[JOINT COMMITTEE PRINT]

COMPARISON
OF
H.R. 2973
AS PASSED BY THE HOUSE
AND
AS PASSED BY THE SENATE

Prepared for the Use of the
House and Senate Conferees

July 18, 1983

CONTENTS

INTRODUCTION

This pamphlet has been prepared for the use of the House and Senate Conferees on H.R. 2973. The description of the tax provisions was prepared by the staff of the Joint Committee on Taxation, and the description of the trade provisions was prepared by the staffs of the Finance and Ways and Means Committees.

The first part of the pamphlet summarizes the legislative history of the bill. The second part provides comparative descriptions of the provisions of H.R. 2973 as passed by the House on May 17, 1983 (and as further amended on July 14, 1983), and of the provisions of the bill as passed by the Senate on June 16, 1983.

I. LEGISLATIVE HISTORY

House Version

As reported by the House Committee on Ways and Means on May 13, 1983 (H. Rept. No. 98-120), H.R. 2973 would repeal the mandatory withholding of tax on interest and dividends that was scheduled to go into effect on July 1, 1983[1] (under the Tax Equity and Fiscal Responsibility Act of 1982—TEFRA). The Committee reported the bill without recommendation.[2] The House passed H.R. 2973 on May 17, 1983, by a record vote of 382-41.

Senate Version

H.R. 2973 was received in the Senate on May 19, 1983, and placed on the Senate Calendar on May 25, 1983. The Committee on Finance approved a committee amendment on May 26, 1983, to be offered on the Senate floor to H.R. 2973.[3]

The Finance Committee amendment contained five titles: (1) repeal of the July 1 mandatory withholding on interest and dividends together with compliance provisions relating to reporting of interest and dividends and increased appropriations for the Internal Revenue Service; (2) the Caribbean Basin Economic Recovery Act (the provisions of S. 544 as amended by the Committee on May 12, 1983, with an additional modification); (3) enterprise zone tax provisions (provisions of the Enterprise Zone Tax Act of 1983, as agreed to by the Committee on May 17); (4) trade reciprocity provisions (previously reported in S. 144, the International Trade and Investment Act, and as passed by the Senate on April 2, 1983; and (5) permanent extension of the tax exemption for interest on qualified mortgage bonds.

On June 16, 1983, the Senate agreed to the Finance Committee amendment to H.R. 2973 (by a vote of 48-41); and also agreed (voice votes) to additional amendments relating to excluding certain rum from duty-free treatment, importation of watches and watch parts, contracting out of local services for enterprise zones, and a new amendment excluding from gross income certain discharges of mortgage debt on a principal residence occurring in 1982. H.R. 2973, as amended, was passed by the Senate on June 16 by a vote of 86-4. The Senate requested a conference, and appointed conferees: Senators Dole, Packwood, Roth, Danforth, Long, Matsunaga, and Bentsen.

Further House Action

On July 14, 1983, the House considered H.R. 2973 as amended by the Senate, and approved (by voice vote) the bill with a further amendment to include the original text as passed by the House plus the provisions of H.R. 2769 (Caribbean Basin Economic Recovery Act) as passed by the House earlier that day (by a vote of 289-129). The House insisted on its amendment to the Senate amendment, and asked for a conference. House conferees appointed were: Representatives Rostenkowski, Gibbons, Pickle, Rangel, Stark, Conable, Duncan, and Archer.

---

[1] On June 16, 1983, the Treasury Department announced a one-month postponement of enforcement of the TEFRA withholding requirement, or until August 1, 1983, pending the outcome of this legislation.

[2] Also on May 13, 1983, the Committee on Ways and Means reported H.R. 500 without recommendation (H. Rept. No. 98-119). H.R. 500, which would also repeal the TEFRA withholding provision, was the subject of a discharge petition (Discharge Petition No. 1, filed March 17, 1983, and received the necessary 218 signatures for discharge on May 4, 1983). H.R. 500 was laid on the table in the House (by voice vote) on May 17, 1983.

[3] The Finance Committee printed an "Explanation of Committee Amendment to H.R. 2973" on June 8, 1983 (Sen. Print 98-58).

II. COMPARATIVE DESCRIPTION

II. COMPARATIVE DESCRIPTION

Item	Present law
A. Repeal of Mandatory Withholding of Tax on Interest and Dividends; Withholding and Dividends Tax Compliance Provisions (Title I of House Bill and Senate Amendment)	
1. Withholding on interest, dividends, and patronage dividends	*a. Withholding.*—Under present law, withholding at the rate of 10 percent is required on any payment or credit of interest (including original issue discount), dividends, or patronage dividends. This requirement is effective for amounts paid or credited after July 1, 1983, except that under statutory authority granted by the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA), the Secretary of the Treasury has delayed the application of withholding until after July 31, 1983, generally, and until after December 31, 1983, in the case of original issue discount. *b. Estimated taxes.*—In general, individuals with estimated tax liability of $300 or more in excess of amounts withheld for their taxable year ending in 1983 must pay estimated taxes. Depending upon when this requirement to pay estimated taxes arises, the tax must be paid in up to four equal installments during the taxable year. In general, credits against tax (including the credit for tax withheld on interest, dividends, or patronage dividends) reduce equally each installment of estimated taxes required to be made. If estimated taxes are underpaid, a penalty is imposed equal to the interest which would accrue on the underpayment for the period of the underpayment.
2. General Accounting Office (GAO) Study	No provision.

House bill	Senate amendment
a. Withholding.—The House bill repeals withholding on interest, dividends, and patronage dividends, effective as if it had never been enacted.	*a. Withholding.*—The Senate amendment follows the House bill, except that mandatory withholding is repealed effective for taxable years beginning after 1982.
b. Estimated taxes.—The House bill provides that, in determining the amount of any estimated tax penalties otherwise applicable for pre-July 1983 installments, the taxpayer will be given credit for amounts which would have been withheld had withholding on interest, dividends, and patronage dividends (mandatory withholding) not been repealed.	*b. Estimated taxes.*—The Senate amendment follows the House bill but also provides that the estimated tax relief provision does not apply unless the taxpayer satisfies any pre-July 1983 underpayment of estimated tax in full by the third installment, which is due on September 15.
No provision.	Under the Senate amendment, the GAO (relying on information from the Internal Revenue Service) is directed to study collection efforts with respect to income on interest, dividends, and patronage dividends and to recommend improvements in such efforts. In addition, the GAO is directed to determine the percentage compliance rate with respect to such income which the GAO reasonably estimates was received by individuals during taxable years beginning in 1985. This report must be made to the Congress not later than January 1, 1988.

22-586 O - 83 - 2

II. COMPARATIVE DESCRIPTION—Continued

Item	Present law
3. Backup withholding	Under present law, payments of interest, dividends, and patronage dividends made after 1983 are subject to backup withholding (without regard to the amount of such payments) at a rate of 15 percent if (1) the payee fails to furnish a taxpayer identification number (TIN) to the payor, or (2) the Secretary of the Treasury notifies the payor that the TIN furnished by a payee is incorrect. If the payee fails to furnish a TIN (or furnishes a TIN with an incorrect number of digits—an "obviously incorrect" TIN), backup withholding applies to any payment made after the account is opened. If a payee furnishes a TIN to the payor, and the Secretary later notifies the payor that the number supplied is incorrect, backup withholding is mandatory with respect to any payment made after the close of the 15th day after the day on which the payor was notified that the TIN is incorrect (although the payor may begin withholding earlier). If a taxpayer subject to backup withholding furnishes a TIN (or a new TIN) to the payor, the payor has 15 days to correct its records and cease withholding. If the payee twice furnishes incorrect numbers to a payor, the payor must ignore any further TINs received from the payee until the day on which the payor is notified by the Secretary that a correct TIN has been supplied. A 15-day grace period then applies in which the payor must cease withholding. This backup withholding does not apply to amounts subject to withholding under other provisions of the Code, including interest, dividends, and patronage dividends.

