

(a) AMENDMENT RELATED TO SECTION 3509 OF THE ACT.—Paragraph (3) of section 6110(i) is amended by inserting ''and related background file documents'' after ''Chief Counsel advice'' in the matter preceding subparagraph (A).

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect as if included in the provision of the Internal Revenue Service Restructuring and Reform Act of 1998 to which it relates.

SEC. 11. CLERICAL CORRECTIONS.

(a) IN GENERAL.—

(1) Paragraph (5) of section 21(e) is amended by striking ''section 152(e)(3)(A)'' in the flush matter after subparagraph (B) and inserting ''section 152(e)(4)(A)''.

(2) Paragraph (3) of section 25C(c) is amended by striking ''section 3280'' and inserting ''part 3280''.

(3) Subsection (a) of section 34 is amended—

(A) in paragraph (1), by striking ''with respect to gasoline used during the taxable year on a farm for farming purposes'',

(B) in paragraph (2), by striking ''with respect to gasoline used during the taxable year (A) otherwise than as a fuel in a highway vehicle or (B) in vehicles while engaged in furnishing certain public passenger land transportation service'', and

(C) in paragraph (3), by striking ''with respect to fuels used for nontaxable purposes or resold during the taxable year''.

(4) Paragraph (2) of section 35(d) is amended—

(A) by striking ''paragraph (2) or (4) of'', and

(B) by striking ''(within the meaning of section 152(e)(1))'' and inserting ''(as defined in section 152(e)(4)(A))''.

(5) Paragraph (24) of section 38(b) is amended by striking ''and'' at the end.

(6) Paragraphs (2) and (3) of section 45L(c) are each amended by striking ''section 3280'' and inserting ''part 3280''.

(7) Clause (ii) of section 48A(d)(4)(B) is amended by striking ''subsection'' both places it appears.

(8) The last sentence of section 125(b)(2) is amended by striking ''last sentence'' and inserting ''second sentence''.

(9) Subclause (II) of section 167(g)(8)(C)(ii) is amended by striking ''section 263A(j)(2)'' and inserting ''section 263A(i)(2)''.

(10) Subparagraph (G) of section 1260(c)(2) is amended by adding ''and'' at the end.

(11) Paragraph (2) of section 1297(a) is amended by striking ''subsection (e)'' and inserting ''subsection (f)''.

(12) Paragraph (2) of section 1400O is amended by striking ''under of'' and inserting ''under''.

(13) The table of sections for part II of subchapter Y of chapter 1 is amended by adding at the end the following new item:

''Sec. 1400T. Special rules for mortgage revenue bonds.''.

(14) Subsection (b) of section 4082 is amended to read as follows:

''(b) NONTAXABLE USE.—For purposes of this section, the term 'nontaxable use' means—

''(1) any use which is exempt from the tax imposed by section 4041(a)(1) other than by reason of a prior imposition of tax,

''(2) any use in a train, and

''(3) any use described in section 4041(a)(1)(C)(iii)(II).

The term 'nontaxable use' does not include the use of kerosene in an aircraft and such term shall not include any use described in section 6421(e)(2)(C).''.

(15) Paragraph (4) of section 4101(a) (relating to registration in event of change of ownership) is redesignated as paragraph (5).

(16) Paragraph (6) of section 4965(c) is amended by striking ''section 4457(e)(1)(A)'' and inserting ''section 457(e)(1)(A)''.

(17) Subpart C of part II of subchapter A of chapter 51 is amended by redesignating section 5432 (relating to recordkeeping by wholesale dealers) as section 5121.

(18) Paragraph (2) of section 5732(c), as redesignated by section 11125(b)(20)(A) of the SAFETEA–LU, is amended by striking ''this subpart'' and inserting ''this subchapter''.

(19) Paragraph (3) of section 6427(e) (relating to termination), as added by section 11113 of the SAFETEA–LU, is redesignated as paragraph (5) and moved after paragraph (4).

(20) Clause (ii) of section 6427(l)(4)(A) is amended by striking ''section 4081(a)(2)(iii)'' and inserting ''section 4081(a)(2)(A)(iii)''.

(21)(A) Section 6427, as amended by section 1343(b)(1) of the Energy Policy Act of 2005, is amended by striking subsection (p) and redesignating subsection (q) as subsection (p).

