

**DESCRIPTION OF MODIFICATIONS TO THE
“FINANCIAL FREEDOM ACT OF 1999” (H.R. 2488) CONTAINED IN THE
CHAIRMAN’S AMENDMENT IN THE NATURE OF A SUBSTITUTE**

The House Committee on Ways and Means has scheduled a markup of H.R. 2488, the “Financial Freedom Act of 1999”¹ on July 13, 1999. The Chairman’s amendment in the nature of a substitute contains the following modifications to H.R. 2488 as introduced.

Business Investment and Job Creation

Repeal corporate alternative minimum tax.—The amendment would provide that the 90 percent limitation on alternative minimum tax (“AMT”) credits against the regular tax beginning after 2007 applies to corporations as well as individuals.

Health Care Tax Relief Provisions

Above-the-line deductions for health and long-term care insurance expenses.—The above-the-line deduction for health insurance expenses and the above-the-line deduction for long-term care insurance expenses would be modified to provide that the Secretary is to prescribe regulations as necessary to carry out the provisions, including appropriate reporting requirements for employers.

Deduction for prescription drug insurance of Medicare beneficiaries.—The proposal would provide an above-the-line deduction for Medicare beneficiaries for prescription drug insurance. The deduction would not take effect unless (a) the Federal Government provides assistance for prescription drug coverage for low-income Medicare beneficiaries, (b) all policies supplemental to Medicare provide coverage for costs of prescription drugs, and (c) coverage for outpatient prescription drugs for Medicare beneficiaries is provided only through integrated comprehensive health plans which offer current Medicare covered services and maximum limitations on out-of-pocket spending and such comprehensive plans sponsored by the Health Care Financing Administration compete on the same basis as private plans.

Distressed Communities and Industries Provisions

Minimum tax relief for steel industry. The proposal providing minimum tax relief to the steel industry would be clarified so that it is limited to amounts that are attributable to the trade or business of manufacturing steel within the United States. In addition, the Secretary would be

¹ For a description of the Financial Freedom Act of 1999, see Joint Committee on Taxation, *Description of the Financial Freedom Act of 1999*, JCX-42-99 (July 12, 1999).

authorized to issue regulations to insure that the benefit of the proposal is limited to steel companies.

Pension Reform Provisions

Increase minimum benefit under defined benefit plans.—The proposal increasing the minimum benefit payable under a defined benefit plan would be clarified by providing that the minimum benefit payable is the minimum dollar limit for the current year (i.e., without regard to the minimum benefit dollar limit for prior years).

Real Estate Tax Relief Provisions

Exclusion from gross income of qualified lessee construction allowances not limited for certain retailers to short-term leases.—The amendment would clarify that the short-term lease requirement of section 110 will not apply in the case of payments to a retail business, without regard to the proximity of the retail business to other commercial activities of the person making the payment. For this purpose, a retail business would mean a business of selling tangible personal property to the general public where the sale of services (other than services incidental to the sale of tangible personal property) does not represent more than a de minimis portion of the business.

Revenue Offsets

Controlled entities ineligible for REIT status.—The amendment would clarify that the 50 percent vote or value ownership limitation applies to a REIT whether it is formed as a corporation or as a trust. Also, the amendment would clarify the attribution rules used in determining a going public transaction. Finally, the amendment would clarify that, in order to be grandfathered, an entity must be a controlled entity within the meaning of the provision, as of July 12, 1999, and must be a REIT for a period including July 12, 1999.

Tax Technical Corrections

IRAs for nonworking spouses.—The technical correction regarding calculation of the deduction in the case of a nonworking spouse would be effective as if included in section 1427 of the Small Business Job Protection Act of 1996 (i.e., for taxable years beginning after December 31, 1996.)