House bill	Senate amendment
No provision.	a. ***Rate of backup withholding.***—The rate of backup withholding on interest, dividend, and patronage dividend payments is increased from 15 to 20 percent. The rate of backup withholding with respect to other types of payments is not increased. b. ***Underreporting or failure to report interest, dividends, or patronage dividends.***—Backup withholding is extended to include payments of interest, dividends and patronage dividends to persons who are determined by the Secretary to have failed to report in excess of $50 of interest, dividends, or patronage dividends, or to have failed to file a return in which in excess of $50 of such income was required to be shown. The Secretary has authority to apply backup withholding to failures to report or underreporting of less than $50 of such income. Before a payor can be notified to begin backup withholding because of a failure to report interest, dividend, or patronage dividend income, the Secretary must give the payee at least 90-days written notice. During that time, the payee has the opportunity to correct the condition which is causing the Secretary to institute backup withholding procedures. To prevent imposition of backup withholding (because of underreporting or failure to report) from applying, or to terminate backup withholding once it is imposed, the taxpayer must show that (1) there was no failure to report any interest, dividend, or patronage dividend income, (2) any failure has been corrected (e.g., by payment of the tax and any penalties plus interest), (3) imposition of backup withholding would cause undue hardship, and that it is unlikely that such failure will occur again, or (4) there is a bona fide dispute with the Secretary with respect to the failure to report or underreporting of such income. If the Secretary determines that backup withholding should not commence, then he will not send the notice to the payor. If backup withholding has commenced and the Secretary determines that the payee is not subject to further backup withholding, the Secretary must promptly provide the payee with a written certification that backup withholding is to cease and notify the payee's payors to cease backup withholding.

II. COMPARATIVE DESCRIPTION—Continued

Item	Present law
3. Backup withholding—Con.	

House bill	Senate amendment
	In order to apply backup withholding to newly opened accounts of persons already subject to backup withholding, the Secretary may require payees of interest, dividend, or patronage dividend income to identify to the Secretary all payors from which they receive such income. c. ***Backup withholding certificates.***—Under the Senate amendment, if a payee of interest, dividends, or patronage dividends fails to certify to the payor under penalty of perjury that he is not subject to backup withholding, he will be subject to backup withholding on such payments. This rule only applies, however, with respect to instruments, memberships, contracts, accounts, etc. acquired or entered into after 1983. Withholding applies to any payment of interest, dividend, or patronage dividend income made during the period for which no certificate has been provided. d. ***Special rules for tradeable securities.***—In the case of any disposition of any instrument which is part of an issue any part of which is traded on an established securities market or regularly quoted by brokers or dealers (i.e., a readily tradeable instrument), failure by the purchaser to provide the retail broker with the purchaser's certification under penalty of perjury that he is not subject to backup withholding will also result in the imposition of backup withholding. Within 15 days after the disposition (or in the case of a sale or exchange, within 15 days of the settlement date), the retail broker must notify the payor of the readily tradable instrument of the failure by the purchaser to certify his nonwithholding status. Withholding applies to any payment of interest, dividends, or patronage dividends made after the 15th day after the disposition (or settlement) date. This rule applies to instruments acquired after 1983. e. ***Validation of identification numbers.***—With respect to backup withholding in general (including backup withholding with respect to interest, dividends, and patronage dividends), the Secretary may prescribe regulations requiring payors to submit to the Secretary the TIN or name of any payee to enable the Secretary to compare such number or name with the confidential list of TINs or names maintained by the Secretary and with respect to which backup withholding is required. If the name or TIN of a payee submitted is on the list, then the Secretary must notify the payor to backup withhold on that payee. The payor may use the information received from the Secretary solely for the purpose of backup withholding on that payee. If the Secretary prescribes such regulations, he may terminate the requirement that payees certify their nonwithholding status.

II. COMPARATIVE DESCRIPTION—Continued

Item	Present law
3. Backup withholding—Con.	
4. Penalties related to failure to backup withhold	Under present law, any payor who fails to deduct and withhold an amount of interest, dividends, or patronage dividends is liable for the payment of the tax required to be deducted and withheld (unless he can show that such tax was paid by the recipient), and a 100-percent penalty which is applied, in practice, in only limited circumstances. In addition, the payor may be subject to a criminal penalty for failure to deduct and withhold.
5. Penalty on payor for failure to report taxpayer identification numbers (TINs)	Under present law, an assessable penalty of $50 per failure is imposed on any person who fails (when required to do so) to furnish his TIN to another person or to include the TIN of another person on any return with respect to such person. An assessable penalty of $5 per failure is imposed on any person who fails to include his own TIN in any return when required to do so by regulations. In either case, the total penalties imposed for any calendar year may not exceed $50,000. Under present law, the civil penalty on payees for failure to furnish their TIN to another person, or on payors for failure to include the TIN of a payee on a return, are assessable penalties. Thus, the deficiency procedures do not apply and the penalties must be paid on notice and demand.

House bill	Senate amendment
	Effective date.—The backup withholding amendments are effective with respect to payments of interest, dividends, or patronage dividends made after 1983.
provision.	a. *Failure to withhold.*—Under the Senate amendment, any payor of interest, dividends, or patronage dividends who fails to deduct and withhold backup withholding amounts is subject to a penalty of $100 per failure, unless such failure is due to reasonable cause and not willful neglect. This penalty applies in addition to the penalties provided under present law.
	b. *Failure to transmit information.*—Any retail broker who fails to provide a payor with a customer's TIN certificate or backup withholding status certificate when obligated to do so, is subject to a penalty of $500 per failure.
	c. *False certificate.*—If the Secretary establishes that any individual willfully made a false certification or affirmation made under penalty of perjury with respect to a TIN or backup withholding, a penalty of $1,000 is imposed for each such certification or affirmation. This penalty is imposed in addition to all other penalties imposed by law.
	d. *Unauthorized use of information.*—If any payor uses information that a payee is subject to backup withholding for any purpose other than to comply with the backup withholding requirement, that payor will be subject to civil liabilities for misuse of return information.
	e. *Effective date.*—The provisions described in item b. and c. are effective for taxable years beginning after 1982. The other provision apply after 1983.
ı provisions.	a. *Penalty on payor for failure to obtain TIN.*—Under the Senate amendment, a self-assessed penalty is imposed on any person who is required to include the TIN of any payee of interest, dividends, or patronage dividends, on any information return (filed with the Secretary) or statement (furnished to a payee) with respect to such payment who (1) fails to include such number or (2) includes an incorrect number on such return. This penalty is $50 per failure, without any limitation. If the number of failures is substantial, then the penalty is $100 per failure, with no limitation. For this purpose, substantial noncompliance exists if the number of failures for any calendar year to provide a correct TIN, file returns, or furnish statements, exceeds the lesser of 10,000 or 5 percent of the total number of returns or statements which are required to be filed with respect to the payment of interest, dividends, or patronage dividends by such payor for the calendar year.

II. COMPARATIVE DESCRIPTION—Continued

Item	Present law
5. Penalty on payor for failure to report TINs—Con.	Under present law, brokers (including dealers, barter exchanges, and other persons who regularly act as middlemen with respect to property or services for profit) are required to make a return with the Secretary, according to regulations, showing such information (including TINs) as the Secretary may require.