(B) The Internal Revenue Code of 1986 shall be applied and administered as if the amendments made by paragraph (2) of section 11151(a) of the SAFETEA–LU had never been enacted.

(22)(A) Paragraph (3) of section 9002 is amended by striking ''section 309(a)(1)'' and inserting ''section 306(a)(1)''.

(B) Paragraph (1) of section 9004(a) is amended by striking ''section 320(b)(1)(B)'' and inserting ''section 315(b)(1)(B)''.

(C) Paragraph (3) of section 9032 is amended by striking ''section 309(a)(1)'' and inserting ''section 306(a)(1)''.

(D) Subsection (b) of section 9034 is amended by striking ''section 320(b)(1)(A)'' and inserting ''section 315(b)(1)(A)''.

(23) Section 9006 is amended by striking ''Comptroller General'' each place it appears and inserting ''Commission''.

(24) Subsection (c) of section 9503 is amended by redesignating paragraph (7) (relating to transfers from the trust fund for certain aviation fuels taxes) as paragraph (6).

(25) Paragraph (1) of section 1301(g) of the Energy Policy Act of 2005 is amended by striking ''shall take effect of the date of the enactment'' and inserting ''shall take effect on the date of the enactment''.

(b) CLERICAL AMENDMENTS RELATED TO THE GULF OPPORTUNITY ZONE ACT OF 2005.—

(1) AMENDMENTS RELATED TO SECTION 402 OF THE ACT.—Subparagraph (B) of section 24(d)(1) is amended—

(A) by striking ''the excess (if any) of'' in the matter preceding clause (i) and inserting ''the greater of'', and

(B) by striking ''section'' in clause (ii)(II) and inserting ''section 32''.

(2) EFFECTIVE DATE.—The amendments made by this subsection shall take effect as if included in the provisions of the Gulf Opportunity Zone Act of 2005 to which they relate.

(c) CLERICAL AMENDMENTS RELATED TO THE SAFE, ACCOUNTABLE, FLEXIBLE, EFFICIENT TRANSPORTATION EQUITY ACT: A LEGACY FOR USERS.—

(1) AMENDMENTS RELATED TO SECTION 11163 OF THE ACT.—Subparagraph (C) of section 6416(a)(4) is amended—

(A) by striking ''ultimate vendor'' and all that follows through ''has certified'' and inserting ''ultimate vendor or credit card issuer has certified'', and

(B) by striking ''all ultimate purchasers of the vendor'' and all that follows through ''are certified'' and inserting ''all ultimate purchasers of the vendor or credit card issuer are certified''.

(2) EFFECTIVE DATE.—The amendments made by this subsection shall take effect as if included in the provisions of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users to which they relate.

(d) CLERICAL AMENDMENTS RELATED TO THE ENERGY POLICY ACT OF 2005.—

(1) AMENDMENT RELATED TO SECTION 1344 OF THE ACT.—Subparagraph (B) of section 6427(e)(5), as redesignated by subsection (a)(19), is amended by striking ''2006'' and inserting ''2008''.

(2) AMENDMENTS RELATED TO SECTION 1351 OF THE ACT.—Subparagraphs (A)(ii) and (B)(ii) of section 41(f)(1) are each amended by striking ''qualified research expenses and basic research payments'' and inserting ''qualified research expenses, basic research payments, and amounts paid or incurred to energy research consortiums,''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall take effect as if included in the provisions of the Energy Policy Act of 2005 to which they relate.

By Mr. HATCH.

S. 4027. A bill to amend the Internal Revenue Code of 1986 to allow an above-the-line deduction for certain professional development and other expenses of elementary and secondary school teachers and for certain certification expenses of individuals becoming science, technology engineering, or math teachers; to the Committee on Finance.

Mr. HATCH. Mr. President, I rise today to introduce legislation designed to make the tax laws more fair for America's primary and secondary school teachers.

Our public school teachers are some of the unheralded heroes of our society.

These women and men dedicate their careers to educating the young people of America.

School teachers labor in often difficult and even dangerous circumstances. In most places, including in my home State of Utah, the salary of the average public school teacher is significantly below the national average.

A historic turnover is taking place in the teaching profession. While student enrollments are rising rapidly, more than a million veteran teachers are nearing retirement.

Experts predict that overall we will need more than two million new teachers in the next decade.