House bill	Senate amendment
	No penalty is imposed under this provision if (1) the TIN included on the return or statement is the TIN provided by the payee to the payor under penalty of perjury (unless the number has an incorrect number of digits); (2) the payee is waiting for a TIN from the Secretary; (3) with respect to existing accounts, the payor exercises due diligence in obtaining the correct TIN; or (4) in the case of a readily tradeable instrument, the payor relies on a number provided by a retail broker (or other party to the disposition) or (if no number is provided by the retail broker) the payor uses due diligence to obtain the number.
	b. Payor "due diligence"=general rule.—In the case of existing accounts, the printed explanation by the Senate committee states that due diligence will be considered to have been exercised by the payor if a variety of detailed objective requirements are met. First, the payor must have backup withheld if required to do so. Second, the payor must mail to the payee a notice containing certain specific information: for example, what a taxpayer identification number is, the requirement that the payee provide the payor with a correct TIN, a description of the penalties which may be imposed on a payee not providing a correct TIN, the possibility of backup withholding, and the opportunity for the payee to provide a correct TIN under penalty of perjury.
	The printed explanation by the Senate committee states that this notice must be provided a particular number of times during the calendar year, depending upon the calendar year and the particular failure at issue. During calendar year 1983, a notice must be provided three times if the payee provides the payor with no TIN (or a TIN with the incorrect number of digits). In any other case, such notice must be provided two or three times, depending upon the number of regular mailings made to the payee during the period beginning 31 days after the date of enactment and before the end of 1983. After 1983, such notice must be provided at least once yearly. In any event, the first notice required to be provided to the payee (or, if only one notice is to be provided, that notice) must be by a separate first class mailing, including a penalty of perjury certificate by which the payee can correct his TIN, and a postage prepaid envelope. Such notices may cease when a TIN is supplied under penalty of perjury. This form of due diligence applies only to existing accounts, etc. For this purpose, an account, stock, or other debt instrument, or cooperative membership or contract is considered "existing" if it is extant on, or is entered into before, the 31st day after the date of enactment.

22-586 O - 83 - 3

II. COMPARATIVE DESCRIPTION—Continued

Item	Present law
5. Penalty on payor for failure to report TINS—Con.	

House bill	Senate amendment
	*c. **Retail broker must obtain TIN.***—Under the Senate amendment, a retail broker must generally obtain the TIN (under penalty of perjury) of any purchaser taking delivery of a readily tradeable instrument. Having obtained a TIN with respect to any sale, exchange, or other disposition of any readily tradeable instrument, the purchasing broker must provide the payor of any interest or dividends with respect to that stock or debt instrument the TIN obtained by the broker from the purchaser under penalty of perjury. The payor may rely on such TIN, or a TIN received from any other party to the transaction reporting under regulations, and is not subject to a penalty if the TIN turns out to be incorrect. If the payor does not receive a TIN from the retail broker (or other person), the payor is subject to the penalty for failure to include a TIN on any return or statement unless the payor both commences backup withholding and acts with due diligence to obtain a correct TIN from the payee. *d. **Payor "due diligence"-retail broker case.***—If a broker fails to supply a TIN, the printed explanation by the Senate committee states that due payor diligence consists of mailing to the payee, within 60 days of the sale or exchange of the instrument (i.e., the settlement date or other disposition date), a separate first class mailing of a notice in the form previously described, requesting the correct TIN from that payee. In addition, the payor must make at least one such mailing for each subsequent calendar year until a certified TIN is obtained. In any case, the mailings required under this provision must include a certificate under penalty of perjury by which the payee may certify his correct TIN, and a postage prepaid envelope. *e. **Retail broker penalties.***—Under the Senate amendment, a self-assessed penalty is imposed on a retail broker if the broker fails to obtain from the purchaser of a readily tradeable instrument through the broker, the purchaser's TIN under penalty of perjury. This penalty is equal to $50 per failure with no cap. It is imposed with respect to any sale, exchange, or other disposition of any readily tradable instrument after the 30th day after the date of enactment.

II. COMPARATIVE DESCRIPTION—Continued

Item	Present law
5. Penalty on payor for failure to report TINs—Con.	

House bill	Senate amendment
	A penalty of $500 is imposed on any retail broker or other person who intentionally fails to provide a payor with notice, (within 15 days of the settlement date or other disposition date) that a purchaser has failed to provide a TIN certificate or certificate that he is not subject to backup withholding and that the person is, therefore, liable to backup withhold. This is in addition to all other penalties. A retail broker is any person who, in connection with the sale or exchange of any readily tradable instrument in the ordinary course of his trade or business, receives purchase instructions from the purchaser, and either is the purchaser's agent in the purchase or sells (as a dealer) out of inventory.
	f. ***TIN penalties self-assessed.***—Under the Senate amendment, the penalty on any payor for failure to include a correct TIN in any return or statement filed with respect to any payee of interest, dividends, or patronage dividends, and the penalty imposed on any retail broker for failure to obtain the purchaser's taxpayer identification number under penalty of perjury, must be self-assessed. Thus, any person subject to either of those penalties must determine the fact of his liability and pay the tax when due without notice and demand. The penalty is payable with the first return of income due (without regard to extensions) more than 30 days after the due date of the return or statement with respect to which the penalty is imposed. In the case of an incorrect TIN, the penalty is not required to be self-assessed unless the payor receives notice of the error before the original due date of the return or statement in which the number is required to be included.
	Either of these penalties may be abated if the Secretary determines that the failure with respect to which the penalty is imposed could not have been avoided without undue hardship.
	The Secretary is provided with regulation authority to apply this rule to pass-through entities or exempt entities.
	g. ***Effective date.***—This provision applies to returns or statements due (without extensions) after 1983. However, if any return or statement otherwise subject to those provisions is not required to include any payment of interest, dividends, or patronage dividends which is paid or credited after the date which is 30 days after the date of enactment, then those amendments do not apply.

II. COMPARATIVE DESCRIPTION—Continued

Item	Present law
6. Penalty on failure to file information returns or statements	Under present law, any person required to file a return with the Secretary with respect to the payment to another person of interest, dividends, or patronage dividends who fails to do so on the date prescribed (with regard to extensions) is subject to a penalty of $50 per failure up to $50,000 for any calendar year. The penalty is not imposed if the failure is due to reasonable cause and not to willful neglect. If any failure to file such return is due to intentional disregard of the filing requirements, the penalty imposed is not less than 10 percent of the aggregate amount of items required to be reported, and the $50,000 limitation does not apply. If the Secretary requires that an information return with respect to payments of less than $10 of dividends or patronage dividends be filed, then a penalty of $1 is imposed for each statement not so filed on the date prescribed therefor (determined with regard to extensions). However, the total amount of penalties under this provision cannot exceed $1,000 for any calendar year. A penalty is not imposed if the failure is due to reasonable cause and not to willful neglect. Any payor who is required to file an information return with the Secretary must also file an information statement with the recipient of the payment. Any person failing to file such a statement with the recipient on the date prescribed therefor is subject to a penalty of $50 per failure, not to exceed $50,000 for any calendar year, unless such failure is due to reasonable cause and not willful neglect.

House bill	Senate amendment
No provision.	*a. Penalty.*—Under the Senate amendment, any person who fails to file one or more information returns with respect to payments of interest, dividends, or patronage dividends on the date prescribed therefor (determined with regard to extensions) is subject to a penalty of $100 per failure. Similarly, any person who fails to provide an information statement to the recipient of interest, dividends, or patronage dividends on the date prescribed therefor (determined with regard to extensions) is subject to a penalty of $100 per failure. *b. Substantial noncompliance.*—If there is substantial noncompliance with either of these requirements, the penalty is increased to $200 per failure. Substantial noncompliance exists if the sum of the failures to file information statements or returns, together with the sum of the failures to supply correct TINs in any return or information statement required to be filed with respect to the payment of interest, dividends, or patronage dividends, exceeds the lesser of 10,000 or 5 percent of the number of returns or statements required to be filed for the calendar year. *c. Abatement.*—In lieu of the reasonable cause exception provided under present law, the Secretary is given authority to abate this penalty if he determines that the failure could not have been prevented without undue hardship. *d. Self-assessed.*—These penalties are also self-assessed under the above-stated rules. *e. Effective date.*—This provision applies to returns or statements due (without extensions) after 1983. However, if any return or statement otherwise subject to this provision is not required to include any payment of interest, dividends, or patronage dividends which is paid or credited after the date which is 30 days after the date of enactment, then this provision does not apply.