This teacher recruitment problem has reached crisis proportions in some urban and rural areas. The shortage is most acute in high-need subject areas such as math, science, and technology.

Retaining qualified teachers in the schools is only part of the puzzle. Attracting new teachers in math, science, and technology is another. It is clear that our teacher recruitment problem represents one the biggest challenges America faces as we contemplate how we are going to prepare the next generation to take their places in our society and in our economy.

Unfortunately, these problems of retention and recruitment of public school teachers are exacerbated by the unfair tax treatment these professionals currently receive under our tax law. Specifically, teachers find themselves greatly disadvantaged by the lack of deductibility of professional development expenses and of the out-of-pocket costs of classroom materials that practically all teachers find themselves supplying. Let me explain.

As many other professionals, most elementary and secondary school teachers regularly incur expenses to keep themselves current in their field of knowledge. These include subscriptions to journals and other periodicals as well as the cost of courses and seminars designed to improve their knowledge or teaching skills. These expenditures are necessary to keep our teachers up to date on the latest ideas, techniques, and trends so that they can provide our children with the best education possible.

Furthermore, almost all teachers find themselves providing basic classroom materials for their students. Because of tight education budgets, most schools do not provide 100 percent of the material teachers need to adequately present their lessons. As a result, dedicated teachers incur personal expenses for copies, art supplies, books, puzzles and games, paper, pencils, and countless other needs. If not for the willingness of teachers to purchase these supplies themselves, many students would simply go without needed materials.

I realize that employees in many fields of endeavor incur expenses for professional development and out-of-pocket expenses. In many cases, however, these costs are fully reimbursed by the employer. This is seldom the case with school teachers. Other professionals who are self-employed are able to fully deduct these types of expenses.

Under the current tax law, unreimbursed employee expenses are deductible generally, but only as miscellaneous itemized deductions. However,

there are two practical hurdles that effectively make these expenses non-deductible for most teachers.

The first hurdle is that the total amount of a taxpayer's deductible miscellaneous deductions must exceed two percent of adjusted gross income before they begin to be deductible.

The second hurdle is that the amount in excess of the two percent floor, if any, combined with all other deductions of the taxpayer, must exceed the standard deduction before the teacher can itemize. Only about a third of taxpayers have enough deductions to itemize.

The unfortunate effect of these two limitations is that, as a practical matter, only a small proportion of teachers are able to deduct their professional development and out-of-pocket supplies expenses.

Let me illustrate this unfair situation with an example.

Let us consider the case of a fifth-year high school English teacher in Utah whom I will call Alice White Head. Alice is single and earns $48,000 per year. Last year she incurred $1,050 for a course she took over the summer to increase her knowledge of English literature. She also spent $450 for classroom supplies out of her own pocket. She was not reimbursed for either of these expenses, which totaled $1,500, by her school district. Under current law, Alice's expenditures are deductible, subject to the limitations I mentioned. The first limitation is that her expenses must exceed two percent of her income before they begin to be deductible. Two percent of $48,000 is $960. Thus, only $540 of her $1,500 total expenses is deductible, that portion that exceeds $960.

As a single taxpayer, Alice's standard deduction for 2006 is $5,150. Her total itemized deductions, including the $540 in miscellaneous deductions for her professional expenses and out-of-pocket classroom supplies, fall short of the standard deduction threshold. Therefore, not even the $540 of the original $1,500 in professional development expenses and out-of-pocket costs are deductible for Alice. What the first limitation did not block, the second one did, and Alice gets no deduction at all under the current law.

The way I see it, this situation is just not fair. Also, the tax treatment of teacher's expenses certainly does not help solve our teacher retention and recruitment problems.

To help alleviate this long-standing problem, five years ago I introduced the Teacher Equity for School Teachers Act of 2001. This legislation would have provided an unlimited tax deduction for the out-of-pocket expenses of school teachers for classroom supplies and other needed materials to help a teacher do his or her job. The bill would have also allowed teachers to take a deduction for their professional development expenses.

Rather than being available only for those who are able to itemize their deductions, this bill would have made these expenses ''above-the-line'' deductions, meaning they would be deductible whether or not the teacher itemized on their tax return.