Item	Present law
7. Returns on magnetic tape	Under present law, taxpayers may, under regulations, request the permission of the Secretary to file returns on magnetic tape. In addition, the Secretary is directed to prescribe regulations providing standards for determining which returns must be filed on magnetic tape (or another machine-readable form). In promulgating such regulations, the Secretary must take into account the ability of the taxpayer to comply at a reasonable cost with the magnetic tape filing requirement. Requirements with respect to magnetic media broker reporting, and revenue procedures describing the format for magnetic media reporting were recently published by the Treasury.
8. Attachment of duplicate information returns	Under present law, information returns need not be provided to payees on separate Forms 1099. Rather, such information may be provided to payees on end-of-the-year business statements (such as bank statements). In addition, there is no requirement that taxpayers attach duplicates of the Forms 1099 they have received with respect to interest, dividend, or patronage dividend income to their returns.

House bill	Senate amendment
No provision.	a. *Explanation.*—Under the Senate amendment, any person including individuals, estates, and trusts, required to file more than 50 returns with respect to payments of interest, dividends, or patronage dividends for any calendar year, must file all such returns on magnetic tape. In addition, such returns must be filed with the Secretary no later than January 31 of the calendar year following the calendar year of payment. b. *W-2 study.*—The Senate amendment also requires that the Secretary study the feasibility of requiring W-2s to be filed on magnetic media. This study must be reported to the Congress no later than January 1, 1984. c. *Effective date.*—The requirement that taxpayers filing more than 50 information returns with respect to payments of interest, dividends, or patronage dividends must file on a magnetic tape is effective for returns the due date for which (without regard to extensions) is after 1983. However, the Secretary may extend the effective date with respect to any person to returns due after 1984, in any case when application of the amendments prior to 1985 would cause undue hardship.
No provision.	*Explanation.*—Under the Senate amendment, any person receiving a Form 1099 with respect to interest, dividend, or patronage dividend income is required to attach a duplicate of that Form 1099 to his income tax return for the taxable year. These duplicate Forms 1099 must be provided to payees by payors on or before January 31 of the year following the calendar year in which the payment was made. Special rules are provided with respect to fiscal year taxpayers. An failure to atttach such a statement is subject to a penalty of $50 per failure, unless the failure is due to reasonable cause and not willful neglect. *Effective date.*—This provision applies to returns or statements due (without extensions) after 1983. However, if any return or statement otherwise subject to this provision is not required to include any payment of interest, dividends, or patronage dividends which is paid or credited after the date which is 30 days after the date of enactment, then this provision does not apply.

II. COMPARATIVE DESCRIPTION—Continued

Item	Present law
9. Payee penalties—willful evasion or avoidance of tax on interest, dividends, or patronage dividends	Under present law, any person who willfully attempts to evade or avoid any tax, or the payment thereof, is guilty of a felony and may be fined not more than $100,000 ($500,000 in the case of a corporation) or imprisoned for not more than 5 years, or both. Any person who willfully files a false or fraudulent exemption certificate with a payor claiming to be exempt from mandatory withholding on interest, dividends, or patronage dividends is subject to a criminal penalty of not more than $500, or not more than one year in jail, or both. Any person who willfully makes a declaration under penalty of perjury which he does not believe to be true and correct as to any material matter is guilty of a felony and may be fined not more than $100,000 ($500,000 in the case of a corporation) or imprisoned for not more than 3 years, or both.
10. Speedup for processing of information returns: appropriations	Not applicable.

House bill	Senate amendment
No provision.	*Explanation.*—Under the Senate amendment, any taxpayer who fails to include any amount of interest, dividends, or patronage dividends on a return when required to do so is subject to a penalty if the Secretary establishes that the taxpayer willfully attempted to evade or avoid the Federal income tax on such income. The penalty is equal to $1,000 for such taxable year. *Effective date.*—This provision is effective with respect to taxable years beginning after 1982.
No provision.	*a. Speedup of processing and notice.*—To make the backup withholding provision of the Senate amendment more effective, the Secretary is required to implement a program with respect to taxable years beginning after 1982 which will result in the processing of information returns received by the Secretary with respect to the payments of interest, dividends, or patronage dividends in such time as it is necessary to notify taxpayers within 15½ months of the close of the calendar year with respect to which the returns are received of any disparities revealed by the returns. To provide for the implementation of this requirement, the Senate amendment authorizes such amounts as may be necessary to carry out the provisions of the Senate withholding repeal, and contains a sense of the Congress statement that such appropriations as may be necessary to carry out the provisions of such Senate amendment should be appropriated by Congress. The Secretary is required to report promptly on any additional appropriations necessary to carry out this processing and notification speedup.

II. COMPARATIVE DESCRIPTION—Continued

Item	Present law
10. Speedup for processing of information returns; appropriations—Con.	
11. Revenue effect ***a. Repeal of mandatory withholding***	
b. Back-up withholding	

House bill	Senate amendment
	*b. **Sufficient funds are prerequisite.***—However, the Secretary is not obligated to carry out the accelerated matching program with respect to information returns if sufficient funds for that program are not specifically appropriated for any fiscal year. In such case, the Secretary must implement the program only to the extent warranted by a decision as to the costs and benefits of alternative programs, and the Secretary must notify the Congress for that fiscal year of his determination and the reasons therefor. If sufficient funds are not specifically appropriated to carry out the provisions of the Act for any fiscal year (including imposition of backup withholding on failure to report or underreport more than $50, or such lesser amount as may be specified by the Secretary), then the Secretary of the Treasury must implement the act in accordance with his managerial decisions of the costs and benefits to be derived therefrom. In any such case, the Secretary must report to the Congress with respect to the allocation of the Internal Revenue Service's resources.
It is anticipated that the repeal of withholding on interest and dividends will reduce fiscal year budget receipts by $0.3 billion in 1983, $2.5 billion in 1984, $2.5 billion in 1985, $2.5 billion in 1986, $2.7 billion in 1987, $2.9 billion in 1988, with a total of $13.4 billion for years 1983 through 1988.	Same as House bill. It is anticipated that if adequate funding is provided to the Internal Revenue Service, the compliance portions of the Senate amendment would increase fiscal year budget receipts by $0.3 billion in 1985, $0.9 billion in 1986, $1.7 billion in 1987, $2.0 billion in 1988, with a total of $4.9 billion for years 1983 through 1988.

II. COMPARATIVE DESCRIPTION—Continued

Item	Present law
Caribbean Basin Provisions (Title II of House Bill and Senate Amendment) Trade Provisions	
1. Authority to grant duty-free treatment	Certain products originating in all of the potential beneficiary countries (except Cuba) are eligible for limited duty-free treatment under the Generalized System of Preferences (GSP). This authority expires January 3, 1985.
2. Beneficiary country eligibility	None.