Unfortunately, only a part of this bill was enacted. The 2001 tax bill included an above-the-line deduction for $250 for the costs of classroom expenses. While this was a great step in the right direction, it did not go nearly far enough. Moreover, the provision has now expired, and it is not clear when Congress is going to extend it.

The bill I am introducing today would do three things. First, it would reinstate the above-the-line deduction for teachers' out-of-pocket expenses for classroom supplies, make it permanent, and remove the $250 cap. Second, it would provide an unlimited deduction for the professional development expenses for school teachers. Finally, to assist in the recruitment of teachers in the most needed fields, it would provide an unlimited deduction for the cost of professionals in the fields of math, science, and technology to certify to become public school teachers.

Under my bill, the Alice of my example would be allowed to deduct all $1,500 of her professional development and classroom supplies expenses, whether she itemized or not. This would help provide tax equity, and a measure of much-needed tax relief for an underpaid professional. It would also help retain current public school teachers and attract new ones to this vital field.

Some might argue that such a generous deduction would be giving teachers preferential treatment. I disagree.

Most organizations provide training for their employees that is fully deductible to the organization and nontaxable to the employee. Yet public teachers, who are some of the most important professionals in our society, are left to foot the bill for these needed costs on their own. Also, office supplies and instructional materials are fully deductible to businesses. Should not teachers who provide these similar materials for their classrooms be afforded the same tax treatment?

Others may question the wisdom of my bill granting an unlimited tax deduction. ''Why not place a limit or a cap on the amount that may be deducted?'' some might ask. Again, I respectfully disagree with such critics. It is important to keep in mind the differences between a tax deduction and a tax credit. My bill calls for tax deductions, which reduce the amount of income that is subject to tax, and not for a credit, which is a dollar-for-dollar reduction in the amount of tax that is due.

With a tax deduction, a public school teacher is not receiving a cash subsidy or reimbursement for his or her expenses. Rather, he or she is merely obtaining a reduction in the amount of income that is taxed. Thus, the most benefit the teacher would receive under my bill would be a 35 percent reduction in the cost of the professional development, supplies, or certification expenses. This means that the teacher is still responsible for paying for the biggest portion of these costs. I do not believe that our public school teachers will abuse such an unlimited deduction. They will use their common sense and they will spend the appropriate amounts for their expenses.

Support for mathematics and science education at all levels is necessary to improve the global competitiveness of the United States in science and energy technology.

I endorse the efforts of my some of my colleagues to encourage more of our best and brightest students choose these fields of study. Support for qualified STEM teachers (Science, Technology, Engineering, and Mathematics) is equally important. If we are successful in increasing the supply for STEM students, we will need to increase the supply of STEM teachers.

This bill will provide incentives for these professionals to enter the teaching profession by allowing expenses in connection with teacher certification to be fully deductible, above-the-line, the same as the professional development and supplies expenses of teaching professionals.

Mr. President, this bill would provide modest tax equity for teachers who, for too long, have been footing the bill for improving the quality of teaching by themselves. It is time that Congress recognized this unfairness and corrected it.

I thank the Senate for the opportunity to address this issue today, and I urge my colleagues to support this legislation.

I ask unanimous consent that the text of the bill be printed in the RECORD.

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

S. 4027

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

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Tax Equity for School Teachers Act of 2006''.

SEC. 2. DEDUCTION FOR CERTAIN PROFESSIONAL DEVELOPMENT EXPENSES AND CLASSROOM SUPPLIES OF ELEMENTARY AND SECONDARY SCHOOL TEACHERS AND FOR CERTAIN CERTIFICATION EXPENSES OF SCIENCE, TECHNOLOGY, ENGINEERING, OR MATH TEACHERS.

(a) DEDUCTION ALLOWED WHETHER OR NOT TAXPAYER ITEMIZES OTHER DEDUCTIONS.—Subparagraph (D) of section 62(a)(2) of the Internal Revenue Code of 1986 (relating to certain expenses of elementary and secondary school teachers) is amended to read as follows:

''(D) CERTAIN PROFESSIONAL DEVELOPMENT EXPENSES, CLASSROOM SUPPLIES, AND OTHER EXPENSES FOR ELEMENTARY AND SECONDARY TEACHERS.—The sum of the deductions allowed by section 162 with respect to the following expenses:

''(i) Expenses paid or incurred by an eligible educator in connection with books, supplies (other than nonathletic supplies for