House bill	Senate amendment
The President may proclaim duty-free treatment for all eligible articles from any beneficiary country in accordance with the provisions of this title.	Same as House bill.
This authority shall take effect on the date of enactment and expires September 30, 1995.	
	Same as House bill, except:
(a) Upon notifying Congress, the President may designate eligible countries only from among the twenty-eight countries and territories or successor political entities listed in the bill.	(a) Deletes Cuba from list of eligible countries.
(b) The President shall not designate a country if: (1) it is a communist country; (2) it fails to meet certain specified criteria regarding expropriation or nationalization; (3) it fails to act in good faith in recognizing an arbitral award; (4) it affords reverse preferences to products of developed countries other than the U.S. and the adverse effects of those preferences are not neutralized; (5) if a government-owned entity is broadcasting without consent material belonging to U.S. copyright owners; and (6) unless the country is party to an agreement with the U.S. regarding extradition.	(b) Adds requirement that a country must cooperate with U.S. efforts to interdict unlawful narcotics trafficking.
(c) The President may waive the first three conditions, if he determines and reports to Congress that the designation is in the U.S. national economic or security interest.	(c) Includes the unauthorized broadcasting criterion among the conditions the President may waive.
(d) The President is further required to take into account certain factors in determining whether to designate any particular country, including such factors as the extent to which such country affords reasonable access to U.S. products and observes international trading rules; economic conditions in the country; the degree to which workers enjoy reasonable workplace conditions and collective bargaining rights; the extent to which the country is prepared to cooperate in the administration of the CBI; and the extent to which a country prohibits its nationals from broadcasting copyrighted materials without permission, or provides adequate and effective means for foreign nationals to secure, exercise and enforce exclusive rights in intellectual property.	(d) Same as House bill, except no provision on intellectual property rights.
(e) The President must withdraw or suspend the designation of any country if as a result of changed circumstances it would be barred from designation. Before *terminating* the designation, however, the President must provide the Congress advance notice of his intention to terminate, together with the consideration entering the decision.	(e) Same as House bill.

Item	Present law
3. Eligible articles	
a. Rules of origin	
b. Exempt products	
c. Food production	
d. Sugar	

House bill	Senate amendment
a. Unless otherwise excluded, all products receive duty-free treatment if: (1) They are imported directly from a beneficiary country. (2) At least 35 percent of the products value consists of materials or direct processing costs added in beneficiary countries (except that up to 15 percent of U.S. value may be counted toward this 35 percent minimum). (3) In the case of articles not wholly the product of a beneficiary country, they are substantially transformed to a new and different article of commerce in a beneficiary country. Simple combining, packaging or diluting operations are disqualified.	a. Same as House bill.
b. Duty-free treatment "shall not apply to" textile and apparel articles which are subject to textile agreements; petroleum products; footwear, handbags, luggage, flat goods, work gloves, and leather wearing apparel not eligible for GSP as exemptions; and tuna.	b. Same as House bill except the following items are also exempt: (1) Rum valued at below $3 per proof gallon, except for the first 200,000 gallons from any eligible country *provided:* that this amount may be increased by 10 percent annually unless rum shipments to the U.S. from the Virgin Islands fall below 95 percent of their 1982 level, and (2) watches or watch parts of whatever type containing any material which is the product of countries not eligible for column 1 treatment (most Communist countries).
c. Beneficiary nations must implement "Stable Food Production Plans" as a condition of maintaining eligibility. The President must suspend eligibility if a country doesn't submit or implement an adequate plan. The President must report to the Congress every two years on these plans.	c. Same as House bill.
d. Sugar is eligible for duty-free treatment. However, where there is a Presidential Proclamation under section 22 of the Agricultural Adjustment Act to protect the sugar price support program, CBI sugar imports are subject to certain limits. The three largest sugar suppliers (Dominican Republic, Guatemala, Panama) would receive absolute quotas while other countries would be subject to existing GSP or other quotas negotiated by the President. The President would have authority to expand or contract all limits depending upon market conditions.	d. Same as House bill.

II. COMPARATIVE DESCRIPTION—Continued

Item	Present law
3. Eligible articles—Con. *e. Import relief*	Section 201 of the Trade Act of 1974 (19 U.S.C. 2251) authorizes the International Trade Commission, upon petition by an entity that is representative of an industry, to conduct an investigation into whether an article is being imported in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing a like or directly competitive article. Upon an affirmative ITC determination, the President may proclaim temporary import relief measures, including higher duties.
4. Measures for Puerto Rico and U.S. Insular areas *a. Rules of origin*	a. Headnote 3(a) of the Tariff Schedules of the United States (TSUS) at present provides for duty-free treatment of imports from the insular possessions if the foreign value does not exceed 50 percent, or if the article is GSP-eligible.
b. Duty-free entry of distilled spirits	b. U.S. residents returning to the U.S. from an insular possession may enter with 4 liters of distilled spirits duty-free, if 3 are acquired in the possessions.
c. Transfer of rum excise taxes	c. The United States imposes excise taxes of $10.50 per proof gallon on all distilled spirits, including rum, manufactured in or brought into the United States. The excise taxes paid on rum made in Puerto Rico and the U.S. Virgin Islands and brought into the United States are transferred to the Treasury of the island where the rum was made.
d. Repeals section 1112 of Trade Agreements Act of 1979	d. Section 1112 of the 1979 Trade Agreements Act authorizes the President to seek appropriations to be paid to the government of a U.S. possession if he determines that their excise tax revenues have been reduced as a result of concessions made in the multilateral trade negotiations.
e. Preservation of coffee tariff	e. The Commonwealth of Puerto Rico retains authority to impose separate duties on coffee imported there pursuant to section 319 of the Tariff Act of 1930.

House bill	Senate amendment
e. The President may suspend duty-free treatment for any article and set new rates under the standard import relief provisions of the Trade Act of 1974 (sections 201-203) or under national security provisions (section 232 of the Trade Expansion Act). Specific findings regarding CBI imports will be made during the course of normal import relief proceedings to allow a range of Presidential action concerning such imports. An *emergency relief* procedure is established for "perishable products" which would allow restoration of normal duties within 21 days pending a finding on final import relief.	e. Same as House bill except for: (1) Differences in organization and format of import relief provisions, and (2) addition of citrus concentrate to list of products eligible for emergency relief.
a. Amends TSUS general headnote 3(a) to provide that articles imported from U.S. insular possessions shall receive duty treatment no less favorable than treatment afforded CBI beneficiaries and increase permissible foreign content from 50 percent to 70 percent for all products except. Those exempt under CBI.	a. Same as House bill.
b. Amends TSUS item 813.31 to increase the allowable duty-free entry to 5 liters of distilled spirits, provided one liter is ~~purchased~~ produced in such possession.	b. Same as House bill.
c. If the sum of the excise taxes on rum covered into the Puerto Rican and Virgin Island treasuries pursuant to this bill is reduced below the amount that would have been covered over if the imported rum had been produced in Puerto Rico or the Virgin Islands, the President shall consider compensatory measures and may withdraw duty-free treatment on rum. The President must submit a report to Congress on the measures he takes.	c. Same as House bill.
d. Repeal section 1112 of Trade Agreements Act	d. Same as House bill.
e. CBI duty-free treatment will not affect duties on coffee imported into Puerto Rico imposed by the Puerto Rican legislature pursuant to section 319 of the Tariff Act of 1930	e. Same as House bill.

II. COMPARATIVE DESCRIPTION—Continued

Item	Present law
f. Import relief for possessions' producers	f. Section 201 of the Trade Act of 1974 (19 U.S.C. 2251) authorizes the International Trade Commission, upon petition by an entity that is representative of an industry, to conduct an investigation into whether an article is being imported in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing a like or directly competitive article. Upon an affirmative ITC determination, the President may proclaim temporary import relief measures, including higher duties. In certain circumstances, the ITC may treat as the domestic industry one or more producers in a particular geographic area.
g. Rum stillage pollution exception	g. Provisions of the Federal Water Pollution Control Act apply to discharges from sources in the insular possessions.
5. International Trade Commission Report	No provision.
6. Impact study by Secretary of Labor	No provision.

House bill	Senate amendment
f. Clarifies the term "industry" for import relief purposes, so that producers located in U.S. insular possessions are included	f. Same as House bill.
g. No provision.	g. Exempts nontoxic rum stillage discharges in the Virgin Islands from certain provisions of the Federal Water Pollution Control Act if the discharges are 1500 feet from shore and are determined by the Virgin Islands Governor not to constitute a health or environmental hazard.
The International Trade Commission "shall prepare and submit to Congress and the President" periodic reports on the impact of this Act on U.S. industries and consumers. Such reports shall commence two years from enactment and cover each year thereafter. Each report shall include an assessment of the actual effects during the period covered by such report and the probable future effect. The Commission shall consider various enumerated factors pertaining to production, trade, and consumption.	Same as House bill.
The Secretary of Labor, in consultation with appropriate agencies, shall undertake a continuing review and analysis of the impact of CBI on U.S. Labor and make an annual written report to Congress on the results of such review and analysis.	No provision.

II. COMPARATIVE DESCRIPTION—Continued

Item	Present law
7. Feasibility study regarding a Caribbean Trade Institute	No provision.
8. Sense of the Congress regarding sugar imports	Under present law, sugar imports from Cuba a[illegible] subject to total embargo.

House bill	Senate amendment
The Secretary of State shall prepare a study regarding the feasibility of establishing a Caribbean Trade Institute in Harlem, New York City, supported by a combination of Federal and private funds. The study shall include an assessment of several enumerated factors. The study must be submitted to Congress within 6 months of enactment.	No provision.
No provision.	Declares it the sense of the Congress that sugar from any Communist country in the Caribbean Basin or in Central America should not be imported into the United States.

II. COMPARATIVE DESCRIPTION—Continued

Item	Present law
Tax Provisions	
1. Rum excise taxes	The United States imposes excise taxes of $10.50 per proof gallon on all distilled spirits, including rum, manufactured in or brought into the United States. The excise taxes paid on rum made in Puerto Rico and the U.S. Virgin Islands and brought into the United States are transferred to the Treasury of the island where the rum was made.
2. Deduction for Caribbean conventions	The Internal Revenue Code generally disallows deductions for business expenses incurred while attending a convention held outside the North American area (the United States, the U.S. possessions, the Trust Territory of the Pacific Islands, Canada and Mexico). Expenses incurred while attending a convention in Jamaica are deductible by treaty. Deductions for attending conventions held outside the North American area are otherwise allowable only if the taxpayer can show that it was as reasonable to hold the convention outside the North American area as within it. The United States has significant problems obtaining from some Caribbean Basin countries information needed to enforce U.S. tax laws.

House bill	Senate amendment
Explanation.—All excise taxes collected on foreign rum brought into the United States (whether or not from Caribbean countries) would be transferred to the Treasuries of Puerto Rico and the Virgin Islands. The Secretary of the Treasury would prescribe a formula for allocating these taxes between Puerto Rico and the Virgin Islands. *Effective date.*—The bill would apply to rum imported into the United States after June 30, 1983. *Revenue effect.*—It is estimated that this provision would reduce fiscal year receipts by $2 million in 1983, and by about $10 million annually during the period 1984–1988.	Same as House bill.
Explanation.—The bill would allow business expense deductions for attending conventions held in Caribbean countries, that met the following criteria. First, the country would have to be a "beneficiary country" designated by the President as provided in the trade portion of the bill, or Bermuda. Second, the country would have to enter into an executive agreement with the United States to provide, on a reciprocal basis, for information relating to U.S. tax matters to be made available to U.S. tax officials. The agreement would have to apply to both civil and criminal tax matters. It would have to override any local rules requiring secrecy about the ownership of bank accounts or bearer shares. Third, no deduction would be available for attending a convention in a country that discriminates in its tax laws against conventions held in the United States.	*Explanation.*—The Senate amendment is the same as House bill, except as to the second criterion—relating to the exchange of tax information—for convention treatment. Under the Senate amendment, exchange of bearer share and bank account information for civil tax purposes would not be a necessary part of the agreement if the President determines that such an exception to the standards for an exchange of information agreement is in the security interest of the United States and if the Secretary of the Treasury determines that such an agreement satisfying the modified standards would assist the administration and enforcement of U.S. tax laws. The Senate amendment would retain, as a prerequisite to convention treatment, the requirement that the Caribbean country agree to exchange bearer share and bank account information for criminal tax purposes.

II. COMPARATIVE DESCRIPTION—Continued

Item	Present law
13. Report with respect to use of Caribbean Basin tax havens	

House bill	Senate amendment
Effective date.—This provision would apply to conventions beginning after June 30, 1983, but only if an exchange of information agreement were in effect on the day the convention began.	*Effective date.*—Same as House bill.
Revenue effect.—It is estimated that this provision would reduce fiscal year receipts by less than $5 million per year.	*Revenue effect.*—Same as House bill.
Explanation.—The House bill would require the Secretary of the Treasury to report on the level at which Caribbean Basin tax havens are being used to evade or avoid Federal taxes and the effect on Federal revenues of such use, on any information he may have on the relationship of such use of drug trafficking and other criminal activities, and on current anti-tax haven enforcement activities of the Department of the Treasury. This report would be due 90 days after the date of enactment.	No provision.
Effective date.—Date of enactment.	
Revenue effect.—No estimate is available.	

II. COMPARATIVE DESCRIPTION—Continued

Item	Present law
C. Enterprise Zone Tax Provisions (Title III of Senate Amendment)	
1. Designation of enterprise zones	No provision.

House bill	Senate amendment
No provision.	*a. Designation process.*—An area is nominated as an enterprise zone by one or more local governments and the State or States in which it is located. The Secretary of Housing and Urban Development (Secretary), after consultation with other federal officials, designates enterprise zones from the pool of nominations. *b. Number and time of designations.*—No more than 75 enterprise zones may be designated. Designations must be made within the 3-year period beginning October 1, 1983, or, if later, the first day of the first month after the effective date of regulations governing the designation process. At least one-third of the zones must be outside a metropolitan statistical area, within jurisdictions of local government having a population under 50,000, or found to be rural areas. *c. Period of effect of designation.*—Any designation will remain in effect from the designation date to the earliest of December 31 of the year 24 years later, the date stipulated in the nomination application, or the date it is revoked by the Secretary because the State or local government is not complying with commitments it made in submitting the nomination. The designation is not effective until an inventory of historic properties within the area is submitted. *d. Area requirements for designation.*—A designation may not be made unless the area has— (1) a continuous boundary; (2) a population of at least 1,000 (4,000 if any part of a nonrural area is located in a metropolitan statistical area of 50,000 or more people) or is substantially within the jurisdiction of an Indian government or reservation; (3) pervasive poverty, unemployment and general distress, and is located wholly within an area which meets the requirements for Federal urban development action grants (UDAG); and (4) generally, an unemployment rate at least 1½ times the national rate, a 20-percent or higher poverty rate in each census tract, a 20-percent or greater decline in population between 1970 and 1980, or at least 70 percent of households have incomes under 80 percent of the median income in the jurisdiction of the nominating local government. *e. State and local government commitments required for designation.*—A designation may not be made unless the local governments and State in which an area is located commit themselves to a specified course of action for reducing burdens borne by employers and employees in the area. Substantial noncompliance with the commitments may result in the designation being revoked.

II. COMPARATIVE DESCRIPTION—Continued

Item	Present law
C. Enterprise Zone Tax Act—Con. 1. Designation of enterprise zones—Con.	
2. Tax credit for zone employers	No special tax incentives are provided to employers based on the location of their employees or their change in employment. However, the targeted jobs credit is available on an elective basis for wages paid to individuals who (1) begin work for an an employer before January 1, 1985, and (2) are included in one of nine categories of economically disadvantaged or handicapped individuals and public assistance recipients. The credit is 50 percent of the first \$6,000 of wages paid in the first year of employment and 25 percent in the second year of employment. Thus, the maximum credit is \$3,000 per individual in the first year of employment and \$1,500 in the second year of employment.

House bill	Senate amendment
	f. Criteria for making designations.—In choosing among nominated areas, the Secretary is required to give special preference where the nominating governments have made the strongest and highest quality of contributions to a course of action, taking into account the fiscal capacity of the State and local governments. The Secretary also is required to give preference to areas and nominations that have certain other characteristics, including high levels of poverty, unemployment and general distress, and most effective guarantees that proposed courses of action will be carried out. *g. **Reporting requirements.***—The Secretary must submit reports at 4-year intervals concerning the effects of designating areas as enterprise zones. *h. **Interaction with other Federal programs.***—Any reduction in State or local taxes under a required commitment will be disregarded for purposes of determining the eligibility for, or the amount of, assistance under any federal program, including general revenue sharing. Designation of an enterprise zone will not constitute an action which makes available assistance under the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 or which triggers requirements of the National Environmental Policy Act or other provisions of Federal law relating to the protection of the environment.
No provision.	Employers are eligible for a two-part nonrefundable tax credit. Unused credits may be carried back 3 years and forward 15 years or the remaining life of the zone, whichever is larger. The deduction for wages is reduced by the amount of the credit. *a. Credit for increased enterprise zone employment.*—The first part of the credit is equal to 10 percent of the excess of qualified wages paid or incurred to qualified employees in all enterprise zones, other than wages taken into account for the credit described below, over qualified wages paid in the zones during the base period, which generally is the 12-month period before zone designation. For purposes of this credit, qualified wages for each employee may not exceed 2½ times the FUTA wage base (currently $7,000) in effect for the calendar year.

Item	Present law
C. Enterprise Zone Tax Act—Con. 2. Tax credit for zone employers—Con.	
3. Tax credit for zone employee	No provision.

House bill	Senate amendment
	*b. **Credit for wages paid to disadvantaged individuals.***—The second part of the credit is available with respect to wages paid to qualified disadvantaged employees (members of economically disadvantaged families and individuals qualifying for AFDC and general assistance), other than those with respect to whom an employer is claiming the targeted jobs credit, who are hired after the date of zone designation. The credit is available for a total of seven years of employment for each employee and is equal to 50 percent of qualified wages for services performed during the first 36 months of work in an enterprise zone; the credit rate is reduced by 10 percentage points for each succeeding 12-month period.
	*c. **Qualified wages.***—For purposes of both parts of the credit, qualified wages generally include amounts subject to FUTA (Federal Unemployment Tax Act), without regard to any dollar limit.
	*d. **Qualified employees.***—For purposes of both parts of the credit, a qualified employee is any employee (1) 90 percent or more of whose services directly relate to the conduct of trade or business in an enterprise zone and (2) at least 50 percent of whose service for the employer is performed within a zone.
No provision.	Qualified employees, as defined for purposes of the tax credit for employers, are entitled to a nonrefundable tax credit equal to 5 percent of qualified wages for the taxable year. For purposes of this credit, qualified wages may not exceed 1½ times the FUTA wage base (currently $7,000) in effect for the taxable year. The credit is not available for wages received from governments.

II. COMPARATIVE DESCRIPTION—Continued

Item	Present law
C. Enterprise Zone Tax Act—Con.	
4. Investment tax credit for zone property	***Regular investment tax credit.***—A regular investment tax credit is allowed for investment in tangible personal property and other tangible property (generally not including buildings) used in connection with manufacturing, production, or certain other activities. The amount of the credit is 6 percent for eligible property in the 3-year recovery class and 10 percent for other eligible property. ***Qualified rehabilitation expenditures.***—A 15-percent tax credit is allowed for qualified rehabilitation expenditures on nonresidential buildings at least 30 years old (20 percent for buildings at least 40 years old and 25 percent for certified historic buildings). ***Carryover of unused credits.***—Unused credits may be carried back 3 years and forward 15 years.
5. Elimination of capital gains taxation	*a.* ***Noncorporate capital gains.***—For a noncorporate taxpayer, 40 percent of net capital gains (i.e. the excess of net long-term capital gain over net short-term capital loss) are includible in adjusted gross income. ***Corporate capital gains.***—An alternative tax rate of 28 percent applies to a corporation's net capital gain if the tax computed using that rate is lower than the corporation's regular tax. (The highest regular corporate tax rate is 46 percent for income over $100,000).

House bill	Senate amendment
No provision.	*a. Zone personal property.*—An additional investment tax credit is allowed for tangible property (other than 15-year real property) acquired and first placed in service by the taxpayer in an enterprise zone and used predominantly in the active conduct of a trade or business in the zone. The amount of the additional credit is 3 percent for 3-year recovery property and 5 percent for 5-year property, 10-year property and 15-year public utility property. *b. New zone construction property.*—An additional 10-percent credit is available for 15-year real property acquired or constructed by the taxpayer in an enterprise zone, used predominantly in the active conduct of a trade or business (including the rental of real estate) within the zone, and for which the original use commences with the taxpayer. *c. Carryover of unused credits.*—Unused credits attributable to the additional enterprise zone percentages are carried forward for 15 years or the remaining life of the enterprise zone, whichever is longer. *d. Recapture.*—A portion of the additional credit for enterprise zone property is recaptured if, within a specified period, the taxpayer disposes of the property or removes it from or ceases to use it in a trade or business within the enterprise zone.
No provision.	*a. Elimination of capital gains taxation.*—The tax on net gain from sales or exchanges of qualified enterprise zone property otherwise eligible for long-term capital gain treatment is eliminated. Qualified enterprise zone property includes (1) real or tangible personal property used predominantly in the active conduct of a trade or business in an enterprise zone or (2) an interest in a qualified enterprise zone business. A qualified enterprise zone business is one which derives at least 80 percent of its gross receipts from the active conduct of a trade or business within an enterprise zone and substantially all of the tangible assets of which are located within a zone.

II. COMPARATIVE DESCRIPTION—Continued

Item	Present law
C. Enterprise Zone Tax Act—Con. 5. Elimination of capital gains taxation—Con.	*b. Minimum taxes.*—The reduced tax rates for capital gains are treated as preference items for purposes of the corporate and noncorporate minimum taxes.
6. Industrial development bonds (IDBs)	Interest on State and local issues of industrial development bonds (IDBs) is exempt from tax only if the bonds satisfy certain conditions. In general, interest on IDBs is tax-exempt if (1) the proceeds of the bonds are used to finance specified exempt activities, or (2) the bonds are small issue IDBs. *Small issue IDBs.*—The small issue exemption applies to issues of $1 million or less used for the acquisition, construction, or improvement of land or depreciable property. Alternatively, the amount of the issue, when added to capital expenditures made over a 6-year period and used by related users located within the same county or municipality, must not exceed $10 million. The small issue exemption will not apply with respect to obligations issued after December 31, 1986. *Cost recovery for property financed with tax-exempt IDBs.*—Subject to certain exceptions, the cost of property financed with tax-exempt IDBs must be recovered on a straight-line basis rather than by accelerated cost recovery (ACRS).
7. Tax simplification	No specific provision.

House bill	Senate amendment
	The tax exemption is not available to the extent that the gain is not properly allocable to periods during which the property or business is qualified enterprise zone property. In addition, with respect to a sale, or exchange of an interest in a qualified zone business, the tax exemption is not available to the extent the gain is attributable to (1) any property contributed to the businesses within the previous 12 months, (2) any interest in a business which is not a qualified business, or (3) any other intangible property not properly attributable to an active trade or business within any enterprise zone.
No provision.	*b. **Minimum taxes.***—Net capital gain attributable to qualified enterprise zone property would be excluded from classification as a tax preference for purposes of the corporate and noncorporate minimum taxes.
No provision.	The December 31, 1986, termination of the small issue exemption and the restrictions on cost recovery for property financed with tax-exempt IDBs do not apply to bonds used to finance enterprise zone property.
No provision.	It is the sense of Congress that the Internal Revenue Service should, in every way possible, simplify the administration and enforcement of the enterprise zone tax provisions.

House bill	Senate amendment
No provision.	*Regulatory Flexibility Act.*—The definition of small entity is expanded to include any qualified zone business, any government designating an area as an enterprise zone, and any not-for-profit enterprise operating within a zone. ***Waiver of rules.***—Federal agencies are given discretionary authority, at the request of a State or local governments, to relax or eliminate any regulatory requirements within enterprise zones except those affecting civil rights, safety and public health, or those required byt statute. ***HUD coordination.***—The Secretary of HUD is required to promote the coordination of programs under his jurisdiction and carried on in an enterprise zone.
No provision.	The Secretary of the Treasury and the Foreign Trade Zone Board are required to expedite any application for the establishment of a port of entry and foreign trade zone within an enterprise zone. *Effective date.*—The provisions relating to designations of enterprise zones, regulatory flexibility and foreign trade zones are effective on the date of enactment. The tax provisions generally are effective for taxable years ending after December 31, 1983. The effect of the enterprise zone provisions on receipts will depend on the number, size, and characteristics of the zones designated by the Secretary of Housing and Urban Development.

II. COMPARATIVE DESCRIPTION—Continued

Item	Present law
D. International Trade and Investment Act Provisions	
1. Negotiating authority re trade in services, high technology products and restrictions on foreign direct investment	No specific authority.
2. Trade negotiating advice from Advisory Committees	Provides for advice from the private sector.
3. Trade estimates and reports on barriers	Annual report on trade agreements program and on import relief and adjustment assistance for workers, firms, and communities.
4. Retaliatory authority	Provides that action may be taken against the products or services of the foreign country or instrumentality involved; President may modify trade agreement concessions and impose duties or other import restrictions.

House bill	Senate amendment
	Would provide specific negotiating authority: (a) to reduce or eliminate barriers to or distortions of international trade in services and to develop internationally agreed rules, including dispute settlement procedures, to reduce or eliminate such barriers; (b) to reduce or eliminate artificial or trade distorting barriers to foreign direct investment and the development of rules, including dispute settlement procedures to ensure the free flow of foreign direct investment, and the reduction or elimination of the trade-distortive effects of certain investment related trade measures; (c) to maintain and preserve openness of trade and investment in high technology products and related services, to eliminate or reduce distorting effects of foreign government actions which distort high technology trade; and (d) to obtain reduction, or elimination of all tariffs and barriers on U.S. exports of high technology products, to obtain commitments to foster national treatment and to provide minimum safeguards for the acquisition and enforcement of intellectual property rights.
	Would authorize establishment of intergovernmental advisory committees.
	Would require annual national trade estimates on significant barriers to the exportation of U.S. goods and services and restrictions on U.S. foreign direct investment; USTR required to identify, through TPC, significant barriers or distortions, estimate their impact, and report actions taken to eliminate barriers; consultations with congressional committees required on trade policy priorities to enhance market opportunities; report required within 1 year of enactment and annually thereafter.
	Would clarify President's authority by substituting "goods" for "product" and "sector" for "service"; President's authority may be exercised without regard to whether or not such goods or sector were involved in the act, policy or practice identified; President's authority clarified to impose restrictions notwithstanding authority of an independent agency; President authorized to propose "fast track" legislation as part of his retaliatory powers.

II. COMPARATIVE DESCRIPTION—Continued

Item	Present law
D. International Trade and Investment Act Provisions—Con.	
5. Definition of commerce	Services associated with international trade.
6. Definition of unreasonable, unjustifiable and discriminatory	Undefined.
7. Initiation of Section 301 petitions	President may take action as a result of petition-initiated investigation, or on his own motion.
8. Initiation of international consultations	Consultations are initiated on same date as section 301 investigation is instituted.
9. Treatment of business confidential information	No specific exception for information submitted in connection with Trade Act investigations.
10. Definition of international trade	No reference to foreign direct investment

House bill	Senate amendment
	Would include foreign direct investment by U.S. persons with implications for trade in goods and services. Would define: (a) "unreasonable" as any act, policy, or practice which, while not necessarily in violation of or inconsistent with the international legal rights of the United States, is otherwise deemed to be unfair and inequitable, including, but not limited to, any act, policy, or practice which denies fair and equitable—(A) market opportunities; (B) opportunities for the establishment of an enterprise; or (C) provision of adequate protection of intellectual property rights; (b) "unjustifiable" as any act, policy, or practice which is in violation of, or inconsistent with, the international legal rights of the United States, including, but not limited to, any act, policy, or practice described above which denies national or most-favored-nation treatment, the right of establishment, or protection of intellectual property rights; (c) "discriminatory" where appropriate as any act, policy, or practice which denies national or most-favored-nation treatment to United States goods, services, or investment. Would authorize USTR to self-initiate section 301 investigations as a foundation for advice to President. Would authorize us up to 90-day delay in initiation of consultations. Would exempt business confidential information requested or received by USTR in aid of Trade Act investigations from FOIA. Would specifically include foreign direct investment by U.S. persons, especially if such investment has implications for goods and services.

II. COMPARATIVE DESCRIPTION—Continued

Item	Present law
D. International Trade and Investment Act Provisions—Con.	
11. **High technology exports**	No specific provision.

House bill	Senate amendment
	Would authorize President to enter bilateral or multilateral agreements as may be necessary to achieve objectives relevant to high technology products; President given 5-year authority to eliminate duties on certain high technology items.

II. COMPARATIVE DESCRIPTION—Continued

Item	Present law
E. Other Tax Provisions (Title V of Senate Amendment)	
1. Permanent extension of tax exemption for interest on qualified mortgage bonds	The Mortgage Subsidy Bond Tax Act of 1980 imposed restrictions on the ability of State or local governments to issue bonds, the interest on which is tax-exempt, for the purpose of making mortgage loans on single-family residences. The 1980 Act provides that interest on mortgage subsidy bonds is exempt from taxation only if the bonds are "qualified veterans' mortgage bonds" or "qualified mortgage bonds." One of the requirements of "qualified mortgage bonds" is that they be issued before January 1, 1984.

House bill	Senate amendment
No provision.	***Explanation.***—The Senate provision makes permanent the tax exemption presently provided for interest on qualified mortgage bonds. ***Effective date.***—The Senate provision is effective for bonds issued after December 31, 1983. ***Revenue effect.***—It is estimated that this provision will reduce fiscal year budget receipts by \$0.1 billion in 1984, \$0.2 billion in 1985, \$0.5 billion in 1986, \$0.8 billion in 1987, and \$1.2 billion in 1988.

II. COMPARATIVE DESCRIPTION—Continued

Item	Present law
E. Other Tax Provisions (Title V of Senate Amendment)—Con.	
2. Discharge of residential mortgage debt	Under present law, the amount of any discharged indebtedness is includible in income in the year of the discharge. However, if the debt was incurred in connection with property used in a trade or business (or if the taxpayer is bankrupt or insolvent), certain of the taxpayer's tax attributes may be reduced in lieu of recognizing income. In Revenue Ruling 82-202, the Internal Revenue Service ruled that a financially solvent taxpayer realizes income when he or she prepays the mortgage on a personal residence at less than the outstanding principal balance. The ruling involved a financial institution which offered a 10 percent discount for prepayment of existing low-interest mortgages.

House bill	Senate amendment
No provision.	*Explanation.*—For 1982 only, the Senate amendment provides for the exclusion from gross income of discharged mortgage indebtedness on an individual's principal residence. The taxpayer's basis in the residence would be reduced by the excluded amount. If the taxpayer subsequently disposes of the residence in a taxable sale or exchange, any gain recognized would be recaptured as ordinary income to the extent of the previously excluded amount (i.e., the amount of discharged mortgage indebtedness). For 1983 and 1984, the amendment provides that the Internal Revenue Code shall be applied without regard to Revenue Ruling 82-202 or to any other ruling reaching the same or a similar result. The amendment further provides that it is the sense of Congress that permanent legislation be enacted which addresses the tax consequences of discharged mortgage indebtedness. *Effective date.*—The amendment is effective with regard to discharges of mortgage indebtedness occurring in calendar years 1982, 1983 and 1984. *Revenue effect.*—The provision is estimated to reduce fiscal year budget receipts by $0.3 billion in 1984 and $0.1 billion in 1985.